

JULEX CAPITAL

Internal costs - Individual securities vs commingled vehicles

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- Possible motivation
- Some/many products exist only to hide fees and/or expenses . . . And they're good at it
 - Insurance
 - Structured notes
 - Alts
- Are you “trading” or are you “holding”
- Bonds are special Really special Don't miss this Don't fall for the storytelling
- All ETFs are not created equal

Five broad categories

- Stocks
- Bonds
- Real estate
- Commodities
- Alternatives

Alternatives

Often/mostly the layers of fees/expenses leave little to nothing . . . For the investor

- **Desperate need by investment managers to regain their lost profit margins as they've**
 - Lost business to ETFs
 - Suffered fee compression for their mutual funds, SMAs, and ETFs
 - And much more **to come** !!!
- **Multiple share classes**
 - Those provided via the B/D channel being the most offensively expensive
- Is it a story and a fee structure . . . Or is it an investment opportunity
- **Some areas lend themselves to the opaque layering of fees and expenses**
 - BDCs
 - Real estate . . . Private REITs and interval funds
 - Structured notes
 - Guaranteed annuities
 - Life insurance

Alts - things to consider doing

- Limit your use
- Restrict usage to
 - Interval funds from the most credible sources
 - QUESTION . . . Has an unbiased 3rd-party (e.g., Morningstar or YCharts) blessed the product as relatively cost-effective
- Move to RIA-only channel
 - RIA custodian
 - Institutional share class

Commodities

Trading costs . . . Might be the overriding issue/concern

- My experience
- Trading costs absolutely must be considered and mitigated
 - GLD (gold) A non-issue
 - WEAT (the wheat ETF) Bring great care/thoughtfulness to the table
- Are you “trading” or are you “holding”
 - Trading . . . Ignore expense ratios . . . Focus on daily \$-volume
 - For example . . . Just use GLD or OIL
 - Your objective is to minimize the cost of market-impact
 - Holding Focus on expense ratios
 - Your objective is to minimize long-term cumulative expense
 - *Consider the gold ETFs*

| Symbol | Name | Liquidity Score | Expense Ratio |
|--------|---|-----------------|---------------|
| UGL | ProShares Ultra Gold | 9 | 95 |
| GLL | ProShares UltraShort Gold | 12 | 95 |
| BGLD | FT Cboe Vest Gold Strategy Quarterly Buffer ETF | 16 | 90 |
| IGLD | FT Cboe Vest Gold Strategy Target Income ETF | 13 | 85 |
| DBP | Invesco DB Precious Metals Fund | 10 | 75 |
| DGP | DB Gold Double Long Exchange Traded Notes | 14 | 75 |
| DZZ | DB Gold Double Short Exchange Traded Notes | 19 | 75 |
| DGZ | DB Gold Short Exchange Traded Notes | 20 | 75 |
| GLDX | USCF Gold Strategy Plus Income Fund ETF | 19 | 53 |
| GLD | SPDR Gold Shares | 1 | 40 |
| SESG | Sprott ESG Gold ETF | 17 | 38 |
| IAU | iShares Gold Trust | 2 | 25 |
| OUNZ | VanEck Merk Gold Trust | 6 | 25 |
| IAUF | iShares Gold Strategy ETF | 15 | 25 |
| AAAU | Goldman Sachs Physical Gold ETF | 8 | 18 |
| SGOL | abrdn Physical Gold Shares ETF | 4 | 17 |
| BAR | GraniteShares Gold Shares | 8 | 17 |
| FGLD | Franklin Responsibly Sourced Gold ETF | 11 | 15 |
| GLDM | SPDR Gold MiniShares Trust | 3 | 10 |
| IAUM | iShares Gold Trust Micro ETF of Benef Interest | 6 | 9 |

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Commodities - Things to consider doing

- **Limit your use to commodity ETFs with adequate liquidity**
 - Gold Ok
 - Coffee No way
- **Carefully manage the trades**
- **START With how you're using commodities As a "trade" or as a "hold"**
 - If "trade" focus . . . only on liquidity
 - If "hold" concentrate . . . on expense ratio

Real Estate

Public and private real estate are two entirely different asset categories

They are NOT substitutes

- Share classes
- Multiple/endless layers of opaque fees and expenses
- Interval funds provide “some” protection
 - Being a “40-Act Fund” interval funds must by regulatory requirement less opaque
 - You can trust their stated “expense ratio” a **bit** more
- Rob’s personal bias
 - I’m more focused on what’s their comparative advantage . . . And is it dependably repeatable
 - I kind of ignore costs/expenses Except w/r/t share classes
- **BUT There remains an area you should remain laser focused . . . on expense ratios**
 - Interval funds
 - That invest in old-iron institutional commercial real estate pools
 - These are 99.9% index funds with different tilts
 - Just grab the one with the lowest expense ratio
 - Examples - **BlueRock, Griffin, Versus, PREDEX, USQ**

Real estate interval funds

| | | | | | | | |
|---|-------------------------------------|--------------------------------------|--------------------------------------|---|--|---------------------------|------------------------------------|
| Expense Ratio (shareclass range) | 239 | 203 - 305 | 178 - 274 | 171 - 273 | 125 | 124 - 151 | 95 - 120 |
| Fund | Equalize Community Development Fund | Nexpoint Real Estate Strategies Fund | Bluerock Total Income (plus) RE Fund | Griffin Institutional Access Real Estate Fund | Versus Cap Multi-Manager Real Estate Income Fund | PreDEX | USQ Core Real Estate Fund |
| Tickers | EQCDX | NRSAX,NRSCX,NRSZX | TIPRX,TIPPX,TIPWX,TIPLX | GIREX, GCREX,GRIFX,GMREX, GLREX | VCMIX | PRDEX, PTDEX, PWDEX | USQIX, USQSX |
| Manager | Equalize Capital LLC | NexPoint Advisors, LP | Bluerock Fund Advisor, LLC | Griffin Capital Advisor, LLC | Versus Capital Advisors LLC | PreDEX Capital Management | Union Square Capital Partners, LLC |

| Key Characteristics | Bluerock | Apollo | |
|--------------------------------|----------|--------|-------|
| | TIPWX | GRIFX | USQIX |
| Net Expense Ratio | 1.78% | 1.71% | 0.95% |
| Underlying Fund Leverage (Avg) | 28% | 28% | 24% |
| % of PRE in NFI-ODCE Funds | 18% | 19% | 95% |

Bonds

The advent of ETFs . . . Changed everything The use of individual bonds is a fiduciary breach

Don't Equivocate On Bonds

MAY 1, 2014 • ROB BROWN

To run a successful financial advisory business, we need to differentiate ourselves from our competitors. This differentiation is both a business necessity as well as a highly desirable quality. We all seek to offer a genuinely superior investment journey for our clients. But let's make sure that those differences are actually in a client's best interest. Here, I focus on the area of fixed income. In an effort to "differentiate," advisors are at times delivering their clients small portfolios of individual bonds instead of commingled vehicles (i.e., ETFs, ETNs, closed-ends, open-end mutual funds). Let us not equivocate—it is a rare circumstance when such a portfolio of individual bonds is in the best interest of a client with less than \$10 million.

To frame the issue, let's take a hypothetical client with a \$450,000 fixed-income portfolio. An advisor has purchased for this client a portfolio of 10 municipal bonds, each of which is valued at approximately \$45,000. This portfolio suffers from the following six risks for which there exists no compensating increase in expected return:

Bankruptcy risk. If one of the municipalities declares bankruptcy, this event affects 10% of the portfolio. In a properly diversified commingled fixed-income vehicle, this risk would have been eliminated in that it would have been diversified away. The bankruptcy of a single issue within such a well-diversified portfolio would not move the needle.

Default risk. If one of the municipalities threatens default on an interest payment, this action negatively impacts the pricing on 10% of the portfolio. Again, in a commingled vehicle, this risk is diversified away. Threatened default by a single issue cannot move the needle in an ETF. But in an individual bond account, if one of those bonds threatens default, how will the advisor explain this to the client?

Downgrade risk. The downgrade of individual municipal bonds is all too common. In this hypothetical example, the

- <https://www.fa-mag.com/news/don-t-equivocate-on-bonds-17754.html>

Risks of using individuals bonds - Unrewarded risk

- Bankruptcy risk
 - Default risk
 - Downgrade risk
 - Operational risk
 - Liquidity risk
 - Misleading pricing risk
-
- None of which the clients is compensated for taking

Stocks

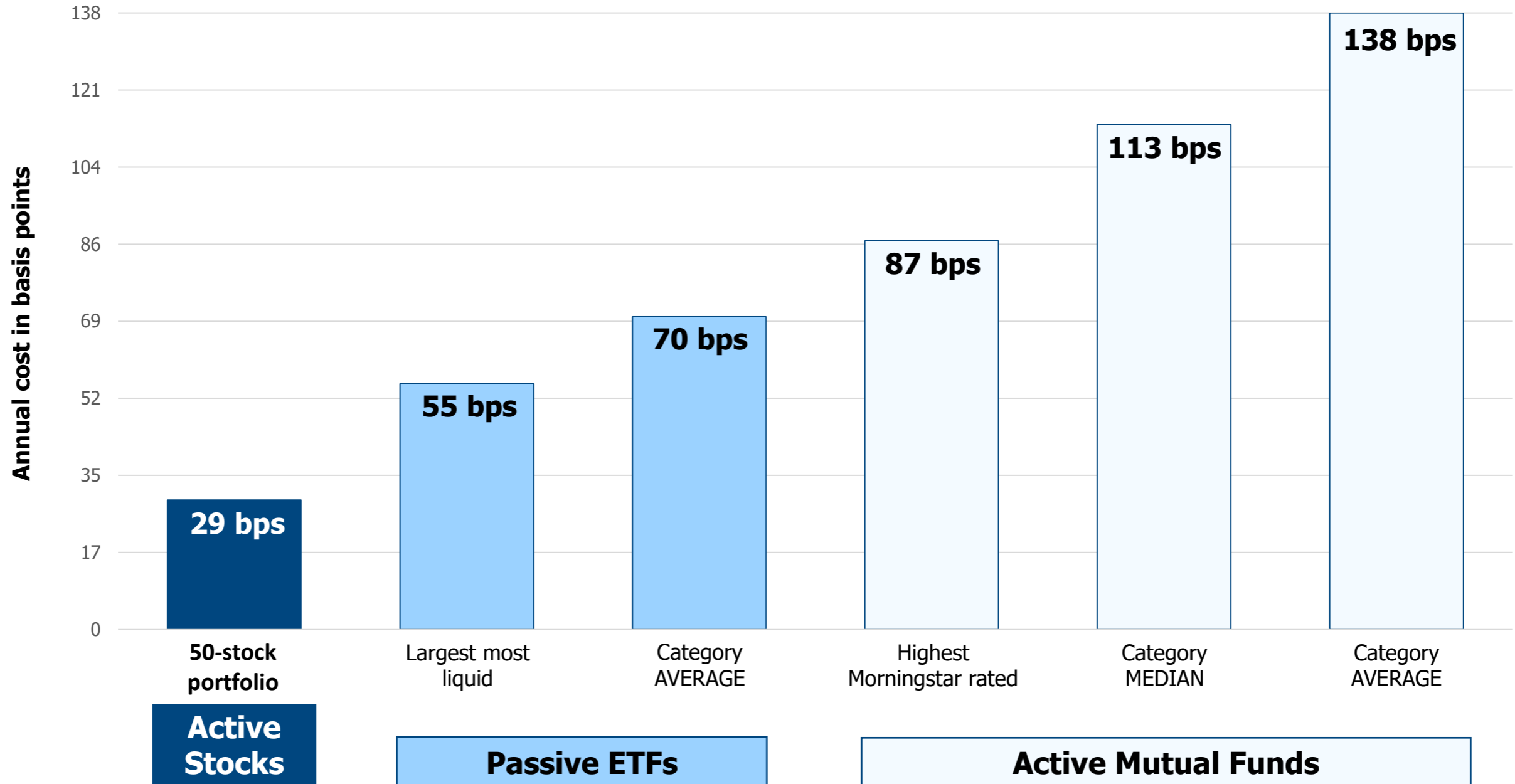
Long-run vs short-run It makes a BIG difference

“Some” ETFs just straight-out . . . Are taking advantage of you

- **Assume**

- 50-stock portfolio
- Equal-weighted
- Include all direct and indirect costs
 - Custody
 - Trading
 - Bid/ask spreads
 - Operational back office costs
 - Paying yourself for assembling and maintaining portfolios

Cost comparison - with identical asset mix



Index mutual funds

Index funds, mutual funds, that use the S&P 500 Index as their performance benchmark

| | | |
|-------|--|----|
| FMXSX | Federated Hermes Max-Cap Index Svc | 67 |
| ISIPX | Voya US Stock Index Port S2 | 67 |
| SPIIX | SEI S&P 500 Index I (SIMT) | 65 |
| TSTRX | Transamerica Stock Index R | 63 |
| MIEAX | MM S&P 500® Index R4 | 62 |
| GRMSX | Nationwide S&P 500 Index Svc | 60 |
| SSFRX | State Street Equity 500 Index R | 60 |
| GRMAX | Nationwide S&P 500 Index A | 59 |
| SBSPX | Franklin S&P 500 Index A | 54 |
| SPIAX | Invesco S&P 500 Index A | 54 |
| SXPAX | DWS S&P 500 Index A | 54 |
| MUXAX | Victory S&P 500 Index A | 53 |
| MSXAX | MainStay S&P 500 Index A | 52 |
| PLFSX | Principal Large Cap S&P 500 Index R4 | 52 |
| PSIAX | PGIM Quant Solutions Stock Index A | 52 |
| ISJBX | Voya US Stock Index Port S | 51 |
| MXVIX | Empower S&P 500® Index Investor | 51 |
| PEOPX | BNY Mellon S&P 500 Index | 50 |
| HSTIX | Homestead Stock Index | 48 |
| MIEYX | MM S&P 500® Index Adm | 47 |
| GRISX | Nationwide S&P 500 Index Instl Svc | 45 |
| NEIAX | Columbia Large Cap Index A | 45 |
| OGEAX | JPMorgan Equity Index A | 45 |
| SSSVX | State Street Equity 500 Index A | 45 |
| WFILX | Allspring Index A | 45 |
| MUXYX | Victory S&P 500 Index Y | 44 |
| SPFIX | Shelton S&P 500 Index Investor | 43 |
| PLFPX | Principal Large Cap S&P 500 Index R5 | 40 |
| GEQZX | GuideStone Funds Equity Index Investor | 39 |
| PLSAX | Principal Large Cap S&P 500 Index A | 39 |

| | | |
|-------|-------------------------------------|----|
| FISPX | Federated Hermes Max-Cap Index IS | 37 |
| MMIEX | MM S&P 500® Index Svc | 37 |
| PSPJX | Principal Large Cap S&P 500 Index J | 36 |
| BSPAX | iShares S&P 500 Index Investor A | 35 |
| BSPPX | iShares S&P 500 Index Investor P | 35 |
| SBSDX | Franklin S&P 500 Index D | 34 |
| TRSPX | TIAA-CREF S&P 500 Index Retire | 30 |
| TSTFX | Transamerica Stock Index R4 | 30 |
| SCPIX | DWS S&P 500 Index S | 29 |
| SPIDX | Invesco S&P 500 Index Y | 29 |
| VSTIX | VALIC Company I Stock Index | 29 |
| INGIX | Voya US Stock Index Port I | 27 |
| MSPIX | MainStay S&P 500 Index I | 26 |
| BTIEX | DWS Equity 500 Index S | 25 |
| SSPIX | SEI S&P 500 Index F (SIMT) | 25 |
| STBIX | State Street Equity 500 Index Svc | 25 |
| WFIOX | Allspring Index Admin | 25 |
| PSIFX | PGIM Quant Solutions Stock Index Z | 24 |
| SXPRX | DWS S&P 500 Index R6 | 23 |
| BSPSX | iShares S&P 500 Index Service | 22 |
| MIEZX | MM S&P 500® Index R5 | 22 |
| DSPIX | BNY Mellon Instl S&P 500 Stk Idx I | 21 |
| BTIIX | DWS Equity 500 Index Inst | 20 |
| BTIRX | DWS Equity 500 Index R6 | 20 |
| CLPYX | Columbia Large Cap Index Inst3 | 20 |
| CLRX | Columbia Large Cap Index Inst2 | 20 |
| GRMIX | Nationwide S&P 500 Index R6 | 20 |
| HLEIX | JPMorgan Equity Index I | 20 |
| NINDX | Columbia Large Cap Index Inst | 20 |
| SPISX | Invesco S&P 500 Index R6 | 20 |

| | | |
|-------|---|-----|
| SSSWX | State Street Equity 500 Index I | 20 |
| PDSIX | PGIM Quant Solutions Stock Index I | 19 |
| TISAX | TIAA-CREF S&P 500 Index Advisor | 18 |
| MXKWX | Empower S&P 500® Index Institutional | 16 |
| PLFIX | Principal Large Cap S&P 500 Index Inst | 16 |
| SVSPX | State Street S&P 500 Index N | 16 |
| PREIX | T. Rowe Price Equity Index 500 | 15 |
| STFAX | State Street Equity 500 Index Adm | 15 |
| MAEIX | Mutual of America Equity Index | 14 |
| PQSIX | PGIM Quant Solutions Stock Index R6 | 14 |
| VFINX | Vanguard 500 Index Investor | 14 |
| GEQYX | GuideStone Funds Equity Index Instl | 12 |
| MMIZX | MM S&P 500® Index I | 12 |
| BSPIX | iShares S&P 500 Index Institutional | 10 |
| DFUSX | DFA US Large Company I | 8 |
| NOSIX | Northern Stock Index | 5 |
| PRUIX | T. Rowe Price Equity Index 500 I | 5 |
| SPINX | SEI S&P 500 Index A (SIIT) | 5 |
| TISPX | TIAA-CREF S&P 500 Index Instl | 5 |
| OGFAX | JPMorgan Equity Index R6 | 4.5 |
| VFIAX | Vanguard 500 Index Admiral | 4 |
| VINIX | Vanguard Institutional Index I | 3.5 |
| WFSPX | iShares S&P 500 Index K | 3 |
| SSEYX | State Street Equity 500 Index II | 2 |
| SWPPX | Schwab® S&P 500 Index | 2 |
| VIIIX | Vanguard Institutional Index Instl Pl | 2 |
| FLCPX | Fidelity® SAI US Large Cap Index | 1.6 |
| FXAIX | Fidelity® 500 Index | 1.5 |
| BSPGX | iShares S&P 500 Index G | 1 |
| VFFSX | Vanguard 500 Index Institutional Select | 1 |

| | | |
|-------|---------------------------------------|-----|
| GBIAX | Nationwide Bond Index A | 65 |
| ILABX | Voya US Bond Index Port S | 61 |
| PBIPX | Principal Bond Market Index R4 | 53 |
| PBIJX | Principal Bond Market Index J | 51 |
| MXBIX | Empower Bond Index Inv | 50 |
| NWXOX | Nationwide Bond Index Instl Svc | 47 |
| SSFCX | State Street Aggregate Bond Index A | 45 |
| TBILX | TIAA-CREF Bond Index Retail | 42 |
| PBIQX | Principal Bond Market Index R5 | 41 |
| DBMIX | BNY Mellon Bond Market Index Inv | 40 |
| ILBAX | Voya US Bond Index Port I | 36 |
| BMOAX | iShares US Aggregate Bond Index Inv A | 35 |
| BMOPX | iShares US Aggregate Bond Index Inv P | 35 |
| TBIRX | TIAA-CREF Bond Index Retirement | 32 |
| GBXIX | Nationwide Bond Index R6 | 22 |
| TBIPX | TIAA-CREF Bond Index Premier | 22 |
| SSFDX | State Street Aggregate Bond Index I | 20 |
| TBIAX | TIAA-CREF Bond Index Advisor | 17 |
| PNIIX | Principal Bond Market Index Instl | 16 |
| DBIRX | BNY Mellon Bond Market Index I | 15 |
| MXCOX | Empower Bond Index Institutional | 15 |
| BMOIX | iShares US Aggregate Bond Index Instl | 10 |
| NOBOX | Northern Bond Index | 7 |
| TBIIX | TIAA-CREF Bond Index Institutional | 7 |
| WFBIX | iShares US Aggregate Bond Index K | 5 |
| SWAGX | Schwab US Aggregate Bond Index | 4 |
| FXNAX | Fidelity® US Bond Index | 2.5 |
| SSAFX | State Street Aggregate Bond Idx | 2 |

Index funds, mutual funds, that use the Bloomberg U.S. Aggregate Bond Index as their performance benchmark

Index ETFs

Index funds, ETFs, that use the S&P 500 Index as their performance benchmark

| | | |
|------|---|---|
| SPY | SPDR [®] S&P 500 ETF Trust | 9 |
| IVV | iShares Core S&P 500 ETF | 3 |
| SPLG | SPDR [®] Portfolio S&P 500 ETF | 3 |
| VOO | Vanguard S&P 500 ETF | 3 |
| BKLC | BNY Mellon US Large Cap Core Equity ETF | 0 |

Index funds, ETFs, that use the Bloomberg U.S. Aggregate Bond Index as their performance benchmark

| | | |
|------|--|---|
| AGG | iShares Core US Aggregate Bond ETF | 3 |
| BBAG | JPMorgan BetaBuilders US Aggt Bond ETF | 3 |
| SCHZ | Schwab US Aggregate Bond ETF | 3 |
| SPAB | SPDR® Portfolio Aggregate Bond ETF | 3 |
| BKAG | BNY Mellon Core Bond ETF | 0 |

Index funds, ETFs, that use some U.S. equity REIT index as their performance benchmark

| | | |
|------|---|-----|
| NETL | Fundamental Income Net Lease RE Estt ETF | 60 |
| ROOF | IQ CBRE NextGen Real Estate ETF | 60 |
| SPRE | SP Funds S&P Global REIT Sharia ETF | 59 |
| SRET | Global X SuperDividend [®] REIT ETF | 59 |
| INDS | Pacer Benchmark Industrial RE SCTR ETF | 55 |
| SRVR | Pacer Benchmark Data&Infras RE SCTR ETF | 55 |
| FRI | First Trust S&P REIT ETF | 50 |
| PPTY | Vident U.S. Diversified Real Estate ETF | 49 |
| REM | iShares Mortgage Real Estate Capped ETF | 48 |
| REZ | iShares Residential & Multisector RE ETF | 48 |
| MORT | VanEck Mortgage REIT Income ETF | 41 |
| EWRE | Invesco S&P 500 [®] Equal Wt Real Estt ETF | 40 |
| IYR | iShares US Real Estate ETF | 39 |
| KBWY | Invesco KBW Premium Yield Eq REIT ETF | 35 |
| NURE | Nuveen Short-Term REIT ETF | 35 |
| ICF | iShares Cohen & Steers REIT ETF | 32 |
| VNQ | Vanguard Real Estate ETF | 12 |
| BBRE | JPMorgan BetaBuilders MSCI US REIT ETF | 11 |
| XLRE | Real Estate Select Sector SPDR [®] | 10 |
| FREL | Fidelity [®] MSCI Real Estate ETF | 8.4 |
| USRT | iShares Core US REIT ETF | 8 |

Example Replicate NETL at 60% lower cost

- Replication
- NETL's expense ratio is 60bps
- One could easily replicate this portfolio at less than 50% of this cost

Games

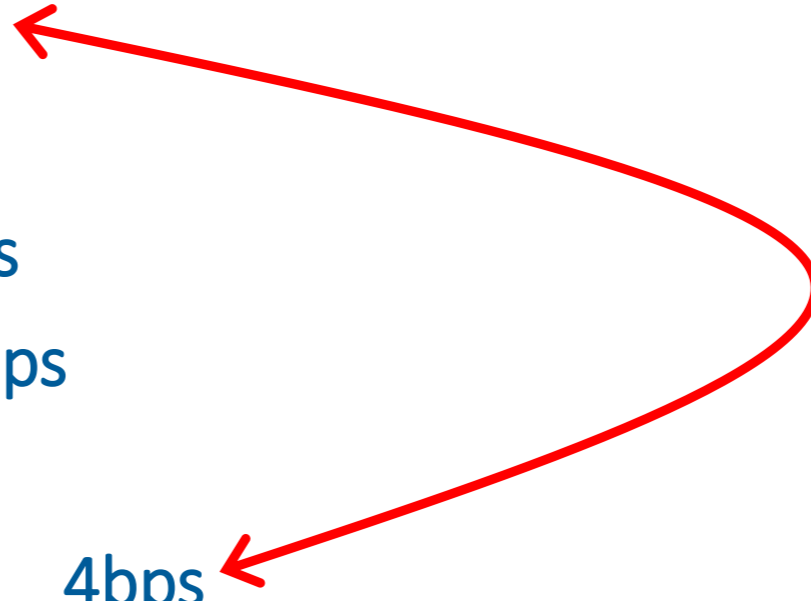
Break it into separate pieces

- iShares Core MSCI EAFE ETF (IEFA) 7bps
 - iShares MSCI EAFE Value ETF (EFV) 34bps
 - iShares MSCI EAFE Growth ETF (EFG) 36bps

 - BNY Mellon International Equity ETF (BKIE) 4bps
- 

Break it into separate pieces

- iShares Core MSCI EAFE ETF (IEFA) 7bps
- iShares MSCI EAFE Value ETF (EFV) 34bps
- iShares MSCI EAFE Growth ETF (EFG) 36bps
- BNY Mellon International Equity ETF (BKIE) 4bps



Difference in name only ?? Maybe

- iShares Core S&P 500 ETF (IVV) 3bps
 - iShares ESG Aware MSCI USA ETF (ESGU) 15bps
 - SPDR S&P 500 ESG ETF (EFIV) 10bps
- 

Difference in name only ?? Maybe

- iShares Core S&P 500 ETF (IVV) 3bps
 - iShares ESG Aware MSCI USA ETF (ESGU) 15bps
 - SPDR S&P 500 ESG ETF (EFIV) 10bps
- 

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The simple case for Tactical Asset Allocation (but don't overpromise)

Friday

May 19th

11:00 a.m. EASTERN

• Disclosures

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- The investment performance shown, if indicated, 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.

All data and statistics were provided by Global Financial Data, Inc. and NDR, Inc. (unless otherwise indicated in the exhibit)

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