Park 10 Financial, LLC

HOW WE ARE DIFFERENT

How is P10 Different From Other Advisors?

- We are legally obligated to place your best interests before any other party
- We use technical analysis and charting
- We believe wide diversification does not improve performance
- We use an “All Cap” strategy
- We use growth and momentum

P10 is Legally Obligated

- As a privately owned Registered Investment Adviser (RIA), Park 10 Financial is **legally obligated to place your best interests before any other party** (including us) when we manage your investments.
- We charge a fee for managing the account and that fee is based on the assets under management.
- If the account balance grows, so does our fee. If the account balance is going down, so does our fee.
- This puts **our interests in line with the client's interest**: we both want the account balance to grow so we will both make money.

P10 Uses Technical Analysis

- Unlike most financial advisers, Park 10 Financial uses technical analysis to determine entry and exit points into the market
- We believe that under certain situations it is best to be out of the market in order to avoid large losses that the market can suffer.
- We do not believe "buy and hold" is the best approach for our clients.
- We use several market indicators to determine when entry and exit points occur.

How Technical Analysis Can Improve Portfolio Performance

We want to share how using our indicators can be helpful in avoiding large downturns in the market.

The next chart reveals the period from October 2007 to October 2011 to illustrate how charting could have prevented a client from experiencing the 50% declined that occurred from May 2008 to March 2009.

This chart is showing the period from October 2007 to October 2011 to illustrate how charting could have prevented a client from experiencing the 50% declined that occurred from May 2008 to March 2009.

Our indicator showed it was time to exit the market on May 20, 2008 with the ETF used to track the S&P 500 index (SPY) at $121.73. As the chart shows the market continued downward until it reached its bottom of $60.30 in March of 2009. Our exit avoided this extreme decline in market value.

On March 12, 2009, the market began its ascent from the bottom and on May 5, 2009, our indicator showed it was time to re-enter the market at a price of $78. The market moved back up to our original sell point of $121.73 on February 10, 2011. If you had taken a “buy and hold” approach, you would have seen your investment experience a drastic 50% decline and then gradually recover to a break-even point about 3 years later. If you had used our indicator, you would have avoided the 50% decline and then experienced a 56% gain from May 2009 to February 2011. Which scenario makes more sense to you?

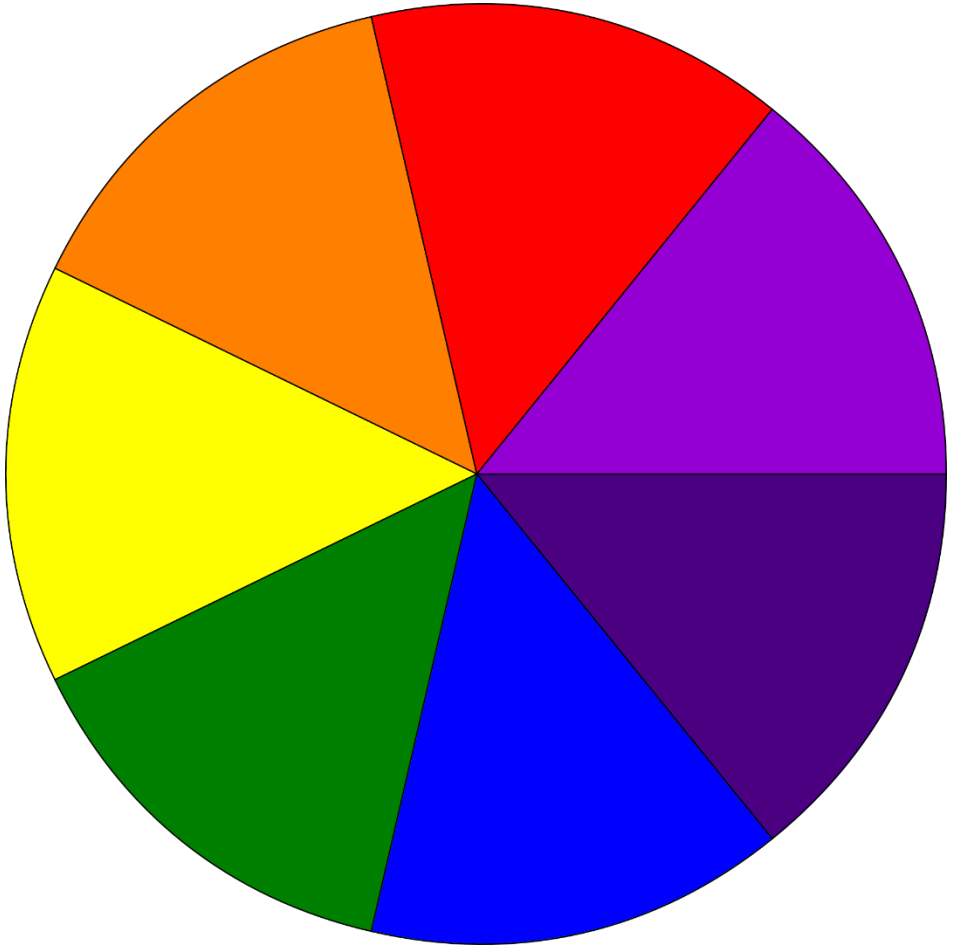
This is not just a one-time occurrence. A similar large drop in the market occurred during February and March of 2020.

Wide Diversification does not Improve Performance

- We do not believe that the more diversified a portfolio is the better it will perform.
- We do not subscribe to the old Modern Portfolio Theory (MPT) developed in the 1950s.
- MPT basically states that the best way to obtain increases in account values is to scatter a client's account across several asset classes and thus when some of these asset classes are down in value, others will hopefully be up in value resulting in the account having a positive return.

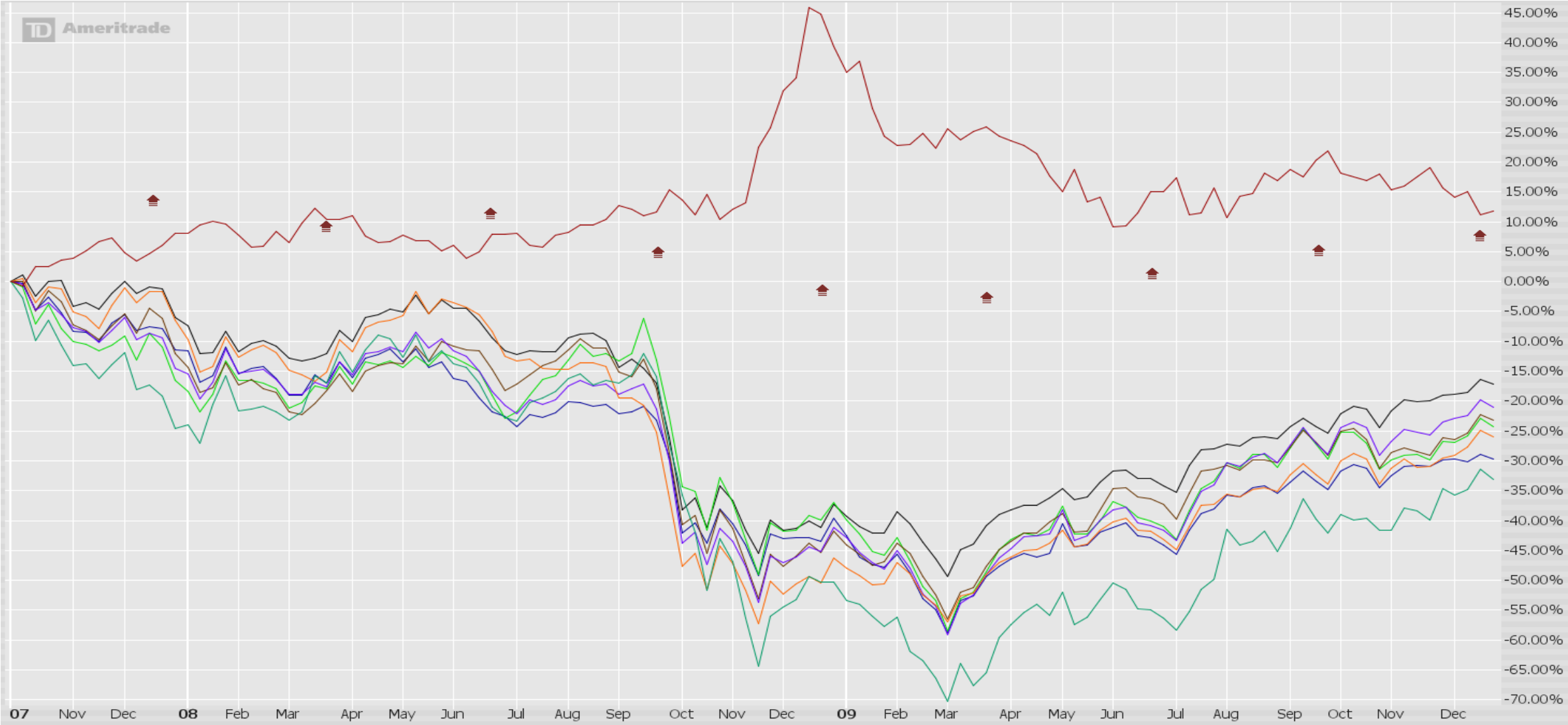
Most financial advisers want to put some of the account value into these common asset classes:

- Large Cap Growth
- Large Cap Value
- Mid Cap Growth
- Mid Cap Value
- Small Cap Growth
- Small Cap Value
- Real Estate Funds
- Some Type Of International Fund
- Some In A Bond Fund



- The MPT approach did work until the downturn in 2000.
- Since that time whenever there is a major downturn in the market, all these asset classes have gone down in value at the same time.
- During the 2008 downturn only two investments that did not lose value were long-term U.S. treasury bonds and pork bellies, on the commodity market.
- The problem with MPT is that everyone is using it and all the individual asset classes move in the same direction at the same time, we call this, correlation.

The chart on the next slide shows this correlation during the during the spring of 2020 downturn downturn.


TD Ameritrade
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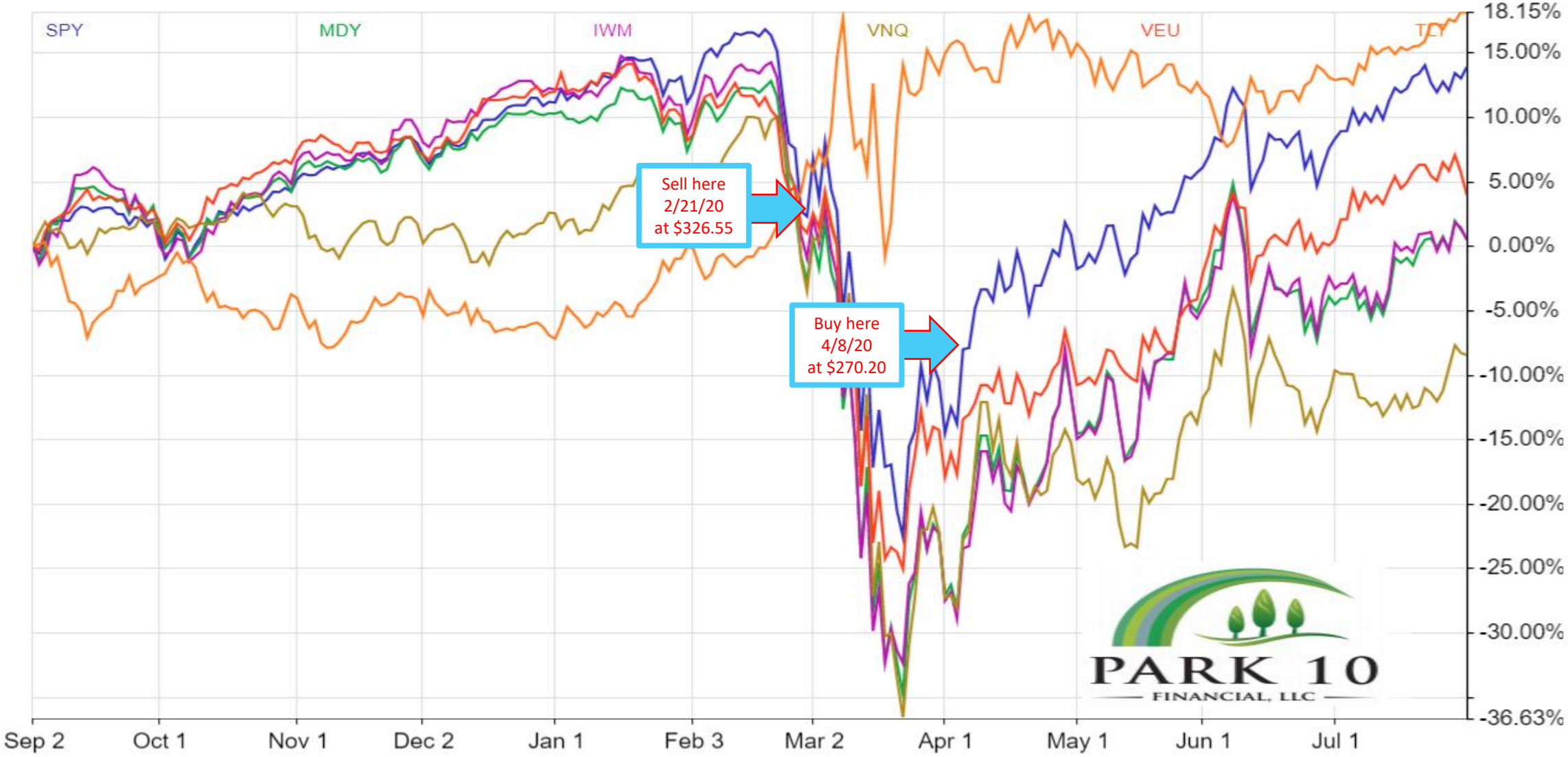
SPY
MDY
IWM
VNQ
VEU
TLT
Sell here
2/21/20
at $326.55
Buy here
4/8/20
at $270.20
18.15%
15.00%
10.00%
5.00%
0.00%
-5.00%
-10.00%
-15.00%
-20.00%
-25.00%
-30.00%
-36.63%
Sep 2
Oct 1
Nov 1
Dec 2
Jan 1
Feb 3
Mar 2
Apr 1
May 1
Jun 1
Jul 1
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- This same correlation was evident again in 2011 when the market went down over 22% in a few months and again in the spring of 2020 when the market went down 34%.
- Even Warren Buffett agrees with us on the myth of the infallibility of diversification, as he once stated, "Wide diversification is only required when investors do not understand what they are doing." In fact, it is a known that at one point in his investing career he had half on his money invested in just one stock.
- The main expectation of diversification is spreading the possibility of loss across a larger number of assets but even that does not prevent losses in a portfolio as evidenced by the losses suffered during the market declines in 2008, 2011, and 2020.

P10 Uses an “ALL CAP” Strategy

- Instead of buying some large cap stocks, some mid cap stocks, some small cap stocks, etc., Park 10 Financial, uses an approach called an "All Cap" strategy where we buy the stocks that we anticipate moving higher, no matter the size of the company.
- Further, why buy 500 to 1,000 stocks to give us "wide diversification", to use Mr. Buffett's phrase, when we could improve our portfolio's performance by using a much smaller number of securities?

P10 Uses a Growth/Momentum Combination

- We do not limit our portfolio to a growth or momentum mandate.
- Park 10 Financial uses a growth and momentum combination approach to find securities for the portfolio.
- Our research, along with other studies, has shown that a combination of these two factors is what enhances portfolio returns.

Use P10's Differences to Your Advantage

If these five differences make sense to you, then you are a good candidate for becoming a client of Park 10 Financial.

We look forward to meeting with you and using our expertise to help you reach your financial goals.

Contact

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