

# STRATEGIC INVESTMENT PARTNERS, INC.

## INVESTMENT POLICY STATEMENT CAPITAL APPRECIATION ETF PORTFOLIO

### **Introduction**

The purpose of this Investment Policy Statement (the “IPS”) is to establish a clear understanding as to the investment objectives and policies applicable to the management of our investment Portfolio. These guidelines have been established in accordance with the risk/return profiling information developed in the Investment Management Agreement Worksheet (Exhibit B).

*The Investment Policy Statement:*

- Establishes reasonable expectations, objectives and guidelines for the investment of our Portfolio.
- Sets forth an investment structure detailing permitted asset classes and the expected allocation among asset classes.
- Creates the framework for a well diversified asset mix that can be expected to generate acceptable long term returns at a suitable level of risk.
- Encourages effective communication between the client and our Investment Advisor.

**The IPS is not a contract. The IPS is intended to be a written summary of an investment philosophy that provides guidance for us and our Investment Advisor.**

### **Time Horizon**

The long-term time horizon for our Portfolio is in excess of ten years. The benefit of focusing on the long term is to avoid an emotional response to short term market volatility, which may cause distress and doubt as to the viability of our investment policy. Capital values do fluctuate over shorter periods and we recognize that the possibility of capital loss does exist. Historical asset class returns, however, suggest that the risk of principal loss over a holding period of at least three to five years can be minimized with the long term investment mix employed under this IPS.

### **Risk Tolerance**

You are considered a long term aggressive investor seeking capital appreciation. Assets will be primarily allocated among equity securities. The equity portion of your Portfolio will be invested predominantly in Exchange Traded Funds (ETFs). Investment into various ETFs will include but are not limited to the following ETFs; Index funds such as the S&P500, DOW Jones Industrial & NASDAQ; Sector funds such as Energy, Health Care, Consumer Staples, Financials, Defense, and Consumer Goods. The portfolio will also utilize Inverse ETFs. These ETFs increase in value as the market decreases in value. Leveraged long and short ETFs (as much as 3x) may be used in an attempt to outperform the market as well as protect the portfolio in a hedging position. The equity exposure will vary based on market conditions and management decisions. The management team has complete discretion on equity exposure and is not required to maintain a certain level of equity exposure.

## **Investment Objectives**

Based on your primary goal of capital appreciation the advisor has established an expected annual rate of return objective over the next five years at the Consumer Price Index plus 8%. We understand that this objective is defined in order to establish guidelines for your portfolio, and that adoption of this objective **does not** assure achievement of any specific investment results.

## **Asset Allocation**

The Capital Appreciation ETF Portfolio will typically allocate its assets into a market index such as the DOW Jones Industrial, NASDAQ, or S&P 500. Asset allocation and selection is at the discretion of the manager and corresponds to the long term, aggressive nature of this portfolio. The portfolio may also take positions in various sectors of the economy which we deem attractive. Sectors include but are not limited to; Energy, Health Care, Financials, and Technology.

## **Rebalancing Procedures**

Over time, market conditions and the varying performance of the asset classes may cause the Portfolio's asset mix to vary from the original target allocation. To remain consistent with the asset allocation guidelines established, each asset class shall be reviewed on a periodic basis by the Investment Advisor. As necessary, the advisor will recommend the rebalancing of the Portfolio either to maintain (approximately) the initial target allocation or to make an adjustment to the target allocation as they deem appropriate.

## **Investments**

### **A. Asset Classes**

The diversification of assets among asset classes will be based on our Risk/Return Profile and the research and analysis conducted by our firm. The asset classes that may be included in our Portfolio are:

- Large, Mid & Small Cap Equities
- Growth, Core & Value Equities
- Natural Resources
- Real Estate Investment Trusts
- International Market Equities
- Emerging Markets Equities
- Foreign Currency
- Bonds

### **B. Investment Vehicles**

Our Portfolio's asset allocation strategy will be implemented with the following investment vehicles:  
Capital Appreciation ETF Portfolio

## **Liquidity**

Since the investment vehicles our Portfolio will be invested in are considered highly liquid investments, we will not need to maintain unnecessarily high cash balances among our asset mix, except as may be dictated for investment purposes. You may request withdrawals at any time by notifying your Investment Advisor.

## **Duties and Responsibilities**

### **A. Investor**

You will provide our Investment Advisor with all relevant information on our financial condition, net worth, and risk tolerance and must notify our Investment Advisor promptly of any changes to this information. You will read the information contained in the quarterly reports and familiarize yourselves with the data provided for each of the Investment Managers selected for our Portfolio.

### **B. Investment Advisor**

The Investment Advisor is responsible for assisting us in making an appropriate asset allocation decision based upon our particular needs, objectives, and Risk/Return Profile.

Responsibilities Include:

- Analyzing your current financial situation and assisting you in determining our Risk/Return Profile.
- Advising you about the selection and allocation of asset classes and managers for our Portfolio.
- Monitoring the asset allocation and manager selection decisions.
- Monitoring the performance of our Portfolio and each individual manager relative to our goals and objectives.
- Periodically reviewing the suitability of the investments in our Portfolio.
- Being available to meet with you on an annual basis either in person or telephonically, and being available other times as needed.
- Preparing and presenting appropriate reports, including Quarterly Appraisal & Performance Reports.

## **Investment Management**

The Investment Advisor shall utilize the following criteria when assisting us in the selection of our portfolio managers:

- Potential to add value, considered relative to other investments having the same investment objective. Our Portfolio Strategist will evaluate several factors including the investment philosophy, organizational stability, investment team qualifications, business strategy, and Portfolio construction process in selecting investment managers. Performance rankings over various time frames and consistency of performance will also be reviewed.
- The historic volatility and downside risk of each proposed investment
- The investment style and discipline of proposed investment manager
- How well each proposed investment complements other assets in the Portfolio
- The current economic environment
- The likelihood of future investment success, relative to other opportunities

## **Adoption**

The signatures(s) below affirm(s) that these documents have been read, understood and accepted.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

(if Joint Acct.)