



How to build a modern investment portfolio

Strategy Categories

| Category | Description | Role in a portfolio |
|---------------------------------|---|---|
| Core | Dynamic, risk-managed, suitability-based strategies composed of investments that provide broad exposure to traditional asset classes. | <ol style="list-style-type: none"> 1. Capture “market” exposure, while active risk management helps protect against down side risk. 2. Multiple cores totaling 60%–100% of the portfolio are recommended. |
| All-Terrain | Suitability-based strategies designed to seek strong returns in all market environments by using multiple risk-management methodologies. | <ol style="list-style-type: none"> 1. Designed as either an alternative asset class or as a core holding that delivers performance and risk management throughout multiple economic states and over the long term. 2. These strategies seek to provide protection in periods of volatility or negative market performance, smoothing investor returns over the life of their portfolio. |
| Alternatives | Strategies that offer risk-managed exposure to alternative investments, such as gold, commodities, real estate, and mean-reversion equity strategies designed for sideways and bear markets. | <ol style="list-style-type: none"> 1. Diversification from equities and fixed income. 2. Provide noncorrelation to traditional assets. 3. Have the potential to reduce portfolio risk during unfavorable times for traditional assets. |
| Domestic Tactical Equity | Dynamically risk-managed equity strategies that help protect against downside risk when equity conditions are unfavorable and participate in equity markets when conditions are favorable for equities. | <ol style="list-style-type: none"> 1. Designed to capture market exposure in favorable environments and seek defensive positioning during unfavorable environments. 2. Can help improve risk-adjusted returns over those of an equity index fund by employing risk-management measures to protect the downside. |
| Fixed Income | Fixed-income strategies are designed to provide asset-class diversification across bond asset classes. Dynamic risk management attempts to reduce risk when bonds are susceptible to rising interest rates. | <p>The goals of fixed-income strategies are to:</p> <ol style="list-style-type: none"> 1. Provide diversification from equities. 2. Seek capital preservation. 3. Provide income. |
| Tactical Fixed Income | Aggressive trading vehicles that use leverage and inverse bond funds. Their goal is to add exposure during favorable periods for bonds and reduce, eliminate, or provide inverse exposure when the bond environment is unfavorable. | <ol style="list-style-type: none"> 1. Designed to take directional positions in the fixed-income market—long, short, and neutral. 2. While these strategies use bond-asset-class funds, they behave more like equity strategies. |
| International | This category provides geographical diversification away from domestic markets. It includes strategies that provide risk-managed exposure to international equity and bond markets. | <ol style="list-style-type: none"> 1. Allow for geographic diversification. 2. Provide the opportunity to capture gains in global markets with varying growth expectations and political/financial policies, together with dynamic risk management in an international context. |
| Principled Investing | Specialty, risk-managed strategies designed to invest in securities with certain socially responsible (ESG) or faith-based values. | <ol style="list-style-type: none"> 1. Designed to align clients’ investments with their worldviews and values while also seeking superior risk-adjusted returns. 2. Each is suitability-based and dynamically risk managed. |
| Sectors | Aggressive strategies that seek selective participation in a wide range of economic sectors. The strategies are dynamically risk managed. | <ol style="list-style-type: none"> 1. Allow investors to gain exposure to funds investing in outperforming sectors of the economy while avoiding those sectors that are underperforming. 2. When sector strategies include risk-management overlays, they can be valuable in generating alpha and providing superior risk-adjusted performance. |