

The logo for Angeles, featuring a stylized grey wing icon to the left of the word "Angeles" in a blue serif font.

# Angeles

**Passion. Integrity. Results.**



## **A New Framework for Strategic Asset Allocation**

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March 2021

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# Strategic Asset Allocation — Summary

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- **Low Expected Returns** in all asset classes means portfolios may not keep pace with spending and inflation.
- **Low Yields** in high-grade bonds offer little protection in equity declines.
- Investors should consider creating **distinct portfolios** that align closely to their financial needs.
  - A **Liquidity Portfolio** to meet current spending needs;
  - A **Growth Portfolio** for optimal long-term returns.

# High Valuations = Low Expected Returns

Price/Earnings Ratio, S&P 500 Index, 1991-2020, Quarterly

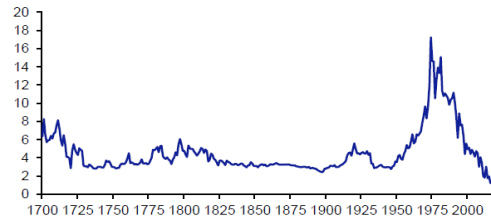


Source: Bloomberg L.P.

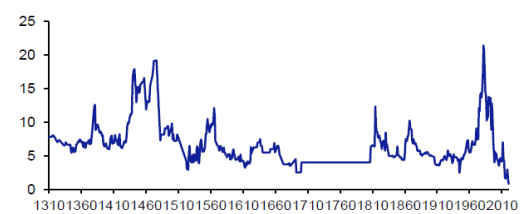
# High Valuations = Low Expected Returns

## Government Bond Yields in Selected Countries, 1310-2020

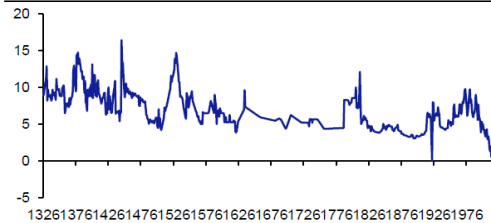
10 year yield : United Kingdom



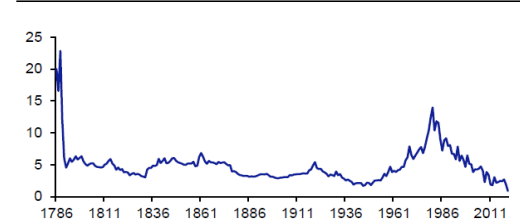
10 year yield : Italy



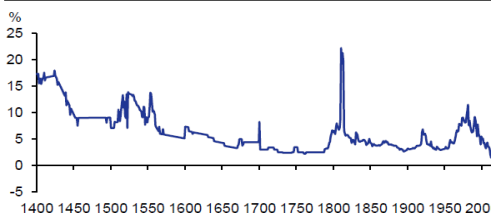
10 year yield : Germany



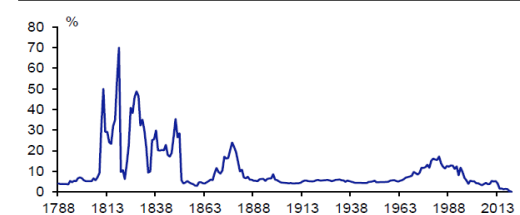
10 year yield : United States



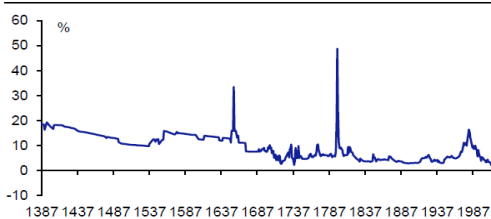
10 year yield : Netherlands



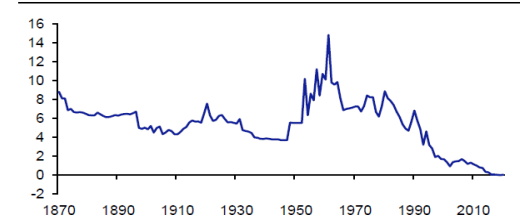
10 year yield : Spain



10 year yield : France



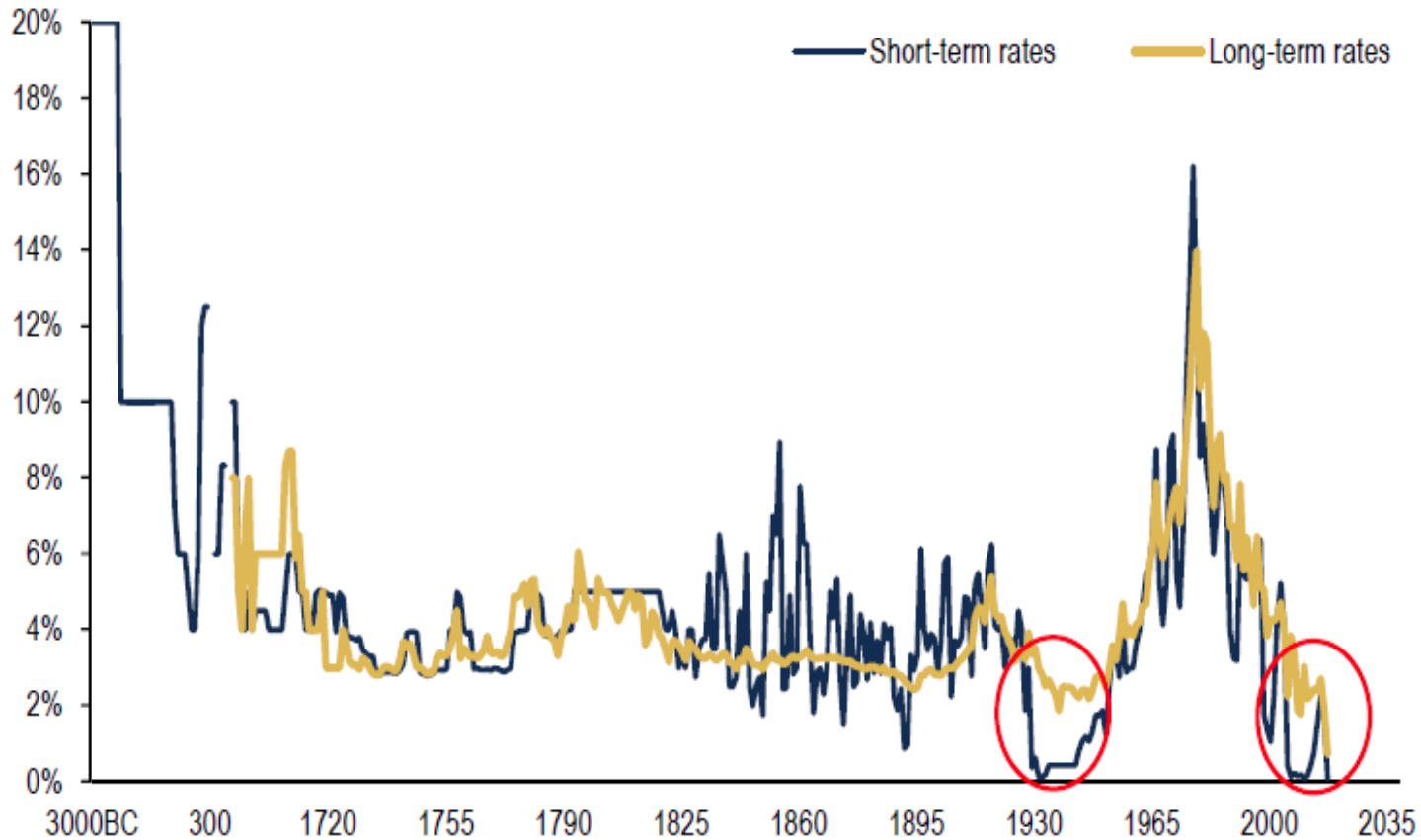
10 year yield : Japan



Source: GFD, Bloomberg Finance LP, Deutsche Bank

# High Valuations = Low Expected Returns

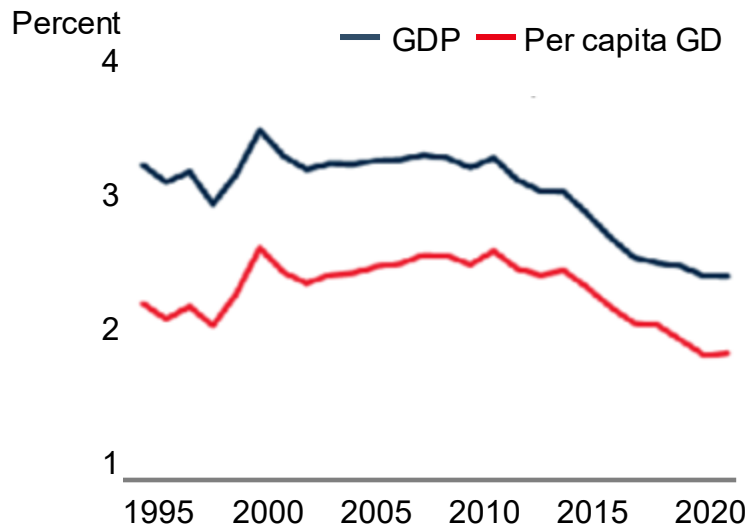
## Global Interest Rates Past 5,000 Years



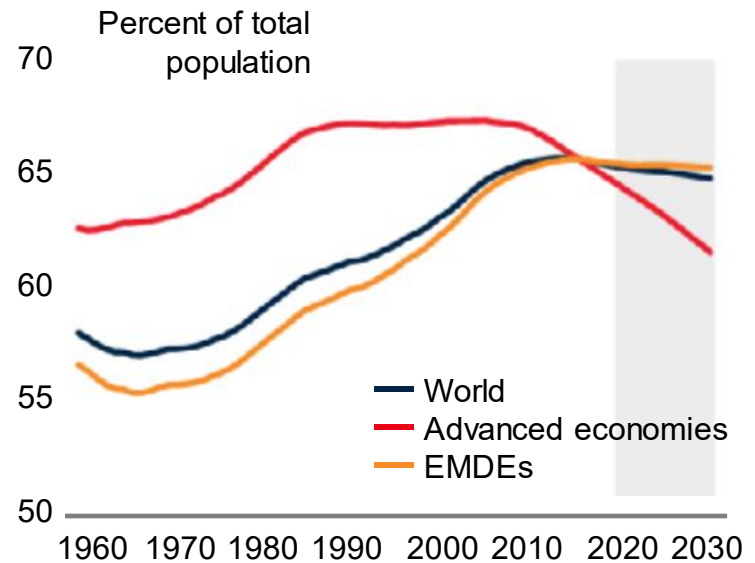
**Source:** Bank of England, Global Financial Data, Homer and Sylla "A History of Interest Rates" (2005), BofA Global Investment Strategy BofA GLOBAL RESEARCH

# Slower Economic Growth = Low Expected Returns

Ten-Year Ahead Forecast for GDP Growth, 1995-2020



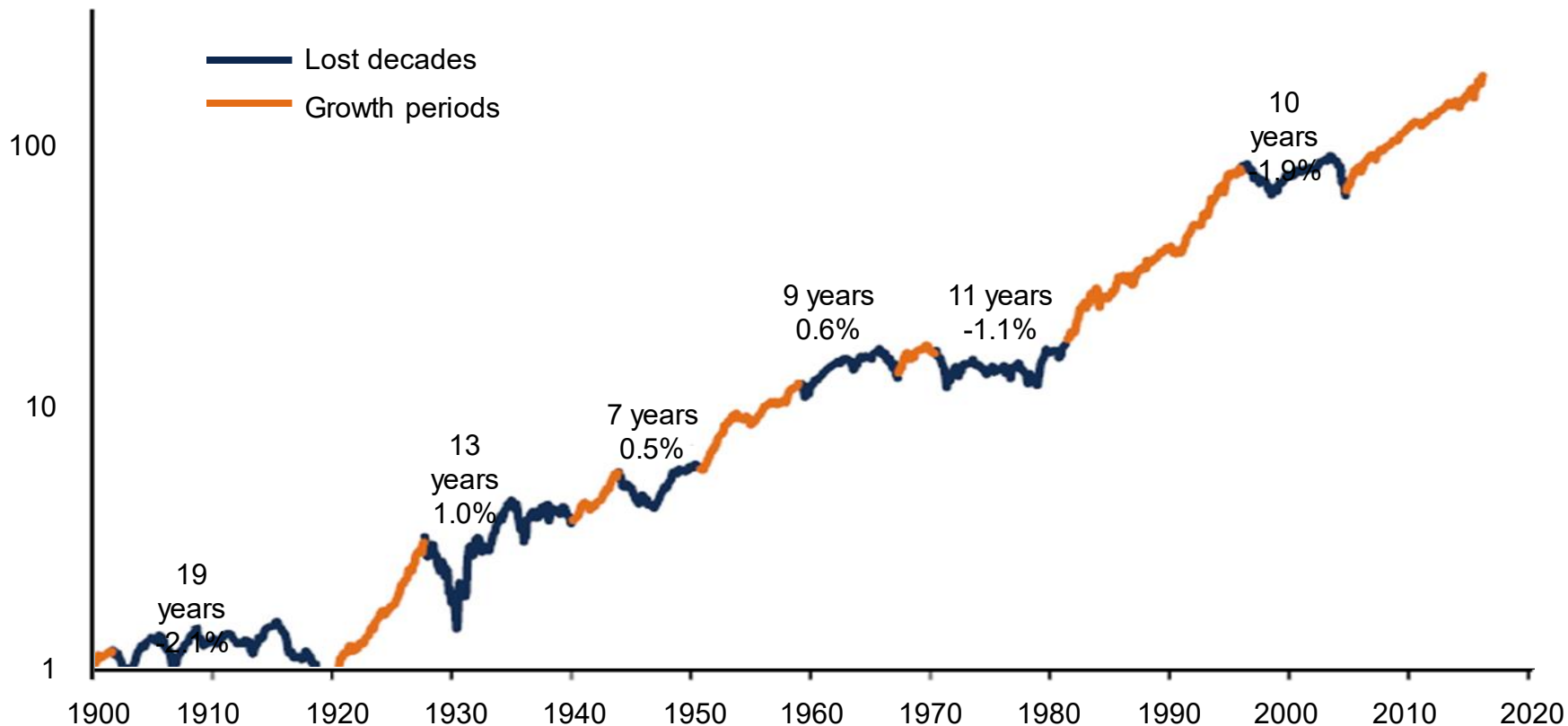
Global Working-Age Population as Percentage of Total Population, 1960-2030



Source: IMF World Economic Outlook, January 2021

# Extended Periods of Low Returns in the Past

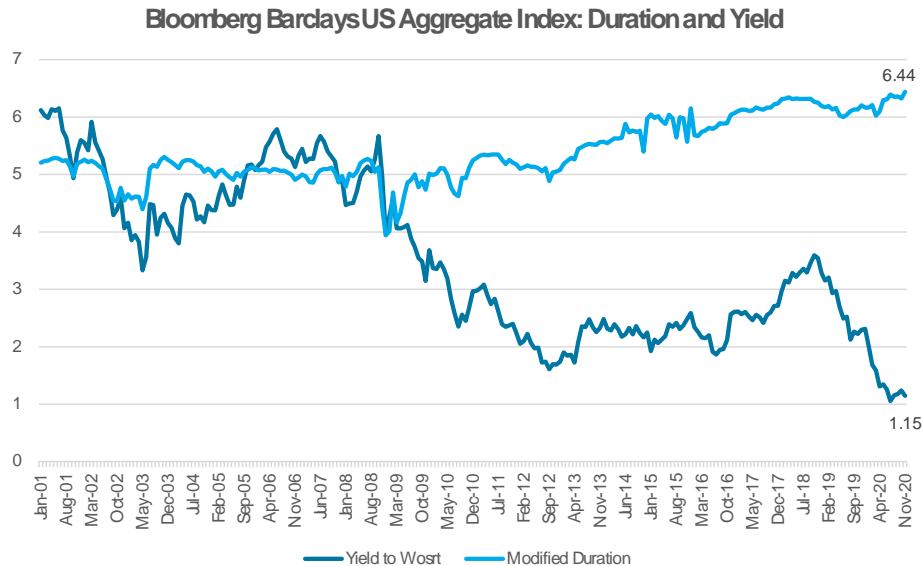
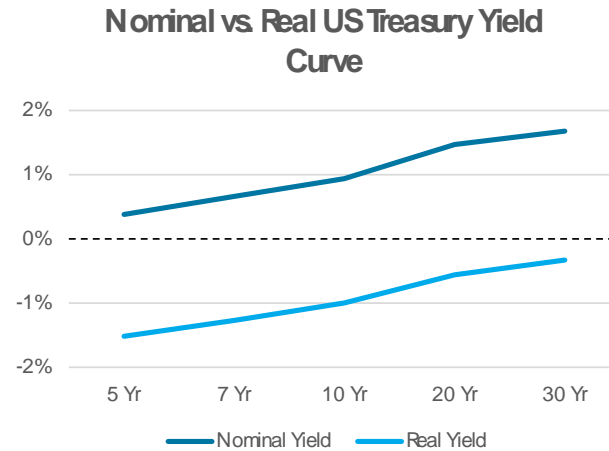
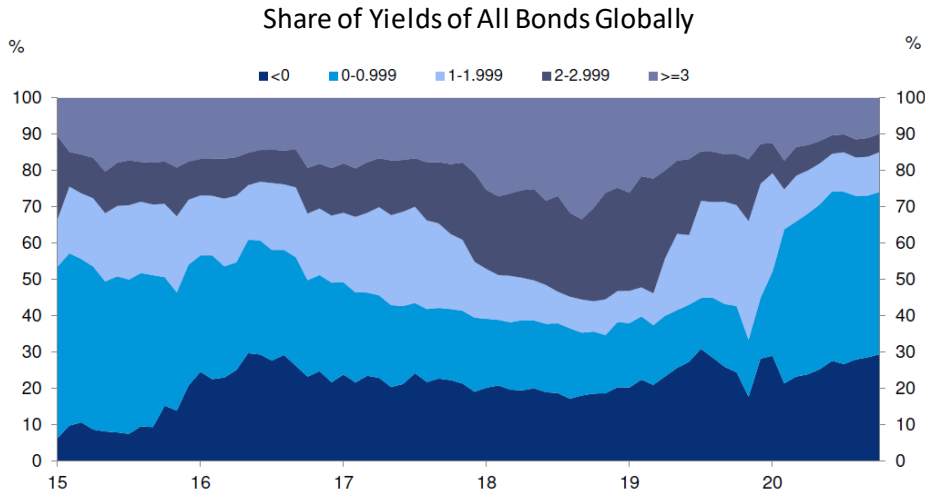
Real Annualized Returns for 60% US Stocks / 40% US Treasury Bonds, 1900-2020



Source: BofA Research Investment Committee, Global Financial Data



# Low Returns and Little Diversification from Bonds



Source: (Top Left) Bloomberg, L.P.. (Top Right) US Department of the Treasury, as of December 17, 2020. (Bottom) Bloomberg, L.P., Deutsche Bank.

# Low Returns and Little Diversification from Bonds

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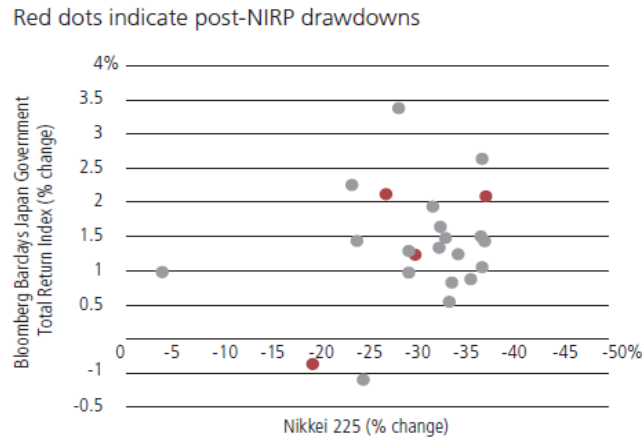
## Equity and Bond Market Performance in Select Equity Selloffs, 2000-2020

<b><u>Bear Market Start</u></b>	<b><u>Bear Market End</u></b>	<b><u>S&amp;P 500</u></b>	<b><u>Aggregate Index</u></b>	<b><u>US Treasuries</u></b>	<b><u>Beg. Tr. Yield</u></b>	<b><u>End Tr. Yield</u></b>
<b>24 Mar. 2000</b>	9 Oct. 2002	-49%	+18%	+31%	6.4%	3.3%
<b>9 Oct. 2007</b>	9 Mar. 2009	-55%	+2.4%	+15%	4.3%	2.0%
<b>19 Feb. 2020</b>	23 Mar. 2020	-34%	-3%	+5.4%	1.5%	0.7%

Source: Angeles Investments, Bloomberg L.P.

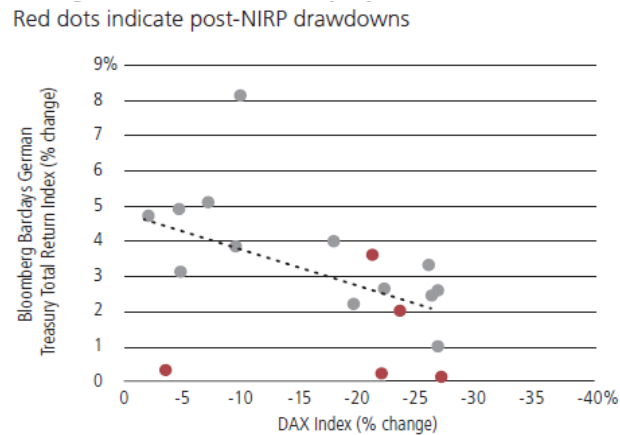
# Low Returns and Little Diversification from Bonds

## Performance of Stocks and Bonds During Worst Three-Month Equity Drawdowns, Japan, 2000-2020



Source: UBS Asset Management, Bloomberg. Data as of November, 2020.

## Performance of Stocks and Bonds During Worst Three-Month Equity Drawdowns, Germany, 1998-2020



Source: UBS Asset Management, Bloomberg. Data as of November, 2020.

# Distinct Portfolios Aligned with Investment Goals

## LIQUIDITY PORTFOLIO

### Objectives

- Meet anticipated and unexpected spending
- Source of funds in market dislocation
- Nominal principal protection

### Asset Classes

- Fixed income securities
- High quality
- Short duration

### Angeles Funds

- Angeles Liquidity Portfolio (ALP)

## LONG-TERM GROWTH PORTFOLIO

- Capital appreciation in excess of inflation and spending
- Long-term (+5 years) investment horizon

- Public equities
- High yield public fixed income
- Private equity
- Private credit
- Private real estate and real assets

- Angeles proprietary strategies in:
  - Global Equity
  - Fixed Income
  - Absolute Return
  - Private Equity
  - Private Credit
  - Real Assets

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**Michael A. Rosen**  
Principal & Chief Investment Officer

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