

PartnerSelect Funds

LITMAN GREGORY

# PartnerSelect Alternative Strategies Fund Webinar

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Featuring Jeffrey Gundlach of DoubleLine



# Disclosure

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***Must be preceded or accompanied by a prospectus.***

***Mutual fund investing involves risk. Principal loss is possible. Diversification does not assure a profit nor protect against loss in a declining market.***

*Multi-investment management styles may lead to higher transaction expenses compared to single investment management styles. Outcomes depend on the skill of the sub-advisors and advisor and the allocation of assets amongst them.*

*Each of the funds may invest in foreign securities. Investing in foreign securities exposes investors to economic, political, and market risks and fluctuations in foreign currencies. Each of the funds may invest in the securities of small companies. Small-company investing subjects investors to additional risks, including security price volatility and less liquidity than investing in larger companies. Investments in emerging market countries involve additional risks such as government dependence on a few industries or resources, government-imposed taxes on foreign investment or limits on the removal of capital from a country, unstable government, and volatile markets. The Alternative Strategies and HIA funds may invest in debt securities, derivatives, master limited partnership units, and may make short sales of securities. Investments in debt securities typically decrease when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in mortgage-backed securities include additional risks that investor should be aware of including credit risk, prepayment risk, possible illiquidity, and default, as well as increased susceptibility to adverse economic developments. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. Investing in MLP units may expose investors to additional liability and tax risks. Short sales of securities involve the risk that losses may exceed the original amount invested. Merger arbitrage investments risk loss if a proposed reorganization in which the fund invests is renegotiated or terminated.*

*Investment in absolute return strategies are not intended to outperform stocks and bonds during strong market rallies.*

***Leverage may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the fund to be more volatile than if leverage was not used.***

*References to other mutual funds should not be deemed an offer to sell or solicitation of an offer to buy shares of such funds. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.*

*Litman Gregory Fund Advisors LLC has ultimate responsibility for the performance of the PartnerSelect Funds due to its responsibility to oversee the investment managers and recommend their hiring, termination and replacement.*

*PartnerSelect Funds are distributed by ALPS Distributors, Inc. LGM001019 exp. 2/28/2021*

# Disclosure

The Morningstar Rating for funds, or “star rating”, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed products monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10 year overall rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Litman Gregory Masters Alternative Strategies Fund was rated against the following numbers of Multialternative funds over the following time periods as of 9/30/2020: 247 funds in the last three years, and 192 funds in the last five years. With respect to these Multialternative funds, Litman Gregory Masters Alternative Strategies (MASFX) received a Morningstar Rating of 4 stars and 4 stars for the three- and five-year periods, respectively. Ratings for other share classes may be different. Morningstar rating is for the Institutional share class only; other classes may have different performance characteristics. The Investor share class received a rating of 3 stars and 4 stars for the three- and five-year periods, respectively.

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**An asset-backed security (ABS)** is a financial security collateralized by a pool of assets such as loans, leases, credit card debt, royalties or receivables.

**Beta** is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

**Correlation** is a statistical measure of how two securities move in relation to each other.

**Credit Default Swap (CDS)** A credit default swap (CDS) is a financial derivative or contract that allows an investor to "swap" or offset their credit risk with that of another investor. For example, if a lender is worried that a borrower is going to default on a loan, the lender could use a CDS to offset or swap that risk

**Duration** is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.

**Collateralized Loan Obligation (CLO)** is a security backed by a pool of debt, often low-rated corporate loans. Collateralized loan obligations (CLOs) are similar to collateralized mortgage obligations, except for the different type of underlying loan.

**Mortgage-backed security (MBS)** is a type of asset-backed security that is secured by a mortgage or collection of mortgages (CMBS= Commercial; RMBS= Residential)

**Sharpe ratio** is the measure of a fund's return relative to its risk. The Sharpe ratio uses standard deviation to measure a fund's risk-adjusted returns. The higher a fund's Sharpe ratio, the better a fund's returns have been relative to the risk it has taken on. Because it uses standard deviation, the Sharpe ratio can be used to compare risk-adjusted returns across all fund categories.

**A special purpose acquisition company (SPAC)** is a company with no commercial operations that is formed strictly to raise capital through an initial public offering (IPO) for the purpose of acquiring an existing company.

**Yield to Maturity** is the rate of return anticipated on a bond if it is held until the maturity date.

**Yield to Worst** is the lowest potential yield that can be received on a callable bond without the issuer actually defaulting.

**The Bloomberg Barclays Aggregate Bond Index** is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. The index includes US Treasury Securities (non TIPS), Government agency bonds, Mortgage backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S.

**LIBOR** stands for London Interbank Offered Rate. It's an index that is used to set the cost of various variable-rate loans.

**The Russell 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe. It includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

**The HFRX Global Hedge Fund Index** is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

**Each Morningstar Category Average** represents a universe of Funds with similar investment objectives.

**You cannot invest directly in an index.**

# On Today's Webinar

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**Jason Steuerwalt, CFA**  
Sr. Research Analyst  
Co-PM, Alternative  
Strategies Fund



**Jeremy DeGroot, CFA**  
Litman Gregory CIO  
Co-PM, Alternative  
Strategies Fund



**Jeffrey Gundlach**  
DoubleLine  
CEO, CIO

# Alternative Strategies Fund

## MASFX, MASNX

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### OVERVIEW

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The fund seeks to achieve attractive absolute and relative long-term returns with lower risk and lower volatility than the stock market, and with relatively low correlation and beta to stock and bond market indexes.

- Combines skilled, risk-averse managers
- Mix of strategies not commonly available
- Transparent and understandable
- Intensive manager due diligence and tactical allocation by Litman Gregory
- Highly competitive cost compared to category
- Daily pricing and liquidity
- Built to be a core, lower-risk alternatives fund



#### Morningstar Rating

MASFX: Four-star Overall Morningstar Rating™, among 247 Multialternative funds based on risk-adjusted return for the period ending 9/30/20.

**Past performance is not a guarantee of future results.**

# The Alternative Strategies Fund Performance

## Average Annual Total Returns

Performance as of 9/30/2020	Average Annual Total Returns					Since Inception
	Three Month Return	Year-to-Date	One Year	Three-Year	Five-Year	
<b>PartnerSelect Alternative Strategies Fund INSTITUTIONAL</b>	<b>2.94%</b>	<b>0.44%</b>	<b>2.36%</b>	<b>2.42%</b>	<b>3.64%</b>	<b>4.40%</b>
<b>PartnerSelect Alternative Strategies Fund INVESTOR</b>	<b>2.87%</b>	<b>0.29%</b>	<b>2.13%</b>	<b>2.14%</b>	<b>3.38%</b>	<b>4.16%</b>
3-Month LIBOR	0.06%	0.61%	1.11%	1.91%	1.50%	0.98%
Barclays Aggregate Bond Index	0.62%	6.79%	6.98%	5.24%	4.18%	3.45%
Morningstar Multialternative Category	1.96%	-3.60%	-2.00%	0.19%	1.02%	1.34%
HFRX Global Hedge Fund Index	2.74%	1.62%	4.23%	1.48%	2.14%	1.84%
Russell 1000 Index	9.47%	6.40%	16.01%	12.38%	14.09%	15.28%

**SEC 30-Day Yield<sup>1</sup> as of 9/30/2020 Institutional: 2.32% Investor: 2.07% | Unsubsidized SEC 30-Day Yield<sup>2</sup> as of 9/30/2020 Institutional: 2.04% Investor: 1.79%**

<sup>1</sup>The 30-day SEC Yield is computed under an SEC standardized formula based on net income earned over the past 30 days. It is a "subsidized" yield, which means it includes contractual expense reimbursements, and it would be lower without those reimbursements.

<sup>2</sup>The unsubsidized 30-day SEC Yield is computed under an SEC standardized formula based on net income earned over the past 30 days. It excludes contractual expense reimbursements, resulting in a lower yield.

## Expense Ratios

Gross Expense Ratio	1.63%	1.88%
Net Expense Ratio	1.35%	1.60%
Adjusted Expense Ratio	1.30%	1.55%

The Net Expense Ratio reflects a contractual fee waiver and/or expense reimbursement, which is in place through 4/30/2021. See the Fund's prospectus for more information.

The Adjusted Expense Ratio is the same as the Net Expense Ratio exclusive of certain investment expenses, such as interest expense from borrowings and repurchase agreements, dividend expense from investments on short sales, and acquired fund fees and expenses.

**Performance quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Other share classes may impose other fees. To obtain standardized performance of the funds, and performance as of the most recently completed calendar month, please visit [www.partnerselectfunds.com](http://www.partnerselectfunds.com).**

# Alternative Strategies Fund

## MASFX, MASNX

### RISK/RETURN STATISTICS – 9/30/2020

	<b>MASFX</b>	<b>Bloomberg Barclays U.S. Aggregate Bond Index</b>	<b>Morningstar Multi- alternative Category</b>	<b>HFRX Global Hedge Fund Index</b>	<b>Russell 1000 Index</b>
Annualized Return	4.40	3.46	1.35	1.84	15.28
Total Cumulative Return	47.38	35.76	12.86	17.82	259.59
Annualized Std. Deviation	4.63	2.97	4.35	4.26	13.47
Sharpe Ratio (Annualized)	0.81	0.94	0.18	0.29	1.08
Beta (to Russell 1000)	0.29	-0.01	0.29	0.27	1.00
Correlation of MASFX to...	1.00	-0.06	0.84	0.68	0.80
Worst Drawdown	-13.00	-5.39	-13.49	-10.83	-32.47
Worst 12-Month Return	-5.36	-2.47	-6.65	-8.19	-8.03
% Positive 12-Month Periods	85.00%	80.00%	72.00%	69.00%	94.00%
Upside Capture (vs. Russell 1000)	28.80	8.92	21.71	22.07	100.00
Downside Capture (vs. Russell 1000)	27.94	-9.80	38.08	34.66	100.00

Past performance does not guarantee future results

Since inception (9/30/11)

Worst Drawdown based on weekly returns

# DCI Long-Short Credit Q3 Positioning



## Long-Short Credit

Risk-managed long-short credit portfolio

Fundamentals-driven, systematically implemented investment process

Uses both credit default swaps (CDS) and cash bonds

- Still see attractive spread and credit opportunity
- Average gross spread on CDS book (avg long spread + average short spread) slightly above historical average
- Yield-to-maturity in bond portfolio (net of hedges) in mid-to-upper 3% range
- Total gross portfolio exposure slightly above and total net exposure slightly below average



# DoubleLine Opportunistic Income Q3 Positioning



## Opportunistic Income

Best ideas fixed income strategy

Strives to deliver positive absolute returns that are meaningfully in excess of the Bloomberg Barclays U.S. Aggregate Bond Index

- Almost 50% in non-Agency Residential Mortgage-Backed Securities (RMBS) (vast majority legacy, pre-great financial crisis)
- About 1/3 in other credit sectors, mostly structured (commercial mortgage-backed securities [CMBS], collateralized loan obligations, asset-backed securities [ABS]) but also some emerging markets and bank loans
- Yield to maturity approximately 5.7%
- Duration of 2 years

# FPA Contrarian Opportunity Q3 Positioning



## Contrarian Opportunity

Highly flexible mandate

Invests across regions, market caps, and a company's capital structure

Ability to short stocks to hedge certain portfolio exposures and to generate returns

Limited exposure to less-liquid long-term positions

- Net long equity exposure approximately 70%, net credit exposure approximately 5% and cash approximately 24%
- Largest sector concentrations in Communication Services, Financials, and Information Technology (together account for ~50% of portfolio)
- Portfolio barbelled with high-quality, dominant “compounder” businesses at reasonable valuations (e.g. Alphabet, Microsoft) and extremely cheap but more cyclical names (e.g. financials, some materials and industrials)
- Opportunistic allocations in March/April of travel-related and select credit positions; awaiting further credit market stress to opportunistically increase exposure

# Loomis Sayles Absolute Return Q3 Positioning



## Absolute Return

Top-down (macro) analysis and bottom-up security selection

Curve, credit, and currency exposures

Long or short positions across many sectors and multiple time horizons

Focus on mitigating shorter-term volatility

- Vast majority of net long exposure in high yield (approximately 43%) and securitized credit (31%), with smaller exposures to investment grade corporate bonds, high-dividend-yield equities, and convertible bonds
- Securitized allocation is approximately half ABS (diversified across a number of subsectors), with the remainder mostly non-Agency RMBS and some CMBS
- Yield to worst approximately 5.3%
- Duration of 4.1 years

# Water Island Arbitrage and Event-Driven Q3 Positioning



## Arbitrage and Event-Driven

Global focus across capital structure

Highest-conviction risk-adjusted ideas

Strict discipline to manage downside risk

- Approximately 95% gross long and 61% net long
- Over 80% of net long exposure (50 out of 61 percentage points) is in merger strategy (including equity and credit positions) with <20% in special situations
- Merger strategy remains attractive as spreads widened late in Q3 to well above pre-COVID levels (though much lower than end of Q1); deal volume rebounded very significantly following Q2 slowdown
- Almost two-thirds of net special situations portfolio in Special Purpose Acquisition Companies, which continue to present attractive opportunity set among record annual issuance

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## Post-Election Landscape: Where Are the Opportunities From Here?

with Jeffrey Gundlach, CEO & CIO of DoubleLine



## Questions about the fund?

Please contact our relationship management team.



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