





**Affinity**  
Financial Advisory

## Investment Strategy - Account Purpose

What is the  
objective for  
each account?





## Investment Strategy – Needs, Priorities, Goals Time Horizon & Liquidity

### **Needs, priorities & goals**

identifying what's important to you is central to building an investment plan

**Time Horizon** associates your needs, priorities & goals with a timeline

**Liquidity** is very important; it is the ready availability of funds to address risk & contingencies

Needs, priorities & goals	Time Horizon						legacy
	present		contingency		future		
	personal	others	risk	liquidity	intermediate	long	
food	•						
clothing	•						
shelter	•						
transportation	•						
giving		•					
emergency fund				•			
insurance - health			•				
insurance - life			•				
insurance - disability			•				
education					•		
retirement						•	
bequest							•



## Investment Strategy – Personal Risk & Return Considerations



### Need to Take Risk

Required return

Market risk

Consequence of failure - acceptability



### Ability to Take Risk

Time horizon

Liquidity needs

Risk capacity – loss compromises goal



### Behavioral Considerations

Risk tolerance – risk aversion is the opposite

Risk preference – safety vs. return

Financial knowledge

Investing experience

Risk perception – how risky is the stock market?

Risk composure – during a loss did you sell, hold or buy



**Affinity**  
Financial Advisory

# Investment Strategy – Legal, Tax & Other

## Legal

- investment professionals (Investment Advisor reps, brokers, etc.) are the main subject of investment regulations
- many investment legal issues fall within the tax category

## Tax

- account types (Roth IRA, Annuity, etc.) are taxed differently
- a good tax strategy is important to an investment strategy

## Other

- can include a variety of issues
- economic prospects – expansion or recession
- interest rates – likely direction
- projected future returns
- market valuation



## Investment Strategy – Investment Risk & Return

### Investment Fund & Strategy Categories

- range from very conservative to very aggressive
- each has a unique history of risk & return

Category	First Year	# of Years		Average	Worst	Worst Year	Average
	Measured	Measured	Down	Down Year	Down Year	Performance	Annual Return
short-term bond	1970	52	4	-3.38%	1973	-5.07%	6.01%
core plus bond	1962	60	12	-4.91%	1969	-16.00%	5.96%
multi sector bond	1972	50	6	-5.82%	2008	-13.06%	8.02%
managed futures	2008	14	5	-4.43%	2018	-5.83%	1.68%
market neutral	1999	23	6	-3.92%	2000	-9.74%	2.68%
multialternative	1990	32	7	-8.53%	2008	-19.02%	6.72%
very conservative	1988	34	6	-6.18%	2008	-15.02%	6.72%
conservative	1962	60	12	-6.92%	2008	-20.73%	7.99%
moderate	1962	60	11	-9.21%	2008	-26.95%	8.76%
aggressive	1962	60	15	-8.67%	2008	-32.93%	8.99%
world allocation	1965	57	12	-8.68%	2008	-28.13%	9.57%
long-short equity	1993	29	6	-6.86%	2008	-21.37%	8.94%
world stock	1982	40	10	-10.60%	2008	-40.19%	10.37%
large cap growth	1962	60	16	-12.43%	2008	-39.64%	11.08%

Source: Steele Mutual Funds Database –  
December 2021



## Investment Strategy – Putting It Together

### Asset Allocation & Time Horizon

Asset Allocation				Time Horizon		
Description	Asset Class			usage of funds		
	Cash	Bonds	Equity	time before	pace and/or duration	potential extent
cash	100%			0 years	day to day	complete
bonds		100%		unknown	brief	complete
very conservative		80%	20%	0 years	a few years	complete
conservative		60%	40%	0 years	several to many years	
moderate		40%	60%	< 5 years	many years	
aggressive		20%	80%	5 - 10 years		
equity			100%	> 10 years		



# Investment Strategy - Building Blocks

Type	AFA Code	Fund Type	Description - Brief	Examples - funds
Equity - factor	EQf	ETF	100% stock exposure using a variety of factors (strategies)	funds focus on dividends, free cash flow, momentum, quality, etc.
Equity - enhanced	EQe	ETF	downside exposure in line with a linked index ETF; 2 to 3 times upside (capped) potential	SPY (linked ETF); 3x upside with 24% cap; .79% expense ratio subtracts from performance
Equity – income	EQi	ETF	very high yield - combination of derivative income (domestic) & foreign stock	derivative income – generally stocks are held & options are used to enhance income; foreign stock funds focus on very high yielding stocks
Equity – buffered	EQb	ETF / MF	returns tied to a linked ETF, with capped upside & targeted downside mitigation	SPY (linked ETF); 9% downside protection; upside capped at 24%; .79% expense ratio subtracts from performance
Annuities - Variable	VA	indices / MF	insurance product with a variety of investment options & income guarantees (add'l fee/optional)	active & index stock, bond & other mutual funds; indices (i.e. S&P 500) with a variety of performance caps & downside protection levels (buffers) – i.e. 10, 15, 20, 30%, 100% etc.
Strategy	STGY	MF / ETF	low to mid level risk; used in bond alternative (BDalt) & risk managed allocation(RMAA)	risk managed approach to stocks, bonds, commodities, real estate, etc. – i.e. market neutral, macro trading, options trading, systematic trend, tactical allocation, etc.
Bond	BD	ETF / MF	varied exposure, often linked to economic prospects	long/short, bank loan, hi yield, money market, etc.
Cash Alternatives	CA	MF / ETF / UITs / other	alternatives to cash that offer some return potential & no/low risk	money market (MM); certificates of deposit (CD), no/very low risk stock exposure UITs & ETFs, etc.



# Our Custodians





## Why Affinity?

### Who We Are

- independent Registered Investment Advisor (RIA)
- no corporate agenda
- Fiduciaries - bound to a high standard

### Client Service

- financial planning & advisory (full service) – no extra charge
- client portal – cashflow, investment & goal tracking, vault & more

### Our Fees

- are typically lower
- not commission based
- non tiered – all account balances are charged at the same fee %; helps keep fees low

### Investment Management

#### *wide range of options*

#### *in-house management*

- deepens expertise
- increases efficiency
- keeps fees low

#### *fee based options exclusively\**

- no surrender charges on annuities or funds\*
- exiting investments is easy & almost always without cost

#### *exchange traded funds (ETFs)*

- used extensively
- higher tax efficiency
- lower cost
- higher flexibility

#### *technical analysis*

- simple yet powerful tools for - tracking investment viability
- not used by many advisors