

JULEX CAPITAL

U.S. vs International . . . which is better?

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American exceptionalism

The data speaks for itself it does !!

AMERICAN EXCEPTIONALISM

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KEY WORDS: exceptionalism, American exceptionalism, de Tocqueville, American politics,
comparative politics

ABSTRACT

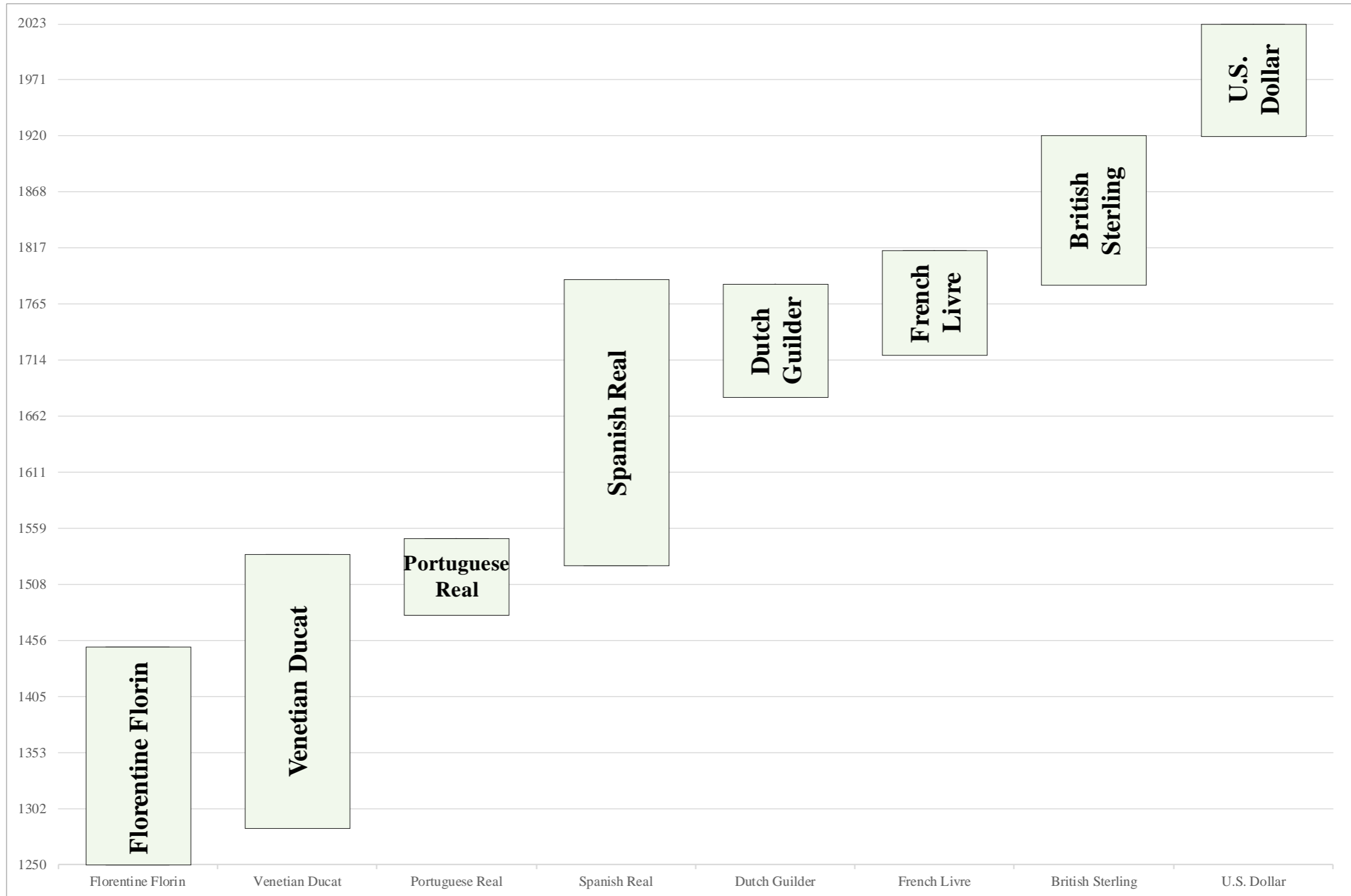
American exceptionalism is the oldest and most contentious of the alleged national exceptionalisms—arguments that a given nation must be understood in essentially idiosyncratic fashion. John Winthrop, Alexis de Tocqueville, and Karl Marx helped develop and sustain an American variant for the first 350 years of a separate American political life. Modern political scientists have addressed the notion in a more systematic and methodologically self-conscious manner during the past half century. Nevertheless, much of the argument revolves around conceptual issues, operational difficulties, and empirical traps, so that these must provide the contours of the subject here. Two major recent books with sharply divergent conclusions, both marshaling extensive empirical evidence, serve not only as a means of updating the classical argument and of presenting its modern opposition. Both also suggest—indeed, contribute—further reasons for the continuing lure of a difficult and divisive notion.

BUT . . .

Maybe this is the wrong question how so?

- Good question, fair question
- **BUT** are you investing for the next 12-months or the next 12-years
- 12-months . . .
 - It's about flows, dynamics, emotion, excitement, image, narrative
- 12-years . . .
 - It's about which offers the superior value (barring no unexpected developments)

Major Global Reserve Currencies Since 1250



Let the data speak

Let's all agree to set aside our preconceptions

Average Returns - Post-Industrial U.S. vs Since-1914 U.S. and International

Portfolio	Region and time period	Investment time periods (in years)					
		1	5	10	15	20	25
Stocks	U.S. post WWII	9.01	7.97	7.85	7.80	7.77	7.74
	U.S. since 1914	9.08	7.39	7.17	7.11	7.08	7.06
	International since 1914	7.34	5.94	5.76	5.71	5.68	5.66
Investment Grade Bonds	U.S. post WWII	2.53	2.31	2.28	2.27	2.26	2.25
	U.S. since 1914	2.37	2.14	2.09	2.07	2.06	2.05
	International since 1914	2.73	2.15	2.05	2.00	1.96	1.94
60/40 Portfolio	U.S. post WWII	6.03	5.63	5.59	5.57	5.56	5.55
	U.S. since 1914	5.93	5.29	5.22	5.19	5.18	5.17
	International since 1914	5.12	4.37	4.27	4.24	4.21	4.20

"Post-Industrial" spans the time period Jun 30, 1949 through May 31, 2023

"Since-1914" spans the time period Aug 31, 1914 through May 31, 2023

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- **Serious issues**
 - Time period
 - Geography
- **Some serious ex-post cherry picking going on here**
- **This is a fiduciary issue**
- **Dah**

Annualized Standard Deviations - Post-Industrial U.S. vs Since-1914 U.S. and International

Portfolio	Region and time period	Investment time periods (in years)					
		1	5	10	15	20	25
Stocks	U.S. post WWII	16.49	7.59	5.72	4.74	3.83	2.90
	U.S. since 1914	20.95	8.72	5.38	4.05	2.98	2.20
	International since 1914	19.30	8.22	5.37	4.34	3.44	2.93
Investment Grade Bonds	U.S. post WWII	7.88	4.18	3.20	2.78	2.45	2.19
	U.S. since 1914	8.43	4.76	3.73	3.13	2.56	2.11
	International since 1914	13.39	7.46	5.86	5.06	4.20	3.49
60/40 Portfolio	U.S. post WWII	10.02	4.25	3.08	2.55	2.03	1.55
	U.S. since 1914	12.81	5.24	3.36	2.57	1.89	1.43
	International since 1914	14.43	6.60	4.66	3.90	3.17	2.68

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Probability of Reaching Goal - Post-Industrial U.S. vs Since-1914 U.S. and International

Portfolio	Region and time period	Investment time periods (in years)					
		1	5	10	15	20	25
Stocks (earn at least 2% above inflation)	U.S. post WWII	69.8	73.2	80.5	87.5	91.3	99.8
	U.S. since 1914	65.7	70.9	80.9	89.2	92.9	99.8
	International since 1914	62.1	72.5	77.9	81.1	84.9	86.0
Investment Grade Bonds (earn at least 0.5% above inflation)	U.S. post WWII	62.7	64.9	65.8	66.6	66.6	69.2
	U.S. since 1914	64.2	62.6	62.6	64.1	61.7	67.4
	International since 1914	58.3	60.0	65.5	64.9	63.6	64.8
60/40 Portfolio (earn at least 2% above inflation)	U.S. post WWII	68.4	78.1	83.3	88.7	92.4	98.5
	U.S. since 1914	65.0	71.3	79.8	89.9	94.6	99.0
	International since 1914	59.2	67.4	71.2	71.3	78.3	84.0

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The SOLUTION

Ok . . . so that's a bridge too far

. . . but, let's try anyways isn't that what it means to be a fiduciary

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	Global since 1914	8.17	6.93	6.77	6.73	6.71	6.69
Investment Grade Bonds	U.S. post WWII	2.53	2.31	2.28	2.27	2.26	2.25
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60/40 Portfolio	U.S. post WWII	6.03	5.63	5.59	5.57	5.56	5.55
	Global since 1914	5.50	4.94	4.86	4.84	4.82	4.81

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- Time period and geography matter
- The U.S. experience (and I'm incredibly grateful) has been nonrepresentative and non repeatable
- So what's to be done?
- Embrace the reality of all-things *“global”*
- That has nothing to do with how you invest
- It instead Has everything with how you complete your client's *“financial planning”*

Annualized Standard Deviations - Post-Industrial U.S. vs Since-1914 Global

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	Global since 1914	17.96	7.44	4.53	3.51	2.57	1.96
Investment Grade Bonds	U.S. post WWII	7.88	4.18	3.20	2.78	2.45	2.19
	Global since 1914	9.76	5.88	4.71	4.03	3.33	2.76
60/40 Portfolio	U.S. post WWII	10.02	4.25	3.08	2.55	2.03	1.55
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- So what's to be done?
- *Risk is most likely more prominent and relevant than you're taking into account*

Probability of Reaching Goal - Post-Industrial U.S. vs Since-1914 Global

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- Time period and geography matter
- The U.S. experience (and I'm incredibly grateful) has been nonrepresentative and non repeatable
- So what's to be done?
- *It's not all about "downside" it is really not*
- *Instead, it's about*
 - *Patience*
 - *Getting your client (and financial planning process) to embrace specific, well-defined investment time periods*
 - *Here is where . . . all-things global deliver some pretty amazing results*

Consequences of Ex-Post Cherry Picking - Three Practical Examples

Case	Cashflow description	Investor's goal	Probability of success	Time period and geography selected as basis	
				Post-Industrial U.S. returns	Since-1914 Global returns
College Savings Plan (529 Plan)	Deposit \$1,000 per month for 213 months. Immediately thereafter, withdraw a fixed-dollar amount (inflation-adjusted) each month for 45 months.	Maximize the fixed-dollar amount that can be withdrawn each month during the 45-month withdrawal period (while still meeting the probability of success requirement)	99%	\$4,917	\$3,632
			96%	\$5,142	\$4,409
			80%	\$7,270	\$6,220
			75%	\$7,890	\$6,547
Retirement (withdrawal and spending years)	Start retirement with \$1 million of savings. Immediately thereafter, withdraw a fixed-dollar amount (inflation-adjusted) each month for 360 months.	Maximize the fixed-dollar amount that can be withdrawn each month during the 360-month withdrawal period (while still meeting the probability of success requirement)	99%	\$3,546	\$3,049
			96%	\$3,739	\$3,417
			95%	\$3,779	\$3,455
			90%	\$4,034	\$3,606
Defined Contribution Plan (saving years)	Deposit \$1,000 each month for 480 months. Same time, same place.	Maximize the dollar amount that one ends up with at the end of the 480-month contribution and investment period (while still meeting the probability of success requirement)	99%	\$867,065	\$631,291
			97%	\$986,251	\$744,183
			75%	\$1,462,889	\$1,103,681
			70%	\$1,562,058	\$1,165,416

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- Wow
- This is a serious issue
- How could any advisor or financial advisor provide relevant, forward-looking advice
- If they were basing their analysis on non-representative and non-repeatable history
- Sure . . . the U.S. was exceptional ss were a dozen other nations throughout history
- But . . . let's get real . . . do you want to base your advice, business, counsel . . . on the seriously thin reed . . . that American exceptionalism will continue into the future in a fashion and to a degree, **no nation has ever done before**
- Such an approach is seriously gutsy and darned **and suspect as a fiduciary**

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Update on **bull** and **bear** markets for stocks, bonds, commodities, interest rates, and inflation

Friday

June 30th

11:00 a.m. EASTERN

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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.

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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