

**INVESTMENT STRATEGY NOTE** 

## 60/40 Isn't What It Used to Be



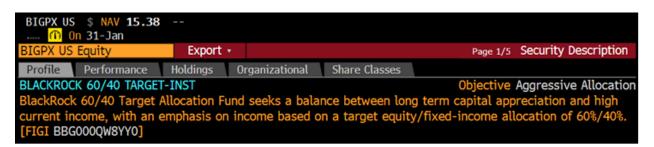
## 60/40 Isn't What It Used To Be

The 60/40 portfolio isn't working like it used to and its performance is lacking compared to consumer price indices and home prices. COVID and higher interest rates changed a lot of things. I urge you to ask us about our strategies and how we use active management to rebalance them in a tax-efficient way. Even if you don't want to hear about our strategies, ask us how to implement the strategies you like in a more efficient way.

## Indulge me - Here is a hypothetical

This is a 60/40 product – a 60% Equity and 40% Credit Portfolio.

If you bought BIGPX at the beginning of 2020, you paid \$13.61/share. On 12/31/2024, the price was \$15.05/share. The price went up \$1.44 or 10.58%. Over that time, the stock also paid \$3.9184 in distributions of some kind. That's another 28.79%.



Not bad, you are up almost ~40% prior to taxes since the beginning of 2020. That's cool. Now, layer in investment fees....

Now, layer in taxes—you'd be subject to taxes on a majority of the gains, so you couldn't compound capital in an efficient way (unless in a tax shelter) and 18% of all gains would be taxed at short-term tax rates. I'm not a tax accountant and Poxono doesn't provide tax accounting services.

Ok, let's compare the returns now to why you are saving – retirement, new house, whatever. I assume you want to use it to buy things in the future.

Declared	Ex	Record	Payable	Dividends	
12/2/2024	12/24/2024	12/23/2024	12/26/2024 US	SD 0.4531	Short Term
12/2/2024	12/24/2024	12/23/2024	12/26/2024 US	SD 0.4491	Long Term
12/2/2024	12/24/2024	12/23/2024	12/26/2024 US	SD 0.4266	Income
12/21/2023	12/22/2023	12/21/2023	12/26/2023 US	SD 0.0985	Long Term
12/21/2023	12/22/2023	12/21/2023	12/26/2023 US	SD 0.3455	Income
12/1/2022	12/23/2022	12/22/2022	12/27/2022 US	SD 0.3386	Income
12/1/2021	12/31/2021	12/30/2021	1/3/2022 US	SD 0.2687	Short Term
12/1/2021	12/31/2021	12/30/2021	1/3/2022 US	SD 0.5800	Long Term
12/1/2021	12/31/2021	12/30/2021	1/3/2022 US	SD 0.3591	Income
12/1/2020	12/31/2020	12/30/2020	1/4/2021 US	SD 0.2455	Short Term
12/1/2020	12/31/2020	12/30/2020	1/4/2021 US	SD 0.1438	Long Term
12/1/2020	12/31/2020	12/30/2020	1/4/2021 US	SD 0.2099	Income
				3.9184	/ share
			Income	1.6797	42.87%
			Short Term	0.9673	24.69%
			Long Term	1.2714	32.45%

**Table 1** The above table is the distributions for BIGPX US Equity from 1/1/2020 to 12/31/2024. Source Bloomberg



The US Consumer Price Index produced by the Bureau of Labor Statistics measures the cost of living (commonly referred to as CPI).



At the beginning of 2020, the CPI index was 256.974. The index was 315.605 on 12/31/2024. Consumer prices were up 22.85%. I know this isn't news.

What if you compare it to home prices? Well, houses, according to the Case-Shiller 20 City Index, are up 52%!

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SPCS20 Index	se-Shiller 20-Ci Export	ty Comp Setti		se-Shiller	Histor	rical Price with % Chg
	ase-Shiller 20-City Co			.High 332.5		_
3	9/2000 = 12/31/20			Low 111.5		
Fields Last F View Price	Price Cha with % Chg	nge 1 Currer	icy v	Average 193.1 Net Chg 221.0		
Date		et Change	% Change	Price Change 1	Net Change	% Change •
Tu 12/31/24	332.59	+14.64	+4.60%	4.60	-1.72	-27.23%
Fr 12/29/23	317.95	+18.92	+6.33%	6.33	+1.56	+32.79%
Fr 12/30/22	299.03	+13.60	+4.76%	4.76	-13.70	-74.20%
Fr 12/31/21	285.43	+44.49	+18.47%	18.47	+8.29	+81.40%
Th 12/31/20	240.94	+22.26	+10.18%	10.18	+7.35	+260.20%
Tu 12/31/19	218.68	+6.01	+2.83%	2.83	-1.21	-30.07%

After you layer in taxes and investment fees on your ~40% gains, how much did you really save for retirement or your future goals if the proxy for cost of living was up 22+% or houses were up 52%?

Don't even get me started on the inefficiency of the BIGPX example. If you purchased the S&P 500 Total Return Index at 60% weight and purchased the BBG US Corporate High Yield Index at 40% weight at the beginning of 2020, your return is 52+% gross of taxes and investment fees. There are always transaction costs and other factors that cause friction, but a product is supposed to provide roughly the same return as its relevant indices, and BIGPX returned ~10% less over ~5 years. I would love to tell you more about my experiences on Wall Street and why I think some of the returns were eroded.

I urge you to ask us about our strategies and how we use active management to rebalance them in a taxefficient way.

Even if you don't want to hear about our strategies, ask us how we can create a portfolio to implement the strategies you like with the least amount of friction.



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