

Presented by: **The Dobbs Group** Wm. Craig Dobbs, AIF Managing Director – Wealth Management Institutional Consulting Director 800 East 96<sup>th</sup> Street, Suite 400 Indianapolis, IN 46240 800.224.1488

#### *Matt Carson* Vice President Financial Advisor 500 108th Avenue NE, Suite 1900 Bellevue, WA 98004 800.328.2802



## San Mateo Electrical Construction Industry Retirement Fund

Education Meeting October 2024





# Market History and Principles

## Asset Class Returns Year-to-Date 2024

As of August 30,2024

January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	1024	2Q24	2024YTD
MLPs	US Equities	MLPs	Commod.	US Equities	MLPs	REITs	REITs	MLPs	EM Equities	US Equities
4.4%	5.3%	4.5%	2.2%	5.0%	4.5%	5.6%	5-9%	13.8%	5.1%	19.5%
US Equities	EM Equities	DM Int'l Equities	Managed Futures	Global Equities	EM Equities	DM Int'l Debt	DM Int'l Equities	US Equities	US Equities	MLPs
1.7%	4.8%	3.4%	1.8%	4.1%	4.0%	3.5%	3.3%	10.6%	4.3%	18.7%
Managed Futures	Managed Futures	REITs	Cash	DM Int'l Equities	US Equities	DM Int'l Equities	Global Equities	Managed Futures	MLPs	Global Equities
1.2%	4.7%	3.4%	o.4%	4.0%	3.6%	3.0%	2.6%	9.4%	3-3%	16.3%
Global Equities	Global Equities	Managed Futures	EM Equities	REITs	Global Equities	US Debt	DM Int'l Debt	Global Equities	Global Equities	DM Int'l Equities
0.6%	4-3%	3.4%	0.4%	3.3%	2.3%	2.3%	2.6%	8.3%	3.0%	12.5%
DM Int'l Equities	MLPs	US Equities	Global Hedge	Diversified Portfolio	Diversified Portfolio	High Yield	US Equities	DM Int'l Equities	Commod.	EM Equities
o.6%	3.3%	3.2%	-0.5%	2.5%	1.3%	2.0%	2.4%	6.o%	1.5%	9.8%
Cash	DM Int'l Equities	Global Equities	High Yield	EMD	US Debt	EMD	EMD	Diversified Portfolio	Cash	Diversified Portfolio
0.5%	1.9%	3.2%	-o.8%	1.8%	o.g%	1.9%	2.3%	3.3%	1.4%	8.5%
Global Hedge	Diversified Portfolio	Commod.	Inflation-Linked	Inflation-Linked	Inflation-Linked	Inflation-Linked	High Yield	Global Hedge	Diversified Portfolio	REITs
0.3%	1.2%	2.9%	-1.7%	1.7%	o.8%	1.8%	2.2%	2.5%	1.3%	7.9%
Inflation-Linked	EMD	EM Equities	MLPs	US Debt	EMD	Diversified Portfolio	Diversified Portfolio	EM Equities	High Yield	High Yield
0.2%	1.0%	2.5%	-2.0%	1.7%	0.6%	1.7%	1.8%	2.5%	1.0%	7.5%
Diversified Portfolio	Global Hedge	EMD	EMD	High Yield	Cash	Global Equities	EM Equities	High Yield	Inflation-Linked	EMD
0.1%	0.9%	2.1%	-2.1%	1.5%	o.5%	1.6%	1.6%	2.1%	0.8%	6.7%
Commod.	High Yield	Diversified Portfolio	Diversified Portfolio	Commod.	REITs	US Equities	US Debt	EMD	Global Hedge	Managed Futures
-0.1%	o.8%	2.0%	-2.4%	1.3%	0.4%	1.2%	1.4%	2.0%	0.4%	5.2%
High Yield	Cash	High Yield	DM Int'l Equities	DM Int'l Debt	High Yield	Global Hedge	Inflation-Linked	Cash	EMD	Global Hedge
-0.2%	o.4%	1.5%	-2.5%	o.9%	0.4%	0.7%	0.8%	1.4%	0.3%	4.1%
US Debt	REITs	Global Hedge	US Debt	Global Hedge	Global Hedge	Cash	Cash	Commod.	US Debt	Cash
-0.3%	-0.4%	1.3%	-2.5%	o.6%	0.3%	0.5%	0.5%	o.g%	0.1%	3.7%
EMD	Inflation-Linked	US Debt	DM Int'l Debt	EM Equities	DM Int'l Debt	EM Equities	Global Hedge	Inflation-Linked	DM Int'l Equities	Inflation-Linked
-1.0%	-1.1%	o.g%	-3.1%	o.6%	-0.2%	0.4%	0.4%	-0.1%	-0.2%	3.3%
DM Int'l Debt	US Debt	Inflation-Linked	Global Equities	Cash	DM Int'l Equities	MLPs	Commod.	US Debt	REITs	US Debt
-2.0%	-1.4%	0.8%	-3.3%	0.5%	-1.6%	0.1%	-o.4%	-o.8%	-2.0%	3.1%
REITs	DM Int'l Debt	Cash	US Equities	MLPs	Managed Futures	Managed Futures	MLPs	REITs	Managed Futures	DM Int'l Debt
-4.4%	-1.6%	0.5%	-4.1%	-0.8%	-1.7%	-1.7%	-0.9%	-1.6%	-2.2%	0.2%
EM Equities	Commod.	DM Int'l Debt	REITs	Managed Futures	Commod.	Commod.		DM Int'l Debt	DM Int'l Debt	Commod.
-4.6%	-1.9%	0.3%	-5.5%	-2.2%	-1.9%	-4.5%		-3.2%	-2.5%	-2.6%

Source: Bloomberg, Morgan Stanley Wealth Management GIO; Indices used= Cash: FTSE 3Month Treasury Bill, Global Equities: MSCI AC World, REITs: FTSE EPRA Nareit Global, Commodity: Bloomberg Commodity Index, Managed Futures: Barclays Hedge BTOP50, MLPs: Alerian MLP, Global Hedge: HFR Global, Inflation-Linked: Bloomberg US Treasury Inflation Protected Notes, US Debt: Bloomberg US Aggregate, High Yield: Bloomberg Global High Yield, EMD: JP Morgan GBI-EM Global Diversified Composite, DM Int'l Debt-Bloomberg Global Majors, EM Equities: MSCI Emerging Markets, DM Int'l Equities: S&P 500. Diversified portfolio is comprised of 40% MSCI ACWI, 40% Bloomberg US Aggregate, 5% 3 mo. T-Bills, 9% HFRXGL Global Hedge, 3% Bloomberg Commodity Index, and 3% FTSE EPRA/NAREIT Global Index.

# **Equity Index Return Distribution**

Distribution of S&P 500 Index Returns

Annual Data - December 1926 to December 2023



#### Source: Bloomberg, Morgan Stanley Wealth Management GIO.

21.0%





Source: FactSet monthly data as of February 1950 – December 2023, Morgan Stanley Wealth Management Global Investment Office. S&P 500 Index, Bloomberg US Aggregate Bond Index. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and gualifications at the end of this material.

# Sample Portfolios Meeting Return Thresholds

Percentage of Sample Portfolio<sup>1</sup> Annualized Rolling 20 Year Historical Real Returns Exceeding the Given Thresholds Returns are Calculated Using Monthly Data from January 31, 1926, to December 31, 2023



#### Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office.

1) The stocks and bonds used to calculate sample portfolio returns are the S&P 500 and Bloomberg US Aggregate Bond Indexes respectively.

# The Investor Psychology Cycle – Herd Mentality

For Illustrative Purposes Only

"Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria" – Sir John Templeton



#### Source: Morgan Stanley. Investment Management, Morgan Stanley Wealth Management GIC.

Longer-Term Perspectives

## Forecasted Efficient Frontiers

Stock and Bond Blends

As of August 30, 2024



Source: FactSet, Morgan Stanley Wealth Management GIO. For illustrative purposes only. Stocks are represented by the S&P 500 and bonds are represented by the Bloomberg US Aggregate Index. (1) Forecasts are based on capital market assumptions as published in the Annual Update of GIC Capital Market Assumptions, updated March 29, 2023. Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean.

#### How to Plan It

# Inflation Erodes the Purchasing Power of Your Savings

#### Purchasing Power of \$1 Since 1985<sup>1</sup>

Annual data as of December 30, 2022



#### Source: US Bureau of Labor Statistics (BLS), Bloomberg. (1) Data is based on the annual percent change of the Consumer Price Index (CPI).

# **Rebalancing Portfolios**

Rebalancing typically involves the periodic buying and/or selling of assets in portfolios to maintain an original desired level of asset allocation.



#### Hypothetical Illustration of the Rebalancing Process

#### Source: Morgan Stanley Wealth Management GIC.

# The S&P 500 Does Not Always Beat a Diversified Portfolio

Rolling Periods of 10-Year Annualized Total Returns for the S&P 500 Index vs. a Diversified Portfolio

Annual Data through December 31, 2023



## Source: Bloomberg, FactSet, Morgan Stanley Wealth Management Global Investment Office; Diversified portfolio is comprised of 40% MSCI ACWI, 40% Bloomberg US Aggregate, 5% FTSE US 3 mo. T-Bills, 9% HFR Global Hedge Funds, 3% Bloomberg Commodity Index, and 3% FTSE NAREIT All Equity REITS Index.

# Compounding May Build Wealth Over the Long Run

Successful investing requires patience and fortitude.

Cumulative Total Return of \$1: January 1, 1926 – August 30, 2024



Source: Calculated by Morgan Stanley Wealth Management Global Investment Office using data provided by Morningstar. (c) 2024 Morningstar, Inc. All rights reserved. Used with permission. This information contained herein: (i) is proprietary to Morningstar and/or its content providers; (ii) may not be copied or distributed; and (iii) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Aside from the S&P 500, all indices shown above are Ibbotson indices. The hypothetical \$1 investment is for illustrative purposes only. It does not represent the performance of any specific investment. Inflation data is reported with a one-month lag, so current value is a repeat of last month's value.

# Over the Long Term, S&P 500 Has Grown Despite Negative Events

S&P 500: Growth of \$100

Monthly data: January 31, 1926 – August 30, 2024



Source: FactSet, Ibbotson, Calculated by Morgan Stanley Wealth Management GIC using data provided by Morningstar. (c) 2023 Morningstar, Inc. All rights reserved. Used with permission. This information contained herein: (i) is proprietary to Morningstar and/or its content providers; (ii) may not be copied or distributed; and (iii) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

### For Educational Use Only

# Need to Save Early: Time Is Money

Theoretical Illustration of the Power of Compounding and Investing Time Horizon<sup>1</sup>



#### Source: Morgan Stanley Wealth Management Global Investment Office. (1) Assumes 6% annual return.

(1) Nothing herein shall be construed as an investable strategy. The returns displayed do not account for any applicable advisory fees or expenses. However, in an advisory relationship there will be applicable advisory fees and expenses, the deduction of which, when compounded over a period of years, would decrease returns.

For Educational Use Only

# Asset Allocation – The Most Important Determinant of Risk Exposures and Investment Outcomes



Potential Sources of Return Variation

Source: Roger G. Ibbotson. Does Asset Allocation Policy Explain 10, 90 or 100 Percent of Performance? Financial Analyst Journal, January/February 2000; Brinson, Singer and Beebower. Determination of Performance II: An Update, Financial Analyst Journal, May/June 1991. Based on US pension-fund data from 1977 to 1987.

#### For Educational Use Only

# Effective Asset Allocation Depends on Understanding Both Risk and Return

Example for Illustrative Purposes Only

Various asset classes tend to have different risk and return characteristics.

Typically, the higher the potential risk, the higher the potential return for an asset class, and the lower the risk, the lower the potential return.



20-Year Annualized Risk and Return Monthly data as of August 30, 2024

Asset Class	Annualized Return	Annualized Volatility
Cash	1.5%	0.5%
Fixed Income	3.1%	4.2%
Alternatives	5.0%	5.7%
Equity	10.6%	14.9%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management Global Investment Office. Cash is represented by 90-Day T-bills: Citigroup 3M T-Bill Index; Equity by US Large Cap Equities: S&P 500 Index; Fixed Income by US Investment Grade Bonds: Bloomberg US Aggregate Index; Alternatives by HFRI Fund Weighted Composite Index.

This slide is an educational presentation of performance that reflect an allocation of assets by type or class, which may educate investors about historical trends regarding asset classes.

These are not investable securities and the returns displayed do not account for any applicable advisory fees or expenses. However, in an advisory relationship there will be applicable advisory fees and expenses, the deduction of which, when compounded over a period of years, would decrease returns.

# Don't Let Emotions Get in the Way

Having a plan and sticking to it can help you avoid common mistakes such as buying and selling at the wrong time out of panic or exuberance.



#### Source: Morgan Stanley Wealth Management GIO



# Model Portfolio Allocations



### **Conservative Model**

**Objective:** A high total return over time consistent with an emphasis on current income and capital preservation. **Default Age Band:** Ages 61 and up



### **CONSERVATIVE MODEL**



#### **Conservative to Moderate Model**

**Objective:** A high total return over time consistent with capital appreciation, but with an emphasis on income. **Default Age Band:** Ages 51 to 60



## **CONSERVATIVE TO MODERATE MODEL**



#### Moderate Model

**Objective:** A high total return over time consistent with both income and capital appreciation. **Default Age Band:** Ages 41 to 50





#### Moderate to Aggressive Model

**Objective:** A high total return over time consistent with income, but with an emphasis on capital appreciation. **Default Age Band:** Ages 31 to 40



## MODERATE TO AGGRESSIVE MODEL



### **Aggressive Model**

**Objective:** A high total return over time consistent with an emphasis on capital appreciation. **Default Age Band:** Ages 30 and under





### Equity Fund and Fixed Income Fund Allocations

Asset Class	%
Domestic Equity	70%
International Equity	20%
Real Estate	10%



Asset Class	%
Short/Invest. Grade	80%
High Yield	10%
Hedge Funds	10%







## Change the Model as My Age Changes

Choosing to invest in the Model Funds by electing "Change the Model as My Age Changes" will put your account into a mix of investments specifically designed to be most aggressive at earlier ages and then gradually lower the aggressiveness and potential volatility as you approach retirement. Consider the five models and the associated age ranges recommended by the Plan's Investment Advisor.

<b>Conservative Model</b>	←	Intended for participants of age 61 and above
Moderate Conservative Model	←──	Intended for participants ages 51 to 60
Moderate Model	←──	Intended for participants ages 41 to 50
Moderate Aggressive Model	←──	Intended for participants ages 31 to 40
Aggressive Model	←──	Intended for participants of age 30 and below

Following the age-appropriate guidelines above, electing "Change the Model as My Age Changes" will move your existing balance and direct your future contributions from one model to the next more conservative one on the trading day following your birthday in the year that you move to the next age group.

Example: A participant born March 18, 1984 would be 40 years old at the end of 2024. If that person had elected "Change the Model as My Age Changes" as of January 1, 2024, his/her entire account would be invested in the Moderate Aggressive Model during 2024. On March 18, 2025, that person's account would be moved to the Moderate Model and all future contributions would go to the Moderate Model. This would stay in effect for the next 10 years unless and until the Participant changed his/her investment election(s), and then be moved to the Moderate Conservative Model... and so on.



## Website Information – www.nwps401k.com

Retirement A	Access
Welcome to Retirement Access, your s This site is provided by <u>HWPS</u> , a retirement plan rec Sign In	iource for information regarding your retirement plan. Irdkeeping & administration company.
Presse enter your username and passmerd below. If you have not created a username and passmerd, slick.herz. Username Password Sign In Forgot Username or Password	
Copyright ©2023. OMNE Web Solution, Inc. All rights reserved	

- 2. No more Code or PIN required.
- 3. Login is like signing into a new bank account. Participants need SSN, DOB, and zip code.
- 4. Participants may also contact NWPS at 844-629-1949 during regular business hours.

ς , nigel IesJ	Retirement Access
	Verify Your Identity
uord, Security Questions and/or reset your	Start the lifermation base is verify your identity. Rease note that data format should be entered as mm/od/yyyy. After clicking on the Next button, you will establish your Usemame, Passa account. If you are unable to proceed following the prompts balow, prease give us a call from 5:00an - 5:00pm PT at 564-340-5761 for additional assistance. An Reda are required. Your 35M Your 35M Your 40 bits are required. Your 40 bits are required. Your 50 bits or the formation of the proceed balow, prease give us a call from 5:00an - 5:00pm PT at 564-340-5761 for additional assistance. Your 35M
	Cosymptic 0:2223. OMNI Web Solution, Inc. All rights reserved



## **Answering Your Questions**

Beginning on January 1, 2018, the Plan had significantly more flexibility and more options to you to consider. We understand some of these changes may be confusing at first, but the Plan providers are available to help resolve any such confusion. The most current contact information for the Plan's service providers is listed below:

For Information Concerning	You Should Contact
How to navigate the Plan's website or other questions regarding account management, quarterly statements and notices.	NWPS at 844-629-1949.
Your contributions/hours reported or other administrative issues such as vesting or benefit payment options.	United Administrative Services (UAS) at 408-288-4555.