Tactical Strategies

Description

Tactical strategies are model based, disciplined approach to portfolio management. The process involves daily monitoring of continuing and newly developing trends within the financial markets. The primary objective is to deliver a low-cost portfolio that relies on technical analysis to capture alpha and manage risk. The strategy is designed for institutional and retail clients looking for an actively managed, model driven portfolio.

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Prior to founding T2 Asset Management, Ken spent nearly a decade as a professional trader and financial advisor. Since receiving his degree in Economics from Carnegie Mellon University over 20 years ago, Ken has focused on financial markets. With rare training as a fundamental analyst and market technician, He brings a unique blend of skills to the construction of financial models.

Ken is a Chartered Financial Analyst and Chartered Market Technician. He is a member of CFA Institute as well as CFA Society of Chicago.

Targeted Allocations

- ***T2 Tactical Equity:***
  100% stocks
- ***T2 Tactical Growth:***
  75% stocks
  25% bonds
- ***T2 Tactical Growth & Income:***
  50% stocks
  50% bonds
- ***T2 Capital Preservation:***
  20% stocks
  80% bonds

Investment Philosophy

Investors reach the highest probability of financial success by focusing on just a few small themes:

1. Low-cost investing using broad market funds with low expenses and minimal trading costs. Keeping more adds to your return and compounds over time.
2. Diversification by using broad-based, S&P 500 Index like exposure reduces the risk that a stock or certain sector will have a large negative impact on the portfolio.
3. Avoid large market declines by raising higher levels of cash when conditions deteriorate. Higher cash levels during declines can help the returns and reduce downside volatility.

We believe that low cost, diversified investing with a focus on capital preservation is a winning combination.

Investment Process

Market Observation

We examine the S&P 500 Index across several time frames and apply those readings to our proprietary model. As we see negative trends unfolding, we adjust our tactical outlook and reduce exposure. We do have a fundamental outlook, but we also observe many different data points involving market breadth, volatility measures, sector leadership and the like. However, these would generally help determine the size of the cash position and would not be the trigger itself, which is based on prices. Cash levels would generally be 35% during mild tactical declines and could rise to 60% or more as more long-term issues are detected.

Portfolio Construction

The portfolio is built with 4-7 broad-based market funds that are chosen for their liquidity, low cost and diversification. If longer-term cash positions are to be held during larger declines, every effort will be given to place funds in short-term safe income and/or cash funds to generate some return.