Investment Strategies

Congress Wealth Advisor Solutions

congresswealthadvisorsolutions.com

A Strategy For Every Investor

Following the tech crash in the early 2000s, Congress recognized the need for better risk management in it's portfolios to protect assets in a market downturn. First, Congress began by identifying strategies that would improve upon traditional diversification and rebalancing to manage risk. Second, we learned there are multiple strategies that can successfully grow your assets, each with very different investment risks associated with them. Finally, Congress identified three primary types of risk that should be considered when selecting the right investment strategy:

» **Market Risk**
the chance that the overall financial markets will decline.

» **Manager Risk**
the chance that a portfolio manager will make a mistake in his or her allocations. In other words, human error.

» **Strategy Risk**
the chance that a strategy stops working. As the old investment saying goes - strategies work until they don't.

With all of this in mind, Congress developed certain investment strategies each with a unique approach to risk management. These strategies are the product of thousands of hours of research and the extensive hands-on experience of our investment team.

There is no one size fits all investment strategy for every investor. Congress' investment strategies allow investors to find the one that is best suited for their circumstances.

The Strategic Market and Dynamic Market Strategies are more passive in approach and will be attractive to an investor who believes that no manager can consistently produce a better risk-reward outcome than the market.

Our flagship Dynamic Prime or Dynamic Quant Strategies are more risk managed and would be a good option for an investor who believes a manager or strategy can consistently out perform the market and their primary concern is protecting their nest egg from market declines.

Each of our strategies offer a menu of risk models from conservative to aggressive to fit your needs. Once a strategy is selected, an investor needs to identify how much risk is appropriate given personal risk tolerance and financial circumstances.

How much protection do they offer against common investment risks?

	Strategic Market	Dynamic Market	Dynamic Prime	Dynamic Quant
	Passive			*Risk Managed*
Market Decline	Low	Moderate	High	High
Manager Error	High	High	Low	Moderate
Strategy Error	High	Moderate	Moderate	Low

The Strategic Market Strategy

Comfortable receiving market returns.

Congress' Strategic Market Strategy is invested in a globally diversified portfolio of twenty asset classes, including equity, fixed income and alternative asset classes and is designed to replicate market performance over the long term. The Nobel prize winning portfolio construction theory is called Modern Portfolio Theory.

Modern portfolio theory

Modern Portfolio Theory ("MPT") seeks to achieve the highest market return for a given level of risk by employing two risk management techniques: diversification and rebalancing.

Diversification is best explained by the adage "don't put all of your eggs in one basket." The benefits of diversification are well-known. By combining multiple asset classes that react independently in the same market circumstances, the "zig and zag" of the returns of individual asset classes offset one another to produce a less volatile ride.

Rebalancing is a technique that periodically buys and sells asset classes to preserve the targeted asset allocation and thereby the benefits of diversification. By purchasing asset classes that have fallen in value (buying low) and selling asset classes that have increased in value (selling high), the rebalancing process also tends to improve returns over time.

MPT portfolios are also highly tax efficient. Since transactions are generally limited to rebalancing and those transactions are infrequent, few capital gains are realized. Instead of paying dollars to Uncle Sam, they remain invested to continue compounding returns for you.

Not all MPT solutions are created equal

Congress' Strategic Market portfolios stand apart from other MPT portfolios based on:

Risk Management

Congress carefully selected 20 assets classes to represent a truly diversified portfolio that can also produce a market return. Among them are alternative asset classes with low correlations and a variety of securities designed to better hedge the risk of rising interest rates.

Low Cost Structure

MPT portfolios are designed to replicate their benchmark and are very likely to consistently under perform their benchmark by an amount equal to the management costs of the portfolio. Congress seeks to minimize that drag by employing ETFs with low expense ratios and using ETFs with no transaction fees whenever possible.

Tax Management

Over and above the natural tax efficiency of MPT portfolios, Congress employs asset location and tax loss harvesting. Asset location places securities with the highest potential for taxable income/gains in tax-deferred accounts. Studies show this technique can add 0.20-0.50% to after-tax returns.

Planning Flexibility

Congress can customize Strategic Market portfolios to accommodate legacy securities and other important planning requirements.

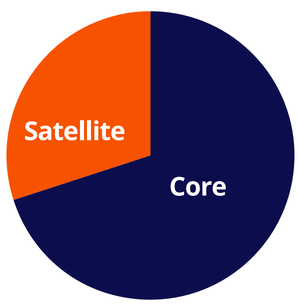
The Dynamic Market Strategy

Embracing the market ... safely.

Dynamic Market Strategy is for investors who prefer a passive MPT-based solution but who are seeking an added degree of risk management.

Modern portfolio theory...Plus

The Dynamic Market Strategy is constructed with a Core Portfolio (70%) and a Satellite Portfolio (30%). The Core Portfolio invests in the Strategic Market Strategy, a traditional MPT-based portfolio designed to capture the returns as well as the risks of the market.



The Satellite Portfolio provides a degree of risk management intended to mitigate Market Risk and improve returns. The risk overlay employed by the Satellite Portfolio adjusts the allocation between equities and fixed income when market valuations reach extremes. For example, when the risk overlay determines that markets are very cheap, fixed income are sold and equities are purchased. Alternatively, when the risk overlay determines that markets are very expensive, equities are sold and fixed income are purchased. This is a best practice commonly employed by wealth managers based on the same academic research that supports MPT.

How it works

Congress created a proprietary risk overlay that drives the asset allocation decision in the Satellite Portfolio. The risk overlay is driven by: market valuation and technical momentum.

Market Valuation

It is well documented that valuation is a terrible indicator of short-term investment returns but an excellent indicator of longterm returns (five or more years). This can be a powerful piece of information for a long term strategic investor. For example, our research has found that when valuations are expensive, annual returns over the ensuing five years average only 0.3%per annum in a range of -7% to +10%. By contrast, when valuations are cheap, annual returns average 17% per annum in a range of +7% to +30%.1

Technical Momentum

A common investment pitfall of valuation is that an asset class can be cheap and then become even cheaper still. This phenomenon is called a "value trap." To avoid this possibility, Congress employs technical momentum indicators to determine when markets have bottomed and it is safe to purchase cheap assets. Conversely, markets can continue to rise even when expensive. These indicators also ensure Congress does not sell equities too soon.

The Dynamic Prime Strategy

Tactical, risk-managed portfolios.

Dynamic Prime Strategy is for investors who believe that active management can reduce portfolio volatility (risk) during market declines and outperform over a complete market cycle - Bull Cycle and Bear Cycle.

A more effective way to manage risk

As investment markets have become more global, asset classes that once acted differently under the same market conditions are now acting increasingly similar and the effectiveness of diversification has been lessening – especially in market declines.

Dynamic Prime adheres to the MPT principles of diversification and rebalancing, but it seeks to improve risk management by also considering the value characteristics of asset classes. Rather than target a strict asset allocation for a fixed list of asset classes, Dynamic Prime targets an acceptable range of portfolio volatility for each Risk Model. This change provides the freedom to select the most attractive securities to construct a portfolio consistent with the outlook of investment markets, asset classes and sectors.

The Congress Investment Team conducts a rigorous process that continuously evaluates the business cycle, monetary policy, valuation, technical conditions, quantitative analysis and Independent Research to ascertain the most probable risk-return outlook for global investment markets. Then portfolio volatility, sector rotation and security selection are considered.

Targeted Volatility

Based on an evaluation of the weight of the evidence,Dynamic Prime can increase or reduce portfolio volatility relative to the portfolio benchmarks. These changes allow us to reduce risk in anticipation of bear markets or increase risk in anticipation of bull markets.

Sector Rotation

Within asset classes, the investment team also evaluates the attractiveness of underlying sectors to manage risk. For example, the team might sell more volatile late cyclical sectors of the stock market to own less volatile, defensive sectors.

Security Selection

Once a targeted portfolio volatility and/or sector rotation strategy is determined, the team conducts a bottoms-up evaluation of ETFs and mutual funds to identify the security best suited for the investment objective.

Our safeguards

The investment process is designed to defend against mistakes. By reducing the frequency and magnitude of errors, the process increases the probability of achieving better than benchmark outcomes.

» Investment decisions are made as a team. Our strategy doesn't depend on a single super star manager who could go cold or make a series of investment mistakes.

» A weight-of-the-evidence approach is employed that requires a majority of factors to support decision making. This helps defend against the possibility that dogmatically following any one factor will lead to an incorrect conclusion.

» Decisions are made using both qualitative (judgment, experience and intuition) and quantitative (rules-based mathematical and statistical models) decision-making.

» Trades tend to be small and incremental believing that sudden, large shifts in the portfolio put clients' money at greater risk.

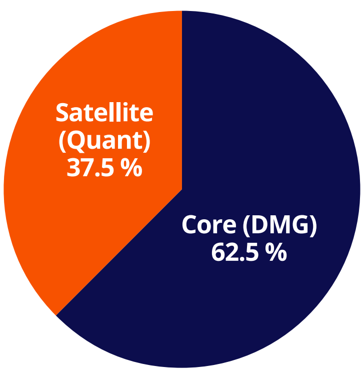
The Dynamic Quant Strategy

Protecting against market decline and manager error.

The Dynamic Quant Strategy is for investors who prefer a more active risk-managed solution, but who seek some measure of balance between the more qualitative decision-making of a manager - Manager Risk - and the less emotional decision making of a quantitative strategy -Strategy Risk.

A different kind of quant strategy

Many quant strategies available today are 100% driven by algorithms, primarily based on price momentum. In other words, they "put all their eggs in one basket".



Dynamic Quant is something different. As a fiduciary and recognizing that quant strategies tend to work right up until to the moment they fail, Congress believes offering a strategy 100% dependent on an algorithm was imprudent. Dynamic Quant hedges that risk by creating a Core Portfolio (62.5%) with Congress' flagship Dynamic Moderate Growth ("DMG") Strategy and a Satellite Portfolio (37.5%) with its US quantitative strategy. In addition, consistent with Congress' bias towards value, the quantitative algorithm is driven primarily by relative valuation and, to a lesser extent, price momentum.

How it works

Congress created a proprietary US-rules based quantitative algorithm to drive the asset allocation decision in the Satellite portfolio.

The algorithm is driven first by asset class attractiveness and then by US sector selection.

Asset Class Attractiveness

The algorithm must first decide on the relative attractiveness of fixed income assets (cash and bonds) versus equities. The algorithm employs a proprietary relative price momentum algorithm to decide whether equities are sufficiently attractive to invest in.

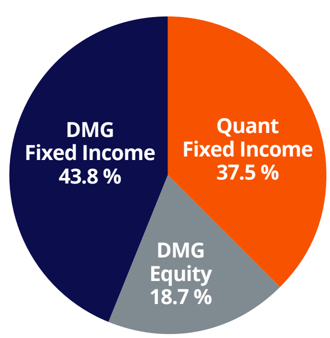
Sector Selection

Once the algorithm decides to own growth assets (equities), the algorithm scores the attractiveness of the 11 sectors that comprise the S&P 500 based on relative valuation (75%) and price momentum (25%). The algorithm then invests the Satellite Portfolio in the most attractive sectors.

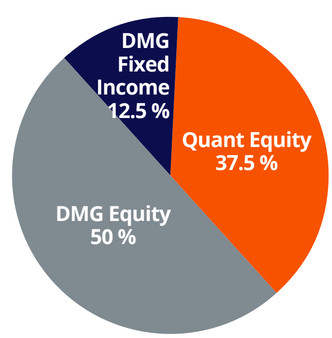
One model for all seasons

Dynamic Quant offers only one risk model. In a neutral posture, it will own 75% equities and 25% fixed income. The considerable variability in asset allocation in the core and satellite portfolios based on market conditions obviate the need for more than one model. In a bearish posture, the model might carry 80% fixed income and 20% equities. In a bullish posture, the model might own 88% equities and 12% fixed income.

Bearish Posture



Bullish Posture



Clean Green Global

For the social responsible investor.

The Clean Green Global portfolio series ("CGG") makes it easy to invest intelligently by doing good. To that end, Congress has created an investment portfolio that allows client investors to support companies that are environmentally friendly and sustainable, socially aware and conscious, and offer governance that is capable and effective. Our investment team has thoughtfully selected a portfolio of exchange-traded funds (ETFs). Most of the ETFs have positive environmental, social, and governance (ESG) characteristics, which are designed to offer risk and return traits similar to comparable non-ESG indexes.

CGG is built to help mitigate downside risk and volatility, while allowing upside returns. The holdings include companies that have been shown to be well run, as well as socially conscious, gender aware and diverse. Some are environmentally positive and have geared operations toward manufacturing and services using an environmentally sustainable supply chain to produce a profitable outcome.

Congress' CGG is a platform of portfolios based on two different strategies: one emphasizing passive investing and the second offering an active satellite component along with a passive core. Both strategies are diversified across 16 asset classes and include index-based ETFs that screen the underlying holdings to favor companies that rank highly* on factors relating to ESG characteristics.

In short, the CGG platform is designed for those investors who are interested in positioning their investment portfolio to be more socially and environmentally responsible but want to be secure in the knowledge that a professional manager is selecting and adjusting the holdings when necessary, in their best interest.

Clean Green Global offers investors a chance to align their own personal core values regarding the environment, gender equality, social consciousness, and even corporate governance, with their choice of investment strategy. Congress' analysts have spent the time to do the research, to attempt to find those ETFs that fit their screens for social responsibility, that screen out corporate malfeasance, environmental waste, and the socially objectionable or controversial, and come up with choices that you'd be proud to tell your friends and relatives about. These portfolios are designed to offer returns competitive with other investment strategies without ESG characteristics.

Congress' Investment Team has put together a portfolio that is seeking to balance the volatility and risk of a diversified multi-asset class portfolio with similar characteristics of stability and diversity, while incorporating the core values and social consciousness of an ESG approach to security selection. This is a combination that delivers the kind of returns investors can be proud of and feel good about.

When you select the Clean Green Global portfolio option, you'll have a choice between the 3 actively managed models (Dynamic Market) and the 5 models (Strategic Market) that are more traditionally managed, to match your appetite for risk and growth. We can review these styles with you and help you select the style that's most suited to your goals.

**Rankings are provided by the third-party index provider and based on their unique proprietary methodology.*

Disclosure

Congress Wealth Management, LLC ("Congress") is a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940, as amended.

For additional information, please visit our website at congresswealth.com or visit the Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov by searching with Congress' CRD #310873.

Congress acquired certain strategies of Pinnacle Advisory Group, Inc. on April 30, 2021.

The summary of the strategy is based upon the opinions of Congress, and the data available at the time of publication. Information and opinions discussed in this commentary may be superseded, and we do not undertake to update such information.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. The index composition may not reflect the manner in which a portfolio is constructed. While an adviser seeks to design a portfolio, which reflects appropriate risk and return features, portfolio characteristics may deviate from those of the benchmark.

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revised 7/2021

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