

Capitect: Portfolio Personalization Made Easy



Website: <http://www.capitect.com>

Key dates: Established in 2015

Clients: Financial advisors

Value proposition: Personalized portfolio construction and rebalancing tools

Senior management:

[Edwin Choi](#), Cofounder, CEO

[Greg Yee](#), Cofounder

Capitect is a relatively young company with big ambitions. They aim to take personalized portfolios to the next level by offering multi-level solutions that are open architecture, allowing their users—financial advisors—to keep their brand, investment strategies, custodians, and favorite technology tools.

Edwin Choi is a cofounder and the CEO of Capitect. He received his MS in financial math from NYU and a BS in mechanical engineering from UC Berkeley. He started his career in the financial industry at Merrill Lynch, where he worked as a derivatives trader. After starting his own firm in 2009, he realized that the technology available to advisors was falling behind. While keeping track of consumer-facing technologies and approaches (Edwin happens to be an angel investor in Betterment), he still did not see a strong focus on the advisor space. To fill this niche, Edwin partnered up with Greg Yee to found Capitect.



Identifying trends and standing above the clouds

Edwin pointed to fee sensitivity as a major trend in wealth management. He believes that advisors are being pressured by fees because prices are dropping across the board, especially with the entrance of new digital platforms. Advisors are driven to adopt better technology by competition and their clients' demands. Edwin said that from his perspective this means that advisors have to personalize the service being provided in order to differentiate themselves from digital platforms and preserve their premium fees. Capitect enables this by offering a personalized approach to modern portfolio management.

“When it comes down to the investment recommendation, a lot of times it’s just ‘We’re going to give you the moderately aggressive portfolio, number four out of five,’ or something very similar. I think there’s a lot of room for improvement in that area and, as a result, I think Capitect is well positioned to fill that need, as advisors decide that they need to provide a more personalized solution for the portfolios that they provide to their clients.”

This personalization trend extends into rebalancing solutions. Today, most are based on model portfolios. Capitect’s view on this is to give advisors the opportunity to transform their existing models into personalizable investment strategies in order to differentiate and improve their practice. So, at the end of the day, portfolio inputs are not based only on questionnaires and risk, but any number of inputs like taxes or preference for ESG. Edwin explained that there is still room for change in the industry, and definitely lots of room for growth.

What makes Capitect different?

Capitect can facilitate a more modern digital experience, but was designed for use by a human advisor. Unlike white-label robo-advisors, Capitect are not aiming for full automation. Instead, they want to augment the advisor–client human relationship to make it better and more streamlined. So rather than a pre-packaged robo-advisor, Edwin stated that Capitect is completely open architecture in terms of what investment strategies an advisor can use, how they want to organize reporting, and which technologies they want to use.

“We don’t see ourselves as a one-stop shop to get everything an advisor would need from start to finish. We just want to fill a few holes; where advisors can use our solution to fill those steps along the process, and they can continue to use the other technologies and tools they love and keep the custodian they’re currently happy with.”

To bridge the gap between digital and traditional wealth management, Capitect offers two solutions. The first is a client portal and portfolio reporting tool, which has an online user interface that is mobile friendly. It has performance and allocation reporting, client fee billing, and account aggregation; and includes all the elements that an advisor would want to present to their clients in a form that is fully customizable. Advisors can fully brand Capitect’s solutions to fit their preferences and what they want to focus on. The second solution is called Portfolio and Rebalance Architect. It allows advisors to build custom portfolios for every client, calculate trades, and then ultimately submit them to their custodian.

Capitect also has goal tracking and reporting—a way for clients to organize and set target goals for their accounts. The goal tracking feature lets the advisor or client group accounts to view and monitor reporting metrics, such as performance, allocation, and progress.

Multi-level customization

At its core, Capitect has two levels of customization. First, as part of the onboarding process for advisors, Capitect is set up to import existing portfolio strategies, whether they are model portfolios or custom portfolios. Essentially, this means that advisors can use any securities, any set of asset classes, and set up as many sliders as they want. Edwin explained that all of this can be done with zero lines of code, making the Capitect platform extremely flexible and easy-to-use.

The second level of customization is at the client level. The first step in onboarding an existing client is assigning them an investment strategy. Advisors can then assign the client a unique target portfolio based on any number of sliders the firm has set up. These inputs are invaluable for advisors because they can tweak and manage the specification of each client's portfolio through an easy-to-use visual interface.

“Some examples that we've seen advisors use as inputs are: equities versus bonds, taxable versus muni-bonds, ESG [environmental, social, and governance] funds versus traditional funds, or the use of factor-based funds versus market-cap funds. If they're using some type of core satellite approach, they can control the size of their core versus satellite on a client basis.”

Integrations and tech

Currently, Capitect fully supports **Schwab** and **TD Ameritrade**, with integration for **Pershing** and **Fidelity** coming soon. For CRM integration, **Redtail** and **Salesforce** are supported, with plans to add WealthBox in the near future. In terms of financial planning tools, Capitect is integrated with **MoneyGuidePro**, and tools like Income Conductor and RightCapital are on the short list. Edwin said that clients have tons of requests for various tools, like portfolio analytics, although Capitect currently only supports **Morningstar Advisor Workstation**.

The cool thing about Capitect is that it is not a closed system that forces advisors to use only the tools available in the solution. Advisors can use the rebalancing tool or the reporting tool separately. If they prefer to keep their reporting tool and just use the rebalancer, that is not a problem. In addition, Capitect aim to integrate their rebalancer so that it works with advisors' existing reporting systems.

Capitect's tech stack includes **Angular** and **Bootstrap** on the front-end, **Node** for back-end, and **PostgreSQL** for database management, as well as **Redis** for caching.

Product-management style

Edwin is based in Los Angeles, while his partner is in the Bay area. The rest of the team is located throughout the US. Capitect was developed in-house without outsourcing or use of contractors.

In terms of their product development lifecycle, Edwin said that they have a medium- to longer-term roadmap of what goals they want to achieve. For shorter-term feature development, Capitect follows an agile approach with a new release every two weeks. Most of the platform's features are driven by user feedback (from both existing and prospective users).

No challenge too big

A big obstacle that many startups face is time constraints. There is simply not enough time in the day to complete all of the things that Edwin and Capitect want to do; therefore, they try to balance the time spent on developing their solution and getting it in front of advisors. This is true for both product and business development.

For startups to be able to be in a position to allocate more time and resources, they sometimes have to bring in outside capital. Right now, Edwin and his team are contemplating whether to go for that option or to wait for organic growth and then scale the company that way. Obviously, the first option would allow Capitect to deliver improvements to their solution earlier.

WealthTech Club takeaways

Capitect is a promising startup that is reinventing how client portfolios are constructed and rebalanced. They are not in a rush to scale and are therefore focusing their attention on the product in order to make it as perfect and as useful as possible. The financial services industry is going through a period of accelerated evolution, and Capitect is at the forefront of these new changes.



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.