SUPER-Diversification

Diversification *Beyond* Traditional Stocks & Bonds

Performance Review through September 30, 2022

PATTON FUNDS
TOTAL PORTFOLIO SOLUTIONS

Disclosure

ALL CONTENT IS FOR INFORMATIONAL PURPOSES ONLY. ANY REFERENCE TO OR MENTION OF INDIVIDUAL STOCKS, INDEXES, OR OTHER SECURITIES ARE NOT RECOMMENDATIONS AND ARE SPECIFICALLY NOT REFERENCED AS PAST RECOMMENDATIONS OF PATTON WEALTH ADVISORS. ALL GRAPHS, CHARTS, AND TABLES ARE PROVIDED FOR ILLUSTRATION PURPOSES ONLY. EXPRESSIONS OF OPINION ARE ALSO NOT RECOMMENDATIONS AND ARE SUBJECT TO CHANGE WITHOUT NOTICE IN REACTION TO SHIFTING MARKET, ECONOMIC, OR POLITICAL CONDITIONS. IT IS COMMON FOR US TO USE A FUND AS A PROXY FOR AN INDEX OR ASSET CLASS.

FOR MORE DETAILS SEE OUR FULL DISCLOSURE HERE.

Agenda

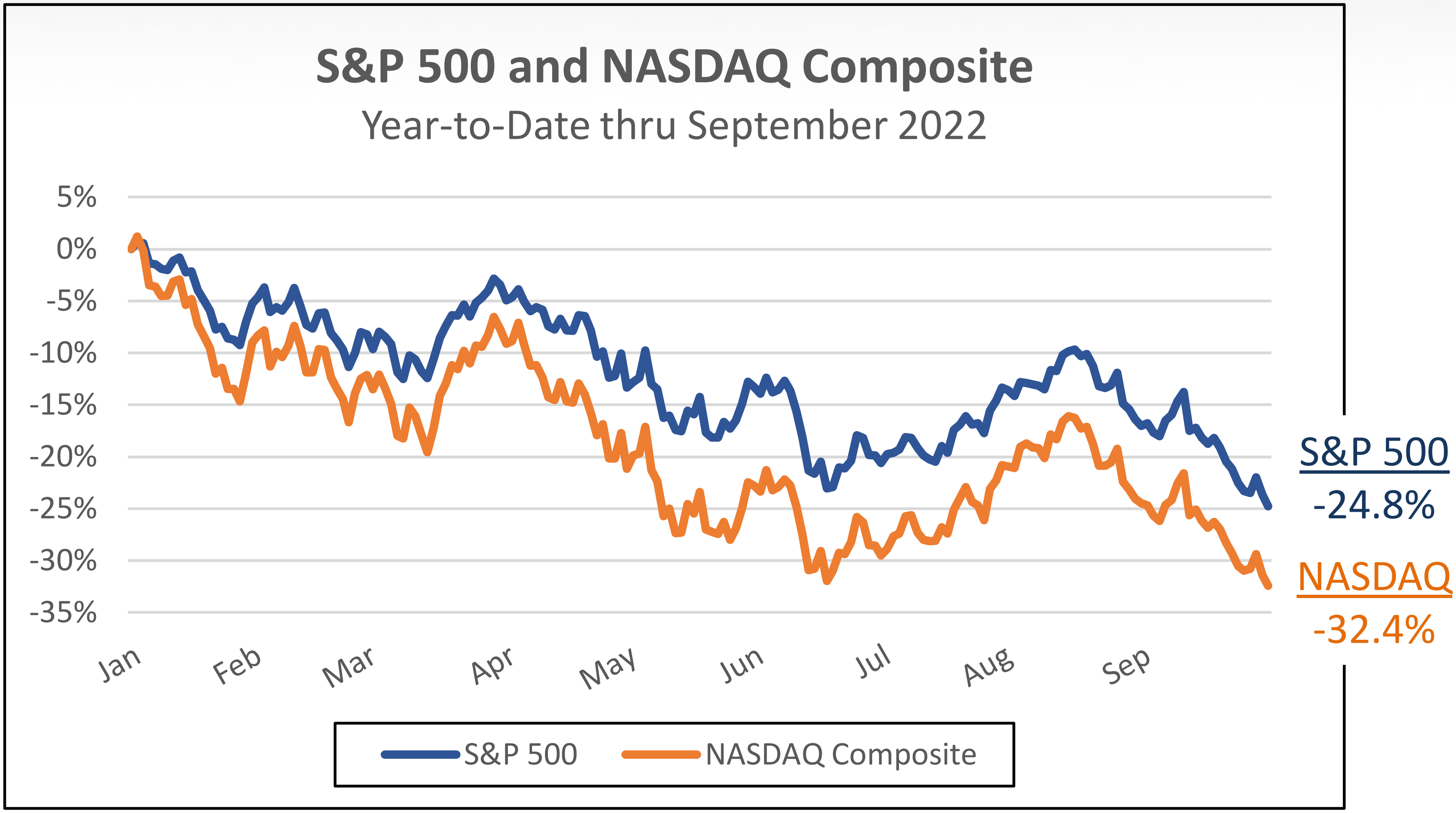
- Market Performance Review
- Interest Rates and Inflation
- Super-Diversification Performance

PATTON FUNDS
TOTAL PORTFOLIO SOLUTIONS

Market Performance Review

PATTON FUNDS
TOTAL PORTFOLIO SOLUTIONS

Market Performance Review



The S&P 500 and NASDAQ Composite performance excludes dividends. Source: www.YCharts.com

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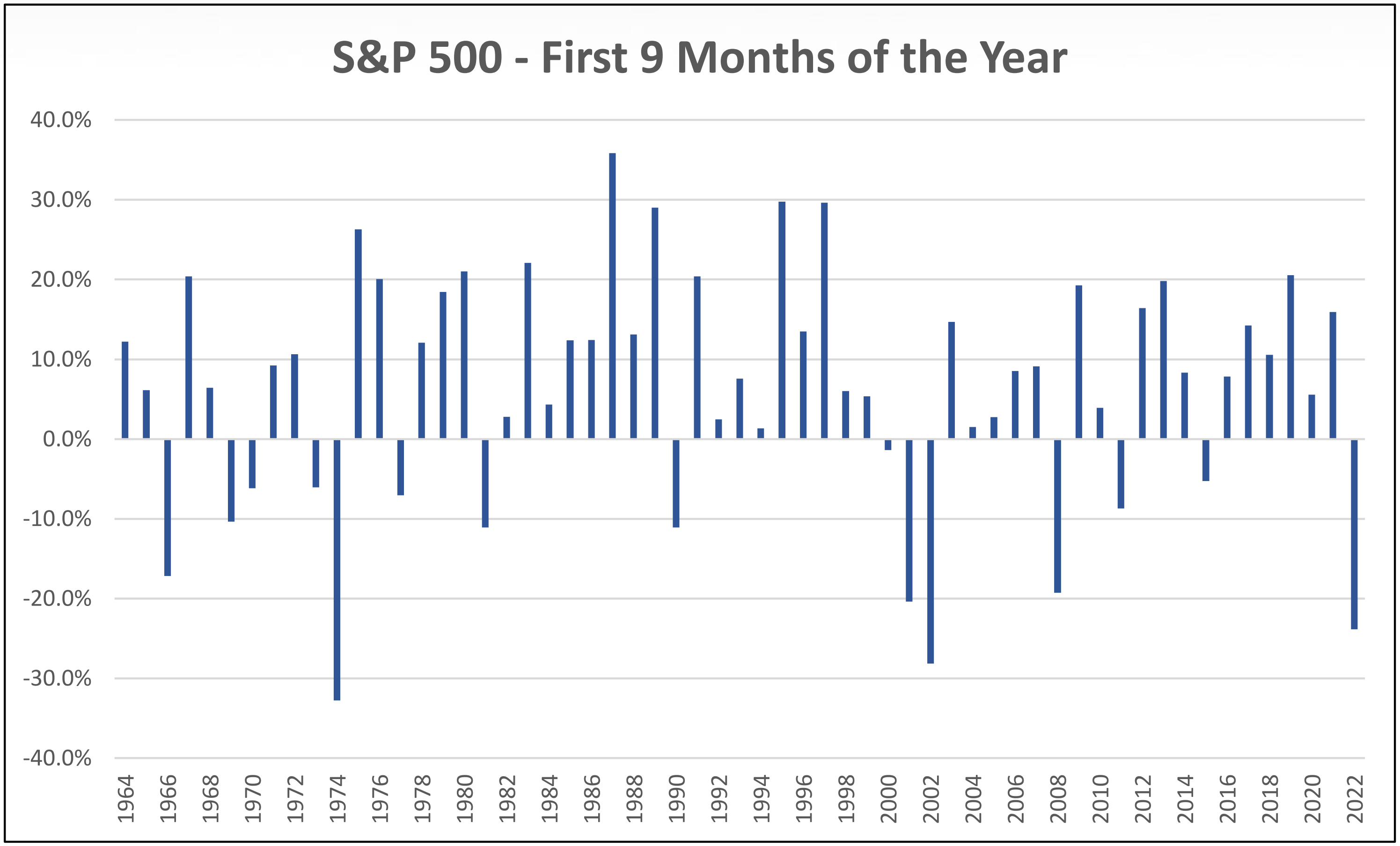
Market Performance Review



The S&P 500 is a total return including dividends. Data frequency is monthly. Source: Standard & Poor's

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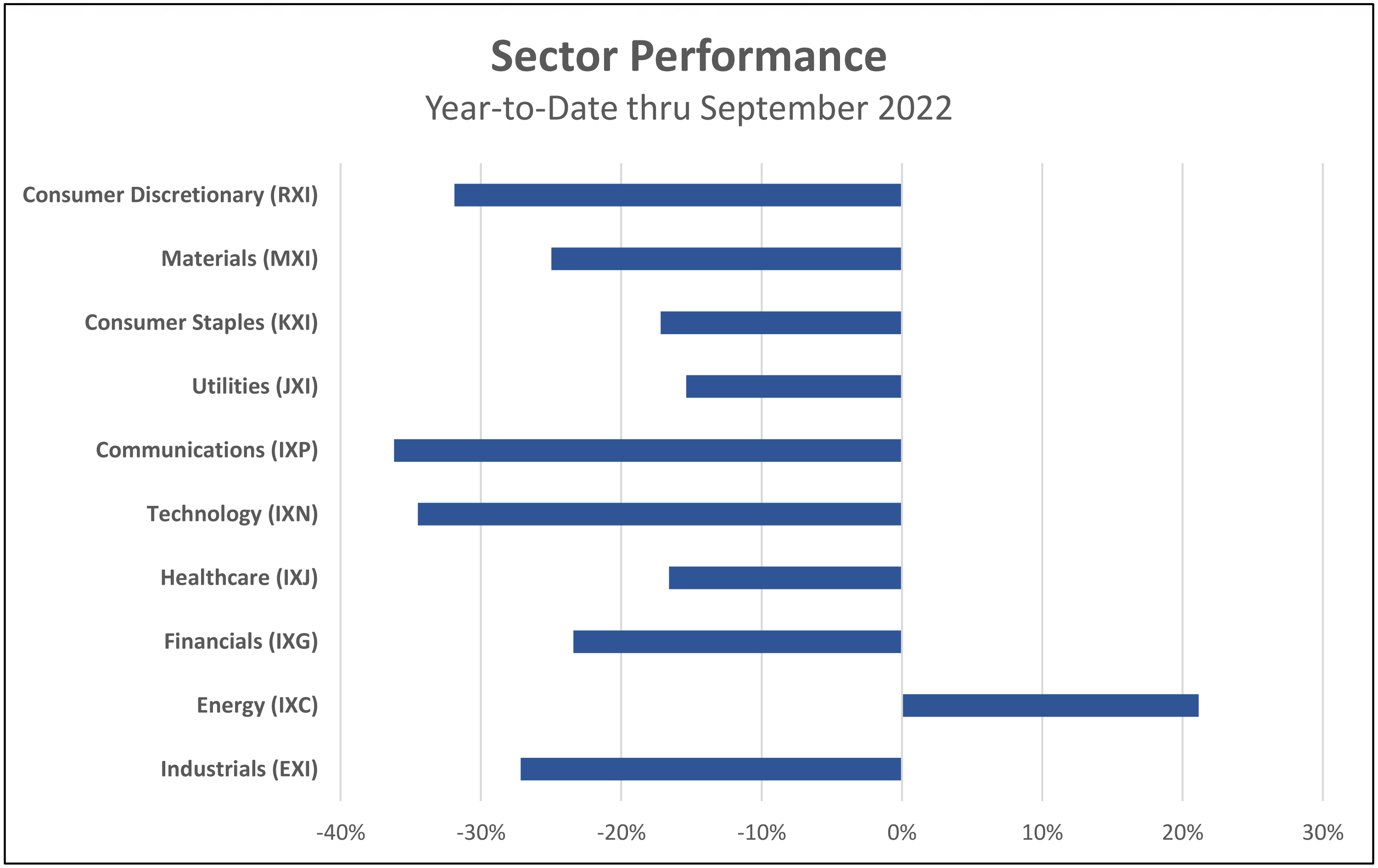
Market Performance Review



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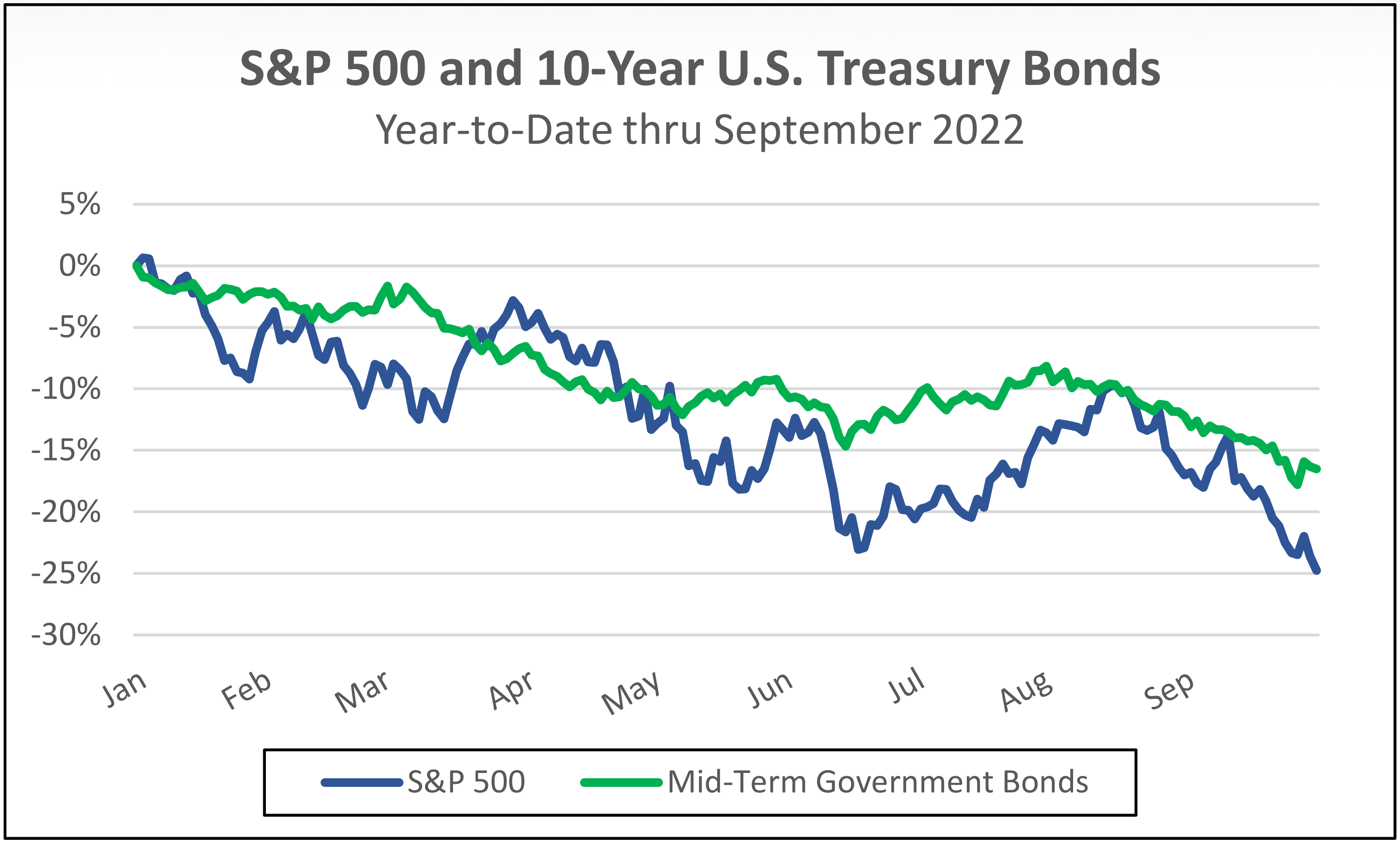
TOTAL PORTFOLIO SOLUTIONS

Market Performance Review



Source: The S&P 500 performance excludes dividends. Mid-Term Government Bonds is ETF IEF.

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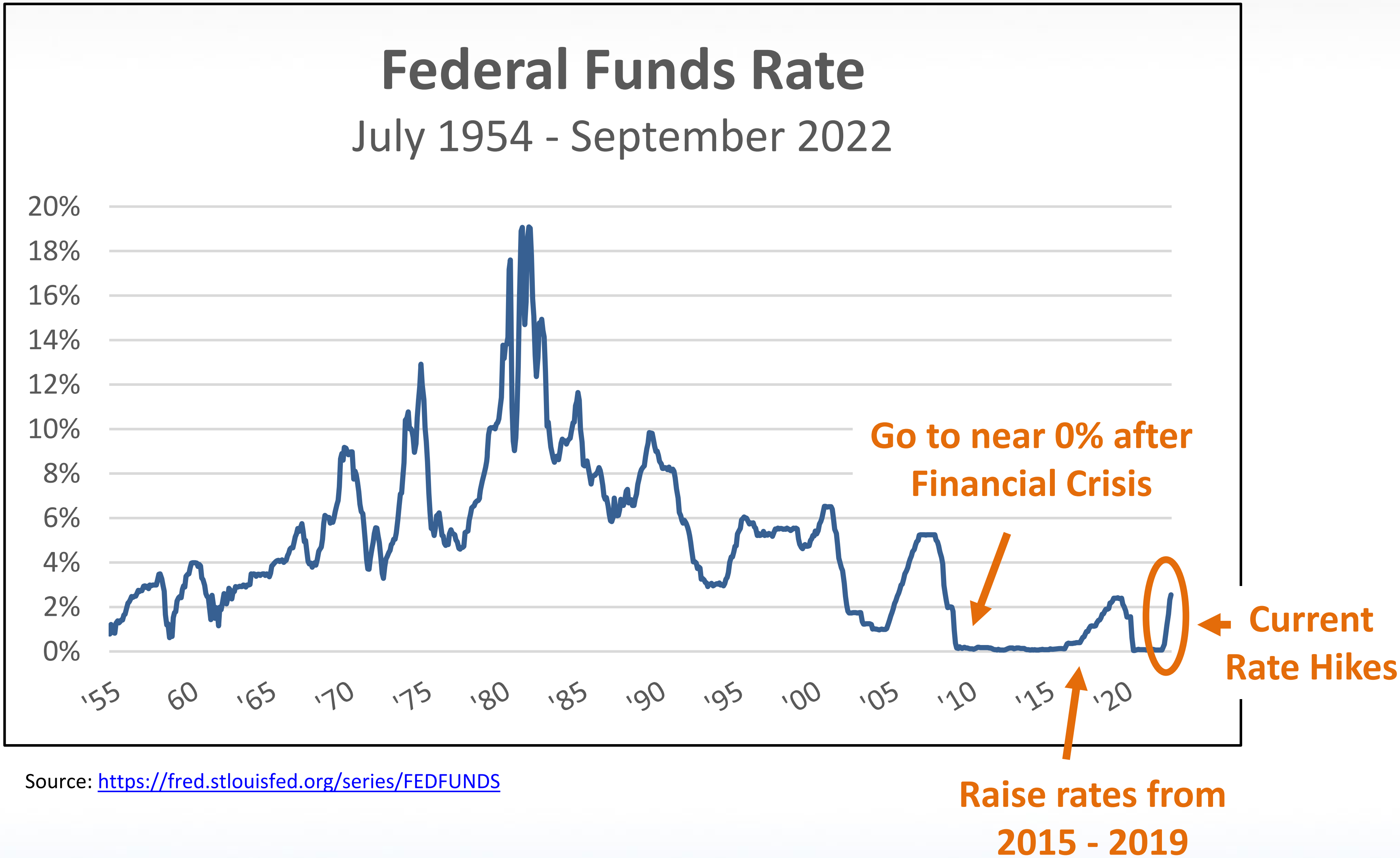
TOTAL PORTFOLIO SOLUTIONS

Interest Rates and Inflation

PATTON FUNDS
TOTAL PORTFOLIO SOLUTIONS

Interest Rates and Inflation



Source: https://fred.stlouisfed.org/series/FEDFUNDS

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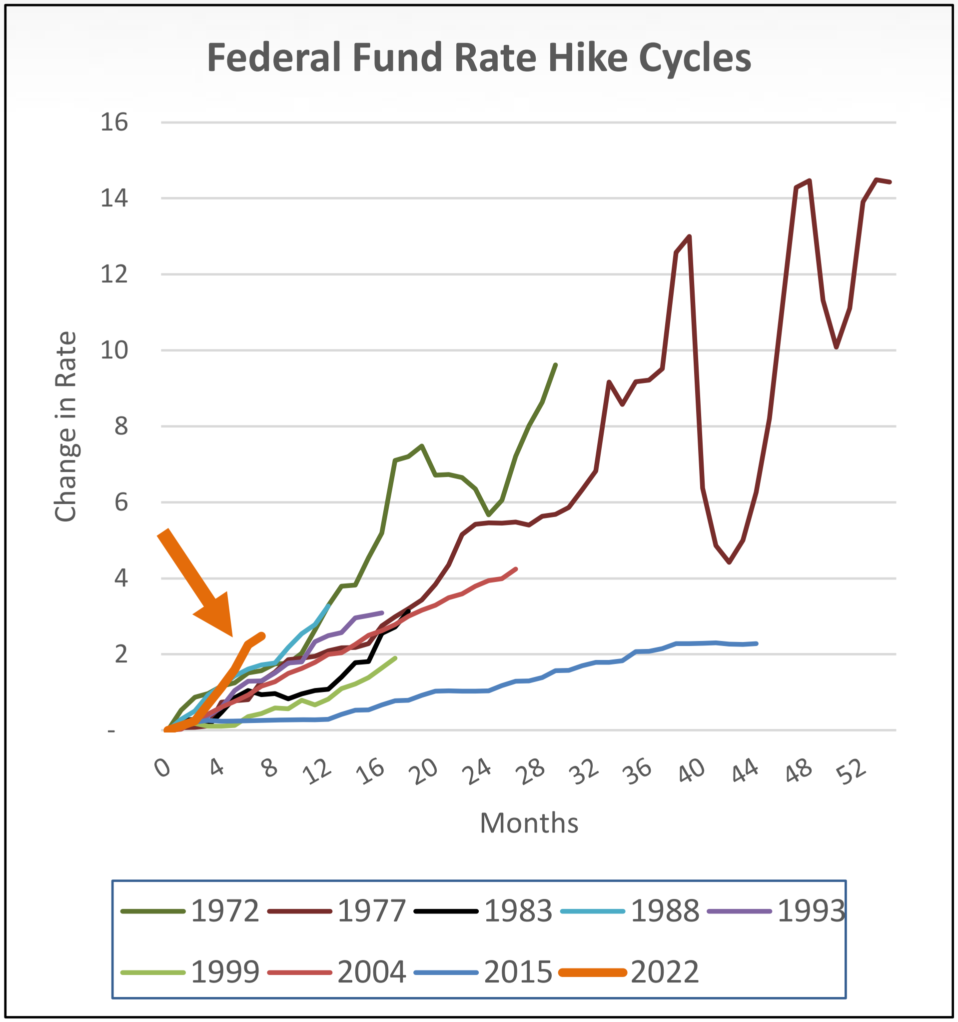
TOTAL PORTFOLIO SOLUTIONS

Interest Rates and Inflation



Federal Funds Rate - Rate Hike Cycles				
Rate Hike Period		Fed Runds Rate		
Start	End	Start	End	Change
2/29/1972	7/31/1974	3.30	12.92	9.62
1/31/1977	6/30/1981	4.61	19.04	14.43
2/28/1983	8/31/1984	8.51	11.64	3.13
3/31/1988	3/31/1989	6.58	9.85	3.27
12/31/1993	4/30/1995	2.96	6.05	3.09
1/31/1999	6/30/2000	4.63	6.53	1.90
5/31/2004	7/31/2006	1.00	5.24	4.24
11/30/2015	7/31/2017	0.12	2.40	2.28
2/28/2022	9/30/2022	0.08	2.56	2.48

Source: https://fred.stlouisfed.org/series/FEDFUNDS

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Interest Rates and Inflation

Q1: Why is the Federal Reserve raising interest rates?

A1: Reduce inflation

Q2: How will higher interest rates reduce inflation?

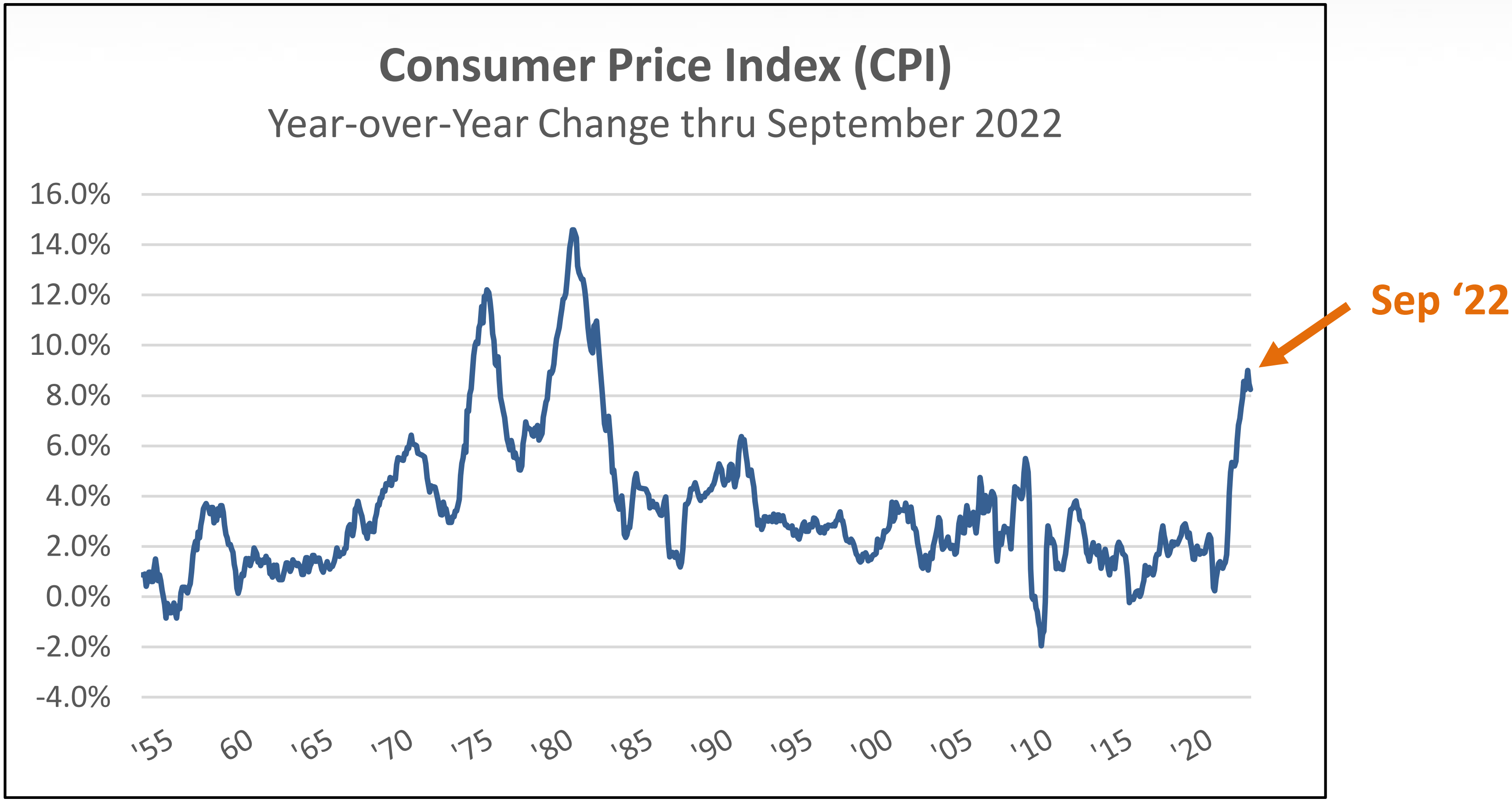
A2: Higher interest rates → slows economic growth

Slower economic growth → reduces demand for goods and services

Reduced demand → reduces inflation

PATTON FUNDS
TOTAL PORTFOLIO SOLUTIONS

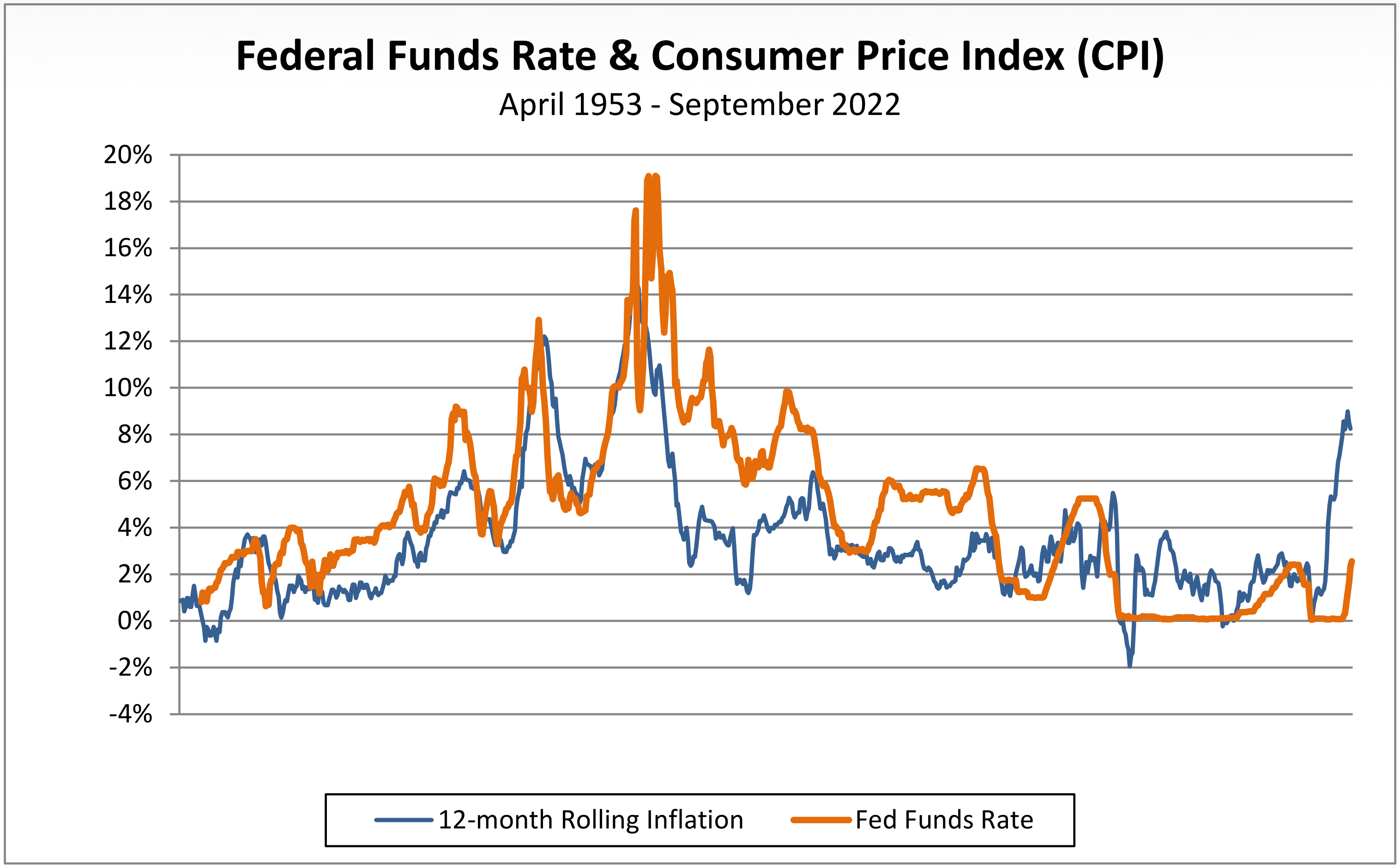
Interest Rates and Inflation



Source: https://fred.stlouisfed.org/series/CPIAUCSL

PATTON FUNDS
TOTAL PORTFOLIO SOLUTIONS

Interest Rates and Inflation



Source: Federal Funds Rate - https://fred.stlouisfed.org/series/FEDFUNDS ; Consumer Price Index - https://fred.stlouisfed.org/series/CPIAUCSL

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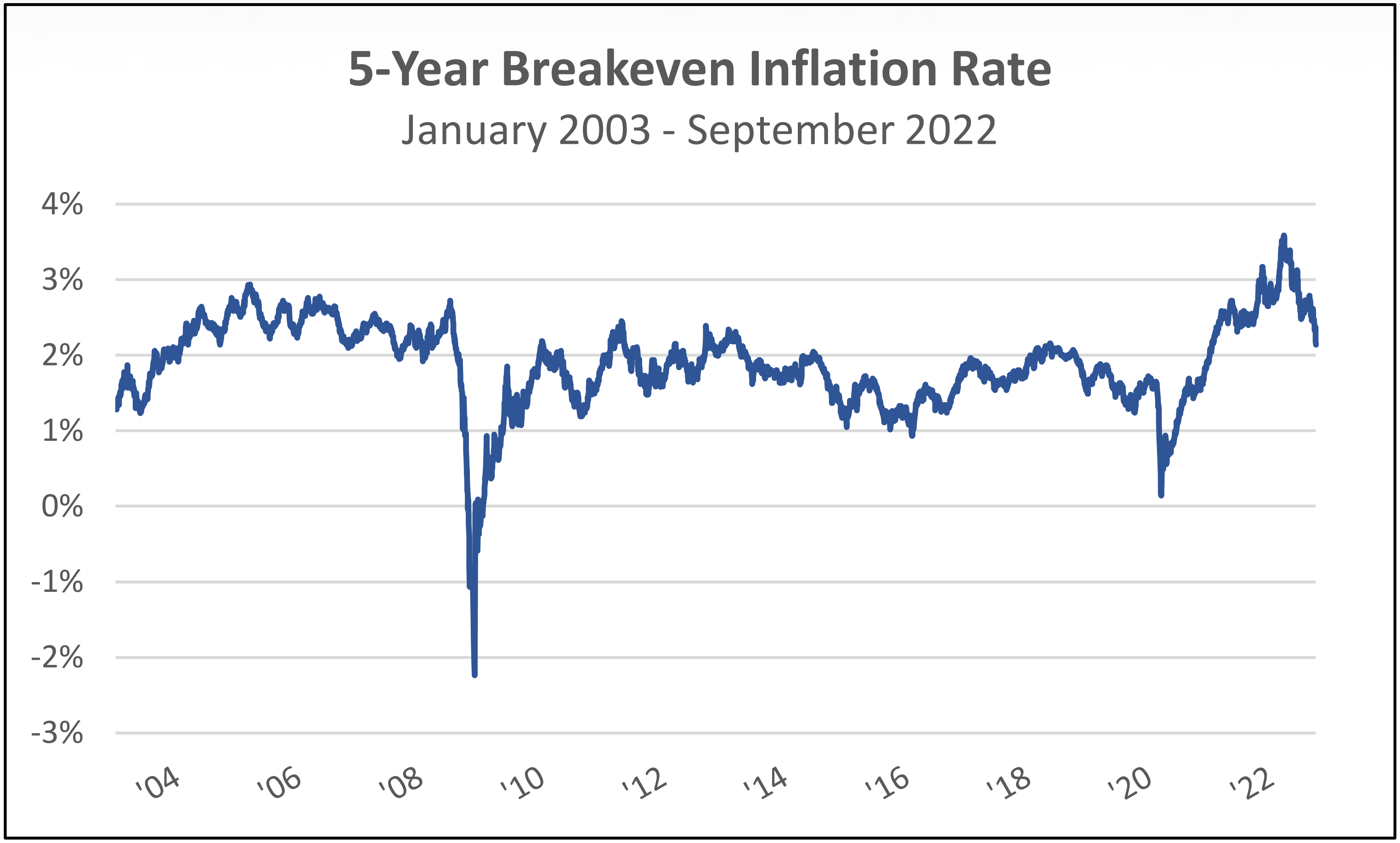
TOTAL PORTFOLIO SOLUTIONS

Interest Rates and Inflation



Source: https://fred.stlouisfed.org/series/T5YIE

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Interest Rates and Inflation

Q3: What impact does this have your portfolio?

A3: Potentially a lot! Let's consider both bonds and stocks.

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Interest Rates and Inflation

Q4: BONDS – how are bonds impacted by higher interest rates?

A4: Higher interest rates result in higher bond yields and lower bond prices

Bond Yields in 2022

	Feb 1	Sep 30	Change
10 Year U.S. Treasuries	1.83%	3.83%	2.00%
Corporate Bonds	3.08%	4.91%	1.83%
High Yield Bonds	8.74%	16.84%	8.10%

Source: www.YCharts.com as follows: 10 Year U.S. Treasuries: 10 Year Treasury Rate; Corporate Bonds: Moody's Seasoned Aaa Corporate Bond Yield; High Yield Bonds: US High Yield CCC Effective Yield

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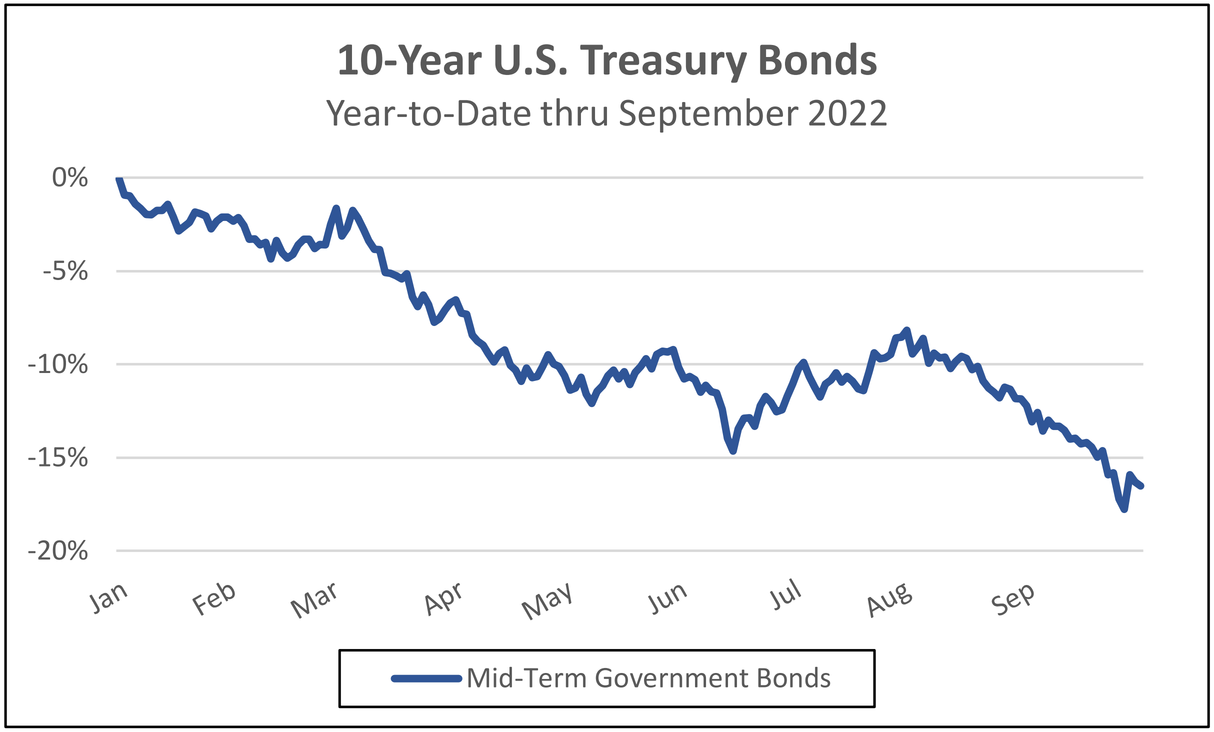
TOTAL PORTFOLIO SOLUTIONS

Interest Rates and Inflation

Q4: BONDS – how are bonds impacted by higher interest rates?

A4: Higher interest rates result in higher bond yields and lower bond prices



Source: Mid-Term Government Bonds is ETF IEF.

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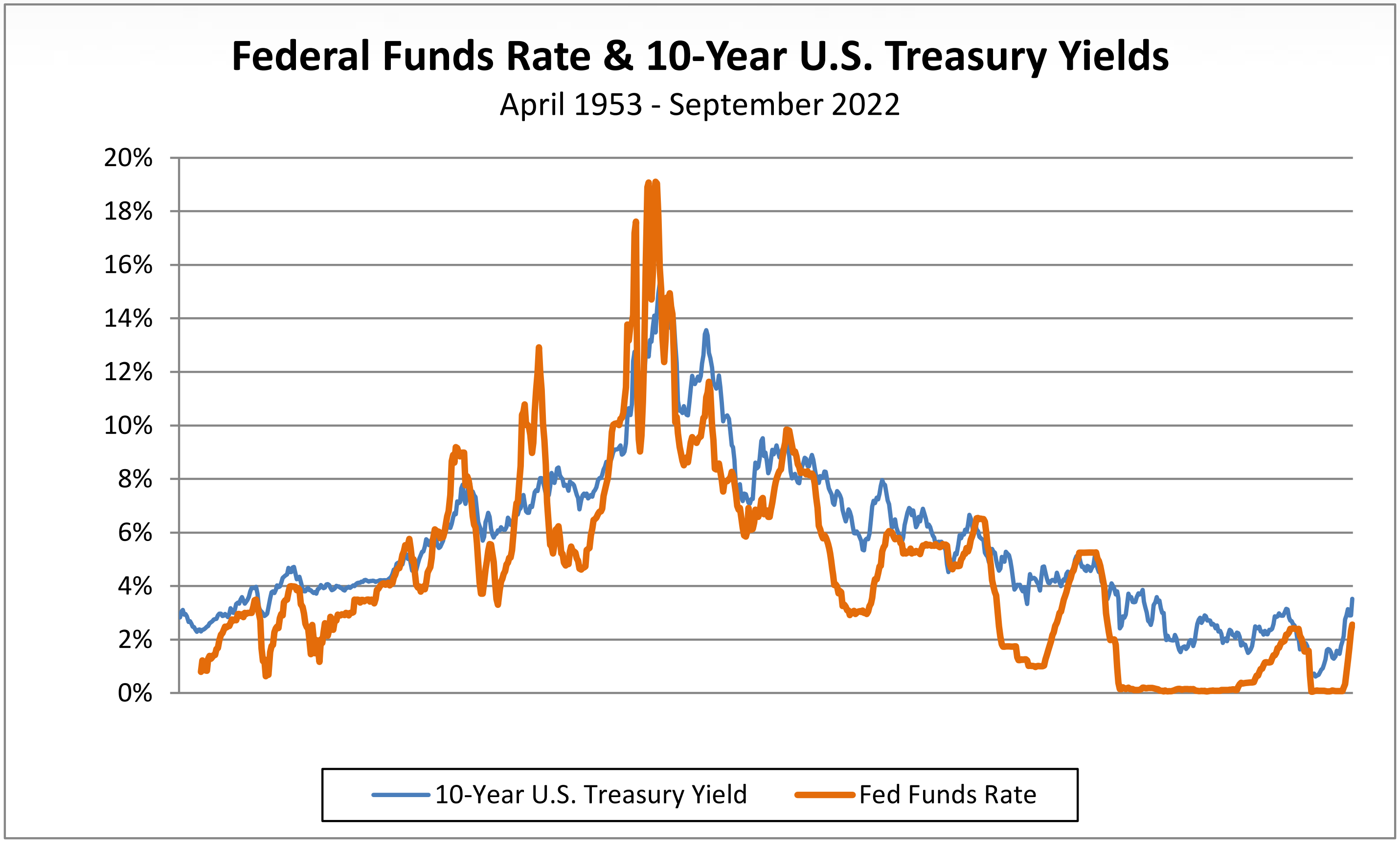
Interest Rates and Inflation



Source: Fed Funds Rates - https://fred.stlouisfed.org/series/FEDFUNDS ; 10-Year U.S. Treasury Yield: https://fred.stlouisfed.org/series/GS10

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TOTAL PORTFOLIO SOLUTIONS

Interest Rates and Inflation

Q5: STOCKS – how are stocks impacted by higher interest rates?

A5: Logic suggests prices will go lower.

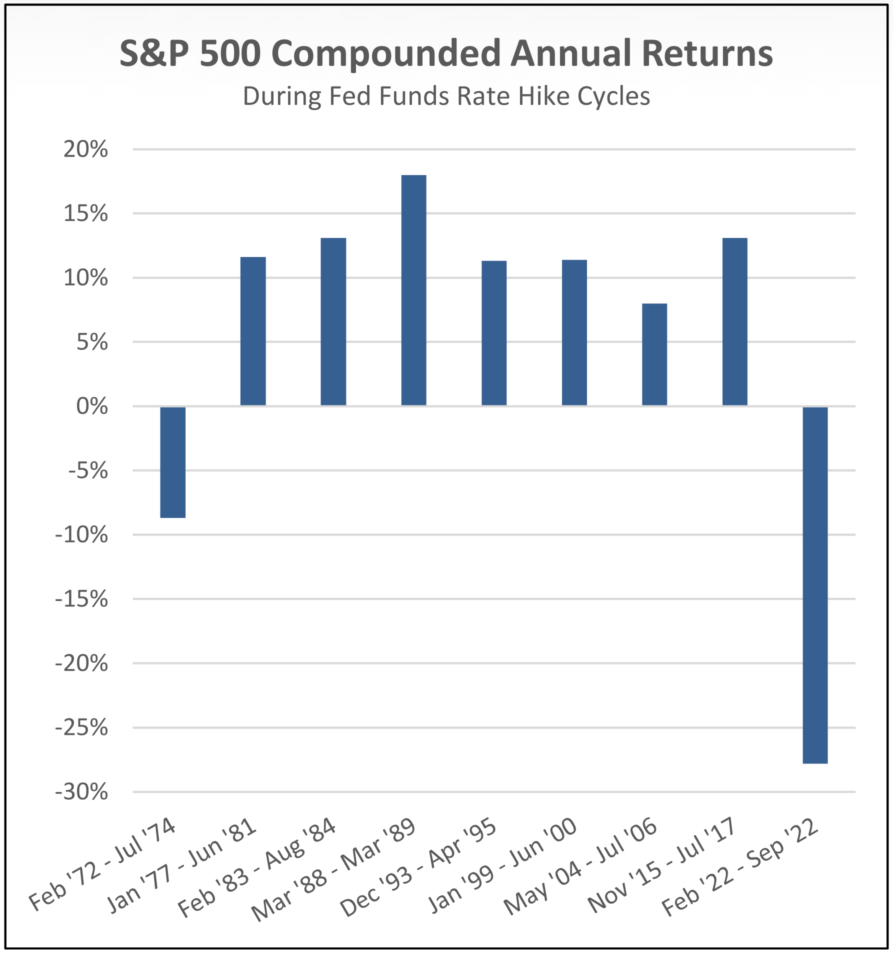
1.) the value of future earnings decreases

2.) future earnings will be lower in a slowed economy

3.) bonds are tougher competition with higher yields

PATTON FUNDS
TOTAL PORTFOLIO SOLUTIONS

Interest Rates and Inflation



Federal Funds Rate - Rate Hike Cycles

Rate Hike Period		Fed Runds Rate			S&P 500
Start	End	Start	End	Change	Compounded
2/29/1972	7/31/1974	3.30	12.92	9.62	-9%
1/31/1977	6/30/1981	4.61	19.04	14.43	12%
2/28/1983	8/31/1984	8.51	11.64	3.13	13%
3/31/1988	3/31/1989	6.58	9.85	3.27	18%
12/31/1993	4/30/1995	2.96	6.05	3.09	11%
1/31/1999	6/30/2000	4.63	6.53	1.90	11%
5/31/2004	7/31/2006	1.00	5.24	4.24	8%
11/30/2015	7/31/2017	0.12	2.40	2.28	13%
2/28/2022	9/30/2022	0.08	2.56	2.48	-28%

Source: Fed Funds Rates - https://fred.stlouisfed.org/series/FEDFUNDS ; The S&P 500 is a total return including dividends. Data frequency is monthly.
Source: Standard & Poor's

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Interesting Number

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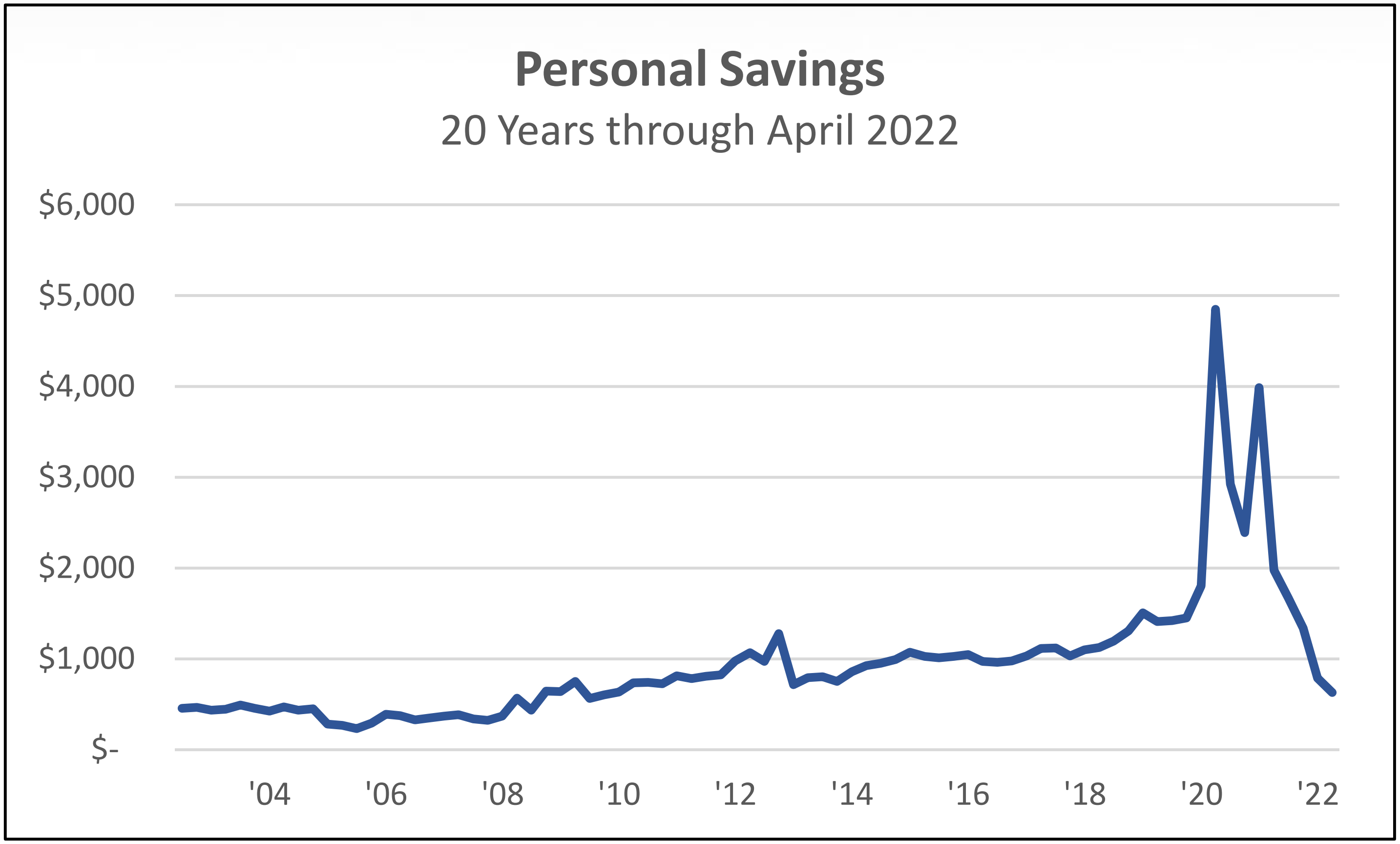
Interesting Number



Source: https://fred.stlouisfed.org/series/PSAVE

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Super-Diversification Performance

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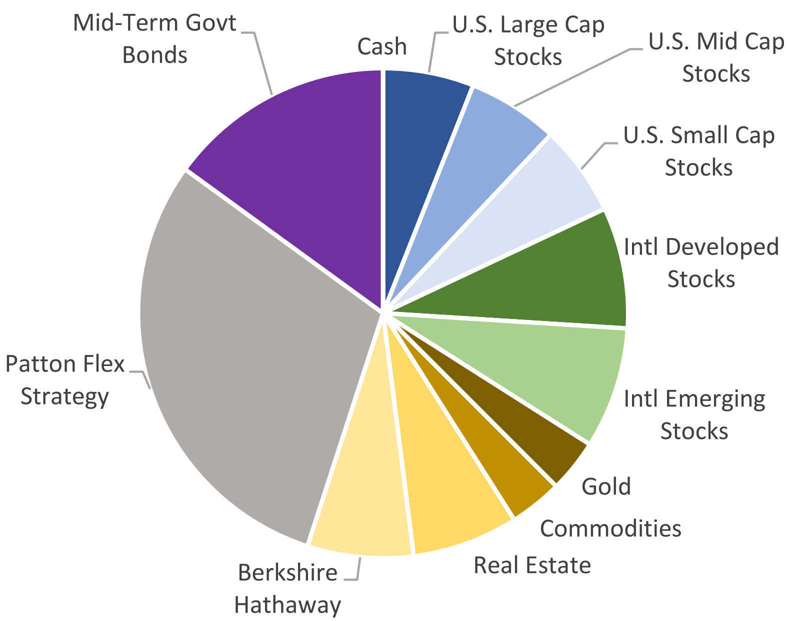
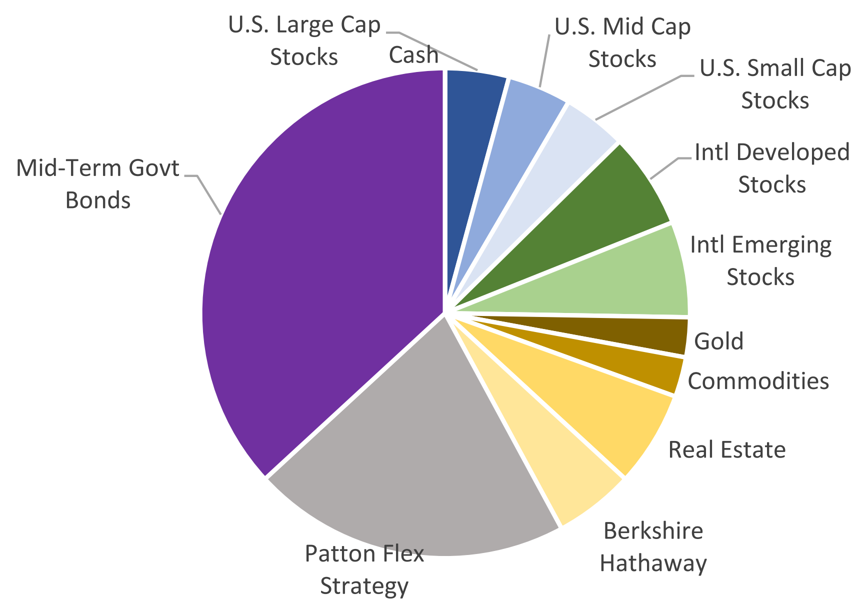
Super-Diversification Performance

Different Super-Diversification Portfolio Allocations Based on Risk Profile





More bonds and less everything else resulting in lower risk profile.

Asset Classes Disclosure: https://pattonwealth.com/AssetClasses1.shtml

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TOTAL PORTFOLIO SOLUTIONS

Super-Diversification Performance

Patton Clients by Risk Profile

Conservative	Moderate	Growth
0.3%	15.3%	84.4%

We calculate "Performance Composites" grouped by Risk Profile.

Accounts in each Risk Profile are similar but not identical. Data as of 9/30/2022. Only includes Performance Composites of diversified portfolios. Percentages are based on Assets Under Management in each Composite. See the following for a full disclosure of the performance composites: https://pattonwealth.com/PortPerf1.shtml

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Calculating Performance Composites

1) Daily performance calculation of every client portfolio
2) Group by Risk Profile (into “Composites”)
3) Calculate average for each Group / Composite
4) Weight the average by portfolio size (larger portfolios have a greater impact on the average)
5) Full Disclosure: https://pattonwealth.com/PortPerf1.shtml

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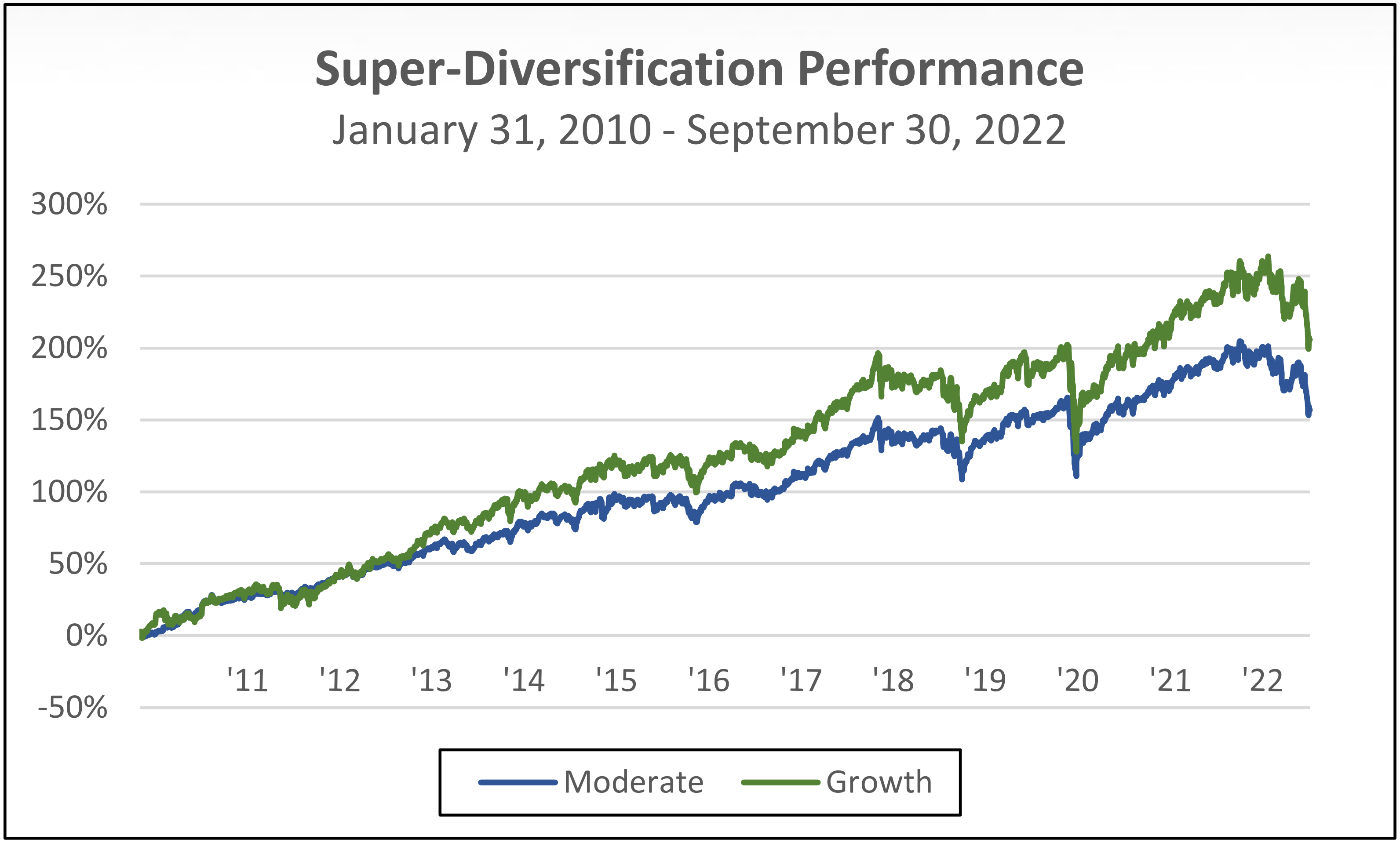
TOTAL PORTFOLIO SOLUTIONS

Super-Diversification Performance



Moderate is the Super-Diversified Flex Moderate composite; Growth is the Super-Diversified Flex Growth composite. See the following for a full disclosure of the performance composites: https://pattonwealth.com/PortPerf1.shtml

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Comparing the Performance of Super-Diversification to Others

- ARC Research Private Client Indices (PCI)
- Created and managed by ARC Research Limited
- Actual client portfolio returns
- Four indices based on risk
- See: https://www.suggestus.com/pci

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Super-Diversification Performance

ARC PCI Key Facts

Key Facts

VIEW CONTRIBUTORS

122
Contributors

300,000+
Portfolios

10+
Years of data

Net
Of fees

Source as of 10/10/2022: https://www.suggestus.com/pci

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Super-Diversification Performance

ARC PCI Data Contributors

Data Contributors

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Abrdn - Target Return	Jim Stacey	+44 (0) 7712 485 394
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Source as of 10/10/2022: https://www.suggestus.com/pci/contributors?perPage=1000

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Super-Diversification Performance

Select Data Contributors to the ARC Private Client Indices

- Barclays, Wealth & Investment Management
- Citi Private Bank
- Credit Suisse AG Zurich
- Deutsche Bank
- HSBC Global Services (UK) Limited
- Julius Bear International
- Morningstar Investment Management Europe Ltd
- Raymond James Limited
- RBC Wealth Management
- Rothschild & Co Wealth Management UK Limited
- UBS Wealth Management (UK)

Source as of 10/10/2022: https://www.suggestus.com/pci/contributors?perPage=1000

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Super-Diversification Performance

ARC PCI Performance

PERFORMANCE and ASSET ALLOCATION as at 07 Oct 2022

Performance - Net of fees (% change)

	Index	Month to date	Quarter to date	Year to date
Cautious	150.63	+0.31	+0.31	-13.90
Balanced Asset	177.51	+0.77	+0.77	-18.51
Steady Growth	210.42	+0.96	+0.96	-21.35
Equity Risk	**236.23**	**+1.33**	**+1.33**	**-24.36**

Source as of 10/10/2022: https://www.suggestus.com/pci?currency=usd

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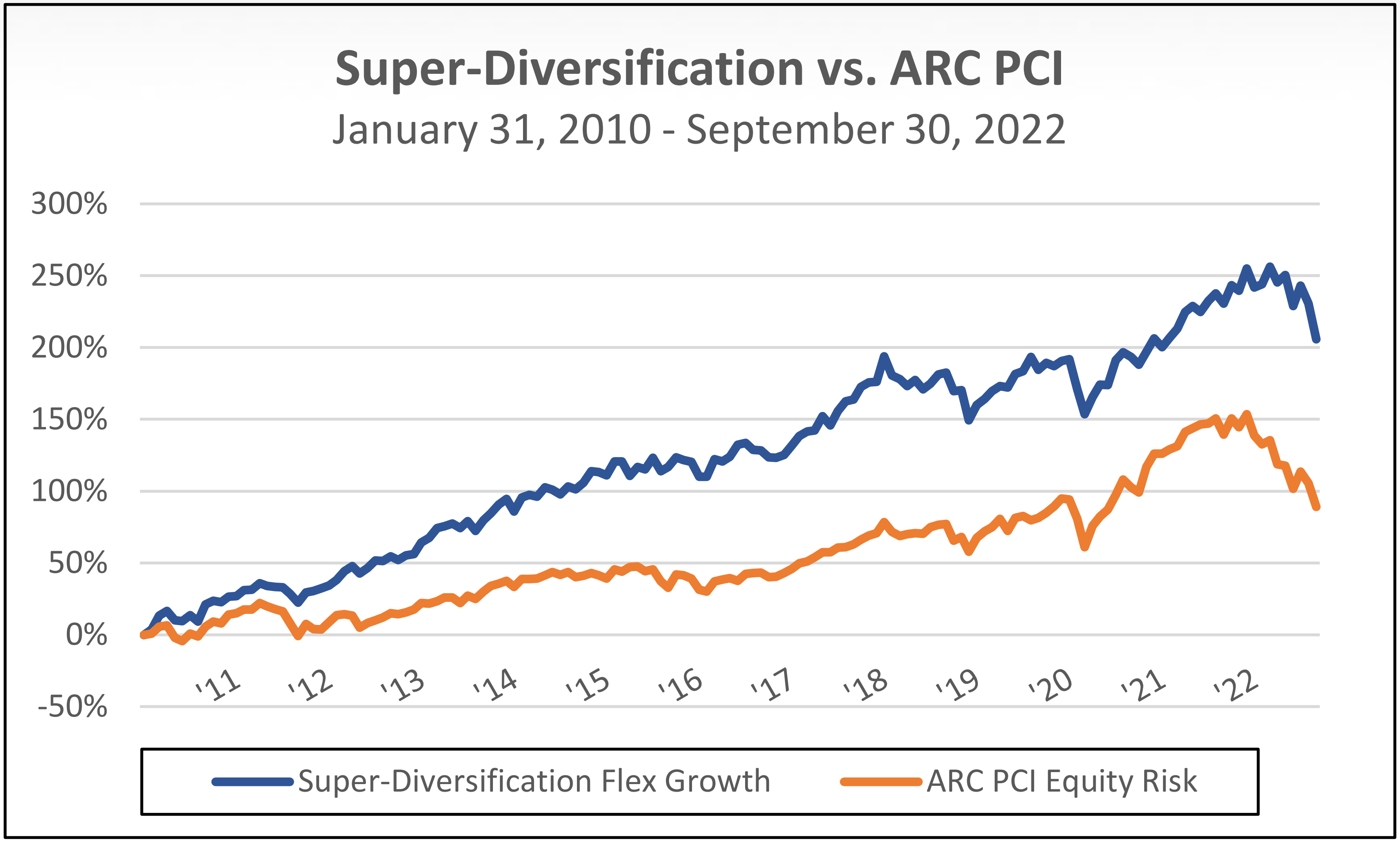
Super-Diversification Performance



Super-Diversification is the Super-Diversification Flex Growth composite; ARC PCI is the Equity Risk index. The asset allocation of the Super-Diversification strategy has been different than the ARC Private Client Index, resulting in differing performance, although the risk profiles of both have been generally similar. During the period being reported the market has been in an upward trend that has been stronger than historic averages. There is no assurance that this type of trend will persist or how we would perform if it did. See our website for more details: https://pattonwealth.com/performance.html

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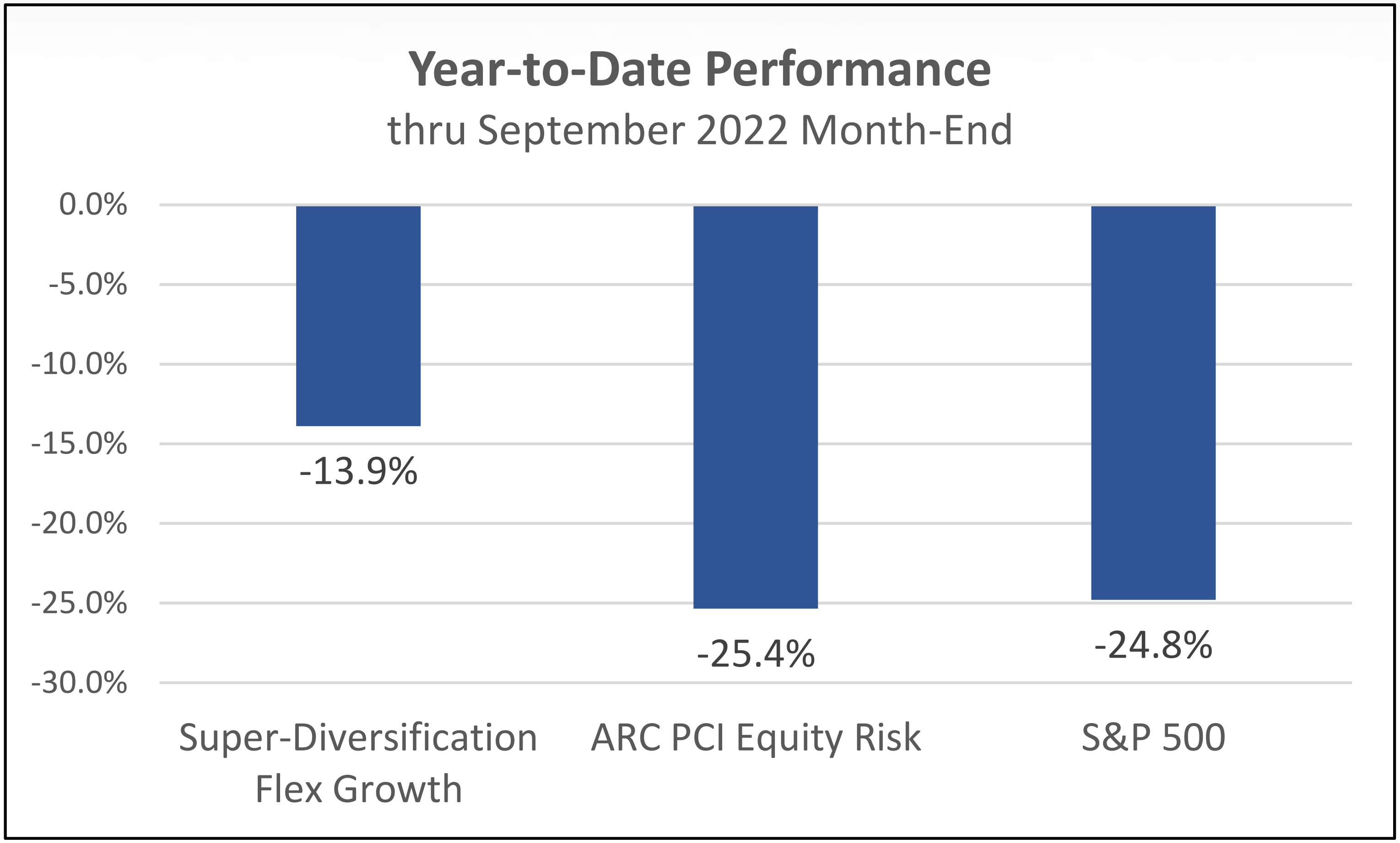
Super-Diversification Performance



Super-Diversification is the Super-Diversification Flex Growth composite; ARC PCI is the Equity Risk index. See our website for more details: https://pattonwealth.com/performance.html The S&P 500 performance excludes dividends. Source: www.YCharts.com Asset Classes Disclosure: https://pattonwealth.com/AssetClasses1.shtml

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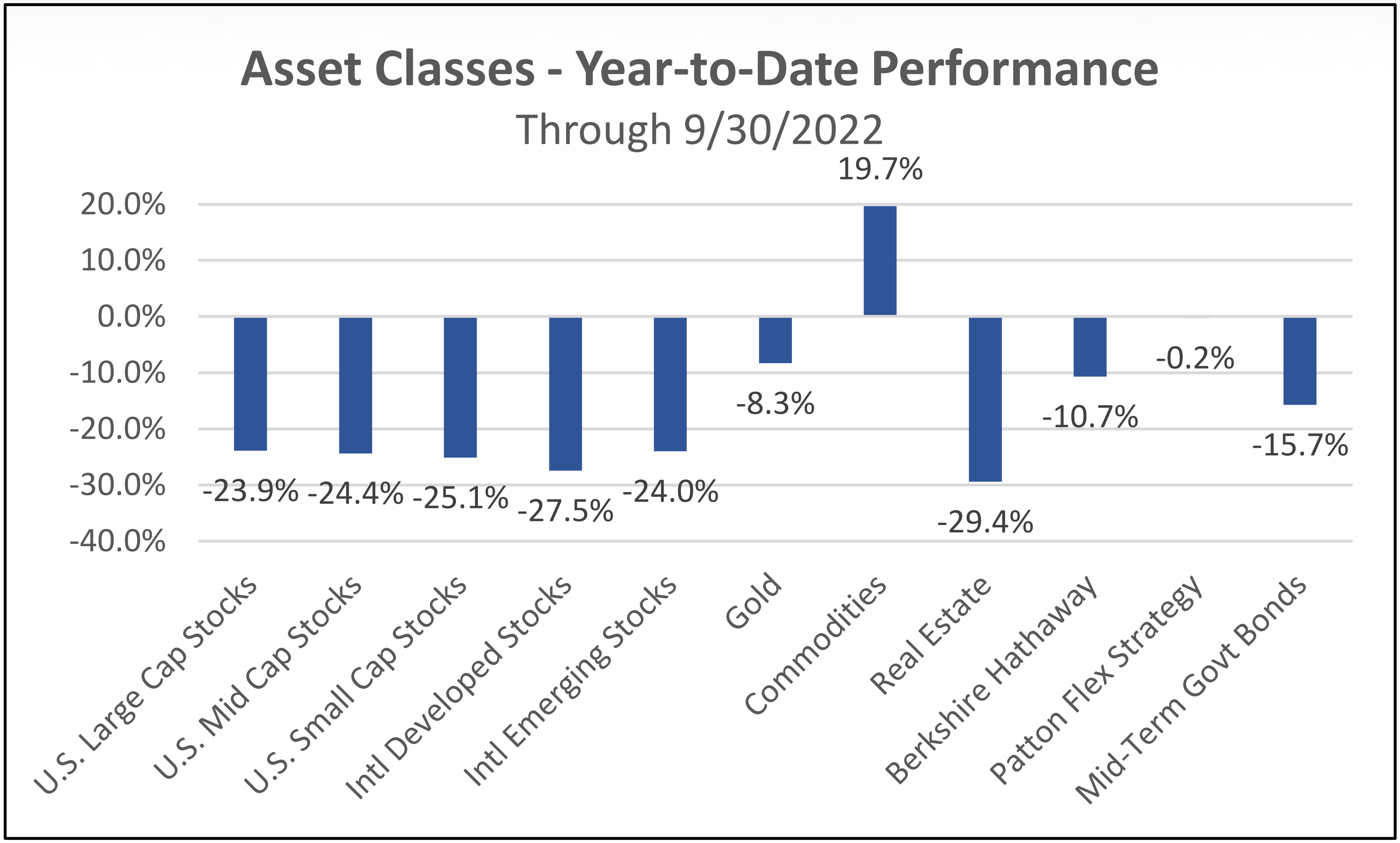
Super-Diversification Performance



Stocks / ETF symbols source for each asset class: U.S. Large Cap Stocks is SPY; U.S. Mid Cap Stocks is IWR; U.S. Small Cap Stocks is IWM; Intl Developed Stocks is EFA, Intl Emerging Stocks is VWO; Gold is GLD; Commodities is GSG; Real Estate is RWR; Berkshire Hathaway is BRK.B; Patton Flex: See Disclosure: https://pattonwealth.com/AssetClasses1.shtml ; Mid-Term Govt Bonds is IEF.

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