

Financial Intelligence

Produced Exclusively for Members of the
Senior Executives Association

Mike Miles



- Founder and Principal Advisor, Variplan, LLC
- Certified Financial Planner
- Registered Investment Advisor
- SEA Benefit Provider Since 1999
- Federal Times' "Money Matters" Columnist
- "Ask the Experts" Panelist at www.federaltimes.com

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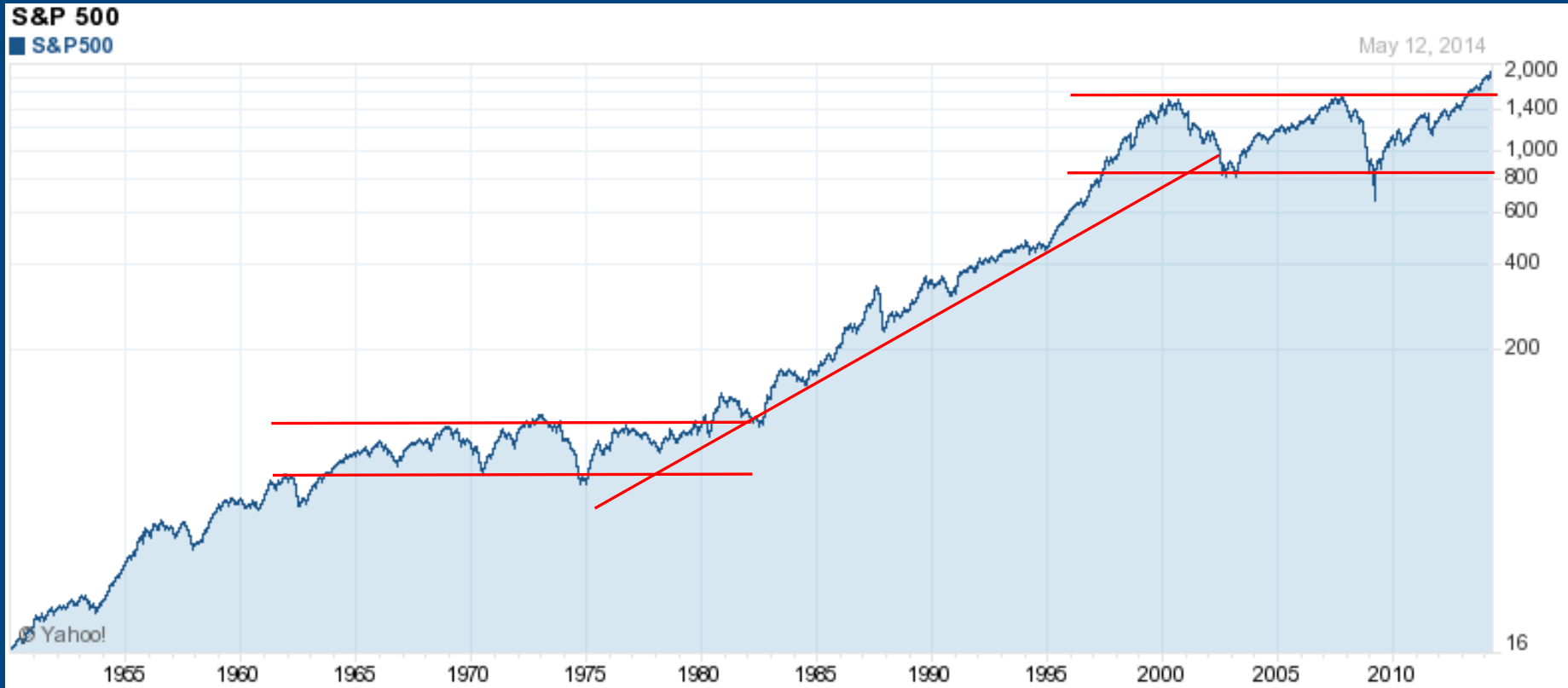
1. Market Review
2. Tactical Recommendations
3. Five Things Every Smart Investor (You) Must Know
4. Market Predictions – The Tug-of-War in Markets
5. Questions & Answers

Now to Submit Your Questions

Market Review - Stocks



Market Review - Stocks



Market Review - Interest Rates



Market Review – Stocks vs. Bonds

iShares 20 Year Treasury Bond E

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May 12, 2014



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Jan 10

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Jan 12

Jan 13

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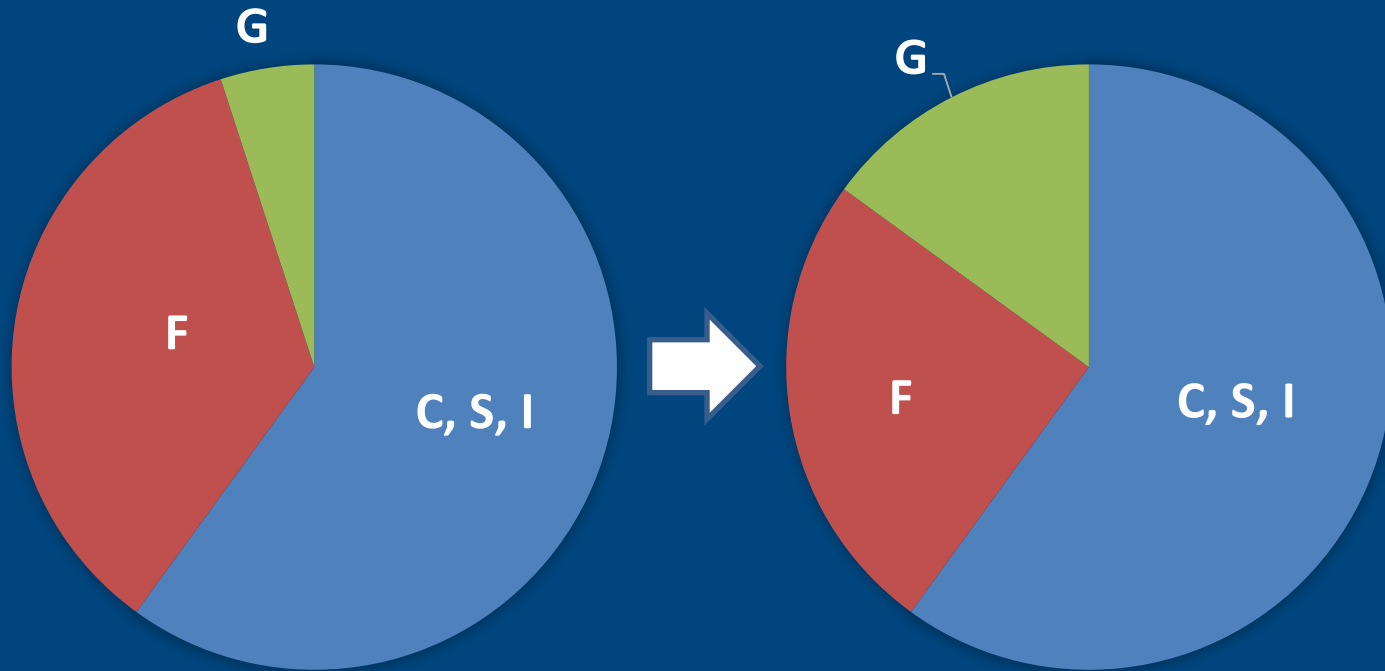
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+80%

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+120%

Tactical Recommendation



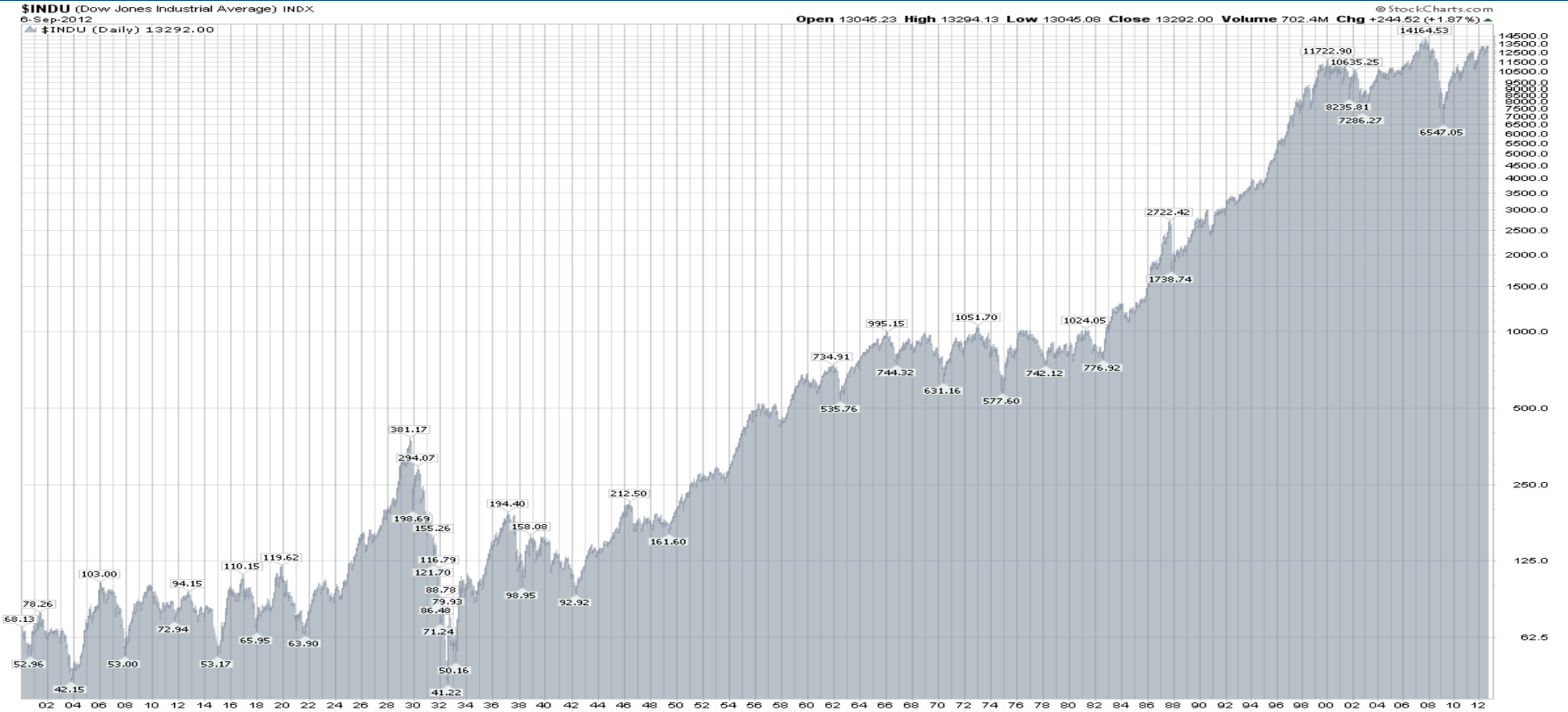
Five Things Every Smart Investor (You) Must Know

You Are Being Misled

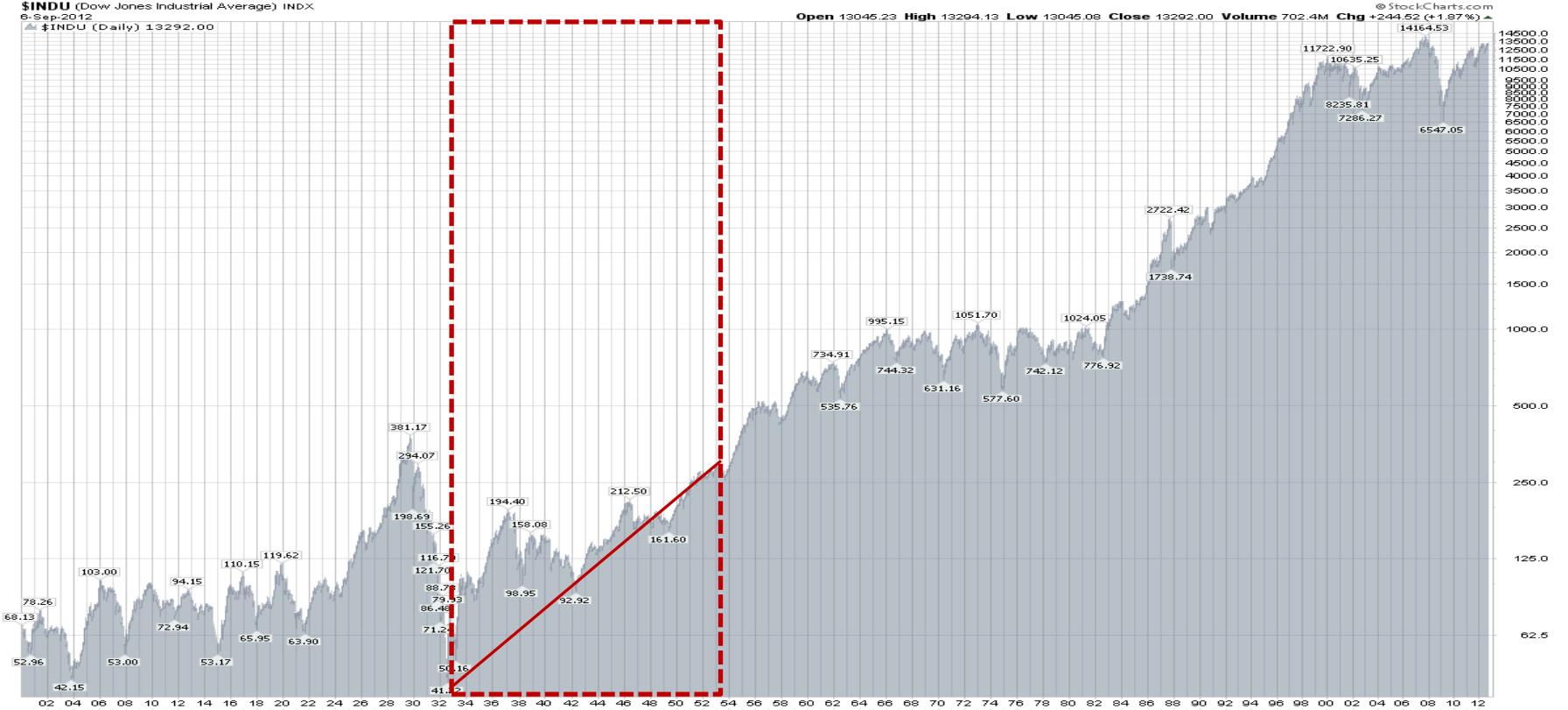
1. The Law of Large Numbers

For the Purpose of Estimating the True Nature
of a Population (Investment Returns),
a Larger Sample is Superior to a Smaller Sample.

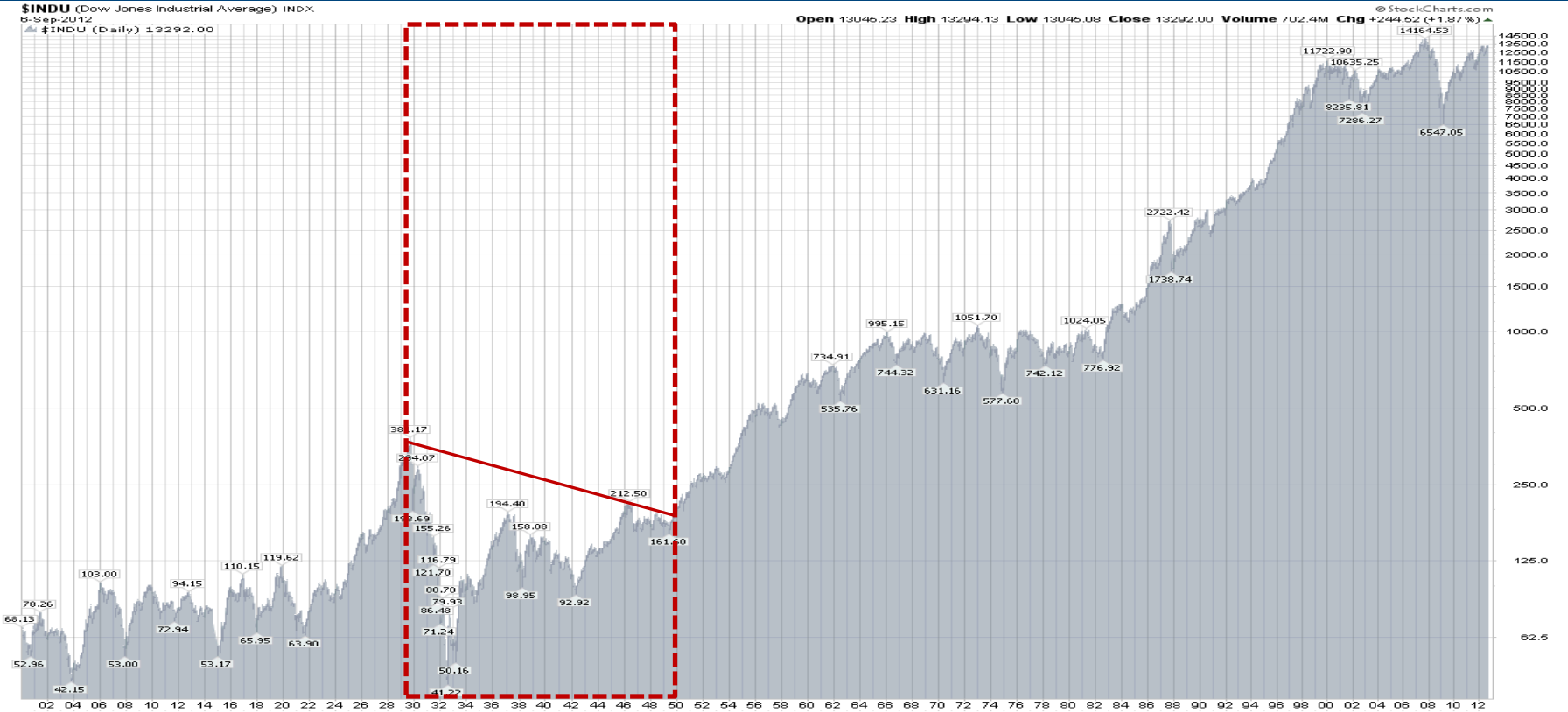
Dow Jones Industrial Average – 112 Years



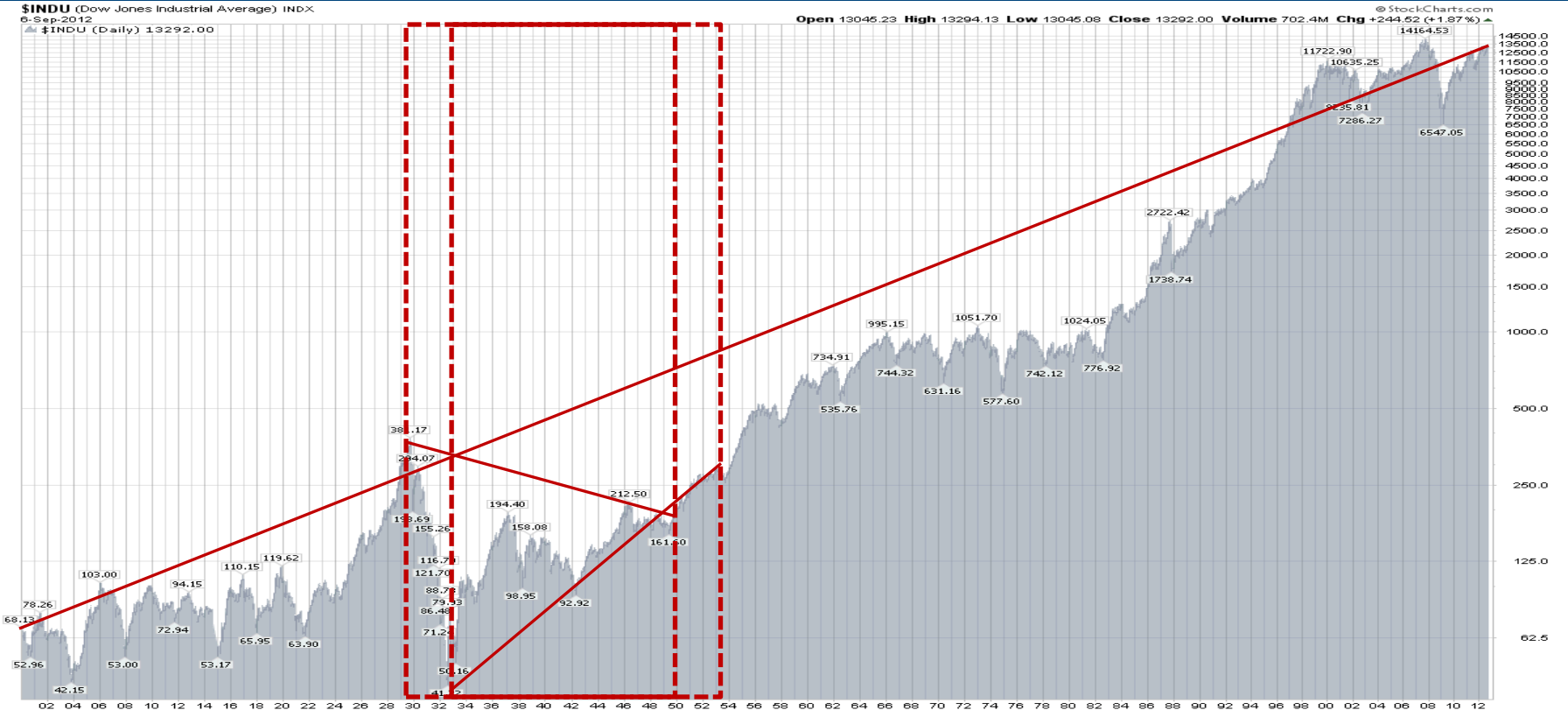
Estimating Returns



Estimating Returns



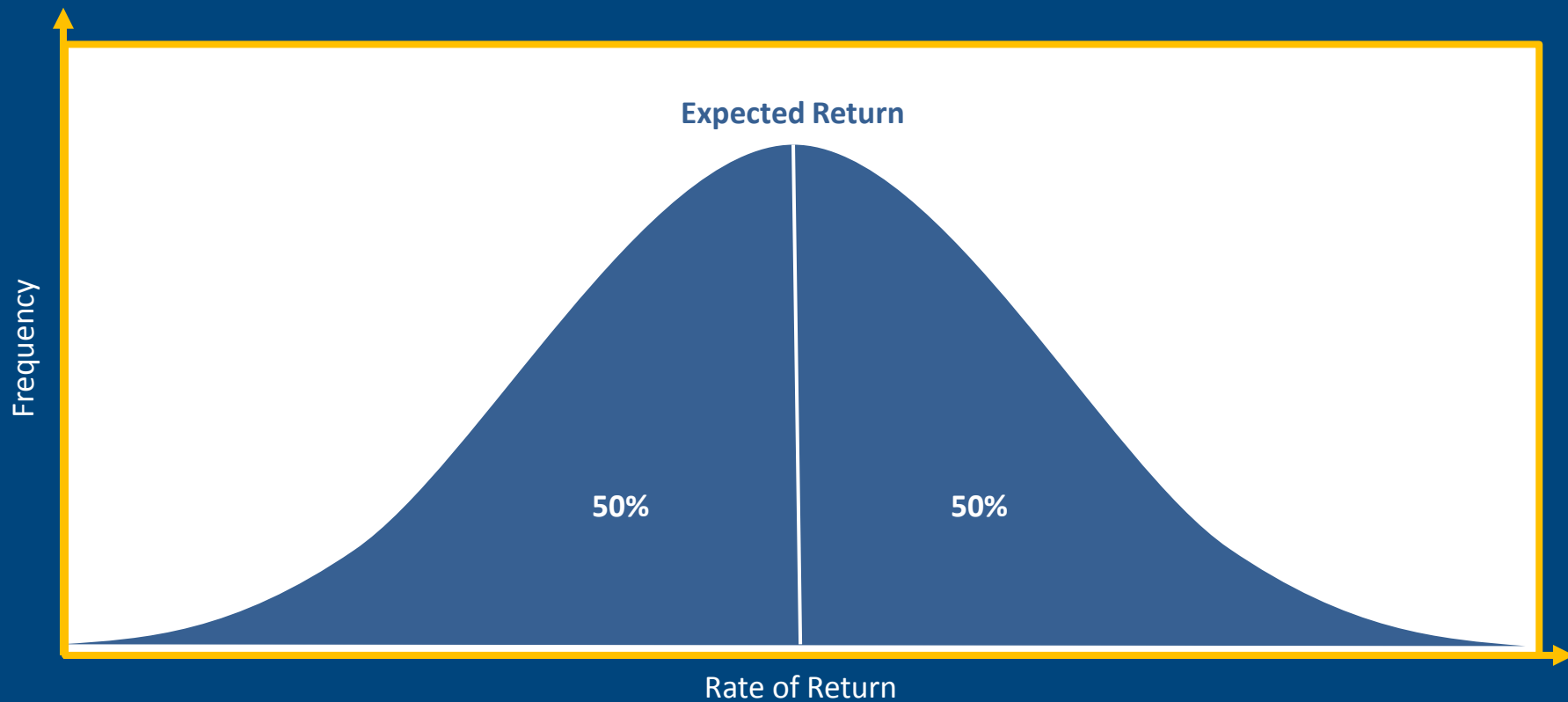
Estimating Returns



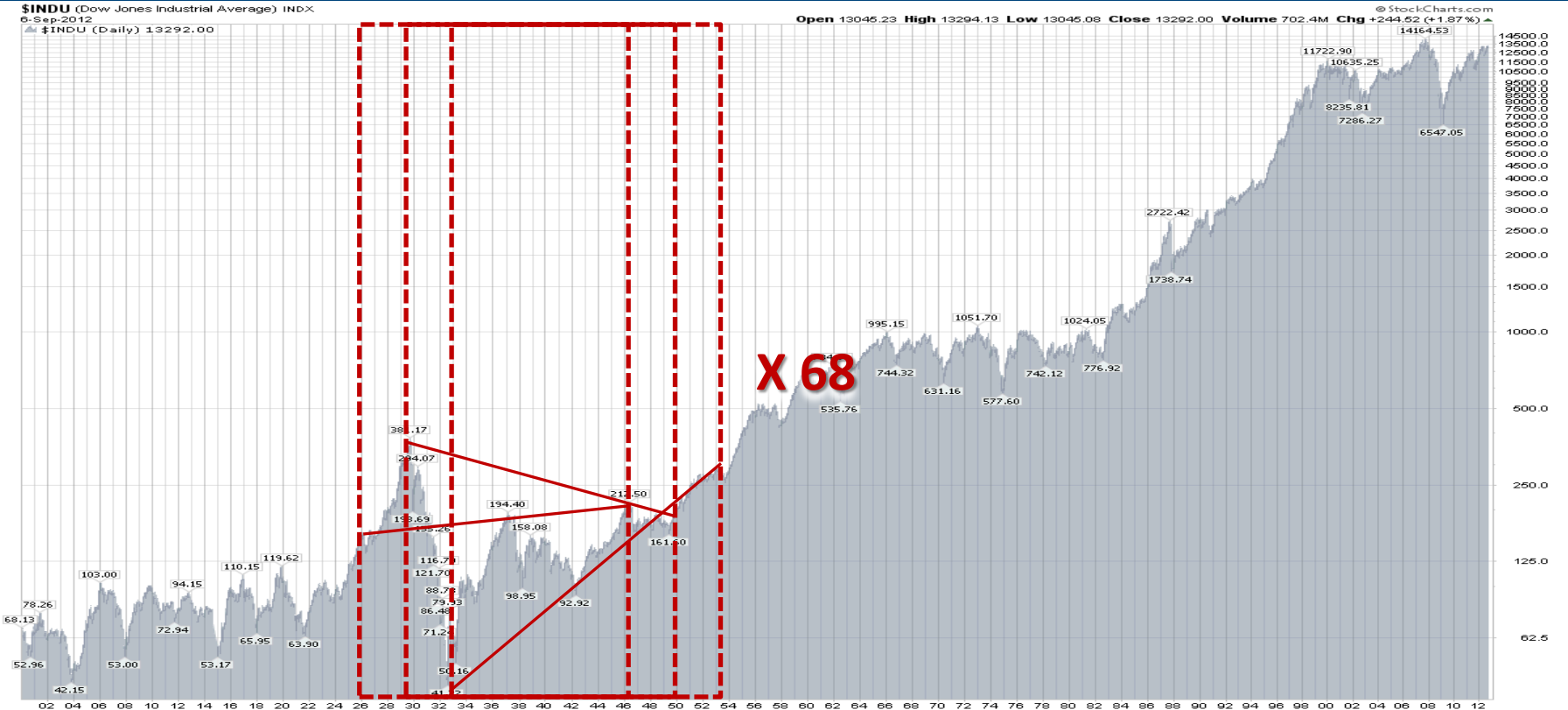
2. The Expected Return

The Most Likely Return to be Produced by an Asset or Portfolio of Assets During a Given Period

Estimating Future Returns



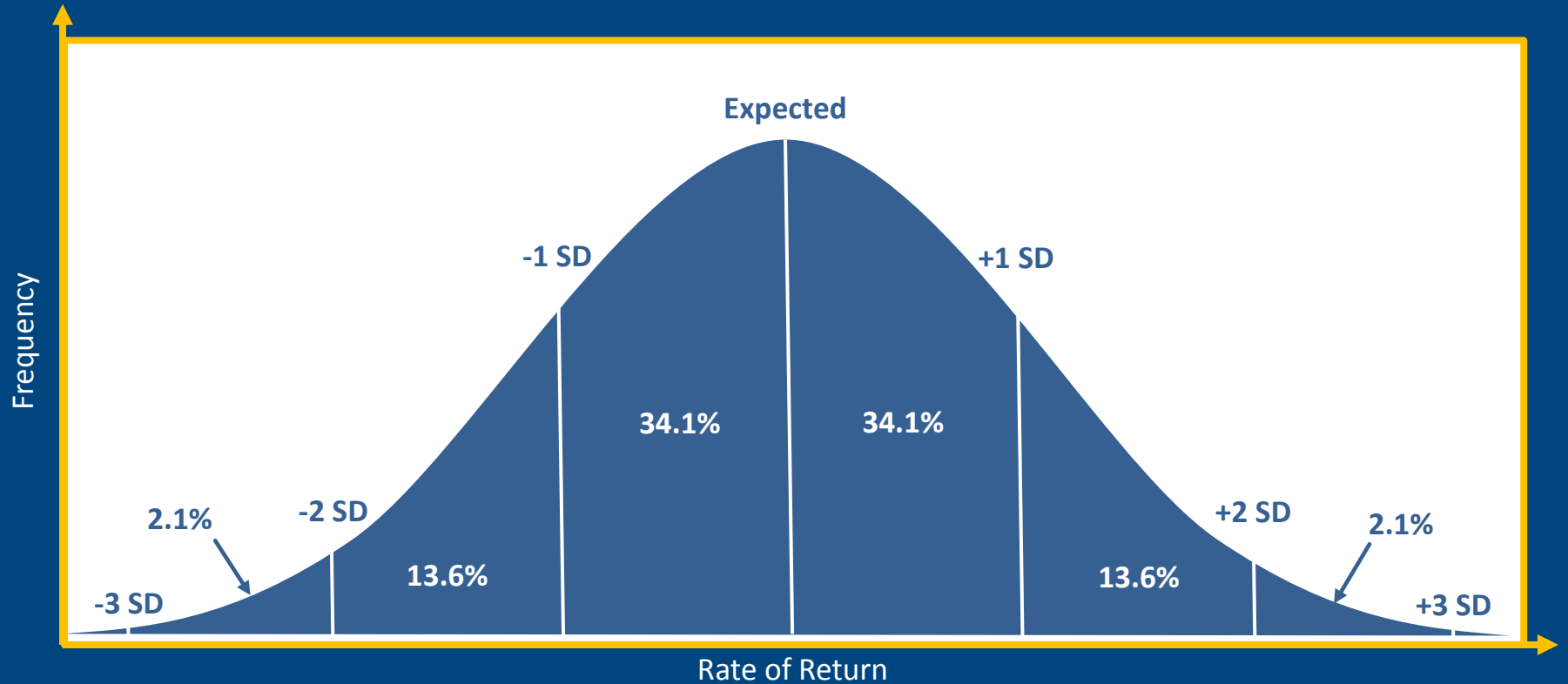
Estimating Future Returns



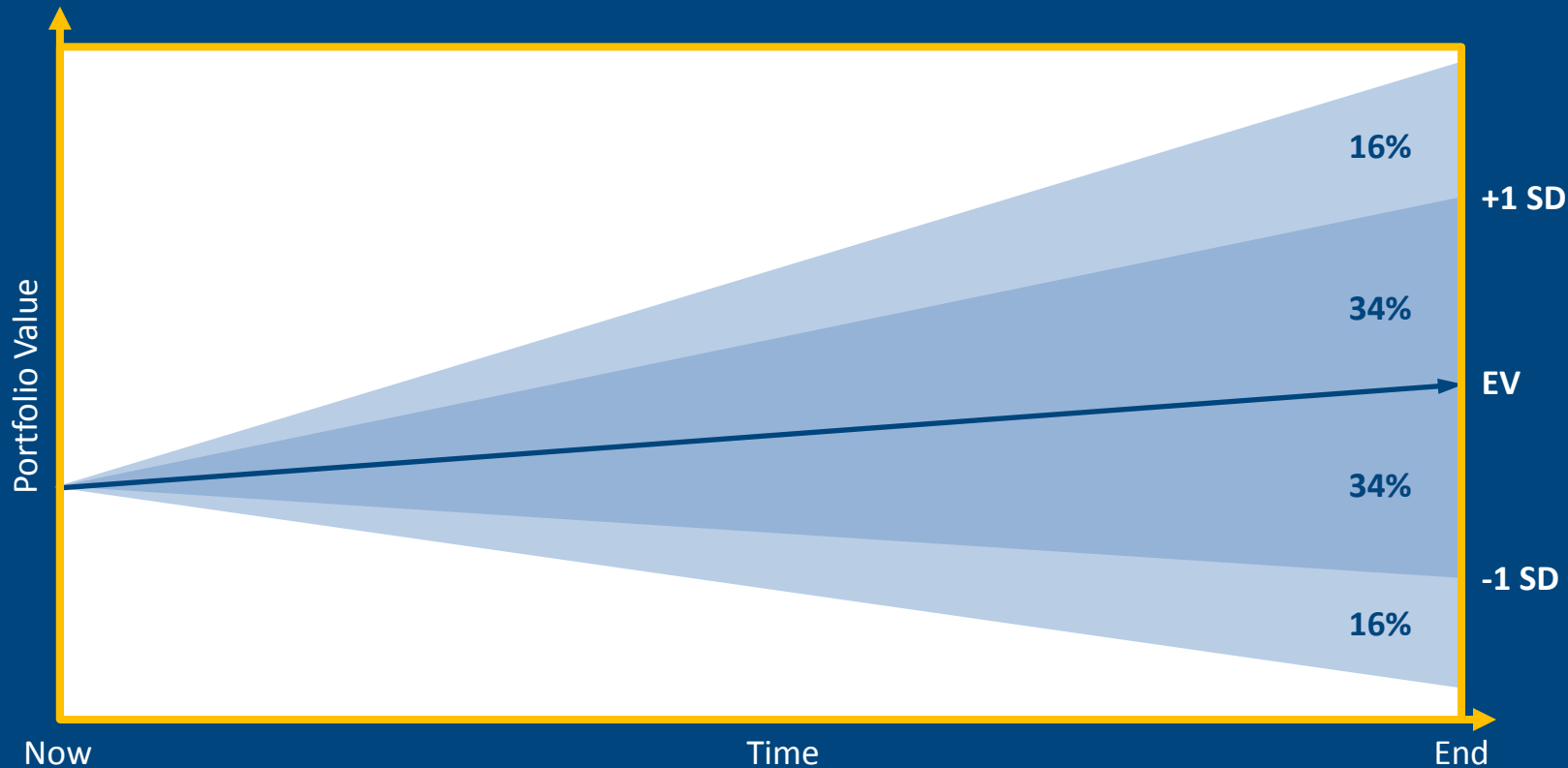
3. The Standard Deviation of Returns

A Measure of The Variation of Returns from the Average

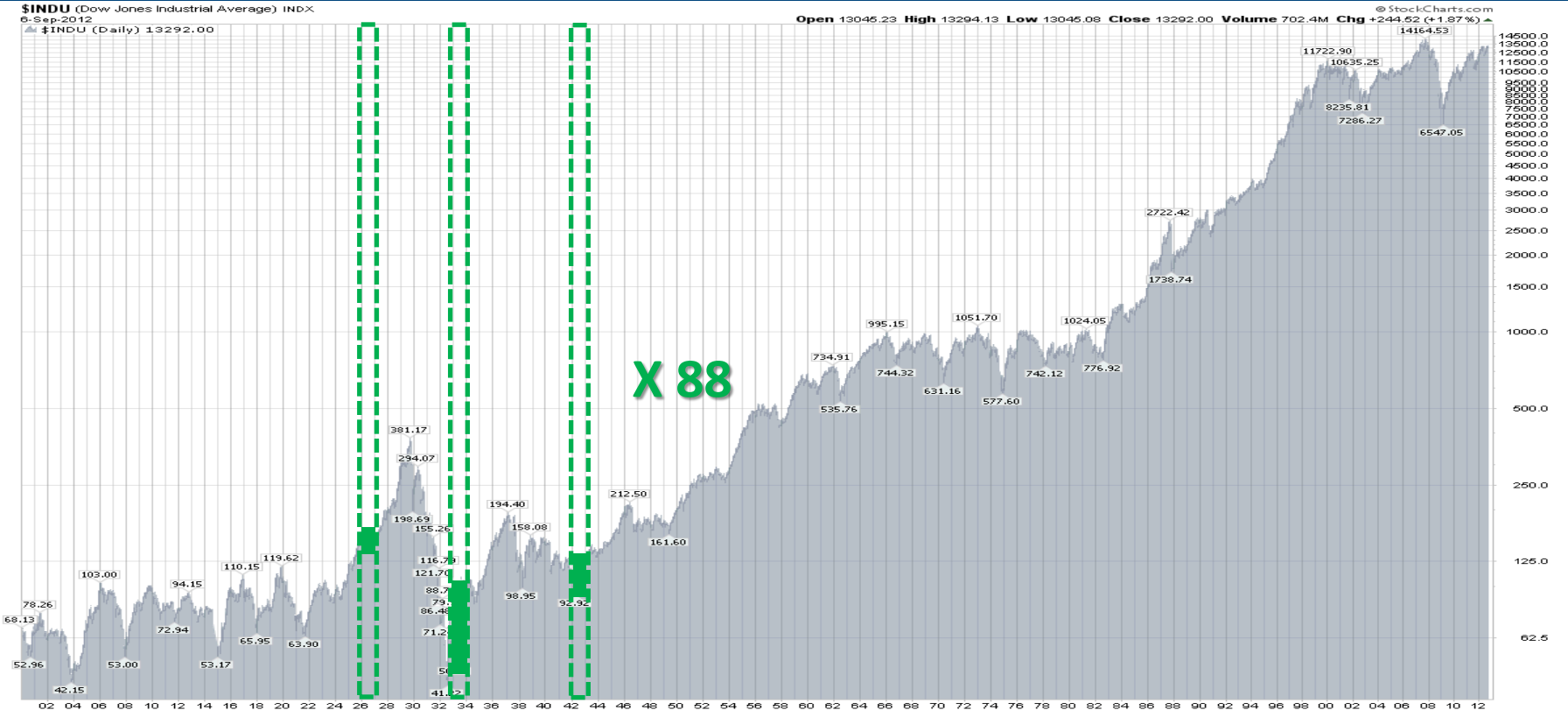
Standard Deviation



Standard Deviation



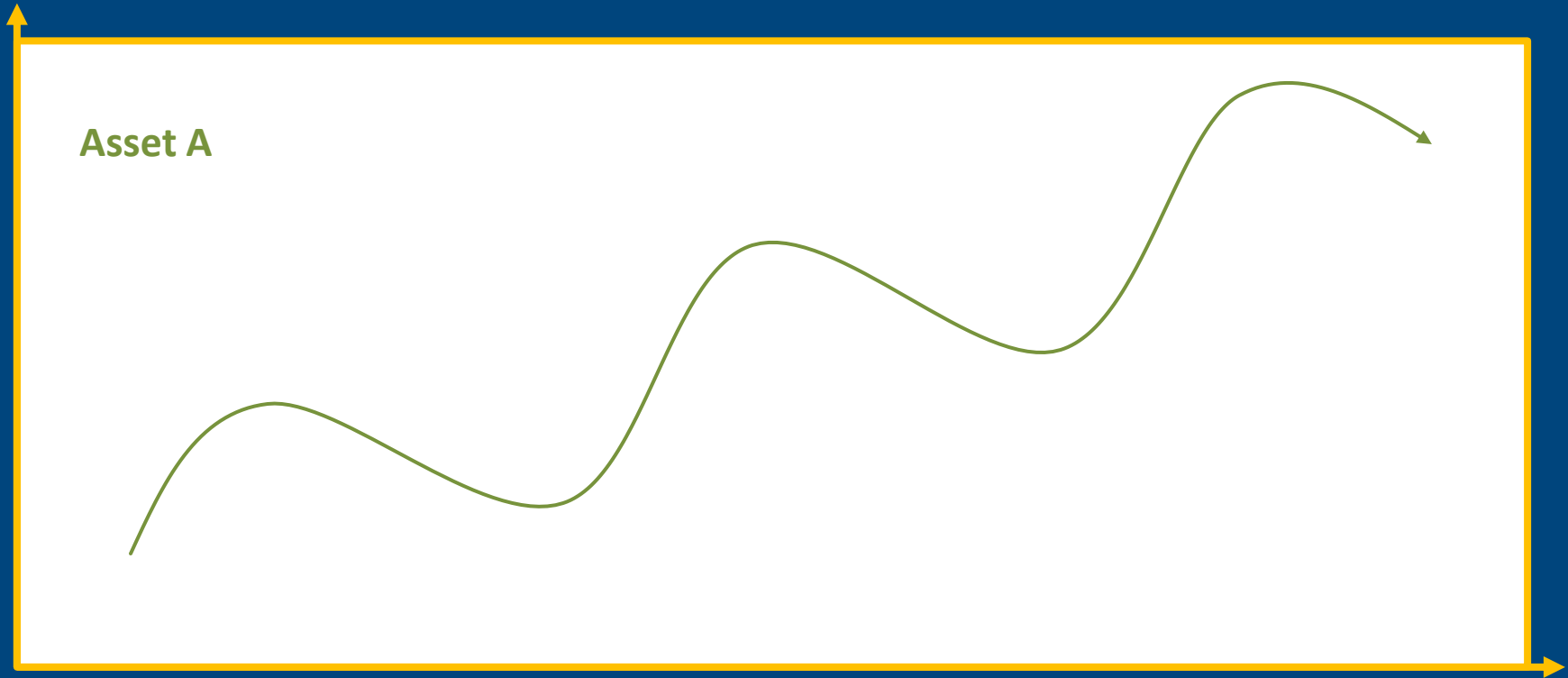
Estimating Standard Deviation



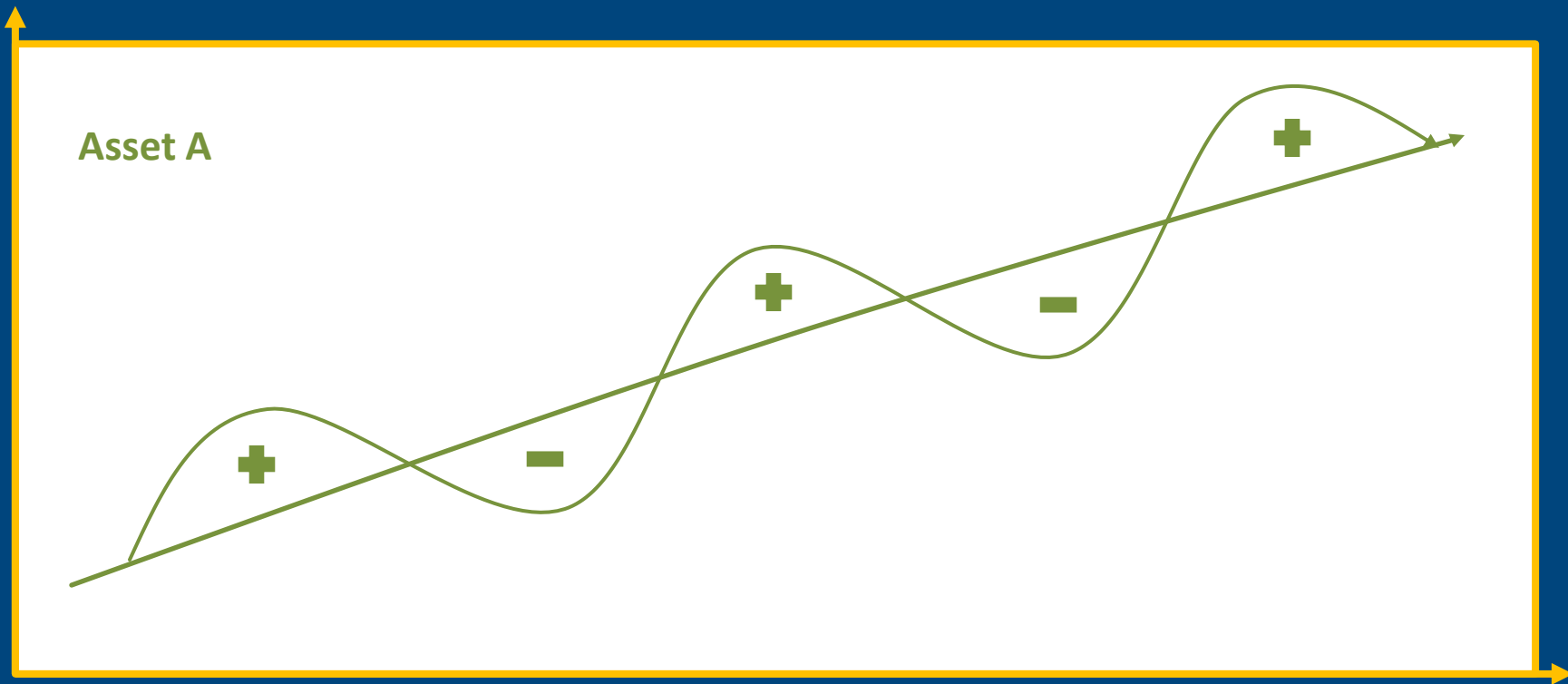
4. The Correlation Coefficients of Portfolio Components

A Measure of The Degree to Which
the Actions of Two Assets are Related

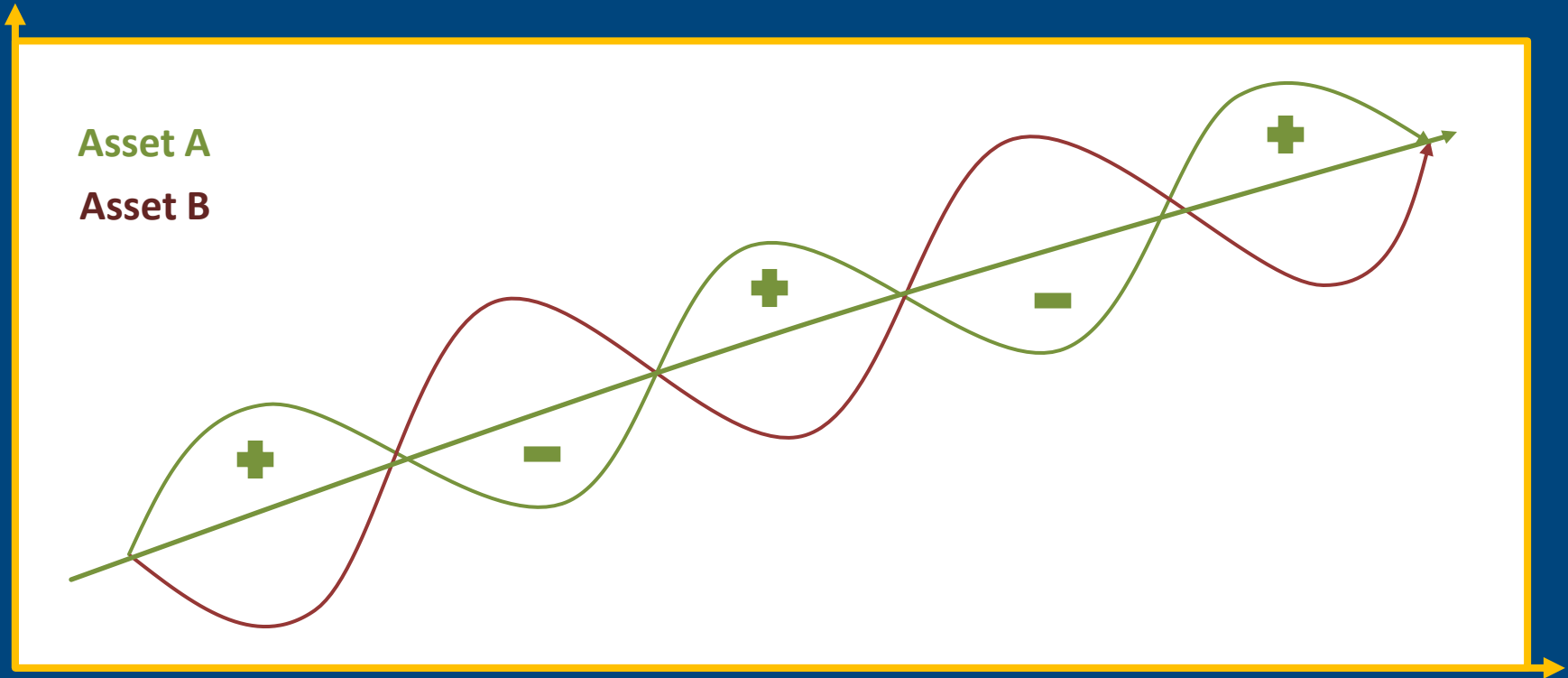
Inter-Market Diversification



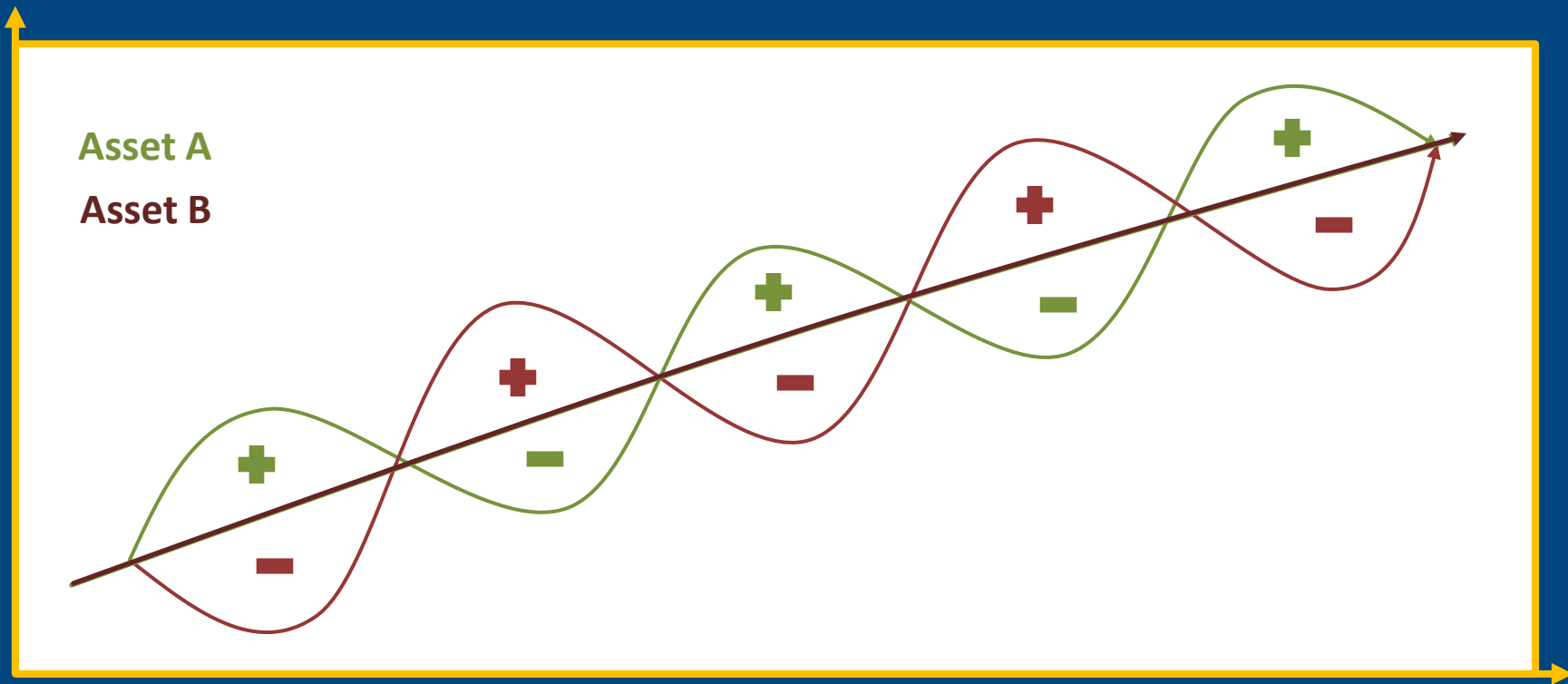
Inter-Market Diversification



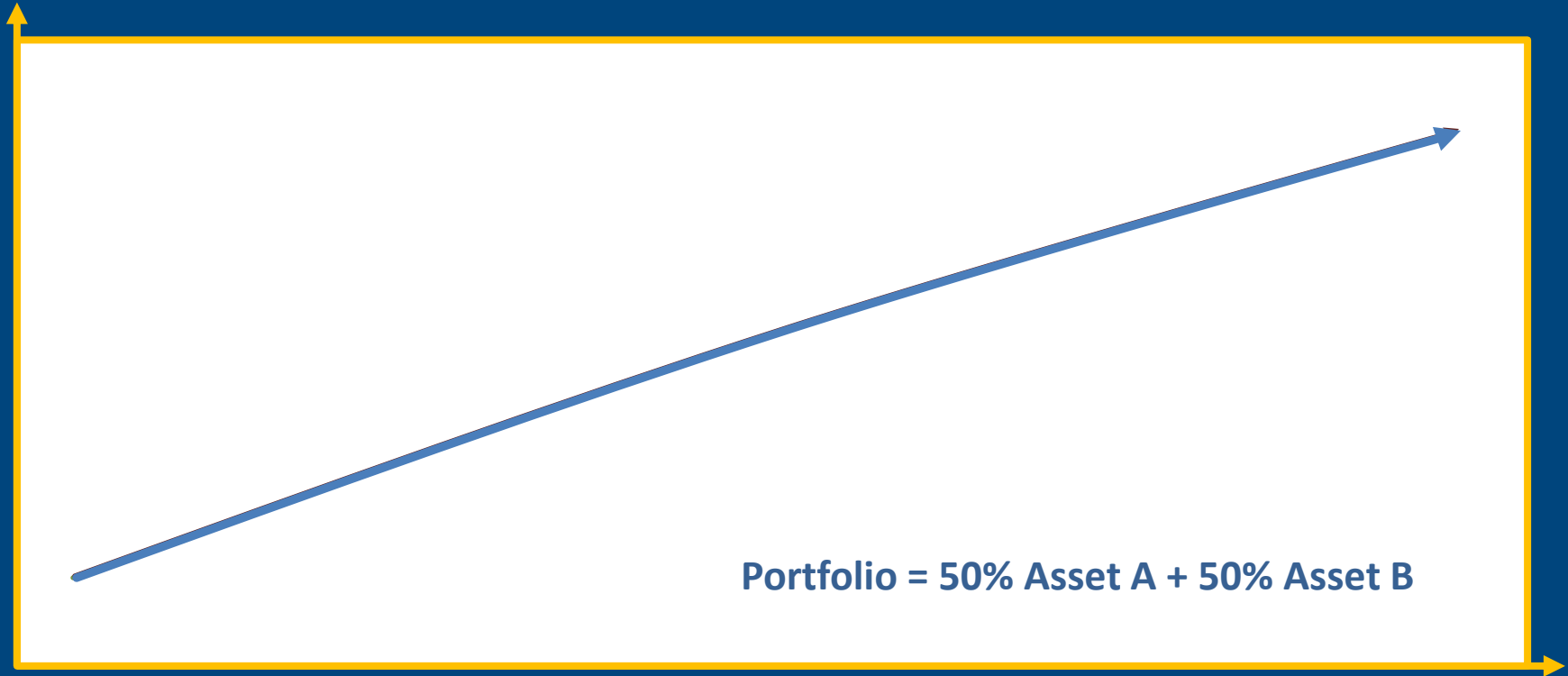
Inter-Market Diversification



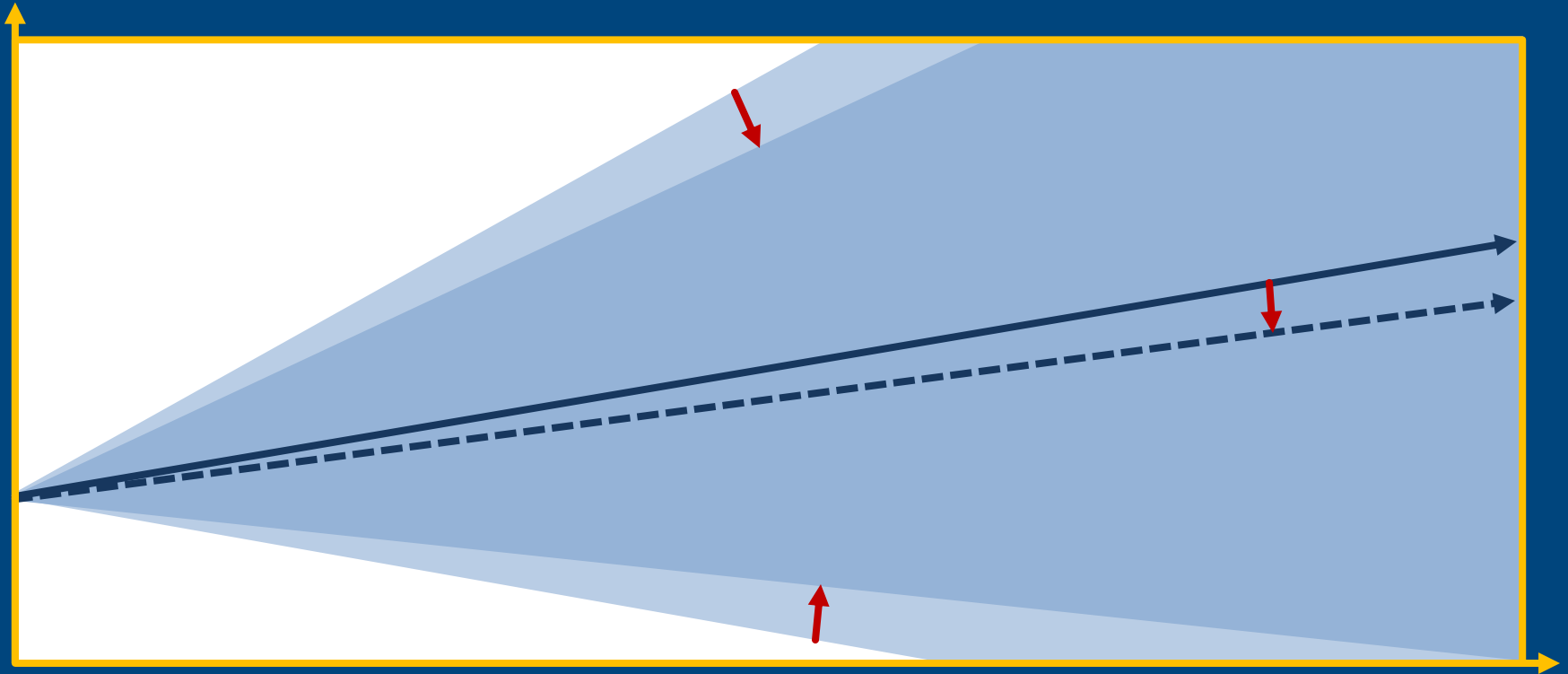
Inter-Market Diversification



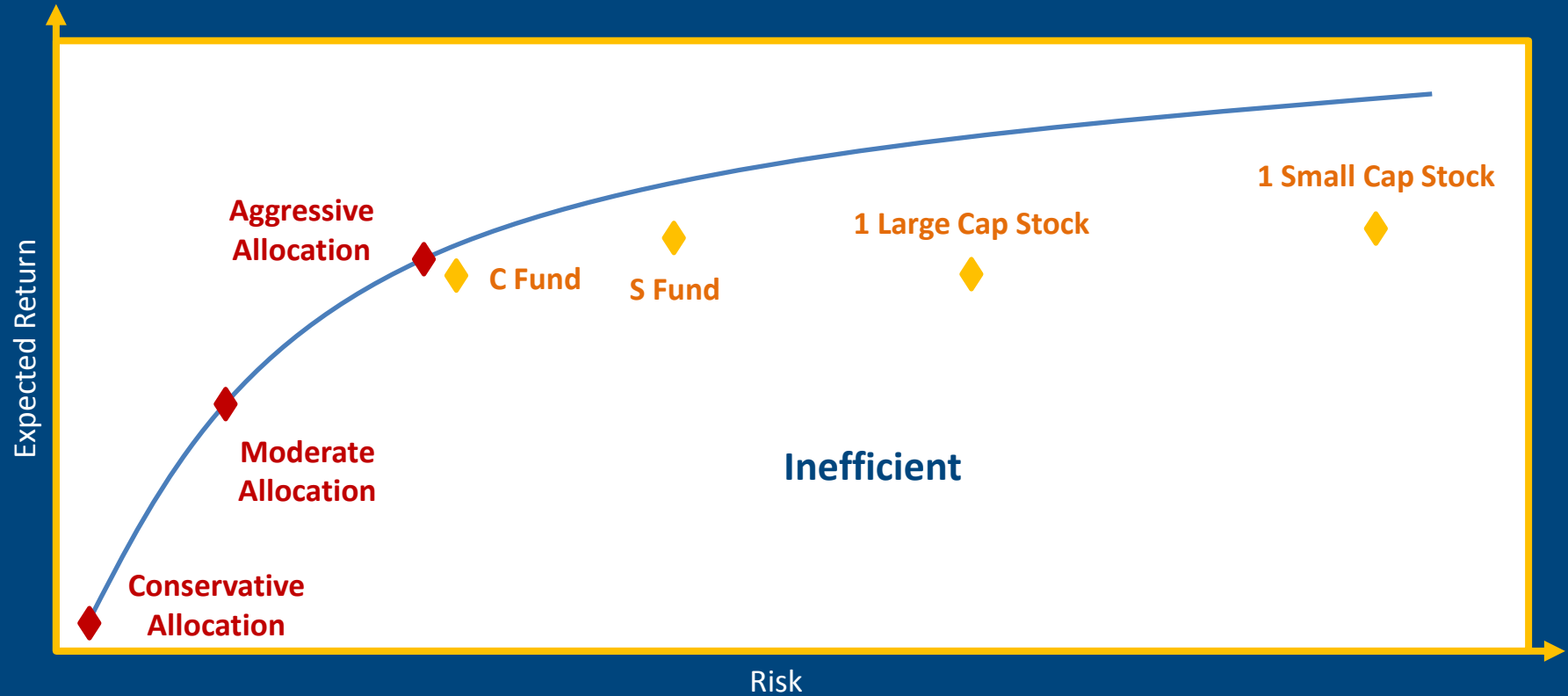
Inter-Market Diversification



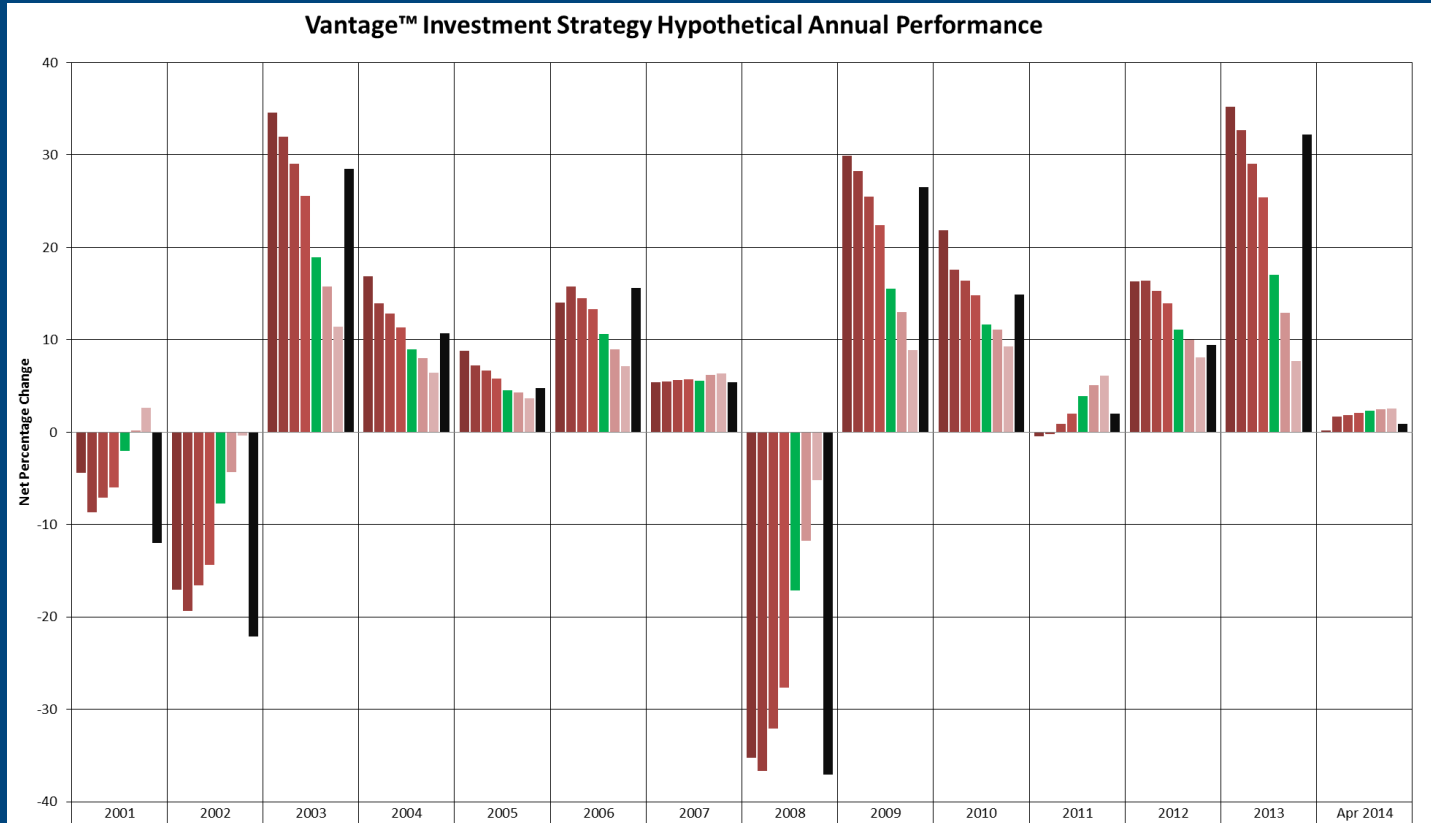
Inter-Market Diversification



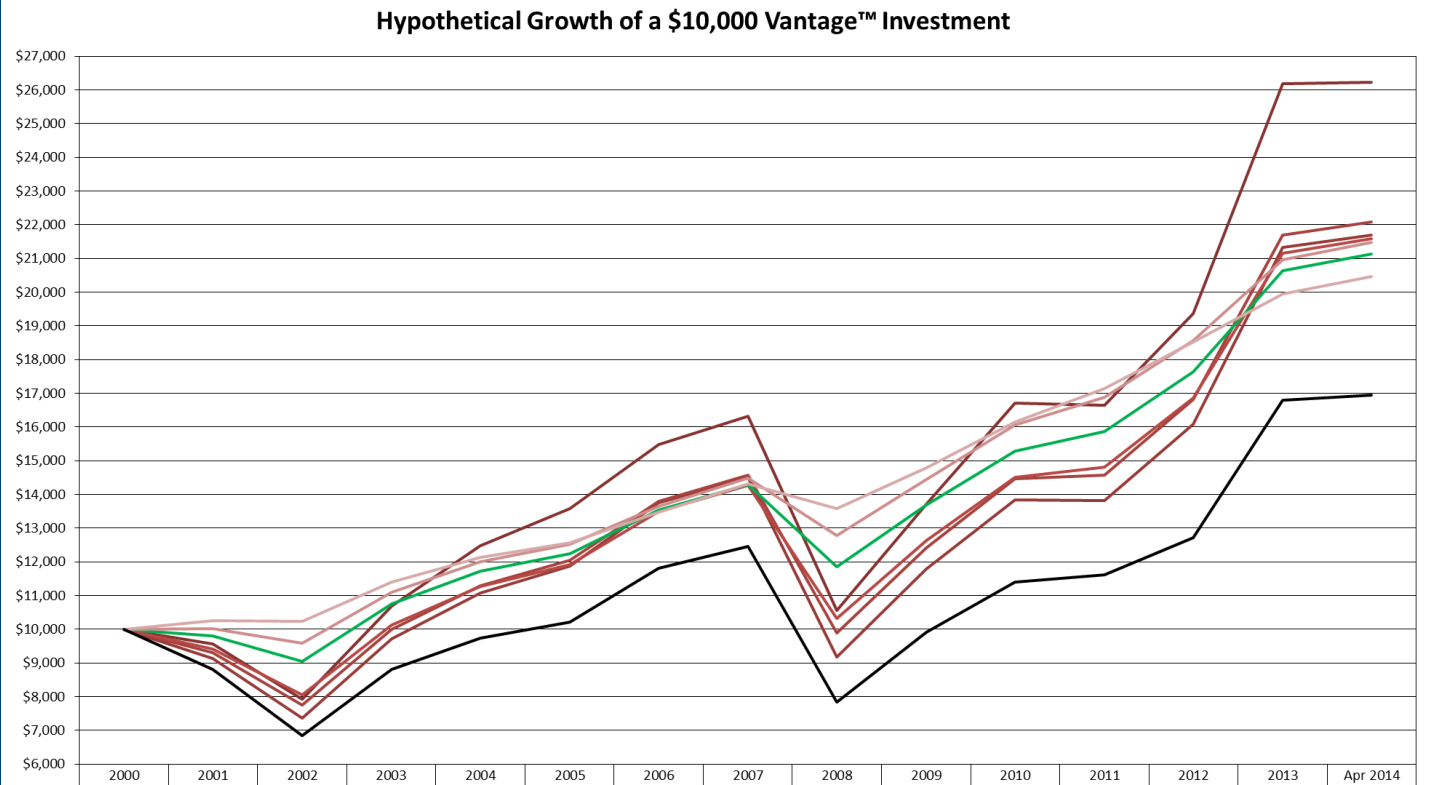
The Efficient Frontier



Portfolio Performance - Example



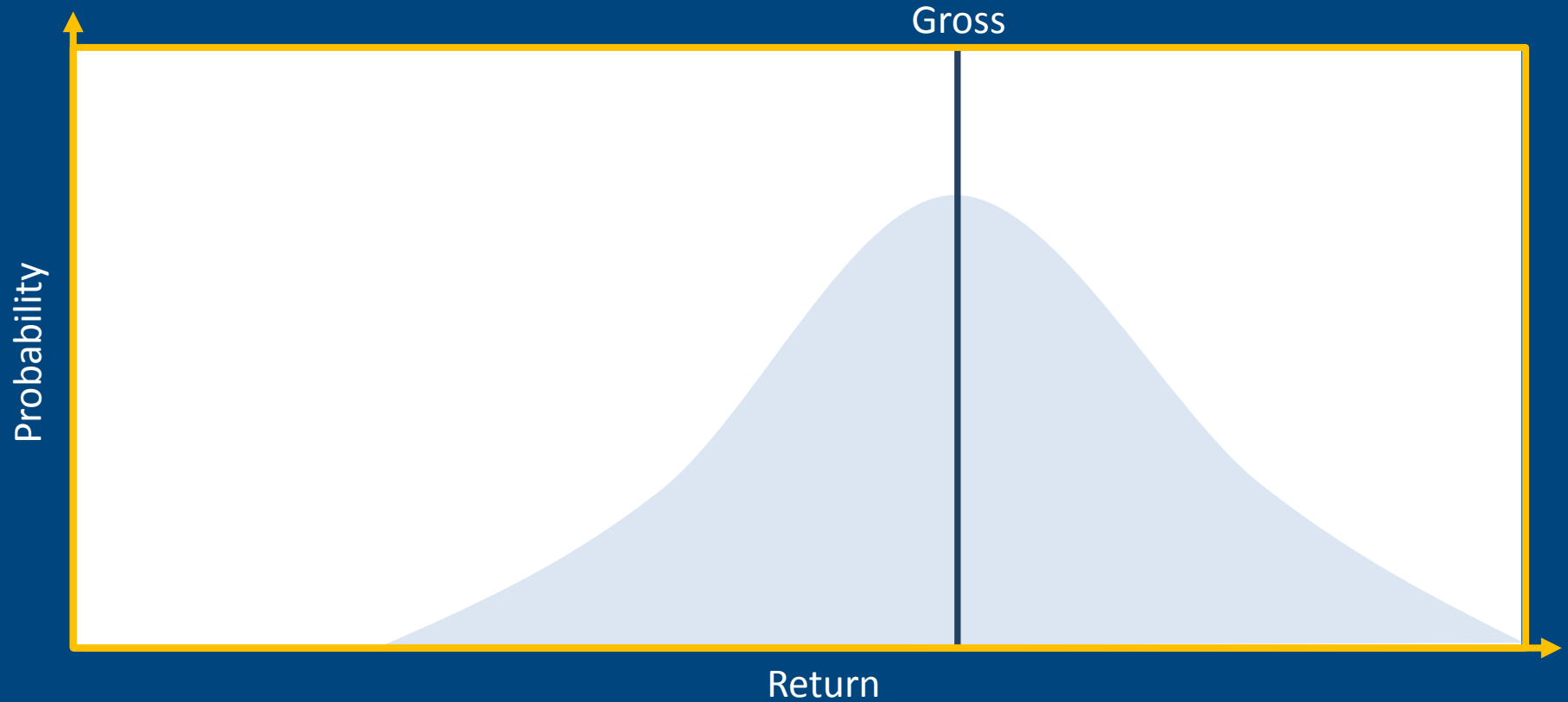
Portfolio Performance - Example



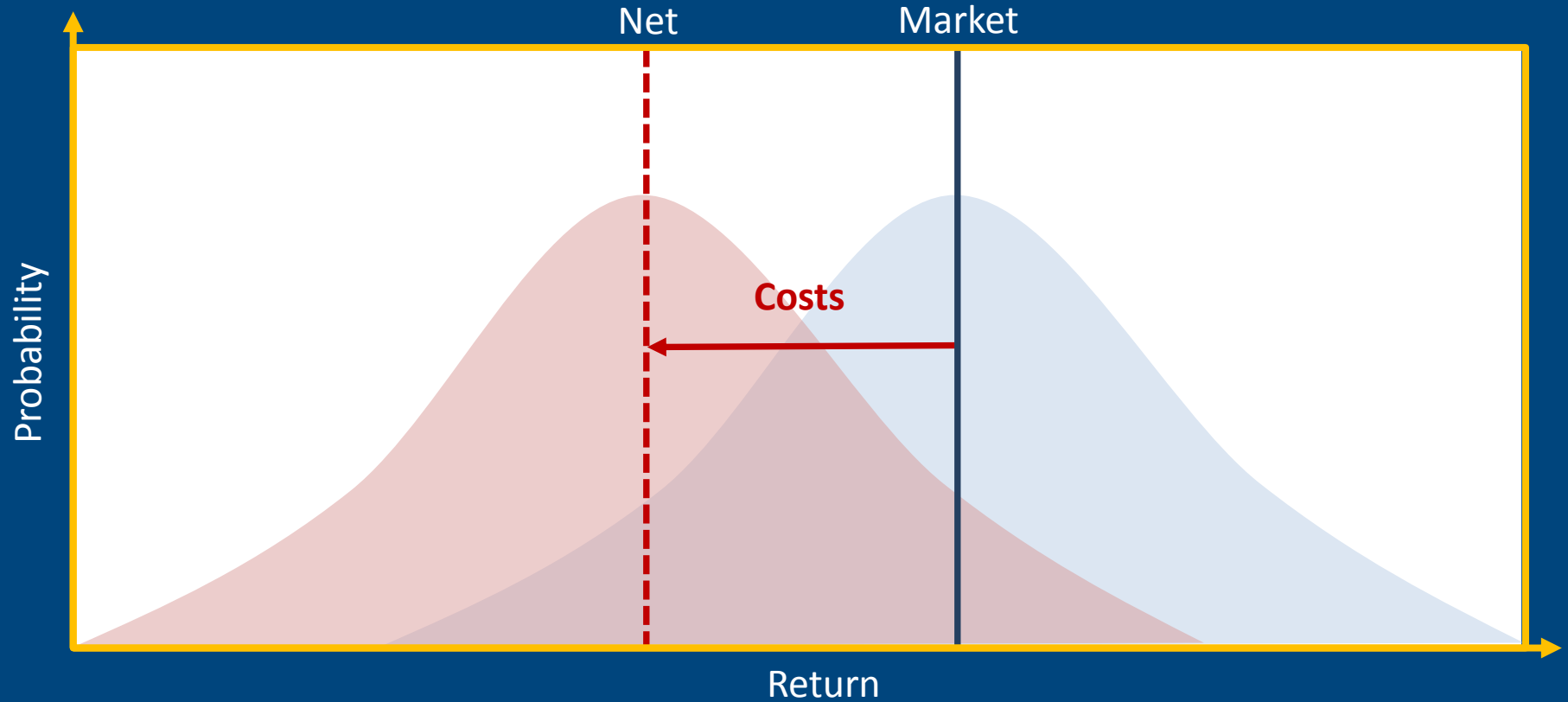
5. The Cost of Investing

Friction that Drags Down Your Return

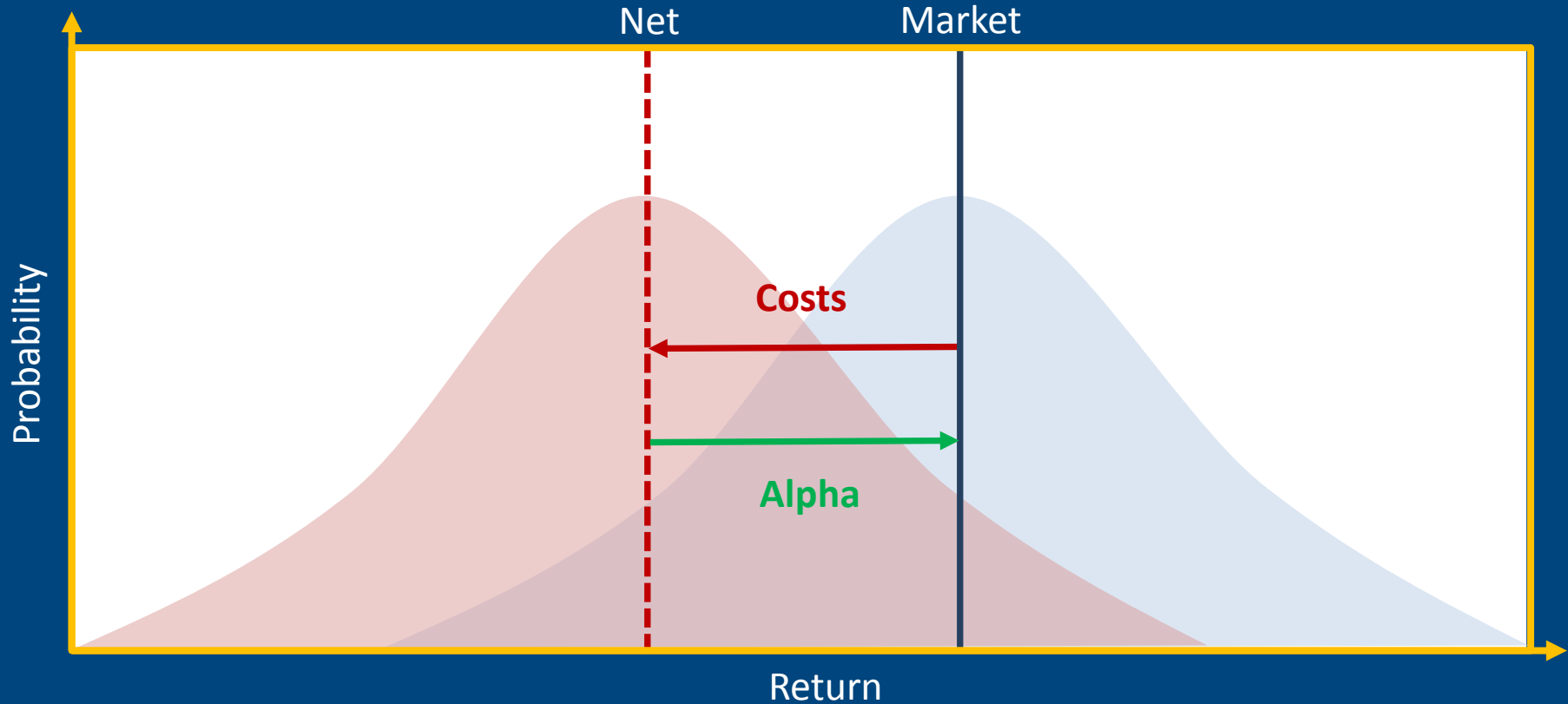
The Effect of Excess Costs on Expected Return



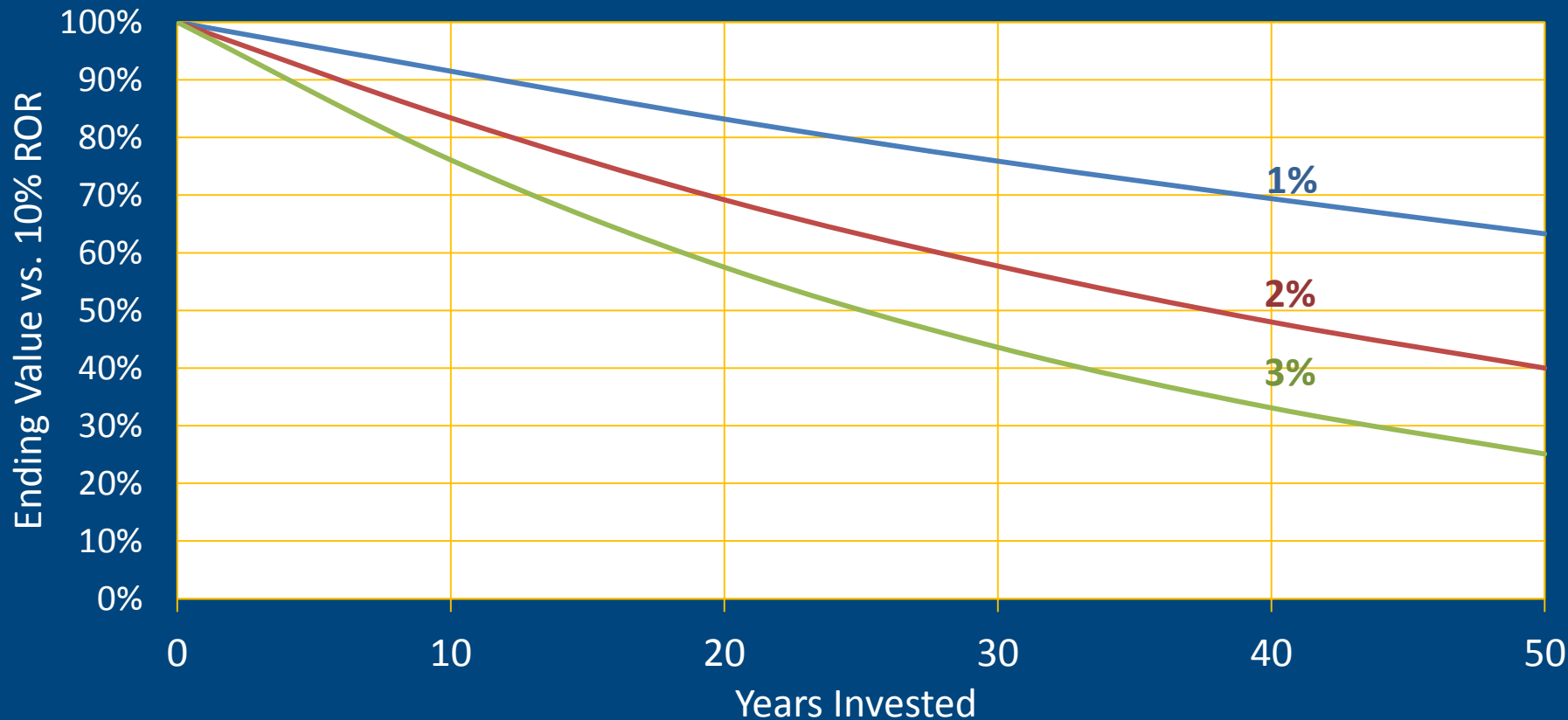
Investment Costs



Investment Costs

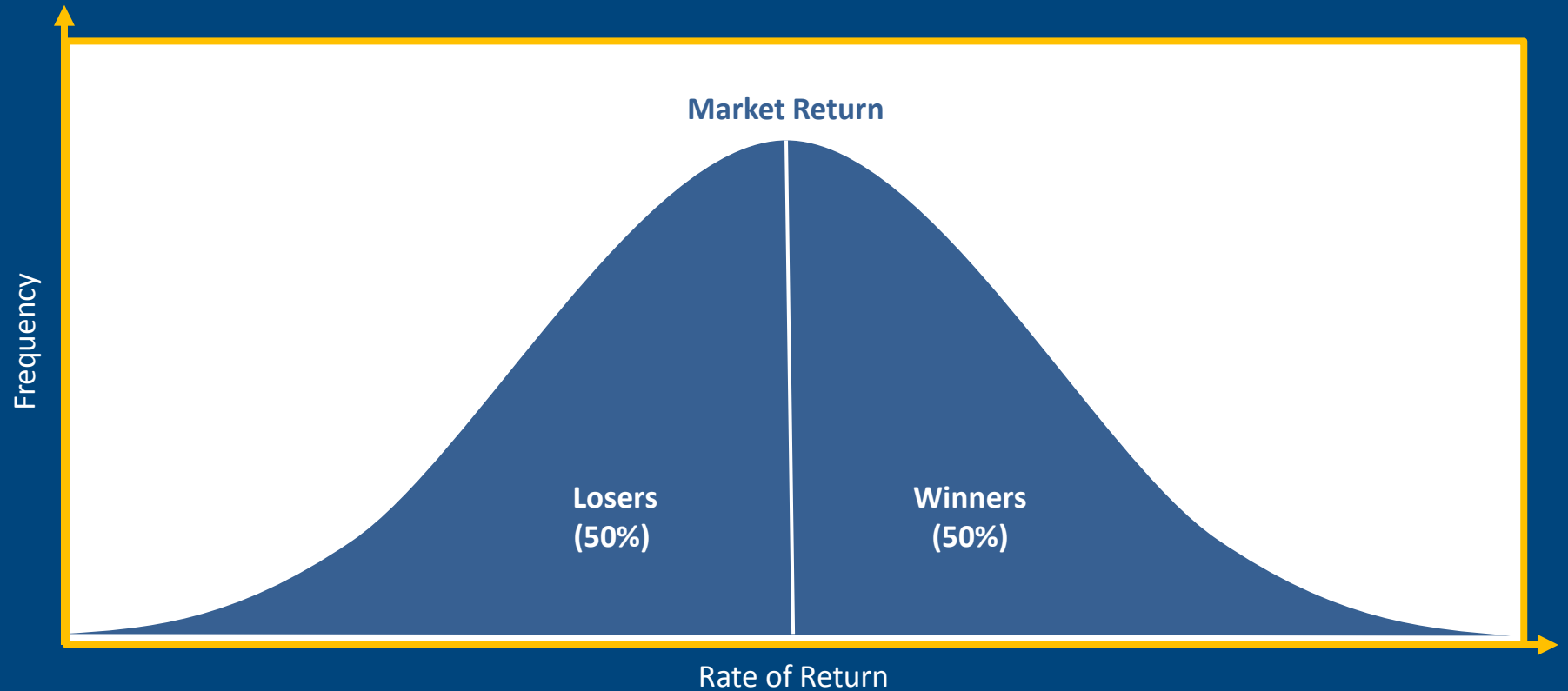


The Effect of Excess Costs on Expected Value

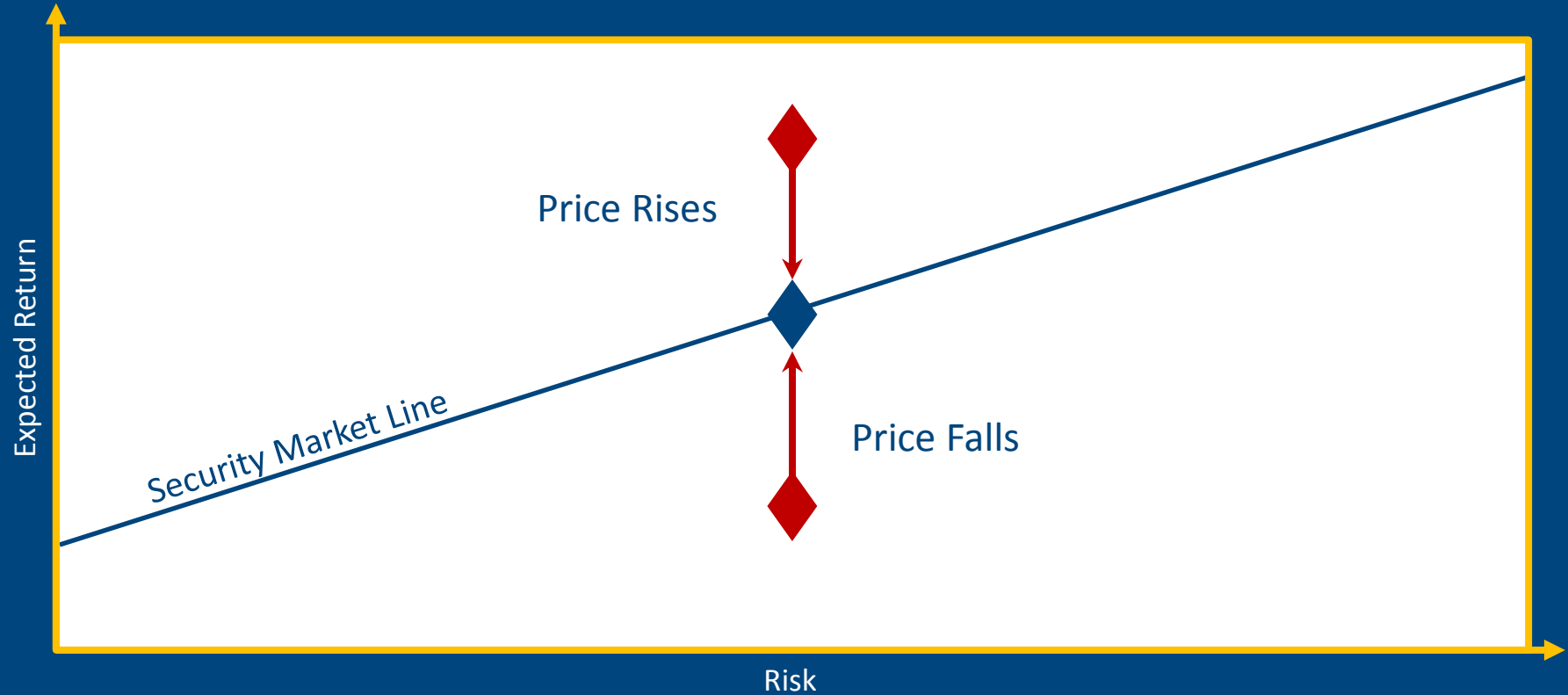


The Tug-of-War in Markets

The Zero-Sum Game



The Random Walk



Probability of Creating Alpha



Questions / Comments / Suggestions



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