

JULEXCAPITAL

Time Segmentation Investing

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“Fear is the most contagious disease you can imagine. It makes the virus look like a piker.” (A piker is one who gambles with small amounts of money.)”

Warren Buffett

- Time segmentation
- Asset liability matching
- Defeasance
- Buckets

We “have” uncertainty . . . but we “want” certainty



We “have” uncertainty . . . but we “want” certainty

- Time Segmentation Investing is about only one thing
- Moving from uncertainty to certainty



- **Client**

- Behavior modification
- Patience
- Making “time” your friend
- Breaking the dysfunctional/slavish focus and reliance on benchmark comparisons
- Encourages measurement of what really matters
 - What do I need to earn
 - How much time do I have to earn it
 - Is this reasonable/logical given today’s valuations and opportunities

- **Investments**

- Different investments have radically different “maturation cycles”
- Size of the investment opportunity is often directly associated with the length of the maturation cycle

There are two different types of investments

- **Journey**

- Virtually all investments offered by commercial investment managers are Journey portfolios
- Hedge funds are a notable exception but then true hedge funds are not available in the retail space
- Commercial success for Journey portfolios is generally based on
 - A sexy story
 - Earning more than some comparative benchmark over the last 1-, 3-, 5-, and 7-years . . . even if this means delivering a loss

- **Destination**

- It is generally not commercially attractive for Commercial investment managers to offer Destination portfolios
- Their commercial success requires a different and challenging “sales-story”
- Adoption of Destination portfolios is generally found among advisors operating as fiduciaries to their clients

The concept of a successful Journey investment



Intended Benefit

Experience a smoother, more pleasing Journey



Possible Cost

Unfortunately, your Journey portfolio might lead you to this Destination

The concept of a successful Destination investment



Intended Benefit

Reach a more favorable
Destination



Possible Cost

Unfortunately, your Destination
portfolio might take you on this
type of Journey

- *“If your plan is for 1 year, plant rice. If your plan is for 10 years, plant trees. If your plan is for 100 years, educate children.”*
- This proverb’s lesson for investments is three-fold:
 - Every goal has a specific time destination in the future
 - The best solution for each time destination is different
 - Investors must bring the required patience to any investment . . . giving it the time it requires to sprout, grow, mature, and eventually be harvested.

- *If your plan is for 1 year, plant rice*



- *If your plan is for 10 years, plant trees*



- *If your plan is for 100 years, educate children*

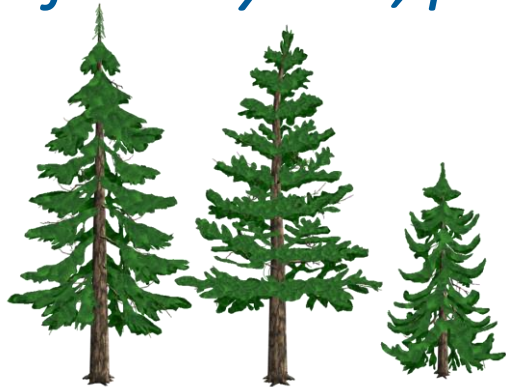


- *If your plan is for 1 year, plant rice*



Ultra-diversified U.S.-Dollar bond portfolio with an average effective duration < 4.3 years

- *If your plan is for 10 years, plant trees*



Global tactical asset allocation based on a fully-transparent, testable, quantitative set of rules

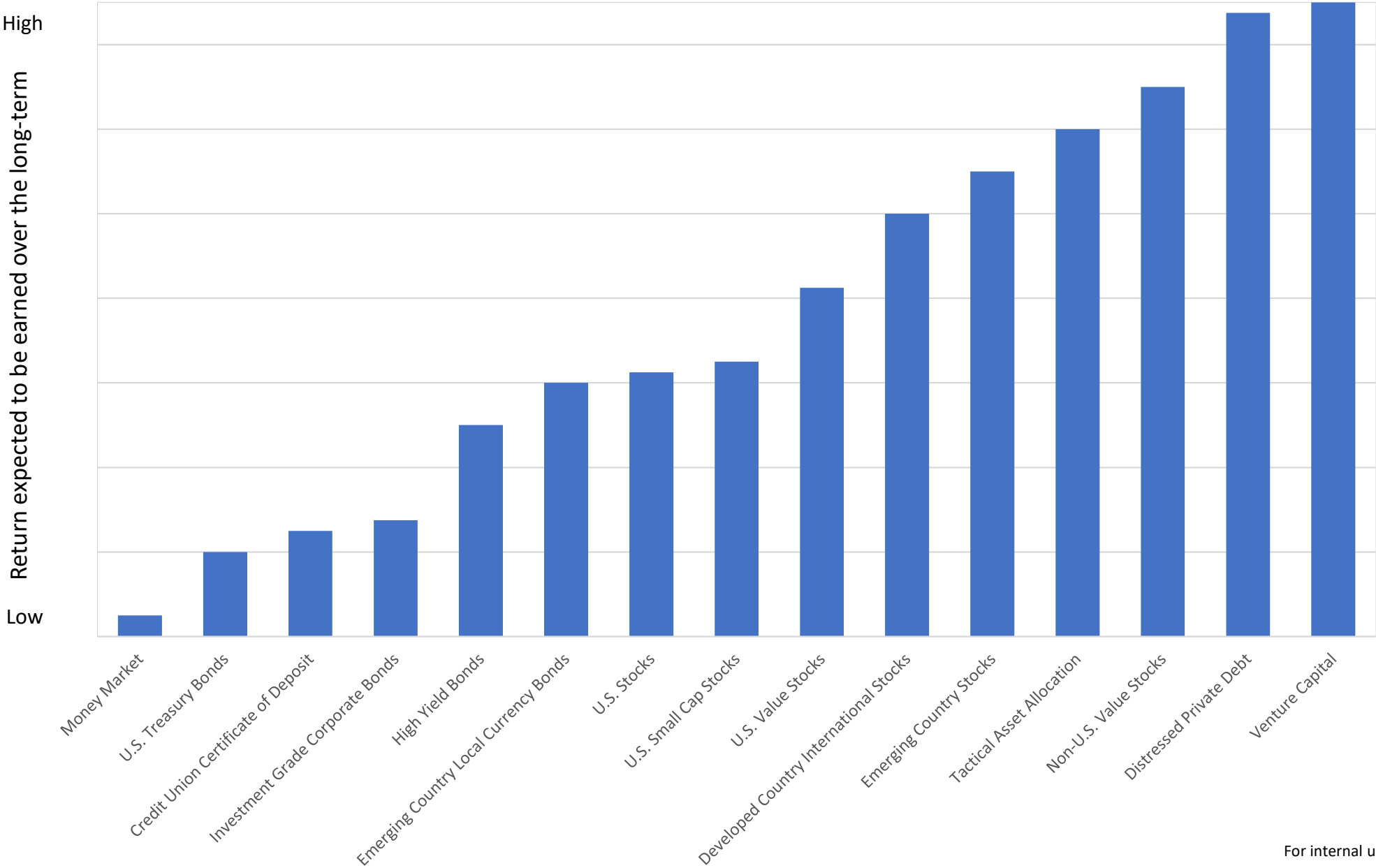
- *If your plan is for 100 years, educate children*



Distressed private debt and private venture capital structured inside an illiquid limited partnership

Your investment toolbox is filled with remarkably different tools

Different investments offer remarkably different expected returns



A simple example

Time Segment	Used for needs that are this far in the future	Required Return (measured net to the investor, and only at the final Destination)	Destination (number of years in the future at which seek to have earned at least the Required Return)
1	0 - 5 years	3%	2½ years
2	6 - 10 years	4%	7½ years
3	11 - 15 years	5%	12½ years
4	16 - 20 years	6%	17½ years
5	21 and greater years	7%	22½ years

A simple example

	Time segment 1	Time segment 2	Time segment 3	Time segment 4	Time segment 5
Serves investor needs that arrive this number of years in the future	0 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	More than 20 years
Minimum required net return	3%	4%	5%	6%	7%
Destination (this number of years in the future)	2 ½ years	7 ½ years	12 ½ years	17 ½ years	22 ½ years
Invested in	Bond Portfolio	Short-Term Portfolio	Moderately Short-Term Portfolio	Moderately Long-Term Portfolio	Long-Term Portfolio
Policy asset allocation	100% bonds	25%/75% stocks/bonds	50%/50% stocks/bonds	75%/25% stocks/bonds	100% stocks

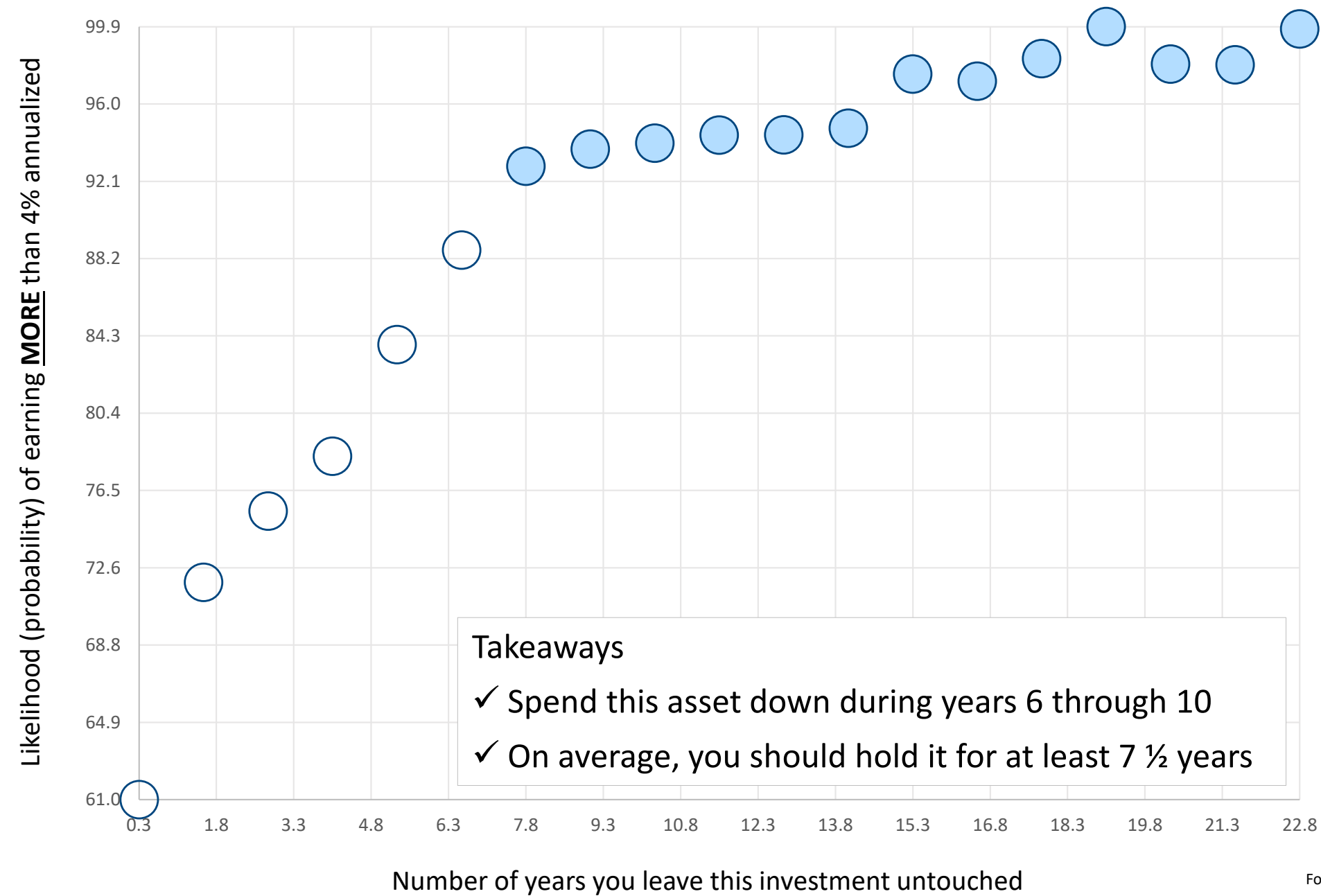
Following results are based on data 1926 to Today

Monthly total returns 1926-2021 95.2 years

- **Stocks** - Largecap US, Smallcap US, International developed, Emerging countries
- **Bonds** - US Treasuries, US investment grade corporates, International treasuries
- **Real Estate**

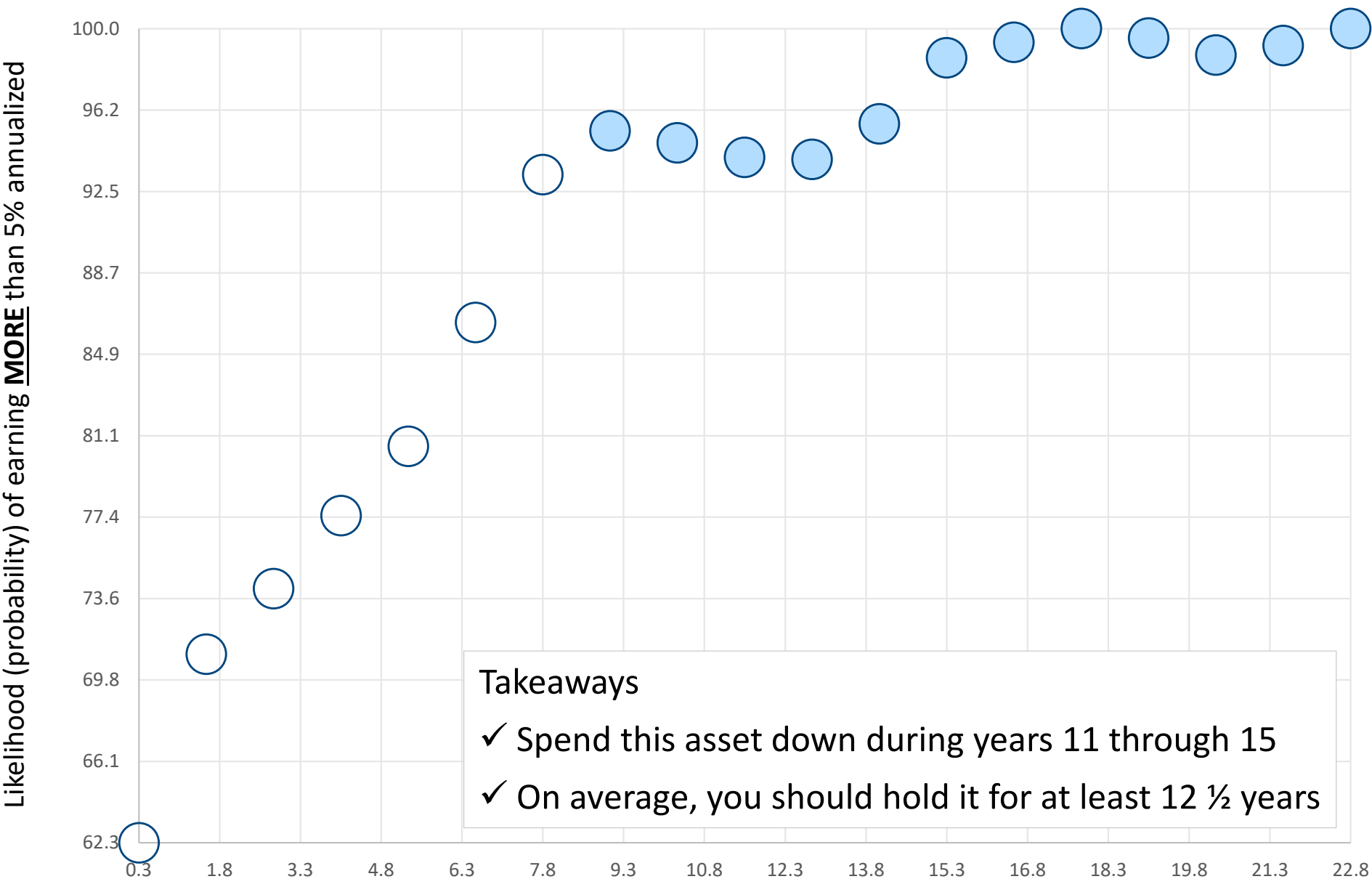
The “Short-Term Portfolio”

Portfolio is 25% stocks and 75% bonds



The “Moderately Short-Term Portfolio”

Portfolio is 50% stocks and 50% bonds

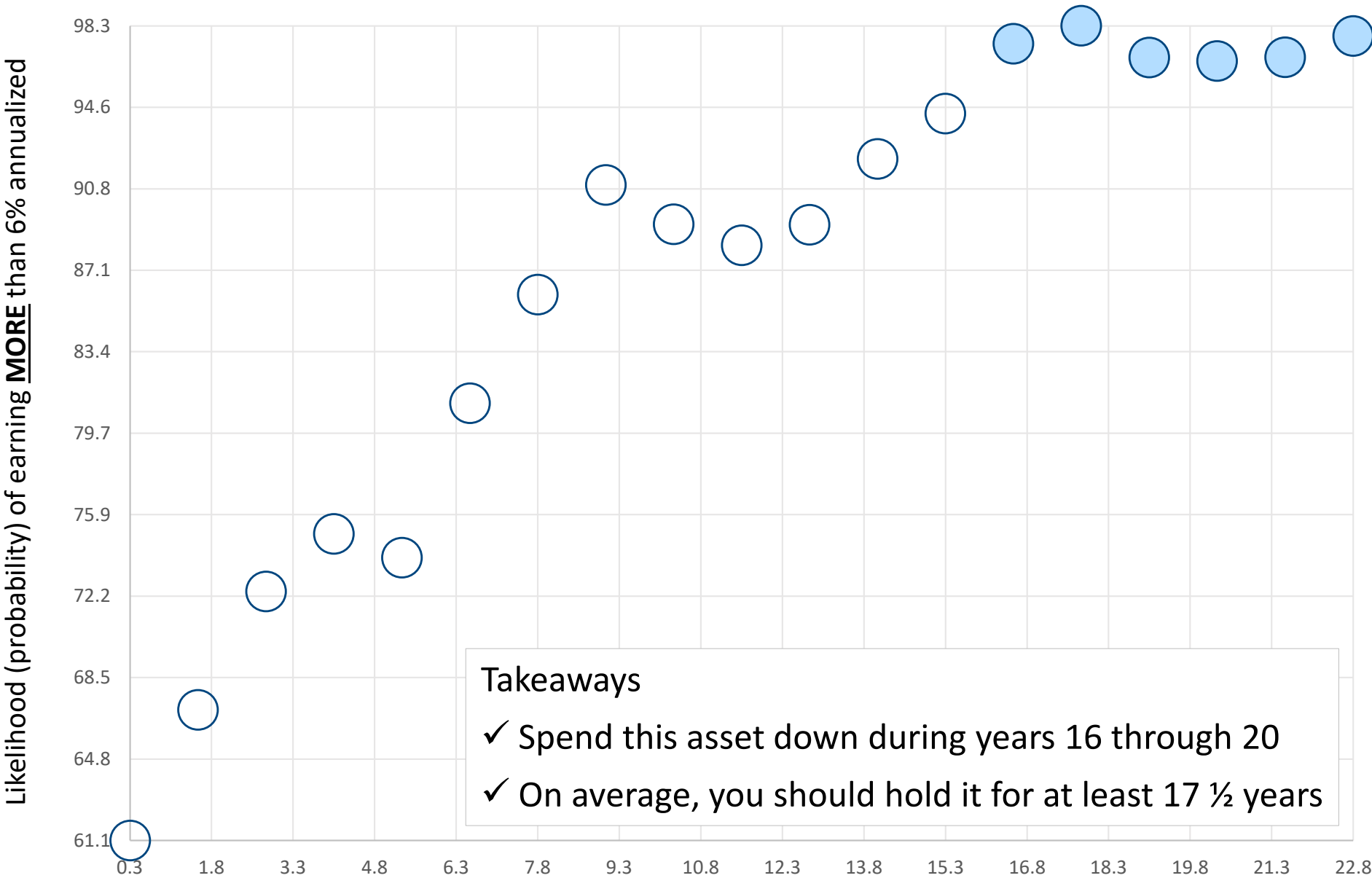


Takeaways

- ✓ Spend this asset down during years 11 through 15
- ✓ On average, you should hold it for at least 12 ½ years

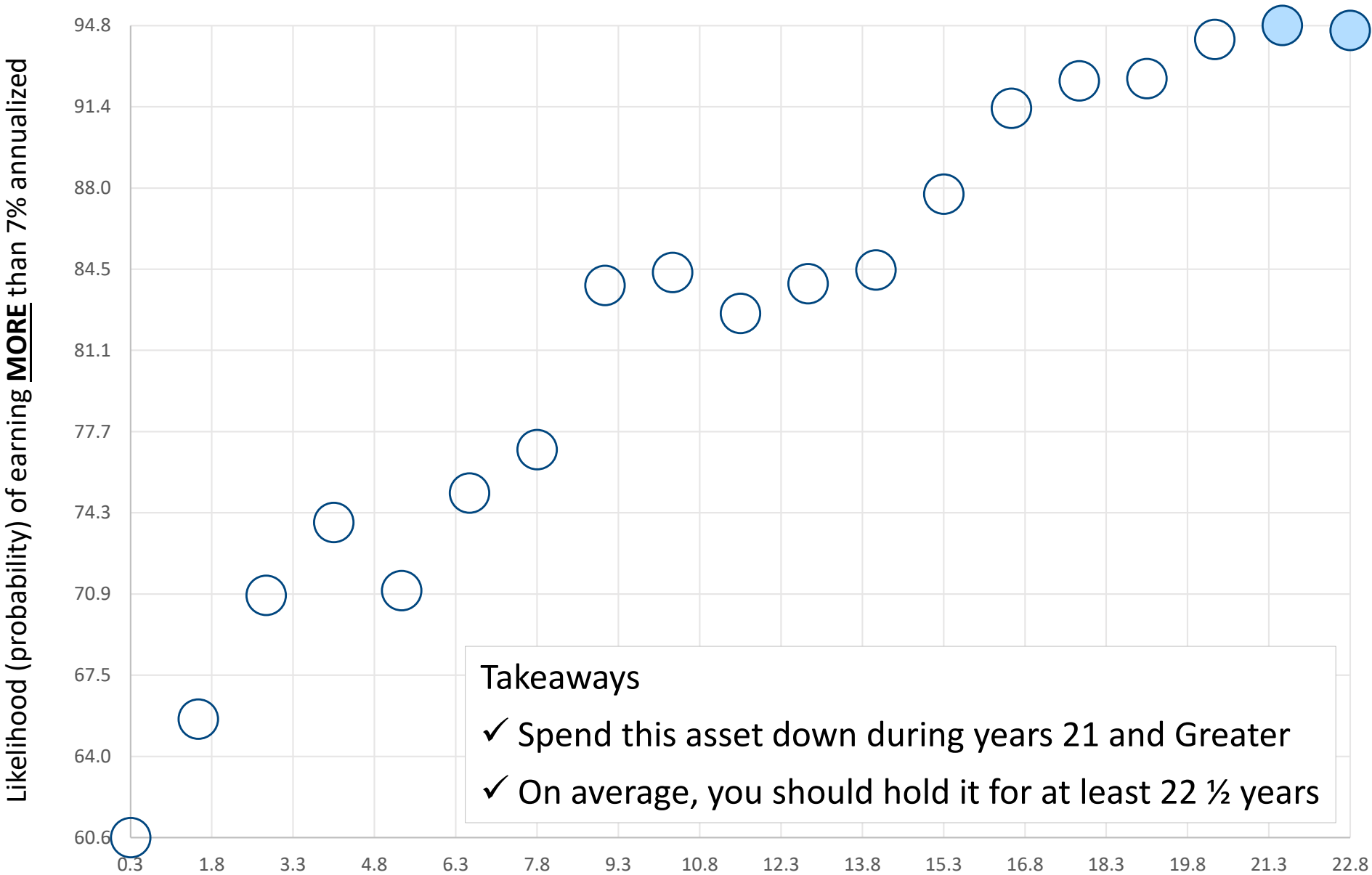
The “Moderately Long-Term Portfolio”

Portfolio is 75% stocks and 25% bonds



The “Long-Term Portfolio”

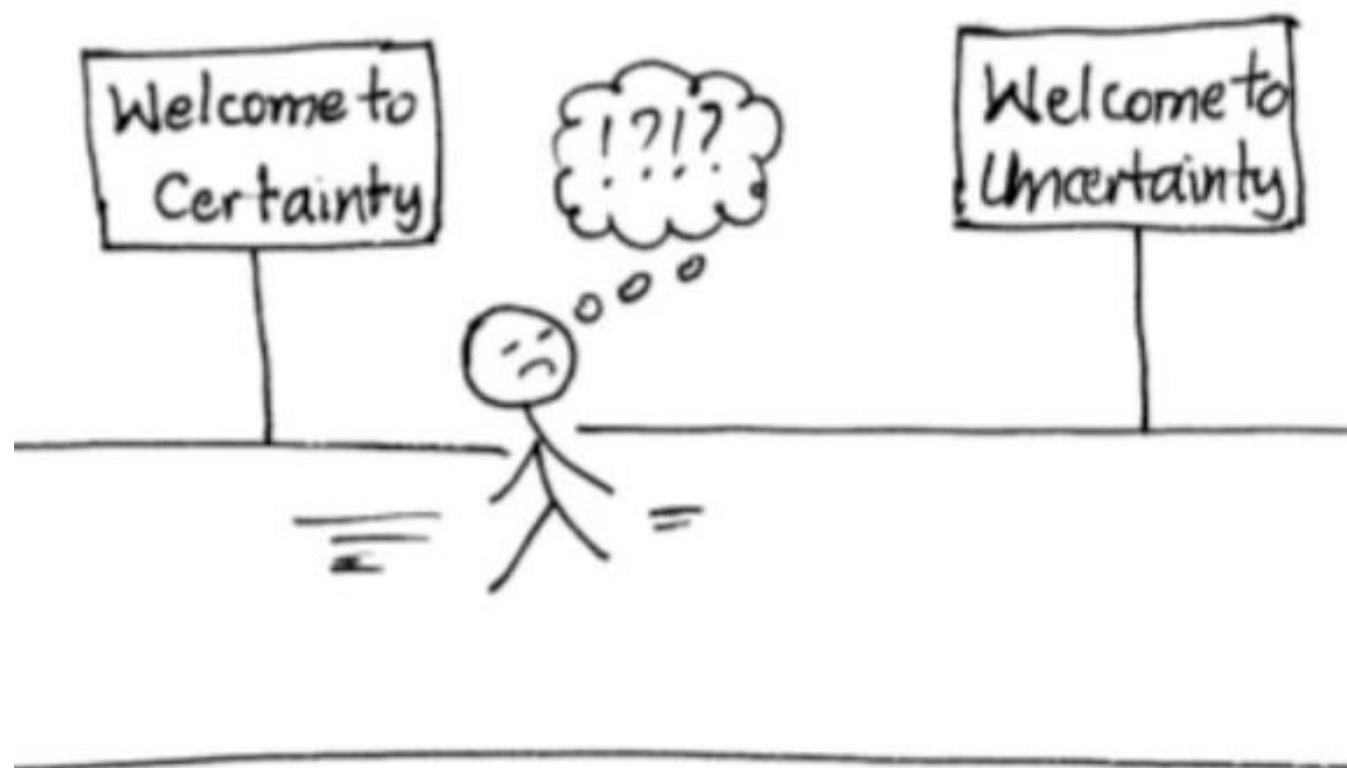
Portfolio is 100% stocks



Takeaways

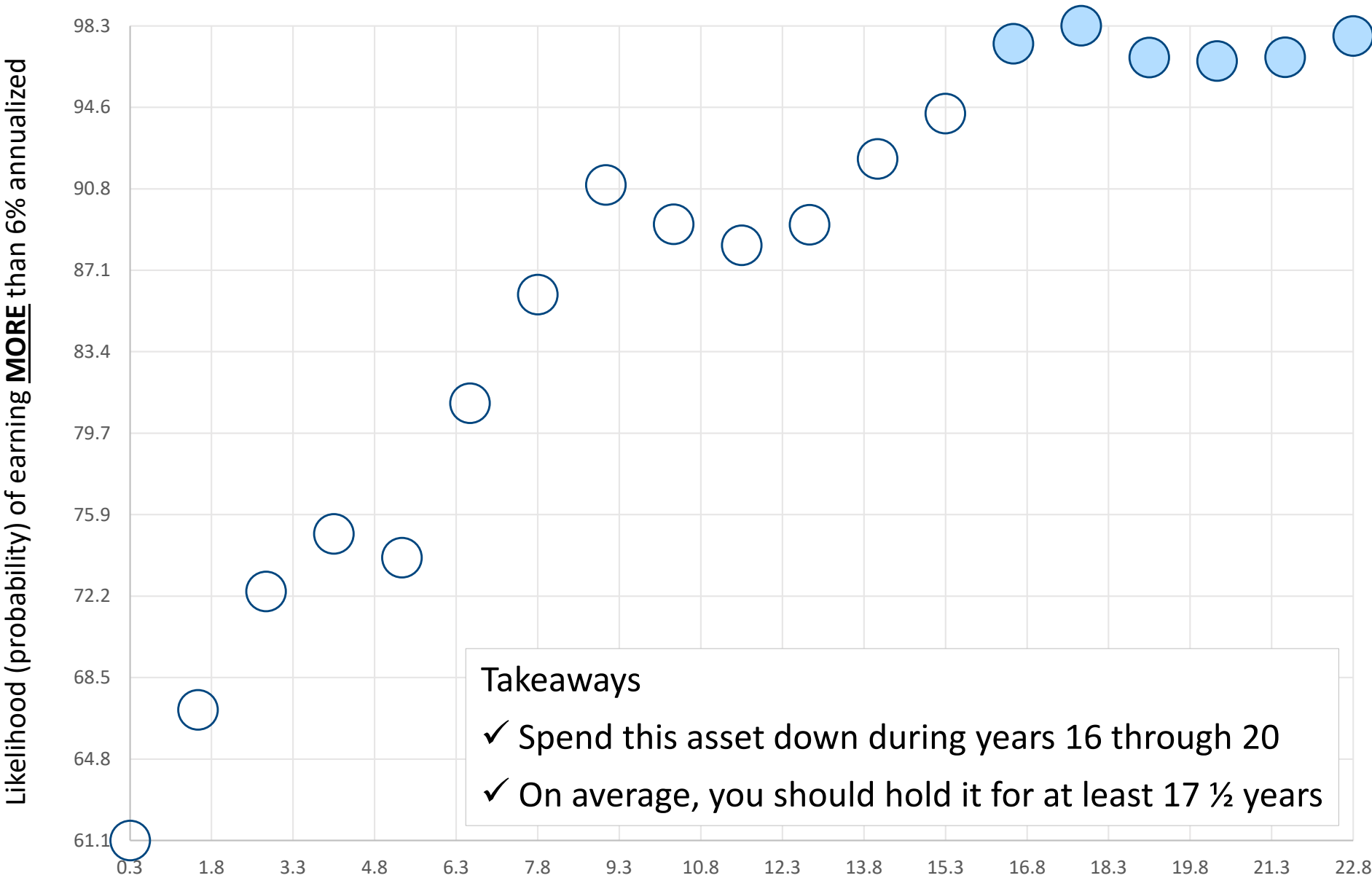
- ✓ Spend this asset down during years 21 and Greater
- ✓ On average, you should hold it for at least 22 ½ years

We “have” uncertainty . . . but we “want” certainty



The “Moderately Long-Term Portfolio”

Portfolio is 75% stocks and 25% bonds



Takeaways

- ✓ Spend this asset down during years 16 through 20
- ✓ On average, you should hold it for at least 17 ½ years

How do we move from uncertainty to certainty?



- Time segment both your needs and your investments . . . into “time buckets”
- Select the correct investment for each segment . . . with the right “maturation cycle”
- Exercise the required level of patience . . . make “time” your friend
- STOP the dysfunctional/slavish comparison to benchmark performance

If you're not using Time Segmentation Investing . . .

Why not ?

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The problem with index funds, and why they will fail

Friday the 10th

Important Disclosures

All data and statistics were provided by Global Financial Data, Inc. on September 2, 2021

Equities were allocated 45% to the S&P 500, 17.33% to each of EAFE, Smallcap US, and Emerging markets, and 3% to real estate

Fixed income was allocated 25% to 10-year Treasuries and 18.75% to each of 5-year Treasuries, Intermediate-term investment grade corporate bonds, AAA-rated long-term corporate bonds, and international Treasuries

This information in this presentation is for the purpose of information exchange. This is not a solicitation or offer to buy or sell any security. You must do your own due diligence and consult a professional investment advisor before making any investment decisions. The use of a proprietary technique, model or algorithm does not guarantee any specific or profitable results. Past performance is not indicative of future returns. The performance data presented are gross returns, unless otherwise noted.

The risk of loss in trading securities can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. All information posted is believed to come from reliable sources. We do not warrant the accuracy or completeness of information made available and therefore will not be liable for any losses incurred.

Some part of the investment performance shown is HYPOTHETICAL. It is based on the back tests of historical data. Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits 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.

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.

No representation or warranty is made to the reasonableness of the assumptions made or that all assumptions used to construct the performance provided have been stated or fully considered.

Important Disclosures - Continued

Short-Term Portfolio is defined as 62.3% Bonds, 25.1% U.S. Stocks, and 12.6% International Stocks.

Moderately Short-Term Portfolio is defined as 41.1% Bonds, 34% U.S. Stocks, and 24.9% International Stocks.

Moderately Long-Term Portfolio is defined as 41.667% U.S. Stocks, 33.333% International Stocks, and 25% Bonds.

Long-Term Portfolio is defined as 66.667% U.S. Stocks and 33.333% International Stocks.

Portfolios are rebalanced back to the above weights once each month at month-end.

Bonds is defined as equal proportions of the following five indices (subject to month-end rebalancing back to equal-weights): Dow Jones Corporate Bond Return Index, USA 5-year Government Note Total Return Index, GFD Indices USA 10-year Government Bond Total Return Index, GFD Indices USA Total Return AAA Corporate Bond Index, and GFD Indices World x/USA Countries Government Bond GDP-weighted Return Index.

U.S. Stocks is defined as equal proportions of the following five indices (subject to month-end rebalancing back to equal-weights): S&P 500 Total Return Index (w/GFD extension), Dow Jones Industrials Total Return Index, GFD Indices USA Top 100 Total Return Index, Fama French Small Cap Index (bottom 30% of the market by size), and Fama French Small Cap Index (bottom 30% of the market by size).

International Stocks is defined as equal proportions of the following four indices (subject to month-end rebalancing back to equal-weights): Japan Topix Total Return Index, Australia ASX Accumulation Index-All Ordinaries, France CAC All-Tradable Total Return Index, and UK FTSE All-Share Return Index (w/GFD extension).

All data was provided by Global Financial Data, Inc. on January 10, 2021