VINEYARD GLOBAL ADVISORS

Risk Managed Rewards

Asset Allocation & Tactical Hedging

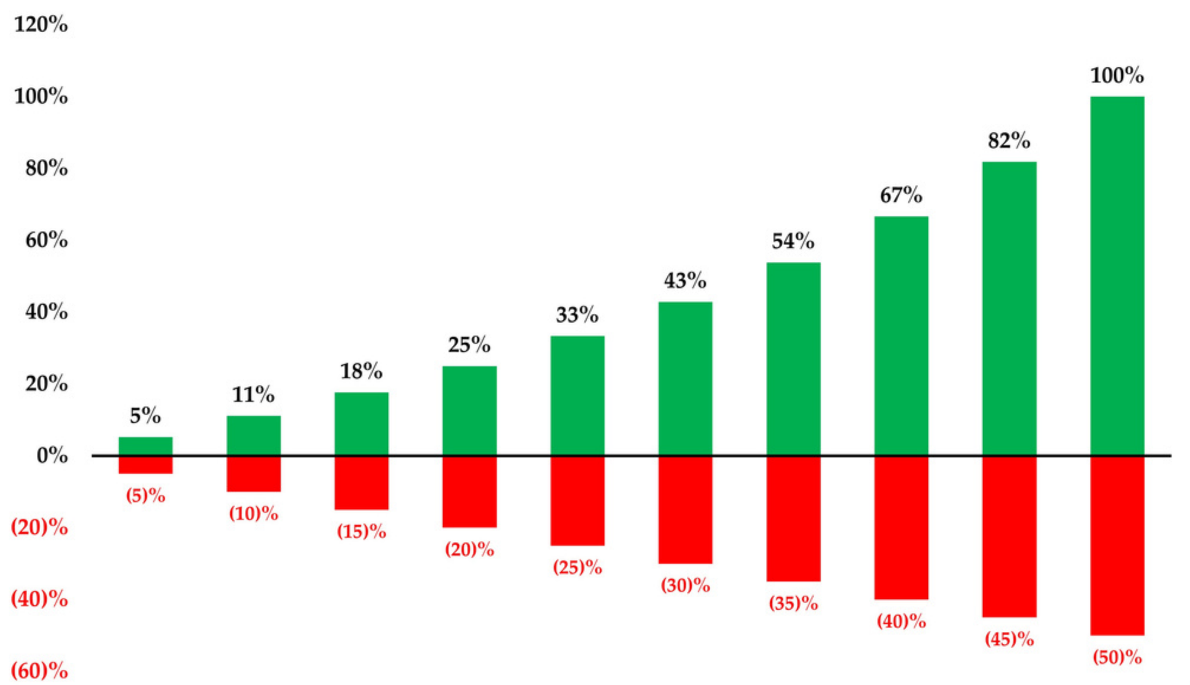
Managing Risk Can Pay Big Rewards for Investors

Avoiding significant losses can pay big rewards for investors. It’s why Vineyard Global Advisors is focused on providing risk-managed solutions for its clients.

Many investors don’t realize the relationship between the percentage loss during a bear market and the percentage gain needed to recover from that loss to get back to “break-even” or your portfolio’s initial value. One might mistakenly think that the percentage gain required to recover from any given percentage loss is the same. In reality, the percentage gain needed to recover is much greater.

Let's say you start with a $100,000 portfolio and suffer a 50% loss. Your portfolio is now worth only $50,000. To get back to where you started, you will need a $50,000 gain on what is now a $50,000 portfolio. You now require a 100% gain to recoup from a 50% loss. This relationship grows exponentially too. If you suffer an 80% loss, you'll need a whopping 400% gain to recover!

Gains Required to Recover from Losses

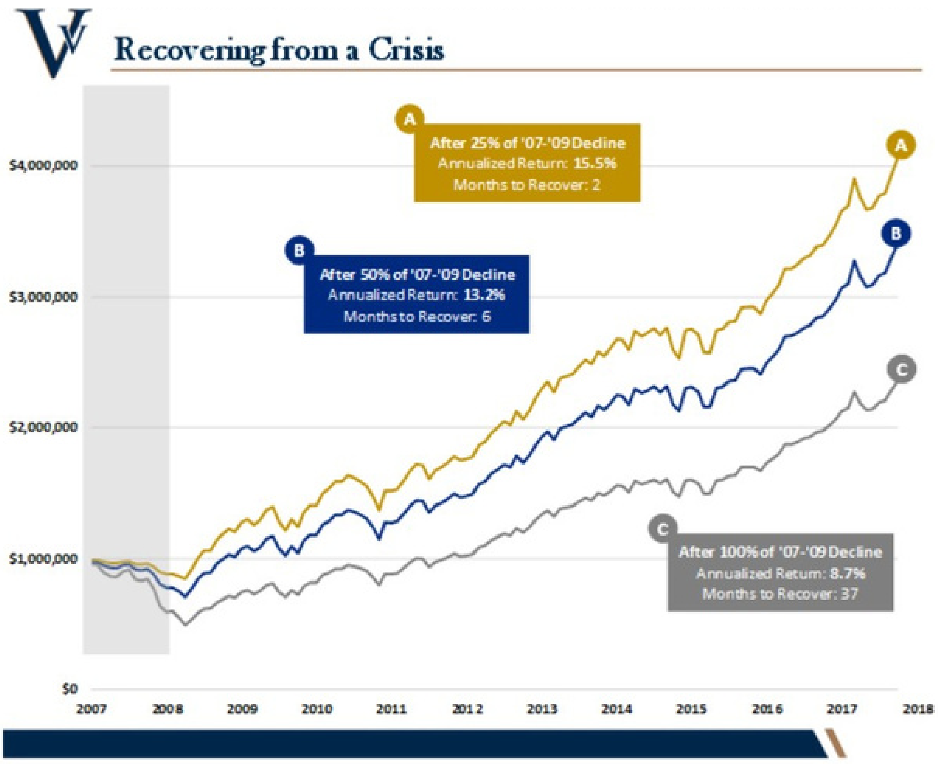


Source: Bespoke

At Vineyard, we actively manage risk through a disciplined blend of asset allocation and tactical hedging. We believe that managing risk is essential to achieving your longer-term financial goals.

In the hypothetical example below, an initial investment of $1 million is invested in three portfolios as of 10/31/2007, each of which experienced a different amount of downside participation in the 2008-09 Global Financial Crisis bear market decline of 57%.

Following that decline, all portfolios remain fully invested in the S&P 500 index. The portfolios that suffered only 25% to 50% of the S&P 500's decline returned to making money sooner, which improved their annualized returns by over 50% over the holding period shown.



Source: Bespoke

Not only does the math of bear markets suggest a risk-managed approach can pay big rewards, but there is also an emotional payoff to managing downside risk as well. Studies of human behavior have shown that the fear of losing money is twice as powerful as the pleasure of gain.

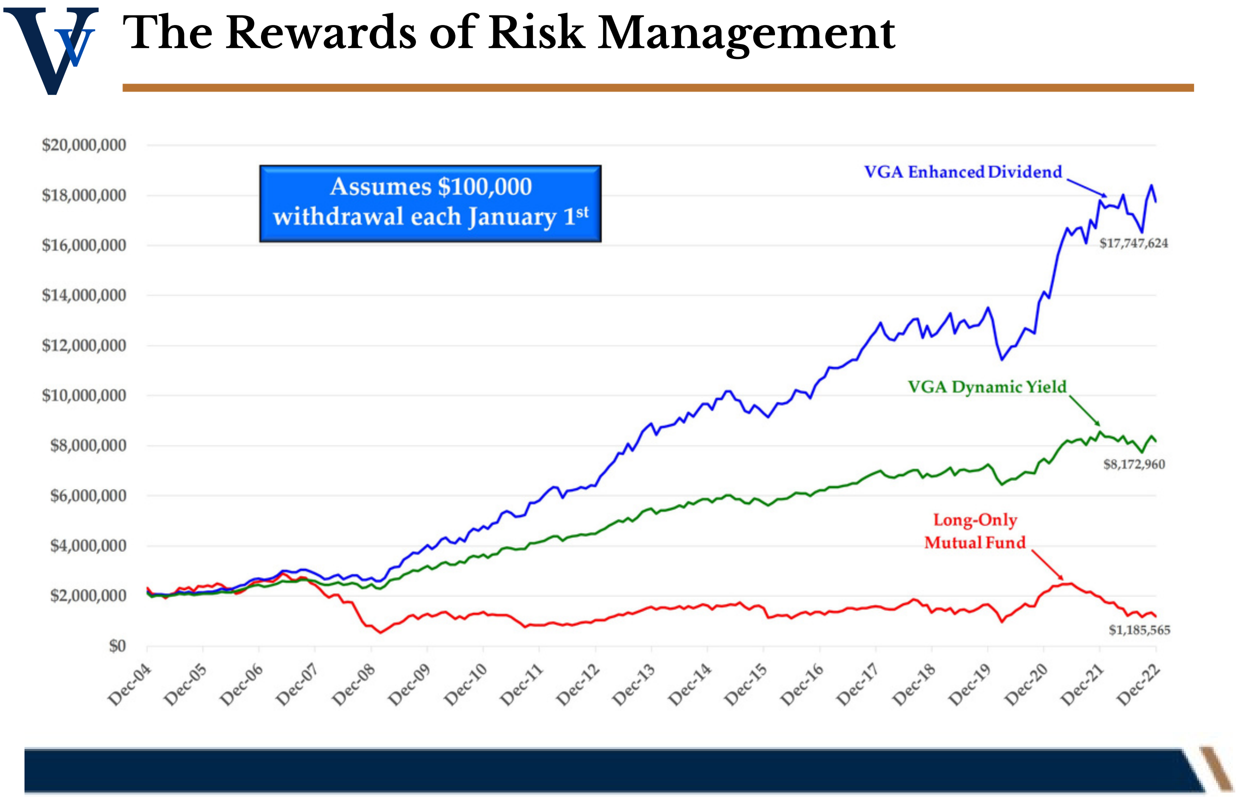
AFTER a significant loss, the fear of losing even more money can tempt you to sell, which is often precisely the wrong thing to do. By declining less during bear markets, clients are less anxious and less tempted to sell; they sleep easier.

Over the past 12-18 months, many aggressive growth managers have lost well over 50% as they ignored the sky-high valuations in search of growth at any price. Using the bear markets of the 2000-2002 Dotcom Bust and the 2008-09 Global Financial Crisis as examples, it may take many years for these managers to recoup their losses. Their annualized returns will suffer for a long time.

The downside of a cavalier approach to risk becomes more acute once you are into your retirement years and withdrawing from your nest egg since the withdrawals mean the remaining portfolio needs an even greater return to recover.

Below is a real-life example of an aggressive mutual fund manager that lost over 80% during the Global Financial Crisis (red line). Let's say you started with a $2,000,000 portfolio in 2004 and withdrew $100,000 annually to support your lifestyle. After 18 years, your nest egg is still down over 40% from where it started! It may never recover.

Contrast that to two risk-managed strategies from Vineyard that fell far less and returned to making money sooner (green and blue lines). Not only have these portfolios supported your lifestyle, but they've also reached new highs, providing peace of mind during your retirement years and potentially leaving a legacy to future generations.



Source: Bespoke

We welcome the opportunity to discuss our investment philosophy and how it might help your clients reach their financial goals. So, if a risk-managed approach makes sense, let's start a conversation. **Contact Us Today**

VGA Investment Team

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Investors cannot invest directly in an index.

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