



Clarity. Perspective. Direction.

March 2008

## What our Analysts are Thinking

### **With A Little Help From My Friends**

*Web 2.0 technologies present a unique opportunity for self-directed, tech-savvy investors*

*By Eric Dolan, Project Director*

Glued to CNBC watching Cramer? Pouring through *The Wall Street Journal*? Wondering why you can see what people think of the dishwasher you're planning to buy at sears.com, but not what others think about the mutual fund where you're going to park half of your child's college savings? If only you could get some candid advice, or, better yet, could examine the moves of an investing maven.

Now you can.

A new breed of Websites has leveraged the power of Web 2.0 functionality, allowing investors to browse through the portfolios and activities of other investors. Whether you are interested in the moves being made at Lehman Brothers or just want to check out the portfolio of an investor who has similar assets and goals as you, sites like SocialPicks.com have it all on display. This new model is catching on across the Web<sup>1</sup> and is quickly attracting attention from investors and advisors alike.

At first, logging onto SocialPicks.com closely resembles myriad other investing sites, where performance data is joined by current news, analysis, and company information. However, after your initial glance, you notice that, in addition to performance data, user activity is displayed, ranked, and accessible to browse and scrutinize. Within this community, users contribute in two ways - they enter their stock trading activities and thoughts and also befriend and rate other users. With commenting, feeds, and a list of popular stocks that looks like a tag cloud (which is really cool), this site has got most of the requisite features of a standard social network.

### ***Who do I trust?***

SocialPicks believes that an emphasis on individual reputation instead of aggregate information will prevent much of the gaming that critics of social stock sites often critique. Much like a seller's "feedback score" on ebay, that is calculated based on buyer ratings, site contributors on SocialPicks have reputations to uphold as well. Reputations are built according to a user's percentage of winning picks, quality of insights as judged by the community, and number of trades made. Grades assigned to basic the components of investment choices determine a contributor's status in the SocialPicks community.

### ***What can I see?***

In the SocialPicks community, top performing members (a.k.a. Investors Next Door) are deemed "rock stars." Their stats are displayed to illustrate historic and recent performance as well as their status in the SocialPicks community. Visitors can filter their search for community peers based on investment goals and styles, demographic information, or investment success rate.

In addition to "investors next door," who make up the life-blood of the SocialPicks community, members can also track the investment activities of moguls like Warren Buffet or gurus like Jim Cramer.

### ***Why share your sure things?***

You may be asking yourself why investors would be motivated to share their top picks and risk flooding their strategically selected investments with scores of amateur investors. For starters, not everything is out in the open. Users can develop private networks of friends, advisors, and peers where activity is not disclosed to the general population.

In a recent survey about current social networking trends and investing, advisors were asked about their reactions to this new technology. Conclusions based on summary findings stated:

Advisors are of the belief that many people want an easy way to share their knowledge with a small group of their friends in a structured way. [SocialPicks] is aiming for a del.icio.us model rather than a digg model<sup>2</sup>, they say. Moreover, the main part of their approach that prevents pump and dump activity is that they plan to institute activity monitoring that will notify users of suspicious behavior.

Furthermore, rookie advisors can also utilize the model to show their chops:

...in addition to small group collaboration, [SocialPicks] is a good place for would-be financial advisors to prove themselves in a public and transparent way. All too many market discussions go on in online forums, where there is no way to discern the veracity of advice.

### ***What does it mean?***

As boomers young and old continue to become more active investors who are more and more likely to be directly involved in the investment decision-making process, they will require tools that utilize the functionality they are accustomed to in other aspects of their increasingly technology-influenced lives. The emergence of Web 2.0 platforms is transforming the ability to connect with others from a fringe activity to a required step in many investors' research processes.

As investors become less reliant on a solitary advisor and continue to embrace online technologies, sites like SocialPicks will fill a growing need in the marketplace for peer validation, allowing investors to get by with a little help from their friends.

<sup>1</sup> See also: [www.feelingbullish.com](http://www.feelingbullish.com), [www.wealthmanagementexchange.com](http://www.wealthmanagementexchange.com), [www.stocktickr.com](http://www.stocktickr.com)

<sup>2</sup> For information about del.icio.us and dig models, click here: <http://www.searchenginejournal.com/digg-more-popular-than-delicious/4758/>