

Startup Spotlight: This upstart thinks it can help you make money in the stock market

BY [JOHN COOK](#) on March 12, 2012 at 10:49 am

Startup Spotlight profiles emerging tech companies in the Pacific Northwest. Do you run a standout startup? [Apply for Startup Spotlight](#).



Can geeky algorithms beat the pros on Wall Street? Scott Juds, the founder of [SumGrowth Strategies](#), which is developing a new automated stock picker called SectorSurfer, thinks so. [Juds](#) previously worked as a software engineer developing infrared photoelectric sensors — using those skills to optically encode tokens in casinos.

Now, he's combining his technology skills with what some perceive as simply a different type of gambling: Wall Street. The 58-year-old entrepreneur says that his goal with SumGrowth is to level the playing field “against the proprietary trading algorithms of the big Wall Street firms.” We chatted with Juds — a true geek whose refrigerator proudly displays a sticker proclaiming “Welcome to the Nerderly” — for the latest installment of Startup Spotlight.

Scott Juds

Explain what you do so our parents can understand it: “SectorSurfer automates selection of the best one of up to a dozen funds in an investment strategy. Simply by owning momentum leaders and avoiding momentum laggards one can simultaneously improve returns and reduce risk of loss. SectorSurfer sends just two to five email trade alerts per year. Our computers will do the hard work while you go have a life.



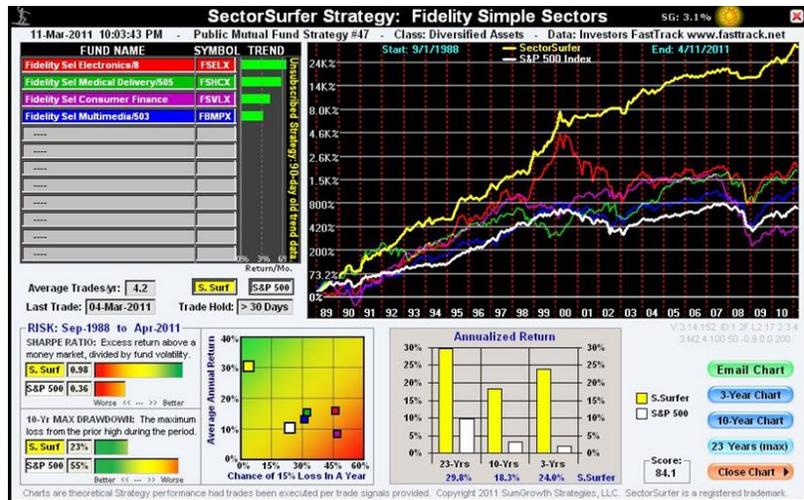
Inspiration hit us when: “In 1992 when I received my Merrill Lynch IRA statement and noted the market doubled in the prior seven years, but my funds were flat. Reading the annual fund rankings in Money magazine to make decisions clearly wasn't working. Being well versed in electronic signal processing, I

decide to apply my skills to market data to see if there was anything in the recent past data that could improve my investment choice batting average.”

VC, Angel or Bootstrap: “We were working toward angel financing, but it became apparent that some formal form of validation of our algorithms would be necessary for angel investors who would want confidence that performance is as good as it appears. The process took six months to complete. Then we were projecting reaching positive cash flow in just another six months. We decided that the funding process would be too little, too late, with too much distraction. So we opted to continue in bootstrap mode.”

A sample report from SectorSurfer:

Our ‘secret sauce’ is: “The financial industry is fixed on serving 1950’s Modern Portfolio Theory to the public, which is the basis for their mantra of “diversify and rebalance,” and which means you will own a little bit of everything to achieve precisely average performance. Fortunately my background was in electronic signal processing and communications theory, which treats data in the time domain instead of as a set of statistics. Utilizing analysis methods from other disciplines allow our algorithms to optimally extract the trend signal from noisy market data to improve one’s investment batting average.”



The smartest move we’ve made so far: “We didn’t dig a deep financial hole during development by doing as much as possible with our own time and effort. Thus we are not beholden to the anxious expectations of any outside investors who might have had high expectations based on excessive entrepreneurial optimism. We are beholden only to ourselves and our own assessments of our adjusted milestones. ”

The biggest mistake we’ve made so far: “Mistakes are more easily made when you don’t know what you don’t know. We came from technology company backgrounds and had to learn about new markets and customers, such as just how many ways people ignore, avoid, or are just overwhelmed by investment planning and financial concepts. It is not a whim decision, like going to a movie. The further you get away from whom decisions the less viral a product will be. We grossly overestimated the viral nature of our product and have had to change our promotion strategy much more heavily toward advertising.”

Would you rather have Gates, Jobs, Zuckerberg or Bezos in your corner: “Gates had the luck and skill to launch his business on the back of Big Blue, which is not like our story. Bezos dug a very deep investment hole to build his technology, build product distribution centers and buy market focus, which also is not our story. Zuckerberg developed a social sharing, highly viral, web service, which is the antithesis of personal investing in many ways. Jobs developed a highly technical product designed for the public with lowest cost, simplified use, a heretic’s attitude and loved by geeks, which we believe is also our story. Jobs would be our man!”



Our world domination strategy starts when: “World domination starts when word successfully spreads that ordinary people actually can take control of their retirement destiny, and SectorSurfer is the automated investment tool that makes it possible because our computers will do the hard work while they go have a life.”

Rivals should fear us because: “SectorSurfer will do for the personal retail investment industry what Orbitz did for travel agents and Turbo Tax did for tax accountants. No other online investment system (a) allows strategy customization, (b) automates strategy optimization, (c) provides instant killer strategy analysis charts, (d) has outrageous returns because of our cross-discipline algorithms, and (e) is completely designed for automated high volume operation and freemium promotion business model.”

We are truly unique because: “There is no other automated investment advice solution for 401k plans. There is no other automated investment advice solution that separately addresses both risk and return.”

The biggest hurdle we’ve overcome is: “The character of stocks, bonds, mutual funds, and commodities all have different data personalities. We knew that if we allowed customers to randomly select up to a dozen of these, they would mostly struggle and fail at reasonably adjusting the set of operating parameters that produce best results for this random selection. Automating this process was complex, fundamentally required, and now works wonderfully.”

What’s the one piece of advice you’d give to other entrepreneurs just starting out: “It is said: “A successful man gets knocked down 99 times, and gets up 100 times.” You don’t know what you don’t know. Therefore, design your business so that you can afford to get back up more times than you expect, and can persist, and can succeed.”

GeekWire’s regular Startup Spotlight feature offers an inside look at emerging Pacific Northwest tech companies. Check out [the archive of past profiles here](#). Do you run a standout startup in the Pacific Northwest? [Apply for Startup Spotlight](#).

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