



James

Thanks everybody for joining. My name's James Yahoudy. We have what I think is going to be a really productive conversation today. John Luke Tyner from our portfolio management team and head of fixed income is going to talk a little bit about the Aptus portfolios and how we're positioning as we look at the new year. Obviously there's been some volatility in markets here recently. And I think we will touch on how we think our portfolios are well armed for any type of volatility, whether it's on the upside or downside. And we also have Schwab here, Ryan Federico, who I've known for many years now, from my TD days, is on the product side over at Schwab, and does some really great things with us. We appreciate the partnership, as our models are available on the Model Market Center through iRebal. And in addition to Ryan, we have Joe Barone who leads the way as it relates to the managed accounts and the Model Market Center and a lot of the different portfolios and managers that are available on the platform.

And so I just want to welcome everybody. Lay the land today, we'll do a little bit about our portfolios and how we invest, and some of the differences in how we're constructing and thinking about asset allocation, and have Schwab talk about the platform and how to access, and any updates that they have. So we'll get right into it. Joe, I'll pass the mic to you to lead things off, and we'll go from there.

Joseph

Great. Well, thank you, James. Appreciate the introduction there. Share my screen. All right. Well, good morning everyone, and thank you for attending today's session. I'm going to just begin with an overview of the Model Market Center platform, first starting with some industry research and information as it relates to the model landscape. So the models industry continues to be a growth opportunity for both advisors and model providers. According to the latest industry news, assets within the models industry is expected to reach 2.9 trillion by the end of 2026. Now, when you think of that as a whole, 80% of the off-the-shelf models are distributed through unaffiliated platforms like the Model Market Center.

So why the demand in models? Well, based on the research, it shows that models have the potential to help advisors bridge that gap in how they service their clients across different asset levels, whether it's from emerging investor to high-net-worth investor. Industry research shows that advisors within the 25 million to 100 million in total AUM look to incorporate third-party models as that foundational component. And you could see that in the chart there. And that mirrors what we see on the Model Market Center platform today. We have a little over 700 RAA firms that leverage the platform and leverage the models that are available. I would say still a large percentage of those RAAs fall within the 50 million to 100 million in terms of assets, but we've definitely seen an uptick in larger firms leveraging the models on the platform.

And what we've learned is these are just firms that continue to adopt the use of models or incorporate it within their process over extended period of time. We understand that it does take time, especially if you're transitioning how you currently build and construct your portfolios, and now you're choosing to leverage, let's say, components of that process through the use of third-party models, it does take time, but like I said, industry research shows that it will benefit you over the course of time as you look to adopt those models.

Now, Model Market Center, it's available to all RAAs and advisors that custody at Schwab. And the goal of Model Market Center is just to provide you with an efficient and flexible way to access models from recognized money managers. And the key thing is, as we look to streamline your process in terms of how you create your models and manage your models, you remain in control over how you implement those models. So I'll say one of the differentiating factors with Model Market Center as it relates to any other marketplaces out there is that you as the advisor maintain control over your research, your due diligence of the models that are available on the platform, and then you trade those models directly within iRebal.

So iRebal is our trading platform that's available as well to all RAAs that custody at Schwab, available through Schwab Advisor Center. The platform, just to give you the breakdown of where we are today, ending in Q3 of this year, assets exceeded 12 billion. As I mentioned, we have about 720 firms on the platform, there's 19 providers, and we're a little over 400 models. Now the types of models that are available, we have your ETF, mutual fund models, and then we also have equity models. Equity models are offered out with a strategist fee. The strategist fee is assigned by the model provider. Now, depending on what model you use and the underlining investments, there are still associated expense ratios with ETFs and mutual funds, but you do have, of the 400 models, 90% of those models are your ETF-only, ETF mutual fund models, typically following, I'll say a balanced strategy, aggressive-moderate investment style. But if you're interested in equity portfolios that have the strategist fee, those typically follow more of a dividend income-growth strategy. And the fees range as low as two basis points, and go up to 35. But any type of model that you subscribe to, if there's any associated fees with them, they'll be presented to you as you navigate the platform.

Now, before we segue into the next slide here, just to leave with you some of the core advantages of Model Market Center, as you're looking at other platforms that are out there, as I mentioned, you have access to the 400-plus models across the managers. There's no cost to access the platform. It's a subscription-based platform, so you're not locking into a long-term commitment. If you want to start using the platform, it's available, as I said, through iRebal. So if you have access to iRebal, you can select Model Market Center, you can do your research, you can subscribe to models, you can follow models. You might want to link them to some of your accounts, see how they're performing. We give you some tools within the platform that allows you to analyze the models as it relates to maybe the

underlining holdings of a model on Model Market Center versus your model, for example, look at historical performance and cost information.

Another benefit of the integration with iRebal is as you're subscribing to models on Model Market Center, you can implement those models in, I'll call it a blended fashion, so our models of models concept, where you can take your own model and subscribe to Model Market Center, create a blended model if you choose to. So just another way you can leverage the models that are available on the platform. Another benefit is there's no agreements with the money manager. So you as the advisor, there's no paperwork that you have to, let's say in a typical maybe dual contract arrangement, the agreements with the model providers are between Schwab and the model providers. And there's also no end-client paperwork when you're using the models. So that makes it easier for you to pick and choose the models as you're doing your research. And like I mentioned, the main thing is the process from beginning to end in terms of analyzing, and then selecting and implementing. You retain discretion and control over rebalancing and the trading decisions. So that's where I wanted to leave off. I'm going to pass it back to James, and then we will reconvene later with Ryan as he'll share some more insights around how you get access to the platform.

James

Awesome. Okay, so before I get into it, I did forget to read our quick disclosure. The opinions expressed during this call are those of Aptus Capital Investment Committee and are subject to change without notice. This material is not financial advice or an offer to selling product. Forward-looking statements are not guaranteed. Aptus reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. More information about Aptus investment advisory services can be found in our form ADV part 2, which is available upon request.

And ultimately I'm going to be brief here. I want John Luke to spend the majority of the time talking about our portfolios and how we view the world. But for those of you who are not familiar with Aptus, we're a new name. Maybe you've heard of us to some degree, given some of our recent growth. Our firm was founded in 2013. And the few different areas, how we service RAAs, our shared CIO support is a big part of what we do. Think of a OCIO type of relationship, we call it shared because we want to be part of the team, fully integrated into how you're investing.

Our active ETFs are a big part of our service offering, primarily option-based ETFs, that's where we specialize, the model portfolios, which we're going to focus on today. And as of this year we've seen quite a bit of growth in our option overlay business for clients that have concentrated positions of some kind, trying to manage the risk, generate income off of legacy holdings, whatever the case may be. That's a big part of what we do. And I'll cut short, I won't bore you guys too much with the Aptus story, just know that we're maybe not a couple-hundred-thousand-person company, but we do have the expertise, I'm really proud of being a part of the team, 12 CFAs across the country, and expertise in a number of different areas, from equities to fixed income to alternatives and anything in between.

The core models again, is what we're going to talk about. We also offer some sleeves that can be kind of compliments to a core portfolio. And this hopefully is a good illustration, because this is more what we're going to talk about today and what's available through Schwab's iRebal Model Marketplace, or whatever we want to call it, is our ETF portfolios. So we actually have preserve to aggressive growth, in ETF form, they're multi-manager portfolios. And we also have what we call a high-net-worth version of our ETF portfolios that incorporate a 15-stock-sleeve position. And the stock sleeves are weighted at 10 to 15% of the overall count. It gives clients that custom look and feel, but ultimately a very similar exposure and ride that you would get within an ETF-based portfolio. And we see a ton of growth with the stock plus ETF portfolio that's available on the Model Market Center. So just wanted to make sure we noted that. We'll probably not dive too much into the stock selection process, which I think is a pretty good story, and it's very easy to translate to end clients. We'll talk more about asset allocation picture today, how we invest, what we think is important to focus on when you're investing. And to do that, I'll hand it to John Luke to spend most of the time shifting gears into that.

John Luke

Sweet. Yeah, thanks guys, and appreciate being here. Yeah, so I think to start it off, one of the main things that we want to focus on is when it comes to constructing a portfolio, advisors have been somewhat limited to traditional asset classes, stocks, bonds, cash, in terms of building a portfolio and having something that is efficient and resilient through different market backdrops. And so we think there's a big problem out there with overly-vulnerable portfolios to a market backdrop of continual debasement and above-target inflation that we're faced with, and we think we'll continue to be faced with moving forward.

And so the first slide, I think gives us a nice landscape of what the debasement picture has looked like over the last 55 or so years. And really this evaluates the purchasing power of a million dollars, and what that looked like 55 years ago, and what it looked like today. And so a million dollars today has only the purchasing power of about 113,000 in 1970 dollars. So there's some numbers that put that into terms, but basically the dollar has lost almost 90% of its value since 1970 due to inflation and the debasement of the dollar. And so in order to have the same purchasing power today as a million dollars back in 1970, you'd need about \$8.5 million. And this was run at the end of September, so a few months in it's probably even higher. But the big picture is that inflation has averaged almost 4% over that

time period, and that your dollar buys 12% of what it did back then. And so this creates a big problem for portfolio construction, where if you're overly conservative in your positioning, it can create an outcome where you inject new silent-killer risk into portfolios. And we think that's a big deal.

So the next slide, I'll let through the backdrop of what we're seeing and it's a little bit of a continuation of what I showed before, but we've been above the 2% inflation target for the bulk since 1970, but narrowing it to 1990 for the bulk of the last 35 years. And the goal for the government as they manage interest rate policy and inflation targets isn't necessarily to bring it back down to that average, it's just to keep it from deviating looking forward. And so what you see is you get a compounding effect in a negative way. We're used to compounding effect working for us in a positive way, but inflation is creating a debasement of the value of your dollars. And so we think looking forward that that story is probably likely to continue, if not even potentially accelerate.

And so we always talk about like, "All right, yeah, the U.S. has a debt problem." There's ways to get out of it, some are prettier than others, there's spending cuts in austerity. We saw a brief glance earlier this year with the DOGE initiative to cut spending. And it was pretty short-lived, not very politically popular from either side of the aisle. You can grow out of the debt problem, which is something that we're bullish on and we think we'll probably see benefits from the AI spend and infrastructure build-out, and all the things going on in that space to improve productivity and help increase growth. But really what you've seen throughout history is a lot of times the way out is to inflate or debase the value of the currency. And so I think the positive is that we could get some combination of both the growth side and inflation side.

So just to put it, and I have another slide deck that I'd love to talk through when we have more time, or if anyone wants a one-off to think through the hurdle rate for investors, but I think one of the simplest way you can look at it is what type of budget deficits is the government running, and what are they projected to run into the future? And really things changed after COVID where we started running bigger and bigger fiscal deficits. And if you look at the projections on this chart here, over the next 10 years, the deficits are expected to be about 6% or a little bit higher. And that's assuming that there's no hiccups in the economy or anything to that degree. So that's probably a better hurdle rate somewhere around five or 6% in terms of the value that your dollar is decreasing, versus the 2% inflation target.

So you've got a backdrop of fiscal deficits running 6%, nominal GDP running 5 percent-plus, you've got inflation that's been above target for, I think 55 months now, and it's not expected to get back there until 2028. So 80-plus months of inflation above target, I'd say the Fed probably missed the mark on that. You've got the administration telling you that we have to grow the economy faster than the debt. And when you put that in the spectrum of, what is it, the 10-year treasury this morning is about 4.1%. When you put that in the cards and realize that, "Hey, I'm also paying taxes at ordinary income levels on the income off of that," your real returns are quickly getting dissipated down.

And so before I jump into the models and our positioning, the backdrop from here and why I think we're bullish on the market to continue moving higher is you've got the Fed that's in a cutting cycle. We've already cut 150 basis points. And that will continue to make an impact across the economy. You've got the Fed ending their quantitative tightening policy, and probably restarting to some degree a QE initiative, even if it's just to help ensure the financial plumbing operates as hoped. You've got the consumer that's been highly supported by the wealth effect. If you look at really any graphic to show the increase in net worths for the bulk of consumers are drastically higher today than they were five, 10, 15 years ago. You've got the One Big Beautiful Bill that was passed earlier this year, but there's big tax refunds coming to the consumer, because as the tax laws change, that money will be repaid back out next year to the tune of about 150 billion. On top of that, we've got word the past few days of tariff-refund checks coming to the consumer. So you've got an additional layer of support there.

You've got the One Big Beautiful Bill, additionally very stimulative for corporations to bring back manufacturing and reshoring to the U.S., which is creating a private infrastructure build-out, private stimulus. And you're also seeing that with the AI CapEx build-out, where these private companies are spending enormous amount of money into the economy to build for future growth. You've got the lingering stimulus impact from the last couple of years that was maybe a little bit front loaded, but also has a trickle-down effect over the next few years. You've got, again, the fiscal deficits running 6%. And you've got lower rates that I think will continue to unthaw some of the real estate woes that we've seen the last few years, where a 5% 30-year mortgage is a lot more affordable than an 8%.

So with that being said, to jump into how we're thinking about asset allocations, and I'm sure that it won't be super crazy of an idea based on how we started, when you look at client situations and you understand and think about the risk of investing, there's the obvious drawdown risk of markets. We know that there's bad math to drawing down. The simple way is if you lose 50%, you have to make 100 to get back to even. That's the slap-you-in-the-face risk that clients understand, they feel. We all feel it, it's probably when our phones ring the most. But the biggest risk that we see, especially over the long term, is really related to that debasement, the silent risk of your purchasing power eroding over time.

And so the graphic there just shows the cumulative real after-tax return of treasuries over the past 100 years. And as you can see, it hasn't been super exciting. And so we think that you really have to think differently when you're constructing a portfolio. And our motto at Aptus is how can we build portfolios that have more stocks, more exposure to growth, less bonds, less of the handcuff to the debasement and inflation risk, but do it in a risk-neutral type of way? And so that's how we incorporate a lot of the options-based funds that we manage, to help provide different layers of correlation and diversification benefits when things go awry.

And James, will you go to the next one? When you think about your decisions when it comes to constructing a portfolio, you really have a few things, obviously stocks, bonds, cash, like we talked about. And then of course there's the selection piece that comes into it, "Do I own underweight to international, overweight to small cap, this stock versus that stock, timing things, et cetera?" But when you back up and look at the big picture, about 91% of the contribution to long-term returns comes from how is your asset allocation positioned? And so really that comes down to what's your way to stock, bonds, and cash. And so when we think about building a portfolio that's more resilient to a backdrop of the debasement, it really comes down to injecting a bigger engine into your asset allocation, more exposure to things that can keep up with inflation. Last that I looked, the S&P 500 earnings growth is a heck of a lot higher than where inflation stands. And then of course on that front, in addition, nominal growth of revenues is much higher as well.

And so when we look at our portfolios, it really comes down to, "Can we inject that bigger engine, but do it in a manner that doesn't mess up your risk characteristics, that doesn't inject too much volatility risk or drawdown risk into portfolios?" And the benefit of our structure, in my opinion, is when you have options, when you utilize hedging techniques against your portfolio, instead of hoping that bonds show the correlation benefits that maybe they have from 2000 until basically COVID, they worked nicely with bonds because they were negatively correlated. Well you're seeing an unwinding of that really as rates have been moving higher. And so if I have a hedge on my portfolio, I have a negatively correlated vehicle embedded in my overall allocation that can help immensely whenever things turn sideways.

And so again, it's more stocks, less bonds, but doing it in a risk-neutral type of way. And if you balance that stronger engine with better brakes, it allows you to drive faster in the straightaway, but navigate the turns better. And this puts the structure in action in a sense. So if you think about a normal bell curve, which markets unfortunately don't operate in this, but it provides a good example. You have markets that are around the average, so think 8% S&P. You've got right-tail markets, which is basically what we've seen in '23, '24, and since April of this year where markets are up immensely, very friendly. And then you've got left-tail environments where things get a little bit nasty. So that's a COVID, a financial crisis, a 2022, et cetera.

And so how the portfolios are really positioned is in that middle period, everything's good. You've got exposure to growth assets, you've got income from your portfolio, there's really nothing crazy that's going on. But when you look at the actual contribution to returns long-term, the bulk of what dictates your success is how well that you do in right-tail markets, how much upside capture, and the ability to compound when things are friendly, and then how you do in the left tail, going back to the drawdown chart of the bad math of drawdowns. And so when you think about our asset allocation at Aptus, if we can own more stocks in our portfolio and have a bigger engine, we're going to participate better in right-tail environments. We've got hedges in place for left-tail environments. And I think one graphic that's nice to show, I don't think it's in our slide deck, but when you look at the scale of right-tail and left-tail markets, right-tail markets tend to happen much more frequently than what a normal distribution curve would say. And so I think the exact number is since 1950, almost 30% of market years have had a greater-than-20% return for the S&P 500 on a calendar year.

And so having structures in place that allow you to better participate in better compound wealth when the getting's good is something that I think can drastically improve client conversations, because really, one thing that fixes any problem for a client is having better compounded returns. That fixes pretty much every financial plan I've ever looked at. And so if you look at the next slide, this really looks at how we solve for that left tail. Capturing more upside of equity markets is fun to hear, it's fun to talk about, but it's the next question that quickly ensues after is, "Well, what about the other outcome that's not so nice?" And that comes down to how we position the protection inside of the portfolios.

And so there are diversifiers that can be incorporated into portfolios. Diversifiers typically have a positive carry, they pay you a yield to hold them. They have an unknown correlation. Sometimes it's negative, usually you hope that it's negative, but oftentimes when things are really awry, it turns positive, think about 2022. And there is an opportunity cost to hold that. Hedges on the contrary is like insurance, where there's a cost to the insurance, but you have a known correlation. If I have car insurance and I pay 100 bucks a month and I have a \$50,000 car, and I get in a crash and total my vehicle, well, the insurance company maybe begrudgingly is going to write me a check in order to replace my vehicle. So the correlation is negative to me crashing and then me getting a check.

So what we think is if you can have a better known correlation for your portfolio with a hedge in place, it allows you to open up the ability to have more offense on the field. And so to put that in a soccer analogy, I'm not a soccer player, but I think it speaks to it well. Really, soccer's 90 minutes. As I'm reminded, it's played on a pitch, not on field, but what happens on the pitch over that 90 minutes is about 80 to 85 of those minutes is in the middle of the field. That's the players passing the ball back and forth, really no action is happening.

The games are decided by the small amount of time that happens next to the goals, when you're scoring or when you're being scored against.

And the thought that we have, and how it relates to investing, is that if I can have a better goalie on my team to limit the amount of goals that are scored against me, limit that drawdown risk, then I can pull a couple of players from my defense that would typically have to help my goalie out, and put them on the offense and have a better chance of scoring against the other team's goal. And really at the end of the game, it doesn't matter how many shots that I got, it matters how many goals that I blocked and defended against, and how many shots that I took that actually went in. And so how we think about portfolio construction is similar. There's a lot of environments where nothing super exciting happens, and then there's moments where really wild things happen. And that's where the ability to have a negatively correlated hedge in our portfolio, I think makes a key difference within the asset allocation in our models that are on the platform.

Next one, James. So really what you see, the proof's in the pudding, can talk about cool investment strategies, but ultimately it's how well that they do in different environments. So as James alluded to at the beginning, we have a few different model sets, and some GIBS-verified composites that we track. The model composites that are listed on here are conservative, are moderate in our growth portfolios. And what we show through this graphic and how we monitor ourselves is can we maximize our potential to capture more upside when things are friendly, and mitigate the downside when they're not? And so what's our upside capture versus downside capture relative to benchmarks? And on the right chart it shows that we've been able to compound returns at above-benchmark return levels but with less drawdown. And so what you're able to do is compound off of that higher base. When you lose less, you actually have to make less to get back to even. And so by reducing the volatility when things are bad and participating when things are good, we've had a nice proof case of the models that results matter and we've been able to deliver on what we said we were shooting for.

And so if you wanted a closer look at the structure of the asset allocation and how it looks like in reality and practice, what we're showing here is the different portfolios. So starting with preservation all the way down to aggressive growth, and the stock allocation versus the bond allocation, and then relative to the benchmark. So the easiest one to highlight, I think is the moderate, so the 75/25. So our moderate portfolio has 15% higher allocation to stocks than fixed income in a benchmark. And so actually what it's led to, even with the higher allocation to stocks, is a very similar and slightly even better standard deviation or volatility of the model versus the benchmark. So even with that 15% additional allocation to stocks, we've been able to have less volatility risk than the benchmark. And we're doing it by having a bigger engine on our portfolios, the overweight to stocks, better brakes help bring that risk neutrality into portfolios, especially when you need it. And then we typically shoot to have portfolios that have a higher yield than the benchmark as well.

And if you think about going back to my bell curve analogy, in the middle period when nothing's really happening, that yield becomes a valuable return driver to the portfolios. And so I think this just shows how we've generated a very differentiated model offering for the platform that's different from your traditional 60/40 portfolio that's going to sell you on their ability to time or their ability to make big-factor bets or factor tilts inside of allocations. We don't think that you necessarily need that. You really just need to focus on getting the structure of your asset allocation correct. And what we've seen is that this has led to powerful conversations with clients, because most clients can see that first graphic and really resonate. They look at how much prices have increased, they quickly can realize that they need a solution that has the ability to adapt and modify to the backdrop that we're in.

James

And just to add to that, John Luke, when you see the yield, even with 15% in additional equities in the moderate, being comparable or even higher in some cases than the benchmark, we're using option-based strategies for two primary pieces of the portfolio. One is to manage risk, and like John Luke was mentioning, hedge the risk in a very defined way to let us own more assets that can grow. So that's one goal. And the other is how can we give you beta with more yield? So how can we give you S&P exposure with double the benchmark yield, or international exposure, as opposed to 2.5% of a 5% yield? So we're using option-based strategies to manage risk and generate income. And we think those two things can really make long-term impacts for your ability to compound over longer periods.

I think we're going to shift gears and talk a little bit more about implementing and executing within the Model Market Center. There's a couple questions, so we can address those at the end, just related to where we fit into the... Some specific strategy questions might be better for one-on-one. But the one thing I'll mention is, the question that comes up most often when we're talking to a new advisor is where do we fit in to the investment landscape? Are we active managers? Are we passive managers, strategic type of allocations? And I would argue that we're in between. So we use active strategies to really focus on the asset allocation, and allow you to shift that asset allocation. And the active nature is done underneath the ETF ticker to manage risk throughout the week, throughout the quarter, throughout the year.

So we're certainly not going to be a calendar-based hedging type of strategy. As markets move up 10%, we're going to want to reset things to make sure you have consistent exposures across the board. So just a little bit more context, we're maybe more strategic in the allocations, trading two to three times a year, but a lot of the active nature is done within the option-based strategies that we think are

supporting the asset allocation decisions. Ryan, I will pass it off to you before we have closing comments and Q&A. So I will stop sharing my screen here.

Ryan

Thank you, James. And thank you, John Luke. We appreciate the time here. What I'm going to cover here is a little information about how to learn about the Model Market Center in iRebal here at Schwab, and then just give you a little insight on how to do some research for models like Aptus in the Model Market Center. So what you see here right now is a tab that is located at the top of the Schwab Advisor Center called Investment Solutions. In here what you'll see is there's a nice little area where you can click on the Model Market Center, and it's going to give you some background around the platform as well as other information that you may find handy.

Couple of key items just to touch here about the Model Market Center. The Model Market Center is built in iRebal. To utilize the Model Market Center, you must have access to iRebal here. When you think about the Model Market Center compared to iRebal as a whole, the Model Market Center is where you do the shopping for the groceries, where you can access the models, you can analyze the models from the providers like Aptus. And then when you can look to actually start utilizing them and put the ingredients to use, that you'll do inside your own iRebal environment, because the key thing here with iRebal is once you get access to the platform, the environment you build is specific to you and the advisors at your firm. So with that in mind, you can blend the models together. As Joe mentioned, you can have a model of models. And then what you do is you implement it to your client accounts and portfolios. Portfolios here are a group of accounts. So you can do a little block trading, make sure you get everything that you need with the models to one location.

Now an important thing here as we scroll down is there's other information where you can get how to blend models. You can explore the models that are available, as well as get a fact sheet and FAQ around the Model Market Center. But if you don't currently have access to iRebal, what you can do is you can go to the iRebal page, and there'll actually be a short survey that you can fill out, answer a couple of questions, and you'll get access to iRebal within a day or two. Really just want to streamline the process and make sure you can get access to it so you can learn more about how the process works.

Now with that all in mind, once you have access to iRebal, what you'll see here is this is your home screen for iRebal. There's eight portlets on here for different things, whether it's client information, rebalances, which are trades that you're looking to make, the blotters where you can look to execute the trades, allocation reports, cash reports, a lot of information at your fingertips, as well as a portlet down at the bottom For Model Market Center. What I'm going to focus in on is at the top of the page where you have the models dropdown, where there's models and Model Market Center. Models is specific to your iRebal environment. That's where you can build your own ETF, mutual fund, and equity models. And that's where any model you subscribe to, which I'll touch upon, in the Model Market Center will be pulled into so you can start to utilize them for your client accounts.

I'm going to start in the Model Market Center though because what you see here is, when you open the Model Market Center, you're going to have an agreement to fill out, you're going to attest to a couple things about electronic consent, the ADV for the platform, as well as an advisor agreement letting you know basically that you are in charge of doing the research for your clients, and then implementing and executing for your clients. Once you've executed that, what you'll have is access to the platform in this grid here. This grid is very interactive, and what they're trying to do is make it as much like Excel as possible. So you have ability to remove some columns if you don't find them necessary, you have the ability to put filters in on the side, but also what you can do in the grid here is you can move columns around to make sure you have everything organized as you want it for the next time you come into the platform. Really want to make it intuitive to what you're looking to do.

Now for the sake of time, I already filtered by Aptus models, so you can see the models they have on the platform, but there's many other filters you have available. You can choose risk categories, important to know where they fall on the spectrum. You can check to see what asset tape they are. This is important because you have the ability to look at ETF, mutual fund, equity models. If you want to really see where they fall, this is where you could do so. And even what you can do here is Aptus offers both models that don't have a strategist fee, and as Joe mentioned before, there are some models that have a strategist fee. As you can see, these models are very low cost here, but you can do research here to make sure you have the ones that don't have it, or if you want to just look for the ones that do, you can filter here by the simple yes or no with strategist fee.

Now that we have the filtering done and ready to go, if you really want to learn more about the model, what you do is you can click on the hyperlink here as you see with the model name, and it's going to open up what we call model detail screen. I'm going to collapse all just to go through the sections here, but a lot of it, what you see in this screen is what you see in that grid. You have some information about the manager, the name, holdings inside of it. You can look into the model overview to learn more about the yield, how often they update the models, the risk category. And then things like performance and background around the model, and learning more about what the company is when you're looking at Aptus or other firms.

What's new in here though is a couple areas. One, there's a section here, overview documents and market materials. In here there's a product report that's built from Informa, because that's where we pull this information from, if you want to learn more. And then there's also a homepage that Aptus provides us where you can go get fact sheets, any sort of information specific to their firm, and do any extra research that you may need to do outside of the Model Market Center. Also, what's in here is you do get to see the tickers and how they fall in a nice allocation pie chart, but you don't get the weightings until you subscribe to the model. And again, subscribing to the model is what will pull it into your iRebal environment.

So two ways you can subscribe to the model is one, if you're just looking to do one model at a time, you simply click subscribe at the top of the page, and it'll open up the box to make sure that you're confirming subscription, and you can go through the process. Another way to do it, if you're researching multiple models, you can simply click here on the left side, and then at the top of the page, subscribe will fill in, so you can actually click on it. And it's going to let you subscribe to the models that you've built or chosen to do so. Now I've already subscribed to one of them, so it's letting me know that, but all I'll do here is I click confirm subscription, and then some new intuitive workflows that were built into the iRebal system actually allow me to go right to either assigning these models to client portfolios, which again, group of accounts, to create a new blended model, which Joe mentioned, you can do a model of models, or add to an existing blend.

I'm going to close out this now, because in the time we have, I want to just make sure to cover a couple things about iRebal that are important to you. One, up at the top right, there's a settings tab. Highly important here is when you start utilizing iRebal, we have a support team that'll help walk you through the settings tab to make sure you have things set here, because you can do replacement securities, you can set rebalancing bands, you can look to do things like automate rebalances. So there's tax loss harvesting capabilities. The support team will make sure you set this up properly for yourself. Highly recommend you do so. In here, if you're looking to create a blended model with Aptus models that you've subscribed to, and as you can see they're right here, all you do is you create blended model, you simply type in what you're looking to name it, click continue. And then simply to fill out the grid here, all you would do is you would add the Aptus blends into here. Once you add them, you simply allocate the weightings. And as you can see, it populates down below based on the weightings of the models as well as the bands that you have in place, what I mentioned, that rebalancing. Once you click save, you now have this model ready to use for your clients.

So how you would do that? And again, I'll cover a little extra help for you guys to learn more about actually implementing an iRebal, but all you would do to implement is you go to portfolios. And right here you see the model, you can simply drop down and change to the Aptus blend that you're looking to do, as you see, your Aptus Blend 5, and then you schedule a rebalance and you're ready to go. I know I covered a lot here. One last thing I want to leave you with is anytime Aptus makes a change to a model in the system, what you'll notice here is there's a red envelope that will let you know that there's something that you need to look into. By opening this red envelope, it'll let you know the changes they've made. And if you have it assigned to accounts, you can actually schedule the rebalance straight from here. And that's a simple four-click process to execute the trades. So the easy way of it flowing through to you now is taking place, and you can really manage it for your client accounts.

The last thing I'll leave you with is if you want to do some more research around different trainings around iRebal or the Model Market Center, if you go to the help menu, there will actually be, and I apologize because now it seems like it's not opening up, but in the help menu, there's overview of iRebal. There's live weekly iRebal webcasts, as well as some guides for you to learn on your own if you prefer to do so by reading. Then there's also a Model Market Center training that's available here. Again, James is going to follow up with us around any questions that you guys have around the Model Market Center or Schwab in general, and we'll happily touch base with you after the demo with that. Thank you everybody for the time. I'll send it back to you, James.

James

Thanks, Ryan. And Ryan did a great job of showing the ease of implementation. I'll just reiterate from our perspective, as opposed to using spreadsheets and manually uploading positions, and then resetting security equivalents and all the different specifics that you're needing within your model portfolios across hundreds of accounts, we've just seen some really positive feedback from advisors who are using the Model Market Center through iRebal, just the ease of use when there's a portfolio change and all that. So I'll just make sure I mentioned that. And secondly, if you're not using iRebal on Schwab, from my point of view, it's clearly one of the top rebalancing softwares in our industry. I might be a little biased from my TD days, but it's going to have a ton of flexibility, customizations. And I know that there's been some recent enhancements over the last year or so that have made it even easier to proactively rebalance and manage things.

So I'll leave it at that. We'll have the slides available, our slides at least available for anybody who needs them or wants to take a deeper dive. We'll also add a little bit more of our market commentary in there. We gave you a very scaled down version of why we think it's important to own risk assets, so we will include that in our followup. And like I said, please reach out to us. And we're happy to connect you with Ryan and team, or if you have questions on Aptus, info@apt.us is a good general inbox for us. Again, that's info@apt.us. Thanks guys.

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