ATLAS
CAPITAL ADVISORS INC

FRAMEWORK FOR INVESTING SUCCESS

ATLAS CAPITAL ADVISORS

What's Discussed

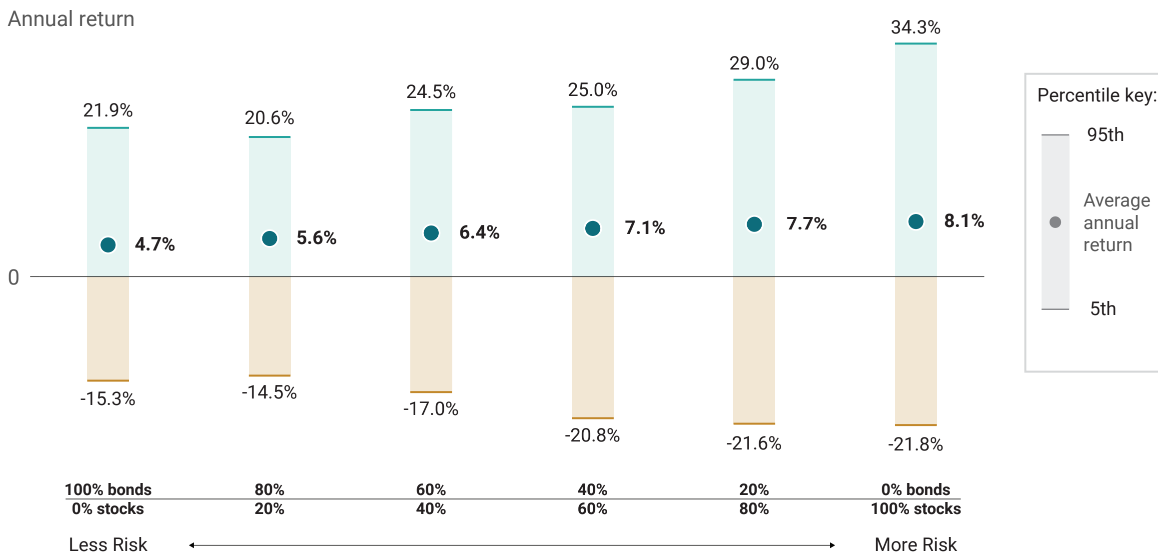
Whether you invest on your own or have a professional advisor, you may seek a straightforward framework for making investment choices. The following three principles are based on academic research, industry data, and the best interest of investors.

1. Prioritize the asset allocation decision. For your total portfolio, what asset classes do you own? Within equities, what is your exposure to regions, countries and sectors? Within fixed income, what is the maturity, credit risk and inflation exposure?
2. Manage Risk. Do you have holdings that are concentrated in a stock, industry or country? Is your risk level appropriate for current conditions and your desired return?
3. Minimize cost. What are you paying for the mutual funds and alternatives you own? Will the performance of your investment managers cover their fees?

1. Prioritize the asset allocation decision in portfolio construction
   - Determine your goals and risk tolerance. Equities have higher historical performance than bonds and higher risk (see chart 1). Reconsider your equity and bond allocations periodically, as the investment return advantage of equities over bonds varies
   - Diversify equities across sectors and countries to reduce the volatility of the equity allocation. Seek diversification as broad as a global equity index, such as the MSCI all country world index
   - Apply "factor" weights to your diversified equity portfolio. Certain factors have been demonstrated to outperform traditional cap-weighted indexes over long periods of time. (read more at https://factors.atlasca.com/)
   - Rebalance regularly to stay on your allocation targets as conditions change
   - Buy high quality bonds with duration and inflation protection suitable to current market conditions
   - Stay disciplined through market highs and lows. Long-term investment horizons have yielded positive results, given enough time

Chart 1: A Portfolio's Mix of Assets Defines its Range of Returns

Top 5%, bottom 5%, and average annual returns for various global stock/global bond allocations 1901-2022



Notes: Data are from Dimson-Marsh-Staunton (DMS) dataset for 1901-2022. Annualized nominal geometric returns are in dark green. The 5th and 95th percentiles are plotted below and above asset mixes. Bar length indicates the range, from 5th to 95th percentile, of annual returns for each allocation; the longer the bar, the larger the variability. The numbers next to each bar represent the average nominal annual returns for that allocation for the 122 years covered.

Sources: Vanguard calculations, using DMS global returns data from Morningstar, Inc. (the DMS World Equity Index and the DMS World Bond Index, both in nominal and real terms).

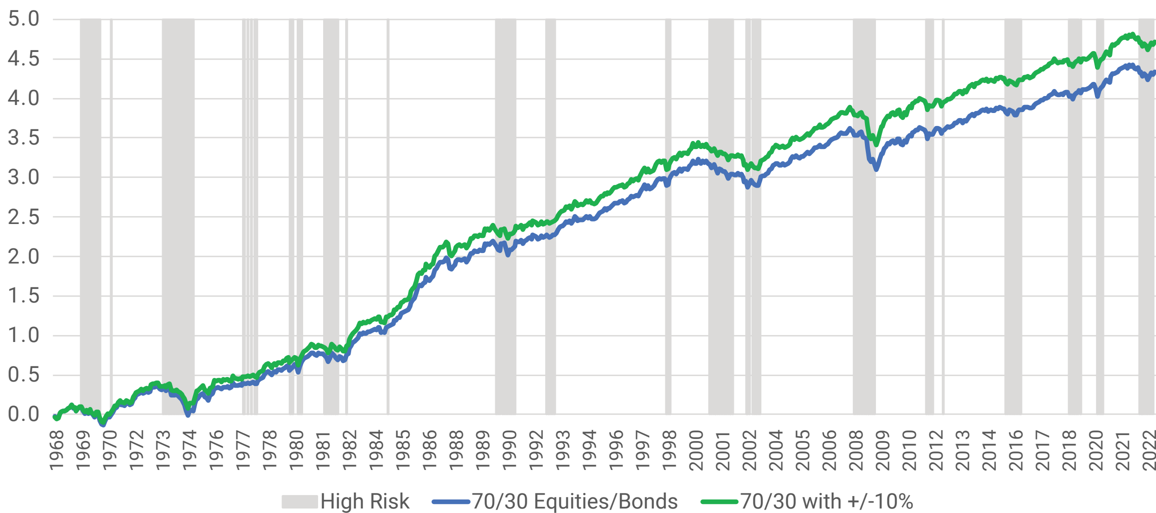
The dataset includes returns from Australia, Austria, Belgium, Canada, China, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Russia, South Africa, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

2. Manage Risk

   - Reduce concentrated holdings. Concentration reduces diversification and increases risk. Even relatively small increases in risk, if not accompanied by a sufficient increase in expected return, leads to surprisingly large decreases in the probability of long-term investment success
   - Apply a defensive overlay when systematic indicators show elevated probability of a large general decline in stock prices. (see chart 2 and read more at https://atlasca.com/equity-downside-risk-dashboard/)

Chart 2: Stock/Bond Portfolio Results (log scale) with High-Risk Periods Shaded

A 70%/30% mix of global equities and fixed income would have returned 8.2% per year since 1968. Investing 60%/40% in high-risk periods and 80%/20% in low-risk periods would have returned 8.9% while also reducing losses in major downturns

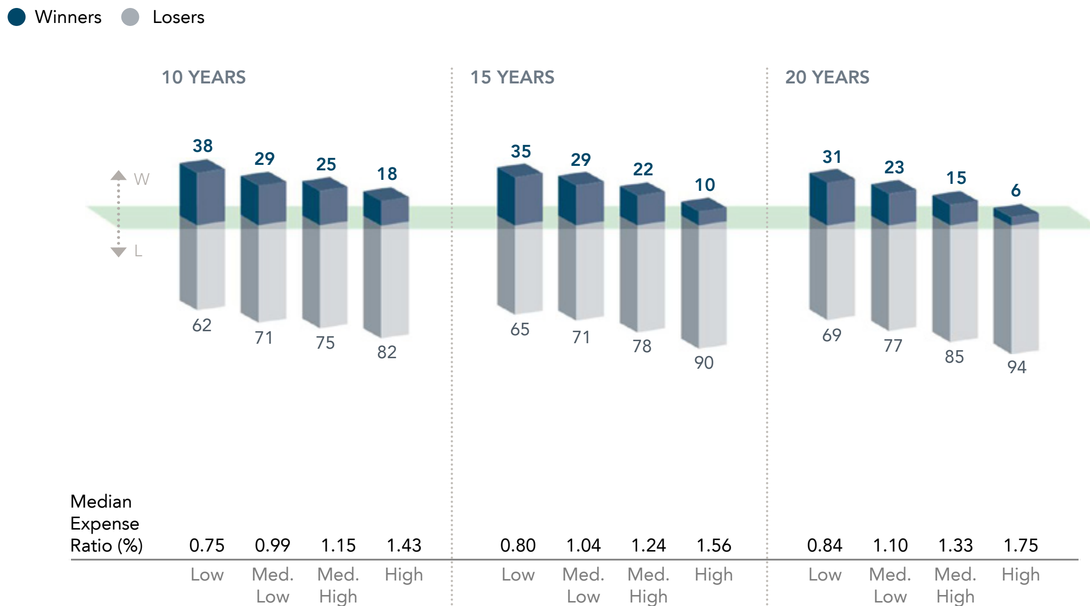


Source: Atlas Capital Advisors. Chart illustrates hypothetical backtest, please see disclaimer at end.

3. Minimize cost
   - Seek the lowest implementation cost across the board. Any reduction in implementation costs has a high probability of improving future returns (see chart 3)
   - Avoid the high cost of active managers in liquid assets. The odds of any active manager consistently outperforming their relevant benchmark are quite low. Just 18% of U.S.-based active equity mutual funds outperformed their benchmarks between 2004-2023[1]
   - Avoid the high fees charged by the alternatives industry. The risk and return profile of private equity and venture capital can be replicated in liquid markets at lower cost
   - Seek the lowest cost passive implementation of each asset category. Implement equity allocations with single stocks and ETFs
   - Optimize all allocation decisions for after tax outcomes in taxable accounts

Chart 3: US-domiciled Equity Fund Winners and Losers Based on Expense Ratios (%)

Are investors receiving a better experience from higher-cost funds? The chart suggests otherwise. Especially for longer horizons, the cost hurdle becomes too high for most funds to overcome. Over 20 years, 31% of the lower-cost equity funds outperformed, compared to 6% of the higher-cost funds.



Source: Dimensional Fund Advisors. Note: The sample includes funds at the beginning of the 10-, 15-, and 20-year periods ending December 31, 2021. Funds are sorted into quartiles within their category based on average expense ratio during the sample period. The chart shows the percentage of winner and loser funds by expense ratio quartile for each period. Winners are funds that survived and outperformed their benchmark over the period. Losers are funds that either did not survive or did not outperform their respective benchmark.

Atlas Capital in Summary

Atlas Capital was founded by Jono Tunney in 2003 to provide a service encompassing these traits. To provide this service at low cost, Atlas developed its own implementation technology. We do not need to pay an intermediary to aid our implementation. This is unique.

[1] Dimensional Fund Advisors

Chart 4: Building blocks of Atlas investment performance

Atlas employs a systematic, evidence-based approach that raises the probability of better risk adjusted returns than liquid market benchmarks

Asset allocation	**Risk/Return**	Allocate to equities and fixed income relative to your life stage, risk appetite and current market conditions
	Diversification	Invest broadly across countries and sectors to reduce nonsystematic market risk
	Equity factors	Favor regions, countries and sectors which are poised to have more favorable returns
	Fixed income selection	Adjust duration, credit risk and inflation protection exposure based on current market conditions
Risk management	**Concentrated exposure management**	Adjust portfolio allocations to eliminate further concentration to an overexposed asset class
	Defensive overlay	Adjust the equity position downward (within a predefined band) when systematic indicators show increased risk of loss
Low Cost	**Low fees**	Implement allocations at the lowest possible fees
	Tax overlay	Optimize all allocation decisions for after tax outcomes for taxable accounts

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Thank you for helping us continue to grow.

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We serve affluent individuals, families, trusts, nonprofits, and privately held businesses. As a fiduciary, we always act in your best interest.

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