The 60/40 Portfolio:

Exploring the Past, Present, and Future

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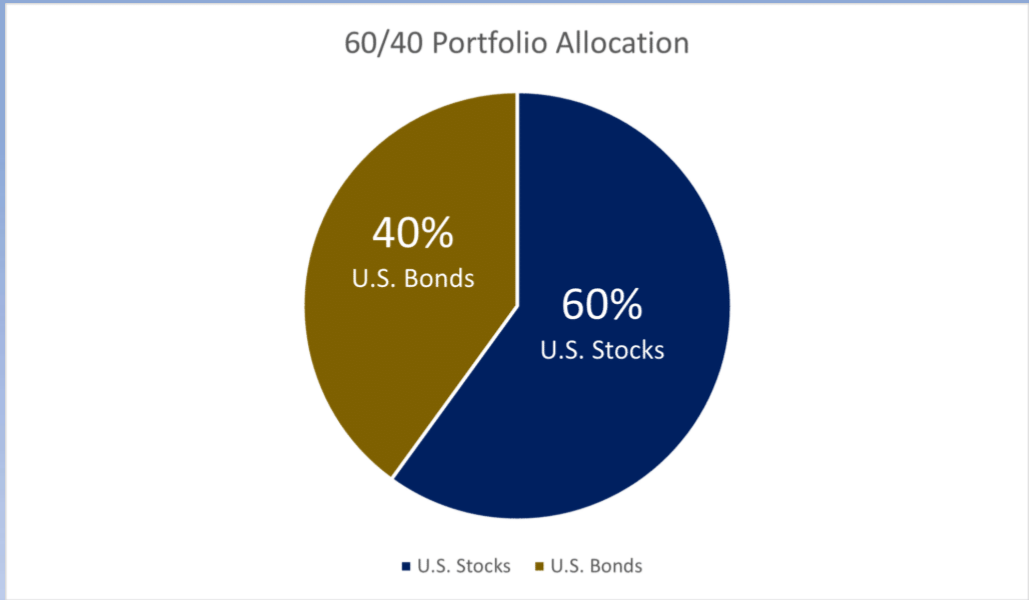
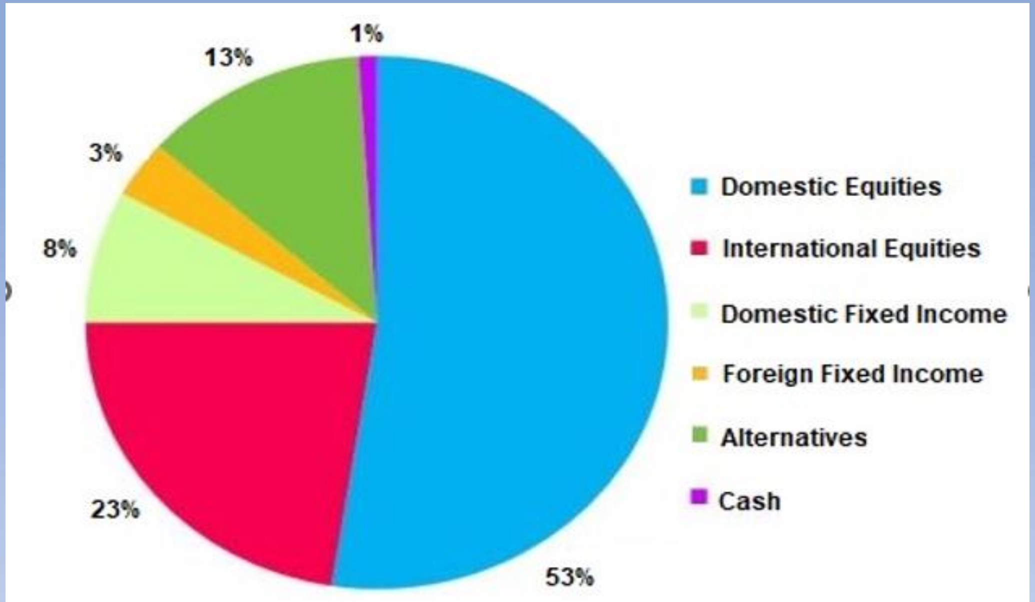
Agenda

- History of the "60/40" portfolio
  - Why a commonly used target?
  - Performance history & analysis
- Is the 60/40 broken?
- Examining impact on real portfolios
  - Rebalancing strategies
  - Periods of market stress

Ask The Trustees: Your Portfolio

- ❑ Does your plan look like model A? Model B?
- ❑ Factors (asset size, fees, restrictions, liquidity)
- ❑ Diversification (drivers, benefits, risks)





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The 60/40 Allocation: History

- Driven by Nobel Prize winning work on Modern Portfolio Theory
- How to create the optimal portfolio for investors
- A standard for investors with moderate risk tolerance
  - Stocks serve as the growth engine and bonds as a ballast
  - Historically, have not moved in tandem the majority of time
- Mix of 60% of value invested in equities and 40% in fixed income securities

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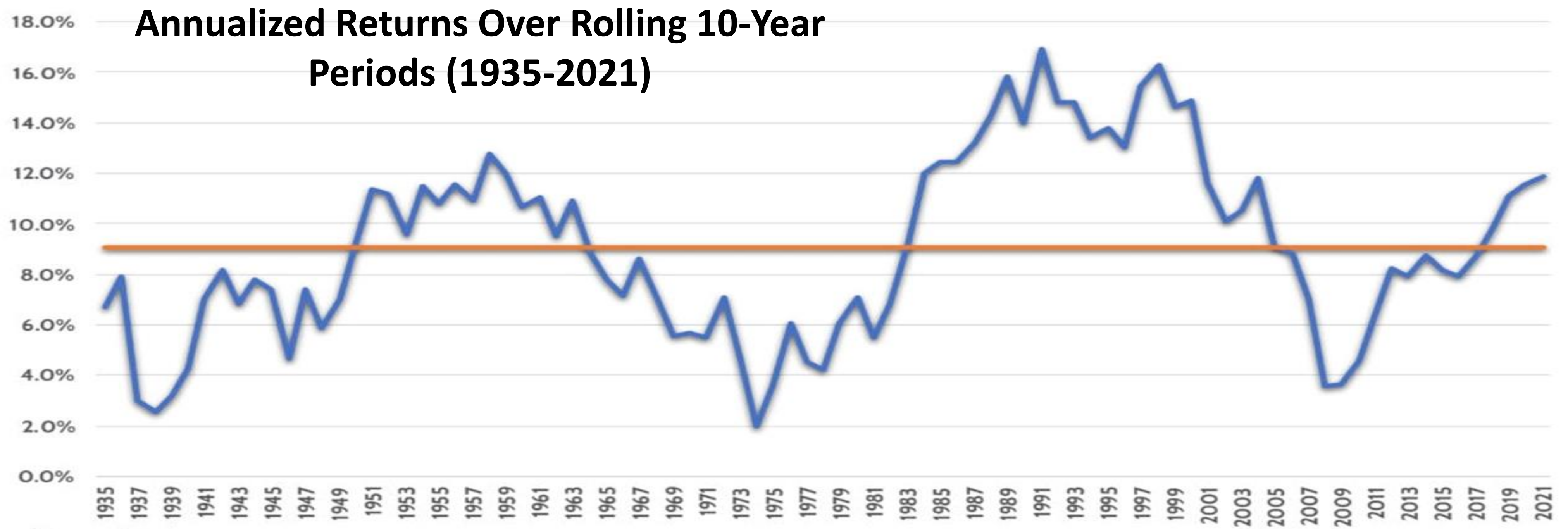
Source: Corient.

The 60/40: Long-Term Returns

- Long-term rolling periods offer positive returns



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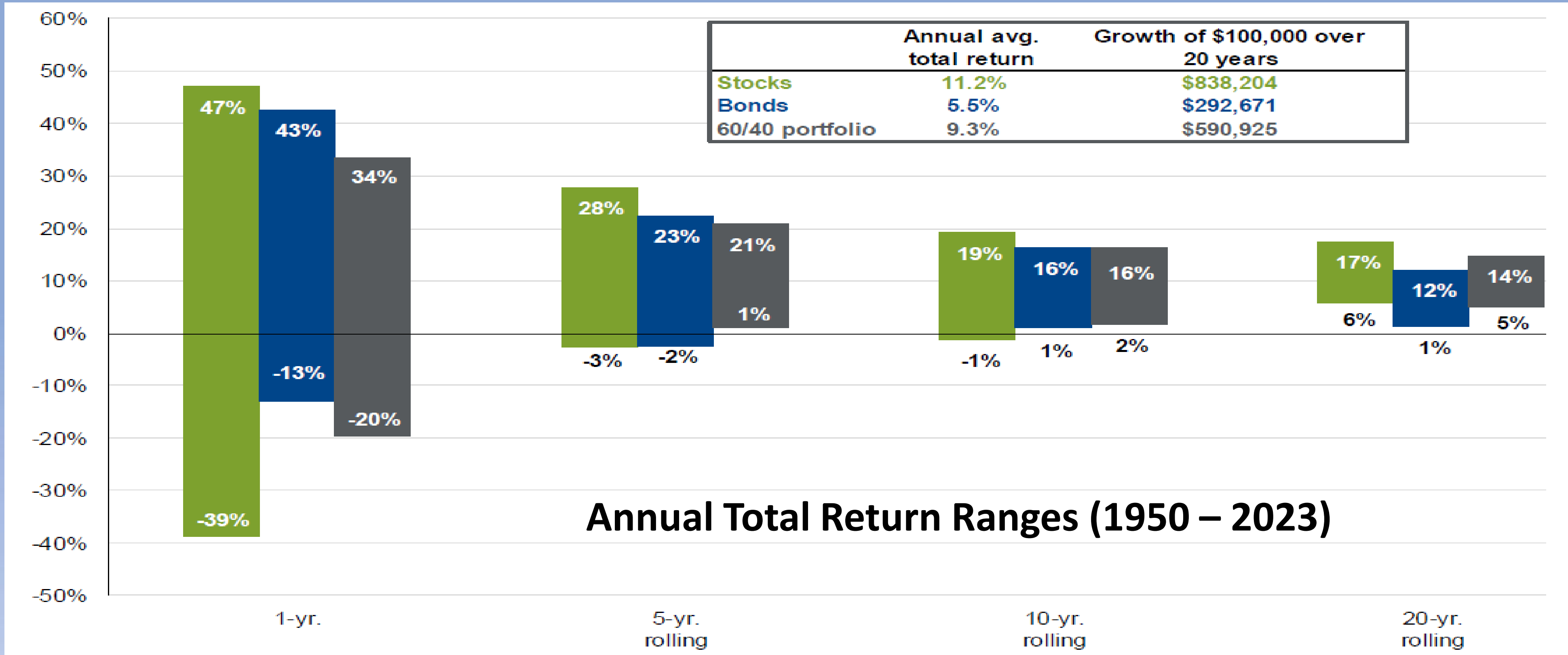
Source: Bloomberg, Ibbotson. All total returns are in U.S. dollars.

The 60/40: Long-Term Returns

- Blend offers lower volatility than the stock market



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Source: Bloomberg, Factset, Federal Reserve, Strategas/Ibbotson, Robert Shiller, J.P. Morgan Asset Management. Data as of 12/31/2023.

The 60/40: Returns By Decade

- Another way to bucket returns, with similar outcome over the long-term

Decade	S&P 500	10-Year Treasury	60/40 Blend
1960s	4.4%	2.3%	3.7%
1970s	5.8%	5.9%	6.1%
1980s	17.6%	12.4%	15.9%
1990s	18.2%	7.8%	14.2%
2000s	-0.9%	6.5%	2.4%
2010s	13.6%	4.0%	10.0%
Average	**9.8%**	**6.5%**	**8.7%**

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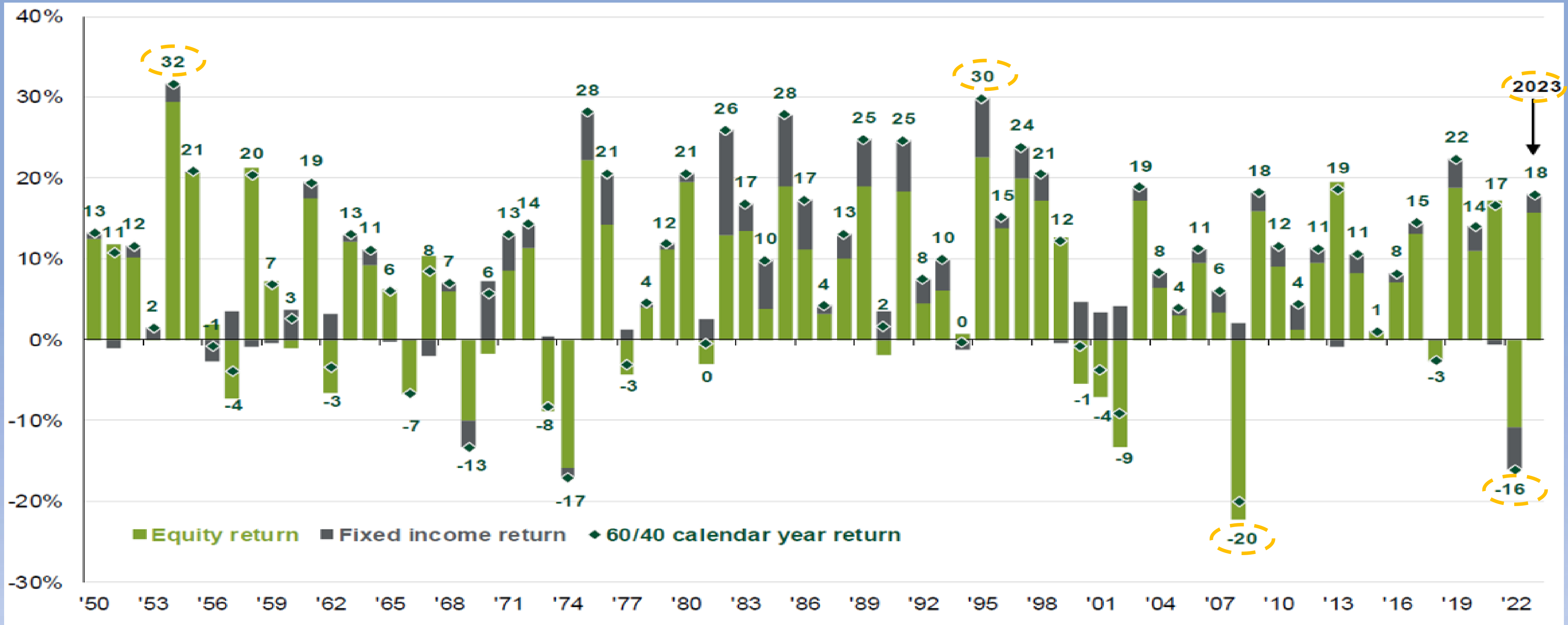
Source: Bloomberg. All total returns are in U.S. dollars.

The 60/40: Annual Returns

- Calendar year total returns range +32% to (20)%



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Source: Bloomberg, Factset, Ibbotson/Strategas, Robert Shiller, Standard & Poor's, Yale University, J.P. Morgan Asset Management. The 60/40 portfolio is 60% invested in the S&P 500 Total Return Index and 40% invested in the Bloomberg U.S. Aggregate Total Return Index. The portfolio is rebalanced annually. Data as of 12/31/2023.

The 60/40: Return Distribution

- Returns have been positive >90% of the time over any given 5-year period

Historical 5-Year Returns	
Annual Returns	**% of Periods**
Greater than 15%	12%
10% to 15%	29%
5% to 10%	32%
0% to 5%	23%
-5% to 0%	4%
Less than -5%	2%

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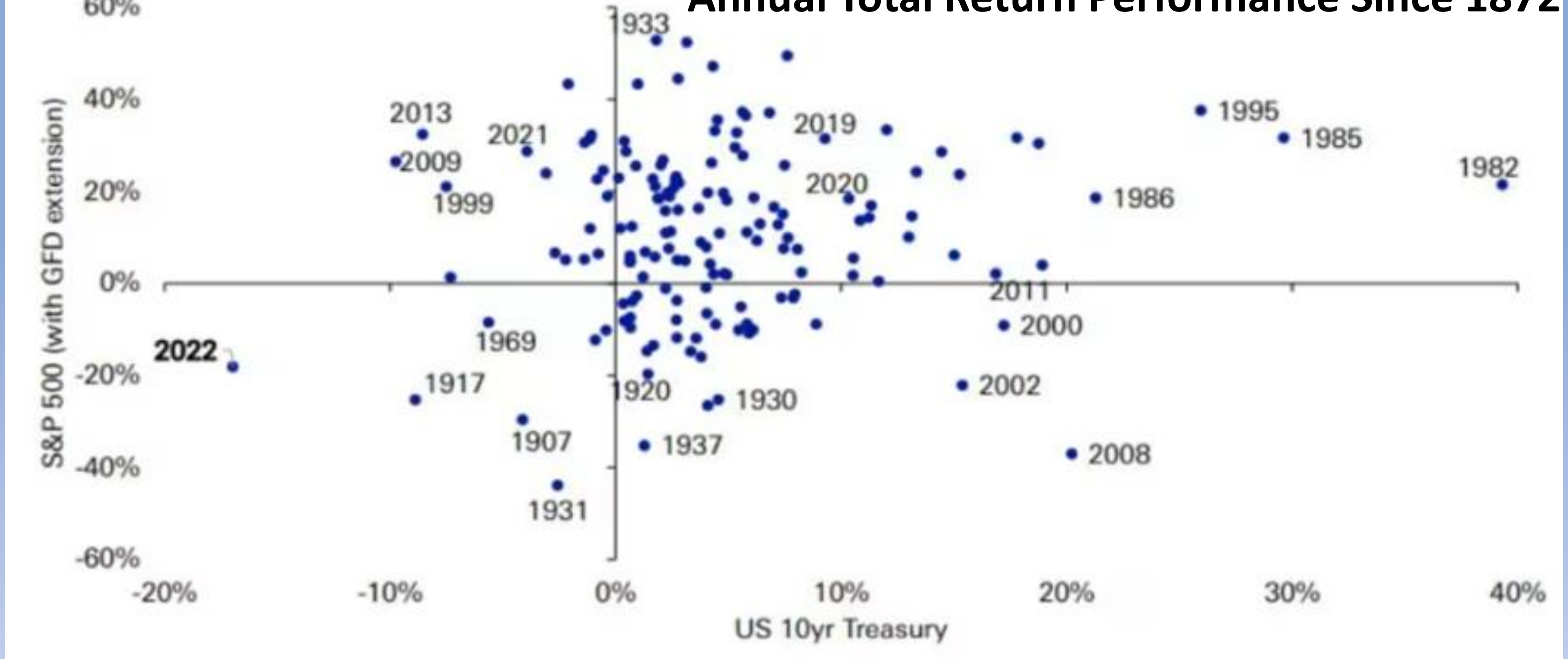
Source: Bloomberg. All total returns are in U.S. dollars. Data as of 12/31/2023.

Challenges to the 60/40:

- Historical relationship of stocks and bonds
- Have seen five periods of negative returns for both

Annual Total Return Performance Since 1872



Negative Years	Return In Following Year S&P 500	10-Yr. Bond
1907	44.5	5.5
1917	25.6	4.6
1931	-8.9	8.9
1969	4.0	8.9
2022	26.3	0.9
Average	**18.3**	**5.8**

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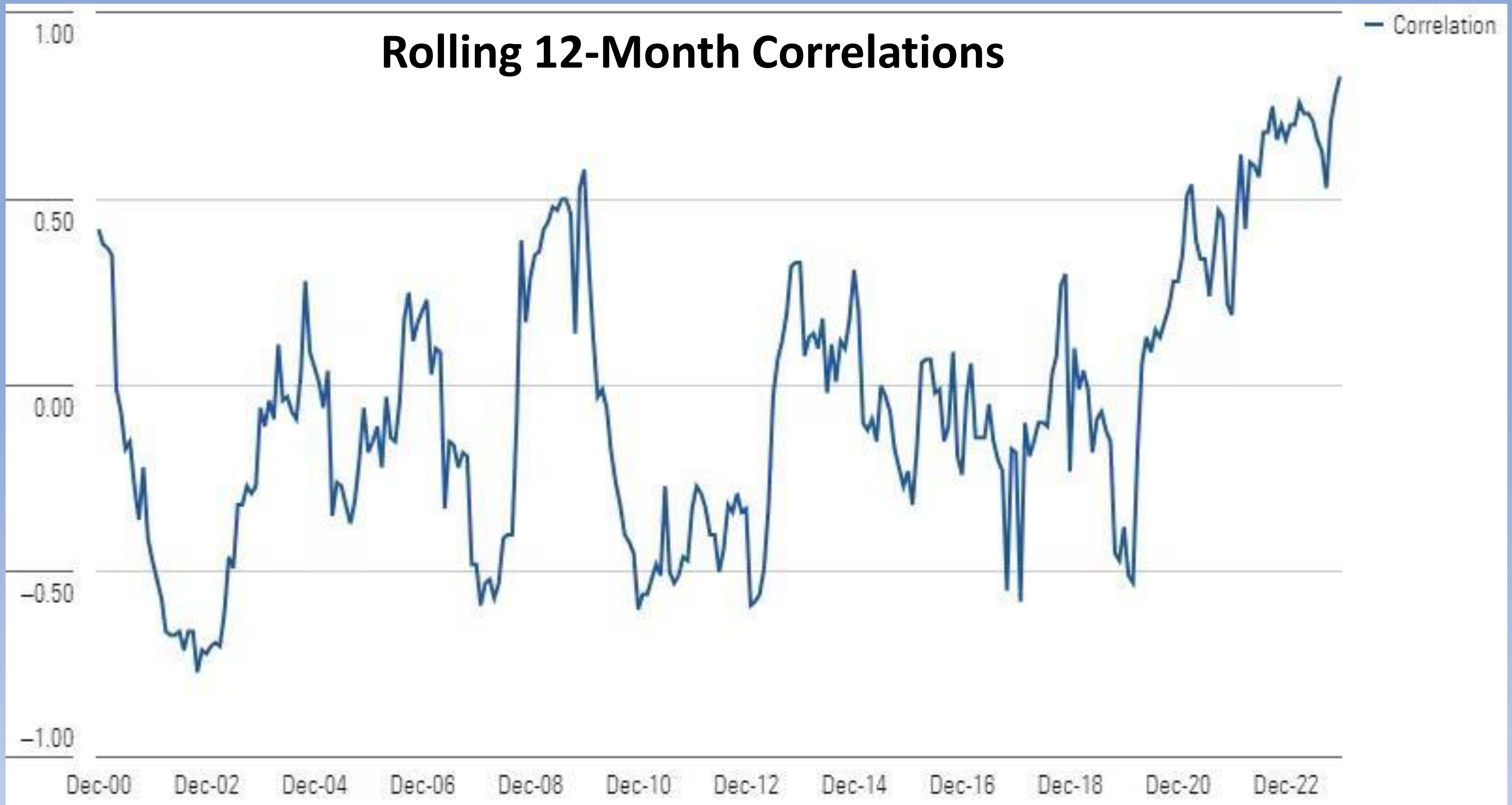
Source: Bloomberg, Deutsche Bank. All total returns are in U.S. dollars.

Challenges to the 60/40:

- Stocks and bonds have been moving in tandem

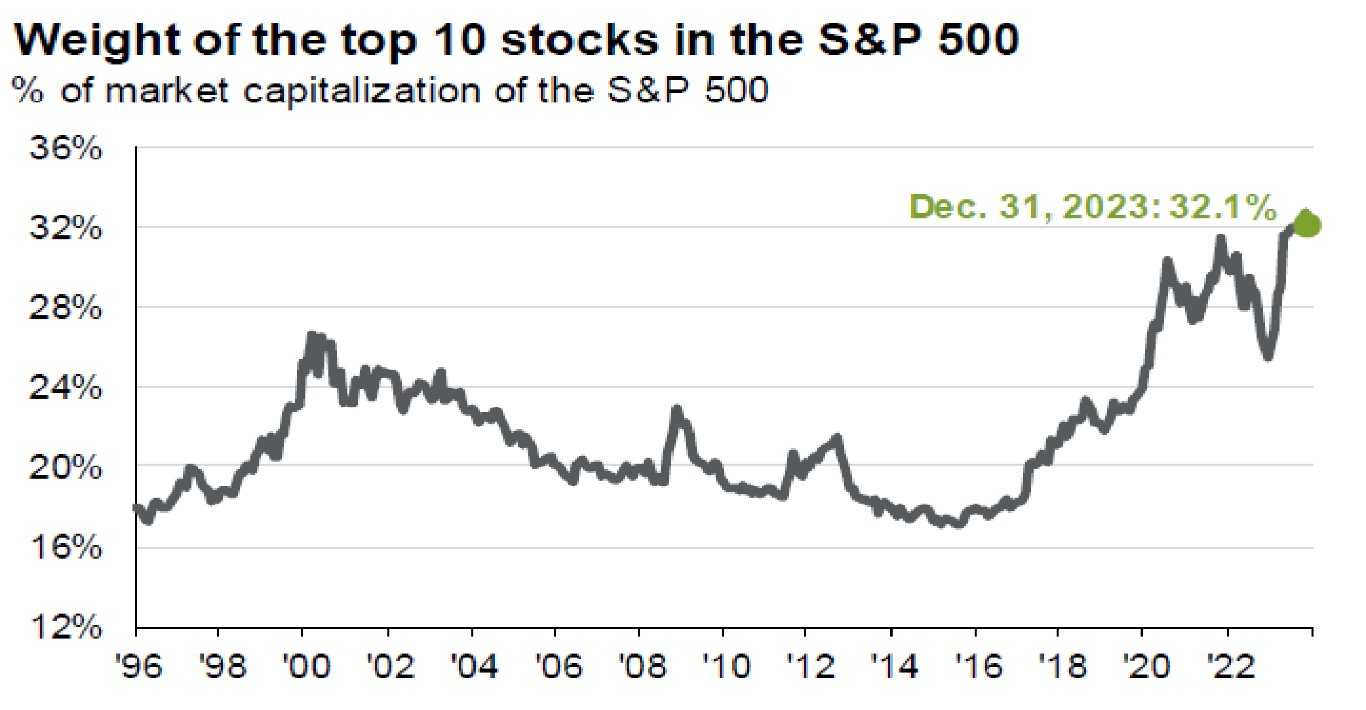


For the past few years stocks and bonds have been positively correlated instead of negatively correlated

Source: Bloomberg, Ibbotson. Data as of 12/31/2023.

Challenges to the 60/40:

- ❑ Rising concentration in mega-cap companies
- ❑ Risk of a flight to quality



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Source: Bloomberg, Standard & Poor's, J.P. Morgan Asset Management. Data as of 12/31/2023.

Does the 60 / 40 Still Work?

- Historically has offered an attractive risk and return profile

- Low rates and high inflation present challenges

- “TINA” – There Is No Alternative?

Source: Corient.

Composition of the Blend

- Diversification of stock portfolio
  - Style (growth, value)
  - Size (small / mid cap)
  - Geography (global, regional)

- Diversification on fixed income portfolio
  - Credit quality
  - Geography

Source: Corient.

(Re)balancing Act

- ❑ Frequency

- ❑ Methodology comparison:

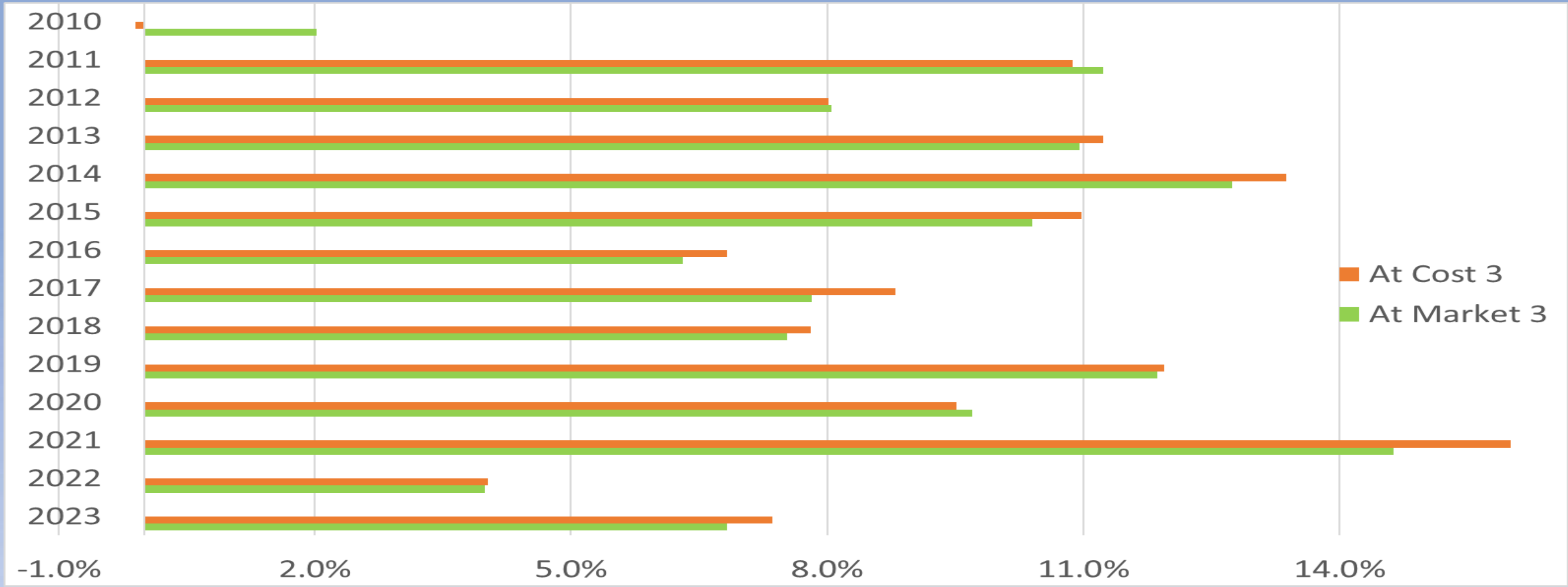
  A. Calculate at market value
     - ❑ Shift into safety in up years & equity in down years

  B. Calculate at cost
     - ❑ Limited flexibility in down years a drawback

Source: Corient.

Cost Basis vs. Market Value

- 10 of the last 14 years showed superior returns for three-year performance using cost basis



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Source: Corient and Bloomberg. Latest data as of 12/31/2023. All total returns in U.S. dollars.

Cost Basis vs. Market Value

- 9 of the last 14 years showed superior returns for five-year performance using cost basis

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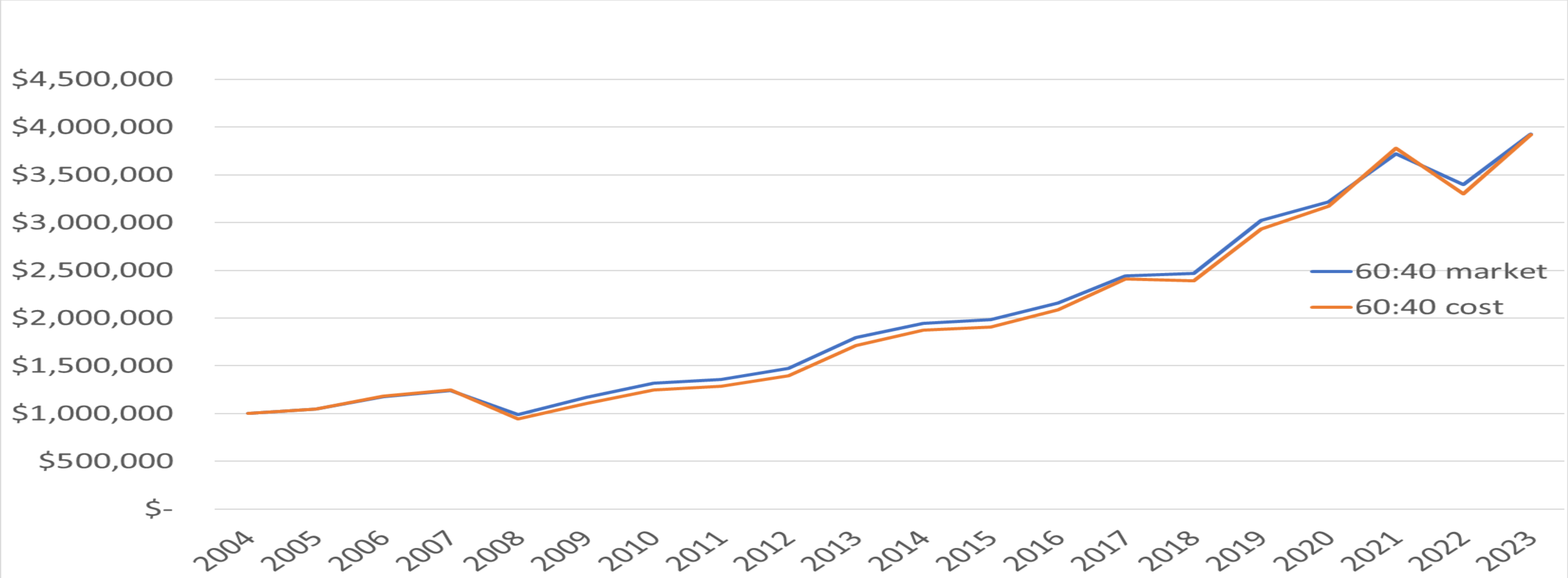
Source: Corient and Bloomberg. Latest data as of 12/31/2023. All total returns in U.S. dollars.

Cost Basis vs. Market Value

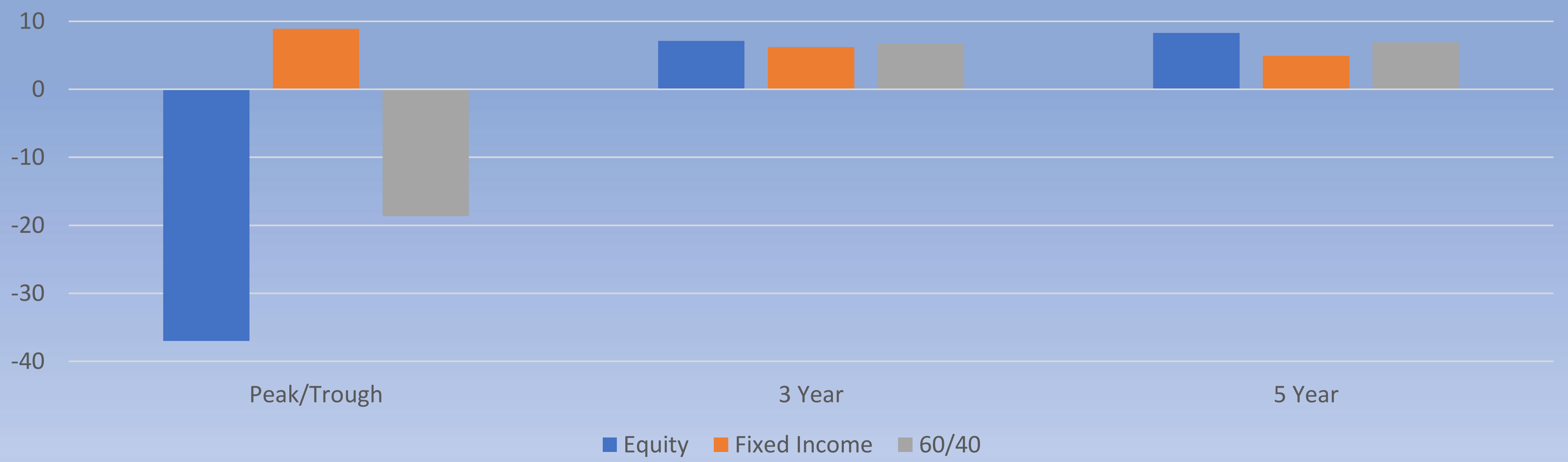
- ❑ Over a 20-year period, methods closer to even



Source: Corient and Bloomberg. Latest data as of 12/31/2023. All total returns in U.S. dollars.

60/40 In Action: 2001

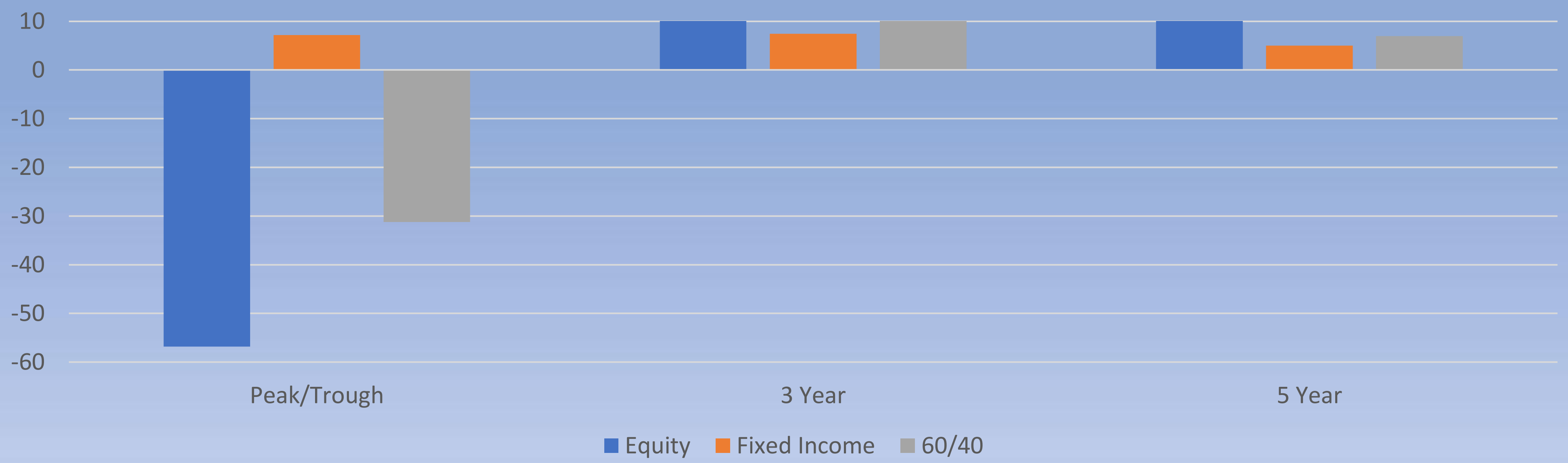
- The Dotcom Crash saw equity markets plunge by double-digits and bonds outperform
- Subsequent long-term returns in mid-single digits



Source: Corient and Bloomberg. Latest data as of 12/31/2023. All total returns in U.S. dollars.

60/40 In Action: 2008-09

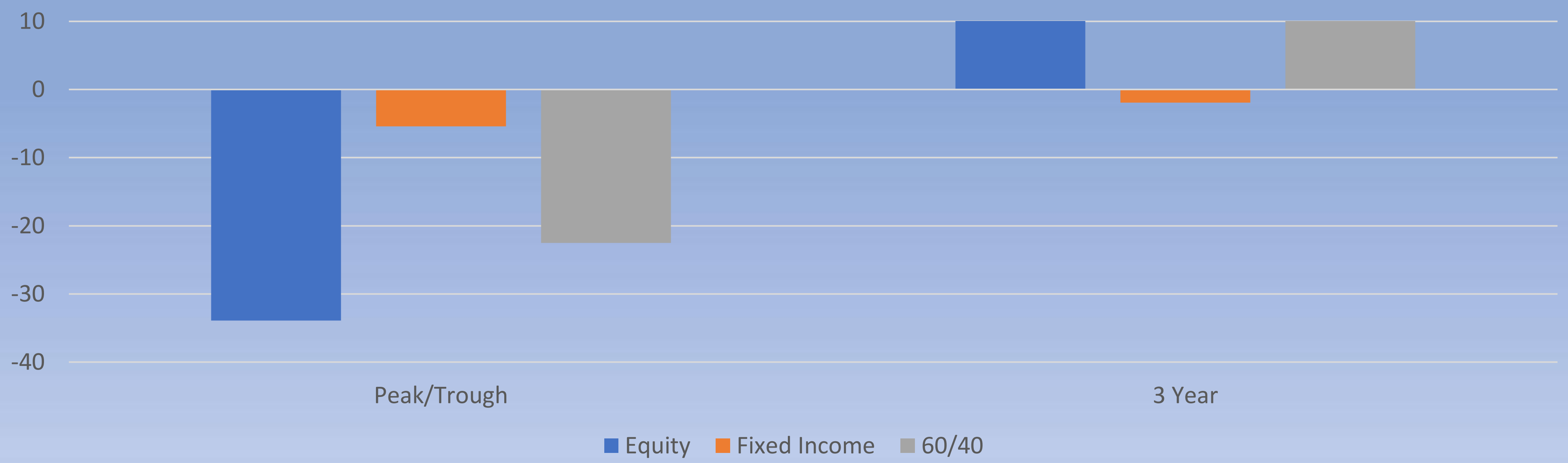
- Great Recession: worst economy since 1930s
- Again, stocks plunged and bonds outperformed
- Subsequent long-term returns in mid-single digits



Source: Corient and Bloomberg. Latest data as of 12/31/2023. All total returns in U.S. dollars.

60/40 In Action: 2020

- The Great Lockdown: a global economic recession
- Stocks and bonds both declined
- Subsequent long-term returns in mid-single digits…



5 Year Returns - ??? (TBD)

Source: Corient and Bloomberg. Latest data as of 12/31/2023. All total returns in U.S. dollars.

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THANK YOU FOR ATTENDING!!