



MACNICOL & ASSOCIATES
ASSET MANAGEMENT

Marrying Value Investing with Momentum Investing using Public and Private Securities

Ben Graham Centre's 4th European Value Investing Conference

Athens, Greece

October 17, 2024



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- You should consult with a professional advisor before implementing any strategies discussed. All investments and strategies have the potential for profit or loss. Different types of investments involve higher and lower levels of risk. There is no guarantee that a specific investment or strategy will be suitable or profitable for an investor's portfolio. Historical performance returns for investment indexes and/or categories, usually do not deduct transaction and/or custodial charges or an advisory fee, which would decrease historical performance results. There are no assurances that a portfolio will match or exceed any particular benchmark.
- Alternative investments are speculative and involve a high degree of risk. Investors could lose all or a substantial portion of their investment. Investments may be illiquid, and there may be significant restrictions on transfers. Alternative investments may be leveraged, and their performance may be volatile. These investments may involve complex tax structures.
- Model returns have inherent limitations, especially the fact that they do not represent the performance of any particular client. Actual clients' accounts may be managed differently in response to changes in economic conditions, account restrictions, and/or the client's investment objectives. Hypothetical performance results may not be as reliable as actual returns from clients' accounts. All results are presented net-of-fees and include dividends and capital gains.
- In constructing actual portfolios for clients, we might deviate from the asset allocation and investments utilized in this model. Asset allocation and diversification do not assure or guarantee better performance and cannot eliminate the risk of investment losses.
- The MAAM Pro Equity Model was developed, evaluated, and backtested by MacNicol & Associates Asset Management US LLC. Results for the overall model are backtested and are net of all fees that will be charged to a client. Investing involves risks, including the potential loss of principal. The model that gave rise to these backtested performance results is one that the adviser is now using in managing clients' accounts. All figures in this deck are net of all fees, and expenses.

Video

https://www.youtube.com/watch?v=_g64IZXOarw

Agenda

1. About us
2. The death of the 60/40
3. Why Alternative Assets?
4. Value + Momentum in public markets



Speaker overview

- Founder & President, MacNicol & Associates Asset Management
- Bachelor of Engineering (Mechanical), University of Western Ontario
- Buy side experience since 1986
- Specialize in alternatives, and momentum / value public equity securities

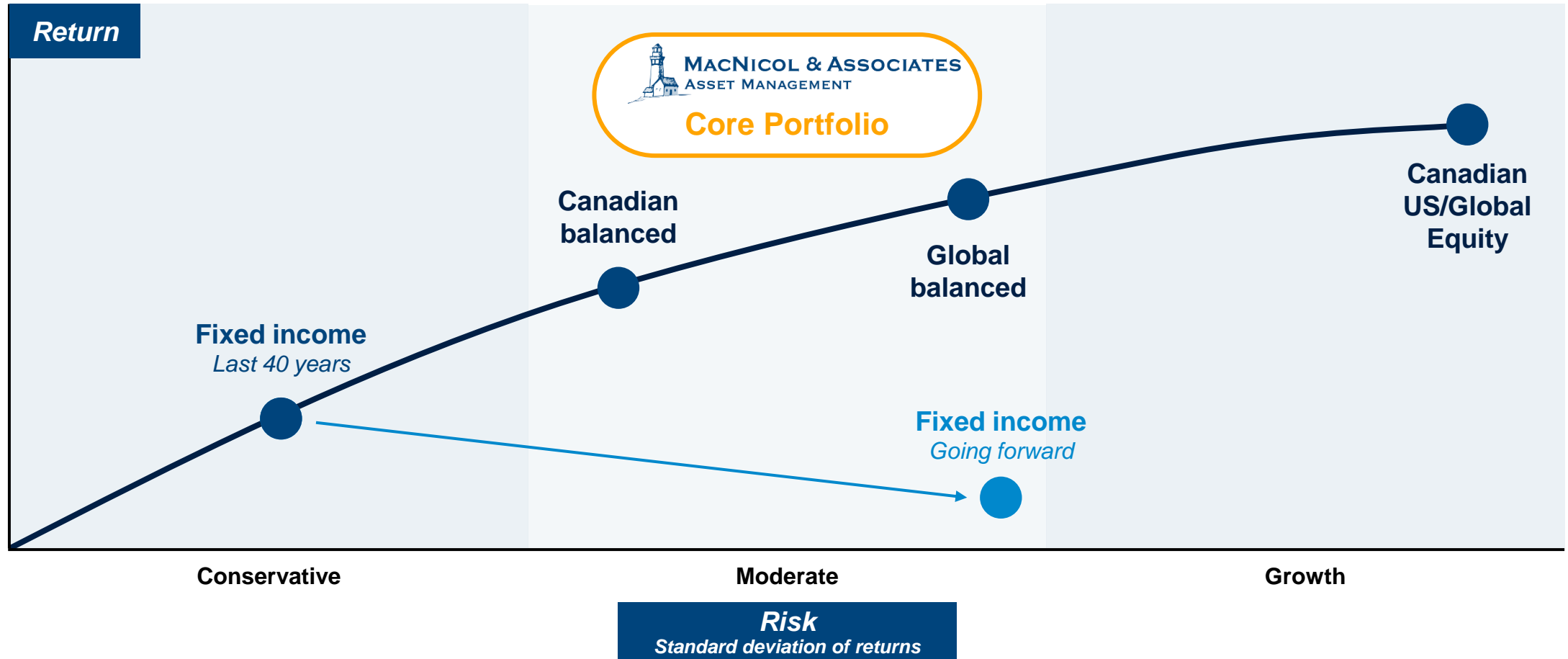


Firm overview

- Founded in 2001
- North American asset manager that invests in equities, alternatives, and debt
- Customized portfolio solutions
- Institutional and individual clients across Canada and the U.S.
- Long term focus



Positioning the MacNicol Core Portfolio at a moderate risk level



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The death of the 60/40 'balanced portfolio'

- Interest rates bottoming out, decreased the success rate of a balanced portfolio (losses in 2008, 2022, 2015 and 2018)¹
- These losses may not be meaningful but large drawdowns in a retirees' portfolio can impact annual outflows and lifestyle spending in retirement

1. Charlie Bilelo, Investing.com, MacNicol & Associates Asset Management (Balanced Portfolio used for analysis is a traditional investment portfolio with 60% in stocks, 40% in bonds)

ETF Total Returns (%)



| ETF | Asset Class | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----|--------------------------|-------|-------|------|-------|------|-------|-------|-------|------|------|-------|------|------|------|-------|
| SPY | US Large Caps | -36.9 | 26.4 | 15.1 | 1.9 | 16.0 | 32.2 | 13.5 | 1.2 | 12.0 | 21.7 | -4.5 | 31.2 | 18.4 | 28.7 | -18.2 |
| IWM | US Small Caps | -34.2 | 28.5 | 26.9 | -4.4 | 16.7 | 38.7 | 5.0 | -4.5 | 21.6 | 14.6 | -11.1 | 25.4 | 20.0 | 14.5 | -20.5 |
| EEM | EM Stocks | -48.9 | 69.0 | 16.5 | -18.8 | 19.1 | -3.7 | -3.9 | -16.2 | 10.9 | 37.3 | -15.3 | 15.5 | 5.4 | -2.2 | -20.6 |
| EFA | EAFE Stocks | -41.0 | 27.0 | 8.2 | -12.2 | 18.8 | 21.4 | -6.2 | -1.0 | 1.4 | 25.1 | -13.8 | 22.0 | 7.6 | 11.5 | -14.4 |
| PFF | Preferred Stocks | -23.9 | 37.6 | 13.8 | -2.0 | 17.8 | -1.0 | 14.1 | 4.3 | 1.3 | 8.1 | -4.7 | 15.9 | 7.9 | 7.1 | -18.2 |
| HYG | High Yield Bonds | -17.5 | 27.4 | 11.9 | 6.8 | 11.7 | 5.8 | 1.9 | -5.0 | 13.4 | 6.1 | -2.0 | 14.1 | 4.5 | 3.7 | -11.0 |
| LQD | Investment Grade Bonds | 2.5 | 7.9 | 9.3 | 9.7 | 10.6 | -2.0 | 8.2 | -1.3 | 6.2 | 7.1 | -3.8 | 17.4 | 11.0 | -1.8 | -17.9 |
| TLT | Long Duration Treasuries | 34.0 | -22.1 | 9.0 | 34.0 | 2.6 | -13.4 | 27.3 | -1.8 | 1.2 | 9.2 | -1.6 | 14.1 | 18.2 | -4.6 | -31.2 |
| TIP | TIPS | -0.5 | 7.5 | 6.1 | 13.3 | 6.4 | -8.5 | 3.6 | -1.8 | 4.7 | 2.9 | -1.4 | 8.3 | 10.8 | 5.7 | -12.2 |
| BND | US Total Bond Market | 5.2 | 2.9 | 5.3 | 7.7 | 3.9 | -2.1 | 5.8 | 0.6 | 2.5 | 3.6 | -0.1 | 8.8 | 7.7 | -1.9 | -13.1 |
| BIL | US Cash | 1.5 | 0.3 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | -0.1 | 0.1 | 0.7 | 1.7 | 2.2 | 0.4 | -0.1 | 1.4 |
| EMB | EM Bonds (USD) | -2.1 | 15.4 | 10.8 | 7.7 | 16.9 | -7.8 | 6.1 | 1.0 | 9.3 | 10.3 | -5.5 | 15.5 | 5.4 | -2.2 | -18.6 |
| VNQ | REITs | -39.4 | 28.0 | 28.4 | 8.6 | 17.6 | 2.3 | 30.4 | 2.4 | 8.6 | 4.9 | -6.0 | 28.9 | -4.7 | 40.5 | -26.2 |
| GLD | Gold | 4.9 | 24.0 | 29.3 | 9.6 | 6.6 | -28.3 | -2.2 | -10.7 | 8.0 | 12.8 | -1.9 | 17.9 | 24.8 | -4.1 | -0.8 |
| DBC | Commodities | -31.8 | 16.3 | 11.9 | -2.6 | 3.5 | -7.6 | -28.1 | -27.6 | 18.6 | 4.9 | -11.6 | 11.8 | -7.8 | 41.4 | 19.3 |

Source: @CharlieBilello. 2008 – 2022 as of 12/31/22



All traditional balanced portfolios failed to deliver in 2015, 2018 and 2022

Balanced Portfolios Total Returns (%)

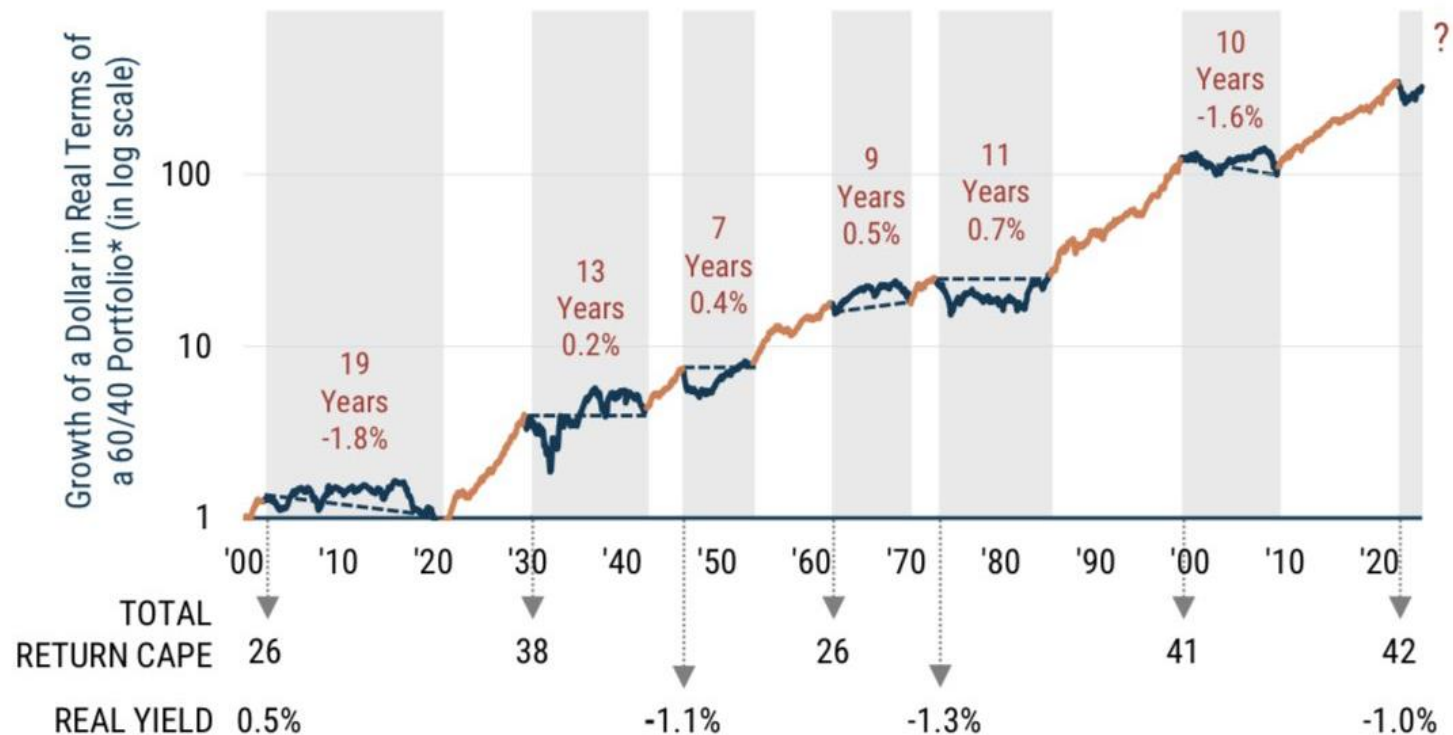
| Category | Ticker | Stocks/ Bonds | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2009-2022 | |
|-------------------------|--------|------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|------------|------------|
| | | | | | | | | | | | | | | | | | Cumulative | Annualized |
| Aggressive Allocation | AOA | 80/20 | 25.8 | 16.8 | -1.7 | 15.0 | 22.4 | 6.7 | -1.1 | 7.8 | 20.1 | -7.8 | 22.5 | 12.9 | 15.4 | -16.2 | 242.6 | 9.2 |
| Growth Allocation | AOR | 60/40 | 19.0 | 11.1 | 1.1 | 11.4 | 15.7 | 7.0 | -1.1 | 6.7 | 15.8 | -5.8 | 19.0 | 11.6 | 11.1 | -15.3 | 165.1 | 7.2 |
| Moderate Allocation | AOM | 40/60 | 13.2 | 7.9 | 2.3 | 8.4 | 10.2 | 5.3 | -1.3 | 5.7 | 11.6 | -3.9 | 15.5 | 10.1 | 6.9 | -14.5 | 104.6 | 5.2 |
| Conservative Allocation | AOK | 30/70 | 8.0 | 7.4 | 4.4 | 6.4 | 6.6 | 4.0 | -1.0 | 5.0 | 9.7 | -2.9 | 13.8 | 9.4 | 4.8 | -14.0 | 77.3 | 4.2 |

Source: @CharlieBilello. 2009 – 2022

Lost decades have become quite common with the 60/40

EXHIBIT 1: 60/40 – “LOST DECADES” ARE MORE COMMON THAN YOU THINK

Most started with high valuations on stocks and/or bonds



Source: JP Morgan, Factset, Bloomberg, GMO Allocation Insights, a Second Opinion is just what the doctor ordered. Exhibit 1: 60/40 (60% US Equities, 40% Debt US Treasuries), rebalanced monthly, inflation adjusted

As of December 31, 2023

Agenda

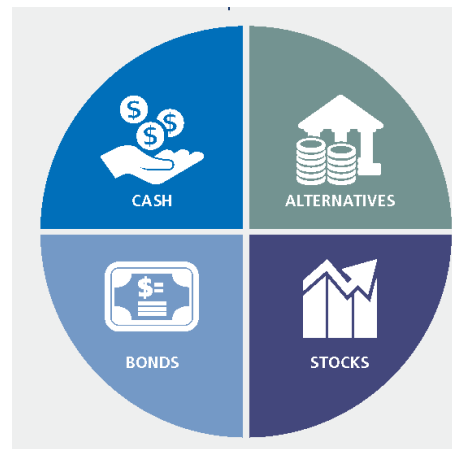
1. About us
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What is an alternative asset?

- An alternative asset is a financial asset / investment that does not fit into the conventional equity/ fixed income/cash asset classes
- Private equity or venture capital, hedge funds, real property, commodities, and tangible assets are all examples of alternative assets



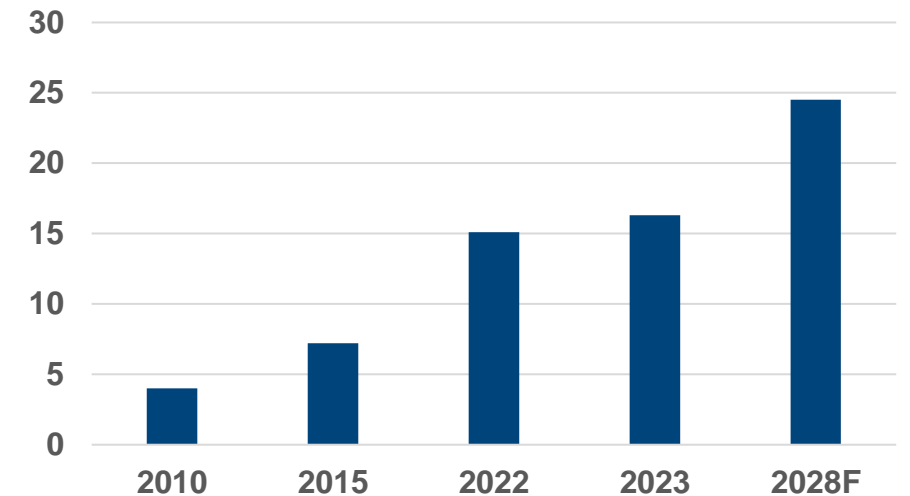
Source: Investopedia – Alternative Investments, CFA Institute
Image: CNL Securities



The benefits of alternative assets in an investor's portfolio

- Diversification
- Growing market
- Improved risk return profile
- Reduced volatility
- Low correlation to public equities and debt
- Access to unique opportunities and manager expertise
- Access to inexpensive assets (**value**)

Alternative asset market size (\$trillions)¹



1. Future of Alternatives 2028, Prequin, Espresso Capital 2. Hamilton Lane – Private beats Public

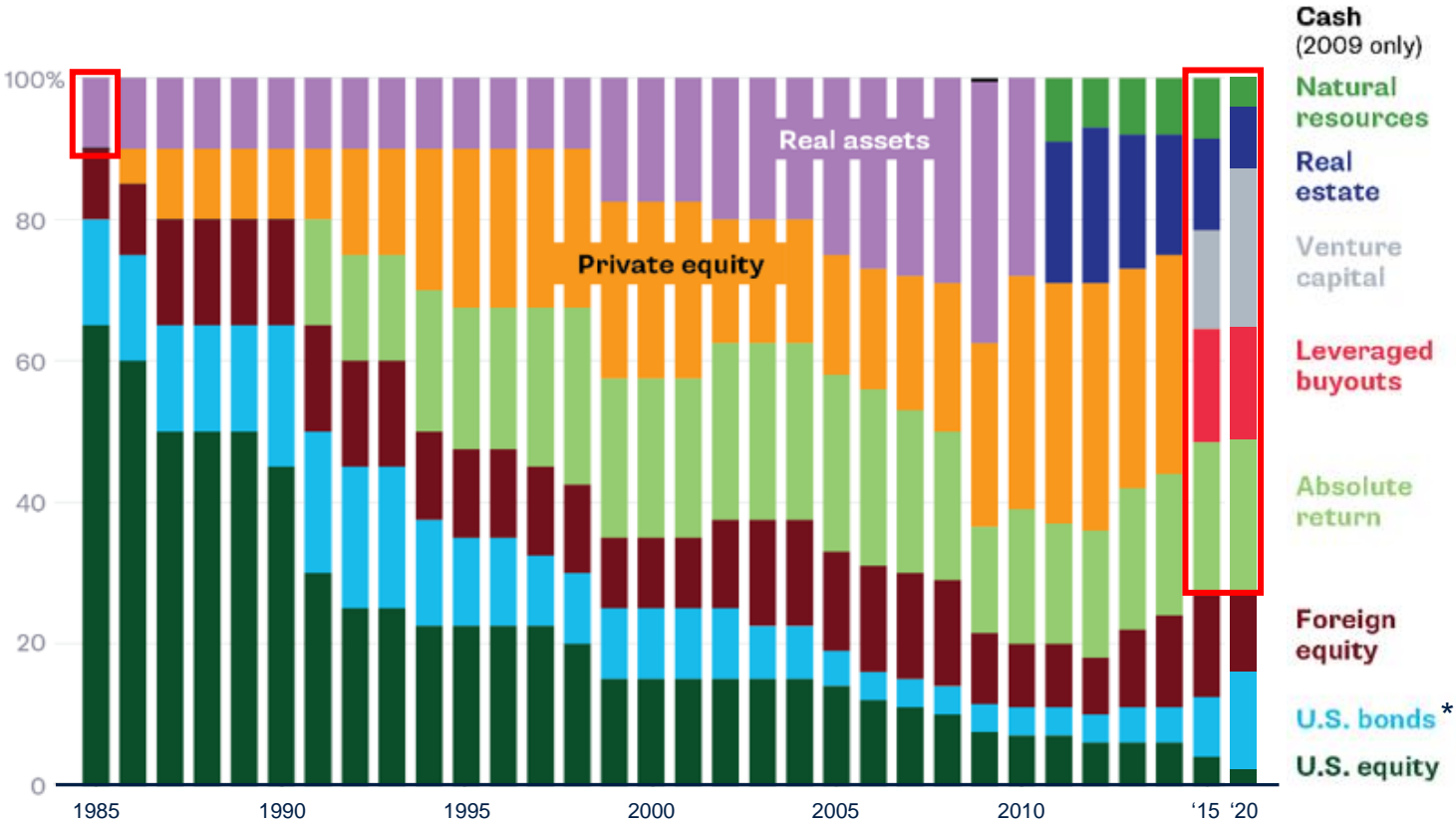


The Yale Endowment Fund has pioneered alternative investments since the mid-80s

\$40.7B invested as of June 2023 with a ~40-year investment horizon

Providing high inflation-adjusted returns, supporting short and long-term funding needs of Yale University

Allocation in alternative investments grew from 10% to 75% over time

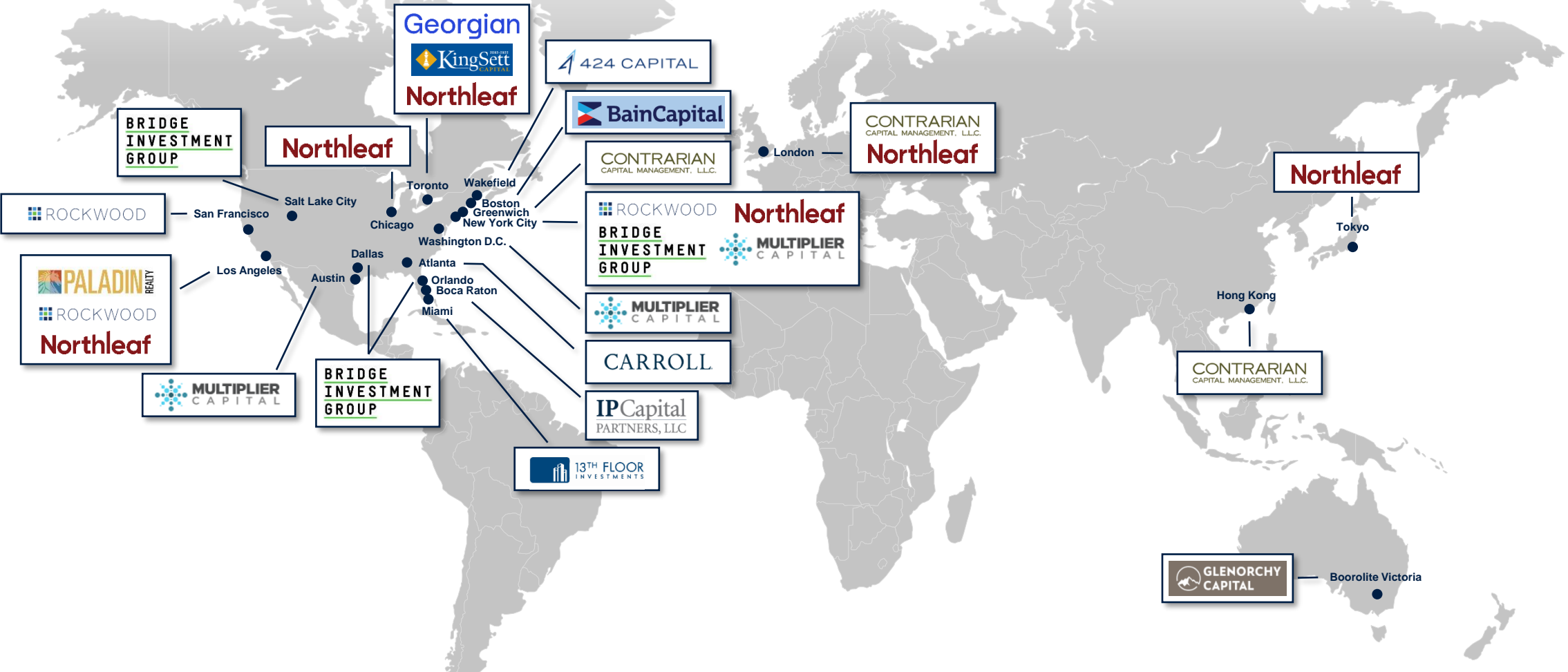


Source: Yale Endowment Press Releases 2001-2023 and Investment Letters

* Includes cash in 2020



Strong global network of 14 alternative asset platform partners





Strong global network of 14 alternative asset platform partners

| Company | Assets under management | Employee count | Fund <i>Open or closed</i> | Minimum investment | Location(s) | Website |
|-----------------------------|-------------------------|----------------|-------------------------------|--------------------|--|---|
| 13th Floor Investments | \$3.4B | 30 | Closed | \$1M | Miami, FL | https://13fi.com/ |
| Bain Capital Private Equity | \$155B+ | 1000+ | | \$5M | Boston, MA | https://www.baincapitalprivateequity.com/ |
| Carroll Group | \$7.4B | 35 | | \$10M | Atlanta, GA | https://www.carrollorg.com/ |
| Contrarian Capital | \$5M | 40+ | | \$5M | London, UK Hong Kong Greenwich, CT | https://www.contrariancapital.com/ |
| Georgian Partners | \$2B | 100+ | | \$5M | Toronto, ON | https://georgian.io/ |
| IP Capital Partners | ~\$2B | 9 | | \$1M | Boca Raton, FL | https://ipcappartners.com/ |
| KingSett Capital | \$17B | 130+ | | \$2M | Toronto, ON | https://www.kingsettcapital.com/ |
| Paladin Realty | \$6B | 40+ | | \$1M | Los Angeles, CA | https://paladinrealty.com/ |
| 424 Capital | \$200M | 17 | Open | \$1M | Wakefield, MA | https://424capital.com/ |
| Bridge Investment Group | \$42B | 75 | | \$2M | Dallas, TX Orlando, FL New York City, NY Salt Lake City, UT | https://www.bridgeig.com/ |
| Glenorchy Capital | \$170M | 4 | | \$1M | New Zealand & Australia | https://glenorchycapital.net/ |
| Multiplier Capital | \$1B+ | 9 | | \$2M | Washington, DC New York City, NY Austin, TX | https://www.multipliercapital.com/ |
| Northleaf | \$21B | 200+ | | \$1M | Toronto, ON Tokyo, Japan New York City, NY Los Angeles, CA Chicago IL London, UK | https://www.northleafcapital.com/ |
| Rockwood Capital | \$36B | 80+ | | \$5M | San Francisco, CA New York City, NY Los Angeles, CA | https://www.rockwoodcap.com/ |

MacNicol launched its **Alternative Asset Trust** in 2010

| | |
|---|-------------|
| Return Since Inception (after all fees and costs) | 9.1% |
| Annual Volatility Since Inception | 6.8% |
| *As of August 31, 2024* | |

MacNicol Alternative Asset Trust

MacNicol 360 Degree Fund

MacNicol Absolute Return Fund

MacNicol Emergence Fund

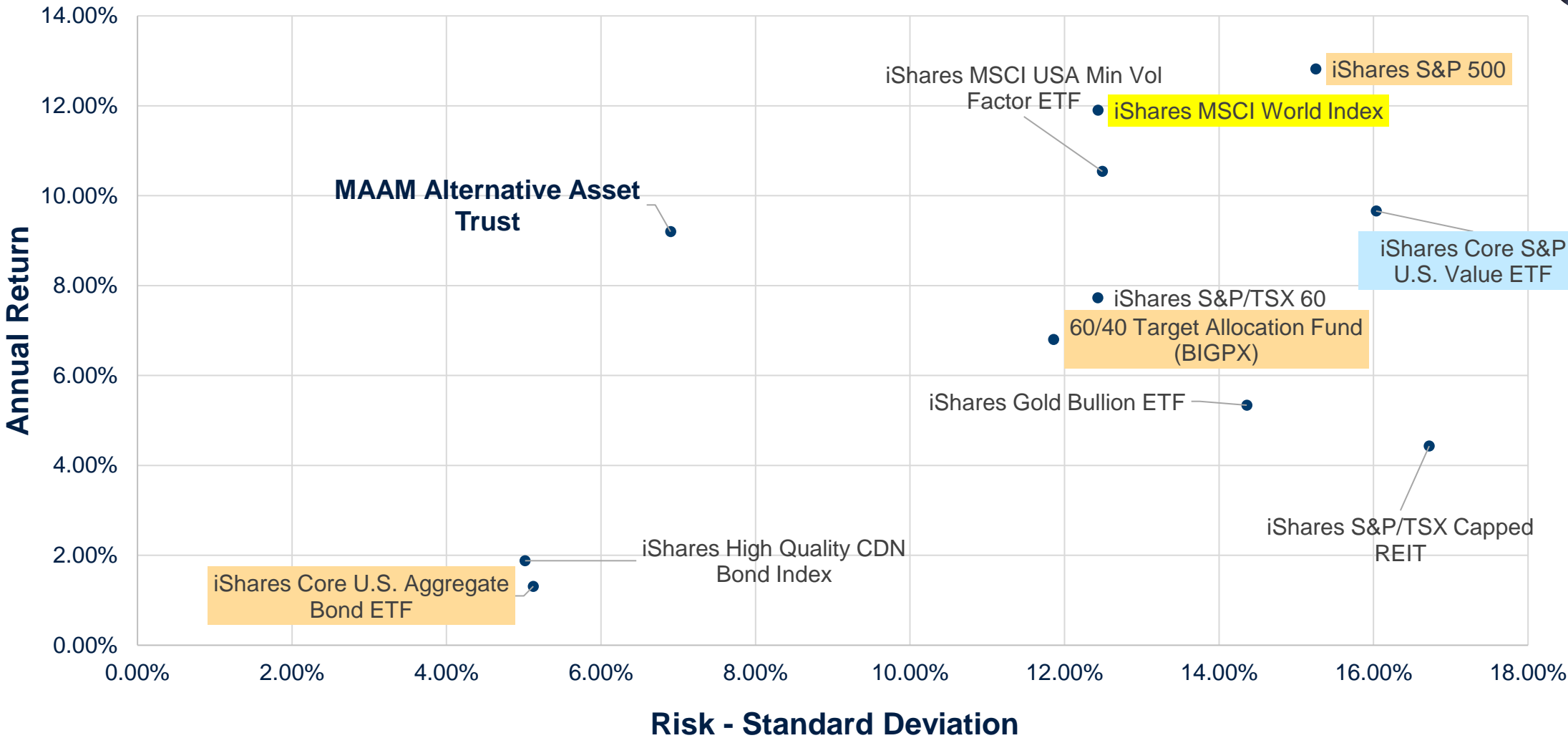
North American Real Estate

Hedge Funds

Private Equity



Illustrative Return & Volatility Profiles – Alternative Asset Trust



Total returns and volatility sourced from Yahoo Finance and Investing.com



Agenda

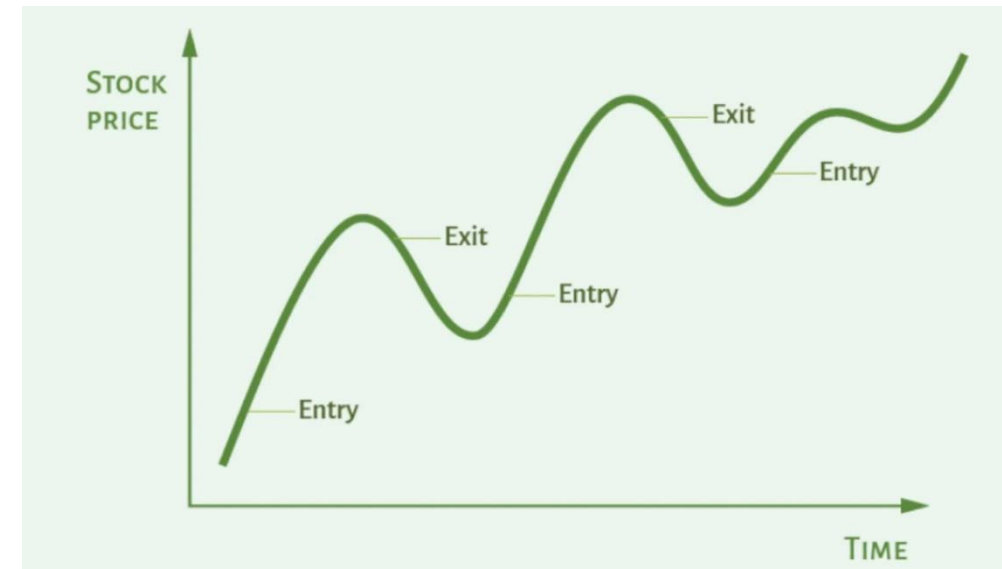
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What is momentum investing?

- Momentum investing is a system of buying securities that have had high relative returns over the last 3-12 months, and selling securities who have had poor performance over the same period
- Holding your winners
- Removes the emotion of stock picking
- Shortens investment time horizon





Our approach to value investing

- Valuation (relative to peers, and historical averages)
- A focus on owning quality (balance sheet, management team, business)
- Top and bottom-line growth
- Investing the R.O.T.E. way
 - Reasonably Priced
 - Owner Operators
 - Transparency
 - Excellent Financial Conditions

S&P Value vs. Growth (Relative)





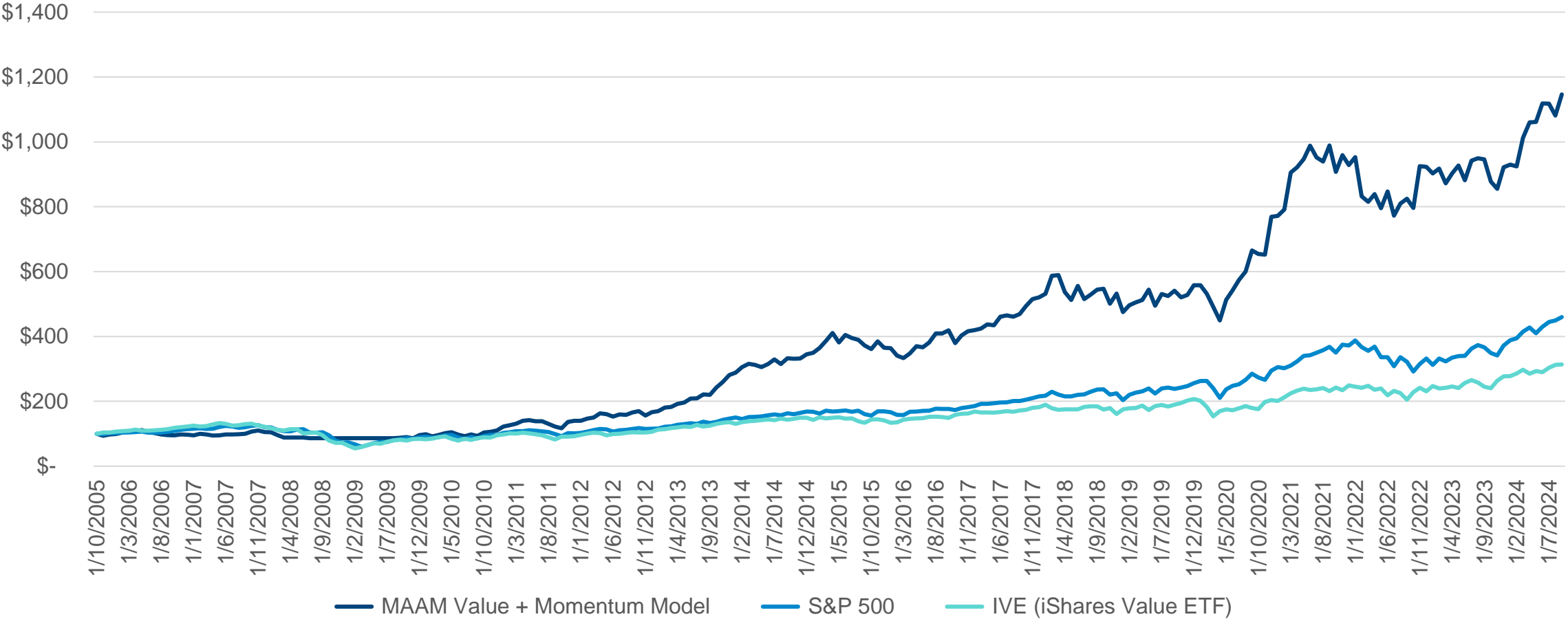
MAAM* approach - Value + (Adapted) Momentum

- Disciplined, diversified, and long-term approach to public markets
- Blended approach smooths return profile, and limits volatility of portfolio
- Value universe of equities leads to less drawdown when momentum investing is out of favor versus pure momentum investing
- Value allows us to dynamically change our stock universe on a rolling basis
- Removes emotion from held positions

*MAAM – MacNicol & Associates Asset Management



MAAM's Approach, Value Stocks with Momentum



MAAM Value + Momentum Model net of all fees charged to investors



MAAM* Value + Momentum Model Returns since October 1, 2005

| Performance | MAAM Value + Momentum Model | S&P 500 | Manager Alpha difference |
|---------------------------|-----------------------------|---------|--------------------------|
| Since Inception | 13.8% | 8.5% | 5.3% |
| 10 Year | 13.4% | 11.0% | 2.4% |
| 5 Year | 16.8% | 13.8% | 3.0% |
| 3 Year | 8.1% | 9.4% | -1.3% |
| 1 Year | 28.8% | 29.5% | -0.7% |
| Standard Deviation | 17.8% | 15.3% | -2.5% |
| Sharpe Ratio | 0.68 | 0.44 | 0.24 |
| ³ Max drawdown | -31% | -46% | 15% |

*MAAM – MacNicol & Associates Asset Management, returns net of fees, Model backtested, developed, and evaluated by MAAM

Risk free rate assumption 1.5% - average

Inception date of model – October 1, 2005

The MAAM approach - Value & Momentum with Alternatives

- Low interest rates led us to alternative assets
- Low returns in value led us to blend value investing with momentum investing
- The three-pronged approach has limited portfolio volatility, and increased returns over time

Summary

- The 60/40 will continue to fail investors
- Alternative assets are where large institutions and wealthy investors are looking to park their assets
- A blended (value + momentum) approach to public markets can optimize results
- Contact us today: info@macnicolasset.com

