



# Investment Management Process

An Overview of  
Methodology & Application



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Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Fusco Financial Services is not a registered broker/dealer and is independent of Raymond James Financial Services. Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC.



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# ABOUT FUSCO FINANCIAL

## Our History

- Practice formed in 1986
- Joined Raymond James in 2012

The practice's history, while easy to calculate in years, is difficult to quantify in its contribution, even though it is significant. Over the organization's more than 30-year existence, we have gained the experience that comes with managing money during difficult market cycles, including the crash of 1987, the bond market massacre of 1994, the tech boom of the late 90's and the subsequent bubble burst of the early 2000's, the Great Recession of '08 and '09, and the vast expansion we have experienced since.



Focus on Financial Planning & Wealth Management

Hold more than \$750 Million in client assets\*

Work with approximately 400 households\*

Our scope remains deliberately focused on financial planning and wealth management. We are discerning about who we bring on as clients, making sure not to expand beyond what our extensive service model can support. In regard to financial planning, we have the ability to utilize both needs-and-goals-based analysis, and are more than happy to work with your accountant or estate planning attorney to incorporate their projections into the plan. We also have a full range of offerings at our disposal to help address life insurance and long-term care needs.

## Our Approach

- Use a discretionary advisory approach to managing assets
- Use a dedicated account review and rebalancing process
- Believe contact, transparency and accountability are paramount to the client experience

Finally, our approach, while consistent in its goal since the company's founding, has been continually enhanced over the years as technology has changed and new associates have been added to the team. We utilize a discretionary advisory approach that is product agnostic, and most closely aligns our interests with our clients'. In addition, we feel that being transparent about how each strategy is managed and also what we charge is not only in clients' best interest, but also provides a level of accountability that helps strengthen the client relationship. Finally, we add a layer of dedicated review and rebalancing that ensures strategies always represent our best ideas and timing, and keeps client accounts in line with their stated objectives.

*While we primarily offer fee-based advisory services charging a flat fee based on a client's total assets under advisement if deemed appropriate and in our client's best interest, we also provide commissioned brokerage services.*

\*As of 12/31/24

# THE FUSCO FINANCIAL TEAM



Our people are quite possibly our biggest strength and bring a collective 140 years of combined investment industry experience. Our associates are comprised of nine Series 7 licensed individuals, four General Principals (Series 24 or Series 9/10), and numerous advanced degrees and certifications, including MBA, MSFS, CFP, CFA, ChFC, CAP, AIF, and CIMA. We continue to encourage and support our associates to pursue additional educational achievements.

In addition, Fusco Financial is truly a team-based environment. Our clients are clients of the organization, and not any one individual advisor or associate. This allows each associate the ability to concentrate on their most effective use of time, all the while knowing that other team members are both well-versed and available to assist clients with issues that suit their expertise. We believe this gives Fusco Financial a tremendous competitive advantage over our peers that do not have a team-driven focus.

\* Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, CFP® (with plaque design) and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

# RAYMOND JAMES AT A GLANCE

## By The Numbers

- Approximately 8,800 financial advisors
- Approximately \$1.57 trillion in total client assets
- More than 2x the required total capital ratio
- A-, stable outlook credit rating (Fitch)\*

Fusco Financial's relationship with Raymond James (RJ) is very important, and we strive to help our clients understand how we work with RJ to better serve them.

Fusco Financial began working with Raymond James in 2012 after an exhaustive search for a broker/dealer that most closely aligned with our own corporate culture and "client first" approach. Raymond James was formed in 1962, and the firm's conservative approach has led to more than 147 quarters of profitability, even during the "Great Recession."

**Raymond James' 147 consecutive quarters of profitability are not happenstance. They are the result of a well-diversified set of businesses combined with an effective, disciplined corporate strategy.**

The functions and services provided by RJ are essential to our business and include: custody of assets, clearing of trades, statement generation, technology suites, compliance, licensing, and regulatory oversight. It is important to remember that Fusco Financial had the choice and opportunity to not align with a broker/dealer, but did just that in order to provide an added layer of protection for our clients. Fusco Financial never takes constructive receipt of any client assets, and has no ability to override the reporting that is provided by Raymond James. This adds to the transparency that we strive to maintain.

Raymond James is the nation's second largest independent broker/dealer, with more than 8,800 financial advisors nationwide. And while RJ's size provides us with certain competitive advantages, it is important to note that we also maintain our own autonomy.

STRENGTH AND STABILITY - Earnings Per Share (Basic)



\*As of September 30, 2024. A credit rating of security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency. Past performance is not indicative of future results. The information provided is for informational purposes only and is not a solicitation to buy or sell Raymond James financial stock.

# HOW WE MANAGE MONEY

The methodology for Fusco Financial's investment process and strategy management is based on the relationship between three important components:

## Macro Factors

- Geo Politics
- Economy
- Interest Rates
- Liquidity

## Asset Allocation

- Portfolio Objectives
- Forward Assumptions
- Asset Class Constraints
- Risk Vs. Return

## Investment Selection

- Methodology
- Scorecarding
- Qualitative Analysis
- Evaluate, Review and Change

Macro Factors are the most wide-reaching and least quantifiable. These often represent the risks that cannot be reduced in the strategies solely by adding diversification. They are also the factors that most often grab headlines and cause the most emotional reaction from average investors.

Asset Allocation is centered primarily on determining the general risk versus return distribution in each strategy, based on the four different objectives we utilize. These asset allocation frameworks are based on an understanding of the Macro Factors, as well as a series of honed forward-looking assumptions that are developed using our internal methodology and deployed using a dual application approach.

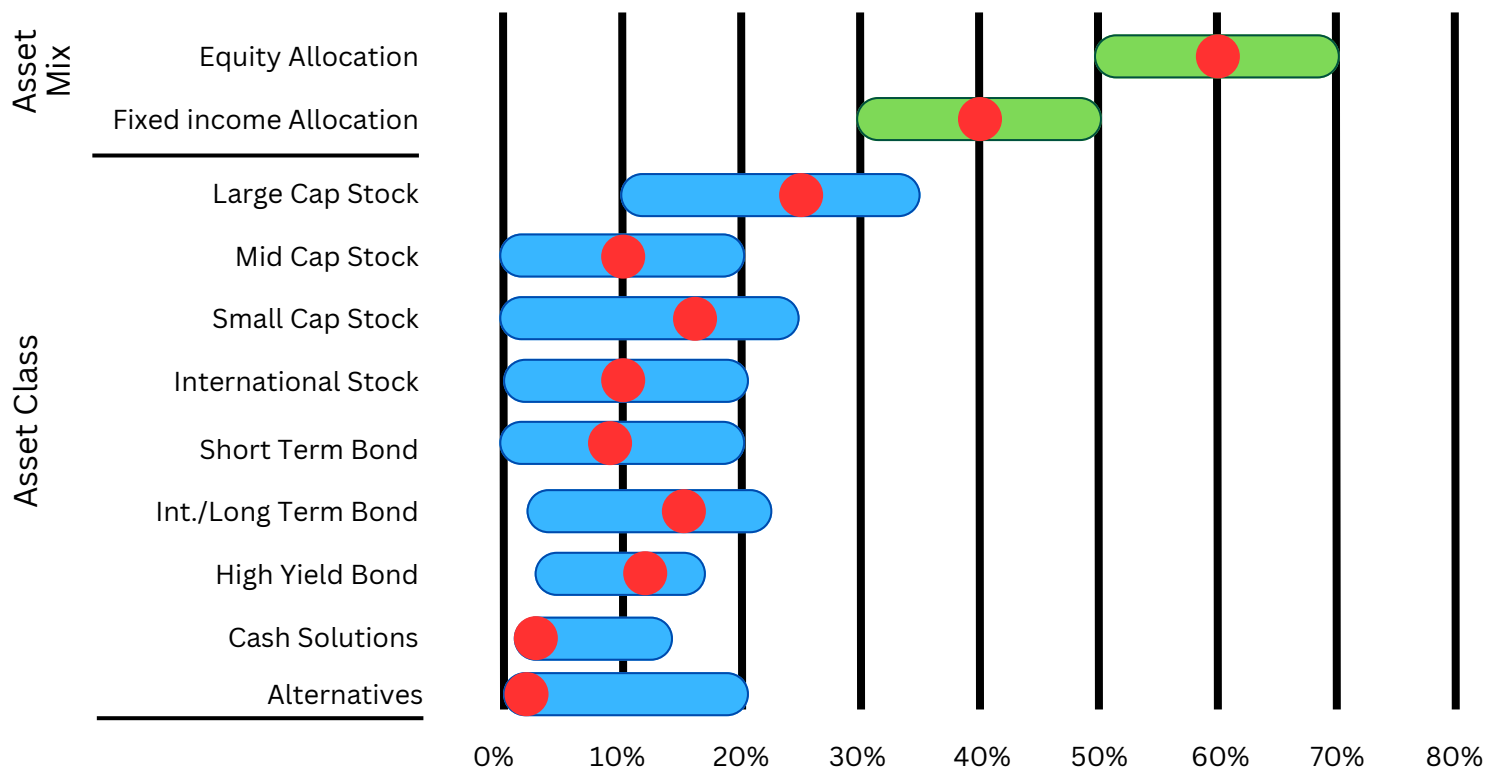
Investment Selection is broken into two separate functions: what investments are available for use in our strategies, and what defines how they are maintained once they are being used.

The first part of the selection process aims to reduce the investment universe per asset class to a manageable list using quantitative analysis that can then be further reviewed using a qualitative approach. This Scorecarding methodology is very complex and relies on a weighted system that is designed to identify constraints important to us, with return being secondary to risk.

The second part of the process is focused on reviewing the investments we are currently using in our strategies to make sure that their continued use is warranted. The review process is completed using a process that measures risk-adjusted returns over multiple time periods and then compares them to their peer group.

# ASSET ALLOCATION PROCESS

Strategy Example  
Asset Class Target Allocation & Constraints



Asset allocation strategies are determined using forward looking market assumptions at the asset class level. In order to ensure that the forward looking assumptions do not deviate from long standing practice beliefs in regards to risk and return, each asset class is assigned a target allocation. Then, an upper and lower constraint is assigned to each asset class so that the forward assumptions cannot allocate beyond the targeted limits that keep risk at an acceptable level.

Each objective is also assigned a base target allocation of equity versus fixed income exposure that correlates to their historical Fusco Financial norms. These asset mixes are also assigned upper and lower constraints, with limits that are designed to restrict the allocations from overlapping with other objectives. In addition, asset allocations used in the forward looking assumptions have been standardized at a more basic level than what is normally used in the finished strategies. This standardization is important as it is applied to each investment objective, and the smaller number of asset classes helps ensure that the forward looking assumptions don't correlate too closely to the existing strategies, thus reducing confirmation bias.

Finally, there are two asset classes who inclusion sees their target allocation at one end of their normal constraints. These are Cash Solutions and Alternatives. For Cash Solutions, even though the upper constraint can be significantly higher, the base allocation sits at the boundary of the lower constraint (normally 3%). For Alternatives, the base allocation is 0% for each objective, even though the upper constraints are much higher.

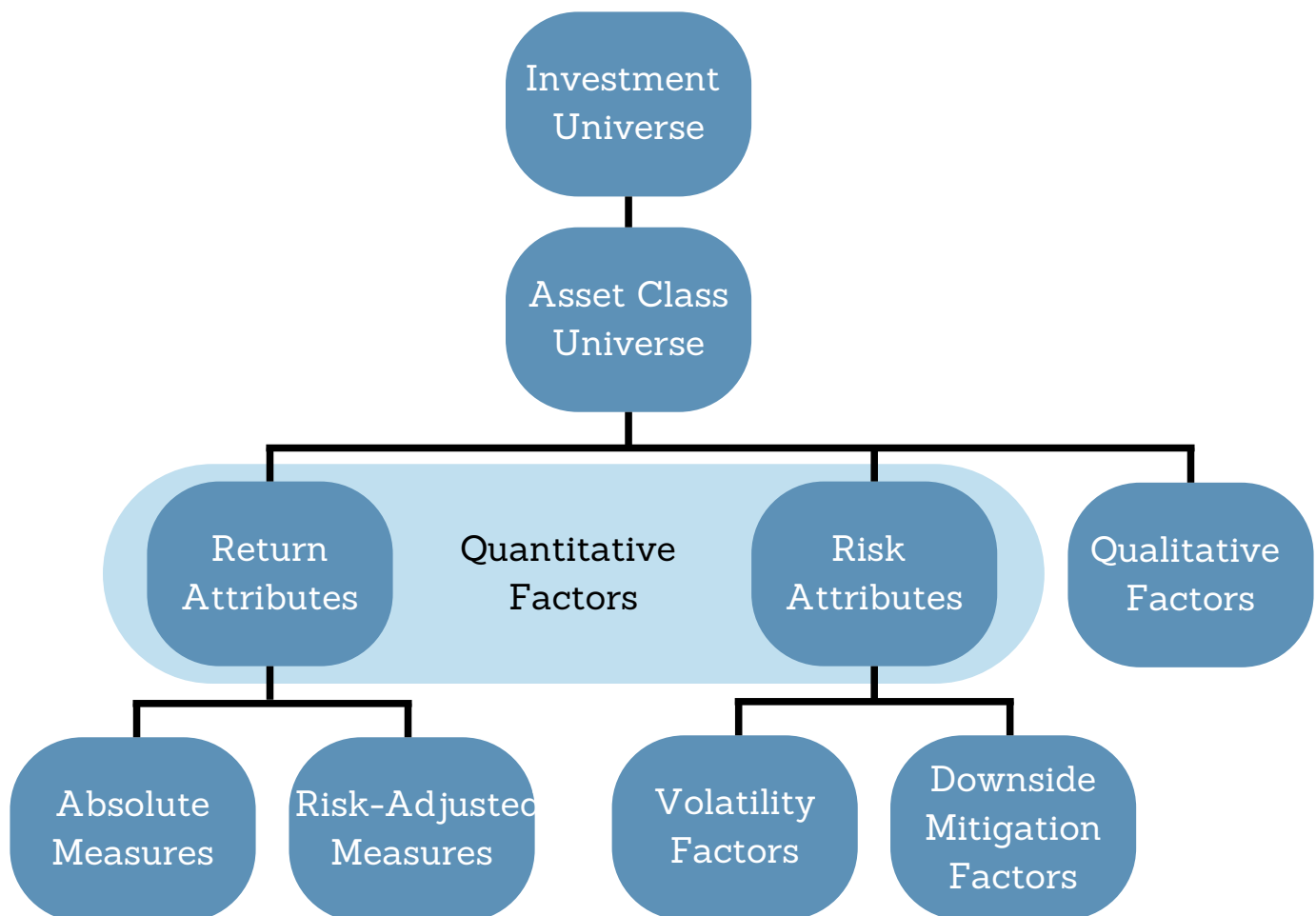
*Note: Any charts and tables presented herein are for illustrative purposes only and should not be considered as the sole basis for an investment decision. There can be no assurance that the future performance of any specific investment or investment strategy made reference to be profitable or equal any corresponding indicated historical performance level(s). This information should not be construed as a recommendation. Capital Market Assumptions are forward looking data and subject to change at any time and there is no assurance that projections will be realized. Variations to capital market assumptions are expected and specific sectors or industries are more susceptible due to their increased vulnerability to any single economic, political or regulatory development.*

# INVESTMENT SELECTION

Strategies will be populated with investments that have been reviewed and have satisfied the requirements set forth in the selection methodology, which relies on a dual approach: quantitative analysis and qualitative analysis.

The process starts with the total investment universe available to Fusco Financial, and is then separated into each asset class present in our strategies. This filtered investment menu is then scored based on how each possible holding compares to its peers when measured by certain risk and return attributes.

The majority of the numerical inputs used in the investment selection process are for quantitative factors, and aim to reduce the possible investment options to a manageable list, for which the qualitative factors will then be utilized to determine which investments will be added to each strategy. Each of the risk and return attributes may be subject to measurement over different time frames, and each factor is weighted, helping ensure that the resulting list of investments is more dependent on seeking risk mitigation than return optimization. A more detailed breakdown of the factors used to select investments follows this section.





# SELECTION FACTORS

## Return Factors

- **Rolling Returns:** Trailing returns over a period of time.
- **Average Yield:** Return which represents the present value of future interest and principal payments at the current price of the holding.
- **Information Ratio:** A risk-adjusted performance measure that determines a portfolio manager's ability to generate excess returns to relative to a benchmark.
- **Upside Capture Ratio:** A percentage of the up-market performance captured by an investment relative to the benchmark.

## Risk Factors

- **Beta:** Measures the systematic risk with respect to a benchmark.
- **Sortino Ratio:** A risk-adjusted measure calculated by using downside risk and excess return to determine reward per unit of risk.
- **Average Credit Quality:** Credit quality of a fixed income holding as given by a credit rating agency.
- **Duration:** A bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder.
- **Treynor Ratio:** A risk-adjusted measure calculated by using beta and excess return to determine reward per unit of risk.
- **Maximum Drawdown:** Quoted as a percentage of the peak to trough decline during a specific record period of an investment.
- **Downside Capture Ratio:** A percentage of the down-market performance captured by an investment relative to the benchmark.

## Other

- **Net Expense Ratio:** Expenses (net of all waivers and concessions) divided by the fund's average net assets.
- **Style Consistency:** Return which represents the present value of future interest and principal payments at the current price of the holding.
- **Turnover Ratio:** Measures the portfolio manager's trading activity.
- **Morningstar Risk-Adjusted Return:** Equals the investment's historical excess returns minus its historical risk, and measures a fund's downside volatility.

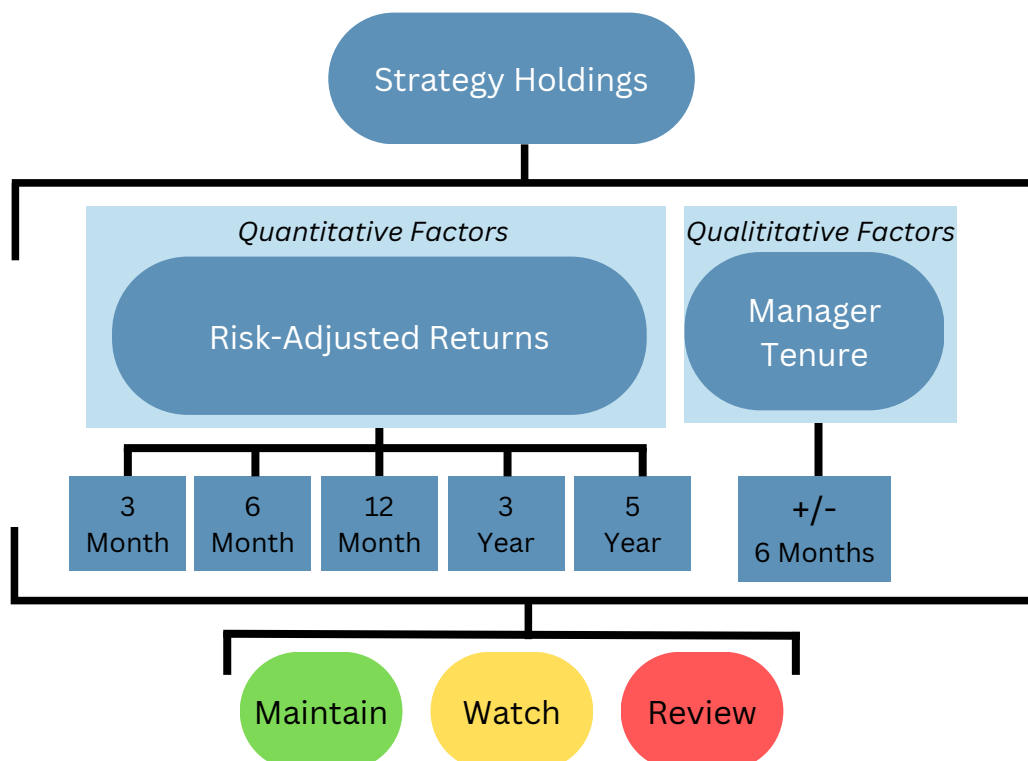
# INVESTMENT REVIEW

All investments used in our strategies, as well as those we track for possible inclusion, are reviewed on an ongoing basis using a specific criteria. This criteria is used to determine the continued viability of investments being used, and presents clear results upon which action can be taken to either maintain or replace an investment holding. The criteria is split between quantitative and qualitative factors, and just like the investment selection process, the review process relies heavily on the quantitative factors.

The results are then aggregated and applied to a scale in order to determine what course of action should be followed. It is important to note that these action items are not meant to duplicate a strict Buy/Sell/Hold process. The action items are meant to give direction to the analytical team for further analysis.

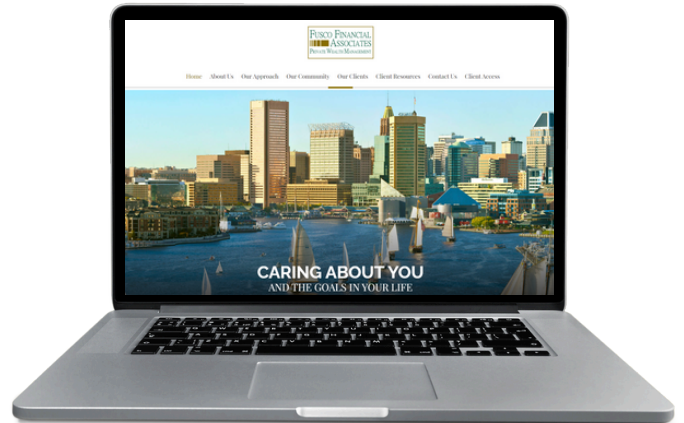
Time Period	Ideal Performance Threshold
3-Month	50th Percentile or Better
6-Month	50th Percentile or Better
12-Month	45th Percentile or Better
3-Year	35th Percentile or Better
5-Year	25th Percentile or Better

The review criteria is used to determine the continued viability of investments currently being used in our strategies, as well as other investments deemed suitable as replacements if needed.



# STAY CONNECTED

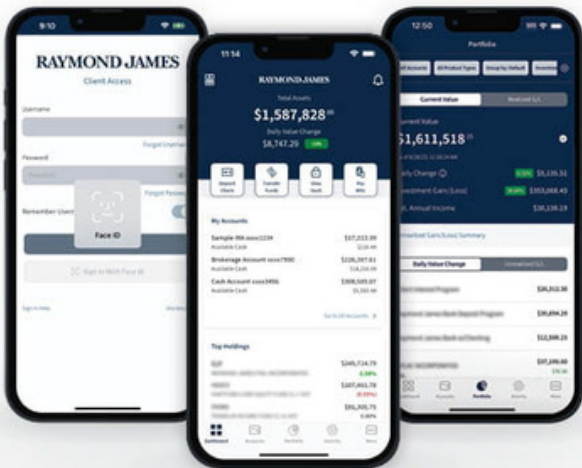
We are pleased to offer numerous ways to stay connected to your portfolio, and our team. We are always available to help, and look forward to hearing from you.



Our clients know that we are here to help them with whatever they may need, and that there are multiple ways to find the help they seek.

We are always available during working hours to speak in person, and we welcome our clients to come into the office to review their financial plans or portfolios on a regular basis. In addition, we reach out to all of our advisory clients at least annually, and often much more frequently.

We also have a dedicated electronic presence as well. Our website provides a great deal of information about Fusco Financial, our team members, market information, and access to the RJ online portal. In addition we regularly send out market commentaries through email. We have a dedicated Facebook and LinkedIn page as well. Finally, all of our associates can be reached directly by email.



Our clients also have access to account specific information using Raymond James' Client Access system, which is a comprehensive web portal that includes information on portfolio holdings, account transactions, copies of statements and correspondence, market information, and account reports. All of this functionality is also available in a native mobile app as well.

Regardless of how, or how often, we strive to let our clients know that we are available to assist them in any way.



## **IMPORTANT DISCLOSURES**

Any opinions are those of the Investment Manager(s) and their team and not necessarily those of Raymond James. Opinions are subject to change at any time without notice. Content provided herein is for informational purposes only and should not be used or construed as investment advice or a recommendation regarding the purchase or sale of any security outside of a managed account. This should not be considered forward looking and does not guarantee the future performance of any investment.

All investments are subject to risk, including loss. There is no assurance that any investment strategy will be successful. Asset allocation and diversification does not ensure a profit or protect against a loss. It is important to review the investment objectives, risk tolerance, tax objectives and liquidity needs before choosing an investment style or manager.

This Fact Sheet is not intended to be a client-specific suitability analysis or recommendation. Do not use this as the sole basis for investment decisions. Do not select an investment strategy based on performance alone.

The individual(s) mentioned as the Investment Manager(s) are Financial Advisors with Raymond James participating in a Raymond James fee-based advisory program. This is an investment advisory program in which the client's Financial Advisor invests the client's assets on a discretionary basis in a range of securities. Raymond James investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be suitable for you.

In a fee-based account clients pay a quarterly fee, based on the level of assets in the account, for the services of a financial advisor as part of an advisory relationship. In deciding to pay a fee rather than commissions, clients should understand that the fee may be higher than a commission alternative during periods of lower trading. Advisory fees are in addition to the internal expenses charged by mutual funds and other investment company securities. To the extent that clients intend to hold these securities, the internal expenses should be included when evaluating the costs of a fee-based account. Clients should periodically re-evaluate whether the use of an asset-based fee continues to be appropriate in servicing their needs. A list of additional considerations, as well as the fee schedule, is available in the firm's Form ADV Part 2 as well as the client agreement.

## **ASSET CLASS RISK CONSIDERATIONS**

Every type of investment, including mutual funds, involves risk. Risk refers to the possibility that you will lose money (both principal and any earnings) or fail to make money on an investment. Changing market conditions can create fluctuations in the value of a mutual fund investment. In addition, there are fees and expenses associated with investing in mutual funds that do not usually occur when purchasing individual securities directly.

*This strategy may contain Exchange Traded Funds (ETF) and/or Mutual Funds. Investors should carefully consider the ETF and mutual fund investment objectives, risks, charges, and expenses before investing. The prospectus contains this and other information and can be obtained from the ETF or Mutual Fund sponsor as well as from your financial advisor. The prospectus should be read carefully before investing.*

**Equities:** Investors should be willing and able to assume the risks of equity investing. The value of a client's portfolio changes daily and can be affected by changes in interest rates, general market conditions and other political, social and economic developments, as well as specific matters relating to the companies in which the strategy has invested. Companies paying dividends can reduce or cut payouts at any time.

**Fixed Income:** All fixed income securities are subject to market risk and interest rate risk. If fixed income securities are sold in the secondary market before maturity, an investor may experience a gain or loss depending on the level of interest rates, market conditions and the credit quality of the issuer. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. Please note these strategies may be subject to state, local, and/or alternative minimum taxes. You should discuss any tax or legal matters with the appropriate professional.

**High-yield bonds** are not suitable for all investors. The risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of your portfolio

**International investing** involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.

**Alternative Investments** involve substantial risks that may be greater than those associated with traditional investments and may be offered only to clients who meet specific suitability requirements, including minimum net worth tests. These risks include but are not limited to: limited or no liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regulatory and reporting requirements. There is no assurance that any investment will meet its investment objectives or that substantial losses will be avoided.