



# MyFiduciary

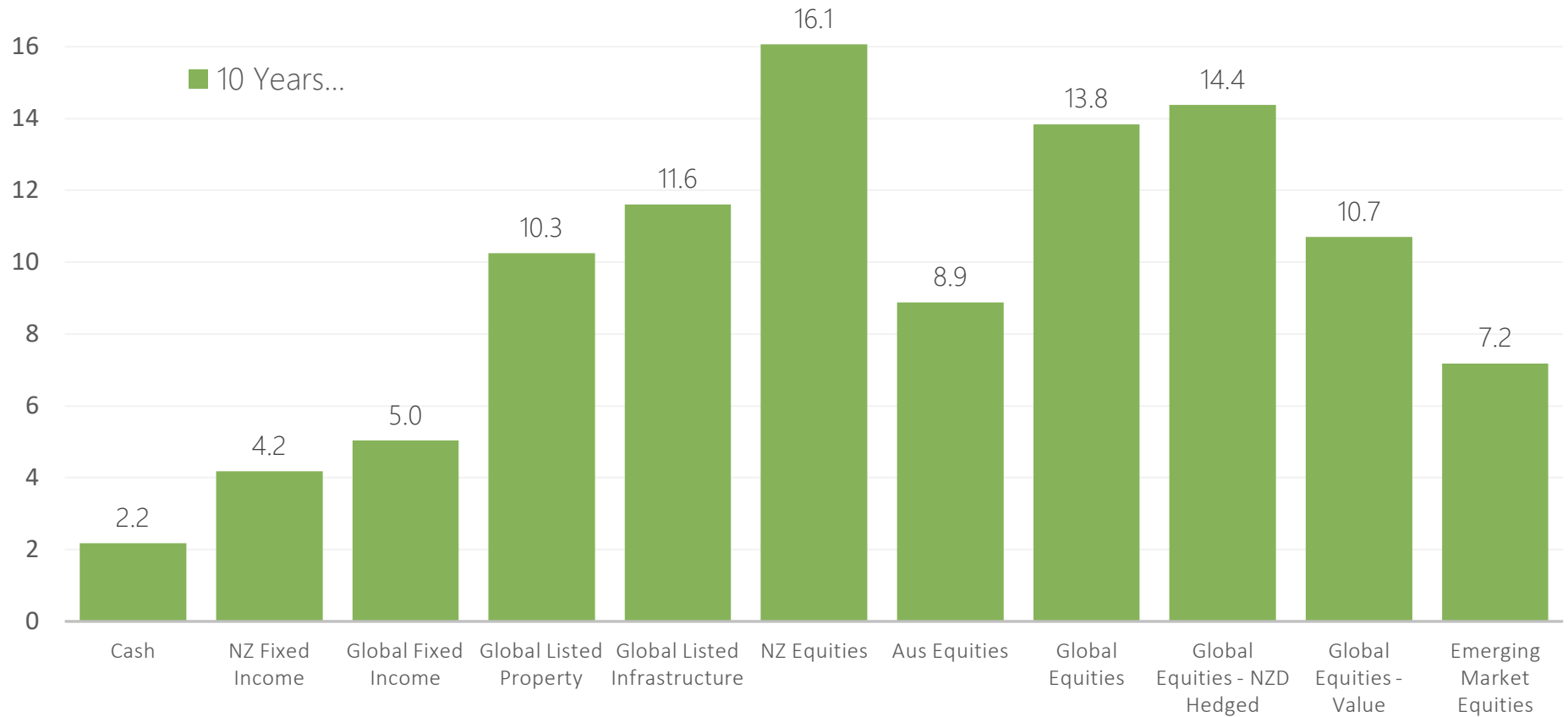
## Portfolio Construction

Heathcote Meet the Managers

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September 2021

# The last 10-years have been great for investors



Source: Morningstar Direct

## How we build portfolios



Core asset allocation comprised broadly diversified exposure to listed markets.

Core allocation is seen as the foundation for portfolio design and the success (or not) of a portfolio in meeting its purpose.


Core includes:

- Growth assets
- Inflation resilient 'real' assets
- Deflation resilient assets
- Diversifying assets

# May you live in interesting times.....


- Worst first half for a 60/40 portfolio since the Dow Jones first cleared 1,000.
- Bonds have normally cushioned the fall in equities - in 2022 they've added to the pain.

S&P 500 Down Years (1976 - 2022)			
Year	S&P 500 Total Return (Stocks)	Bloomberg US Agg Index TR (Bonds)	60/40 Portfolio (S&P 500 / Bloomberg Agg)
1977	-7.2%	3.0%	-3.1%
1981	-4.9%	6.2%	-0.5%
1990	-3.2%	9.0%	1.7%
2000	-9.1%	11.6%	-0.8%
2001	-11.9%	8.4%	-3.7%
2002	-22.1%	10.3%	-9.2%
2008	-37.0%	5.2%	-20.1%
2018	-4.4%	0.0%	-2.6%
<b>2022 YTD</b>	<b>-20.0%</b>	<b>-10.4%</b>	<b>-16.1%</b>


**Data as of 6/30/22**
**@CharlieBilello**

Worst US 60/40* Returns Through June (1976 - 2022)		
Rank	Year	Total Return
1	2022	-16.1%
2	2008	-6.7%
3	2002	-6.4%
4	1984	-3.6%
5	1994	-3.6%
6	2001	-2.6%
7	1982	-2.0%
8	2010	-1.9%
9	1977	-1.7%
10	1981	-0.5%

\*60/40 = 60% S&P 500/40% Bloomberg US Agg


**@CharlieBilello**

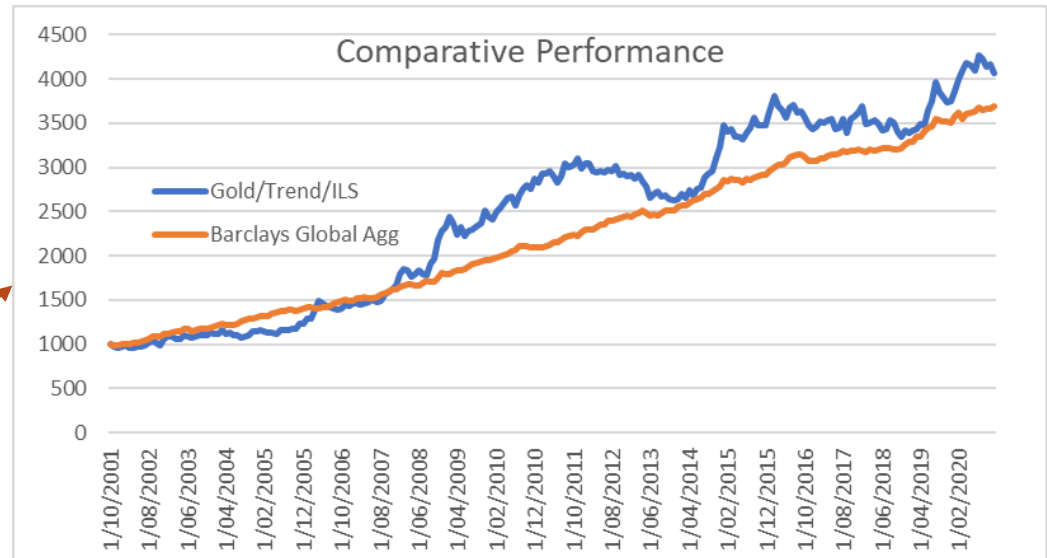
# Our 2021 Analysis of the Fixed Income Conundrum

	S&P 500	Global Bonds	Combined Gold/trend/ILS
2002 Recession	-28.4%	8.8%	10.1%
Subprime Crisis	-13.8%	5.2%	14.6%
GFC	-41.8%	4.8%	36.9%
Flash Crash	-12.8%	2.1%	2.9%
US credit downgrade	-16.3%	4.9%	1.3%
2018 Trade War	-13.5%	1.6%	-2.4%
Covid-19	-19.6%	1.4%	9.1%
<b>Total</b>	<b>-81.8%</b>	<b>32.4%</b>	<b>91.8%</b>

These assets have performed even better than fixed income in equity declines.

Note that as yields have fallen bonds have less ability to help when equities fall

Even in the fixed income bull market these new strategies have more than matched fixed income.

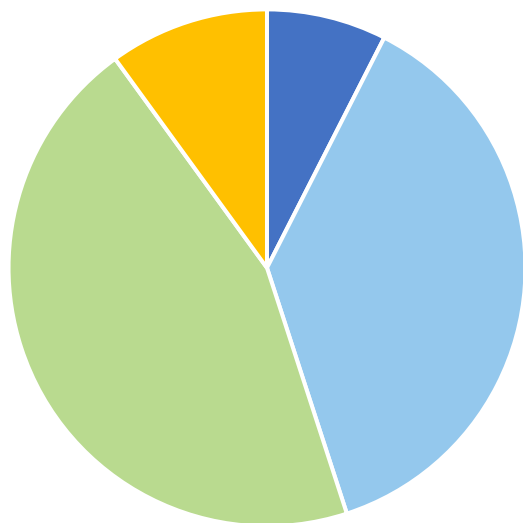


# Asset allocation changes

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In 2021 we reallocated client portfolios away from long duration assets and into cash and short-duration credit and alternatives

Balanced (previous)

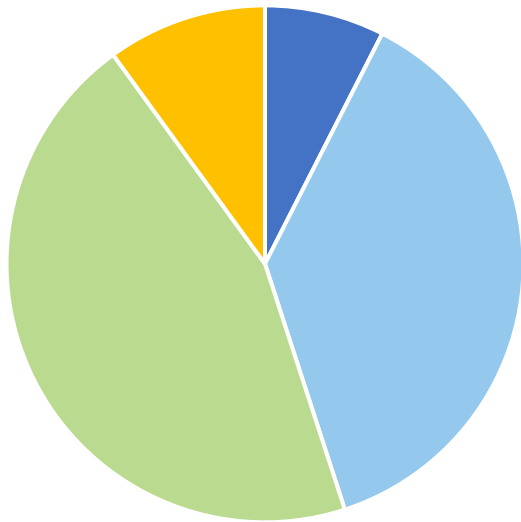


■ Cash Enhanced ■ Bonds ■ Equities ■ Real Assets

# Asset allocation changes

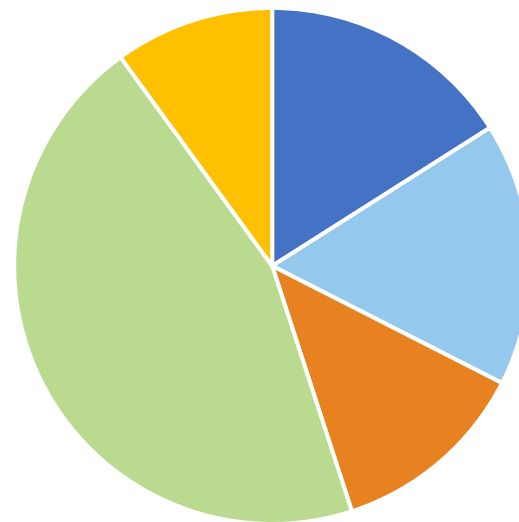
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■ Cash Enhanced ■ Bonds ■ Equities ■ Real Assets

Balanced (updated)



■ Cash Enhanced ■ Bonds ■ Alternatives ■ Equities ■ Real Assets

# Asset allocation changes

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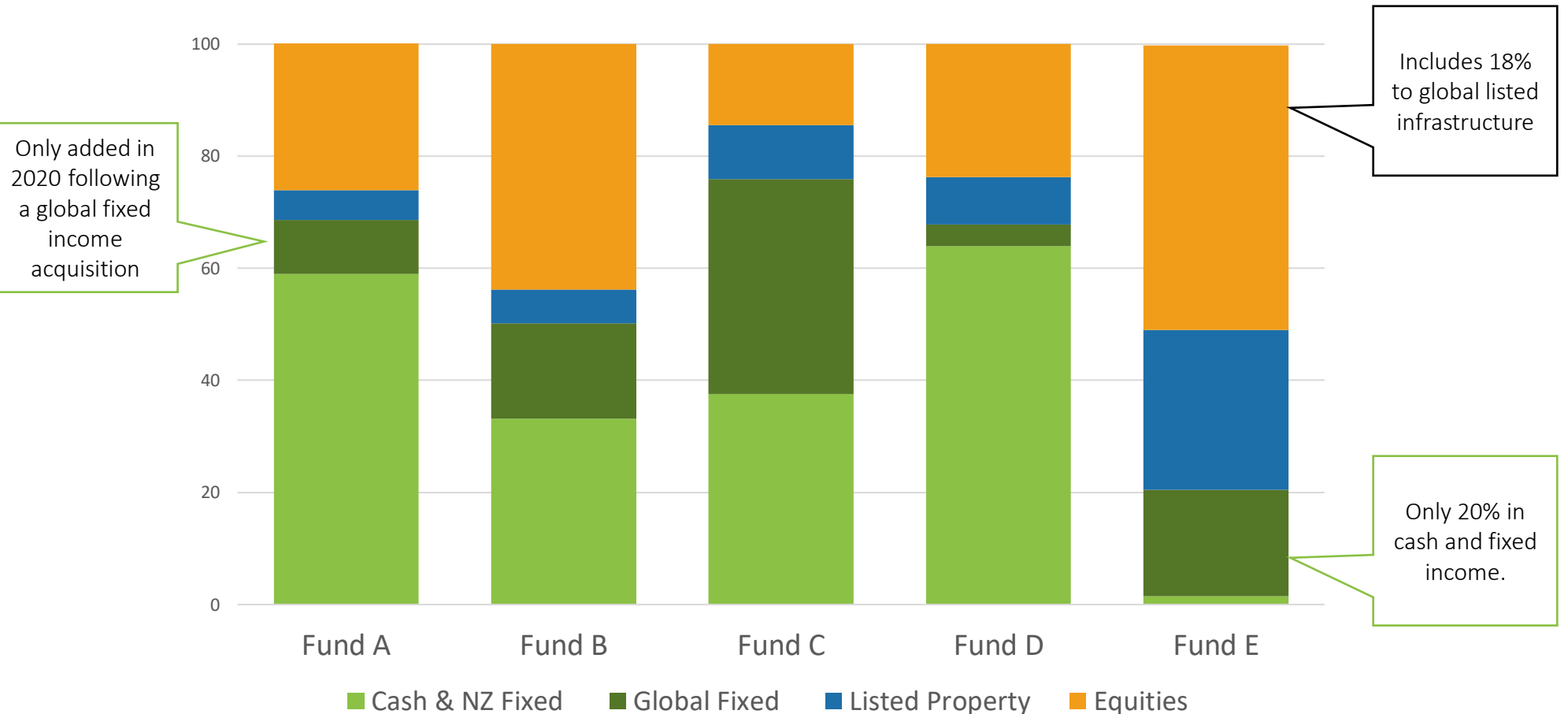
You can only make these changes when:

- You have a strong asset allocation process
- Broad asset class coverage
- Independence from product providers/inhouse funds (ie only invest into own products)
- A willingness to be different from the pack



# Diversified Income Funds

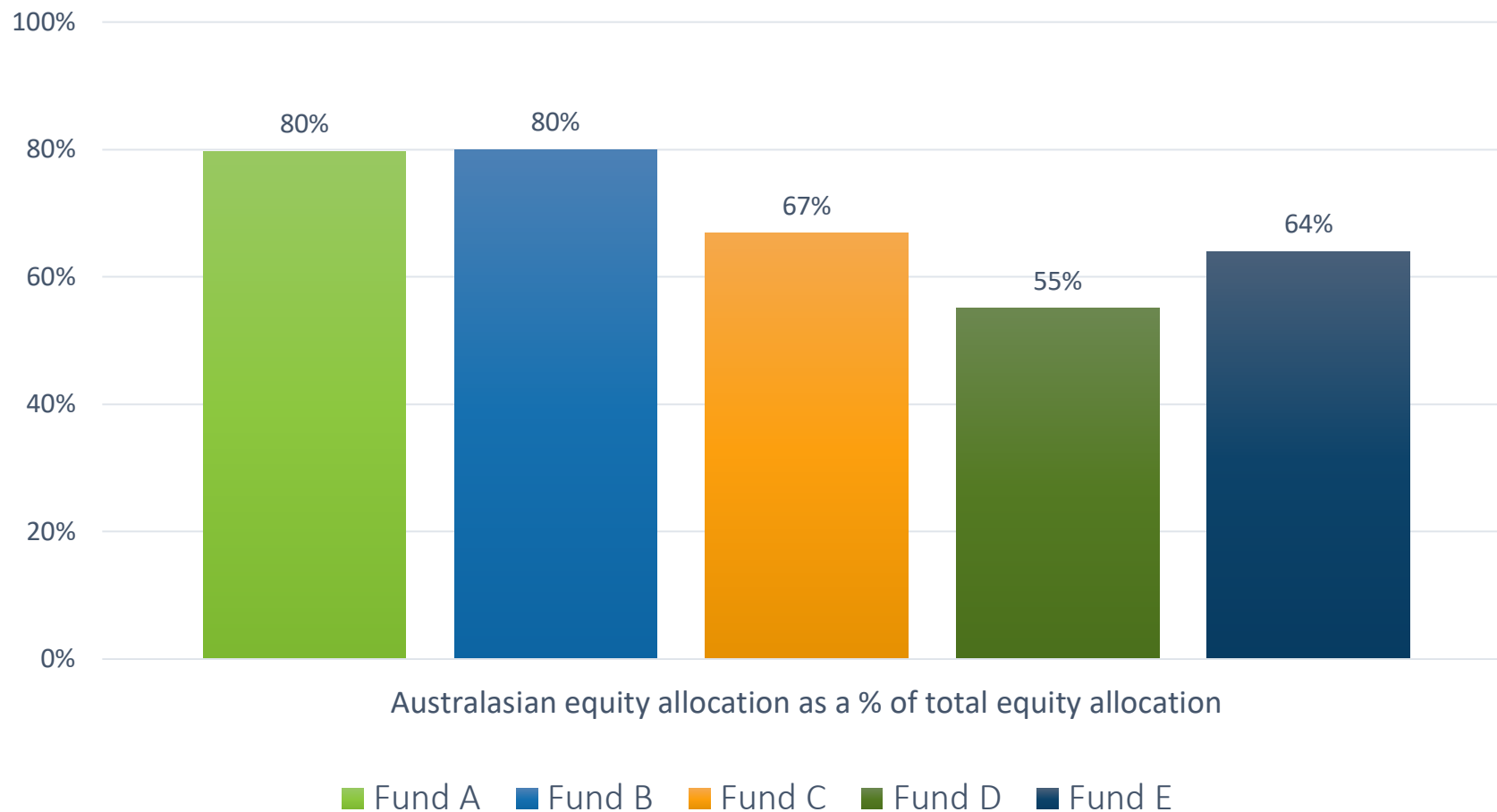
Look how different they are! The asset allocation universe tends to be inhouse funds only



Source: Fund Manager June Quarterly Update

# Diversified Income Funds

Home bias anyone?



Source: Morningstar/Fund Manager June Quarterly Update

# Important information

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