

3Q2019 IAC Meeting Materials

IAC Meeting – November 18, 2019

Investment Manager Review Presentation

Bridgewater

Manager Background

- ▶ Founded in 1975 by Ray Dalio, Bridgewater has growth from a small client advisory business into one of the largest alternatives managers in the world
- ▶ Based in Bridgeport, Connecticut, Bridgewater manages over \$160 billion for over 220 institutional clients worldwide
- ▶ 1,625 employees, with 634 devoted to research, account management and trading
- ▶ Known for its highly systematic, rules-based investment approach and a dogged commitment to its culture of “radical transparency” in all its processes
- ▶ Firm is employee-controlled, with Mr. Dalio the majority owner. The firm is in the process of converting to a true partnership structure, which will reduce Mr. Dalio’s stake
- ▶ Flagship strategies:
 - ▶ Pure Alpha, Pure Alpha Major Markets (PAMM) - *Diversified Macro*
 - ▶ All Weather - *Risk Parity*

Team and Investment Process

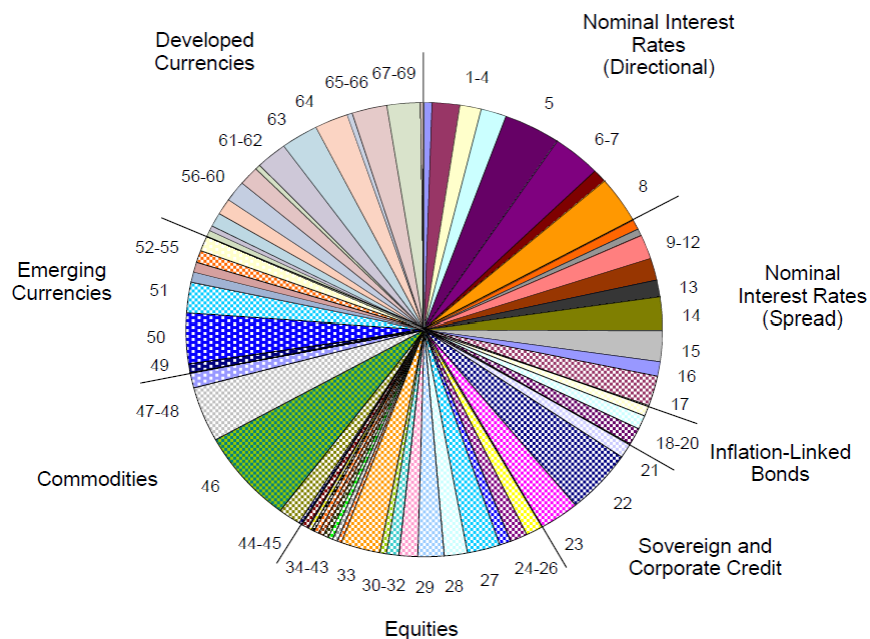
- ▶ Mr. Dalio, Bob Prince and Greg Jensen are co-CIOs and have joint responsibility for the Investment Engine: research, account management and trading
- ▶ Extensive research effort focused on what the firms calls building a deep, fundamental understanding of economic systems, economies and markets
- ▶ Research spans 1) macroeconomic drivers, (2) intermarket action, and (3) capital flows
- ▶ Investment process is fundamental, systematic, data-driven and diversified
- ▶ Primary output of the process is a data-driven, fully systematized set of rules that produce investment signals for 150+ unique investable markets
- ▶ Strategies seek to balance risk across good, unrelated return streams to raise return-to-risk ratios and minimize dependency on any one signal



Pure Alpha Major Markets 14% Vol

- ▶ Global active investment strategy designed to generate high and consistent returns that are uncorrelated to markets and other managers
- ▶ Strategy targets 12% alpha at 14% volatility (0.85 reward-to-risk ratio)
- ▶ Strategy inception November 2010 (simulated back to June 1992)
- ▶ \$84 billion in Pure Alpha strategies

Diversified Alpha Bets Drive Return - and Risk Control



Diversification of Active Opportunities

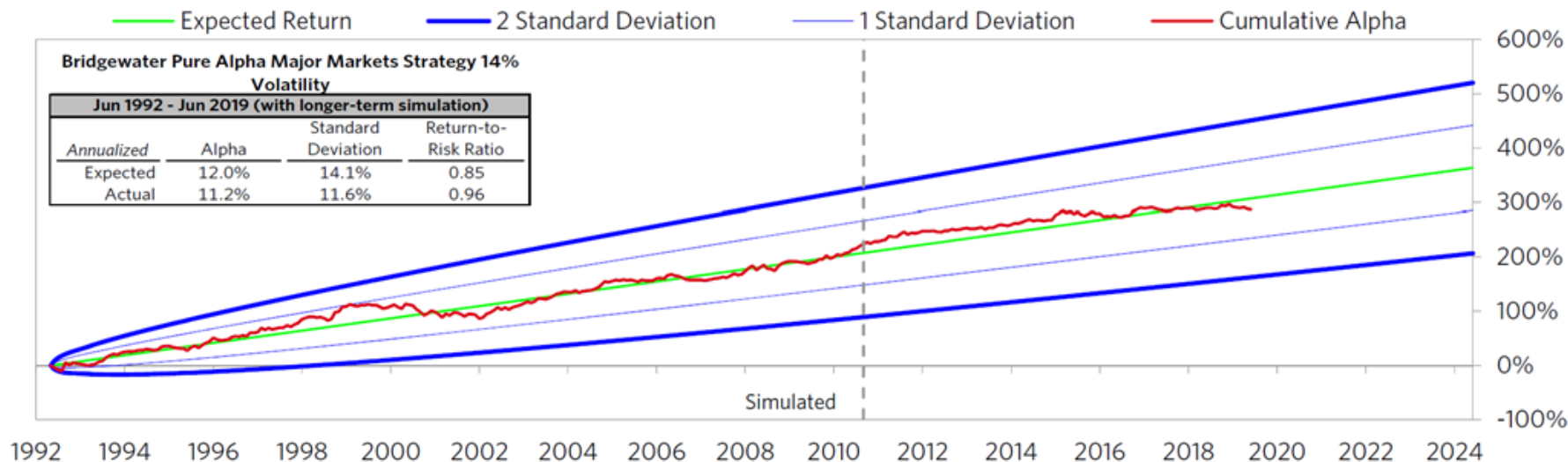
Long Term Alpha Exposure by Market

1 AUS LR	19 GBR IL Bonds	37 EUR Equity Diff	55 TRYvsUSD
2 EUR LR	20 USA IL Bonds	38 GBR Equity Diff	56 AUDvsUSD
3 JPN LR	21 Dev. Sovereign Credit	39 JPN Equity Diff	57 CADvsAUD
4 GBR LR	22 USA Corporate Credit	40 KOR Equity Diff	58 CADvsEUR
5 USA LR	23 EUR Corporate Credit	41 SWE Equity Diff	59 CADvsUSD
6 EUR SR	24 AUS Equity	42 TAI Equity Diff	60 CHFvsEUR
7 GBR SR	25 CAN Equity	43 USA Equity Diff	61 CHFvsUSD
8 USA SR	26 EM Equity	44 Aluminum	62 EURvsAUD
9 AUS LR Diff	27 EUR Equity	45 Copper	63 EURvsGBP
10 CAN LR Diff	28 GBR Equity	46 Crude Oil	64 EURvsUSD
11 EUR LR Diff	29 JPN Equity	47 Gold	65 GBPvsUSD
12 GBR LR Diff	30 KOR Equity	48 Natural Gas	66 JPYvsAUD
13 JPN LR Diff	31 SWE Equity	49 BRLvsUSD	67 JPYvsEUR
14 USA LR Diff	32 TAI Equity	50 KRWvsUSD	68 JPYvsUSD
15 EUR SR Diff	33 USA Equity	51 MXNvsUSD	69 SEKvsEUR
16 GBR SR Diff	34 AUS Equity Diff	52 RUBvsEUR	
17 USA SR Diff	35 CAN Equity Diff	53 RUBvsUSD	
18 EUR IL Bonds	36 EM Equity Diff	54 TRYvsEUR	

Pure Alpha Major Markets 14% Vol

Gross Cumulative Alpha vs. Expectations (In)

(Returns Simulated Prior to Nov. 2010)



Source: Bridgewater Associates

Correlation of Pure Alpha Major Markets to Markets and Managers

(Returns Simulated Prior to Nov. 2010)

CORRELATION TO MARKETS	
Pure Alpha Major Markets 14% Strategy	Correlation
vs. Bloomberg Barclays U.S. Aggregate	0.05
vs. S&P 500	0.11
vs. Russell 2000	0.09
vs. Citi WGBI U.S.	0.06
vs. MSCI EAFE Unhedged	0.18
vs. Bloomberg Barclays TIPS (since Mar-97)	0.10
vs. GSCI	0.06
Average	0.09

Net of Fees Excess Returns Jun-1992 to Jun-2019

CORRELATION TO ALTERNATIVE MANAGERS	
Pure Alpha Major Markets 14% Strategy	Correlation
vs. Convertible Arbitrage	0.02
vs. Emerging Markets	0.03
vs. Equity Market Neutral	0.04
vs. Event Driven	0.03
vs. Fixed Income Arbitrage	0.00
vs. Fund of Funds	0.09
vs. Global Macro	0.07
vs. Multi-Strategy	0.05
vs. Long/Short Equity	0.06
Average	0.04

Net of Fees Excess Returns Jun-1992 to Mar-2019

CORRELATION TO TRADITIONAL MANAGERS	
Pure Alpha Major Markets 14% Strategy	Correlation
vs. U.S. Equities	-0.01
vs. Global Equities	-0.01
vs. U.S. Fixed Income	-0.01
vs. Global Fixed Income	0.02
Average	0.00

Net of Fees Excess Returns Jun-1992 to Mar-2019

Source: Bridgewater Associates

All Weather Strategy

- ▶ Designed to perform well across different economic environments and achieve the highest possible return-to-risk ratio for a strategic portfolio
- ▶ Strategy targets 0.60 reward-to-risk ratio, or 6% excess over cash at 10% volatility
- ▶ Strategy inception June 1996 (simulated back to January 1970)
- ▶ \$54 billion in All Weather strategy

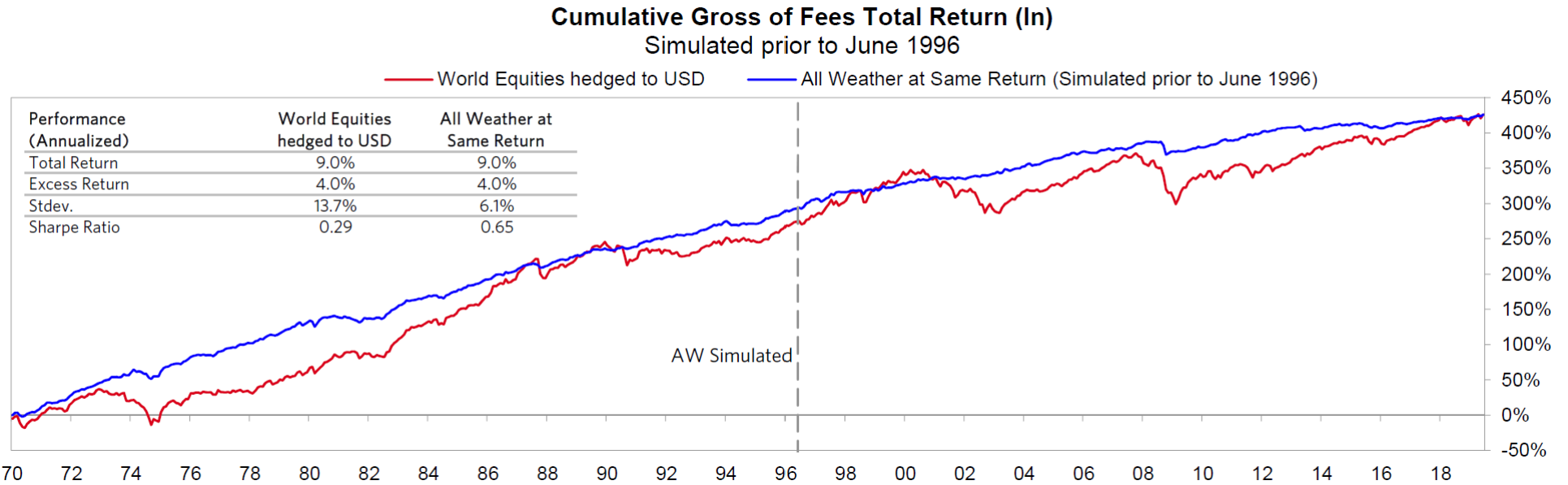
Balanced Allocation to Assets With Structurally Offsetting Biases to Growth, Inflation

	Growth	Inflation
Rising	25% of Risk Equities Commodities Corporate Credit EM Credit	25% of Risk Breakeven Inflation IL Bonds Commodities EM Credit
Falling	25% of Risk Nominal Bonds IL Bonds	25% of Risk Nominal Bonds Equities
Risk Premiums & Discount Rates		

Source: Bridgewater Associates

All Weather Strategy

Strategy Simulation: World Equities vs. All Weather at Same Return



Strategy Net of Fees Performance

All Weather Strategy Performance (Net of Fees)

	Total Return in USD
Last 1 Year	6.5%
Last 3 Years	6.4%
Last 5 Years	3.6%
Last 7 Years	4.3%
Last 10 Years	8.0%

Annualized Returns (Jun-96 through Jun-19)

All Weather Simulation Performance (Net of Fees)

	Total Return in USD
Last 1 Year	6.2%
Last 3 Years	5.9%
Last 5 Years	3.3%
Last 7 Years	4.6%
Last 10 Years	8.1%

Annualized Returns (Jan-70 through Jun-19)

Net Since Inception Jun-96 through Jun-19

	Total Return in USD
Annualized Return	7.7%
Standard Deviation	9.8%
Sharpe Ratio	0.56

Net Since Inception Jan-70 through Jun-19

	Total Return in USD
Annualized Return	11.9%
Standard Deviation	10.1%
Sharpe Ratio	0.68