

# Retirement Income Strategy



2nd Quarter 2018

## Firm Profile

Founded in 2004

2 employees

5 outsourced marketing/client service employees (Genesis)

\$40.2 million in total assets under management firm wide

Management team with over 50 years combined experience

## Investment Philosophy

**We believe a “good company” can be identified through fundamental research while a “good stock and ETF” can be identified through technical research. The solid application of both disciplines should uncover “good investments” that should deliver superior returns.**

## Investment Team Experience

**Eric M. Efron, CFA**

Co-Portfolio Manager, 25+ years

**Stephen P. Arnold**

Co-Portfolio Manager, 25+ years

## Investment Process

### STEP 1 Idea Generation

Focusing on stocks and ETFs with strong and sustainable dividends and low volatility

Screening Process:

- ETFs with \$350 million in market capitalization and at least 3 years of trading history
- Stocks must be a member of a large-cap index

Identifies acceleration and improvement in:

- Free cash flow that supports dividend
- Revenue
- Earnings
- Profit margins
- Relative strength and momentum

### STEP 2 Grunt Work

*Exhaustive research money managers are paid to perform*

**Fundamental Research:** Focuses on cash flow to support dividends, earnings quality, earnings estimate revisions, debt exposure, and history of rising dividends

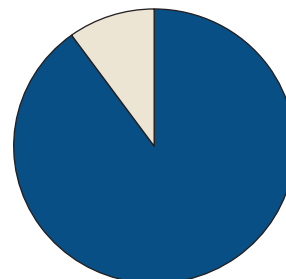
**Technical Research:** Explores trend lines and preference given to those who exhibit less volatility, and pricing patterns

### STEP 3 Portfolio Construction

Range of 15-20 positions selected for internally funded sustainable growth, superior technical characteristics, and are identified as low volatility and providing high income

## Portfolio Composition

*Turnover since inception = 0*



■ 90% equity and equity ETFs

□ 10% fixed income ETFs

## Retirement Income Strategy



### Investment Performance\*

Texas IIM Retirement Income Growth Composite Returns through Q2 2018 (%)			
	Before Fees	After Fees	Benchmark**
2018 Returns:			
MRQ	3.24	3.20	2.05
YTD	0.00	-0.08	1.26
Annualized Returns:			
1 year	5.86	5.55	8.26
3 years	6.21	4.72	7.64
5 years	6.45	4.96	8.68

Texas IIM Retirement Income Composite Quarterly Gross Returns (%) Since Inception					
	Q1	Q2	Q3	Q4	Year
2018	-3.14	3.24			0.00
2017	4.30	1.62	3.09	2.69	12.20
2016	4.97	9.53	-6.60	-0.85	6.47
2015	0.92	-5.12	-3.47	3.90	-3.96
2014	4.72	8.60	1.65	0.89	16.63
2013	15.04	1.44	-0.66	2.81	19.17
2012	1.16	-0.52	5.92	-2.82	3.58
2011		-1.66	-3.51	12.45	---

Performance Statistics Since Inception		
	Retirement Income Growth	Benchmark**
Return	8.13%	8.57%
Standard Deviation	9.98%	6.26%
Alpha vs. Market	-0.01	0.00
Beta vs. Market	0.98	1.00
Sharpe Ratio	0.79	1.32
Sortino Ratio (MAR = Cash E)	1.93	2.62
Up Capture vs. Market	103.78	100.00
Down Capture vs. Market	138.86	100.00
R-Squared vs. Market	0.38	1.00
Correlation vs. Market	0.62	1.00
Information Ratio vs. Market	-0.06	---

\*Source: eVestment

\*\*Benchmark: 60% S&P 500 / 40% Barclays  
Intermediate U.S. Government / Credit

### Effective Investment Management

- Identifies and captures opportunities in disciplined, consistent ways
- Is risk aware and vigilant
- Faithfully observes the investor's mandate and seeks to achieve its full potential
- Aligns with market trends when appropriate but breaks step with the Street when discipline and analysis dictate a contrarian approach
- Answers to the investor alone

### Sell Discipline

Texas Institutional follows strict sell criteria:

- When fundamentals have deteriorated
- The company announces a dilutive event
- The "process" uncovers more attractive opportunities

## Retirement Income Strategy



### PERFORMANCE DISCLOSURES

TEXAS INSTITUTIONAL INVESTMENT MANAGEMENT, LLC (TEXIIM) Retirement Income Composite – This composite is made up of portfolios invested in 10 to 20 large-cap equity securities and Exchange Traded Funds (ETFs) with a minimum market capitalization of \$350 million. All these holdings have higher than average dividend yields and cash flows that are strong enough to sustain their payouts at current and higher levels.

TEXIIM claims compliance with the Global Investment Performance Standards (GIPS). TEXIIM's performance results have been verified for the periods of May 1, 2004 to December 31, 2017 by Dabney Investment Consulting Associates, Inc. To obtain a copy of the verification report, please contact Eric M. Efron, CFA by telephone (210-490-2200) or email (eme@texiim.com).

TEXAS INSTITUTIONAL INVESTMENT MANAGEMENT, LLC (TEXIIM) is an investment adviser based in San Antonio, Texas, that is registered with the Texas State Securities Board and provides separate account Small-Cap growth equity, Mid/Large-Cap growth equity, All-Cap growth equity, and Retirement Income portfolio management to both individuals and institutions.

- A complete list and description of all the TEXIIM composites is available upon request.
- TEXIIM composite performance results are expressed in U.S. dollars and shown gross of investment management fees.
- TEXIIM does not use leverage, short positions or derivatives, other than index ETFs, in its normal investment style.
- TEXIIM composites do not include non-fee-paying portfolios.
- TEXIIM has chosen to show comparisons to the S&P 500 (60%) and Barclays Intermediate U.S. Government / Credit (40%) indices as a benchmark and Morningstar Aggressive Allocation Universe for the TEXIIM Retirement Income Strategy because of the wide recognition of the S&P 500 and Barclays Intermediate U.S. Government / Credit as an equity and income index and the availability of the most recent returns. Although other indices and universes exist that likely better reflect the strategy. The Barclays Intermediate U.S. Government / Credit index<sup>™</sup> measures the performance of intermediate U.S. government and corporate bonds.
- Past performance is not a guarantee of future results.
- Texas Institutional's Form ADV and Form ADV Part 2 ("the Brochure") are available online at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Please use the following instructions to access them:
  - 1) Go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)
  - 2) Click on the "Investment Advisor Search" on the left hand side of the page
  - 3) Scroll to the bottom of the page, and select "Firm"
  - 4) Scroll to the bottom of the page, and enter "131300" in the "Firm Name or CRD# or SEC" box
  - 5) Click on "Start Search" button
  - 6) "Texas Institutional Investment Management, LLC" will be displayed at bottom of new page
  - 7) Click "Investment Adviser Firm"
  - 8) Click "Texas", and Form ADV will be displayed
  - 9) You can select individual sections of the Form ADV by going to left hand side of the page and clicking the appropriate menu items

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