The FWS Investment Process

How we read the market, build your portfolio, and stay accountable to your family.

An executive summary from Family Wealth Strategists™ · Q4 2026 edition

Every FWS portfolio is built around your family: your goals, your timeline, your taxes, your comfort with risk, and the legacy you want to leave. These five things shape every decision about what the portfolio holds, how it is structured, when it is rebalanced, and how it changes as your life does.

01
YOUR FAMILY AT THE CENTER

TIME HORIZON	How long your money can stay invested before you need it, and what it is ultimately working toward: retirement, a business transition, a legacy for the next generation. A longer runway leaves room to ride out market drops and pursue growth. A shorter one calls for more precision and a different structure.
CASH NEEDS (LIQUIDITY)	Life has expenses that do not wait for markets: planned withdrawals, major purchases, reserves for the unexpected. We map your near-term cash needs and structure the portfolio around them, so a short-term need is less likely to force a long-term mistake, like selling at the bottom.
TAX SITUATION	What you keep after taxes is the return that matters. Your income, your mix of accounts, and your tax rates shape where each investment is held and how gains are managed across your whole household. We plan for taxes from the start, not at year-end.
RISK TOLERANCE	Not a questionnaire score. A real understanding of how you respond when portfolios fall, and how deep a decline (a drawdown) you can live through without abandoning the plan. A strategy you cannot stick with is the wrong strategy, however good it looks on paper.
LEGACY GOALS	Whether you are building for the next generation, supporting causes you care about, or both, your legacy goals inform each allocation decision and the estate strategy around it. Your portfolio is a family balance sheet with a purpose, not simply an investment account.

The market environment shapes how we build your portfolio. Your life determines what it is positioned to accomplish. Understanding both is how we build a strategy meant to hold through every chapter, not just the current one.

02
WHY TODAY CALLS FOR A DIFFERENT APPROACH

The investment landscape has changed since 2019. Four lasting shifts now shape portfolio decisions, and they tend to reward a different kind of discipline than the decade before did.

INFLATION RETURNED

After decades of low inflation, supply shocks, heavy government spending, and conflict abroad have made rising prices a lasting factor again. Portfolios built for a low-inflation world may need to be rethought.

THE WORLD IS REALIGNING

Energy, trade, and the flow of money between countries are being reshaped by a lasting realignment, not a string of one-off events. The Iran conflict that began in February 2026, contested shipping routes, and new alliances create conditions that a portfolio set once and left alone may not handle well.

GOVERNMENT FINANCES ARE WEAKENING

The federal government's own financial statements for fiscal 2025 show $47.8 trillion in liabilities against $6.1 trillion in assets, and the gap widened by $2.1 trillion in that one year (US Treasury, Financial Report of the US Government). Heavy borrowing is lasting background for interest rates, and for every allocation decision.

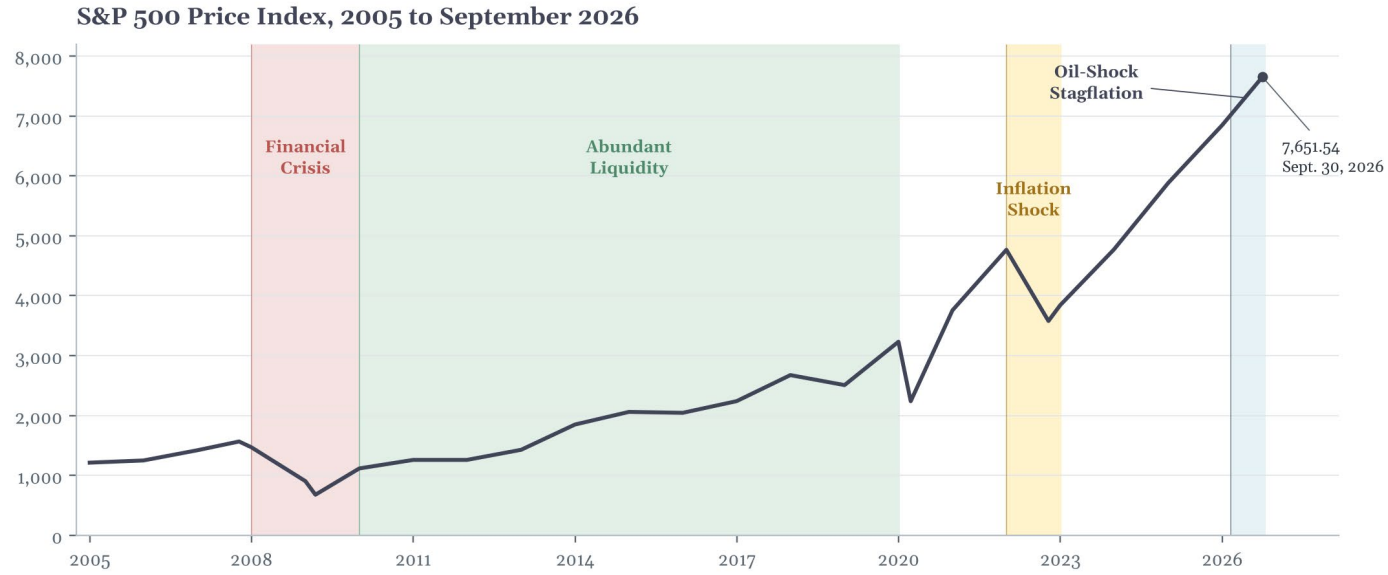
BONDS NO LONGER ALWAYS CUSHION THE FALL

For about forty years, high-quality bonds tended to rise when stocks fell. That pattern tends to break when inflation is the problem. Stocks and bonds fell together in 2022, and again in September 2026 (S&P 500 total return -0.35%; Bloomberg US Aggregate bond index -2.61%). A simple mix of 60% stocks and 40% bonds (a 60/40 portfolio) may protect less than it appears to.

Discipline, diversification, and structured decision-making. The current environment tends to reward all three.

03
THE S&P 500 ACROSS MARKET ENVIRONMENTS, 2005 TO 2026

Twenty years of market history make one point clearly: the conditions that define one decade rarely carry into the next. Each period had its own drivers, its own winners, and its own risks, and portfolios built for one environment often struggled in the one that followed. The FWS framework is designed to recognize these shifts as they happen.



Source: S&P Dow Jones Indices, S&P 500 Price Index closing levels at year-end, at selected market lows (March 9, 2009; March 23, 2020; October 12, 2022), and on September 30, 2026. Lines connect these points, so moves between them are not shown. The price index excludes dividends; a total-return basis, which assumes dividends are reinvested, would show more growth. Shaded periods are FWS's own description of market conditions and their dates are approximate. Index figures do not reflect fees, expenses, or transaction costs, and you cannot invest directly in an index. Past performance does not guarantee future results.

04
HOW WE READ THE MARKET

Markets move through distinct environments, not in straight lines. We describe each environment by four connected forces. When they shift, portfolios built for the old environment often lag, no matter how skilled their managers. The FWS process reads the current environment continuously and builds portfolios meant to hold up across a range of conditions.

01	02	03	04
ECONOMIC GROWTH	**INFLATION**	**POLICY**	**LIQUIDITY**
Is the economy expanding, slowing, or shrinking?	Are prices rising faster, slower, or holding steady?	Are the Federal Reserve and Congress adding fuel or applying the brakes?	How easy is it to borrow money and find buyers? Plentiful, tightening, or under stress?

05
MARKET ENVIRONMENTS YOU HAVE ALREADY LIVED THROUGH

Each period below matches a shaded band in the chart above, so the market history and our reading of it line up at a glance.

2008 to 2009	**Financial Crisis** *Growth: shrinking · Inflation: falling toward deflation · Policy: emergency rescue · Liquidity: under stress* Nearly every risky investment fell at the same time (correlation went to one). Ordinary diversification did not protect portfolios.
2010 to 2019	**Abundant Liquidity** *Growth: expanding · Inflation: low · Policy: near-zero rates and Fed bond buying (quantitative easing) · Liquidity: plentiful* Simple index investing did very well. Diversification seemed unnecessary. Many investors mistook a favorable environment for a permanent one.
2022	**Inflation Shock** *Growth: slowing · Inflation: surging · Policy: rates raised rapidly · Liquidity: being withdrawn* Stocks and bonds fell together for the first time in decades. Portfolios built on older assumptions were hit hardest.
2026	**Oil-Shock Stagflation, Active** *Growth: slowing, with mixed signals · Inflation: elevated · Policy: tightening (the Fed raised rates in September 2026) · Liquidity: tightening* This environment began in late February 2026, when conflict involving Iran sent oil prices sharply higher. Stagflation means slow growth combined with stubborn inflation. Rules of thumb built for the prior decade may not apply. Each month, the FWS Monthly Perspective reports where this environment stands and what would change our reading of it.

06
THE FWS INVESTMENT INTELLIGENCE ENGINE

Credible research. One accountable advisor. Your family.

The FWS Investment Intelligence Engine is our research process. It reads the published research of a defined group of institutions we call The FWS Institutional Disciplines, along with independent commentary and official government data. It checks figures against their original sources, and it keeps track of where these institutions agree and, more usefully, where they disagree.

The Engine uses artificial intelligence as a tool to gather and organize that research. It does not make decisions. Every output is reviewed, challenged, and applied by your advisor before it reaches you. The research is continuous. The judgment is human. The accountability is your advisor's.

We do not follow the loudest voice. We follow the most credible ones, and we pay closest attention when they disagree.

The FWS Institutional Disciplines

Macro and multi-asset frameworks	Global investment and research firms that study the economy, interest rates, and markets as a whole.
Valuation, credit and cycle disciplines	Firms that specialize in what investments are worth, how lending markets behave, and where we are in the market cycle.
Long-horizon stewardship	Long-term investment offices and asset managers that plan in decades rather than quarters.
Official sector and policy	Central banks, government budget offices, and international financial organizations.

We review the group continuously and add or remove institutions as the quality and relevance of their research changes. The current list is available from your advisor on request. These institutions are research inputs only. FWS has no relationship with, and is not endorsed by, any of them. Official economic data such as inflation, jobs, and Treasury figures comes from primary sources (the Bureau of Labor Statistics, the Bureau of Economic Analysis, the US Treasury, the Federal Reserve, and the Energy Information Administration); these are data sources, not research disciplines.

What this means for you. Before your advisor makes a recommendation, the research behind it has been gathered from credible sources, checked against original data, and tested against the strongest opposing view. You get that preparation with one advisor accountable to your family's interests alone.

07

HOW THE ENGINE AND YOUR ADVISOR WORK TOGETHER

THE INVESTMENT INTELLIGENCE ENGINE	YOUR FWS ADVISOR	YOU RECEIVE
Continuous research Research gathered and organized as markets, company earnings, and world events move.	**Deep knowledge of your family** Your goals, history, values, and relationships. The context no software can capture.	**Analysis that is current and personal to you**
Many perspectives at once The published views of a broad group of research institutions, tested against each other and against official data.	**The fiduciary relationship** No Engine output reaches you without your advisor's review, challenge, and tailoring to your situation.	**Depth of research with one fee-only fiduciary accountable to you**
Regular, plain-English commentary A Monthly Perspective after each month closes, and Currents, an occasional series on the forces moving underneath markets, so you know what we are watching and why.	**Judgment, trust, and steady behavior** A structured decision process designed to help prevent the reactive mistakes that can do lasting damage to wealth.	**Discipline and trust that build over time**

08 ASSETMARK: THE PLATFORM BEHIND YOUR ACCOUNTS

$180B+	10,000+	340,000+	1996
PLATFORM ASSETS	FINANCIAL ADVISORS SERVED	INVESTOR HOUSEHOLDS	YEAR FOUNDED

Source: AssetMark, Inc., company website (assetmark.com/about), accessed October 26, 2026. Platform assets are as of June 30, 2026; AssetMark does not date the advisor and household counts. Family Wealth Strategists and AssetMark are separate, unaffiliated companies; each is responsible for its own services. References to AssetMark do not imply any guarantee of performance or specific outcomes.

AssetMark describes itself as a leading wealth management platform for independent advisors. For FWS clients, it makes available:

- **Investment managers.** A curated list of asset managers, reviewed through ongoing research into their results, process, and risk.
- **Tax management services.** Available services, which FWS may elect for an account, including tax-loss harvesting, tax-efficient rebalancing, and tax-aware withdrawals.
- **Specialist resources.** Portfolio strategists, retirement income specialists, and research teams when a client situation calls for deeper expertise.
- **Trading and operations.** Day-to-day rebalancing, contributions, withdrawals, and trade execution, at a scale a practice of our size would not build on its own.
- **Service and reporting.** Consolidated reporting, secure document handling, and a service team that supports both the advisor and the client.

AssetMark provides the platform. FWS provides the judgment about how to use it for your family. One advisor stays accountable for the whole picture: yours.

09 BUILDING YOUR PORTFOLIO AND MANAGING TAXES

> *Every portfolio begins with our reading of the current market environment. The mix of investments, the choice of managers, and how the portfolio is tilted all follow from it. Tax awareness is part of each step, not handled separately.*

HOW WE BUILD THE PORTFOLIO	HOW WE MANAGE TAXES
Built for the environment. Stocks for growth, bonds for stability, cash for near-term needs. Alternatives tend to move differently from stocks and bonds, and real assets join when inflation is the threat. Private markets, which limit when you can withdraw, are capped and come only after near-term needs are covered. The mix adapts within your risk profile as conditions change.	**Asset location.** We aim to hold each type of investment in the account where it is taxed least, for example, income-producing bonds in an IRA. The right investment in the right account may improve after-tax results over time.
More than one manager. Several managers with different philosophies, so no single approach dominates.	**Tax-loss harvesting.** Selling an investment that has fallen to record a loss that can offset taxable gains, then reinvesting to keep the portfolio's intended mix. Coordinated with your CPA. It may not be appropriate for every investor or situation.
More than one strategy. Growth and value, US and international, public and, where appropriate, private markets. These respond differently to conditions, so they do not all move together (lower correlation).	**Life events in one tax picture.** The sale of a business, a large concentrated stock position, an inheritance, or a charitable gift, coordinated as one tax picture rather than one decision at a time.

Three core principles

01
DISCIPLINE OVER PREDICTION
Portfolios built to hold up across many outcomes, not to win in any single one.

02
DIVERSIFICATION THAT ACTUALLY DIVERSIFIES
Strategies that respond differently to changing conditions, not more of the same exposures.

03
STRUCTURE OVER IMPULSE
A structured decision process designed to help prevent the emotional mistakes that most often damage wealth.

10
THE BOTTOM LINE

Markets will change. Environments will shift. Leadership will rotate.

Your portfolio is designed to adapt to these changes without depending on perfect foresight: a disciplined process, a clear reading of the current environment, and human fiduciary judgment, all built around your family.

Terms in plain English

Stagflation	Slow economic growth combined with stubborn inflation.
Liquidity	How easily money can be borrowed and investments bought or sold without a big price change.

Correlation	How closely two investments move together. Lower correlation means they are less likely to fall at the same time.
Drawdown	A drop from a portfolio's high point to its low point before it recovers.
60/40 portfolio	A traditional mix of about 60% stocks and 40% bonds.
Quantitative easing	The Federal Reserve buying bonds to push interest rates down and add money to the financial system.
Asset location	Choosing which type of account (taxable, IRA, Roth) holds each investment, to reduce taxes.
Tax-loss harvesting	Selling an investment at a loss to offset taxable gains, then reinvesting.
Price index vs. total return	A price index tracks prices only. Total return adds dividends that are reinvested.
Alternatives	Investments other than traditional stocks, bonds, and cash, chosen because they tend to move differently from them.
Real assets	Physical things with lasting value, such as commodities, real estate, and infrastructure, which may hold value when prices rise.
Private markets	Investments in companies, loans, real estate, or infrastructure that do not trade on a public exchange. Held here through interval funds, which allow withdrawals only at set times.

SOURCES

US Department of the Treasury, Financial Report of the United States Government, Fiscal Year 2025 (balance sheet as of September 30, 2025). S&P Dow Jones Indices, S&P 500 Price Index closing levels. Board of Governors of the Federal Reserve System, FOMC statement, September 16, 2026. September 2026 total returns for the S&P 500 and the Bloomberg US Aggregate Bond Index as reported by First Trust, A Recap of September 2026 (October 8, 2026). AssetMark, Inc., company website, figures as of June 30, 2026.

IMPORTANT DISCLOSURES

A note on how this is made. Like a growing number of research teams, we use artificial intelligence as a tool in our research and drafting. Every edition is reviewed by Family Wealth Strategists, LLC, which is responsible for its content, its conclusions, and the data it presents.

Family Wealth Strategists, LLC ("FWS") is a Registered Investment Adviser in the State of California. Registration does not imply a certain level of skill or training. This material is for informational purposes only and does not constitute investment advice or a solicitation to buy or sell any security. All investing involves risk, including possible loss of principal. Asset allocation and diversification do not guarantee a profit or protect against loss. Past performance is not indicative of future results. No strategy can guarantee profitable results. Client portfolios are managed individually and will vary based on each client's circumstances, risk tolerance, and objectives. Any forward-looking statements are not guarantees of future results.

The FWS investment process synthesizes the publicly available research of a group of institutions FWS calls The FWS Institutional Disciplines, alongside independent commentary and primary data sources. The group includes investment and research firms, long-term investment offices, central banks, and public policy institutions. FWS reviews its membership continuously, and the current list is available on request. These institutions represent publicly available investment philosophies and research traditions. Family Wealth Strategists, LLC has no commercial relationship with, and is not affiliated with or endorsed by, any of them, and references to them are not recommendations of any institution's products or services. Strategies from some of these institutions may be available through the AssetMark platform used by FWS; references in FWS research are to published research only and are not recommendations of any product. Official economic and market data cited in FWS materials comes from primary sources including the Bureau of Labor Statistics, the Bureau of Economic Analysis, the US Treasury, the Federal Reserve, the Energy Information Administration, and institutional market-data providers; these are data sources, not research disciplines.

FWS uses AssetMark, Inc. ("AssetMark") as its investment platform. AssetMark, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission. FWS and AssetMark are independent, unaffiliated entities. As a client of both FWS and AssetMark, you are entitled to receive the Form ADV Part 2A (Firm Brochure) from each firm, which describes each firm's services, fees, conflicts of interest, and disciplinary history. Please ask your FWS advisor for copies if you have not received them. AssetMark platform statistics are sourced from AssetMark, are believed to be accurate as of the dates indicated, and are subject to change. References to investment managers available through the AssetMark platform do not imply a direct advisory relationship between FWS and those managers.

Alternative investments, including real assets and private markets, carry risks that differ from those of stocks and bonds, including limited liquidity, less frequent and less transparent pricing, complexity, and higher fees, and they may not be suitable for every investor. Private-market funds held as interval funds (registered funds that buy back shares only at set times) limit when you can withdraw. Each repurchase offer may cover as little as 5% of a fund's shares and is reduced pro rata when more investors ask to sell than the offer covers, so a full exit can take several years. Where FWS uses these funds, the amount is capped and is held only after a household's near-term cash needs are covered. Please read each fund's prospectus before investing.

The S&P 500 chart is for illustration only; shaded periods reflect FWS's own description of market conditions and are approximate. Index returns do not reflect fees or expenses, and investors cannot invest directly in an index. Tax-loss harvesting may not be appropriate for all investors or situations. FWS coordinates with clients' independent tax, legal, and insurance professionals but does not provide tax, legal, or insurance advice. FWS does not receive compensation for professional referrals. Please consult your FWS advisor about your specific situation.

This Q4 2026 edition replaces the Q2 2026 Executive Summary.