

Presentation Outline

Approved for One Continuing Education Credit

Presentation time: 50 Minutes

Presenter: David A. Wilhite, CFP®

Title:

Sailing Through Bull and Bear Markets *Using Absolute Return Strategies in a Relative Return World*

Teaching Objective:

Achieve an Introduction to the concept of managing portfolio risk in a Variable Annuity or Variable Universal Life contract and/or Mutual Fund Portfolio Utilizing Absolute Return strategies.

I. *“Sailing”* (Short video and Power Point slides about Sailing concepts 5 to 10 minutes)

A. Background historical information and physics of sailing to create a word picture of an analogy of Sailing to Portfolio Management.

Sailboat	= Portfolio
Sailing	= Managing
Skipper	= Financial Advisor
Crew	= Support staff, Wholesalers, etc.
Wind	= Velocity of the Market
Direction of the Wind	= Market's direction; Up, Down or Sideways.
Sails	= The type of Investments we place In the Portfolio based on the Market Climate and Direction.
Sailing with the Wind	= Long the Bull Market
Sailing against the Wind	= Short the Bear Market.

II. *“Through Bull and Bear Markets”* (10 – 15 Minutes)

A. Definition and History of Secular Bull and Secular Bear Markets.

B. A closer look at the last seven years. Question: Continuation of a Secular Bull Market, or beginning of Secular Bear Market?

C. How about Sideways Markets? How long has it been and how often does the market move in as narrow of a channel as it did in 2004 and 2005?

III. Using Absolute Return Strategies in a Relative Return World (15 to 25 minutes)

- A. Definition and examples of Absolute Return vs. Relative Return.
- B. Definition and examples of Long/Short Equity Strategies.
- C. Definition and examples of an appropriate Core Portfolio to work in conjunction with the Long/Short Equity strategies.
- D. Definitions and examples of the following Risk Measurements: Standard Deviation, Maximum Drawdown and Ulcer Index.
- E. Putting it All Together: Illustrating various combinations of differing degrees of Core Portfolio mixed with various degrees of Long/Short Market Equity exposure and comparing the results and risk measurements noted above to the S&P 500 and the NASDAQ composite returns and risk measurements.

IV. Conclusions and Summary (5-10 minutes)

- A. Absolute Return Strategies can often be superior to Relative Return strategies, in that they seek to provide stable, positive growth rather than being passively resigned to the exposure of the Ups and Downs of the markets.
- B. Relative Return strategies can lead to significant investment losses that can be devastating to your client's Portfolio's and prevent them from reaching their investment goals.
- C. Active Management involving Long/Short equity strategies can be a key component to obtaining Absolute Returns.