



# SAMPLE RECOMMENDED ETF PORTFOLIOS

October 1, 2020

**The Exclusive Coaching Program**

Proven Systems ... Customized Advice ... Results

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Recommended ETF investments are chosen based on the following criteria.

**Criteria 1: 4 or 5 stars from investment research company, Morningstar, Inc.**

We respect the research done by this industry-leading investment research firm. They provide us a quantitative and objective assessment that helps begin our evaluation process. Morningstar rates ETFs with the same methodology as their rating for funds. It assigns 1 to 5 stars based on an investment's past risk- and load-adjusted returns versus category peers. Within each of Morningstar's categories, the top 10% of ETFs receive 5 stars and the bottom 10% receive 1 star. ETFs are rated for up to three time periods: three-, five-, and 10-years, and these ratings are combined to produce an overall rating. ETFs with less than three years of history are not rated. Morningstar's ratings are objective, based entirely on a mathematical evaluation of past performance. While we respect Morningstar's rating, this rating alone does not automatically assure that we will or will not choose an ETF.

**About Morningstar, Inc.**

Incorporated in 1984, Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia, with operations in 27 countries.

Morningstar offers an extensive line of products and services for individual investors, financial advisors, asset managers, retirement plan providers and sponsors, and institutional investors in the private capital markets. Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, and real-time global market data.

**Criteria 2: ETFs that are large and liquid**

Liquidity and the ability to have access to changing investments for our clients is a major area we pay attention to. Sound liquidity management practices are important elements of portfolio and risk management. We try to avoid small ETFs or ETFs with very low assets (generally our clients should not own collectively more than 5% of an ETF). While some obscure smaller ETFs could have past performance returns that look attractive, liquidity management is a constant area of focus for our selections.

**Criteria 3: Prior history or track record**

One of our key criteria is to offer ETFs that have some prior history to analyze. This gives us at least a starting point for how each ETF has performed. We try to look, if possible, at not just current data but how the ETF performed during periods of market decline. While prior performance can be a useful tool for identifying ETFs worthy of further research, we review it, but do not consider past performance to indicate buy or sell signals. Exceptions to this criterion can be made under certain circumstances (for example, if the category is new or the ETF is a newer version that offers a lower fee structure).

**Criteria 4: Continuity of philosophy**

Each individual ETF we choose has an investment philosophy. This philosophy, like ours, is typically the ETF's set of guiding principles that inform and shape investment decision-making process within that ETF. We primarily look for ETFs that define their philosophy and stay within that focus. Our goal is to choose ETFs that show a discipline and do not change their strategy often, if at all.

**Criteria 5: Adequate communication**

One of our firm's primary objectives is to offer transparency and to provide on-going communication in a timely fashion to our clients. We expect the ETFs that we populate our portfolios with to do the same. When choosing ETFs we always consider the availability and ease of communications with that company or ETF.

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Symbol	ETF	Symbol	ETF
SCHP	Schwab U.S. TIPS	SCHB	Schwab U.S. Broad Market
TIP	iShares TIPS Bond	QQQ	Invesco QQQ Trust
SPY	SPDR S&P 500	SLYV	SPDR 600 Small Cap Value
VOO	Vanguard S&P 500	FVD	First Trust Value Line Dividend Index
IVV	iShares Core S&P	MGC	Vanguard Megacap
SCHX	Schwab U.S. Large Cap	VTV	Vanguard Value
VIG	Vanguard Dividend Appreciation	XLG	Invesco S&P 500 Top 50
DGRW	Wisdomtree U.S. Dividend Growth	SDY	SPDR S&P Dividend
DGRO	iShares Core Dividend Growth	AGZ	iShares Agency Bond
SPTS	SPDR Portfolio Short Term Treasury	BNDX	Vanguard Total International Bond
VGT	Vanguard Information Technology	BIV	Vanguard Intermediate Term Bond
XLK	Technology Select Sector SPDR	GSY	Invesco Ultra Short Duration
IGM	iShares North America Tech	FBND	Fidelity Total Bond
VHT	Vanguard Healthcare	VCSH	Vanguard Short Term Corporate Bond
FHLC	Fidelity MSCI HealthCare Index	VYM	Vanguard High Yield Dividend
VTI	Vanguard Total Stock Market	VGSH	Vanguard Short-term Treasury
IYY	iShares Dow Jones US	FTEC	Fidelity MCI Info Tech Index
IWW	iShares Russell 3000	ITOT	iShares Core S&P Total U.S. Stock Market

**. \* Due to the unusual market concerns, ALL ETFs not used in the 10 or 12 Pack are on a temporary WATCH LIST!**

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**10-PACK or “10 Star” Model Portfolio**

Previous ETFs as of (7/1/2020)	Symbol	%
Vanguard Prime Money Market Investor	VMMXX	20½
SPDR Portfolio Short Term Treasury	SPTS	17
SPDR® S&P 500 ETF (USD)	SPY	12½
Vanguard S&P 500 ETF (USD)	VOO	10
Vanguard Dividend Appreciation	VIG	8
Ishares Core S&P Total US Market	ITOT	8
Ishares Core Dividend Growth	DGRO	6
Vanguard Total Stock Market	VTI	6
Vanguard Short Term Treasury	VGSH	6
Vanguard Short Term Corporate Bond	VCSH	6

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**Total Expenses are ~0.10%**

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**12-PACK or “Desirable Dozen” Model Portfolio**

Previous ETFs as of (7/1/2020)	Symbol	%
Vanguard Prime Money Market Investor	VMMXX	18½
SPDR Portfolio Short Term Treasury	SPTS	15
SPDR® S&P 500 ETF (USD)	SPY	11½
Vanguard S&P 500 ETF (USD)	VOO	9
Vanguard Dividend Appreciation	VIG	8
Ishares Core S&P Total US Market	ITOT	8
Ishares Core Dividend Growth	DGRO	6
Vanguard Total Stock Market	VTI	6
Vanguard Short Term Treasury	VGSH	6
Vanguard Short Term Corporate Bond	VCSH	6
Vanguard Information Technology	VGT	3
Fidelity MSCI Health Care Index	FHLC	3

Current ETFs (as of 10/1/2020)	Symbol	%
Vanguard Prime Money Market Investor	VMMXX	18½
SPDR Portfolio Short Term Treasury	SPTS	15
SPDR® S&P 500 ETF (USD)	SPY	11½
Vanguard S&P 500 ETF (USD)	VOO	9
Vanguard Dividend Appreciation	VIG	8
Ishares Core S&P Total US Market	ITOT	8
Ishares Core Dividend Growth	DGRO	6
Vanguard Total Stock Market	VTI	6
Vanguard Short Term Treasury	VGSH	6
Vanguard Short Term Corporate Bond	VCSH	6
Vanguard Information Technology	VGT	3
Fidelity MSCI Health Care Index	FHLC	3

**Total Expenses are ~0.10%**

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## Portfolio Discussion

### *Logic, Thoughts and This Quarter's Changes*

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Both of these portfolios were constructed for **long-term investors**. The main difference is that the **12-pack/Desirable Dozen** is slightly more equity intensive and includes focused investments in two specific areas we feel will grow over the next decade: healthcare and information technology. The **10-pack/10 Star** model is a little more conservative.

## 10-pack or "10 Star" Model Portfolio:

### October 1, 2020 Portfolio Update:

Historically, our investment committee rebalances on a quarterly basis. Our last major purchase was when we added to SPY in late March. Our last major sell was in April, when due to the uncertainty of dividends from many companies because of the Coronavirus, and the current low price of oil, we exited a dividend related ETF.

Currently, we are cautiously optimistic, but not making any changes. However, we are committed to a watch and see approach and will use heavy pullbacks in VOO or SPY as entry points for additional investments (starting at around 15% and again at 20-25%).

Please remember that these portfolios are ideas for LONG TERM investors and not for those whose risk tolerances do not fit the portfolios guidelines!

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## Portfolio Discussion

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## 12-pack or “Desirable Dozen” Model Portfolio:

### October 1, 2020 Portfolio Update:

Historically, our investment committee rebalances on a quarterly basis. Our last major purchase was when we added to SPY in late March. Our last major sell was in April, when due to the uncertainty of dividends from many companies because of the Coronavirus, and the then low price of oil, we exited a dividend related ETF.

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# Quarterly Commentary

10.1.2020

## *Our primary objective is to keep our focus on the long-term.*

We continue to keep a watchful eye on investments. For this quarter, although equities have again increased, we still favor them for the long-term to meet investors returns. The portfolios are still keeping liquid positions available and will look for better entry points during this quarter to possibly make slight increases to equity holdings. We would like to capitalize on downturns to position slightly more into the S&P 500 index fund (VOO or SPY) at a lower price. The Coronavirus and economic conditions are currently causing great confusion so we are creating a wait and see approach to making changes.

When choosing our fixed income and bonds, we note that interest rates are at low levels and are concerned that if rates move up that fixed income instruments with any type of duration could lose some value. Our approach uses fixed income as a hedge against equities and not as a strategy to make high returns. After the strong market rise, we are leaning toward neutral for the short term, but still like equities for the long term. With interest rates at or near historic lows, we are still neutral on fixed income. For fixed income, we still heavily favor short-term durations and prime money markets.

## Current Long-Term *OUTLOOK*

### EQUITIES



### BONDS



## MAIN BENEFITS OF BOTH SAMPLE PORTFOLIOS INCLUDE:

- Reasonable risk adjustment (mix of equity/fixed income/money market allocations)
- Low-cost (Approx. 10 basis points (0.10%))
- Tax efficient (primarily ETF's that are typically more tax efficient compared to funds that have a higher degree of portfolio turnover)
- Updated periodically
- Full transparency (not a manager of manager approach)

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