

# BlackBox Capital Management

## INVESTMENT POLICY STATEMENT

### Introduction

Because every investor's needs are unique – determined by their current financial situation, future goals and risk tolerance - there is no one-size-fits-all investment solution. This Investment Policy Statement sets forth the philosophy and parameters used to determine investment strategy for investors with goals that range from the conservative to the aggressive.

### Investment Philosophy:

Here we lay out the principles used to determine the individual investment plan. These principles are valid regardless of investment goals or mix of asset types. Because the future is unknowable, investors should be vigilant and flexible.

- 1) **PRESERVATION OF CAPITAL** This is 1<sup>st</sup> and foremost for BlackBox Capital Management. Consider that a 33% loss requires a 50% appreciation just to get back to break even. Even for aggressive growth accounts, there are times to “press” positions and times to be defensive.
- 2) **DIVERSIFY RISK.** BlackBox Capital Management primarily uses mutual funds and ETFs (Exchange Traded Funds) because they are diversified and limit exposure to individual companies. BlackBox Capital Management mitigates Systemic risk - such as from Recessions, Pandemics & Inflation - by diversifying among different assets types.
- 3) **GENERATE INCOME.** Historically, half the returns in the stock market have come from dividends. Income can be overshadowed during high growth periods, but income can be a cushion during difficult markets, and the long term compounding effect is powerful. This is an often overlooked consideration in growth accounts.
- 4) **OUTPERFORM.** Invest more in assets that are doing better, and less in assets that are doing worse.

### Investment Goals:

For the purposes of this Statement we group investors into 3 categories and recognize that individuals may cross the lines and move between categories at different times.

- 1) **LOW RISK.** These investors seek little or no risk and are willing to accept lower investment return for security of their principal.
- 2) **INCOME:** These investors seek a steady income stream rather than growth of their principle. They can tolerate some volatility in their principle so long as the income remains steady.
- 3) **GROWTH.** These investors seek capital appreciation and are willing to accept greater risk to achieve this growth.

# BlackBox Capital Management

## INVESTMENT POLICY STATEMENT

### Asset Types:

For the purposes of this Statement we use the following liquid asset categories to determine a portfolio mix. We exclude assets that are not liquid such as Real Estate, collectibles and Private Equity, although these can be excellent sources of income and capital appreciation and should be considered as part of an individual plan.

1) **CASH.** This class include guaranteed instruments such as annuities and CDs as well as many short term debt instruments. Returns are low commensurate with the risk.

2) **INCOME.** These include debt instruments such as bonds, debentures, convertibles, preferred shares, and investment funds/trusts. These securities offer high yields but lower potential for capital appreciation and lower volatility.

3) **INDEX.** Market Indices can be volatile. Generally speaking these offer

a) Good potential for capital appreciation,

b) Good diversification and

c) Low yields.

4) **SECTOR.** These include international funds. They are focused on a narrow investment pool – a particular sector or geographic area – and can be very volatile. They offer higher opportunity for capital appreciation but also commensurate risk.

### Asset Allocations:

This table summarizes the ranges of asset allocation by different investment goals. This is a guideline and individual portfolios may blur the lines.

	LOW RISK	INCOME	GROWTH
CASH	80-100%	0-20%	0-45%
INCOME	0-20%	80-100%	35-50%
INDEX	0	0	20-35%
SECTOR	0	0	0-45%
Non Cash Allocation	0-20%	80-100%	55-100%