

2020 INVESTMENT OUTLOOK: AN “ALTERNATIVE” VIEW

FEBRUARY 13, 2020

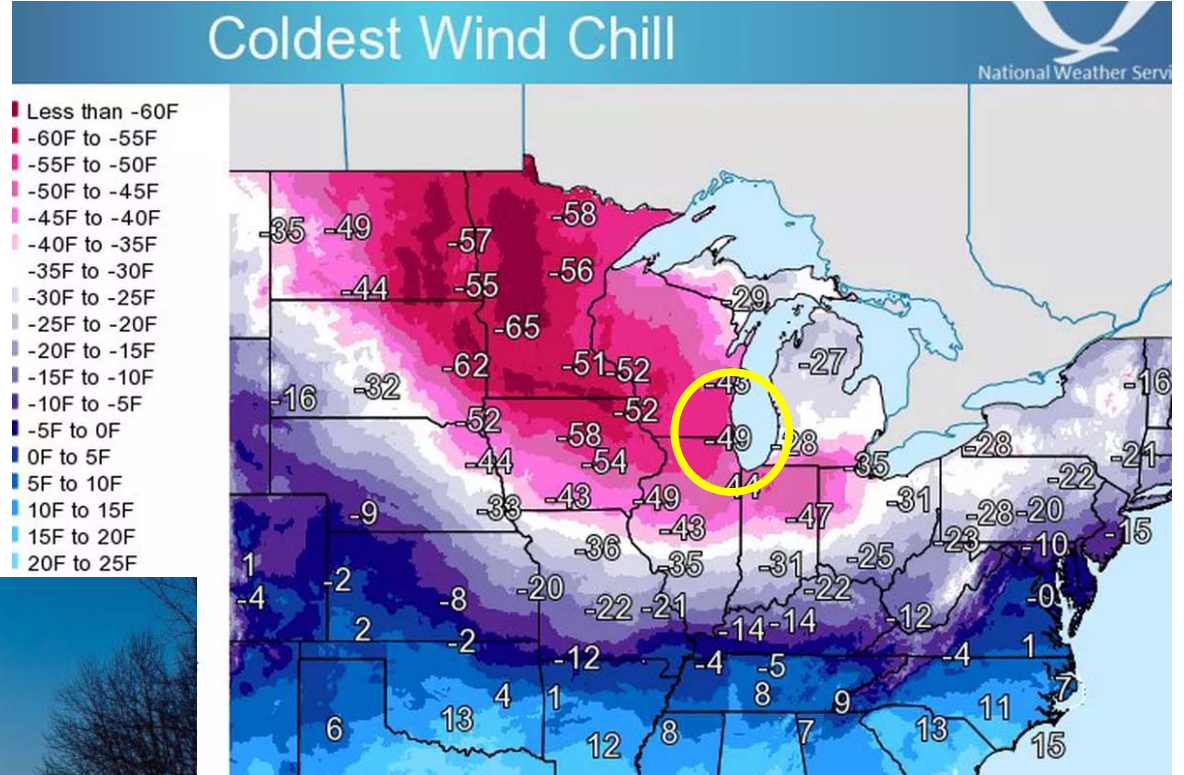
Michael G. Dow, CFA, CPA
Chief Investment Officer

Derek Newcomer, CFA, CAIA
Director of Alternative Investment Research

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CHICAGO WEATHER - *BRRRRR*



- 49°

That's MINUS 49. Degrees.
Fahrenheit.
(Wind Chill, Not Air Temperature...)

DOES CHICAGO WEATHER PREDICT STOCK MARKET RETURNS?

Coldest Temperatures in Chicago Since 1871



Daily Temperature in Chicago, January 2020

Sun	Mon	Tue	Wed	Thu	Fri	Sat
12/29 58°/48° Hist. Avg. 32°/20°	12/30 48°/28° Hist. Avg. 32°/19°	12/31 30°/26° Hist. Avg. 32°/19°	1 43°/22° Hist. Avg. 32°/19°	2 49°/37° Hist. Avg. 32°/19°	3 42°/35° Hist. Avg. 32°/19°	4 35°/27° Hist. Avg. 32°/19°
5 43°/25° Hist. Avg. 32°/19°	6 42°/26° Hist. Avg. 32°/18°	7 42°/28° Hist. Avg. 32°/18°	8 30°/17° Hist. Avg. 32°/18°	9 50°/23° Hist. Avg. 31°/18°	10 50°/39° Hist. Avg. 31°/18°	11 39°/26° Hist. Avg. 31°/18°
12 33°/25° Hist. Avg. 31°/18°	13 35°/32° Hist. Avg. 31°/18°	14 43°/29° Hist. Avg. 31°/18°	15 37°/29° Hist. Avg. 31°/18°	16 30°/17° Hist. Avg. 31°/18°	17 30°/17° Hist. Avg. 31°/18°	18 37°/6° Hist. Avg. 31°/18°
19 20°/3° Hist. Avg. 31°/18°	20 32°/18° Hist. Avg. 31°/18°	21 31°/17° Hist. Avg. 31°/18°	22 35°/24° Hist. Avg. 31°/18°	23 36°/30° Hist. Avg. 31°/18°	24 39°/34° Hist. Avg. 31°/18°	25 35°/33° Hist. Avg. 32°/18°
26 34°/28° Hist. Avg. 32°/18°	27 36°/28° Hist. Avg. 32°/18°	28 33°/31° Hist. Avg. 32°/18°	29 34°/30° Hist. Avg. 32°/18°	30 34°/31° Hist. Avg. 32°/18°	31 37°/31° Hist. Avg. 32°/18°	2/1 38°/33° Hist. Avg. 32°/19°

Normal January Average = 23 degrees

Year	Lowest Temperature	Stock Market Return
1982	-25 and -26	22%
1983	-25	23%
1985	-23 and -27	32%
2019	-23	31%

Year	Average January Temperature	Stock Market Return
1931	32.0	-43%
1932	33.6	-8%
1990	33.9	-3%
2002	31.9	-22%
2020	36.0	?

“Lower Chicago Temperatures = Higher Equity Returns?” ¹

BEACON POINTE INVESTMENT PROCESS

The foundation of our process is research: macro, manager and asset allocation.

Macroeconomic Forecasting

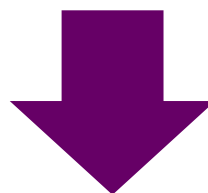
Financial Conditions + MonPol + →
GDP/Recession Probabilities +
Inflation + Capital Market Volatility

Valuation and Asset Allocation

Capital Market Volatility + Long Term
Cap Mkt Assumptions + Cyclical
Valuation → Optimized Asset
Allocation

Manager Research and Analysis

Institutional Quality Due Diligence →
“Best in Class” Investment Managers

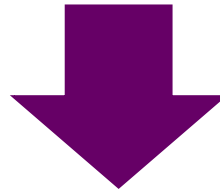


Investment
Themes

INVESTMENT THEMES

The foundation of our process is research: macro, manager and asset allocation.

2020 Investment
Themes



Low *Public* Equity
Risk Premium

Low *Public* Fixed
Income Yields

Higher Volatility in
Public Markets

HOW SHOULD WE INVEST IN THIS ENVIRONMENT?

REVIEW OF OUR 1Q2019 “PREDICTIONS”

Fed to the Rescue

Fed to the Rescue

Slowing Global
Growth

Slowing Global
Growth

No Recession in
the U.S.

No Recession in
the U.S.

No “No-Deal Brexit”

No “No-Deal Brexit”

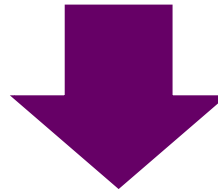
2020 MACROECONOMIC OUTLOOK



INVESTMENT THEMES

The foundation of our process is research: macro, manager and asset allocation.

2020 Investment
Themes



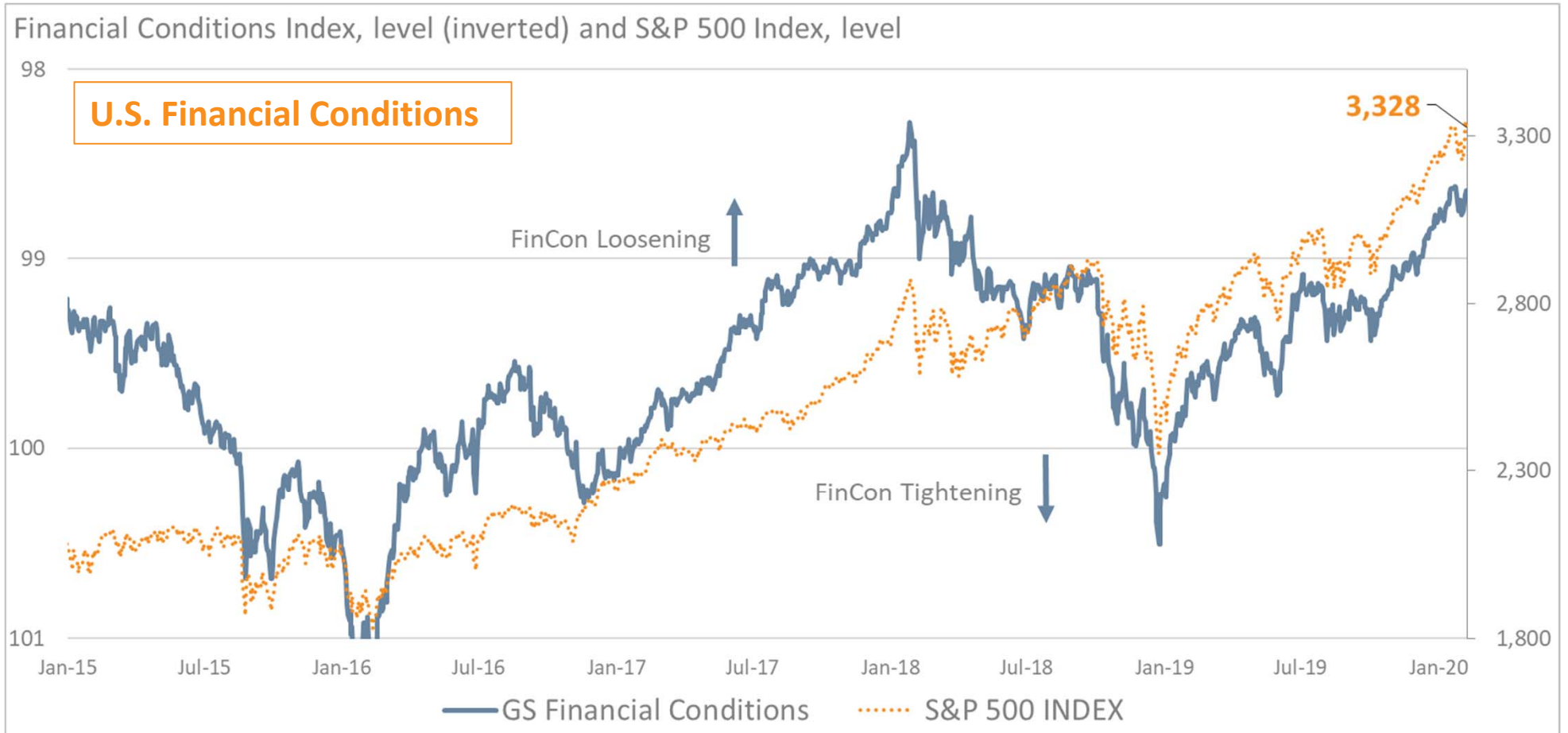
Low *Public* Equity
Risk Premium

Low *Public* Fixed
Income Yields

Higher Volatility in
Public Markets

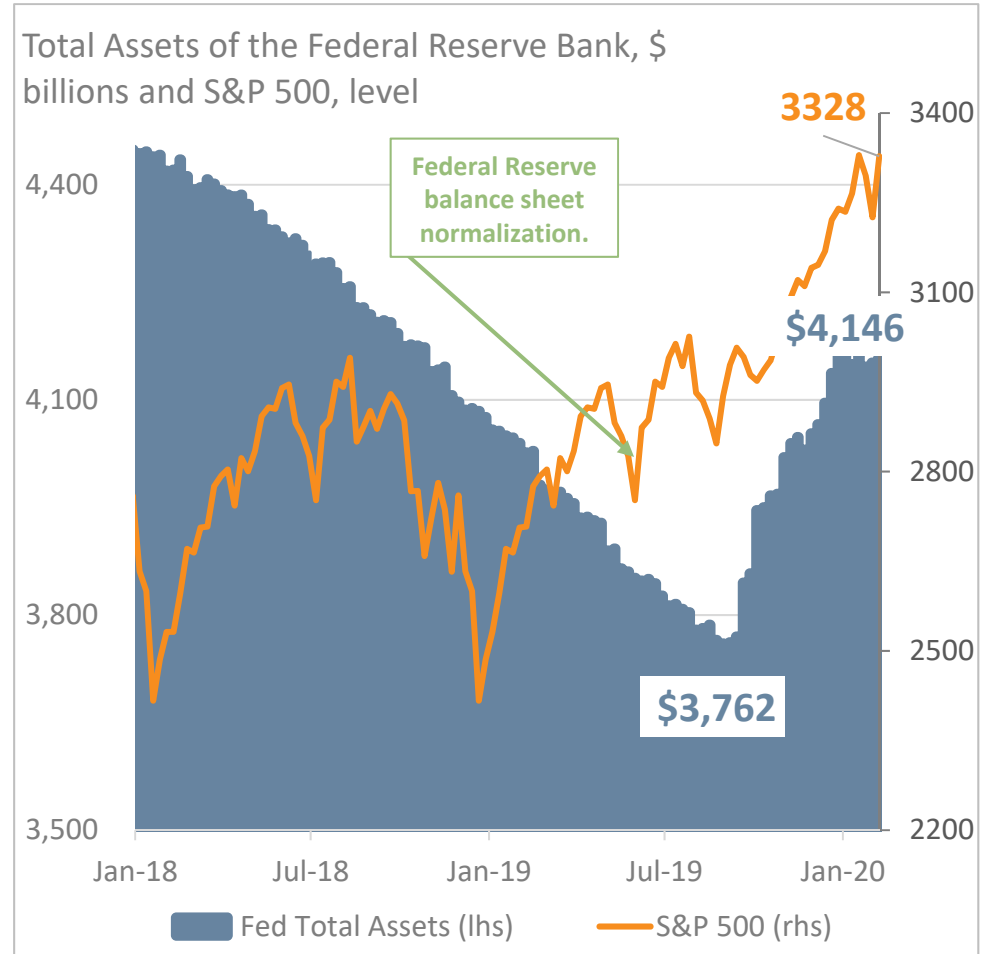
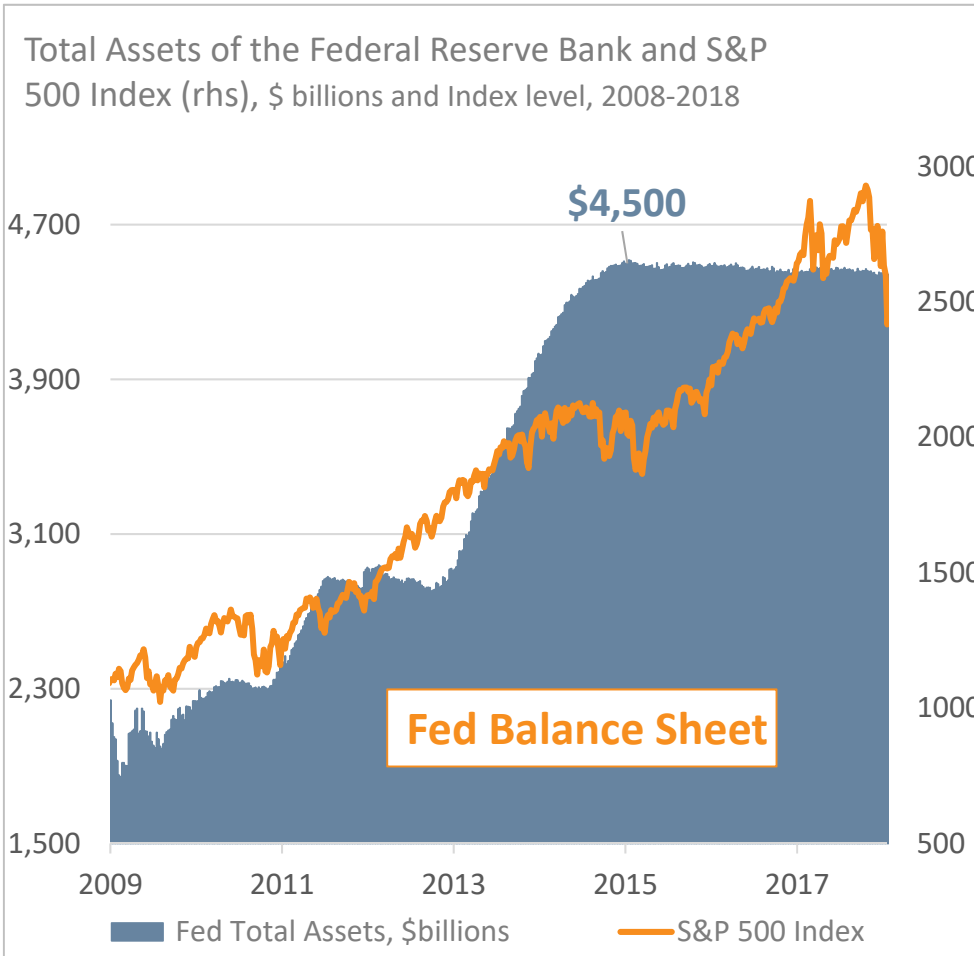
HOW SHOULD WE INVEST IN THIS ENVIRONMENT?

FINANCIAL CONDITIONS



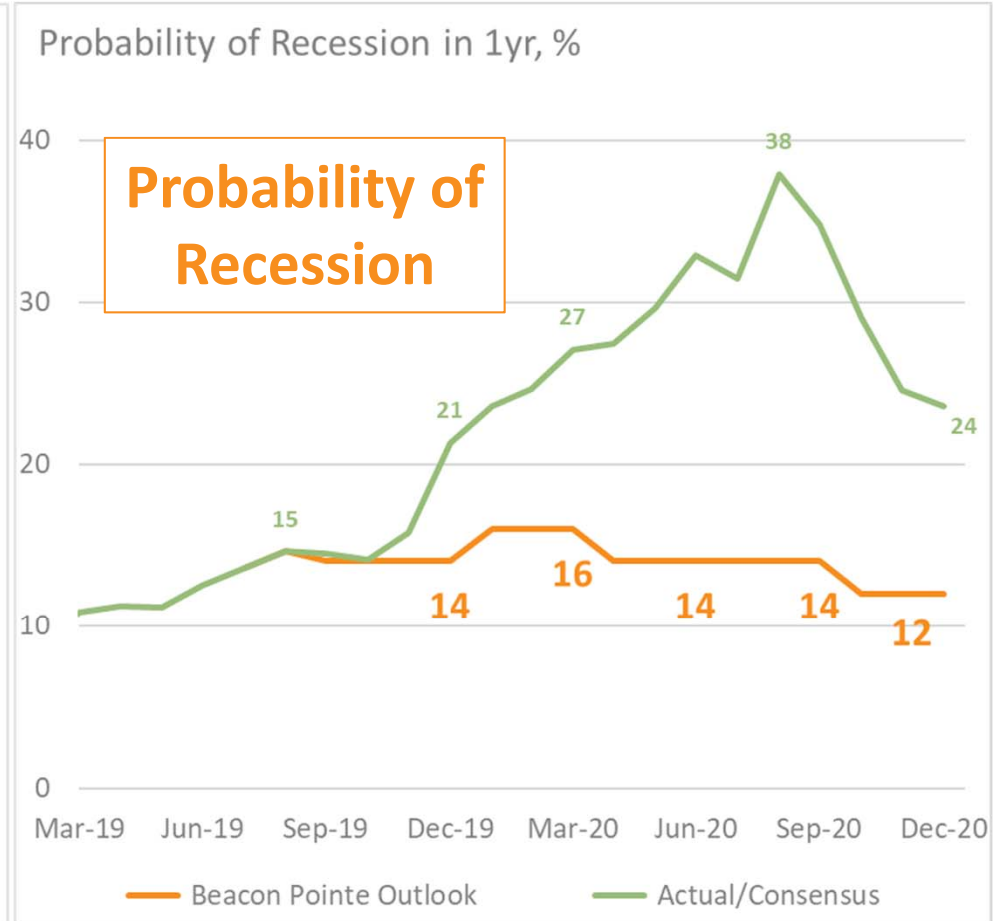
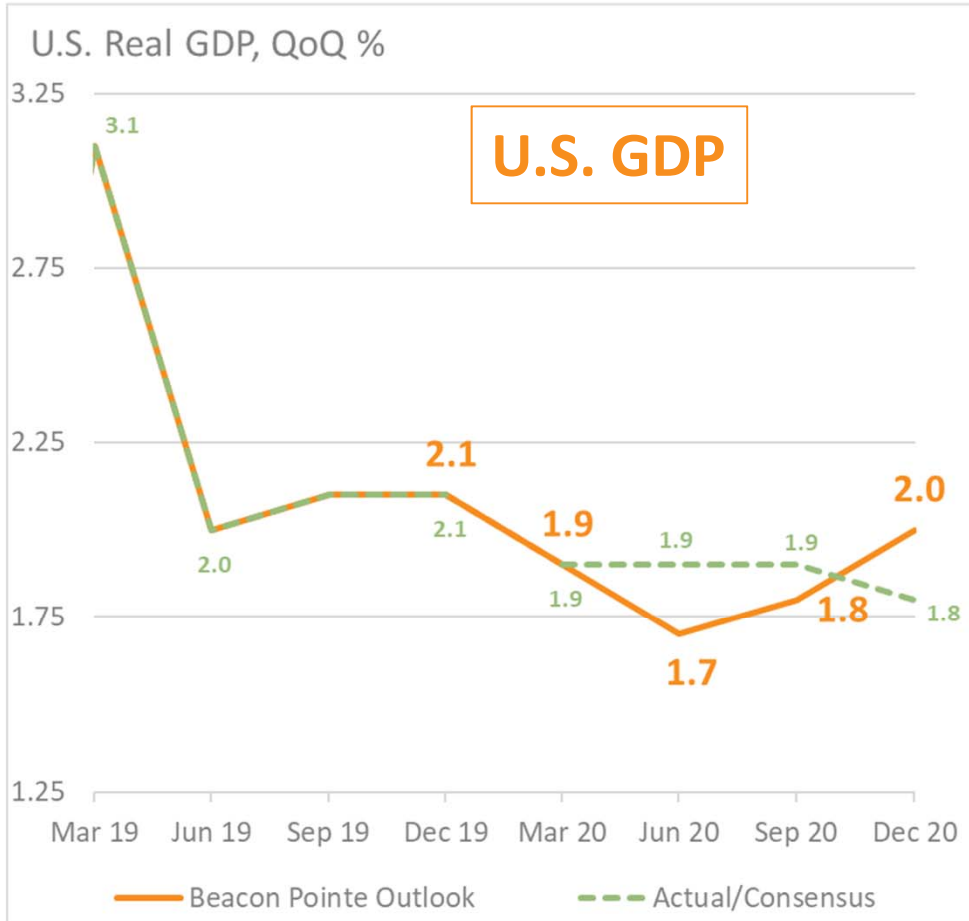
FINANCIAL CONDITIONS ARE “EASY” = BETTER OUTLOOK FOR THE ECONOMY

FEDERAL RESERVE IS THE MOST IMPORTANT VARIABLE



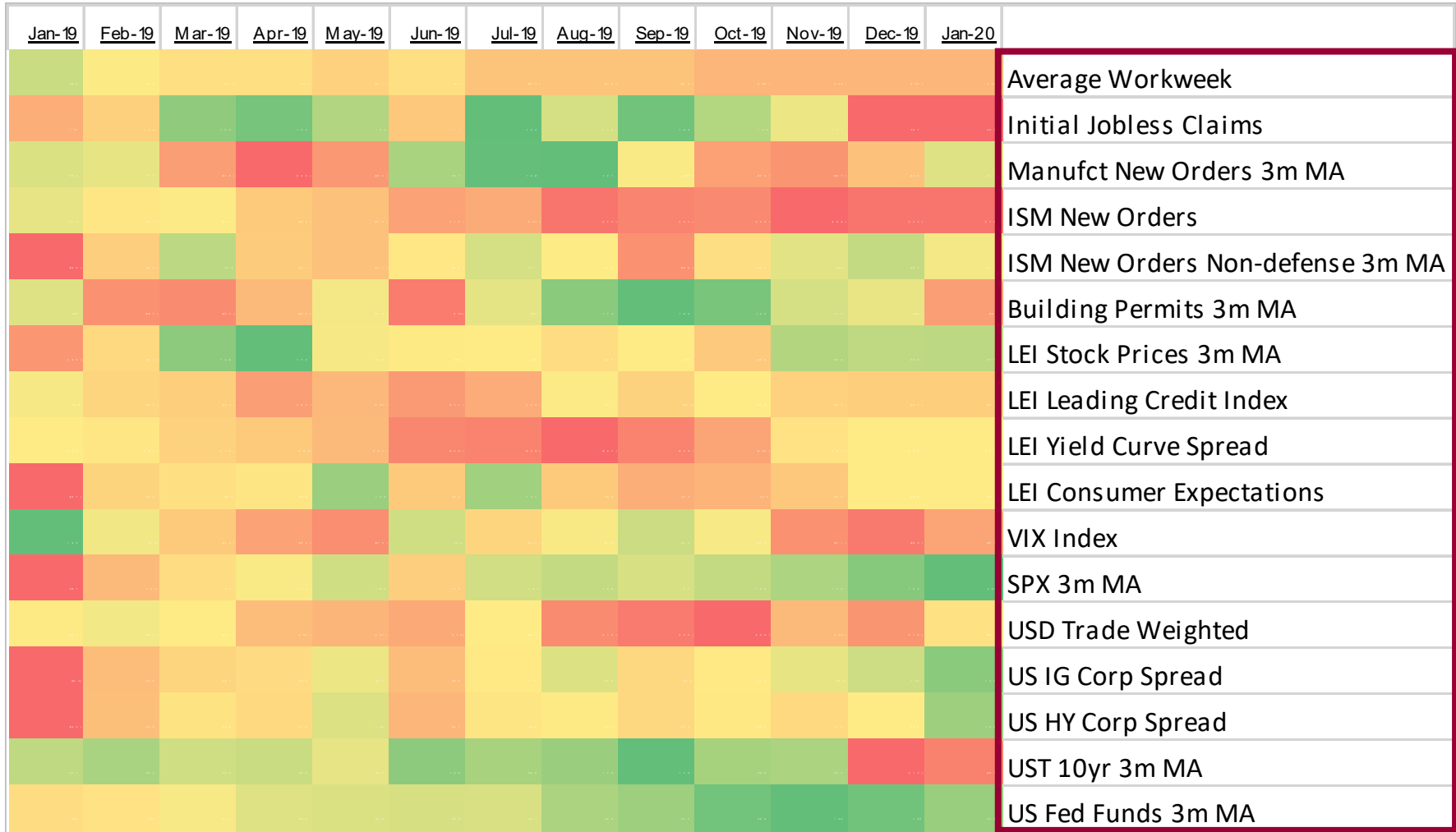
THE FEDERAL RESERVE HAS – ONCE AGAIN – COME TO THE RESCUE OF THE EQUITY MARKET

NO RECESSION IN THE U.S.



WE DO NOT SEE A RECESSION IN THE FIRST HALF OF 2020

BEACON POINTE RECESSION INDICATORS



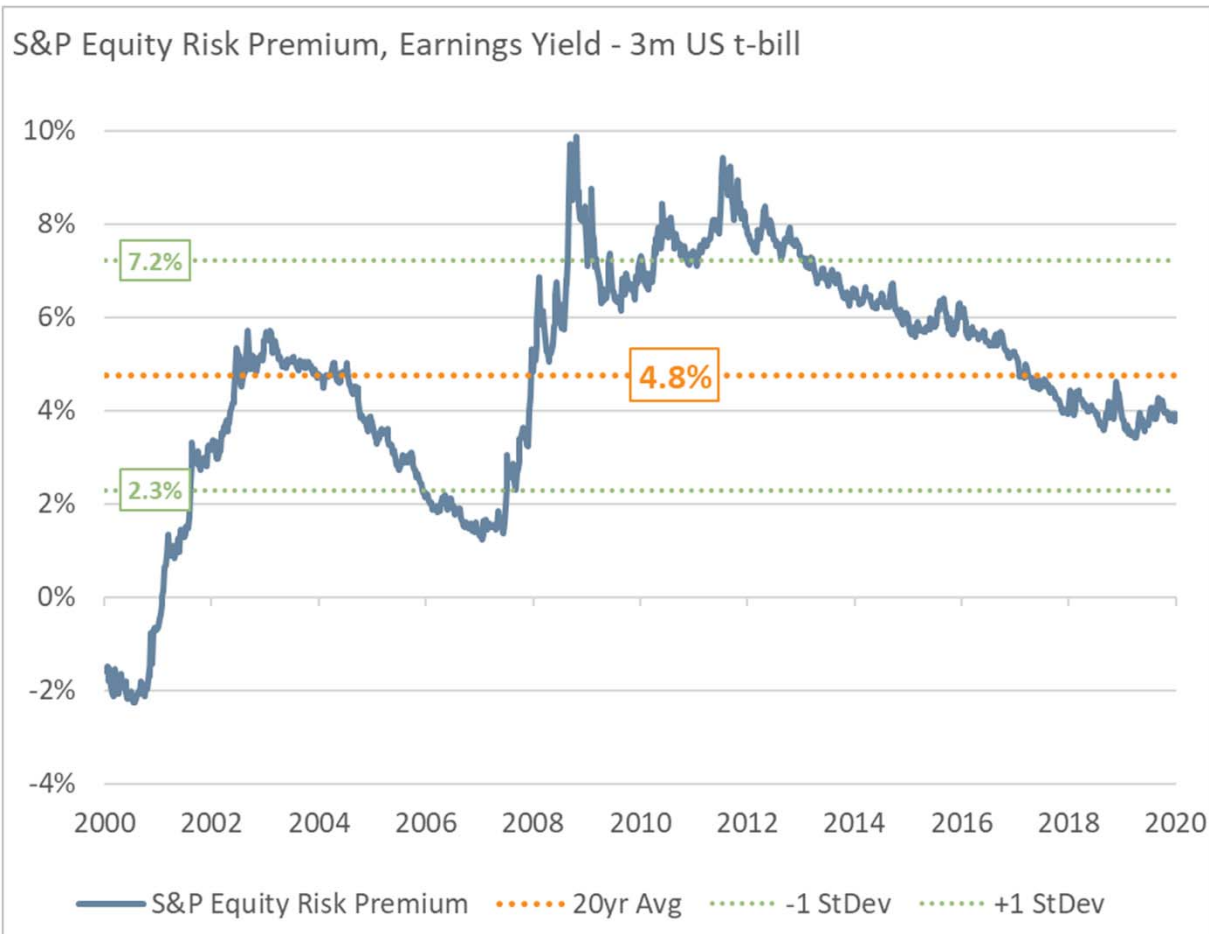
More Recent Data →

MOST LEADING INDICATORS ARE IN “OK” TERRITORY, BUT THERE ARE SOME WORRYING SIGNS...

2020 MARKET THEMES

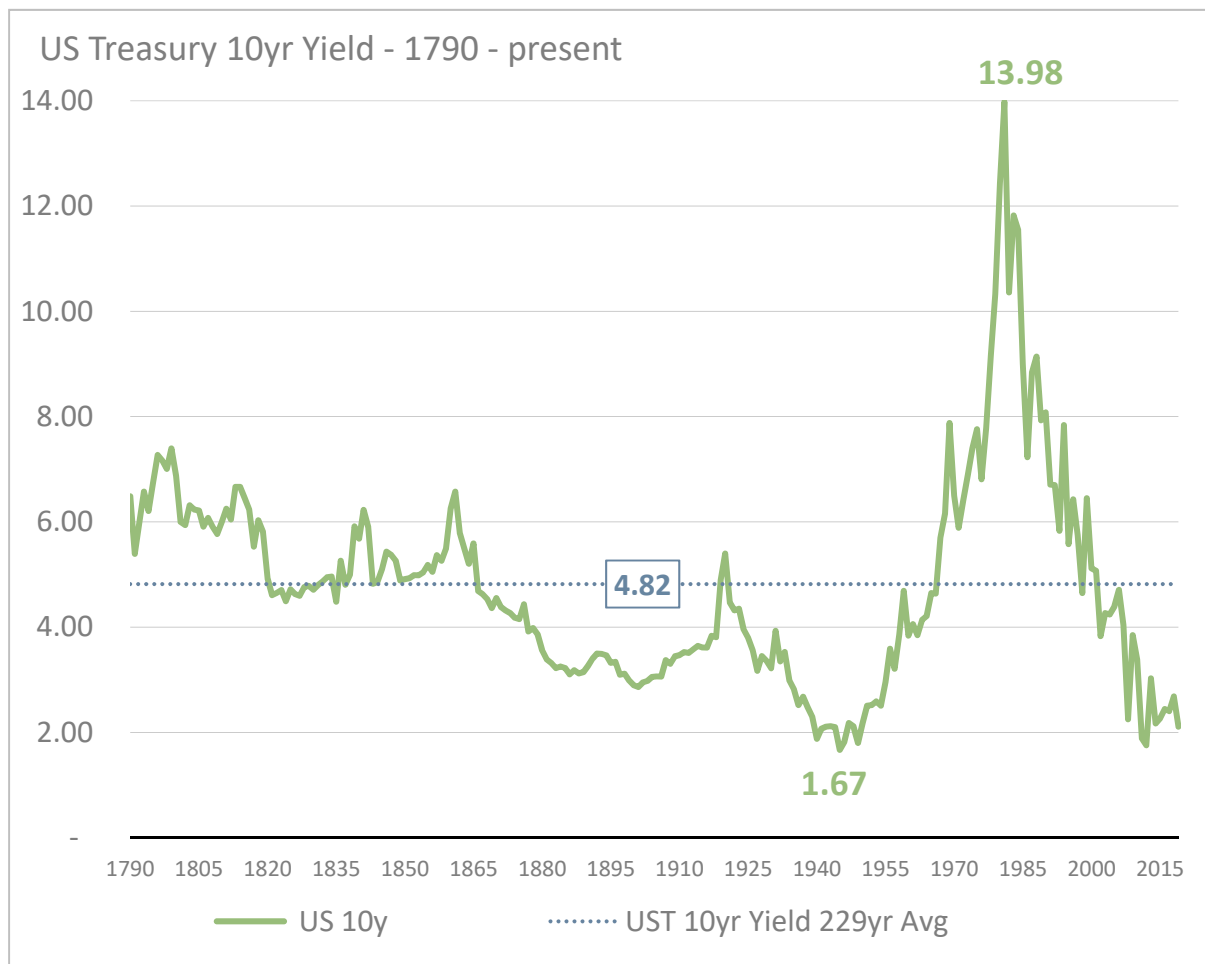


PUBLIC MARKET EQUITY RISK PREMIUM



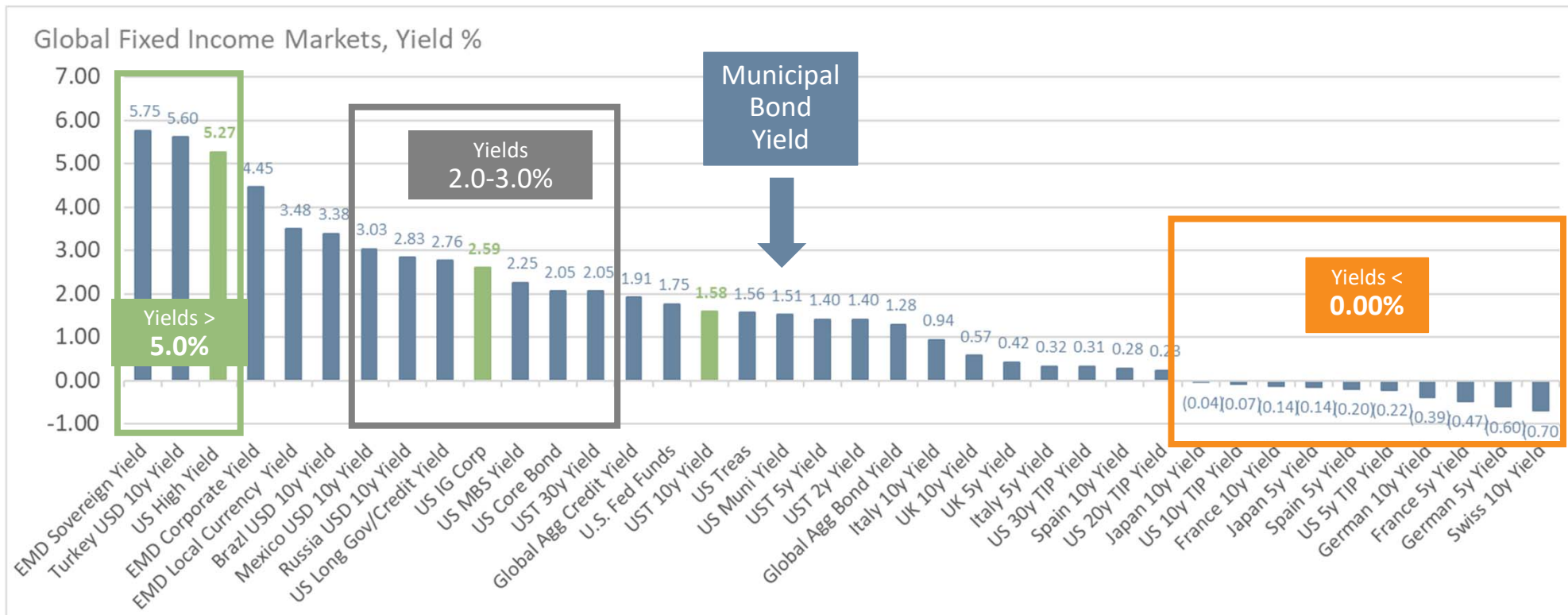
THE PUBLIC MARKET EQUITY RISK PREMIUM IS HISTORICALLY LOW

PUBLIC MARKET BOND PREMIUM



U.S. INTEREST RATES ARE NEAR MULTI-CENTURY LOWS...

GLOBAL FIXED INCOME – CURRENT YIELDS



Yields > 5.0%

- Emerging Mkt Sovereign
- Turkey 10-year Sovereign Debt
- U.S. High Yield Corporate

Yields 2.0-3.0%

- U.S. Investment Grade Corporate
- U.S. Core Bond
- U.S. Treasury 30yr Bond

Yields < 0.00%

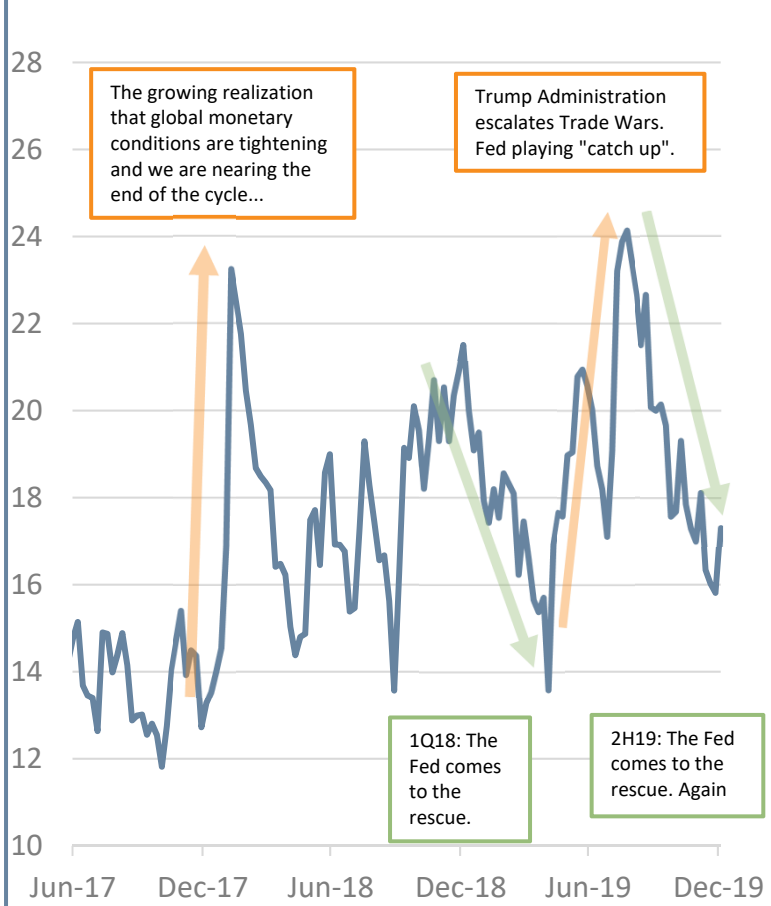
- Japan 10yr Bond
- U.S. Treasury 10yr Inflation Bond
- Swiss 10yr Bond

CAPITAL MARKET VOLATILITY

Global Capital Market Volatility 2004-present



Global Capital Market Volatility



CAPITAL MARKET VOLATILITY IS INCREASING

THEME SUMMARY

The foundation of our process is research: macro, manager and asset allocation.

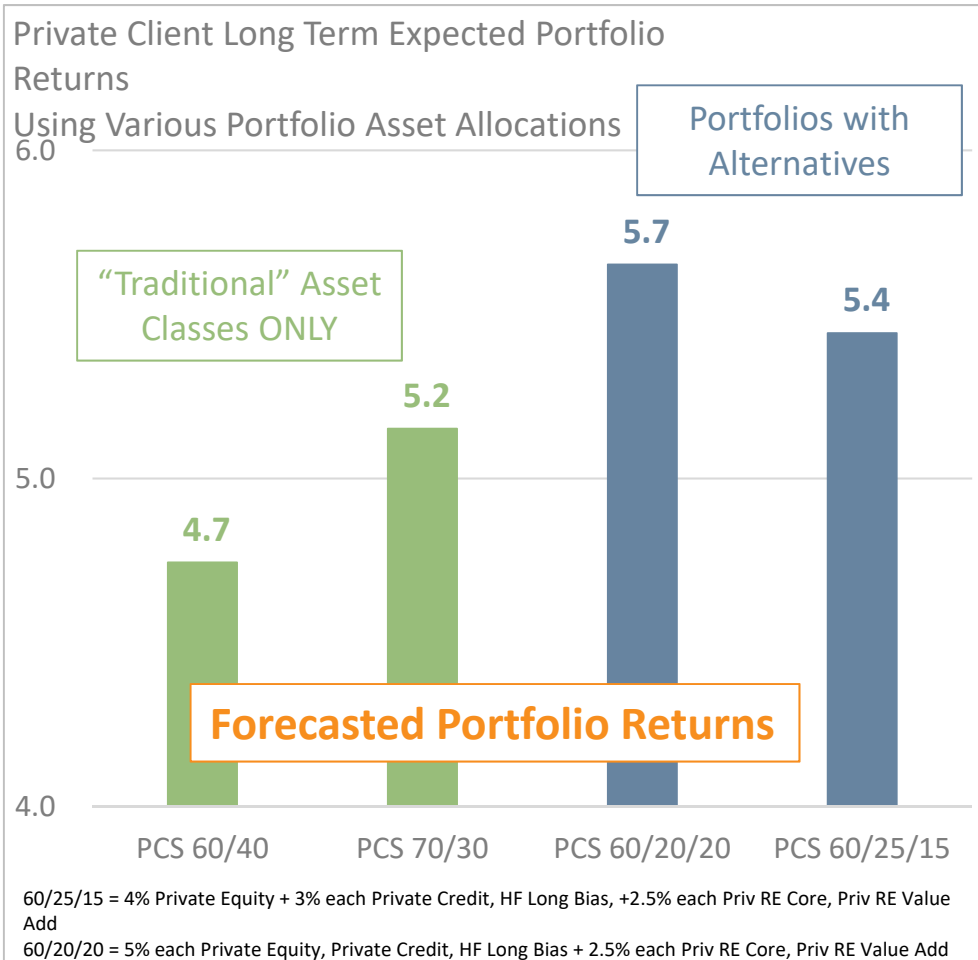
**Low *Public* Equity
Risk Premium**

**Low *Public* Fixed
Income Yields**

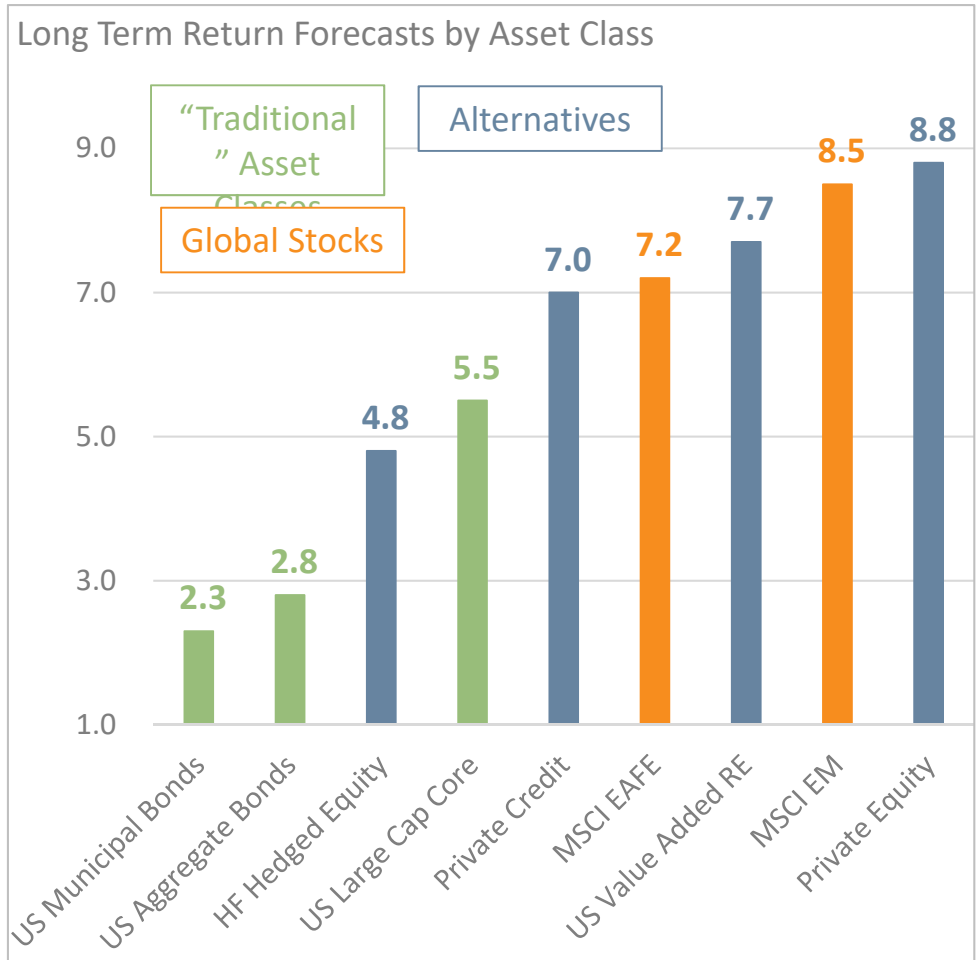
**Higher Volatility in
Public Markets**

HOW SHOULD WE INVEST IN THIS ENVIRONMENT?

LONG TERM MARKET ASSUMPTIONS



Returns shown do not reflect the deduction of management fees or any other fees and miscellaneous custodian fees



CLIENT OUTCOMES ARE ENHANCED BY ADDING ALTERNATIVE INVESTMENTS

SOURCE: JP Morgan, Beacon Pointe Advisors



Forward-looking statements contained herein are merely speculative and does not relate strictly to historical or current facts. Such information is based on our current assumptions. Forward-looking statements are subject to risk and uncertainties. Actual outcomes could differ materially from those presented above. These statements are not guarantees of future performance and should not be construed or relied upon as an investment recommendation or investment advice.

INVESTMENT SOLUTIONS



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WHAT CAN ALTERNATIVES DO FOR YOUR PORTFOLIO?

Alternative investments can provide:

Enhanced Returns

Risk Reduction

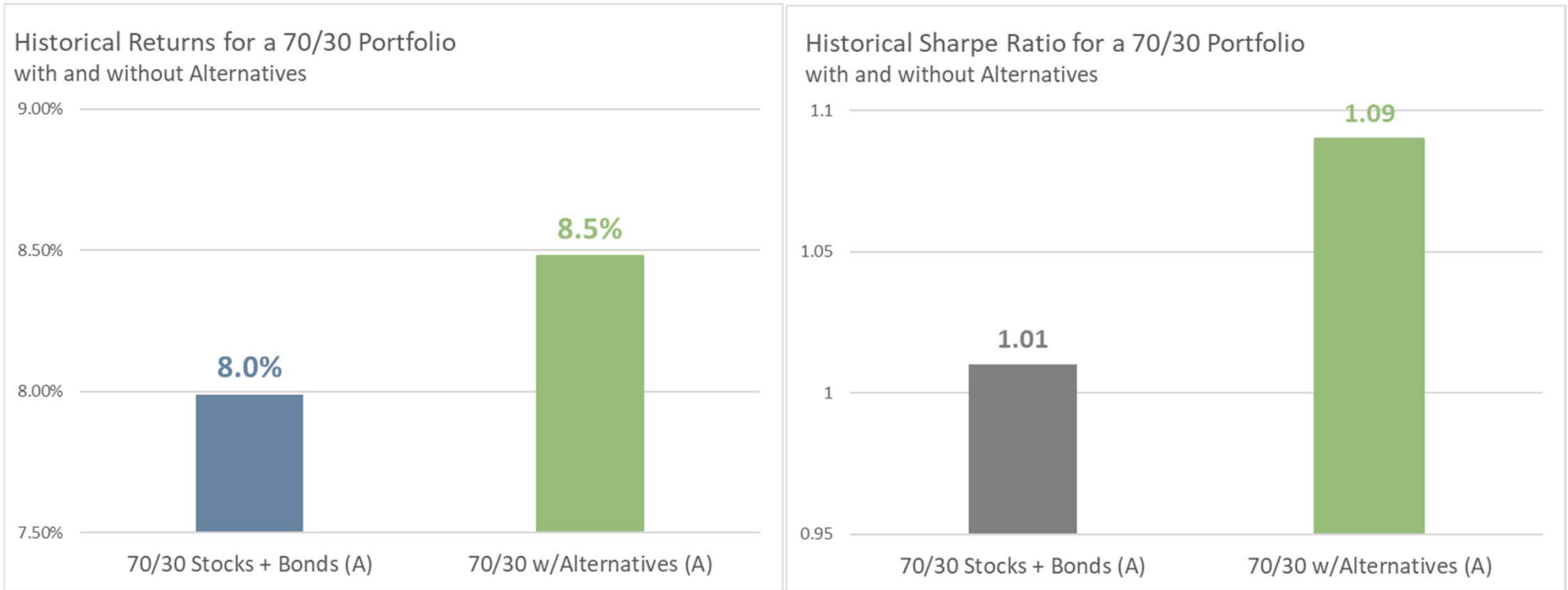
Diversification

Inflation Protection

Alternative investments can improve
the risk/reward profile of your investment portfolio.

LOOKING BACK - HISTORICAL RETURN

Alternative investments can improve the risk/reward profile of your investment portfolio.

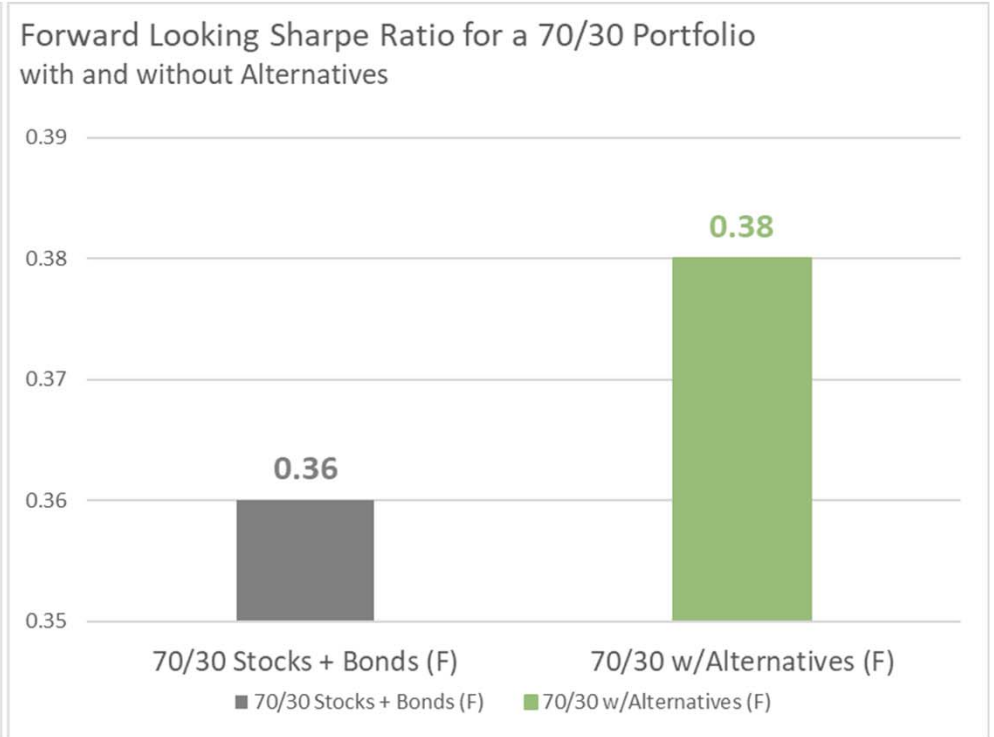
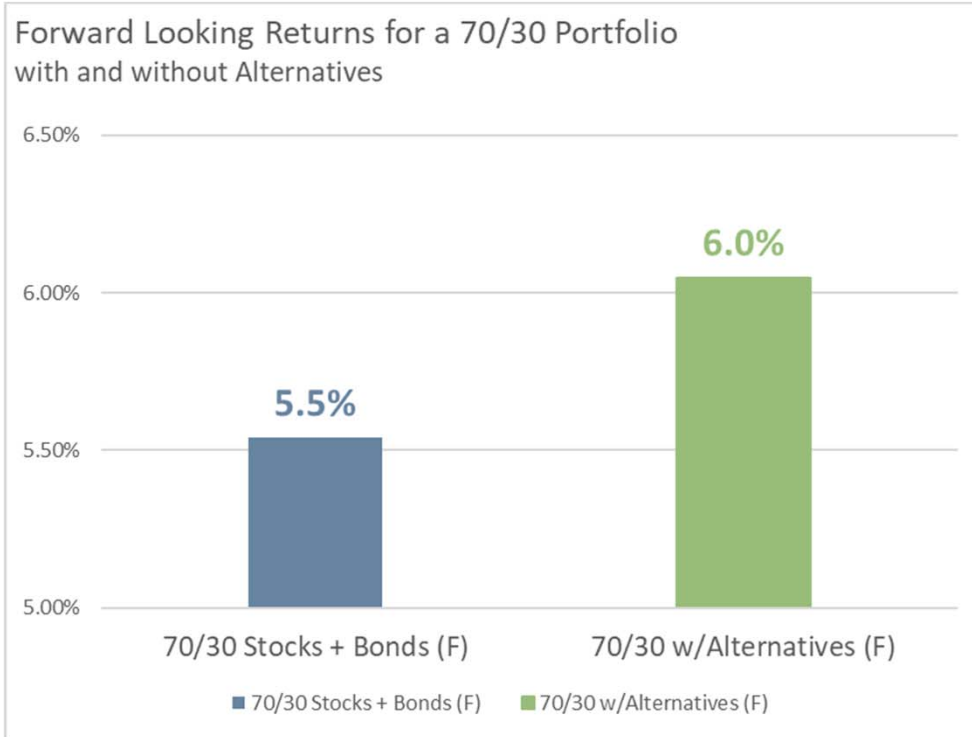


Returns shown do not reflect the deduction of management fees or any other fees and miscellaneous custodian fees

Alternative investments HAVE PROVIDED more return and greater risk-adjusted returns.

LOOKING FORWARD - PROJECTED RETURNS

Alternative investments can improve the risk/reward profile of your investment portfolio.



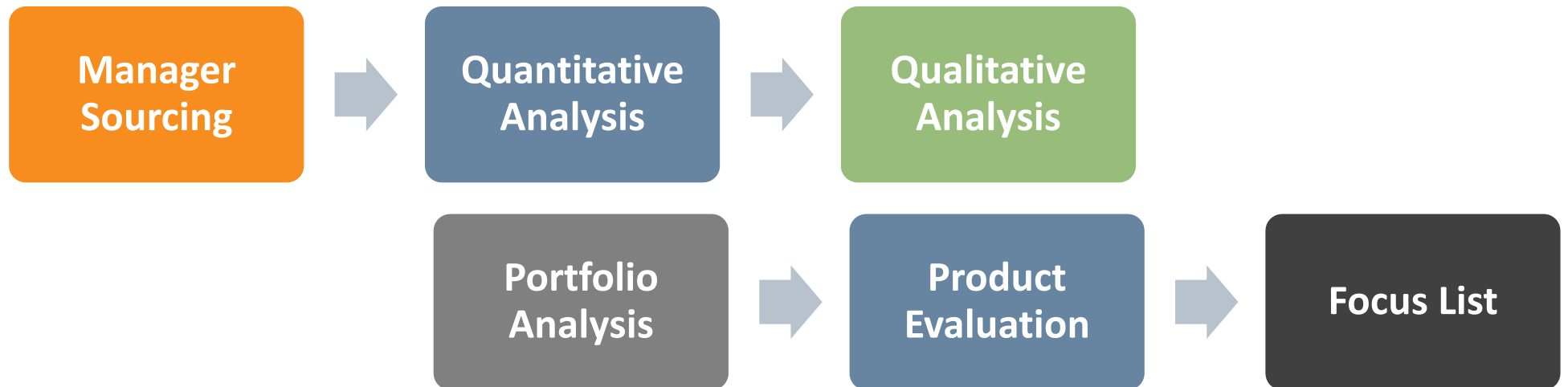
Returns shown do not reflect the deduction of management fees or any other fees and miscellaneous custodian fees

Alternative investments CAN PROVIDE more return going forward and greater risk-adjusted returns.

BEACON POINTE MANAGER RESEARCH PROCESS

Our process has been refined over decades, producing consistent manager selection results.

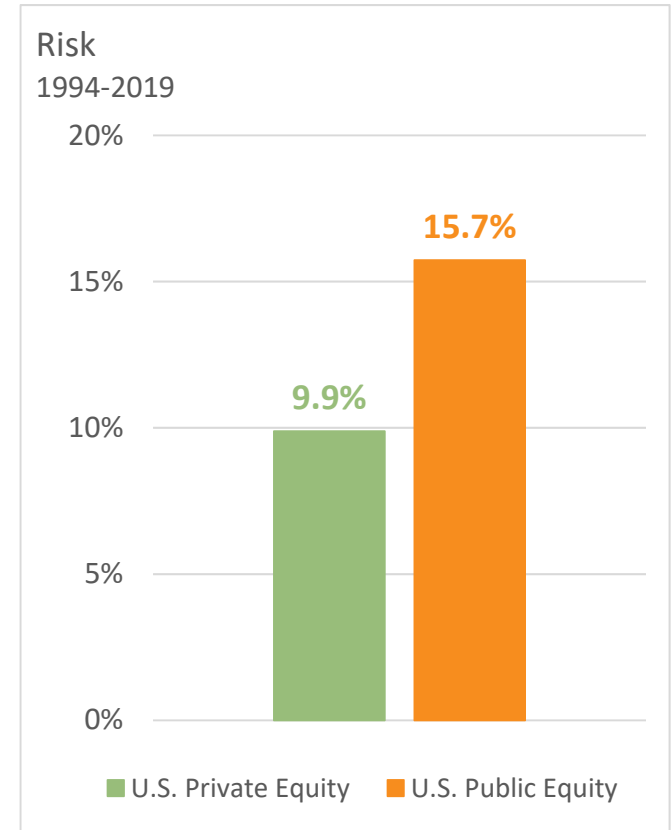
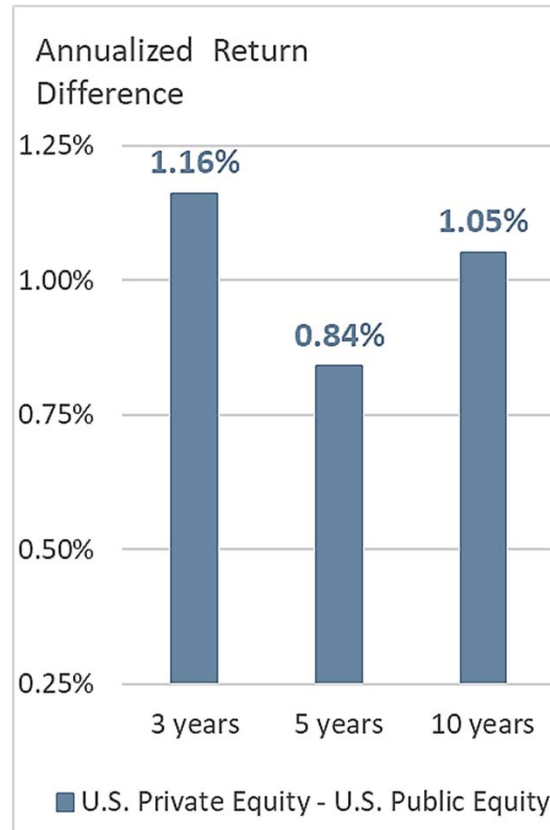
Institutional-quality manager research process:



- Proven track record of sourcing managers that outperform public markets and their peer universe.
- Provide clients unique access to institutional strategies.

Alternative investing requires a time-tested process, experienced researchers and rigorous due diligence.

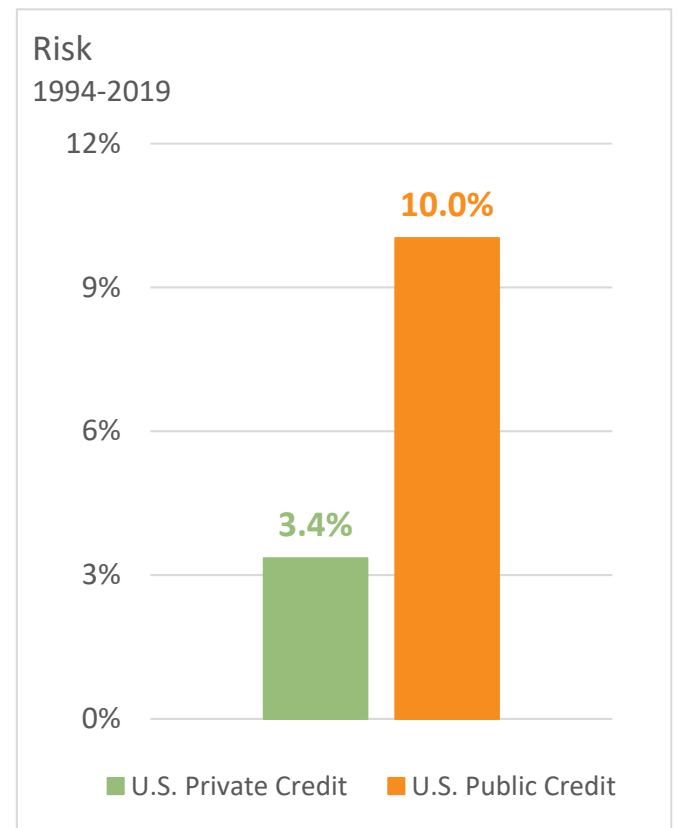
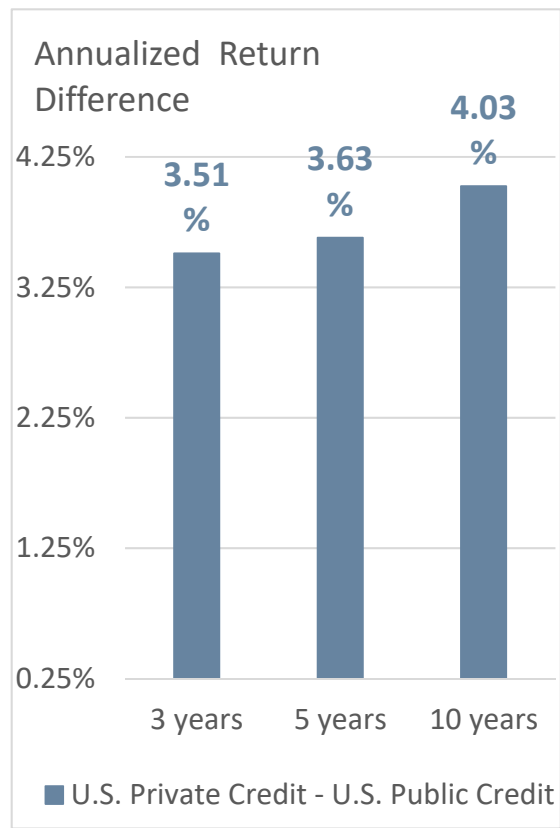
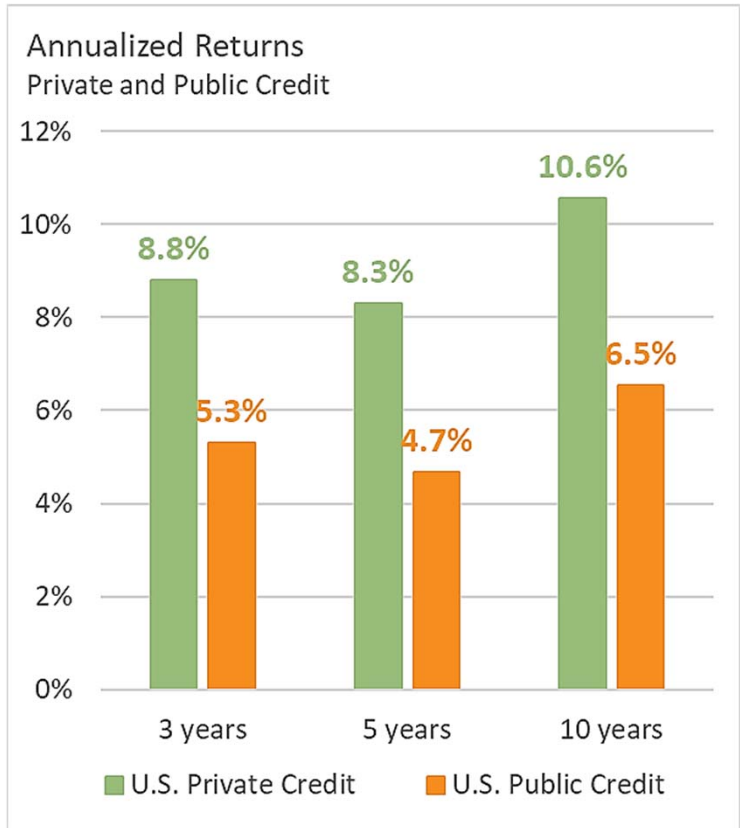
PRIVATE EQUITY: HISTORICAL PERFORMANCE



- Private Equity: investments in private businesses at attractive valuations.
- PE seeks to add value with strategic, operational, and financial expertise.
- Private Equity seeks long-term absolute returns that outperform public benchmarks with lower volatility.

Limited public equity compensation → PRIVATE EQUITY

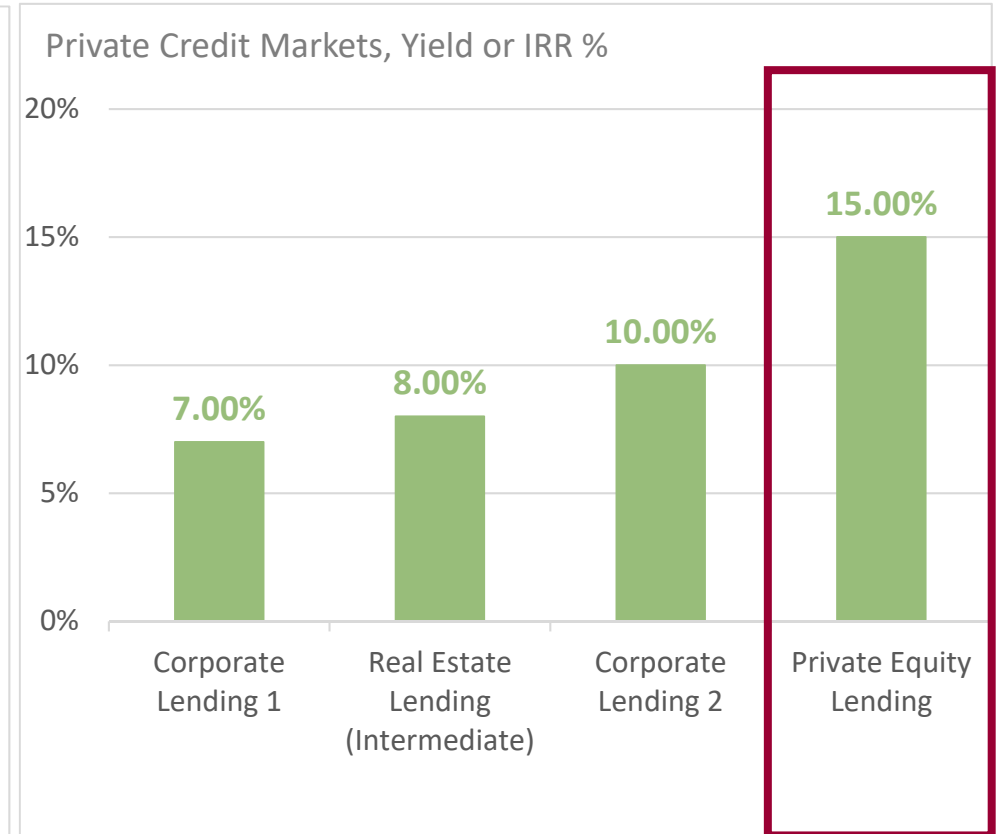
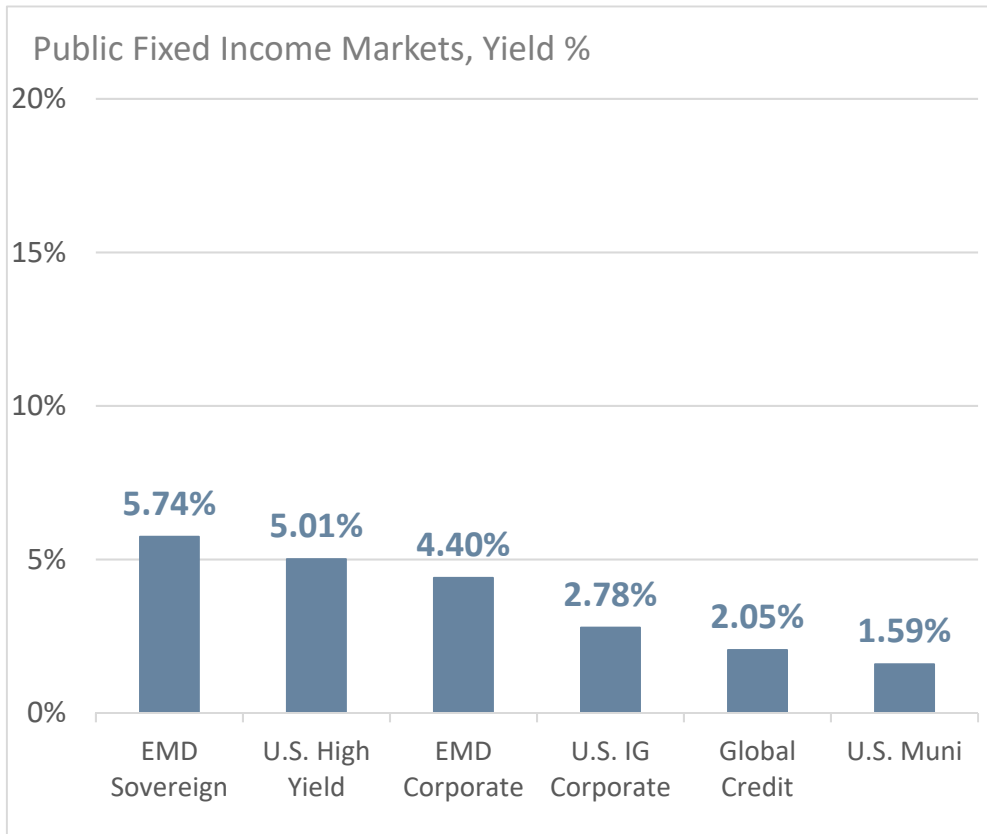
PRIVATE CREDIT: HISTORICAL PERFORMANCE



- Private Credit: asset backed or cash flow lending to private businesses.
- Private Credit focuses on senior secured loans with lower risk of loss.
- Private Credit seeks long-term absolute returns that outperform public benchmarks with lower volatility.

Low public fixed income yields → PRIVATE CREDIT

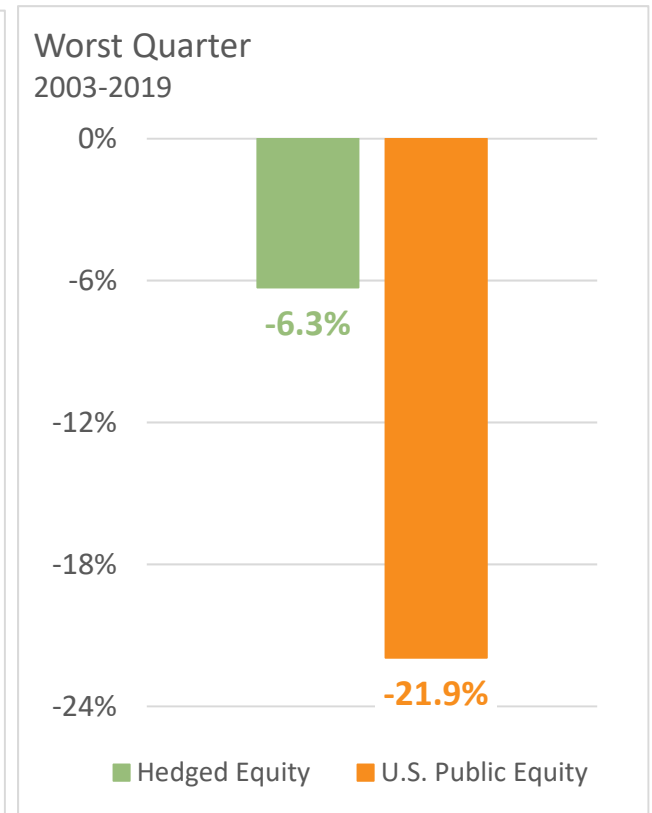
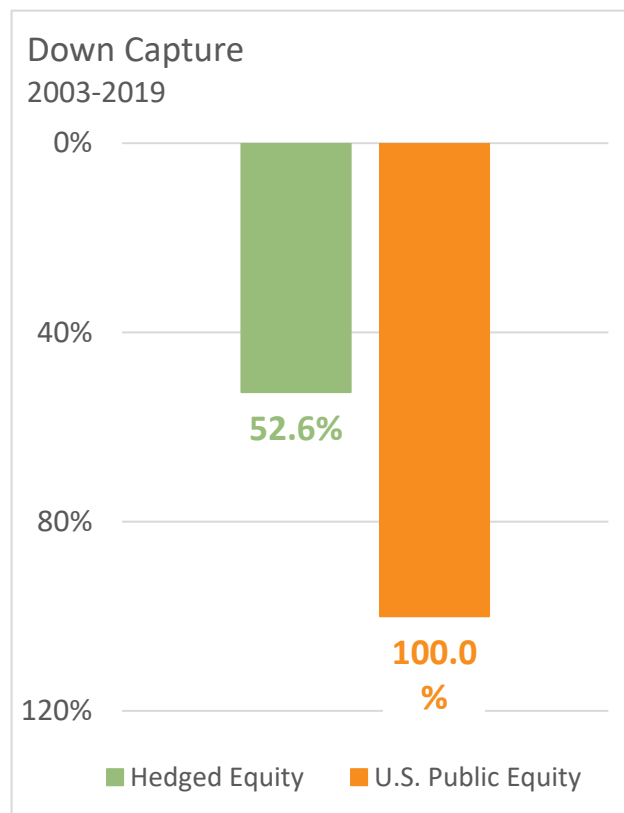
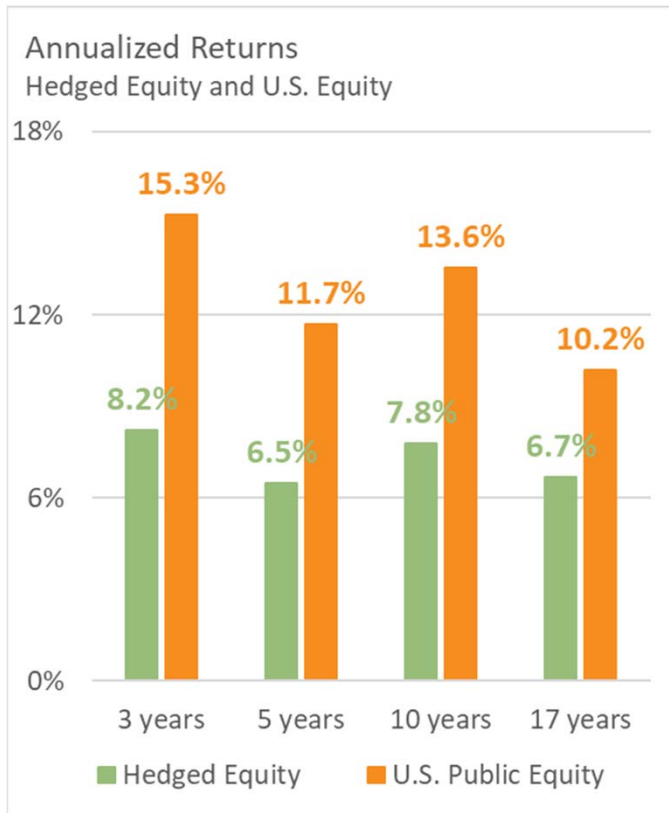
PUBLIC VS. PRIVATE CREDIT : CURRENT YIELDS



- Public market yields are near all-time lows.
- Private Credit markets offer higher yields to compensate for complexity and liquidity premiums.
- We expect these premiums to persist.

Low public fixed income yields → PRIVATE CREDIT

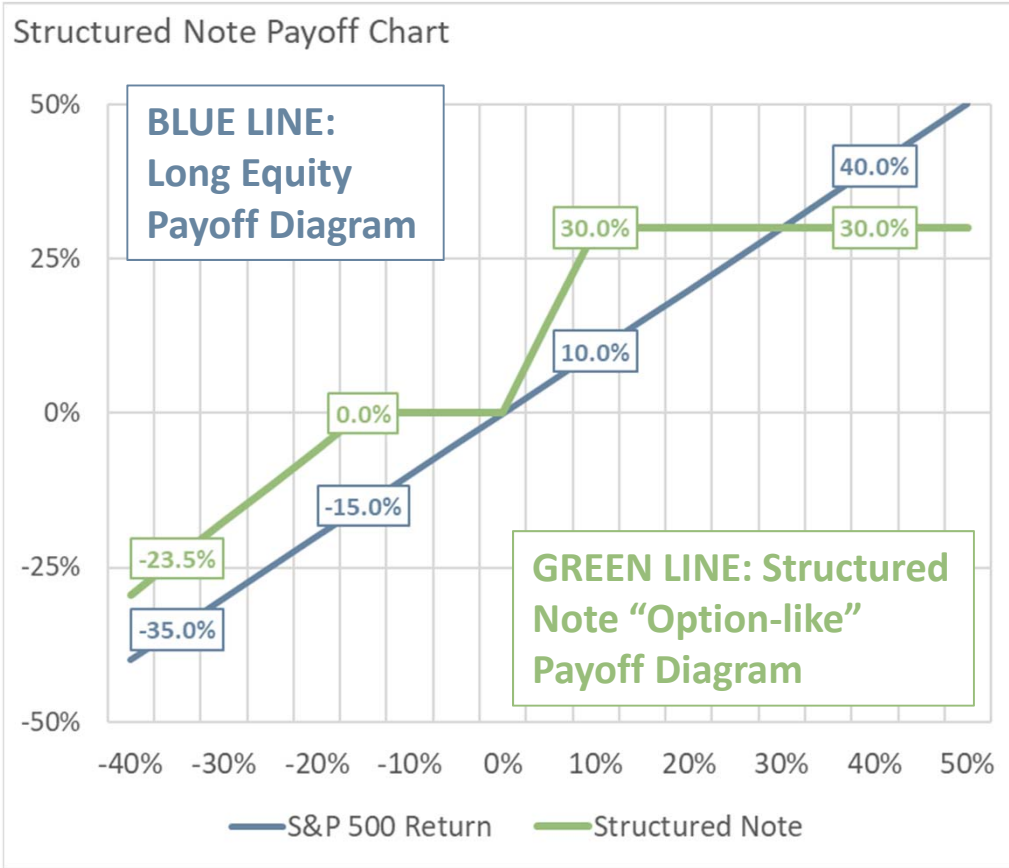
HEDGED EQUITY – HISTORICAL BETA VS. MARKET



- Hedged Equity: a conservative equity solution that helps provide a measure of downside protection.
- Smoother ride – investors are more likely to stay invested when the downside is managed.
- The Hedged Equity exposure can improve a client’s risk profile.

High capital market volatility → HEDGED EQUITY / STRUCTURED NOTES

EQUITY LINKED STRUCTURED NOTES



S&P 500 Return	Structured Note	Outcome	
-40.0%	-29.5%	Downside Buffer	
-35.0%	-23.5%		
-30.0%	-17.6%		
-25.0%	-11.8%		
-20.0%	-5.9%		
-15.0%	0.0%		
-10.0%	0.0%		
-5.0%	0.0%		
0.0%	0.0%		Neutral
5.0%	15.0%		300% Participation Zone
10.0%	30.0%		
15.0%	30.0%		
20.0%	30.0%	Better Upside versus the S&P	
25.0%	30.0%		
30.0%	30.0%	Maximum Return Zone	
35.0%	30.0%		
40.0%	30.0%		
45.0%	30.0%		
50.0%	30.0%		

Terms of the Note	
Upside	300% to cap
Buffer	15%
Max Return	30%
Gearing	118%

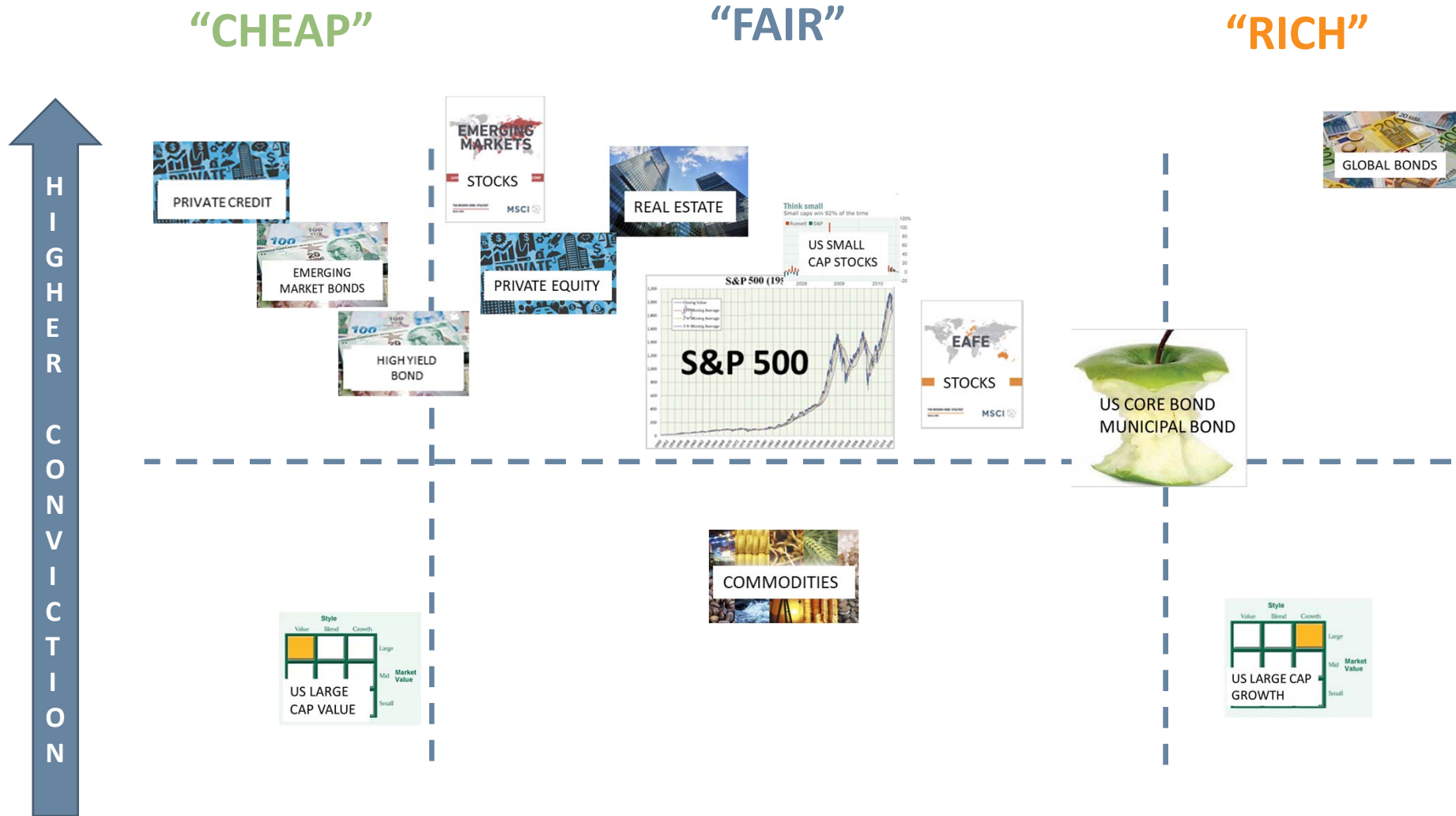
- **PROS:** Enhanced upside participation through greater than “one-to-one” equity market participation combined with buffered downside protection.
- **CONS:** Illiquid, exposure to bank credit risk.

High capital market volatility → HEDGED EQUITY / STRUCTURED NOTES

INVESTMENT CONCLUSIONS



ASSET CLASS PREFERENCES



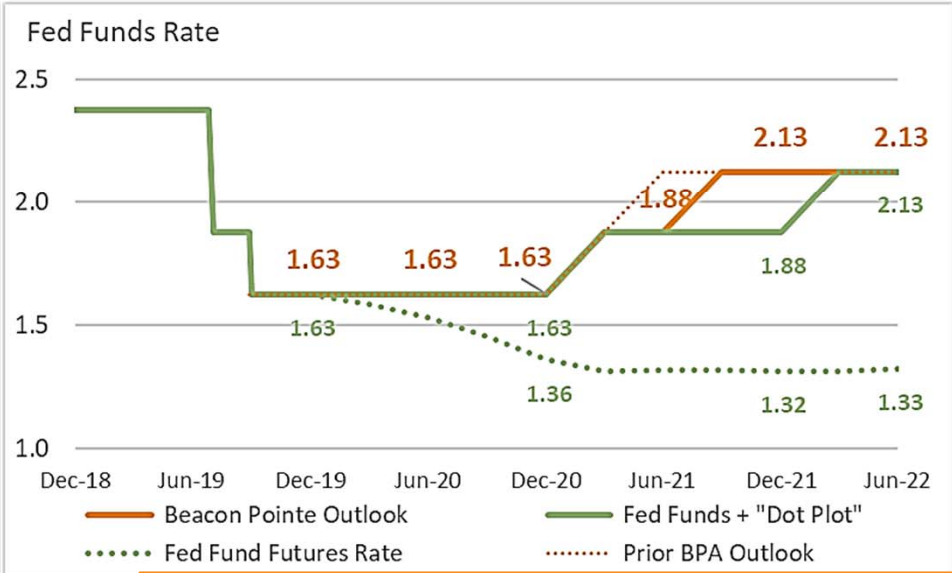
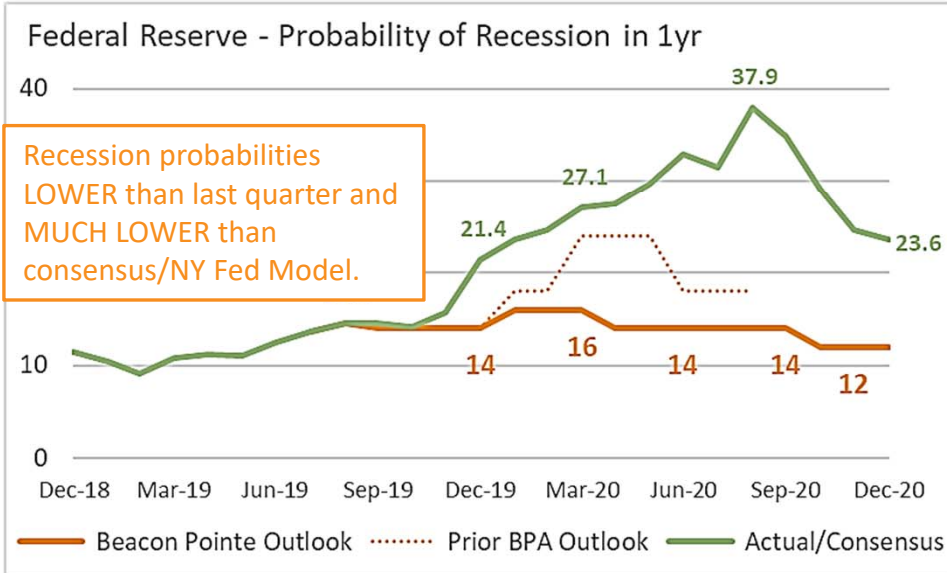
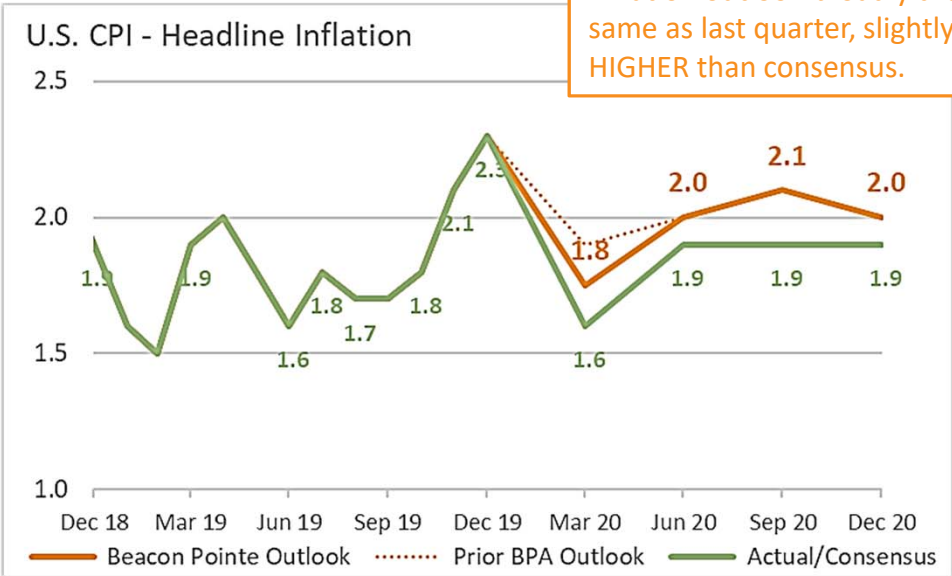
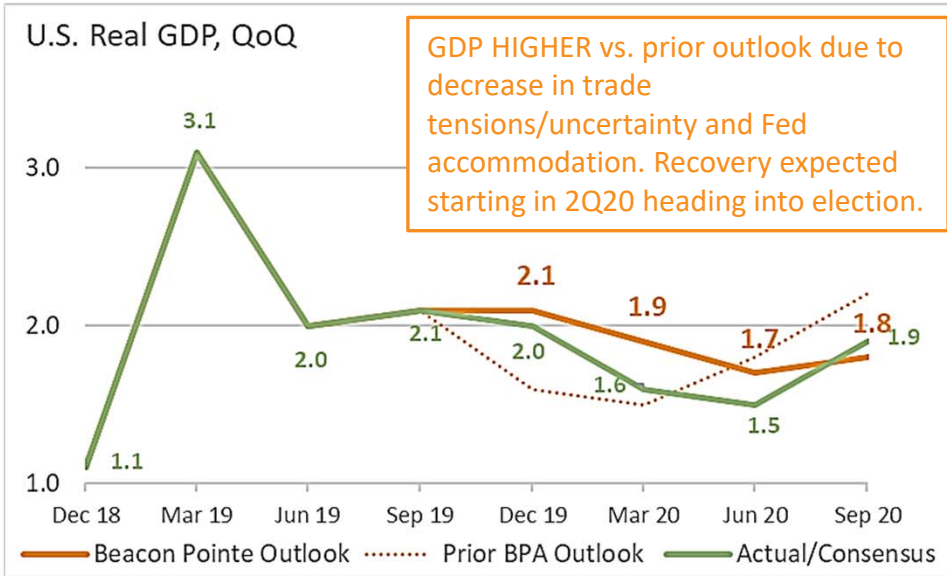
QUESTIONS?



APPENDIX



JAN 2020 MACRO MEETING VOTING RESULTS



Fed "on hold" for 2020, above consensus (Fed funds futures). Rate hikes forecasted in late-2020 and 2021 if economy allows.

IMPORTANT DISCLOSURES

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