

**JULEX** CAPITAL

# Short-term investment needs 0-5 years

**Rob Brown, PhD, CFA**

**Julex Capital Advisory Board Member, Website [www.robrownonline.com](http://www.robrownonline.com)**



**40 Grove Street, Suite 140, Wellesley, MA 02482**

**Phone 781-489-5398**

**Email [info@julexcapital.com](mailto:info@julexcapital.com)**

**Web [www.julexcapital.com](http://www.julexcapital.com)**

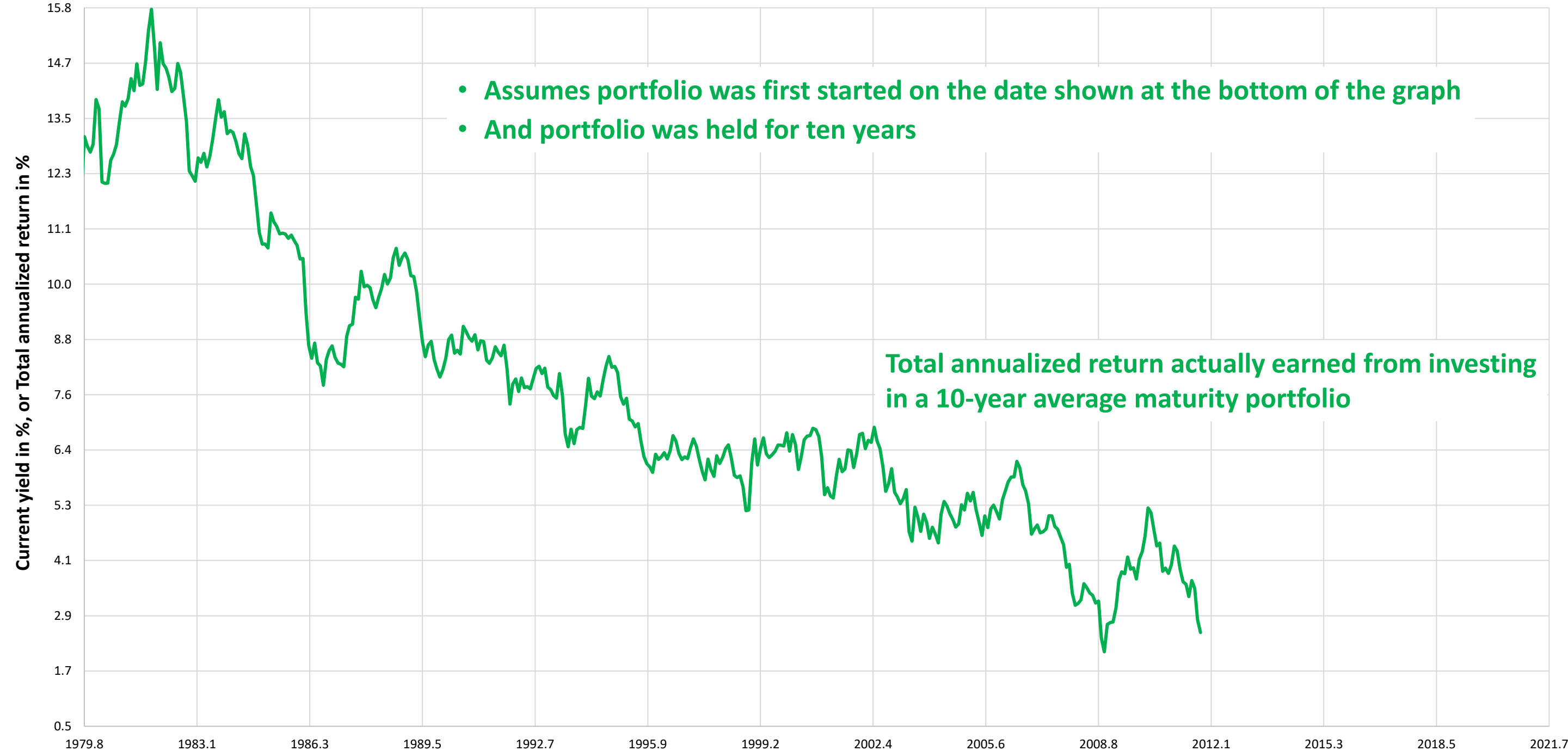
***“Entrepreneurship is the last  
refuge of the trouble-making  
individual”***

**James K. Glassman**

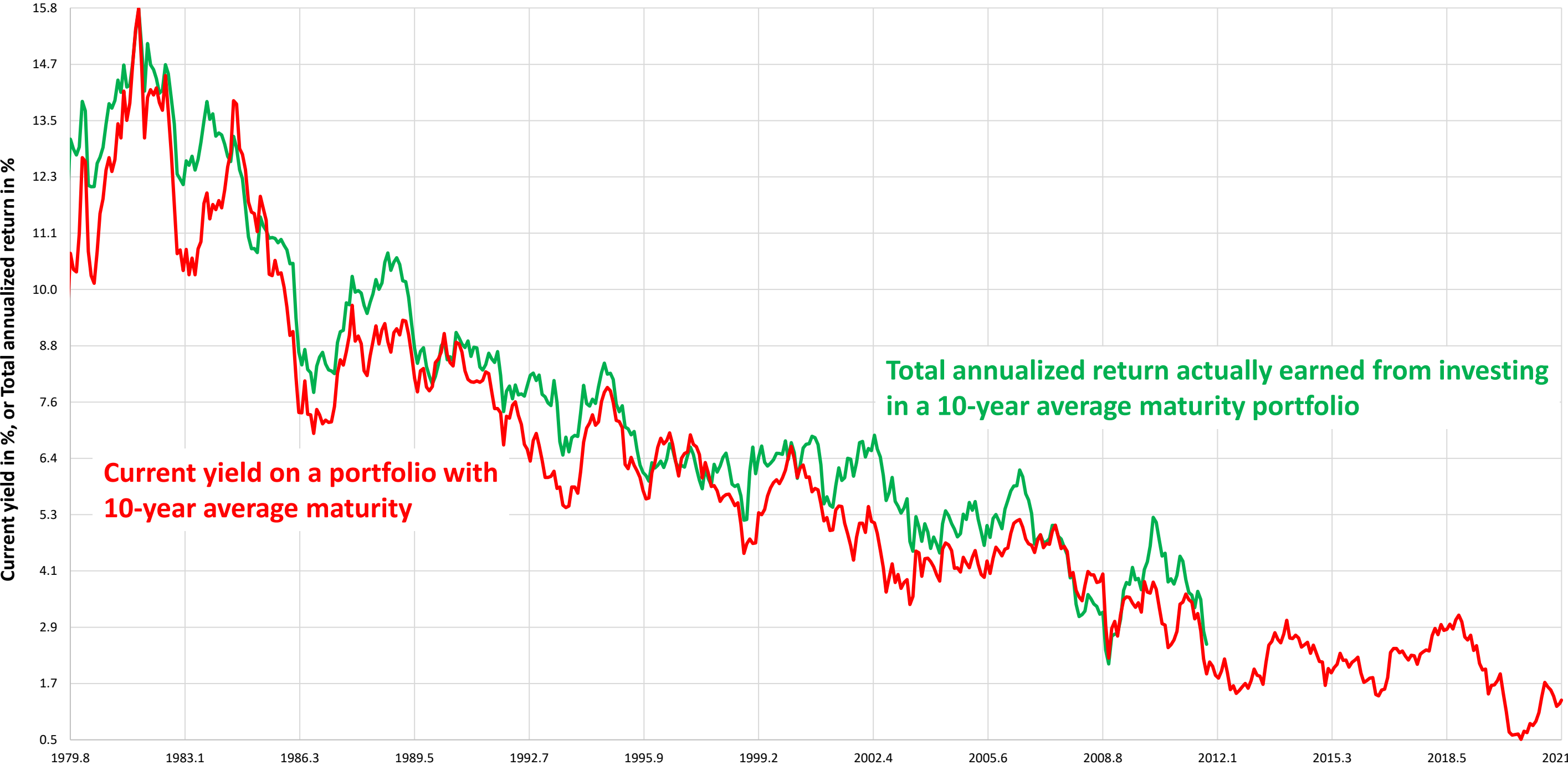
# Current yields since 1979 - portfolio with 10-year maturity



# Return actually earned by a 10-year average maturity bond portfolio



# Current yield versus what your clients ended up actually earning

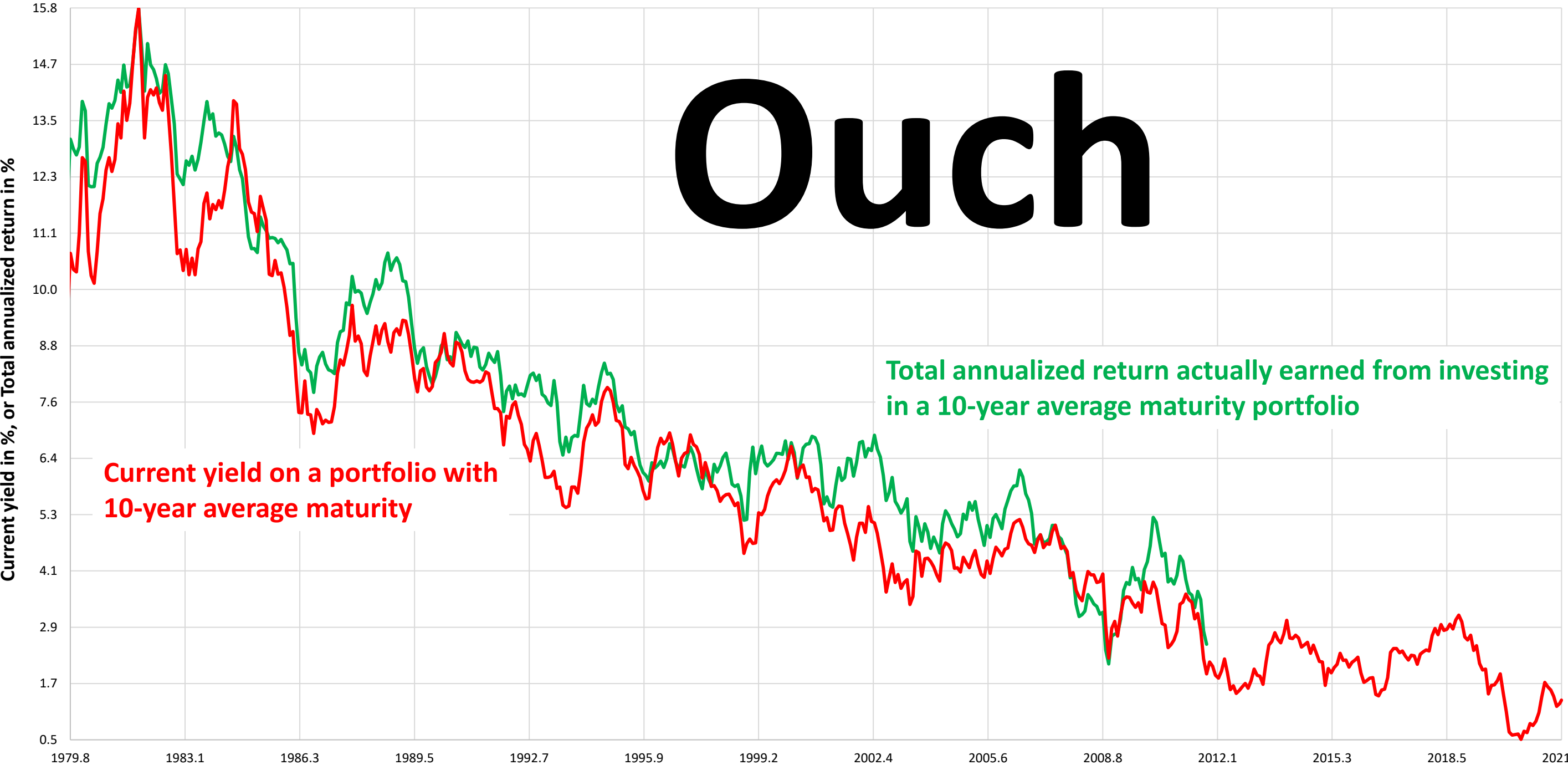


**Current yield on a portfolio with 10-year average maturity**

**Total annualized return actually earned from investing in a 10-year average maturity portfolio**

# Current yield versus what your clients ended up actually earning

# Ouch



**Current yield on a portfolio with 10-year average maturity**

**Total annualized return actually earned from investing in a 10-year average maturity portfolio**

## Relationship between current yield and what you earn

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- What your client actually ends up earning will be as follows
- Client earns = **Current yield** - **your fee** - **unexpected/unanticipated bond defaults**

# Current yield versus what your clients ended up actually earning



Over the next 10 years, your client should expect to earn ...

Total annualized return actually earned from investing in a 10-year average maturity portfolio

Current yield on a portfolio with 10-year average maturity

## Treasury Yields

NAME	COUPON	PRICE	YIELD
GB3:GOV <b>3 Month</b>	0.00	0.03	0.03%
GB6:GOV <b>6 Month</b>	0.00	0.04	0.04%
GB12:GOV <b>12 Month</b>	0.00	0.06	0.06%
GT2:GOV <b>2 Year</b>	0.13	99.81	0.22%
GT5:GOV <b>5 Year</b>	0.75	99.47	0.86%
GT10:GOV <b>10 Year</b>	1.25	98.97	1.36%
GT30:GOV <b>30 Year</b>	2.00	102.30	1.90%



# Treasury Inflation Protected Securities (TIPS)

NAME	COUPON	PRICE	YIELD
GTII5:GOV <b>5 Year</b>	0.13	108.90	-1.74%
GTII10:GOV <b>10 Year</b>	0.13	111.49	-0.99%
GTII20:GOV <b>20 Year</b>	2.13	152.38	-0.57%
GTII30:GOV <b>30 Year</b>	0.13	113.95	-0.33%

# Your response is . . .

I'll just rely on past performance track records

Oh . . . come on . . .

# Your response . . . I'll just make it up with “active management”

- Is this realistic?
- Is this even plausible?
- Is this even possible?
- **NOPE . . . . Not in a million years**
- **WHY? Because . . .**
  - Mispriced bonds are only mispriced by a couple of pennies
  - No one has an accurate enough crystal ball to know the direction of bond markets over the next several years

# So what's to be done

## A rock-solid rule about bond portfolios

- Rule applies to any and all monies invested for 5 years (or less)
- There are two types of bond portfolios
- You must evaluate them differently
  
- Traditional . . . **99%** of all portfolios in existence
- Tactical . . . just **1%** of the portfolios
  
- Traditional bond portfolios . . . the **99%**
  - Your client will earn . . . **current yield - your fee - any unexpected defaults**

## Evaluating the tactical bond portfolios . . . The 1%

- Tactical . . . The 1%

- These are the “incredibly active bond portfolios”
- BlackRock, Dimensional, and BNY Mellon do not offer such portfolios
- JP Morgan offers one such portfolio
- Julex offers a classic expression of the 1%

- Completely ignore current yield

- Instead, focus on

- Organization
- People
- Investment process
- Track record

# The Julex solution

# The Julex solution targeting needs arriving 0-5 years in the future

## Overview

- A tactical limited duration bond strategy aiming to generate higher-than-average income while preserving capital.
- Portfolio duration: less than 4.25 years  
Portfolio weighted average credit rating: BBB- or better  
Monthly portfolio update
- Use unique RiskSwitch™ indicator to determine the level of participation in high yield and bank loan markets.

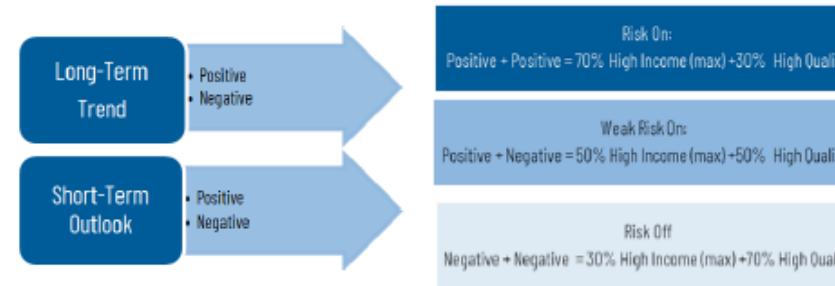
## Facts

**Customized Benchmark:**  
60.84% Bank Loans,  
30.40% Short-Term Treasuries, 7.81%  
Intermediate-Term Treasuries, 0.95% T-Bill

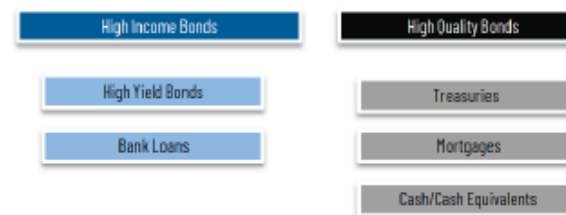
**Portfolio Manager:**  
Henry Ma, Ph. D., CFA  
25-Year Investment Experience

## Investment Process

Julex Capital uses a tactical model combining both long-term trend analysis and short-term market outlook to position the portfolios among high yield bonds, bank loans, mortgages, Treasuries and cash/short-term Treasuries.



## Investment Universe



## Hypothetical Back Test Results\*

January 2000 - December 2020	Opportunistic Years 0-5	Benchmark
Annual Return	5.67%	3.87%
Standard Deviation	3.12%	3.68%
Max. Drawdown	-4.02%	-16.19%
The Great Recession (10/31/2007-2/28/2009)	1.47%	-11.86%
COVID Crisis (12/31/2019 - 3/31/2020)	-2.77%	-4.44%
Sharpe Ratio (risk free rate = 1.60%)	1.30	0.62

\*Investment performance shown on this page is HYPOTHETICAL. It is based on the back tests of historical data. Hypothetical performance results have many inherent limitations. No representation is being made that any account will or is likely to achieve profit or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program.

### Disclosures

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Julex portfolio name



**Opportunistic Yrs 0-5 TAA**  
Product Sheet

## Facts

### Customized Benchmark

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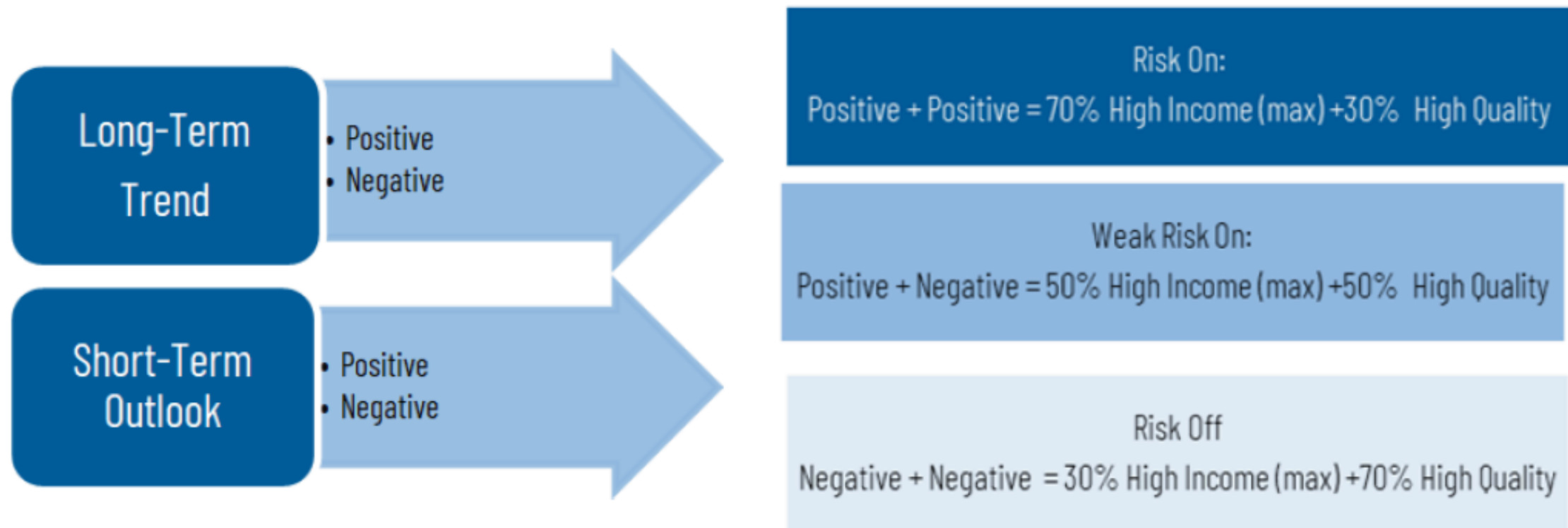
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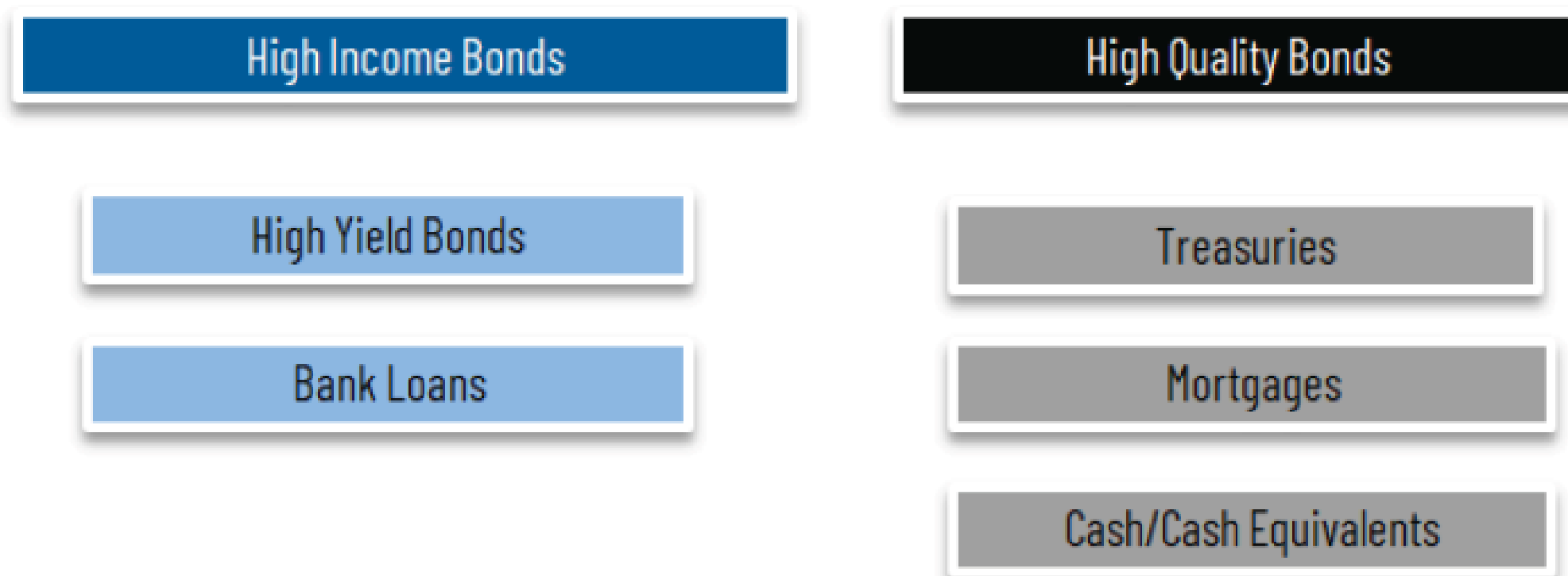
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## Investment Universe



Performance . . . Right in line with expectations !!!

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- I am running a business
- My client needs to win
- I will always always . . .
  - Place my client's interests first
  - Operate in the best possible interests of my client
- But with that absolute truth
- I need to make a living . . . . so that I can actually serve my clients

- I use this specific portfolio with my own clients
- My 2 cents
  - It is remarkably well-aligned with the opportunities and risks we face today
  - It is practical about what it can and should attempt to achieve in today's “near zero interest rate” environment



# The zero fee to me . . . investment path



# The zero fee to me . . . investment path



I can't charge my client any fee on this future return !!!

Current yield on a portfolio with 10-year average maturity

Total annualized return actually earned from investing in a 10-year average maturity portfolio

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**I could charge my clients 25bps for this**

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Sharpe Ratio (risk free rate = 1.60%)	1.30	0.62

**I could charge my clients 50 bps for this and it's a better investment solution**

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For more information contact



Jeff Megar, CFA  
Email [jeff.megar@julexcapital.com](mailto:jeff.megar@julexcapital.com)  
Office 781-772-1378



Liam Flaherty  
Email [liam.flaherty@julexcapital.com](mailto:liam.flaherty@julexcapital.com)  
Office 781-489-5398

# Behavioral Knockout Risk

Friday the 8<sup>th</sup>

All data and statistics were provided by Global Financial Data, Inc.

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One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the presentation of hypothetical performance results and all of which can adversely affect actual trading results.

The composition of a benchmark index may not reflect the manner in which a Julex portfolio is constructed in relation to expected or achieved returns, investment holdings, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error targets, all of which are subject to change over time.

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