

PROFESSIONALLY MANAGED INVESTMENT SOLUTIONS
THROUGH EXCHANGE TRADED FUNDS

EXCHANGE TRADED FUNDS

AN INSTITUTIONAL QUALITY INVESTMENT
WITH UNIQUE ADVANTAGES

YOUR OPPORTUNITY

Exchange Traded Funds have become a favored investment vehicle among leading institutional money managers – for very good reasons. ETFs uniquely combine the benefits of stocks and mutual funds into one investment vehicle, providing advantages that appeal to institutional and private investors alike. While the benefits of ETFs are numerous, chief among them are the following five advantages.

1. LOW COST

ETFs that track major market indices often have expense ratios that are a fraction of the cost of an average actively managed mutual fund.



2. TAX EFFICIENCY

Due to the unique creation unit process involved with ETFs, they have become one of the most tax-efficient pooled investment vehicles for investors. Historically, very few ETFs have passed on taxable capital gains distributions to investors each year.

3. LIQUIDITY

ETFs trade intra-day, like a stock. Therefore, the full liquidity of ETFs is a significant advantage over traditional mutual funds, which only price once per day.

4. RISK MANAGEMENT

As pooled investments, ETFs expand diversification and ultimately lower risk. Also, ETFs have minimal style drift, making them effective tools for portfolio-level risk management.

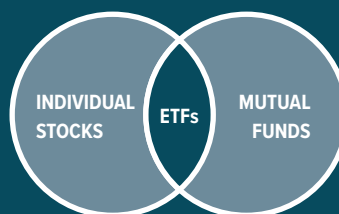
5. TRANSPARENCY

ETFs are fully transparent investments. The underlying holdings of each ETF are published daily by ETF providers – in contrast to relatively limited disclosure from mutual funds.

EXCHANGE TRADED FUNDS

are passively managed baskets of securities that trade on a national exchange like individual stocks. They are designed to closely track market indices (ex: S&P 500) while maintaining the key diversification benefits of mutual funds and companies.

ETFs COMBINE THE BENEFITS
OF TWO VEHICLES INTO ONE



INDIVIDUAL STOCKS	MUTUAL FUNDS
Low Cost	Risk Management
Liquid	Diversification
Tax Efficient	Professional Management
Transparent	

Together, these qualities have made ETFs one of the fastest growing investment tools among financial institutions.

¹Mutual fund average cost is representative of net prospectus expense ratio of all mutual funds in the Morningstar Mutual Fund Universe as of 02.07.24. TOPS® average cost is based on the average weighted average expense ratio of the seven standard models as of 02.07.24. Percentages do not reflect actual program fees.

INDEX VS. TRADITIONAL ACTIVE MANAGEMENT

THE ADVANTAGES OF INDEX MANAGEMENT AND EXCHANGE TRADED FUNDS

INVESTING IN INDEXES: THE ADVANTAGES OF THE INDEX APPROACH

While investors have historically relied upon actively managed mutual funds to achieve diversification and asset allocation, most actively managed mutual funds have under-performed market indexes over time as indicated below. For example, 94% of large cap managers have lost to their benchmark over the last 20 years.

PERCENTAGE OF ACTIVE MANAGERS WHO FAILED TO OUTPERFORM THEIR BENCHMARK

Fund Category	Comparison Index	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)	20 Years (%)
All Large Cap Funds	S&P 500 Index	60.9%	79.8%	86.6%	85.6%	92.2%	93.6%
All Mid Cap Funds	S&P MidCap 400 Index	72.4%	72.6%	59.5%	75.5%	90.4%	94.9%
All Small Cap Funds	S&P SmallCap 600 Index	26.6%	67.2%	56.3%	86.0%	89.3%	93.7%
International Funds	S&P International 700 Index	52.2%	74.9%	81.8%	84.8%	85.3%	92.5%
Investment-Grade Intermediate Funds	Bloomberg U.S. Aggregate	50.0%	38.1%	65.3%	63.0%	60.7%	-

Source: S&P Dow Jones Indices; SPIVA® U.S. Scorecard. Performance data as of 06/30/2023.

THE INDEX ADVANTAGE

Index tracking Exchange Traded Funds, on the other hand, have historically provided better performance than the typical mutual fund. In addition, ETFs allow you to take full advantage of the benefits of asset allocation and portfolio diversification, while also giving you the ability to better track market performance. The result is performance that is much closer to that of the actual index.

THE CRITICAL LINK: THE ETF PORTFOLIO STRATEGIST

Although many investors recognize the importance of diversification and asset allocation, investors left on their own tend to under-perform market indices (see chart below). It is easy to understand why it is difficult for many investors to respond appropriately to market fluctuations, investment news and world events instead of maintaining a disciplined and strategic process.

Having a professional ETF portfolio strategist provide the discipline of structured model portfolios helps remove inefficient actions. As a result, investment performance can be more closely aligned with the appropriate market indices and can provide opportunity to achieve greater success in the long run.

MARKET RETURNS VS. TYPICAL INVESTOR

Returns for equities market
(10 Years ending 12/31/22)

Source: Dalbar, Inc.

UNDER-PERFORMANCE BY SINGLE INVESTORS

12.56% S&P 500 INDEX

9.33% AVERAGE EQUITY FUND INVESTOR

THE TOPS® ADVANTAGE

PUTTING IT TOGETHER: THE OPTIMIZED PORTFOLIO SYSTEM®

TRANSLATING SOUND INVESTMENT PRINCIPLES INTO SUCCESS

The Optimized Portfolio System® (TOPS®) is a Separately Managed Account (SMA) with a disciplined process designed to help you achieve your investment goals through Exchange Traded Funds. Directed by Portfolio Strategist, Valmark Advisers, Inc., TOPS® combines a unique investment process with the financial strength of the industry's largest ETFs and money managers. Together, they offer investors:

1. THE ABILITY TO MANAGE RISK AND MAXIMIZE RETURN

While many investments force you to choose between high risk and low return, TOPS® can help you effectively manage risk and maximize relative performance. To achieve this balance, TOPS® uses a variety of risk-based portfolios² composed primarily of ETFs that represent numerous asset classes – from conservative to aggressive. Each portfolio provides a separate risk/return combination to give you ultimate control in selecting the portfolio best suited for your goals (see chart below).



2. AN OBJECTIVE, DISCIPLINED METHODOLOGY

In determining the TOPS® portfolio allocations, Valmark Advisers (Serving as Fiduciary and Portfolio Strategist) uses a disciplined investment process. The investment process is often described as a *Strategic Approach to Active Indexing*. As part of this process, the TOPS® Portfolio Management Team regularly reviews asset allocations and all available ETFs to ensure that TOPS® Portfolios are:

- Allocated in the most efficient manner
- Continuing to utilize only the most appropriate holdings

3. A GOAL-DIRECTED APPROACH TO INVESTING

While TOPS® Portfolios offer the advantages of Exchange Traded Funds, they also provide you with the ability to:

- Determine the level of risk acceptable to you
- Pursue a strategic asset allocation strategy best suited for your investment time horizon and risk tolerance
- Diversify investments among many asset classes
- Customize a plan that incorporates your goals

Each TOPS® portfolio provides a separate risk/return ratio to give you ultimate control in selecting the portfolio best suited for your goals.

MATCHING YOUR PORTFOLIO TO YOUR GOALS



²Refer to Valmark Wealth Solutions Wrap Fee Program Brochure for detailed information on TOPS® Portfolios.

TOPS®: A TIME-TESTED PROCESS

THE BUILDING BLOCKS FOR SUCCESSFUL INVESTING

1. MEET WITH YOUR FINANCIAL ADVISOR

The TOPS® process begins with a meeting between you and your Financial Advisor. After developing a plan that identifies your goals, risk tolerance and investment time horizon, you and your Advisor can choose the most appropriate TOPS® Portfolio in which to invest your assets.

2. ASSETS ARE INVESTED, MANAGED AND ADMINISTERED

Your assets are invested in the TOPS® Portfolios developed and managed by Portfolio Strategist, Valmark Advisers, Inc. In turn, your investment is administered by an independent, industry-leading custodian such as Charles Schwab, or Pershing.

3. ONGOING PROFESSIONAL MANAGEMENT OF TOPS® PORTFOLIOS

Serving as a fiduciary and your portfolio strategist, Valmark Advisers determines the right mix of asset classes and investment selections for each TOPS® Portfolio consistent with the goals of the respective portfolio. The TOPS® Portfolio Management Team regularly reviews available ETFs to ensure that TOPS® Portfolios are allocated in the most efficient manner using appropriate holdings.

TOPS® METHODOLOGY

In determining the TOPS® portfolio allocations, Valmark Advisers, Inc. uses a disciplined investment process based on the Nobel Prize-winning Modern Portfolio Theory of diversification through asset allocation.

THE IMPORTANCE OF ASSET ALLOCATION

Studies have shown that asset allocation is the single most important factor in determining returns from investing. Asset allocation attempts to maximize return while maintaining an acceptable level of risk. Different asset classes produce their strongest returns under different market conditions. Therefore, allocating assets across multiple classes helps reduce risk by distributing dollars among different asset classes and styles that do not move in tandem.



ARE YOU READY TO TAKE CONTROL OF YOUR INVESTMENT FUTURE?

*Now that you have the critical information needed to take the first step,
talk with your Financial Advisor in order to implement your portfolio.*

●●●●●● TOPS-THE OPTIMIZED PORTFOLIO SYSTEM®

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