



# CORE RETIREMENT PORTFOLIO



*A Goals-Based  
Investment Approach*

## ***The Challenge of Retirement Income Planning***

Many investors spend a great deal of time thinking about investing for retirement—*wealth accumulation*—but do not fully appreciate the challenges of investing in retirement—*the wealth decumulation phase*. These are two different strategies that require two different investment approaches.

Retirees want to enjoy their well-deserved retirement years without being consumed with worry wondering if they will outlive their income. It is important investors not fall into the trap of assuming their retirement savings will last a lifetime. Not only do longevity and unexpected expenses provide challenges, but an unpredictable economy with low interest rates and heightened market volatility add complexity to an investor's retirement future.

At EquityCompass, despite obvious market challenges, we believe investors can still achieve a 4% sustainable withdrawal rate lasting 20 to 30 years. But what is required is a different approach to retirement investing.

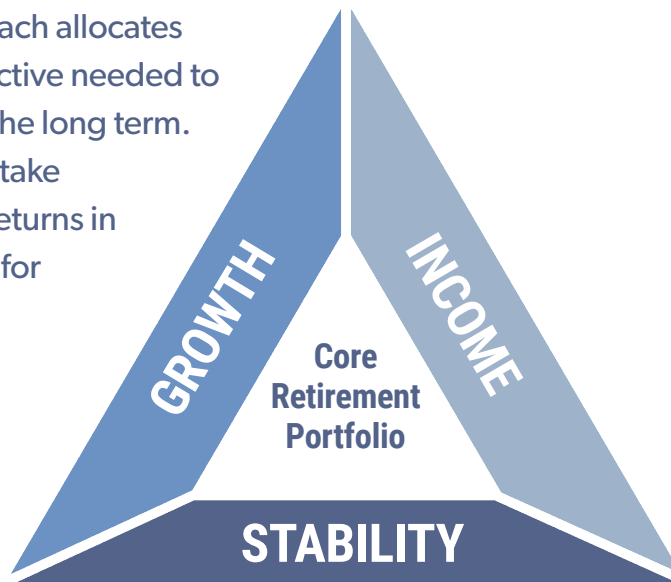


## A Goals-Based Investment Approach

The goals-based investment approach allocates assets to meet the paramount objective needed to address income withdrawals over the long term. In goals-based investing, investors take advantage of the financial market returns in order to build and maintain wealth for future income needs.

Goals-based investing differs from standard portfolio management applied during the wealth accumulation period in that success in retirement—*the decumulation phase*—is measured by how well an

investor is able to meet their long-term financial goals not by how well their investments perform against the market averages over the short term.



The EquityCompass **Core Retirement Portfolio** seeks to address the essential financial needs for investors who are in their retirement years by employing three distinct objectives:

**Growth** – Investing in growth companies provides capital appreciation to fund future withdrawals

**Income** – Investing in high-quality, high dividend-paying stocks help fund current withdrawals

**Stability** – Investing in fixed income securities for capital preservation and supplemental income, while employing a flexible asset allocation framework serve to mitigate market volatility and enhance both income and growth when economic conditions are favorable



## **Growth To Fund Future Withdrawals**

A retiree's equity portfolio should include high-quality, large cap growth companies that are in a position to compound growth by reinvesting cash profits back into their business. This, in turn, will generate more future growth that is essential for the long-term capital appreciation needed to fund income withdrawals over a 30-year period.

To achieve this growth, the Core Retirement Portfolio invests globally to benefit from the economic expansion of developing countries and the unprecedented increase in worldwide consumer demand. By 2025, global consumers are estimated to reach 4.2 billion people with purchasing power of \$64 trillion—termed the “*biggest growth opportunity in the history of capitalism*” by McKinsey & Company.\*

We believe the best risk/reward approach for investors is to own blue chip multinational companies domiciled in developed countries that sell products and services around the world, including to those consumers who live in developing countries.

## **Income To Fund Current Withdrawals**

High-dividend stock strategies provide a compelling alternative for meeting investors' cash flow goals amid historically low government bond yields and the increasing risk associated with soaring debt levels in the corporate bond market.

To help provide not only safety of current income but also growth of income, the Core Retirement Portfolio allocates a portion to high-dividend paying stocks to provide the highest possible dividend yield within the constraints of quality, capital preservation, and diversification in an effort to provide income-seeking investors a superior alternative to investing in low-yielding bonds.

The dividend strategy seeks to meet three goals: (1) provide asset preservation, (2) generate attractive current income, and (3) develop growth in current income.

\*Winning the \$30 Trillion Decathlon: Going For Gold In Emerging Markets, McKinsey & Company, August 2012.

## ***Stability To Counteract Volatility and Supplement Income***

To address longevity risk and stability, the Core Retirement Portfolio allocates a portion to fixed income securities while employing a flexible asset allocation framework to mitigate market volatility and enhance both income and growth when economic conditions are favorable. We believe this flexible and objective approach to asset allocation provides a solid foundation for retirement investing. Based on a quantitative assessment of economic conditions, the allocation to equities, bonds, and cash can be gradually adjusted to preserve capital, offset market volatility, and supplement growth and income.

During economic expansions and rising stock markets, the tactical allocation to equities can be increased. Conversely, during economic contractions and potential bear markets, the tactical allocation to equities can be reduced, while increasing the investment in fixed income assets. While the current environment of extremely low interest rates has undermined the historical role of bonds, fixed income still has an important role in a retirement portfolio to protect assets and stabilize returns.

Our asset allocation framework continually evaluates cyclical changes in economic activity and market performance. However, over the past 20 years the structure of markets has changed. As a result, the typical trajectory and time frames for equity market declines and recoveries have significantly compressed. As market dynamics have shifted, our tactical models have evolved to allow for earlier detection of emerging cyclical trends.

Unlike traditional retirement approaches, tactical flexibility can provide the additional equity exposure necessary to support the sustainable withdrawals that may be required over a 30-year retirement. It also provides an active approach to risk management with the ability to shift to more conservative investments when necessary to help mitigate asset erosion during a severe market downturn.



# EquityCompass Core Retirement Portfolio

## Addressing Three Distinct Needs

### 1 Growth

#### TO GENERATE CAPITAL APPRECIATION TO FUND FUTURE WITHDRAWALS

By investing in globally operating developed market companies the portfolio seeks to provide capital appreciation through exposure to the unprecedented growth in worldwide consumer demand.

### 2 Income

#### TO FUND CURRENT WITHDRAWALS

Dividend-paying stocks help to provide attractive current income, income growth, and lower volatility.

### 3 Stability

#### TO COUNTERACT VOLATILITY AND SUPPLEMENT INCOME

In addition to maintaining a core fixed income allocation, the portfolio allows flexibility to increase equity exposure when economic conditions are favorable or shift further to bonds or cash when market and economic conditions deteriorate. The primary objective is stability and positive investment returns.

There is no guarantee that any of these objectives will be met.

### Key Highlights

- 1) Seeks to provide a 4% sustainable withdrawal rate, increased by 3% each year thereafter that will last 30 years
- 2) Targets allocation of 75% equity and 25% fixed income; generally overweights stocks relative to bonds to provide capital appreciation and higher current income than currently available in fixed income securities
- 3) Employs a flexible asset allocation strategy that allows the portfolio to dynamically shift to more conservative investments when cyclical risks emerge; target portfolio exposure can range from approximately 50%–75% in equities and from approximately 25%–50% in fixed income (including cash); stability and positive investment returns supersede outperforming the stock market

### Details

Account minimum: \$300,000

Contact your Financial Advisor to learn more





## IMPORTANT DISCLOSURES

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EquityCompass is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. and Europe. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets over \$3.8 billion as of November 30, 2020.\* The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

\*Total assets combines both Assets Under Management and Assets Under Advisement as of November 30, 2020. Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee-paying and non-fee-paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets.

Any investment involves risks, including a possible loss of principal. Rebalancing may have tax consequences, which should be discussed with your tax advisor.

Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic, and political risks, and different accounting standards.

There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. Changes in market conditions or a company's financial condition may impact the company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments. High-dividend paying stocks may carry elevated risks and companies may lower or discontinue dividends at any time. Diversification and/or asset allocation does not ensure a profit or protect against loss.

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Additional Information Available Upon Request. Please contact your Financial Advisor.

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