



# Investment Plan and Investment Policy Statement

**Client Name**

**January 1, 2022**





## Introduction

A critical component of your experience with our firm is the formation of a clearly defined investment plan to guide you and us as we build and maintain your portfolio. Our broad process consists of four steps:

**Step One:** Defining your goals and assessing your tolerance for risk based upon your unique ability, willingness and need to take market risk.

**Step Two:** Helping you understand our evidence-based investment strategy and how it guides our recommendations when we build your portfolio.

**Step Three:** Implementation of your portfolio based on your targeted asset allocation.

**Step Four:** Ongoing maintenance through periodic rebalancing.

## Understanding the Investment Strategy

We practice an evidence-based approach to investing. The focus of our firm's Investment Policy Committee (IPC) is understanding the investment best practices and body of knowledge defined by decades of academic and practitioner research. This research is ongoing and will continue to inform the recommendations we make to our clients. We believe there are six key tenets associated with evidence-based investing:

- 1. Outperforming the market is difficult.** Given this fact, we recommend portfolios that are diversified, are tax efficient and follow the academic evidence while maintaining reasonable costs.
- 2. Global stock market diversification is the starting point.** The academic evidence shows that investors should own U.S., international and emerging market stocks, not concentrating solely on U.S. companies. This research shows that diversification across countries makes sense in much the same way as diversification across asset classes and companies.
- 3. Size, value and momentum tilts can increase expected return.** There is abundant academic evidence showing that small-cap stocks have generated higher long-term returns than large-cap stocks; that value stocks have outperformed growth stocks; and that positive momentum stocks have outperformed negative momentum stocks. We try to capture these long-term return premiums through the stock and alternatives funds we use to give our clients the best possible chance of generating returns equal to or better than the overall market.
- 4. The primary role of fixed income is to reduce volatility.** We believe the most effective way to build portfolios is by taking risk through the stock and alternatives portion of the portfolio and using fixed income to reduce portfolio risk.
- 5. Academic evidence supports modest use of alternative investment strategies.** We believe there are a few alternative strategies accessed in mutual fund form that can enhance portfolio forward-looking return expectations and/or reduce portfolio volatility.
- 6. Evidence-based investing slowly evolves over time.** Importantly, evidence-based investing is not static. Our investment strategy recommendations will evolve as academic and practitioner evidence evolves.

## Asset Allocation

Asset Class	% of Portfolio
EQUITY	Target
Domestic Equities	30
International Equities	20
TOTAL EQUITY	50
ALTERNATIVES	
TOTAL ALTERNATIVES	15
FIXED INCOME	
TOTAL FIXED INCOME	35
<b>TOTAL</b>	<b>100</b>

## Rebalancing Guidelines & Disclosures

We set target allocations for each asset class in your portfolio and periodically review the portfolio to make sure the actual allocation to each asset class has not drifted too far from the target. If it has, we will then sell asset classes that are over their target weights by a significant amount and subsequently purchase asset classes that are under their target weights. It is important to note that these target allocations are established as objectives based on the appropriate balance for your stated goals and risk tolerance. It is expected that the portfolio's actual asset allocation will deviate from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset classes. The target allocations are not intended to require portfolio activity for the sole purpose of complying with the guidelines. In most cases, we will monitor for portfolio drift exceeding tolerances of +/-10%, but there may be cases in which the current weightings drift beyond this threshold.

## Ongoing Review of Investment Plan

During our Regular Progress Meetings, we will ask you about any specific events that may call for a change in your portfolio construction. Events can have implications for choosing your appropriate asset allocation and the size of the withdrawals needed from your portfolio. As we learn about changes in your situation, we will decide together if a change in your portfolio is appropriate. You should provide us with all relevant information on financial condition and net worth, and shall notify us promptly of any changes to this information. Failure to disclose all such relevant information will limit our ability to provide prudent investment advice.

## Duties and Responsibilities

You should always be aware that you have the ultimate responsibility for the investment of your own assets. We will assist you in a fiduciary capacity, always making recommendations that we believe to be in your best interest.

We are responsible for answering any questions you may have; offering educational opportunities; assisting you in making appropriate asset allocation decisions based on your particular needs, objectives and appetite for risk; implementing such decisions; reporting portfolio performance; and rebalancing your portfolio, as necessary.

While this IPS will guide our investment management, this is not a contract; your duties, rights and responsibilities are set forth in the Investment Advisory Agreement.

## Consent to Electronic Signature, Electronic Delivery and Amendment

The parties agree that this Investment Plan and IPS may be electronically signed. By consenting, you agree that your electronic signature will have the same meaning and effect as if it were signed in ink. In order to help facilitate prompt delivery, including any edits to this Investment Plan and IPS, your consent herein also allows us to deliver documents via electronic means rather than traditional mailing of paper copies. In order to facilitate prompt updating for any changes for your Investment Plan and/or IPS, we shall have the right to amend this Investment Plan and IPS by modifying or rescinding any of its existing provisions or by adding new provisions with advance notice to you. These consents granted herein will remain in effect until revoked by you or a subsequent Investment Plan and IPS is implemented

### Approvals

Adopted this 1<sup>st</sup> day of January, 2022

*By*

Client(s) signature(s): \_\_\_\_\_

Printed: **Name**

*And by*

**HBE Wealth Management**

Advisor signature: \_\_\_\_\_

Printed: **Name**

