

Discretionary Management Services, LLC

Insight Paper: Highlights of “Investment Outsourcing Today” Workshop

By Thomas C. Woolwine, President, June 2016

DeMarche Associates hosted a half-day workshop in Kansas City on June 16 entitled “Investment Outsourcing Today.” Professionals from the firm’s discretionary consulting affiliate, Discretionary Management Services (DMS), presented views on current issues and trends in the investment outsourcing marketplace, as well as their economic and market outlook. Four current subadvisors offered insights into their respective specialties. Highlights of the workshop are as follows:

Timothy Marchesi, CIO, DMS – Economic Environment & the Presidential Election

- Global GDP growth is a disappointment and will remain low and unstable
- China’s economy is shifting to a consumption economy
- Energy sector is very depressed and will impact and mask core headline inflation rate
- Positive signals in U.S. Economy include improved housing starts/sales, auto sales, and manufacturing
- Presidential election has two most likely scenarios: (a) Divided control and President Clinton (gridlock continues) or (b) Republican control and President Trump (disruption and change)
- Brexit vote in June causing global uncertainty for investors

Subadvisor Showcases

- DMS Investment Theme – Dividend yield strategies are attractive in U.S. stocks due to modest economic growth
Key Benefits: Larger portion of total return in sideways market, Diversification and protection for down markets, Growth of income over time
 Speaker: Len Haussler, CFA / President / *Opus Capital Management*
- DMS Investment Theme – Real Estate strategies are attractive versus investment grade fixed income
Key Benefits: Higher current income, Low volatility, Inflation protection
 Speaker: Christopher Macke / Managing Director, Research and Strategy / *American Realty Advisors*
- DMS Investment Theme – High yield bond strategies are attractive in an environment where yields may rise
Key Benefits: Better performance in rising rate environment, Higher income/shorter duration, Attractive spreads
 Speaker: Kathryn Glass, CFA / Senior Investment Analyst, Portfolio Manager, Vice President / *Federated*
- DMS Investment Theme – Asian Equity strategies are attractive relative to other developed markets and EM investments
Key Benefits: Higher GDP growth, Growth of consumerism and infrastructure, Attractive valuations
 Speaker: Andrew Burkly, CFA / Institutional Portfolio Manager / *Franklin Templeton*

James Dykstal, CFA, Portfolio Manager DMS – Market Outlook and Strategic Allocations

- Expect periods of volatility driven by headlines – employment, inflation, energy, Yellen, Trump, Clinton
- The Fed will raise interest rates very cautiously over the next one to two years
- Bond returns will lag the historical average for years to come
- The market seems poised to be surprised by Europe’s economic recovery and has priced in a worst case scenario for Asia
- Slight overweight equities – small cap, international, and emerging market equities
- Underweight investment grade bonds
- Underweight duration
- Overweight credit