

Managing Equity Risk in Uncertain Times

Silicon Valley Chapter - AAll

Presented by Rob Bernstein, President RGB Capital Group LLC

October 19, 2019

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My Assumptions

- There is no perfect investment strategy.
- The market environment has changed, making it more difficult to manage equity risk.
- Traditional indicators are not working as they have in the past.
- Our goal as investors is to manage risk and seek returns that meet our financial goals; not to 'keep up with the market'.

Markets Have Changed

- Commoditization of Information
- Central Bankers to the Rescue
- Algorithmic / High Frequency Trading

Commoditization of Information

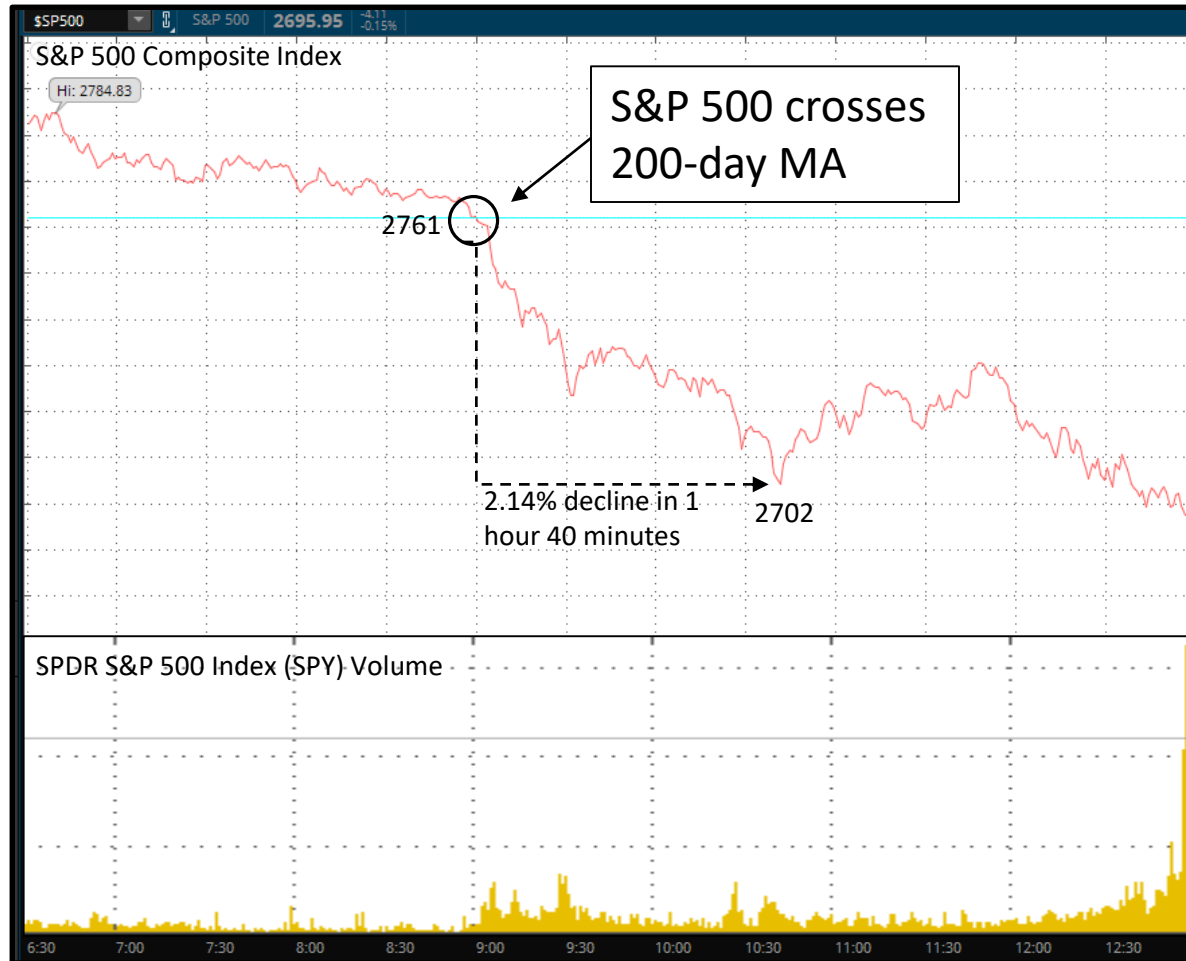


Central Bankers to the Rescue



Who is in Charge Here?

Algorithmic / High Frequency Trading



S&P 500 – 1 Minute Chart 12/4/2018

A Weight of the Evidence Approach

Approach: Use multiple indicators, across multiple time frames to provide guidance on the future direction of the stock market to reduce the reliance on any single indicator and provide conviction when majority of indicators are pointing in the same direction.

- Technical Indicators: “what the market is doing”
 - Trend
 - Momentum
- Fundamental Indicators: “what the market should be doing”
 - Economy
 - Earnings
 - Monetary Policy
 - Inflation
 - Valuation
- Credit Conditions: “the canary in the coal mine”
- Early Warning Indicators
 - Trend Reversal - Overbought / Oversold
 - Investor Sentiment

Weight of the Evidence Scorecard

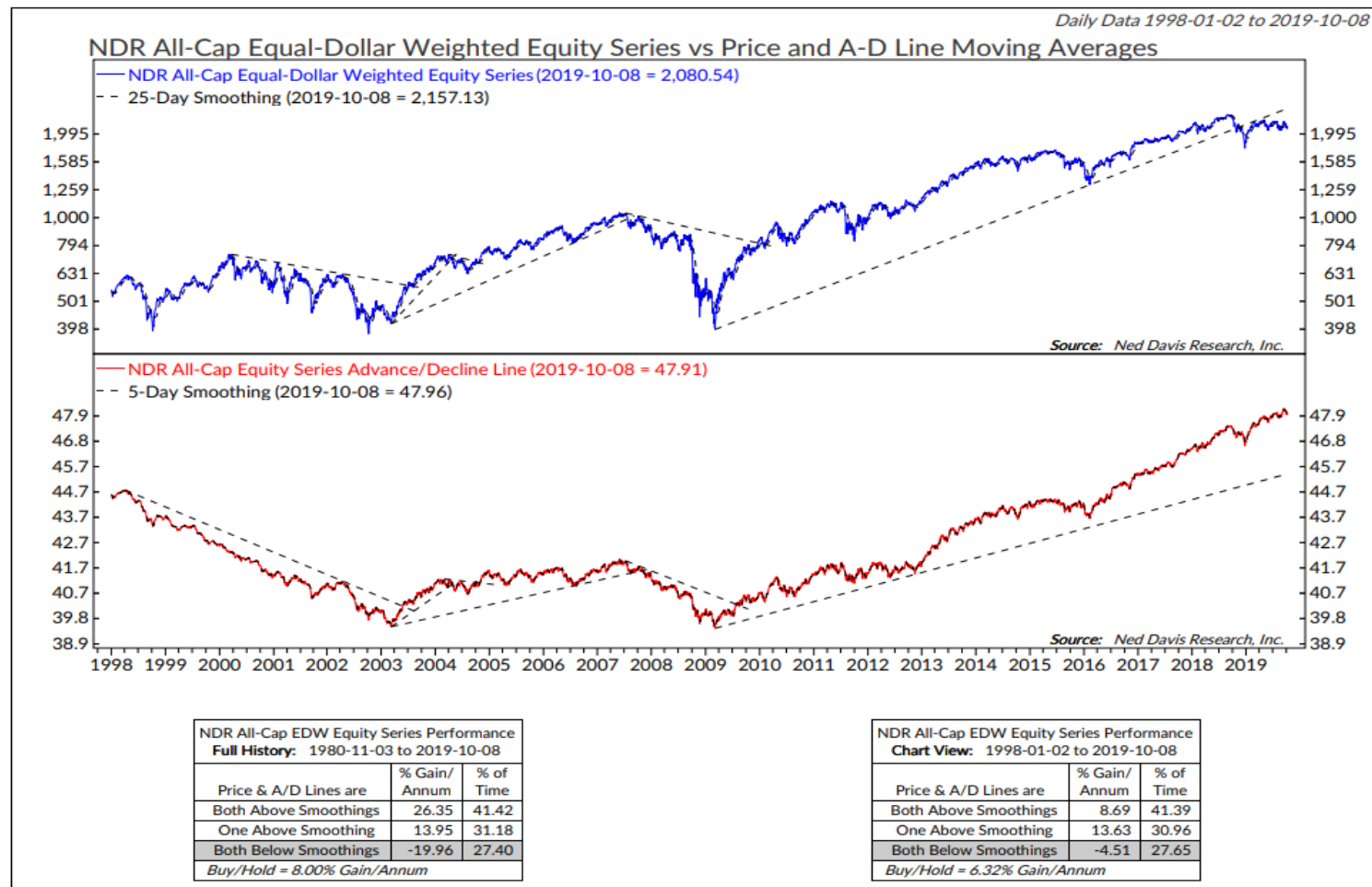
RGB Capital Group Stock Market Scorecard October 14, 2019			
	Current Signal	Indicator Rating	S&P 500 Historical Return
Indicator/Model			
Primary Cycle Analysis:			
Secular Market Cycle		Bull Market	
Cyclical Market Cycle		Bull Market	
Trend Analysis:			
Short-Term Trend Rating	Buy	Positive	NA
Intermediate-Term Trend Rating	Buy	Positive	NA
Long-Term Trend Rating	Buy	Positive	9.5%
Momentum Analysis:			
Short-Term Momentum Model	Hold	Neutral	14.1%
Intermediate-Term Momentum Model	Buy	Moderately Positive	13.1%
Long-Term Momentum Model	Buy	Positive	15.5%
Fundamental Analysis:			
Economic Model	Buy	Positive	11.2%
Earnings Model	Hold	Neutral	-5.2%
Monetary Model	Hold	Neutral	10.2%
Inflation Model	Buy	Positive	13.1%
Valuation Model	Hold	Neutral	3.8%
Credit Conditions Analysis:			
Short-Term Credit Conditions Model	Buy	Positive	NA
Intermediate-Term Credit Conditions Model	Buy	Positive	NA
Long-Term Credit Conditions Model	Buy	Positive	NA
Overbought/Oversold Analysis:			
Short-Term Overbought/Oversold Signal	Hold	Neutral	NA
Intermediate-Term Overbought/Oversold Signal	Hold	Neutral	10.0%
Long-Term Overbought/Oversold Signal	Buy	Positive	NA
Investor Sentiment Analysis:			
Short-Term Sentiment Model	Buy	Positive	29.9%
Intermediate-Term Sentiment Model	Buy	Positive	32.7%
Long-Term Sentiment Model	Buy	Positive	10.9%
The Weight of the Evidence Average:			13.0%
S&P 500 average gain/annum from 11/16/1979:			8.7%

Explanations of each indicator and source information can be found in the Appendix to this presentation.

Sample Chart: Intermediate-Term Trend



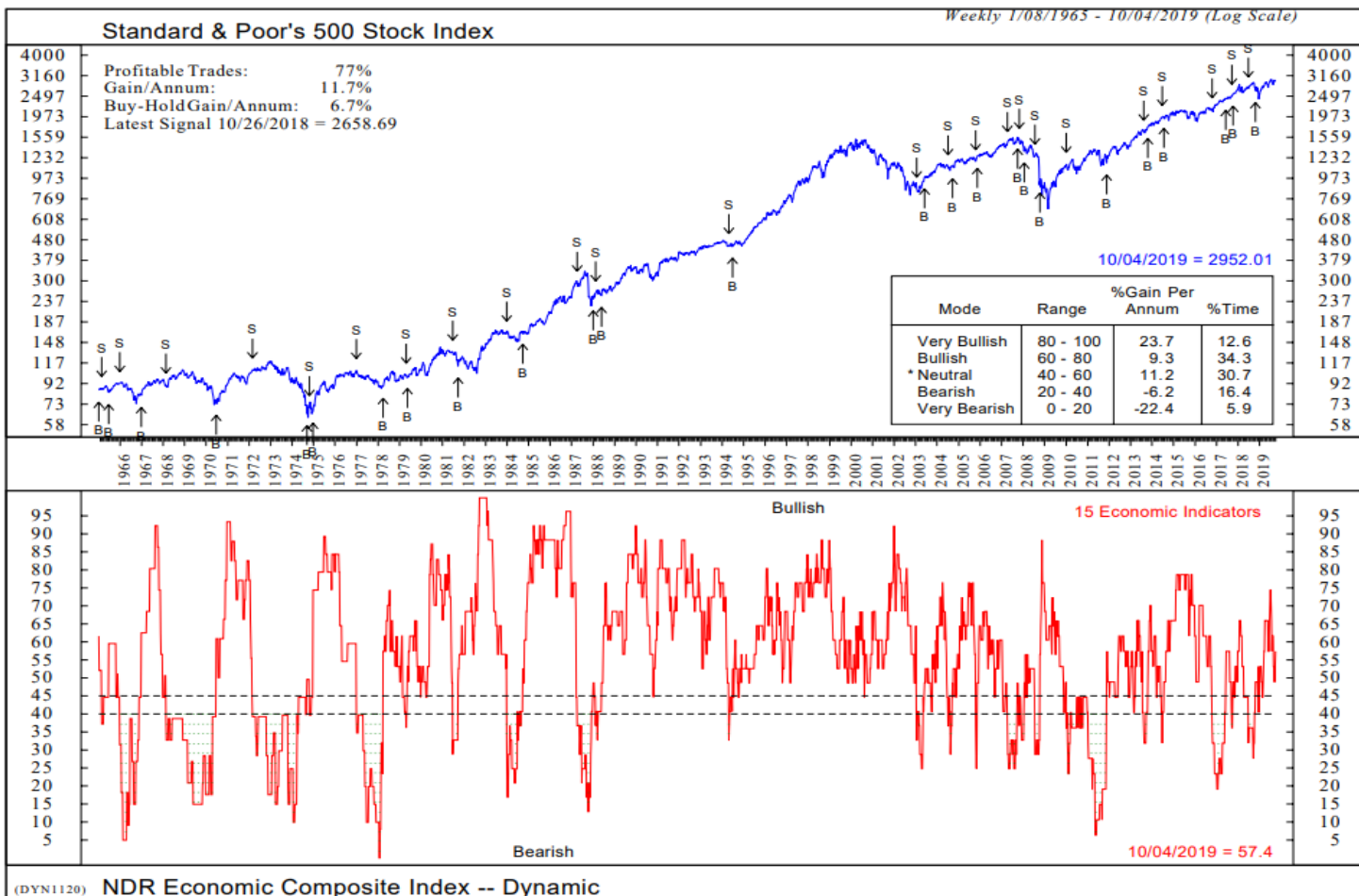
Sample Chart: Short-Term Momentum



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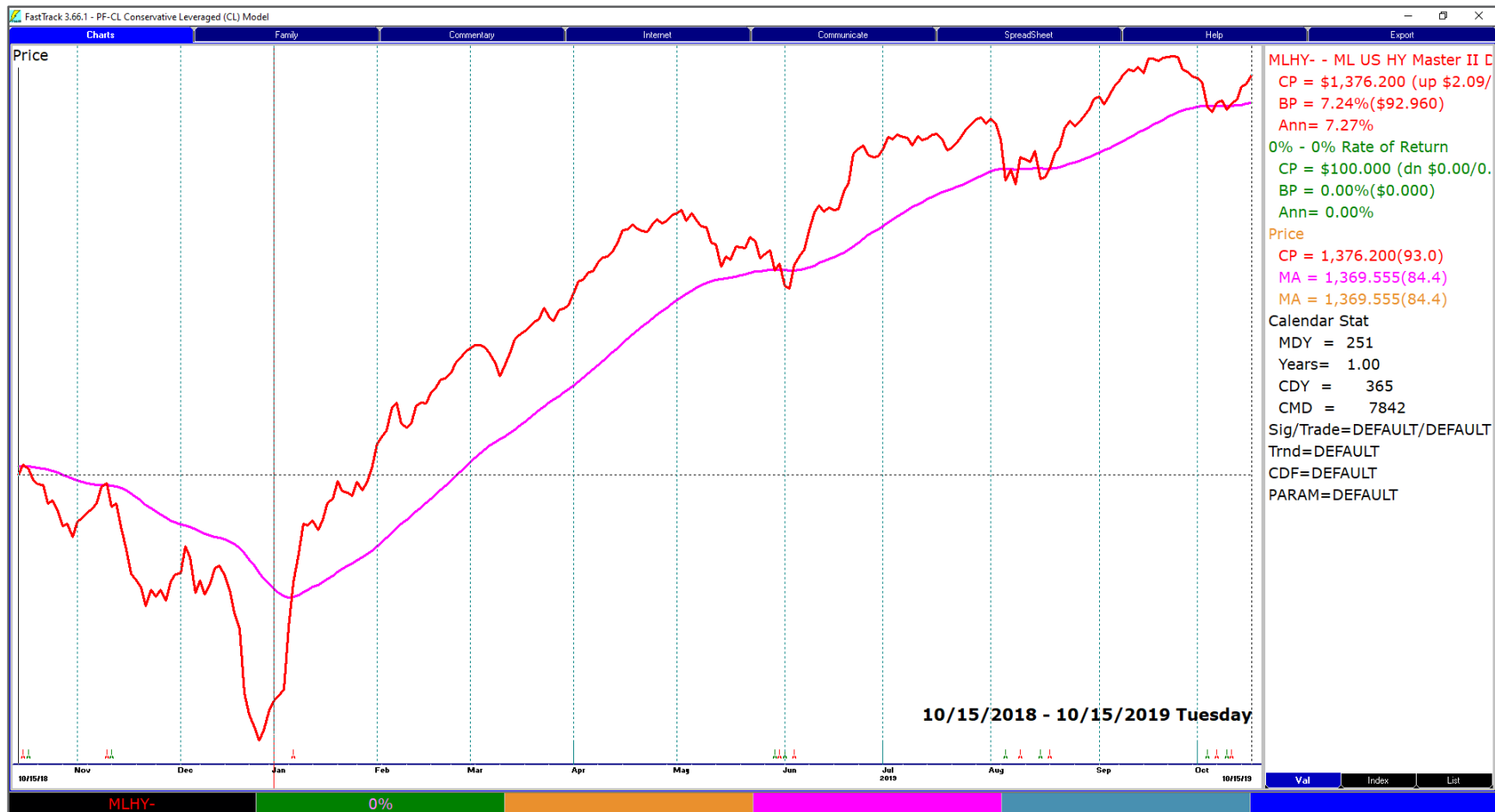
Sample Chart: Economic Model



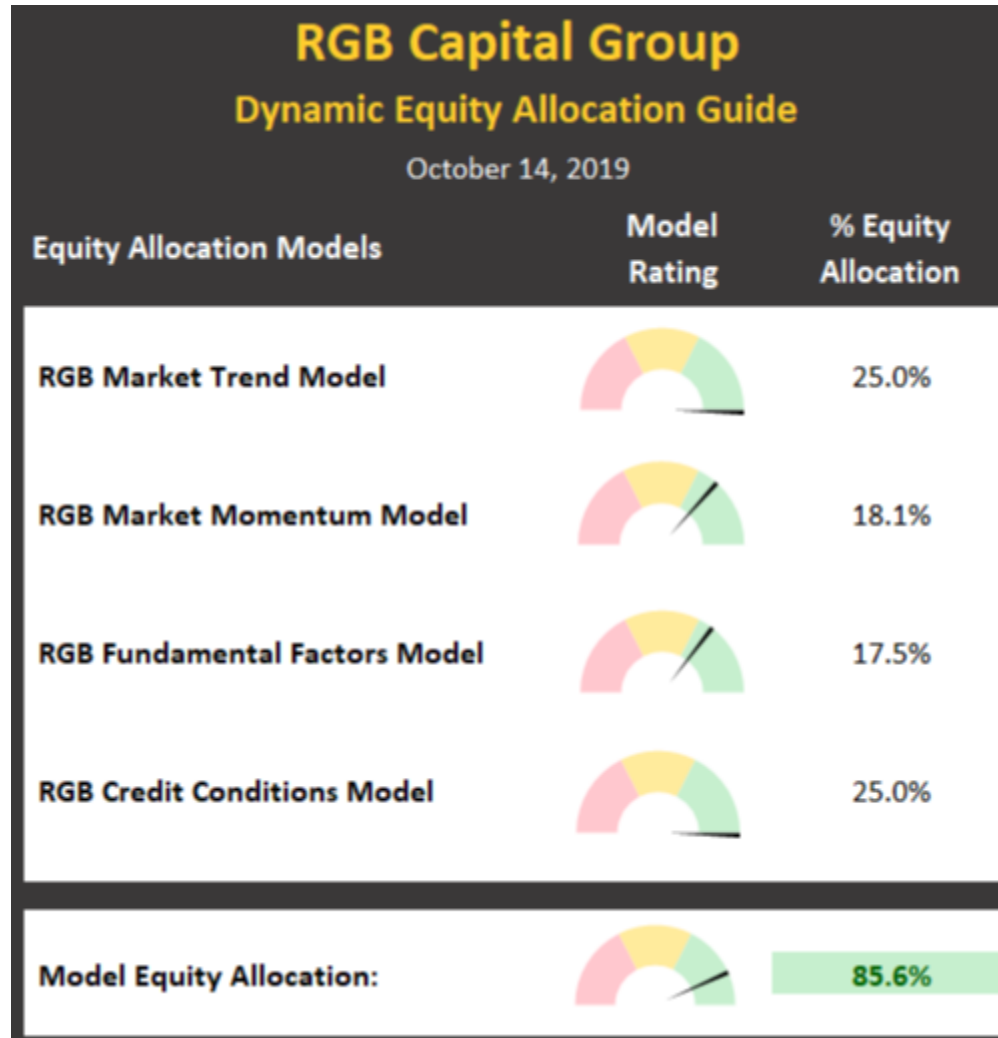
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Sample Chart: Short-Term Credit Conditions

Merrill Lynch High-Yield Master II Index








Dynamic Equity Allocation Model



Dynamic Equity Allocation Guide

Indicator Weightings	
Positive	1.00
Moderately Positive	0.67
Neutral	0.50
Negative	0.00

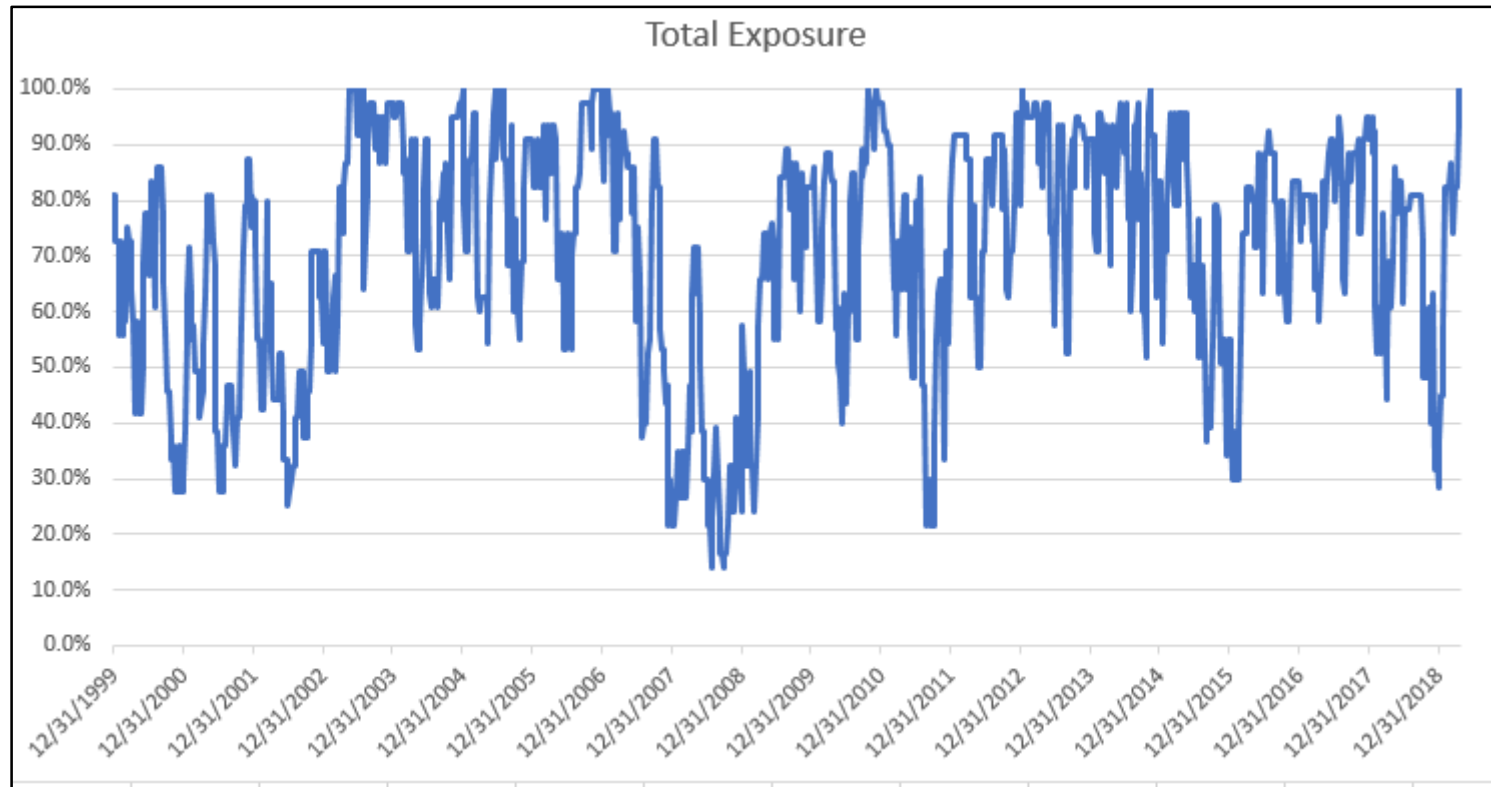
RGB Momentum Model	Indicator Rating	Indicator Weighting
Short-Term Momentum Model	Neutral	0.5
Intermediate-Term Momentum Model	Mod Positive	0.67
Long-Term Momentum Model	Positive	1
Average Weighting		72.33%
Model Weighting		25%
Total Equity Allocation		18.1%

RGB Capital Group Dynamic Equity Allocation Guide October 14, 2019		
Equity Allocation Models	Model Rating	% Equity Allocation
RGB Market Trend Model		25.0%
RGB Market Momentum Model		18.1%
RGB Fundamental Factors Model		17.5%
RGB Credit Conditions Model		25.0%
Model Equity Allocation:		85.6%

- 1 Apply indicator weightings
- 2 Calculate average model weighting
- 3 Apply model weighting
- 4 Sum model allocation

Equity Allocation Guide

12/31/1999 – 4/22/2019

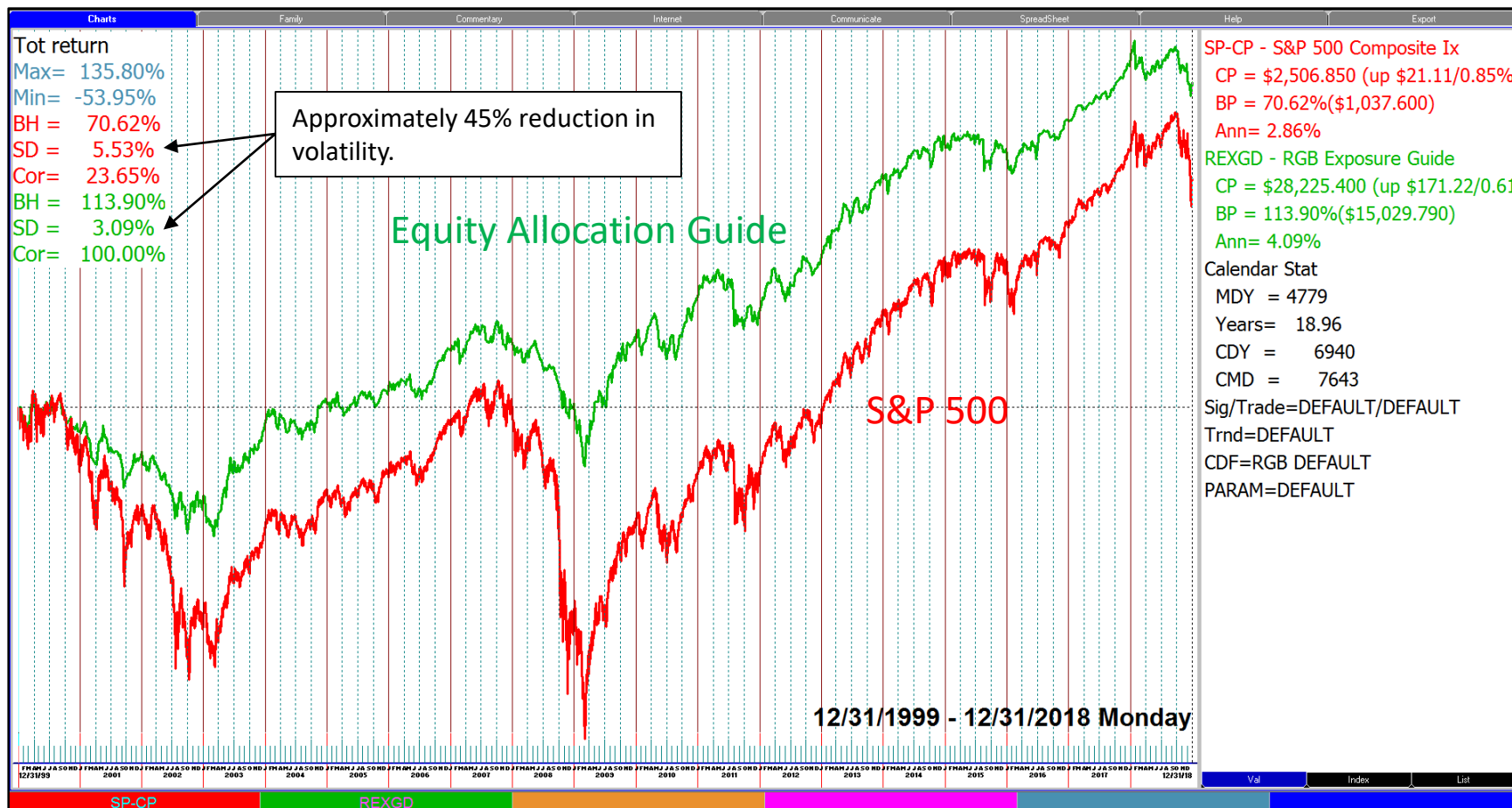


Equity Exposure Guide – Results

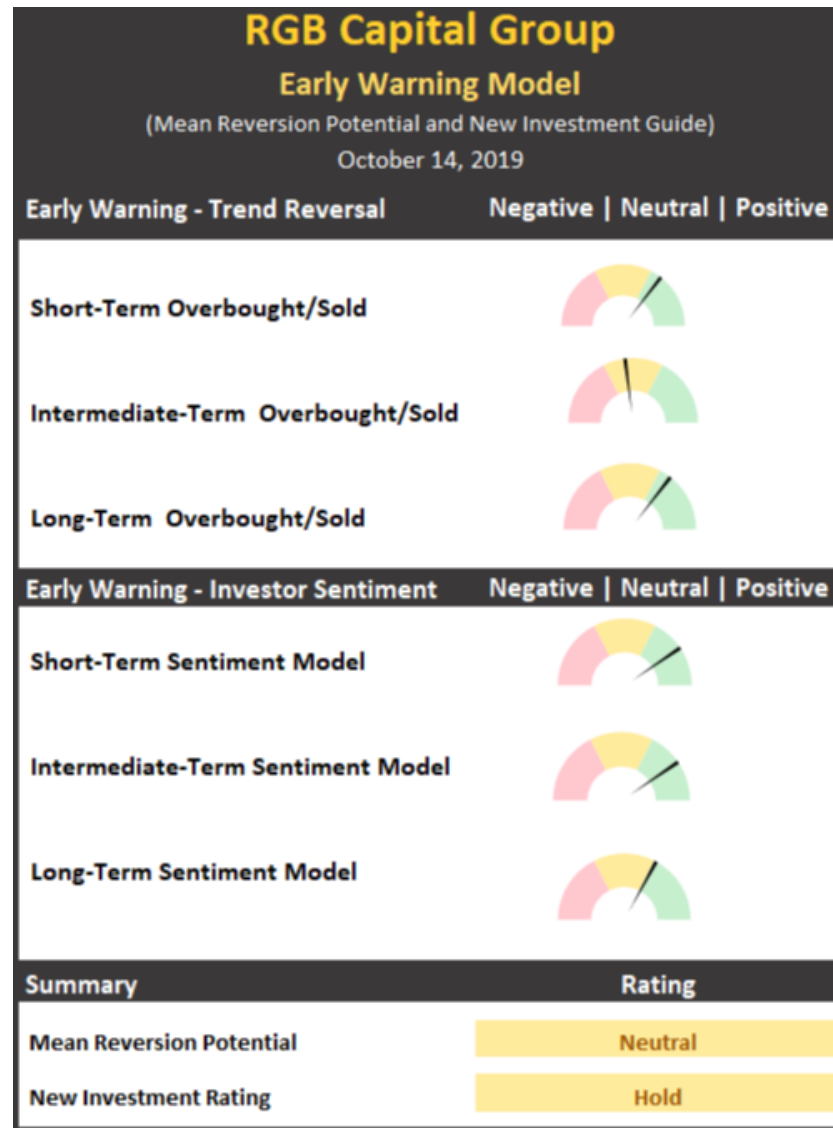
2000 - 2018

Year	Weekly Exposure	
	Guide	S&P 500
2000	-6.13%	-10.14%
2001	-4.09%	-13.04%
2002	-9.96%	-23.37%
2003	22.11%	26.16%
2004	5.93%	8.60%
2005	2.58%	3.60%
2006	9.19%	13.61%
2007	0.67%	3.54%
2008	-10.41%	-38.49%
2009	15.65%	23.45%
2010	9.98%	12.80%
2011	-4.93%	-0.02%
2012	13.22%	13.41%
2013	20.06%	29.60%
2014	6.57%	11.39%
2015	-2.03%	-0.73%
2016	8.01%	9.54%
2017	15.32%	19.42%
2018	-4.83%	-6.24%
Cumulative	115.43%	70.70%

Exposure Guide vs. S&P 500



Early Warning Model



Market Monitor Tools

- The **Market Monitor Tools** (RGB Scorecard, Dynamic Equity Allocation Guide and Early Warning Model) are designed to provide general stock market guidance.
- Not an investment recommendation.
- Use as a guide to confirm your overall investment exposure.

How to Access These Tools

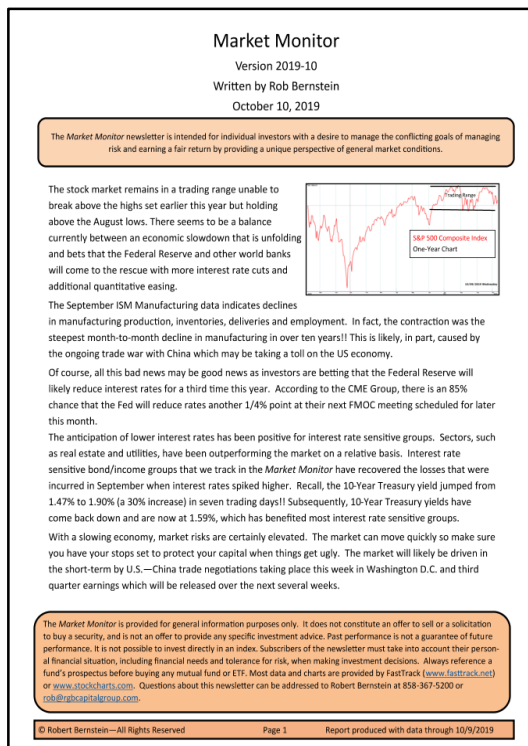
- **Market Monitor Tools** (RGB Scorecard, Dynamic Equity Allocation Guide and Early Warning Model) available each Monday at www.rgbcapitalgroup.com.
- **Market Monitor Newsletter**: intended to help individual investors with a desire to manage the conflicting goals of managing risk and earning a fair return by providing a unique perspective of general market conditions.
 - What is the market doing?
 - What do we expect the market to be doing?
 - Should we expect a reversal of the current trend?
 - Should I apply new money in the current environment?
 - How are the lower volatility, bond / income groups performing?
 - Includes the RGB Capital Group Stock Market Scorecard, Dynamic Equity Allocation Guide and Early Warning Model.
 - Written on the second Wednesday of the month and distributed on Thursday morning.

Continue Learning Free Resources

Weekly – RGB Perspectives
1 Page



Monthly – Market Monitor
8 – 10 Pages



Annual Meeting
Open To Everyone

RGB Annual Meeting
November 2, 2019
10:00 am PDT

In Person:
DoubleTree by Hilton Del Mar
San Diego, CA

Webinar:
Live stream from your computer

Registration Required:
Complete survey form or
www.rgbcapitalgroup.com/events

To sign up, please complete a survey form today or send an email to info@rgbcapitalgroup.com.

Thank You!!



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Please return your evaluation forms. I appreciate your feedback.

Survey Form



A Practical Approach for Conservative Investors & Managing Equity Risk in Uncertain Times

Saturday, October 19, 2019

AAll – Silicon Valley

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2. RGB Perspectives – Interested in our **free**, weekly market commentary? ☐ Yes ☐ No, thanks
3. Would you like to receive our **free**, monthly *Market Monitor* newsletter? ☐ Yes ☐ No, thanks
4. Are you interested in participating in our Annual Meeting on November 2nd (in person or webinar) to learn about our services and how we manage risk for clients? ☐ Yes ☐ No, thanks

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