

# *BFI Perspectives*

*We cherish independent and rational analysis.*

## *Pivoting to Agility: An Investment Process for a Dynamic World*

*By Dirk Steinhoff*

*A lot has changed in our economic, geopolitical and financial environment over the last decade. Extreme political shifts and conflicts, de-globalization, central bank interventionism, escalating public and private debt, and almost incessant global crises of one kind or another have radically changed the rules of investing, especially in the last few years. Purely macroeconomic-focused or long-term oriented investment approaches simply do not work as well as they used to and much more dynamic, hands-on and responsive strategies are called for.*

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These changes understandably inspired us at BFI Infinity to adjust and transform our investment process over time as a way to evolve and meet the current, and upcoming, challenges. We have done so by combining disciplined top-down strategic allocations with sophisticated bottom-up analysis, leveraging advanced technologies, and incorporating the “wisdom of the crowd”.

What else has been at the root of this transformation, and what steps have we taken to stay ahead of the game? It’s not always easy to adjust your approach, but in today’s world, it’s been a necessity...

### *The need for an agile investment approach*

The aforementioned tectonic shifts in the global economic, monetary and geopolitical landscape have rendered much of the “received wisdom” of investing redundant. The whole idea of “buy and hold”, “set it and forget it”, and the “sell in May and go away”-type of investing is not only ineffective these days, but it is actually a great way to lose money. The broad macroeconomic trends and long-term fundamental analyses that were near-foolproof in the past have been replaced by shorter, much more volatile cycles that investors really need to pay attention to.

For example, increasingly aggressive and heavy-handed monetary and fiscal interventions have clearly proven that markets can be artificially propped up for much longer than most conservative investors could have ever anticipated. Geopolitical or economic shocks that resulted in deep corrections in the past, now tend to trigger only modest pullbacks. On the flip side, seemingly unimportant developments can cause serious disruptions in different regions or trend reversals in the outlook of entire sectors thanks to wider political uncertainty and frequent surprises that defy forecasts and models, no matter how credible and sound they seemed at the time of their development. Finally, technological advances, especially of the AI kind, have also added a new layer of complexity in virtually all areas of economic activity.

All of these considerations now require that investors adapt quickly and decisively to emerging risks and opportunities. In our view, the only way to survive and thrive in this environment is by embracing agility. How our investment framework morphed over time reflects precisely this new reality, by combining diligent research, technology, and systematic portfolio management.

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## *Where we are today: disciplined yet dynamic process*

Our investment process today is aimed at providing clarity while remaining adaptable to market shifts. Here's how it works:

### *1. Top-down strategic allocation*

At this initial stage, we establish our strategic foundation by prioritizing asset classes, geographies, and potential risk management measures. To complete this strategic allocation, we integrate:

- **Fundamental analysis:** We assess macroeconomic drivers such as GDP growth, inflation, monetary and fiscal policies, as well as structural trends like technological innovation or demographics. This analysis identifies regions and asset classes with strong growth potential or vulnerability to downturns.
- **Technical and momentum analysis:** We factor in price trends, market momentum, and investor sentiment. Technical indicators, like moving averages (MA) or relative strength indices (RSI), help guide timing decisions, while momentum analysis identifies areas of market strength or weakness.
- **Risk management:** We employ diversification and hedging strategies to maximize portfolio resilience to adverse scenarios.

This disciplined, top-down process helps us build a strategic roadmap which in turn sets the stage for precise investment selection.

### *2. Bottom-up investment selection*

At this stage, we identify specific investments that are aligned with the top-down framework, but that also generally stand out individually within a high scoring sector / sub-sector. This multi-dimensional approach combines:

- **Fundamental analysis:** We assess companies based on earnings, cash flow, valuation metrics like price-to-earnings or price-to-book ratios, and competitive positioning. These filters highlight investments that are fundamentally sound and have strong growth potential.
- **Technical analysis:** We examine price trends, chart patterns, and trading volumes to identify optimal entry and exit points.
- **Risk evaluation:** Each investment undergoes its own risk assessment.
- **Crowd wisdom:** We integrate insights from behavioral-, neuro- und evolutionary-finance.

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This ensures that selected investments are both fundamentally robust and tactically positioned to capitalize on short- to mid-term market dynamics.

### *3. Technology-driven decision making*

During our daily investment meetings, we incorporate cutting-edge technologies and specialized applications and tools. These include advanced analytics, a real-time data platform, and independent global financial market analysis that supports us in identifying high-potential investments, accurately monitoring various relevant market signals, and reliably assessing risks. These tools allow us to act swiftly and confidently, ensuring portfolios remain agile and adapt effectively to evolving conditions.

### *4. Systematic monitoring and adjustment*

Our strategies are systematically reviewed and, when needed, quickly adjusted based on market developments. This ongoing and vigilant oversight ensures that allocations remain aligned with our original strategic objectives, while it allows us to adapt to tactical opportunities or risks.

### *“Evolve or perish”*

This gradual shift to a more agile investment process over time has been a direct response to the complexities and uncertainties of today’s markets. Traditional long-term strategies often struggle to keep pace with this new reality, but our approach, rooted in top-down strategic allocation and multi-dimensional bottom-up analysis, is designed to successfully navigate all these modern challenges.

Despite all these shifts and changes in the global landscape, our goal at BFI has remained the same: “to protect and grow what is rightfully yours”, a mantra we’ve been living by for more than 30 years. We are confident that our approach will give us an even greater advantage in our efforts to achieve that for our clients as we set off into the next 30.

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## *About the Author*



**Dirk Steinhoff** is a Partner at BFI Capital Group and Chief Investment Officer of BFI Infinity, BFI SEC registered investment advisory firm. Dirk is a German engineer by background, which is easily recognized in his no-fluff style of work as an analyst and advisor to wealthy families and entrepreneurs.



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