

Reporting Stock Picks to the World at Covestor

Building Street Credibility

by Thomas D. Saler

If the Internet is a haven for voyeurs, it seems appropriate that the private investment decisions of ordinary people can now be seen by anonymous viewers worldwide. For those who have fancied themselves the next Peter Lynch, here's a chance to prove it — and to earn a few bucks in the process.

Thanks to a website that launched in June, professional money managers aren't the only ones whose every move can be scrutinized. "We give individual investors a way to build their reputations by creating verifiable track records of the activity that they are already doing in their portfolios," says Covestor co-founder Perry Blacher. "All of the trades are shared post-execution, so they really have nothing to lose by letting other interested investors know about it."

Investors willing to share their trading information (who are referred to as "leaders") with other investors ("followers") potentially could attract enough interested viewers to charge a fee for granting access to that information, Blacher says. Covestor plans to get a cut of those fees eventually, but not until the leaders have had more time to build legitimate track records.

Access to the site currently is limited to investors willing to share their trading information. But followers will be able to register for free access by this fall, Blacher says.

Leaders have two ways to share their trading information. They can provide Covestor with access to their brokerage accounts or upload brokerage statements showing their activity. For those worried about security, the privacy protections the site has in place are akin to those used in online banking, Blacher says. Members can share their record either publicly or only with other members.

If you buy the notion that worthwhile investment ideas aren't the sole province of professional managers, you might have plenty to gain by using the site. And some amateur leaders are off to a better start than some of the pros.

But it's still very early, and in any event, Blacher says the site isn't about identifying absolute performance. "It's

about sharing ideas," he says. "It's about people's investment goals being matched to investment niches."

The site lists plenty of niches. Covestor eventually will allow followers to screen for leaders based on roughly 70 criteria, Blacher says, including style (growth or value), frequency of trades, risk tolerance, industry or capitalization sectors and type of market. *(Editor's note: Readers interested in seeing what BetterInvesting members are buying and selling can access the Most Active List at the website's homepage; the trailing eight weeks' results are in "Performance Perspective," page 10. We encourage readers to record their own transactions at the site.)*

The Covestor executive also talks of bringing investment clubs into the digital age, where members aren't sitting around the kitchen table together but rather communicating over the Internet from different states or even different countries. "It's a way for a loose-knit collection of individuals to share their investment records and to work as a group regardless of where they are located," he says.

Covestor isn't the only company with this idea. TradeKing customers can have transactions executed at TradeKing published on the site's Community section.

The premise of Covestor is that the Internet has democratized the investment process. "Today, the average investor has the same tools and the same access to data as the professional does," Blacher says. "There is no substitute for hard work, but one person can only research so many stocks. It's a chance to invest alongside people who are good."

Even if they're not running a mutual fund or a hedge fund. Yet. **B**



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Websites of Interest

Covestor: www.covestor.com

TradeKing: www.tradeking.com