SMITH+HOWARD
Wealth Management

+ WHITE PAPER | OCTOBER 2026

It's a Good Start, but Cheap Isn't a Strategy

The Measurable Value of a Financial Advisor

AUTHOR

Brad Swinsburg, CFA®, CAIA, BFA®

Partner + Chief Investment Officer

INSIDE THIS PAPER

Contents

+	Introduction	03
01	How low-cost investing changed the value of a financial advisor	04
02	Does a financial advisor add value? What 30 years of data show	06
03	Portfolio comparison: returns, risk, and advisor fees over 30 years	11
+	Talk with an advisor	21
A	Appendix: Simulation approach, methodology, and data	22
+	Disclosures	26

+ THE FINDINGS AT A GLANCE

1.22%
Additional annual return, Diversified + Valuation Sensitive vs. Simple (gross of fees)

0.71%
Estimated annual fee differential between the two approaches

~0.5%
Estimated net annual value added after fees

90 of 93
Rolling 7-year periods showing outperformance

Hypothetical simulation, 1996–2025. See the Appendix and Disclosures.



AUTHOR
Brad Swinsburg, CFA®, CAIA, BFA®
Partner + Chief Investment Officer

Introduction

Investors today face a deceptively simple question: if broad markets have delivered strong long-term returns and low-cost index funds make diversification cheap and easy, what exactly is a financial advisor's value proposition? The rise of firms like Vanguard and cheap, easy model portfolios have reframed the conversation around cost, efficiency, and accessibility — often implying that investment success is primarily a function of minimizing fees and staying invested.

Those two factors are critically important, but the framing is also woefully incomplete. It assumes that markets are static, that asset class returns and correlations are consistent, and that a one-size-fits-all portfolio is sufficient for investors whose financial lives are anything but uniform. In reality, markets are highly cyclical, returns and correlations vary wildly, and opportunities emerge precisely when they are least comfortable to pursue. An advisor's value is not found in simply replicating market exposure at a marginally higher cost; it lies in thoughtfully constructing portfolios that go beyond traditional U.S. stocks and bonds, incorporating diversifying assets that behave differently across environments, and actively repositioning to capture those differences. Over time, that discipline — combined with a willingness to lean into valuation and market dislocation — can transform volatility from a source of anxiety into incremental return.

In this white paper we'll argue that the value of a financial advisor should not be framed as "active versus passive" or "expensive versus cheap," but rather as "static versus intentional." By expanding the opportunity set, systematically harvesting diversification, and applying a value-oriented lens to market cycles, an investment advisor can add **measurable, meaningful, and repeatable value**.

01

SECTION 01 + THE LANDSCAPE

How low-cost investing changed the value of a financial advisor

Over the past few decades, the investing landscape for the average investor has improved dramatically. Access that was once reserved primarily for institutions and the wealthy is now broadly available to almost anyone with a smartphone and a brokerage account. Trading costs have collapsed, minimum account sizes have disappeared, and diversified investment portfolios can now be implemented at a fraction of the cost investors paid a generation ago. In many ways, this democratization of investing has been an extraordinary success story. Lower costs and broader access are overwhelmingly positive developments, and investors today are unquestionably better off for them.

Few firms have contributed more to that evolution than Vanguard. By relentlessly focusing on low fees, broad diversification, and investor accessibility, Vanguard helped reshape the industry and forced competitors to deliver better outcomes at lower costs. That deserves real credit. But it is also important to recognize what firms built around low-cost implementation are fundamentally designed to optimize for: efficiency, simplicity, and market exposure. Those are worthwhile goals, but they are *not* the same as portfolio optimization or return maximization. Building the cheapest, broadly diversified portfolio is not the same as building the most effective portfolio for preserving and compounding wealth across ever-changing market environments.

+ Simply gaining access to markets is no longer a challenge. Navigating them thoughtfully, however, still very much is.

Brad Swinsburg, CFA®, CAIA, BFA® | Partner + Chief Investment Officer

Now that cost and diversification have become somewhat commoditized, the questions investors should be asking are:

- Are there additional opportunities beyond traditional U.S. stocks and bonds?
- Can volatility and market cycles be used advantageously rather than merely endured?
- Can a more flexible, valuation-aware approach improve long-term outcomes?

As you can probably guess, we believe the answers to those questions are a resounding yes! Capitalizing on each, however, requires more than automation and low fees. It requires judgment, discipline, experience, and a depth of knowledge that a generic, low-cost solution cannot deliver.

+ The question isn't whether investors can build low-cost portfolios on their own — they clearly can — but how much return they leave on the table by stopping there.

Brad Swinsburg, CFA®, CAIA, BFA® | Partner + Chief Investment Officer

02

SECTION 02 + THE EVIDENCE

Does a financial advisor add value? What 30 years of data show

We don't simply expect investors to take our word for it, of course. After all, as a financial advisory firm we do "have a dog in the fight." Fortunately, financial markets have a long history that allows for thoughtful analysis and lets the numbers speak for themselves.

For our "proof of the pudding" analysis in this paper, we'll compare the results of three separate portfolios:

01

Simple Portfolio

The basic, low-cost solution

02

Diversified Portfolio

The basic, low-cost solution as the core holding, but 25% reallocated to 5 different diversifying strategies

03

Diversified + Valuation Sensitive Portfolio

The Diversified Portfolio with a rules-based rebalancing approach oriented around valuation levels

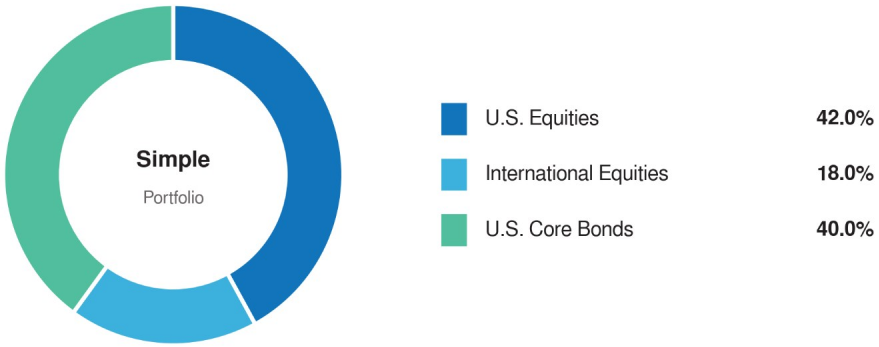
Additional information on each of the three portfolios is detailed in the Appendix.

The Simple Portfolio: a low-cost 60/40 index portfolio

The modern low-cost portfolio solution is intentionally simple: broad exposure to U.S. and international stocks, and a diversified allocation to investment-grade bonds. For purposes of this analysis, we'll call this the "Simple Portfolio." It uses a mix of 60% equities and 40% bonds.

EXHIBIT 1

Simple Portfolio allocation: 60% equities, 40% bonds



With just a few holdings, it removes complexity, reduces the likelihood of emotionally driven mistakes, and broadly covers the two basic asset classes — stocks and bonds. In an industry that tends to overcomplicate and overcharge for things, the appeal of a low-cost, "bare bones" strategy is understandable.

As I've often told people over the years, I view this type of portfolio as the "do no harm" strategy. For most retail investors the success or failure of their financial plan will hinge more on their ability to save money and control day-to-day living expenses. Investment costs and results still matter, of course, but their impact pales in comparison. As the pool of capital grows, however, that dynamic flips and squeezing out every bit of investment performance matters more and more. That is where our other two portfolios come into play.

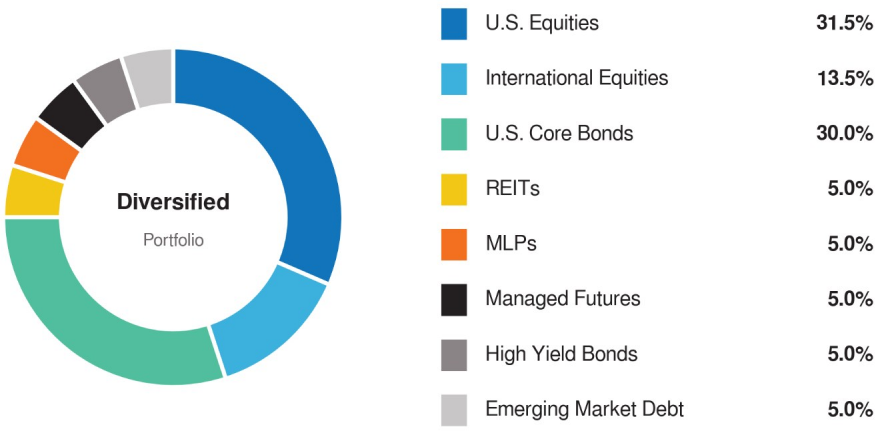
The Diversified Portfolio: adding diversifying asset classes

The Diversified Portfolio builds upon the basic Simple Portfolio by adding five smaller allocations to what we'll call "diversifying" strategies or asset classes — strategies we'd expect to improve the portfolio's overall risk and return profile.

The three core holdings of the Simple Portfolio still make up 75% of the Diversified Portfolio; the five diversifying strategies account for the remaining 25%. To keep things simple, we allocated 5% to each.

EXHIBIT 2

Diversified Portfolio allocation: 75% core holdings plus five 5% diversifying strategies



Two of the strategies are funded by reducing the core fixed income allocation and reallocating to other segments of fixed income — corporate high yield and emerging market debt. The other three are funded by reducing the equity portion. Those strategies are REITs (Real Estate Investment Trusts), MLPs (Energy Master Limited Partnerships), and Managed Futures.

We recognize that not all investors will be familiar with each of the market segments or strategies, especially the Managed Futures, so a description and more information can be found in the Appendix. We chose these five for the simulation because 1) we have used all five in client portfolios during our history as a firm, 2) each has at least 30 years of return history, and 3) each displays the return, volatility, and correlation characteristics we look for in a diversifying strategy.

As we'll detail, allocating just a quarter of the portfolio to such strategies can have a meaningful impact on both the returns and the volatility of the portfolio.

The Diversified + Valuation Sensitive Portfolio: adding valuation-based positioning

Our last portfolio builds upon the Diversified Portfolio by incorporating a valuation driven, rules-based framework for rebalancing or reallocating between the various strategies.

+ WHAT IS A VALUATION-SENSITIVE PORTFOLIO?

A valuation-sensitive portfolio is one that changes its allocations according to rules about whether stocks, bonds, and credit are expensive or cheap relative to their history, rather than holding fixed weights. It is not market timing based on forecasts; it is a systematic response to prices already observed.

The specific rules are detailed in the Appendix, but in general our aim is to use valuation metrics to adjust our targeted allocations within the portfolio. Starting from the base weightings of the Diversified Portfolio, on a quarterly basis we not only rebalance, but also overweight areas that have become meaningfully cheap and underweight those that have become expensive.

This aligns with our philosophy as a firm and our quantitative, rules-based approach. Our real-world process is certainly more nuanced with additional rules and datapoints, but for purposes of this exercise we kept decision points to just three "layers." Our full process has nine decision points, plus additional rules around position sizing, but these three are the ones we'd expect to have the greatest impact on portfolio results.

DECISION POINT	DESCRIPTION
Stocks vs. Bonds	Analysis of the equity risk premium (ERP) drives decision to maintain 60/40 stock/bond mix or move to either a 50/50 or 70/30 allocation.
Stock Valuations	Global equity valuation metric drives decision to over/underweight traditional stocks vs. REITs, MLPs, and Managed Futures.
Credit Spreads	U.S. high yield credit spread drives decision to over/underweight core bonds vs. U.S. corporate high yield and emerging market debt.

With each of the portfolios defined, it's time to switch gears and start to look at the numbers with the goal of answering three questions.

1. Will adding the relatively small allocation to diversifying assets increase returns and/or reduce portfolio volatility?
2. Will utilizing a valuation-based allocation framework create additional value in the form of returns and/or reduced volatility?

   And most importantly

3. Is the added value of the Diversified + Valuation Sensitive portfolio enough to compensate investors for the added management costs that accompany more complex solutions?

03

SECTION 03 + THE RESULTS

Portfolio comparison: returns, risk, and advisor fees over 30 years

Before we look at the results, there are a few things about the simulation that should be pointed out. Assumptions and details matter, especially in a simulation. Having been in the wealth management industry for nearly 30 years, I'm naturally skeptical when it comes to simulations or back tests. Frankly, if someone tries hard enough, they can typically make the numbers work to tell whatever story they want.

To avoid that "overfitting" I tried to limit the assumptions and keep things as simple as possible. I wanted to keep the main thing the main thing: can adding diversifying assets and applying a valuation framework add value above and beyond a simple portfolio? We used index returns for each allocation, rebalanced or reweighted the portfolios quarterly, and made no adjustments for taxes, trading costs, or expenses.

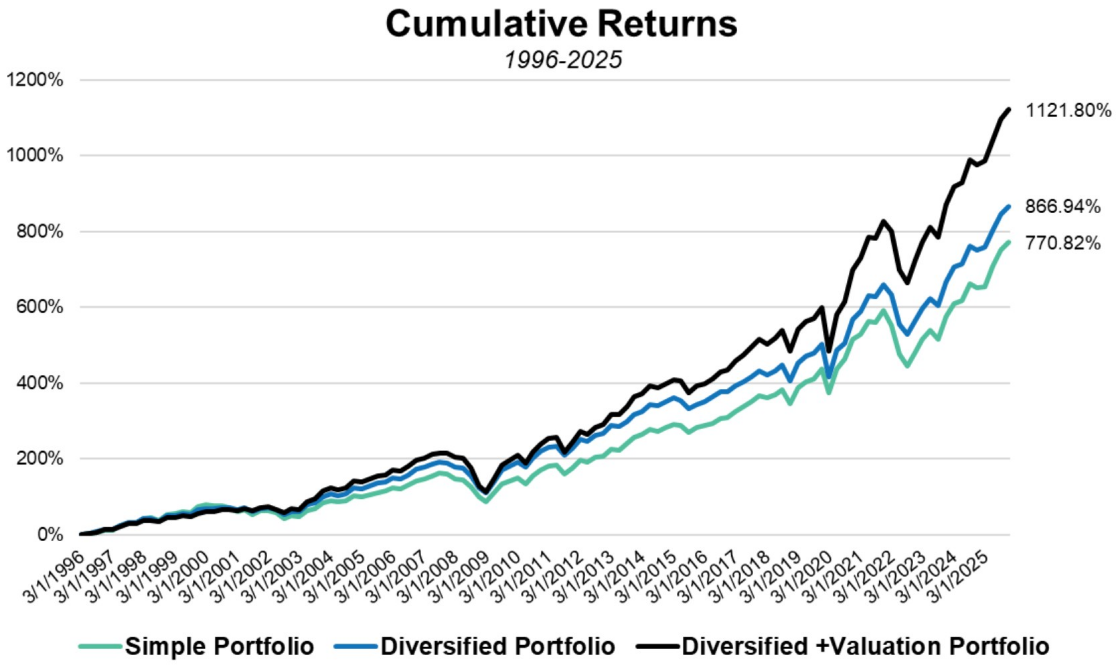
We'll address costs toward the end of the analysis; for now, we'll focus on the raw returns.

We'll start with cumulative returns over 30 years, which paint a rather interesting and easy-to-interpret picture.

There is little doubt that both the added diversification and the valuation sensitivity added meaningfully to returns when compared to the Simple Portfolio.

EXHIBIT 3

Cumulative returns, 1996–2025



Hypothetical simulation; gross of fees.

Of course, the case for diversifying strategies and valuation-driven allocation changes was never just about adding return; it was also about managing risk. Can they help generate:

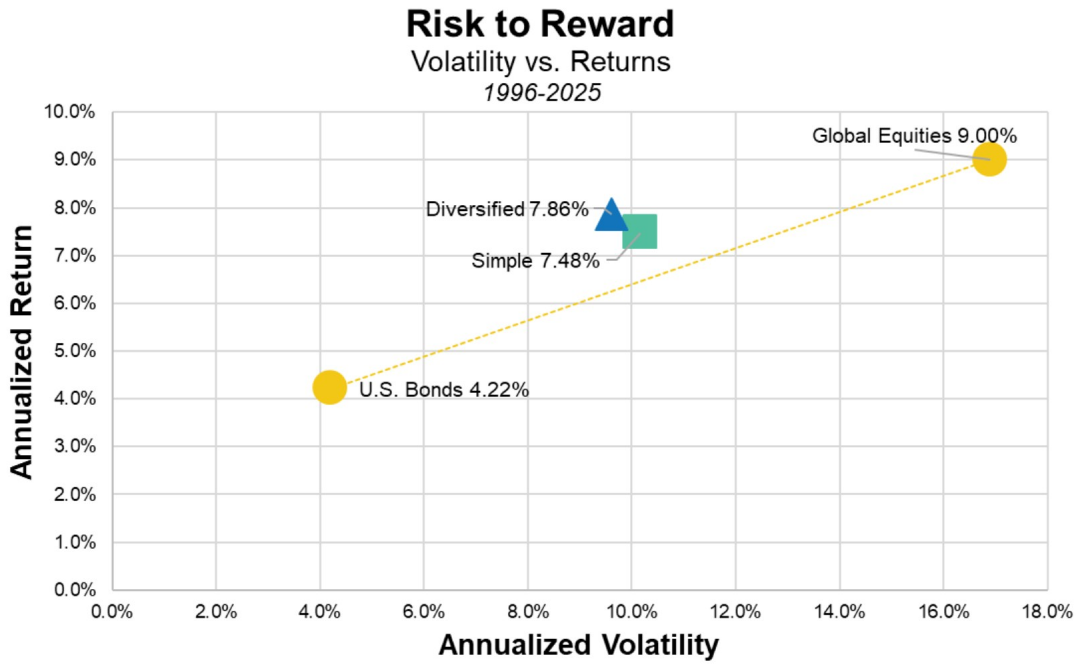
1. A better return, with the same level of risk (defined as volatility)
2. The same return, with less risk

   Or, the "holy grail" of portfolio management…
3. A better return with less risk

The next graph is a little more involved, so we'll start with a comparison of the Simple Portfolio vs. the Diversified Portfolio. We'll look at a Risk to Reward matrix of annualized portfolio volatility (X axis) and annualized return (Y axis).

EXHIBIT 4

Risk to reward: Simple vs. Diversified, 1996–2025



Hypothetical simulation; gross of fees.

The ideal data point is high return, low volatility — so the further up and to the left the better. In addition to the Simple and Diversified portfolios we've also shown the volatility and returns for U.S. bonds and global equities over the same time-period and drawn a straight line between the two. Consistent rebalancing is what allows both the Simple and Diversified data points to sit above the dotted yellow line.

The key comparison here, however, is the relative positions of the two main data points. Reallocating just a quarter of the portfolio to diversifying assets resulted in not just a higher return, but also a lower level of volatility — the portfolio manager's "holy grail." Many investors have mistakenly come to believe that diversification means sacrificing returns in order to lower volatility or portfolio risk — but this clearly shows that is not at all the case.

When investors talk about diversification being the only "free lunch" in investing, this is what they mean — higher returns and lower volatility.

Brad Swinsburg, CFA®, CAIA, BFA® | Partner + Chief Investment Officer

The Diversified Portfolio improves upon the Simple Portfolio, but as valuation-oriented investors, we believe there is another lever an advisor can pull to unlock even more value: a systematic, valuation-based approach to portfolio positioning.

We've now added a third data point to the prior graph: the Diversified + Valuation Sensitive portfolio (black diamond).

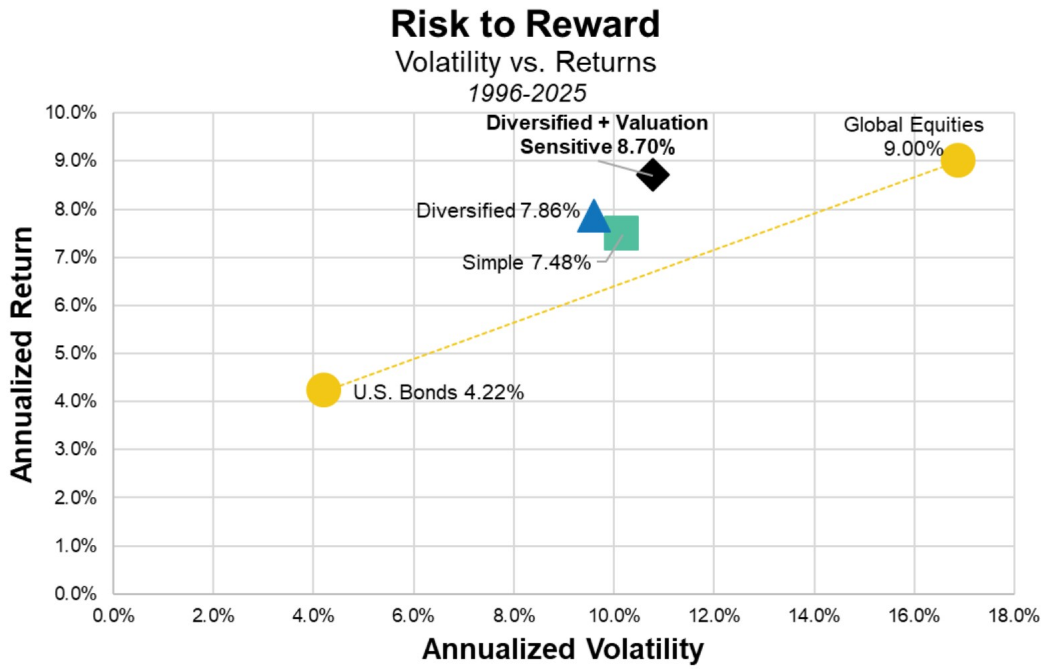
While the Diversified + Valuation Sensitive portfolio results in a slightly higher level of volatility, there is also a meaningful pickup in return over both the Simple and Diversified approaches. In fact, the return of the Diversified + Valuation Sensitive portfolio is now almost equivalent to the return of the global equity market despite 1) a bond allocation of 30–50% and 2) significantly lower volatility (36% lower, in fact).

The answers to the first two questions we previously posed are both a resounding yes. Incorporating diversification and valuation sensitivity adds meaningful and noticeable value.

Before we move on to the third question, however, it is important to detail not just the full period results, but also the *path* of those results. In other words, was the value-add exhibited after 30 years merely a function of the time period chosen or a few good years? Or was it something more consistent or persistent?

EXHIBIT 5

Risk to reward with the Diversified + Valuation Sensitive portfolio, 1996–2025



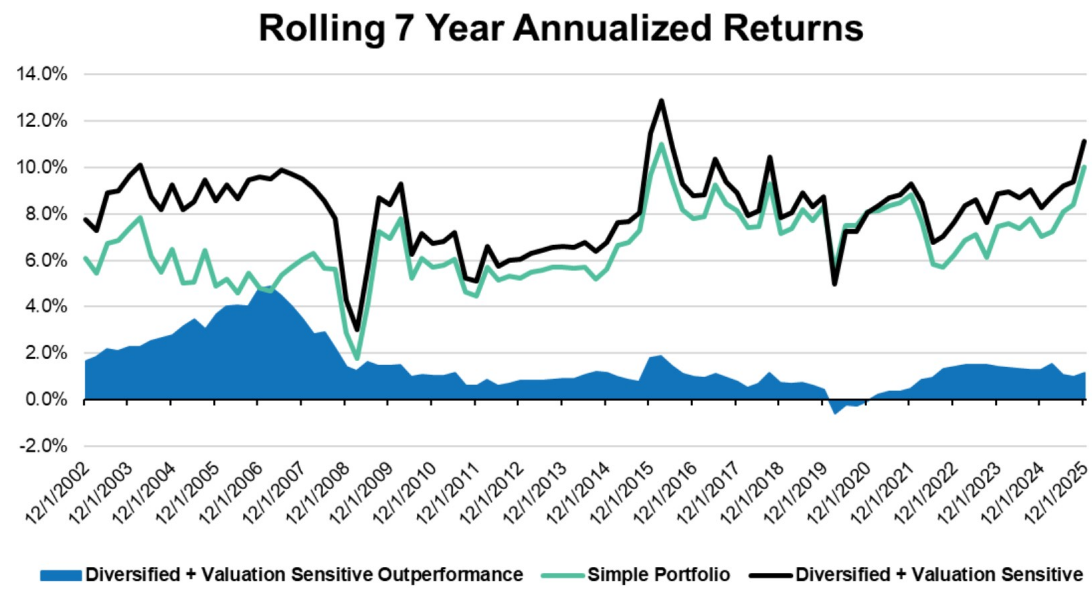
Hypothetical simulation; gross of fees.

By looking at Rolling 7-year annualized returns we can see that the value-add of the Diversified + Valuation Sensitive portfolio was impressively persistent. The black line depicts the return of the Diversified + Valuation Sensitive portfolio while the mint green line shows that of the Simple portfolio. The blue shaded area represents the annualized difference between the two. When the blue is above the 0% line then the Diversified + Valuation Sensitive portfolio has outperformed.

As we expected, the level of outperformance for the Diversified + Valuation Sensitive portfolio varied over time, but it was persistently positive. In fact, 90 out of the 93 quarterly observations showed outperformance with the only exceptions being during the periods ending in early 2020. Though not shown here, 5-year and 10-year rolling periods show similar results.

EXHIBIT 6

Rolling 7-year annualized returns



Hypothetical simulation; gross of fees.

Rolling periods shorter than five years show much greater variability between out- and underperformance, but that should come as no surprise. Nor should it be a deterrent from using a strategy that embraces diversification or valuations. The unfortunate reality with investing is that *nothing* works all the time, especially over short time frames.

Is the added value worth the added cost?

Let's turn finally to our 3rd question — Is the added value of the Diversified + Valuation Sensitive portfolio approach enough to compensate investors for the added costs that accompany more complex solutions?

In our analysis, we purposefully ignored the cost of implementation (trading and fund fees) and advisor fees.

We wanted to focus first on the gross impact of diversification and a systematic valuation driven approach. After all, fee levels across the industry can vary quite a bit.

Going back to our 2nd Risk to Reward graph, the additional return from the Diversified + Valuation Sensitive portfolio was 1.22% per year. That's a meaningful pickup on an annualized basis, but as noted it's also gross of fees. Both portfolios, of course, come with fees, so is the difference between the two less than that 1.22%? That will vary across advisors and investors, but we can certainly speak to our experience and the overall costs our investors incur through our approach.

The three primary fees investors incur when deploying capital through an investment advisor are: advisory fees, investment vehicle fees, and transaction fees/commissions. In comparing the two portfolios, we'll look at each fee and make a few simplifying assumptions.

+ **Advisory fees** — this is the fee you pay your investment advisor or portfolio manager for their work in developing an investment portfolio — asset allocation, manager selection, portfolio monitoring/trading/rebalancing, etc.
  - Diversified + Valuation Sensitive portfolio — for this we'll use our current fee schedule and the weighted average fee across our client base which is roughly 0.65%.
  - Simple Portfolio — models vary, of course, but we'll use Vanguard as our base case for what fees look like. Based on published fee schedules and industry sources, Vanguard's advisory fee is roughly 0.30%. *Total difference is therefore* **0.35%.**
+ **Investment vehicle fees** — these are the fees that are typically embedded within mutual funds, exchange traded funds, or charged by asset managers that your advisor hires to manage a portion of your portfolio. These can vary quite a bit by advisor, as well as by portfolio.
  - Diversified + Valuation Sensitive portfolio — again, we'll use the weighted average fee for our typical balanced target portfolio.

Over the past 10 years, those fees have ranged from 0.30% to 0.40%, and are currently 0.34%.

- Simple Portfolio — our simple portfolio asset allocation using Vanguard index ETFs can be constructed for just 0.03%. *That means the total investment vehicle fee differential is roughly* **0.31%.**

+ **Transaction fees/commissions** — this is what an investor might pay to their custodian or a broker for any buy/sell transactions in implementing or rebalancing the portfolio. Again, this varies across the industry, but in general this is really not a meaningful cost for most investors. Major custodians like Schwab and Fidelity have mostly gotten rid of commissions on individual stocks and ETFs. Depending on the platform or mutual fund, transaction costs do still exist, but they are typically small and cumulatively don't add up to much. For most of our clients we'd estimate the annualized transaction costs over time to be somewhere between 0.01% and 0.03%. Those fees would be even less for a Simple Portfolio. *While not consequential for either portfolio, to be conservative we'll assume the Diversified + Valuation Sensitive portfolio's transaction costs to be* **0.05%.**

FEE TYPE	DIVERSIFIED + VALUATION SENSITIVE	SIMPLE PORTFOLIO	DIFFERENCE
Advisory fees	0.65%	0.30%	**0.35%**
Investment vehicle fees	0.34%	0.03%	**0.31%**
Transaction fees/commissions	0.05% (assumed)	Less	**0.05%**
Estimated total fee differential			**0.71%**

Approximate figures as described above. Transaction cost differential conservatively assumed.

In total, the fee differential is, in our estimation, approximately **0.71%** (0.35% + 0.31% + 0.05%). That is the figure we'd use to compare versus the 1.22% outperformance result from the Diversified + Valuation Sensitive portfolio.

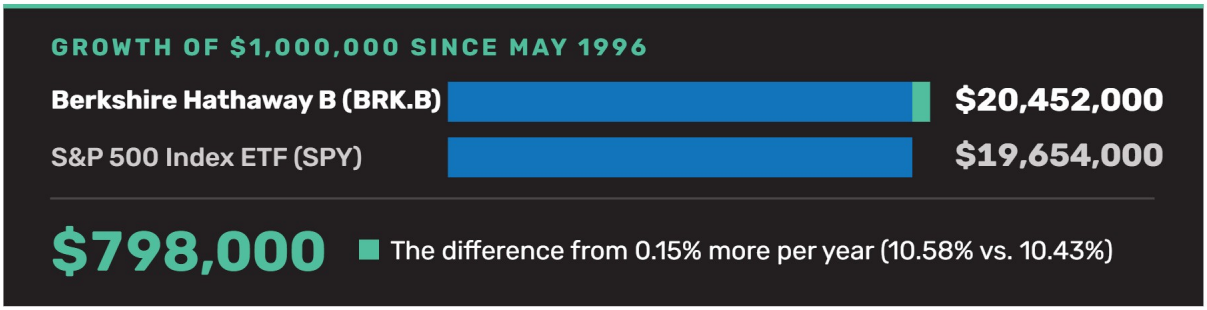
That means the estimated net "alpha" of an advisor-managed Diversified + Valuation Sensitive portfolio is a little over **0.5%** a year in performance. I have no doubt that some investors will underappreciate both how impressive that is and how meaningful it can be over a thirty-year timeframe!

1.22% Gross additional annual return	–	**0.71%** Estimated fee differential	≈	**~0.5%** Estimated net annual value

For some perspective, let's look at the performance of Warren Buffett's Berkshire Hathaway stock (ticker: BRK.B) as compared to the S&P 500 Index ETF (ticker: SPY). Warren Buffett is universally recognized as one of the best equity investors in history and has an undeniable track record, yet I suspect most investors will be underwhelmed by the annualized outperformance. Since BRK.B's inception in May of 1996 (which, by coincidence, is almost exactly the 30-year window of our analysis), the stock has outperformed by *just* 0.15% (10.58% vs 10.43%). Investors may scoff at that number, but even that modest level of outperformance can add up to meaningful differences over a 30-year time horizon, as shown below.

EXHIBIT 7

BRK.B vs. SPY cumulative returns since BRK.B inception (May 1996)



Hypothetical illustration applying the cumulative returns since May 1996 (BRK.B 1,945.2%, SPY 1,865.4%) to a $1,000,000 investment. Past performance does not indicate future results.

Value beyond the performance line

At the risk of sounding like a used-car salesman, "but wait, there's more!" If anyone is still doubting the impact or significance of that 0.5% value-add, any financial advisor worth their salt is going to point out that so far we've only looked at one aspect of the advisor "value-add." Yes, it'd be great if a financial advisor is able to earn their fees via investment performance, but the value-add that they provide to clients can (and should) go far beyond the performance line.

As we pointed out in our 2025 Value of an Advisor series, there are many other ways that an advisor helps their clients and adds value that isn't captured in a performance report. It's beyond the scope of this paper to dive too deeply into these items, but we'd be remiss if we didn't point out some of the more impactful ones:

+ Tax Loss Harvesting
+ Asset "Location" (different than Asset Allocation)
+ Liquidity Management
+ Tax Planning
+ Financial Planning
  - Cash flow planning
  - Insurance analysis (Life, Disability, Property & Casualty)
  - Trust & Estate planning

We can't say this is the case across the industry, but at Smith + Howard, those other value-adds are simply part of what we do — there are no additional fees. For clients with $1 million or more under management, our advisory fees cover both financial planning and investment management. As impressive as we think the 0.5% net value of a financial advisor is, it can pale in comparison to the value added from proper tax and estate planning — which is why we feel so comfortable and confident in our ability to create value for clients that far exceeds the cost of our services.

As I've told many investors over the years, there is nothing wrong per se with a portfolio focused on simplicity and low fees — it's the do no harm approach. For many investors, the success of their financial plan will depend far more heavily on their ability to save and control spending. For those investors, the simple approach is probably appropriate.

+ As an investor's portfolio grows, however, the impact of every basis point of additional return becomes that much more important and that's where the mindset needs to shift. Cost is always going to be important, but it shouldn't be the only consideration or even the most important one.

Brad Swinsburg, CFA®, CAIA, BFA® | Partner + Chief Investment Officer

+ NEXT STEP

Talk with an advisor

Whether you want a second opinion on an existing portfolio or a full review of how diversification and valuation discipline could work for you, we'd welcome the conversation.

Contact us today or call 404-874-6244 to schedule a discussion with our team.

APPENDIX

Additional details on simulation approach, methodology, and data

As discussed in the article, for this exercise we compared the returns and volatility of three separate "60/40" portfolios over a 30-year time horizon using index returns, correlations, and volatilities. The time period utilized was from 1/1/1996 through 12/31/2025. Additional information about the three portfolios and the adjustments made to each during the 30-year period are detailed in the following table and descriptions.

SIMPLE PORTFOLIO	DIVERSIFIED PORTFOLIO	DIVERSIFIED + VALUATION SENSITIVE PORTFOLIO
The Simple Portfolio is intended to represent a low-cost, no-frills portfolio similar to what an investor may be expected to do on their own or via a platform like Vanguard.	The Diversified Portfolio builds upon the Simple Portfolio by incorporating five additional, less correlated asset classes or strategies.	The Diversified + Valuation Sensitive Portfolio builds upon the Diversified Portfolio construction by incorporating a simple valuation metric that is used to adjust portfolio allocations over time.
+ Two asset class portfolio consisting of three positions. – 60% Global Equities – *42% U.S. Equities* – *18% International Equities* – 40% U.S. Core Bonds + Quarterly Rebalancing	+ Portfolio utilizes the same three holdings as the Simple Portfolio, but reallocates 25% of the portfolio to each of the following equally (5% each) – Emerging Market Debt – U.S. High Yield Debt – U.S. REITs – Energy MLPs – Managed Futures + Quarterly Rebalancing	+ Portfolio utilizes the same holdings as the Diversified Portfolio, but varies the allocation mix based on valuation metrics. + Allocation shifts occur at +/- 1 Z-Score (Standard Deviation) and are assumed to remain in place until valuation metric returns to average levels. + Quarterly Rebalancing

While the Simple and Diversified Portfolios maintain a consistent asset allocation that is rebalanced quarterly, the Diversified + Valuation Sensitive Portfolio makes adjustments over time based on the relative attractiveness (defined by valuations) of different market and portfolio segments.

For purposes of this exercise, those adjustments were along three different portfolio components as detailed below.

Stock/bond mix

Stock versus bond valuation comparison meant to identify opportunities to shift allocations away from the "neutral" positioning of 60/40 (stock/bond) portfolio mix.

- Global equity risk premium (ERP) derived by comparing the Global CAPE earnings yield (1/CAPE) to the real yield of the 10-Year U.S. Treasury. The difference in the figures is the ERP.
- Neutral position of 60/40. Shifts were to either a 50/50 or 70/30 mix based on ERP and only initiated when ERP Z-Score exceeds +/- 1.
- Shifts away from Neutral remain in place until Z-Score returns to average.
- Datapoints utilized begin in 1986 and must have been available or existed at the time of the allocation decision.

Equities + equity alternatives

Global equity focused valuation analysis was utilized to overweight or underweight U.S. + International equities versus a mix of U.S. REITs, Energy MLPs, and Managed Futures.

- Analysis and resulting shifts were derived from the Global CAPE ratio and focus only on absolute valuation (valuation at point in time vs. historical average at that time).
- Neutral position assumed the same weights as the Diversified Portfolio shown in the table above. Shifts away from neutral were initiated when the Global CAPE absolute Z-Score exceeded +/- 1.
- Overweights or underweights to traditional equities maintained the same 70/30 proportional split between U.S. and International Equities.
- Adjustments to U.S. REITs and Energy MLPs were to either decrease (when equities were cheap) or increase (when equities were expensive) by 50% from neutral positioning.
- Adjustments to Managed Futures were to eliminate the position (when equities were cheap) or increase by 50% (when equities were expensive).
- Shifts away from Neutral remain in place until Z-Score returns to average.
- Datapoints utilized begin in 1986 and must have been available or existed at the time of the allocation decision.

Core bonds + opportunistic fixed income

Credit spread focused valuation analysis utilized U.S. Corporate High Yields as a proxy for overall credit spread attractiveness in both High Yield and Emerging Market Debt.

- Analysis focused on a comparison of the nominal yield of the U.S. Corporate High Yield Index versus the U.S. Bloomberg Aggregate Index. The difference is the "credit spread" and drove our analysis and resulting shifts.
- Neutral position for U.S. Core Bonds, High Yield Bonds, and Emerging Market Debt assumed the same weights as the Diversified Portfolio shown in the table above. Shifts away from neutral were initiated when absolute Z-Scores for the credit spread exceeded +/- 1.
- Adjustments to High Yield Bonds and Emerging Market Debt were to either decrease (when the credit spread tightened) or increase (when the credit spread widened out) by 50% from neutral positioning (i.e. either 0.5x or 1.5x neutral positioning).
- Shifts away from Neutral remain in place until Z-Score returns to average.
- Datapoints utilized begin in 1987 and must have been available or existed at the time of the allocation decision.

Additional details on return simulation

- Valuation and return information utilized was quarterly and sourced from Morningstar Direct, Siblis Research, and Federal Reserve Economic Data (FRED).
- Each of the three simulated portfolios assumed a 70/30 (U.S. / International) mix for the Traditional Equity component.
- Allocation and portfolio shifts are hypothetical and for discussion purposes. They do not represent actual allocation or portfolio shifts by Smith + Howard or any other manager, but are based on a simplified valuation framework that shares similarities with Smith + Howard's current approach.
- The simulation makes no attempt to account for or quantify trading fees, manager fees, advisory fees, or other fees. The simulation also does not distinguish between sources of return (i.e. dividends, income, or capital appreciation) or account for any taxes due.
- The indices used for return, volatility, and correlation purposes during the simulation exercise were as follows:

INDEX NAME	ASSET CLASS REPRESENTED	INDEX INCEPTION DATE
Russell 3000 TR USD	U.S. Equities	12/31/1978
MSCI World ex USA NR USD	International Equities	3/31/1986
Alerian MLP TR USD	Energy MLPs	12/29/1995
DJ US Select REIT TR USD	U.S. REITs	12/31/1986
Credit Suisse Managed Futures USD	Managed Futures	12/31/1993
Bloomberg US Agg Bond TR USD	U.S. Core Bonds	1/3/1986
Bloomberg US Corporate High Yield TR USD	U.S. High Yield	1/1/1986
Bloomberg EM USD Aggregate TR USD	EM Bonds	12/31/1992

Diversifying strategies descriptions

+ **Emerging Market Debt** — Bonds issued by governments and corporations in developing economies (e.g., Brazil, Mexico, Indonesia, South Africa), typically denominated in U.S. dollars, offering the average investor exposure to faster-growing economies and generally higher yields than U.S. core bonds to compensate for added credit, currency, and political risk; the expected benefit is a mix of higher income/return potential and diversification, since EM debt doesn't always move in lockstep with U.S. bonds or equities.
+ **U.S. High Yield Debt** — Bonds issued by corporations with below-investment-grade credit ratings, offering meaningfully higher yields than U.S. core bonds to compensate investors for greater credit and default risk; for the average investor, the expected benefit is enhanced income and return potential along with diversification, since high yield spreads and performance are driven more by corporate credit and economic-cycle dynamics than by interest-rate moves alone.

- **U.S. REITs** — Publicly traded companies that own and operate income-producing real estate (e.g., apartments, offices, warehouses, malls), required to distribute at least 90% of taxable income as dividends; for the average investor, the expected benefit is exposure to real estate returns and higher income without owning physical property, along with diversification, since real estate often responds to different economic drivers than traditional stocks and bonds.
- **Energy MLPs** — Publicly traded partnerships that own energy infrastructure such as pipelines, storage, and processing facilities, generating steady fee-based cash flows and passing most of that income through to investors as high distributions; for the average investor, the expected benefit is elevated income potential along with diversification, since MLP returns are driven more by energy infrastructure demand and cash-flow fundamentals than by broader stock or bond market movements.
- **Managed Futures** — Strategies (often run by Commodity Trading Advisors or CTAs) that use futures contracts across stocks, bonds, currencies, and commodities to systematically follow price trends in either direction, allowing them to potentially profit in both rising and falling markets; for the average investor, the expected benefit is diversification and downside protection, since managed futures have historically performed well during periods of market stress when traditional stocks and bonds decline together.

IMPORTANT INFORMATION

Disclosures

Performance simulations are hypothetical and for discussion purposes only. It is not possible to invest directly in an index. Simulation does not account for trading costs, expense ratios, advisory or other fees.

Unless stated otherwise, any estimates or projections (including performance and risk) given in this presentation are intended to be forward-looking statements. Such estimates are subject to actual known and unknown risks, uncertainties, and other factors that could cause actual results to differ materially from those projected. The securities described within this presentation do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in such securities was or will be profitable. Past performance does not indicate future results.

SMITH+HOWARD
Wealth Management



+ ABOUT THE AUTHOR

Brad Swinsburg, CFA®, CAIA, BFA®

Partner + Chief Investment Officer, Smith + Howard Wealth Management

+ ABOUT US

Smith + Howard Wealth Management

Smith + Howard Wealth Management is a fee-only, discretionary wealth management practice within the Smith + Howard Family of Companies. Because we sit inside a broader accounting and advisory firm, our clients' tax planning, financial planning, and investment management are coordinated under one roof — not passed between siloed providers.