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Built for Changing Markets

*Understanding the investment discipline
guiding decisions when markets change*



Investment Discipline: A Smarter Way To Invest (ASWTI)

Market ups and downs are a normal part of investing. So why do they sometimes feel so unsettling?

For many investors, the discomfort isn't caused by day-to-day movement — it's caused by two things:

1. Uncertainty about the plan

Not knowing how your portfolio is designed to respond when conditions change — or what actions may be taken when markets become more volatile.

2. The fear of a deep loss and a long recovery

Because when markets fall sharply, it can take significant time to recover. And the deeper the decline, the more “uphill” the path back to even can feel.

That's where stress often turns into emotion — and emotion is where many investors make decisions they later regret.

This guide was created to help answer one simple but critical question:

Do I clearly understand how my investments are managed when conditions change?

Inside, you'll see:

- ✓ What our disciplined investing means in plain English
- ✓ How “**risk-on**” and “**risk-off**” environments work without guessing the market
- ✓ How to read a data-based illustration step by step
- ✓ Why our discipline can be designed to help manage large drawdowns and create a more confident investing experience

This is not a sales brochure. It's an educational walkthrough designed to help you see what discipline looks like in practice — and why it can matter most when markets get difficult.



Why Investment Discipline Matters

Market swings can feel worse than they should

Most investors expect markets to move. What they don't expect is how emotionally draining those movements can become when the downside feels unclear.

The real stress often shows up when investors start wondering:

- ? How much could I lose if markets drop further?
- ? How long would it take to recover if I fall behind?
- ? Do I have a plan for risk — or am I just hoping things bounce back?

Because here's the reality: **losses and recoveries aren't symmetrical.**



Why Investment Discipline Matters *(CONTINUED)*

When a portfolio experiences a significant decline, the climb back can feel steep — and the longer that climb takes, the more tempting it becomes to make emotional changes at the wrong time.

Without a clearly understood approach, market declines can feel like being forced into a guessing game:

“Do we wait?”

“Do we sell?”

“Do we change course now?”



That uncertainty is what often drives emotional decision-making.

What discipline actually is

Investment discipline is a **rules-based process** for making decisions. It helps define:

- ✓ How risk is evaluated
- ✓ How exposure may change as conditions shift
- ✓ How decisions can be made with structure instead of emotion

In simple terms, discipline exists to help answer:

When risk rises, what do we do — and why?

When conditions improve, how do we re-engage — and why?

Discipline is not about predicting markets. It's about responding consistently to what markets are doing, with the goal of avoiding decisions made in the heat of the moment.

What discipline is not

- ✗ It is not day trading
- ✗ It is not guessing tops and bottoms
- ✗ It is not a guarantee of performance
- ✗ It is not about avoiding all risk

Discipline is about clarity, consistency, and control — and for many investors, it's designed to help reduce the impact of deep drawdowns that can create long, stressful recoveries.

The Simple Idea Behind ASWTI's Discipline

A portfolio has two important jobs

Most investors think of investing as having one goal: growth. In reality, a well-designed portfolio has two equally important jobs:

1. **Participate when market conditions are supportive**
2. **Protect when risk begins to rise**

The challenge isn't understanding these goals — it's knowing when to shift emphasis between them.

That's where structure matters.

How ASWTI approaches market conditions

Rather than reacting emotionally to headlines or guessing where markets might go next, ASWTI uses an **algorithmic, rules-based system** to interpret market conditions and guide portfolio positioning.

This system evaluates market trends and risk signals to help identify three broad environments:

Risk-On

Conditions are supportive and trends are healthy. Portfolios are positioned to participate in market growth.

Caution

Signals are mixed. Risk may be rising, and flexibility becomes more important. Exposure may be adjusted thoughtfully rather than all at once.

Risk-Off

Conditions have deteriorated and risk is elevated. Portfolios are positioned more defensively with the goal of mitigating large drawdowns.

These environments are not predictions. They are interpretations of what the market is doing right now, based on data — not emotion.

Why mitigating large drawdowns matters

Market declines are unavoidable. But **deep drawdowns create long recovery climbs**.

When a portfolio experiences a significant loss, the path back to even becomes steeper — and the longer that recovery takes, the more pressure investors feel to make emotional decisions at exactly the wrong time.



ASWTI's risk-on / caution / risk-off framework is designed to help:

- ✓ Reduce exposure during periods of elevated risk
- ✓ Avoid digging deep holes that require long uphill recoveries
- ✓ Create a smoother, more manageable investing experience over time

This isn't about avoiding all losses. It's about managing risk **before losses become difficult to recover from**.

Why this matters emotionally

When portfolio behavior is defined in advance:

- ✓ Decisions tend to be calmer
- ✓ Expectations are clearer
- ✓ Emotional reactions are reduced

Instead of hoping markets cooperate, investors know there is a **process** guiding decisions — one that is designed to adapt as conditions change.

That clarity is often what restores confidence, even during uncertain markets.

Seeing The ASWTI Approach In Action

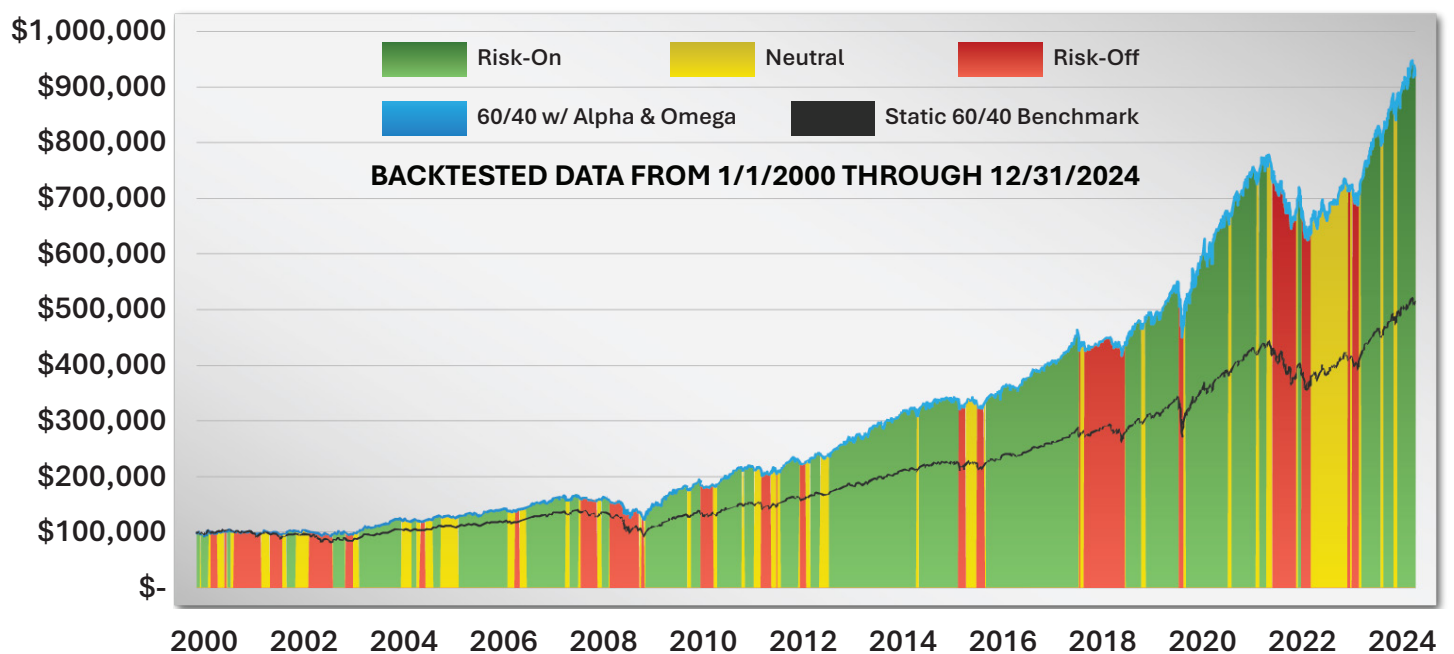
The illustration below compares two investment approaches over time:

- A traditional static 60/40 portfolio
- A 60/40 portfolio guided by ASWTI’s algorithmic, rules-based trend signals, Alpha & Omega

Both use the same core structure. The difference is how they respond when market conditions change.

Rather than remaining fully exposed through all environments, the ASWTI approach is designed to adjust exposure based on data-driven signals, with the goal of managing risk before market declines become deep and difficult to recover from.

Adding Dynamic Trend Risk Management with Alpha & Omega Market Signals to a 60/40 Portfolio



Risk & Return Metrics	Static 60/40 Benchmark	60/40 With A&O Trend
CAGR	6.72%	9.28%
Maximum Drawdown	-34.78%	-27.24%
Beta	1.00	0.91
Standard Deviation	11.47%	10.99%
Alpha	0.00	3.03
Sharpe Ratio	0.43	0.68

This period includes multiple market environments — extended growth, sharp drawdowns, and long recoveries — offering insight into how a structured, rules-based approach is designed to behave when conditions shift.

Review the next page to better understand how this investment discipline is illustrated through the chart and supporting data.

How To Read The Chart *(In Plain English)*

Step 1 — Look at the background colors

The colored areas represent the market environment identified by ASWTI's Alpha & Omega signals:

Green (Risk-On)

Conditions are supportive and trends are healthy.

Yellow (Caution)

Signals are mixed. Risk may be rising, calling for flexibility and awareness.

Red (Risk-Off)

Risk is elevated. Conditions have deteriorated, and the approach is designed to become more defensive.

These environments help explain when and why exposure may change, particularly during periods when unmanaged risk can lead to large drawdowns.

Step 2 — Compare the two lines

The colored areas represent the market environment identified by ASWTI's Alpha & Omega signals:

The black line represents a traditional static 60/40 portfolio that remains invested the same way regardless of market conditions.

The blue line represents a 60/40 portfolio guided by ASWTI's Alpha & Omega trend signals — designed to adjust exposure as conditions change.

This contrast highlights the difference between staying static and responding systematically.

Step 3 — What to notice

This illustration is not about perfectly timing market tops and bottoms.

Instead, it shows:

- ✓ How exposure may be reduced during higher-risk periods
- ✓ How participation can resume as conditions improve
- ✓ How decisions are guided by predefined rules rather than emotion

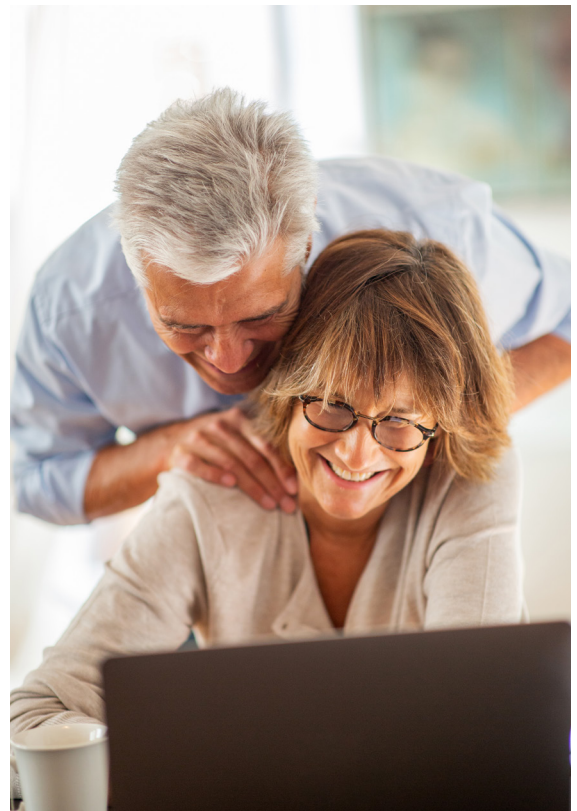
In simple terms:

When conditions look healthier, the approach is designed to participate.

When conditions weaken, the approach is designed to become more defensive.

When conditions improve again, the approach can re-engage.

The intent is to help manage risk before losses become large, making recoveries more manageable over time.



What The Numbers Mean *(Without The Jargon)*

Numbers help explain behavior, not just outcomes. They describe how an investment experience may feel over time — especially during difficult markets.

Here's what the key metrics represent:

1. CAGR

The long-term annual growth rate.

2. Maximum Drawdown

The largest peak-to-trough decline — often the most emotionally challenging part of investing, and the point from which recovery becomes most difficult.

3. Standard Deviation

How volatile or “bumpy” the ride has been.

4. Beta

How sensitive the strategy is to overall market movements.

5. Sharpe Ratio

How efficiently return has historically been generated relative to the risk taken.

The important takeaway

Many investors care less about achieving the highest possible return and more about:

- ✓ Avoiding deep losses
- ✓ Shortening the climb back to even
- ✓ Staying invested through difficult periods

That said, over long periods of time, **how risk is managed can meaningfully impact results.**



When you look at the chart, consider this simple question:

After 25 years across multiple market cycles, which experience would you rather have lived through — the blue line or the black line?

Both lines represent the same core portfolio structure. The difference is **how each approach responds when conditions change.**

A structured, rules-based approach is designed to improve the balance between growth and risk over time — by managing drawdowns and recovery, not by eliminating risk altogether.

Why This Is Important For You

The hidden cost of large drawdowns

Significant market declines don't just affect account values — they affect decisions.

Large drawdowns can:

- X** Take years to recover from
- X** Disrupt retirement timelines
- X** Increase stress and uncertainty
- X** Create pressure to make emotional decisions at the worst possible moments

The deeper the decline, the more challenging the climb back to even becomes. That's often where confidence erodes — not because markets move, but because the path forward feels unclear.

What a structured approach can change

A structured, rules-based approach is designed to replace uncertainty with clarity.

It can help provide:

- Clearer expectations during changing conditions
- A defined framework for how risk is managed
- Reduced emotional decision-making
- A calmer, more confident investing experience

This is especially important for investors who value both participation during supportive markets and protection when risk rises.

The Clarity Checklist

Take a moment to ask yourself:

- ? Do I know what triggers changes in my portfolio?
- ? Do I understand how risk is evaluated?
- ? Do I know when my portfolio becomes more defensive?
- ? Do I understand how it re-engages as conditions improve?
- ? Do I feel calmer because I understand the plan?

Most importantly, do I know what my current Advisors Investment Discipline is?

If you answered “not sure” to any of these, you're not alone.

Many investors have only been shown results, not the process behind them. And without understanding the process, confidence is hard to maintain — especially during difficult markets.

Clarity is available, and it often starts with a conversation.



A No-Pressure Investment Discipline Review

If you'd like to go deeper, a short conversation can help connect the dots.

On a brief call, we can:

- ✓ Walk through your questions and priorities
- ✓ Explain our structured risk-on / risk-off approach in plain English
- ✓ Show the data and rules that guide portfolio decisions
- ✓ Discuss how this framework may apply to your situation

There's no obligation and no pressure — just clarity.

You don't need to predict markets to feel confident. You need a plan you understand.



Contact Us To Learn More

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