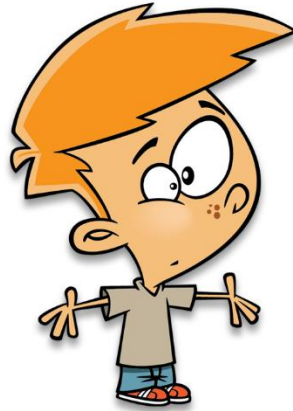


# What Is Exchange's Investment Philosophy?

By: Exchange Capital Management

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Investing can be emotional and confusing, which is why some choose to hire a professional to manage their assets. Before passing along the torch to a professional, you should conduct due diligence on the firm. When researching, you'll come across many different investment philosophies. It is important to note, not all firms have the same strategies or building blocks when it comes to portfolio management.

Exchange's investment philosophy is rooted in two of the basic tenants of long-term investment success: strategic asset allocation and diversification.

## What Is Asset Allocation?

Asset allocation focuses on choosing how your investments will be spread across the broad options in the investment universe. The main benefit of asset allocation is the exposure to varied sources of return and risk. Not all asset classes will react the same when faced with challenges. For example, real estate might go up in inflationary periods while the stock market might go down. During a market downturn, we might see stocks go down further than bonds. Or, when the economy is hot, stocks are likely doing well, but rising interest rates might weaken the bond market.

We believe strategic asset allocation is imperative in any portfolio. But no two portfolios are the same at Exchange. The investments placed in your portfolio will be tailored to your specific needs and circumstances outlined in your financial plan. We will assess your personal goals and risk tolerance when choosing investments. Asset allocation is driven by financial planning, not market timing.

Understanding your preferences will help build your portfolio. For example, those who are risk-averse will have less risky investments placed into their account. Conversely, those who can tolerate more volatility, or have a longer timeline, might have more growth-oriented assets in their portfolio.

## **What Is Diversification?**

Diversification focuses on spreading your assets among various investments within those asset classes. The goal of this is to mitigate risk in a portfolio. For example, we won't invest in only the technology or energy sector, and we aren't going to put 20% of your portfolio into one company. We believe there needs to be a healthy mix of investments in a portfolio for long-term success. As with asset allocation, all investments will be backed by extensive research and tailored to your unique financial plan.

## **The Bottom Line**

Not all wealth management firms will have the same strategies. For Exchange, we believe all strategies should align with your comprehensive financial plan to be successful. Additionally, we focus on strategic asset allocation and diversification for a well-rounded portfolio.

If you still have questions about our investment philosophy, consider scheduling a discovery meeting with us. We'd love to sit down and discuss why we believe these two strategies are the path to long-term investment success.