



Automated Investing with Discipline.

***The Strategy That Adjusts.
Automatically.***

AUTOMATED ALLOCATIONS

Introduction Part 1

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 vehicle(s) 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 4,400 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× 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 a 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.

In the studies that follow, we will begin positions at market highs, market lows, and simply the first of every year. We will compare the results of AUTOMATED ALLOCATIONS to the "Buy and Hold" strategy. Continue to part 2 to learn how a happily married couple will help us with these studies.