

August 20, 2021

# The Clarity Formula® Investment Management



At HCR Wealth Advisors, our investment management philosophy starts with our core-satellite approach. This approach allows us to build customized portfolios, tailored to our clients' unique lives and specific needs while actively managing risk. Our core-satellite approach is built on five pillars, all working together cohesively to manage risk in our clients' portfolios.

**1) Knowing our clients** – One of the most important ways to manage risk is to take a holistic, comprehensive approach to truly understand our clients and their specific financial situations. This allows us to build portfolios commensurate with their risk profile, time horizon and investment objectives and proactively make changes as our client’s lives continue to evolve. Knowing and understanding our clients’ financial goals and objectives is the basis of constructing every portfolio.

**2) Diversification** – By allocating investments across various asset classes, sectors, market caps and security types we can reduce the overall risk in the portfolio. Different assets will react to adverse events in dissimilar ways. Diversification can help reduce your portfolios sensitivity to major market swings.

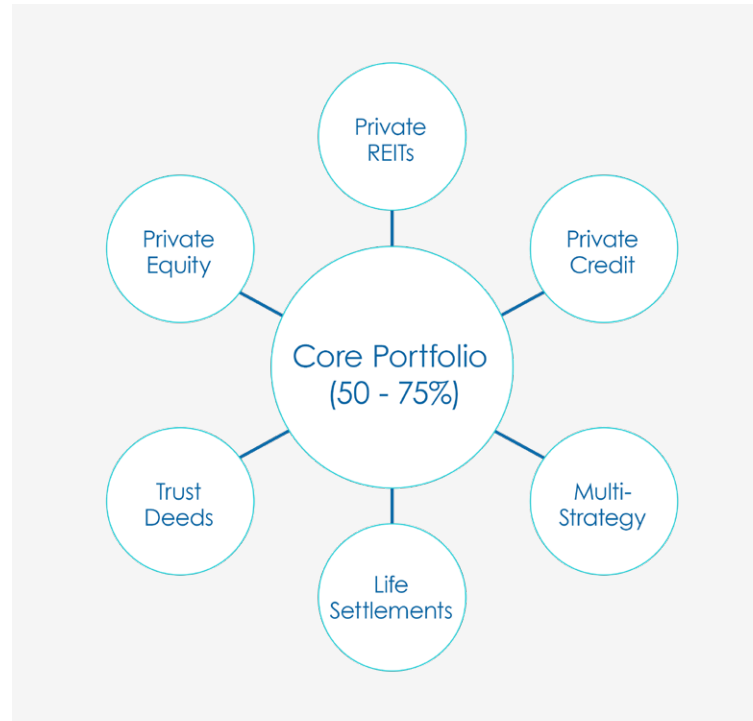
**3) Asset Allocation** – Strategic asset allocation serves as our foundation and allows us to develop target allocation ranges for each of the various asset classes within your portfolio. These allocation ranges take into consideration a client’s risk profile, time horizon and investment objectives. We layer on top a tactical asset allocation strategy that adjusts asset allocations to take advantage of favorable and unfavorable economic and market conditions as well as specific company or sector valuations.

**4) Macro-Economic Trends** – The way economy-wide phenomena, such as inflation, GDP, and monetary policy, are behaving will have a direct impact on the risks present in your portfolio. Our analysis of these trends focuses on the following three important criteria:

- **Impact:** What effect will macro events or macro scenarios have on a company and their earnings?
- **Velocity:** How quickly will the event or scenario impact the company?
- **Materiality:** Can the effects of an event or scenario be overcome with existing resources, or would it require a significant change in the business model.

**5) Fundamental analysis & technical analysis** – We use both fundamental and technical analysis to research and evaluate specific securities or sectors. With our fundamental analysis we can focus on the financial strength and management of individual companies and the industry conditions for specific sectors. With our technical analysis we look to identify trends and patterns in prices and volume to help forecast future performance and identify entry and exit points.

**Risk management is a vital component of our investment management philosophy. Managing risk can help ensure our clients stay invested for the long-run and ultimately achieve their financial goals.**



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