A&A FINANCIAL ADVISORS

Appendix:

Risk tolerances available:

- **Aggressive -** This risk tolerance refers to an investor's willingness to accept high levels of risk in pursuit of potentially high returns. Individuals with an aggressive risk tolerance typically allocate a significant portion of their portfolios to assets with higher volatility and potential for substantial fluctuations in value, such as stocks. They are willing to endure short-term losses in the hope of achieving long-term gains. This approach can potentially lead to greater returns but also carries a higher chance of significant losses compared to more conservative investments.
- **Moderate -** Risk tolerance that implies a willingness to accept a balanced level of risk in their investment portfolio. They seek a middle ground between potential returns and risk exposure, typically diversifying across various asset classes to mitigate volatility. While they understand the risks associated with investing, they prioritize capital preservation alongside moderate growth, aiming for stability and consistent returns over time.
- **Conservative –** Investment approach where capital preservation is prioritized over significant financial returns. For those investors who are wary of volatility and seek low risk investments.

Some strategies offer different models to cater to your specific risk profile, investment time horizons, and potential cashflow needs.

Options for handling securities not in model:

- These may be legacy positions that have large unrealized gains and/or individual securities you have a strong conviction of owning.
- When possible, these positions within the portfolio are usually either excluded from the model for rebalancing purposes or they may be substituted for an existing position in the recommended model if they are similar in nature.

Option to be tax sensitive when selling in taxable accounts:

- Certain strategies are mindful every time we recognize gains in taxable accounts and use security equivalencies when appropriate to minimize negative tax consequences.
- We are extra sensitive to short-term gains for newly acquired positions since these are typically taxed at a higher rate than long-term capital gains.

Tax loss harvesting available:

- Strategic selling of securities at a loss to offset capital gains.

Downside protection during extreme equity market downturns:

- **Strategic Asset Management –** We track various technical and economic indicators to decrease stock exposure during periods of extreme volatility. During these periods, original stock positions will be moved to cash or money market instruments to protect portfolios from potentially experiencing significant drawdowns.
- **Separately Managed Accounts –** If a conservative bond SMA allocation is selected, this would provide downside protection compared to a more aggressive equity allocation.

Continued:

- **Buffered Exchange Traded Funds –** These ETFs use a combination of options to create a downside buffer of protection when the fund is owned over a certain period. A common example is a 15% downside buffer over a 12-month period.
- **Customized bond portfolios –** Bond portfolios are more conservative with less volatility so have protection against extreme market drawdowns.

Types of Holdings:

- **Exchange Traded Funds (ETFs) –** A type of pooled investment security of a bundle of assets which lowers your risk and exposure, helping you diversify your portfolio.
- **Mutual Funds –** Mutual pool from shareholders that invest in securities such as stocks, bonds, and other investments.
- **Individual Stocks –** Represents ownership of a company which entitles shareholders to a portion of the company's profits or losses.
- **Bonds –** A loan you make to a company or government in return for income over a fixed period.
- **Certificate of Deposits (CD) –** A financial instrument provided by banks which pays an interest rate premium in exchange for a lump-sum deposit that is untouched for a predetermined term.
- **Money Market –** The trade in short-term negotiable instruments, such as CDs or U.S. Treasury securities. This is typically viewed as a cash equivalent, with slightly higher interest rates.

Approximate number of positions in portfolio:

- This is the number of unique holdings you will see in your account.

Approximate total of net underlying holdings:

- This is an approximate total of all the individual securities held within the portfolio directly and the securities held within the different funds.

Easily borrow against portfolio (i.e. Margin):

- Borrowing money, using the brokerage account as collateral, to leverage an investment.
- Ability to buy more securities than you could afford with cash alone through a line of credit with margin interest.