Faculty & Staff Convocation

Mini-Conference

August 8, 2022

How to Manage Your Retirement Portfolio in a Volatile and Scary Market

Retirement dreams are nice, but they require long-term planning and discipline. Volatile markets and sudden big drops in asset values make investors nervous, and sometimes push them to do irrational things. Let's discuss how to turn periods with high volatility and decreasing asset values into great opportunities for your retirement

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5 SMART INVESTING STRATEGIES

- **Market Trends - Don’t Time The Market**
- **Asset Allocation**
- **Investment Selection**
- **Dollar-cost Averaging**
- **Rebalance Your Portfolio (not related to item #1)**

WHY DO MARKETS EXPERIENCE SO MUCH VOLATILITY?

- Markets think forward, and value assets based on expectations
- Unforeseen events (crises) change valuation models
- US, I am serious…. Human overreaction
- Doing nothing (after diversification) is the best strategy, most of the time
  - Will elaborate ☺

HISTORIC GEOPOLITICAL EVENTS

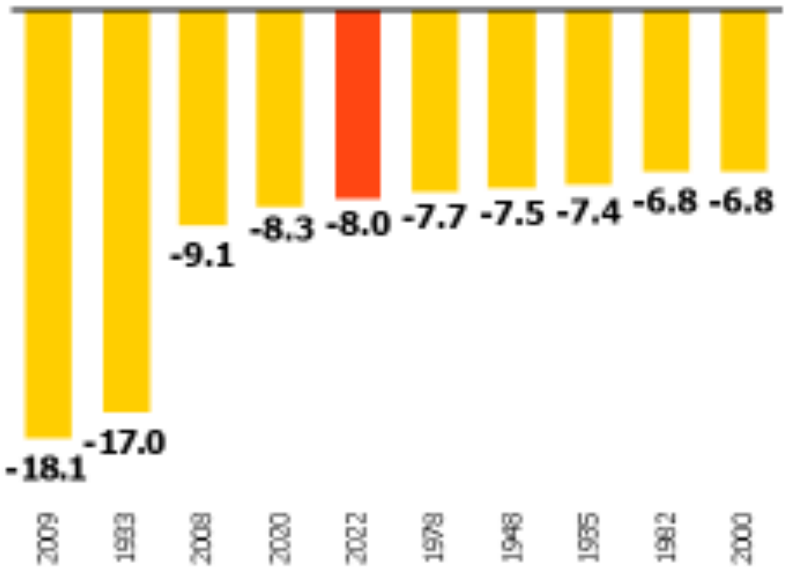
STAY CALM AMID MARKET VOLATILITY

Event*	Date	3 months before	1 month later	3 months later	1 year later	3 years later (Avg. annual)
Germany invades Poland	3/1/1939	-0.2%	-13.5%	-8.7%	-4.3%	-12.2%
Pearl Harbor attack	12/7/1941	-8.7%	-2.9%	-12.6%	0.2%	11.6%
N. Korea invades S. Korea	6/25/1950	9.0%	-8.7%	1.6%	12.6%	8.0%
Cuban missile crisis	10/16/1962	-1.0%	4.7%	13.7%	26.4%	16.9%
Gulf of Tonkin incident	8/2/1964	3.8%	-1.2%	2.0%	2.5%	4.7%
Soviets invade Afghanistan	12/24/1979	-1.5%	2.1%	8.5%	39.6%	15.3%
Iraq invades Kuwait	8/2/1990	8.0%	-8.9%	-12.8%	12.8%	11.5%
September 11th attack	9/11/2001	-13.3%	-0.9%	4.7%	-15.5%	2.7%
Iraq war	3/20/2003	-0.7%	2.4%	14.3%	29.2%	16.4%
Russia annexes Crimea	2/20/2014	2.8%	1.9%	3.6%	17.1%	11.1%
Russia invades Ukraine	2/24/2022	-9.6%	?	?	?	?

Sources: BlackRock; Morningstar as of 2/28/22. *Returns shown for events prior to 1979 are represented by the S&P 500 PR Index, which shows principal returns only (excluding dividends), from 1/1/26 to 12/31/78. Returns for these periods would likely be higher if dividends were included. Returns for events in 1979 or later are represented by the S&P 500 TR Index, which shows total return (including dividends), from 1/1/79 to 2/28/22. Index performance is for illustrative purposes only. It is not possible to invest directly in an index. Past performance does not guarantee or indicate future results.

Worst starts to a year for stocks

10 worst starts of the year for stocks
(1/1/26 - 2/28/22, total return for first two months of calendar year)



Returns after each "worst start"
(1/1/1926 - 2/28/22)

Year	First 2 months	Next 10 months
2009	-18.1	54.6
1933	-17.0	85.6
2008	-9.1	-30.7
2020	-8.3	29.1
2022	-8.0	?
1978	-7.7	15.4
1948	-7.5	14.1
1935	-7.4	59.4
1982	-6.8	30.5
2000	-6.8	-2.5
Avg.	-9.7	28.4

Source: Morningstar as of 2/28/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 2/28/22 and the IA SBBI US Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

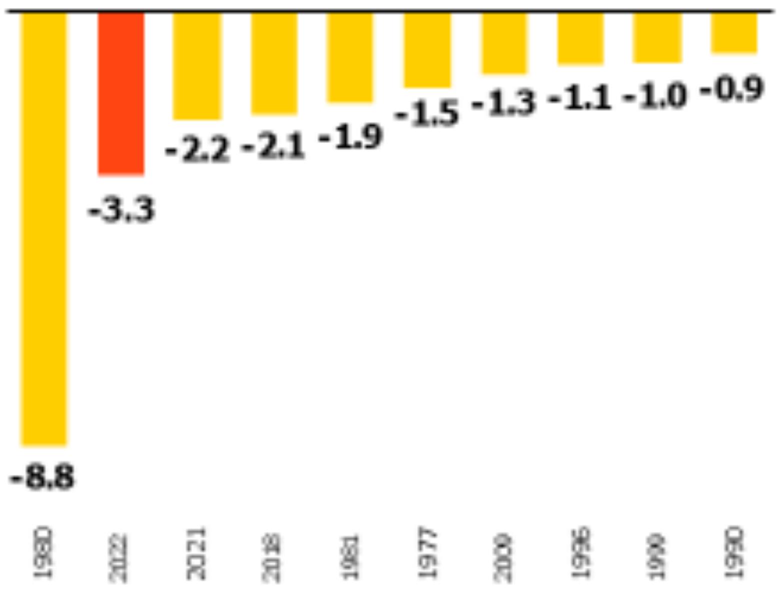
BOND MARKET RETURNS

2nd worst start of a year ever for bonds

On average following the worst starts, the next 10 months saw bond returns bounce back

10 worst starts to the year for bonds

(1/1/26 - 2/28/22, total return for first two months of calendar year)



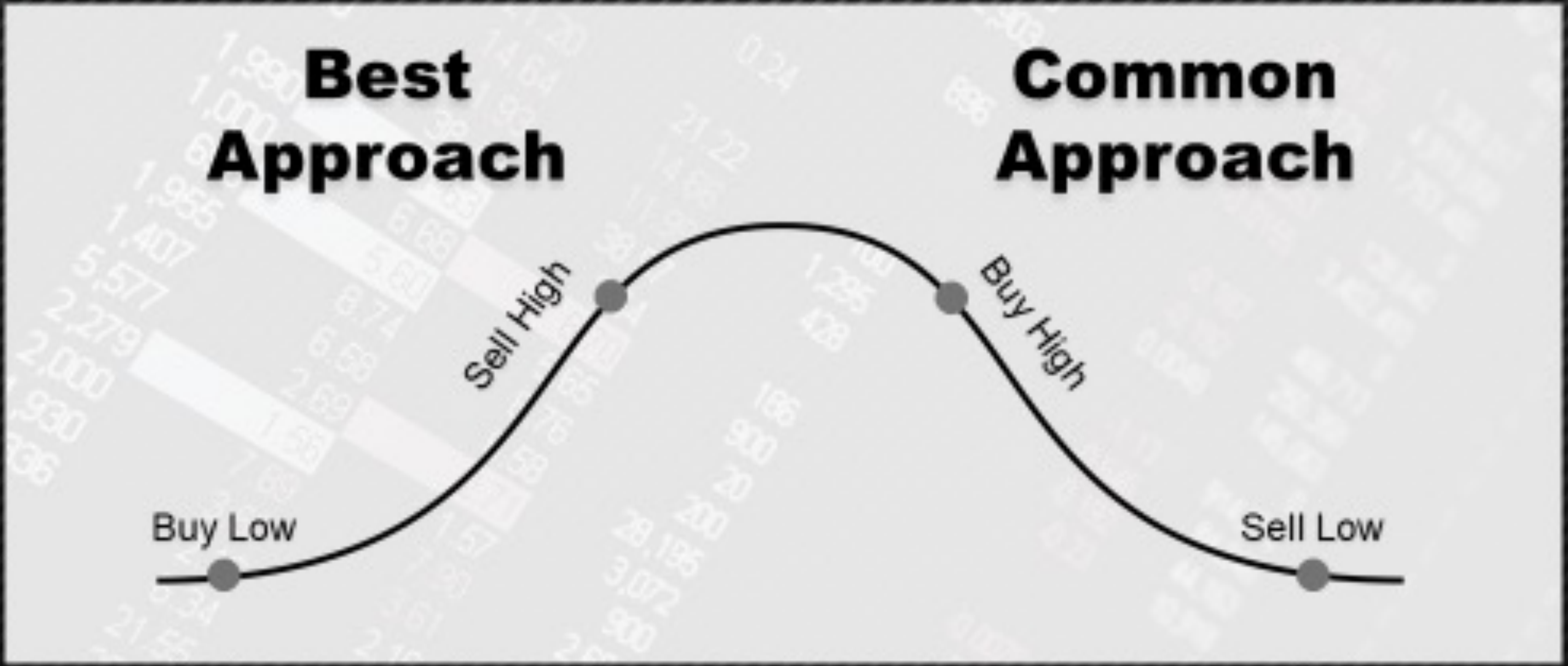
Returns after each "worst start"

(1/1/1926 - 2/28/22)

Year	First 2 months	Next 10 months
1980	-8.8	12.6
2022	-3.3	?
2021	-2.2	0.6
2018	-2.1	2.1
1981	-1.9	8.3
1977	-1.5	4.7
2009	-1.3	7.3
1996	-1.1	4.8
1999	-1.0	0.2
1990	-0.9	9.9
Avg.	-2.5	5.6

Source: Morningstar as of 2/28/22. U.S. bonds represented by the IA SBBI US Gov IT Index before 1/3/89 and the Bloomberg US Agg Bond TR Index after 1/3/89. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

FEAR, GREED & MARKET TIMING



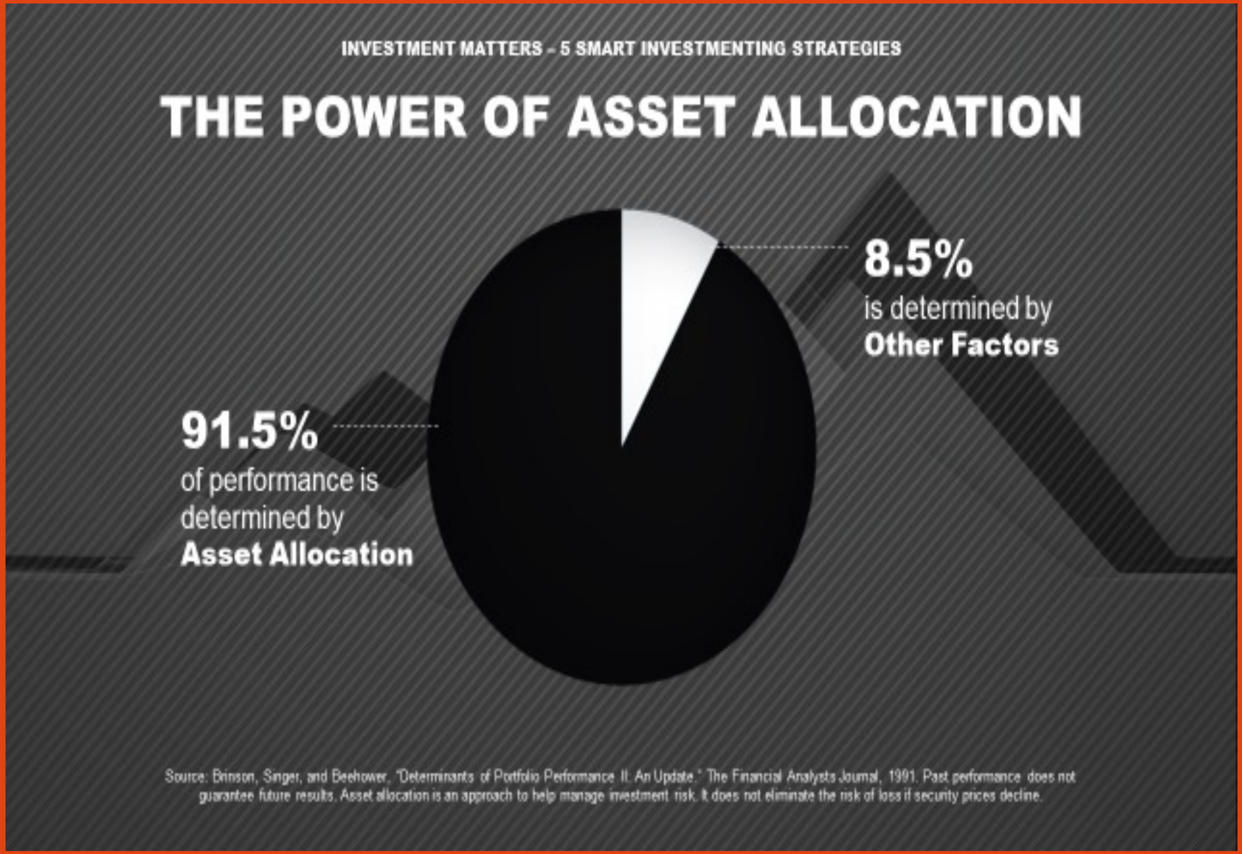
This illustration is a hypothetical example. It is not representative of any investment or combination of investments. Actual results will vary.

MISSING THE MARK

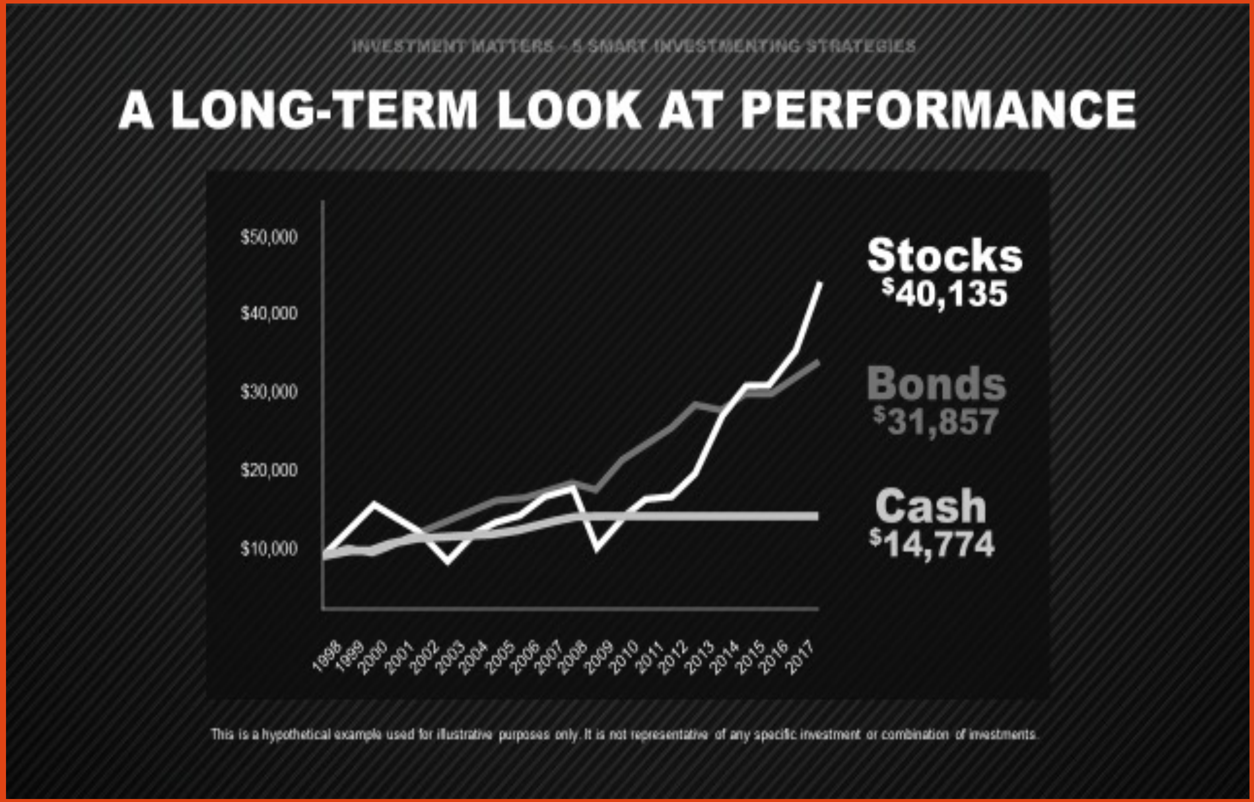
S&P's 500

Average Annual Rate of Return (1995 to 2015)

Source: Index Fund Advisors, March 28, 2017 (Latest data available.)
Past performance does not guarantee future results. Individuals cannot invest directly in an index. Actual results will vary.



INVESTMENT MATTERS – 5 SMART INVESTMENTING STRATEGIES
THE POWER OF ASSET ALLOCATION
8.5%
is determined by
Other Factors
91.5%
of performance is
determined by
Asset Allocation
Source: Brinson, Singer, and Beehower, "Determinants of Portfolio Performance II: An Update." The Financial Analysts Journal, 1991. Past performance does not guarantee future results. Asset allocation is an approach to help manage investment risk. It does not eliminate the risk of loss if security prices decline.



INVESTMENT MATTERS – 5 SMART INVESTMENTING STRATEGIES
A LONG-TERM LOOK AT PERFORMANCE
$50,000
$40,000
$30,000
$20,000
$10,000
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017
Stocks
$40,135
Bonds
$31,857
Cash
$14,774
This is a hypothetical example used for illustrative purposes only. It is not representative of any specific investment or combination of investments.

SELECTING AMONG ASSET CLASSES

- **Fixed Interest**
- **Stocks**
- **Bonds**
- **Cash Equivalents**
- **Speculative**

Diversification and asset allocation are approaches to help manage investment risk. They do not eliminate the risk of loss if security prices decline. Past performance does not guarantee future results. Actual results will vary.

S&P ENVY

A diversified portfolio can work even though it never feels good

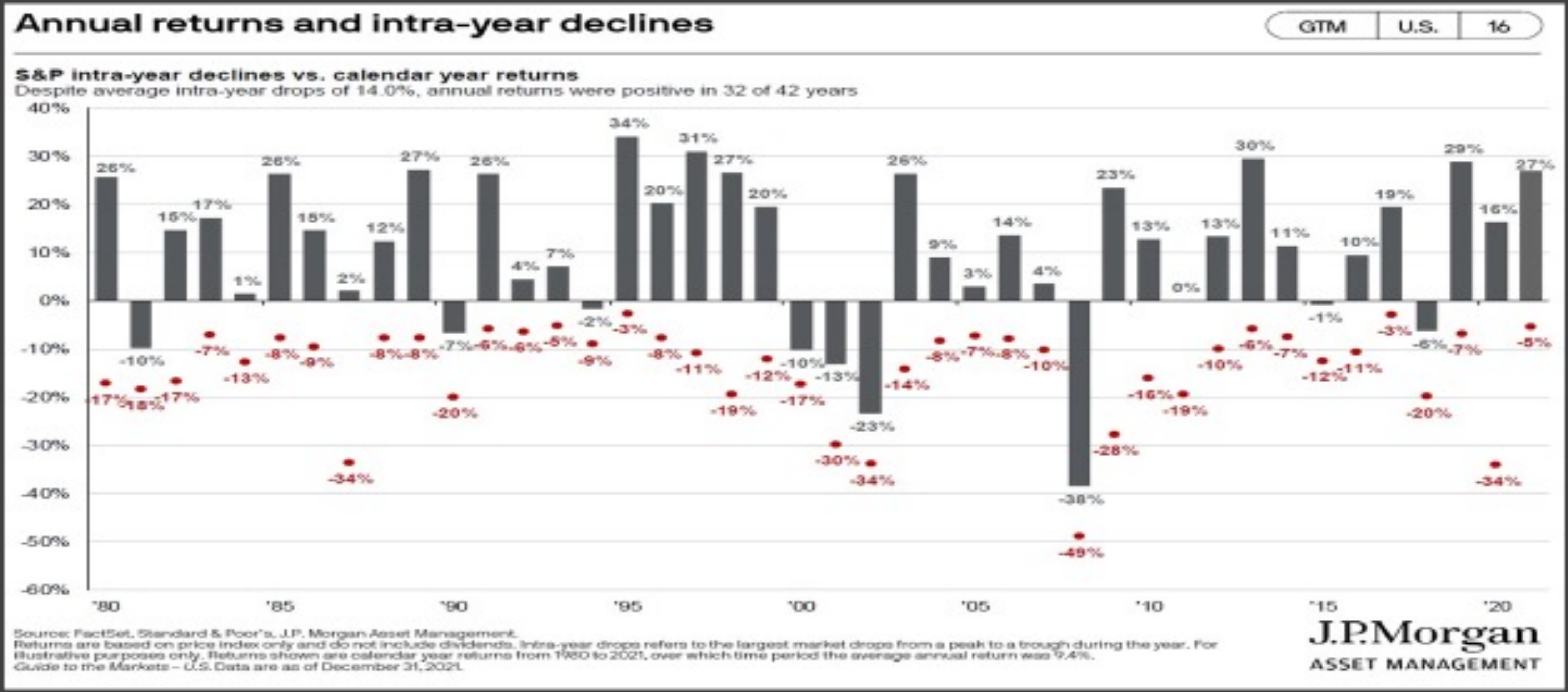
Last 20+ years

25% U.S. large stocks, 19% U.S. mid cap stocks, 7% international stocks, 5% U.S. small cap stocks, 4% emerging market stocks,25% U.S. bonds, 15% high yield bonds

Years	S&P 500	Diversified Portfolio	
2000–2002†	-40.1%	-15.7%	"I lost money"
2003–2007	82.9%	87.1%	"Diversification worked"
2008	-37.0%	-26.6%	"I lost money"
2009–2019	351.0%	220.1%	"I didn't make as much"
2020†	-30.4%	-23.1%	"I lost money"
2020-2021	119.0%	66.6%	"I didn't make as much"
Total Return	**374.6%**	**375.0%**	**"Diversification can work even when it feels like its losing"**
Gr $100K	**$474,550**	**$474,970**	

Source: Morningstar as of 12/31/21. †Performance is from 9/1/2000 to 12/31/02. Performance is from 1/1/20 to 3/23/20. †Perfomance is from 3/24/20 to 9/30/20. Diversified Portfolio is represented by 25% S&P 500 Index, 7% MSCI EAFE Index, 5% Russell 2000 Index, 25% Bloomberg Barclays US Aggregate Bond Index, 19% Russell Mid Cap Index, 15% Bloomberg Barclays US Corporate High Yield Index, 4% FTSE Emerging Stock Index.. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Panic kills potential returns, even from the best portfolios



LET US REMEMBER:

- **Watch market trends, but do not panic, and do not time the market**
- **Asset Allocation (age/timing appropriate)**
- **Investment Selection (allocation is key)**
- **Dollar-cost Averaging (buy more when low)**
- **Rebalance Your Portfolio (not related to item# 1)**


Questions
Ideas
Suggestions