



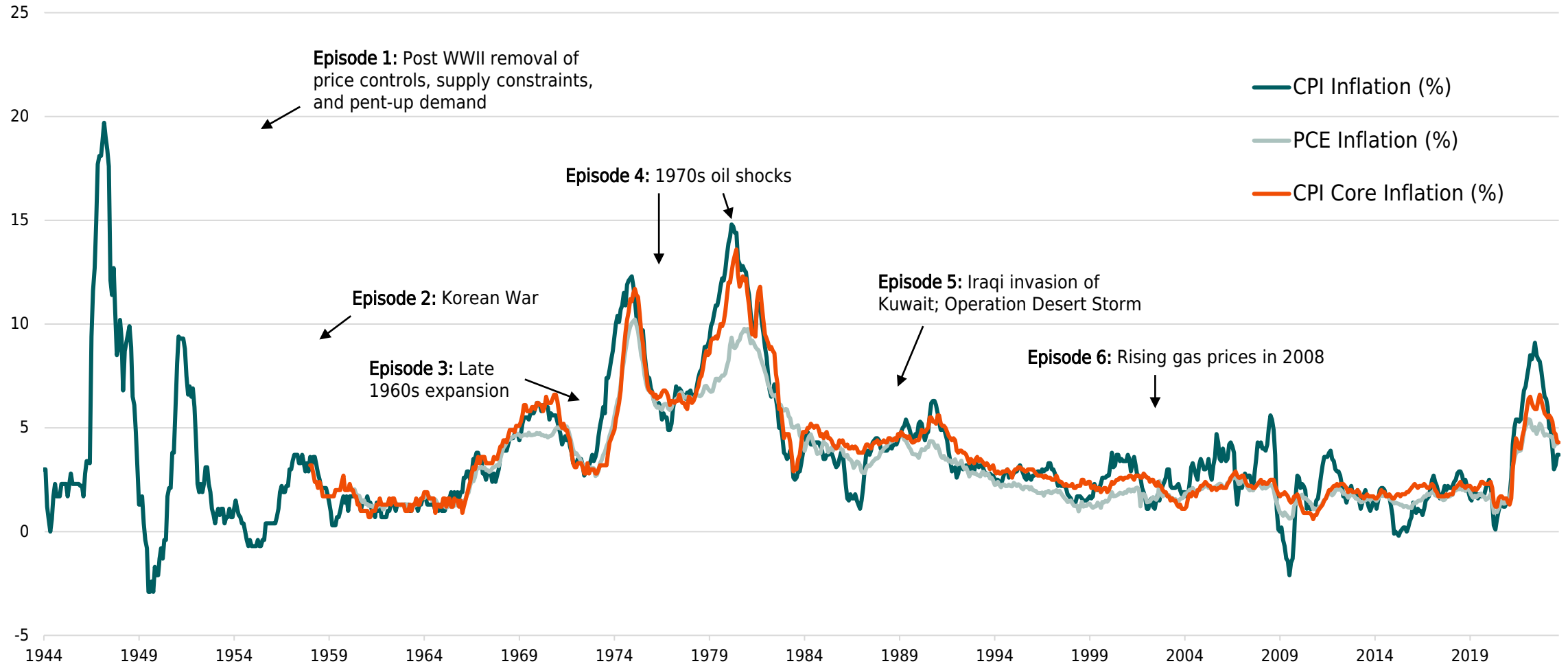
WELCOME

Litman Gregory Wealth Management  
*Client Symposium & Reception*

October 4, 2023

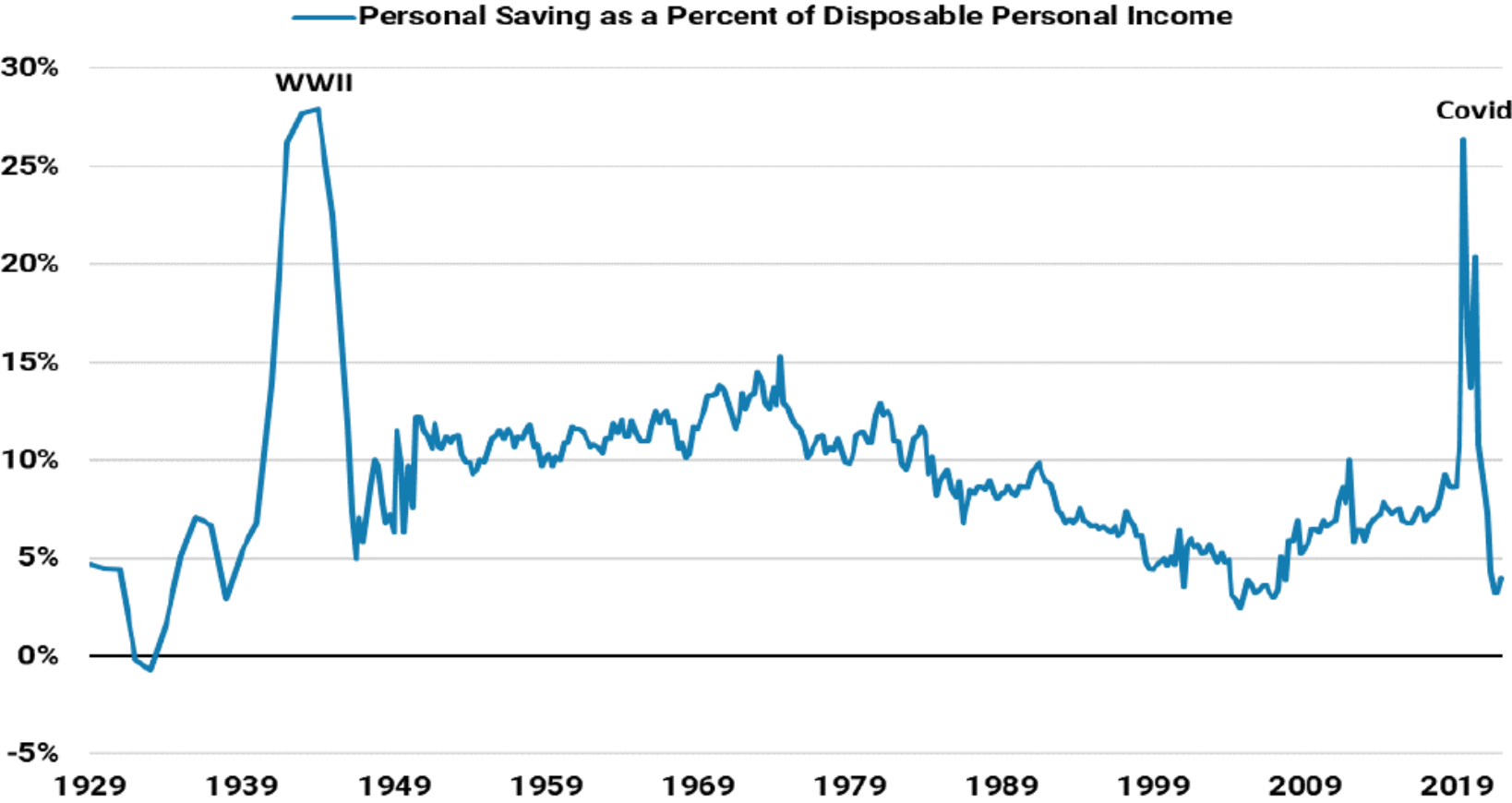
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# Post WWII Inflation Episodes : Current Episode Has Some Analogies with Episode 1



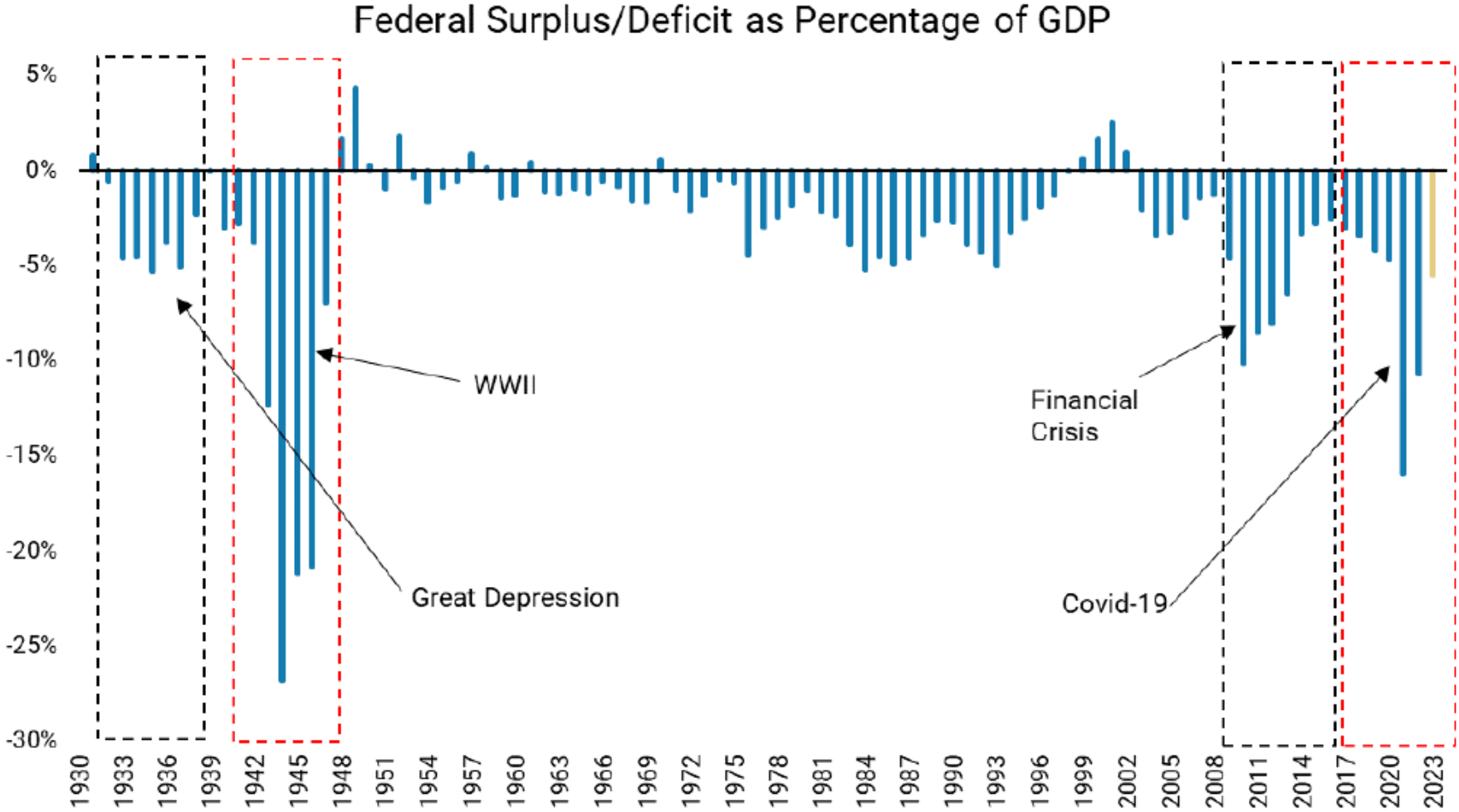
# Covid Lockdown and Stimulus Impact on Savings Can Be Compared to WW2

## A Lockdown and Stimulus Created the Greatest Pent-up Savings since WWII



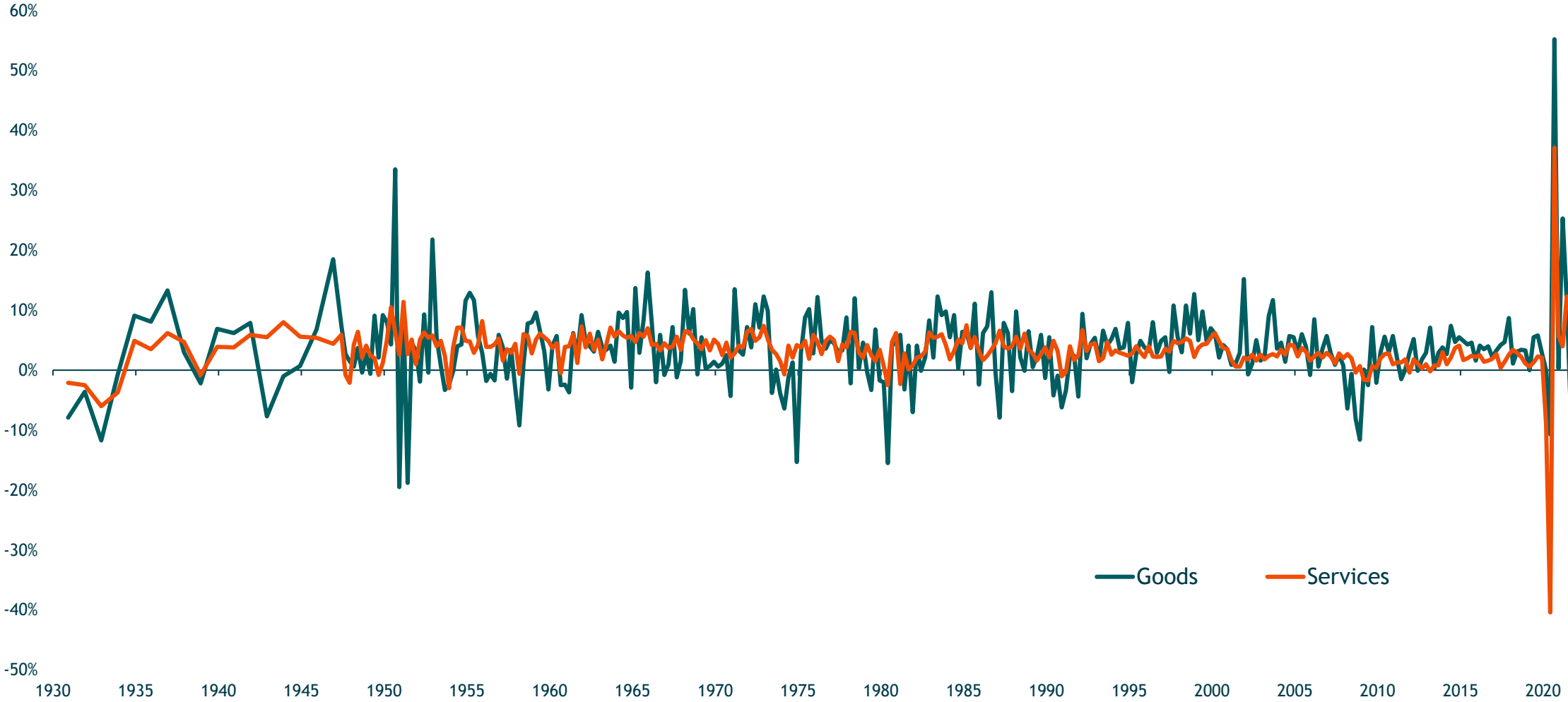
Source : Haver Analytics, Morgan Stanley Research, data as of December 2022

# Historical Analogy: The 40s, not the 70s



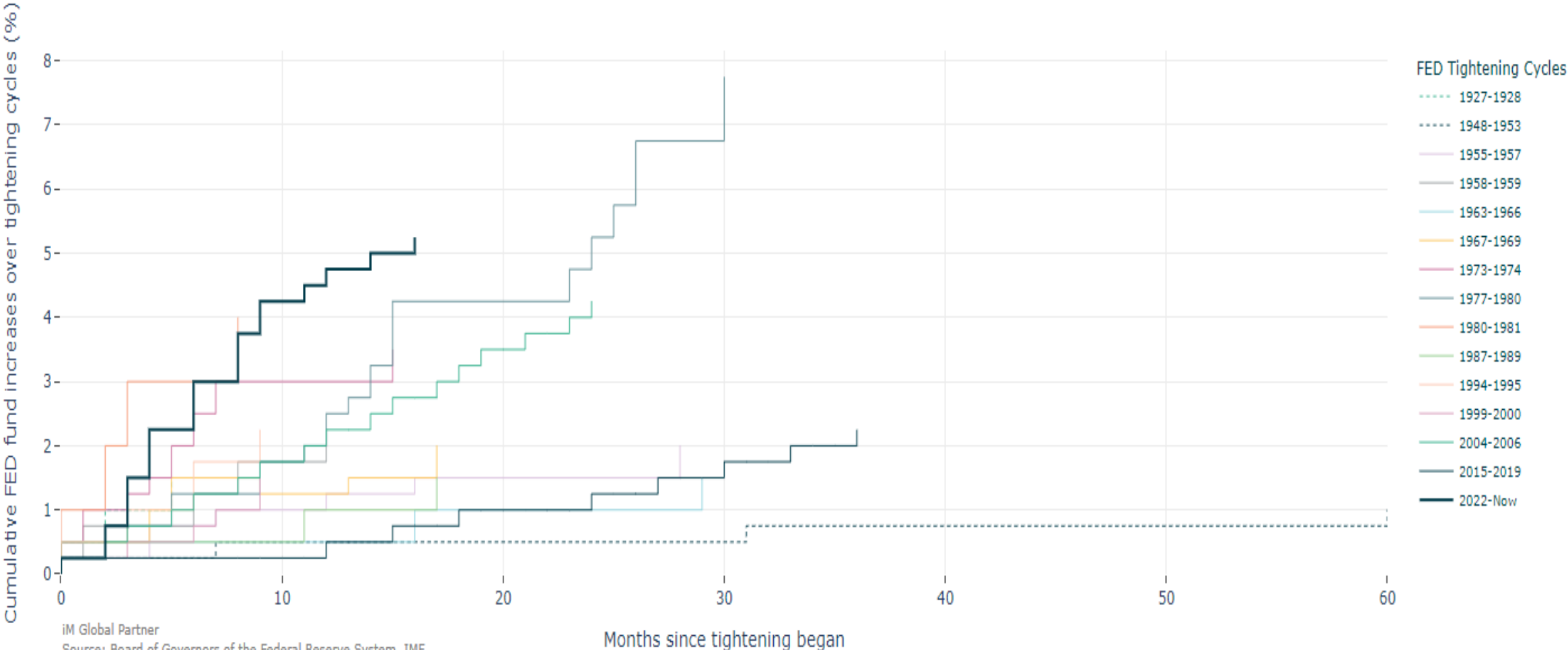
Source : Haver Analytics, Morgan Stanley Research, data as of December 2022

# US GDP : 2020 Recession and Following Recovery Have Some Unique Features



Source: US Bureau of Economic Analysis, iM Global Partner, data as of September 26, 2023

# The Current Fed Tightening Cycle Has Been One of the Strongest and the Quickest of the Past 100 Years



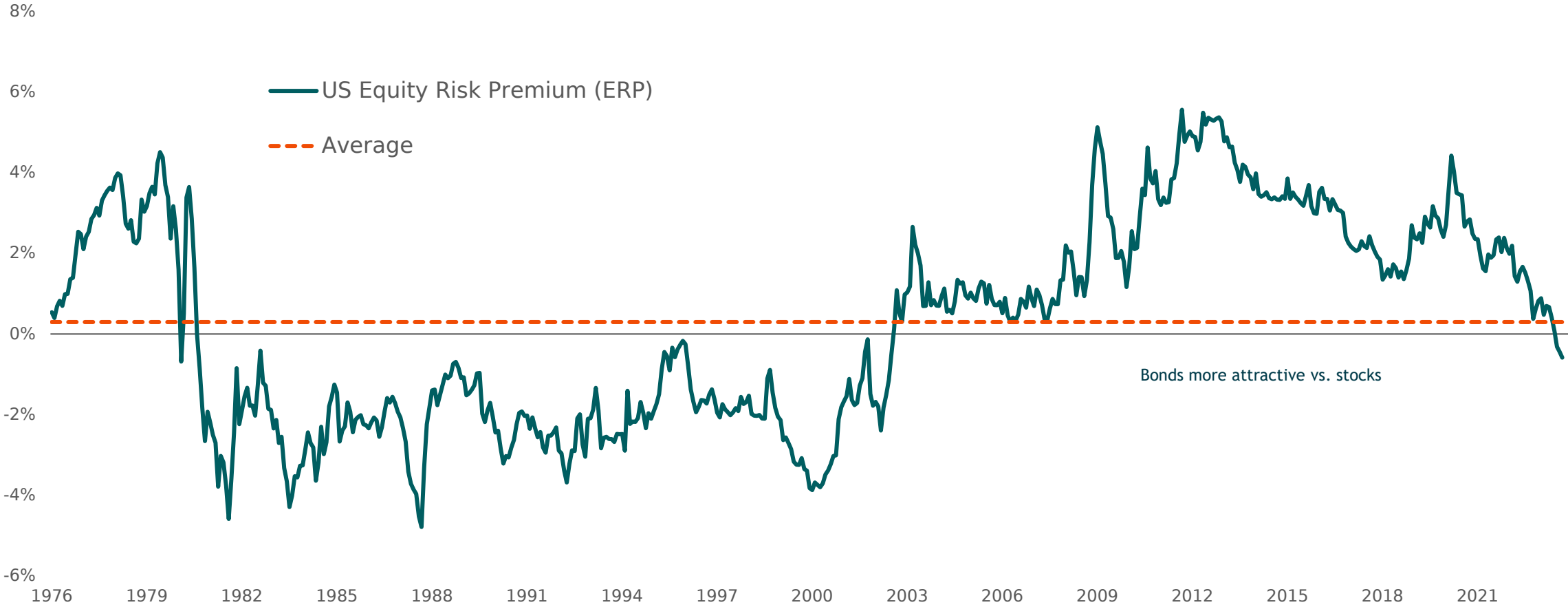
iM Global Partner  
Source: Board of Governors of the Federal Reserve System, IMF

Source: Board of Governors of US Federal Reserve System, iM Global Partner, data as of September 26, 2023

# Fed Tightening Usually Leads to Recessions with Some Lag, Soft Landings Do Occur but Are Rare Exceptions

Beginning of Tightening Cycle	End of Tightening Cycle	Duration of Tightening Cycle (Months)	Total FED Funds Increase Over Tightening Cycle (%)	Ensuing Recession	Months Between End of Tightening and Recession's Start
Feb 1928	Jul 1928	5	1.5	Aug 1929	13
Jan 1948	Jan 1953	60	1	Nov 1948	*
Apr 1955	Aug 1957	28	2	Aug 1957	0
Sep 1958	Sep 1959	12	2.25	Apr 1960	7
Jul 1963	Dec 1965	29	1.5		
Nov 1967	Apr 1969	17	2	Dec 1969	8
Jan 1973	Apr 1974	15	3.5	Nov 1973	*
Aug 1977	Feb 1980	30	7.75	Jan 1980	*
Sep 1980	May 1981	8	4	Jul 1981	2
Sep 1987	Feb 1989	17	1.5	Jul 1990	17
May 1994	Feb 1995	9	2.25		
Aug 1999	May 2000	9	1.5	Mar 2001	10
Jun 2004	Jun 2006	24	4.25	Dec 2007	18
Dec 2015	Dec 2018	36	2.25	Feb 2020	14
Mar 2022	Jul 2023	16	5.25		
	Average	21	2.83		9.89
	Median	17	2.25		10

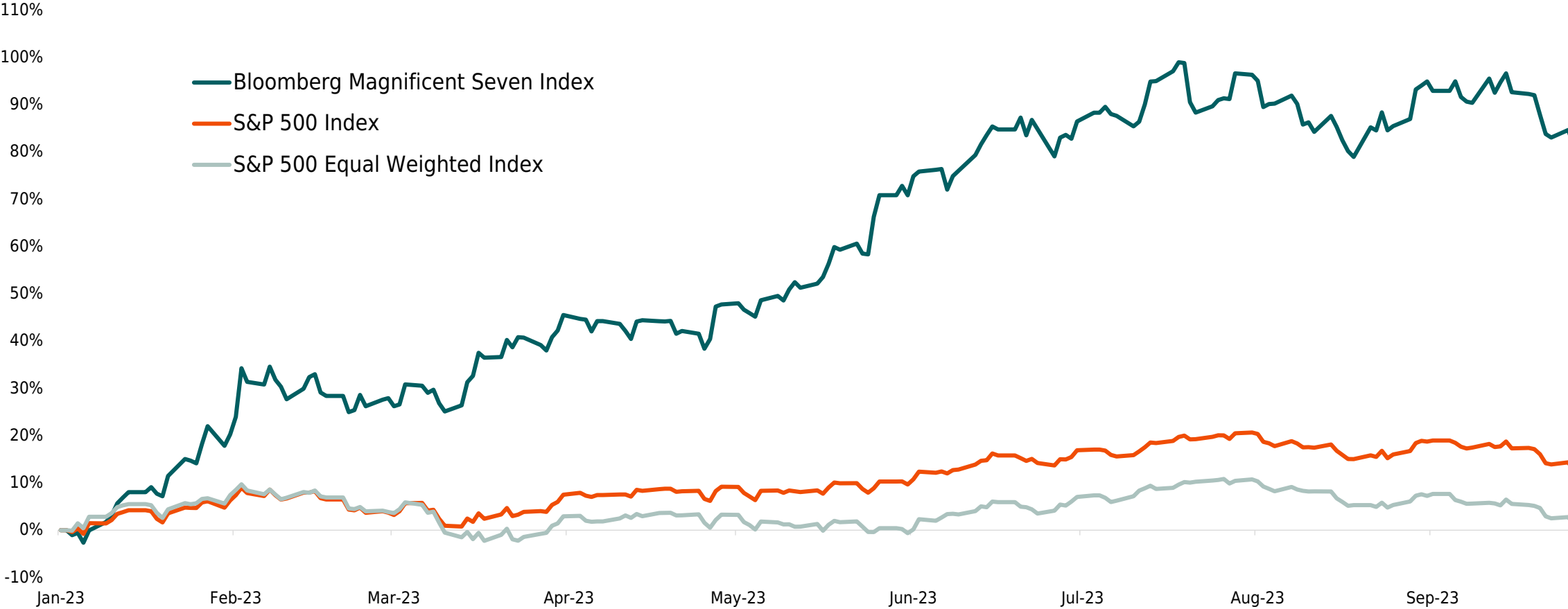
# The Equity Risk Premium Has Dropped Below Zero as Bond Yields and Stock Valuations Have Risen



Source: Bloomberg LP and Robert J. Shiller. Data as of 9/26/23. Equity risk premium defined as earnings yield (E/P) minus yield-to-worst of the Bloomberg US Aggregate Bond Index.

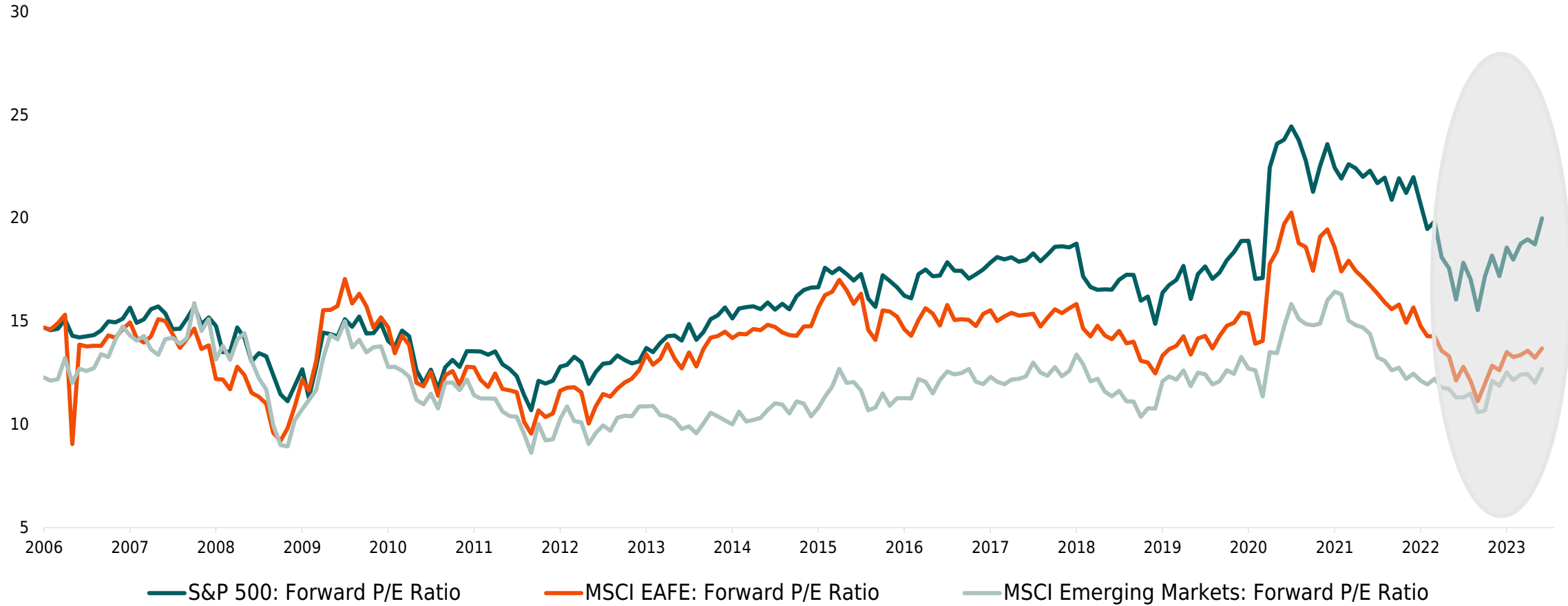


# S&P 500 Being Driven Higher by the Magnificent Seven

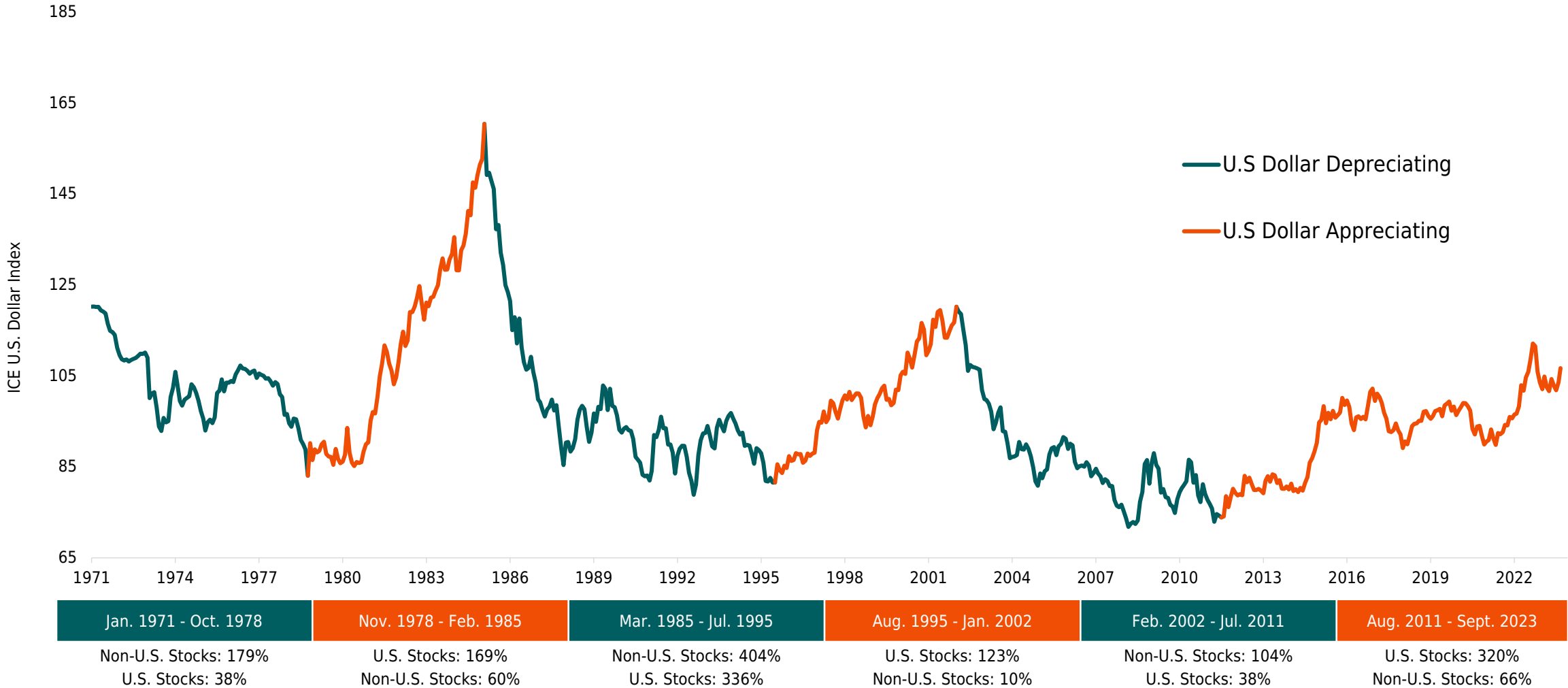


Source: Bloomberg LP. Data as of 9/26/2023. Magnificent Seven stocks: Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, Nvidia, Tesla.

# Foreign Equities Absolute Valuations Remain Attractive and at a Deep Discount to U.S. Stocks (U.S. Equities Trade at Significant Premium)

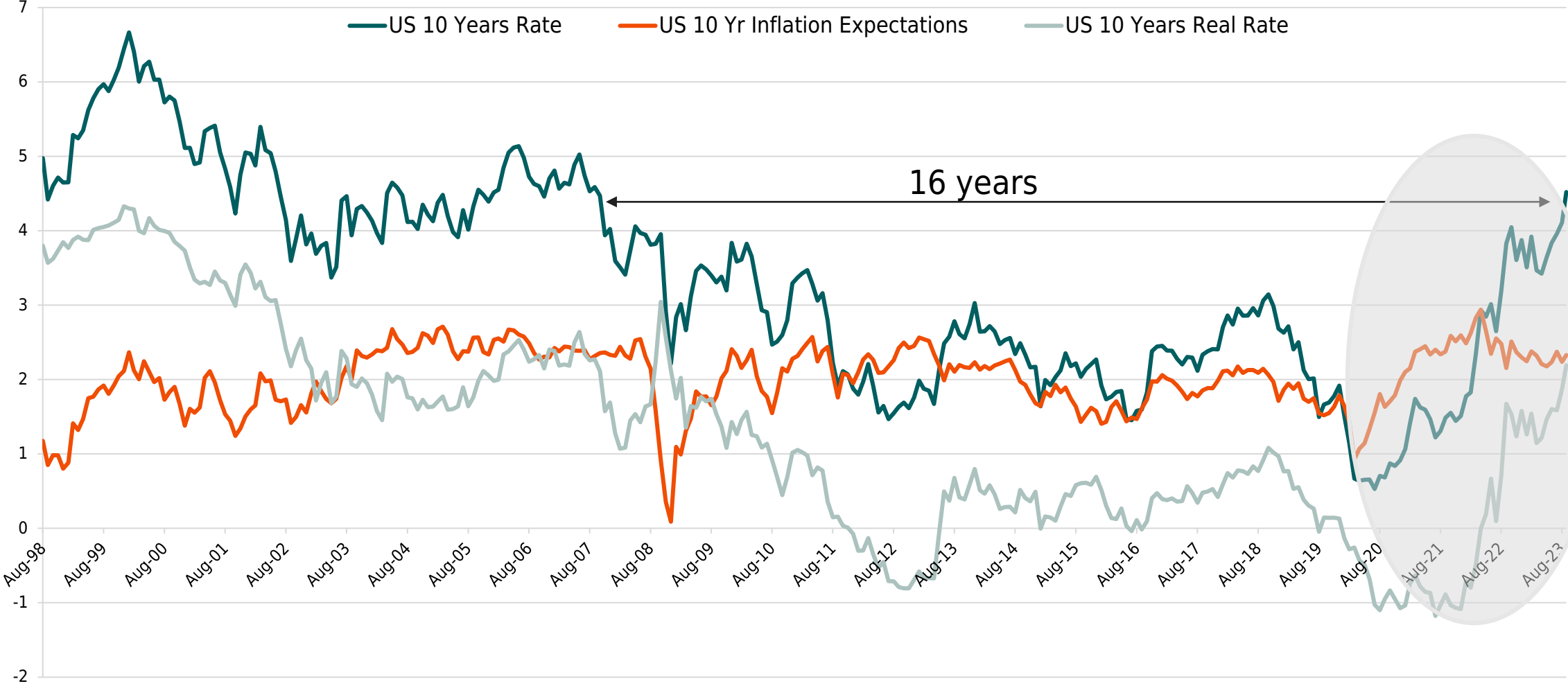


# A Weaker U.S. Dollar Has Historically Provided a Tailwind to Foreign Equities



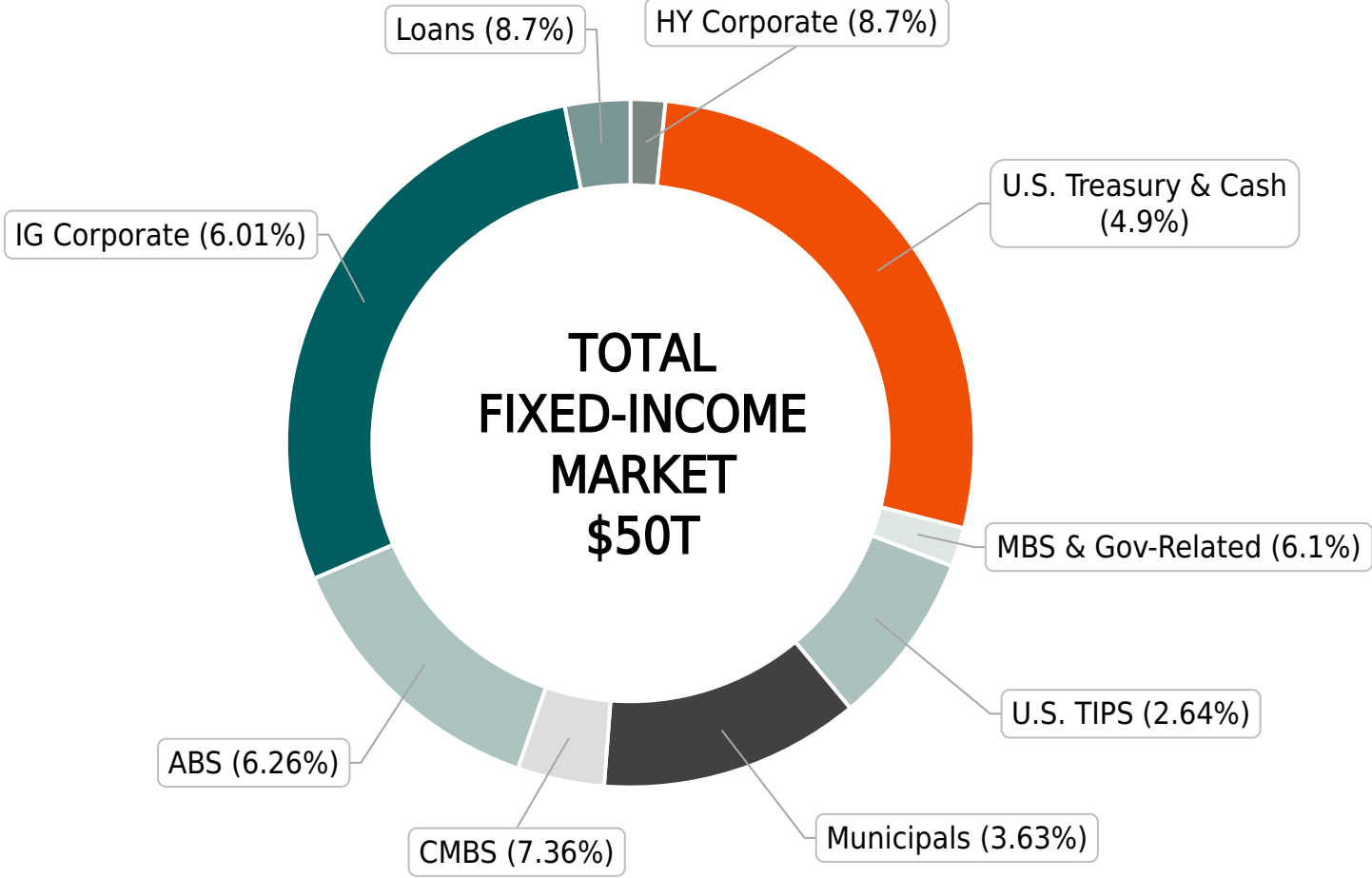
Source: Bloomberg LP and Morningstar Direct. Data as of 9/26/2023. Annualized returns in U.S. Dollars. U.S. Stocks: S&P 500. Non-U.S. Stocks: MSCI World ex. U.S. Index.

# Past 3 Years Negative Bond Returns Have Been More of Real Yields Going From Under 0 to Over 2%, Inflation Expectations Have Remained Anchored



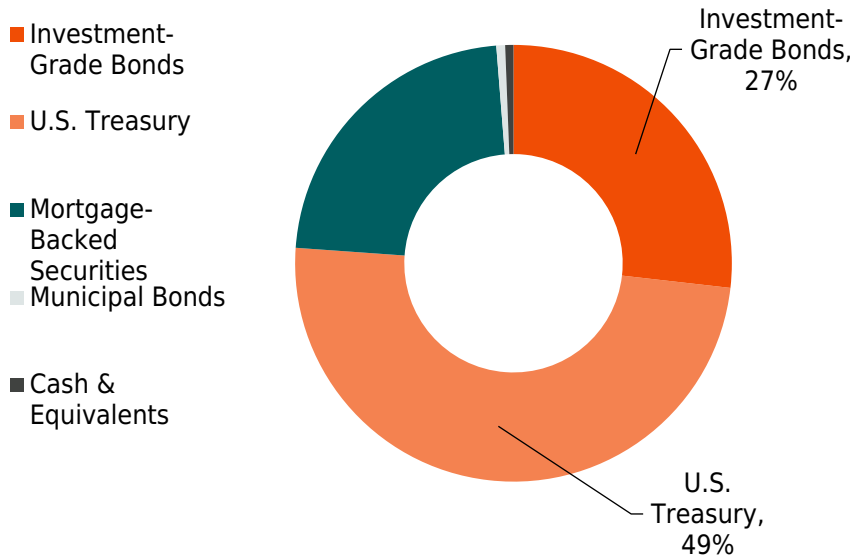
Source: Bloomberg, iM Global Partner, data as of September 26, 2023

# The Fixed Income Universe and Yields

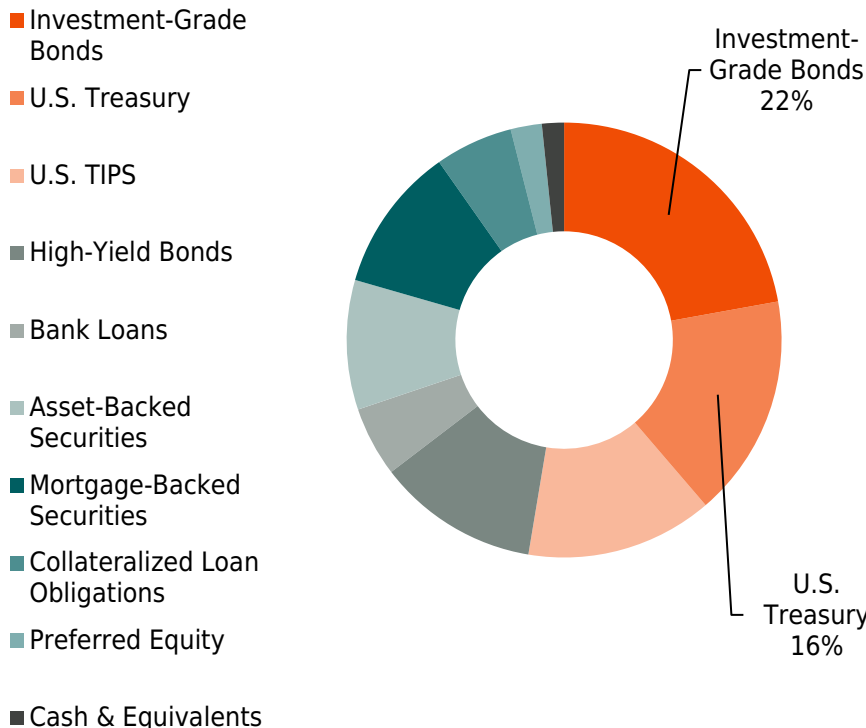


# Our Selected Active Bond Managers Are Finding Better Risk-Adjusted Values Away From Core Bonds

Vanguard Total Bond Market Index Fund\*  
(Overall Bond Market Index - Concentrated in "Core Bonds")

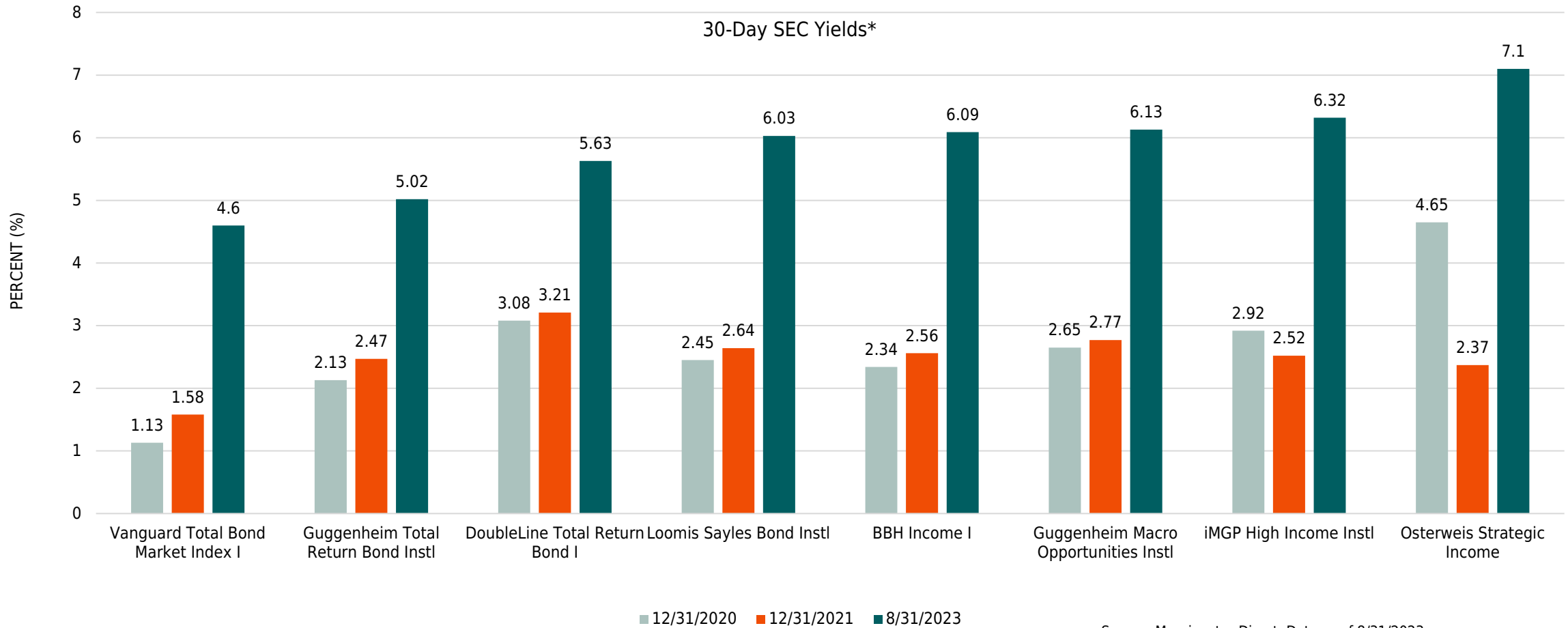


Litman Gregory Active Core Balanced Strategy Fixed  
Income Allocation\*



LGWM Active Core Balanced Strategy Fixed-Income Allocation = 53% Guggenheim Total Return Bond, 15% iMGP High Income, 14% Schwab U.S. TIPS ETF, 9% Osterweis Strategic Income, 9% SPDR Portfolio Short-Term Corporate Bond ETF. Percentages represent portion of total bond exposure. \*Please see important mutual fund disclosure at end of presentation. Data as of 6/30/2023 except for Guggenheim and iMGP High Income which is as of 3/31/2023. For a complete list of all securities in the LGWM Active Core Balanced Strategy model, please contact [compliance@lgam.com](mailto:compliance@lgam.com)

# Bond Yields and Expected Returns Have Increased Meaningfully

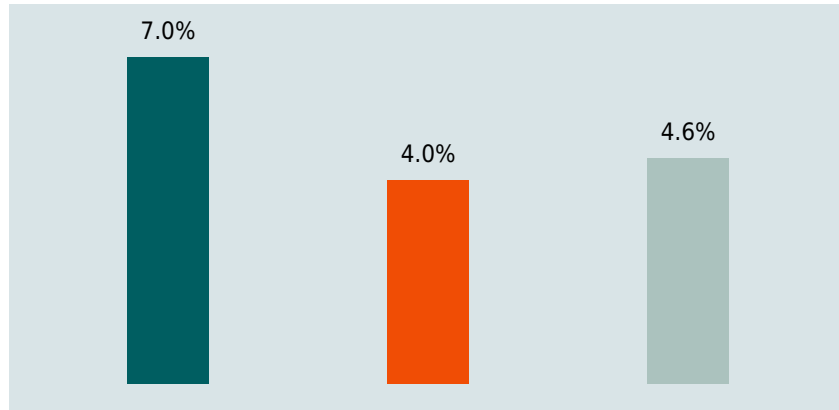


Source: Morningstar Direct. Data as of 8/31/2023

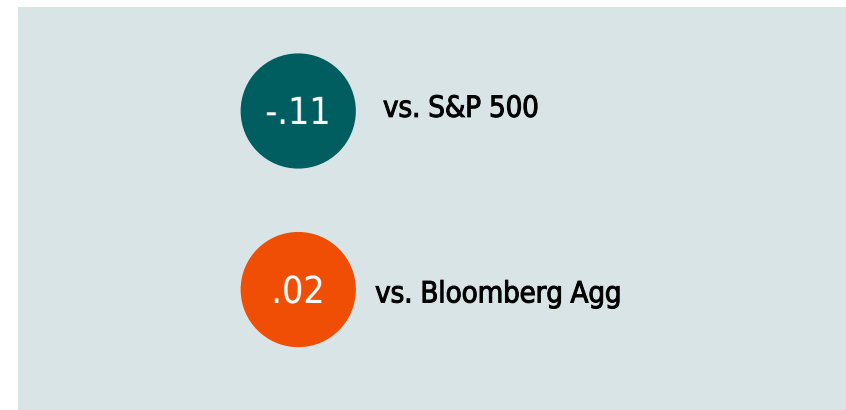
For illustrative purposes only. Performance quoted represents past performance and does not guarantee future results. The securities listed should not be viewed as a recommendation. It should not be assumed that an investment in the issuer was or would have been profitable or will be in the future. \*SEC 30-day yield is a standard yield calculation developed by the SEC that allows for fairer comparisons of bond funds. It reflects dividends and interest ("income") earned during the most recent 30-day period after the deduction of the fund's expenses and is calculated by dividing the income per share by the maximum offering share price on the last day of the period. Unsubsidized SEC 30-day yield is what the yield would have been had no fee waivers and/or expense reimbursement been in place. For a complete list of all securities in the LGWM fixed income models, please contact [compliance@lgam.com](mailto:compliance@lgam.com)

# SG CTA Index Since 2000

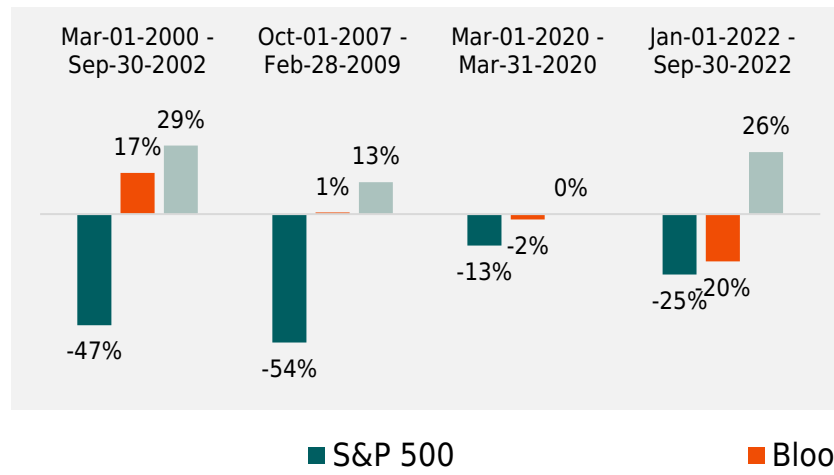
## Returns



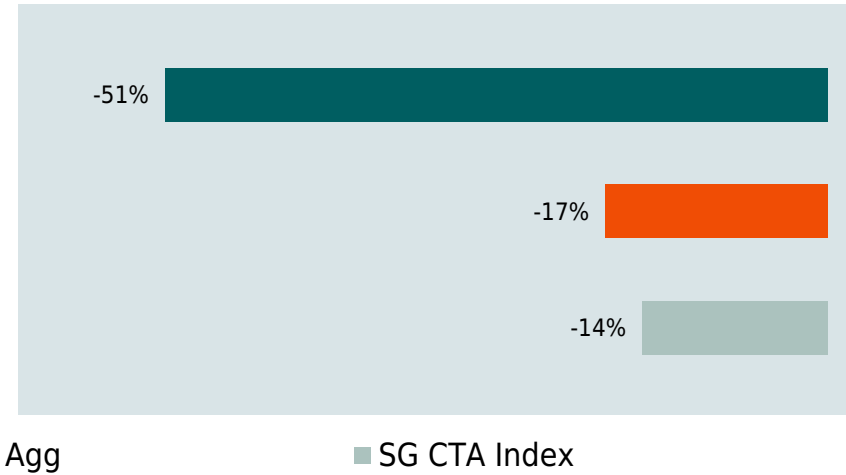
## Correlation



## Returns During Prolonged Crises



## Max Drawdown

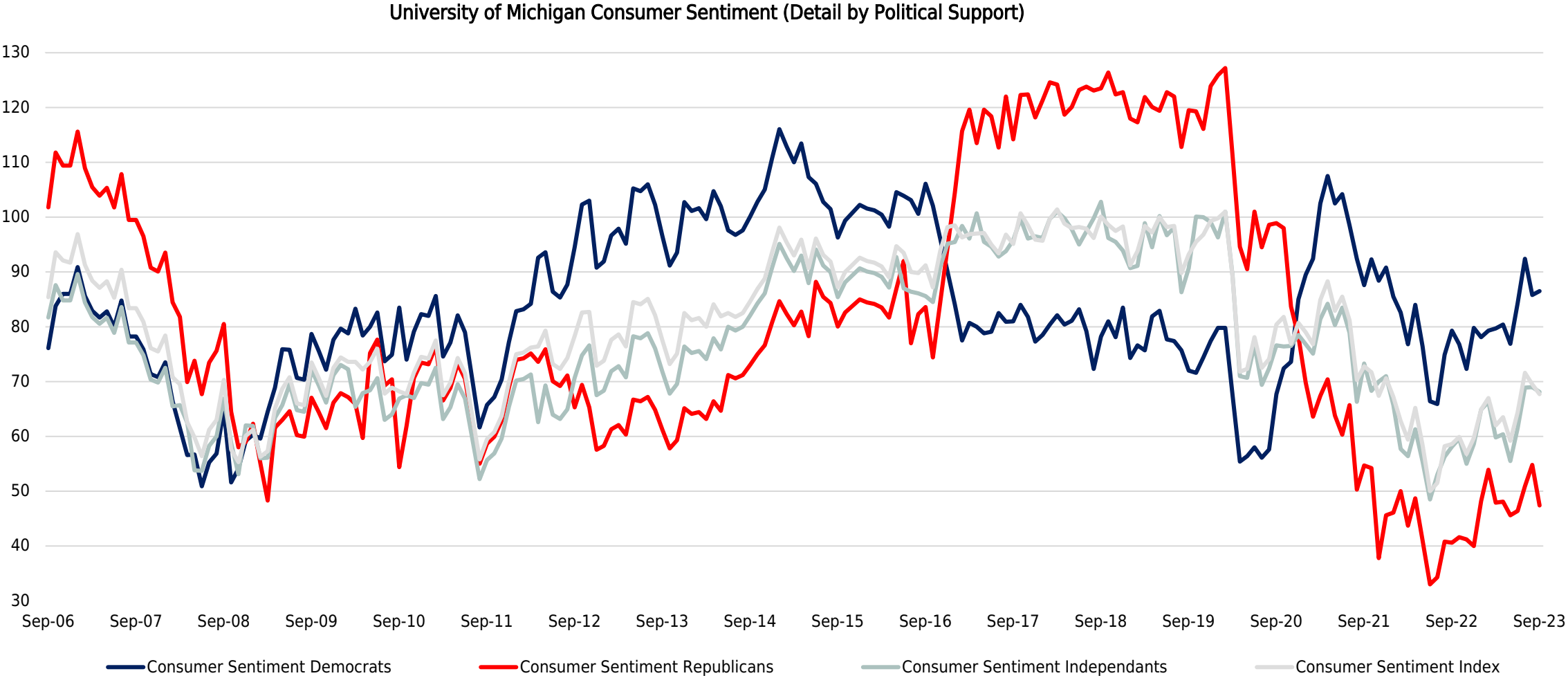


Source: Bloomberg. DBI. Data from 3rd January 2000 to 31st July 2023, net of fees. Data refers to cumulative past performance. Cumulative past performance is not a reliable indicator of future results. This data is being shown for illustrative purposes only. The index is not representative of the entire population of CTAs. The index's performance may not be indicative of any individual CTAs. The index may not have been adjusted for fees/commissions. The index cannot be traded by individual investors. The actual rates of return experienced by investors may be significantly different and more volatile than those of the index.

PAST RESULTS ARE NOT INDICATIVE OF FUTURE RESULTS.



# US Households' Economic Expectations Are More and More Depending on Their Political Affiliation



Source: Bloomberg, University of Michigan, iM Global Partner, data as of September 26, 2023, missing data points are interpolated.

# Index Disclosure

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Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio.

**Bloomberg US Agg Bond Index:** The Bloomberg U.S. Aggregate Index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. Bloomberg US Treasury US TIPS Index.

**Bloomberg US Treasury US TIPS Index:** The Bloomberg U.S. TIPS Index is an unmanaged index designed to represent securities that protect against adverse inflation and provide a minimum level of real return.

**Bloomberg U.S. Corp 1-3 Year Index** measures the performance of investment grade securities with maturity of 1-3 years. The index includes publicly issued USD-denominated corporate issues that have a remaining maturity of greater than or equal to 1 year and less than 3 years, and have \$250 million or more of outstanding face value.

**ICE BofA US High Yield Index:** The ICE BofA US High Yield Index is market capitalization weighted and is designed to measure the performance of U.S. dollar denominated below investment grade (commonly referred to as “junk”) corporate debt publicly issued in the U.S. domestic market.

**S&P 500 Index:** The S&P 500, is a stock market index tracking the stock performance of 500 large companies listed on stock exchanges.

**Russell 2000 Index:** The term Russell 2000 Index refers to a stock market index that measures the performance of the 2,000 smaller companies included in the Russell 3000 Index.

**MSCI ACWI Index:** The MSCI ACWI Index is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 24 emerging markets.

**MSCI EAFE Index:** The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

**MSCI EM Index:** The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

**HFRX Global Hedge Fund Index:** The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. Hedge Fund Research, Inc. (HFR) utilizes a UCITSIII compliant methodology to construct the HFRX Hedge Fund Indices. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe. HFRX Indices utilize state-of-the-art quantitative techniques and analysis; multi-level screening, cluster analysis, Monte-Carlo simulations and optimization techniques ensure that each Index is a pure representation of its corresponding investment focus.

**Credit Suisse Managed Futures Index:** The Credit Suisse Managed Futures Index is a subset of the Credit Suisse Hedge Fund Index that measures the aggregate performance of managed futures funds. Managed futures funds (often referred to as CTAs or Commodity Trading Advisors) typically focus on investing in listed bond, equity, commodity futures and currency markets, globally. Managers tend to employ systematic trading programs that largely rely upon historical price data and market trends. A significant amount of leverage may be employed since the strategy involves the use of futures contracts. CTAs tend not to have a particular bias towards being net long or net short any particular market.

# Index Disclosure

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**SG CTA Index.** The SG CTA Index provides the market with a reliable daily performance benchmark of major commodity trading advisors (CTAs). The SG CTA Index calculates the daily rate of return for a pool of CTAs selected from the larger managers that are open to new investment.

**S&P Equal Weighted Index.** The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

**MSCI World (ex US index).** The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries\*-- excluding the United States.

**ICE BAML 1-3 yr US Corporate Index.** ICE BofA 1-3 Year U.S. Corporate & Government Index is a subset of ICE BofA U.S. Corporate & Government Index including all securities with a remaining term to final maturity less than 3 years.

**ICE BAML 1-3yr US Treasury Index.** The Index is market value weighted and is designed to measure the performance of U.S. dollar-denominated, fixed rate securities with minimum term to maturity greater than one year and less than or equal to three years.

**ICE BAML US High Yield Cash Pay Index.** The BofA Merrill Lynch US Cash Pay High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the US domestic market.

**ICE BAML 1-5 yr US Corporate Index.** The ICE BofA 1-5 Year U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market

**ICE BAML US Corporate Index.** It measures market performance of USD-denominated investment grade corporate debt publicly issued in the U.S. domestic market with a remaining term to final maturity between 5 and 10 years.

# Mutual Fund Disclosure Reference

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## **Vanguard Total Bond Market Index Fund (VBTX)**

<https://investor.vanguard.com/investment-products/mutual-funds/profile/vbtlx>

## **Guggenheim Total Return Bond Fund Institutional (GIBIX)** <https://www.guggenheiminvestments.com/mutual-funds/fund/gibix-total-return-bond>

## **DoubleLine Total Return Bond Fund Index (DLTNX)**

<https://doubleline.com/funds/total-return-bond-fund/> (LSBDX)

## **Loomis Sayles Bond Institutional**

<https://www.loomissayles.com/internet/internet.nsf/content?readform&ctype=webprofile&id=1282&channel=inst>

## **BBH Income Fund Class I Shares (BBNIX)**

<https://www.bbh-funds.com/us/en/our-funds/bbh-fixed-income-funds/bbh-income-fund.html>

## **Guggenheim Macro Opportunities Institutional (GIOIX)**

<https://www.guggenheiminvestments.com/mutual-funds/fund/gioix-macro-opportunities>

## **iMGP High Income Institutional (MAHIX)**

<https://imgpfunds.com/high-income-fund/#:~:text=Fund%20Objective,appreciation%20is%20a%20secondary%20objective.>

## **Osterweis Strategic Income Fund (OSTIX)**

[https://www.osterweis.com/mutual\\_funds/strategic\\_income](https://www.osterweis.com/mutual_funds/strategic_income)

## **Schwab U.S. TIPS ETF (SCHP)**

<https://www.schwabassetmanagement.com/products/schp>

## **SPDR Portfolio Short-Term Corporate Bond ETF**

<https://www.ssga.com/us/en/intermediary/etfs/funds/spdr-portfolio-short-term-corporate-bond-etf-spsb>

# Important Disclosure

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