

Wealth Management Update and Q&A

REDW Wealth_{LLC} expertise.

August 19, 2020 Presented by:
Paul Madrid, CFA[®], CFP[®], AIFA[®], Principal
Daniel Yu, CFA[®], AIF[®], Chief Investment Officer
Robert Elzholz, CRPC[®], AIF[®], AAMS, Senior Investment Manager

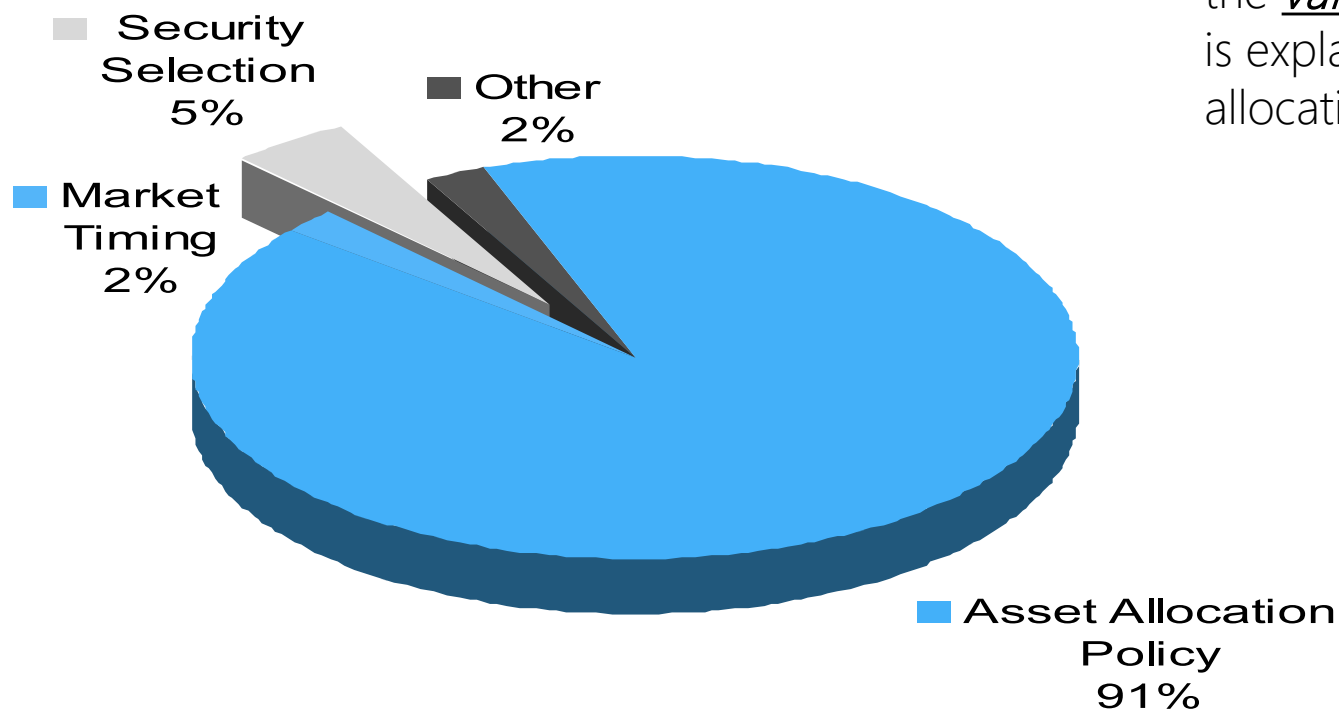
- Welcome
- Strategy Target Updates
- Factor Tilt Updates
- US Equity Mix Updates
- Questions & Answers



REDW Wealth LLC

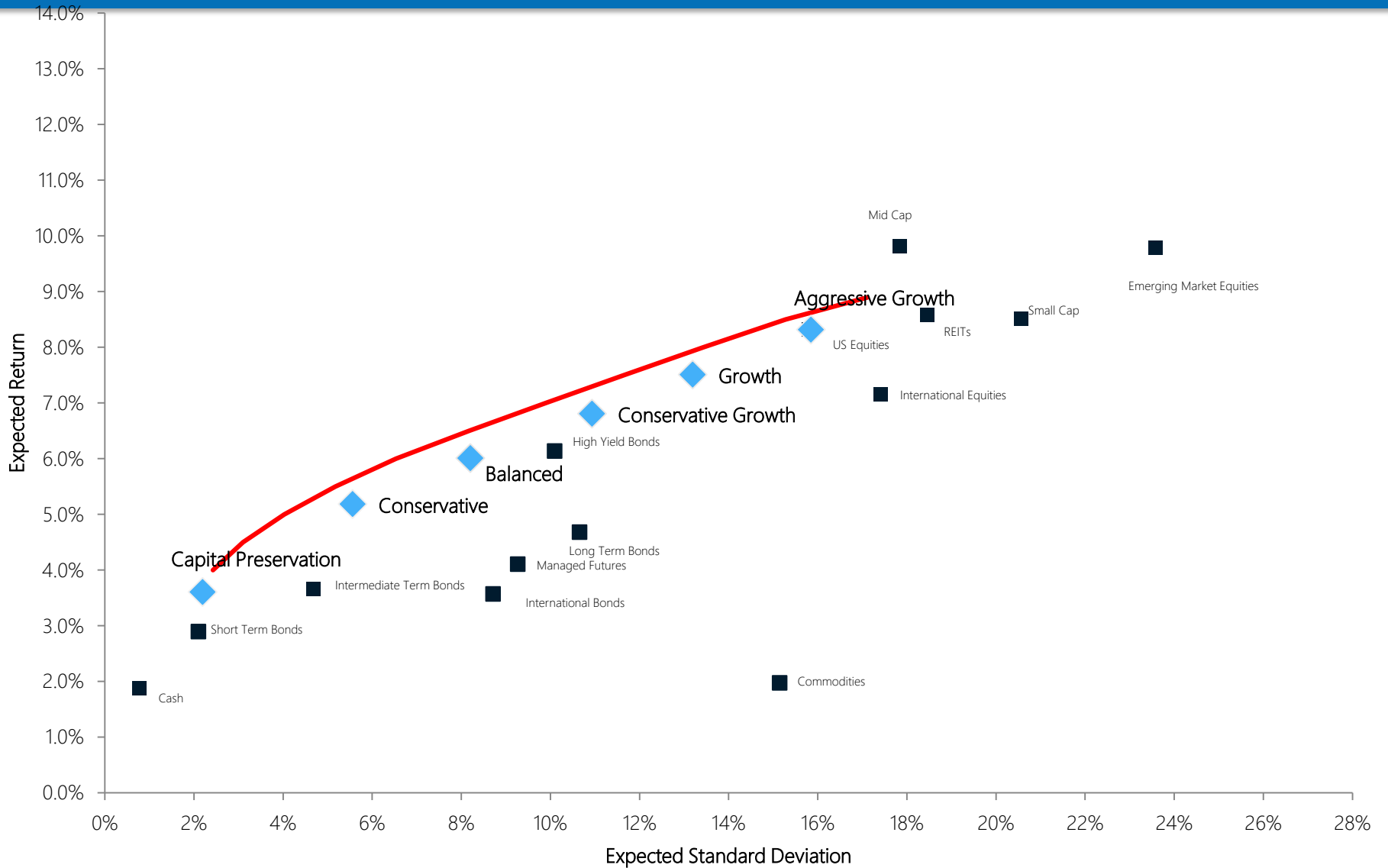
Strategy Target Updates

- CMA – expected returns, risk, and correlation forecasts for various asset classes.
 - Long term projections (>10 years)
 - Builds long term strategic asset allocation
 - Guides short term tactical asset allocation
- Process
 - Begins with massive amount of data
 - Ends with modeling potential changes



On average, 93.6% of the variation in returns is explained by asset allocation!

Source: Gary B. Brinson, L. Randolph Hood and Gilbert L. Beebower, "Determinants of Portfolio Performance," Financial Analyst Journal, 1994.



Asset Allocations

Asset Class	Capital Preservation	Conservative	Balanced	Conservative Growth	Growth	Aggressive Growth
US Equities	10.00%	34.50%	40.00%	46.00%	53.50%	60.00%
International Equities	0.00%	2.50%	5.00%	9.00%	9.00%	5.00%
Emerging Market Equities	0.00%	0.00%	5.00%	10.00%	14.00%	25.00%
REITs	0.00%	3.00%	5.00%	5.00%	6.00%	5.00%
Intermediate Term Bonds	35.00%	25.00%	20.00%	15.00%	10.00%	0.00%
Short Term Bonds	45.00%	30.00%	20.00%	10.00%	2.50%	0.00%
Cash	10.00%	5.00%	5.00%	5.00%	5.00%	5.00%

- Reducing REITs
 - Strong historical performance but expected to slow
- Reducing International Equities
 - High correlation to US equities but lower returns
- Increasing US Equities
 - Shifting REITS (US equity component) and good Sharpe ratio
- Increasing Emerging Market Equities
 - Lower correlation to US equities and higher expected growth

REDW Wealth LLC Factor Tilt Updates

- Use of Factors have been increasing
- Foundational work done by Eugene Fama and Ken French
- Common Factors:
 - Market
 - Size
 - Value
 - Momentum
 - Minimum Volatility
 - Profitability/Quality

Dimensions of Expected Returns

Historical premiums and returns (annualized): US, Developed ex US, and Emerging Markets

Company Size

Relative performance of small cap stocks vs. large cap stocks (%)



• [Information provided by Dimensional Fund Advisors LP.](#)

• **Past performance is no guarantee of future results. Actual returns may be lower.**

• In USD. **Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment.** MSCI indices are gross div. For US stocks, indices are used as follows. Small Cap minus Large Cap: Dimensional US Small Cap Index minus the S&P 500 Index. Value minus Growth: Fama/French US Value Research Index minus the Fama/French US Growth Research Index. High Prof minus Low Prof: Fama/French US High Profitability Index minus the Fama/French US Low Profitability Index. For developed ex US stocks, indices are used as follows. Small Cap minus Large Cap: Dimensional International Small Cap Index minus the MSCI World ex USA Index. Value minus Growth: Fama/French International Value Index minus the Fama/French International Growth Index. High Prof minus Low Prof: Fama/French International High Profitability Index minus the Fama/French International Low Profitability Index. For Emerging Markets stocks, indices are used as follows. Small Cap minus Large Cap: Dimensional Emerging Markets Small Cap Index minus MSCI Emerging Markets Index. Value minus Growth: Fama/French Emerging Markets Value Index minus Fama/French Emerging Markets Growth Index. High Prof minus Low Prof: Fama/French Emerging Markets High Profitability Index minus the Fama/French Emerging Markets Low Profitability Index. S&P and S&P/TSX data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. MSCI data © MSCI 2020, all rights reserved. See "Index Descriptions" in the appendix for descriptions of Dimensional and Fama/French index data.

Historical Performance of Premiums over Rolling Periods

US Markets

Overlapping Periods: July 1926–December 2019

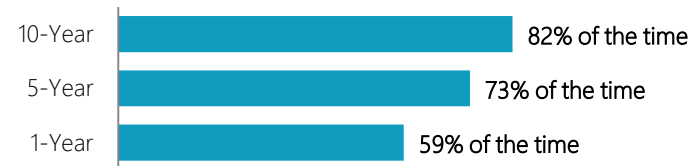
MARKET beat T-BILLS



Market is Fama/French Total US Market Research Index.
T-Bills is One-Month US Treasury Bills.
There are 1,003 overlapping 10-year periods, 1,063 overlapping 5-year periods, and 1,111 overlapping 1-year periods.

Overlapping Periods: July 1926–December 2019

VALUE beat GROWTH



Value is Fama/French US Value Research Index.
Growth is Fama/French US Growth Research Index.
There are 1,003 overlapping 10-year periods, 1,063 overlapping 5-year periods, and 1,111 overlapping 1-year periods.

Overlapping Periods: June 1927–December 2019

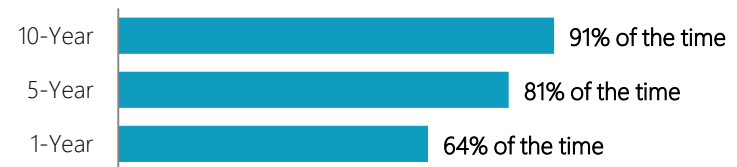
SMALL beat LARGE



Small is Dimensional US Small Cap Index.
Large is S&P 500 Index.
There are 992 overlapping 10-year periods, 1,052 overlapping 5-year periods, and 1,100 overlapping 1-year periods.

Overlapping Periods: July 1963–December 2019

HIGH PROFITABILITY beat LOW PROFITABILITY

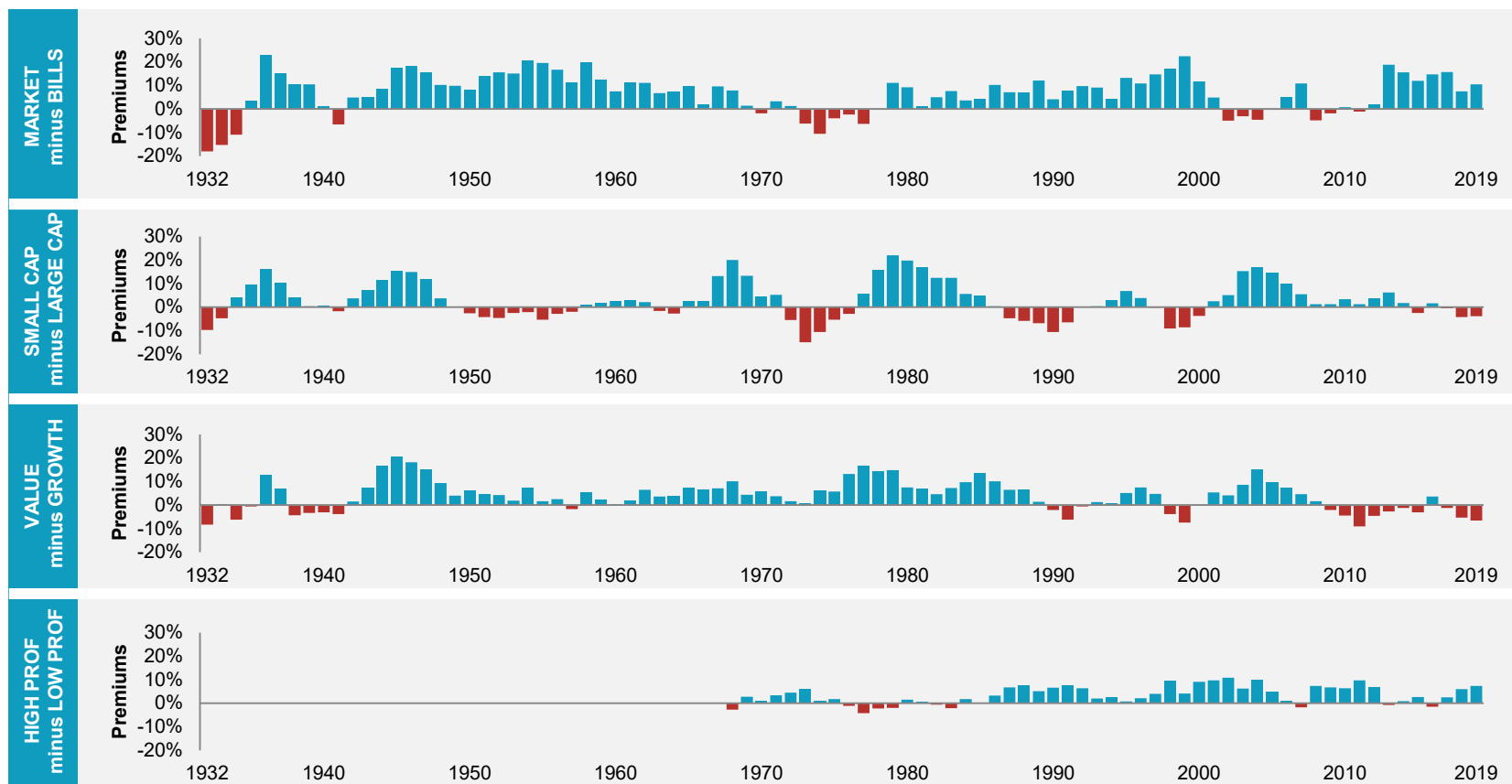


High is Fama/French US High Profitability Index.
Low is Fama/French US Low Profitability Index.
There are 559 overlapping 10-year periods, 619 overlapping 5-year periods, and 667 overlapping 1-year periods.

- [Information provided by Dimensional Fund Advisors LP.](#)
- **Past performance is no guarantee of future results. Actual returns may be lower.**
- In USD. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Based on monthly rolling differences in annualized returns over the periods listed. Rolling multiyear periods overlap and are not independent. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. "One-Month Treasury Bills" is the IA SBBI US 30 Day TBILL TR USD, provided by Morningstar. S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. See "Index Descriptions" in the appendix for descriptions of Dimensional and Fama/French index data.

Historical Observations of Five-Year Premiums

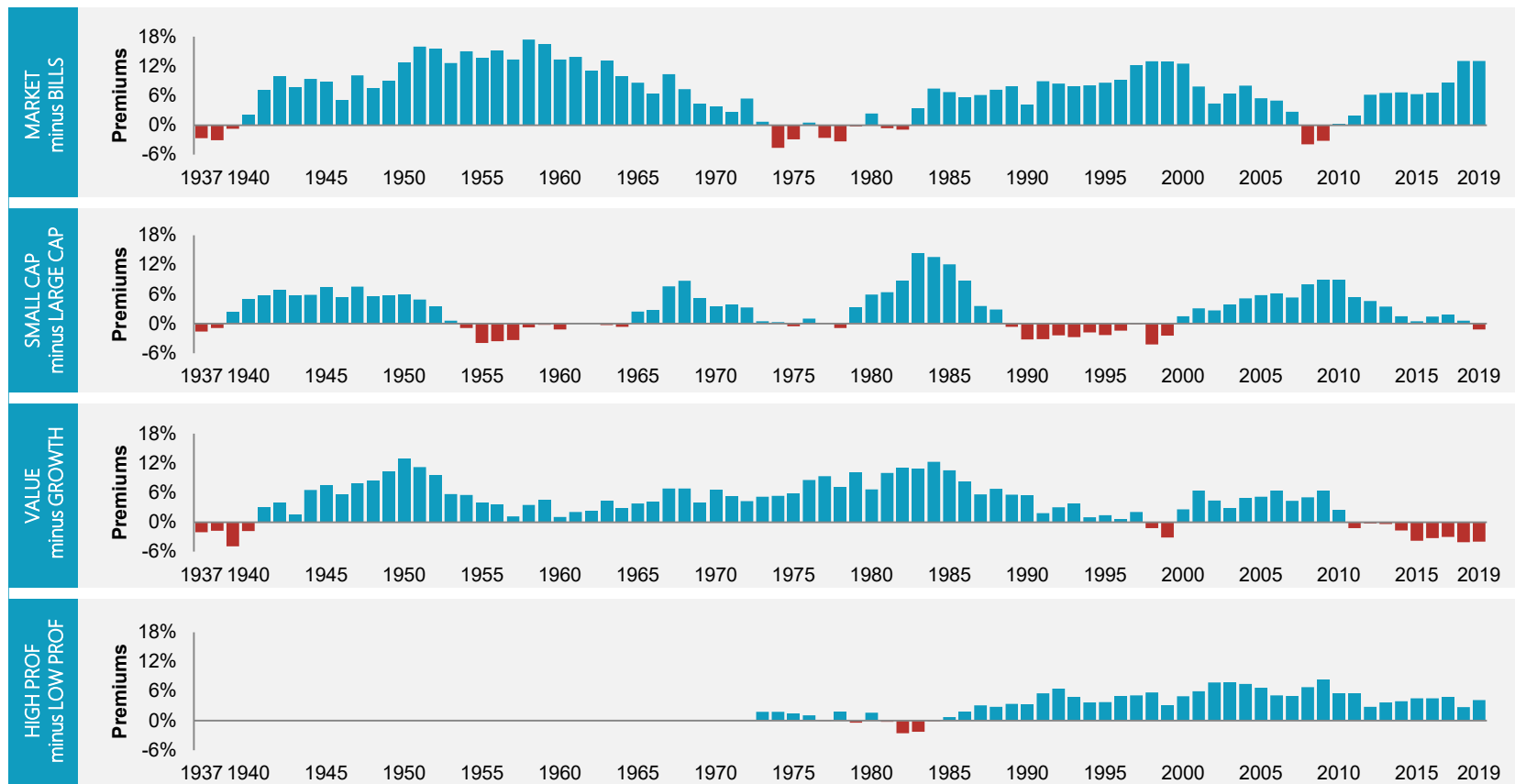
Equity, size, relative price, and profitability: US Markets



- Information provided by Dimensional Fund Advisors LP.
- Past performance is no guarantee of future results. Actual returns may be lower.
- In USD. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Five-year premiums are calculated as the difference in annualized five-year returns between the two indices described. Market minus Bills: Fama/French Total US Market Research Index minus the One-Month US Treasury Bill, which is the IA SBBI US 30 Day TBill TR USD, provided by Morningstar. Small Cap minus Large Cap: Dimensional US Small Cap Index minus the S&P 500 Index. Value minus Growth: Fama/French US Value Research Index minus the Fama/French US Growth Research Index. High Prof minus Low Prof: Fama/French US High Profitability Index minus the Fama/French US Low Profitability Index. S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. See "Index Descriptions" in the appendix for descriptions of Dimensional and Fama/French index data.

Historical Observations of 10-Year Premiums

Equity, size, relative price, and profitability: US Markets



- Information provided by Dimensional Fund Advisors LP.
- Past performance is no guarantee of future results. Actual returns may be lower.
- In USD. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. 10-year premiums are calculated as the difference in annualized 10-year returns between the two indices described. Market minus Bills: Fama/French Total US Market Research Index minus the One-Month US Treasury Bill, which is the IA SBB1 US 30 Day TBill TR USD, provided by Morningstar. Small Cap minus Large Cap: Dimensional US Small Cap Index minus the S&P 500 Index. Value minus Growth: Fama/French US Value Research Index minus the Fama/French US Growth Research Index. High Prof minus Low Prof: Fama/French US High Profitability Index minus the Fama/French US Low Profitability Index. S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. See "Index Descriptions" in the appendix for descriptions of Dimensional and Fama/French index data.

Why the Focus on Profitability/Quality

- Level of Performance – its average return is equal or greater than size or value
- Persistence of the factor – it shows up more often than the others
- Other factors are assigned to a stock by the markets – value, size, momentum, volatility are all relative to other market participants
- Profitability/Quality are the areas of focus of management – No company has a goal to be the “best” Large Cap Value stock, but every company focuses on profitability in some time frame
- REDW Wealth Investment Committee approved the use of DURPX/JQUA in the US Equity portfolio

REDW Wealth LLC US Equity Mix Updates

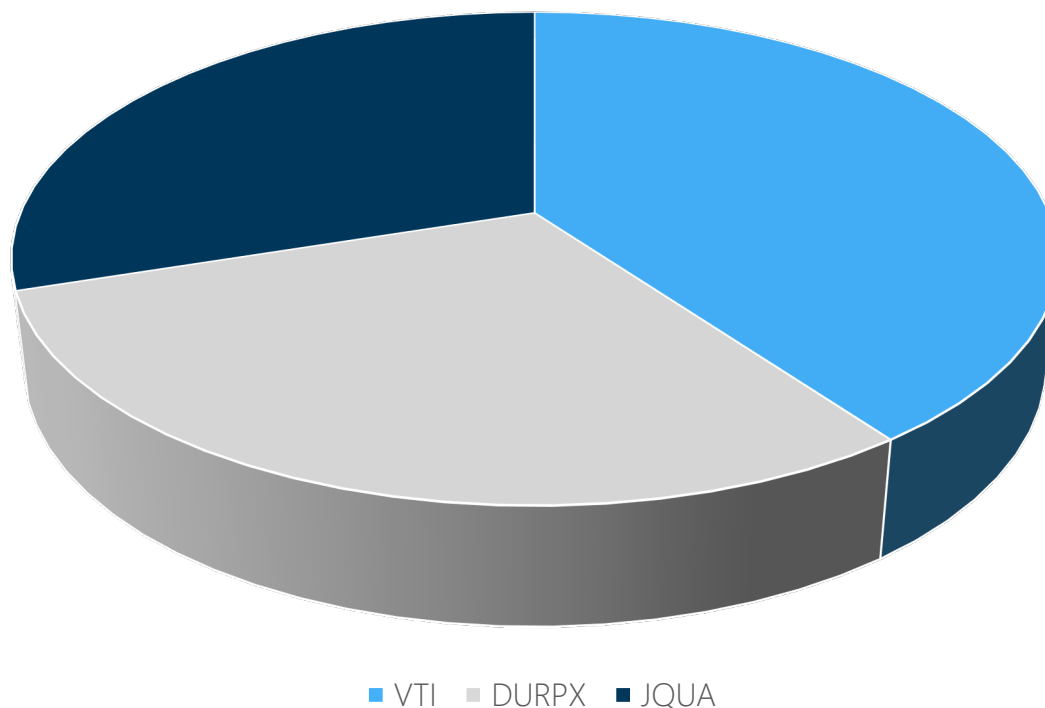
- 90% of your portfolio return
- 93.6% of your portfolio volatility

“You should have a strategic asset allocation mix that assumes that you don’t know what the future is going to hold”

Ray Dalio

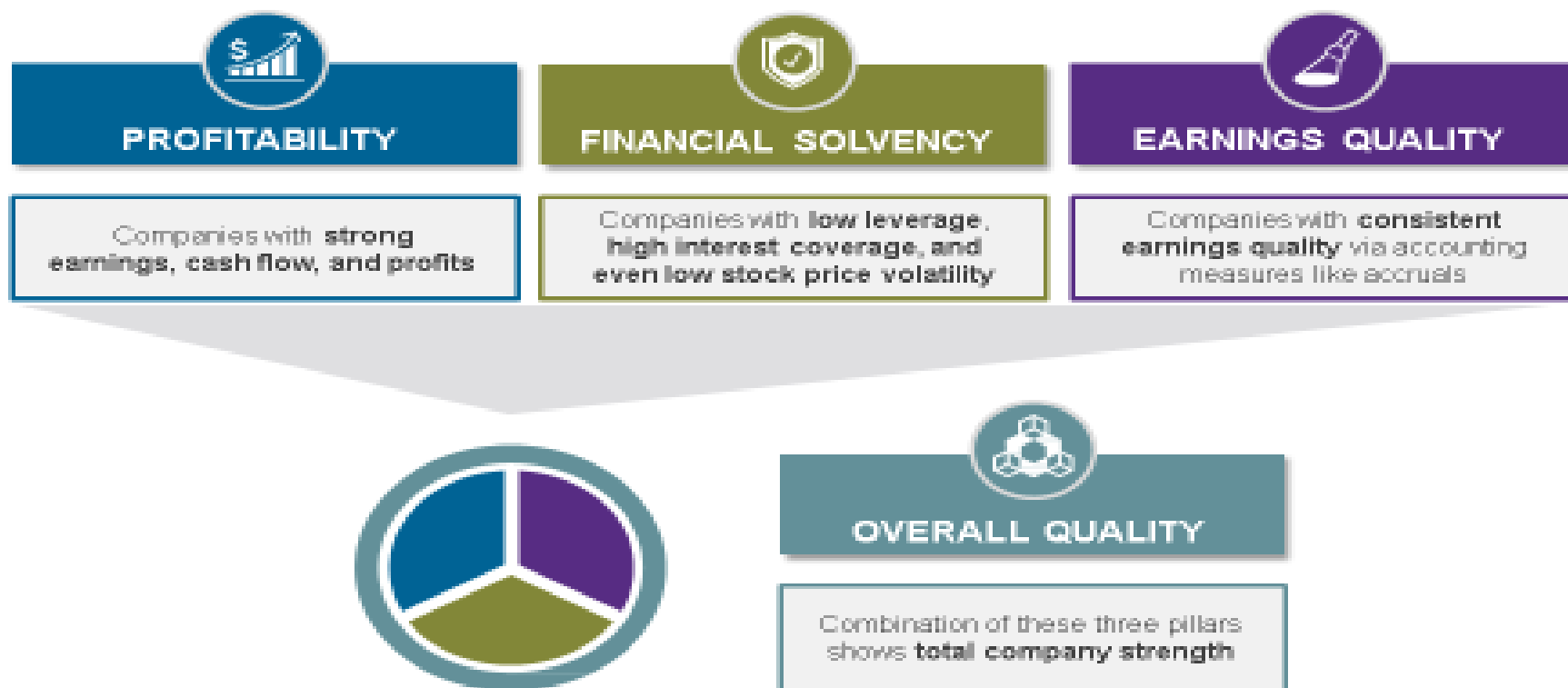
- Vanguard Total Stock Market ETF (VTI)
- DFA US Hi Relative Profitability Institutional (DURPX)
- JP Morgan US Quality ETF (JQUA)

US Equity Allocation



- Tracks the US Total Stock Market
- Index
- Fully Invested
- Minimizes tracking error

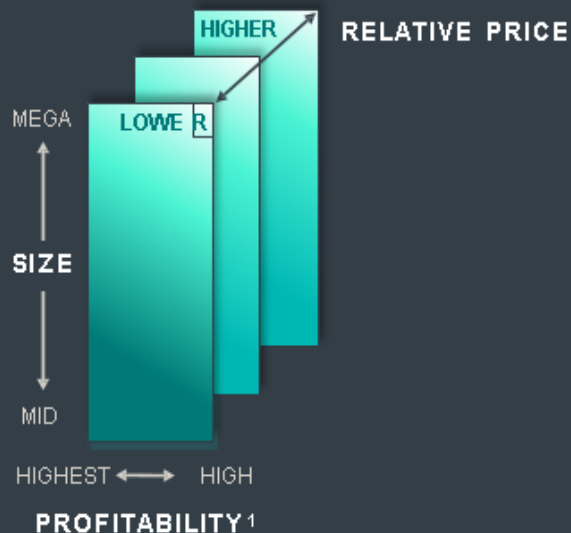
Multiple dimensions of quality are necessary to find the strongest companies



For illustrative purposes only

What the Portfolio Can Buy

US High Relative Profitability Portfolio as of March 31, 2020



ELIGIBILITY AND WEIGHTING GUIDELINES

Eligible Markets	United States
Security Selection	Large and mid cap value stocks: <ul style="list-style-type: none"> – largest 90% of stocks by market cap – highest 35% of stocks by profitability¹
Security Weighting	Within large and mid cap high profitability ¹ , overweight: <ul style="list-style-type: none"> – mid caps – lower relative price stocks – higher profitability¹ stocks
Refinements	Exclude REIT and highly-regulated utility securities
Concentration Controls	Target broad coverage of eligible securities to achieve diversification across names and sectors Maximum 10% sector overweight relative to the style-neutral, size-eligible universe

1. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book.

Not comprehensive. Portfolio is governed by the prospectus. The criteria the Advisor uses for assessing securities on company size, relative price, profitability, or asset growth are subject to change from time to time.

The implementation in your portfolio will be based on many factors. As usual the tax implication on your portfolio will be reviewed and taken into account before any changes will be made.

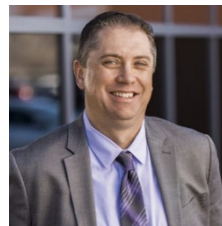
Since these updates are based on long term assumptions, we have some time to implement over the coming months.

If you have any questions about your portfolio, please contact your Relationship Manager.

REDW Wealth LLC
CPAs | Advisors



Daniel Yu, CFA[®], AIF[®],
Chief Investment Officer
dyu@redw.com



Robert Elzholz, CRPC[®],
AIF[®], AAMS, Senior
Investment Manager
Robert.elzholz@redw.com



Paul Madrid, CFA[®], CFP[®],
AIF[®], Principal
pmadrid@redw.com