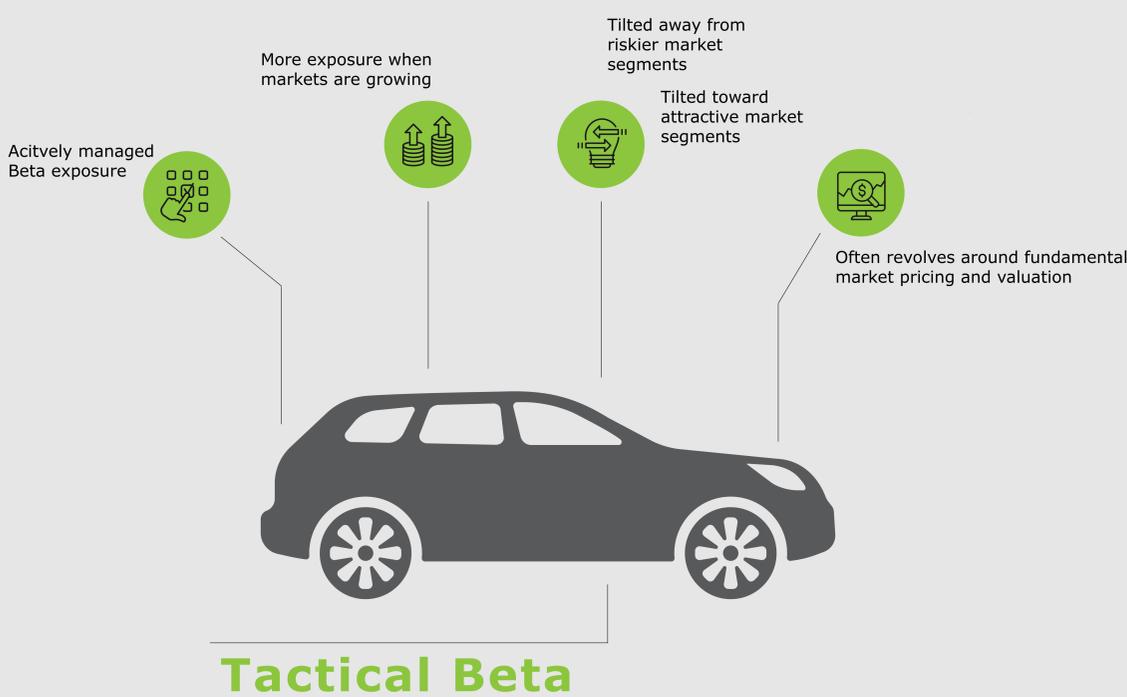


3 Scenarios for Tactical Beta, and the Pursuit of a Smoother Ride for Investors

We all know the investment road is full of uncertainties. Bumps, potholes, and unexpected turns can upend a client's investment journey. In turn, these disruptions often lead to anxiety, fear, and unwise decision making, and ultimately, disconnect from you—their trusted advisor.

That's why it's critical to evaluate each client's investment mindset and implement a beta vehicle that matches their preferences. For clients that prioritize a smoother ride, we can implement tactics to avoid some of the most disruptive hazards while still tracking toward their destination. **We call this Tactical Beta.**



Scenarios for Tactical Beta



Mature Portfolios That Require Strong Growth

The Need

Mature investors with shorter time horizons can't assume as much risk as younger investors. However, we often see a need for strong growth in the final push toward retirement.

How Tactical Beta Fits

Tactical Beta provides the opportunity to pursue the appropriate amount of growth, but within a framework of manager oversight and guidance. When even a slight reduction in risk can make a big difference—as is the case in these larger portfolios—Tactical Beta strikes a nice balance between growth potential and downside risk mitigation.



Risk-Focused Portfolios That Require Strong Growth

The Need

Often times, risk tolerance and growth requirements aren't totally in line. Some investors are hyper-sensitive to extreme volatility, but still require strong growth to reach their financial goals.

How Tactical Beta Fits

Tactical Beta delivers the potential for outperformance, but often provides a less volatile growth trajectory (up and down). This can be achieved through fundamental market valuation and allocation tilts (toward undervalued areas of the market and away from overvalued areas). The key here is to ensure that clients understand and agree with the underlying management tactics used within the portfolio. This will further reduce anxiety and encourage long-term commitment to the strategy.



Simplistic, Single-Investment Portfolios

The Need

Not all clients require the level of diversification offered through a UMA. Some investors are better served by a more cost effective and straightforward approach.

How Tactical Beta Fits

Tactical Beta can provide smaller clients an affordable vehicle for portfolio growth without totally sacrificing the benefits of tactical guidance. The client receives a core equity position to drive growth, but also tactical awareness that can improve overall returns through capturing unique growth opportunities or avoiding some downside risk.

Real-World Implementation

1

Avoiding an Over-Valued Financial Sector

Year
2007

Market Dynamic

Extremely high mortgage loan originations led to a boom in the Financial sector, causing it to become overvalued.

Portfolio Action

As prospects for the mortgage boom waned, AAMA eliminated its target for the Financial sector in June 2007, ahead of the financial crisis and recession.

Result

Downside risk was mitigated in our portfolios.

2

Buying an Under-Valued Energy Sector

Year
1999

Market Dynamic

Oil was trading at \$12, down from \$40 as earnings and growth expectations in the sector began to improve. The wider market could be characterized as over-valued and growth oriented.

Portfolio Action

AAMA over-weighted Energy in our portfolio strategy from February 1999 through 2008, as a low-risk source of growth.

Result

Energy exposure contributed to strong performance in our portfolios.

3

Preparing for Market Turbulence

Year
2020

Market Dynamic

The COVID-19 pandemic created major economic disruptions and subsequent market downturn.

Portfolio Action

AAMA's models featured over-weights in Healthcare, Technology, and Real Estate, with under-weights in Financials and Energy.

Result

The fundamentally-rooted Tactical Beta approach helped prepare our portfolio to weather downturn, proactively.

Learn More

When designing a portfolio for your clients it's critical to balance their financial goals with their expectations for the investment experience. For clients who require strong growth, but who might not be well suited for a set-it-and-forget-it indexing strategy, Tactical Beta emerges as an attractive option.

Are you interested in learning more about Tactical Beta? **Contact us today at engage@aamamail.com.** We'd love to discuss your clients, their goals, and how we can work together to meet them.

The information and opinions in this report have been prepared by the investment staff of Advanced Asset Management Advisors (AAMA). This report is based upon information available to the public. The information herein is believed to be reliable and has been obtained from sources believed to be reliable, but AAMA makes no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute AAMA's judgment and are subject to change without notice. This report is provided for informational purposes only. It is not to be construed as a recommendation to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction in which such an offer or solicitation would violate applicable laws or regulations.



4995 Bradenton Avenue, Dublin, Ohio 43017

614-717-4451

engage@aamamail.com

aamaweb.com