Investment Methodology

Shared Prosperity Group, LLC

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Commitment to Clients

We build portfolios we're comfortable holding ourselves. Every investment decision we make reflects the same care and discipline we would apply to our own capital. Our clients entrust us not only with the stewardship of their assets, but often with their aspirations for generational wealth, social impact, and financial resilience. We honor that trust by integrating rigorous investment practices with a broader mission: to deliver strong risk-adjusted returns while contributing meaningfully to a more inclusive and durable economic system.

Investment Methodology

SPG's investment methodology is grounded in modern portfolio theory (MPT), passive implementation, and practical behavioral and tax considerations. Our evidence-based, top-down approach integrates long-term historical data, capital market assumptions, and structural constraints to construct portfolios that align with client goals while reinforcing our broader mission.

Evidence-Based Investing

Our allocation framework draws from decades of empirical research and is designed to optimize long-term, risk-adjusted returns.

Key elements include:

- **Modern Portfolio Theory (MPT)**: We diversify across equities, fixed income, alternatives, and cash to position portfolios near the efficient frontier.
- **Capital Market Assumptions (CMAs)**: We review forward-looking return assumptions from leading asset managers (sourced via Horizon Actuarial's Annual Survey[1]), supplemented with Vanguard's CMAs to fill in coverage gaps across aggregated asset classes. These forecasts are then averaged against historical returns to inform, but not dictate, our long-term portfolio expectations.
- **Correlation Assumptions**: We rely solely on long-term historical correlation data, as we find no credible evidence that asset class correlations can be forecast with any reliable degree of accuracy. In our view, assumed changes in correlation structures often reflect noise, not signal.
- **Classification Standards**: We apply Morningstar's asset classification standards to maintain consistent market segment exposure.

This disciplined methodology anchors our assumptions in empirical reality while incorporating current market conditions and consensus outlooks, providing a more robust foundation for long-term portfolio design.

Structural Constraints and Discipline

SPG's portfolios are constructed with safeguards that reinforce consistency, reduce avoidable risks, and improve tax efficiency.

- **Market Timing and Active vs. Passive Investing**: We reject the premise of market timing and high-cost active management. The data is compelling: Long-term studies

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[1] Horizon Actuarial's Survey of Capital Market Assumptions

show that passive strategies have often outperformed active management after fees and taxes.[2] Additionally, markets are composed of millions of participants, each with their own incentives, emotions, and time horizons. That level of behavioral and informational chaos is inherently unpredictable, and we don't pretend otherwise.

- **Asymmetric Risk Awareness**: We recognize that large drawdowns require disproportionately large gains to recover (e.g., a 50% loss requires a 100% gain and a 95% loss requires a 1,900% gain). This foundational principle drives our emphasis on diversification and downside protection disciplines.
- **Automated Rebalancing:** Portfolios are rebalanced systematically (not subjectively), based on quantitative drift thresholds, avoiding emotional decision-making or arbitrary timing.

Global Diversification and Practical Tilting

We intentionally avoid excessive home-country bias and thus our model portfolios are globally diversified by default.[3] U.S. equity exposure is implemented via direct indexing for tax efficiency and customization, while international equities and other asset classes are accessed through ETFs selected for low cost and tracking accuracy.

We apply many thoughtful tilts based on real-world practical considerations, for example (but not limited to):

- **Risk-Return Tradeoffs**: Our aggressive model holds 90% equities instead of 100% to materially reduce volatility without significantly compromising return potential.[4]
- **Fixed Income Design**: In taxable accounts, we cap municipal bond exposure at ~60%. Beyond that threshold, the marginal tax-adjusted benefit declines while diversification is compromised, so the remainder is allocated to traditional core fixed income.[5]
- **Global Fixed Income Allocation**: Our bond sleeve includes up to a ~30% allocation to Bloomberg Global Aggregate ex-USD (hedged). Vanguard's 2023 global bond study shows that this level captures the majority of diversification and volatility-reduction benefits of global bonds, while avoiding the diminishing returns that occur as allocations approach full market-cap weight.[6]
- **Asset Class Inclusion**: We limit TIPS, alternatives, and high-yield allocations in taxable accounts unless they can offer unique risk-mitigation benefits not available elsewhere.
- **Emerging Markets Positioning**: We slightly overweight US equities (~70% vs. ~63% global free-float) and underweight emerging markets due to weaker investor protections, liquidity and capital-access frictions, and elevated geopolitical and concentration risks in

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[2] SPIVA® U.S. Scorecard
[3] Vanguard's Making the case for international equity allocations
[4] Indexing Risk Parity Strategies
[5] CFA Institute's Municipal Bonds: How Much to Hold?
[6] Going global with bonds: The benefits of a more global fixed income allocation

major constituents (e.g., China; India; Taiwan exposure to regional tensions) that are not reliably compensated in expected risk-adjusted returns.

Model Portfolios and Construction

We offer three core model portfolios (Conservative, Moderate, and Aggressive) with both taxable and tax-deferred variants.

Targeted top-level, Markowitz-inspired allocations are:

- **Conservative**: 20% equities / 80% fixed income, alternatives, and cash
- **Moderate**: 60% equities / 40% fixed income, alternatives, and cash
- **Aggressive**: 90% equities / 10% fixed income, alternatives, and cash

We feel complexity offers diminishing returns and disproportionately increased overhead in this space; these models account for the vast majority of investment-related financial planning needs.

Portfolio optimization inputs include:

- 10-year CMAs on expected returns and volatility
- Historical returns, volatility, and correlations
- Tax-efficiency and liquidity characteristics of each asset class
- Behavioral tolerance for volatility within each risk profile

We benchmark each asset class to an appropriate index to monitor tracking error.

Equity:

- Russell 3000 Index
- FTSE Developed All Cap ex US
- FTSE Emerging Markets All Cap China A Inclusion Index

Fixed Income:

- Bloomberg US Aggregate Bond Index
- ICE AMT-Free US National Muni Index
- Bloomberg Global Aggregate ex-USD Hedged Index
- ICE BofA US High Yield Constrained Index
- ICE US Treasury Inflation Linked Bond Index (USD)

Alternatives:

- FTSE/NAREIT US Real Estate Index

- Bloomberg Commodity Index

Cash Equivalents:

- Bloomberg 1–3 Month U.S. Treasury Bill Index

Optimization and Implementation

Each June, SPG CMAs are updated and model portfolios are re-optimized using standard mean-variance optimization tools as part of our broader modeling framework. Optimization occurs within ±10% of target weights and prioritizes the mixture with the highest Sharpe ratio, with a practical eye on context.

U.S. Equity via Direct Indexing

U.S. equities are implemented through Altruist's U.S. All-Cap Direct Index model:

- **Coverage**: ~3,000 float-adjusted U.S. stocks (tracks the Russell 3000 Index)
- **Fees**: Up to 15 bps annually proportional to the account's equity allocation, included in SPG's fee
- **Tax Sensitivity**: Daily loss harvesting, lot-level control, and wash-sale compliance
- **Execution**: Automated, fractional-share trading with real-time drift monitoring and no transaction fees

ETF Implementation for Non-U.S. Exposure

Non-U.S. equity, global fixed income, REITs, and alternatives are implemented using ETFs selected for:

- Low expense ratios
- Low tracking error
- Issuer stability

Tax Management Overlay

Taxable portfolios incorporate:

- Automated tax-loss harvesting (via Altruist's TaxIQ)
- Asset optimization across account types
- Municipal bond prioritization in fixed income

Liquidity as a Structural Requirement

SPG core portfolios exclude illiquid investments such as private equity, venture capital, private real estate, hedge funds, or interval funds. While these assets may offer appealing return profiles under certain circumstances, they are fundamentally incompatible with the transparent operational design of SPG and its charitable redistribution model.

Liquidity is not merely a portfolio management preference, it is a structural requirement. Our model relies on a transparent, recurring, and scalable billing process to redirect a percentage of gross advisory revenue to public good. Illiquid or irregularly priced assets disrupt billing consistency, create valuation ambiguity, and introduce administrative friction that undermines both client experience and our philanthropic infrastructure.

Most importantly, illiquid investments often carry higher fees, delayed reporting, and limited exit flexibility, which conflict with our core investment principles: transparency, cost-efficiency, and client-first alignment.

By limiting our core portfolios to daily-liquid public market instruments, primarily ETFs and direct indexing, we preserve operational integrity and ensure that our charitable commitments are fulfilled reliably, without delay or disruption.

Fiduciary Oversight

All portfolios are supported by comprehensive documentation:

- Quarterly statements for performance and tax efficiency
- Client-specific IPS compliance
- Operational and audit readiness

Summary

SPG's investment methodology integrates academic rigor, automation, and structural safeguards to build resilient, tax-aware portfolios that reflect our core principles: disciplined implementation, inclusive wealth-building, and systemic equity.

Our approach is built to pursue long-term success in real markets for real people.

Appendix A - Historical Backtest (Net of Fees)

The table below presents backtested historical performance data for SPG's three core model portfolios: Conservative, Moderate, and Aggressive, each in both taxable and tax-deferred configurations.

These backtests are intended to demonstrate the real-world behavior of SPG portfolios under long-term historical market conditions. While past performance does not guarantee future results, the data offers a robust lens into the risk-return profile of each model over full market cycles.

	Conservative	Conservative (Taxable)	Moderate	Moderate (Taxable)	Aggressive	Aggressive (Taxable)
CAGR	3.78%	3.84%	6.02%	5.61%	8.24%	6.68%
10-Year Trailing CAGR	3.60%	3.51%	7.81%	7.60%	10.75%	10.56%
Standard Deviation	5.23%	4.66%	10.70%	9.67%	15.32%	14.00%
Sharpe Ratio (ex-post)	0.63	0.61	0.55	0.5	0.51	0.46
Max Drawdown	-15.24%	-14.09%	-36.83%	-34.54%	-51.74%	-48.88%
Reliable Data Start Year	2007	1999	2007	1999	2007	1999

The results shown above are hypothetical and reflect backtested performance generated on Portfolio Visualizer (portfoliovisualizer.com) on January 29, 2026. They don't represent the performance of any actual client account. Backtests have important limitations and are influenced by hindsight. Results are shown net of SPG advisory fees (assumed at 1.00% annually) and net of underlying fund expense ratios, to the extent those expenses are reflected in the Portfolio Visualizer return series.

Data and calculations are based on third party sources believed to be reliable, but accuracy and completeness can't be guaranteed. Any "Taxable" results are shown gross of taxes and don't reflect the impact of federal, state, or local taxes, which vary by investor.

Past performance doesn't predict future results. Investing involves risk, including the possible loss of principal.

Model Descriptions:

- **Conservative**: A capital-preservation oriented portfolio aimed at prioritizing lower volatility and steadier income, with limited growth exposure. Fixed income is expected to be the primary return driver, while the equity allocation is intended to provide some inflation sensitivity and incremental upside over time. Although generally less volatile than equity-heavy models, it can still experience losses, particularly when interest rates rise or credit spreads widen.

- **Moderate**: A balanced portfolio intended to seek a mix of growth and income with moderate overall volatility. Equities provide upside potential, while fixed income is meant to help dampen drawdowns, provide income, and support rebalancing during equity market declines. Investors should still expect losses during market stress, but typically less severe than higher-equity allocations.
- **Aggressive**: A growth-focused portfolio designed for investors who can tolerate meaningful short-term swings in account value in pursuit of higher long-run returns. Equity exposure drives most of the performance and most of the volatility, while the fixed income sleeve is primarily intended to provide modest diversification and liquidity, not capital stability. Best suited for longer time horizons and investors who can stay invested through market downturns.

Important Disclosures

Registration and Scope: Shared Prosperity Group, LLC (SPG) is a registered investment adviser (RIA) and provides advisory services only where registered, notice-filed, or exempt. Registration does not indicate any specific skill or training.

Giving Program:

- **Purpose and Duration**: SPG's giving program, called "structural generosity," is written directly into its operating agreement as a permanent feature of the business. It's designed to move beyond token, performative philanthropy in finance by making generosity part of the firm's core infrastructure, consistently directing capital to high-impact needs without adding burdens to clients, sparking contentious political fights, or depending on changes to existing tax policy.
- **Commitment**: Every month, SPG donates at least 10% of its gross revenue (cash basis) to SPG-vetted U.S. 501(c)(3) organizations, funded solely by SPG, not client assets.
- **Control**: SPG independently determines donation amounts, timing, and recipients. Input from clients or prospects, including surveys, is nonbinding. They have no authority or control over the program and do not select recipients.
- **No Solicitation or Client Impact**: SPG neither requests nor accepts charitable contributions from clients or prospects. Donations are funded entirely by SPG revenue. Clients are never asked to contribute, and giving does not affect fees, returns, investment recommendations, or portfolio management. Clients do not receive tax deductions.
- **Boost Months**: Each quarter, SPG may direct an entire month's donation to a single high-impact organization to amplify its impact.

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Performance and Risk: All investing involves risk, including the potential loss of principal. Past performance does not guarantee future results.

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