

How to Navigate Market Volatility and Protect Your Savings

A guide to building a more secure
portfolio and mitigating risk



Table of Contents

Intro	Page 3
Diversification	Page 4
3 Steps to Diversify	Page 5
Questions about Alternatives	Page 10
Who We Are	Page 12
Investing with Integrity	Page 12
Our Approach	Page 13
Resources	Page 15
Disclaimer	Page 16
Terms & Conditions	Page 16
Copyright & Trademark	Page 18
Thank You	Page 19

It's not always easy to overlook the uncertainties of the stock market, particularly when they threaten the stability of the investments you've worked so hard to grow.

During these times, it's crucial to do the exact opposite of panicking —stick with practices known to work over time. These practices will protect your savings in the long run and instill a sense of security, helping you confidently navigate market volatility.

We've created a downloadable guide, 'How to Navigate Market Volatility and Protect Your Savings,' to empower you through these uncertain times. Despite the headlines, you can take proactive steps to safeguard your investments.



What is Diversification?

The basic idea is not to put all your eggs in one basket. That way, when one market segment falls, you may be protected by gains in another. It is true that stocks generally provide the strongest returns over time, but they also have a bad habit of declining by 50 percent during nasty bear markets. Not too many investors can tolerate that sort of volatility, especially as retirement draws near. But diversifying into bonds or other asset classes (like [alternative investments](#)) can help protect your wealth during stock market downturns.

Beyond protection during crisis events, diversification is also a helpful strategy for hedging the risk of long-term underperformance. It protects against “regime change,” where something we all take for granted suddenly changes. It can also reduce the pain of a lost decade or more when investment returns don’t meet expectations.

The old saying is that you get rich by being concentrated but stay rich by being diversified. There is some truth to that, but you also have to be lucky if you are concentrated. Diversification may take longer, but it is a surer bet to creating and preserving wealth.

To summarize this in one point: diversification works over time if you do it right.

3 Steps You Can take to Diversify Your Portfolio

1. Invest in Bonds

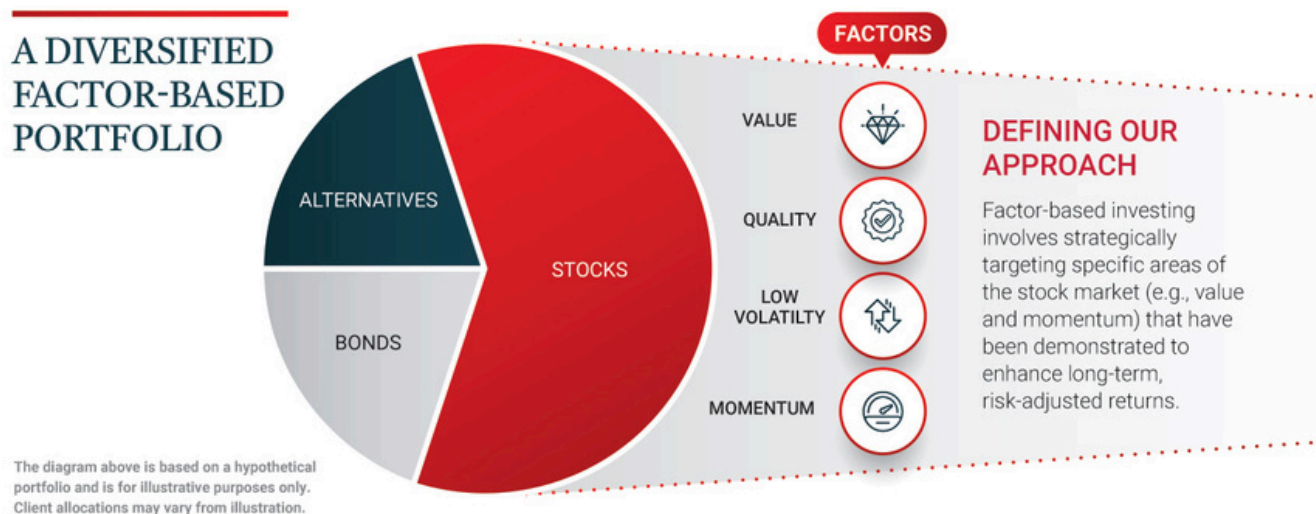
When we think of investing, we tend to think of the stock market. However, other investments, like bonds, can help diversify and hedge stock market downturns. Bonds have been much maligned over the past several years, often by us, because they haven't provided much in the way of return for the better part of a decade. But they do generally offer a safe port in a storm. Having some "boring" bonds in the portfolio is probably a good idea for most investors, especially those in or nearing retirement. An Important caveat: riskier bonds (high yield, foreign, subprime, etc.) can be highly correlated with stocks, particularly during downturns, so they don't offer diversification benefits when you need them the most.

More traditional, high-quality bonds do usually come through in bad stock market periods. Take the Global Financial Crisis of 2008 as an example. While stocks fell precipitously that year, a total bond market index fund was up around 5.5 percent. That wouldn't have fully offset the losses in the stock market, but it would have provided a stable source of funds if you were living off your portfolio.

3 Steps You Can take to Diversify Your Portfolio

2. Use a Factor-Based Approach

Factor-based investing is an approach that uses stock market index funds with specific characteristics that “tilt” the portfolio toward market segments that have historically shown an ability to provide long-term returns in excess of the overall market.



The classic example of factors is *value vs growth*. Value stocks trade at lower valuation levels than growth stocks, usually because the company is experiencing some financial distress. Whereas growth stocks are recognized as strong companies and their stock prices reflect that. So, while a growth company might be better than a value company, the value stock may have higher upside potential since it has more room to improve.

3 Steps You Can take to Diversify Your Portfolio

Factor-Based Approach

Indeed, value stocks have outperformed growth stocks historically, and the value strategy has been made famous by disciplined, long-term investors like Warren Buffett.

While value stocks have outperformed growth stocks and the overall stock market over longer periods, there are longish periods when value fails to add, well, value (growth outperforms). That was true in the 1990s and again in the past decade.

So, you must have a very long time horizon to be a value investor. But, by combining value with other factors like “momentum,” “high quality,” and “low volatility” stocks, investors can reap the benefit of factor premiums with a lower risk of long-term underperformance. Historical evidence suggests factor investing has been particularly strong during periods of weak overall market returns when investors need diversification and excess returns the most.

3 Steps You Can take to Diversify Your Portfolio

3. Alternative Investments

A third way to help protect your savings is to diversify into alternative investments. These investments include things that are not traditional stocks and bonds, and great care must be taken because the universe of alternative investments is wide, varied, and fraught with landmines and pitfalls.

The main characteristic to consider with new asset classes, like alternative investments, is their low correlation of returns with traditional stocks and bonds. Wall Street firms pitch many of these types of investments, but buyers should beware in this area. Several hedge funds, private investments, structured products, and others come with high fees and do not necessarily have the return characteristics you desire.

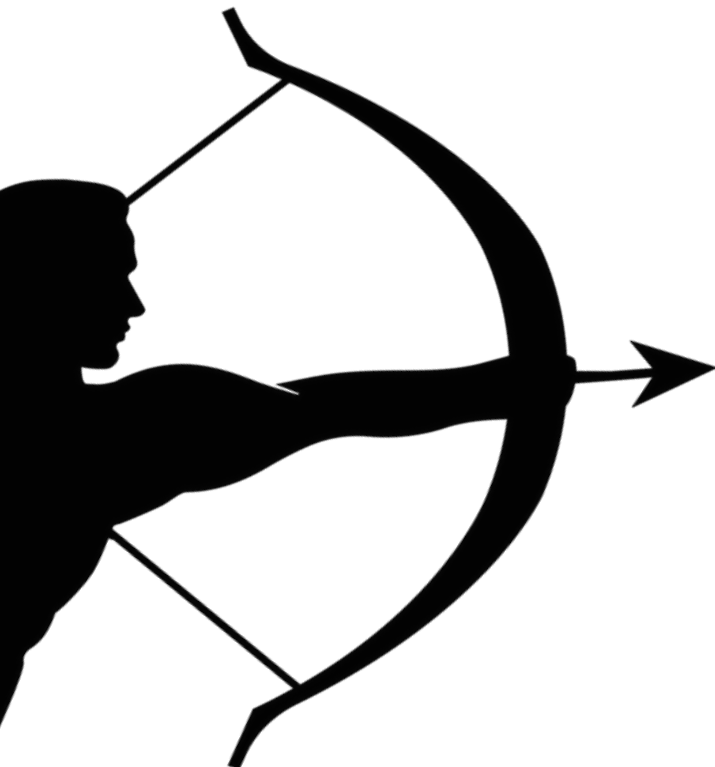
At [Armbruster Capital](https://www.armbrustercapital.com), we include alternative investments in clients' portfolios to help protect against large stock market declines and to pursue returns above those offered by the bond market, generally without taking on significantly higher levels of overall portfolio risk. Our alternative portfolios seek out unique sources of risk and returns, such as catastrophe bonds, managed futures, private lending, and others. We avoid things like hedge funds and private equity that may add high fees but not necessarily new return exposures.

3 Steps You Can take to Diversify Your Portfolio

Alternative Investments

These funds aren't for everyone, but they have been an important diversifier for reducing risk and improving returns in many market environments, like when stocks and bonds declined in 2022.

Often, these types of funds are not available to individual investors, but alternative strategies can be executed through investment advisors. If you're considering adding alternatives to your portfolio, here are some questions you should ask an investment advisor before diving in.



4 Questions to Ask an Investment Advisor About Alternative Strategies

1. What are the fees?

Management fees and other costs often make the total expense of alternative funds and strategies relatively high.

2. How tax-efficient is the strategy?

These types of funds can distribute short-term capital gains and other forms of income that can result in surprises at tax time.

3. What is the correlation of return with the stock market? (What is it in down markets?)

Many strategies that have low correlations through time experience spikes in their correlations during severe stock market downturns. Consider the Global Financial Crisis of 2008, when most investments fell in tandem.

4 Questions to Ask an Investment Advisor About Alternative Strategies

4. Is this a hedge fund?

The hedge fund industry often has significant hidden stock market exposure and high fees. We prefer asset classes and strategies such as catastrophe bonds, private lending, managed futures, private real estate, and harvesting-style premia.

Again, we recommend consulting with an investment advisor on alternative strategies, as the process is complicated and something an advisor will likely need to implement for you. Also, there can be tax consequences, so holding these funds in tax-advantaged accounts can be crucial.



Who We Are

Armbruster Capital Management is an independent, employee-owned wealth management firm in Pittsford, New York. We offer [investment management](#) services to high-net-worth individuals, [not-for-profit institutions](#), and corporate clients based on tested academic and quantitative research. Founded in 2009 by our CEO, [Mark Armbruster](#), our firm manages assets for hundreds of clients in 27 states.

Investing with Integrity

As an [SEC](#) Registered Investment Advisor, Armbruster Capital assumes a fiduciary role. This means we are legally responsible for always acting in our clients' best interests and must put their interests ahead of ours. There are no other fees for our services, and we receive no additional revenue beyond the explicit fees you pay us.



Our Approach

We avoid the pitfalls of market timing and active stock selection, focusing instead on broadly diversified, risk-targeted asset allocation plans. We leverage index and factor-based ETFs to capture market returns while mitigating risk and incorporating alternative investments to diversify portfolios further.

We offer a competitive fee schedule that is often half that of our competitors and strive to use low-cost funds to implement our strategies. Additionally, we prioritize tax-efficient strategies to maximize your true net, after-tax investment returns.

THE IMPORTANCE OF COST-CONTROL

Often overlooked, management fees, underlying investment expenses, and taxes can significantly impact your returns over time. Our approach focuses on minimizing these costs to maximize your net returns.

- Cumulative Opportunity Cost (RIGHT AXIS)
- 7% Annualized Return (LEFT AXIS)
- 6% Annualized Return (LEFT AXIS)

Quantifying a 1% Reduction in Expenses





Our Approach

Our investment management approach is designed to deliver consistent, long-term results, helping you confidently achieve your financial goals. Most importantly, we understand that your financial situation and goals are unique, and we are committed to providing a personalized solution and service to address your specific needs.

Let us show you how Armbruster Capital can guide you through market fluctuations while maximizing your potential for financial success!

Personal consultations are available for those with at least \$1,000,000 in investable assets or more.



RESOURCES

Below are links to content written by our team that reference some of the topics in the above guide

INFORMATION

- ☐ [Factor-Based Investing](#)
- ☐ [Nerdy Investment Stuff](#)
- ☐ [Wealth Management Services](#)
- ☐ [Protecting Your Investments in a Market Downturn](#)
- ☐ [What is a Fiduciary?](#)



Disclaimer

Views are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector. Investing involves risks, and the value of your investment will fluctuate over time. Past performance does not guarantee future results.

Terms & Conditions

This document is for informational purposes only and should not be regarded as a solicitation or as a means to provide investment advice for compensation. It is not intended for distribution to, or use by, any person in any jurisdiction where such would be contrary to law or regulation, or which would subject Armbruster Capital Management, Inc. to any registration requirement with such jurisdiction. We reserve the right to make changes without notification. Past performance does not guarantee future results, as market conditions change constantly. Any discussion of financial services for prospective or current clients must be communicated directly with a registered client services representative.



Views are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector. Investing involves risks, and the value of your investment will fluctuate over time.

Articles and commentary posted on the Armbruster Capital Management, Inc. website are for informational purposes only and are from sources believed to be accurate as of the date published. While some updates will be made on an ongoing basis, Armbruster Capital Management, Inc. does not claim responsibility for updating its archives.

Information contained in this document and on our website is the intellectual property of Armbruster Capital Management Inc., and may not be reproduced, transmitted, distributed or published in any form or by any means without the prior written consent of Armbruster Capital Management, Inc.

Armbruster Capital Management, Inc. does not guarantee the accuracy, relevance, or timeliness of any unaffiliated third-party information, whether linked to this paper or accessed from our website.



Unless specifically authorized in writing, any and all information contained in this document or on our website may not be reproduced, transmitted, displayed, distributed, published, or otherwise used.

By downloading and printing this document, you agree that you will not copy or remove any copyright or other notices displayed on the material.

Thank you!



Subscribe to Our Newsletter

[Click Here](#)

Visit our website to subscribe to our quarterly newsletters.

The topics covered, include:

Personal Wealth Management

Institutional Investment Management

Business Retirement Plans