ASSETMARK

What You Should Know About Investing

INVESTING essentials

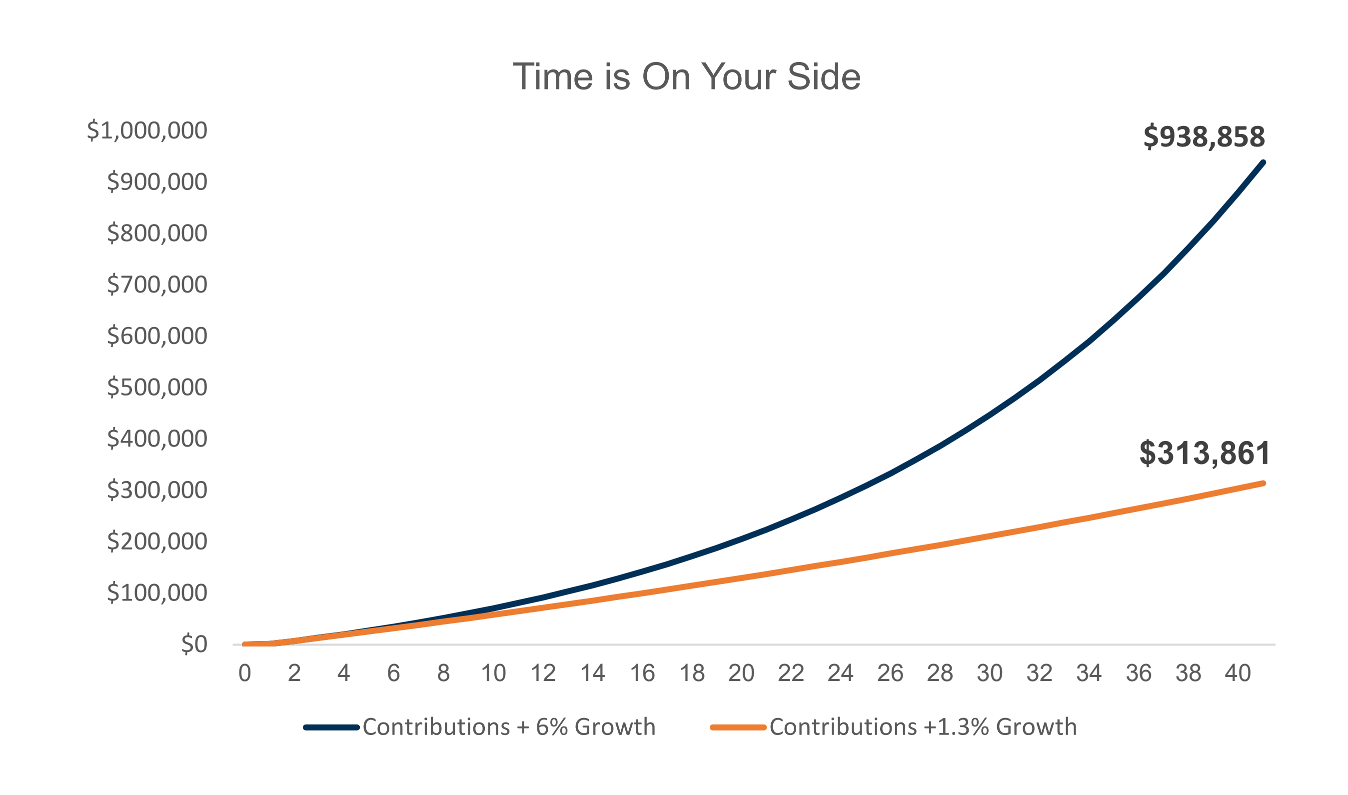
Power of **compound growth**

Compounding provides the opportunity to earn on your savings

Starting Balance:	**$1,000**
Monthly Contributions:	**$500**
Years:	**40**
Total Contributions:	**$241,000**

- Average savings rate 2000-2021: 1.30%

Source: Bloomberg, AssetMark



Fun Fact: divide 72 by the growth rate to find out how many years it takes to double your money

Source: investor.gov
https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator

What are **stocks**?

- **Stocks are a form of ownership (equity) in a company**.
  Shareholders have a proportional interest in the company and receive a share of the distributed profits– or dividends– if any
- Publicly traded stocks may be purchased or sold (“traded”) electronically, or at exchanges
- Stocks have historically outperformed most other investments over the long run

More than half of Americans own stock, according to a 2020 Gallup poll[1]

Source: Gallup.com

What are **bonds**?

- **Bonds are a form of debt**; investors receive periodic interest payments for the term, and their original investment when the security matures
- **Bonds are issued by companies and governments** to raise money (capital) needed to fund their operations
- **The interest rate investors receive is linked** to the bond issuer's credit rating; higher ratings yield lower rates, lower credit ratings are riskier and have higher rates

The bond market is larger than the stock market; as of 2020, global bonds are estimated at $119 trillion[1], stocks at $105 trillion[2]

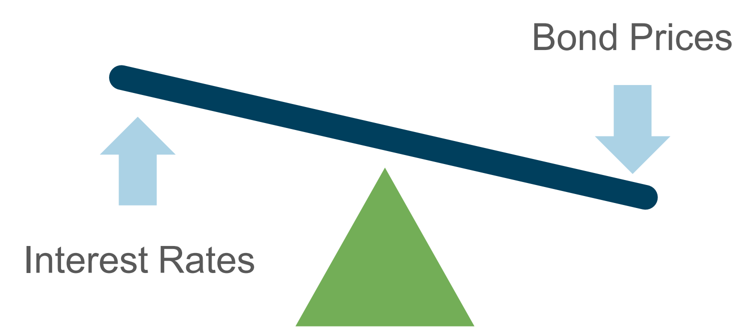
Source: 1,2. SIMFA 2020 Factbook; https://www.sifma.org/resources/research/fact-book/

Bond yields and pricing

The longer maturity, the greater the price volatility

Potential Price Movement

Interest rate ▲:	2-yr Treasury	10-yr Treasury	30-yr Treasury
0.25%	-0.50%	-0.99%	-1.99%
0.50%	-2.18%	-4.36%	-8.72%
1.00%	-4.79%	-9.58%	-19.15%



The first bond recorded in history dates back to 2400 B.C. which guaranteed the payment of grain when corn was used as a currency[1]

Source: Bloomberg, U.S. Global Investors, [1] Source: Bondfunds.com

What are the “markets”?

Securities are traded electronically and in markets such as the New York Stock Exchange

Provides a place for buyers and sellers to meet in an **open**, **fair** and **regulated** environment to execute trades

5 – the number of securities traded on the New York Stock Exchange, May 17, 1792, the first day of trading[1]

[1] Source: Investopedia

How are the markets 'measured'?

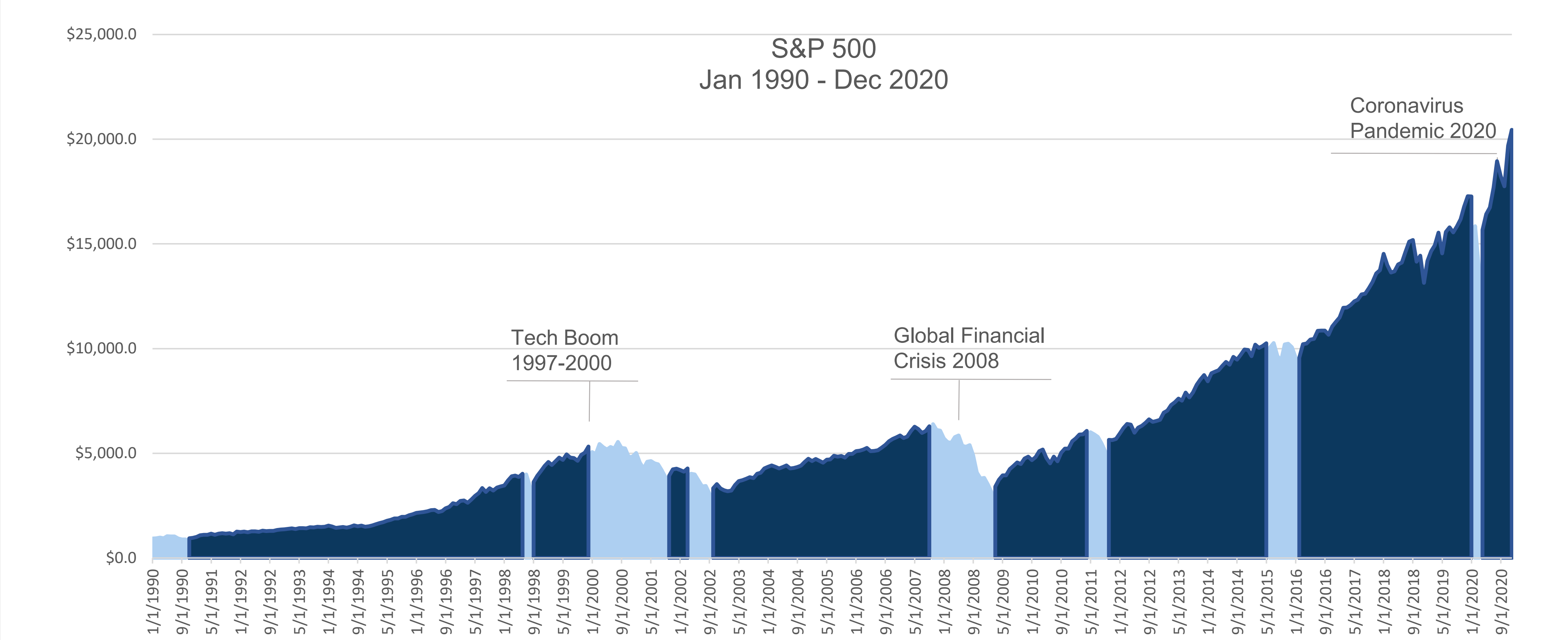
The "markets" often refers to the movement of indexes that represent groups of securities:

- **Dow Jones Industrial Average:** 30 publicly owned companies
- **S&P 500:** cap-weighted index of 500 of the largest publicly traded companies in the U.S.
- **Bloomberg US Aggregate:** measures price movement of approximately 17,000 bonds
- **MSCI ACWI:** measures large and mid-cap equities around the world. It covers approximately 85% of the global investable equity markets.

Since 2010, an average of 74% of the top 50 stocks have been international[1]

[1] Source: Capital Ideas; https://www.capitalgroup.com/advisor/ca/en/insights/content/articles/guide-to-international-investing.html

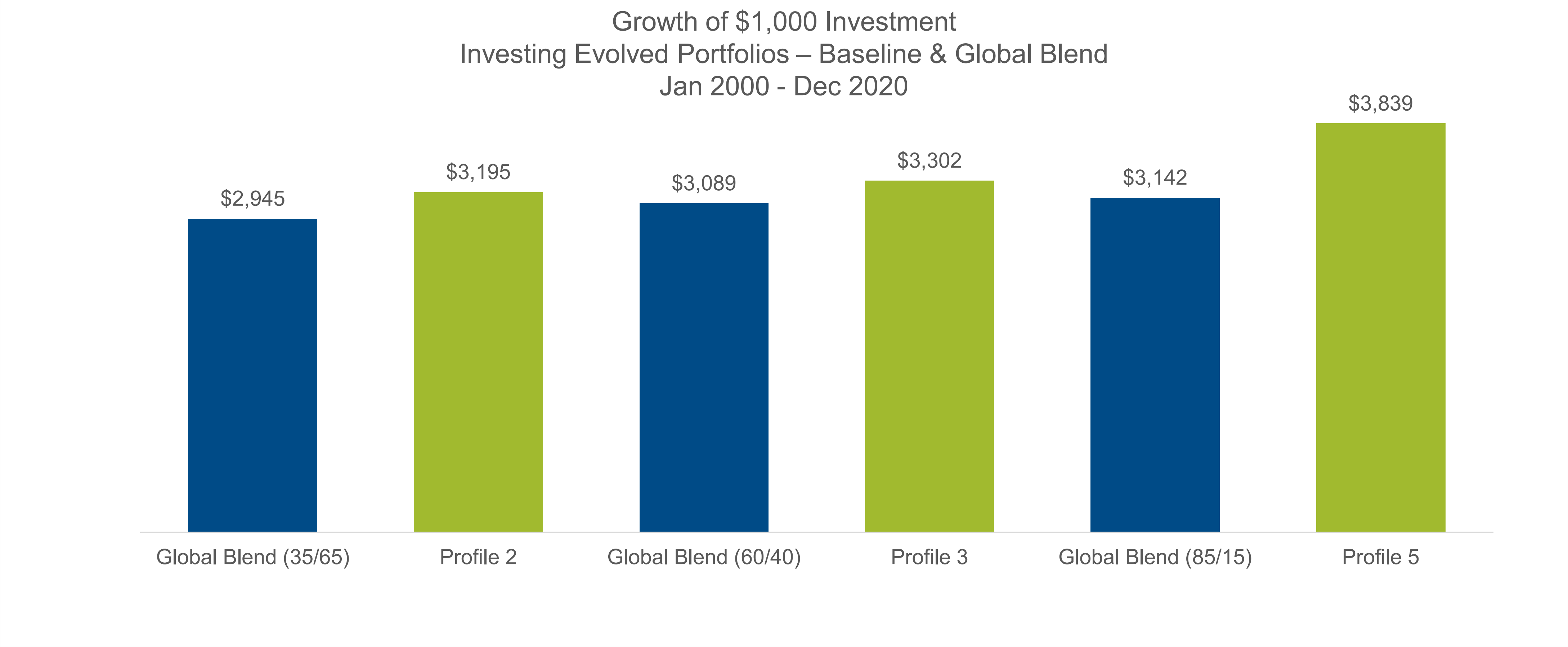
S&P 500 measures the 500 largest publicly traded companies in the US



$11.8 billion market capitalization is the minimum market cap to be included in the S&P 500 Index. The index represents approximately 80% of the US equity market[1]

[1]Source: AssetMark, Zephyr Style Advisor

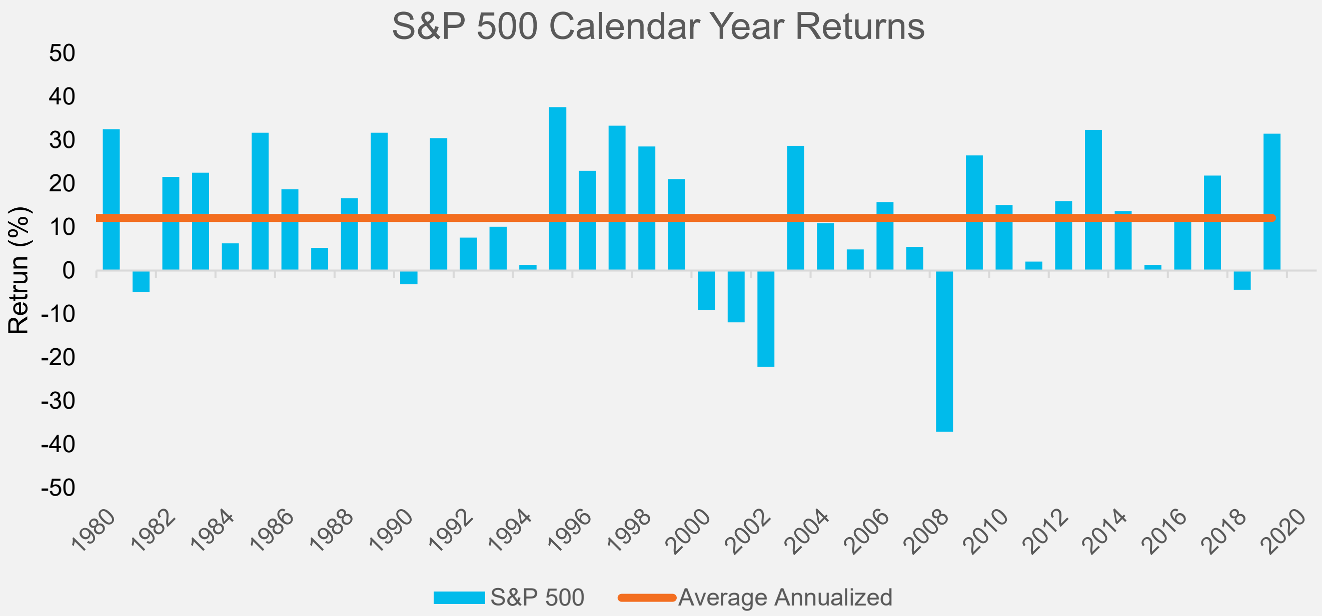
Diversification with global blend

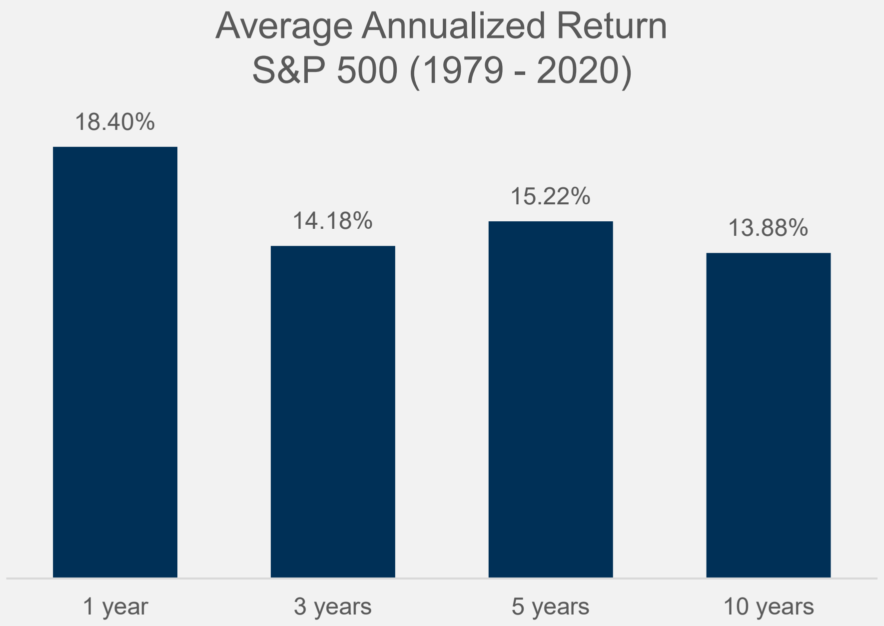


From 2000 through 2020, top-quartile active global mutual funds had significantly greater excess returns than the S&P 500 and MSCI ACWI[1]

[1] Source: Assetmark, Capital Group, https://www.capitalgroup.com/advisor/investments/portfolio-construction/global-flex.htm

Investment returns aren't earned evenly

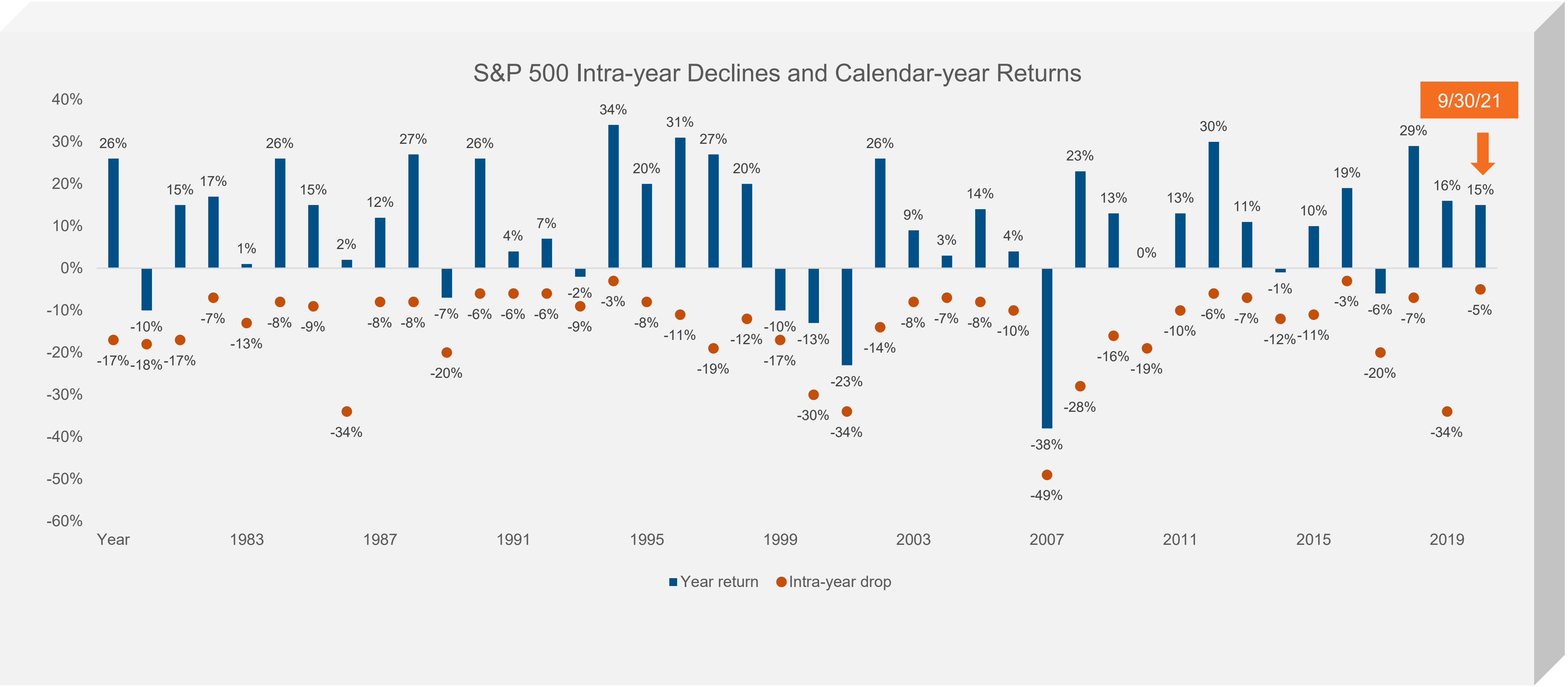




"The stock market is a wonderfully efficient mechanism for transferring wealth from the impatient to the patient." – Albert Einstein

Source: Zephyr StyleAdvisor, 1979-2020.

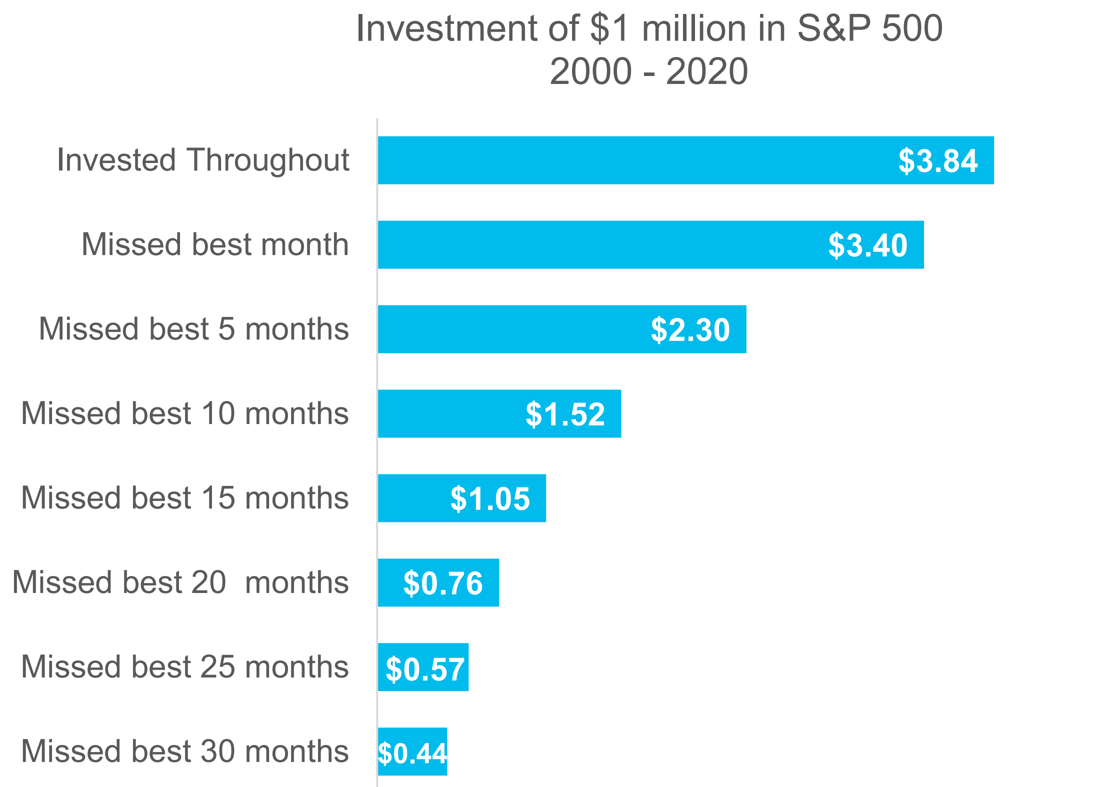
Even good years have downturns



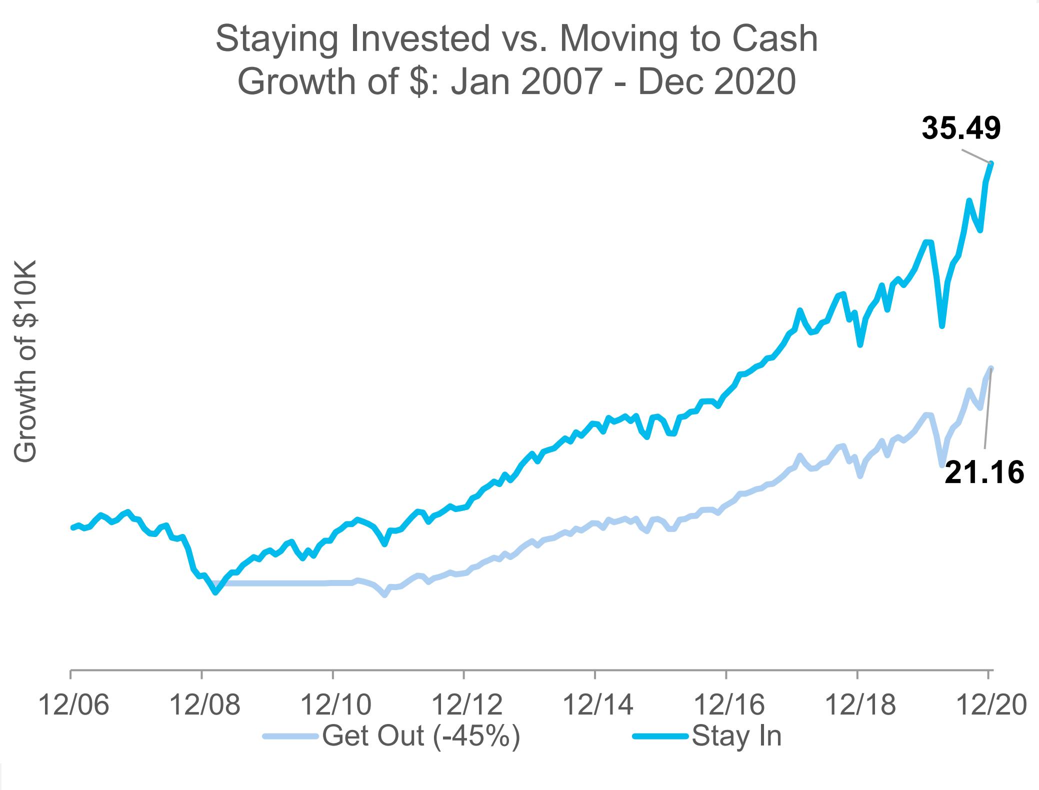
Source: J.P. Morgan Guide to the Markets®, Q42021, slide #16.

Emotional decisions can be costly to investors

Missing the best 25 months can result in a portfolio loss



Moving to cash can have a significant impact on return



"Even the intelligent investor is likely to need considerable willpower to keep from following the crowd." – Benjamin Graham

Source: Zephyr StyleAdvisor. Stay in represented by S&P 500, Get Out represented by S&P 500 until fall of market by 45%, at which point shifted to cash until S&P 500 recovered at which point shifted back to S&P 500

A look at portfolio diversification

Total Return Comparison:

S&P 500 vs. Diversified Portfolio

Years	S&P 500 Index	Diversified Portfolio
2000-2002	-37.6%	-16.2%
2003-2007	82.8%	74.4%
2008	-37.0%	-24.0%
2009-2017	258.7%	153.7%
2018	-4.4%	-4.5%
2019	31.5%	21.3%
2020 (through June)	18.4%	12.6%
Total Return	**283.8%**	**267.7%**

"I lost money"

"I didn't make as much"

"I lost money"

"I didn't make as much"

"I lost money again"

"In the long run, diversification wins even with the ups and downs of your portfolio"

Diversification is the "only free lunch in finance." – Harry Markowitz, Nobel prize-winning economist

Source: BlackRock, AssetMark, Zephyr StyleAdvisor. Diversified portfolio is represented by: 40% S&P 500 Index, 15% MSCI EAFE Index, 5% Russell 2000 Index, 30% Bloomberg US Aggregate Bond Index, 10% Bloomberg US Corporate High Yield Index, as of 6/30/2020.

No two years have been the same

Annual Returns by Sector 2002 - 2020

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
		31.5			34.4				19.9									
		28.8		41.5	22.5				14.0					27.4				
-4.3	47.2	24.3		36.8	19.4	-15.4		32.3	12.7			30.2	10.1	23.5				
-5.5	38.2	19.9	31.4	24.2	16.3	-22.8		27.7	11.4	28.8		29.0	6.9	22.8	38.8	6.5		
-9.5	37.4	18.0	16.8	21.0	14.2	-29.0	61.7	26.7	6.3	23.9	43.1	25.3	6.6	18.9	23.8	4.1		43.9
-11.1	32.2	13.2	12.6	19.2	12.0	-30.5	48.6	22.2	6.1	19.7	41.5	20.1	5.9	16.7	23.0	0.8	50.3	33.3
-14.6	31.0	13.2	6.5	18.6	11.9	-33.5	41.3	20.5	4.7	18.3	40.7	16.0	4.7	16.3	22.2	-0.3	32.7	23.6
-18.8	28.8	10.9	6.5	18.6	7.2	-34.9	27.1	19.0	2.4	17.9	35.6	15.2	3.4	13.8	22.1	-2.2	32.1	20.7
-22.1	28.7	10.9	4.9	15.8	5.5	-37.0	26.5	15.1	2.1	16.0	32.4	13.7	1.4	12.0	21.8	-4.4	31.5	18.4
-23.8	26.3	8.2	4.4	14.4	-13.2	-39.9	20.9	14.1	-0.6	15.3	28.4	9.8	-1.5	6.0	21.0	-8.4	29.4	13.4
-26.3	25.6	2.6	3.6	13.3	-17.9	-42.3	19.7	12.1	-9.8	15.0	26.1	9.7	-2.5	5.4	13.5	-12.5	29.0	11.1
-30.0	15.1	1.7	2.3	8.4	-18.6	-43.1	17.2	10.2	-17.1	14.8	25.6	6.9	-4.8	3.4	12.1	-13.0	27.9	10.7
-34.1	11.6		1.0	7.5		-45.7	14.9	5.5		10.8	25.1	3.0	-8.4	-2.7	10.8	-13.3	27.6	0.5
-37.4	7.1		-5.6			-55.3	13.8	2.9		4.6	13.2	-7.8	-21.1		-1.0	-14.7	26.3	-1.7
			-6.4				11.9			1.3	11.5				-1.3	-18.1	24.6	-2.2
							8.9				1.6						20.8	-33.7
																	11.8	

Key:

- Communications
- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Healthcare
- Industrials
- Information Technology
- Materials
- Real Estate
- Utilities
- S&P 500

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine" – Benjamin Graham

Source: Zephyr StyleAdvisor

No two years have been the same

Annual Returns by Asset Class 2002 - 2020

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
22.4	56.3	26.0	34.5	32.6	39.8	5.2	79.0	26.5	7.8	18.6	35.9	13.7	1.4	22.5	37.8	0.0	31.5	18.7
12.2	39.2	20.7	14.0	26.9	11.6	4.4	58.2	19.2	7.0	17.9	32.4	8.5	1.3	17.1	25.6	-2.1	25.1	18.4
10.3	36.6	18.4	12.3	15.8	11.0	-14.8	34.2	15.1	5.0	17.9	23.3	6.0	0.5	12.0	21.8	-2.1	22.7	13.0
-1.4	29.0	12.6	10.9	11.9	7.0	-26.2	33.5	15.1	4.4	17.4	7.4	4.8	-0.4	11.6	15.3	-2.5	18.9	10.1
-6.0	28.7	11.9	4.9	11.8	5.5	-34.7	32.5	12.8	2.1	16.0	-2.0	2.5	-2.1	9.9	10.5	-4.4	14.3	8.3
-14.5	26.9	11.1	2.7	9.9	5.2	-37.0	26.5	8.2	-0.9	15.8	-2.3	-1.8	-4.5	2.6	8.2	-10.3	13.1	7.5
-15.7	19.4	10.9	2.4	8.2	5.1	-43.1	7.5	6.5	-11.7	4.2	-3.1	-3.1	-6.0	1.5	7.5	-13.4	8.7	7.1
-22.1	4.1	4.3	-8.6	4.3	1.9	-53.2	5.9	4.9	-18.2	4.1	-4.1	-4.5	-14.6	1.5	3.5	-14.2	5.1	6.5

- US Equities
- US Small/Mid Cap
- International Eq
- Emerging Market Eq
- US Bonds
- US High Yield
- International Bonds
- Emerging Market Bonds

"The individual investor should act consistently as an investor and not as a speculator." – Benjamin Graham

Source: Zephyr StyleAdvisor

Asset location can help you maximize your investments

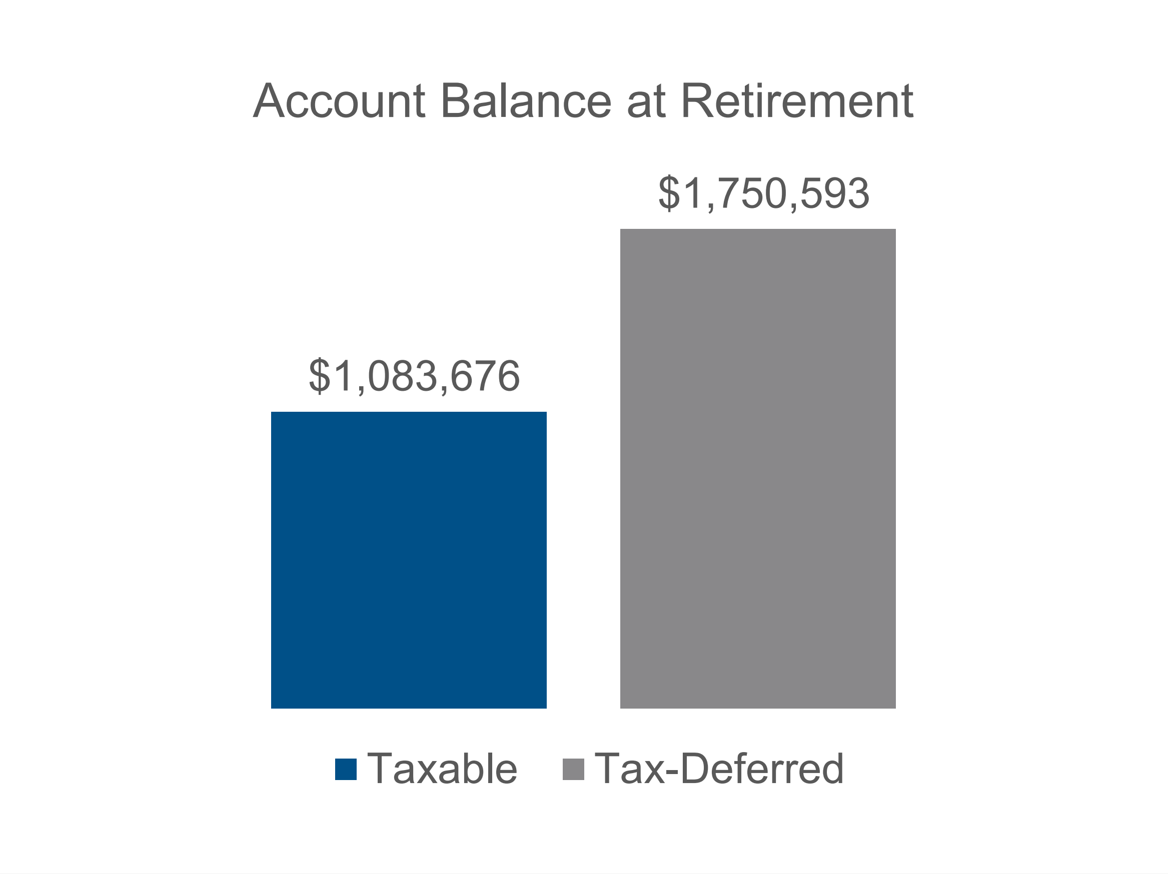
- **Tax 'sheltered' accounts**, such as 401(k)s and Individual Retirement Accounts (IRAs) can help your investment grow more quickly, by deferring taxes on gains
- Work with your advisor to develop an **asset location strategy** that's appropriate for your unique situation

The objective for Asset Location is to maximize the benefits from tax-free growth that compounds over time

Source: FactSet

"Rethinking Asset Location" C. Reed August 2013, updated May 2019

Asset location planning during accumulation



Starting balance:	**$250,000**
Annual return:	**7%**
Tax rate:	**32%**
Monthly contributions:	**$500**
Years of contribution	**25**

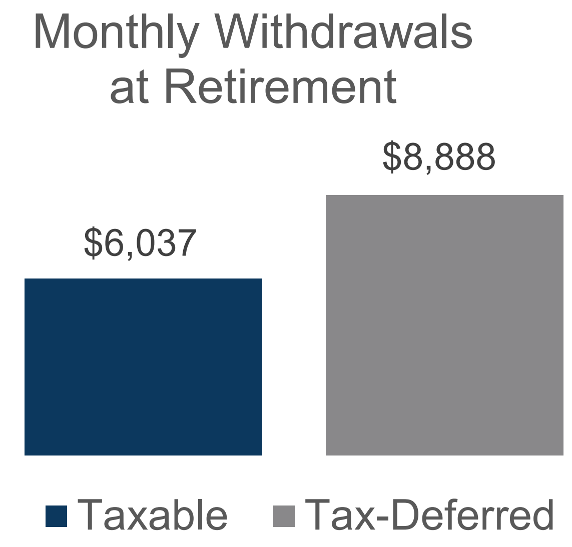
The objective for Asset Location is to maximize the benefits from tax-free growth that compounds over time

Source: AARP. For illustrative purposes only.

"Rethinking Asset Location" C. Reed August 2013, updated May 2019

Asset location planning for distribution

Annual return	**7%**
Tax rate:	**22%**
Years:	**30**



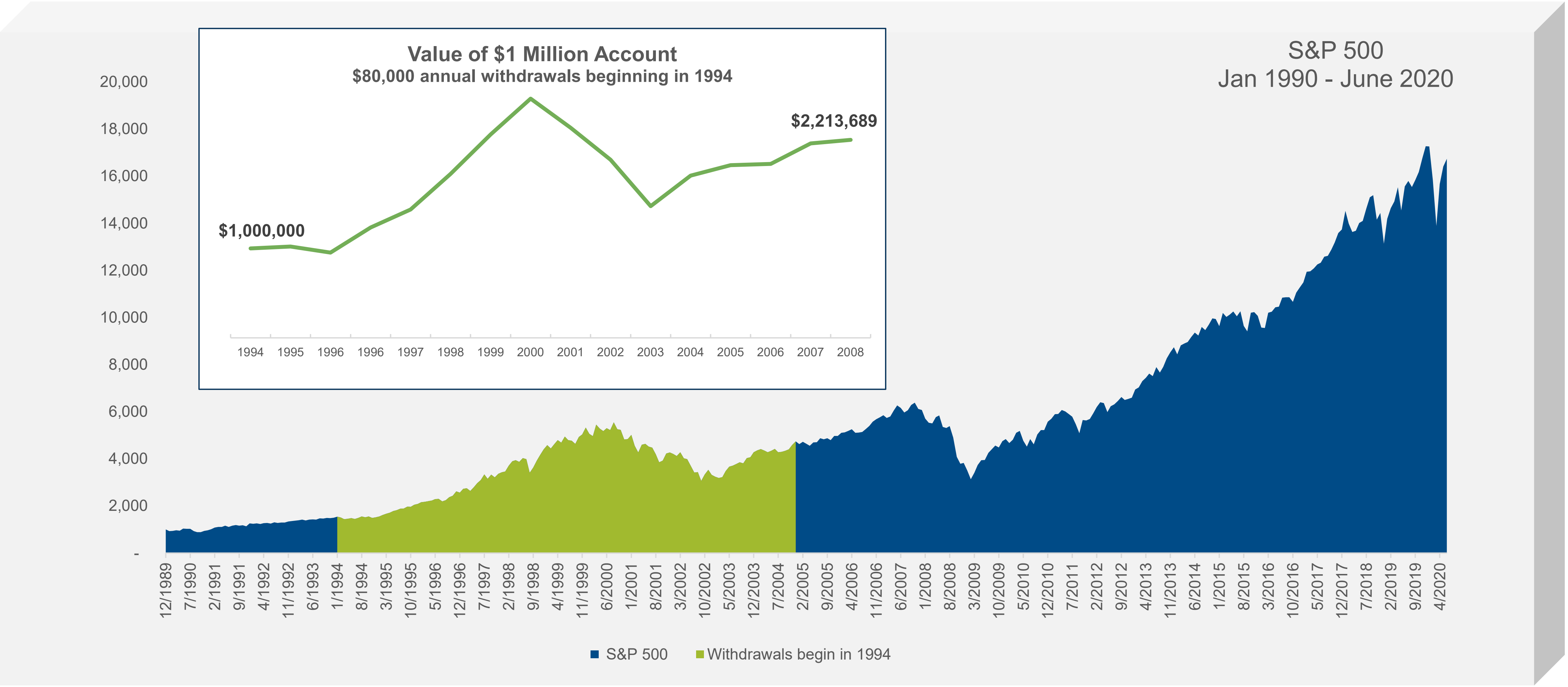
Account value:	Taxable	Tax-Deferred
At retirement	$ 1,083,676	$ 1,750,593
Monthly after-tax withdrawal	$ 6,037	$ 8,888

The objective for Asset Location is to maximize the benefits from tax-free growth that compounds over time

Source: AARP. For illustrative purposes only.

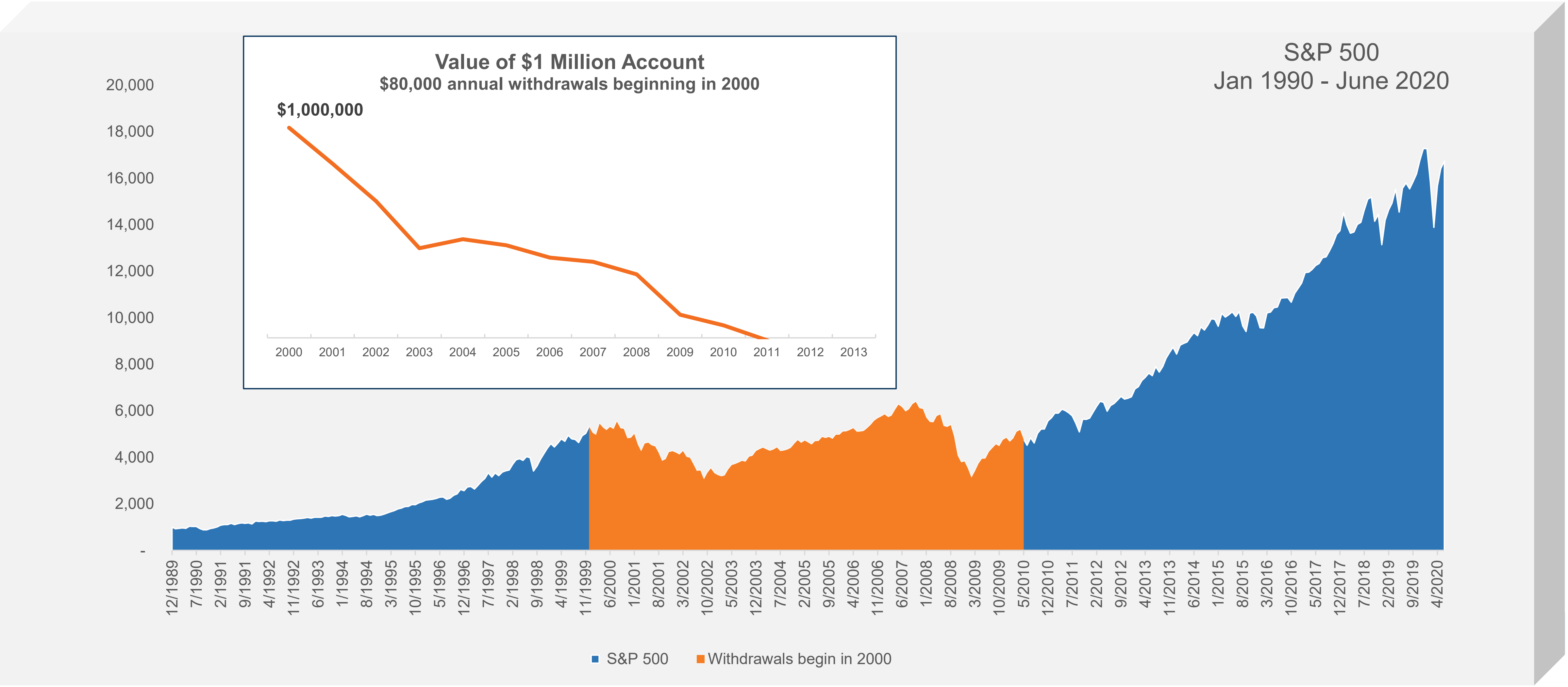
"Rethinking Asset Location" C. Reed August 2013, updated May 2019

Timing of withdrawals in retirement makes a difference



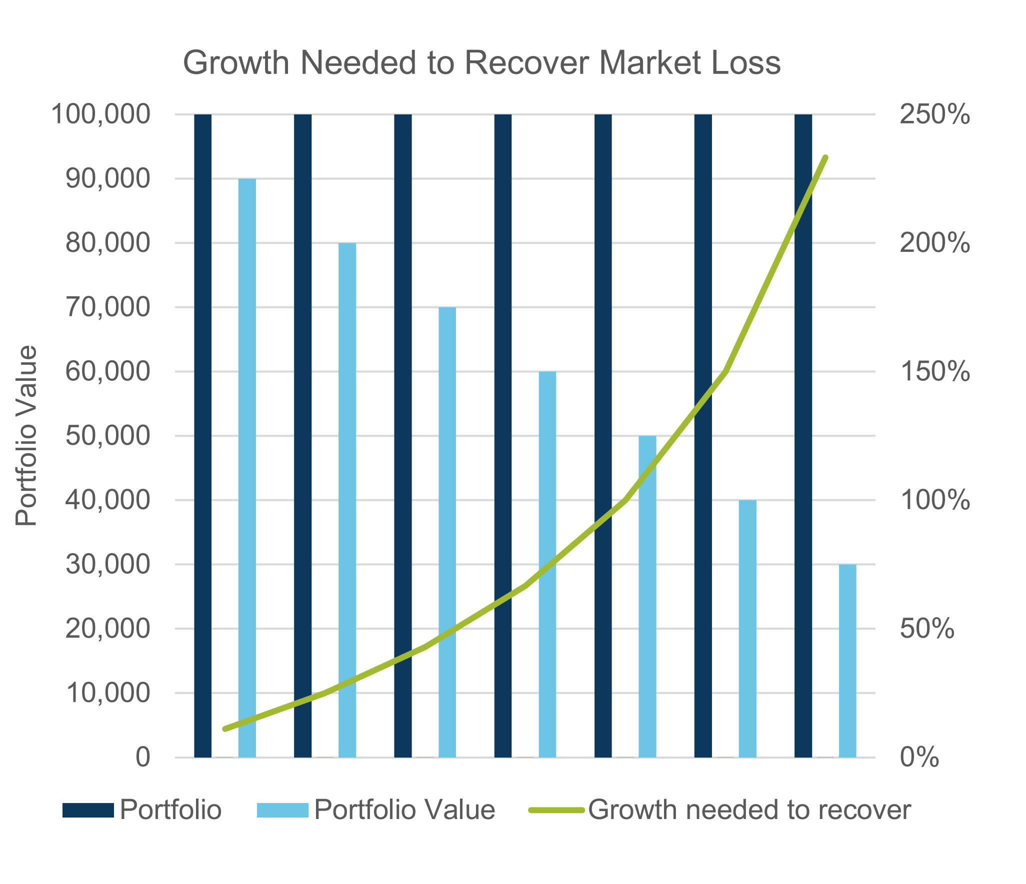
Source: AARP. For illustrative purposes only.

Unpredictable nature of the markets impacts nest egg value



Source: AARP. For illustrative purposes only.

Gains needed to recover losses



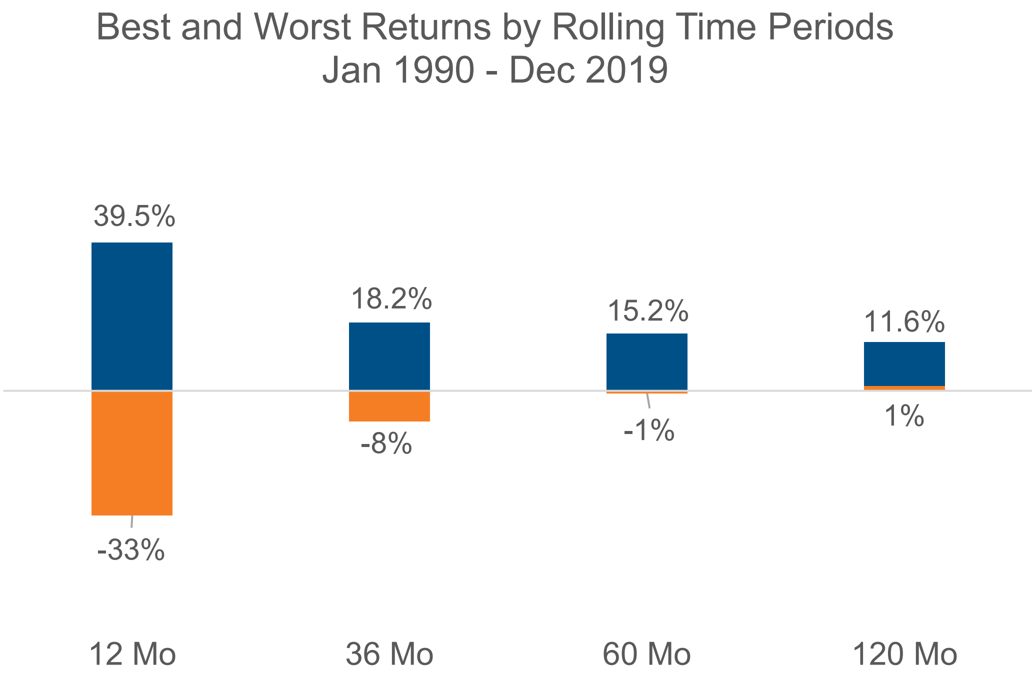
$100,000 Portfolio

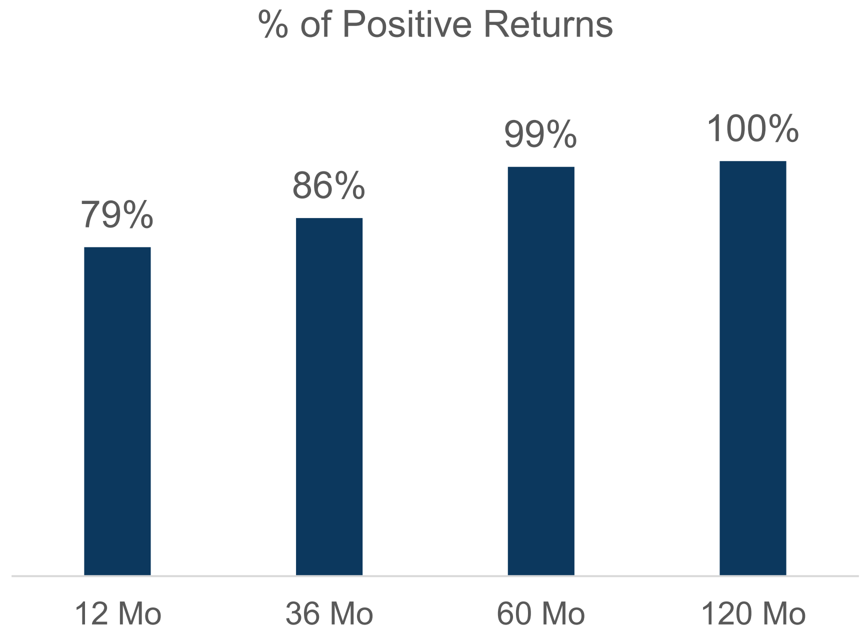
Loss	Portfolio Value	Growth needed to recover loss
10%	90,000	11%
20%	80,000	25%
30%	70,000	43%
40%	60,000	67%
50%	50,000	100%
60%	40,000	150%
70%	30,000	233%

Though market corrections are common, since 1950, the S&P 500 has spent 7,104 calendar days in correction, yet 18,084 in expansion[1]

[1]Source: Motley Fool, https://www.fool.com/investing/2018/12/19/5-stock-market-correction-statistics-you-need-to-k.aspx

Diversified Portfolio returns over time

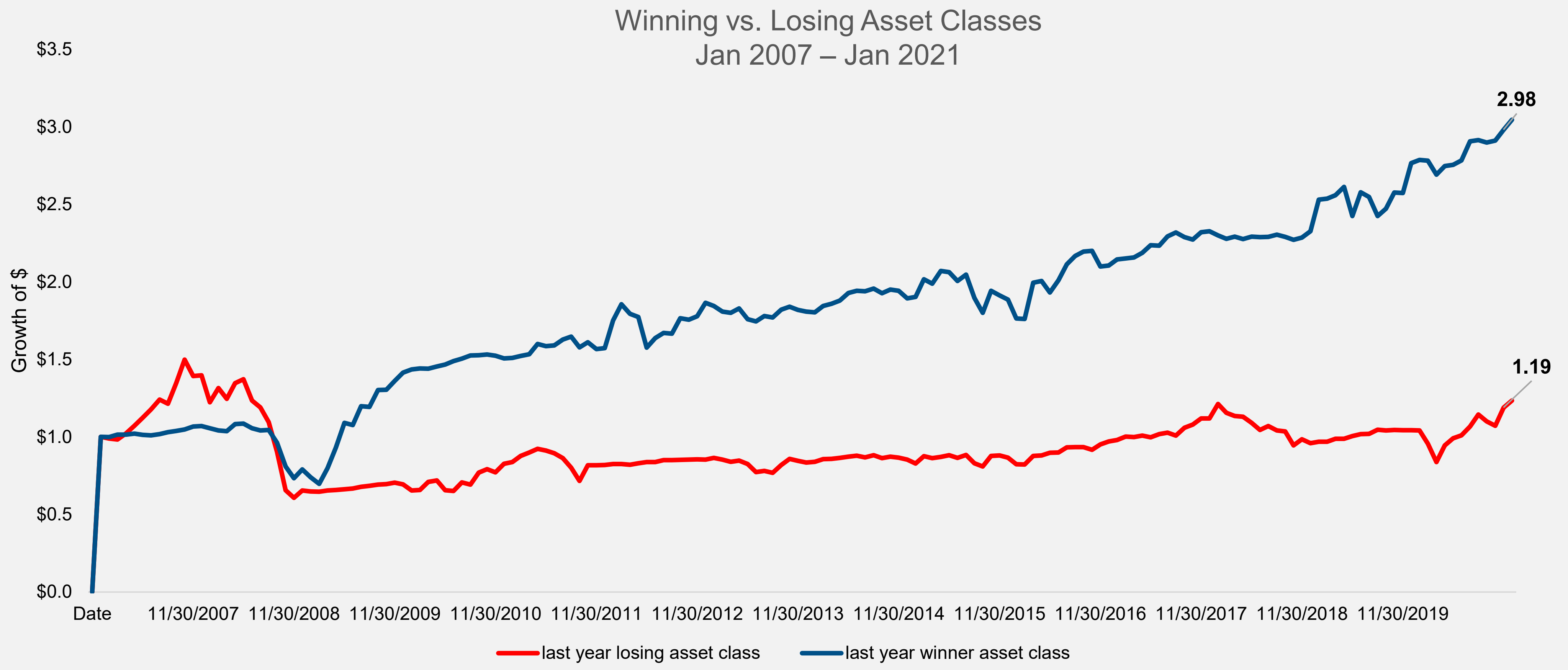




"It's like a crapshoot in Las Vegas, except in Las Vegas the odds are with the house. As for the market, the odds are with you, because on average over the long run, the market has paid off." – Harry Markowitz, Nobel price-winning economist

Source: AssetMark. For illustrative purposes only. Diversified Portfolio is 60% Equities represented by the MSCI ACWI All World Country Index, 40% Fixed Income represented by the Barclays Global Aggregate Bond Index. It is not possible to invest directly in an index, index performance doesn't reflect the deduction of fees.

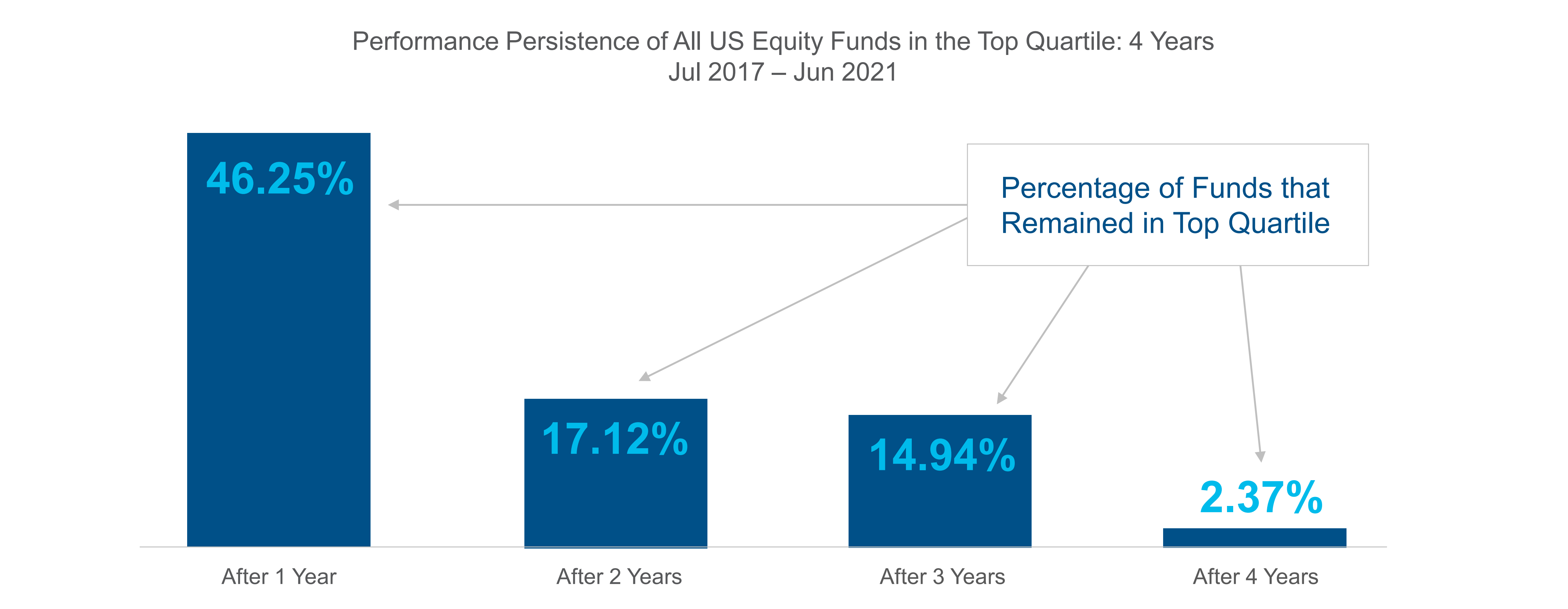
Buying last year's winner tends to be a losing strategy for investors



"In many ways, the stock market is like the weather in that if you don't like the current conditions, all you have to do is wait a while." – Lou Simpson

Source: FactSet, Zephyr StyleAdvisor. "Last Year Winner Asset Class" portfolio consists of holding the best performing asset class at the end of each calendar year (as defined on slide 15) for the subsequent calendar year. "Last Year Loser Asset Class" portfolio consists of holding the worst performing asset class at the end of each calendar year (as defined on the prior page) for the subsequent calendar year.

Selecting a fund on rankings is not a fruitful process



There remains a 96.8% chance that a top-quartile fund will not stay in the top quartile for the next four years[1]

Source: S&P Dow Jones Indices, LLC, CRSP, for illustrative purposes. https://www.spglobal.com/spdji/en/documents/spiva/persistence-scorecard-mid-year-2021.pdf and ifa.com https://www.ifa.com/articles/luck_skill_evidence_from_standard_poor_persistence_scorecard/

Important info

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Investments in equities, bonds, options, and other securities, whether held individually or through mutual funds and exchange traded funds, can decline significantly in response to adverse market conditions, company-specific events, changes in exchange rates, and domestic, international, economic, and political developments.

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