

Zephyr's Adjusted for Risk Podcast: Navigating Investment Risks with Brian Jacobs from Aptus Capital Advisors

Podcast Overview

- **Host:** Ryan Nauman (Zephyr Market Strategist)
- **Guest:** Brian Jacobs (Investment Strategist, Aptus Capital Advisors)
- **Topic:** Rethinking risk in portfolio construction, inflation hedging, and modern ETF strategies

Rethinking Investment Risk

00:02:27 – 00:04:55

- Two key risks Aptus targets: drawdowns and failure to compound.
- Drawdowns are visible and affect investor behavior; compounding risk is subtler but just as critical.

Brian emphasizes that many investors fixate on short-term market moves, but the more dangerous risk is failing to meet long-term investment objectives. Aptus tries to balance both by managing drawdowns to support investor discipline and preserving compounding after taxes and inflation.

Inflation and Real Returns

00:05:51 – 00:08:07

- Inflation is uncertain and can erode nominal returns.
- Aptus seeks assets that outperform inflation to preserve real purchasing power.
- Real-return compounding is prioritized over chasing yield.

Rather than trying to predict exact inflation levels, Aptus prepares for a wide range of outcomes. The firm favors strategies that maintain long-term purchasing power—especially equities paired with downside protection like put options.

Fixed Income: Still Relevant but Evolving

00:09:08 – 00:11:33

- Bonds still reduce volatility but may no longer provide diversification.



- 2022 exposed the risk of stock-bond correlation breaking down.
- Aptus still uses fixed income but prefers shorter duration and inflation-linked tools.

Fixed income isn't dead, but it's no longer a given that it will hedge equity risk. Brian notes that advisors must rethink traditional roles for bonds and consider whether they still serve client needs in both return and risk terms.

TIPS as a Tool

00:11:33 – 00:15:15

- TIPS currently offer >2.5% real yields—historically attractive.
- Aptus sees them as a potential long-term inflation hedge.
- Relative to nominals, TIPS may offer better downside protection if inflation surprises.

Brian explains that TIPS didn't perform as well in past inflation spikes because real yields were negative. But with real yields now solidly positive, TIPS offer a structurally sound way to hedge inflation uncertainty without risking principal at maturity.

Options in Portfolio Design

00:15:15 – 00:19:07

- Aptus uses options for downside hedging and income generation.
- Options provide flexibility to customize risk/return profiles.
- Communication is key; advisors must understand how and when options work.

Brian discusses how options are no longer just speculative tools—they're becoming essential for constructing tax-efficient, risk-aware portfolios. From buffered ETFs to income overlays, options open new ways to build portfolios that behave differently from stocks or bonds alone.

Tax Efficiency and ETF Innovation

00:19:07 – 00:22:37

- ETF structures can dramatically reduce taxable income vs. mutual funds.
- Aptus uses options and other tools to defer taxes while maintaining return potential.
- In some cases, these strategies outperform even munis after-tax.

Tax efficiency has become a priority for investors—especially in taxable accounts. Brian outlines how well-designed ETFs can defer gains, shift taxation to long-term rates, and minimize annual distributions—helping clients grow wealth more efficiently.



The Future of ETFs

00:23:08 – 00:27:13

- Active ETFs are growing but still small vs. active mutual funds.
- Expect more mutual funds to launch ETF share classes for tax reasons.
- Fixed income ETFs may be the next frontier for innovation.

While passive ETFs dominate today, the next wave is actively managed strategies with better tax profiles. Brian predicts a growing shift from mutual funds to ETFs—especially in fixed income—due to structural advantages and investor demand for tax efficiency.

Closing Notes

00:27:13 – 00:28:18

- Visit aptuscapitaladvisors.com → Blog for research and commentary.
- Sign up to receive new posts weekly.

Brian closes by pointing listeners to Aptus' blog for deeper dives into topics discussed on the episode. The host wraps up with appreciation for Brian's insights and encouragement to explore more of Zephyr's content library.



Disclosures

Past performance is not indicative of future results. This material is not financial advice or an offer to sell any product. The information contained herein should not be considered a recommendation to purchase or sell any particular security. Forward looking statements cannot be guaranteed.

This commentary offers generalized research, not personalized investment advice. It is for informational purposes only and does not constitute a complete description of our investment services or performance. Nothing in this commentary should be interpreted to state or imply that past results are an indication of future investment returns. All investments involve risk and unless otherwise stated, are not guaranteed. Be sure to consult with an investment & tax professional before implementing any investment strategy. Investing involves risk. Principal loss is possible.

Advisory services are offered through Aptus Capital Advisors, LLC, a Registered Investment Adviser registered with the Securities and Exchange Commission. Registration does not imply a certain level or skill or training. More information about the advisor, its investment strategies and objectives, is included in the firm's Form ADV Part 2, which can be obtained, at no charge, by calling (251) 517-7198. Aptus Capital Advisors, LLC is headquartered in Fairhope, Alabama. ACA-2506-19.