Automated Allocations

The Strategy That Adjusts… Automatically.

Video Script
Video 3
About ETFs

So far, we have discussed the background that prompted the development of AUTOMATED ALLOCATIONS. We have also discussed using the Annualized Rate of Return to properly compare gains on investments. Now let's discuss the investment vehicles AA will be using.

First, we need to understand what is referred to as an ETF. This is an acronym for Exchange Traded Fund. An ETF is a basket of investments (stocks, bonds, etc.) that you can buy like a single stock. One purchase gives instant diversification that trades all day on the stock market. Think of it like buying one box that already contains many stocks instead of buying them one-by-one. ETFs were first launched in 1993. Today, there are about forty-four hundred ETFs listed in the United States – and that number keeps growing.

AA was designed to follow the totality of The Market. The S&P 500 is widely regarded as the best indicator of the market. The ETF SPY tracks the performance of the S&P 500 index. Incidentally, SPY was the first created ETF in the US in 1993.

AA uses the ETF UPRO which tracks the performance of the S&P 500 index on a three-to-one basis. This means UPRO seeks to deliver 3 times the daily return of the S&P 500 Index. This is the first and starting position for users of AA.

For a second, more aggressive position, AA can be used to follow the NASDAQ 100. The Nasdaq 100 serves as the benchmark for the performance of technology-oriented and growth stocks in the U.S. financial markets. The ETF QQQ tracks the performance of the Nasdaq 100 index. QQQ originally launched in 1999.

AA uses the ETF TQQQ which tracks the performance of the NASDAQ 100 index on a three-to-one basis. This is an optional, secondary, more aggressive position for users of AA.

Next, let's take a look at an overview of the Automated Allocations App.