

Artificial Intelligence Alter Egos

Abstract

Robo-advising is a fast-growing application of financial technology (FinTech) solutions to asset and wealth management. We assess benefits from robo-advising using a unique data set covering brokerage accounts for a large cross-section of investors over a long time span, namely more than 10 years and more than 20,000 individuals using their investor-specific characteristics. We study robo-investors which shadow the individuals in our data set. They track each individual's portfolio over the past two years and make allocation decisions either based on a Markowitz mean-variance scheme or a 1/N rule. We call these robo-investors Artificial Intelligence Alter Egos, and study their portfolio return behavior vis-a-vis each of the individuals they shadow. We study the investor characteristics which determine who stands to gain from robo-advising.