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A FAMILY OFFICE

VIEWS FROM THE BRICK

KNOW WHAT YOU OWN

“Know what you own and why you own it.” Peter Lynch earned his way into the Mt. Rushmore conversation of investors. Over a storied career at the helm of the Magellan Fund, Lynch directly impacted the investors who entrusted him with their assets for over thirteen years (1977-1990), churning out annual returns of more than 29%¹. But despite the fact Lynch grew the fund from \$20M in assets to more than \$14B, perhaps his biggest contribution to the investing community were words to live by. Mr. Lynch was known for coining several phrases and articulating his investment philosophy in a concise manner. We think Peter’s mantra of “know what you own and why you own it” is something that will apply to investors throughout time. And with today’s technology, it’s something every investor should obey.

A DOUBLE-EDGED SWORD

Investors are dealt a tough draw. Whether you’re someone who’s amassed sizeable wealth over time, or simply making your monthly contribution to your 401k, you’re pretty much given a pat on the butt and a good luck wish and sent on your way. In a world that is flooded with information and product by demand, combined with regulation and competition over the years, it seems like investors have bitten off more than they can chew. What’s an investor supposed to do when trying to pick an offering out of the pile? They’re trained to believe diversification is the only free lunch, but what makes this fund better than the next? What makes this ETF’s construction methodology more attractive than the other one? How many exposures does your portfolio need? What does it all mean after an investor digs through the 5,000 ETFs, 7,000 mutual funds, 3,000 individual stocks and \$40.7T in bonds listed on U.S. exchanges²? Trying to chew all of that sounds like a recipe for lockjaw. Once you think you’ve developed a plan, you’re bombarded with 24/7 noise covering the global capital markets leaving investors asking more questions than they potentially started out with, none more common than “what does this mean for me?”

For some, they might be able to afford to seek out help when managing this selection process. But that

doesn't help investors live any closer to the mantra set out by Mr. Lynch. If you just pass the buck onto your advisor, are you really any the wiser? For so long, investors would enter opaque mysterious relationships with financial advisors that left them on the outside looking in when it came to their own portfolios.

But over time, what's come along with all of the investment options and information available for investors is an explosion within fintech that can help bring clarity to one's portfolio after it's been implemented. And investors are now demanding clearer and more concise reporting of useful information that lets them know exactly how they're situated at all times.

CHECKS AND BALANCES

The value in having clear, transparent and comprehensive reporting of your portfolio at your fingertips cannot be stressed enough. It would appear investors are beginning to realize this and are letting the industry know that it matters to them. A study conducted by the CFA Institute in 2016 revealed what gray areas investors had when analyzing their own investment relationship. When asked how confident they were if an independent third party reported on their relationship, would they come to the same result as their financial advisor? More than 1/3 of investors claimed to be "not highly confident" a third party would match the result provided by their advisor when calculating risk exposures, personal goal progress, benchmarking and personal rate of return. More than 40% of respondents claimed to be "not highly confident" a third party would report the same fees investors are told they're being charged by their advisor³.

Shouldn't you have the utmost confidence that the information your intermediary is telling you about your situation is accurate?

Clear portfolio reporting can help confirm that you and your advisor are on the same page and leave nothing to question. Investors should be empowered with useful, timely and accurate information provided by their advisor when dissecting their portfolios. Having access to exactly what a portfolio is exposed to, the risks assumed by the investor, portfolio sensitivity, and direct and indirect fees are things that can help not only investors, but advisors during a relationship. We're by no means encouraging investors to check on the portfolios every day. In fact, we're big proponents of keeping yourself as far out of that routine as possible. But the more clearly this information is made to an investor, and more readably accessible it is to them, the easier time we think they'll have along the way. Answering that ever-too-common question of, "what does this mean for me?" is that much easier to do now. This introduces a whole new frontier for investors to investigate when selecting their intermediary relationship. How is this advisor setup to provide on-demand information on your personal situation? What steps has that advisor taken to invest in their reporting capabilities? It's great to find someone you trust who can help derive an investment plan for you. But you deserve to know how that plan is working along the way, as clearly as possible. Technology has allowed this to become the reality for investors, whether they've been made aware of it or not. And if you don't know, now you know.

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