APTUS CAPITAL ADVISORS

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Balancing Risk and Reward with ETFs
Host: Nate Geraci
Featuring: Brian Jacobs, Investment Strategist & Portfolio Manager, Aptus Capital Advisors

In this episode, Nate Geraci interviews Brian Jacobs of Aptus Capital Advisors, highlighting Aptus' innovative ETF lineup, investment approach, and strategies for managing risk and reward. Aptus manages eight ETFs with over $4 billion in assets, aiming to help investors achieve superior outcomes through thoughtful portfolio construction.

1. Aptus' Investment Philosophy (Start)

Aptus operates with the mantra: *"More stocks, less bonds, same risk."* The firm's primary goal is to help investors achieve long-term compounding by minimizing unnecessary risks and inefficiencies.

Brian emphasized the declining appeal of traditional allocations that include a material exposure to fixed-income investments due to low real returns and tax inefficiencies. Instead, Aptus focuses on providing alternative strategies that balance growth potential with downside protection, challenging the conventional 60-40 portfolio allocation.

2. Featured ETFs (1:00)

Brian details three key ETFs that exemplify Aptus' investment philosophy:

Aptus Collared Investment Opportunity ETF (ACIO) (1:00)

ACIO provides equity exposure while protecting against significant market downturns. Unlike structured buffered strategies, ACIO dynamically adjusts to market conditions, offering flexibility and adaptability.

- **Key Features**: ACIO sells calls to fund downside protection rather than generating income, enabling investors to gain equity exposure with lower risk.
- **Use Case**: Ideal for investors seeking equity growth while mitigating market volatility. It allows for overweighting equities in a portfolio without increasing overall risk.

Aptus Defined Risk ETF (DRSK) (5:30)

DRSK serves as a bond alternative, overlaying options strategies for incremental upside and explicit downside protection.

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- **Key Features**: Combines investment-grade corporate bonds with equity call options for growth and out-of-the-money puts for protection.
- **Performance**: DRSK has consistently outperformed its peers, ranking as the top fund in its category since its 2018 launch.

Aptus Large Cap Upside ETF (UPSD) (10:00)

UPSD is designed to capture more than 100% of market upside in favorable conditions while maintaining a risk profile similar to traditional equity portfolios.

- **Key Features**: Built on a minimum volatility equity portfolio, UPSD incorporates proprietary trend-following signals to dynamically adjust risk exposure and improve tax efficiency.
- **Use Case**: Aimed at investors seeking to enhance portfolio returns without significantly increasing risk.

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3. Behavioral Solutions (15:00)

Aptus designs its ETFs to address common investor challenges, such as reacting emotionally to market volatility.

- **UPSD's Trend Following**: Incorporates both long- and short-term signals, enabling dynamic risk management while maintaining a strong equity foundation. This approach helps investors stay invested during market turbulence.
- **Minimizing Behavioral Mistakes**: By reducing tracking error and ensuring smoother performance, Aptus' products align with investor behavior, increasing the likelihood of long-term success.

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4. Educational Focus (17:00)

Brian highlighted Aptus' dedication to investor education, a critical component of their success. The firm excels in simplifying complex strategies, making them accessible and actionable for advisors and clients alike.

- **Advisor Support**: Aptus focuses on working closely with independent advisors, providing content and resources that align strategies with client goals.
- **Comparative Advantage**: Investors familiar with buffered strategies often find Aptus' flexible, outcome-focused approach more appealing.

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5. Market Outlook & Allocation Insights (21:00)

Brian discussed key market themes, including:

- Risks associated with the concentration and high valuations in market-cap-weighted indices.
- The limited real returns and correlation benefits of traditional bonds.
- Aptus' focus remains on creating structured solutions that enhance portfolio resilience and returns over time. Small-cap equities were noted as a potential area of opportunity, offering attractive valuations compared to large-cap stocks.

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6. Closing Thoughts (22:00)

The interview concluded with Brian reaffirming Aptus' commitment to innovative ETF strategies that align with investor needs and market realities. He emphasized the importance of designing products that prioritize compounding, tax efficiency, and risk-adjusted returns.

Brian also expressed optimism about Aptus' ability to continue delivering value through thoughtful portfolio construction and a strong focus on investor education.

Disclosures

With respect to ACIO and DRSK, each ETF seeks current income and capital appreciation, while also attempting to mitigate risk. Information discussed in the podcast regarding derisking, risk protection and/or explicit downside protection, should not be seen as a guarantee of downside protection. Investing involves risk, including possible loss of principal. There is no guarantee that the ETFs strategies will be successful.

For complete holdings for DRSK, click here. Holdings are subject to change.

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Beta is a measure of the volatility of a security compared to the market as a whole (usually the S&P 500). Convexity is the curvature in the relationship between bond prices and interest rates, reflecting the rate at which the duration of a bond changes as interest rates change. Basis point (BPS) is a unit of measure used to indicate percentage changes in financial instruments, making it possible to communicate small variations in financial variables. Duration measures how long it takes, in years, for an investor to be repaid a bond's price through its total cash flows. Duration can also be used to measure how sensitive the price of a bond or fixed-income portfolio is to changes in interest rates.

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