

Investor Introduction to the HFG Portfolio Process



Retirement Visions

Holt Financial Group, LLC

Plan • Guide • Manage • Protect

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Process for Developing Model Portfolios

Our Investment Selection Process:

- ❖ We maintain a select list of between 30-35 investments in each portfolio, allowing for an in-depth knowledge of each investment.
- ❖ The portfolios include a combination of institutional class mutual funds, Exchange Traded Funds (ETFs), closed end funds and individual stocks.
- ❖ We screen each category looking for specific criteria:
- ❖ Quarterly, we revisit each investment to see if it is still performing and meets our criteria.
- ❖ Periodically, we will eliminate or add an investment.



Portfolio design:

- ❖ We have developed portfolios that reflect different objectives and risks.
 - ❖ From most conservative to most aggressive:
 - ◆ *Conservative*: Protect existing wealth and mitigate risk. High concentration of investment grade fixed income.
 - ◆ *Moderate*: Balance risk and increase income. Equities and high yield bonds to boost income/growth potential.
 - ◆ *Aggressive*: Focus on capital appreciation. High weighting in equities.
 - ❖ The portfolios are composed using an asset allocation of investments, weighted appropriately, so they:
 - ◆ Fit the objectives of the portfolio
 - ◆ Produce a risk score that is correct for that portfolio
 - ◆ Are diversified
 - ❖ Portfolios are reviewed quarterly to maintain objectives and risk tolerance.
 - ❖ Returns are updated quarterly
 - ❖ Investments are changed within the portfolio when deemed appropriate by our investment committee.
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Assigning Portfolios to a Client:

- ❖ A Risk Tolerance Questionnaire is completed by clients to determine a risk score.
- ❖ Clients outline their investment objectives and preferred investment style
- ❖ Portfolios are assigned according to objectives, risk profile and time horizon.
- ❖ Existing accounts are converted to appropriate portfolios with the least amount of disruption. The portfolio can be customized to include a certain investment, while maintaining the risk profile.

Duration & Market Downturns:

- ❖ We prefer the long-term approach and do not chase performance from quarter to quarter.
- ❖ Positions are generally held three to six years, which helps the portfolio avoid short term volatility.
- ❖ If the market enters a pronounced downturn, we have a disciplined strategy to help mitigate overall risk which we can discuss with you one-on-one.

We believe that this disciplined investment process helps clients to grow their portfolios according to their particular investment philosophy while also striving to mitigate risk.

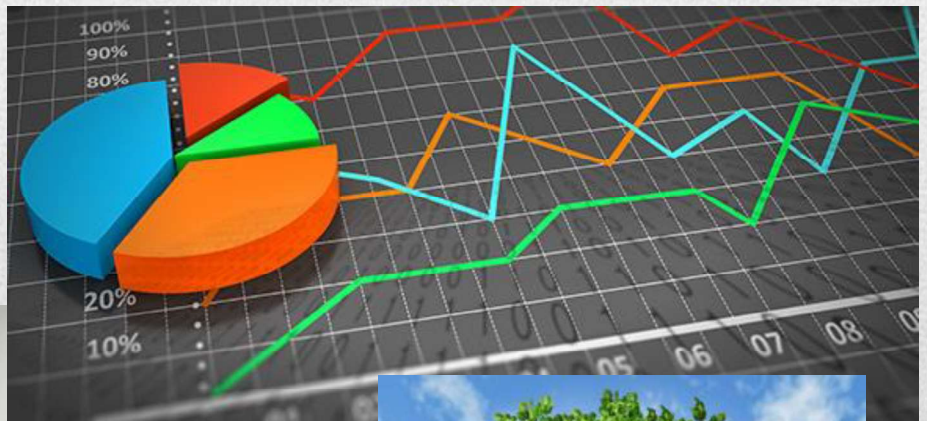
HFG Outline for Fund/Investment Selection

Process for selection of assets:

1. Securities (mutual funds, ETFs, closed-end funds and individual stocks) categorized by type.
 - ◆ **Large, mid and small capitalization equities** – Large cap market capitalization of over \$10 billion. Mid cap capitalization of between \$2 billion and \$10 billion. Small capitalization of under \$2 billion.
 - ◆ **Balanced funds** – Funds with a mix of stocks and bonds.
 - ◆ **Long intermediate and short term investment grade bond funds** – Fund with a rating of between AAA and BBB-
 - ◆ **High yield bond funds** – Funds with a majority of bonds below BBB-
 - ◆ **Municipal/tax free and international/global bond funds**
2. Category screening using a combination of screeners
 - ◆ Good long term growth (3-5 years)
 - ◆ Quality of investment
 - ◆ High ranking within a category
 - ◆ Outstanding amount of issue (liquidity)
 - ◆ Yield
 - ◆ Low Beta*
3. Eliminate investments that no longer meet our criteria

* Beta is a measure of the volatility or systematic risk of an individual stock versus the entire market.

4. Quarterly, the process is repeated. This gives us the chance to both cull and add investments.
5. Portfolios are reviewed quarterly to determine if they are within the objectives and risk tolerance boundaries. Returns and yields are updated quarterly.
6. We have developed ten portfolios, across a wide risk profile, that cover most investments. One tracking portfolio for most sectors helps determine the direction of the markets.



HFG Hold Recommendation Process for Advisory Clients

Considerations which would lead us to a hold recommendation for clients in advisory accounts: over the course of one or several market cycles, we review the benefits and the disadvantages of holding specific positions or allocations.

Some of those parameters are outlined below.

Considerations to Hold:

- ◆ Does it continue to meet clients' risk and objectives
- ◆ Does it provide the growth of funds
- ◆ Does it provide the income needs
- ◆ Has the position or allocation changed in volatility to the down side
- ◆ Have the clients' cash flow needs changed
- ◆ Does the portfolio model need adjustment, *i.e. over or underweight the market*
- ◆ Are there market economic factors that indicate a trend is building, *i.e. inflation or recession*

On a regular basis, accounts are monitored for these and other factors to determine if the current strategy is still acceptable.

Year-end Review of all Portfolios

Each December, we conduct reviews on all our portfolios using the investment outline. Each portfolio is reviewed to determine changes required. The changes are outlined in each portfolio folder showing the exact action taken and the reasoning behind the change. We show the results of the change in the portfolio including allocations, yield and return.

In our next review, we will update you one-on-one regarding the most recent performance of your individual portfolio(s).



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No investment strategy can guarantee a profit or protect against loss.
