LiquidityPlus
Portfolio

LiquidityPlus Portfolio

A liquid asset is an asset that can be quickly converted into cash without significant loss of value. Examples of liquid assets include cash, bank accounts, and marketable securities such as stocks and bonds. The liquidity of an asset refers to how easily and quickly it can be converted into cash.

An investment portfolio built on the concept of measuring stock market liquidity is a way to hedge against market volatility and potentially generate higher returns.

Stock market liquidity is crucial to stock market returns because it determines how easily investors can buy and sell shares in a company. When a market is liquid, it means that there are many buyers and sellers, and the prices at which they are willing to trade are close to each other. This makes it easy for investors to buy and sell shares, which can lead to more efficient pricing and potentially better returns.

In a liquid market, investors are more likely to be able to buy shares at fair prices and sell them at prices that reflect the true value of the underlying company. This can lead to better returns for investors, as they are less likely to overpay for shares or to sell them at a loss.

On the other hand, when a market is illiquid, it means that there are few buyers and sellers, and the prices at which they are willing to trade are far apart. This makes it difficult for investors to buy and sell shares, which can lead to less efficient pricing and worse returns. In an illiquid market, investors may have to accept prices that are far away from the true value of the underlying company, which can lead to a significant loss.

Navigating Liquidity

Imagine a lake as the stock market and the water level as the level of liquidity. When the water level is high, just like a liquid market, it is much easier for boats, or investments, to float and navigate. In this scenario, it's easier for investors to pick potentially winning investments because there is more visibility and the market conditions are favorable. However, when the water level is low, just like an illiquid market, it's much more difficult for boats to navigate and stay afloat. It's harder for investors to pick winning investments as the market conditions are not favorable, and it may be better to be defensive and avoid taking unnecessary risks.

In a low water level scenario, only a few boats can navigate and the prices of the boats might be different from the real value. It's like in an illiquid market where the prices can be far away from the real value of the underlying company. Investors have to be more cautious and selective in their investments, as the market conditions are not favorable and the risk of losing money is higher.

In summary, the water level in a lake can be used as an analogy for stock market liquidity. When the water level is high, it's easier for investors to potentially pick winning investments, just like in a liquid market. However, when the water level is low, it's more difficult to pick winning investments and it may be better to be defensive, similar to an illiquid market.

Decision Drivers

Liquidity

Coordinating Risk & Return

Our analysts measure the level of market liquidity on a proprietary scale and assign it a score from 0-18.
It is much easier to make a mistake picking investments when there is low liquidity and much easier to find potentially positive returns in a liquid market.
The portfolio is then divided into bullish and bearish investments.

Factor

Navigating Opportunities

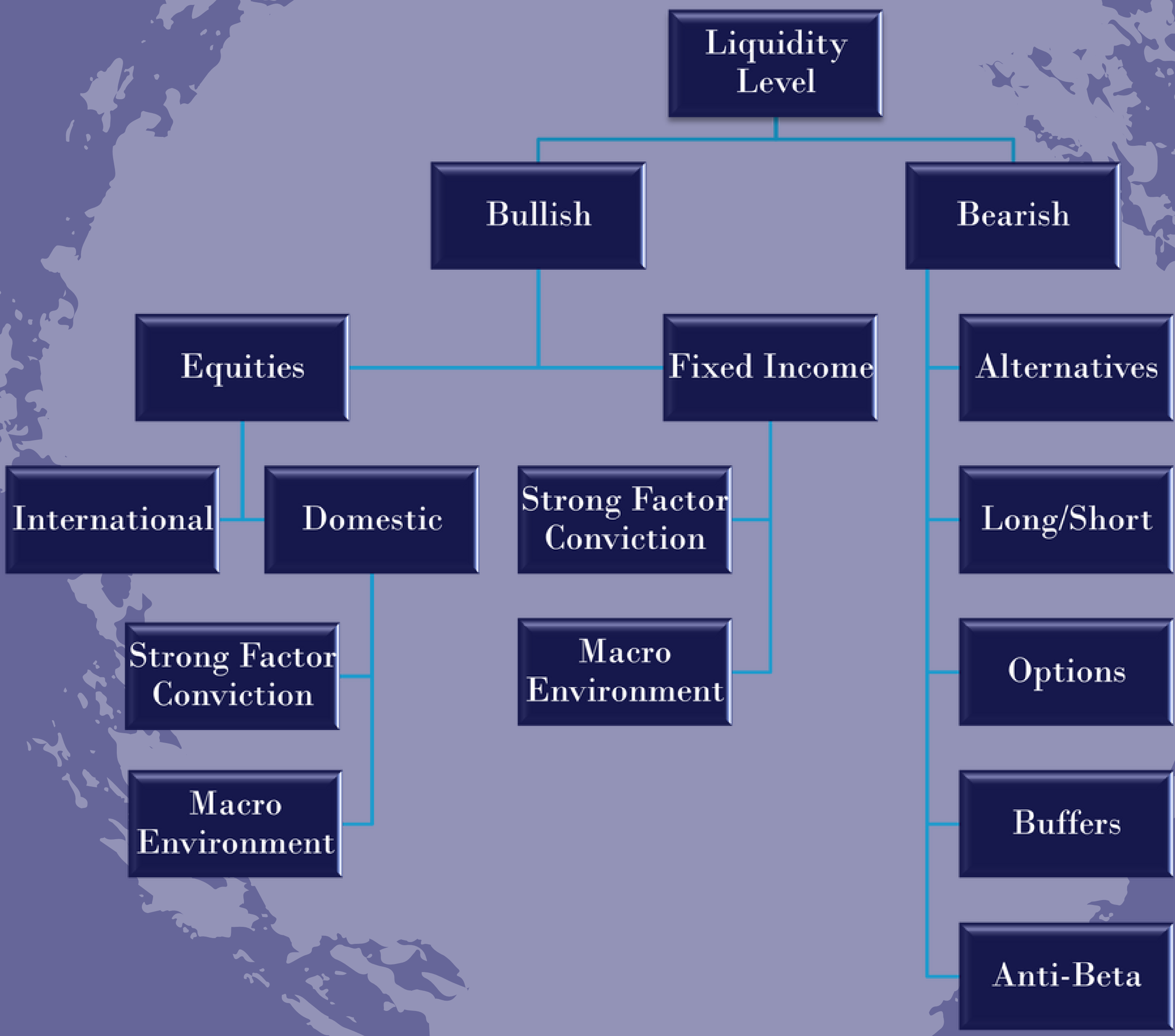
Factor investing is an investment strategy that involves targeting specific, measurable characteristics, also known as "factors," that have been shown to have an impact on stock returns.
Factor Investing can be applied to both equities and bonds.

Macro

Supporting Environment

Our analysts add or remove investments that typically perform better or worse in a given macro environment. We look at global stability, rising and falling interest rates, rising and falling inflation, and rising and falling USA dollar.

Smart Beta Process



Bullish, Risk On

Liquidity

Stock market liquidity refers to the ability of investors to buy and sell shares of a stock quickly and at stable prices. High liquidity means that there are many buyers and sellers in the market, and it is easy to trade shares without significantly affecting the stock's price. Low liquidity means that there are few buyers and sellers, and it can be difficult to trade shares without significantly affecting the stock's price. After measurement, our analysts divide our portfolio into bullish and bearish segments.

Factor

Factor investing is a type of investment strategy that focuses on specific characteristics or factors that have been shown to be associated with higher returns in certain conditions. These factors can include things like a company's quality, value, profitability, volatility, and momentum. The idea behind factor investing is that by focusing on these specific characteristics, an investor can construct a portfolio that is more likely to outperform the market over time.

For example, if our analysts have conviction that high profitability stocks will perform better than other large-cap stocks, we will construct a portfolio that is heavily weighted towards high profitability stocks. Similarly, if we have conviction that value stocks will perform better than growth stocks, we will construct a portfolio that is heavily weighted towards value stocks.

Factor investing can be done in a variety of ways, including through actively managed funds or passively managed index funds. The key is that the portfolio is constructed with a specific set of factors in mind, which are used to identify investments that are expected to perform well.

Our analysts repeat this analysis for fixed income as well and look at the factors of quality, volatility, long term rate exposure, credit, and high yield credit risk. We include only strong conviction positions.

Macro

Macro investing is an investment strategy that involves analyzing global economic and political factors to make investment decisions. Macro investors use this analysis to make predictions about the direction of markets and the economy, and to identify opportunities for investment in different sectors or regions.

We employ a top-down approach, starting with a look at global stability, rising and falling interest rates, rising and falling inflation, and rising and falling USA dollar. Macro investing can be applied to a wide range of asset classes, including stocks, bonds, currencies, and commodities.

Understanding

Helpful Analogies

Smart Beta

Smart beta investing can be thought of as a "GPS for investing." Just as a GPS guides a driver to their destination by taking into account traffic, construction, and other real-time factors, smart beta investing uses a rules-based approach to guide investment decisions by taking into account various market factors and real-time data.

Factor

Factor investing can be explained using the analogy of a chef preparing a meal.

A traditional investment strategy can be like a chef using a limited set of ingredients to prepare a dish without considering the specific flavors or nutritional value of each ingredient. In the same way, a traditional investment strategy may not consider specific characteristics or factors of the companies or assets being invested in.

On the other hand, factor investing is like a chef carefully selecting and combining specific ingredients to create a balanced and flavorful meal. Similarly, factor investing involves carefully selecting and combining specific characteristics or factors of companies or assets to create a diversified and potentially higher-performing portfolio.

Just like a chef, a factor investor will carefully choose what factors to focus on, such as value, momentum, profitability, quality, and volatility. We use regression analysis to find investments that stand out in the factors we are looking for.

It's important to note that just like a chef, the factor investor needs to be well-versed in the markets and the factors at play and continuously monitor the portfolio and make adjustments as necessary.

Macro

Macro environment investing can be compared to being a weather forecaster. Like a weather forecaster studies the patterns and trends of the atmosphere to predict future weather conditions, macro environment investors study the patterns and trends of the global economy, political climate, and other external factors to predict future market conditions. They use this information to make investment decisions, such as buying or selling certain stocks, bonds, or currencies, based on the predicted market conditions. In this analogy, the macro environment is the weather, and the investors are the weather forecasters who use their knowledge and analysis to make informed decisions.

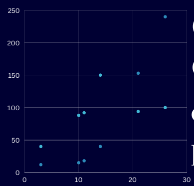
Bearish, Risk Off*

Alternatives

Alternative investing refers to a wide range of investment strategies and assets that fall outside of traditional investments such as stocks, bonds, and cash. Alternative investments can include assets such as real estate, private equity, hedge fund strategies, and commodities. These types of investments are often considered to be more speculative and risky than traditional investments, but they also have the potential for returns during less liquid markets. Alternative investing can be used to diversify a portfolio, gain exposure to unique market opportunities, and achieve specific investment goals.

Long / Short

Long/short investing is a type of alternative investment strategy that involves taking both long positions (buying securities with the expectation that their price will increase) and short positions (selling securities that have been borrowed, with the expectation that their price will decrease) in the market. The goal of this strategy is to make a profit from both rising and falling prices, thus reducing the overall risk of the portfolio. This can be done using ETFs that rely on using managers where this is their primary focus.



Options

Options are contracts that give the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a specific date. ETFs that use options investing can employ a variety of strategies such as covered call writing, cash-secured puts, and protective puts to generate income, hedge against market volatility or downside risk, or gain exposure to specific market segments.

Buffer

A buffered ETF is a type of exchange-traded fund (ETF) that seeks to provide investors with a buffer or a level of protection against potential losses in the underlying index or benchmark. This protection is achieved by using options or other derivatives strategies to limit the downside risk, while still allowing for potential upside participation. These types of ETFs are also known as "buffer ETFs" or "buffer notes". The buffer is typically set at a fixed percentage below the index or benchmark level, and it is intended to limit the potential losses during a market downturn. These ETFs are typically considered as a more conservative investment option and may be suitable for investors who are looking for a protection against market volatility while still having a potential for returns.

Anti-beta / Market Neutral

A market-neutral strategy is an investment strategy that aims to produce returns that are not correlated to the overall market. This is achieved by taking long positions in underperforming stocks and short positions in outperforming stocks. The goal is to achieve returns that are not affected by market movements and to reduce overall volatility in the portfolio.

Anti-beta strategy refers to an investment approach that aims to profit from the underperformance of certain securities or sectors in the market. This is achieved by taking short positions in securities or sectors that are expected to underperform the market and long positions in securities or sectors that are expected to perform better than the market.

An anti-beta investment strategy can be explained using the analogy of a boat in choppy waters. A traditional investment strategy often referred to as a beta strategy, is like steering a boat in the direction of the current, going with the flow of the market and trying to achieve returns in line with the overall market.

On the other hand, an anti-beta investment strategy is like steering a boat against the current, trying to achieve returns that are different from the overall market. It's akin to going against the flow and trying to identify and invest in undervalued opportunities while avoiding overvalued ones.

*The strategies listed here are considered complex and sophisticated investment strategies. They also contain increased risks that investors need to be aware of. When available, you should request a prospectus that will contain additional information on the strategy and the risks associated with the investment. No investment strategy can guarantee a profit or prevent against a loss, including the potential loss of principal. There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes.

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Independent Full Service Wealth and Investment Management
Focused On Turning Wealth Into Meaningful Memories and Legacies

tel. 216.586.4853
www.carlsonfinancialgroup.us
13374 Ridge Rd. North Royalton, OH 44133