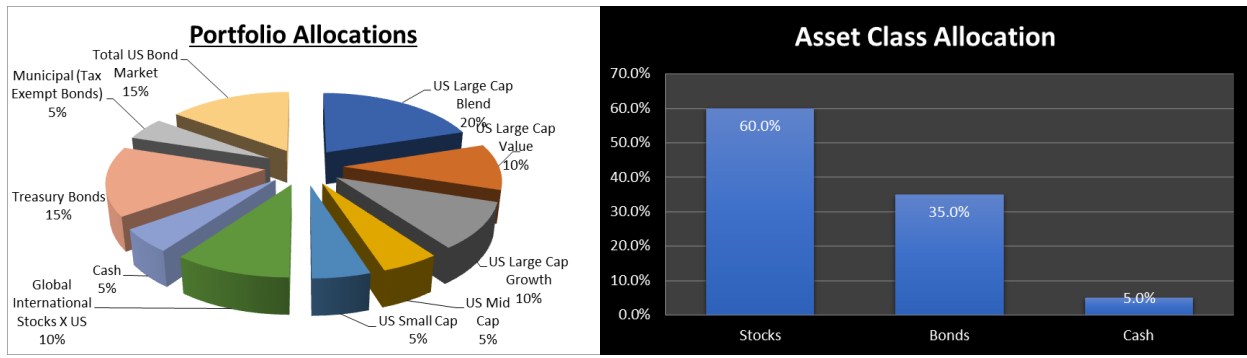
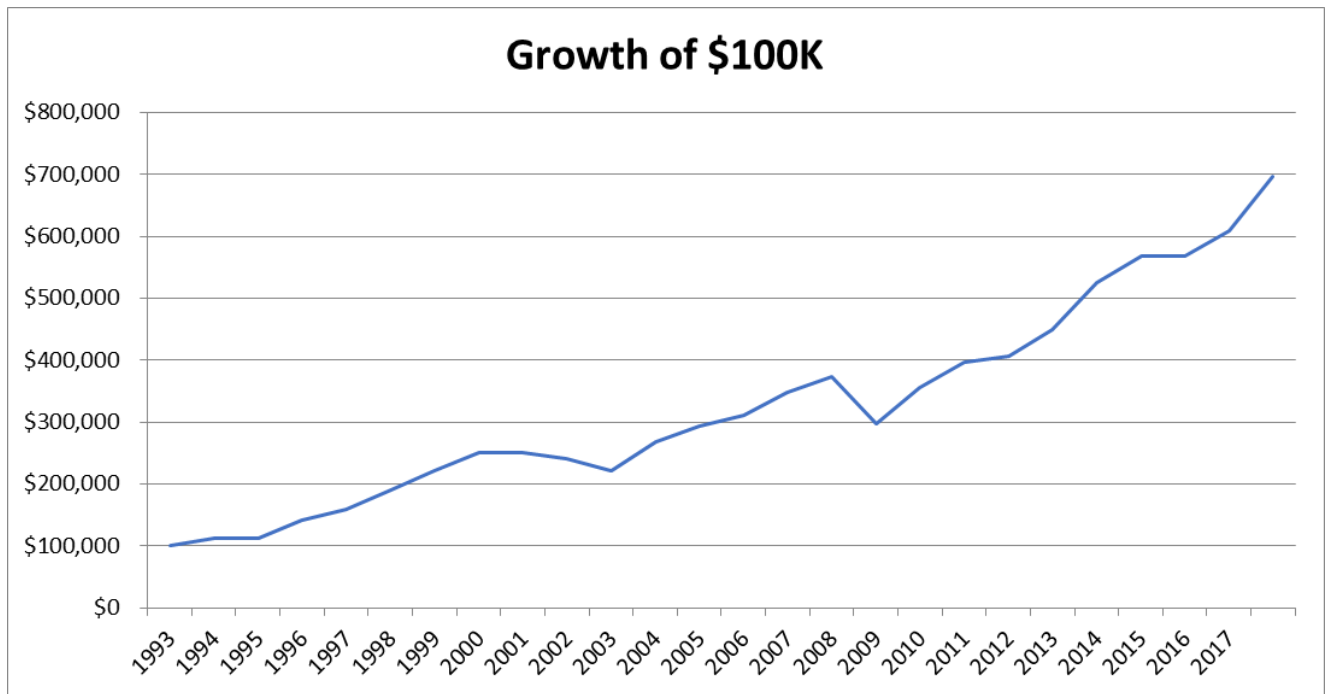


**Balanced Investment Portfolio**



The balanced portfolio is designed for those who desire capital appreciation, while limiting downside risk. The above charts show the allocation between asset classes (stocks, bonds, cash) and the diversification within each asset class (left graph).

It's also important to note that interest rates are near historic lows. And since this portfolio consists of 40% invested between bonds and cash (money market), it's plausible that returns going forward may be lower than they have been in the past.



The above chart shows the growth of \$100K over the last 25 years (1993-2017). The initial \$100K investment in 1993, turned into \$696,329.40 today. This resulted in a total return of 596.33%, or 8.0% annually. During this time period, only 4 of the 25 years ended with a negative total return (16%), while 84% of years ended with a positive total return.

# JDM Financial Advisors, LLC

DRAWDOWNS FOR HISTORICAL MARKET STRESS PERIODS						
RANK	EVENT	START	END	LENGTH	RECOVERY	DRAWDOWN
1	Subprime Crisis	Nov-07	Mar-09	1 Yr 5 Months	2 Yrs 2 Months	-37.87%
2	Dotcom Crash	Mar-00	Oct-02	2 Yrs 7 Months	2 Yrs 10 Months	-23.19%
3	European Debt Crisis	May-11	Sep-11	5 Months	11 Months	-13.41%
4	Russian Debt Default	Jul-98	Oct-98	3 Months	3 Months	-11.31%
5	China Currency Devaluation	Jun-15	Feb-16	9 Months	1 Year 2 Months	-8.27%

Of course, a portfolio like this was not immune to market declines. The above chart shows the five declines during the last 25 years, that investors would have had to endure in order to achieve the ending results. These declines consist of a maximum drawdown of 37.87% during the 2008 financial crisis, which was fully recovered in two years (quicker recovery time than more aggressive portfolios). It is possible that investors could experience a larger decline in the future.

Stocks do decline periodically. But a well-diversified portfolio such as this, has always recovered eventually, and has provided investors with a good return on investment. There is a tradeoff between risk and reward in any legitimate investment. The balanced portfolio is intended to achieve modest potential returns, and as a result it will suffer through some difficult periods of volatility. An investor must understand and accept these risks in order to initiate a portfolio such as this.

This portfolio has been legitimately stress tested during the prior 25 years. No one knows what the future holds. However, we have a large enough sample size to assume the next 25 year period is likely to perform at a reasonably similar pace.

**Disclaimer:** Investing involves a great deal of risk, including the loss of all or a portion of your investment. Nothing herein should be construed as a warranty or guarantee of investment results.

## About Us

**James D. Maxon** is a Registered Investment Advisor with over 16 years of experience helping clients meet and exceed their financial goals. He is a graduate of Bentley University with a degree in Accounting and a degree in Economics from the University of Massachusetts - Lowell. Jim is also a Certified Public Accountant with a wide range of experience in helping clients in a variety of financial matters.

**Michael Gouvalaris** is an Investment Advisor Representative and an active contributor to the popular financial website Investing.com. He is the author of "The Trading Playbook" available on Amazon and a technical analysis website (TheTechnicalInvestor.wordpress.com) that has garnered the attention of many in the financial media.

### **James D. Maxon Financial Advisors**

8 Cedar Street – Suite 44

Woburn, MA 01801

Phone: (781) 932-1122

[www.JDMFinancialAdvisors](http://www.JDMFinancialAdvisors)

**James D.  
Maxon**  
Financial Advisors

Eight Cedar Street – Suite 44  
Woburn, Massachusetts 01801

## Definitions:

**Large Caps** – Large caps are companies with a market capitalization above \$10 billion (Johnson & Johnson, Microsoft, Apple, ETC.). Market capitalization is defined as the company's stock price multiplied by number of shares outstanding. The S&P 500 and Dow are made up of Large cap stocks. They tend to outperform during recessions (more stable companies) but underperform during expansions.

**Large Cap Growth** – Large cap companies that are growing at an above average rate.

**Large Cap Value** – Large cap companies that are trading below their fair value estimates for a variety of possible reasons.

**Mid Caps** – Mid cap companies are defined as companies with a market cap between \$2 to \$10 billion.

**Small Caps** – Small caps are companies under \$2 billion in market cap. Usually consists of young companies with greater risk/reward potential. Small caps tend to be more volatile and underperform during recessions. The Russell 2000 index is dedicated to the small cap space.

**International Developed Stocks** – A broad, diversified group of international equities across 21 developed markets. This includes the UK, Germany, France, Japan, Italy, among others. The markets are cyclical in nature, sometimes US markets outperform and sometimes International markets outperform. By maintaining exposure to International markets, you “go along for the ride” without having to predict what may or may not outperform in any given year. (Something no one can predict with any reliable accuracy)