

## **Tactical Asset Allocation Program**

### **Asset Allocation**

Community Financial Advisors (CFA) assists clients in determining strategic (long-term) asset allocation decisions; helping to match time horizon, risk tolerance and investment goals into a workable plan. Within the design of the strategic plan, we execute tactical decisions to take advantage of potential opportunities in asset class valuations. Asset allocation decisions are reviewed with clients as their needs are continually re-evaluated. Alternative investments and hedging strategies may be used when appropriate and with client approval.

### **Fixed Income Management**

CFA manages the most critical components of the fixed income portfolio through ownership of individual bonds (corporate, government agency, or treasury bonds) or through ownership of duration/credit specific bond funds. When utilizing bond funds, we continually evaluate the portfolio managers and the portfolio composition. CFA manages the amount of interest rate risk associated with the portfolio and will decide how much credit risk should be accepted in the portfolio. In addition, we determine which sectors (treasury, government agency, asset-backed, or corporate bonds) appear to offer the greatest value. Finally, CFA controls the effective duration of the portfolio, seeking to achieve a desirable level of current income while controlling negative principal volatility.

### **Domestic Equity Management**

CFA provides access to some of the finest specialist managers in the world. We construct an equity portfolio that is diversified by market capitalization, investment style, and management teams. The long-term goal of this strategy is to achieve or exceed the total return of an appropriate benchmark while controlling investment risks. Utilization of multiple asset classes in order to reduce portfolio risk is a key component of this strategy. CFA continuously evaluates the equity managers, their portfolio holdings, and their current investment strategy. In addition to performance analysis, CFA monitors the specialist managers for “style drift”. Style drift occurs when a manager’s portfolio fails to parallel its benchmark. CFA wants the managers to add value only at the security level. We make the asset allocation decisions to help control the risk associated with the total portfolio. When desired, CFA will manage the Large-Cap portion of the domestic equity portfolio with individual securities while utilizing specialist managers for the remaining sectors (Small-Cap, etc.).

### **International Equity Management**

CFA recognizes the long-term risk reduction advantages afforded by international investing. We will evaluate international management teams in a similar manner as the domestic equity teams. CFA strives to achieve the diversification (risk management) advantage while maintaining desirable long-term investment performance.

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