

# Chicago Partners

## Q2 2024 Quarterly Conference Call

April 11<sup>th</sup>, 2024

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# Today's Speakers



**Jim Hagedorn, CFA**  
*Founder & Managing Partner*



**Anthony Halpin**  
*Founder & Chief Operations Officer*



**Dan Toledo, CFA, CFP®**  
*Partner*



**Nicole Polanco, CFP®**  
*Senior Wealth Advisor*

# Today's Agenda

- Quote
- Chicago Partners Wealth Perspectives
- U.S. Economic Data
- Evolving Portfolio DNA
- Economic Indicators
- Investor Psychology
- Client Access
- Q&A



**Nicole Polanco, CFP®**  
*Senior Wealth Advisor*



# Quote

*“Capital/money will migrate to and grow where it is treated best. Chicago Partners is relentlessly focused on making sure your treasured capital is treated exceptionally well, so it produces consistent growth and income that you and your family can rely on when you need it.”*



**Nicole Polanco, CFP®**  
Senior Wealth Advisor



# Volatility Tax Mitigation

Chicago Partners engineers a smoother investment return through prudent diversification. This smoother (less volatile) return is intended to target a higher ending portfolio value over the long term.

Consistent Investment		
Year	Rate of Return	Ending Value
1	9%	\$1,090,000
2	9%	\$1,188,100
3	9%	\$1,295,029
4	9%	\$1,411,582
5	9%	\$1,538,624
6	9%	\$1,677,100
7	9%	\$1,828,039
8	9%	\$1,992,563
9	9%	\$2,171,893
10	9%	\$2,367,364
Arithmetic Return		9%
Compound Return		9%

Volatile Investment		
Year	Rate of Return	Ending Value
1	35%	\$1,350,000
2	-30%	\$945,000
3	20%	\$1,134,000
4	-10%	\$1,020,600
5	35%	\$1,377,810
6	-25%	\$1,033,358
7	20%	\$1,240,029
8	-15%	\$1,054,025
9	30%	\$1,370,232
10	30%	\$1,781,302
Arithmetic Return		9%
Compound Return		5.94%

Over a 10-year period, **the difference** between the Consistent Investment and the Volatile Investment is **3.06%** per year.



**Jim Hagedorn, CFA**  
Founder & Managing Partner

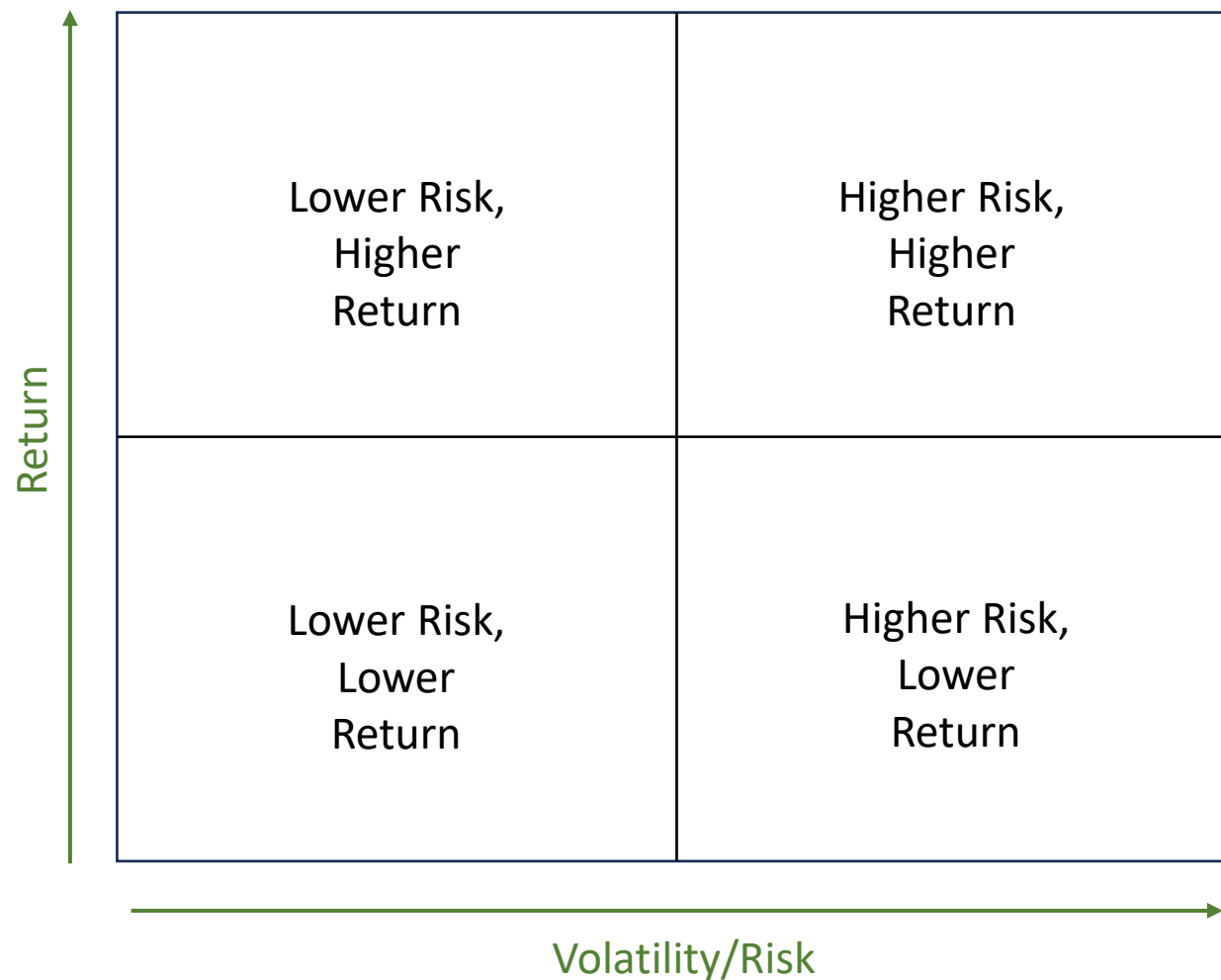


**“According to [Ray] Dalio, the Holy Grail is a portfolio of eight to twelve uncorrelated investments which, together, will dramatically reduce risk without sacrificing returns.”**

**– The Holy Grail of Investing  
(Tony Robbins / Christopher Zook)**



# The Holy Grail of Investing



Source: CAZ Investments & Chicago Partners

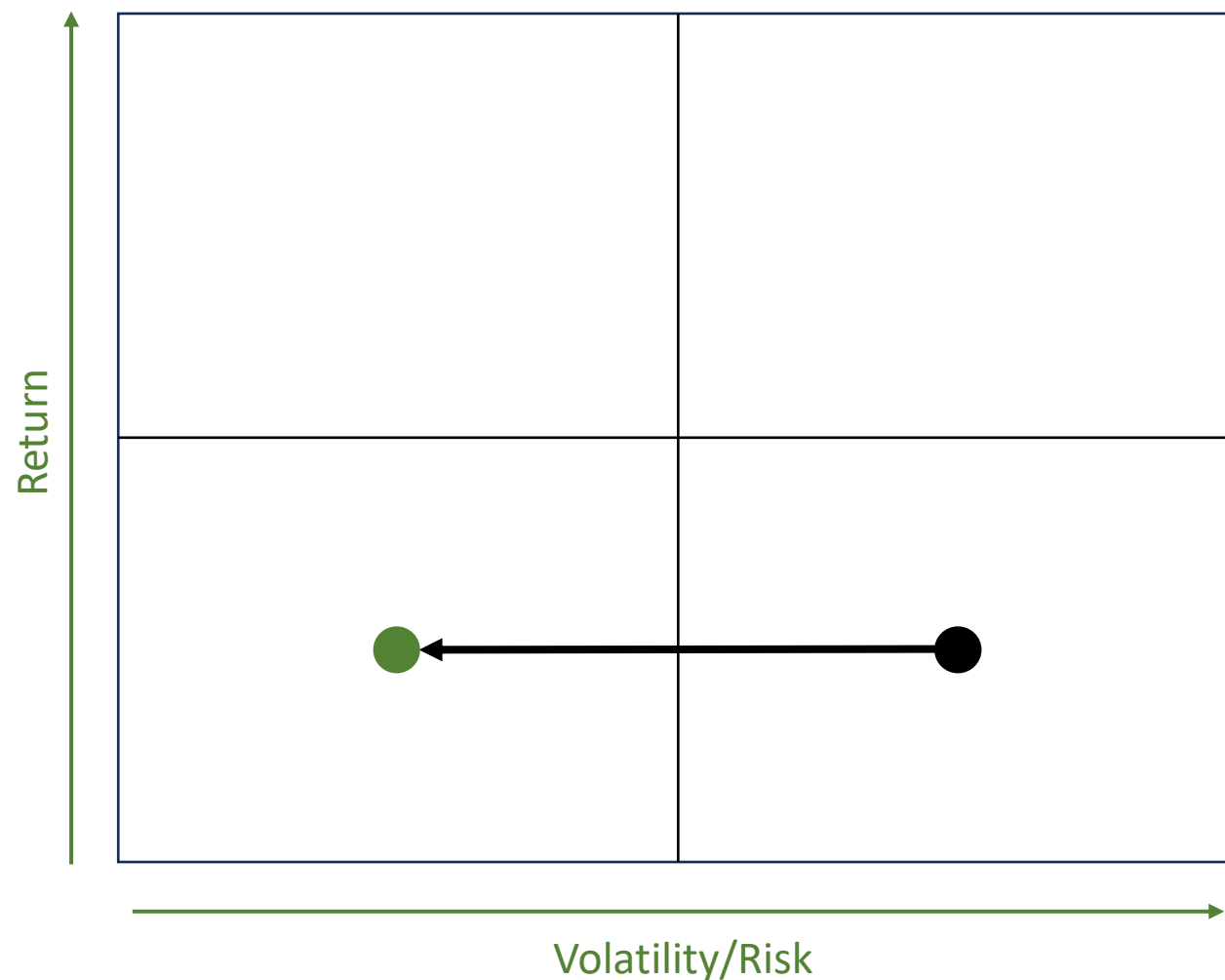


**Jim Hagedorn, CFA**  
Founder & Managing Partner





# The Holy Grail of Investing



Adding noncorrelated assets to the portfolio may allow us to reduce risk without sacrificing return.

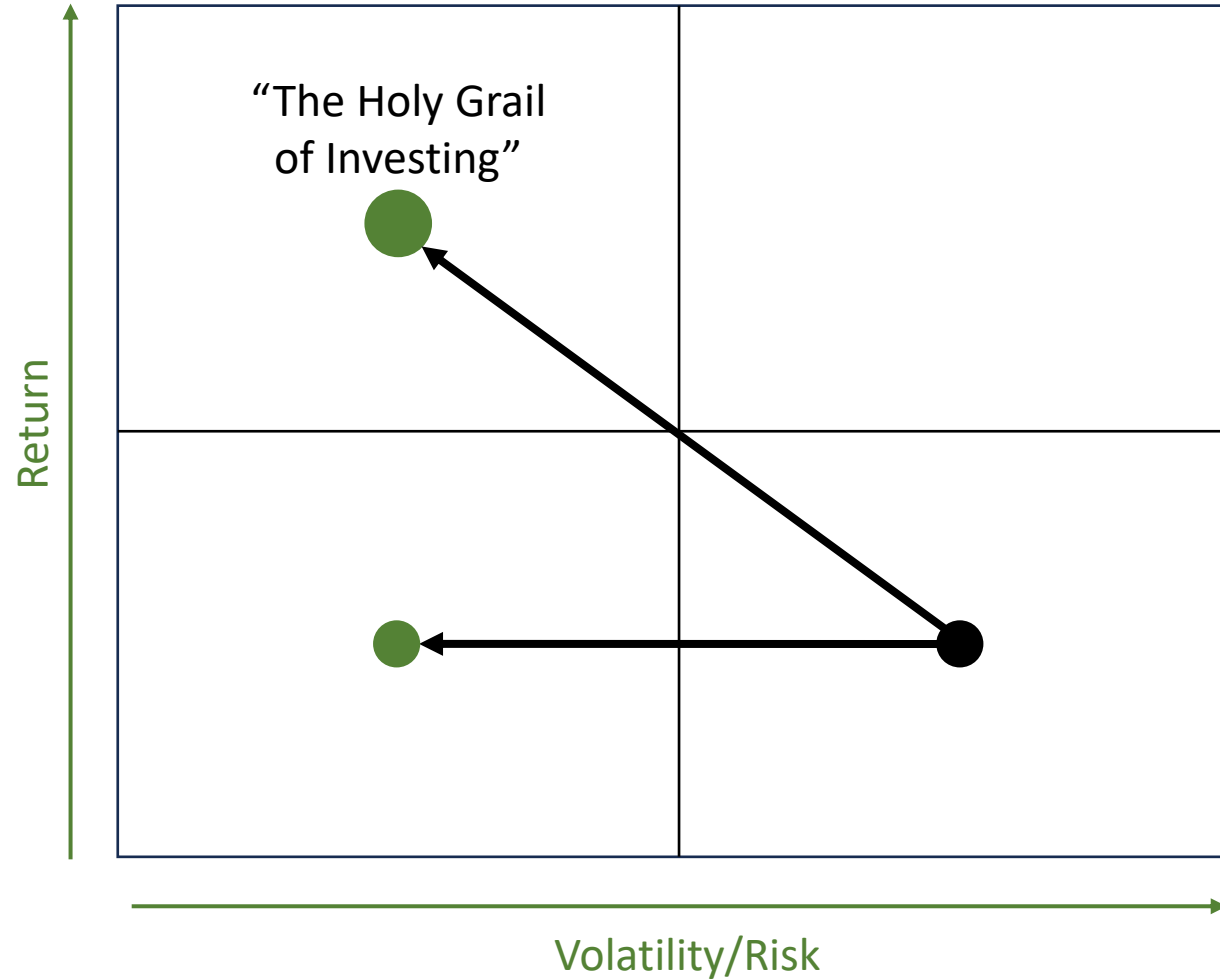
Source: CAZ Investments & Chicago Partners



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Founder & Managing Partner



# The Holy Grail of Investing



Markowitz won the Nobel Prize because he proved that adding non-correlated assets can increase the return of the portfolio, while actually reducing volatility/risk.

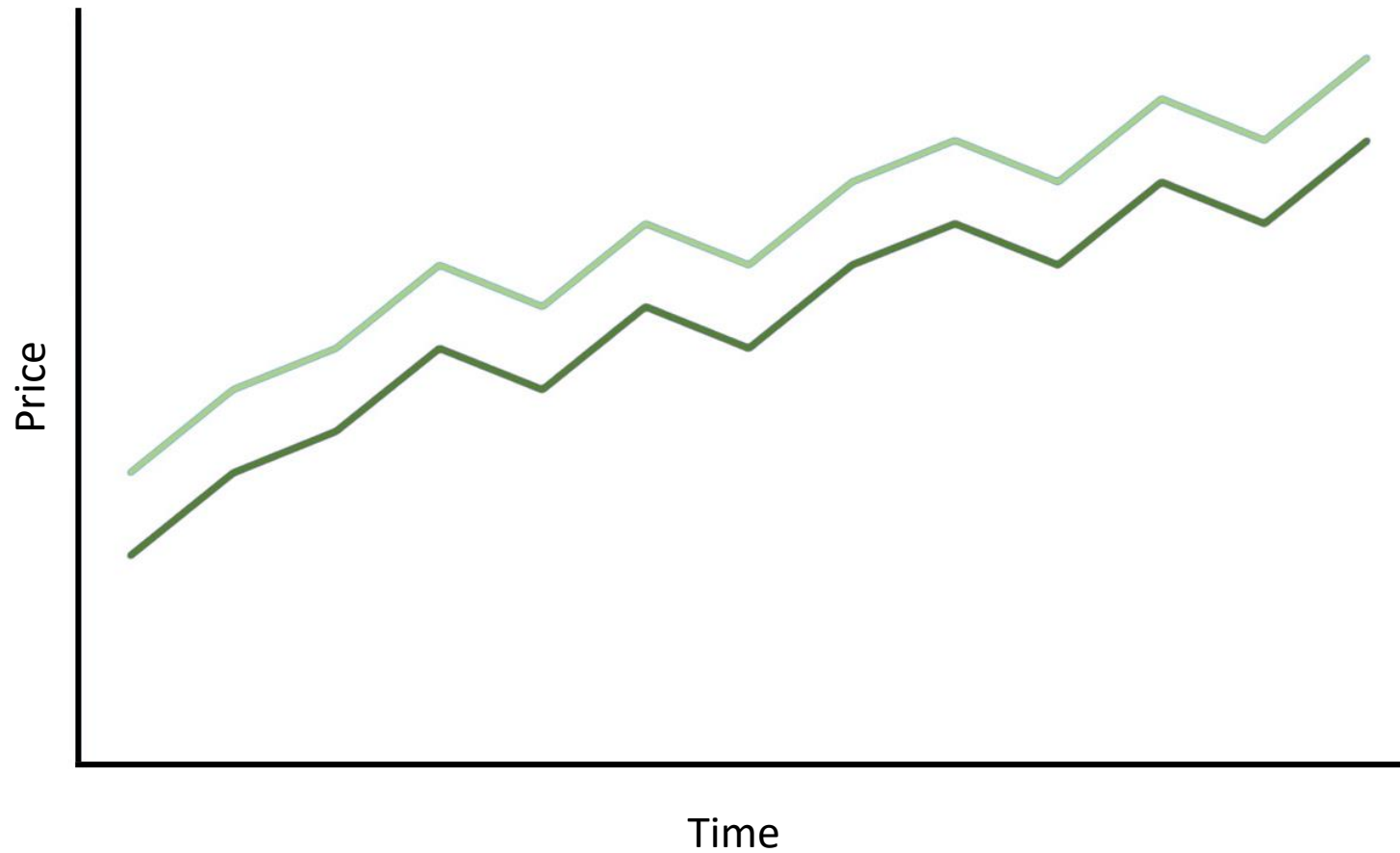
Source: CAZ Investments & Chicago Partners



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Founder & Managing Partner



# Positive Correlation



Assets that typically move in the same direction are said to have positive correlation, up to a maximum of +1.00, or perfect positive correlation.

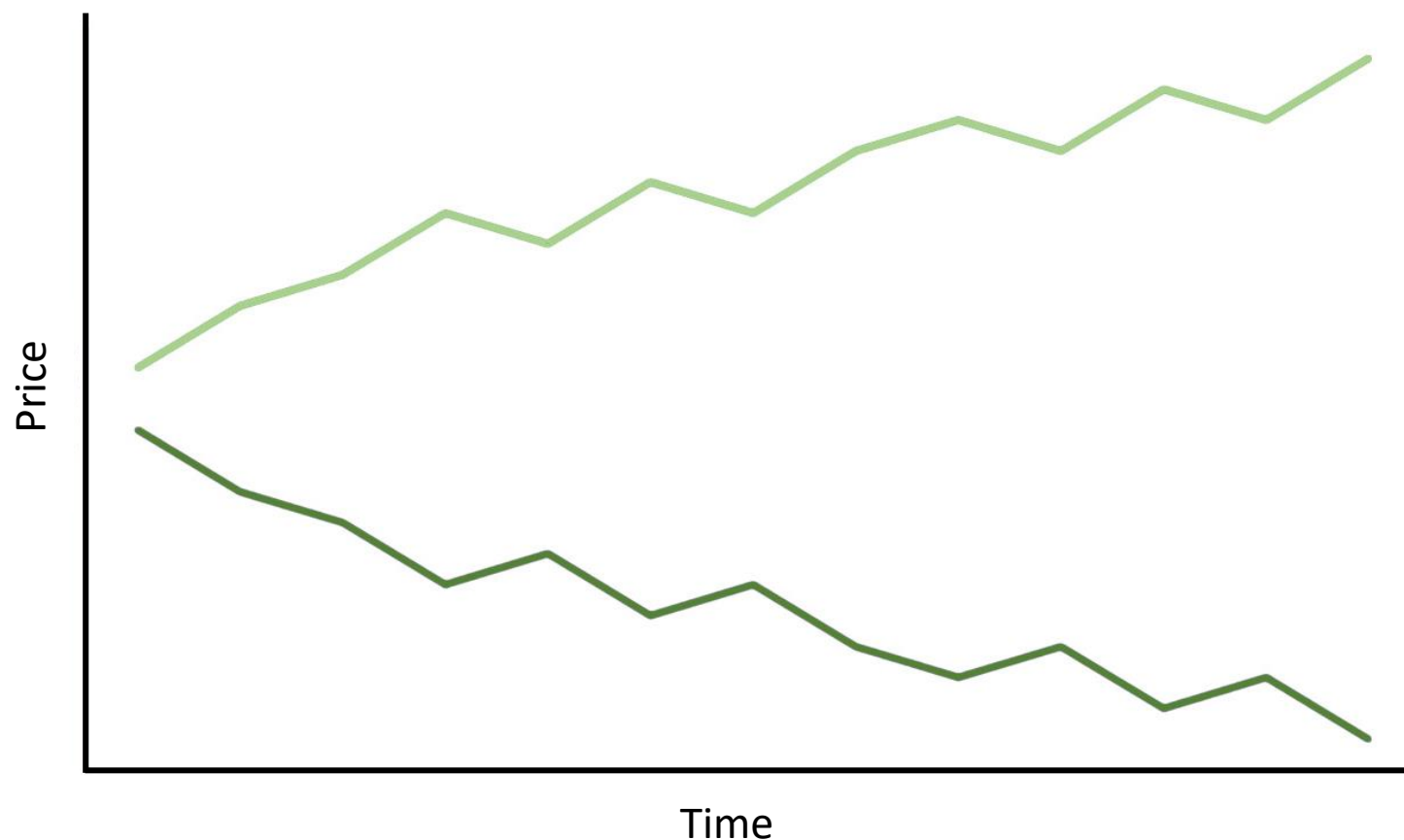
Source: CAZ Investments & Chicago Partners



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Founder & Managing Partner



# Negative Correlation



Assets that typically move in opposite directions are said to have negative correlation, down to a minimum of -1.00, or perfect negative correlation.

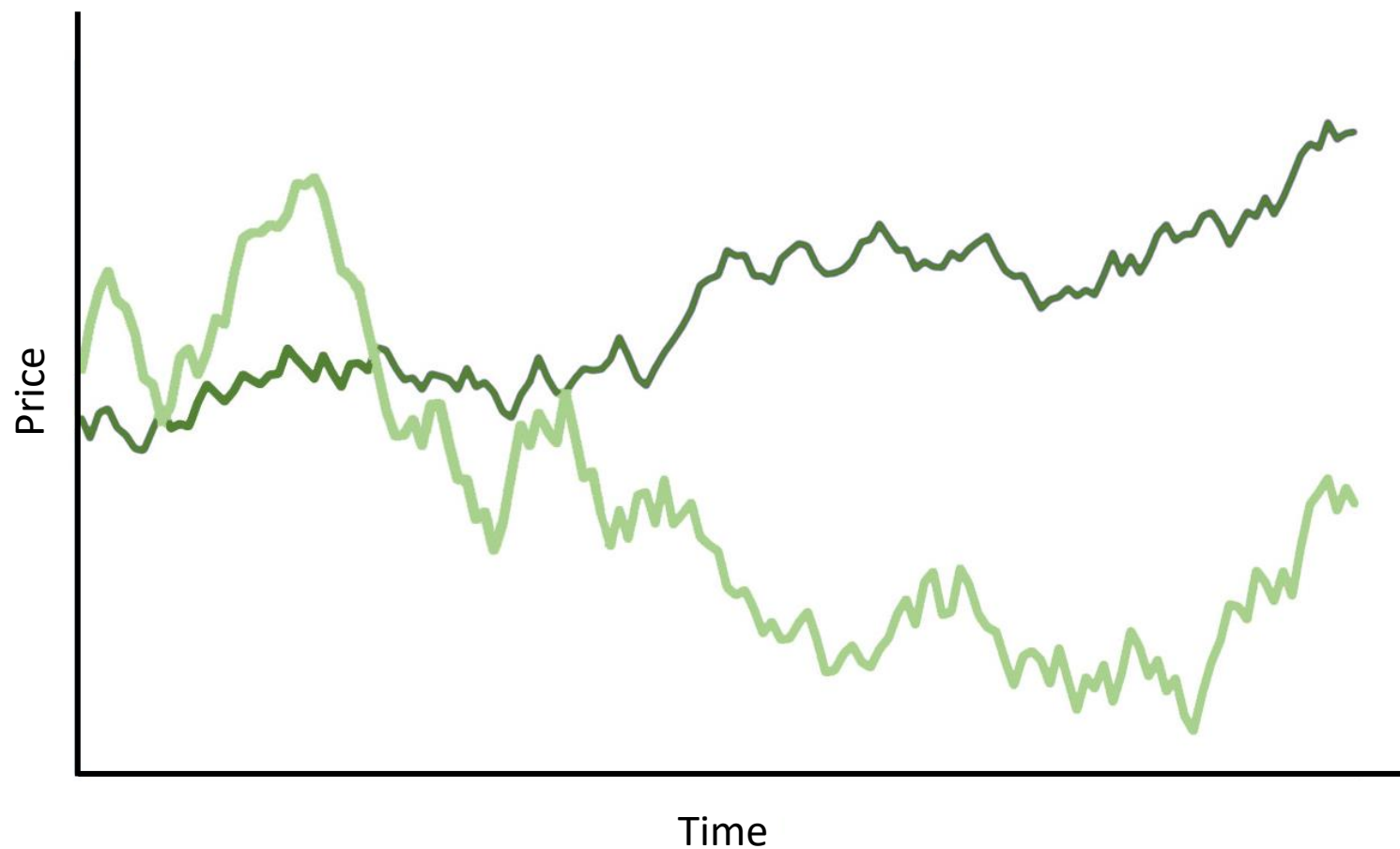
Source: CAZ Investments & Chicago Partners



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Founder & Managing Partner



# Non-Correlation



Non-correlated assets have no discernible relationship and tend to move independently of one another.

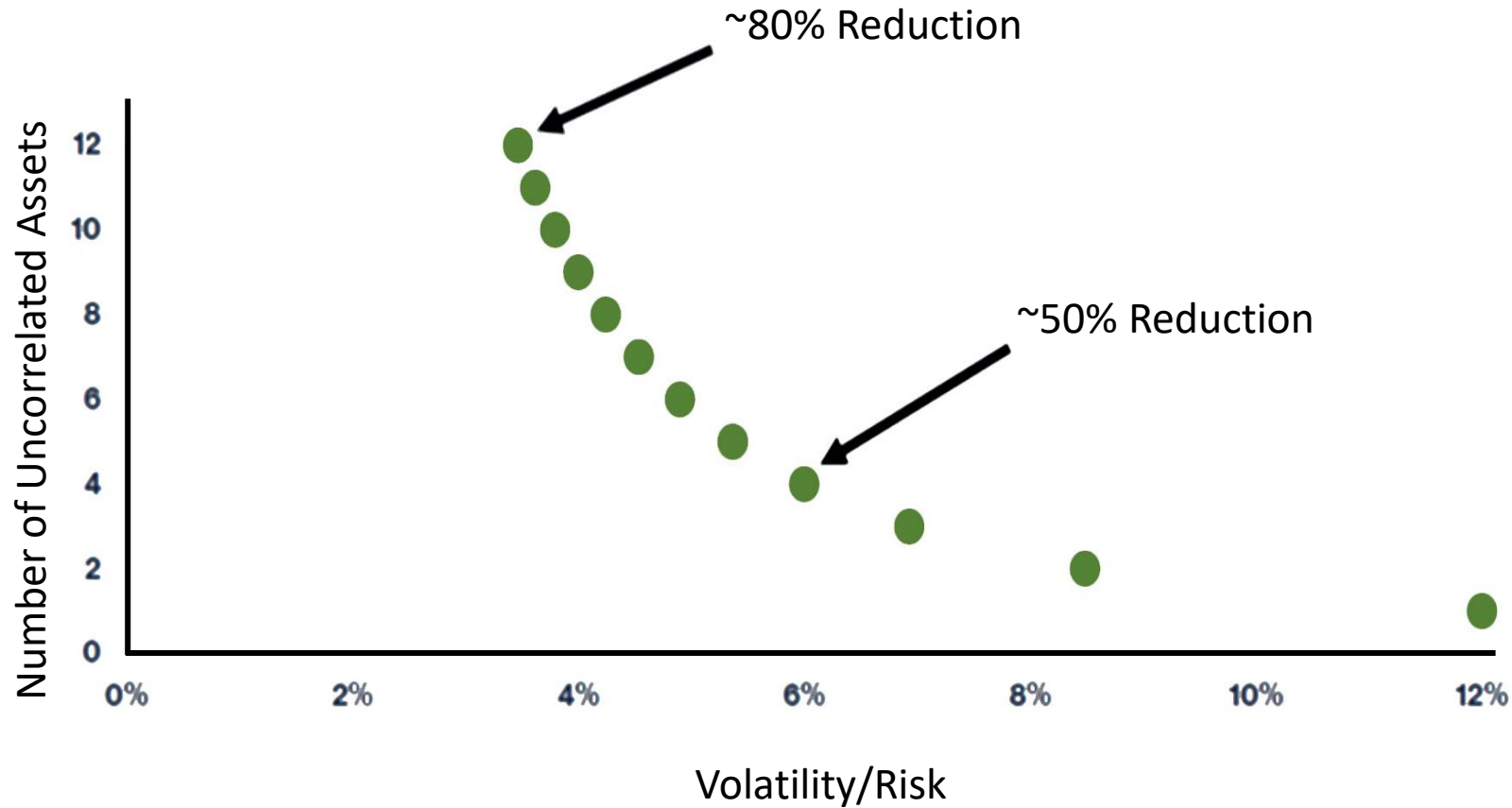
Source: CAZ Investments & Chicago Partners



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Founder & Managing Partner



# Noncorrelated Assets Can Reduce Risk



Source: CAZ Investments & Chicago Partners

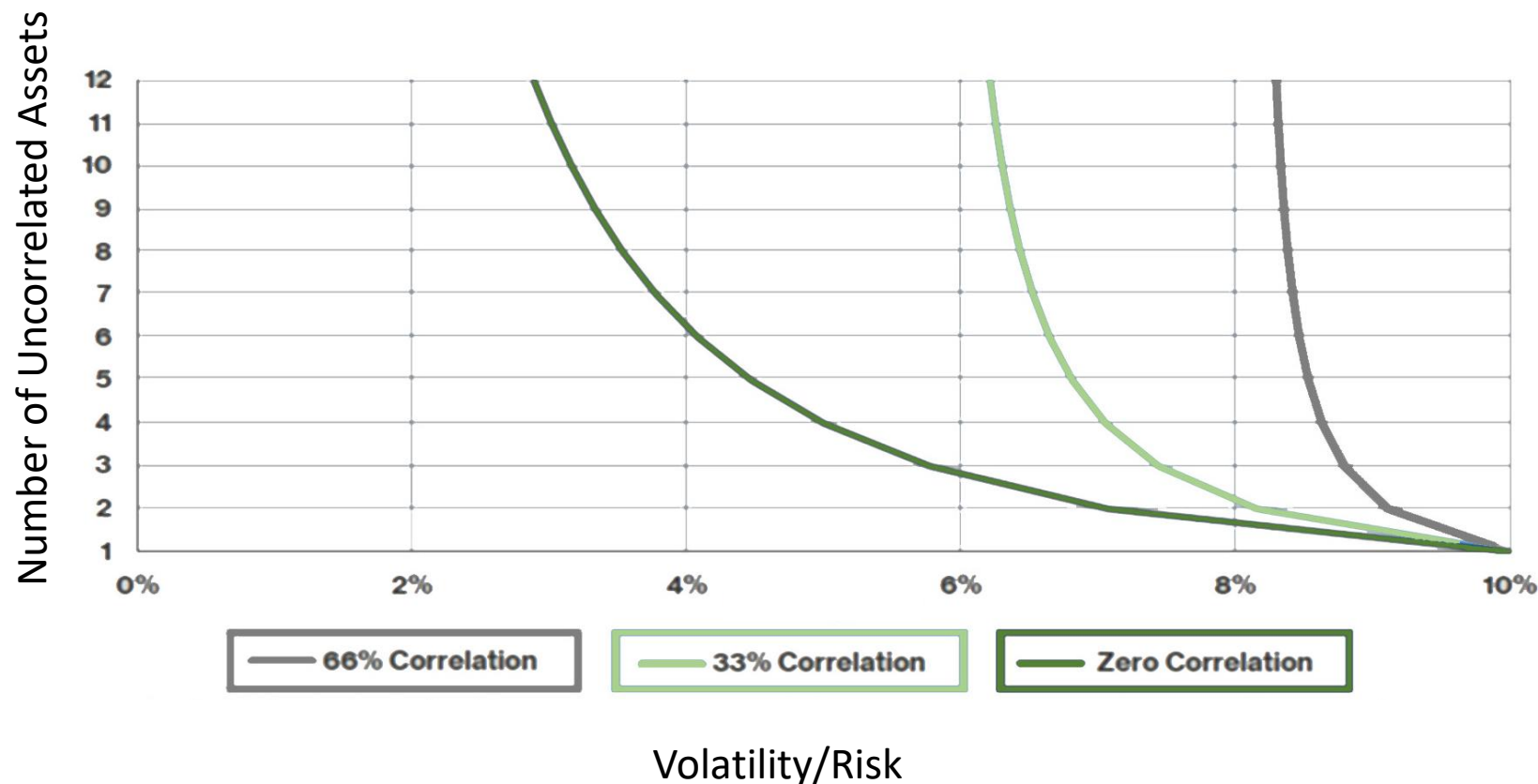


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Founder & Managing Partner



# Low Correlation Factors Greatly in Risk Reduction

Comparing Correlation and Number of Instruments in Three Hypothetical Portfolios



Source: CAZ Investments & Chicago Partners

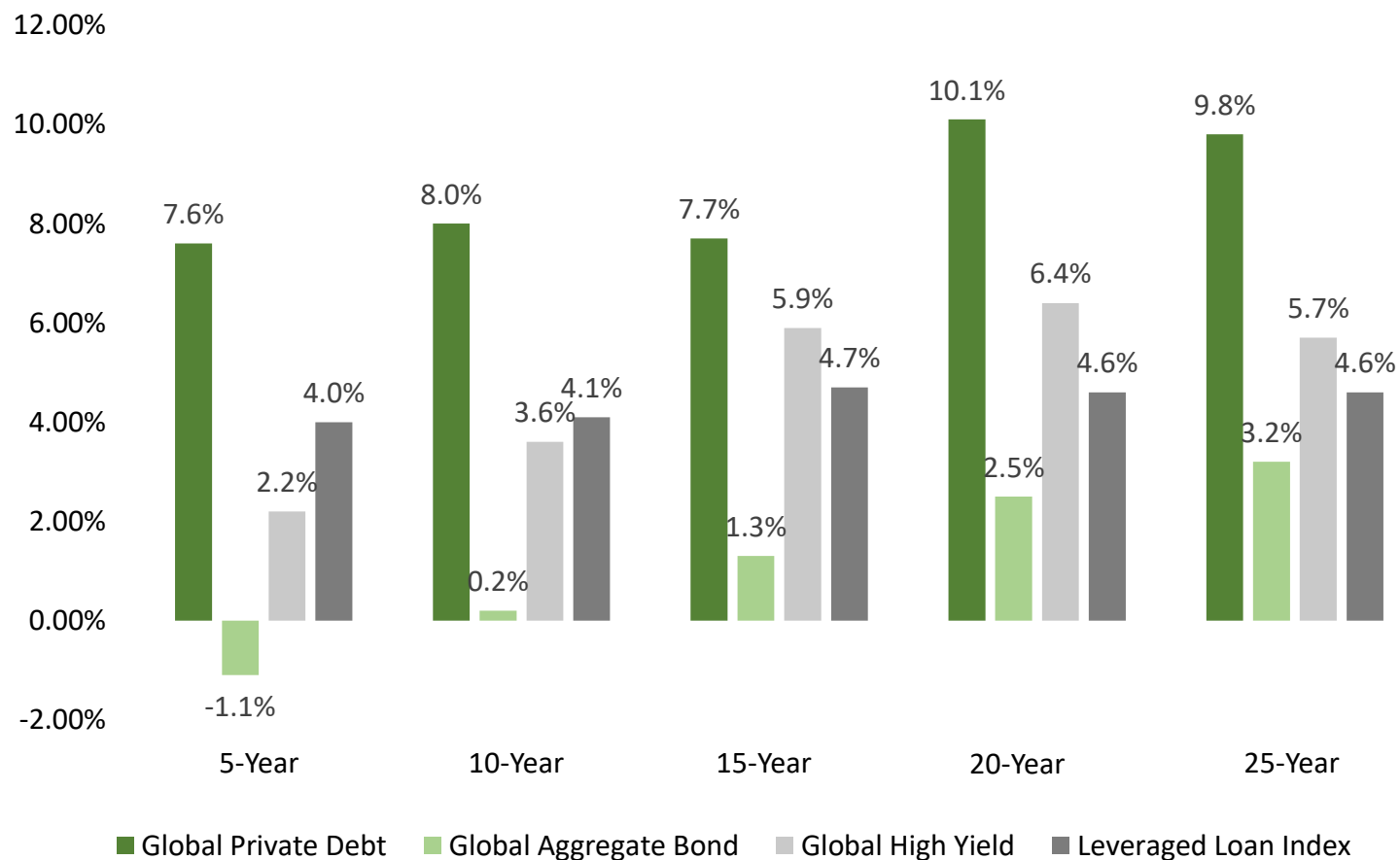


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# Private Debt Has Also Outperformed Historically

Global Private Debt vs. Traditional Fixed Income



Source: CAZ Investments & Chicago Partners, Data as of June 30, 2023



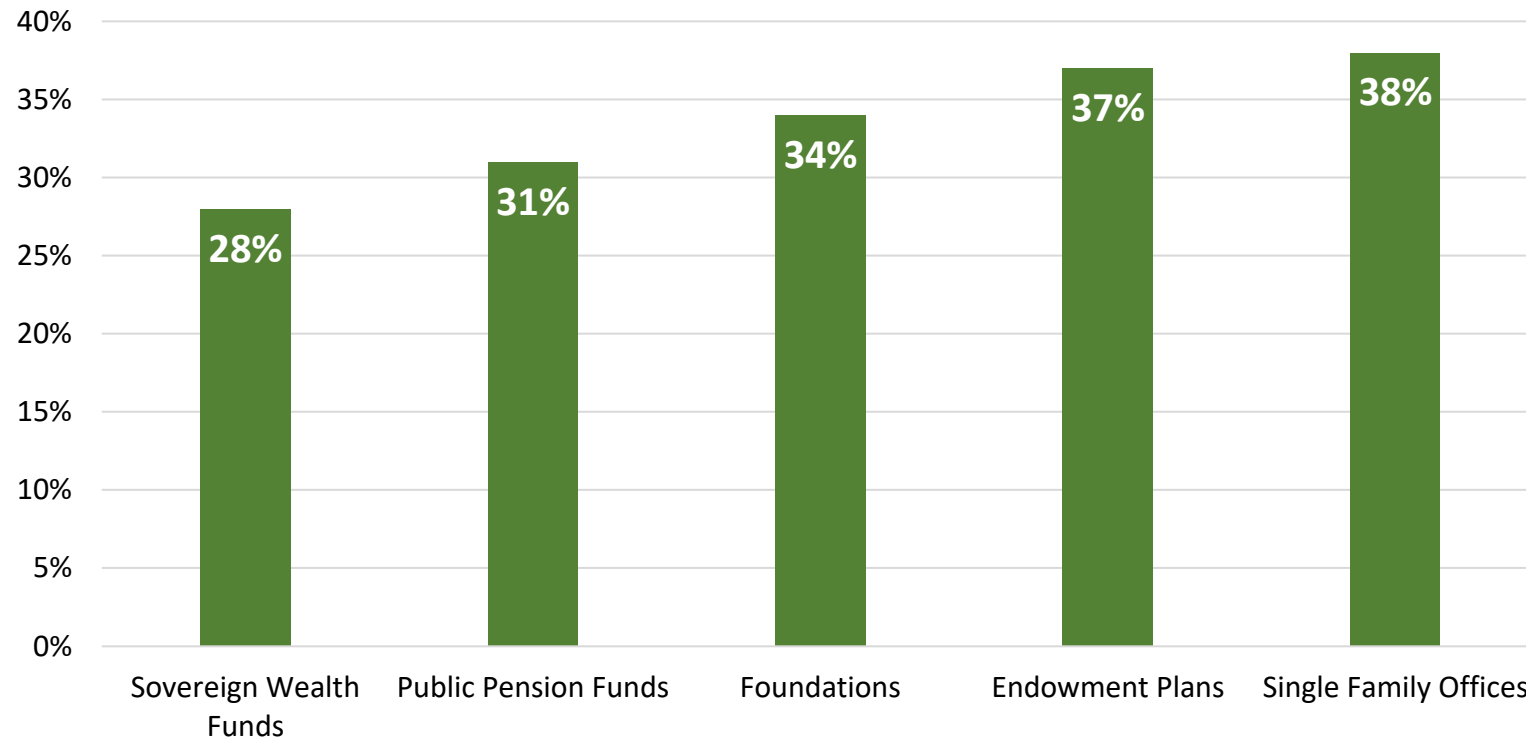
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# Institutional Investors Maintain Significant Private Market Allocations

Current Target Allocation to Private Markets



Source: CAZ Investments & Chicago Partners



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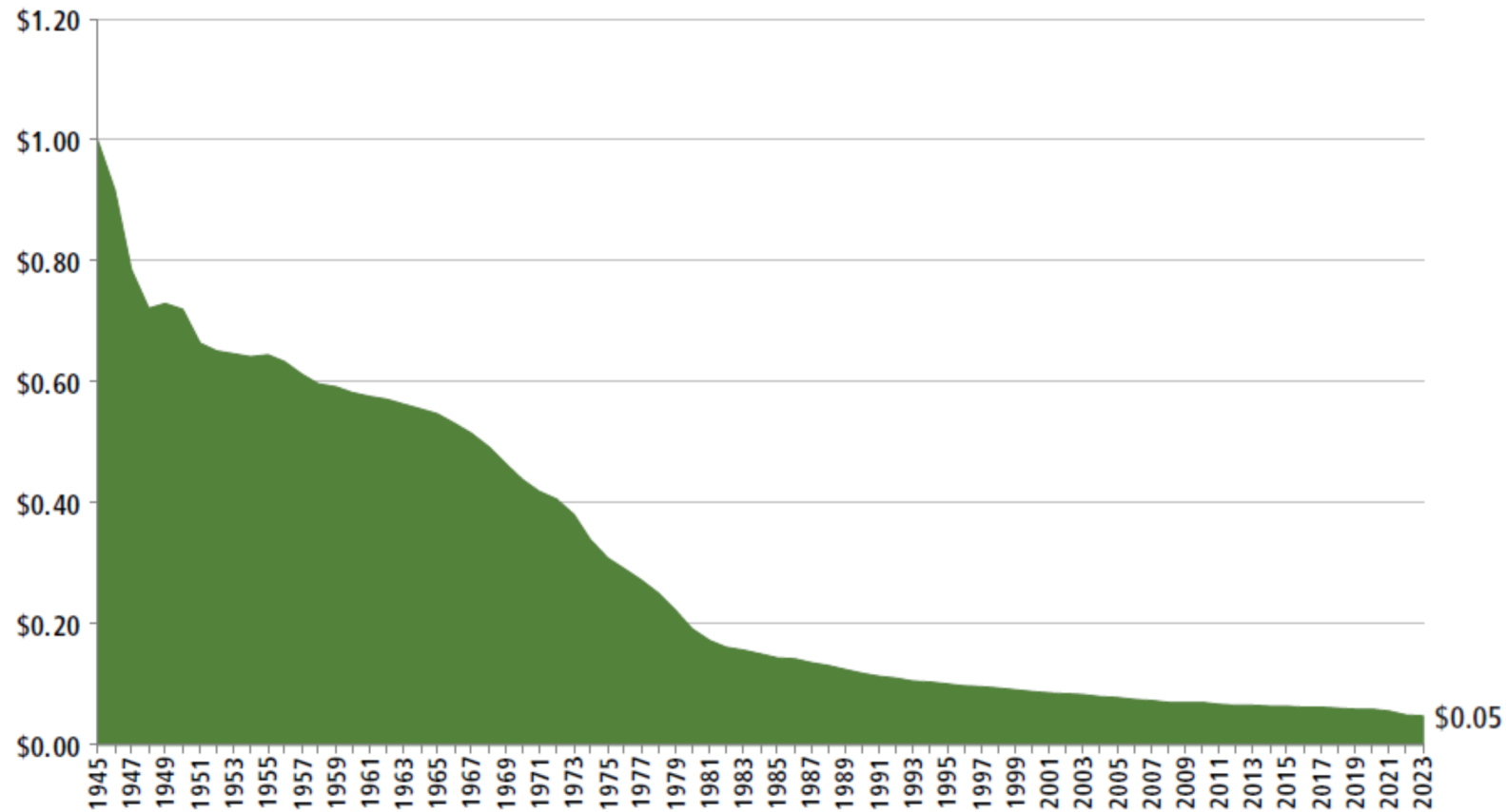


# **U.S. Economic Data**

## **The Yield Curve, Debt, & Interest Rates**

# Inflation-Adjusted Value of a U.S. Dollar

*Inflation = Deep Risk*



Source: U.S. Bureau of Labor Statistics, 1945 through 2023



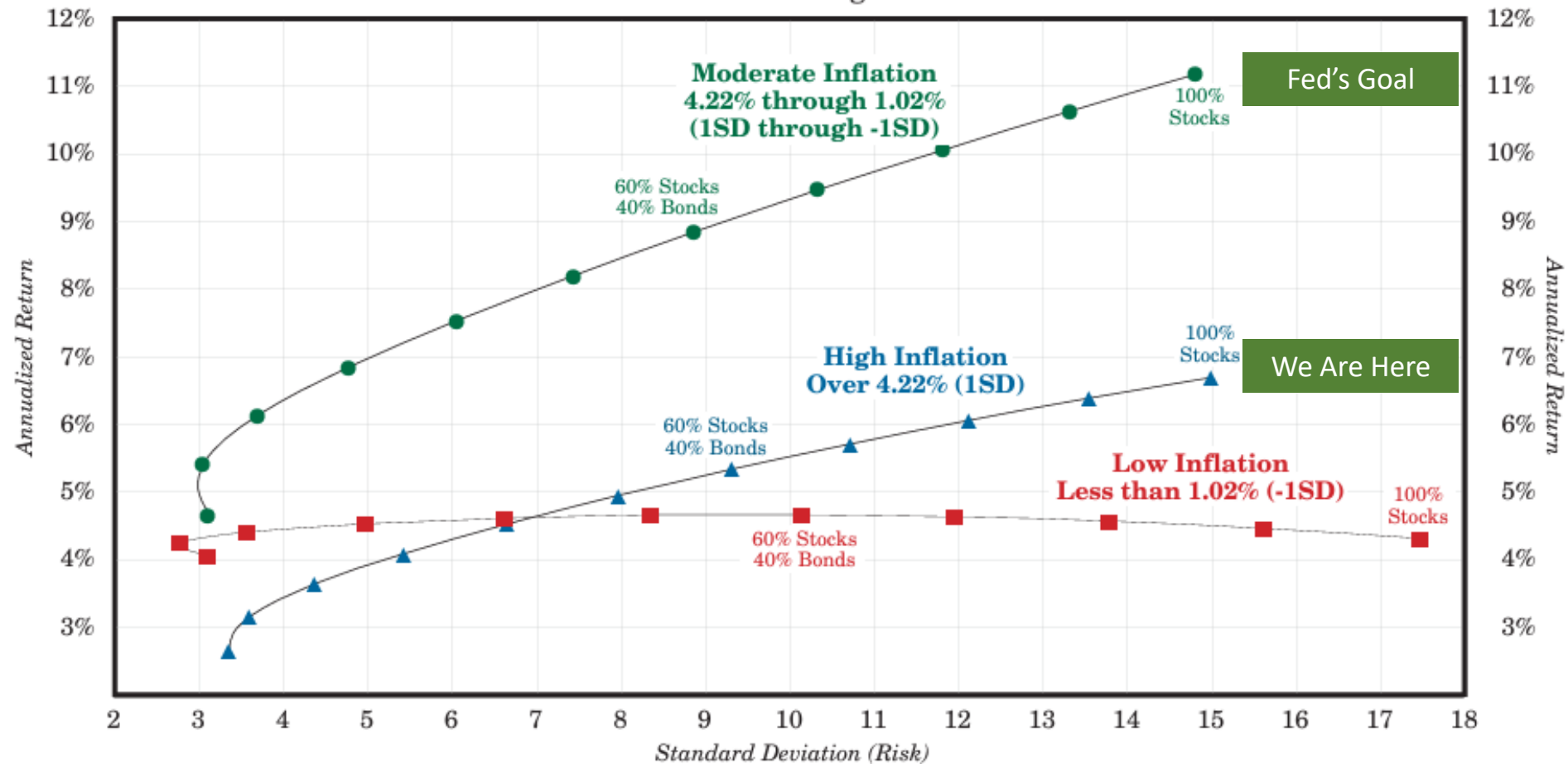
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Founder & Managing Partner



# Asset Allocation - Inflation

## Intermediate Treasury Bonds / Standard & Poor's 500

Total Return - 1990 Through December 2023



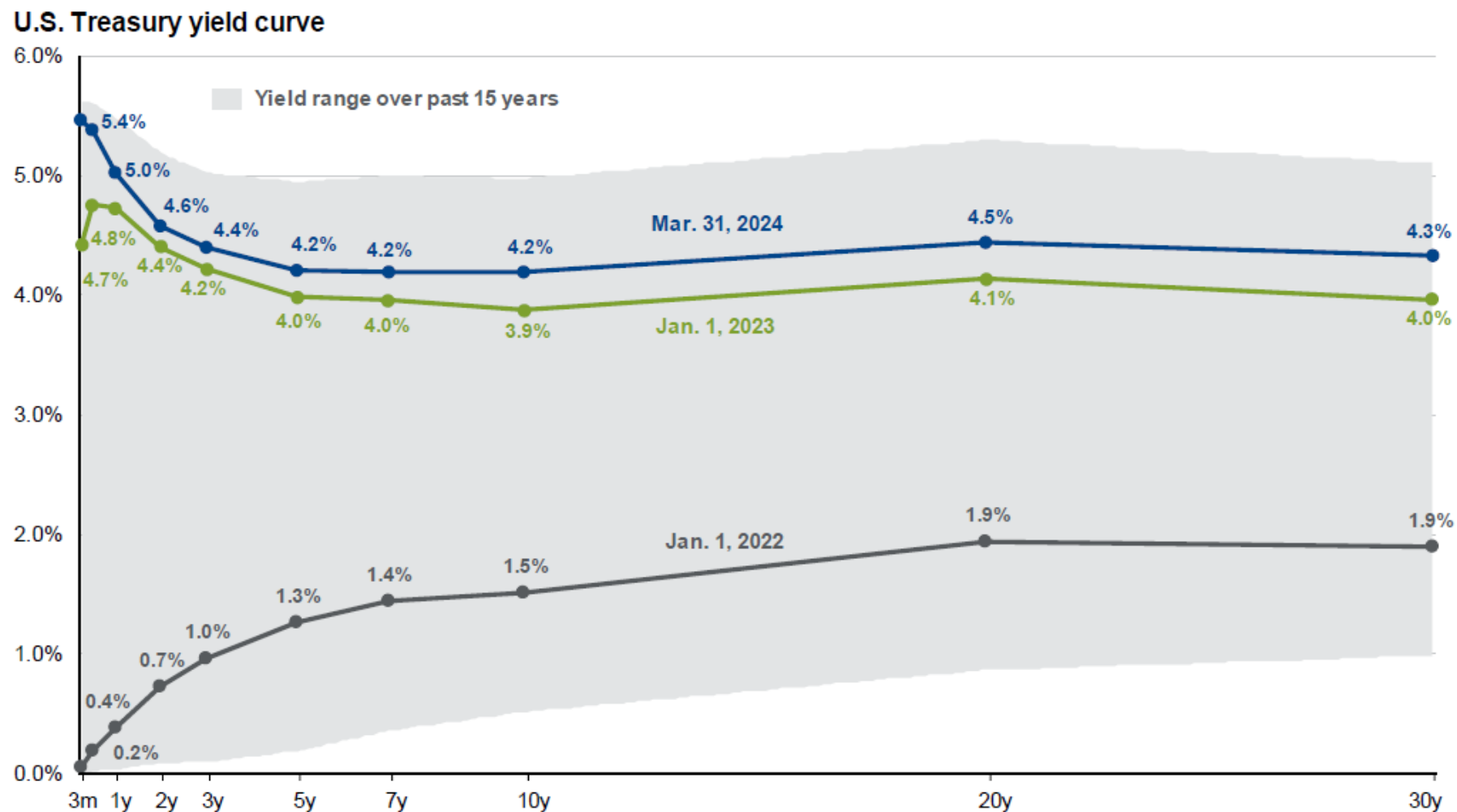
Source: Crandall, Pierce & Company



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Founder & Managing Partner



# The U.S. Treasury Yield Curve



Source: JP Morgan "Guide to the Markets"



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Founder & Managing Partner



# The U.S. Treasury Yield Curve

US Treasury Actives Curve				Actions ▾		98) Chart		Export ▾		Settings ▾		Graph Curves			
X-Axis Tenor		Y-Axis Ask YTM		Currency None		PCS BGN									
Specific 01/01/24		04/10/24		Relative		Last 1D 1W		Modify		«		Curves & Relative Value		⚙	
<div><div>● Values and Members</div><div>● Values</div><div>● Members</div><div>● Constituents</div></div>															
		I25 Ask YTM				I25 Ask YTM				I25 Ask YTM					
		US Treasury Actives Curve				US Treasury Actives Curve				(Change)					
		04/10/24				01/01/24				04/10/24-01/01/24					
		Tenor Description		Yield		Description		Yield				Yield			
11)	1M	GBM Govt		5.383		Same		5.398				-1.4			
12)	2M	GB2 Govt		5.395		Same		5.402				-0.7			
13)	3M	GB3 Govt		5.396		Same		5.332				6.4			
14)	6M	GB6 Govt		5.369		Same		5.246				12.3			
15)	1Y	GB1 Govt		5.190		Same		4.762				42.8			
16)	2Y	GT2 Govt		4.973		Same		4.250				72.3			
17)	3Y	GT3 Govt		4.800		Same		4.009				79.1			
18)	5Y	GT5 Govt		4.604		Same		3.847				75.7			
19)	7Y	GT7 Govt		4.582		Same		3.881				70.1			
20)	10Y	GT10 Govt		4.544		Same		3.879				66.4			
21)	20Y	GT20 Govt		4.744		Same		4.191				55.3			
22)	30Y	GT30 Govt		4.622		Same		4.028				59.4			

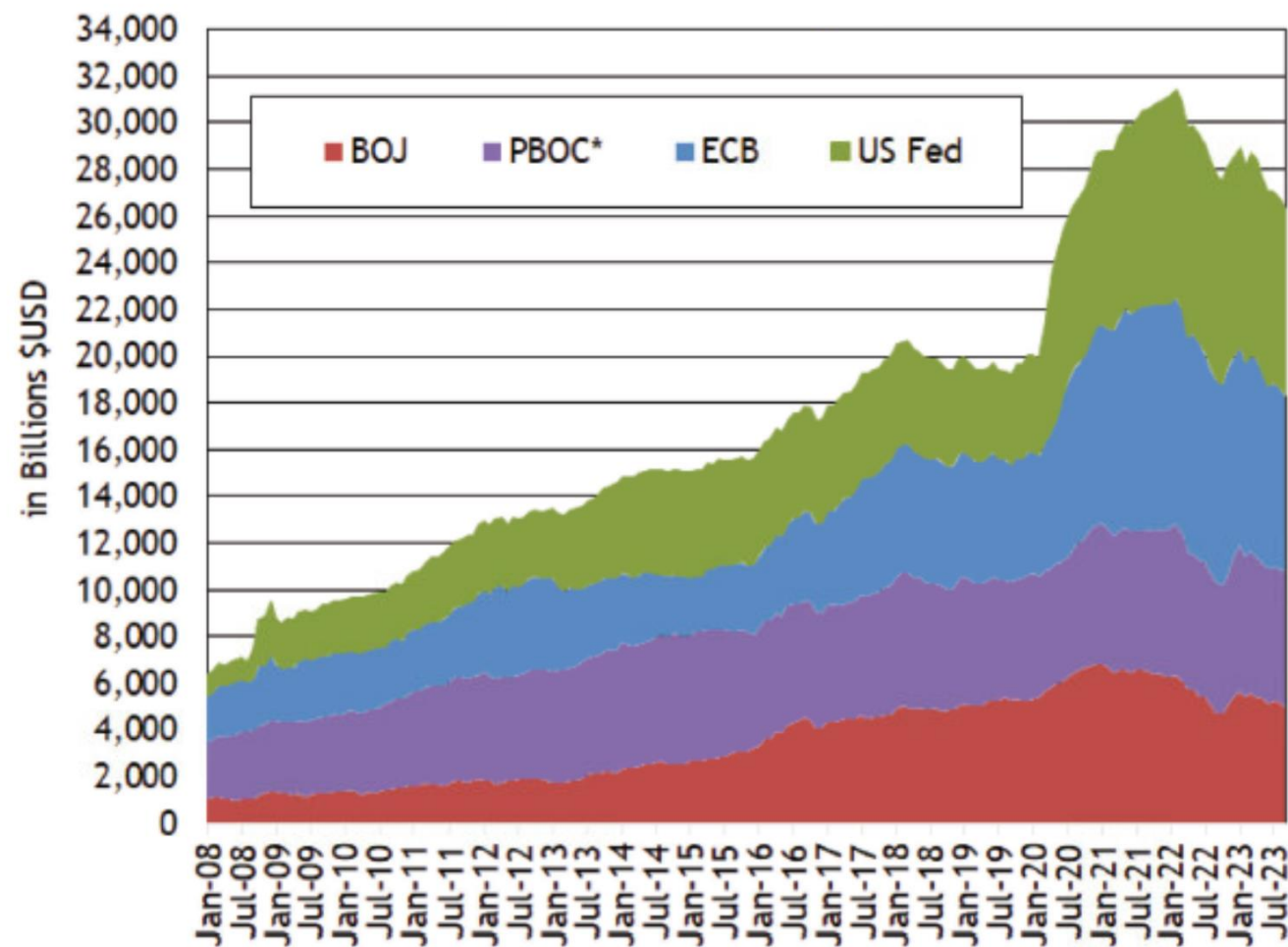
Source: Bloomberg



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Founder & Managing Partner



# Central Bank Total Assets



Source: Merion Capital Group and Bloomberg, as of October 2023

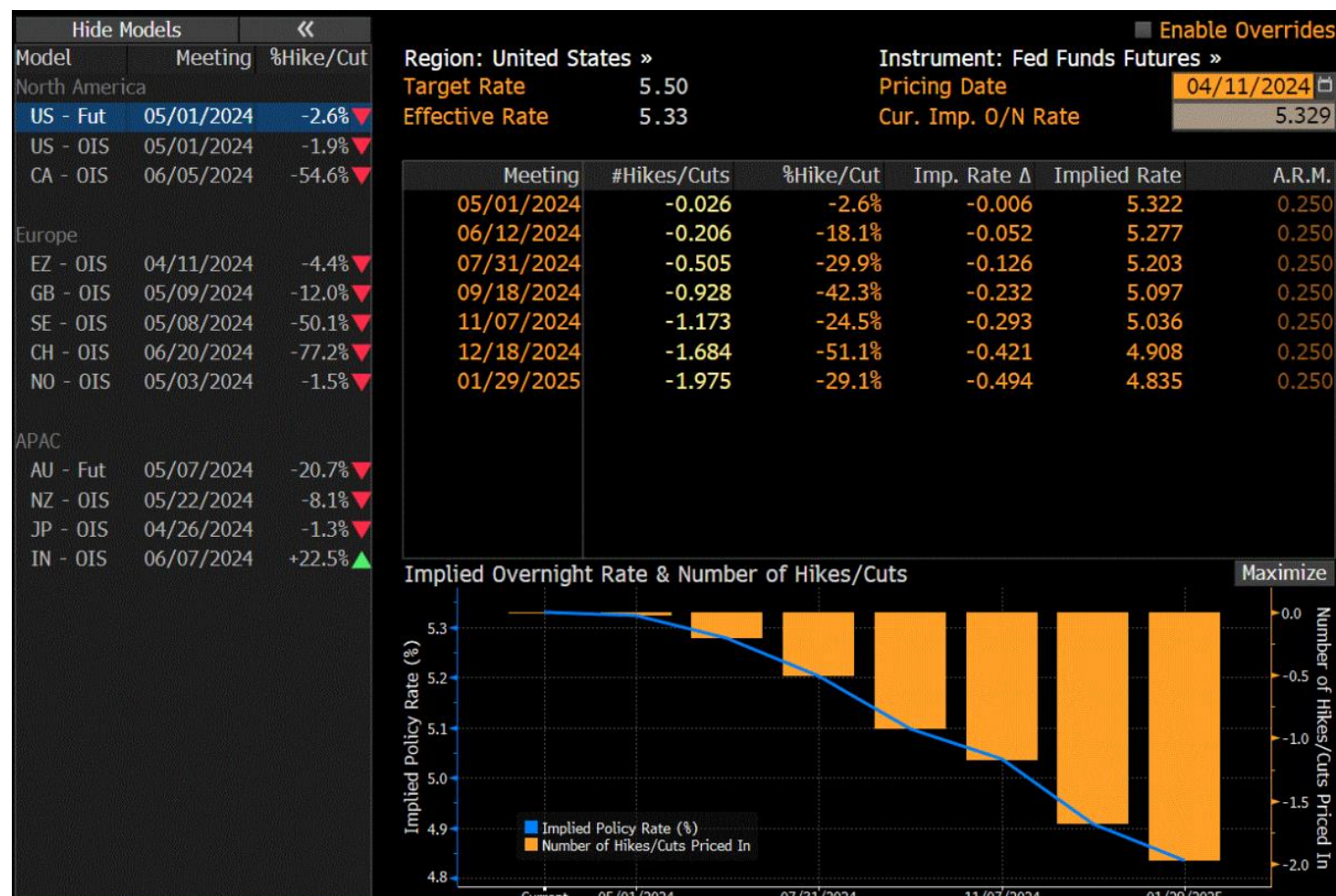


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# World Interest Rate Probability



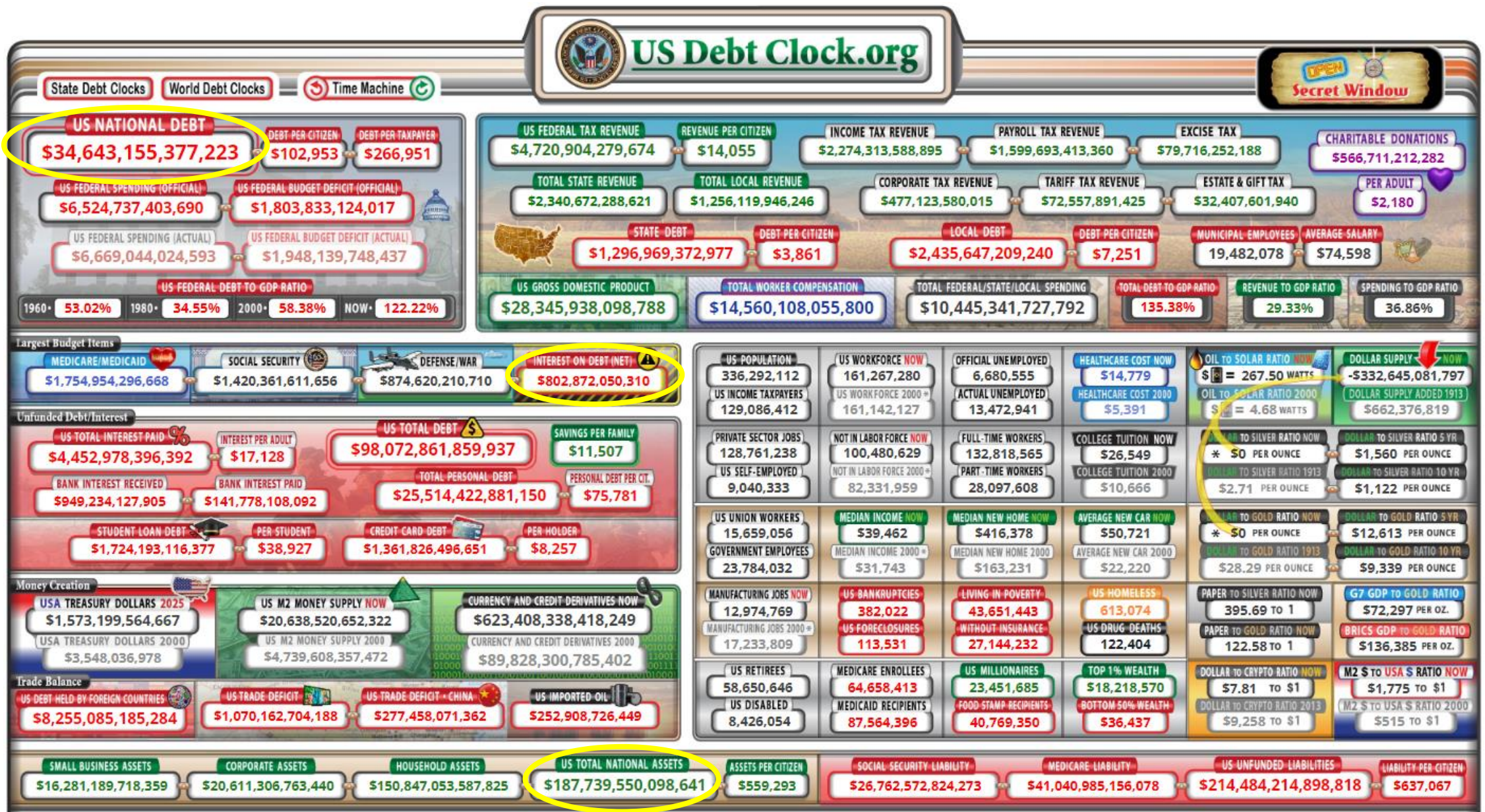
Source: Bloomberg



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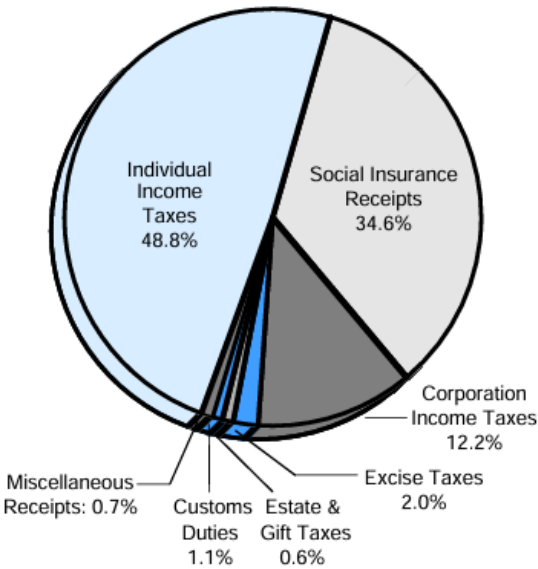


# The President's Federal Budget Proposal

## Fiscal Year 2025

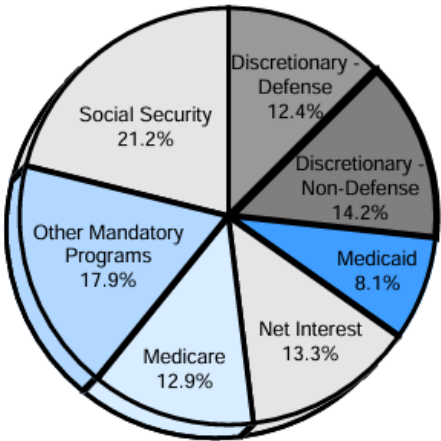
### Where It Comes From...

Receipts \$5,485 Billion



### Where It Goes...

Spending \$7,266 Billion



\$1,781 Billion

Deficit

Due to rounding, numbers may not add up to 100%.

Data released March 11, 2024

Sources: Office of Management and Budget • Copyright © 2024 Crandall, Pierce & Company • All rights reserved.

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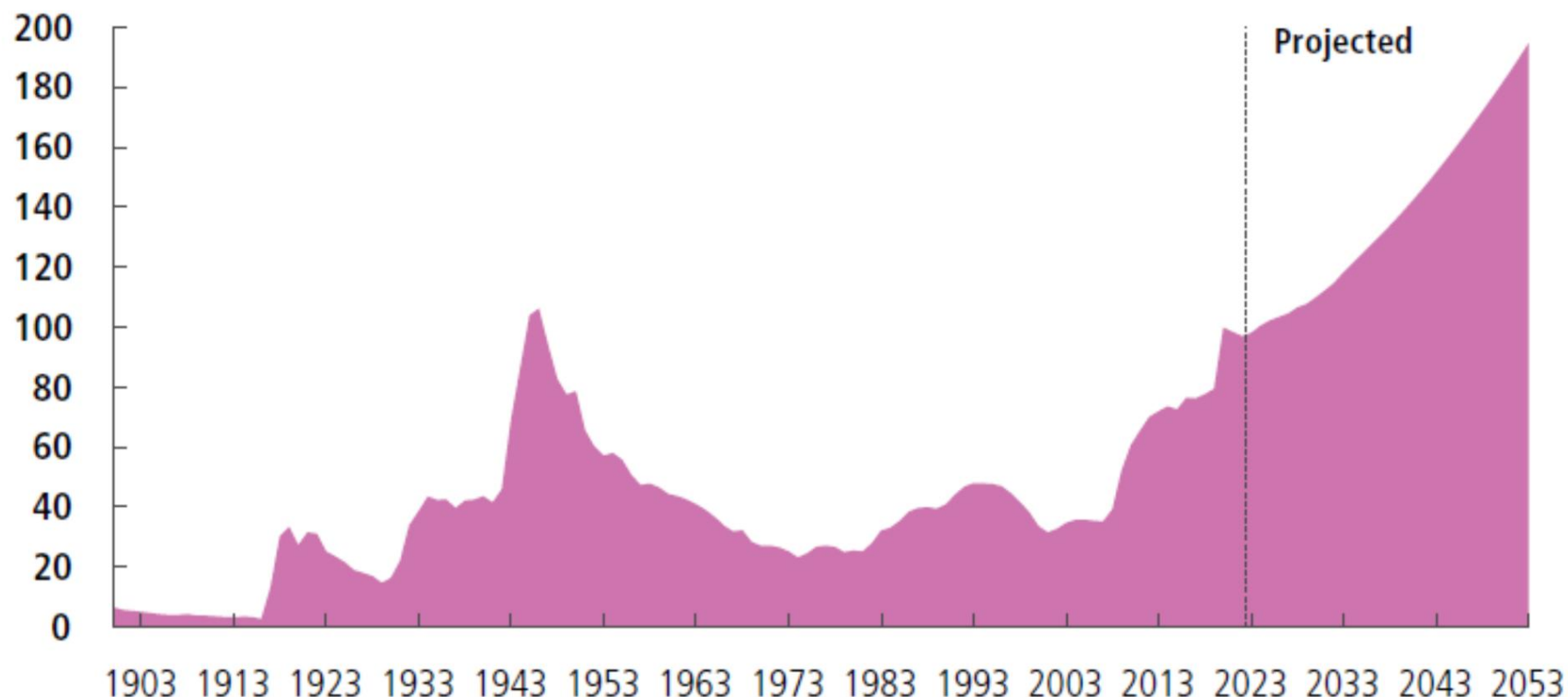


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 Founder & Managing Partner



# Congressional Budget Office: Budget & Economic Outlook

Federal Debt Held by the Public, 1900 to 2053  
Percentage of Gross Domestic Product



Source: Congressional Budget Office, February 2023; Wolfe Research Portfolio Strategy



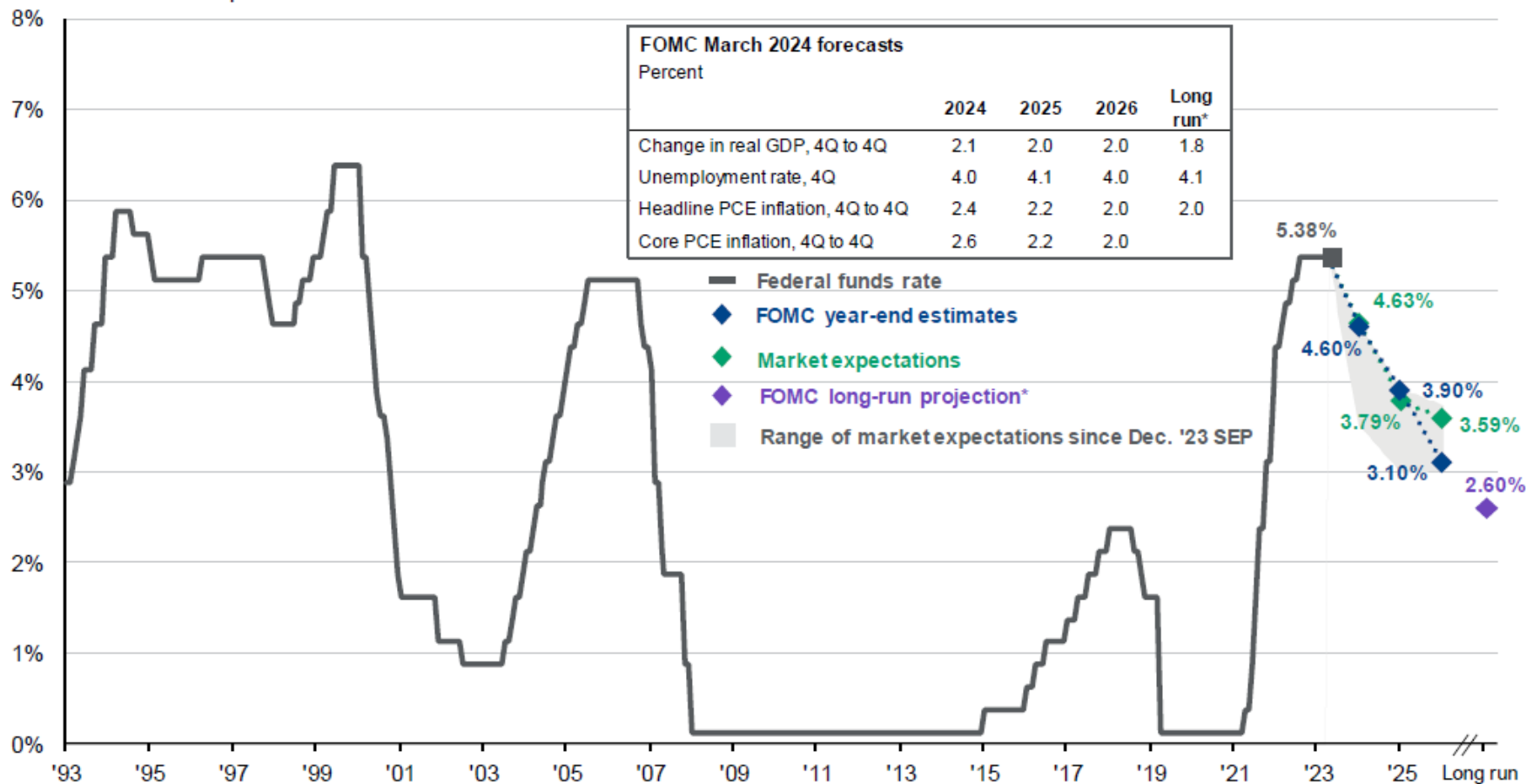
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# The Fed & Interest Rates

## Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: JP Morgan "Guide to the Markets"



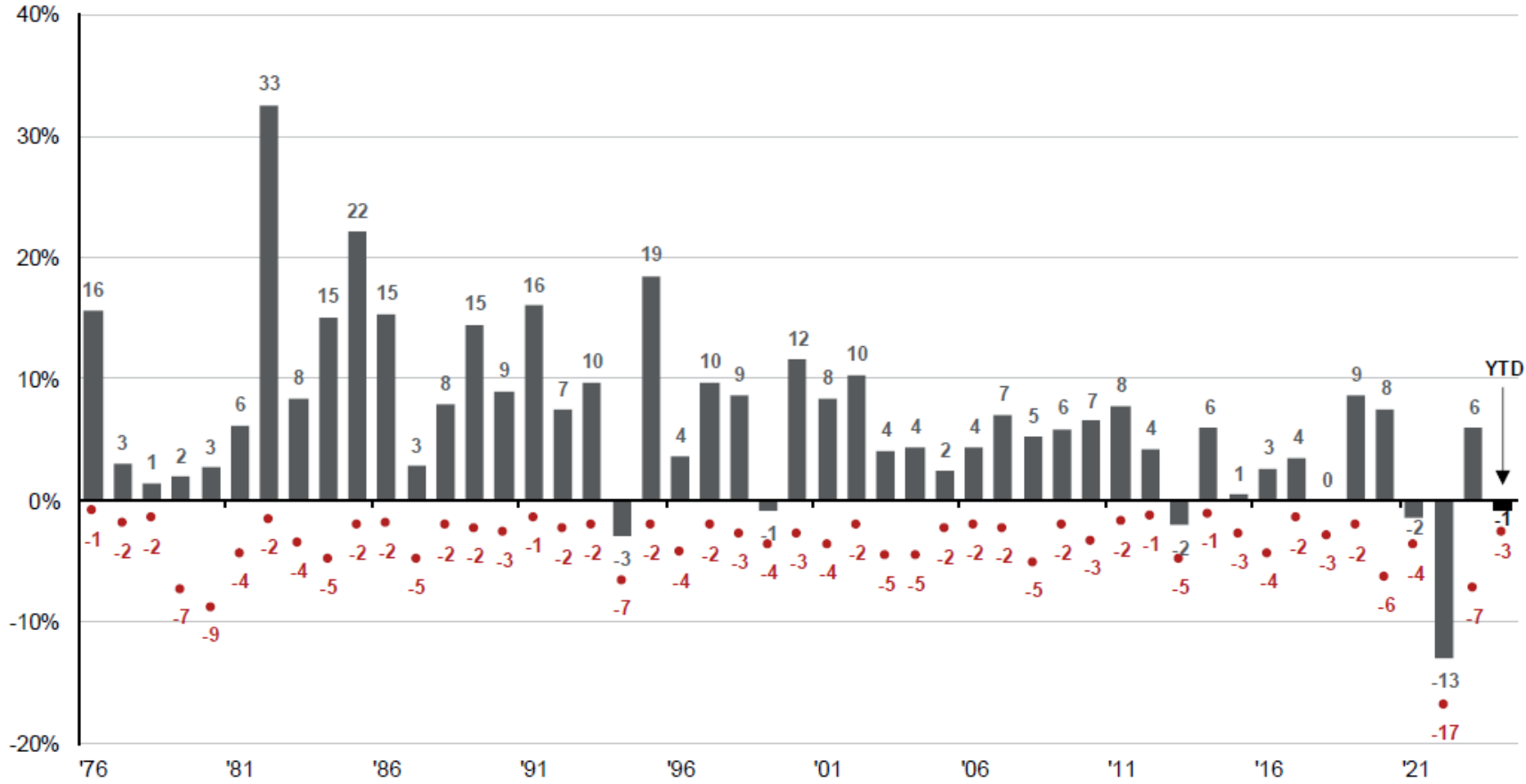
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# Bloomberg U.S. Aggregate Annual Returns & Intra-Year Declines

## Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.5%, annual returns were positive in 43 of 48 years



Source: JP Morgan "Guide to the Markets"

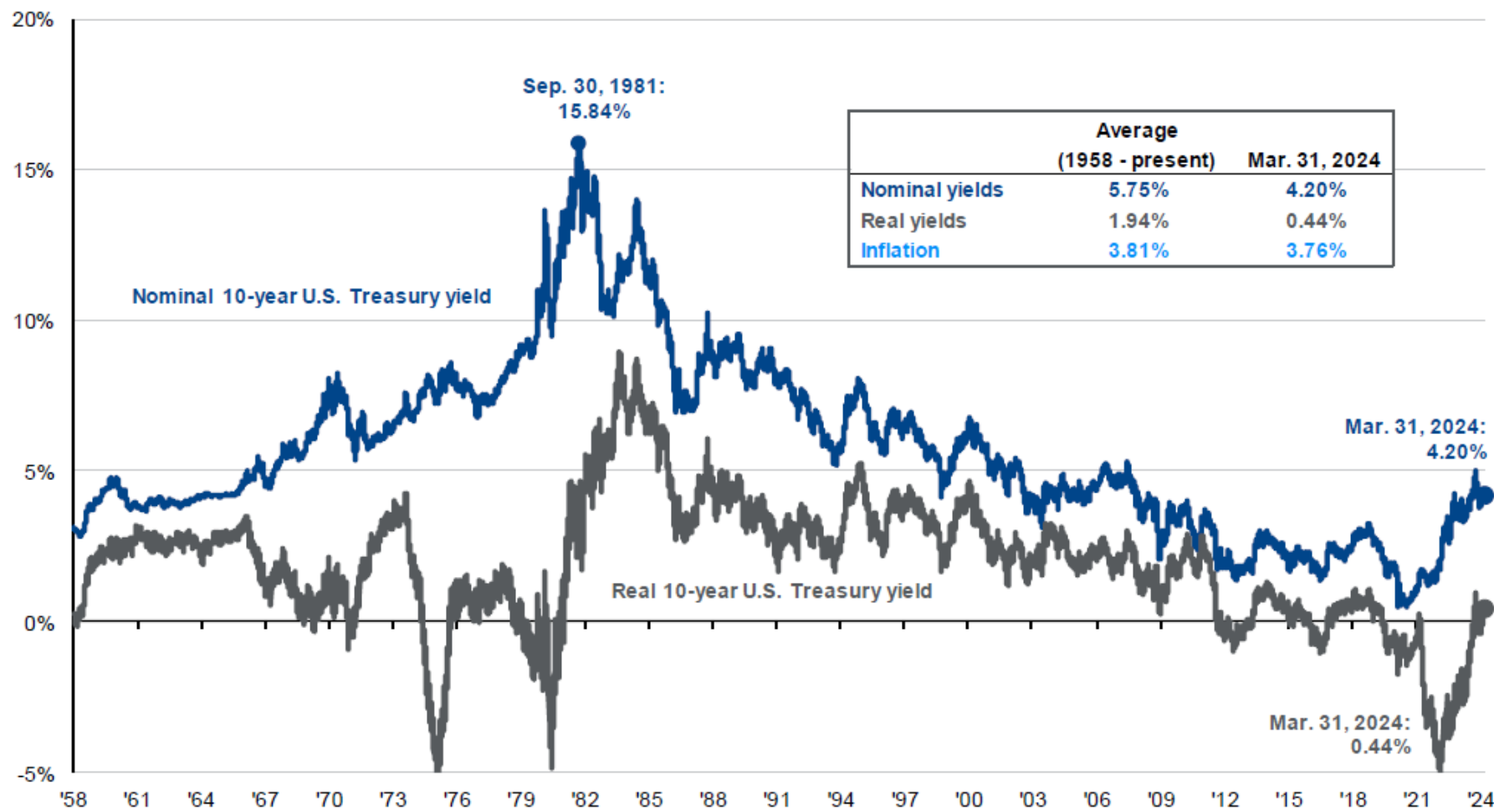


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# Interest Rates & Inflation

Nominal and real U.S. 10-year Treasury yields



Source: JP Morgan "Guide to the Markets"



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# The Market Return Equation

$$\textit{Market Return (RM)} = E + Y + \Delta P/E$$



**Jim Hagedorn, CFA**  
*Founder & Managing Partner*



$$\text{Market Return (RM)} = E + Y + \Delta P/E$$

$$\text{Market Return (RM)} = 9.27 + 1.44 + \Delta P/E$$

S&P 500 INDEX

Periodicity **A** Flavor **F12** View **Growth** Currency **USD**

Measure	Actual	F12 Est	Growth	Y+1 Est	Growth	Y+2 Est	Growth
1) Earnings Per Share	223.18	243.88	9.27%	273.75	12.25%	298.48	9.03%
2) EPS before XO, Positive	205.85	226.00	9.79%	256.48	13.49%	280.62	9.41%
3) Cash Flow Per Share	293.76	334.38	13.83%	376.74	12.67%	421.99	12.01%
4) Dividends Per Share	71.42	74.43	4.22%	79.37	6.64%	88.13	11.03%
5) Book Value Per Share	1092.93	1214.83	11.15%	1353.38	11.41%	1488.11	9.95%
6) Sales Per Share	1799.15	1880.66	4.53%	1993.74	6.01%	2101.75	5.42%
7) EBITDA Per Share	378.24	401.55	6.16%	444.69	10.74%	482.20	8.44%
8) Long Term Growth	0.00	11.13	0.00%	0.00	0.00%	0.00	0.00%
9) Net Debt Per Share	515.46	501.13	-2.78%	447.08	-10.79%	366.47	-18.03%
10) Enterprise Value Per Share	5676.54	5661.77	-0.26%	5607.72	-0.95%	5527.11	-1.44%

Valuation Measure	Actual	F12 Est	Y+1 Est	Y+2 Est
11) Price/EPS	23.12	21.16	18.85	17.29
12) Price/EPS before XO, Positive	25.07	22.84	20.12	18.39
13) Price/Cash Flow	17.57	15.43	13.68	12.21
14) Dividend Yield	1.38	1.44	1.54	1.71

Source: Bloomberg

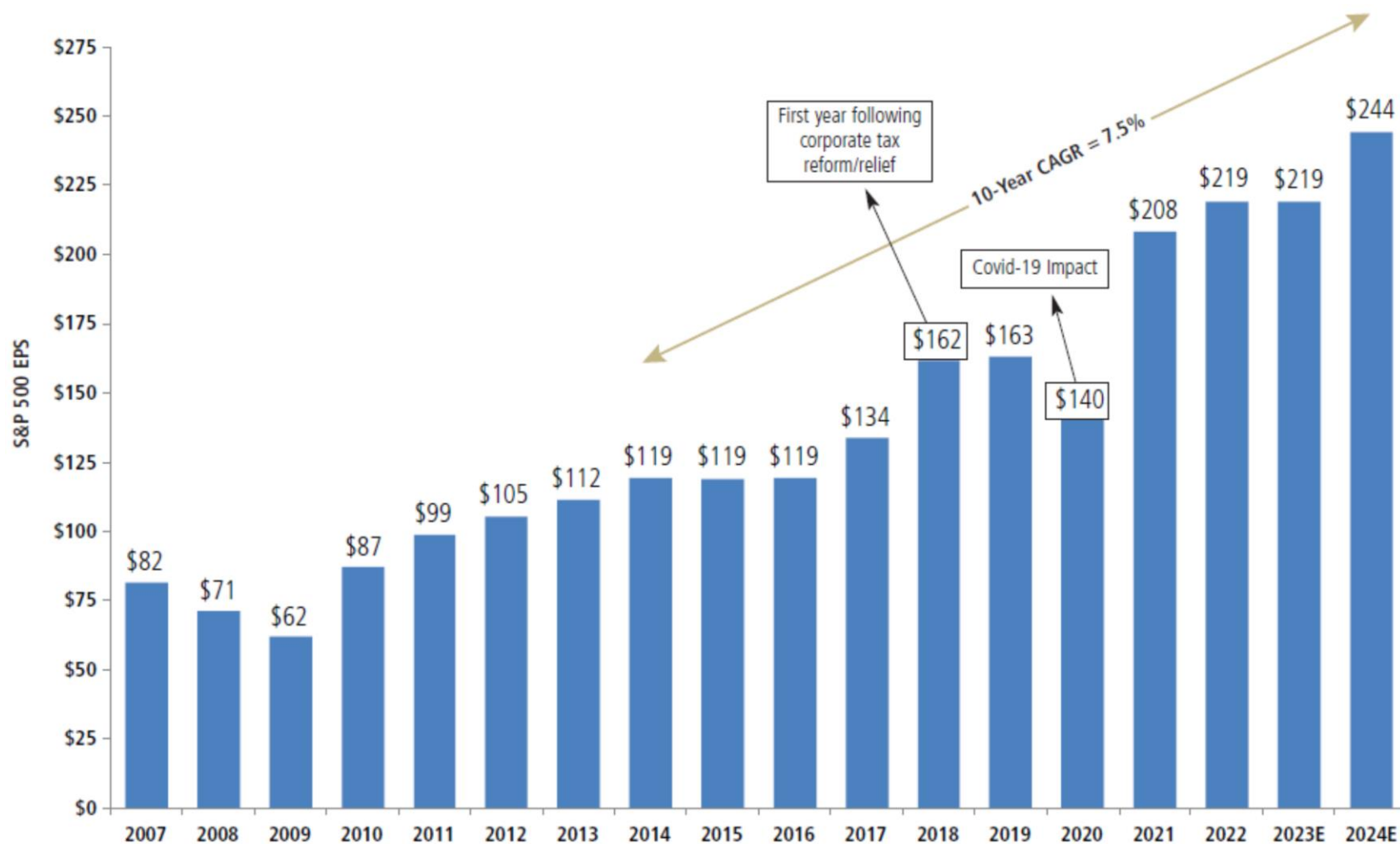


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Founder & Managing Partner





# S&P 500 Operating EPS



Source: FactSet Earnings Insight, January 5, 2024

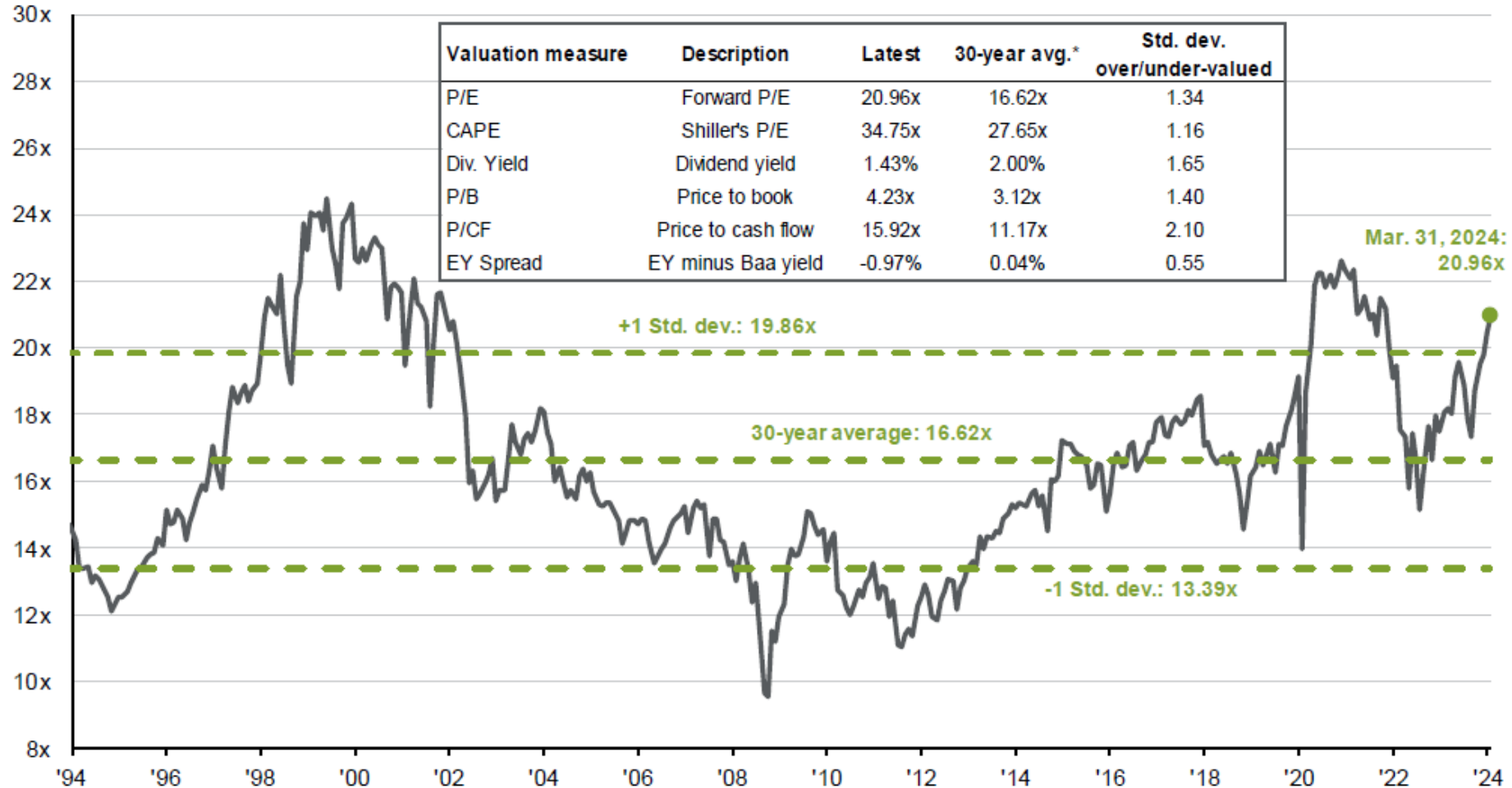


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Founder & Managing Partner



# S&P 500 Valuation Measures

S&P 500 Index: Forward P/E ratio



Source: JP Morgan "Guide to the Markets"

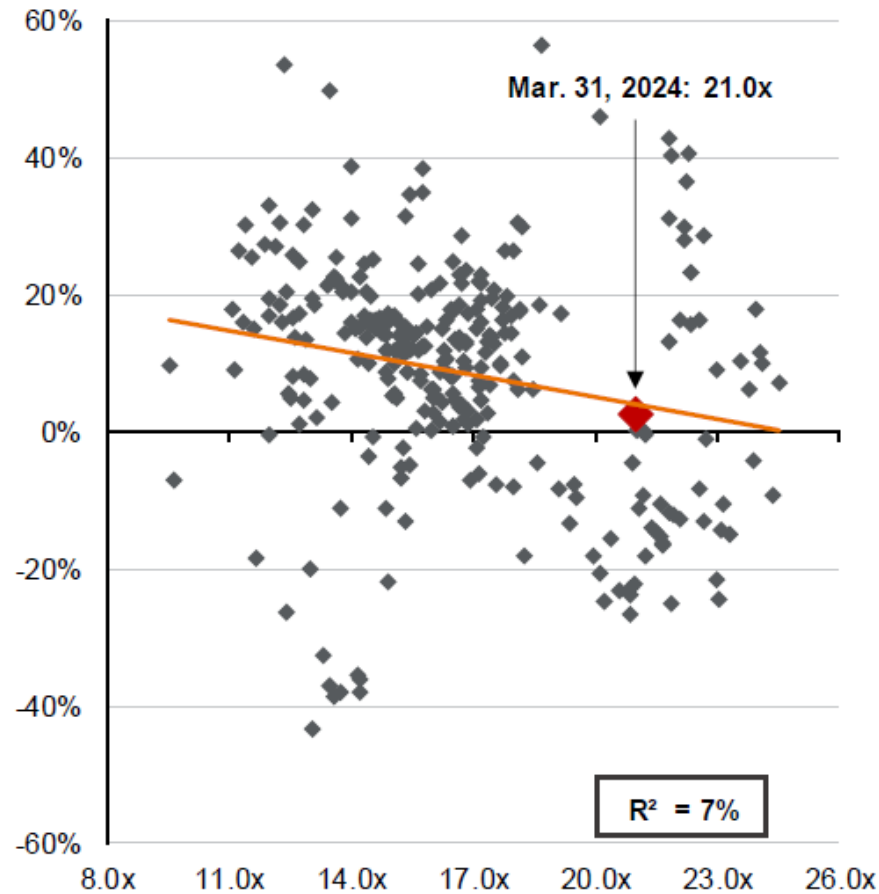


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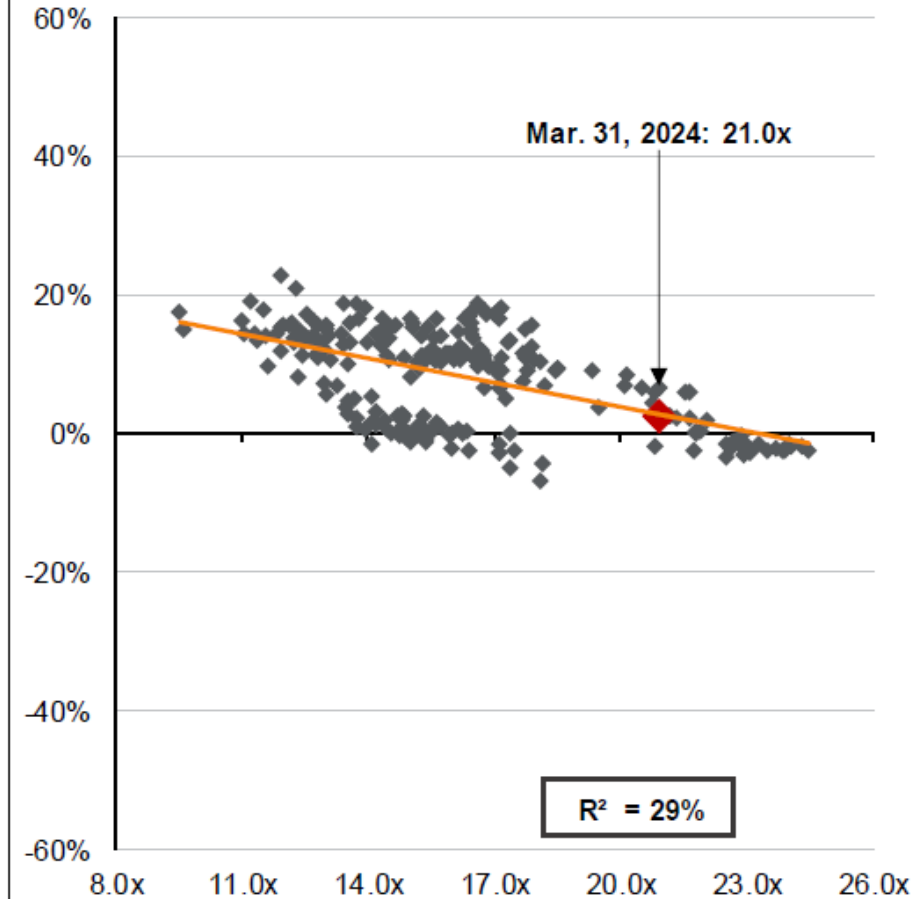


# P/E Ratios and Equity Returns

Forward P/E and subsequent 1-yr. returns  
S&P 500 Total Return Index



Forward P/E and subsequent 5-yr. annualized returns  
S&P 500 Total Return Index



Source: JP Morgan "Guide to the Markets"



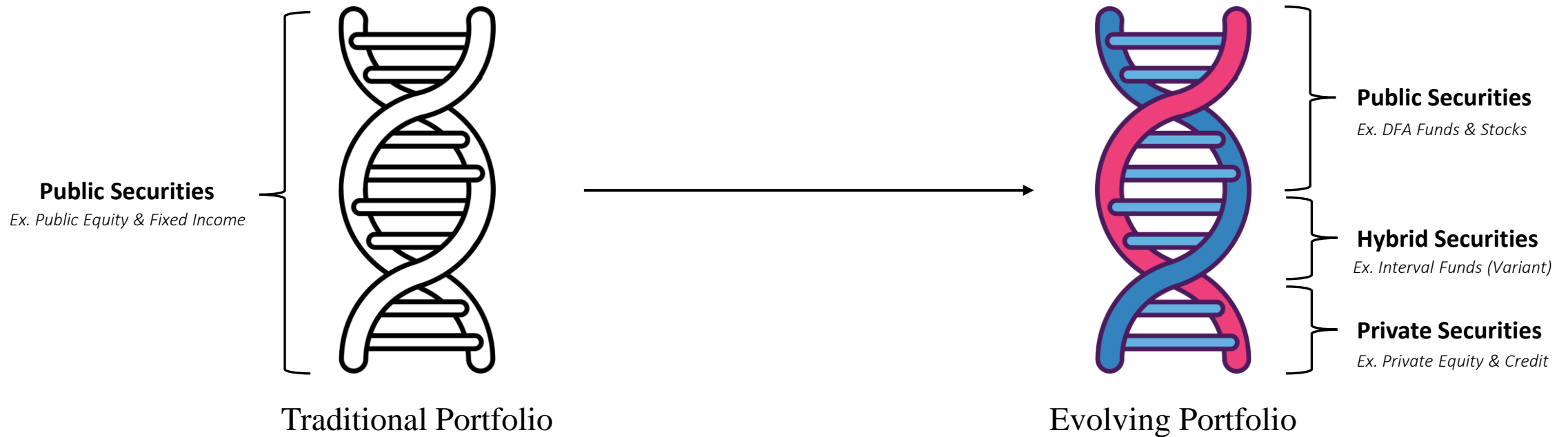
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Founder & Managing Partner



# **Evolving Portfolio DNA**

## Updates on the Chicago Partners Investment Strategy

# Evolving Portfolio DNA



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Founder & Managing Partner





# Major Leagues

## CP's Strong Performers

# Volatility Tax Mitigation



Over a 10-year period, **the difference** between the Consistent Investment and the Volatile Investment is **3.06%** per year

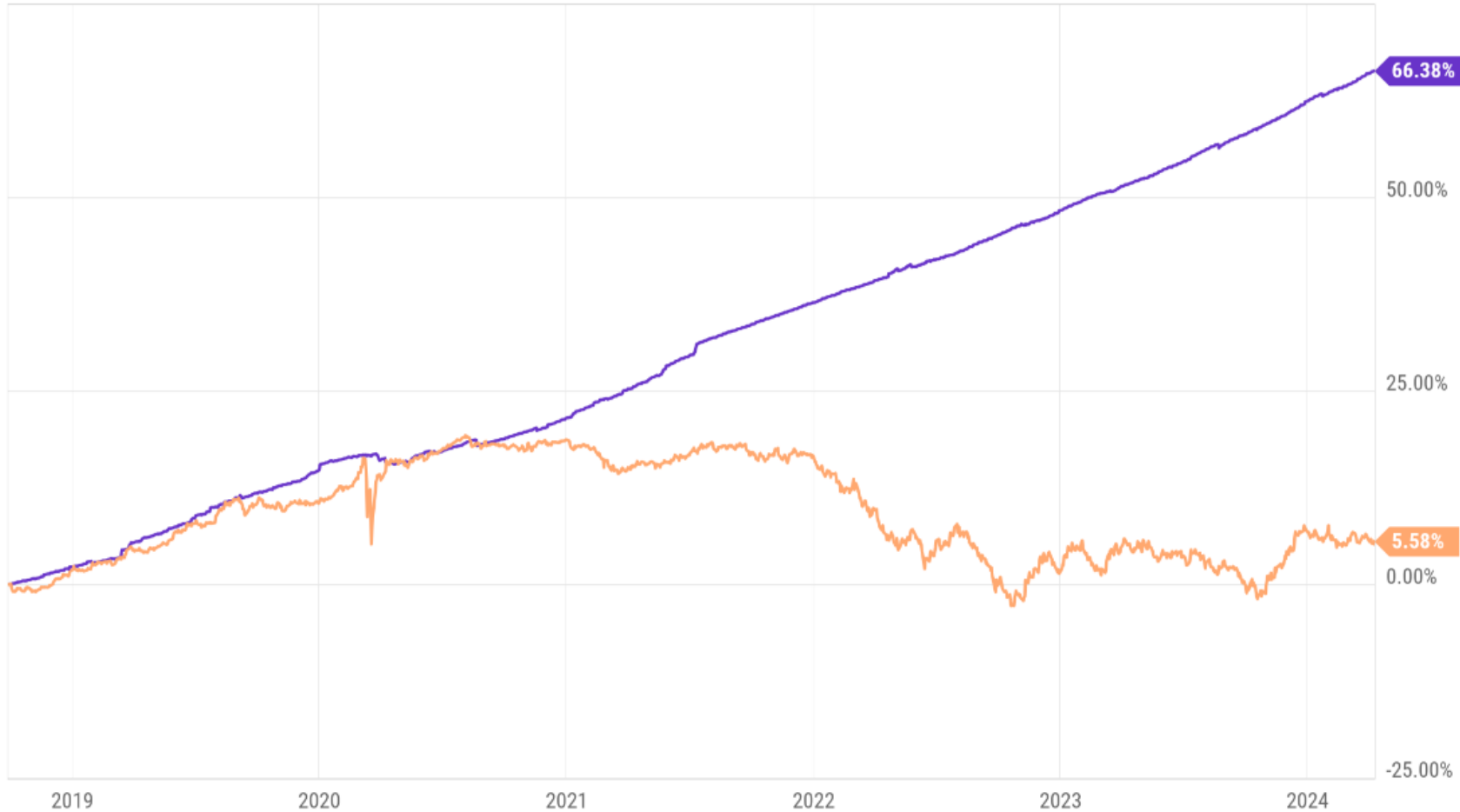


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Founder & Managing Partner



# Variant Alternative Income

● Variant Alternative Income Institutional (NICHX) Total Return 66.38% Apr 9 '24  
● iShares Core US Aggregate Bond ETF (AGG) Total Return 5.58% Apr 9 '24



Source: YCharts; **Variant** Alternative Income (NICHX) versus the Bloomberg Barclays Bond Index (AGG) since Variant's inception Sep 28, 2018

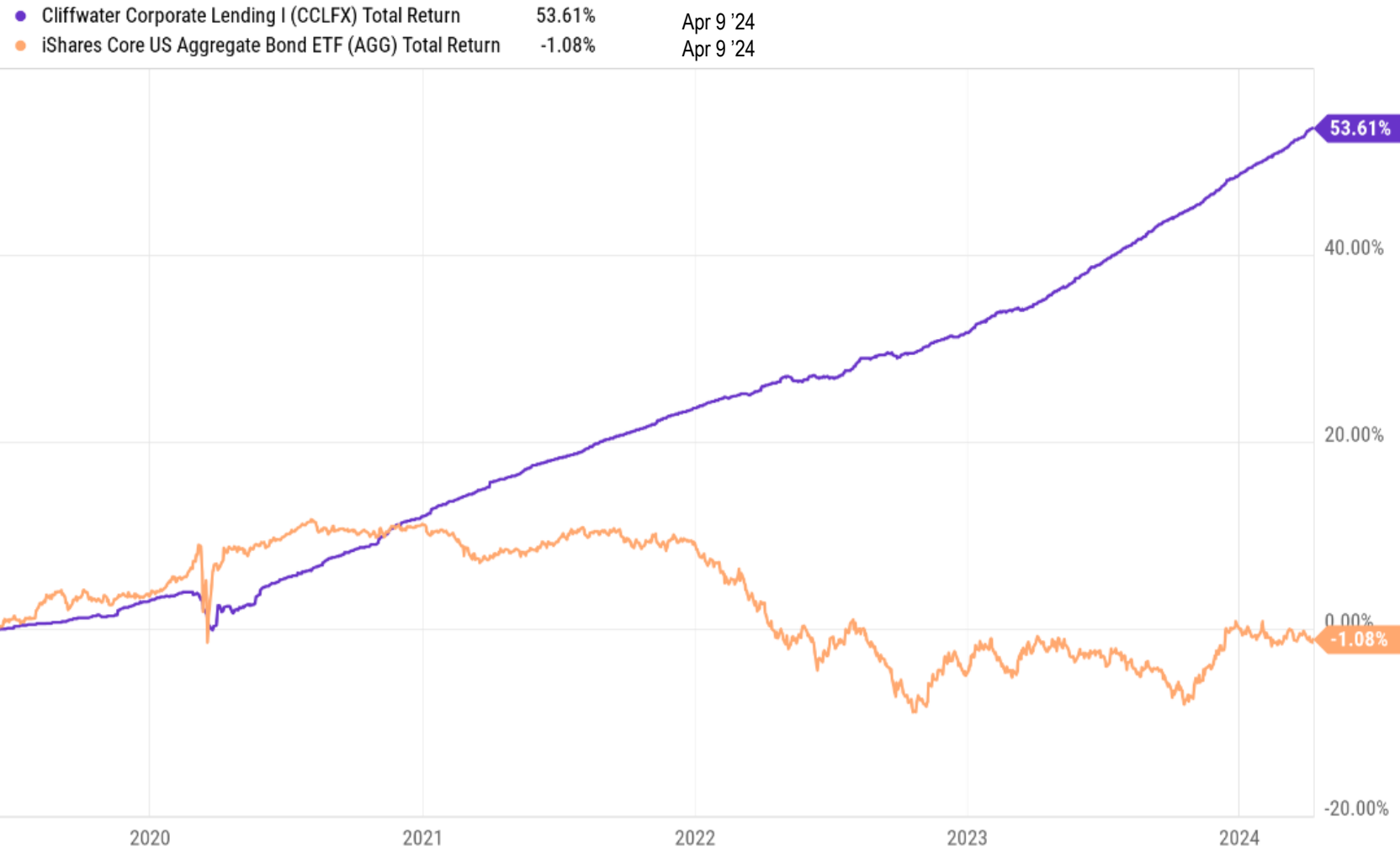


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# Cliffwater Corporate Lending



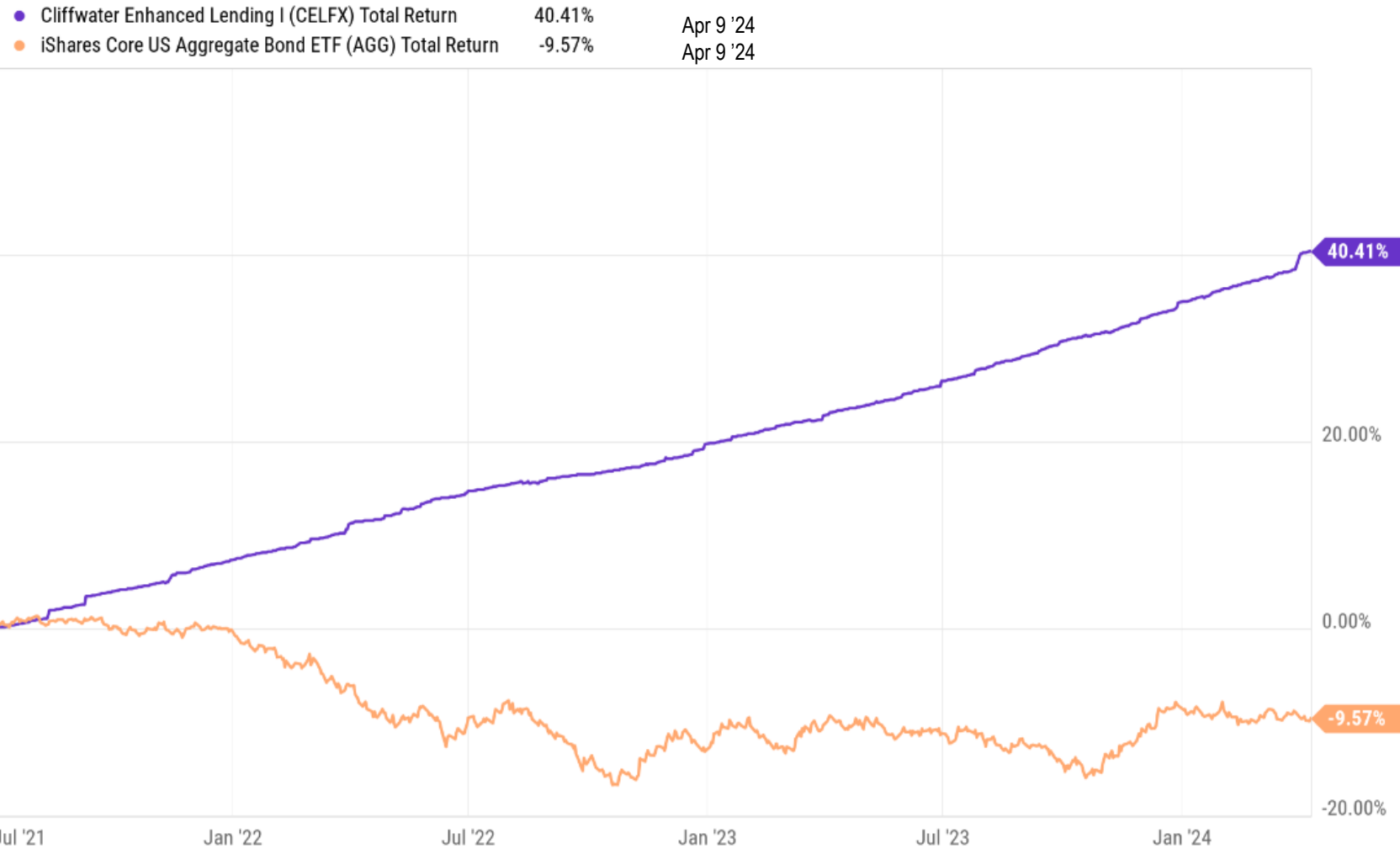
Source: YCharts; **Cliffwater** Corporate Lending (CCLFX) versus the Bloomberg Barclays Bond Index (AGG) since Cliffwater's inception Jun 12, 2019



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Founder & Managing Partner



# Cliffwater Enhanced Lending



Source: YCharts; *Cliffwater Enhanced* Lending (CELFX) versus the Bloomberg Barclays Bond Index (AGG) since Cliffwater Enhanced's inception Jul 9, 2021

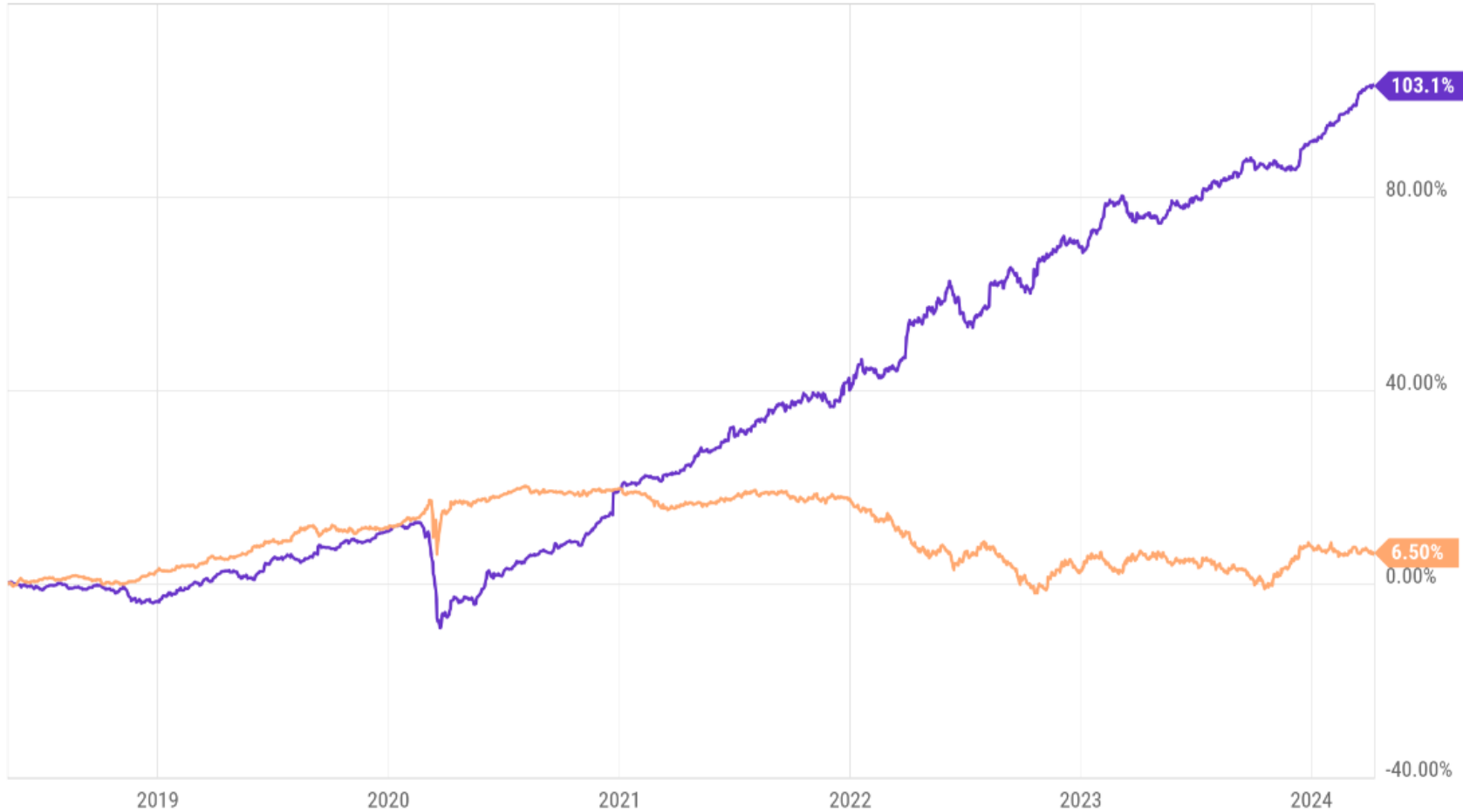


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Founder & Managing Partner



# BlueBay Destra International Event-Driven Credit

BlueBay Destra Intl Event-Driven Crdt I (CEDIX) Total Return 103.1% Apr 9 '24  
iShares Core US Aggregate Bond ETF (AGG) Total Return 6.50% Apr 9 '24



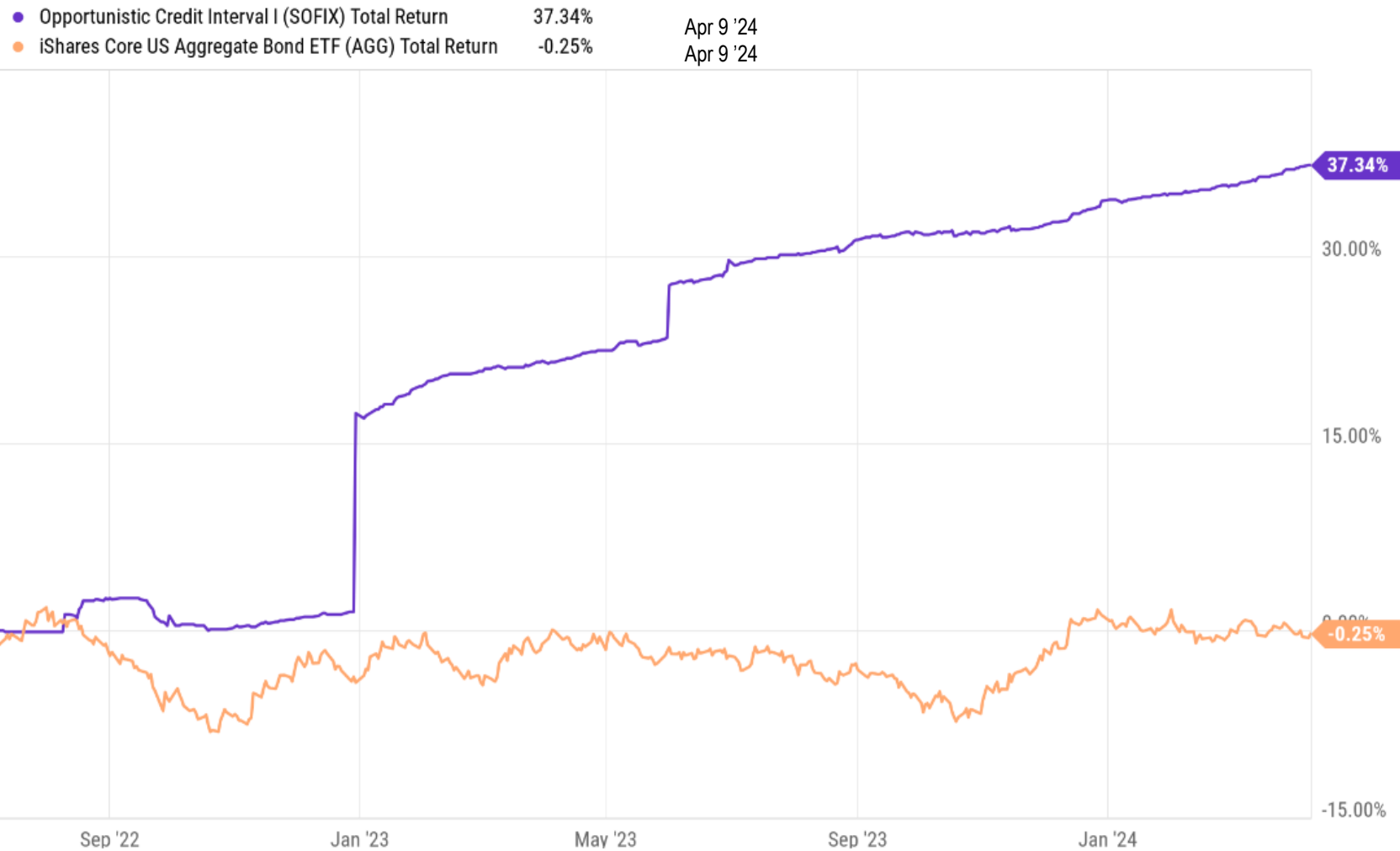
Source: YCharts; *BlueBay Destra International Event-Driven Credit* (CEDIX) versus the Bloomberg Barclays Bond Index (AGG) since CEDIX's inception May 9, 2019



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Founder & Managing Partner



# Opportunistic Credit Interval I



Source: YCharts; *Opportunistic Credit Interval I* (SOFIX) versus the Bloomberg Barclays Bond Index (AGG) since SOFIX's inception Jul 5, 2022

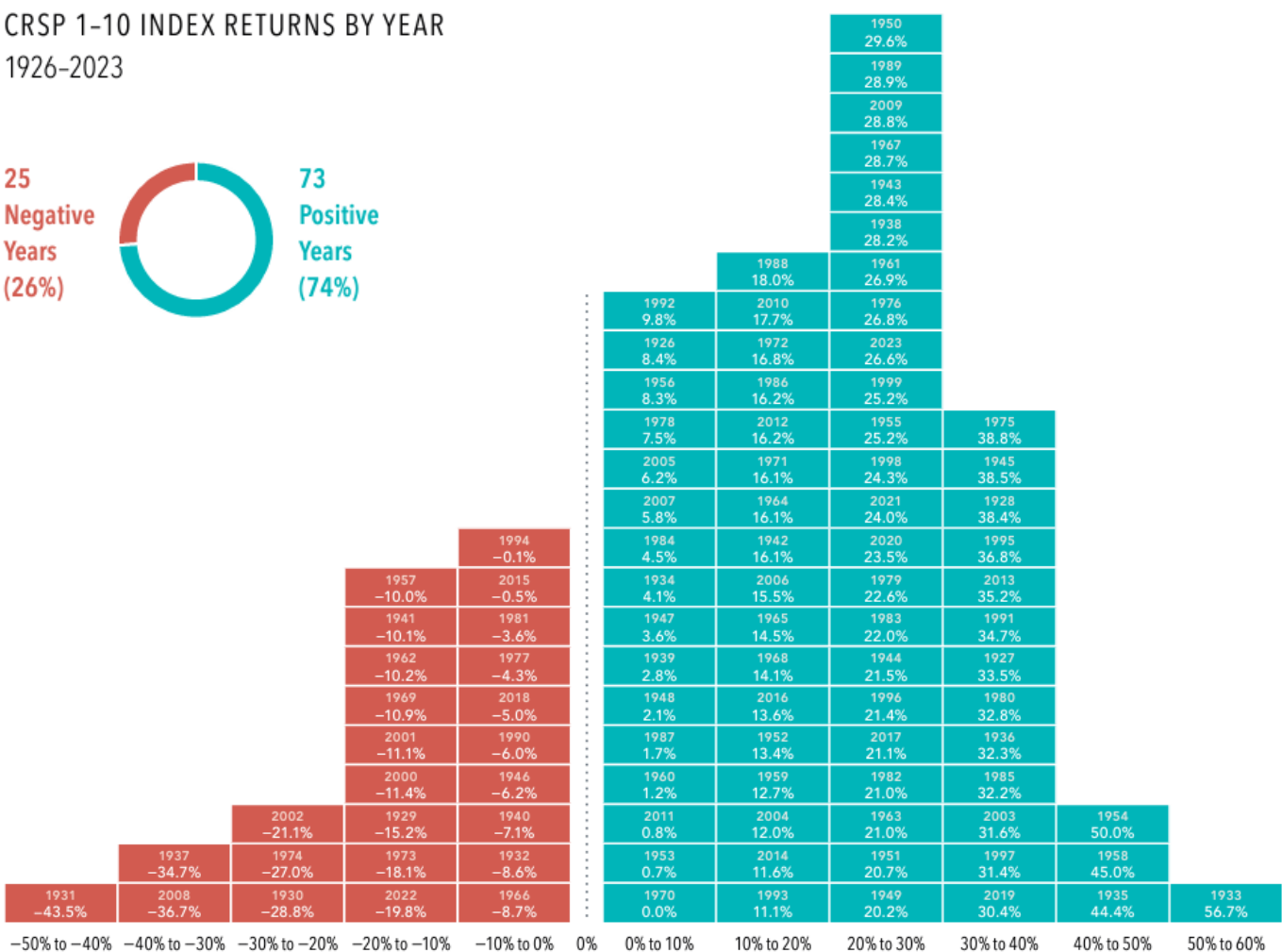


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Founder & Managing Partner



# The Rewarding Distribution of US Stock Market Returns

CRSP 1-10 INDEX RETURNS BY YEAR  
1926-2023



Source: Dimensional Fund Advisors



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Founder & Managing Partner

# Innovator Equity Managed Floor ETF

## WHY SFLR?

- » Seeks participation in U.S. large-cap equities
- » Seeks to provide a quarterly series of floors that limit 12-month losses to 10%
- » Actively managed by Parametric

## ETF DETAILS

Ticker	SFLR
Listing Date	11/9/22
Expense Ratio	0.89%
Exchange	NYSE Arca
Laddered Floor Level	10%
Subadvisor	Parametric

## INVESTMENT STRATEGY

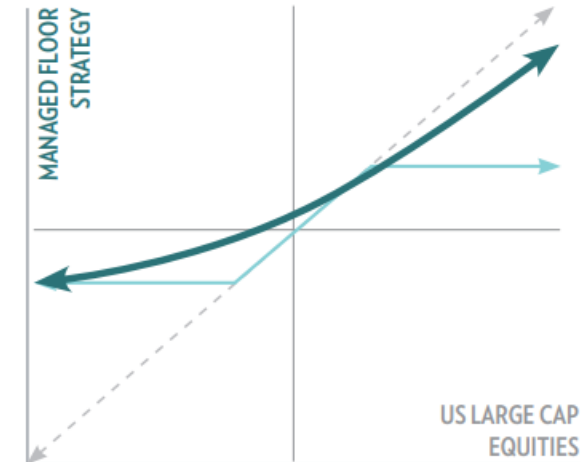
The Innovator Equity Managed Floor ETF™ is actively managed to seek equity upside participation while limiting the potential for maximum losses to 10% on a rolling 12-month basis.

## MANAGED-OUTCOME FOCUS

SFLR does not seek a defined outcome. Rather, the investment strategy as illustrated seeks to reduce volatility and limit downside risks, while seeking upside participation.

In addition to holding U.S. large-cap equities, SFLR seeks to buy laddered put options to help limit losses, and sells short-dated calls to offset the cost of the puts.

*There is no guarantee the Fund will be successful in providing the sought-after protection of the floor. The Fund's option strategy may cause the Fund to forego a portion of any upside returns of the Equity Portfolio.*



*For illustrative purposes only. Does not represent or predict fund performance.*

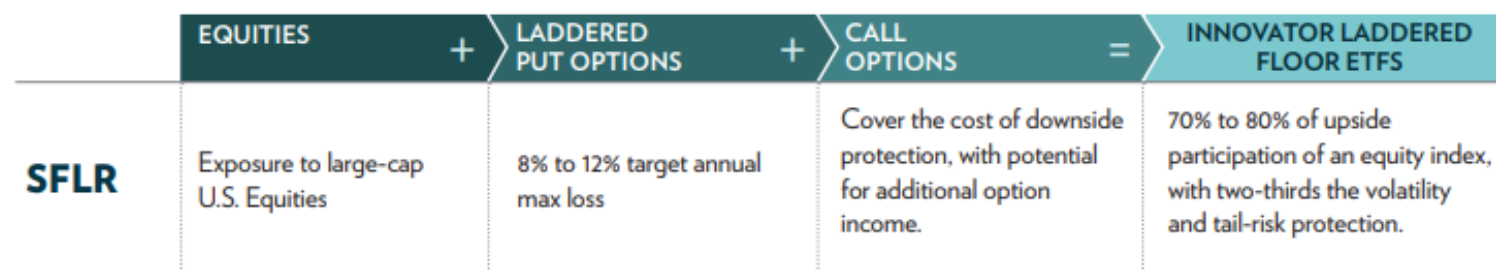


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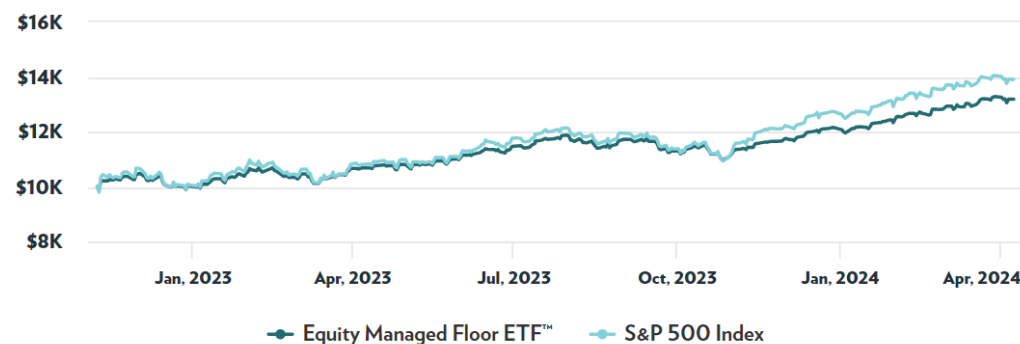


# Innovator Equity Managed Floor ETF

## HOW LADDERED FLOOR ETFS WORK



## GROWTH OF \$10,000



Data from 11/8/2022 to 4/8/2024

## ETF PERFORMANCE & BENCHMARK HISTORY (%)

	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	9.42%	24.56%	-	-	22.61%
ETF Closing Price	9.91%	25.18%	-	-	23.02%
S&P 500 Index	10.16%	27.86%	-	-	25.55%

Data as of 3/31/2024. The Fund inceptioned on 11/8/2022. Performance quoted represents past performance, which is no guarantee of future results. Investment returns and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. Returns less than one year are cumulative. One cannot invest directly in an index.



**Jim Hagedorn, CFA**  
Founder & Managing Partner





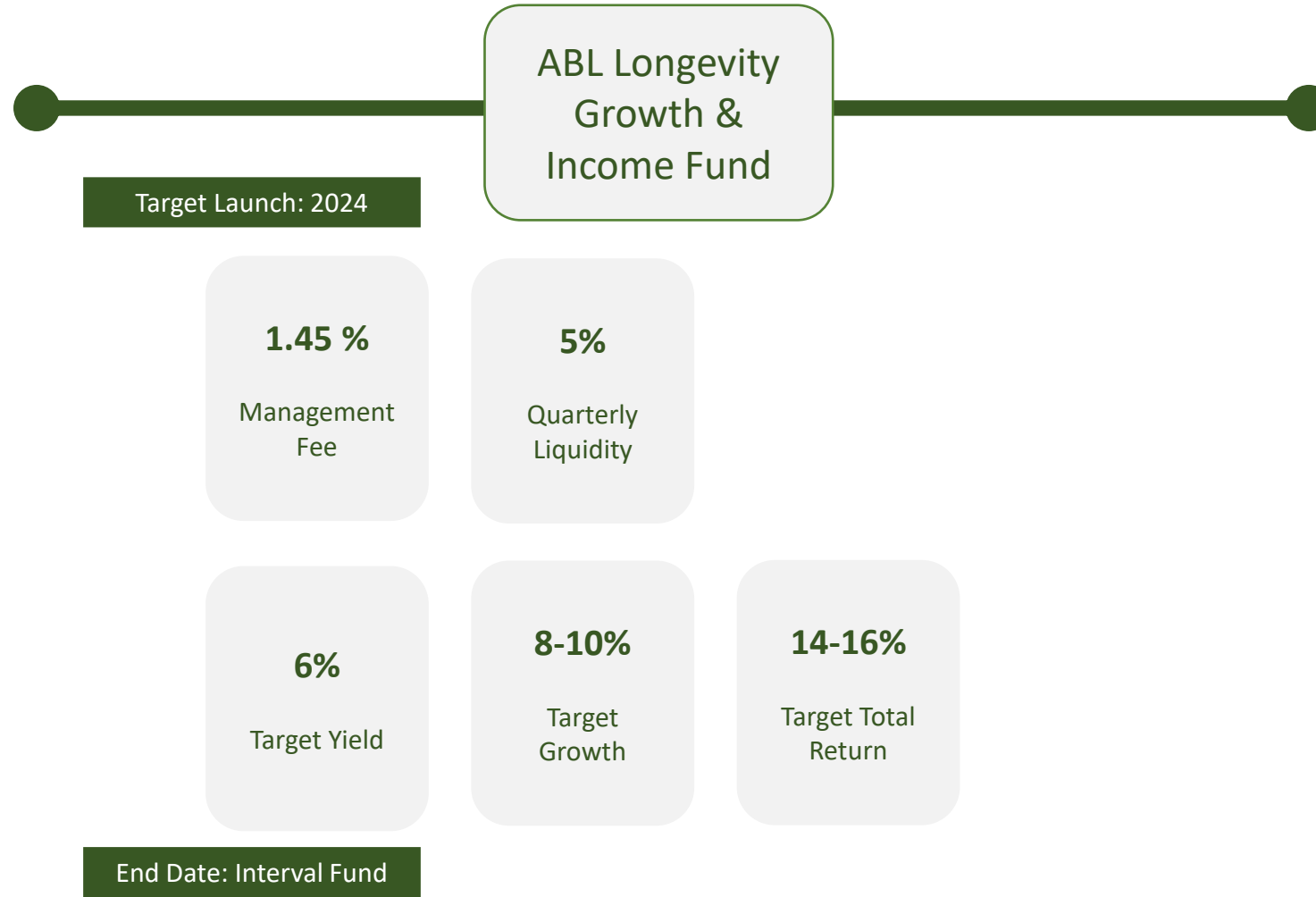
**MINOR LEAGUE**

**AAA Farm Team**

**CP Investment Committee's Research  
and Development**



# Abacus Life



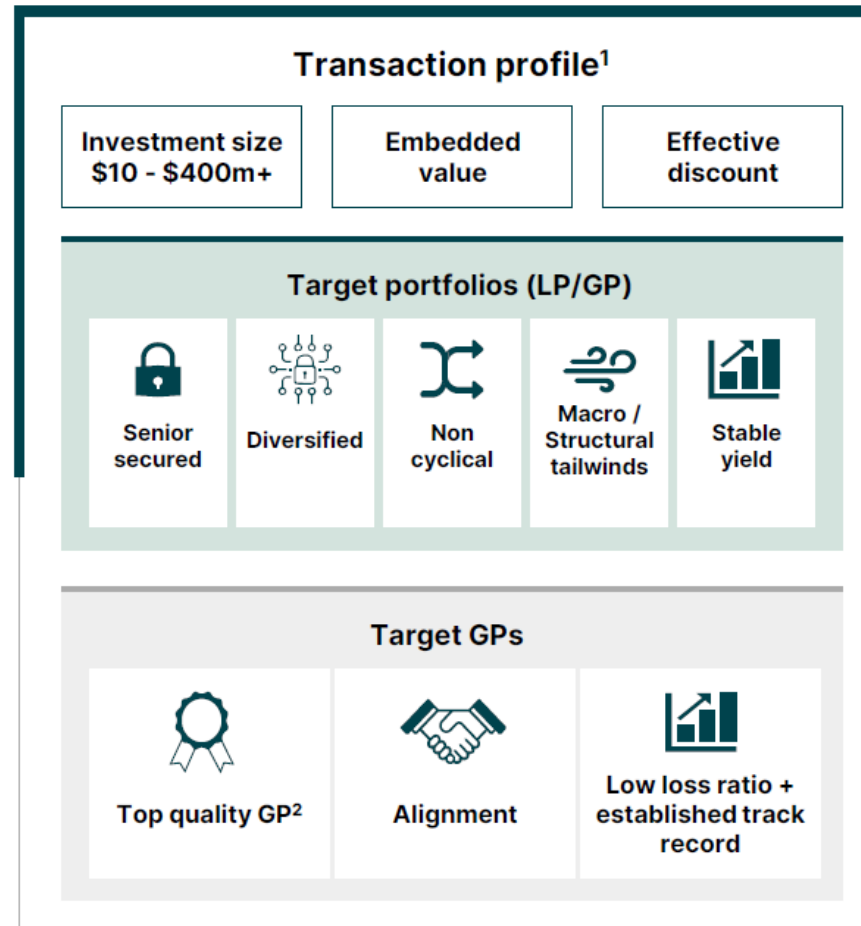
Source: Abacus Life



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Founder & Managing Partner



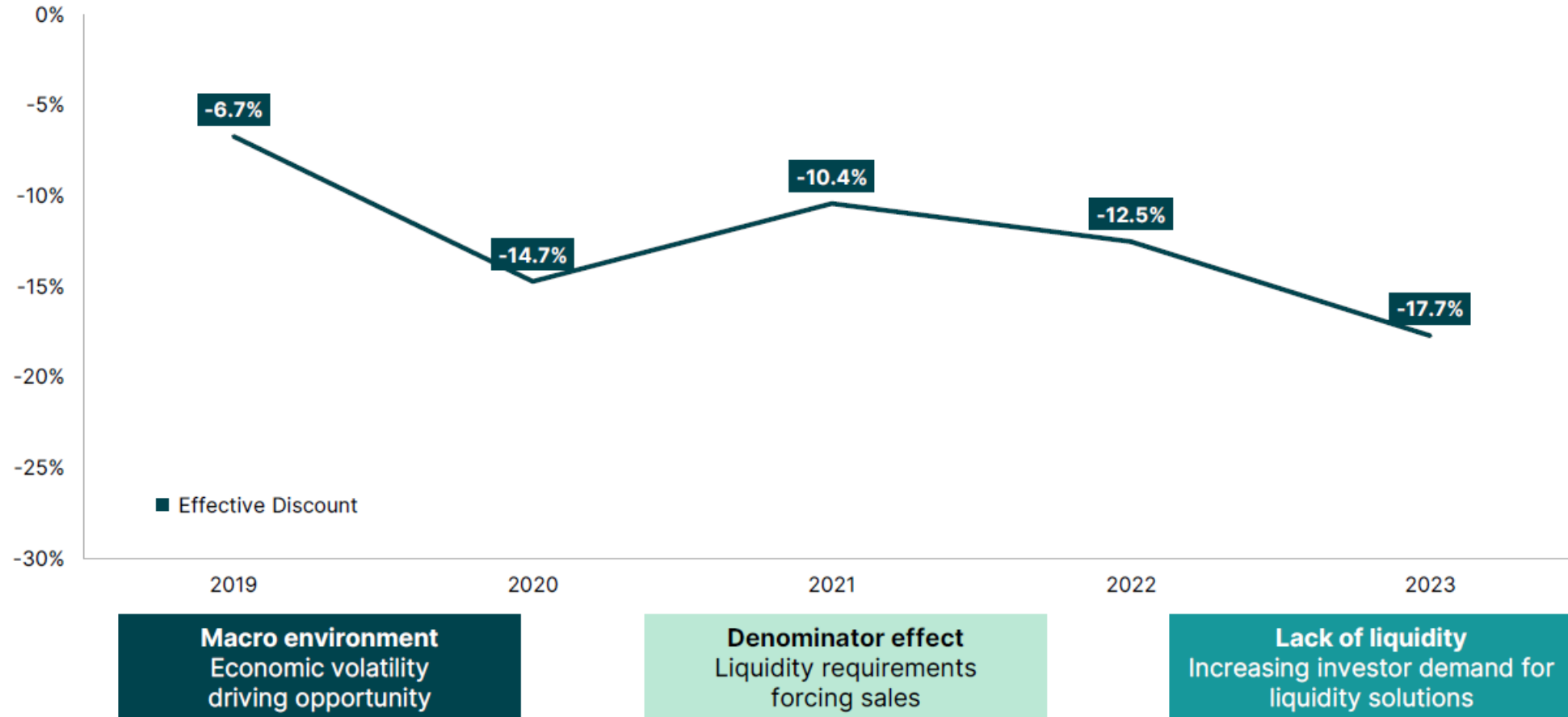
# Pantheon Private Credit



**Jim Hagedorn, CFA**  
Founder & Managing Partner



# Pantheon Private Credit



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<sup>1</sup> Pantheon internal data, as of December 2023. Pantheon opinion. Based on the first available capital accounts, which is typically 3 months after closing but could be as recent as one-month post-closing and includes interim cash flows. This figure reflects the discount/(premium) to value at the time of deal closing. Effective discounts for time periods shown are weighted off total commitments in the same time period. There is no guarantee these trends will continue.



**Jim Hagedorn, CFA**  
Founder & Managing Partner





# Pantheon Private Credit

Exclusively for Seed Partners

Structure	Interval fund available for daily purchase		
Availability	Available for accredited investors. \$10m minimum investment. <sup>2</sup>		
Tax reporting	1099-DIV <sup>1</sup>		
Asset-based fee	Institutional Share Class	Seed Share Class	Seed Share Class (Year 1)
	1.40%	1.15%	0.65%
Performance fee	10.0% incentive fee on income only. 6% annual hurdle		
Qualification	Seed opportunity limited to a maximum of 10 partners. Slots allocated on a first come, first serve basis. \$10 million minimum investment required to qualify (aggregated at firm level).		
Opportunity for investors	<div>1) Access to Seed Capital share class in perpetuity (25bp discount from Institutional Share Class)</div> <div>2) 50bp management fee reduction in first 12 months</div> <div>3) Participation in expected early uplift on fund's initial secondary investments purchased at a discount</div> <div>Total fee savings in year 1 = 75bps</div>		

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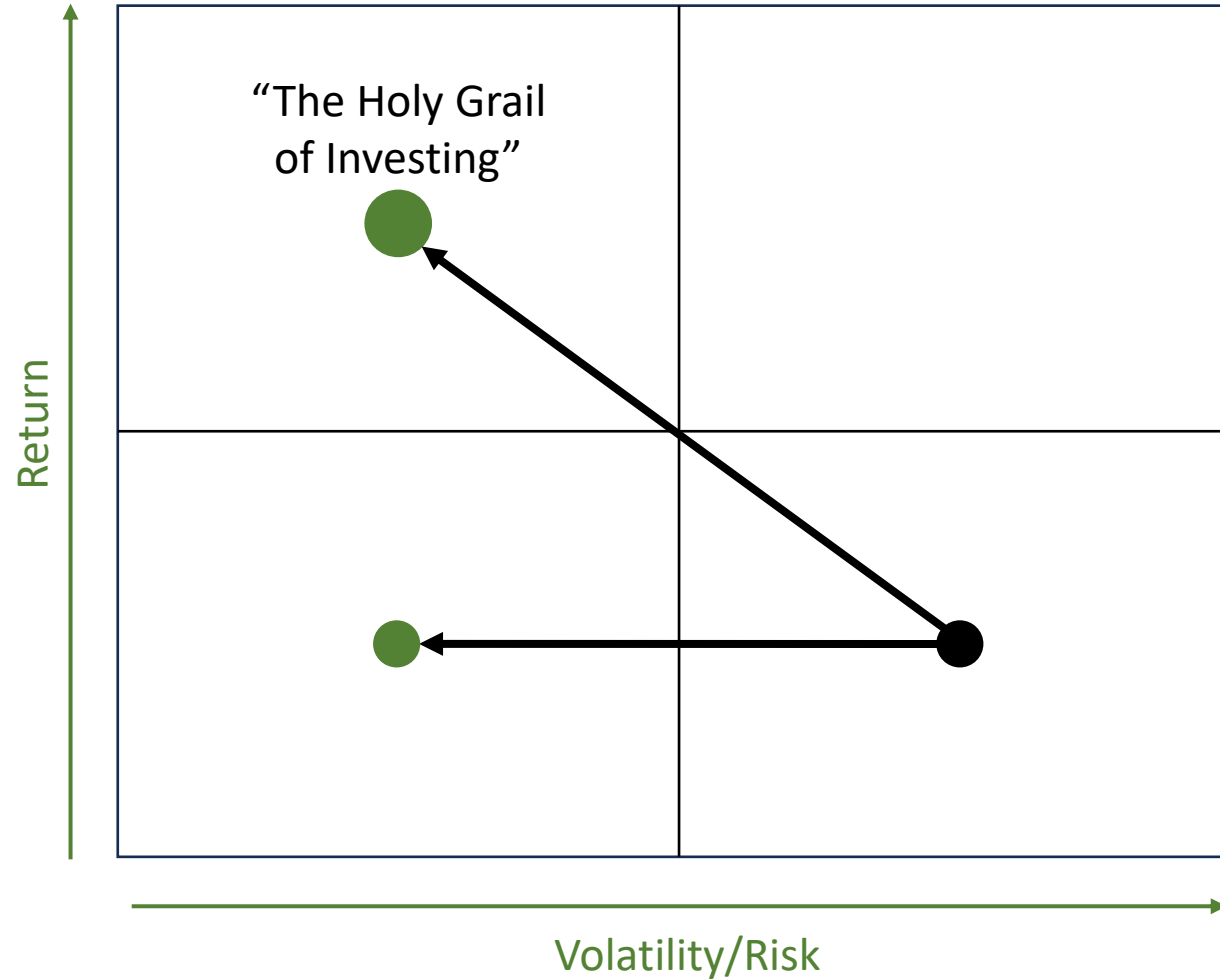
<sup>1</sup>Please consult a tax advisor for specifics on how an investment in the Fund may impact particular tax situations. Neither Pantheon nor AMG Funds renders tax advice to clients. This page is a summary of certain terms of the Fund. Please consult the Fund's prospectus for a complete description of the Fund's terms. In addition, any investment will be governed by the terms and provisions of the Prospectus. <sup>2</sup> Accredited Investor has the meaning set out under the Securities Act of 1933.



**Jim Hagedorn, CFA**  
Founder & Managing Partner



# The Holy Grail of Investing



Markowitz won the Nobel Prize because he proved that adding non-correlated assets can increase the return of the portfolio, while actually reducing volatility/risk.

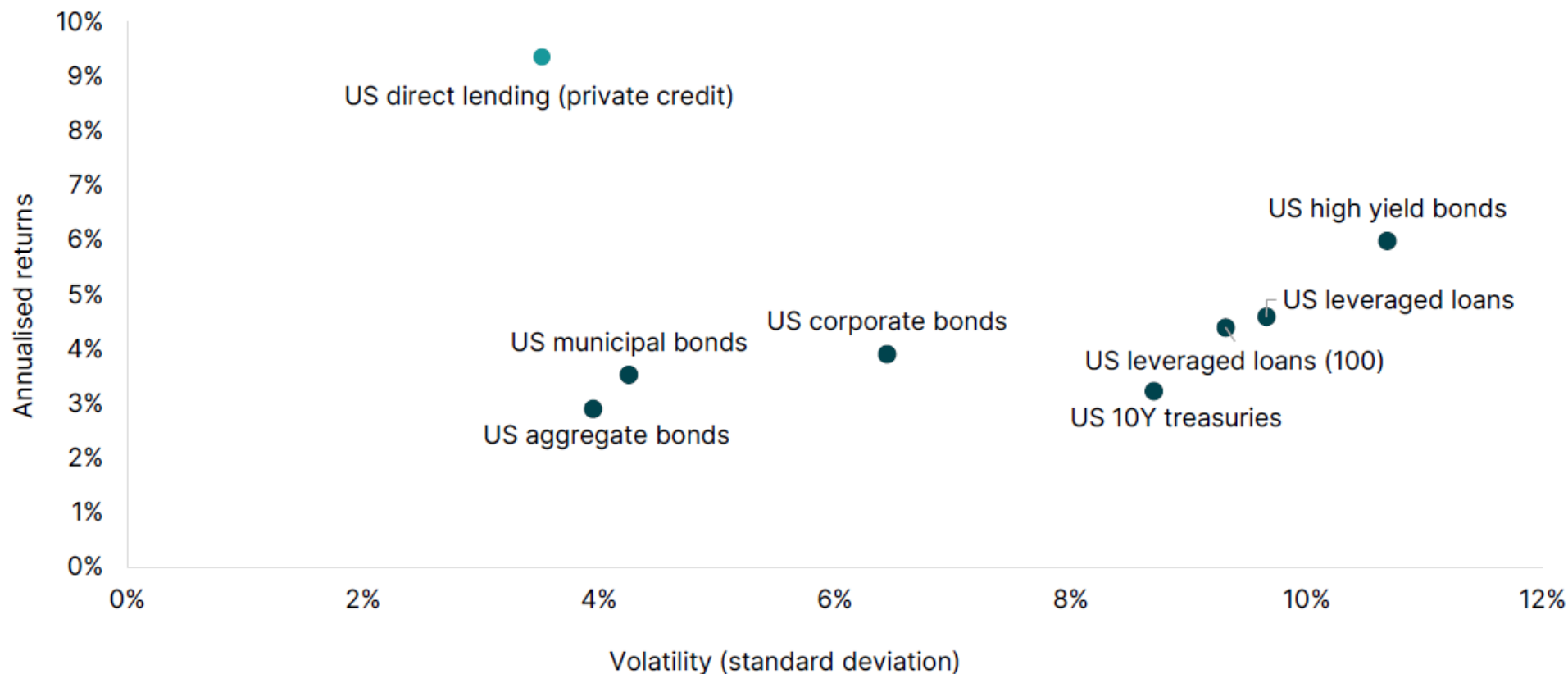
Source: CAZ Investments & Chicago Partners



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Founder & Managing Partner



# Fixed Income & Private Credit: Returns/Volatility Matrix



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Past performance is not indicative of future results. Future results are not guaranteed, and a loss of principal may occur. Note: All data from December 31, 2004 to June 30, 2023. Given the length of time covered, any differences should be immaterial. Index sources; US direct lending (private credit) from Cliffwater Direct Lending Index, US leverage loans from Morningstar LSTA US Leverage Loan Index, US 10Y treasuries from Refinitiv US 10 Years Government Benchmark Index, US aggregate bonds from S&P U.S. Aggregate Bond Index, US corporate bonds from ICE BofA US corporate bond index, US municipal bonds from S&P Municipal bond index, and US high yield bonds from ICE BofA US high yield index.



**Jim Hagedorn, CFA**  
Founder & Managing Partner



# Private Credit Update

**FIGURE 2: Private Credit Performance in Context**—Annual Returns of Select Fixed Income Indices, Ranked in Order of Performance

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
10.2% Private Credit	11.4% Treasuries	58.2% High Yield Bonds	15.8% Private Credit	9.8% Private Credit	15.8% High Yield Bonds	12.7% Private Credit	9.6% Private Credit	5.5% Private Credit	17.1% High Yield Bonds	8.6% Private Credit	8.1% Private Credit	14.3% High Yield Bonds	7.5% Inv. Grade Bonds	12.8% Private Credit	6.5% Private Credit	13.44% High Yield	3.31% Private Credit
8.8% Treasuries	5.2% Inv. Grade Bonds	51.6% Senior Loans	15.1% High Yield Bonds	7.8% Inv. Grade Bonds	14.0% Private Credit	7.4% High Yield Bonds	6.0% Inv. Grade Bonds	1.2% Treasuries	11.2% Private Credit	7.5% High Yield Bonds	1.8% Cash	9.0% Private Credit	7.1% High Yield Bonds	5.3% High Yield Bonds	1.5% Cash	13.29% Senior Loans	2.57% Senior Loans
7.0% Inv. Grade Bonds	1.8% Cash	13.2% Private Credit	10.1% Senior Loans	6.6% Treasuries	9.7% Senior Loans	5.3% Senior Loans	2.6% Treasuries	0.5% Inv. Grade Bonds	10.2% Senior Loans	4.1% Senior Loans	1.4% Treasuries	8.7% Inv. Grade Bonds	5.8% Treasuries	5.2% Senior Loans	-6.3% Senior Loans	12.66% Private Credit	1.34% Cash
4.8% Cash	-6.5% Private Credit	5.9% Inv. Grade Bonds	6.5% Inv. Grade Bonds	5.0% High Yield Bonds	4.2% Inv. Grade Bonds	0.1% Cash	2.5% High Yield Bonds	0.3% Cash	2.6% Inv. Grade Bonds	3.5% Inv. Grade Bonds	0.4% Senior Loans	8.6% Senior Loans	5.5% Private Credit	0.4% Cash	-7.8% Treasuries	5.53% Inv. Grade Bonds	1.23% High Yield
2.1% Senior Loans	-26.2% High Yield Bonds	0.1% Cash	5.3% Treasuries	1.5% Senior Loans	1.7% Treasuries	-1.3% Treasuries	1.6% Senior Loans	-0.7% Senior Loans	1.1% Treasuries	1.1% Treasuries	0.0% Inv. Grade Bonds	5.2% Treasuries	3.1% Senior Loans	-1.5% Inv. Grade Bonds	-11.2% High Yield	5.14% Cash	-0.80% Treasuries
1.9% High Yield Bonds	-29.1% Senior Loans	-1.4% Treasuries	0.1% Cash	0.1% Cash	0.1% Cash	-2.0% Inv. Grade Bonds	0.0% Cash	-4.5% High Yield Bonds	0.3% Cash	0.8% Cash	-2.1% High Yield Bonds	2.2% Cash	0.5% Cash	-1.7% Treasuries	-13.0% Inv. Grade Bonds	4.28% Treasuries	-1.52% Inv. Grade Bonds

Source: Blackstone and Chicago Partners

\*data through April 1, 2024



**Jim Hagedorn, CFA**  
Founder & Managing Partner

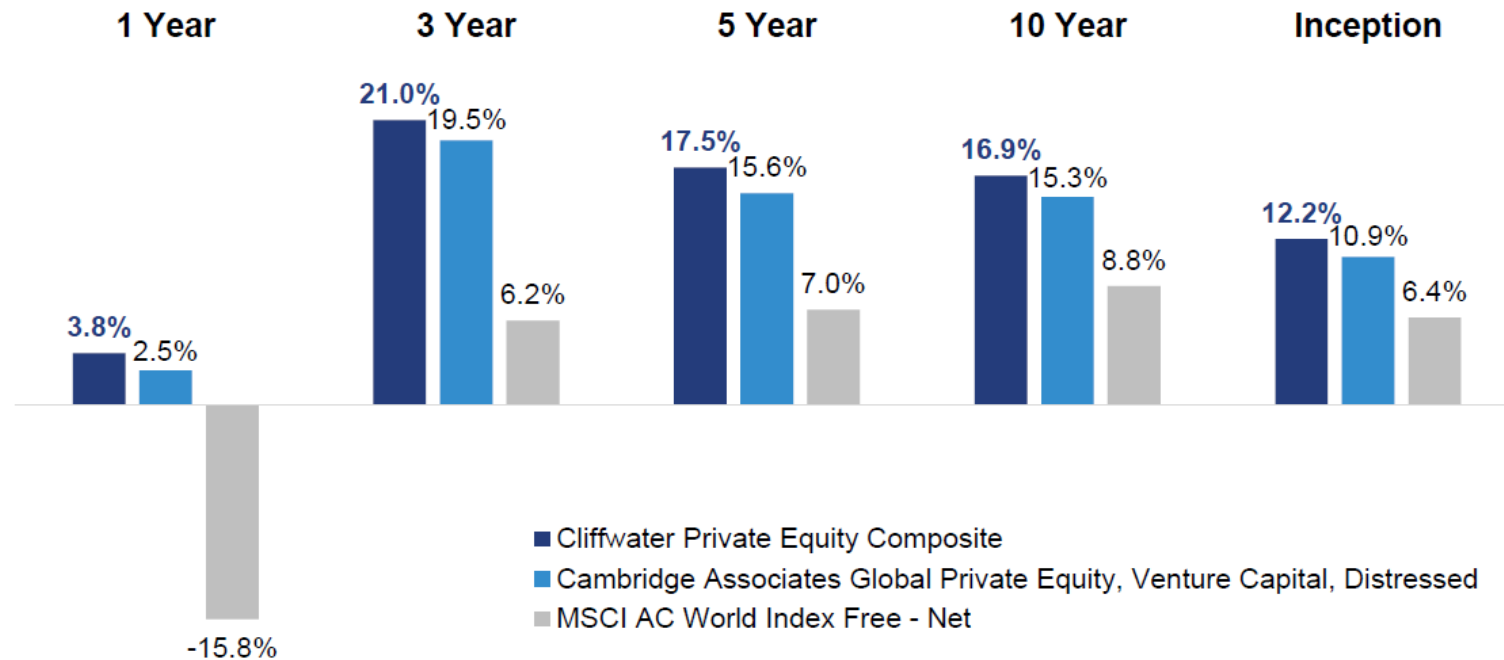


# Cascade Private Capital Fund

Cliffwater PE Composite Performance



## Cliffwater Composite Time-Weighted Returns (Net of Fees) (Sept 2005 – June 2023)



Source: Cliffwater



**Jim Hagedorn, CFA**  
Founder & Managing Partner





# **Economic Indicators**

## **Optimal Recessionary Conditions and Leading Economic Indicators**



# Checklist: Optimal Recessionary Conditions

- **Accelerating Inflation** – Not accelerating, but inflation remains elevated
- **Inverted Yield Curve** – Yes
- **Employment Declining** – No, U.S. unemployment is 3.8%
- **29 Months After First Rate Hike** – No, 25 months since initial rate hikes
- **P/E Above 17** – Yes, it is 23.12
- **10-Year Treasury Above 6.6%** – No, it is 4.54%
- **Bonds More Attractive Than Stocks** – No, not when looking out over a 5- or 10- year period
- **Dividend Yield Decreasing** – No, dividends are still increasing

## Legend

- *Cautionary Reading*
- *Moderate Reading*
- *Positive Reading*



**Nicole Polanco, CFP®**  
Senior Wealth Advisor



# Leading Economic Indicators



## New Economic Indicator

Empire State Manufacturing 6M Ahead Technology Spending – 5.9 (Decreased from January 8.3)



## Economic Survey Results

CFO optimism about the overall U.S. economy on a scale from 0 to 100, Increased to 61, up from 58 at the end of December. 61 was the highest level since 2Q 2021. The pickup in overall optimism was widespread, cutting across firm size and industry.

“Firms still face many challenges, including a tight labor market and persistent pricing pressures, but there is less concern over a downturn in economic growth compared with previous quarters.” - Atlanta Fed economist Brent Meyer.

CFO optimism about their own firm’s financial prospects, which stands at a level of 69, increased slightly from last quarter. At the same time, over half of firms expect their price growth in 2024 to remain above pre-COVID levels, suggesting that for many firms, pricing pressures remain above what they consider normal.

## Legend



*Cautionary Reading*



*Moderate Reading*



*Positive Reading*



## Conference Board Leading Economic Index – 102.8



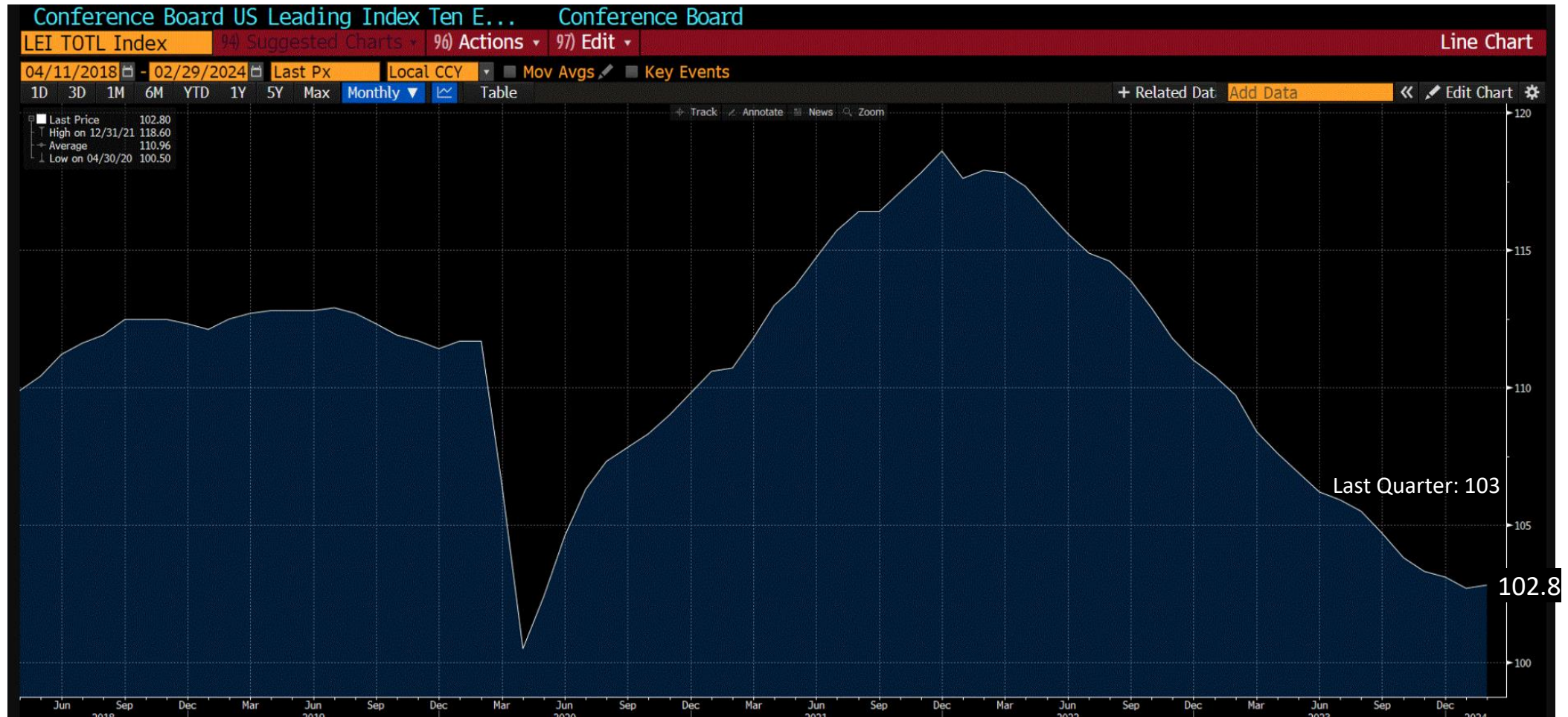
## CEO Confidence Index: CEO Confidence in the Economy 1 Year From Now – 7.01



**Dan Toledo, CFA, CFP®**  
Partner



# ● U.S. Conference Board Leading Index

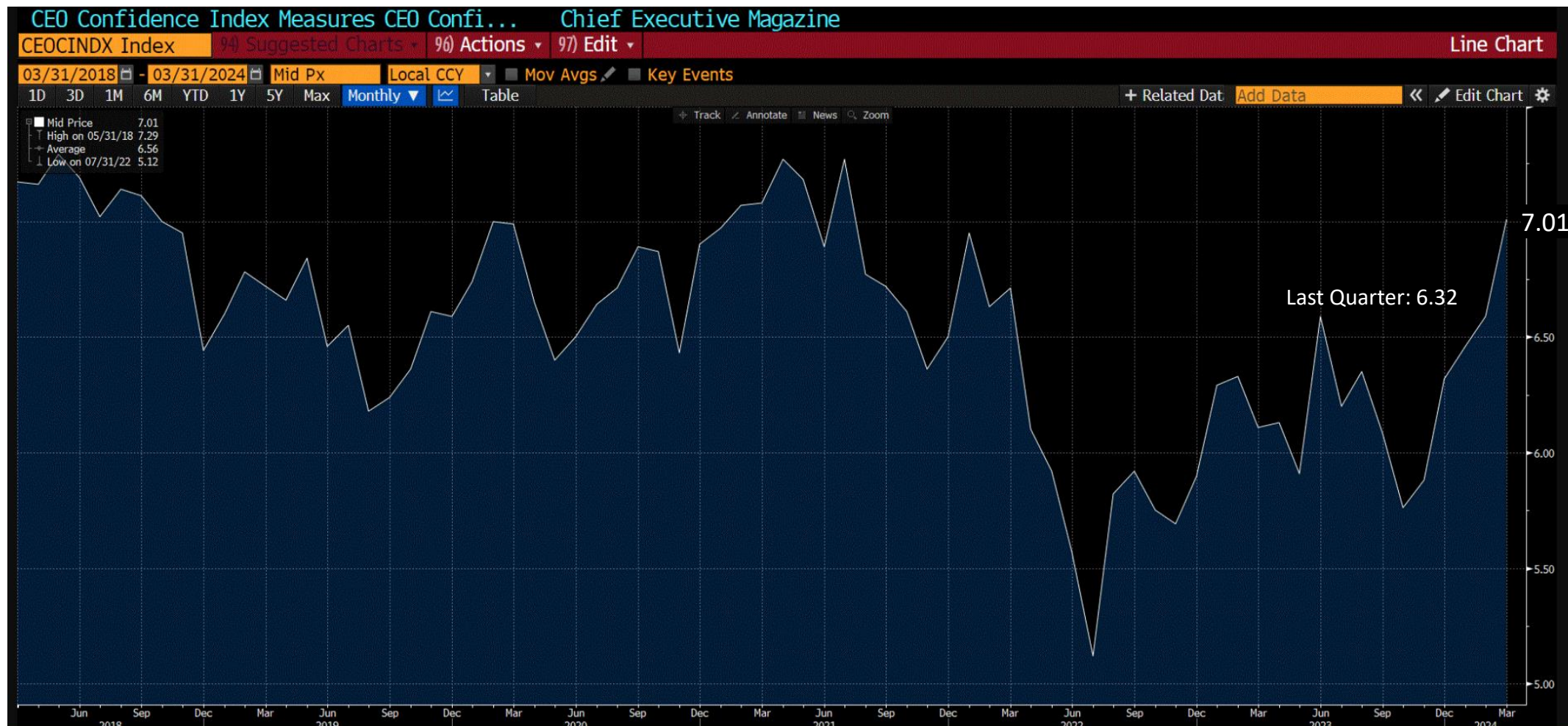


**Dan Toledo, CFA, CFP®**  
Partner





# CEO Confidence Index (Economy 1 Year from Now)



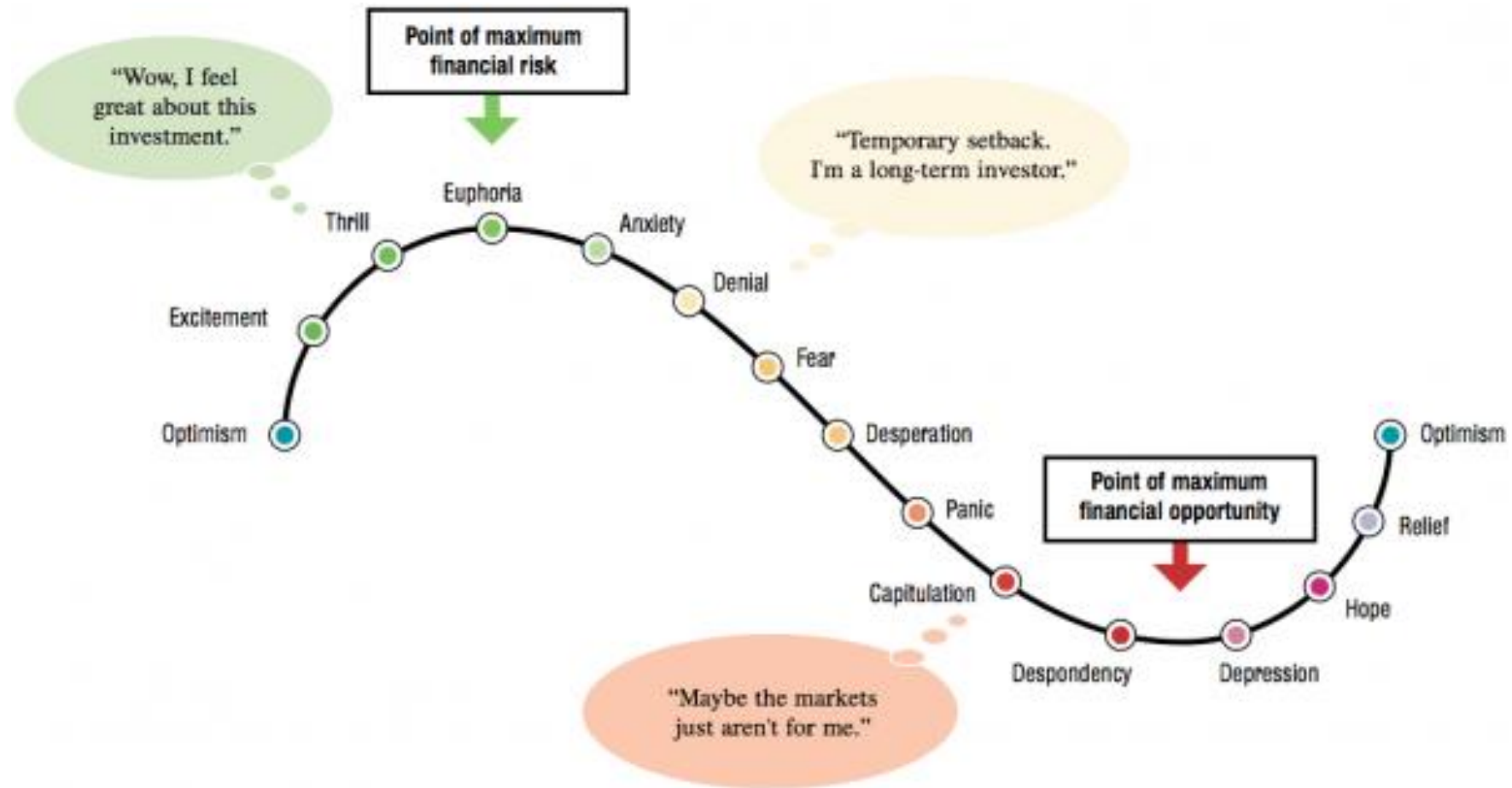
**Dan Toledo, CFA, CFP®**  
Partner



# Client Experience

## Investor Psychology

# The 14 Stages of Trading Psychology



**Anthony Halpin**  
Founder & COO



# The 14 Stages of Trading Psychology

1. **OPTIMISM** – It all starts with a hunch or a positive outlook leading us to buy a stock.
2. **EXCITEMENT** – Things start moving our way and we get giddy inside. We start to anticipate and hope that a possible success story is in the making.
3. **THRILL** – The market continues to be favorable and we just can't help but start to feel a little "smart." At this point we have complete confidence in our trading system.
4. **EUPHORIA** – This marks the point of maximum financial risk but also maximum financial gain. Our investments turn into quick and easy profits, so we begin to ignore the basic concept of risk. We now start trading anything that we can get our hands on to make a buck.
5. **ANXIETY** – Oh no, it's turning around! The markets start to show their first signs of taking your "hard earned" gains back. But having never seen this happen, we still remain ultra greedy and think the long-term trend is higher.
6. **DENIAL** – The markets don't turn as quickly as we had hoped. There must be something wrong we think to ourselves. Our "long-term" view now shortens to a near-term hope of an improvement.
7. **FEAR** – Reality sets in that we are not as smart as we once thought. Instead of being confident in our trading we become confused. At this point we should get out with a small profit and move on but we don't for some stupid reason.
8. **DESPERATION** – All gains have been lost at this point. We had our chance to profit and missed it. Not knowing how to act, we attempt to do anything that will bring our positions back into the black.
9. **PANIC** – The most emotional period by far. We are clueless and helpless. At this stage we feel like we are at the mercy of the market and have absolutely no control.
10. **CAPITULATION** – We have reached our breaking point and sell our positions at any price. So long as we can get out of the market to avoid bigger losses we are content.
11. **DESPONDENCY** – After exiting the markets we do not want to buy stocks ever again. The markets are not for us and should be avoided like the plague. However, this rare point marks the point of maximum financial opportunity.
12. **DEPRESSION** – We drink, cry and/or pray. How could we have been so dumb we think to ourselves. Some start to correctly look back and analyze what went wrong. Real traders are born here, learning from past mistakes.
13. **HOPE** – We can still do this! Eventually we come to the realization that the market actually does have cycles (shocking). We begin to start analyzing new opportunities.
14. **RELIEF** – The markets are turning positive again and we see our prior investment come back around. We regain our faith (although small) in our ability to invest our money. The cycle start all over again!

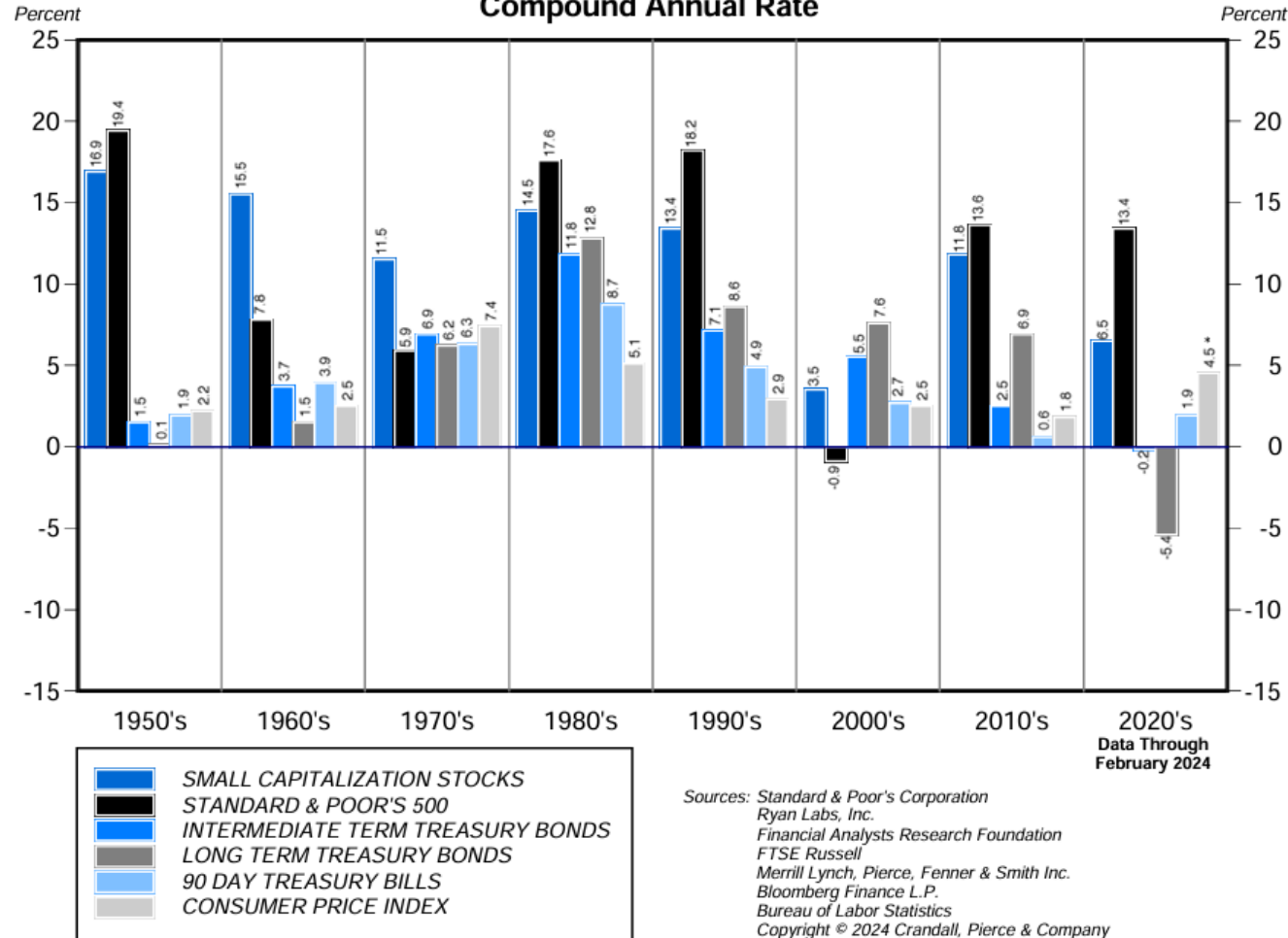


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Founder & COO





## TOTAL RETURN BY DECADE Compound Annual Rate



\*The Consumer Price Index for February 2024 is preliminary.

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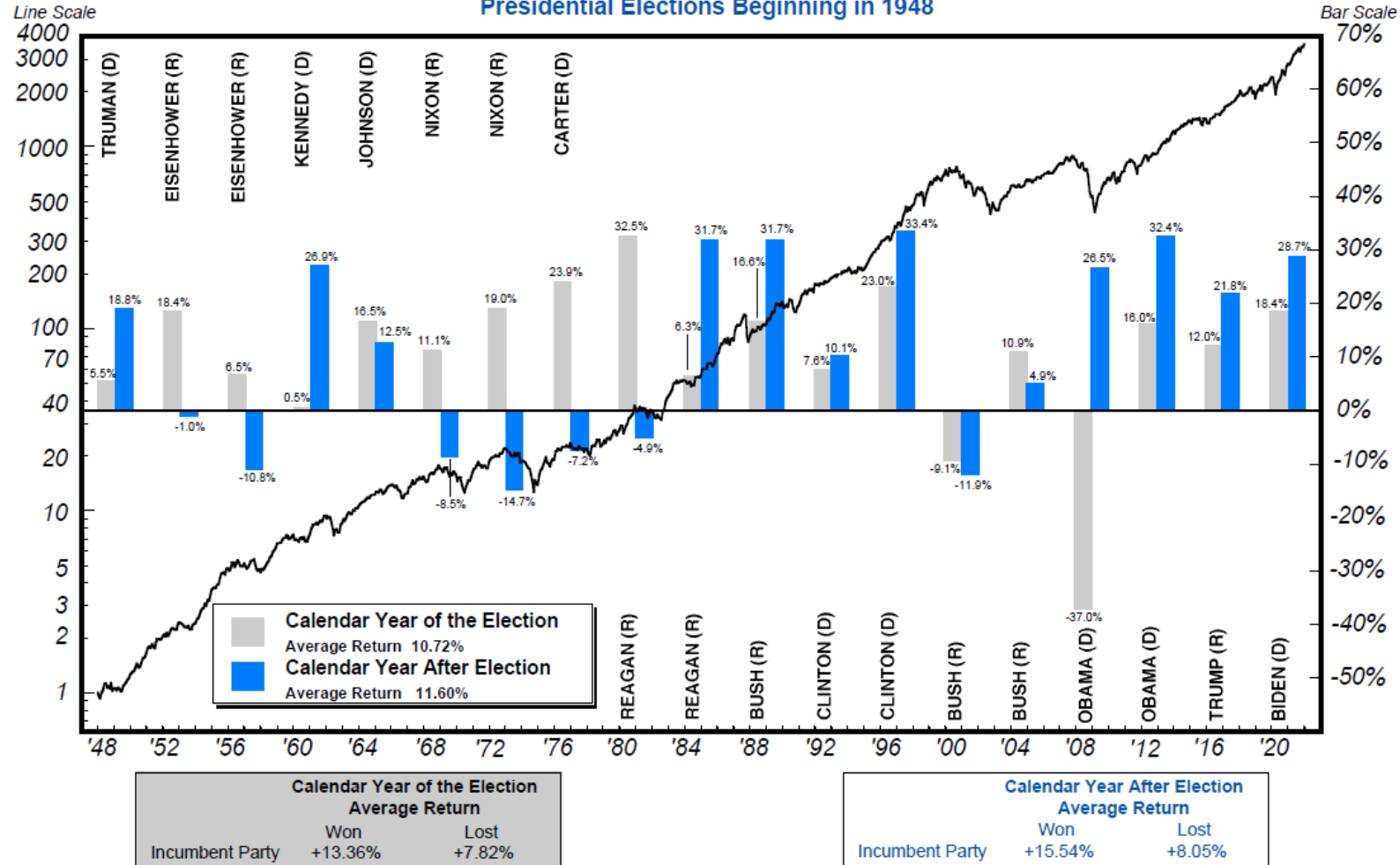
**Anthony Halpin**  
Founder & COO



# ELECTION STOCK RETURNS

## Standard & Poor's 500 Total Return Index

### Presidential Elections Beginning in 1948



December 31, 1947=1.00 • Sources: Standard & Poor's Corporation • Copyright © 2023 Crandall, Pierce & Company • All rights reserved.

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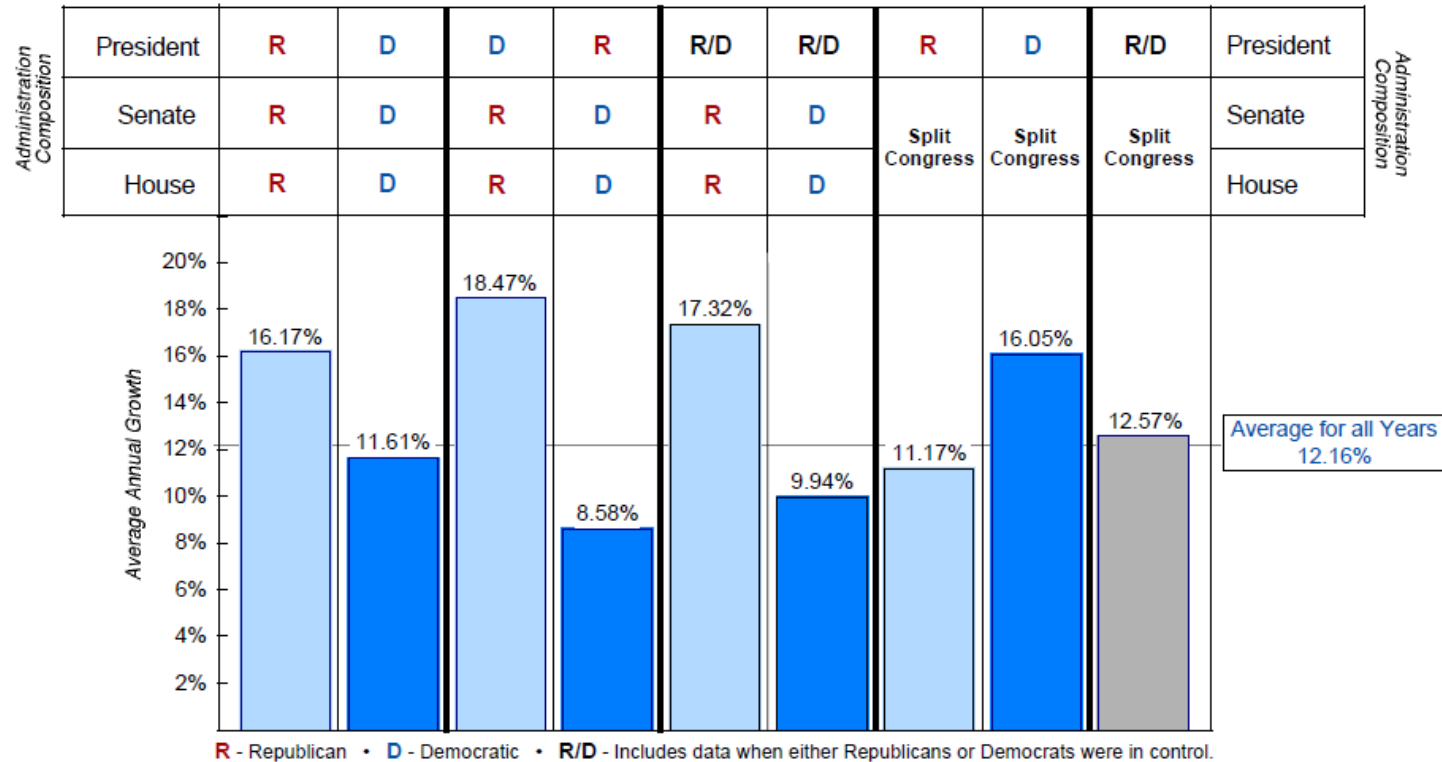


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Founder & COO



## The Political Landscape - President & Congress

### Standard & Poor's 500 Stock Index



*Data: Total Return; Administrations - 1953 Through December 2022*  
*Sources: Standard & Poor's Corporation; Copyright © 2023 Crandall, Pierce & Company*

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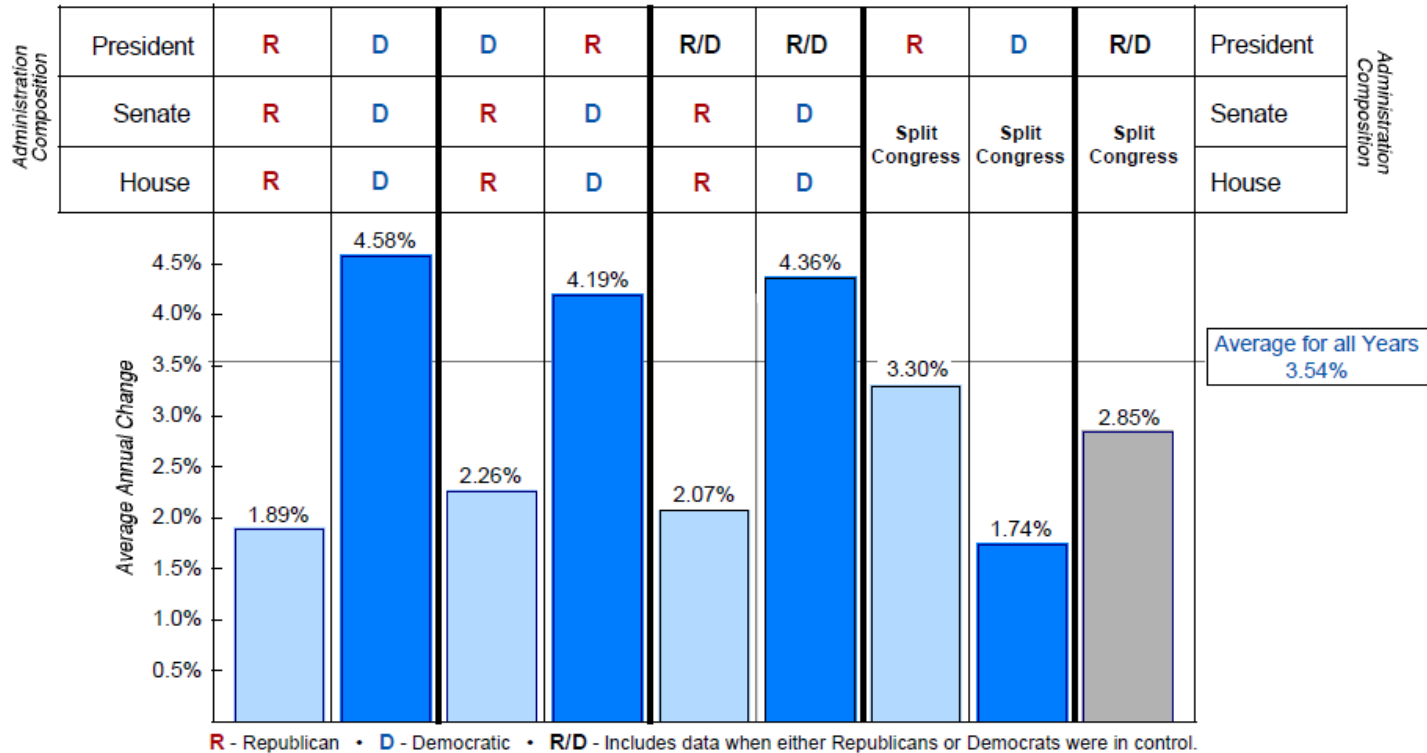


**Anthony Halpin**  
*Founder & COO*



## The Political Landscape - President & Congress

### Inflation - The Consumer Price Index



Data: Administrations - 1953 Through December 2022  
 Sources: Bureau of Labor Statistics; Copyright © 2023 Crandall, Pierce & Company

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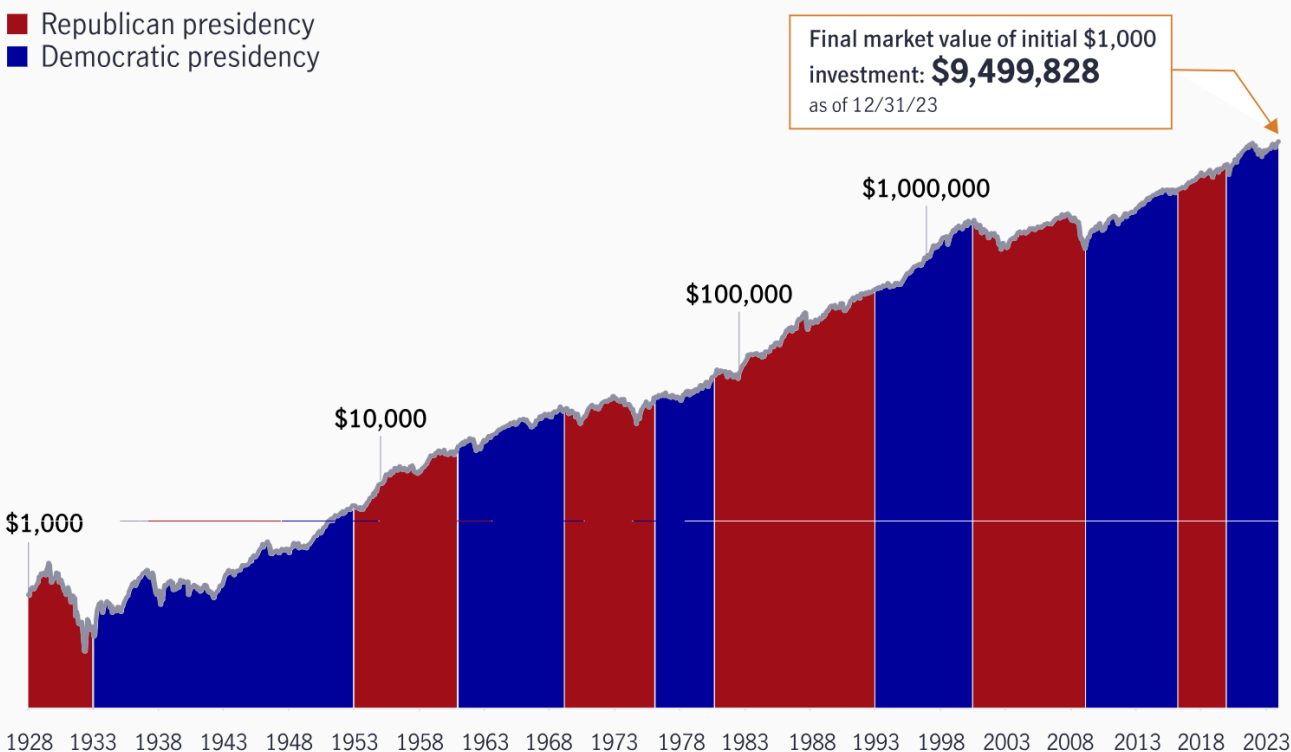


**Anthony Halpin**  
 Founder & COO



# Stocks have risen over the long term no matter which party has been in the White House

Growth of a hypothetical \$1,000 investment in the S&P 500 Index 1/3/1928-12/31/2023



Source: Morningstar, 2024. A logarithmic scale has been applied to the growth of \$1,000 in order to more clearly show changing values during the early decades of the 1928-2023 time span. Dates of political party control of the White House correspond with presidential inauguration months. The S&P 500 Index tracks the performance of 500 of the largest companies in the United States. It is not possible to invest directly in an index. The figure is for illustrative purposes only and does not represent any specific investment or imply any guaranteed rate of return.

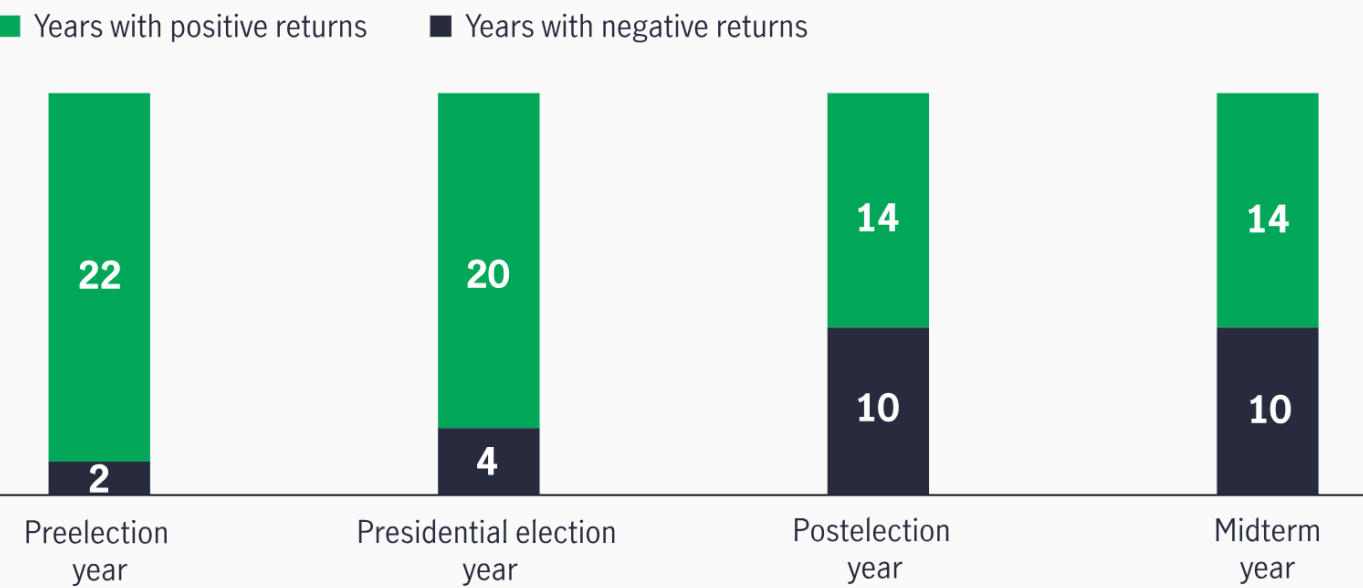


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Founder & COO



# In four-year election cycles, stock performances has typically been best in the year prior to a presidential election

S&P 500 Index performance, 1928–2023



Source: Morningstar Direct, January 2024. The S&P 500 Index tracks the performance of 500 of the largest companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results.



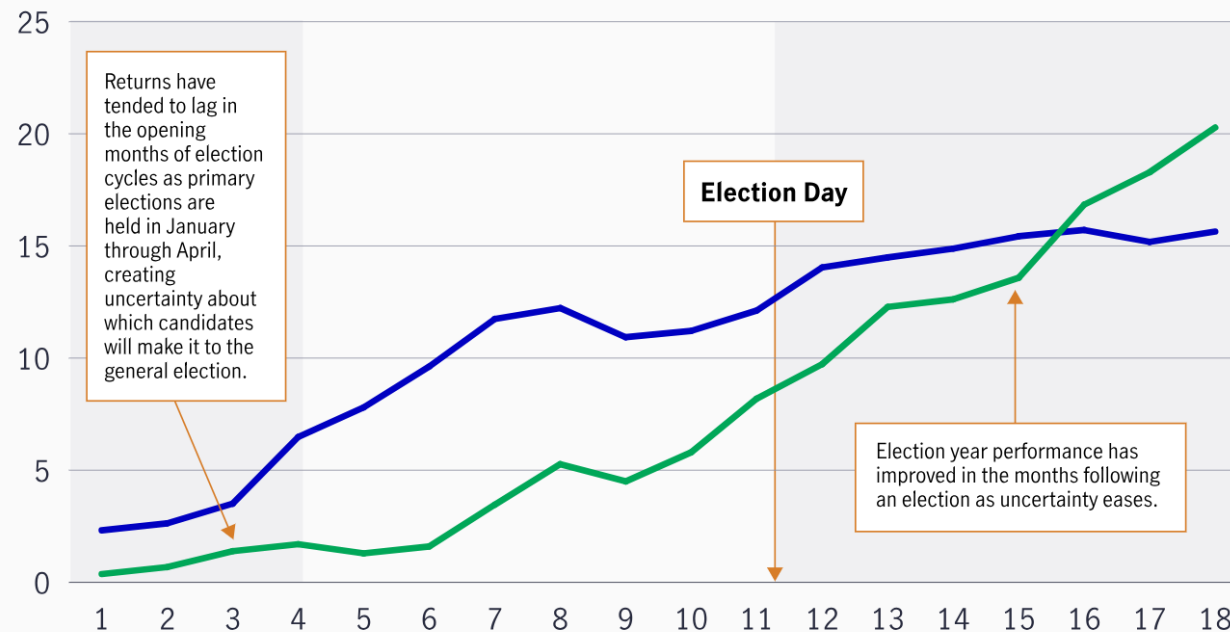
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Founder & COO



# Relative to nonelection years, stocks have tended to lag prior to Election Day but come back following the vote

Cumulative average returns of the S&P 500 Index during 18-month periods before and after presidential and midterm elections versus nonelection periods, 1/31/28–12/31/23 (%)

- Returns over the 18 months of election year cycles
- Returns over the 18 months of nonelection year cycles



Source: Morningstar, 2024. The 18-month periods used to calculate election year cumulative average monthly returns began in January of each year of a November presidential or midterm presidential election and ended in June of the following post-election year. The nonelection 18-month periods began in January of each nonelection year and ended in June of the following year. The S&P 500 Index tracks the performance of 500 of the largest companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results.

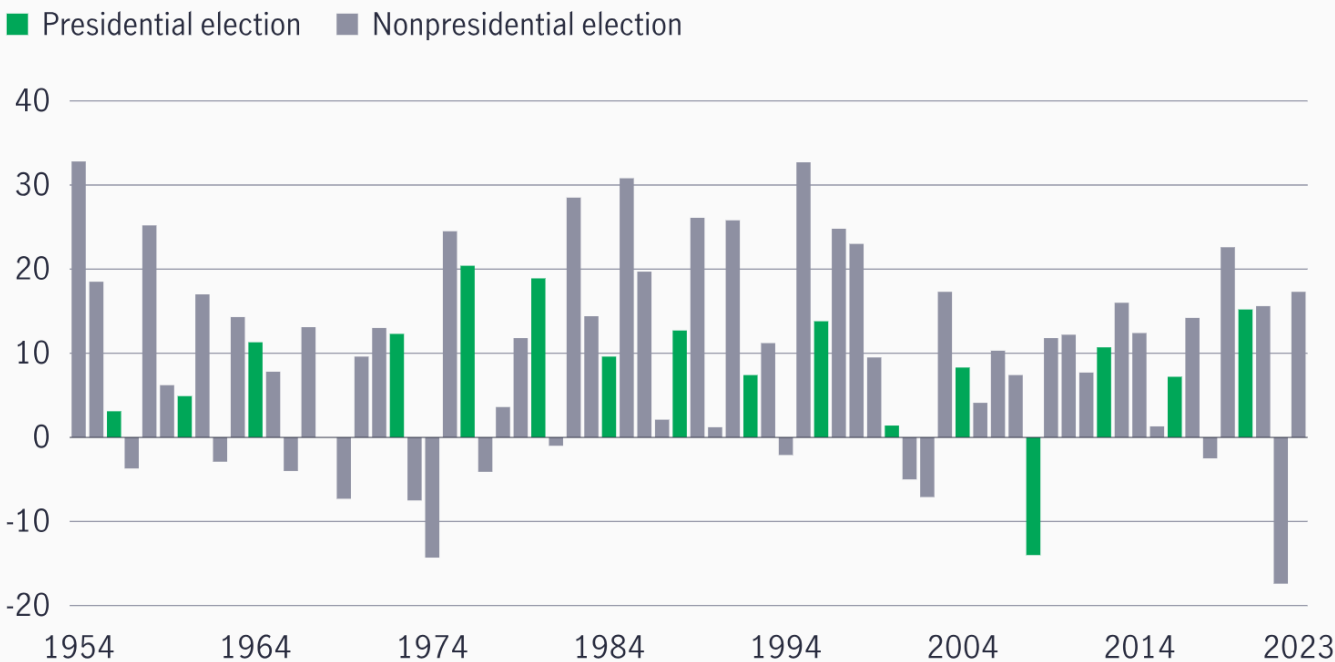


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Founder & COO



# 60/40 stock-bond portfolio performance has slightly lagged in presidential election years vs. nonelection years

Annual returns of a 60/40 portfolio, 1954–2023 (%)



Average  
annual return

8.58%

Presidential  
election years

9.48%

Nonpresidential  
election years

Source: Morningstar, 2024. The 60/40 portfolio results are based on performance of a 60% allocation to the S&P 500 Index and a 40% allocation to 10-year U.S. Treasury bonds. The S&P 500 Index tracks the performance of 500 of the largest companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results. This figure is for illustrative purposes only and does not represent any specific investment or imply any guaranteed rate of return.



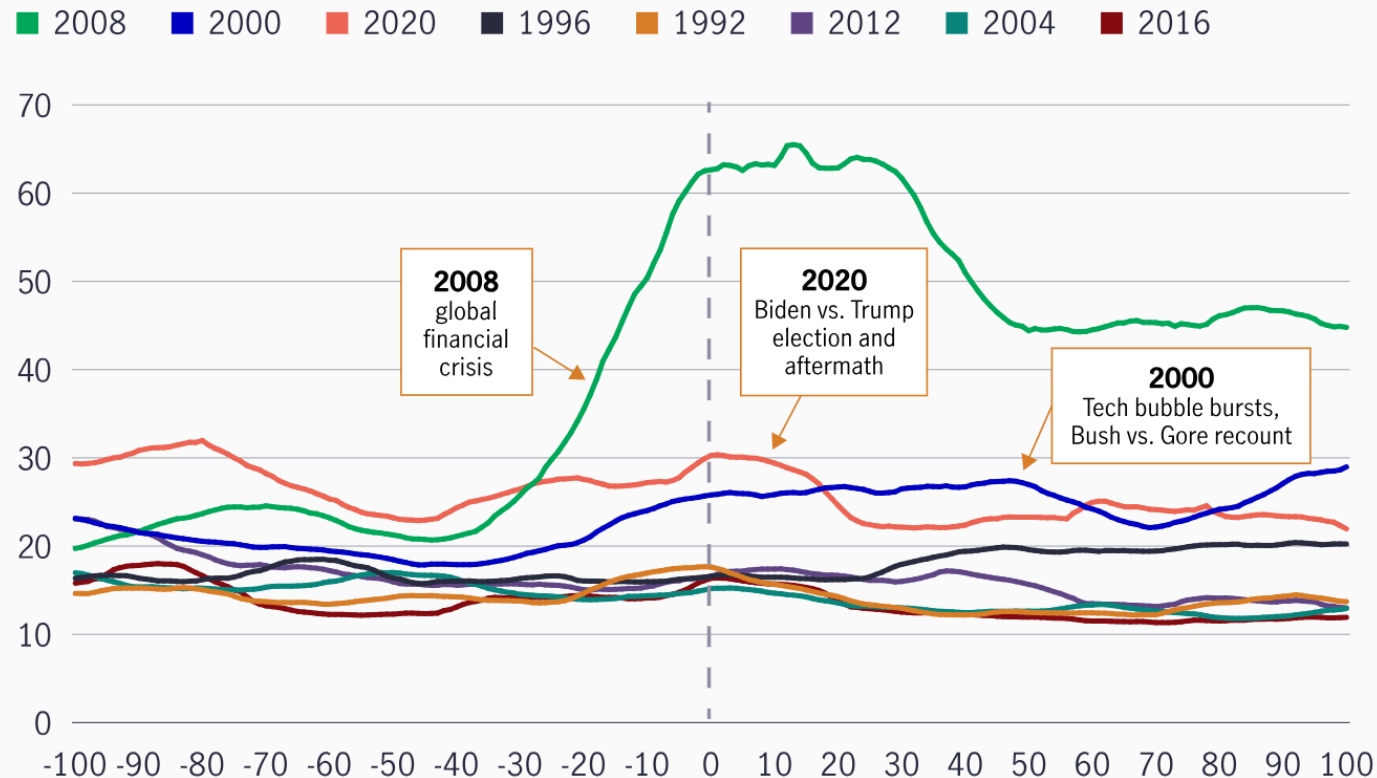
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Founder & COO





# Stock market volatility has been modest before and after recent presidential elections – with some exceptions

Cboe Volatility Index 30-day moving average in the 100 days before and after U.S. presidential elections, 1992–2020



Source: CBOE Exchange, Inc., 2024. The Cboe Volatility Index (VIX) tracks the performance of the market's real-time expectations of volatility over the coming 30 days. It is not possible to invest directly in an index. Past performance does not guarantee future results.

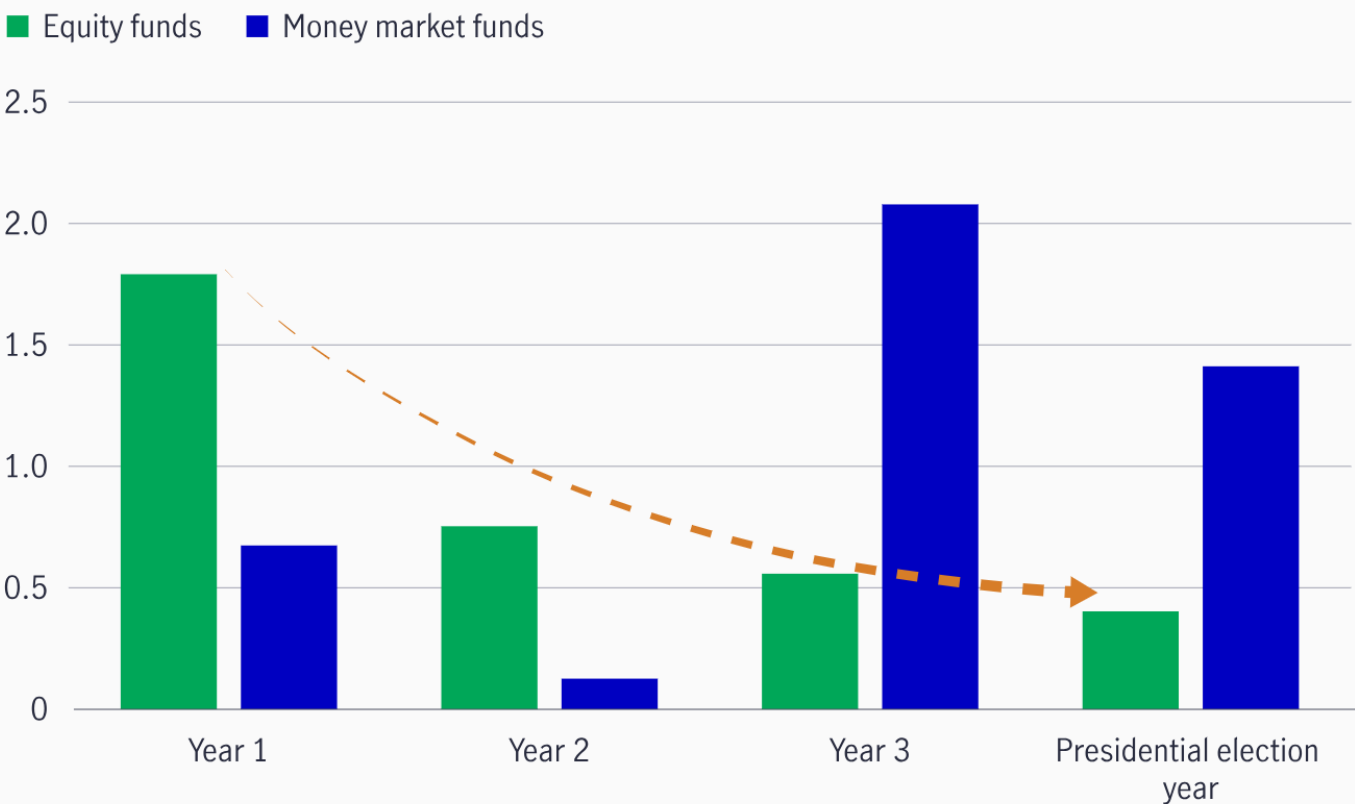


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Founder & COO



# Fund flow trends in election cycles: equity risk appetite decreases before elections

Average net fund flows in 4-year presidential election cycles, 1988–2023 (US\$B)



Source: ISS Market Intelligence SIMFUND, January 2024. Fund flows reflect flows of mutual funds and exchange-traded funds, excluding funds of funds. Equity fund averages reflect the sum of U.S. equity fund and international equity fund category flows; money market fund averages reflect the money market fund category. Past performance does not guarantee future results.

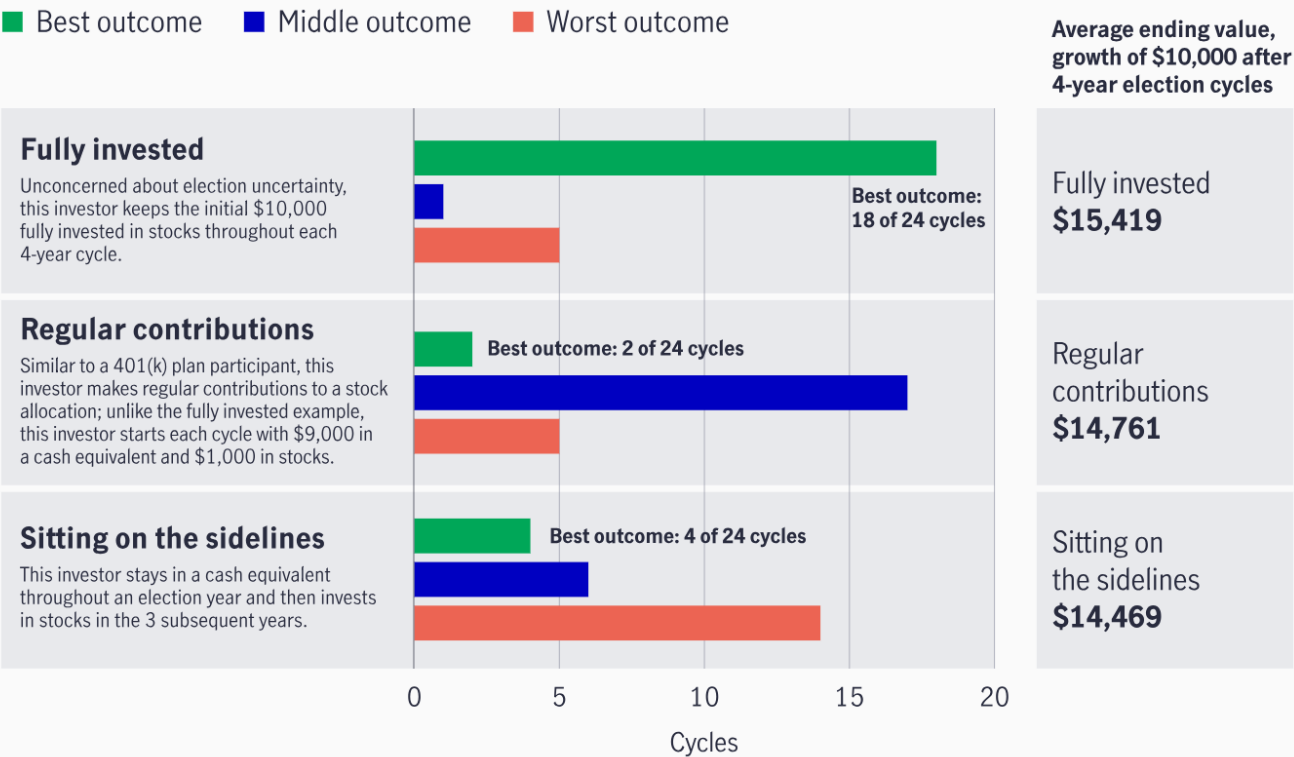


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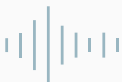


# Staying fully invested has yielded the best outcome in the vast majority of election cycles

Comparing outcomes from 3 investment strategies in the 24 4-year election cycles from 1928 through 2023, as measured by the growth of a hypothetical \$10,000 investment



Source: Morningstar, January 2024. The starting \$10,000 in the fully invested strategy is entirely invested in the S&P 500 Index throughout each 4-year cycle. The regular contributions strategy starts with \$9,000 in a cash equivalent, the Ibbotson Associates (IA) SBBI U.S. 30-day Treasury Bill Index, and \$1,000 in the S&P 500 Index. In the election year that starts each 4-year cycle, the regular contributions strategy makes \$1,000 contributions from the Ibbotson Associates (IA) SBBI U.S. 30-day Treasury Bill Index into the S&P 500 Index during each of the 9 months leading up to the November election, so that the initial \$10,000 is then fully invested in stocks; through the rest of the cycle, the account balance remains fully invested. The sitting on the sidelines strategy is fully invested in the Ibbotson Associates (IA) SBBI U.S. 30-day Treasury Bill Index throughout each election year and then invested fully in the S&P 500 Index in the subsequent three years of the election cycle. The S&P 500 Index tracks the performance of 500 of the largest companies in the United States. The Ibbotson Associates (IA) SBBI U.S. 30-day Treasury Bill Index tracks the performance of a single issue of outstanding Treasury Bill which matures closest to, but not beyond, 30 days from the rebalancing date. It is not possible to invest in an index. Past performance does not guarantee future results.



**Anthony Halpin**  
Founder & COO



# **Client Access**

## **Client Portals & Login Information**

# Client Access

The screenshot shows the homepage of Chicago Partners Wealth Advisors. The browser address bar displays <https://chicagopartnersllc.com>. The navigation bar includes the company logo, a menu with 'Wealth Management Services', 'Who We Serve', 'Insights', and 'About', a 'Client Login' link (circled in orange), and a 'Schedule a Call' button. The main content area features a cityscape background with the headline 'Relentlessly Focused on Delivering Wealth Management Excellence.' Below this, two lines of text state: 'We are **your fiduciary** - always acting in **your best interest** first.' and 'We are **your advocate** - actively working to help your portfolio generate exceptional, consistent, net compounded returns.' At the bottom of this section are two buttons: 'Schedule a Call' and 'Client Portal Login' (circled in orange).



**Anthony Halpin**  
Founder & COO



# Custodian Login

## Custodian Login

Chicago Partners works with **Charles Schwab and Fidelity**.

These institutions serve as custodians for your money and allow Chicago Partners to manage the funds without ever taking custody of your accounts.

*charles*  
SCHWAB

Log into Charles Schwab >



Log into Fidelity >

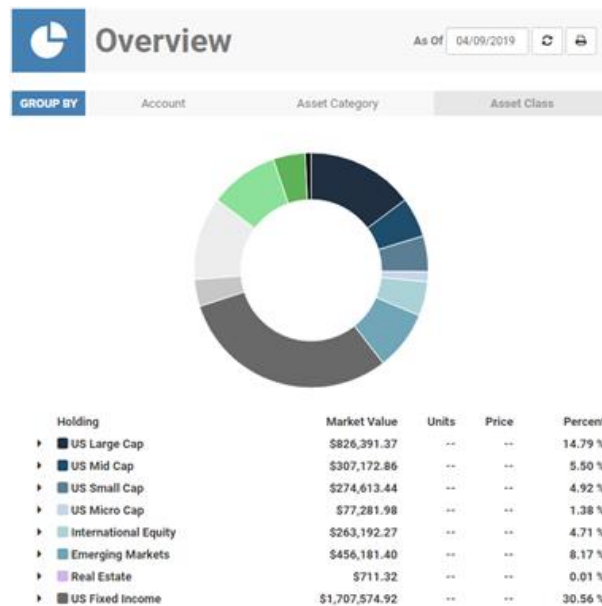


**Anthony Halpin**  
Founder & COO





# The Chicago Partners Client Portal & Mobile App



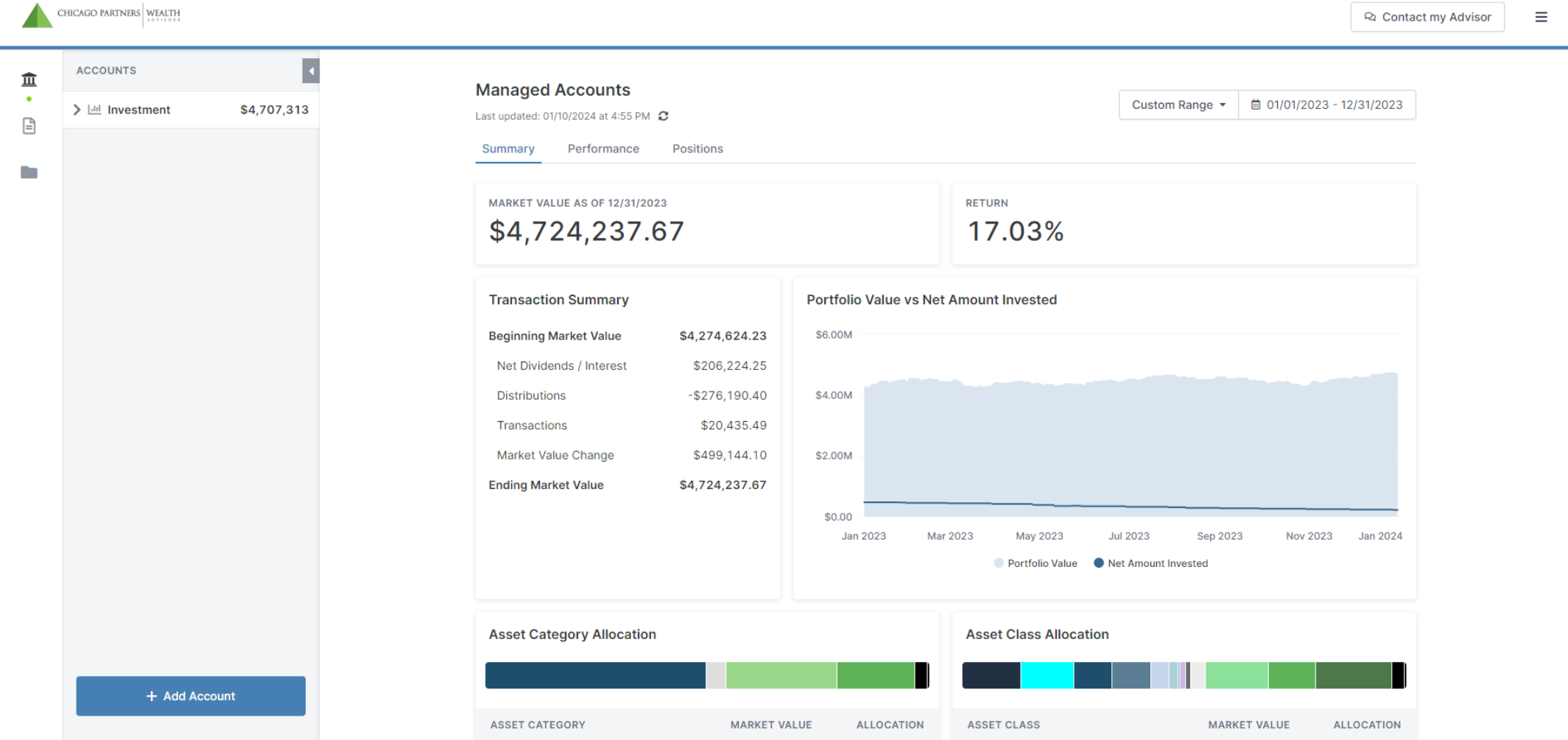
- **Connect to your portal from anywhere** - your desktop, laptop, or your mobile phone.
- Enhanced Performance Reporting
- **Access your reports and account statements** digitally in one location



**Anthony Halpin**  
Founder & COO



# The Chicago Partners Client Portal & Mobile App

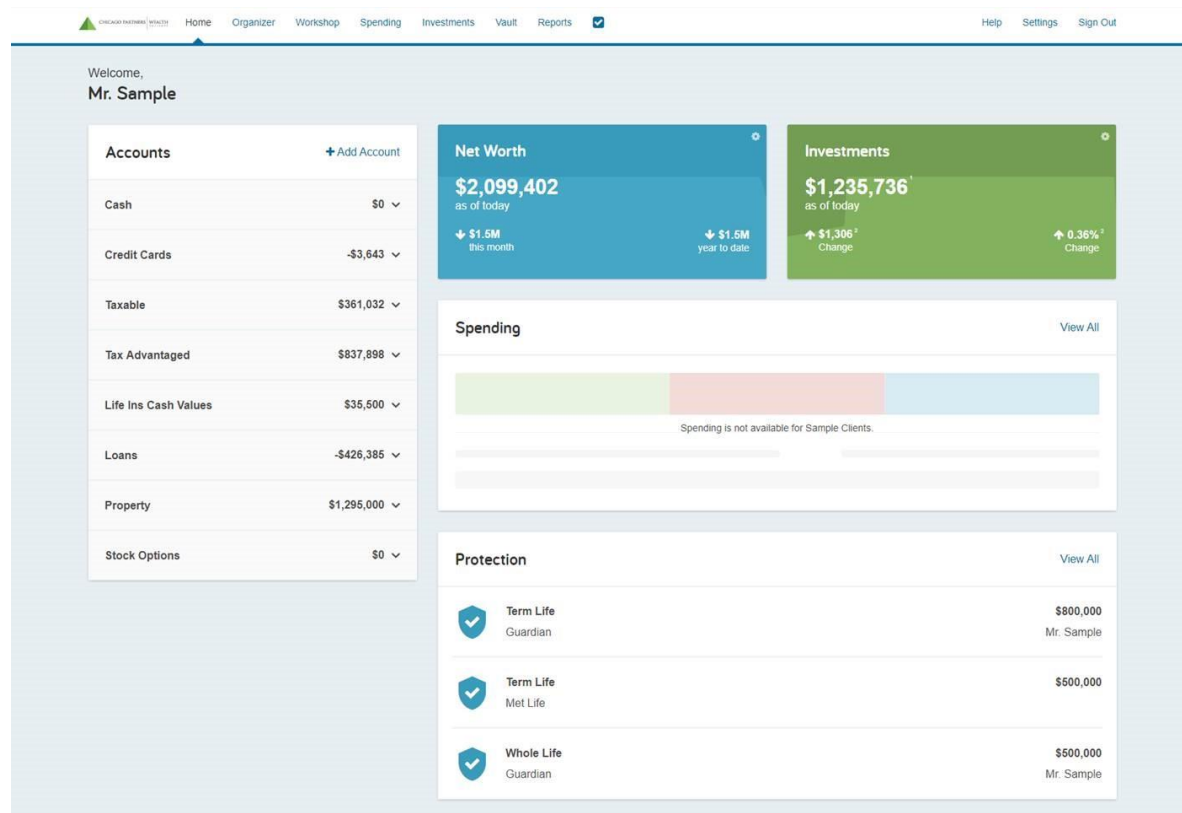


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Founder & COO





# Wealth Management System (WMS)



- Your WMS account provides a **global overview** of your balance sheet.
- Planning for Success
- Common **Scenario Analysis**
  - Large Purchases
  - “What if?”
  - Annual Expense Review



**Anthony Halpin**  
Founder & COO



# Q&A

Thank you for attending!

# New Series: Webinars for Young Investors

Is there a young professional or young investor you know that could really use some help getting their finances together?

Our Wealth Advisors are starting a webinar series aimed to prepare young investors for a lifetime of financial success. The details are below:

**When:** Thursday, April 25<sup>th</sup>

**Where:** Zoom

**Who:** Young Investors (Ages 18 – 29)



Scan here to invite someone to the ***Webinars for Young Investors*** series



**Nicole Polanco, CFP®**  
*Senior Wealth Advisor*



# Q&A

Thank you for attending!

# Accredited Investors

- To achieve accredited investor status, you must meet one of the following requirements:
  - Individual or joint net worth of at least **\$1 million**, not including the value of your primary residence
  - Individual annual income of **\$200,000** or joint annual income of **\$300,000**
    - Must meet the income requirements for two years before applying for accredited investor status, and must also prove that the income is likely to continue
  - Hold a FINRA Series 7, Series 65, or Series 82 license in good standing
- The goal is to ensure accredited investors don't qualify based on their assets alone, but instead that they also have the knowledge to manage the investment and can avoid the risk of losing their net worth.



# Qualified Clients

- To achieve qualified client status, you must meet one of the following requirements:
  - At least **\$1.1 million** in assets under management with the applicable investment advisor
  - Individual investment portfolio worth at least **\$2.2 million**
  - The portfolio cannot include your primary residence or any property used to conduct business



# Qualified Purchasers

- **To achieve qualified purchaser status, you must meet one of the following requirements:**
  - Individual investment portfolio worth at least **\$5 million**
  - The portfolio cannot include your primary residence or any property used to conduct business

# Important Disclosure Information

The previous presentation by Chicago Partners Investment Group LLC (“CP”) was intended for general information purposes only. No portion of the presentation serves as the receipt of, or as a substitute for, personalized investment advice from CP or any other investment professional of your choosing. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy, or any non-investment related or planning services, discussion or content, will be profitable, be suitable for your portfolio or individual situation, or prove successful. Neither CP’s investment adviser registration status, nor any amount of prior experience or success, should be construed that a certain level of results or satisfaction will be achieved if CP is engaged, or continues to be engaged, to provide investment advisory services. CP is neither a law firm nor accounting firm, and no portion of its services should be construed as legal or accounting advice. No portion of the video content should be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if CP is engaged, or continues to be engaged, to provide investment advisory services. A copy of CP’s current written disclosure Brochure discussing our advisory services and fees is available upon request or at [www.chicagopartnersllc.com](http://www.chicagopartnersllc.com).