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Stock investments through the lens of a football coach

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Building a stock portfolio is akin to a coach assembling a football team.

When the opening match of this summer's European football tournament kicks off on 14 June, a global audience will tune in for a month-long footballing extravaganza. Since we are diving into the world of football this summer, we thought it fitting to view an investment portfolio through the eyes of a football coach. A coach must assemble a team where each player has a specific role: from the robust defenders strengthening the backline to the agile forwards leading the attack. Similarly, a portfolio manager must select stocks with different characteristics, each contributing to the portfolio's balance.

To be successful, a well-rounded team of players is needed, assigned roles that maximize their strengths and cover their weaknesses. In this context, we have categorized the stocks of our European regional "Equity Preference Lists" (EPLs) based on their beta values. Beta is a measure of historical volatility (risk) compared to the respective market. We have built equity preference lists for the Eurozone, Switzerland, the United Kingdom, and Germany into teams comprising "defenders", "midfielders", and "forwards".

Defenders consist of stocks with low beta values, meaning they are less volatile than the respective market. They offer stability and protection against market fluctuations. In a portfolio, they help preserve capital and minimize risk. We select stocks with a beta in the lowest quartile of the respective regional EPL, typically from sectors like utilities, consumer goods, or healthcare. Unsurprisingly, some players from the defensive Swiss stock market are also in the starting lineup's defense.

Forwards are stocks with high beta values, indicating greater volatility and higher return potential. Our team includes stocks with a beta in the fourth quartile of the respective regional EPL. Typically, these forward stocks come from sectors like information technology, cyclical consumer goods, energy, or industrials. Many names from the German stock market are potential forward candidates, presenting the coach with tough decisions for the starting lineup before the opening match.

Midfielders—the link between defense and attack—are stocks that offer both stability and growth potential. Many of them have betas around 1, meaning they historically reflect market performance. We have selected stocks that we believe offer superior risk-return potential in the future, from sectors like information technology, financials, industrials, and cyclical consumer goods. The midfield is heavily recruited from the Eurozone and the United Kingdom, the home of football, which consistently produces great midfield maestros.

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