Searching for Yield In An Uncertain World

Why You Need Alternative Investments in Your Portfolio

HALBERT WEALTH MANAGEMENT
CHALLENGING WALL STREET'S CONVENTIONAL WISDOM

The #1 concern we've heard from investors over the last few years is the fact that they're earning next to nothing on many of their income investments. Even though the Fed has been gradually increasing rates, there has been little relief for those investors seeking to generate reasonable income on their investments.

The #2 concern we've heard from investors is that they increasingly want investments that generate **dependable income**, without a lot of volatility**.** Unfortunately, volatility appears to be an ongoing issue for both stocks and bonds.

Income investors have few attractive alternatives. Adding money to their low yielding bond portfolios can be risky with interest rates on their way up. Recall that when interest rates rise, bond prices often fall.

Many investors considering adding any more money to their stock market investments to increase yields are concerned about the increased volatility in the markets. A major correction would be very painful for equity investors and it could take years to recover the losses.

With investors so frustrated in their search for yield, we made it our mission in the last few years to go out and find investment managers with the ability to **generate attractive income** but operate outside of the realm of traditional stocks and bonds. This offers investors a way to diversify their portfolio, which is very important now with all the volatility in the markets these days.

As I will discuss below, we were able to find strategies that met our stringent requirements, including attractive performance results net of all fees and expenses.

But first, let's look at some of the reasons investors are so frustrated in their search for yield in today's markets.

Dismal Yields on Income Investments

Investors searching for yield on their income investments these last few years have struggled. Savings and money market accounts continue to provide very minimal returns, and even longer-term options like CDs have rarely even kept up with inflation.

Bond investors haven't fared much better. Yields on 10-year Treasury notes are around 3%, and as interest rates continue to go up, bond values will likely drop. More unwelcome news for bond investors. The bull market in Treasuries appears to be over.

While equities have gone up since the presidential election, many investors are now worried that the market is becoming overvalued. There hasn't been a bear market in nearly 10 years. Remember, the last bear market saw a **50% drop in the S&P 500** – that was painful for many investors. It took years for many to recoup their losses.

Stock & Bond Correlation Isn't What It Used to Be

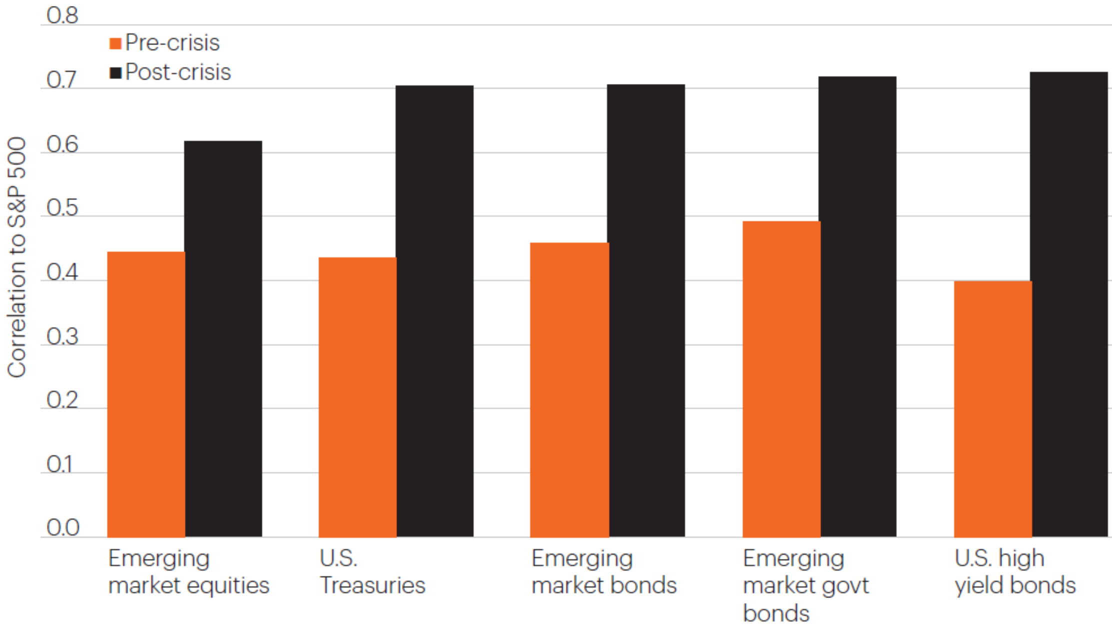
One inherent challenge to building a diversified portfolio in today's market is finding investments that provide attractive returns, but that also behave differently than other assets in a portfolio. This is important for diversification – you don't want all your investments to go down at the same time.

Correlation measures the degree to which assets move together and is measured on a scale from -1 to +1. Positively correlated investments tend to move in the same direction. Negatively correlated investments tend to move in the opposite direction from each other.

Before the 2008 financial crisis, many investors believed that a portfolio composed of 60% equities and 40% fixed income provided sufficient income and diversification. However, stocks and bonds are **now more correlated** than they were in the past, causing many to reconsider this strategy.

As the chart below shows, correlations across stocks and bonds have **increased significantly** since the financial crisis. Emerging market equities, U.S. Treasuries, emerging market bonds, emerging market government bonds and U.S. high yield bonds are all now more correlated to U.S. stocks than they were in the past. This could continue in the future.

U.S. Stock & Bond Correlations Rise Significantly



Source: International Monetary Fund, Global Financial Stability Report

Since the correlation between stocks and bonds continues to be a problem, it is more important to find **different asset classes and investment strategies** that have low correlations to stocks and bonds.

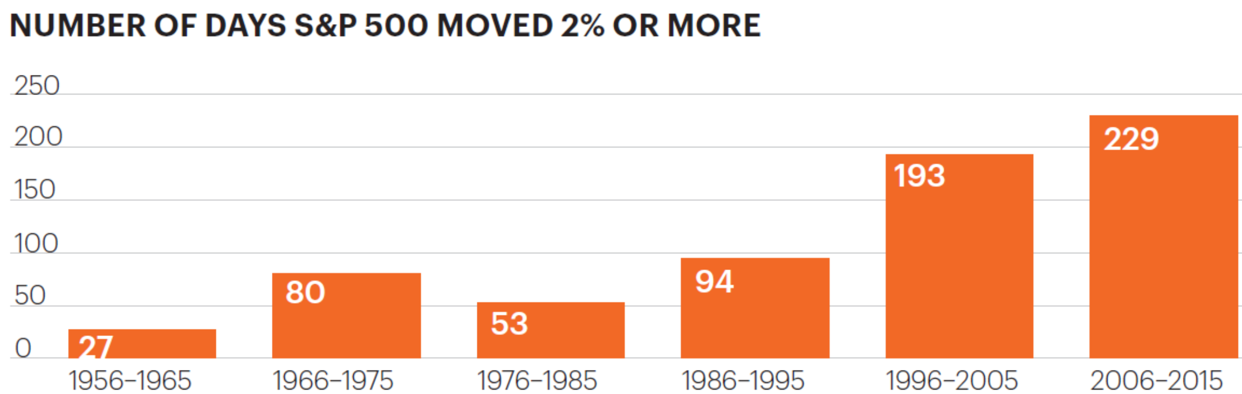
Let's not forget that the S&P 500 Index lost over 50% in 2008-2009. Bonds lost over 50% in the early 80s when the prime rate went above 14%. If you invest in strategies highly correlated to stocks or bonds, you could experience similar painful losses.

Stock Market Volatility Has Increased Dramatically

There's another reason why investors are reluctant to add to their equity allocation to generate yield. Stock market volatility has gone through the roof so far this year.

The chart below shows that the number of days the S&P 500 Index moved up or down 2% or more in a single day has risen dramatically over the past two decades. Though volatility was relatively low in 2017, it has increased significantly this year.

There were **422 days** when the S&P 500 moved up or down 2% or more in a single day between 1996 and 2015, compared to only 254 episodes in the previous 40 years combined. No wonder more and more investors are uncomfortable adding to their equity allocations. Many have in fact decreased their equity exposure as a result.



Source: Bloomberg

Just as stocks have experienced increased volatility, bonds have also undergone periods marked by increasingly large price swings.

Typically thought of as “safe-haven” investments, U.S. government bond volatility rose **46%** in June 2013 (during the so-called “Taper Tantrum”) and **40%** in the first six weeks of 2015. Bond prices continue to be volatile as the Fed raises interest rates and fears of inflation grow.

Each of these periods suggest that the bond markets (even safe-haven investments such as U.S. Treasuries) have become increasingly susceptible to quick shifts in market sentiment and spikes in volatility. And despite increases in interest rates, the coupon payments on these are still not what many income investors are seeking.

The Need to Diversify in This Uncertain World

Most everyone reading this report understands how important it is to diversify your investment portfolio. With all the uncertainties of an unconventional president, increasing stock market volatility, interest rates on their way up, ballooning debt levels in the US, plus all the trouble spots around the world, there is a great deal of uncertainty. This makes diversification even more important.

Yet proper diversification today requires more than a traditional allocation to stocks and bonds, since the correlation among these two assets has **increased** since the Great Recession.

There are several theories as to why this has happened, but what matters now is for investors to understand that they need to diversify their traditional portfolio with ***“Alternative Investments.”***

What Are "Alternative" Investments?

Alternative Investments are assets that are not considered conventional assets, like stocks, bonds and cash. Here are several examples of Alternative Investments:

Examples of Alternative Investments

- **Private Equity** – Funds which help purchase, finance and grow private companies, usually for common equity
- **Real Estate** – Usually commercial real estate with the goal of rental income or capital appreciation
- **Hedge Funds** – Investment pools that invest in a wide array of assets across many markets
- **Life Insurance** – Life policies are purchased from those no longer needing them to earn gains on investment
- **Secured Loans** – Provides debt financing to private companies which is secured by the company's assets

People invest in Alternative Investments for various reasons. One is for diversification. Alternative Investments often behave differently than traditional investments. Some can do well whether the markets are going up or down.

Alternative Investments can also give you exposure to different segments of the market that can earn returns in different ways. This can give your portfolio the additional potential for gains that you may not be getting anywhere else.

Also, many alternative investments are longer-term investments, some even requiring minimum time commitments. This can be a benefit because investors are not constantly redeeming their funds or simply investing to make a quick gain, which can be a disadvantage to the other investors who are investing for the long haul.

Some Alternative Investments also have minimum standards for who can invest in them. This can be a benefit because these investors may be more sophisticated with a realistic and long-term approach to their investments. Therefore, the investment managers are not looking to please the whims of the masses, but rather make their investment decisions based on what's best in the long run.

Investors Need Options for Yield: We Have Them

Yield - that's what we're all looking for, right? Absolutely right! That's what this ***Special Report*** is all about. We have strategies which have delivered attractive results without investing in traditional stocks or bonds.

All these investments are designed to generate income using alternative strategies often not highly correlated to the stock and bond markets. This can be an excellent way to help diversify your portfolio.

If you are an "accredited investor", you need to let us know ASAP. Why? Because some strategies are only available to accredited investors. We can only share more information with you once you confirm you are accredited.

What is an ***accredited investor***? An accredited investor is generally someone with a net worth of at least $1 million (not including primary residence) or an annual income of at least $200,000 for the last two years (or joint income with your spouse in excess of $300,000 for the last two years).

Please understand that the rules regarding accredited investors are not set by us but are determined by regulating agencies. While we don't necessarily agree with these rules, we must comply with them. Likewise, we don't have a say in which investments are restricted to accredited investors.

The point is, if you want to *SEE ALL OF THE INVESTMENTS WE OFFER*, you need to let us know if you are an accredited investor. Remember, your financial information is completely private with us.

So if you are an ***accredited investor***, be sure to use the link below and complete our short certification form so we can provide you with information on these unique programs:

www.halbertweath.com/certify

These successful strategies can help you generate income in your portfolio - without being highly correlated with the stock and bond markets. If you have already completed this form, call us at **800-348-3601** and we can provide you with detailed information.

Alternative Investments for Non-Accredited Investors

If you are not accredited, we have strategies for you too. We have strategies that invest in real estate, which tends not to be highly correlated to the financial markets. These are Real Estate Investment Trusts, or REITs, which are required to distribute at least 90% of the income they generate. This provides ongoing income to investors, while also having the potential for capital appreciation.

These investments should be a **serious consideration** for most any sophisticated investor who is seeking income and diversification. The low correlation to the stock markets is also an attractive feature of REITS.

We also have other strategies that you may want to consider, depending on your needs and goals. Call us to learn more.

Call Now to Learn More About These Income Opportunities

These strategies have a history of generating **predictable income**. They give you the potential to generate income and diversify your portfolio away from traditional stocks and bonds. (Past performance is no guarantee of future performance.)

Again, if you are an accredited investor, let us know so we can share information about all the strategies with you. Whether accredited or not, you should seriously consider the option described above. We also have several other risk managed programs for all investors.

Call us today at 800-348-3601 to learn more about these attractive income strategies. We can provide you with detailed information, including their actual returns.

We are very excited to have found these income strategies. They provide unique options for clients seeking predicable income in an uncertain world.

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Past results are not necessarily indicative of future results. All investments have a risk of loss. Be sure to read all offering materials and disclosures before making a decision to invest.