

# Body of Evidence

*In a video interview, Harmen Overdijk, founder and managing director of Capital Company, explains his company's philosophy and the reliance placed on the evidence-based investing techniques that he has adopted*



HARMEN OVERDIJK  
Capital Company

**EVIDENCE-BASED INVESTING** is a portfolio concept developed over the past few decades but is now coming to the fore in wealth management circles, according to Harmen Overdijk, founder and managing director of Capital Company in Hong Kong.

Overdijk's firm follows the gospel that he claims is now being adopted by a growing group of wealth management managers.

"The focus is on factors in the portfolio process that have proved to add value," Overdijk said. "We don't do anything unless there is evidence about adding value and we need to be disciplined, with a focus on costs."

Evidence-based investing makes use of passive funds via ETFs. But one key difference and is that passive investing will never out-perform the market, whereas evidence-based investing is aimed at adding value to the portfolio eventually.

Smart beta is another new kid on the block, which is defined as buying something that is different from the main index, usually furnished by ETF providers. Most smart beta funds focus on certain segments of the market and allow cherry picking of market factors to amalgamate into a portfolio.

"Our core philosophy maintains that it is very difficult for active funds to consistently deliver out-performance over the long term, plus it is more expensive," Overdijk said. "We believe the extra risk and cost of active funds is not worth the investment risk. Pure passive stocks may not be the way to go, so by using passive instruments you can create a portfolio with out-performance, without alpha risk and at less cost. It is clear markets and investor appetites are changing." ■