Pursuing Your Investment Goals

Intelligent Investment Portfolios Designed for Individual Investors



A **RiskFirst**® Approach

SHRIER ASSOCIATES LLC
Wealth Management Strategies

RiskFirst® - Defined

Why You Should Consider RiskFirst® When Investing

We believe the most important risk to individual investors is the loss of capital. The loss of capital from a portfolio's peak value to its lowest value is known as **drawdown risk. The RiskFirst® approach is built to manage those drawdowns within pre-defined limits.**

In the past, financial advisors sold investment products based on historical returns. Unfortunately, investors can never have the performance that already occurred. Thus, when their actual performance differs from their expectations based on past returns, they often make emotionally driven decisions such as chasing returns at market highs or selling in fear, near market bottoms. This is one major reason why industry studies, such as those conducted by Dalbar[1], show that average investors have not experienced the average returns of the funds in which they invested. We build and manage portfolios based on that drawdown definition of risk, rather than the common practice of building portfolios to maximize or optimize return. WHY?

1. Maximum drawdown risk is a variable that can be effectively managed.

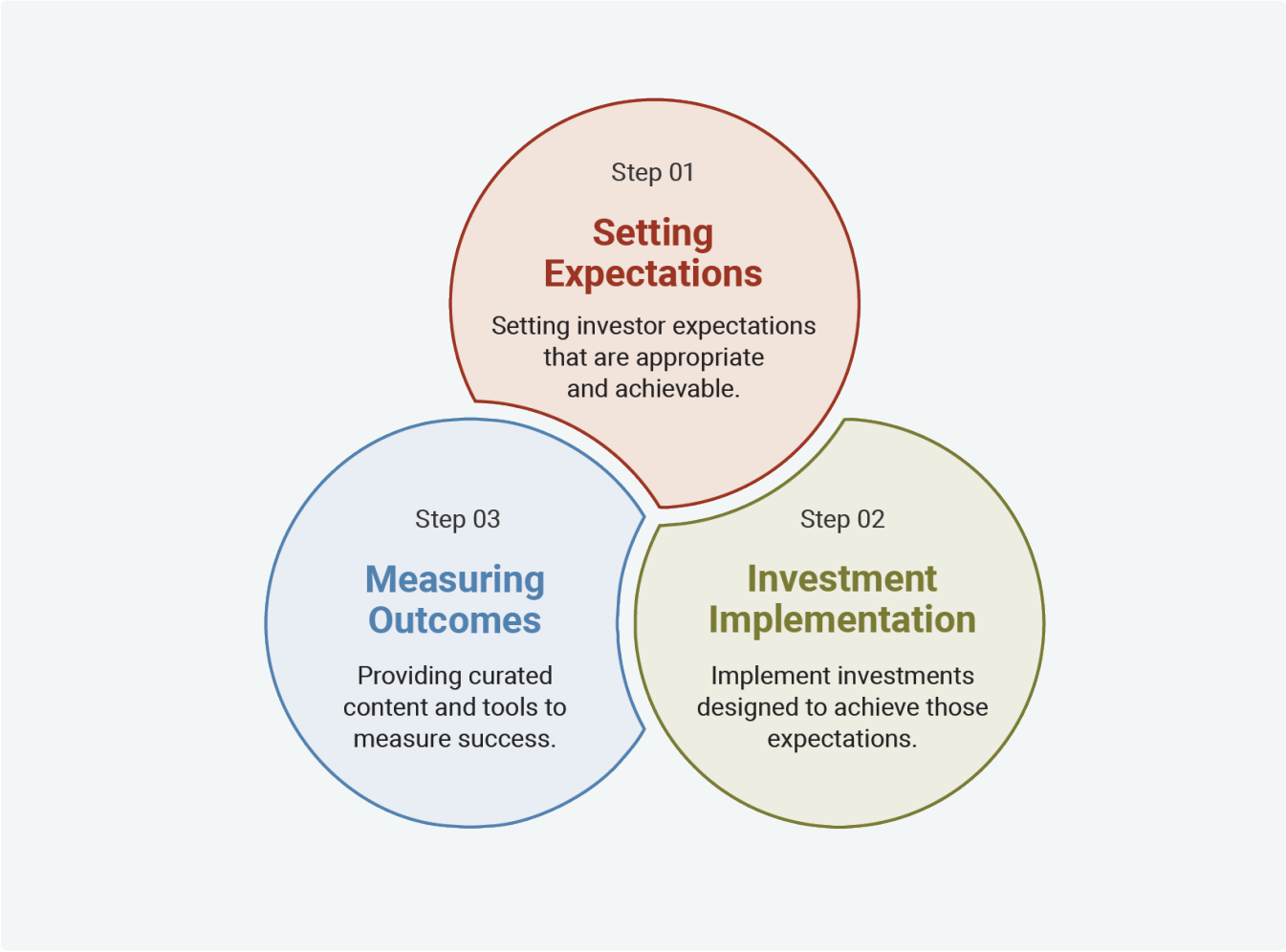
2. The objective of portfolios staying within their risk-budget can be achieved with a high degree of confidence.

Your money is too important to simply assume that recovery from losses is inevitable. If you are in retirement, and especially if you are taking distributions from your investments, significant losses can have devastating lifestyle implications. Every distribution taken from portfolios after suffering significant losses lengthens the time necessary for the portfolio to reach its previous value. **We believe that managing downside risk first, is how to best position investors for forward-looking success.**

[1] *https://www.dalbar.com/ProductsAndServices/QAIB*

This is why we built and utilize the 3-Step **RiskFirst®** Process. After we set initial expectations on drawdown, we implement investment strategies designed to achieve those expectations. We share a 6-month rolling period of a range of potential expected returns where we will review every client meeting. **These projections are based on assumptions that involve risk and uncertainties which are not guaranteed to occur. The portfolios can experience more loss or more gain than shown.** In between our client reviews, I will regularly communicate with you on the progress of your investments and how you can measure your journey towards your long-term financial goals.

RiskFirst® 3 Step Process



Step 01

Setting Expectations
You Cannot Control Performance, But You Can Manage Risk

Traditional Modern Portfolio Theory—like the common 60% stocks and 40% bonds portfolio—were designed for large institutions with “infinite” time horizons, such as pension plans and endowments. **However, individual investors don’t have infinite time horizons.** Dramatic or large drawdowns in investments can have lasting consequences. While institutions can ride out downturns or add more capital, individuals—especially retirees—often depend on withdrawals to support their lifestyle. That’s why it’s important to understand the risk that you are willing to take before investing.

Avoiding Loss of Principal is a Primary Component of Success

Actual Loss	Gain Required to Break Even
-10.0%	11.1%
-20.0%	25.0%
-30.0%	42.9%
-40.0%	66.7%
-50.0%	100.0%

For illustration purposes only.

Traditional Long-Only / Passive Allocation - How Much is Too Much Risk?

Blended Indices	Maximum Drawdown (2002-2025)
20% S&P 500/ 80% Bloomberg U.S. Aggregate	-16.41%
40% S&P 500/ 60% Bloomberg U.S. Aggregate	-21.30%
60% S&P 500/ 40% Bloomberg U.S. Aggregate	-32.54%
80% S&P 500/ 20% Bloomberg U.S. Aggregate	-42.37%
100% S&P 500/ 0% Bloomberg U.S. Aggregate	-50.95%

Source: Zephyr. For illustration purposes only. An investor cannot directly invest in an index.

Keeping It Simple
Intelligent Portfolios Designed For Individual Investors

Words such as “conservative”, “moderate”, or “aggressive” can mean different things to different people. **Setting expectations on a stated drawdown risk-tolerance helps investors understand when a portfolio is on track to meet their long-term financial goals.** Our approach involves re-engineering an asset allocation portfolio and relabeling its components based on risk from a quantitative perspective. The result is an intelligent portfolio, dynamically managed for individual investors.

Risk Budget: Portfolios Designed to Put Risk First

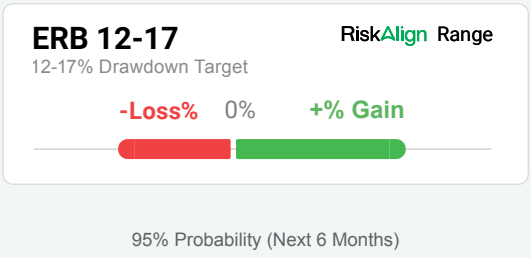
Engineered Risk-budgeted Portfolios Have Defined Drawdown Risk Objectives

Portfolio	Risk-Tolerance Objective
ERB: DT 5-8	5-8% Drawdown
ERB: DT 8-12	8-12% Drawdown
ERB: DT 12-17	12-17% Drawdown
ERB: DT 17-25	17-25% Drawdown
ERB: DT 25-35	25-35% Drawdown

For illustration purposes only. There can be no guarantee that any objective will be achieved.

Returns: Understanding the Range of Outcomes

Investment returns are not linear. While any portfolio may have an average annual historical return, every year is different. When a portfolio is on its intended track, the expectation for any rolling time frame, for example, the next six months, **will have a range of returns from negative to positive**.

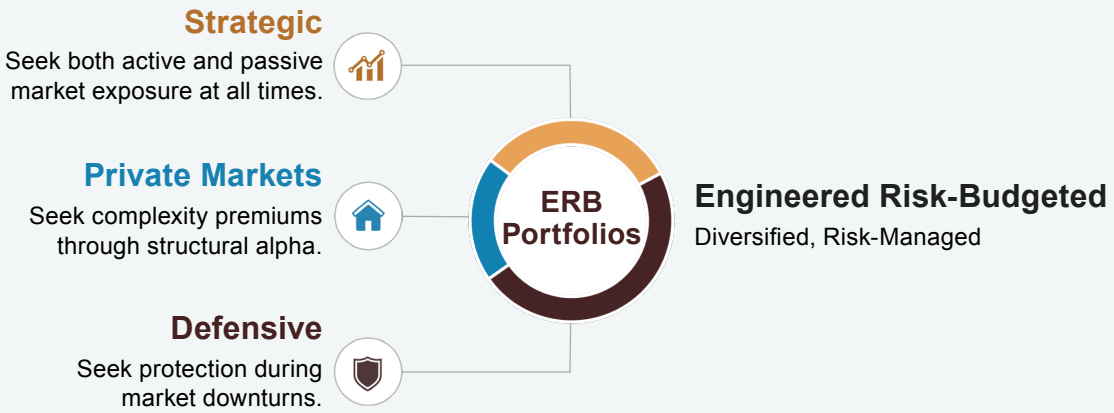


Step 02

Implementing Investments The Engineered Risk-Budgeted Portfolio

Specifying and understanding targeted drawdown limits and ranges of return expectations can help investors and financial professionals be on the same page about investment expectations. Engineered Risk-Budgeted (ERB) Portfolios are designed to be transparent, effective, and forward-looking, for the individual investor – no compromises.

ERB portfolio construction begins with the successful framework of Modern Portfolio Theory (MPT). Then, ERBs incorporate both private assets and actively risk-managed strategies to help maintain each portfolio's drawdown limits. The different styles and objectives help to diversify portfolios and to reduce single-investment-style risk.



Non-binary style of investing to take advantage of the strengths of different asset classes and investment styles.

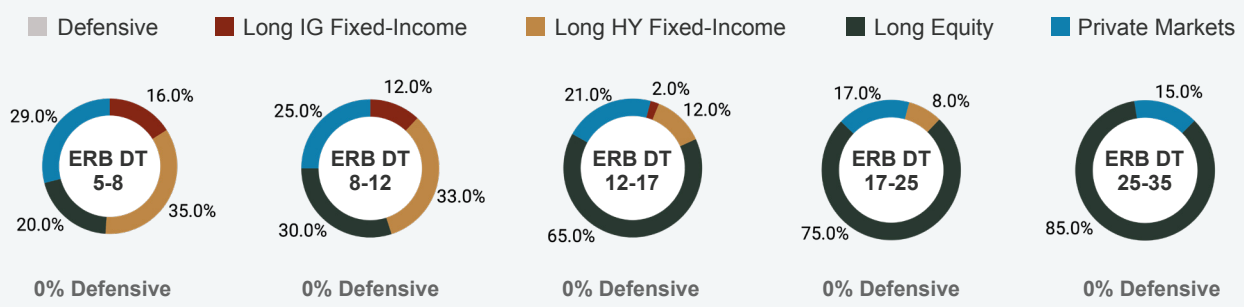
Investment decisions driven by quantitative research, built upon time-tested empirical research and results.

Unconstrained management driven solely by a client's risk tolerance.

A Multi-Style Portfolio
Strategies Built by Purpose

Whether it is to simply be invested in the general market or to actively seek to minimize volatility, each strategy allocation in our investment portfolios must have a qualitative purpose. The different styles and objectives help to diversify portfolios and to reduce single investment style risk (such as long-only stocks and bonds). Under normal circumstances, all of the strategies will maintain exposure to the capital markets.

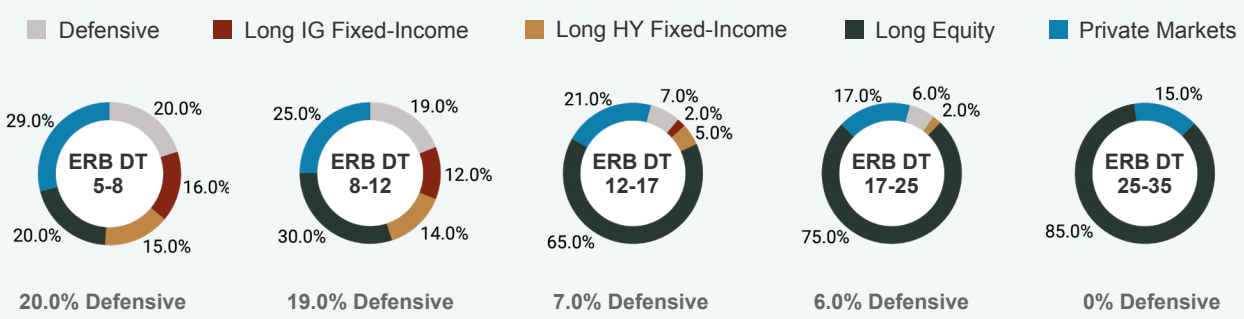
Sample Engineered Risk-Budgeted Portfolios Exposures



For illustration purposes only. There can be no guarantee that any objective will be achieved. Private market investments involve additional risks, including illiquidity, valuation uncertainty, limited transparency, and potential loss of principal.

As quantitative analysis identifies rising drawdown risk, portfolios are repositioned defensively to protect investor capital. The components, while having independent investment strategies and mandates, are constructed to work holistically together to seek to manage the portfolio within its stated risk drawdown objectives and to best position the investor for long-term success over any market environment.

Sample Engineered Risk-Budgeted Portfolios Exposures Shift



For illustration purposes only. There can be no guarantee that any objective will be achieved. Allocations and holdings for individual accounts may vary due to the following factors: differences in account minimums, timing of initial and subsequent investments, market movement, drift, discretion exercised by the investment adviser, and other factors.

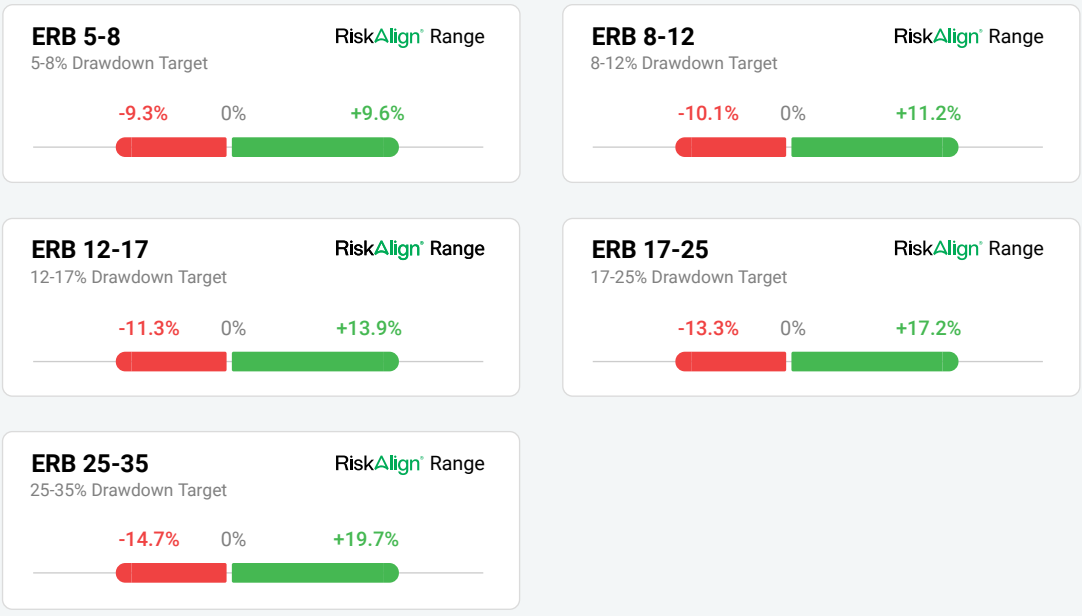
Step 03

Measuring Success
Understanding Your Range of Outcomes with **RiskAlign®**

RiskAlign® ranges are used for the ERB models as a projection of potential expected returns after 6 months. **These projections are based on assumptions that involve risk and uncertainties which are not guaranteed to occur. The portfolios can experience more loss or more gain than shown.**

Markets don't move in a straight line, and neither will your returns. What **RiskAlign®** empowers you to understand is that short-term ups and downs are normal, expected, and accounted for. This range is unique to your chosen risk-budget. Ranges are intended to provide a framework for discussing potential market variability.

Sample RiskAlign® Ranges



For illustration purposes only. There can be no guarantee that any objective will be achieved. Drawdown Target is the peak-to-trough percentage value loss the adviser seeks to achieve for any period of portfolio downturn. See disclaimer at the end for more information.

The **RiskFirst®** approach prioritizes defining risk in terms of loss to investor capital, or drawdown. After we have established the maximum loss, portfolios are constructed to be fully diversified by asset class, style, strategy purpose, and managed utilizing institutional, quantitative tools. The result is an intelligent solution built and tailored directly for investors to stay on track toward long-term financial goals.

Key Takeaways



Drawdown Risk

RiskFirst® philosophy prioritizes managing drawdown risk and stating risk tolerance as a key component for success and realistic expectations.



Engineered Portfolios

Dynamic, intelligent portfolios engineered and managed by investment professionals for the individual investor.



Private Markets

Adding private markets provides a tangible layer of diversification designed to preserve capital in uncertain markets.

Talk to a Professional at **Shrier Associates, LLC**



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SHRIER ASSOCIATES LLC
Wealth Management Strategies

Important Disclosures:

The **RiskAlign®** Range is a projection outlook and forecast based on statistical models, assumptions, methodologies, and unquantifiable opinions that are subject to change. The **RiskAlign®** Range is provided for information purposes only and reflects the views of Redwood as of the date of publication. It is intended to provide an overview of potential portfolio outcomes and should not be construed as investment advice or a recommendation for any specific investment strategy or product. Any outlook and projection has limitations due to unforeseen factors. These unforeseen factors can be external or internal financial market events.

As part of the calculation of the **RiskAlign®** Range, the following assumptions were made involving normal distribution and standard deviation, further explained hereafter. A 6-month rolling standard deviation is applied to historical returns of portfolio holdings. The bottom range number is the blended hypothetical model portfolio's 6-year rolling return mean, minus 2 standard deviations. The upper range number is the blended hypothetical model portfolio's 6-year rolling return mean, plus 2 standard deviations. Assuming a normal distribution, 95% of data points lie within 2 standard deviations about the mean. This does not imply a 95% probability of future portfolio returns. This does not include the other 5% of data points that may fall significantly above and below the mean including a 100% loss of principal. The final **RiskAlign®** ranges may contain non-quantifiable factors such as opinions of Redwood's.

The **RiskAlign®** Range is forward-looking estimation and there may be no statistical efficacy. These projections are based on assumptions that involve risk and uncertainties and are not guaranteed. Actual portfolio can experience significant differences including more loss or gain than shown. Individual holdings of a model portfolio may change for the period. Actual future results will vary materially from those expressed or implied by **RiskAlign®** Ranges due to various factors including, but not limited to, changes in economic conditions and market fluctuations.

The information above contains opinions and should not be construed as facts. There is no guarantee any investments will perform within the range. All investments involve risks, including the possible loss of principal. The **RiskAlign®** Range does not consider the investment objectives, risk tolerance, or financial circumstances of any specific investor and may not be suitable for all investors. The advisor does not guarantee the performance of any investment or the attainment of any specific investment goals.

RiskAlign® Ranges are hypothetical in nature and therefore do not reflect actual investment results and are not guarantees of future results. Hypothetical statistics do involve financial risk and does not take into account that material and market factors may have impacted the adviser's decision making if the adviser were actually managing client's money. Hypothetical statistics within this material include the reinvestment of dividends and other account earnings.

Also, investment strategies or objectives of the model portfolio may have changed over time and may change in the future. There is no guarantee that any portfolio will meet its objective. Holdings utilized for the testing of the strategy are positions at the point in time of calculation, which may no longer be available or are no longer recommended by the adviser. In fact, ongoing quantitative research can lead to changes in the parameters of the model in the adviser's sole discretion. Selection of securities is not static, may differ from account to account, and are subject to further change in the future. Any modifications to model portfolio constituents by an adviser will yield different range results than those shown above.

RiskAlign® is produced by Redwood Investment Management, LLC ("Redwood"). Shrier and Redwood are unaffiliated entities.

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SHRIER ASSOCIATES LLC
Wealth Management Strategies

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