YOU WILL LEARN

- How to thrive through up and down markets
- How to generate growth and income in a low-yield world
- How to reach short- and long-term goals by aligning with current conditions
Disclosures

This material is for informational purposes only. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and Jason Browne’s view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties.

Past performance is not indicative of future results. No investment is risk-free. Therefore, different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Alexis Investment Partners, LLC) will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Alexis Investment Partners, LLC. Please remember to contact us if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

Mutual funds and other securities may distribute taxable dividends and capital gains to investors. Taxes on such items can affect the returns realized from such investment income received from certain investments may be subject to the Alternative Minimum Tax (AMT). Please consult with your tax advisor before making any investment and consider the effect that taxes may have on returns.

Rebalancing assets in a portfolio can have tax consequences. Selling assets in a taxable account may result in a taxable gain. Alexis Investment Partners, LLC is neither a law firm nor a certified public accounting firm and no portion of this newsletter should be construed as legal or accounting advice.

Several of these slides are produced by 3rd parties as indicated on the slide. Alexis Investment Partners, LLC takes the data on those slides at face value and has not independently validated the data. Alexis Investment Partners, LLC has obtained permission to use these slides in presentations. These slides are not intended for broader distribution.

Alexis Investment Partners, LLC does not guarantee performance for any investment recommendation. Investors should consider investment objectives, risks, charges, and expenses before investing. Funds are selected for clients based on their individual goals and preferences and therefore some of the funds discussed in this newsletter may not be held in your portfolio.

Sowell Management and Alexis Investment Partners, LLC are independently owned and operated. Advisory services are offered through Sowell Management, an investment advisory firm registered with the Securities and Exchange Commission.
A Little Bit About Me - Not Afraid to Have an Opinion...

"Stocks Still Most Attractive"

"Rally to Continue"

"10% Correction Overdue"

"Opportunity to Sell Rally"

"I'd Take Chances Here... I Wouldn't Want to Be on the Sidelines"

"I Think We Go Higher"
Goals-based wealth management

**Short-term goals**
Includes emergency reserve fund of total spending needs for 3-6 months

**Medium-term goals**
5-10 years, e.g. college, home

**Long-term goals**
15+ years, e.g. retirement

---

**Range of stock, bond and blended total returns**
Annual total returns, 1950-2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Stocks</th>
<th>Bonds</th>
<th>50/50</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>47%</td>
<td>43%</td>
<td>-39%</td>
</tr>
<tr>
<td>5-year rolling</td>
<td>33%</td>
<td>28%</td>
<td>6%</td>
</tr>
<tr>
<td>10-year rolling</td>
<td>21%</td>
<td>19%</td>
<td>12%</td>
</tr>
<tr>
<td>20-year rolling</td>
<td>14%</td>
<td>15%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source (top chart): J.P. Morgan Asset Management.

Note: Portfolio allocations are hypothetical and are for illustrative purposes only. They were created to illustrate different risk/return profiles and are not meant to represent actual asset allocation.

---

DIVIDE AND CONQUER
Aligning your investment strategy by goal can help you take different levels of risk based on varying time horizons and make sure you are saving enough to accomplish all of your goals – not just the ones that occur first.
What You Can Know and Control

- What is your goal?
- Do you have the resources to fund it without risk?
- What are your return assumptions?
- What will you do if things don’t go as planned?
- What are the consequences?
Assumptions Based on Long-Term Performance
Time Value of Money:
Growth of $250,000 over 20-years
The Main Reason We Invest...

| Life expectancy probabilities |

If you’re 65 today, the probability of living to a specific age or beyond

<table>
<thead>
<tr>
<th>Year</th>
<th>Women</th>
<th>Men</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>94.1%</td>
<td>83.1%</td>
<td>11%</td>
</tr>
<tr>
<td>2017</td>
<td>85.7%</td>
<td>63.2%</td>
<td>22.5%</td>
</tr>
<tr>
<td>2080</td>
<td>89.5%</td>
<td>87.5%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Average life expectancy at age 85

- Women: 86%
- Men: 97%
- Couple: 90%

Table: Social Security Administration 2118 (OASI) Trustees Report

Probability at least one member of a same-sex female couple lives to age 90 is 55% and a same-sex male couple is 40%.

PLAN FOR LONGEVITY
Average life expectancy continues to increase and is a mid-point not an end-point. You may need to plan on the probability of living much longer – perhaps 30+ years in retirement – and invest a portion of your portfolio for growth to maintain your purchasing power over time.
Unfortunately, Most Don’t Save Enough
Some Good News…

Income replacement needs in retirement

Income replacement rate methodology
Hypothetical example based on gross annual household income of $150,000

<table>
<thead>
<tr>
<th>Pre-retirement</th>
<th>Post-retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>6%</td>
<td>47%</td>
</tr>
<tr>
<td>8%</td>
<td>27%</td>
</tr>
<tr>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Less pre-retirement savings</td>
<td>Less change in expenditures</td>
</tr>
<tr>
<td>Social Security benefit</td>
<td>Income needed to maintain an equivalent lifestyle</td>
</tr>
<tr>
<td>Amount required from private + employer sources</td>
<td></td>
</tr>
</tbody>
</table>

REPLACEMENT RATE: 74%

ESTIMATING RETIREMENT LIFESTYLE NEEDS
Less income may be needed in retirement to maintain an equivalent lifestyle due to no longer needing to save, lower spending in certain categories and lower income taxes.

Source: J.P. Morgan Asset Management analysis, 2019. Household income replacement rates are derived from an inflation-adjusted analysis of Consumer Expenditure Survey (CES) data (2013-2014). Social Security benefits using modified scaled earnings in 2019 for a single wage earner at age 65 and a spousal benefit at age 62 reduced by Medicare Part B premiums. The income replacement needs may be lower for households in which both spouses are working and the second spouse’s individual benefits are greater than their spousal benefit. Single household income replacement needs may vary as spending is typically less than a two spouse household; however, the loss of the Social Security spousal benefit may offset the spending reduction. Percentages and values may not sum due to rounding.
How Did Investments Perform?

Last 27 Years: 1991-2018

Strikingly Average Total Return, Despite the Rollercoaster Ride...
Returns are Rarely Normal: Timing Matters...

12 Years of Net Zero Total Return – 18 Years Under 6%!
**SEQUENCE OF RETURN RISK**

Withdrawing assets in down markets early in retirement can ravage a portfolio. Consider investment solutions that incorporate downside protection such as:

- Greater diversification among non-correlated asset classes
- Investments that use options strategies for defensive purposes
- Annuities with guarantees and/or protection features

**Assumptions (top chart):** Retire at age 65 with $1,000,000 and withdraw 5.2% of the initial portfolio value ($52,000). Increase dollar amount of withdrawal by 3.0% inflation each year (lower than the average inflation rate of the period between 1966-1995).

Source: J.P. Morgan Asset Management. Returns are based on a hypothetical portfolio, which is assumed to be invested 40% in the S&P 500 Total Return Index and 60% in the Barclays Capital U.S. Aggregate Index. The assumptions are presented for illustrative purposes only. They must not be used, or relied upon, to make investment decisions. There is no direct correlation between a hypothetical investment and the anticipated future return of an index. Past performance does not guarantee future results.
Life Happens
Don’t Let this be You...
Stocks Drop Every Year — Even Up Years!

Annual returns and intra-year declines

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 13.9%, annual returns positive in 29 of 39 years

Source: FactSet, Standard & Poor’s, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2018, over which time period the average annual return was 8.4%.

Guide to the Markets — U.S. Data are as of September 30, 2019.
Frequency of Pullbacks and Time to Recover

Figure 1. Average Number of Years Between Market Declines Since World War II

Table 1. S&P 500 Price Declines (December 1945 Through July 2016)

<table>
<thead>
<tr>
<th>Type of Decline</th>
<th>Number</th>
<th>Average Drop From Peak (%)</th>
<th>Duration (Months)</th>
<th>Time to Recovery (Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pullback (5.0%–9.9%)</td>
<td>50</td>
<td>-7</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Correction (10.0%–19.9%)</td>
<td>21</td>
<td>-14</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Bear Market (&gt;20%)</td>
<td>12</td>
<td>-33</td>
<td>14</td>
<td>25</td>
</tr>
<tr>
<td>&quot;Garden Variety&quot; Bear (20%–39.9%)</td>
<td>9</td>
<td>-26</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>&quot;Mega-Meltdown&quot; Bear (&gt;40%)</td>
<td>3</td>
<td>-51</td>
<td>23</td>
<td>58</td>
</tr>
</tbody>
</table>

Source: CFRA and S&P Dow Jones Indices.
Survey Results for Week Ending 10/30/2019

Data represents what direction members feel the stock market will be in next 6 months.

**HISTORICAL AVERAGE:** 38.0%

**BULLISH**
34.0%  
-1.6 Percentage point change from last week

**NEUTRAL**
37.6%  
+1.5 Percentage point change from last week

**BEARISH**
28.4%  
+0.2 Percentage point change from last week

*Note: Numbers may not add up to 100% because of rounding.*

The AII Investor Sentiment Survey has become a widely followed measure of the mood of individual investors. The weekly survey results are published in financial publications including Barron's and Bloomberg and are widely followed by market strategists, investment newsletter writers and other financial professionals.
Secular Bull and Bear Markets
S&P 500 Index at inflection points

S&P 500 Price Index

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Index Level</td>
<td>1,527</td>
<td>1,565</td>
<td>2,977</td>
</tr>
<tr>
<td>P/E Ratio (fwd.)</td>
<td>27.2x</td>
<td>15.7x</td>
<td>16.8x</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>1.4%</td>
<td>1.9%</td>
<td>2.1%</td>
</tr>
<tr>
<td>10-yr. Treasury</td>
<td>6.2%</td>
<td>4.7%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

- Mar. 24, 2000: P/E f(w.d.) = 27.2x, 1,527
- Dec. 31, 1996: P/E f(w.d.) = 16.0x, 741
- Oct. 9, 2002: P/E f(w.d.) = 14.1x, 777
- Oct. 9, 2007: P/E f(w.d.) = 15.7x, 1,565
- Mar. 9, 2009: P/E f(w.d.) = 10.3x, 677
- Sep. 30, 2019: P/E (f.w.d.) = 16.8x, 2,977

Source: Compustat, FactSet, Federal Reserve, Standard & Poor’s, J.P. Morgan Asset Management. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price to earnings ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by Factset Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.

Guide to the Markets – U.S. Data are as of September 30, 2019.
Price Matters! Even for Long-term Investors...
What About Bonds?
Lower Yield Hurts Return and Raises Risks
Not all Bonds are Alike
Cash May be a Viable Tool
Most Need Some Risk
Too Much Risk Is Better – Or Worse
Balanced Investing Has Worked
A Balanced Portfolio Has Been Less Volatile
Less Risk and Faster Recovery

Balance Helps Reduce Volatility and Speed Recovery...

Examples of 2 Year Faster Recovery: Consistency Matters!
Declines Hurt More than Advances...

<table>
<thead>
<tr>
<th>Recovery %</th>
<th>5%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>After Decline</td>
<td>$95,000.00</td>
<td>$90,000.00</td>
<td>$80,000.00</td>
<td>$70,000.00</td>
<td>$60,000.00</td>
</tr>
<tr>
<td>After Advance</td>
<td>$99,750.00</td>
<td>$99,000.00</td>
<td>$96,000.00</td>
<td>$91,000.00</td>
<td>$84,000.00</td>
</tr>
</tbody>
</table>
Drops Don’t Last Forever

S&P 500 Index at inflection points

S&P 500 Price Index

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>3/24/2000</th>
<th>9/30/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index Level</td>
<td>1,527</td>
<td>2,977</td>
</tr>
<tr>
<td>P/E Ratio (fwd.)</td>
<td>27.2x</td>
<td>16.8x</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>1.4%</td>
<td>2.1%</td>
</tr>
<tr>
<td>10-yr. Treasury</td>
<td>6.2%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Source: Compustat, FactSet, Federal Reserve, Standard & Poor’s, J.P. Morgan Asset Management.

Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price to earnings ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.

Guide to the Markets – U.S. Data are as of September 30, 2019.
Risk Matters: Safe Withdrawal Rates
If there’s time...

IDEAS TO HELP IMPROVE PERFORMANCE WITH SIMILAR RISK

REASONS FOR ENCOURAGEMENT AND CAUTION

HELPFUL TIPS FOR MARKET TIMERS

IF WE DON’T GET TO THESE TODAY, FEEL FREE TO CHECK BACK WITH ME INDIVIDUALLY AND WE CAN DISCUSS THESE AND MORE
YOU HAVE LEARNED

- How to thrive through up and down markets
- How to generate growth and income in a low-yield world
- How to reach short- and long-term goals by aligning with current conditions
Other Potentially Helpful Thoughts

• Be flexible
  • Consider Covered Calls
  • Consider Alternative Assets
  • Consider Active Management

• If you can participate more in advances than declines – you end up ahead
  • Have a plan to buy incrementally into declines
  • Be Patient
  • Be Realistic

• Keep things simple
  • Don’t do what you don’t understand… Ask questions!

• Keep learning

• Seek help if needed

• Err on the conservative side
  • Your goals matter more than your pride
Navigating the Stock Market Roller Coaster

• Valuation
  • Best Predictor of Long-term performance

• Trend/Momentum
  • Don’t Fight the Tape
  • Don’t Stay Wrong

• Monetary Conditions
  • Don’t Fight the Fed

• Sentiment and other indicators
Jason Browne
925-457-5258
jason@alexisinvests.com
www.alexisinvests.com