



ALLODIUM[®]
INVESTMENT CONSULTANTS

INTRODUCTION TO INVESTING

Allodium Investment Consultants • Introduction to Investing • June 22, 2023

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Allodium Speakers



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Introduction

- Basic concepts of investing.
- Tools of investing and types of investment accounts.
- Investment principles.
- Pitfalls to avoid.



Why Invest?

Why Invest?

- Reach financial independence.
- Make your money work for you!
- Beat inflation.

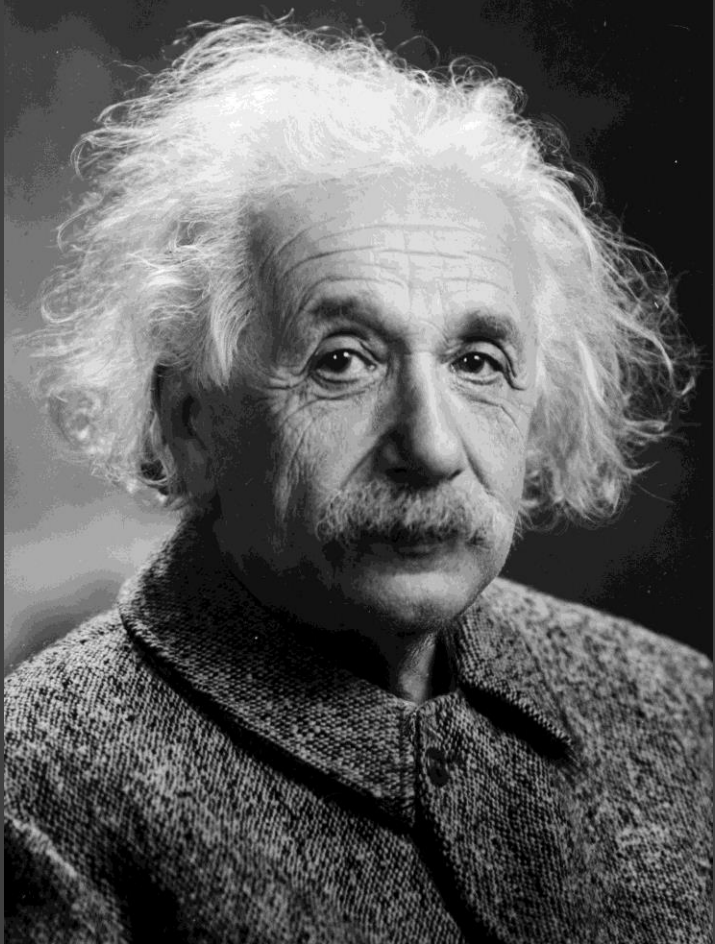
Prices have doubled from 1994 to 2023.

https://www.bls.gov/data/inflation_calculator.htm



Compound Returns

Compound Returns



“Compound interest is
the most powerful
force in the universe.”

— Albert Einstein

Compound Returns

Compound returns are generated when investment growth is reinvested.

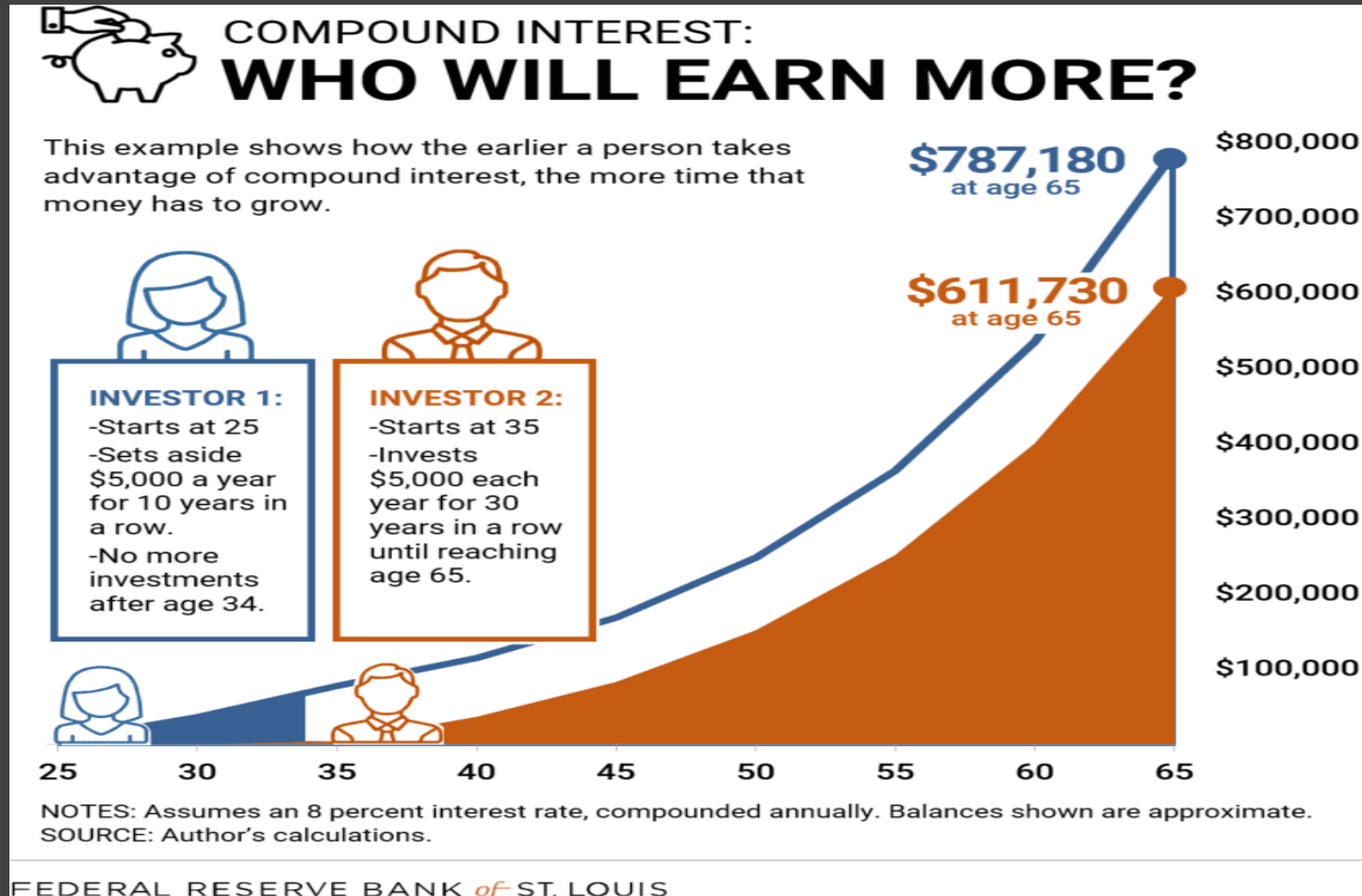
Compound Returns: \$10,000 Invested with 8% Annual Growth			
Year 1	\$10,000	+	\$800
Year 2	\$10,800	+	\$860
Year 3	\$11,664	+	\$933
...Year 20	\$43,157	+	\$3,453
...Year 30	\$93,173	+	\$7,454
...Year 40	\$201,153	+	\$16,092

Compound Interest

Pop quiz: Which investor would have more wealth at age 65, assuming an average annual return of 8%?

- Investor 1: A 25-year-old who saves \$5,000 a year for 10 years and stops at age 34? (*\$50,000 total savings*)
- Investor 2: A 35-year-old who saves \$5,000 a year for 30 years? (*\$150,000 total savings*)

Compound Returns



The first investor wins!

Compound Returns

The Rule of 72

- Approximate years for an investment to double
$$= 72/\text{annual return \%}$$
- Examples
 - A 9% annual return doubles in about 8 years
 - A 6% annual return doubles in about 12 years

Stocks & Bonds

Stocks & Bonds



Stocks & Bonds

Two Basic Types of Investments:

1. Stocks

Buying part (stock) of a company.

Owner receives value from:

- Potential growth in value of the company.
- Some companies distribute cash to stock owners called dividends.



Stocks & Bonds

2. Bonds

You lend money to a company or the government.

- You lend it for a defined time period. During that time, they pay you a certain amount (“yield” or “coupon”).
- At the end of the time period, you receive back the original amount you lent.



Stocks & Bonds

Imagine you buy a 3-year bond with 3% yield for \$1,000

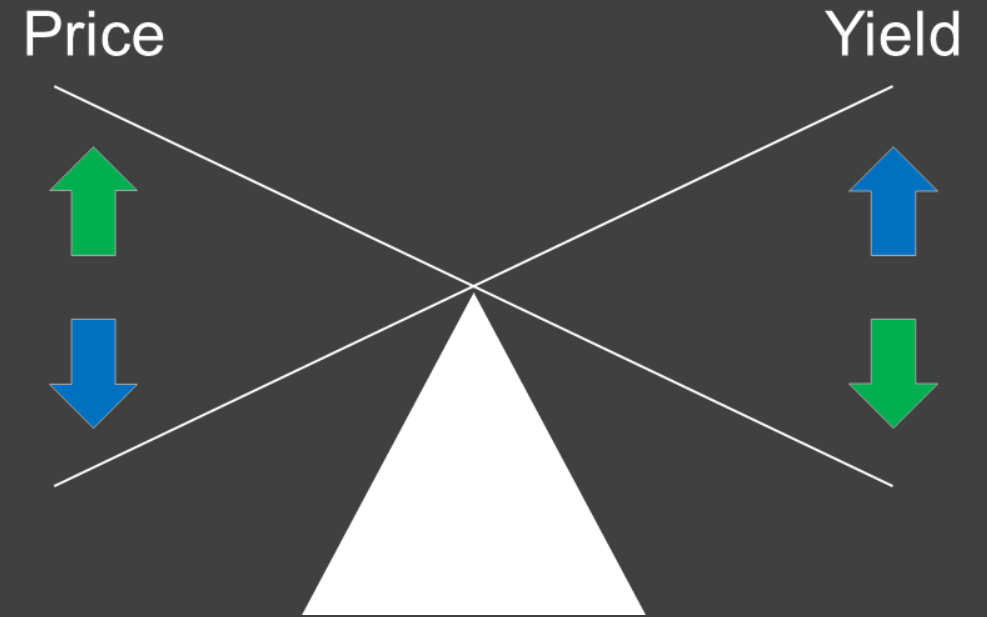
- You buy the bond for \$1,000.
- Year 1, you receive \$30.
- Year 2, you receive \$30.
- Year 3, you receive \$30 & the original \$1,000.



Stocks & Bonds

Inverse relationship between bond values & interest rates

- Imagine you bought the 3% \$1,000 bond returning \$30/year.
- Interest Rates go DOWN and new \$1,000 bonds are at 1%, or \$10/year.
 - Your 3% bond is now more desirable, and the value goes UP.

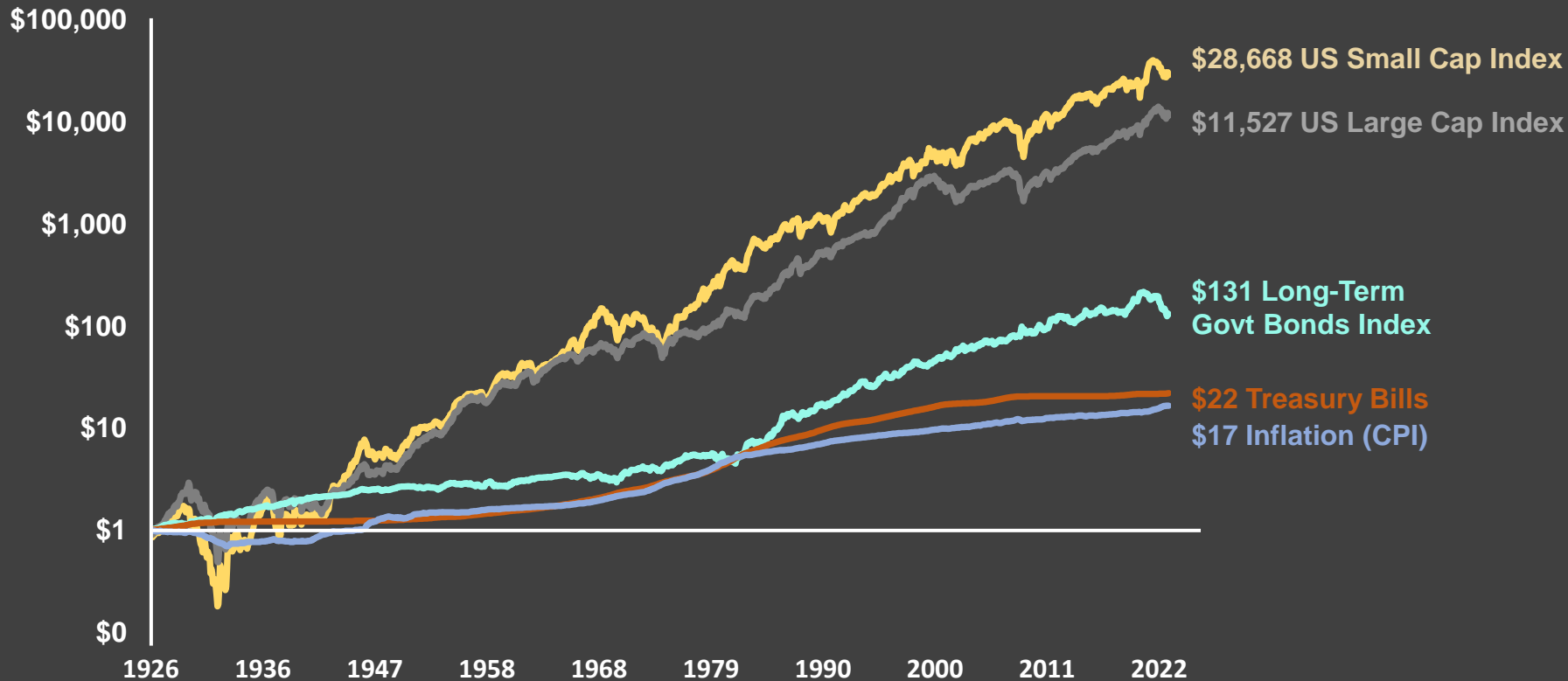


Risk vs. Reward & Volatility

Risk vs. Reward & Volatility

The Capital Markets Have Rewarded Long-Term Investors

Monthly growth of wealth (\$1), 1926–2022

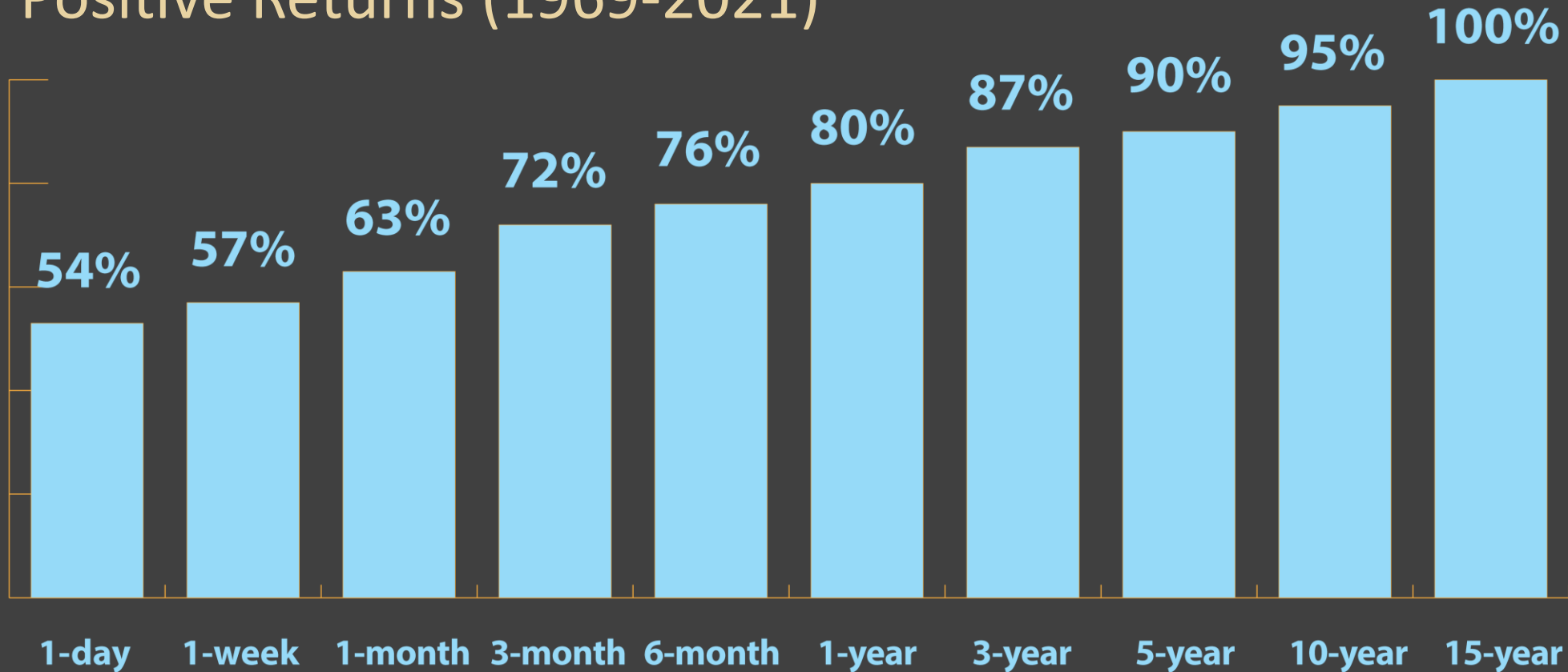


In US dollars.

US Small Cap is the CRSP 6–10 Index. US Large Cap is the S&P 500 Index. US Long-Term Government Bonds is the IA SBBI US LT Gov't TR USD. US Treasury Bills is the IA SBBI US 30 Day TBill TR USD. US Inflation is measured as changes in the US Consumer Price Index. CRSP data is provided by the Center for Research in Security Prices, University of Chicago. S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. US Long-term government bonds and Treasury bills data provided by Ibbotson Associates via Morningstar Direct. US Consumer Price Index data is provided by the US Department of Labor Bureau of Labor Statistics. Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Risk vs. Reward & Volatility

Frequency of S&P 500 Rolling Periods with Positive Returns (1969-2021)



Source: Goldman Sachs Asset Management. As of April 21. 1-day and 1-week periods are rolling periods over daily returns. 1-month through 15-year periods are rolling periods over monthly returns. Past performance does not guarantee future results which may vary.

Diversification

Diversification

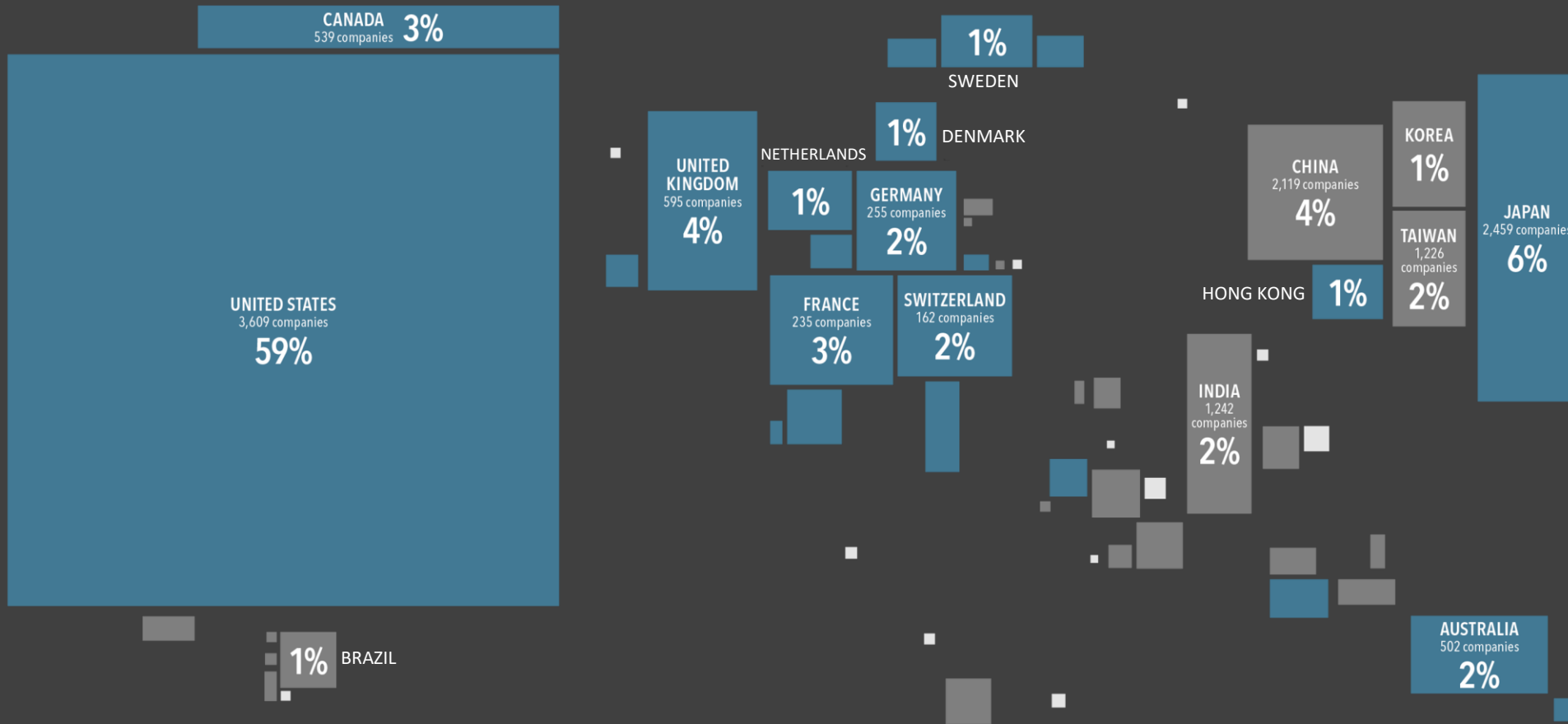
- Diversification helps you capture what the global markets offer.
- Diversification may prevent you from missing opportunities.
- Diversification avoids striking out in a single stock.



Diversification

Percent of world market capitalization as of December 31, 2022

■ DEVELOPED MARKETS ■ EMERGING MARKETS ■ OTHER



Information provided by Dimensional Fund Advisors LP.

Market cap data is free-float adjusted and meets minimum liquidity and listing requirements. Dimensional makes case-by-case determinations about the suitability of investing in each emerging market, making considerations that include local market accessibility, government stability, and property rights before making investments. China A-shares that are available for foreign investors through the Hong Kong Stock Connect program are included in China. 30% foreign ownership limit and 25% inclusion factor are applied to China A-shares. Many nations not displayed. Totals may not equal 100% due to rounding. For educational purposes; should not be used as investment advice. Data provided by Bloomberg. Diversification neither assures a profit nor guarantees against loss in a declining market.

Diversification

Equity Returns of Developed Markets Annual Return (%)

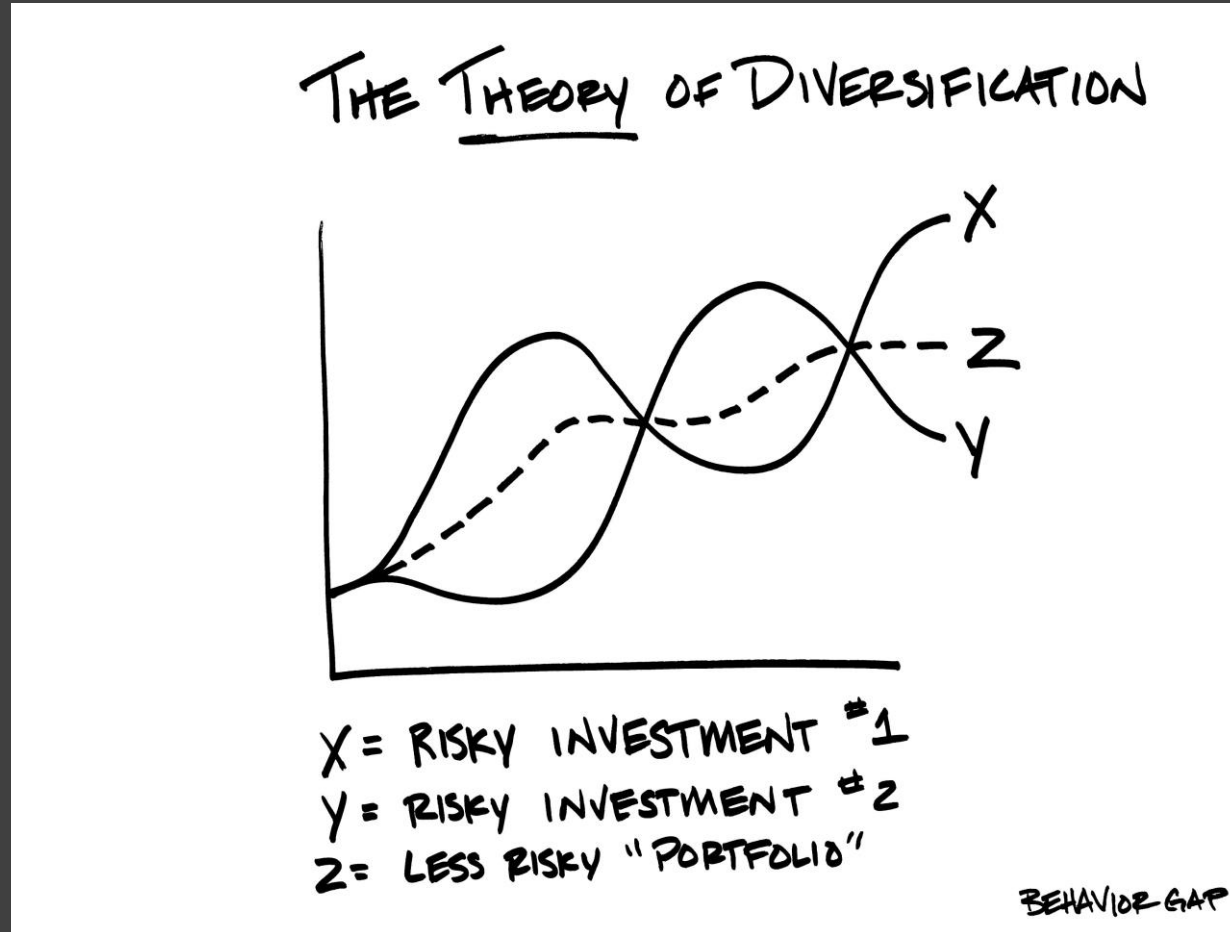
Highest Return

Lowest Return

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sweden	64.5	Austria	Canada	Spain	Finland	Japan	Norway	Sweden	Ireland	Belgium	Finland	US	Denmark	Canada	Austria	Finland	NZ	Denmark	Austria	Portugal
Germany	63.8	Norway	Japan	Portugal	HK	Switz.	Australia	Denmark	NZ	Denmark	Ireland	NZ	Ireland	NZ	HK	NZ	Ireland	Nether.	Nether.	HK
Spain	58.5	Belgium	Austria	Ireland	Germany	US	Singapore	HK	US	Singapore	US	Denmark	Belgium	Norway	Singapore	US	Switz.	Sweden	US	Denmark
Austria	57.0	Ireland	Denmark	Singapore	Norway	Spain	Sweden	Singapore	UK	Germany	Germany	HK	Japan	Australia	Denmark	HK	Nether.	US	Canada	UK
NZ	55.4	Sweden	Norway	Norway	Canada	France	HK	Canada	Switz.	NZ	Spain	Belgium	Austria	Austria	Nether.	Norway	US	Finland	Norway	Australia
Canada	54.6	NZ	Finland	Sweden	Singapore	Canada	Belgium	Japan	Norway	HK	Nether.	Singapore	Italy	US	France	Switz.	Denmark	NZ	Sweden	Norway
Australia	49.5	Italy	Switz.	Denmark	Australia	Germany	Canada	US	Belgium	Austria	Belgium	Ireland	Finland	France	Italy	Singapore	Canada	Ireland	France	Spain
Denmark	49.3	Denmark	Australia	Belgium	Denmark	Singapore	NZ	Australia	Australia	Australia	Japan	Canada	Nether.	Nether.	Norway	Portugal	Italy	Japan	Switz.	Singapore
Norway	48.1	Australia	Singapore	Austria	Portugal	Denmark	Spain	Switz.	Nether.	Sweden	Switz.	Switz.	Portugal	Portugal	Germany	Australia	France	Portugal	Denmark	Belgium
Ireland	43.8	Spain	Nether.	Germany	Spain	Nether.	UK	Norway	Spain	France	France	Finland	US	Germany	Spain	France	Portugal	Switz.	UK	Canada
Portugal	43.0	HK	Sweden	France	Nether.	UK	Austria	Finland	Canada	Nether.	Denmark	Australia	Switz.	Japan	Japan	Japan	Australia	Germany	Italy	France
France	40.2	Portugal	Germany	Italy	France	Sweden	Nether.	Austria	Japan	Switz.	Sweden	Nether.	France	HK	Portugal	Nether.	Sweden	Australia	Australia	NZ
HK	38.1	Singapore	France	Nether.	NZ	Italy	Portugal	UK	Sweden	Norway	UK	Japan	HK	Singapore	Switz.	Sweden	UK	HK	Finland	Italy
Italy	37.8	Canada	Belgium	Australia	UK	Australia	Denmark	Germany	Denmark	US	Italy	Spain	Germany	Sweden	Finland	UK	Germany	Canada	Ireland	Finland
Singapore	37.6	UK	HK	UK	Italy	HK	France	NZ	HK	UK	Austria	UK	Sweden	UK	Denmark	Belgium	France	Singapore	Japan	Switz.
Japan	35.9	France	UK	HK	US	Portugal	Italy	Nether.	France	Finland	NZ	Sweden	NZ	Spain	US	Spain	Japan	Italy	Germany	Switz.
Belgium	35.3	Germany	US	Finland	Switz.	NZ	US	Belgium	Singapore	Italy	HK	Italy	UK	Finland	Sweden	Canada	Singapore	Norway	Belgium	US
Switz.	34.1	Japan	Spain	Switz.	Austria	Finland	Switz.	France	Germany	Canada	Portugal	France	Australia	Switz.	Australia	Italy	Australia	Australia	Japan	Germany
UK	32.1	Switz.	Italy	Canada	Sweden	Norway	Germany	Portugal	Portugal	Japan	Norway	Germany	Norway	Ireland	Belgium	Germany	Spain	Spain	Spain	Ireland
US	28.4	Nether.	NZ	NZ	Belgium	Belgium	Ireland	Italy	Italy	Ireland	Canada	Norway	Spain	Belgium	Ireland	Ireland	Norway	Singapore	Portugal	Austria
Nether.	28.1	US	Portugal	US	Japan	Austria	Finland	Ireland	Finland	Portugal	Australia	Austria	Singapore	Italy	Canada	Belgium	HK	Belgium	HK	Nether.
Finland	19.4	Finland	Ireland	Japan	Ireland	Ireland	Japan	Spain	Austria	Spain	Singapore	Portugal	Canada	Denmark	NZ	Austria	Finland	UK	NZ	Sweden

Past performance is no guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

Diversification



How to Invest?

Investing – Mutual Funds & ETFs

- Individual Stocks and Bonds
 - Potentially higher risk, higher reward.
- Diversified funds
 - Mutual Funds
 - Are purchased and sold once a day once the daily price has been established.
 - ETFs (Exchange Traded Funds)
 - Can be purchased and sold throughout the day like a stock.
 - Often more tax efficient than mutual fund.

Investing – Active vs. Passive

Passive Investing	Active Investing
<p data-bbox="300 411 639 496">Index Investment Management</p> <ul data-bbox="191 514 777 821" style="list-style-type: none"> • Strategy based on a commercially developed index. • Attempts to match the performance of the index. • Prioritizes matching the index performance over higher expected returns. 	<p data-bbox="896 411 1373 496">Conventional Investment Management</p> <ul data-bbox="848 514 1363 778" style="list-style-type: none"> • Relies on forecasting to time the market. • Attempts to select “undervalued” securities. • Generates higher expenses, trading costs and risk.
<p data-bbox="326 878 573 913">INDEXING</p> <p data-bbox="326 935 573 963">Passive Return</p> <p data-bbox="242 978 662 1006"><i>Managing to a benchmark</i></p>	<p data-bbox="947 878 1312 913">FUNDAMENTAL</p> <p data-bbox="1014 935 1245 963">Active Return</p> <p data-bbox="879 978 1388 1006"><i>Managing against a benchmark</i></p>
<p data-bbox="198 1078 726 1206">“The market is efficient, so just own the market with the lowest cost portfolio you can find.”</p>	<p data-bbox="879 1078 1388 1206">“Outguess the market by buying and selling stocks at the right time.”</p>

Passive Investing is an investment strategy that aims to maximize returns over the long run by keeping the amount of buying and selling to a minimum. The idea is to avoid the fees and the drag on performance that potentially occur from frequent trading.

Active investing refers to an investment strategy that involves ongoing buying and selling actions by the investor. Active investors purchase investments and continuously monitor their activity to exploit profitable conditions.

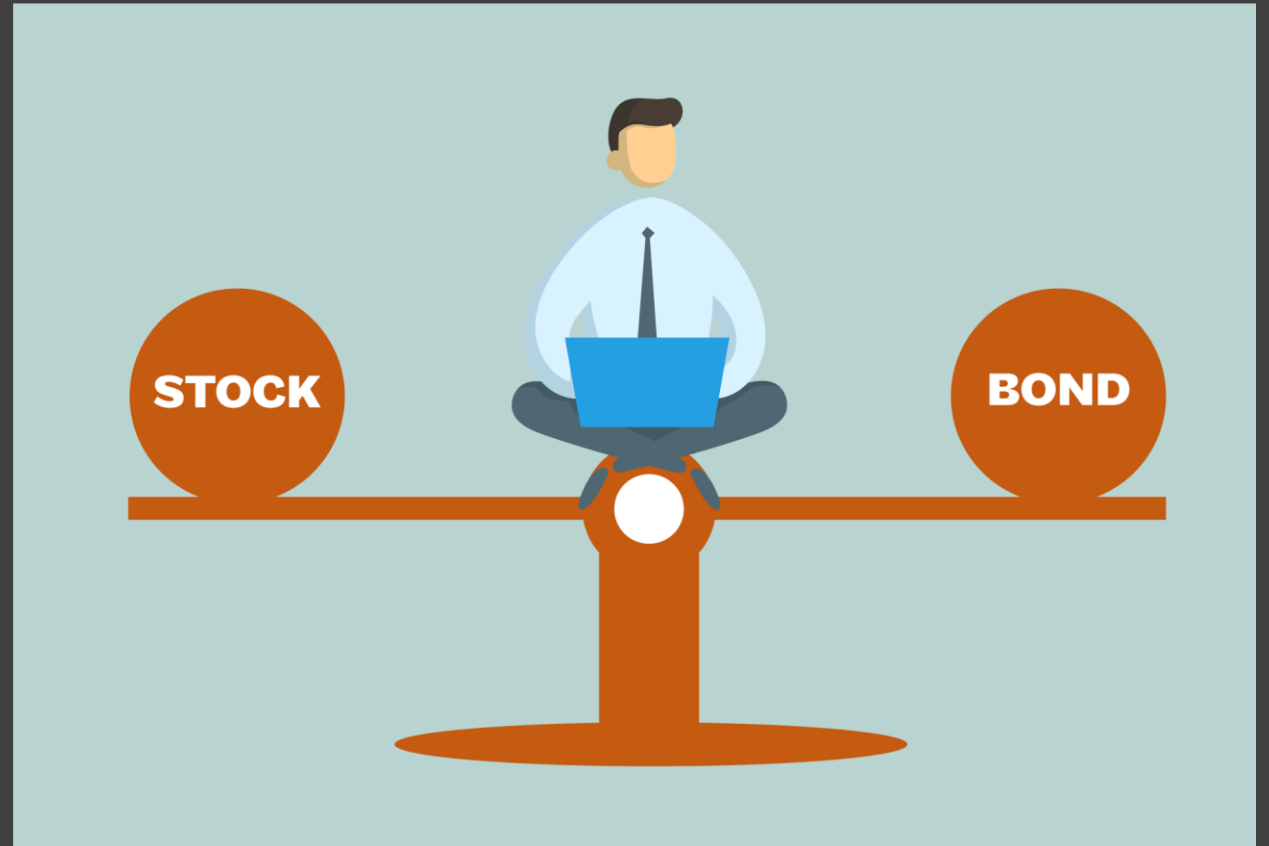
Investing – Types of Accounts

- Tax Deferred
 - Retirement plans like 401(k)s
 - Traditional IRAs
- Tax Free
 - Roth IRAs
- Taxable
 - Individual or joint brokerage accounts



Investing – Rebalancing

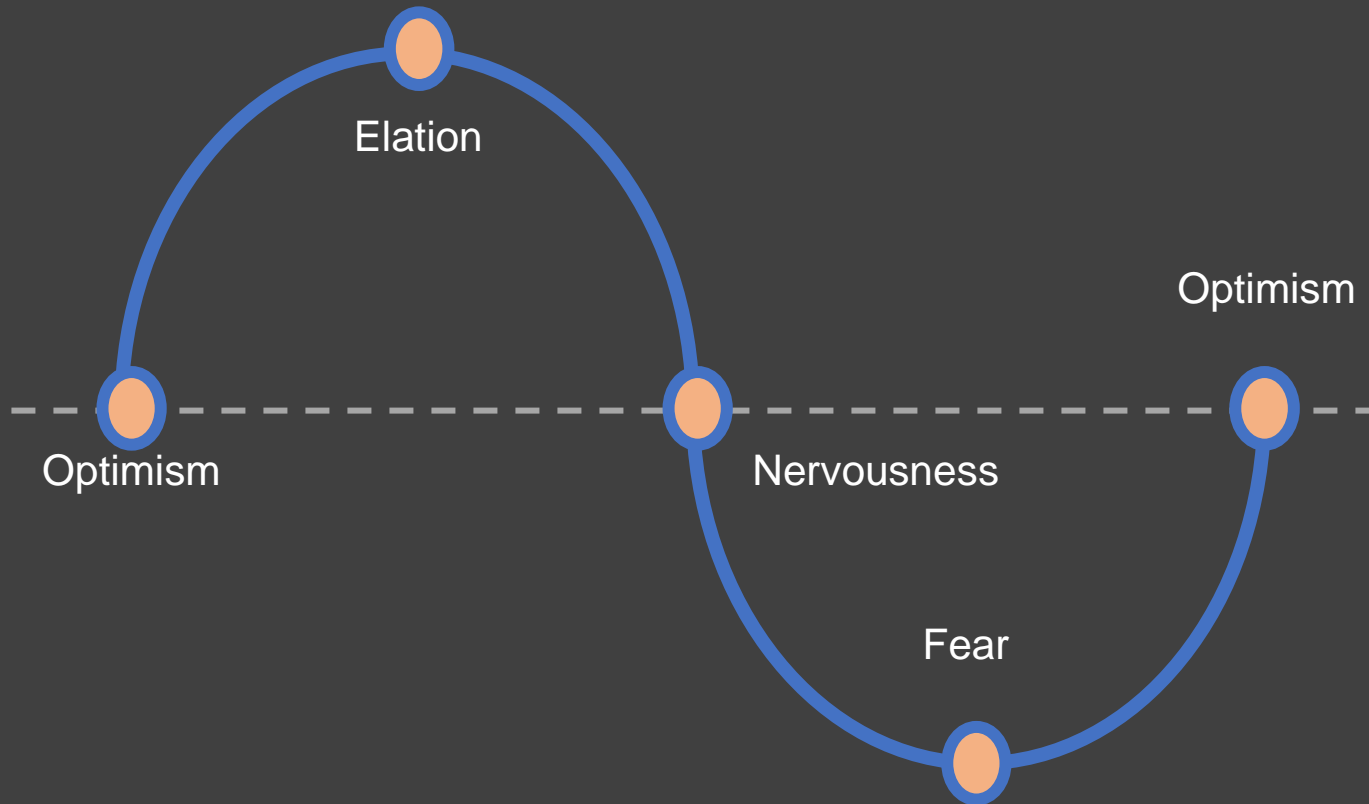
- Rebalancing is the easiest way to “Buy Low and Sell High” in investing.
- Benefits of rebalancing:
 - Rebalancing may bring peace of mind.
 - Rebalancing can enhance returns.
 - Rebalancing creates discipline.



Mistakes to Avoid

Mistakes to Avoid

Many Investors Follow Their Emotions



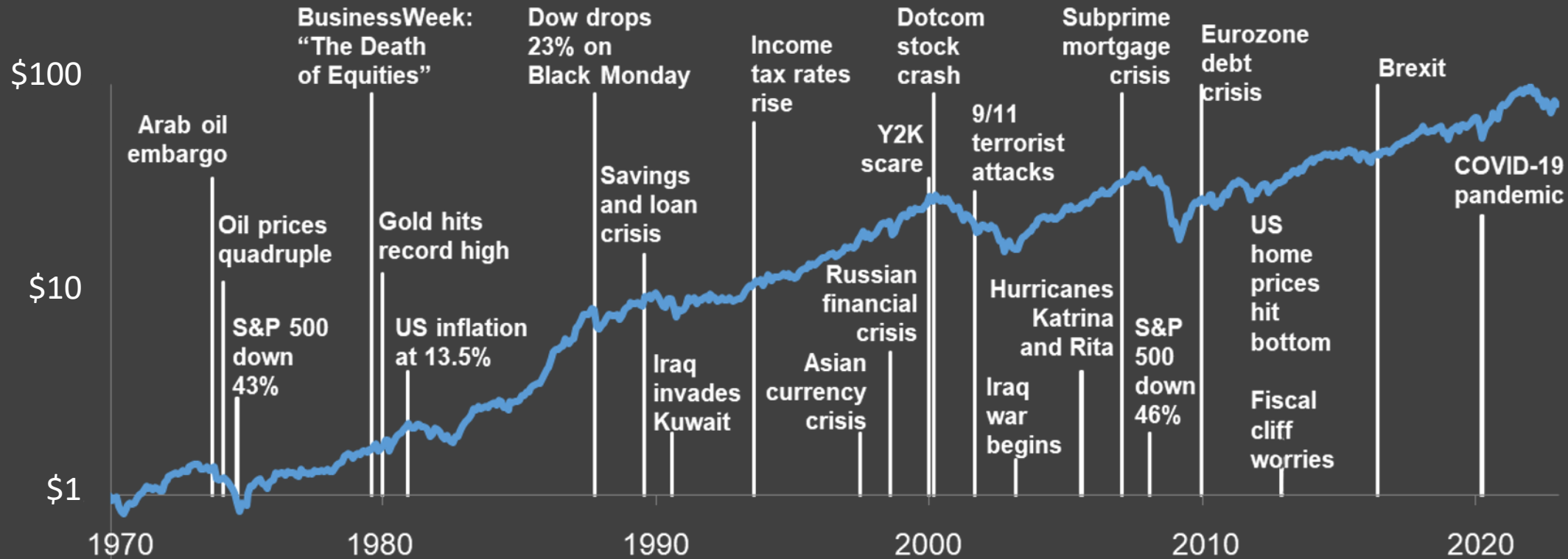
“Be fearful when others are greedy, be greedy when others are fearful.”

– Warren Buffett

Mistakes to Avoid

Trying to predict or time the market

Growth of a dollar—MSCI World Index (net dividends), 1970–2022



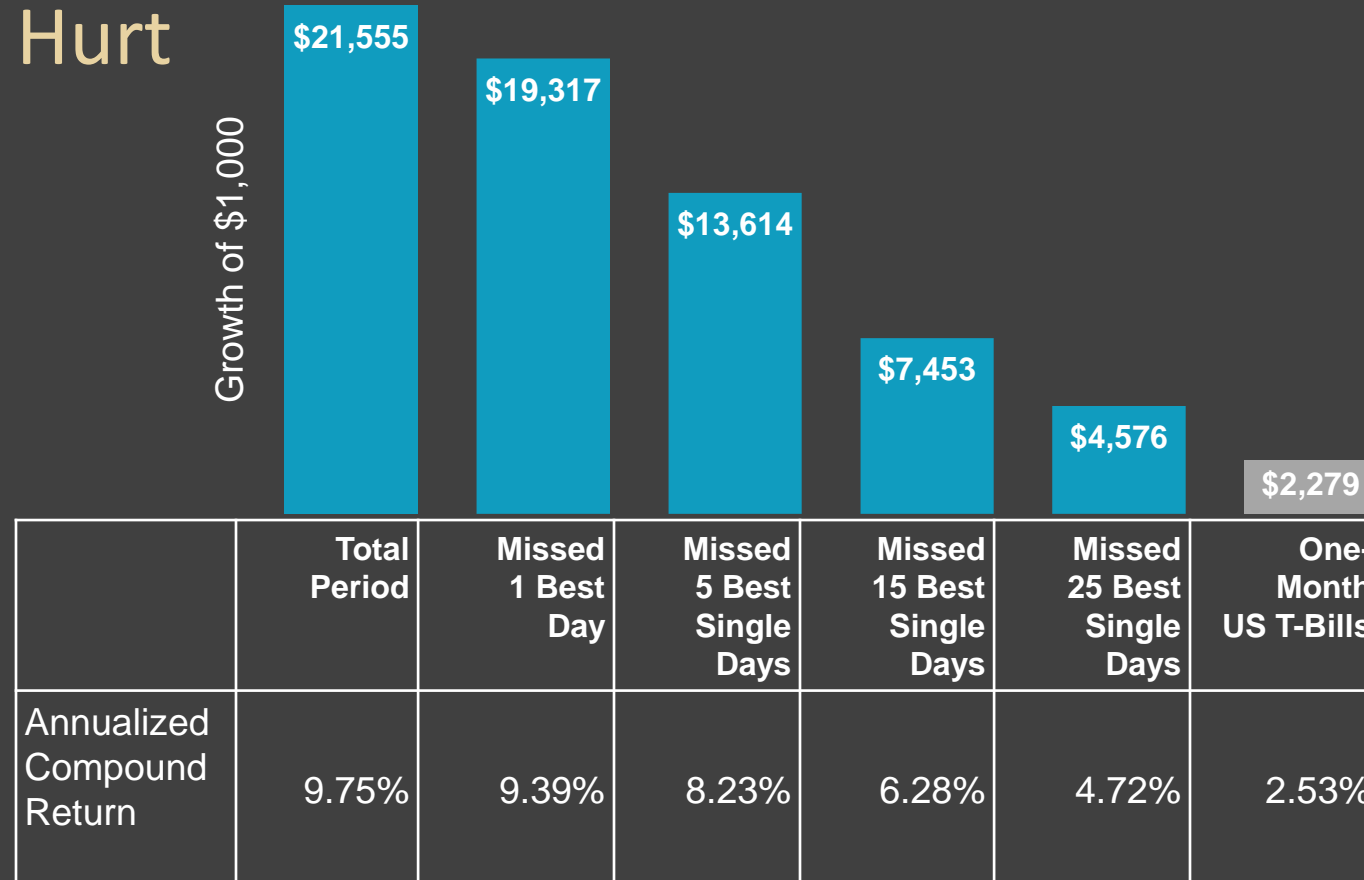
Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results. In US dollars. MSCI data © MSCI 2023, all rights reserved.

Mistakes to Avoid

Reacting Can Hurt Performance

Performance of the S&P 500 Index, 1990–2022

Missing only a few days of strong returns can drastically impact overall performance.



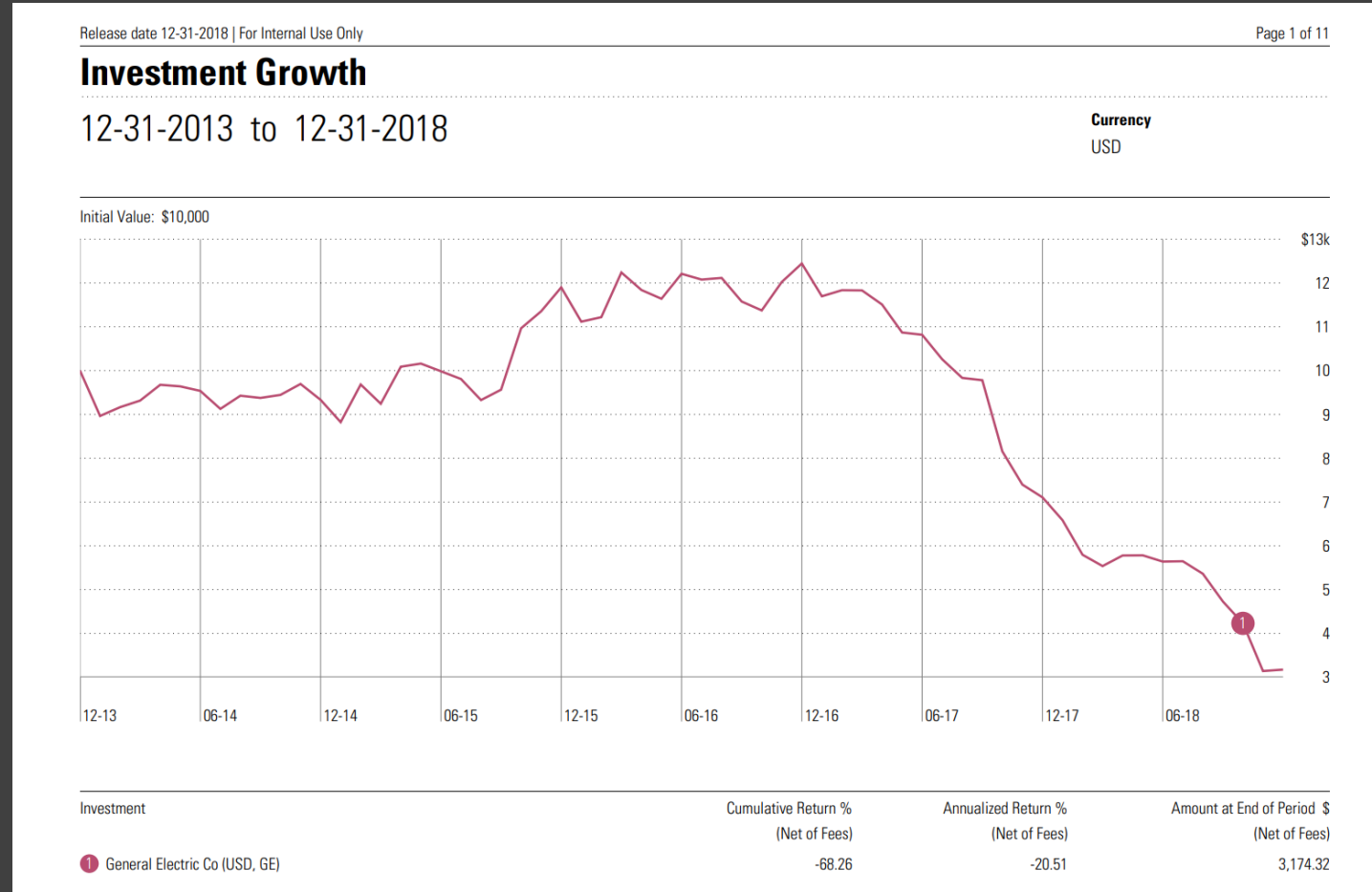
Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

In US dollars. For illustrative purposes. The missed best day(s) examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best day(s), held cash for the missed best day(s), and reinvested the entire portfolio in the S&P 500 at the end of the missed best day(s). Annualized returns for the missed best day(s) were calculated by substituting actual returns for the missed best day(s) with zero.

S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. "One-Month US T- Bills" is the IA SBBI US 30 Day TBill TR USD, provided by Ibbotson Associates via Morningstar Direct. Data is calculated off rounded daily index values.

Mistakes to Avoid

Over Concentration of One Stock or Type of Investment

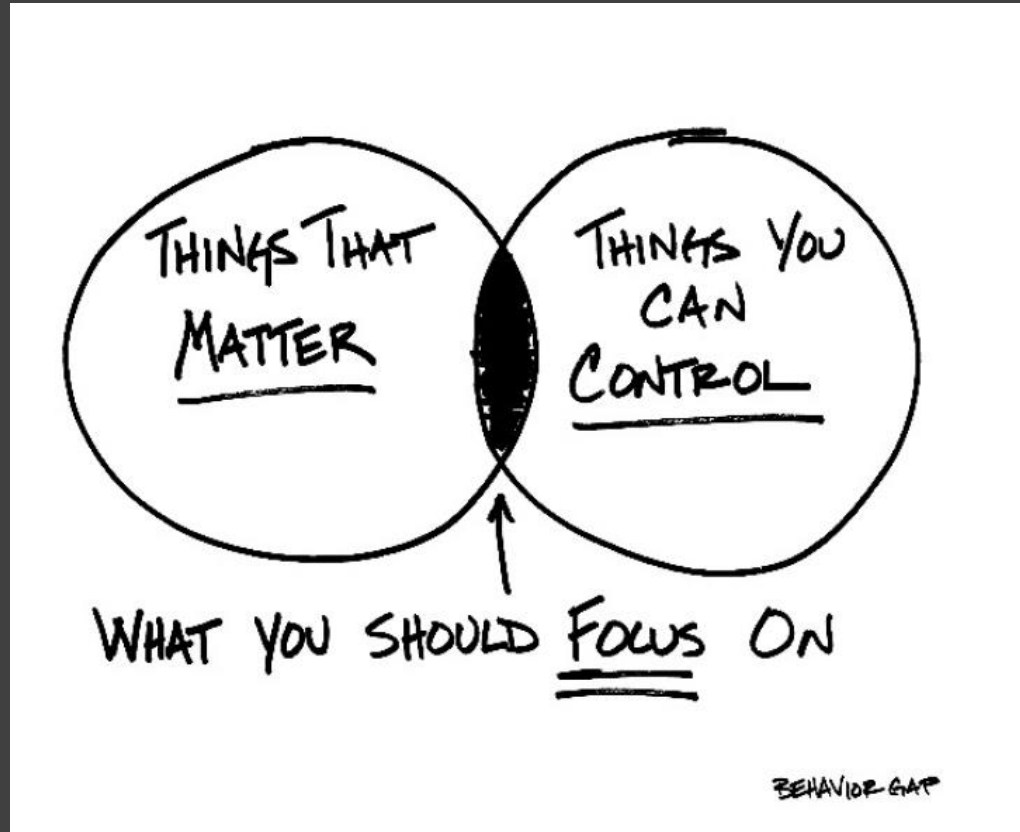


Source: Morningstar

Things to Focus On

Things to not focus on:

- Hot stock tips
- Other people's investments
- Financial media
- Interest rates and the economy
- Politics
- Stock market



Things to focus on:

- Your own financial goals
- Your personal investment decisions
- Your personal savings rate

Take aways

- Avoid emotional decision making and do not worry about things that don't matter and are outside of your control.
- Create an investment plan to fit your goals and risk tolerance.
- Diversify your investments with assets that move in different directions to reduce risk.
- Stay disciplined and take advantage of market dips and swings by rebalancing.



“Investing is simple, but it’s not easy.”

– Warren Buffett

Summary

- Basic concepts of investing.
- Tools of investing and types of investment accounts.
- Investment principles.
- Pitfalls to avoid.



Q & A



**Stay Tuned
for Q & A**

Q & A



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Thank You



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