RICHMOND BROTHERS

Smoother Ride Part IV – How these strategies are designed to work
"Closed Captions"

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Hi everyone this is Matt Curfman from Richmond Brothers with another special edition of Matt's Minutes in my video series titled Smoother Ride. So now that we've gone through a lot of the information, a lot of the disclosures, and we've also talked about what would be owned in the portfolio if these strategies were employed, and we've talked about that we need to speak individually with you if and when this may be appropriate to go over your risk tolerance all of that I thought I'd spend a few minutes discussing the strategies and in these portfolios if the market or the holdings ever drop to 10 percent and it goes defensive what happens next?

So first and foremost Beacon Capital Management you remember I said was created by another registered investment advisor - founder was Chris Cook he's actually from Dayton, Ohio. And he used these strategies exclusively with his clients. He's been doing this (founded it in 2000) but they weren't available until 2011 and actually they weren't available through Fidelity until early September 2022 just to give you an idea. So these are new strategies that are available to all of us through our relationship with Fidelity.

So you recall that we talked about in the aggressive strategy which is all equity, 11 sectors of the market owned equally. Over here to the right is an example of what the S&P cap-weighted index might look like where it has a heavy weighting technology, healthcare, financials, telecom, consumer discretionary so these are not equal. So that's the difference between a cap weighted index and an equal weighted index. So as a reminder all of these three Vantage 2.0 strategies aggressive balance conservative any with equities will have the 11 sectors equally with also 10% downside triggers on the equity side. So also using Vanguard as a transparent exchange traded fund, so not individual stocks. And then this is just showing that normal allocation; if it gets defensive and the stop loss triggers remember at a 10% drop, it goes into a bond allocation in cash, but also remember if bonds go down four percent it triggers an even more defensive allocation to short-term bonds and money markets. Ultimately the goal is to return back to that normal allocation in each of the underlying strategies.

And so next question is "well when that stop loss triggers how long do we wait and when's the right time to go back in?" So here's a graphic example of that with the market basically peaking and then if it drops 10 percent the stop loss triggers. So if it continues getting worse, the goal is to avoid some of that excessive downside like I mentioned we've been experiencing with bear markets and such. So as you go down a little bit further this is really the page I want to spend time on. It's just a simple graphic table and at the beginning if you have a hundred grand and it drops ten percent you have ninety grand. If that made ten percent back you only have ninety-nine (grand). So the strategy really says when it drops ten percent and triggers, we have to earn more before we're comfortable buying back in. So at the very first onset of the stop loss, the buyback is 15 percent higher from the most recent bottom. The longer it takes, the more time that passes for it to hit that bottom, the higher that buyback actually ends up needing to be and it's always from the most recent bottom not from necessarily the exact day that you triggered out. So tend to keep that in mind and again just to show you that you could be out of the market so to speak for a

long period of time: three months, six months, 12 months. It depends on what underlying conditions there are, but it's not emotional it's not a decision to say, "Hey I feel good let's get back in." So I wanted to show that strategy and then just kind of reference that. You also have access to this document as well.

And then lastly, if I were using this strategy, "Where does it apply in my portfolio?" So where it really can apply, is with your liquid Fidelity. So instead of owning maybe some individual stocks, other mutual funds, exchange-traded funds, we could own these in conjunction with maybe some of you have other safe assets like fixed equity indexed annuities. There are some other holdings that are illiquid. So this can be used in conjunction, it's not meant to replace an entire portfolio but it is something we will have available to us. And last but not least, if we were to go into the strategy with any one of you individually, you go into the strategy where it is at the time you buy in. So as the date of this recording, if all of the strategies have gone defensive and they're in the short-term bond in the cash, that's what we would be going into waiting for that stop-loss buy-back in time, which was the table we just went through. So again, this is not meant to be a recommendation this is meant to be for information and education only to let you know we are looking outside the box as some strategies that previously we have not had access to. We're very excited about this potential, we're excited about the partnership with Richmond Brothers to have Beacon as a third-party money manager through our relationship with Fidelity.

If you have any questions or would like to explore this further, just email questions@richmondbrothers.com and we'll be happy to follow up and set a phone call, a video conference, to go through this individually for your circumstance. Thank you so much for tuning in to this video series and we hope you found it of benefit and if it is a possible strategy that you want to consider please feel free to let us know.

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Sources:

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