Conservative Balanced Investment Portfolio

A Publication of Main Line Investors, Inc.

P.O. Box 127
BART, PA 17503

email address:
rmchugh@technicalindicatorindex.com

Initial Start-up Portfolio as of January 1st, 2019 $1,000,000
Value Has Increased to $1,323,107 as of September 30th, 2020
By Robert D. McHugh, Ph.D.
Updated as of 9/30/20

The following is our Conservative Balanced Portfolio educational model, started January 1st, 2019, and updated as of September 30th, 2020. This portfolio is designed to build wealth and protect wealth now and during the developing economic crisis of 2020 through 2025. The last time we designed a Conservative Portfolio was October 2006. We saw an economic crisis coming, and in fact it did occur from 2007 through 2009. Our last Conservative Portfolio outperformed the S&P 500 by 54 percent over the five years from 2007 through 2012. Further, our 2006 portfolio increased in value by 30 percent during a time when the stock market fell 50 percent. Interestingly, during this profit growth in our Conservative Portfolio, almost 80 percent of it remained in the safety of cash.

We started a new portfolio as of January 1st, 2019, with $1.0 million in cash. This allows subscribers who wanted to track what we are doing for their own benefit to watch us grow and maintain wealth in real time. Transactions in the past have been periodic, infrequent, but carefully planned and communicated through emails to all standard and platinum subscribers at www.technicalindicatorindex.com . This portfolio is constructed as time progresses, to take into consideration market conditions, risks, and opportunities. The value of the portfolio has now grown to $1,323,207 as of September 30th, 2020.

However, we now see a new opportunity for a new investment strategy in one of our six key segments of this portfolio. We are replacing our Buy and Hold segment with a Modified Dollar Cost Averaging portfolio segment, which will target an allocation of up to 20 percent of our portfolio. The reason for this change is we now see Grand Supercycle degree wave {IV} beginning. While this portends a Bear market for stocks and an economic recession, the nature of this wave is such that we will likely see many wide price swings up and down, as we have already seen in 2020, which is ideal for a Dollar Cost Averaging strategy.

The way Dollar Cost averaging works is, we invest the same approximate amount of dollars periodically, no matter what the price is. So, when prices drop, we can purchase more shares, and when prices rise, we purchase less shares, however the value of our portfolio increases. When our portfolio gets out of balance with our diversification goals, we then sell the same number of shares (as opposed to buying the same dollars' worth of shares when we entered positions) periodically to bring the total balance in our Dollar Cost averaging segment back in to the percent of total portfolio allocation we are comfortable with, either building back some cash, or adding Treasury Securities, or Gold, whatever segment we feel needs more allocation. Over time, with oscillating price moves in the

markets, Dollar Cost averaging should generate significant gains mathematically. Below is an example of how this will work in a high volatility, wide price range oscillating, market environment.

The first example shows how investing $40,000 in periodic $5,000 increments can grow the portfolio value to $47,341 in two years, during a period of time when the price of the stock does not increase at all, and in fact frequently drops in value during this period. When comparing it to the buy and hold strategy where we purchase $40,000 and do not make periodic purchases, its value after two years remained $40,000. The reason for the increase in value from Dollar Cost averaging is our average price per share was $216, whereas in the Buy and Hold it was $250. Further, in Dollar Cost averaging, we ended up holding 189 Shares of company XYZ whereas in Buy and Hold we only bought 160 shares. Further, any future per share increases in the stock price will improve our portfolio value buy a multiple of the additional shares held.

We plan to add a few wrinkles to a standard Dollar Cost averaging strategy, in that we will choose periodic timing that will also consider oversold levels, pattern probabilities, and other market timing factors in addition to a simple calendar periodic timing method for when to conduct purchases. We are going to include several large cap-weighted individual company stocks as well as ETFs on major market indices. This can be an interesting strategy for a portion of a 401(k) or IRA portfolio. It also could work well in a taxable stock portfolio.

Dollar Cost Averaging Company XYZ

Purchase Periods	$ Invested	Price Per Share	# Shares Purchased	Cumulative # Shares	Cumulative $ Invested	Portfolio Market Value
1/1/2021	$5,000	$ 250	20	20	$5,000	$ 5,000
4/1/2021	$5,000	$ 225	22	42	$10,000	$ 9,500
7/1/2021	$5,000	$ 175	29	71	$15,000	$ 12,389
10/1/2021	$5,000	$ 200	25	96	$20,000	$ 19,159
1/1/2022	$5,000	$ 250	20	116	$25,000	$ 28,948
4/1/2022	$5,000	$ 200	25	141	$30,000	$ 28,159
7/1/2022	$5,000	$ 175	29	169	$35,000	$ 29,639
10/1/2022	$5,000	$ 250	20	**189**	**$40,000**	**$ 47,341**
Totals	**$40,000**	$ 216	**189**	**189**	**$40,000**	**$ 47,341**

Buy and Hold, No Dollar Cost Averagin Company XYZ

Purchase Periods	$ Invested	Price Per Share	# Shares Purchased	Cumulative # Shares	Cumulative $ Invested	Portfolio Market Value
1/1/2021	$40,000	$ 250	160	160	$ 40,000	$ 40,000
10/1/2022	$0	$ 250	0	160	$ 40,000	$ 40,000
Totals	$40,000	$ 250	160	160	$ 40,000	$ 40,000

Just as we saw a coming economic collapse back in late 2006, which arrived the next year, we now again see a major economic collapse which will likely continue for several years into the future. Because the economic decline could be worse than we have seen in a century, worse than the declines of 2007 to 2009, or from 2000 to 2002, likely worse than in the 1930s, we want to make sure we keep plenty of safe investments such as a large amount of cash. This Conservative Portfolio is designed to seize opportunities, as well as survive the coming collapse, to both build wealth and also protect wealth, and make money during a time when income will be very hard to come by.

What follows is our updated portfolio as of September 30th, 2020, which grew $323,000, 32%, since we started with a $1,000,000 investment portfolio on January 1st, 2019. We started with all cash, and then we conducted transactions reflecting current market conditions, putting cash to work in several different portfolio management segments that each have different goals and objectives, and various risk-reward profiles. For example, interest rates had popped higher in early 2019, so we built a Treasury ladder portfolio segment that has performed very well as interest rates have declined. Now we see an opportunity to adjust with a Dollar Cost Averaging strategy segment, with an allocation up to 20% of our portfolio value.

We will email all our Platinum, Silver, and Standard subscribers as we build this Dollar Cost averaging segment, sharing the transactions we conduct in real time, within 15 minutes of when we conduct them on a best efforts basis. This is intended for educational purposes, and is not investing or trading advice. This is a model, and as such, may not be appropriate for everyone. We suggest anyone contemplating an investment or trade first consult with their investment advisor, and not rely upon this model or any transactions we conduct. We will update this portfolio with current market values at future periodic reporting dates. We will also conduct new transactions outside of our Dollar Cost Averaging segment of the portfolio from time to time, building the portfolio to take advantage of any remainder of the past decade's Bull market, while also gradually preparing for a declining economy, including making adjustments necessary to weather the storm. The accounting is on a cash basis, with periodic updates for market valuations.

Initially we started the portfolio heavy with cash, and plan to put a prudent portion of that cash to work over time, some of it more quickly than the rest. We target allocations in Gold, Treasury Bills and Notes (as interest rates increase) in a laddered maturity structure, a Dollar Cost Averaging segment that is replacing what previously was a Buy and Hold Equity portfolio segment (which does better in a Bull market than a Bear market), an aggressive Market Timing Exchange Traded Funds segment, and a Speculative segment that is our premium subscription Platinum and Silver program. The former Buy and Hold Equity Portfolio will now make use of a Dollar Cost Averaging Strategy on a periodic basis. The Dollar Cost Averaging portfolio could include individual stocks, metals, and ETFs playing markets to decline as well as rise. Our Market Timing segment of the portfolio includes a diversification of short (Bear) fund and long (Bull) fund ETF's including leveraged funds and ETFs designed to move 2 or 3 times what the cash markets move, playing stocks, metals, or Mining Stocks to rise or fall depending upon the trends our key indicators are forecasting. We keep cash only at FDIC insured financial institutions, and in Moneymarket accounts that provide reasonable interest rates for safety, yield, and a place to park funds until put to use. Again, this is a conservative portfolio. A more aggressive or balanced portfolio would hold more stocks than this portfolio does, and may outperform in some areas, while underperforming in others. But that is not what this portfolio is all about. ***This is for those who do not like risk, but need returns greater than FDIC insured deposit accounts provide.***

One of the challenges in managing a portfolio at this time is we are in an environment where Treasury Bills remain historically low and FDIC insured Moneymarket cash yields remain low (but are rising) at 0.15 percent**.** So, we are going to be careful not to take risk with weak credit rated commercial notes or junk bonds to capture yields that could end up destroying our principle. There is also the possibility that interest rates rise further as U.S. and world sovereign debts rise, default, or become monetized by excessive printing of currencies. So, we are going to include only short-term Treasury portfolio securities if we choose that instrument. As interest rates rise, if they do, we will extend the maturity of our Treasury Portfolio.

We are choosing U.S. Treasury Bills and Notes, and not other sovereign, municipal or commercial fixed income securities because we believe the developing economic decline will lead to world war, and that currency and debt instruments should be held in the nation that has the strongest military and most stable political structure. In our opinion, that is the United States of America. Major companies doing well now could face bankruptcy as the economy slips into recession and eventual depression. There may not be "too big to fail" rescues in this coming collapse as government budgets will be strained, and there may not be the political will to bail out large banks and corporations. We do not want to be holding corporate debt in such an environment. Municipal securities have tax risk as Congress is tempted to change the income tax structure to deal with this coming decline. Further, local and state municipalities will come under increasing credit risk as they strain to manage budgets due to declining tax revenues as the economy worsens. Regardless of what S&P or Moody's or Fitch decide to rate U.S. Treasuries, we feel they will be as good a credit risk as there will be on earth next to Gold and Silver.

When war drums start to beat, we will add a defense sector ETF, or perhaps buy the component stocks or some of the major component stocks, placing them in either the buy and hold, or the market timing segment of the portfolio. One such ETF may be ITA.

With our Conservative Portfolio, there are no Madoff funds, no high-risk stuff, no wipeout of life savings Ponzi scheme instruments. Basic high-quality securities and returns. We choose to take an extreme conservative posture based upon several risk factors we see in technical indicators and patterns occurring now, warning that economic trouble is approaching, the sort of trouble that will be very hard for governments to mitigate and fix.

Our conservative portfolio includes a small speculative element that on occasion plays the options market and leveraged Exchange Traded Funds, which is our Platinum or Silver Trading Programs. But that risk is limited to 10 to 20 percent in total, and each transaction is usually 1 to 2 percent of the portfolio, in keeping with our conservative theme. ***While we expect to invest heavily in cash, precious metals, and Treasuries, we plan to enhance yield by conducting speculative trades in our Platinum and Silver programs while also conducting several market timing trades during periods of high probability trends, both up and down, including ETFs that manage leveraged long (Bull) and short (Bear) positions. Once risks subside, and that may not be for several more years, we plan to move from an "extreme" conservative posture to a conservative posture, meaning we will likely add more equities to our portfolio, and reduce cash holdings. Conversely, as risks increase, we will move from a conservative posture to an "extreme" conservative posture. The point here is, this portfolio will be actively managed, as an educational model.***

Our Platinum Trading program generated $789,000 in profits on closed trades from its inception in 2011 through September 30th, 2020, our speculative segment of this conservative portfolio. We conducted 467 trades, with 81.4 percent of them winning trades. The average $ invested per trade was $7,834. That performance shows the power of how a small, risk managed speculative program, can add substantial returns to a heavy conservative portfolio, resulting in strong overall returns while the vast majority of our investment portfolio remains in safe, liquid instruments such as cash or short-term Treasury Bills and Notes. We can get the best of both worlds. If you would like more information on this program, email us at mainrdmch@aol.com .

Some basic theory on this conservative portfolio is presented at the end of this report. We update this report periodically, with comments on decisions we make. We publish transactions at our Conservative Portfolio Transactions button at the home page at www.technicalindicatorindex.com , and publish Platinum Speculative trades at the Platinum Archives button at the home page. Not all days will see transaction activity. Our aim is overall return, within the constraints of wealth building, wealth preservation and liquidity. It must be safe, offer satisfactory returns potential, and liquidity, in most economic environments. Platinum Program speculative trades are carefully risk managed. In catastrophic economic times, we are looking primarily for wealth preservation and liquidity.

Conservative Balanced Investment Portfolio Model

Initial Portfolio Value $1,000,000 1.1.2019

As of September 30th, 2020, the Portfolio Value is $1,323,107

Category: **(Cash Basis Accounting)**

A. Cash and Cash Equivalents (Unallocated Reserves):

	Date Acquired	Cost Basis Investment	Value at Maturity	Maturity	Coupon	Yield	Market Value
FDIC Insured Moneymarket		**$ 299,004.00**	$ 299,004.00			0.15%	$ 299,004.00

B. Gold (Target Portfolio Allocation 10 Percent)

	Cost Basis Investment	Value at Maturity	Yield
Cash	$ 132,500.00	$132,500.00	0.15%

	Date Acquired	Cost Basis Investment	Quantity of Ounces	Acquisition Price/Oz	Market Value
10 Ounces at 1,290	1/1/2019	$ 12,900.00	10	$1,290	$ 18,960.00
Subtotal		**$145,400.00**			$151,460.00

C. U.S. Treasury Bills, Notes, and Bonds (Target Portfolio Allocation Up to 15 Percent)

	Date Acquired	Cost Basis Investment	Value at Maturity	Maturity	Coupon	Yield	Market Value
Treasury Note	4/26/2019	$ 10,077.34	$ 10,000.00	10/31/2020	2.875%	2.351%	$ 10,008.20
Treasury Note	2/28/2019	$ 9,900.00	$ 10,000.00	2/28/2021	2.000%	2.512%	$ 10,025.60
Treasury Note	4/26/2019	$ 9,988.28	$ 10,000.00	4/30/2021	2.250%	2.310%	$ 10,108.40
Treasury Note	4/26/2019	$ 9,987.50	$ 10,000.00	7/31/2021	2.250%	2.306%	$ 10,125.20
Treasury Note	4/26/2019	$ 9,928.13	$ 10,000.00	10/31/2021	2.000%	2.296%	$ 10,201.00
Treasury Note	5/15/2019	$ 9,990.63	$ 10,000.00	12/31/2021	2.125%	2.162%	$ 10,216.00
Subtotal Bill, Notes, & Bonds		**$ 59,871.88**	**$ 60,000.00**			2.32%	**$ 60,684.40**

D. Stocks / ETFs Dollar Cost Averaging (Target Portfolio Allocation 20 Percent)

	Cost Basis Investment	Value at Maturity	Yield	Market Value
Cash	$ 253,227.00	$253,227	0.15%	$ 253,227.00

	Date Acquired	Cost Basis Investment	Number of Shares	Avg. Price Per Share	Market Value
Alphabet (GOOG)					
Amazon (AMZN)					
Apple Inc. (AAPL)					
Facebook (FB)					
General Electric (GE)	2/28/2019	$ 1,036.00	100	$ 10.36	$ 623.00
Microsoft (MSFT)	2/28/2019	$ 1,124.90	10	$ 112.49	$ 2,102.30
Netflix (NFLX)					
SDOW Proshares 3x Leveraged Short Dow 30		$ -	0	0	$ -
Dow Industrials ETF DIA		$ -	0	0	$ -
S&P 500 ETF SPY		$ -			
NASDAQ 100 ETF QQQQ		$ -	0	0	$ -
Russell 2000 ETF IWM		$ -			
Silver ETF SLV		$ 3,530.00	250	14.12	$ 5,410.00
Gold ETF GLD		$ 6,083.00	50	121.66	$ 8,856.00
HUI Amex Gold Bugs ETF GDX		$ -	0	0	$ -
Subtotal Securities Held		$ 11,773.90			$ 16,991.30
Subtotal $ Cost Averaging Portfolio		**$265,000.90**			**$270,218.30**

E. Stocks / ETFs Market Timing Trading (Target Portfolio Allocation 20 Percent)

	Date Acquired	Cost Basis Investment	Value at Maturity	Maturity	Coupon	Yield	Market Value
Cash		$ 331,250.00	$331,250.00			0.15%	$331,250.00

	Date Acquired	Cost Basis Investment	Number of Shares	Avg. Price Per Share	Market Value
GLD SPDR GoldTrust Shares					
	4/26/2019	$ 12,166.00	100	$ 121.66	$ 17,712.00
UGLD VelocityShares 3x Long Gold ETN					
	1/1/2019	$ -	0	$ -	$ -
SILVER ETF SLV					
	4/26/2019	$ 3,530.00	250	14.12	$ 5,410.00
NUGT HUI Amex Gold Bugs ETF 3X Bull					
	1/1/2019	$ -	0	$ -	$ -
DUST HUI Direxion Daily Gold Miners Bear 3X ETF					
	1/1/2019	$ -	0	$ -	$ -
HUI Amex Gold Bugs ETF GDX					
	1/1/2019	$ -	0	$ -	$ -
SPXU Proshare Ultra Short 3X S&P 500					
	1/1/2019	$ -	0	0	$ -
Dow Industrials ETF DIA					
	1/1/2019	$ -	0	0	$ -
SDOW ProShares UltraPro Short Dow30					
	1/1/2019	$ 6,885.00	500	13.77	$ 9,060.00
UDOW ProShares UltraPro Dow30					
	1/1/2019	$ -	0	0	$ -
S&P 500 ETF SPY					
	1/1/2019	$ -	0	0	$ -
SPXU Proshare Ultra Short 3X S&P					

500	1/1/2019	$ -	0	0			$ -
UPRO ProShares UltraPro Bull S&P500	1/1/2019	$ -	0	0			$ -
<u>NASDAQ 100 ETF QQQQ</u>	1/1/2019	$ -	0	0			$ -
SQQQ ProShares UltraPro Short QQQ	1/1/2019	$ -	0	0			$ -
TQQQ ProShares UltraPro QQQ	1/1/2019	$ -	0	0			$ -
<u>Russell 2000 ETF IWM</u>	1/1/2019	$ -	0	0			$ -
TZA Direxion Daily Small Cap Bear 3X ETF	1/1/2019	$ -	0	0			$ -
TNA Direxion Daily Small Cap Bull 3X ETF	1/1/2019	$ -	0	0			$ -
<u>EWA Australia SPASX200</u>		$ -	0	$ -			$ -
<u>UUP Invesco DB US Dollar Bullish</u>		$ -	0	$ -			$ -
<u>UDN Invesco DB US Dollar Bearish</u>		$ -	0	$ -			$ -
Subtotal Non-cash Holdings		$ 22,581.00					$ 32,182.00
Subtotal Market Timing Portfolio		**$353,831.00**					**$363,432.00**

F. Market Speculation -- Trader's Corner (Target Portflio Allocation 20 Percent)

(This is our Premium Platinum Program. Details are available to Platinum Members Only)

	Date Acquired	Cost Basis Investment	Value at Maturity	Maturity	Coupon	Yield	Market Value

Cash		$200,000	$200,000			0.15%	$200,000

Options	Date Acquired	Cost Basis Investment	Price Per Contract	Expiration	Strike Price	# of Contracts	Market Value
		$0.00	$ -		0	-	$ -

Subtotal Market Speculation Portfolio	**$200,000**	$200,000

Portfolio Summary:

Cash	**$ 299,004.00**	**$ 299,004.00**
Gold	**$ 145,400.00**	**$151,460.00**
Treasuries	**$ 59,871.88**	**$ 60,684.40**
Stocks – $ Cost Avging	**$265,000.90**	**$270,218.30**
Stocks - Market Timing	**$353,831.00**	**$363,432.00**
Speculative Holdings	**$200,000.00**	**$200,000**
Total	**$ 1,323,107.78**	**$ 1,344,798.70**

Transactions Since January 1st, 2019:

1. We purchased 2/28/21 U.S. Treasury Notes, $10,000 Par, 2.00% coupon, price of 0.99 on 2/28/19

2. We started a Long-term Dollar Cost averaging program by purchasing 100 Shares of GE on 2/28/19 at a price of $10.36 per share. We plan to add the same number of shares periodically General Electric is a defense and aviatic industry giant.

3. We started a Long-term Dollar Cost averaging program by purchasing 10 Shares of MSFT Microsoft stock on 2/28/19 at a price of $112.49 per share. We plan to add the same number of shares periodically. Microsoft is on the leading edge of technology of course.

4. The balance is in cash at this time.

5. We will play speculative call and put options in our Platinum Program with the speculative segment of the portfolio to enhance overall portfolio yield.

6. In the Timing segment of the portfolio, we will play both rising and falling trends as stocks metals, the U.S. Dollar and oil change trends both up and down.

7. We purchased 7/31/2019 U.S. Treasury Notes, $10,000 Par, 1.625 Coupon, price 0.998125 on 4/26/19
8. We purchased 10/31/2019 U.S. Treasury Notes, $10,000 Par, 1.50% Coupon, price 0.9954 on 4/26/19
9. We purchased 1/31/2020 U.S. Treasury Notes, $10,000 Par, 2.00% Coupon, price 0.997031 on 4/26/19

10. We purchased 4/30/2020 U.S. Treasury Notes, $10,000 Par, 2.375% Coupon, price 0.999844 on 4/26/19
11. We purchased 7/31/2020 U.S. Treasury Notes, $10,000 Par, 2.625% coupon, price 0.1003125 on 4/26/19
12. We purchased 10/31/2020 U.S. Treasury Notes, $10,000 Par, 2.875% coupon, price 0.1007734 on 4/26/19
13. We purchased 4/30/2021 U.S. Treasury Notes, $10,000 Par, 2.25% coupon, price 0.998828 on 4/26/19
14. We purchased 7/31/2021 U.S. Treasury Notes, $10,000 Par, 2.25% coupon, price of 0.998750 on 4/26/19
15. We purchased 10/31/2021 U.S. Treasury Notes, $10,000 Par, 2.00% coupon, price 0.992813 on 4/26/19

16. We purchased 10 ounces of Gold at a price of $1,290 per ounce in Gold portfolio segment on 4/26/19

17. We purchased 250 shares of the ETF SLV, playing Silver to rally at a price of $14.12 per share in the Market Timing segment of the Portfolio on 4/26/19

18. We purchased 250 shares of the ETF SLV, playing Silver to rally at a price of $14.12 per share in the Buy and Hold segment of the Portfolio on 4/26/19

19. We purchased 100 shares of the ETF GLD, playing Gold to rally at a price of $121.66 per share in the Market Timing segment of the Portfolio on 4/26/19

20. We purchased 50 shares of the ETF GLD, playing Gold to rally at a price of $121.66 per share in the Buy and Hold segment of the Portfolio on 4/26/19

21. We Purchased 500 Shares of the ETF SDOW, Playing the Dow Industrials to decline, at a price of $13.77 per share, in the Market Timing Segment of the Portfolio on 5.10.19

22. We purchased 12/31/2019 U.S. Treasury Notes, $10,000 Par, 1.125% coupon, price of 0.992031 on 5/15/19
23. We purchased 12/31/2021 U.S. Treasury Notes, $10,000 Par, 2.125% coupon, price 0.999063 on 5/15/19

24. Updated interest income from Cash, U.S. Treasuries, through 9/30/2020 and added to cash balances

25. Updated Cash in Speculative Portion of the portfolio to reflect net profits from Platinum Trades through 1/1/2019 through 12/31/2019 $85,905

26. Updated Cash in Speculative Portion of the portfolio from 1/1/2020 through 9/30/2020 $232,130

27. We reallocated Cash generated from Interest Income and Profits from our Platinum and Silver Trading Speculative Segment, given the $323,107 Portfolio Cash Increase from Investments and Trades Since we started this Portfolio on 1/1/2019 through 9/30/2020, to reflect our Desired Allocations for Each Segment, Cash, Treasuries, Gold, Buy and Hold, Dollar Cost Averaging Accumulation, Market Timing and Speculation.

Over the years, we have had many requests from subscribers to construct a conservative balanced portfolio model. We have also had many requests for wealth management of subscriber funds. Our plate is full, so we have had to pass, but we have come up with an idea that might have some appeal. One of the problems with publishing one conservative portfolio model is there is no such thing as a one size fits all portfolio, or portfolio strategy. However, as an education service to our subscribers, what we have decided to do is run a paper portfolio for ourselves that includes several elements of a balanced portfolio, but leans conservative. It offers several segments with different objectives, diversification, liquidity, earnings, capital gains, and speculative profits, again, for educational purposes. If you are interested, read on as we discuss the theoretical makeup of this portfolio.

First, procedure. How this works is, we present a start-up investment portfolio, as if we inherited, or picked up in a windfall, or have built up over time a savings portfolio or 401(k) in the amount of $1,000,000 as of January 1st, 2019, and need to manage this money. Our aim is overall return, within the constraints of wealth preservation and liquidity. It must be relatively safe, offer strong returns potential, and liquidity, in most economic environments. We are heavy cash at the onset, January 1st, 2019, and over time plan to put a prudent portion of the cash to work in a variety of ways. We publish all transactions as they are performed, and periodically will publish the latest portfolio inventory.

While this is fictitious, we use actual investments, actual pricing, and operate in real time as much as possible given this forum. It is not to be construed as trading advice, but rather is educational in nature, perhaps entertaining, and hopefully idea-generating and informative. Investment segment allocations can be altered based upon a person's risk appetite, investment experience, or financial position. It is not intended to be a financial plan, as that would include life insurance, real estate, estate and tax planning. This conservative balanced portfolio is just a piece of our financial plan pie, nothing more.

We will not get into tax planning vehicles too much, except maybe add some instruments that may be tax free either from state or federal taxes if we happen to like the risk/reward from time to time, but, total return will be computed on a tax equivalent basis. We will not deal with transaction costs to simplify the accounting, but understand every transaction has costs. Broker fees, etc… It is a plain and simple approach for idea generation in a real-time setting with real investments for our conservative leaning. Every investment adviser will have his or her own preferences in vehicles, strategies, etc… so don't be surprised by independent reviews that are critical. So be it. This is just one approach that we feel is of interest to a broad spectrum of subscribers. Everyone is different, and if you were to apply any of this portfolio management to your own unique circumstances, no doubt you'd tweak what we do to be more suitable to your needs, which is great. ***Before you follow anything we do with our portfolio, we suggest you check first with your financial adviser***. We are not liable for any investments or trades you decide to make. The intent here is simply educational and for entertainment.

Our portfolio management is dynamic, which should be interesting. There will be long-term strategies, which will forfeit returns now for higher returns later. We have portfolio segments that utilize our key trend-finder indicators, and we have segments that do not market-time, but are more buy and hold. We like cash. That won't excite everyone, but part of running a conservative portfolio is the wisdom to be prepared for future opportunities.

The following are six segments to our conservative balanced portfolio and some basic theory for each.

<u>Segment A: Cash</u>

The purpose of cash is for emergency liquidity and to be in a position to seize future opportunities. We will use primarily FDIC insured moneymarket funds. Return is a minor consideration here. Initially, we will have a large cash position, that will eventually be put to work.

Segment B: Gold

The purpose of holding gold is for protection against inflation, against a debasement of our currency, and as catastrophe insurance (including political change due to war). We accumulate ounces of the metal in either coins or a Gold ETF. We'll use the daily spot prices for simplicity.

Segment C: U.S. Treasury Bills, Notes, and Bonds

Here we will see an alternative safe haven to cash, and once interest rates rise, a strong contributor to overall portfolio yield. It will include a laddered selection of Maturities that will provide principle safety, as close to risk-free as possible, a continuous flow of liquidity, and potential capital gains, probably about every three years which will improve long term total return. The ladder may resemble a barbell from time to time, depending upon the economy and the interest rate cycle. This strategy is laid out in detail in an article in our Guest Articles section called, "Up the Investment Ladder," from July 2004.

Segment D: Stocks and ETF Funds — Dollar Cost Averaging (a Change as of 9.30.20 from Buy and Hold)

A Buy and Hold strategy works well in Bull Markets. However, in a Bear Market, we believe A Modified Dollar Cost Averaging strategy is more appropriate. Here we employ a Dollar Cost Averaging strategy for long-term capital gains, but only after considering the economic risks that stocks bear. We may include some consideration of dividend yield as a component of decision making, but for the most part will trade index ETFs, and large cap stocks. We are not stock picking here per se, although from time to time we may include a few individual company stocks that we feel present opportunity. We may select different sectors of the broad equity market if we favor one sector over another. Essentially, here we buy a minimum amount of dollars worth of stock periodically, with the quantity of stock varying as prices do.

This is a time-tested strategy that works best in volatile markets. This conservative strategy has taken a hit from Plunge Protection Team Intervention, which aims to eliminate or minimize dips at a cost of hyperinflation, usually with the result of low volatility and lengthy sideways moves. The idea here is that when prices drop, we get to buy more quantity for the same dollars in the short run, and that larger quantity grows exponentially in value at the next real bull market or lengthy rising trend. It is basically what is going on with 401 (k) plans where the same amount is withdrawn from each pay and invested in the market. Dividend paying stocks fit here. As a new wrinkle, we may even add Short (Bear) Funds or ETFs given the long period of time we expect this coming economic collapse to last. In this case, as the stock market rises, we may add more Short (Bear) ETFs at cheaper prices (Bear Funds decline as the stock market rises, and rise as the stock market declines).

Segment E: Stocks and Metals — Market Timing

Now we move into a more aggressive strategy which is capital gains focused. Using our key trend-finder indicators, we add to long positions in stock and precious metals index ETFs when key trend-finder indicators generate new "buy" signals, and increase cash (do not short) when either hitting a target profit objective, or when new "sell" signals are generated. We may not go to all cash when "sells" are given, but will increase cash. We may choose to purchase long short-funds (Bear) ETFs that are designed to increase in value when the stock market is expected to decline such as SDOW (a Proshares 3X leveraged ETF playing the Dow 30 Industrials to decline) or Bull Fund ETFs when the stock market is expected to rally such as UDOW (a Proshares 3X leveraged ETF designed to rally when the stock market rallies).

Segment F: Market Speculation (Platinum Trading Program at www.technicalindicatorindex.com)

This is essentially our Platinum program, where we speculate in non-cash instruments such as stock or precious metals index put or call options, where we can leverage our investment returns, but at high risk. We also trade leveraged and non-leveraged Exchange Traded Funds (ETFs). We will use the full body of technical analysis covered in our newsletters to play with a very small percentage of our entire portfolio with an aim of generating large gains from time to time, by both going long (buying calls), and going short (buying puts). We will not write or sell uncovered options here, as this is a conservative portfolio and those are not conservative strategies. Writing covered calls can be considered acceptable for this segment, but is not going to be used for the sake of simplicity. Heavy reliance will be placed on the use of our key trend-finder indicators.

Initial target allocations are 10 percent Bills, Notes, and Bonds, 10 percent Gold, 20 percent Dollar Cost Averaging, 20 percent Market Timing, and 20 percent Speculation, with the remainder in cash. This allocation will likely continue to change over time, depending upon where we see risks and opportunities.

Periodic updated inventories of this portfolio will be posted in a regularly revised Conservative Portfolio model, in our Conservative Portfolio model section at www.technicalindicatorindex.com . We do not plan to clutter up our regular market analysis newsletters with this managed portfolio, however we will announce current transactions inside our newsletters.

We'd love to hear your feedback in the future as we manage the portfolio. Again, this is not trading advice, merely a fictitious game that will use real-time, real investment data to model a conservative balanced portfolio with the objective of safety, liquidity, and total return for the pre-economic collapse economic environment as well as the coming economic collapse environment. Hope you both benefit from and enjoy this added value service.