

Investing with Time Horizons — Why Time Is Critical

Quick Take

Investment success is often less about picking the "right" asset and more about aligning your asset mix with your time horizon. Financial goals are the basis for investment decisions, and time horizon provides context for achieving those goals.

We explore how time horizons affect asset class performance, how people invest for retirement, and how GB Wealth designs portfolios around achieving a positive return over 2- and 5-year windows — a real challenge in today's markets.

The Importance of Investing with a Time Horizon

Time horizon isn't just a technical concept — it's a practical one. Each of us have financial goals that evolve over time, and our portfolios should reflect that. Retirement is a prime example: when we shift from accumulating wealth to spending it, our perception of risk changes, often dramatically.

My grandfather once stated, "I don't know if I will be around to see the equity market recover" Then, he sold all his equities. His concern still resonates. Investing isn't just about growth — it's about **when** those returns come and whether they're there when you need them. Retirement shrinks your time horizon leaving less room for error, and more need for liquidity and income.

Often, the amount of time allocated to reaching those goals informs the design of a portfolio strategy. Equities and longer-dated bonds may not be appropriate for short-term needs, nor are investments in private companies with limited liquidity.

A clear time horizon helps investors optimize their exposure to volatility and align return expectations. Without adhering to a timeline, investors often sell at the worst times — or take on too much risk too late. A clear plan, backed by a defined time horizon, is what allows portfolios to be resilient — not just grow.

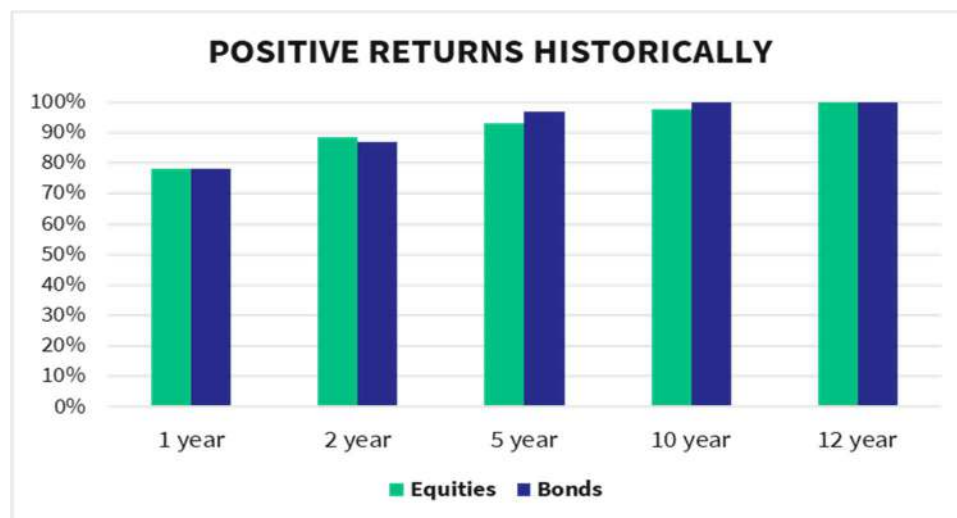
Quick Thoughts:

- Equities may be a poor fit for a 1 to 2-year goal but ideal for a 20-year horizon.
- Illiquid assets (e.g. private equity, real estate) tend to require longer holding periods and may not suit mid- or short-term timelines.
- Aligning asset mix with time horizon can enhance the probability of meeting financial goals and escaping the need to sell in downturns.

Looking Back: What History Tells Us About Time

If your investment horizon is only a few years, you may not have the luxury of riding out a downturn in the market. But if you're investing for the long term, the odds are on your side — *if* your portfolio is aligned with your time horizon.

The longer you stayed invested, the more often you have experienced positive outcomes — but the details matter. History shows that while equities demonstrated strong long-term returns, they also come with periods of significant short-term volatility. Here's what the data¹ tells us about the relationship between time and the frequency of achieving positive returns:



Over rolling periods since World War II monthly returns are positive about 65% of the time in both bonds (US 10 year) and equities (S&P 500), while longer holding periods have increased the occurrence of positive returns over those periods.

Mixing equities and bonds improves consistency:

- A **30% equity / 70% bond** mix has produced a positive return over any 4-year rolling period.
- A **60% equity / 40% bond** mix has delivered a positive return most of the time over rolling 5-year periods.
- Annualized monthly equity returns have been **11.9%** compared to only **5.2%** for bonds. This has translated to a cost of about **65** basis points for each **10%** reduction in equities and re-allocated to bonds.

These outcomes highlight the power of thoughtful asset allocation and underscore the importance of adjusting risk based on time horizon. Even modest equity exposure, when paired with high-quality bonds, has increased the odds of meeting short- and medium-term financial goals — while reducing the occurrence of losses.

¹ Data is sourced from <https://shillerdata.com/> while analysis and calculations are performed by GB Wealth. Equities are represented by the S&P 500 in USD, while bonds are represented by the monthly return of the 10-year US Treasury bond in USD. No transaction costs are considered.

Case Study: How Time Horizon Shapes GBW Funds

The data reminds us of the challenge to deliver consistent, positive returns in short time periods — especially when aiming for growth. Traditional portfolios anchored in equities and long-term benchmarks are often built for success over decades, not years.

GB Wealth designs investment strategies with this reality in mind. Our approach is built to seek capital appreciation **while also maintaining a high probability of delivering a positive return over 2- and 5-year rolling periods**. That's the time frame where most investors feel real-world pressure — whether they're approaching retirement, funding a relative's education, or simply trying to avoid drawdowns.

Time horizon helps you match the right asset mix to the right life stage:

- **Short-term goals:** prioritize liquidity and stability.
- **Mid-term goals:** balance of growth, stability and diversification.
- **Long-term goals:** prioritize growth and accept more volatility.



What sets the GB Wealth funds apart?

An all-weather portfolio design that incorporates:

- Bonds and protected equities (options-based portfolio insurance)
- Commodities for inflation protection

- Diversification strategies
- Active asset allocation
- Absolute return focus

Principally, GBW Funds aim to deliver **risk-managed growth**, not just beat an index. While benchmarks offer insight into a fund's relative performance, they also have their limitations. Instead of fixating strictly on benchmarks, we instead focus on real outcomes for real goals. Our strategies are actively managed and draw from experience in asset allocation, absolute return, and derivative markets.

The funds are optimized for investors who seek:

- Growth with capital preservation
- Improved probability of positive returns over 2- and 5-year windows
- A more robust alternative to the traditional 60/40 equity and bond split

In short, our funds are for those who want growth — but are more concerned about the volatility over shorter periods of time.

Final Thoughts: The Big Picture

Our goal isn't simply to grow capital — it's to do so **responsibly** and with a focus on **achieving positive returns** over rolling 2- and 5-year periods. These are time horizons that matter to people. Benchmarks are about rationalizing performance; we believe in building toward financial goals with discipline and structure.

- We are aligned with **goal-based planning** — and focus on optimized returns over short to medium timeframes.
- A realistic time horizon is more important than chasing returns.
- We aim to deliver **positive returns** in different market conditions.

A sound investment strategy starts with a plan, matched to your time horizon, and focuses on delivering real-world outcomes. Even the best investments can fail you if they don't align with your consumption needs.

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