



Bringing Stability To Your Investment Experience





Providing a Bridge To Success for Your Investment Future.

*"I Took the Road Less Traveled By and That
Has Made all the Difference"*

Robert Frost

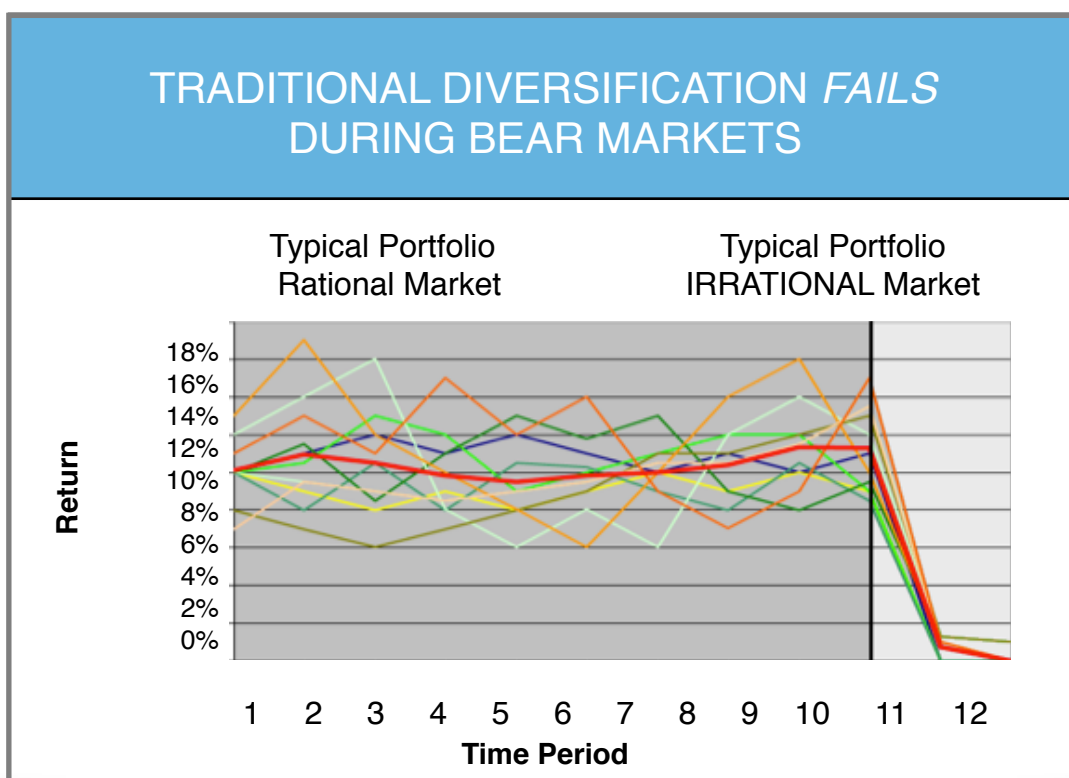
Today's Investment World

The majority of retail investors today use a variation of asset allocation among stocks and bonds to try to mitigate risk and maximize returns.

The work of Harry Markowitz in the 1950's, who pioneered what is known as Modern Portfolio Theory, is the foundation that most brokerage firms and money management models will use today.

The idea of indexing the markets and using "Buy and Hold" among various asset classes will work very well when markets are going up. The advent of Robo-advisors and the use of indexing has taken the investment world by storm and is being promoted everywhere as the proper way to invest one's money today.

The problem is when markets decline the majority of asset classes decline as well. Modern Portfolio Theory or "Buy and Hold" didn't provide any protection for investors over the recent bear markets of 2000-2003 and 2008-2009, where some asset classes experienced severe declines of 50% or more, and took many years to recoup losses.



The Success of Endowment Funds

Over the years the retail investor has not had the opportunity to use similar investment strategies that high net worth investors and large institutions such as the Ivy League endowments of Harvard or Yale. When you look at the success of many of these investment strategies and their ability to avoid bear markets it truly is amazing.

Tactical and Dynamic Strategies

What is the key to their success and how can the average investor use similar strategies? One difference is high net worth investors and large institutions have access to hedge fund styles of investing that use Tactical and Dynamic strategies to avoid market losses, which is rarely used effectively in the retail investment world.

Alternatives

Another difference is the use of alternative investments that have little correlation to the overall stock and bond markets. This includes real estate, commodities and alternative investment strategies.

Finding Opportunities

In today's difficult market environment every part of the market also needs to be identified and monitored to find areas of growth, and to increase diversification.

At West Coast Capital Management, through years of research, we have developed portfolios that use similar styles of management as large institutions. As a Registered Investment Advisory firm we have access to the leading strategies in the world of managed portfolios.



Defining Investment Strategies

The most common investment strategy used today is Strategic investing, or “Buy and Hold”. This strategy can be defined as being fully invested in the market at all times through the use of stocks, bonds, ETF’s or mutual funds. Strategic investing will attempt to capture or outperform the returns of the asset class it is designed to match. Most investors will typically use this type of strategy and unfortunately a Strategic allocation will provide little downside protection in bear markets.

Registered Investment Advisors

Fee only planning through Registered Investment Advisors has risen significantly since 2008, after the failings of many of the large brokerage firms. Many talented managers have raised billions of dollars using investment styles that are much different than the traditional Strategic Buy and Hold strategies.

Technology and Investment Managers Today

With the growth of technology and use of algorithms, many investment managers have developed Tactical and Dynamic investment strategies that are similar to the styles used by successful institutions. This process of investing adds a much higher level of sophistication to portfolio management, instead of using outdated “Buy and Hold” strategies.

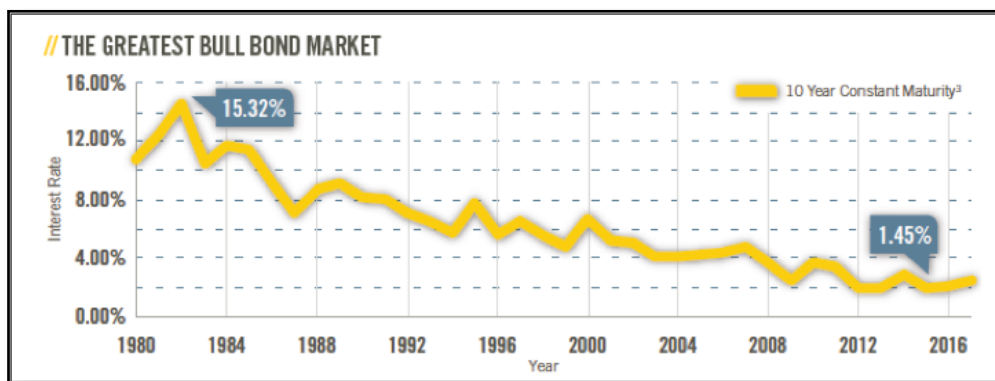
DYNAMIC strategies maintain the ability to move to a defensive position during certain market environments which will include bonds, cash or commodities. Typically a Dynamic Strategy will be fully invested at all times and vary the investments within the strategy based on the selected market indicators of the individual strategy.

TACTICAL strategies seek to actively rebalance client assets held in various categories in order to take advantage of moves in the market and/or market sectors. Tactical Strategies can be short term or long term in nature, and will generally move in or out of holdings, often times moving into cash or short term government securities during bear market conditions to protect capital.

The Portfolio Building Blocks

Today's Bond Markets

Starting with more conservative investments, like many traditional portfolios, it includes bond positions. One very important fact to consider is bonds are currently in the late stages of a 35 year plus bond rally with interest rates near historical lows.



Source: Rethinking Retirement form 13051 WealthVest Marketing Inc.

As interest rates go up, bonds can lose money very quickly and at times can be more risky than stocks. Take a look at the following graph to see what happens to bond values when interest rates go up. As you can see just a 1% increase in rates can cause a 10 year bond to lose 10% in value. One of the big problems we see with the traditional portfolio design that uses bond mutual funds or ETF's for bond allocations today, it is in effect buying high and will cause a certain loss as rates increase.

// POTENTIAL CHANGE IN BOND VALUES⁴

Bond Duration (years)

	2	3	4	5	6	7	8	9	10
+1%	-2%	-3%	-4%	-5%	-6%	-7%	-8%	-9%	-10%
+2%	-4%	-6%	-8%	-10%	-12%	-14%	-16%	-18%	-20%
+3%	-6%	-9%	-12%	-15%	-18%	-21%	-24%	-27%	-30%
+4%	-8%	-12%	-16%	-20%	-24%	-28%	-32%	-36%	-40%
+5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%

Change in Interest Rate

Source: Rethinking Retirement form 13051 WealthVest Marketing Inc.

Since markets never move up or down in a straight line, we need to be able to use strategies that have the ability to move within the markets to capture returns while reducing risk. There are two types of strategies that can work well in all types of bond markets:

Dynamic Bond

This style of management will move across many types of bonds, including short and long term government bonds, non-US developed bonds, high yield, investment grade corporate, municipal, emerging markets, mortgage backed bonds, as well as cash.

This allows the managers to take advantage of opportunities in each type of bond class rather than just staying in one type of bond, which the majority of bond portfolios will do. This type of management helps to reduce bond risk in times of bearish periods, as well as identifying bullish sectors within the bond markets to increase returns.

Tactical High Yield

High yield bonds have provided excellent returns over time, as the bonds of lower rated companies generally pay higher rates of interest, and the underlying value of high yield bonds will fluctuate much more than a typical investment grade bond. This higher fluctuation affords opportunities for managers to employ strategies of buying and selling high yield bond positions to capture solid gains while also mitigating losses in bearish periods.



Dynamic Multi-Asset

As we move up the risk scale, it is important to continue to identify areas of the market that are often overlooked by investors.

This type of dynamic strategy will move across additional asset classes rather than only different bond allocations. It will include finding opportunities in bank loans, convertibles, master limited partnerships, mortgage REITS, preferred stocks as well as dividend stocks. Usually this strategy will never allow more than a certain percentage to just one asset class, and will move across all sectors to find opportunities for growth as well as finding safe havens in bearish markets.

Dynamic Balanced

Next we use strategies that will strategically combine equity, bond, cash and commodity holdings to mitigate risk.

The use of a balanced portfolio of stocks and bonds has been around for years and has been useful within portfolios for reducing risk. Unfortunately the vast majority of balanced mutual funds or ETF's are static in nature and will always maintain the same percentage of equity and bond allocations. The advent of lifecycle or target date funds has helped to mitigate risk, but only through adding more bonds as one gets closer to the target date.

There are times when bond markets can be riskier than equities, and of course periods when equities are in bear markets. The problem with having static positions, whether it is in stocks or bonds, losses are virtually guaranteed in down markets.

By using Dynamic Balanced strategies within a balanced portfolio model, managers have the ability to move more into equities in bull markets, and shift to bonds, commodities and cash in bear markets to preserve capital.



Tactical Equity

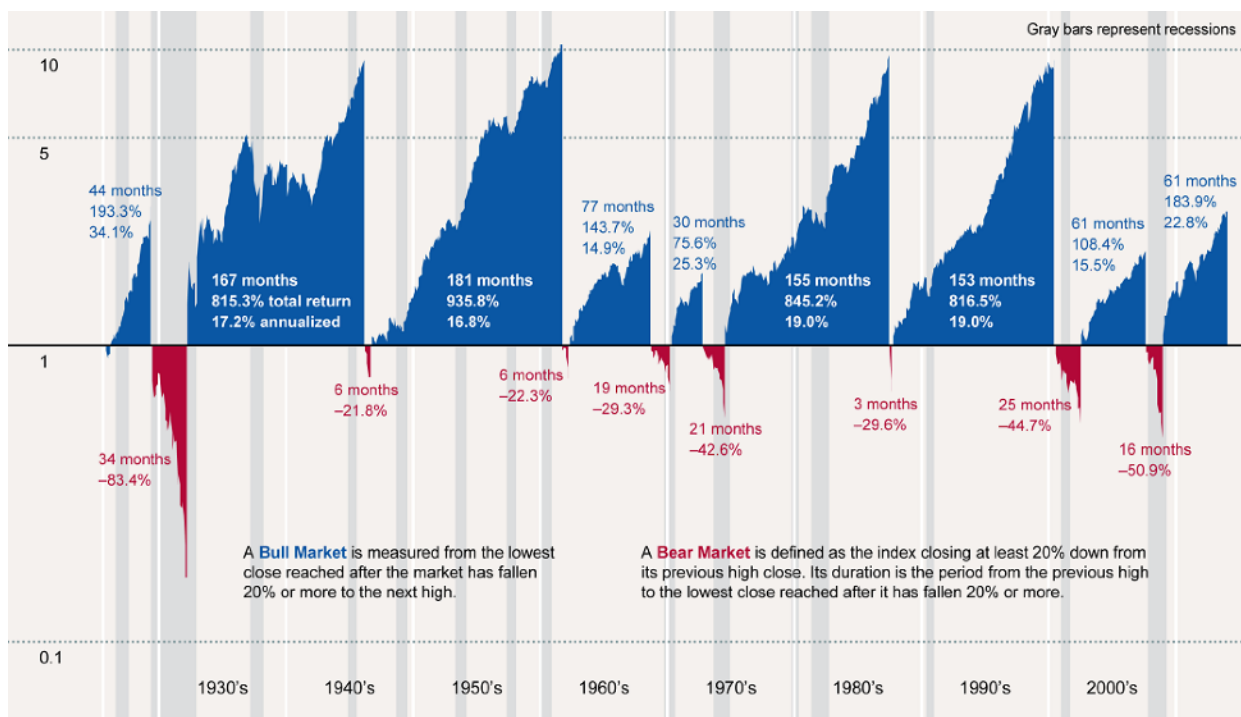
The use of Tactical Equity strategies has been used successfully by large institutions to provide growth while avoiding catastrophic losses.. the best of both worlds.

Obviously stocks can provide tremendous growth opportunities. Unfortunately they also can have periods of severe decline, and periods such as 2000-2003 and 2008-2009, have caused investors the most pain. Many investors have completely shied away from using equities within a portfolio simply for fear of losing significant portions of their wealth. For growth opportunities and with the goal of staying ahead of inflation, some allocation to equities is often necessary.

By using various indicators that will identify bearish conditions, managers will move to cash, treasuries, or other defensive positions in times of market declines with the goal of protecting capital during these periods. By avoiding large declines in bear markets, a portfolio has a much better chance of rebounding, while incurring large losses can take many years to recover, and can be completely devastating to an investment portfolio and an overall retirement plan.

We have identified managers in all sectors of the equity markets such as large cap value, large cap growth, mid cap, small cap, and international, that have the ability to play defense in declining markets, while capturing solid gains in bullish conditions.

As you can see in the chart below bear markets do occur and the losses can devastate a portfolio for many years, the question is when will be the next major correction?



Source: Jerry Kerns at stocktwits.com

Alternative Investments

Alternative Investments typically have a low correlation to the stock and bond markets and can add additional protection during bear markets.

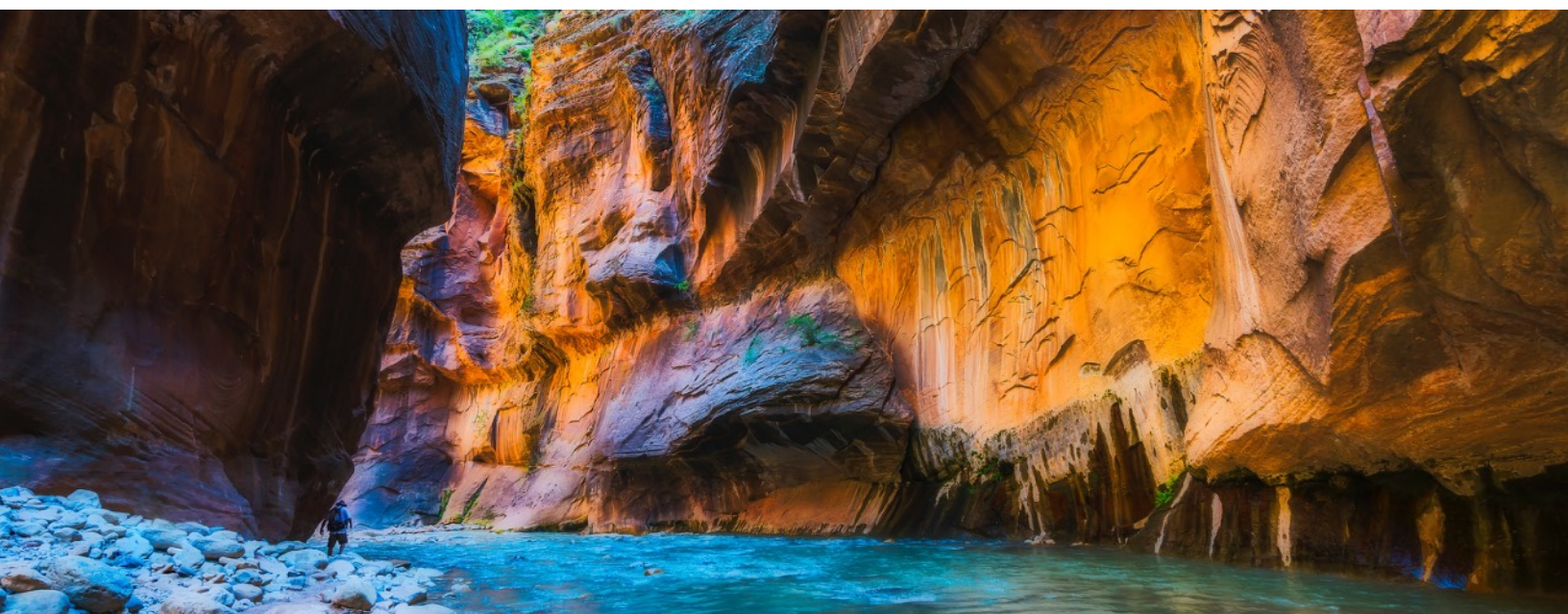
Tactical Real Estate

Most investors have used real estate investment trusts, to capture this part of the market. Individual REITS can have their own set of difficulties, which include market devaluation, illiquidity and in some cases complete default. Also depending upon the REIT, there can be losses due to interest rate increases similar to a portfolio of individual bonds, bond mutual funds or bond ETF's.

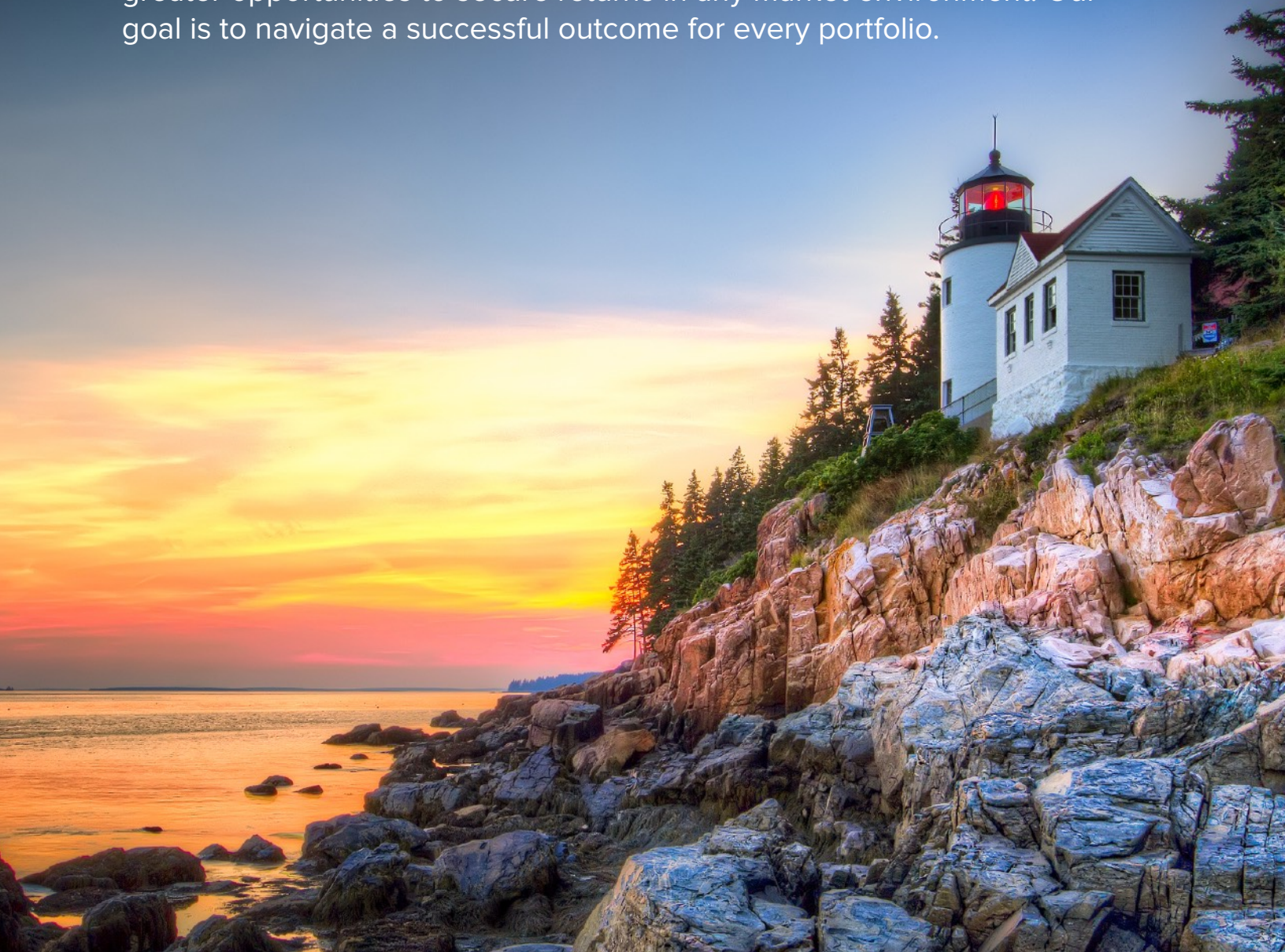
We have identified strategies that use ETF's and real estate mutual funds to capture growth opportunities without the risk of holding individual REITs. By tactically managing the holdings, greater returns may be achieved, while also providing the added protection of avoiding significant losses in down market conditions.

Alternative Investment Strategies

There are various alternative investment strategies that have been used successfully by large institutions and hedge funds that are very sophisticated and are seldom used by retail investors. Trading Long/Short within various markets to capture returns in either direction is a common strategy. Buying and selling stocks within one asset class, commonly known as Market Neutral is another. Managed Futures, or the buying and selling of commodity futures, has been used successfully, and writing or selling calls against existing positions, known as Buy Write, is an additional investment strategy.



At West Coast Capital Management we have designed portfolios that we believe will provide our clients with better stability, less volatility, and greater opportunities to secure returns in any market environment. Our goal is to navigate a successful outcome for every portfolio.



Our process is built on successfully identifying a client's specific risk tolerance by using an in-depth risk profiling process that takes into account client goals, time horizons, psychological makeup, and other important factors. From this information a client's unique risk profile is established, which serves as a baseline both now and in the future to maintain realistic expectations.

We also have partnered with leading software companies to provide an unmatched client experience that provides extensive account information that can be viewed anytime on the web or through mobile devices, and also allows instantaneous communication with their advisory team.



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