

Litman Gregory Portfolio Strategies



March 2018

Litman Gregory Overview

Investment Experience:

Our research team is known nationally for the depth and quality of their manager due diligence and asset class analysis.

Perspective:

We have a +30-year track record of strong risk-adjusted performance.

Client Focus:

We focus on providing realistic, accurate expectations and to understand the rationale behind every investment decision Litman Gregory makes.

Risk Management:

Our disciplined approach seeks to balance our long-term outlook with our pre-determined thresholds for losses in a 12-month period. We understand the importance of balancing capital preservation with long-term growth.

Litman Gregory at a Glance

- **Founded in 1987. Privately owned**
- **Over \$7.7 billion in total assets under management***
- **55 + Employees**
- **Two Bay Area offices (Larkspur and Walnut Creek)**
- **Clients include individuals, institutions, and other investment professionals**

*As of 3/31/2018



LITMAN GREGORY

PORTFOLIO STRATEGIES

Our independence sets us apart.

- Objective, high-conviction fund portfolios
- Unconstrained thinking
- A boutique firm with total client dedication

A Disciplined Investment Approach is the Foundation

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graph LR; A[Strategic Allocations] --> B[Tactical Overlay]; B --> C[Scenario Analysis & Stress Testing]; C --> D[Manager Selection]
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Strategic Allocations

Tactical Overlay

Scenario Analysis & Stress Testing

Manager Selection

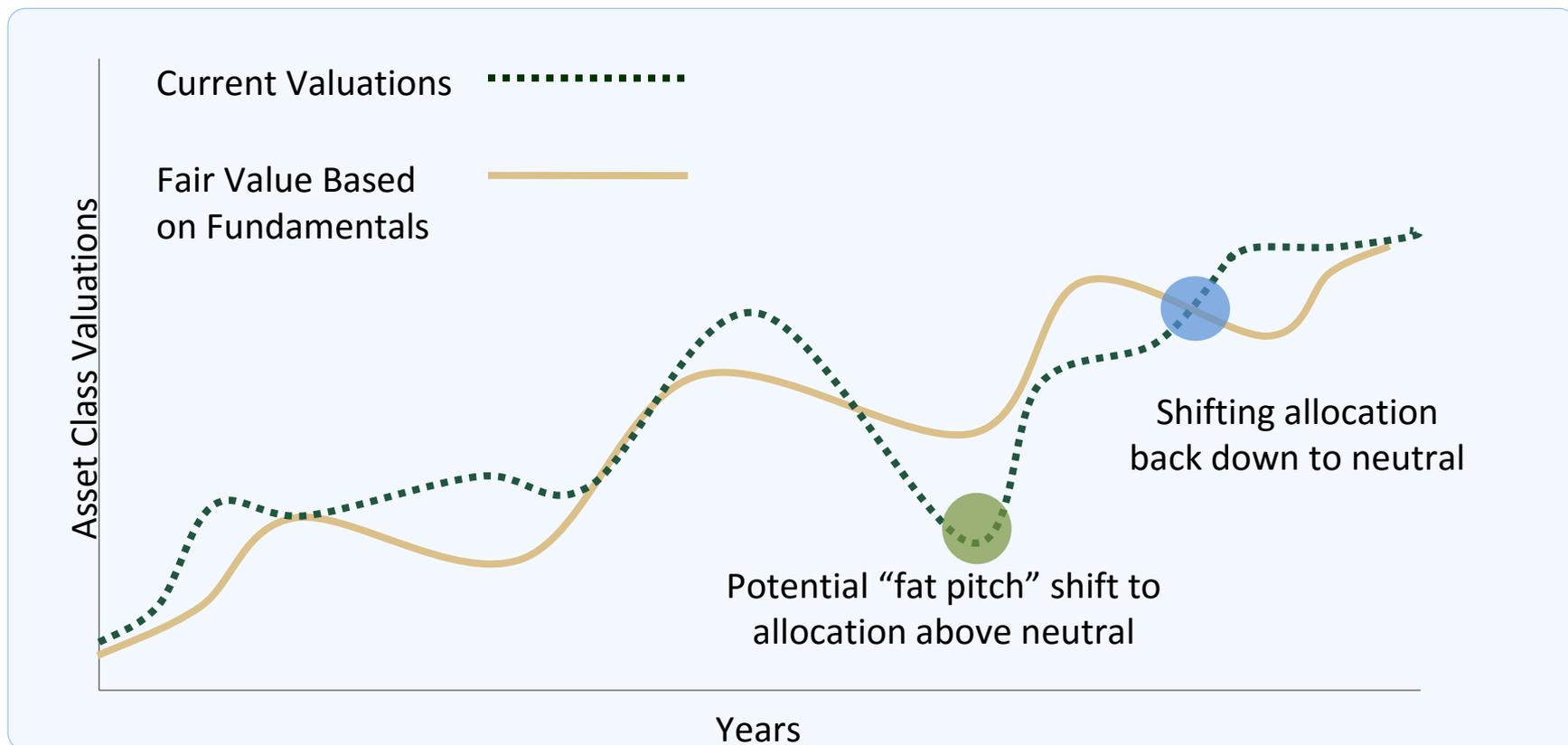
Risk Defined Strategic Allocations

Strategy	Broad Stock/ Bond Mix	12-Month Loss Threshold
Capital Preservation	20/80	-2.5%
Conservative Balanced	40/60	-5.0%
Balanced	60/40	-10%
Equity-Tilted Balanced	75/25	-15%
Equity	100/0	Same as equity market
Focused Opportunity	100/0	Same as equity market

Losses of a predetermined amount are tolerable. Though we don't believe it is likely this maximum loss threshold would be breached in a typical market cycle, losses in excess of a predetermined amount do occur, and significant breaches of this loss threshold can be expected during extreme bear markets.

Our “Fat Pitch” Tactical Allocation Strategy

When Long-Term Fundamentals and Current Valuations Diverge
We May Find a “Fat Pitch” Investment Opportunity



Over the long term we expect valuations and fundamentals to converge.

Risk Management

- Portfolio volatility risk mitigated through global asset diversification
- Decision process risk managed by scenario analysis of multiple plausible economic environments and outcomes
- Tactical asset allocation decisions “stress tested” against portfolio strategy’s pre-defined downside 1-year loss-threshold

Best-of-Class Manager Selection

Step 1: Prep: Idea Generation and Prioritization (Qualitative and Quantitative Screening)	Step 2: Performance Analysis	Step 3: In-Depth Due Diligence Questionnaire & Document Review	Step 4: Initial Manager Research (Multiple Interviews, Historical Analysis, etc.)	Step 5: Site Visit(s) With Fund Management Team	Step 6: Vetting by LG Research Team	Step 7: Final Follow-Up with Manager & Research Team Decision	Step 8: Continuously Monitor, Reassess, and Reaffirm Conviction
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QUANTITATIVE REVIEW FACTORS:

- Performance consistency
- Expenses
- Risk-adjusted returns vs. peers
- Volatility and downside risk

QUALITATIVE REVIEW FACTORS:

- Integrity and discipline
- A sustainable, repeatable edge
- Stability and culture of the organization
- Quality of the team
- Shareholder orientation
- “Intuition” is not part of the team’s process

Disclosure

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