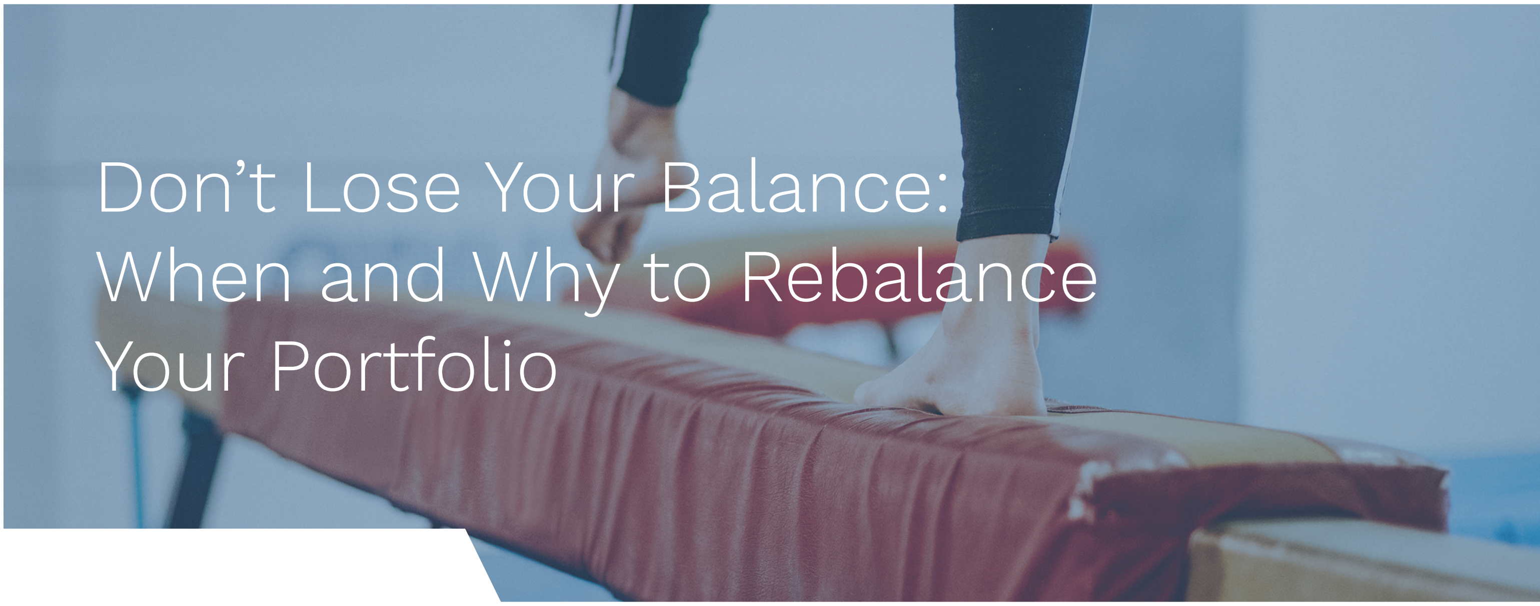
CION INVESTMENTS



Don’t Lose Your Balance: When and Why to Rebalance Your Portfolio

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Everyone invests for a reason. When you sat down with your financial advisor for the first time, the questions you answered helped to set you off on a path towards the financial future you had envisioned. Your advisor put together a plan to find the right balance of risk and return to meet your needs.

Whether it be to work towards broader long-term goals like paying a child’s college tuition, a new home, or a relaxing retirement, or more specific short-term milestones you’d like to hit along the way like a rental property or a boat.

Since you walked out of that first meeting with your investment plan and its corresponding target asset allocation, things have changed. Even if your financial priorities haven’t shifted, your portfolio likely has.

Markets are always moving. They may trend up or down over a long period of time or periods of volatility can result in large short-term swings in value. No matter where they are trending, the shifting winds of financial markets can carry your portfolio to unintended places.

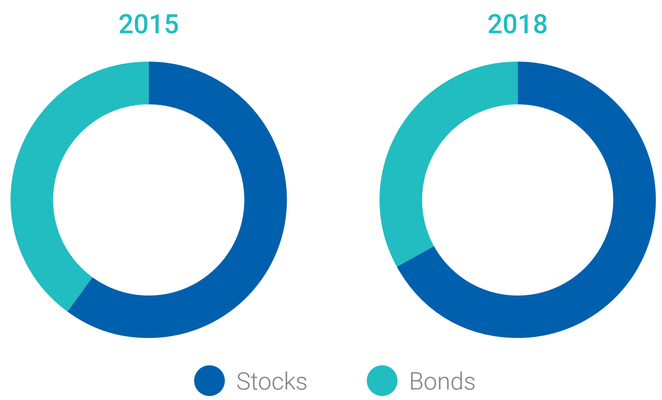
How then, can you ensure you remain on the path your advisor set for you? Especially with the end of the year in sight, it may be time to restore your balance.

WHAT DOES REBALANCING A PORTFOLIO MEAN?

Rebalancing a portfolio is the process of restoring the weightings of portfolio assets to their original desired levels.

The balance within your portfolio was chosen carefully and specifically by your financial advisor to help you maintain the right amount of risk and expected returns necessary to give you the best chance at achieving your primary financial objectives.

Consider a simple hypothetical portfolio, established in 2015, with a target allocation consisting of 60% stocks[1] and 40% bonds.[2]



Over the last three years equity returns have sharply outpaced those of fixed income 41% to 4%. As a result, the hypothetical portfolio today would consist 67% stocks and 33% bonds.

After only three years, this portfolio is exposed to more equity risk than their advisor determined was suitable for their client's goals. A downturn in equity markets would result in a larger drop in overall portfolio value than it would at the original target allocation of 60%.

It is time to rebalance.

WHEN SHOULD INVESTORS CONSIDER REBALANCING?

When it comes time to rebalance a portfolio for the first time, it is good practice to establish a regular frequency to revisit in the future as a means of staying on track. There are inputs to consider in the rebalancing process, namely transaction costs and potential tax considerations when realizing capital gains or losses. For most investors, rebalancing once per year is appropriate.

Additionally, your financial advisor may set thresholds for your various allocation targets and trigger a rebalance when your portfolio drifts beyond them. For example, in our hypothetical portfolio of 60% stocks and 40% bonds, the financial advisor may set a threshold of 65% stocks. When the portfolio values shift beyond that figure, the rebalancing process would begin.

It is common practice for financial advisors to implement a combination of these two strategies. For example, an advisor may set allocation thresholds and an annual rebalance review date. Should your portfolio become unbalanced before the chosen date next year to the extent that it trips a threshold, your advisor would begin to rebalance then.

HOW TO REBALANCE YOUR INVESTMENT PORTFOLIO

RECORD

When your financial advisor designed a portfolio for you, he or she gathered information about your unique financial situation and put together a target asset allocation suited for your goals. In order to restore the balance of your portfolio at a later data, you will need to keep a record of the strategy created for you. Important things to include are the total cost of each security, total value of each asset class, and total value of the portfolio. You will need these values to compare against at a later date.

REVIEW

On the date you have scheduled your annual rebalance, it will be time to review the value of your portfolio and the individual asset classes against the records you made. You can calculate your asset class weights by dividing their current value by the new total value of your portfolio. Have the weightings changed materially from your original targets? If not, you do not need to rebalance at this time. If they have changed significantly, it is time to move forward with rebalancing.

[1] Stocks and stock returns represented by the S&P 500 Index

[2] Bonds and bond returns represented by the Bloomberg Barclays U.S. Aggregate Bond Index

REBALANCE

If your portfolio review reveals that your asset class weightings have shifted away from the targets laid out in your investment plan, your financial advisor will begin the process of rebalancing. There are a few different ways that he or she can proceed to make the changes. Your advisor may simply sell excess securities in asset classes over your thresholds and transfer the money to underweight asset classes. They may also reinvest profits from winning trades over time into lagging asset classes, for example stock dividends may be collected and used to fund bond purchases. Finally, you can always direct any new money into the lagging asset classes if you are investing a portion of your paychecks or bonuses.

FIND YOUR BALANCE – AND KEEP IT

One of the most important concepts in investing is the principle of asset allocation. The mix of assets in your portfolio is integral to staying on track when it comes to pursuing investment objectives, but it does not end with your first meeting with your financial advisor. Periodic check-ins on your portfolio's movements over time are vital to ensure that the plan your financial advisor made for you is still in place. By creating a rebalancing plan and sticking to it, you give yourself the best chance to keep your balance and continue your pursuit of your long-term investment goals.

To learn more please contact your financial advisor.

The information contained herein is intended to be used for educational purposes only. Investment plans and portfolio rebalancing do not guarantee against investment losses but are intended to help manage risk and return.