



ACKERMAN  
CAPITAL MANAGEMENT

# Quarterly Valuation & Trend Report

*Quarter Ending*

September 30, 2020

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# CHART EXPLANATION GUIDE

*Color indicates overall attractiveness based on our proprietary combination of relative valuations and price trends.*



Ackerman Capital Management uses a combination of proprietary valuation and price metrics to dynamically adjust exposure among and within the two major asset classes. Both valuation and price trends are evaluated on a relative basis versus asset class benchmark and are scaled from 0 to 10, with 10 being the highest score. In our portfolios, we emphasize funds which have attractive relative valuations and the strongest and most consistent relative price strength (top right quadrant) and de-emphasize funds with unattractive relative valuations and weak relative price trends (bottom left quadrant). Because investor sentiment can often drive the valuation of risk assets to extremes, our equity model places greater weight on relative price trends than valuation. As such, we may sometimes overweight equity funds that are relatively expensive, but continue to display relative price strength (bottom right quadrant).

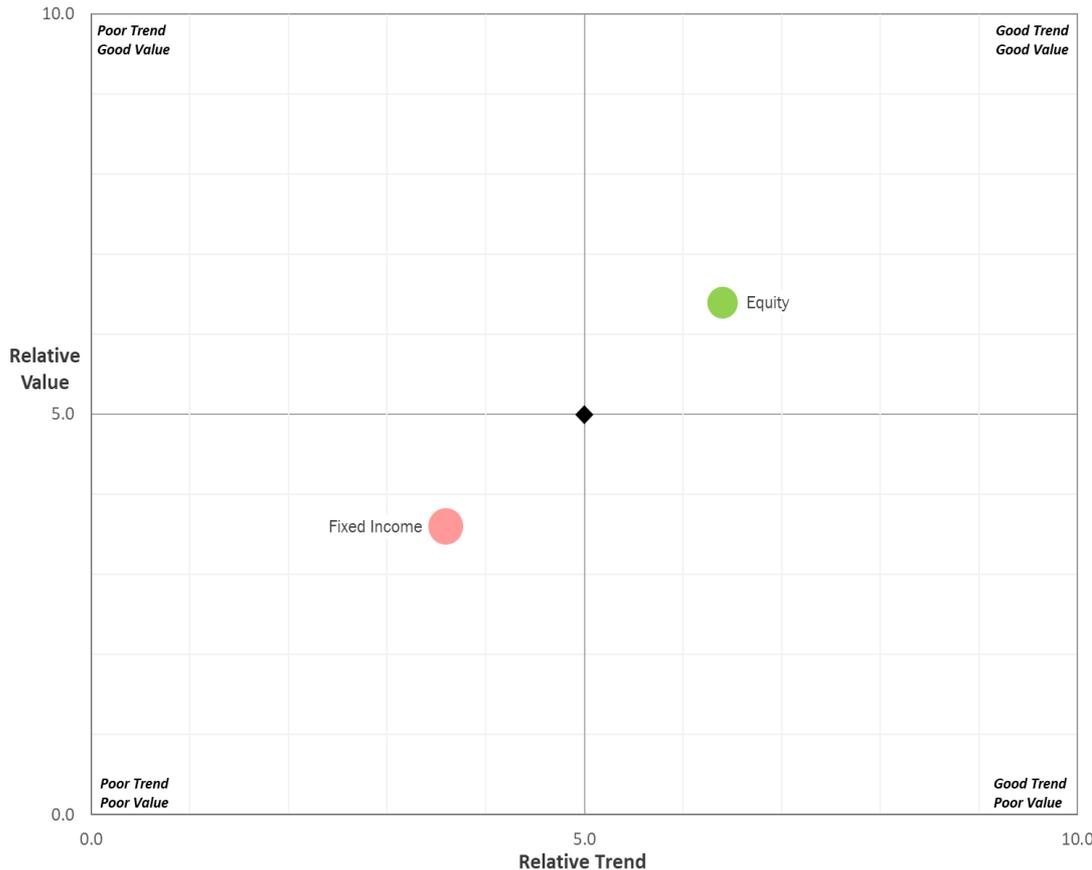


The datapoints in each chart are also coded, as shown below, to highlight their attractiveness based on our combined relative valuation and relative trend analysis.

-  MOST ATTRACTIVE
-  ATTRACTIVE
-  NEUTRAL
-  UNATTRACTIVE
-  LEAST ATTRACTIVE

# EQUITY VS. FIXED INCOME

*Global stocks continued to advance in the third quarter. Stocks are attractive relative to fixed income based on both valuation and price trends.*

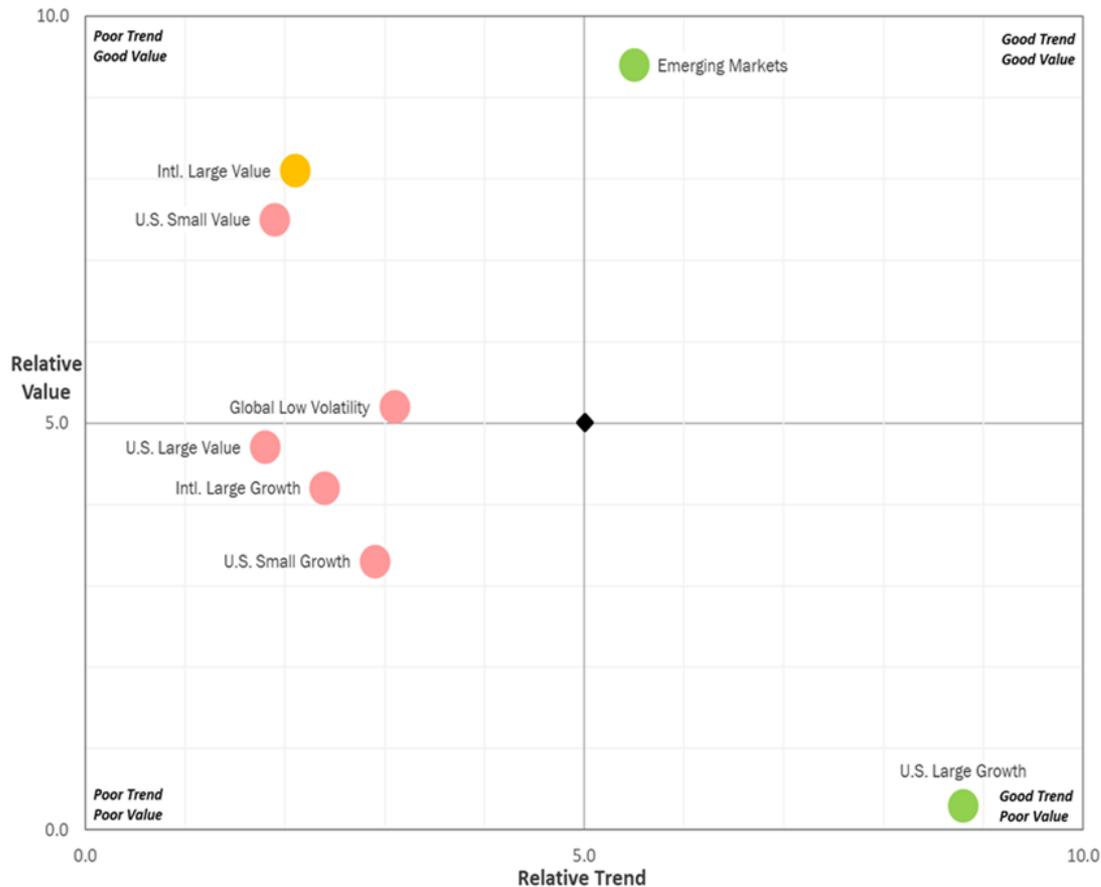


- Global stocks returned 8.4% in the third quarter and are now positive on the year.
- Our long-term expected nominal return for global stocks is 6.9%, which represents an attractive risk premium over U.S. aggregate bonds with a current yield of just 1.1% and municipal bonds with a tax-equivalent yield of 2.1% for the highest income earners.
- With the additional third quarter gains, the relative trend of stocks vs. bonds is decidedly positive and is close to making new highs.
- The combination of good relative value and a positive relative trend bodes well for stocks over the next twelve months.
- We are modestly overweight stock targets across our portfolios and would view any price corrections as an opportunity to add more exposure.

Quarter ending 9/30/2020

# EQUITY

**Global stocks advanced in the quarter to all-time highs. Large U.S. Growth stocks continue to dominate. Emerging Markets offer the best value with improving performance.**

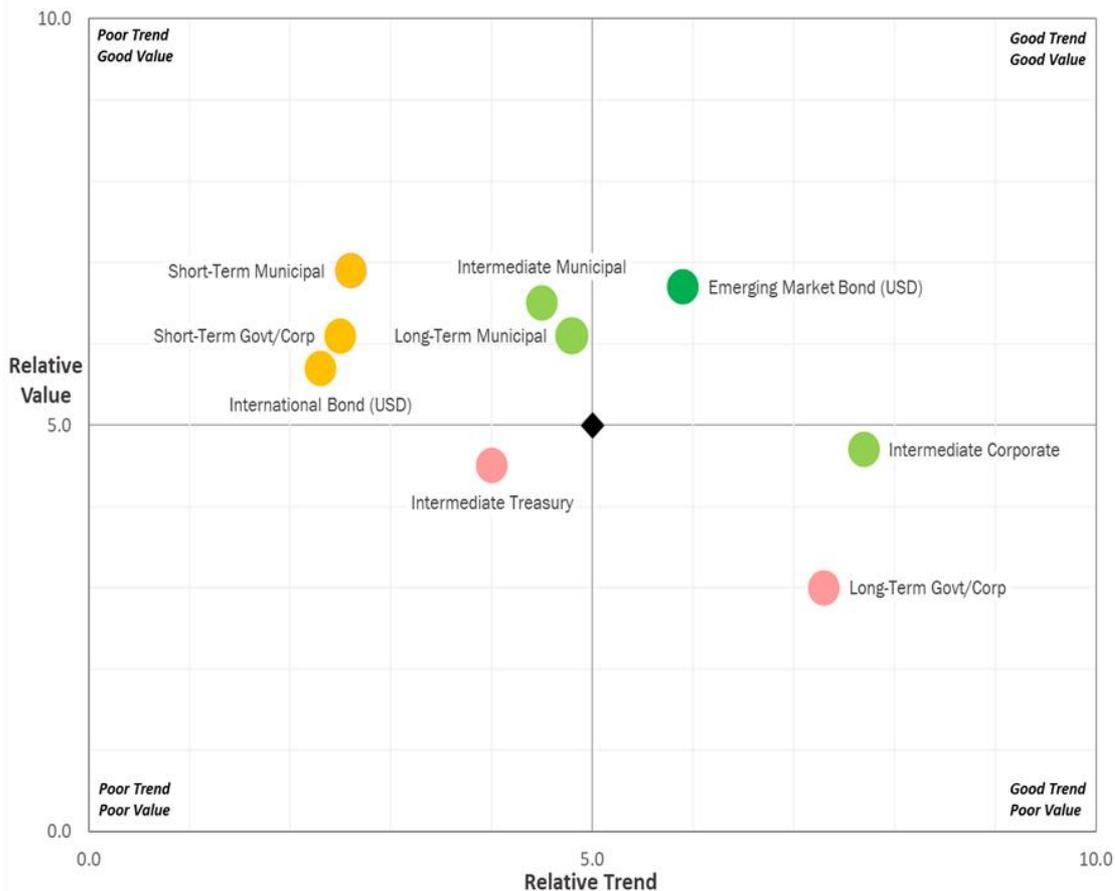


- Global stocks returned 8.4% in the third quarter and are now positive on the year.
- Large U.S. Growth stocks continued to outpace other segments of the equity market in the third quarter by a wide margin.
- The high valuation and outsized performance of Large U.S. Growth Stocks relative to other equity styles resembles a “bubble” similar the that of the late 1990’s.
- Our equity models emphasize price trends over valuation. Accordingly, we will continue to favor Large U.S. Growth Stocks in our portfolios as long as they continue to outpace other styles.
- The market seems to be recognizing the value in emerging markets. With its relative price trend having just turned positive, we are increasing the Emerging Market exposure in our equity portfolios.

Quarter ending 9/30/2020

# FIXED INCOME

*Interest rates remain near historic lows. Emerging market bonds offer value with an improving price trend. Municipal bonds pay just as much as their taxable counterparts.*



- Interest rates remain at historic lows with the yield on the 10-Year U.S. Treasury finishing the quarter at 0.7%.
- In contrast to our approach in equities, our fixed income models emphasize valuation over price trends. As a result, we view long-term bonds as unattractive, despite their strong performance this year. Interest rate sensitivity goes both ways, and the current yield of 2.3% offers little protection against the risk of higher rates.
- Short-term bonds are a better value. They yield the same as benchmark U.S. Aggregate Bonds, but with much lower interest rate sensitivity.
- Emerging Market bonds yield 4.3% and offer the best value within fixed income. We are further increasing our exposure here as the relative price trend has also recently turned positive.
- Municipal bonds are an excellent value for taxable investors in any bracket. The benchmark iShares National Muni Bond ETF is yielding slightly more than its taxable U.S. Aggregate bond counterpart - *despite being tax-free.*

Quarter ending 9/30/2020

# CONTACT INFORMATION

*Please contact us with questions regarding this quarterly analysis or needs you may have regarding any of your accounts.*



E: [ClientServices@AckermanCapital.com](mailto:ClientServices@AckermanCapital.com)

P: 214-361-5383

Ackerman Capital Management

5956 Sherry Lane, Suite 1600

Dallas, Texas 75225

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