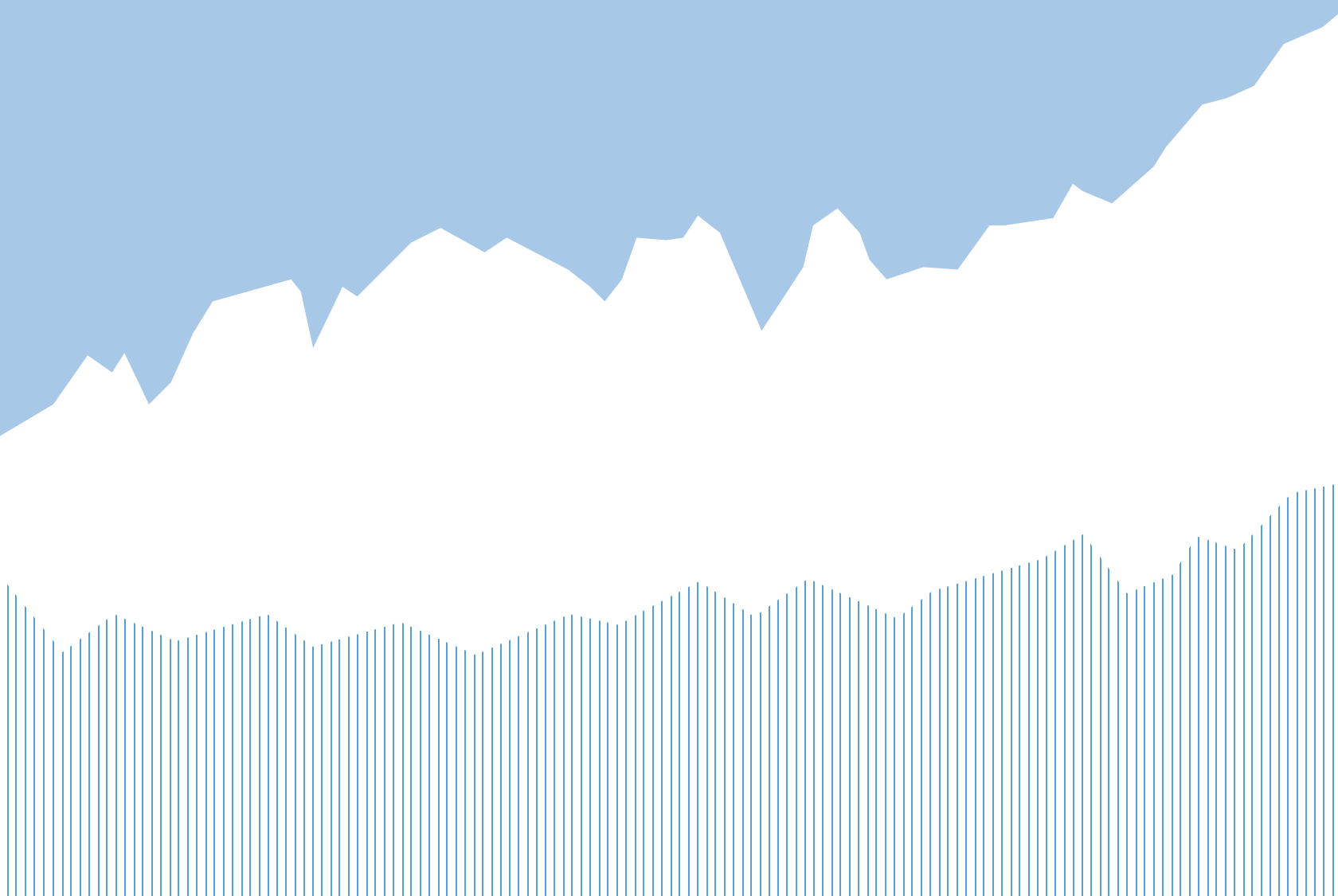




# IFRAH

## Portfolio Management Program

A unique way of approaching money management.





## **THE IFS PORTFOLIO MANAGEMENT SYSTEMS ARE AVAILABLE ONLY TO IFRAH FINANCIAL CLIENTS.**

They were created, designed and implemented by Patrick Ifrah, the company's co-founder and chief investment officer. These unique management programs provide a customized multi-disciplinary approach to money management by combining multiple portfolio components.

The result is an innovative, efficient and diversified approach to portfolio management. By utilizing individual stocks and Exchange Traded Funds (ETFs) as the underlying investment vehicles, the IFS Portfolio Management Programs provide an investment management solution that is complete, diversified, flexible and easily accessible.





## THE PORTFOLIO

The IFS Portfolio Management Programs include both Passive and Active components, also known as a Core-Satellite Investment Strategy.

### PASSIVE COMPONENTS

These serve as the foundation of the overall portfolio, designed to provide core diversification efficiently and relatively inexpensively.

They represent and track the broader market to offer a degree of tax efficiency by reducing trading for that portion of the portfolio. Basically, the passively managed portfolio employs a “buy and hold” philosophy, with some occasional tweaking and rebalancing based on client needs and market conditions.

### ACTIVE COMPONENTS

These components offer potentially enhanced returns over the broader market. They are traded more often than passive ones as we seek additional sources of return through various methodologies of investing.

These methodologies are primarily fundamental in nature but also include technical approaches as well, emphasizing quantitative methods for long-term returns. A small portion of the portfolio is devoted to short and intermediate time frames for diversification purposes. The result is a disciplined process designed to remove the human emotion from the investment process.

The application of multiple investment methodologies and disciplines within the context of one portfolio allows for an even greater degree of diversification as opposed to strategies that simply diversify over different types of equities. There are many ways to achieve investment success and multiple points of view on how to achieve it. The use of several disciplines allows us to not be limited to a single world view of the investing landscape.



## INVESTMENT PHILOSOPHY AND THE QUANTITATIVE PROCESS OF IFS

The quantitative process is a disciplined approach to selecting securities. It involves choosing individual securities using indicators and formulas that have been historically tested and have a strong tendency to work favorably over time.

A combination of desirable business metrics, along with appropriate valuation criteria, is used to find stocks with statistically superior performance potential. The various active elements in the portfolio differ in their approach and methodologies to selecting securities, primarily in their business metrics and also how they are weighted. This optimizes and balances the risk/return profile of each portfolio component for different time frames ranging from short to long term. With more emphasis on long term, the components create a well-diversified portfolio.

We view the investment process as a balancing act. Screening for the best possible criteria and finding quality companies is relatively easy. The key to building wealth while investing in stocks is not to simply invest in great companies. What is far more critical is the price one pays for a given stock.

A great company doesn't necessarily make for a great stock. A great stock in our view is one that generates a superior return. That is why discipline plays a key role. As an example, when the stock market is doing well, it is very tempting for most investors to chase the stocks that everyone else wants to own, those that seem to go up relentlessly regardless of their underlying worth. The pursuit of a disciplined approach helps insure that we stay grounded with the fundamental principles of fair valuation and apply a margin of safety to the stock selections and apply these principles consistently over time.

### AREAS OF ANALYSIS

These are some of the broad categories of research that we focus on:

- Growth & Trends
- Profitability
- Financial Health
- Management
- Industry
- Risks
- Insider Activity

### VALUATION FACTORS

- Price-to-Sales Ratio - Cyclical vs. non Cyclical Companies
- Price-to-Book Ratio
- Price-to-Earnings Ratio (PE Relative to Industry & Historical)
- Price-to-Cash Flow measures
- PE Relative to Earnings Growth
- Dividend Yield
- Earnings Yield (Inverse of PE) Relative to key interest rates
- Intrinsic Value (Present Value of Future Cash Flows)



## PORTFOLIO CONTROLS AND REVIEW PROCESS

We review the overall portfolio to avoid undesirable concentrations in too few securities, industries or sectors. Picking great stocks is only one part of the process of proper portfolio construction. Another important step is to assemble a group of stocks in such a way as to achieve a desired result from a risk/return standpoint.

There are differing degrees of correlations among the various stocks. A portfolio that might appear diversified on the surface, because it contains many securities, could actually be focused on stocks that tend to move together. With higher correlations among the securities within a portfolio, one would be assuming a higher level of risk than necessary.

Simple diversification by owning a number of stocks is not enough. The dynamics of the portfolio have to be evaluated on an ongoing basis. 'What if' and 'stress test' scenarios, as well as ongoing analysis of the portfolio, are needed to better understand the overall behavior of the portfolio and to deliver more consistent results over time.

Positions in the portfolio are continuously reviewed to ensure they are serving their purpose and to see how they compare to other companies that have recently passed the screening process. Despite a bias towards holding positions for the long term, a position might be sold simply to make room for a more attractive opportunity.

Although sound investment management overrides tax considerations, we attempt to take advantage of opportunities to match gains and losses within the same tax year to provide the portfolio with some level of tax efficiency.

## REPORTING

Our reporting is designed to be simple and provide you with the information you need to stay on track. A typical brokerage statement does not really tell you how well you are doing. We present our performance in a way so that you'll always know what's going on. Reporting can be complex and should always be placed in the proper context given the level of risk involved, as well as your unique goals and objectives.



## IN SUMMARY

The use of Passive and Active strategies reconciles two schools of thought on investing. The pundits of indexing have favored the most passive approaches to mimic index returns and limit expenses to achieve their investment objectives.

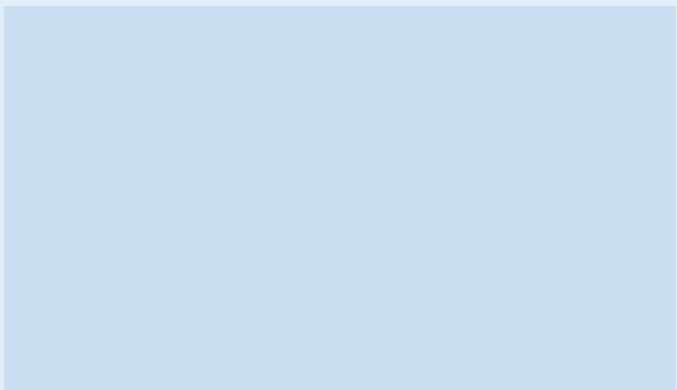
Although we believe that active management adds significant value from both a return and risk standpoint, we feel that a passive component in one's portfolio makes sense to establish low-cost diversification and serve as a core element. We then actively manage the remainder of the assets in the portfolio to enhance returns and reduce risks compared to a purely passive strategy.

We use quantitative approaches, which allow the application of discipline and the removal of emotional or biased judgment at the most critical time during the implementation of the strategies. The most critical times for investors are when there is the temptation to succumb to the basic emotions of fear, greed and the herd mentality. The quantitative approach allows us to stay grounded around principles that have served us well in the past and stay away from the temptation to react without a plan.

We also invest using multiple points of view by applying multiple disciplines of investing to not just diversify types of securities used, but actually diversify the methodologies and approaches used. This is unique in that we do not focus on just one view of how to succeed in the markets. We recognize that sometimes certain approaches work better than others so we are open to using multiple approaches in a way that a traditional manager would typically not consider.

The Portfolio Management Programs of Ifrah Financial Services should be used in the context of an overall financial plan or analysis of one's individual situation. Some of our investment strategies are not suitable to everyone and although a great deal of research has gone into the creation of the investment strategies, past performance is no guarantee that any strategy will achieve a particular result. There are inherent risks when investing in financial markets and investors should be familiar with such risks prior to investing.

Ifrah Financial Services, Inc. is registered with the United States Securities and Exchange Commission (SEC) as a Registered Investment Advisor providing financial planning and investment management services. For a complete disclosure about our programs and our fees, please consult our disclosure document (Form ADV Part II). You should have received this disclosure document prior to, or in conjunction with receiving this brochure.





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