

All Weather Allocation Proposal for Robert Goodew



Banking • Investments • Trust

Agenda:

Our Mission – Risk Mitigation	2
Why is Risk Mitigation so Important Now?	8
Proposed Investment Solution Robert Goodew	14

The Investor Dilemma:

An issue investors face: Many investors seek to enhance portfolio returns by allocating to equities, however, most can not endure the risk of prolonged losses.

Can investors generate returns equal to or in excess of the S&P 500 with lower absolute risk by investing in a select universe of equities? At Redwood Private Wealth we believe this can be achieved.

We understand how to apply robust measurements of both trend strength and trend exhaustion. Our goal is to reduce price noise on both the overall market and individual security level thus helping to reduce portfolio risk of large drawdowns and increasing excess returns.

Solution

Our goal is to mitigate downside volatility without sacrificing upside potential over a full market cycle.

This is achieved by:

- 1.) **Reducing** portfolio correlation to the S&P 500.
- 2.) **Managing** risk by avoiding crowded trades on both the security and broad market level.
- 3.) **Agnostic** in style and benchmark to capture regime and cycle changes.
- 3.) **Implementing** a proprietary process for entering and exiting positions.

A **risk first approach** to minimize large losses, providing a smoother ride for long-term investing, while attempting to not sacrifice upside returns.

Behavioral economics by Nobel prize winner Daniel Kahneman

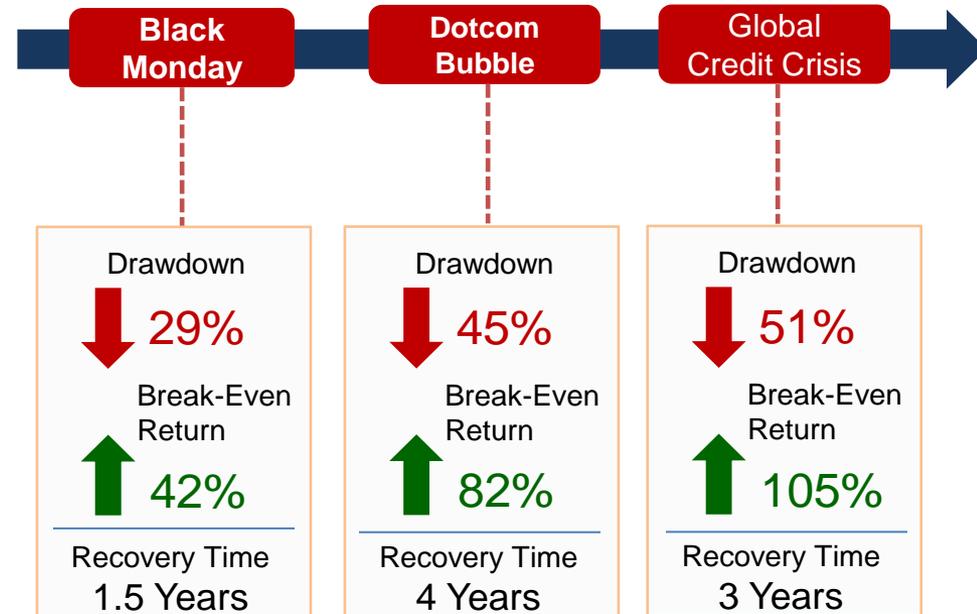
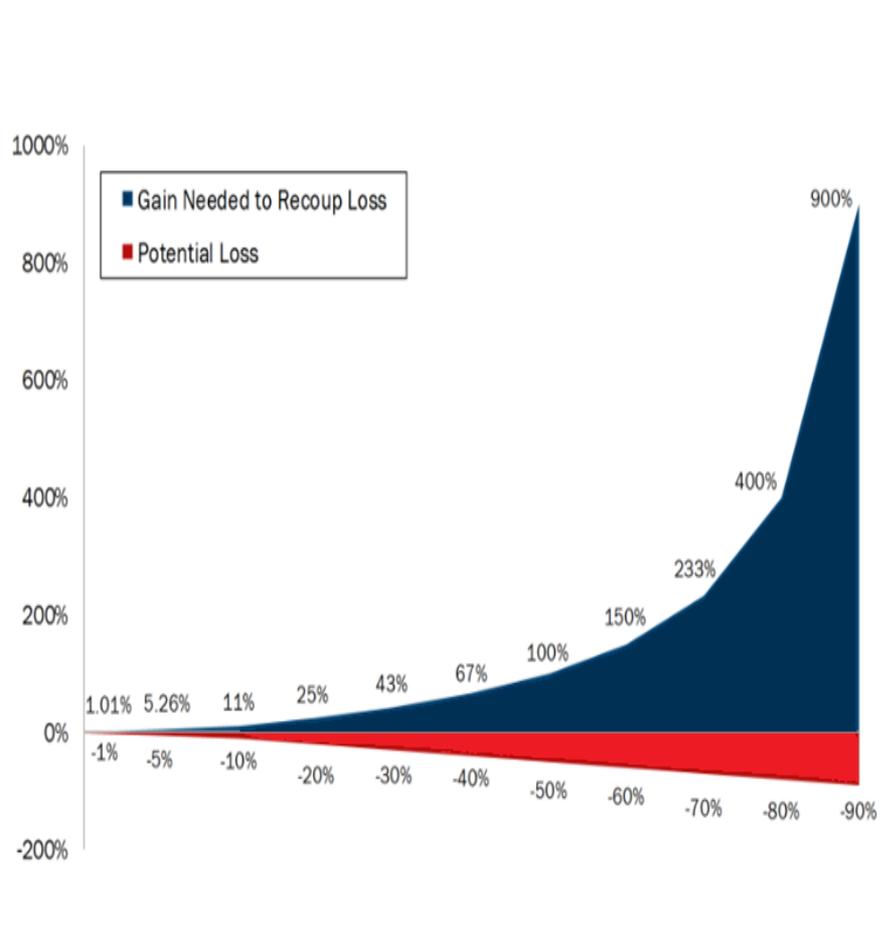
Daniel Kahneman is a professor emeritus of psychology and public affairs at Princeton University, he is widely regarded as a pioneer of modern behavioral economics.

In 2002, he was awarded the Nobel Memorial Prize in Economic Sciences for his research on prospect theory, which deals with human judgment and decision-making.

Kahneman's theory... “the psychological impact of experiencing losses is roughly twice as strongly felt as that of experiencing gains”

A quantitative investment approach

Why it is vital to have a long only strategy that can limit losses.



Hypothetical Illustration show reflects the Russell 1000 index, this does not represent the returns of any real investment. Past performance is no indication of future results.

Why Mitigating Risk Now Is Vital?

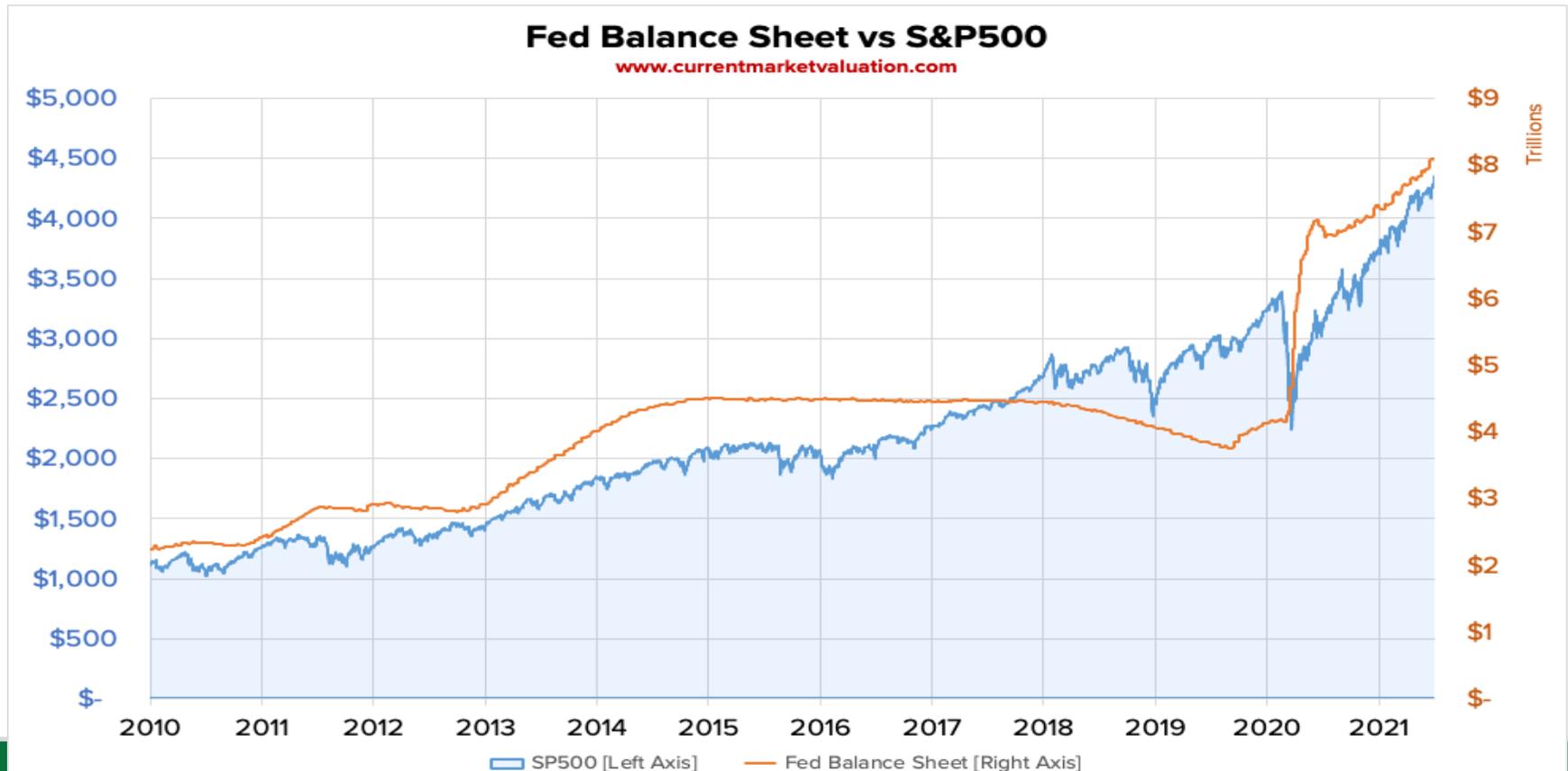
A quantitative investment approach

A new paradigm shift of excessive liquidity

Valuations have significantly increased since 2010 as a result of Central Bank's expansion of their balance sheet to control interest rates. The Fed's new and more aggressive policies were instituted as a result of the 2008 Great Recession.

In 2020 the Fed's emerging liquidity program which was used to purchase treasuries, mortgages and corporate bonds helped drive equity risk premiums to levels not seen since 1999.

From 2010 to 2021 the Fed's Balance Sheet expanded from \$1.5 trillion to over \$8.6 trillion. As a result, this helped push all asset classes valuations higher.



A quantitative investment approach

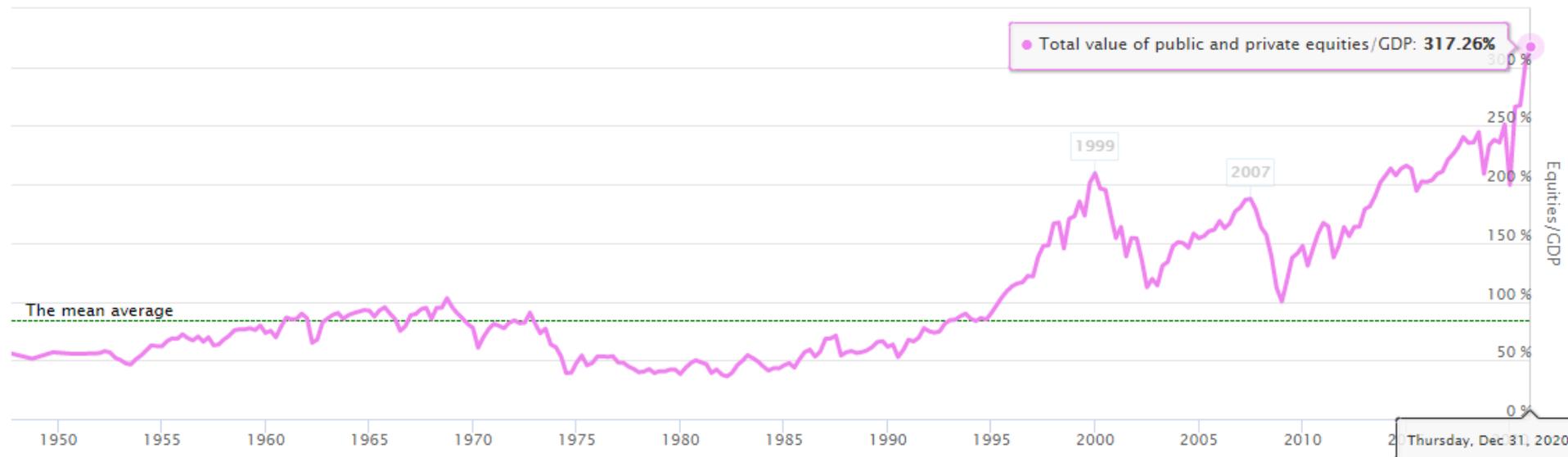
Market Risk's Are Growing

- Highest S&P 500 to GDP Ratio since 1936



Market Risk's Are Growing

- Another very popular metric to measure longer cycle valuations is Valuations to GDP. Currently, this period is seeing the highest Value of Public and Private Equities to GDP Ratio ever.



Market Risk's Are Growing

Why Now a Risk First Approach:

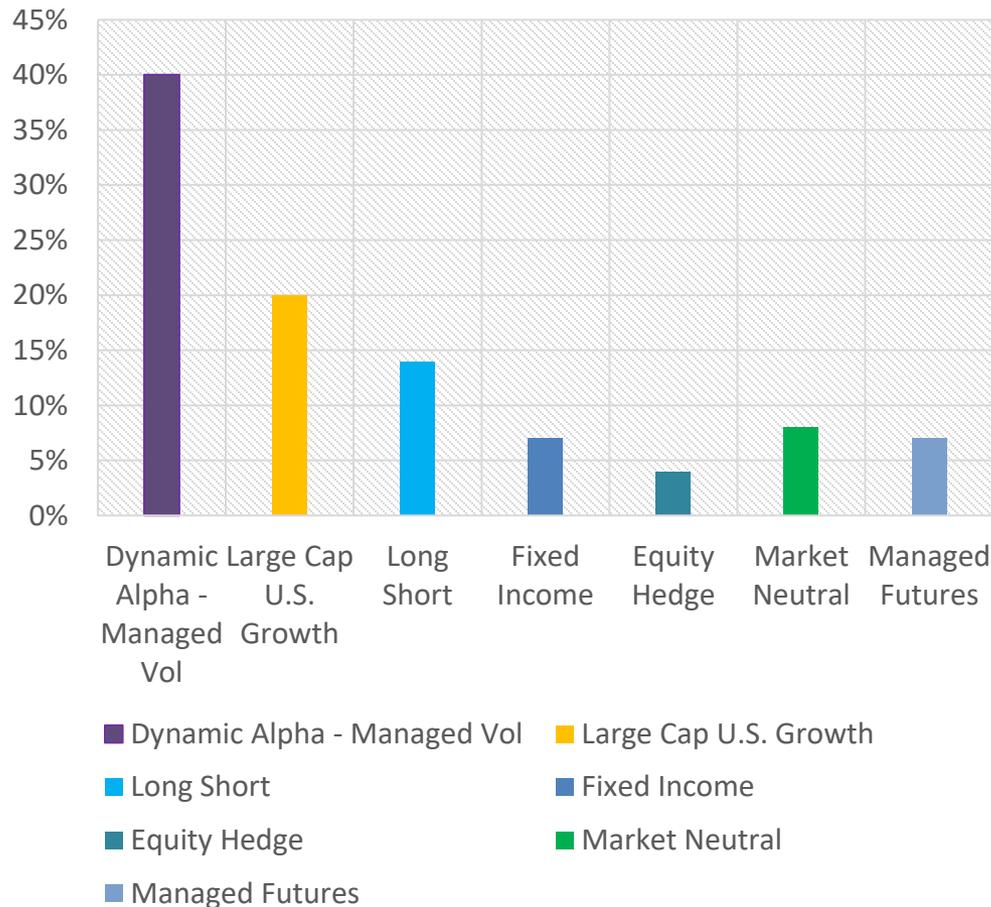
1. **Issue:** Exceptionally low equity risk premiums, caused by the highest level of M2 has resulted in the highest valuations measured by S&P 500 to GDP.
2. **Catalyst:** When the Fed removes the excess liquidity, programs mean reversion of equity risk premiums will occur once the \$120 billion monthly emergency bond buying program is reduced.
3. **Traditional Risk Mitigation:** 60/40 allocation that has been a historical staple risk adjusted allocation will struggle to protect client portfolios as rates will most likely will rise as the Fed slows its purchases of Bonds.
4. **Solution: All Weather Allocation** will attempt as it has done historically to reduce market exposure during both euphoric and stressful market environments. Ideally, Dynamic Alpha tries to avoid an overaction of market noise and capture as much upside as possible while mitigating downside volatilizing.

Proposed Hypothetical

New Allocation to Mitigate Market Risk

Moderate Managed Risk Allocation

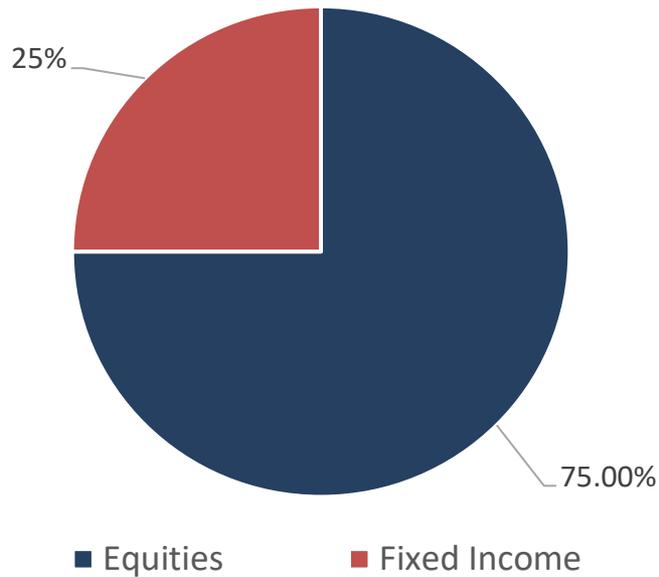
Strategies



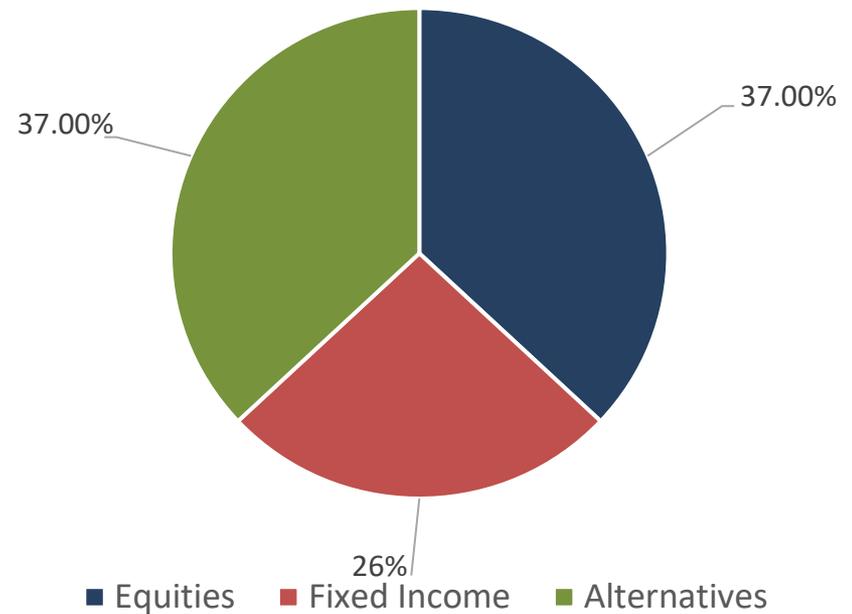
- Why Large Cap U.S. Growth?**
 - Long term secular growth within the U.S. we believe will outperform other styles. However, we are adding a growth manager that follows “GARP”. Growth at a Reasonable Price. This will help mitigate downside losses if multiples in technology reprice due to higher interest rates.
- Why U.S. Equity Hedge?**
 - Large to Mid Cap U.S. equities with a hedge overlay that is on always to mitigate downside side.
- Why U.S. Dynamic Alpha Managed Vol Equities**
 - Dynamically adjusts portfolio risk.
 - Dynamically seeks new regime changes (i.e., interest rate change, early cycle, mid cycle late cycle)
 - Uses mean reversion to exit stocks
- Why Little Exposure to Fixed Income?**
 - Tapering will potentially be unwound by mid 2022.
 - Rates are artificially surprised and at 40-year lows, thus bonds will be challenged.
- Why Managed Futures?**
 - Less correlated to equities
 - Inflationary benefits
- Why Market Neutral?**
 - Low Vol .0 to .18 beta
 - Convertible arb strategy
- Why No Exposure to Emerging Markets & International**
 - Low historical risk to reward & Higher Volatility

Moderate Managed Risk Allocation

Current 403(b) Plan Account



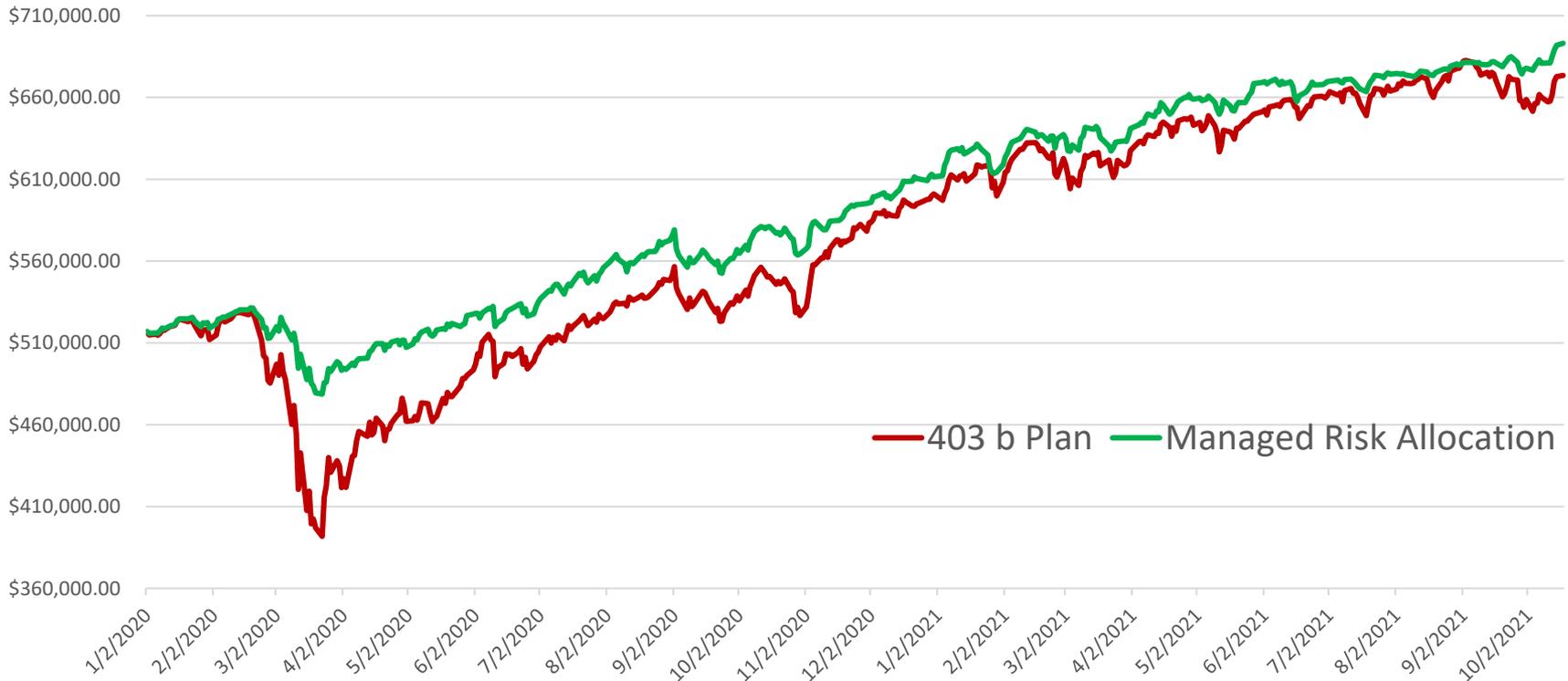
Suggested



Moderate Managed Risk Allocation

Moderate Managed Risk Allocation Vs. S&P 500 during Covid19. “Hypothetical Allocation”

Please note: TIAA stable value fund does not have a ticker, we used the higher end this annuity of 7% on a monthly basis of a .58% return. The fund is only 3.61% of the over all holdings.

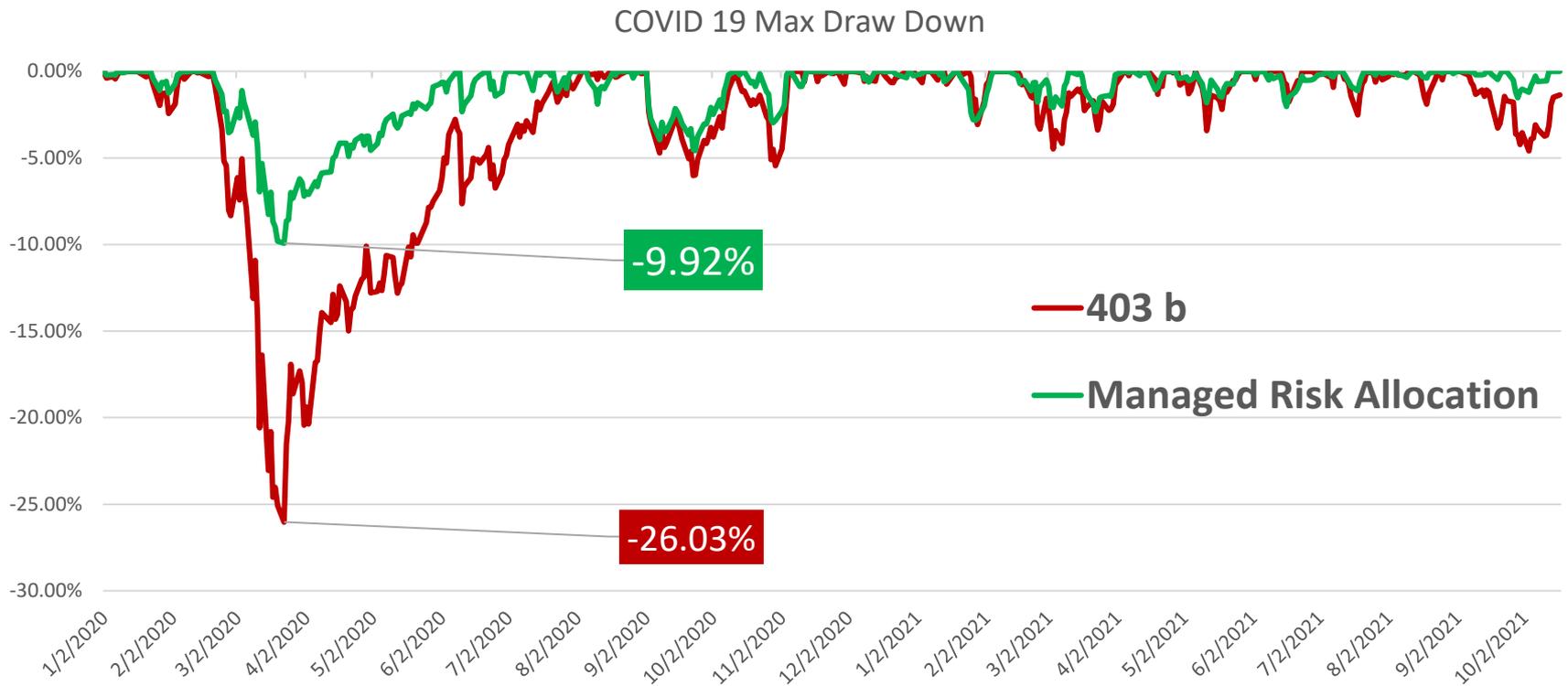


Past Performance Is not indicative of Future Results.

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Moderate Managed Risk Allocation

Moderate Managed Risk Allocation Vs. S&P 500 during Covid19. “Hypothetical Allocation”



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Understanding the Strategies

Each strategy, excluding Trowbridges Dynamic Alpha (Managed Vol) is managed by an independent manager we believe is the best in class. Trowbridge has no affiliation with these managers.

Large Cap U.S. Growth:

- A high conviction concentrated growth manager that focuses on high returns on capital and sustainable earnings.

U.S. Long Short Manager 1 :

- Hedged equity strategy seeking long term capital appreciation and lower volatility by primarily investing in long and short positions in equity securities. Historical beta .50 with 150 long and 60 short.

U.S. Long Short Manager 2:

- Hedged equity strategy seeking long term capital appreciation and lower volatility by primarily investing in long and short positions in equity securities. Historical beta .28 with 28 long and 14 short.

Equity Hedged:

- Invests in a portfolio of U.S. large cap stocks while employing a disciplined options strategy that seeks to reduce downside risk in falling markets. Historical beta .38 187 holdings

Managed Vol Equities Dynamic Alpha

- Tactically raises cash if market are over bought, trending lower or there is a regime change (i.e., interest rate change, early cycle, mid cycle late cycle) Historical beta .65 with 35 max positions and 100% cash potential

Market Neutral

- The fund combines two complementary strategies with different responses to volatility: convertible arbitrage seeks alpha and uncorrelated returns, while hedged options provides income from options writing and upside participation. Beta .18 1000 holdings

Managed Futures

- The TRENDS Managed Futures Strategy seeks to provide positive returns when investors need them the most, particularly during equity market downturns, by capturing momentum across equities, fixed income, currencies, and commodities.

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Disclosure

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The performance shown represents only the results of Redwood Private Wealth. model portfolios for the relevant time period and do not represent the results of actual trading of investor assets. Model portfolio performance is the result of the application of the Redwood Private Wealth. proprietary investment process. Model performance has inherent limitations. The results are theoretical and do not reflect any investor's actual experience with owning, trading or managing an actual investment account. Thus, the performance shown does not reflect the impact that material economic and market factors had or might have had on decision making if actual investor money had been managed.

Model portfolio performance is shown net of the model advisory fee of [Retail Class .90%, Institutional Class .55% and Advisor Class .35% the highest fee charged by Trowbridge. Performance is also net of sample trading cost charged by Fidelity and Interactive brokerage. Performance does not reflect the deduction of other fees or expenses, including but not limited to brokerage fees, custodial fees and fees and expenses charged by mutual funds and other investment companies. Performance results shown include the reinvestment of dividends and interest on cash balances where applicable. The data used to calculate the model performance was obtained from sources deemed reliable and then organized and presented by Trowbridge.

The performance calculations have not been audited by any third party. Actual performance of client portfolios may differ materially due to the timing related to additional client deposits or withdrawals and the actual deployment and investment of a client portfolio, [optional -the reinvestment of dividends], the length of time various positions are held, the client's objectives and restrictions, and fees and expenses incurred by any specific individual portfolio. Benchmarks: Dynamic Alpha performance results shown are compared to the performance of the S&P 500 TR. Dynamic Alpha, Dynamic Low Volatility, Medium beta, Tactical Growth and Concentrated Dynamic Alpha Model performance is compared to the S&P 500 Index with all applicable dividends reinvested. The index results do not reflect fees and expenses and you typically cannot invest in an index. Return Comparison: The S&P 500 was chosen for comparison as it is generally well recognized as an indicator or representation of the stock market in general and includes a cross section of equity holdings. Additionally, Trowbridge universe of stocks is largely comprised of S&P 500 stocks.

The index / indices used by Redwood Private Wealth. have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized indices. Indices are typically not available for direct investment, are unmanaged and do not incur fees or expenses.

The results do not represent actual trading and actual results may significantly differ from the theoretical results presented. Past performance is not indicative of future performance.

*Performance information for the Dynamic Alpha is for illustrative purposes only and does not represent actual fund performance. For illustration of performance returns are net of fee and do not charge management fees, and no such fees or expenses were deducted from the performance shown unless otherwise noted.

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Investors should understand that while the performance results may show a general rising trend at times, there is no assurance that any such trends will continue. If such trends are broken, then investors may experience real losses. The Manager nor any other person managed any product or account seeking to track the performance of the model prior to March 2, 2015. No representation is being made that any account will achieve performance results similar to those shown in this presentation. In fact, there may be substantial differences between backtested performance results and the actual results subsequently achieved by any particular investment program. As a result, the model theoretically may be changed from time to time to obtain more favorable performance results. There are other factors related to the markets in general or to the implementation of any specific investment program which have not been fully accounted for in the preparation of the hypothetical/backtested performance results, all of which may adversely affect actual portfolio management results. The information included in this presentation reflects the different assumptions, views and analytical methods of The Manager as of the date of this presentation. The model’s performance during the Backtested Period is not based on live results produced by an investor’s actual investing and trading, but was achieved by the retroactive application of a model designed with the benefit of hindsight, and, other than the composite results, the model performance subsequent to March 2, 2015 is not based on live results produced by an investor’s investment and trading, and fees, expenses, transaction costs, commissions, penalties or taxes have not been netted from the gross performance results. The performance results include reinvestment of dividends, capital gains and other earnings. As the Hypothetical Information was backtested, it does not reflect contemporaneous advice or record keeping by an investment adviser. Actual, live client results may have materially differed from the presented performance results. All information presented after the model inception date (March 2, 2015) is the model’s model performance, which means it was calculated by The Manager in real-time (not on a backtested basis), but does not reflect the payment of any fees, commissions or expenses (except as otherwise described in this presentation). Accounts and funds managed by an adviser using The Manager’s model portfolios are subject to additions and redemptions of assets under management, which may positively or negatively affect performance depending generally upon the timing of such events in relation to the market’s direction. The Hypothetical Information and model performance assume full investment, whereas actual accounts and funds managed by an adviser would most likely have a positive cash position. Had the Hypothetical Information or model performance included the cash position, the information would have been different and generally may have been lower. While there have been periodic updates and improvements to The Manager model, there have not been any material changes in the objectives or strategies of the model that have occurred that may affect results.

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