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A Well-Managed Future

By Gene Dongieux, Chief Investment Officer

In our last *Quarterly Performance Report* we announced Momentum Investing, one of our most exciting opportunities for your portfolios in years. In the *Momentum Investing Research Report* we demonstrated how Momentum adds a fourth dimension to our three-factor investing model with improved expected returns and reduced expected risk, and we briefly discussed Momentum Investing in futures markets, which is commonly referred to as a “Managed Futures” strategy.

After introducing Momentum and its powerful risk/return capacity in our research report, it is time to examine how a Managed Futures strategy, as part of Momentum Investing, can add yet another way to diversify your portfolio.

First of all, you may be asking yourself what “futures” are. The concept behind a futures contract is simple: two parties agree to make a trade of some item at an agreed upon price in the future (hence the name “futures”). Agreements like this have been in place for thousands of years and date back to the time of Aristotle. In the United States, organized and heavily regulated exchanges to trade futures contracts have been around since the mid-1800s when the Chicago Board of Trade (CBOT) and the Chicago Mercantile Exchange (CME or “The Merc”) were established. The futures contracts that investors use commonly span dozens or hundreds of securities in broad asset classes that include global equity markets, commodities, currencies, and fixed income (bond) markets. Market participants may include large multinational companies like airlines who may want to hedge their exposure to changes in fuel

prices, companies who wish to hedge or exchange currencies as part of their normal trade, or even farmers who simply want to lock in a price today for their wheat crop that will be harvested in several months.

The approach Mercer Advisors uses follows the same Momentum Investing approach in these futures markets. If the momentum (or trend) of a security is positive, the strategy purchases the security (goes long) with the expectation that momentum will continue and gains will be realized. If the momentum is negative, the strategy sells (or shorts) the security with the expectation that prices will continue to fall¹. This means the strategy is consistently buying the strongest recent performers and selling the weakest recent performers across hundreds of securities in global equity markets, commodities, currencies, and fixed income securities. The ability to go long (buy) or short (sell) means the strategy has the ability to generate positive returns even if prices are falling².

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SAVING FOR TOMORROW, WHILE ENJOYING

In 1992, David Trylovich, DDS, MS, and a partner started Periodontics, Ltd. in Las Vegas, Nevada. They started cold with no patients or referral base, but over the last 18 years, have grown enough to add a second location in Henderson, Nevada.

Dr. Trylovich is also a long time Mercer Advisors Economic Freedom Planning client and now a 360° Planning client. We recently spoke to Dr. Trylovich to learn more about how his years with Economic Freedom Planning have helped him live his ideal life.

How were things different before Economic Freedom Planning?

Before we came onboard with Mercer Advisors about seven years ago, we were putting away \$25–30 thousand a year in a profit sharing plan. After we met with our Strategic Advisor, he told us he could get our contribution up to \$100 thousand a year by adding cash balance plan, 401(k), safe harbor, and the profit sharing plan. When we talked to our accountant he was unsure if it was possible. Then he met with our Advisor he opened our accountant's eyes to something he didn't know about. Then we called the actuary we had and they were hesitant too. But again, after they met with our Advisor, our actuary came on board too. This is what got us behind Mercer Advisors in that they knew things no one else knew at the time, and I think they still do today.



Are there any specific goals you have been able to reach that you may not have been able to without Economic Freedom Planning?

My personal goal has always been to save as much as I can while at the same time enjoying my lifestyle. Economic Freedom Planning has allowed me to still have the luxuries of nice cars and a vacation home, but at the same time significantly invest and put money away.

I talk to my friends who have their profit-sharing plans and I ask them how much they are putting away, and when they tell me I say, "Wow, you should talk to Mercer Advisors because you could be putting away a lot more than that."

LIFE TODAY



Dr. Trylovich (center) and the staff of Periodontics, Ltd.

You still have to control your spending habits. You can make a million dollars a year and spend a million dollars a year. But my goal is to always have balance—to be able save for tomorrow while still enjoying today. With the guidance I've received from Mercer Advisors over the years, I've been able to do this.

My next goal is to have the practice sold in about another three years and then go into the grandfather phase through a Mercer Advisors' Transition, and then hopefully out of dentistry by fifty-nine-and-a-half. I believe this is possible, in fact, I think if I would have been with Mercer Advisors from day one, I probably would have been long retired by now. ❖

YOU NEVER KNOW WHAT YOU MAY NEED TOMORROW

As your life changes, so do your needs. To ensure you have all the services and tools you need for success, we're excited to introduce three new individual services:

- Estate Planning¹
- Tax Preparation Service
- Retirement Plan Administration

And a new service package:

- Investment Management Service Package

For small business owners interested in investing in Mercer Advisors' investment portfolios, our Investment Management service package includes Economic Freedom Planning for you, and our retirement plan administration service that extends the benefit of Mercer Advisors' investment portfolios to your business.

If you are interested in any of the new services or know someone else who may be interested, call your Strategic Advisor today to learn more.

Since you never know what you may need tomorrow, we have it ready for you today. ❖

¹Estate planning service provided by the Law Offices of Gamble Parks.

Although a Managed Futures strategy is an attractive investment vehicle on its own, it is even more attractive when added to a Mercer Advisors' portfolio. The reason for this is Managed Futures as an asset class tends to be uncorrelated to both stocks and bonds that are already in your portfolio. This makes it an incredible diversifier. By adding Managed Futures to your portfolio, you can further reduce the overall portfolio risk through broader diversification.

We are excited about the addition of Managed Futures as yet another powerful option for your investment portfolios. As with Momentum Investing, Mercer Advisors has selected Applied Quantitative Research (AQR) mutual funds. AQR is a pioneer in the field of Momentum research and investing and provides industry-leading exposure to this strategy³.

With the combined diversification power of Momentum and Managed Futures helping to minimize risk and maximize performance, everyone should add these options to their portfolios. And this process is easy. Simply contact your Strategic Advisor and they can help you take care of your implementation steps so you can start putting the combined power of Momentum and Managed Futures to work for you now.

Mercer Advisors strives to deliver the best-in-class academic and institutional investing for your portfolios, and with the introduction of Momentum and Managed Futures to your investments, your potential for success only continues to grow now, and into your own well-managed future. ❖

Interested in learning more about
Momentum investing? Visit our website at:
www.merceradvisors.com/momentum

¹ A short sale is selling a borrowed security. If the price of the security rises the investor will suffer a (potentially unlimited) loss when it has to replace the borrowed security. In certain cases, purchasing a security to cover a short position can itself cause the price of the security to rise further, thereby exacerbating the loss.

² Data from Bloomberg. As always, past performance is not indicative of future returns. As with any investing, there is the possibility for loss as well as gain. This portfolio may not be appropriate for all investors.

³ AQR's investment strategies are provided for institutional investors only and are not directly available to the public. This is only true as of 10/31 for managed futures.