

SHILLER BARCLAYS CAPE® US SECTOR VALUE STRATEGY DRAWDOWNS & RECOVERY TIME



SHILLER BARCLAYS CAPE® US SECTOR VALUE INDEX (BXICUSU INDEX)

METHODOLOGY

Investment Universe

Determine index prices and earnings for the 9 S&P 500 sectors

Value Selection Sector

Select the 5 most undervalued sectors based on lowest Relative CAPE® (Cyclically Adjusted Price-Earnings) indicator

Value Trap Filter

Remove 1 sector with the lowest 12-month momentum from selected sectors

Final Allocation

Identify 4 undervalued sectors with most positive momentum which are equally weighted

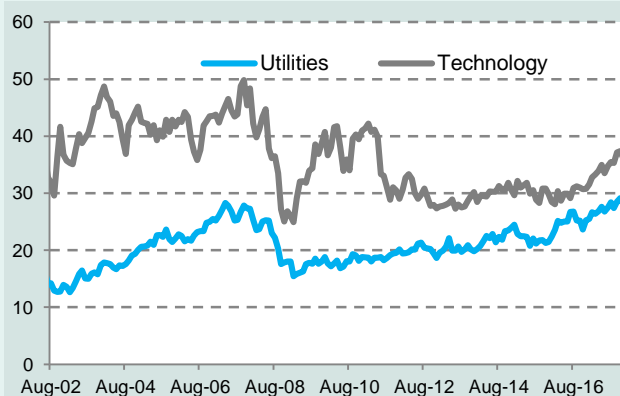
Rebalancing

Monthly

FROM
CAPE® RATIO
Cyclically Adjusted Price-Earnings

$$\text{CAPE}^{\circledR} = \frac{\text{Index price}}{10 \text{ year average of inflation adjusted index earnings}}$$

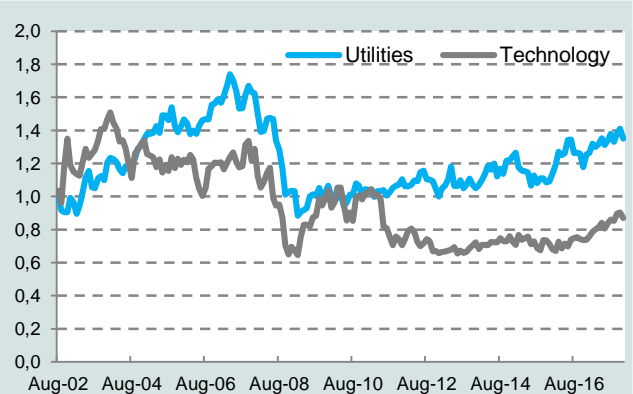
To help identify long term under/ over valuations of equity markets.



TO
RELATIVE CAPE® RATIO

$$\text{Relative CAPE}^{\circledR} = \frac{\text{Current sector CAPE}^{\circledR} \text{ Ratio}}{20 \text{ year rolling average of sector CAPE}^{\circledR} \text{ Ratio}}$$

To account for differences of valuation between sectors



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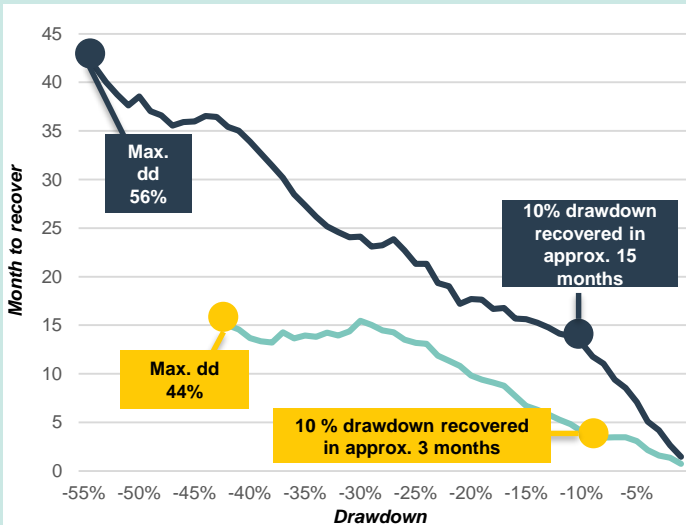


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**WHEN RESEARCH REVEALS
NEW PERSPECTIVES**

DRAWDOWN PROBABILITY & RECOVERY TIME VS S&P 500® INDEX

COMPARED RECOVERY TIME FROM 03/09/2002 TO 31/01/2018



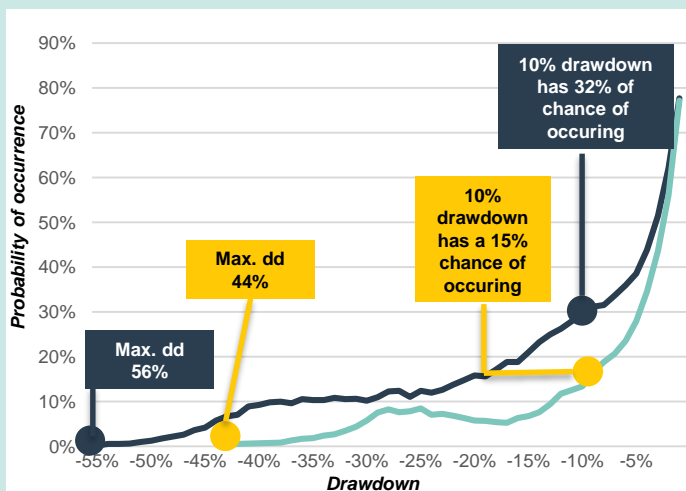
FASTER RECOVERY TIME :

- AFTER HAVING BEEN LOCKED INTO A DRAWDOWN OF THE SAME MAGNITUDE
- EVEN FOR RELATIVELY SMALL AND FREQUENT DRAWDOWNS
- BASED ON ALL POSSIBLE INVESTMENT TIMING IN THE PERIOD

SHILLER BARCLAYS CAPE® US SECTOR VALUE NET TR INDEX

S&P500 INDEX Net TR

COMPARED DRAWDOWN PROBABILITY FROM 03/09/2002 TO 31/01/2018



LOWER PROBABILITY :

- OF EXPERIENCING LARGE DRAWDOWNS
- OF INVESTING AND BEING IMMEDIATELY LOCKED INTO DRAWDOWN

What is a Drawdown ?

A drawdown is the peak-to-trough decline during a specific recorded period of an investment, fund or commodity. A drawdown is usually quoted as the percentage between the peak and the subsequent trough. Those tracking the entity measure from the time a retrenchment begins to when it reaches a new high.

What is Recovery Time ?

The Recovery Time represents the time needed to recover from a drawdown, it depends on the drawdown. For example a Drawdown of 44% for the Shiller Barclays CAPE® US Sector Value Net TR Index needs 15th months to recover.

SHILLER BARCLAYS CAPE® US SECTOR VALUE NET TR INDEX

S&P500 INDEX Net TR

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