AgentRisk: A Platform for High-Net-Worth Individuals with Active AI-based Trading Strategies

Site:	AgentRisk Europe AgentRisk USA
Established:	2016
Value proposition:	An automated wealth-management platform that combines the best aspects of robo-advisors and wealth managers.
Clients:	Individuals and high-net-worth individuals (HNWI)
The executive team:	Jon Vlachogiannis, Founder Niko Maroulis, Cofounder & Chief Technology Officer Rania Langouretou, Chief Compliance Officer

AgentRisk is a hybrid automated-investment platform that deploys nonspeculative strategies with lower fees (compared to wealth-management firms), daily liquidity, and no lock-up periods.

I was interested in this fast-growing startup and wanted to learn more, first-hand, from its founder, **Jon Vlachogiannis**. Jon considers his Greek name to be difficult for Americans to pronounce and so he prefers to be called Jon V. We met in Santa Monica and had a great discussion about AgentRisk. Jon explained how the idea came about, how the platform was built, and the company’s achievements.

Jon V is a serial entrepreneur; AgentRisk is his fourth startup and all of them have been built by the same team. Jon states that the team is very good at big data analytics, data analysis, and machine learning because the previous startup was acquired with a 20-times return to the investors. It was at this point that the team entered the wealth-management space and were unsatisfied with the service they received:

> "We went to the traditional banks and investment companies and we didn't like the way they create the portfolios [or] the way they communicate with the customers. And the transparency thing—they couldn't even tell us the exact fees that we would be paying when we're buying mutual funds, and I hated this."

When they looked at robo-advisors, the portfolios were not good or diversified enough and, thus, were not protected from the market downsides. Jon says that by automating wealth-management strategies, they hoped not just to protect their assets but to generate additional returns. Thus, the idea of another startup arose.

Dynamic risk management

The first thing that Jon mentions when talking about what makes their product different from other digital solutions is the client-behavior analytics that lead to dynamic risk management. This means that when a new customer starts using the system, the machine-learning model creates their profile according to a number of aspects (such as their frequency of using the dashboard and the devices that they use to log in). If the system then later detects unusual behavior patterns, the team receives notifications and can then talk to the customer to identify their current risk tolerance and change it if required:

> "All of a sudden you start displaying patterns outside of your original behavior. It might be that the stock market dropped down and you are very stressed. Or maybe there's an event in your life, a family event, like you have a new kid coming [or] you're buying a house. The machine tells us that something's going wrong. We talk to you and based on the risk provided by your answer, we can either take action or not. And we don't want the machine [to] randomly start reallocating assets because people change their behavior."

Jon highlights that unlike many other robo- and human-advisors, AgentRisk does not stop at the initial risk assessment, which is generally based on five questions.

Protection strategy

The machine-learning algorithm used by the platform allows AgentRisk to provide the options-layer strategy, which is another significant difference from most robo-advisors. The strategy enables AgentRisk to protect customers' assets from market drops and even give an additional return:

> "Without having an auto-strategy, this doesn't work—you just hope for the best. We sell options to get additional income. And, of course, we buy bonds if we want to protect assets."

The company partners with **Interactive Brokers** and executes trades through this custodian.

Working globally to offer diversified portfolios

The company's target customers are HNWI and ultra-HNWI. The account minimum is **$50,000** and this allows AgentRisk to buy more assets and create portfolios that are much more diversified than those of other existing solutions. Jon points out that they need to buy at least 100 items of the stock in order to build a better and diversified portfolio:

> “The portfolio becomes 100% efficient at around $450,000. Then we deploy strategies on all assets and you see significant returns from [the] assets that you already have in your account.”

Unlike the majority of financial advisors who have high exposure in the US financial market, AgentRisk diversifies portfolios into the US, European, Chinese, and Japanese markets. As a result, the company provides fully balanced global portfolios:

> “We are licensed by SEC [U.S. Securities and Exchange Commission] in the US and by CySEC in 31 countries in Europe. So our customers get global support.”

Clientele

AgentRisk has much more accounts in Europe and than in the US. Most of their European customers are family offices and their European customers are mainly focused on bonds because they are much safer.

Jon admits that since AgentRisk is new to the US market, it is difficult for them to enter the US stock market. However, he hopes to develop a big financial advisory clientele and deploy a family offices strategy in the US as well.

To acquire US customers, they use Google Ads and take part in road shows. In personal discussions, the team explain their strategies and prove the company’s high liquidity and full transparency. The 24/7 support is also a great benefit.

The company charges customers an annual fee equal to 0.6% of the market value of the customer’s assets under AgentRisk’s management.

Rebalancing

AgentRisk provides portfolio rebalancing every three to six months; the system balances each portfolio to bring it to the initial allocation. However, this may happen out of turn if an event is triggered by the behavior-analytics module, and a discussion with the customer confirms that their risk tolerance has changed:

> “If we’re identifying that the customer said that they’re very [risk-tolerant] and actually they’re very conservative, we will start balancing the portfolio after communicating with [them] about this.”

Jon calls this process the “active management of portfolios,” but this does not mean that the company buys and sells assets on a daily basis:

> “In Europe, we do more active management in a traditional way; we might sell and buy more often because there are no capital gains in specific Europe[an] countries. But here in the US, it’s much more difficult to do the same with the options.”

Under the hood

AgentRisk’s team includes 14 people, most of whom are software engineers. There are also two product managers and a few compliance and sales managers. The team is distributed between New York, Salt Lake City, and Europe.

For software development they use the **Google Cloud Platform** and for mobile development they use **ReactNative**. The team uses a custom proprietary system to develop, back-test and deploy strategies. For deployment they also use **Kubernetes** and **Docker**.

The product-management team uses **Hubspot CRM** to connect with their customers and receive their feedback and requests. Only those features that do not violate the system and other customers are developed. The development process is based on Agile principles and **JIRA** is used as an issue-tracking system. For stand-up meetings, they prefer **Hangouts**.

Final thoughts

AgentRisk provides an interesting B2C financial platform for HNWI. Owing to a rather high minimum to open and maintain an account, the company is able to build globally diversified portfolios, thereby protecting their customers' investments from market downturns and offering better returns. The company has recently entered the US market, but is still more popular in Europe. However, since the services are efficient and fees are transparent, the platform certainly has the potential for acquiring new customers.

INSART

Written by Vasyl Soloshchuk, CEO and co-owner at INSART, FinTech & Java engineering company. Vasyl is also the author of WealthTech Club, which conducts research into Fortune and Startup Robo-advisor and Wealth Management companies in terms of the technology ecosystem.