

# Navigating the New Paradigm

**Atul Lele**

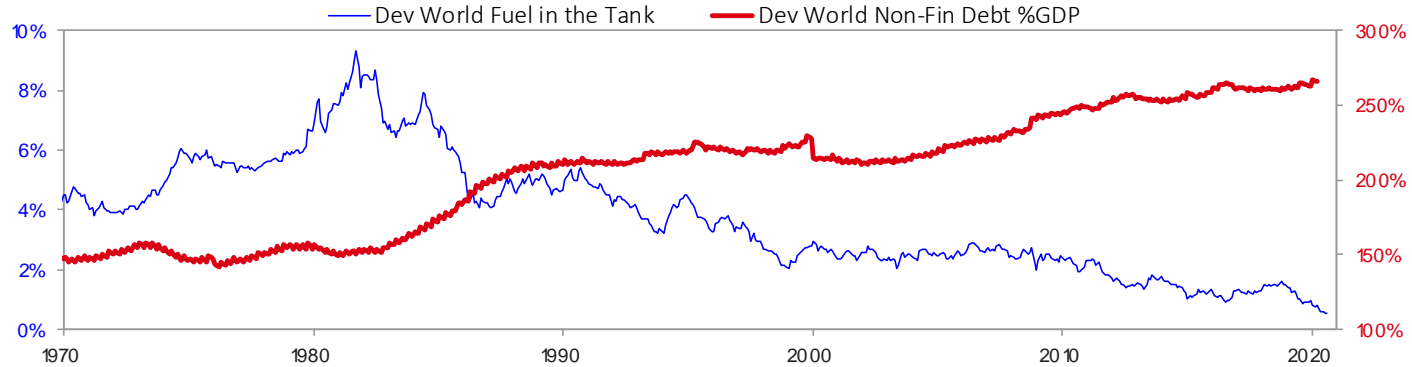
Portfolio Strategist, Bridgewater Associates

# SUMMARY

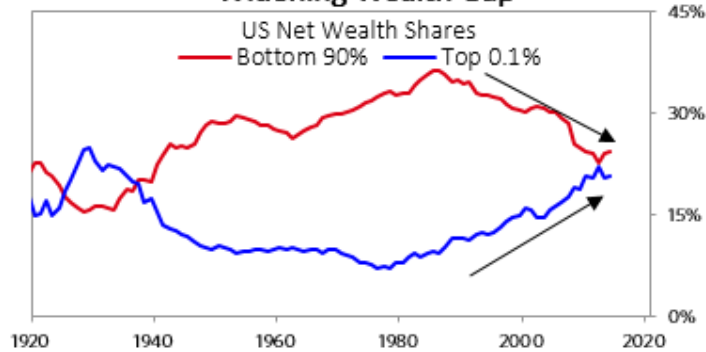
- Secular pressures created the need for a paradigm shift. The global pandemic is an accelerant towards the new paradigm of greater monetary and fiscal coordination.
- This new paradigm comes with the new reality of 0% long-term bond yields, with implications for all assets.
- The range of outcomes from here is exceptionally wide. The need for fundamentally based diversification is more important than ever, and more difficult to achieve than ever.

# SECULAR BACKDROP CREATING THE NEED FOR A NEW PARADIGM

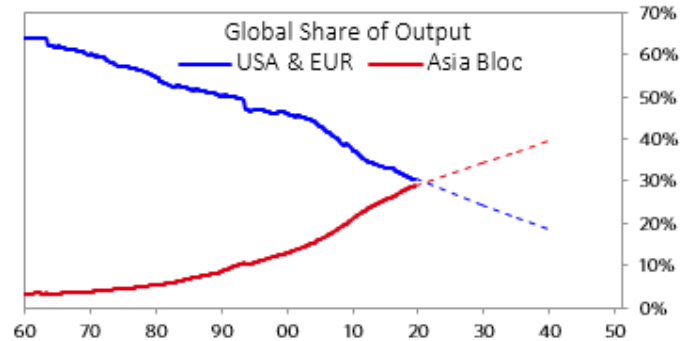
## High Levels of Debt & Other Obligations & Low Levels of Policy "Fuel in the Tank"



## Widening Wealth Gap



## Rise of China and Asian Bloc

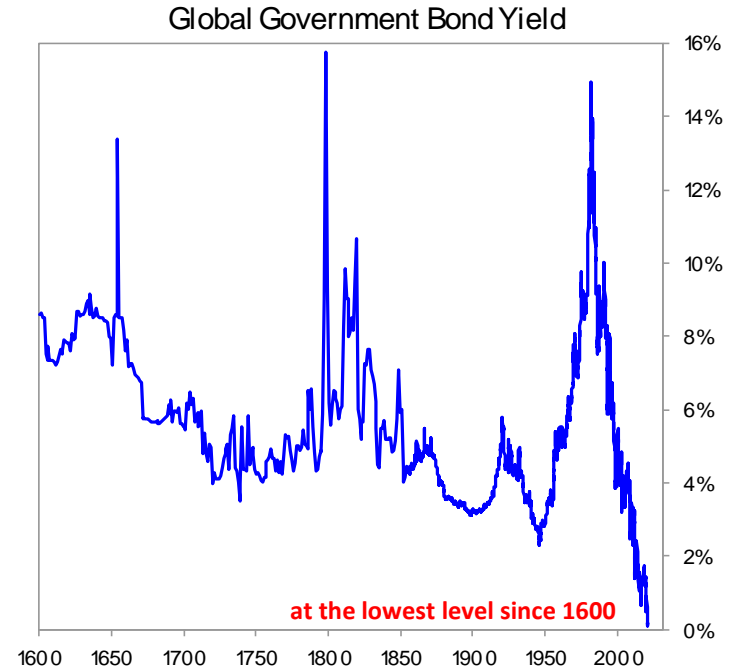
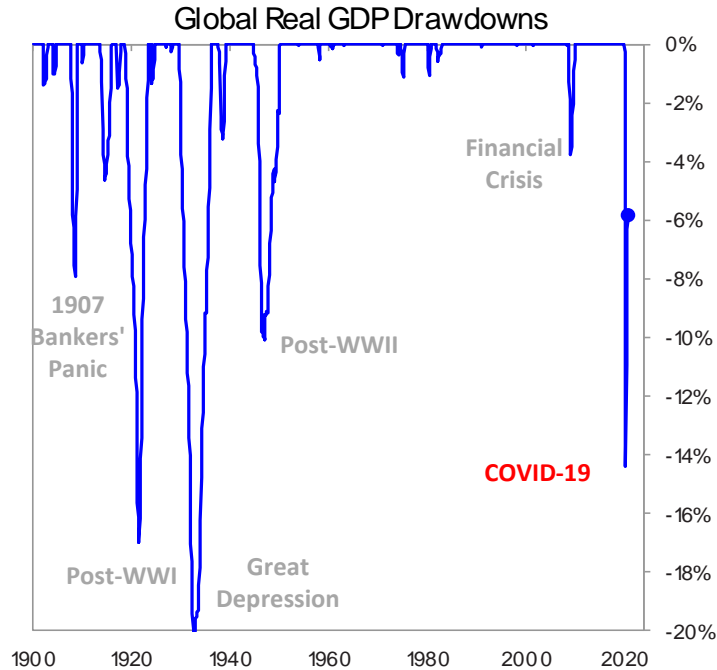


Data in top chart as of 2020, in bottom charts as of 2018. Estimates are based on Bridgewater analysis. Asia Bloc includes the following economies: China, Hong Kong, Korea, Malaysia, Singapore, Taiwan, and Thailand. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

# COVID-19 ABRUPTLY CHANGED THE OUTLOOK

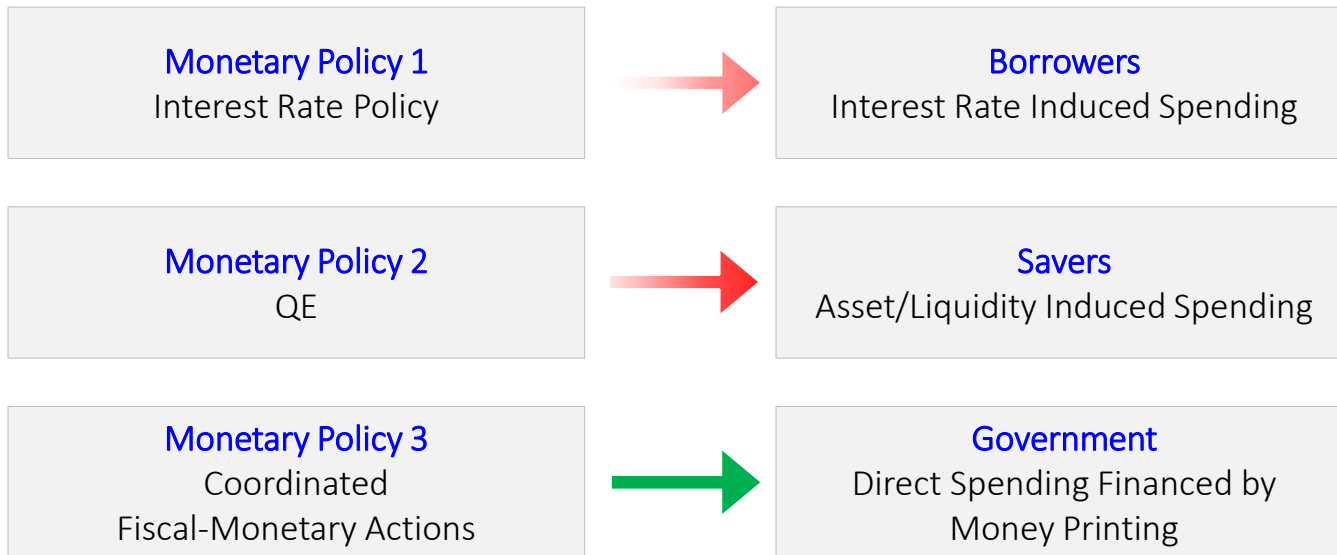
Virus caused a self-reinforcing collapse in spending & income...

...with interest rates at zero

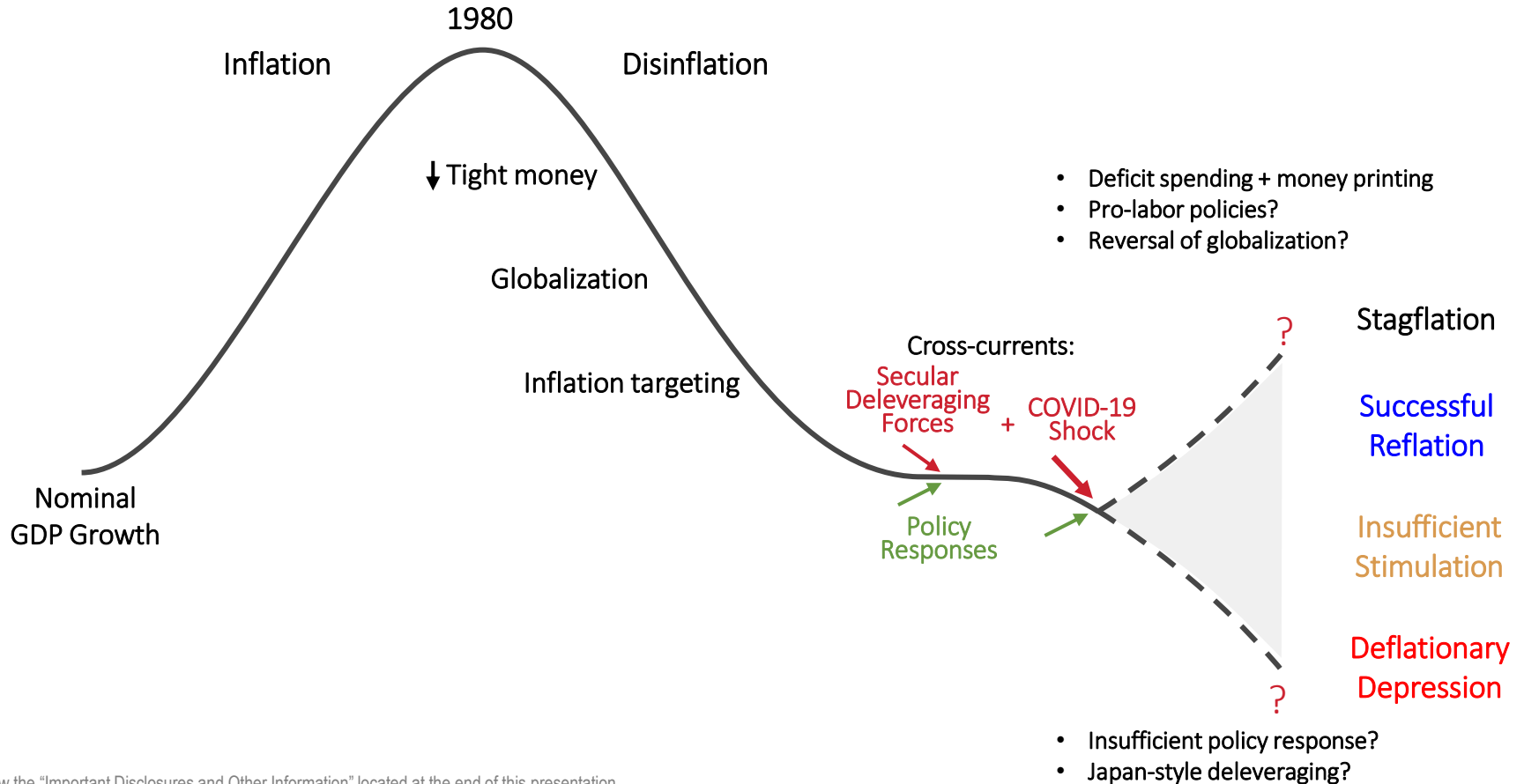


# MONETARY POLICY 3 IS THE NEW POLICY LEVER

## Channels by which MP1, MP2 & MP3 Stimulate Spending

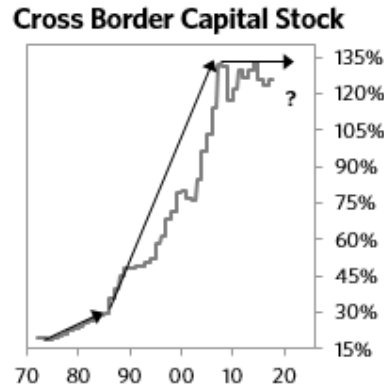
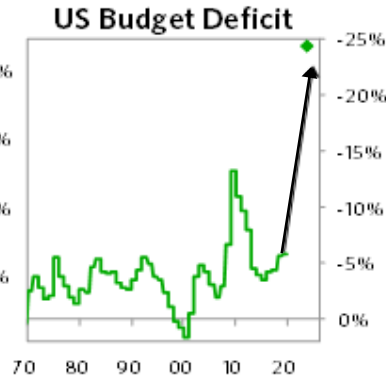
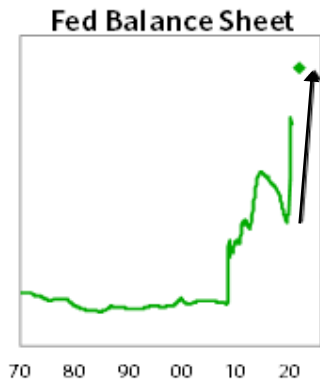
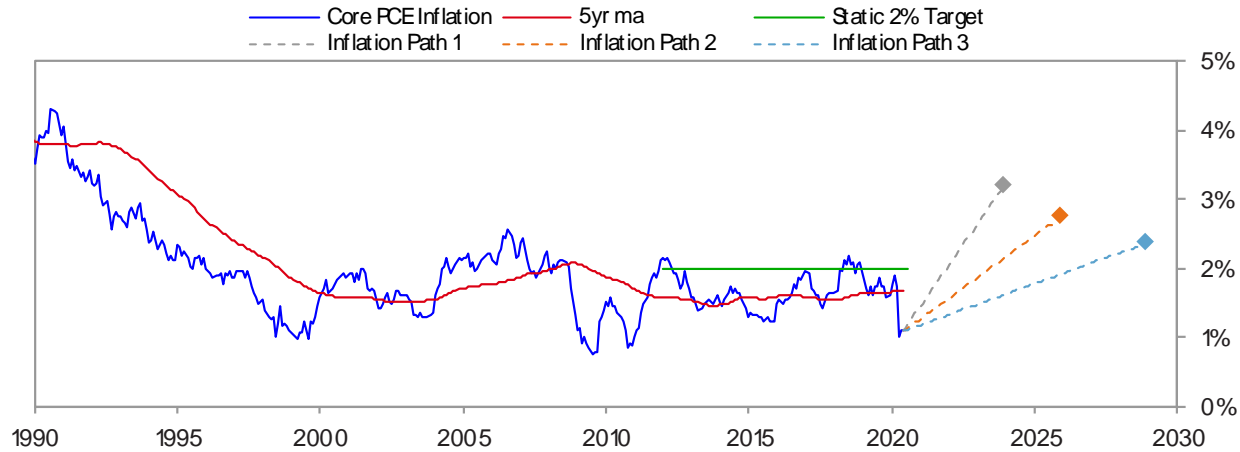


# INVESTORS MUST PREPARE FOR A WIDE RANGE OF POSSIBLE OUTCOMES

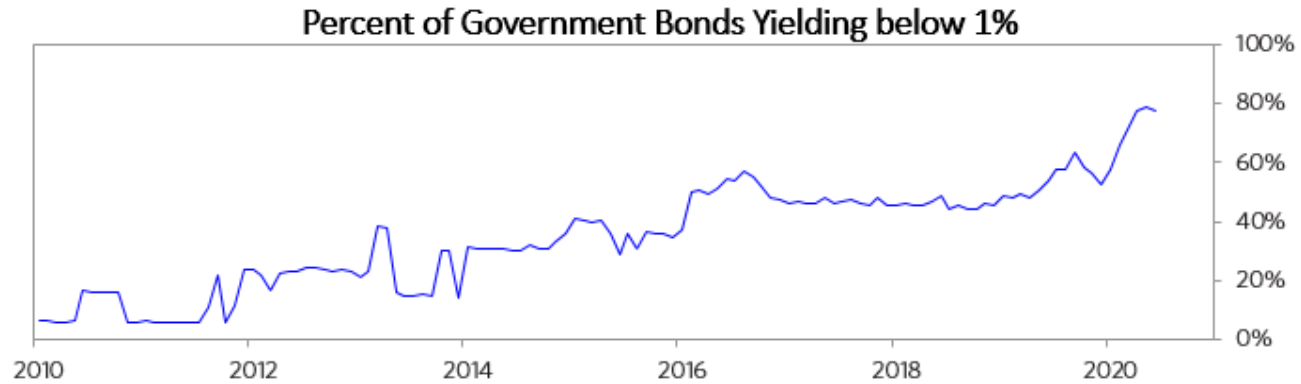


# BALANCE OF PRESSURES ON INFLATION IS SHIFTING

Possible Paths to Average Inflation of 2%

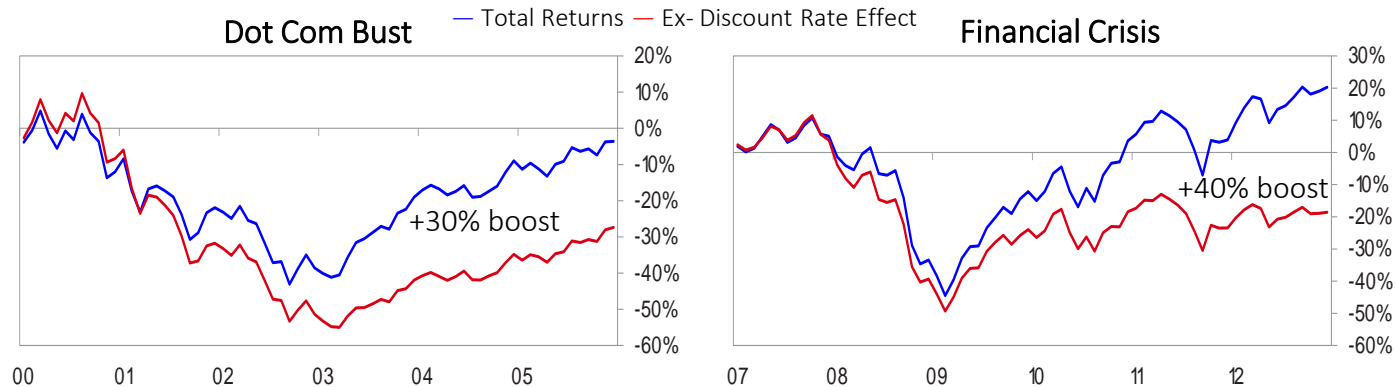


# 0% BOND YIELDS ARE A PROBLEM FOR ALL INVESTORS



## Falling Discount Rates Cushioned Assets in Prior Crises

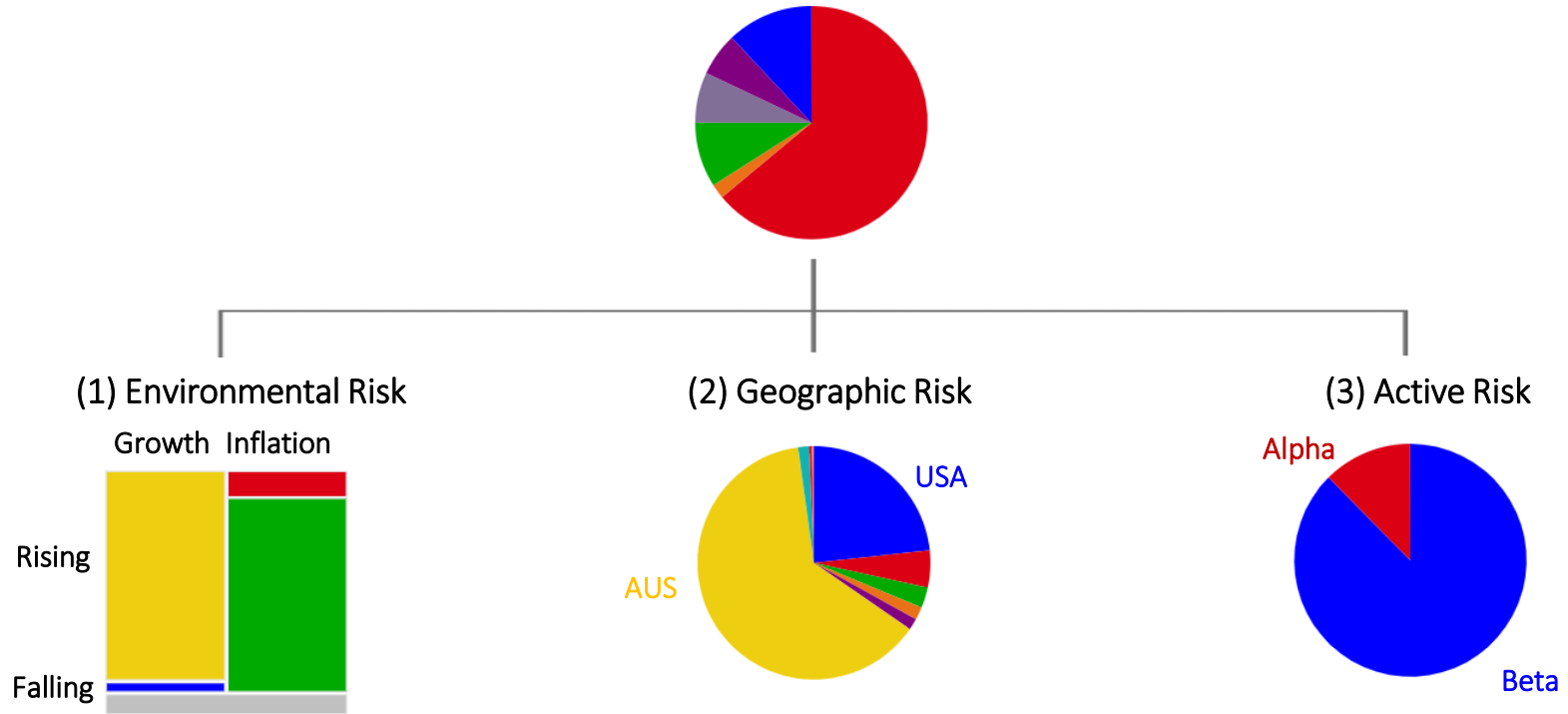
US Equities Returns





# PORTFOLIO LEVERS TO PROVIDE RETURN AND DIVERSIFICATION

AUS Illustrative Portfolio Capital Share



# PAST PARADIGM SHIFTS HIGHLIGHT IMPORTANCE OF ENVIRONMENTAL DIVERSIFICATION

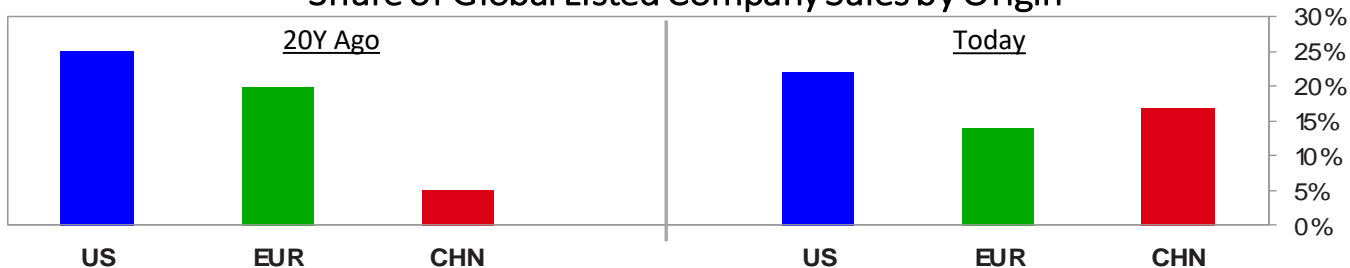
Excess Returns at 10% Volatility (Ann)

		Equities	Bonds	IL Bonds	Gold
Stagflation	UK 1970-1979	1.4%	-0.3%	14.5%	12.3%
	US 1971-1979	0.0%	-2.3%	7.1%	15.1%
Successful Reflation	US 1940-1951	6.9%	4.9%	12.5%	0.3%
	UK 1947-1959	6.2%	0.1%	4.7%	-0.4%
	US 2008-2012	4.0%	11.6%	17.4%	9.5%
	UK 2008-2012	3.8%	12.9%	13.4%	11.3%
Insufficient Stimulation	US 1936-1939	0.7%	8.7%	7.0%	-0.1%
	EU 2008-2012	-1.1%	7.7%	10.9%	11.5%
	JP 2008-2012	-2.1%	7.1%	10.2%	4.9%
	JP 1994-2003	-1.4%	8.6%	7.9%	-0.1%
Deflationary Depression	US 1929-1933	-18.3%	6.0%	-15.4%	-0.9%

Asset returns simulated based on the respective case's assets—e.g., in a UK case we use only UK assets. Information shown is the result of analyses of actual and simulated market data. It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

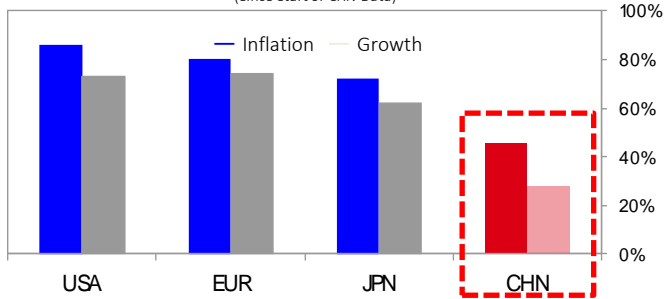
# TRI-POLAR WORLD CREATES OPPORTUNITIES FOR GEOGRAPHIC DIVERSIFICATION

## Share of Global Listed Company Sales by Origin



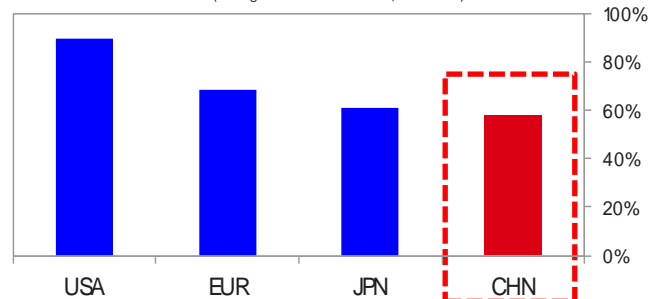
## Growth & Inflation Correlation to Developed World

(Since Start of CHN Data)



## Risk Premiums and Discount Rates Correlation to Global

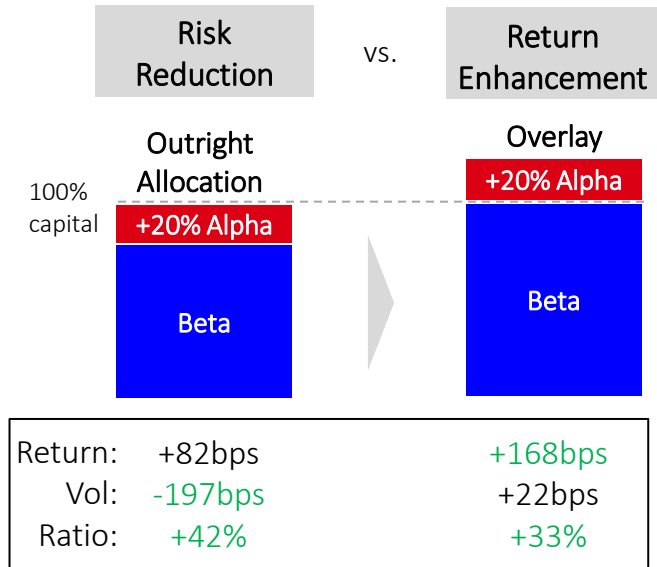
(Rolling 3 Year Excess Returns, Simulated)



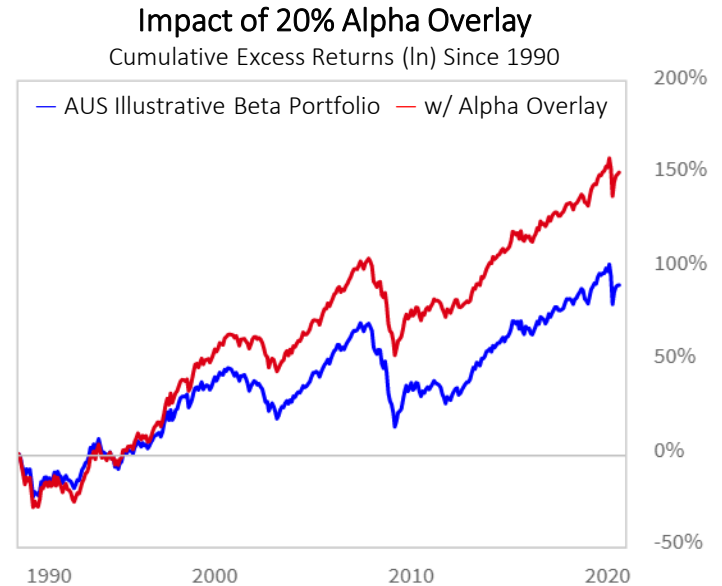
Bottom left chart correlations shown since start of CHN Data, 1991 for growth, and 1985 for inflation. Bottom charts updated as of data available through 2020. "Correlation to Dev World" refers to the correlation of growth, inflation or returns in that country to the developed world, excluding the referenced country when that country is part of the developed world. Single-country returns from risk premiums and discount rates simulated using All Weather-like asset allocations in regional terms using local assets (please see "All Weather Asset Mix Disclosure"). Return from Chinese risk premiums and discount rates simulated also using global assets where necessary to achieve diversification (please see "All Weather China Asset Mix Disclosure"). Simulated performance gross of fees. It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. Correlation is based on long-term averages and at any given point in time could be higher or lower than in the periods shown above. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

# GOOD, DIVERSIFYING ALPHA WILL BE KEY

## Access Alpha Efficiently



## Good & Diversifying Alpha Can be Highly Impactful



Charts on left depicts expected impact of 20% allocation to 0.7 ratio uncorrelated alpha using a shift vs overlay on the beta portion of the AUS Illustrative portfolio. Chart on right depicts impact of illustrative alpha simulated 0.7 ratio uncorrelated. More detailed information for the "AUS Illustrative Portfolio" is available in the disclosure located at the end of this presentation. For illustrative purposes only. Analysis through Aug 2020. All returns shown excess. Beta shown gross of fees, illustrative alpha shown net of fees. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS. Past performance is not indicative of future results. There are no guarantees expected performance can or will be achieved. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

# Appendix

# A GLOBAL INCOME SHOCK, CAUSED BY A PANDEMIC, WITH INTEREST RATES AT ZERO

This downturn is unique, as it has been caused by a collapse in income

$$\begin{array}{ccccccc}
 \text{Sources} & & & & \text{Uses} & & \\
 \hline
 \mathbf{M} + \mathbf{C} + \mathbf{I} & = & \mathbf{S} + \mathbf{F} + \mathbf{R} \\
 \text{Money} & \text{Credit} & \text{Income} & & \text{Spending} & \text{Financial asset purchases} & \text{Reserves}
 \end{array}$$

Fiscal policy is replacing lost income

$$\mathbf{M} + \uparrow\mathbf{C} + \uparrow\mathbf{I} = \mathbf{S} + \mathbf{F} + \mathbf{R}$$

Diagram illustrating fiscal policy: An arrow labeled (1) points from the increased credit (C) to the increased income (I). A dashed circle labeled (2) encloses the right side of the equation (S + F + R). Inside this circle, a question mark (?) is positioned above the equals sign and another question mark (?) is positioned below it. An arrow labeled (3) points from the question mark below the equals sign to the question mark below S.

Monetary policy is supporting fiscal policy and assets

$$\uparrow\mathbf{M} + \mathbf{C} + \mathbf{I} = \mathbf{S} + \uparrow\mathbf{F} + \mathbf{R}$$

Diagram illustrating monetary policy: An arrow labeled (1) points from the increased money (M) to the increased financial asset purchases (F). Dashed circles labeled (2) enclose the right side of the equation (S + F + R). Inside each of these circles, a question mark (?) is positioned above the plus sign between S and F, and another question mark (?) is positioned below the plus sign between F and R. An arrow labeled (3) points from the question mark below the plus sign between S and F to the question mark below the plus sign between F and R.

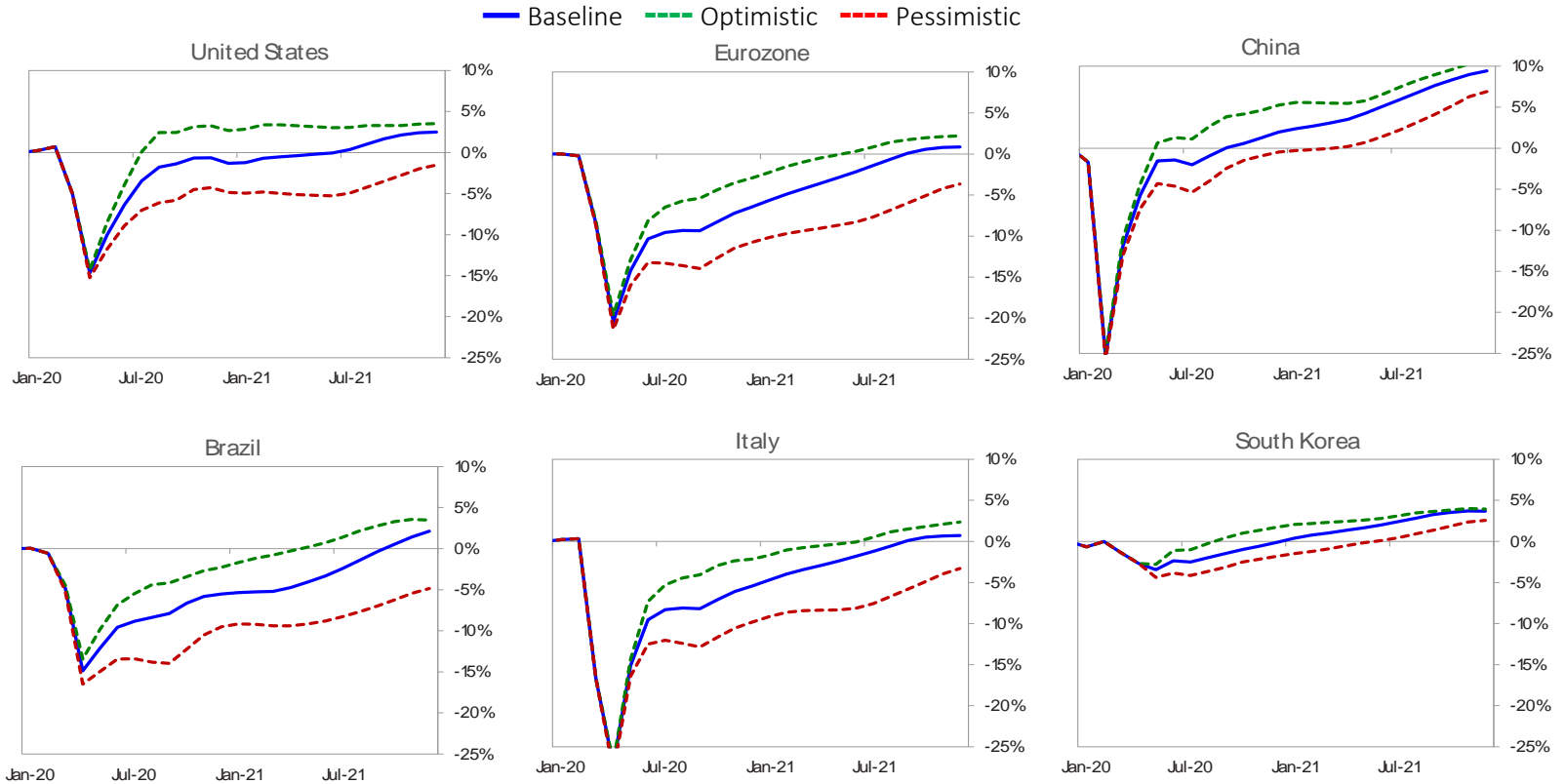
# COVID-19: GROWTH IMPACT AND POLICY RESPONSE SO FAR

	2020 Corporate Revenue Losses (%GDP)†	Next 12m Growth Drag‡	Headline Stimulus (%GDP)	Stimulus Impact (%GDP)	Net Growth Impact	QE Flow (%GDP)
Mexico	--	-16%	2%	2%	-14%	--
Netherlands	--	-13%	11%	5%	-8%	*
Spain	--	-17%	36%	9%	-8%	*
United Kingdom	-28%	-17%	26%	10%	-7%	10%
South Africa	-7%	-10%	8%	4%	-6%	2%
Russia	--	-9%	12%	3%	-6%	--
India	-38%	-10%	9%	4%	-5%	2%
Brazil	-9%	-11%	15%	6%	-5%	--
Eurozone	-27%	-11%	36%	6%	-5%	12%
Turkey	--	-10%	9%	5%	-5%	0%
Italy	--	-13%	44%	8%	-4%	*
France	--	-11%	28%	6%	-4%	*
Germany	--	-9%	43%	6%	-3%	*
Canada	-28%	-9%	20%	7%	-3%	17%
Japan	-23%	-7%	41%	6%	-2%	12%
United States	-17%	-11%	33%	10%	-1%	7%
Korea	-15%	-2%	11%	2%	1%	--
Australia	-16%	-5%	12%	6%	1%	0%
China	-18%	-5%	18%	8%	3%	--

†Corporate Revenue Losses and Next 12m Growth Drag exclude the impact of fiscal stimulus programs. \*Part of Eurozone.

# A WIDE RANGE OF POTENTIAL ECONOMIC OUTCOMES

Levels of Activity Across Economies (Real GDP, Indexed to Dec 2019)



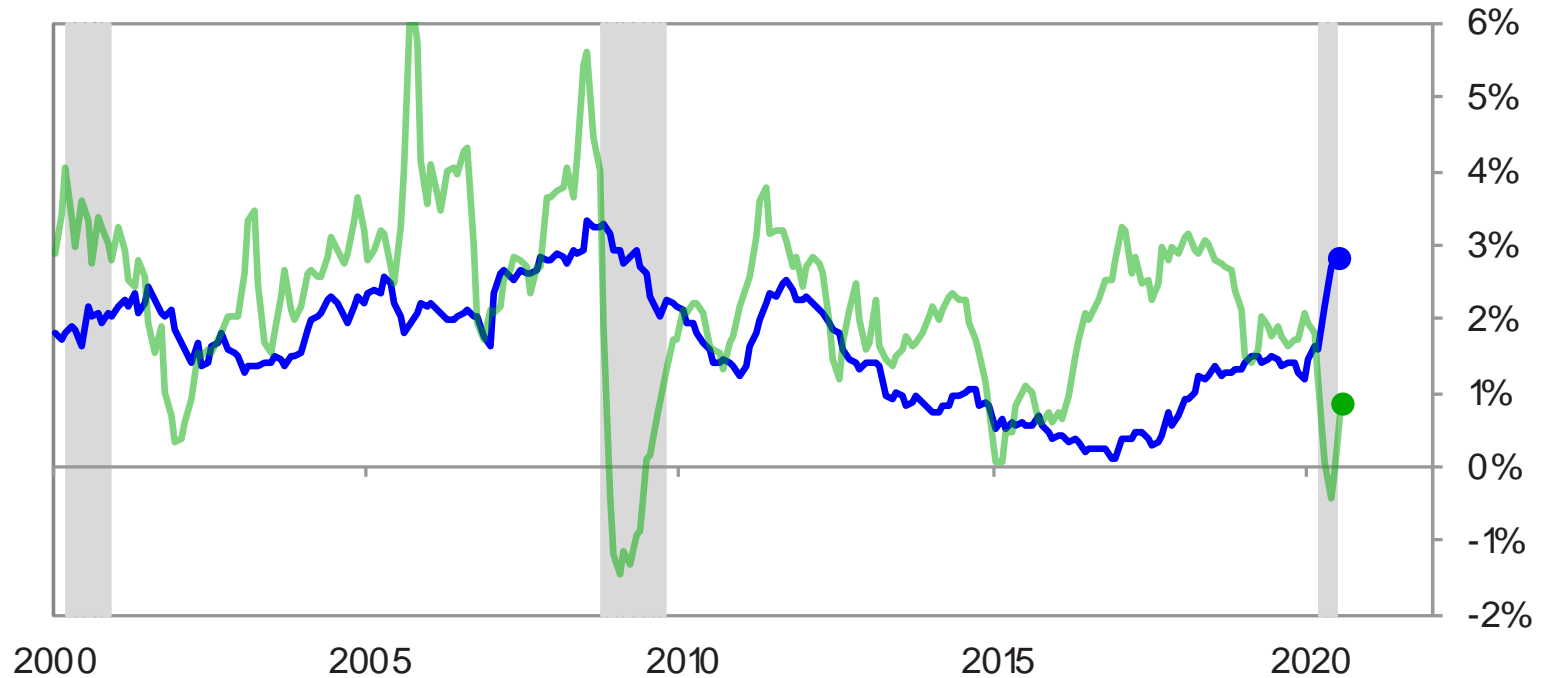


# BALANCE OF PRESSURES ON INFLATION

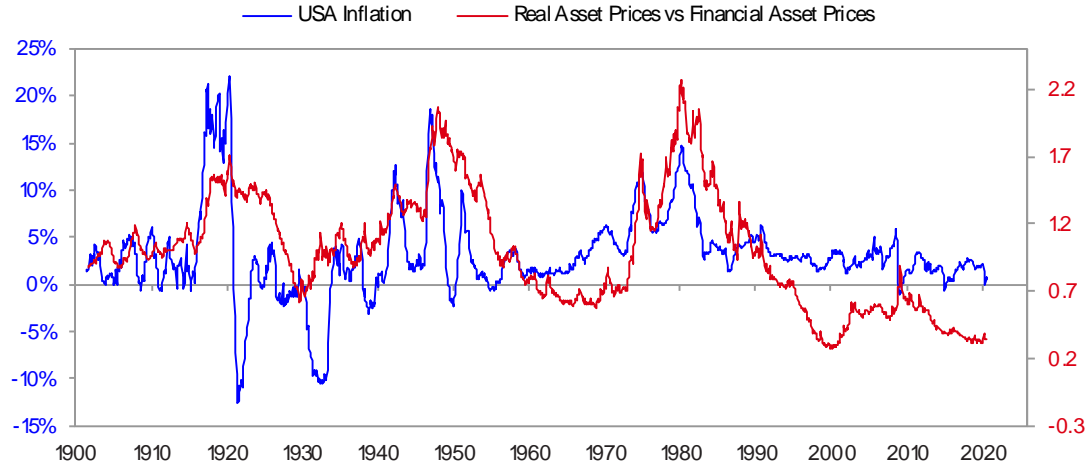
## US Inflation by Sector

— Sectors Facing Demand Spikes/ Supply Constraints (39% of PCE)

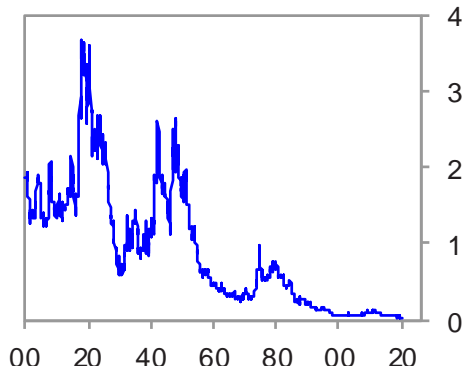
— Sectors Facing Weak Demand/ Fewer Supply Constraints (61% of PCE)



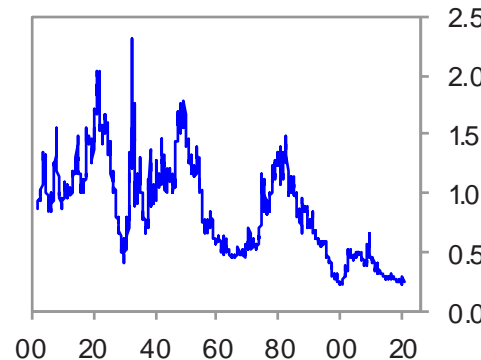
# REFLATIONARY POLICIES FAVOR REAL VS FINANCIAL ASSETS



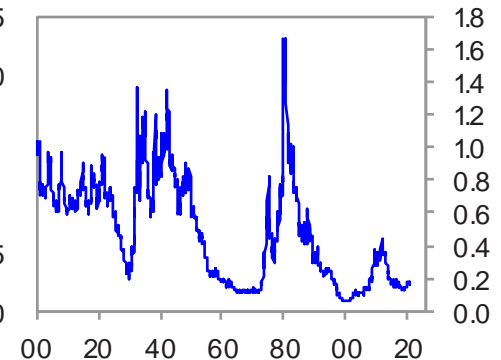
### Commodity vs Equities Prices



### Real Estate vs Equities Prices

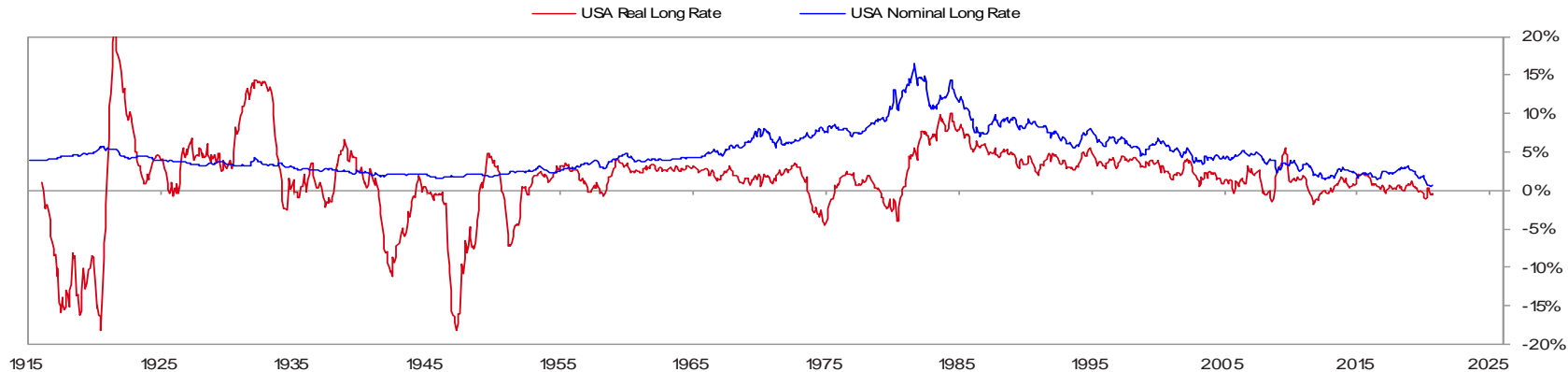


### Gold vs Equities Prices

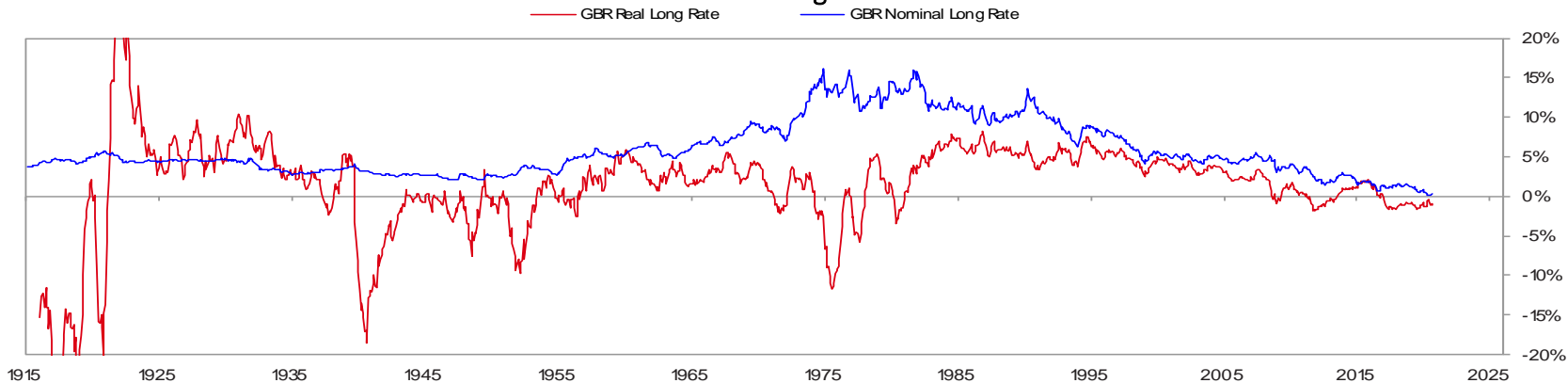


# REAL YIELDS DO NOT FACE A ZERO LOWER BOUND

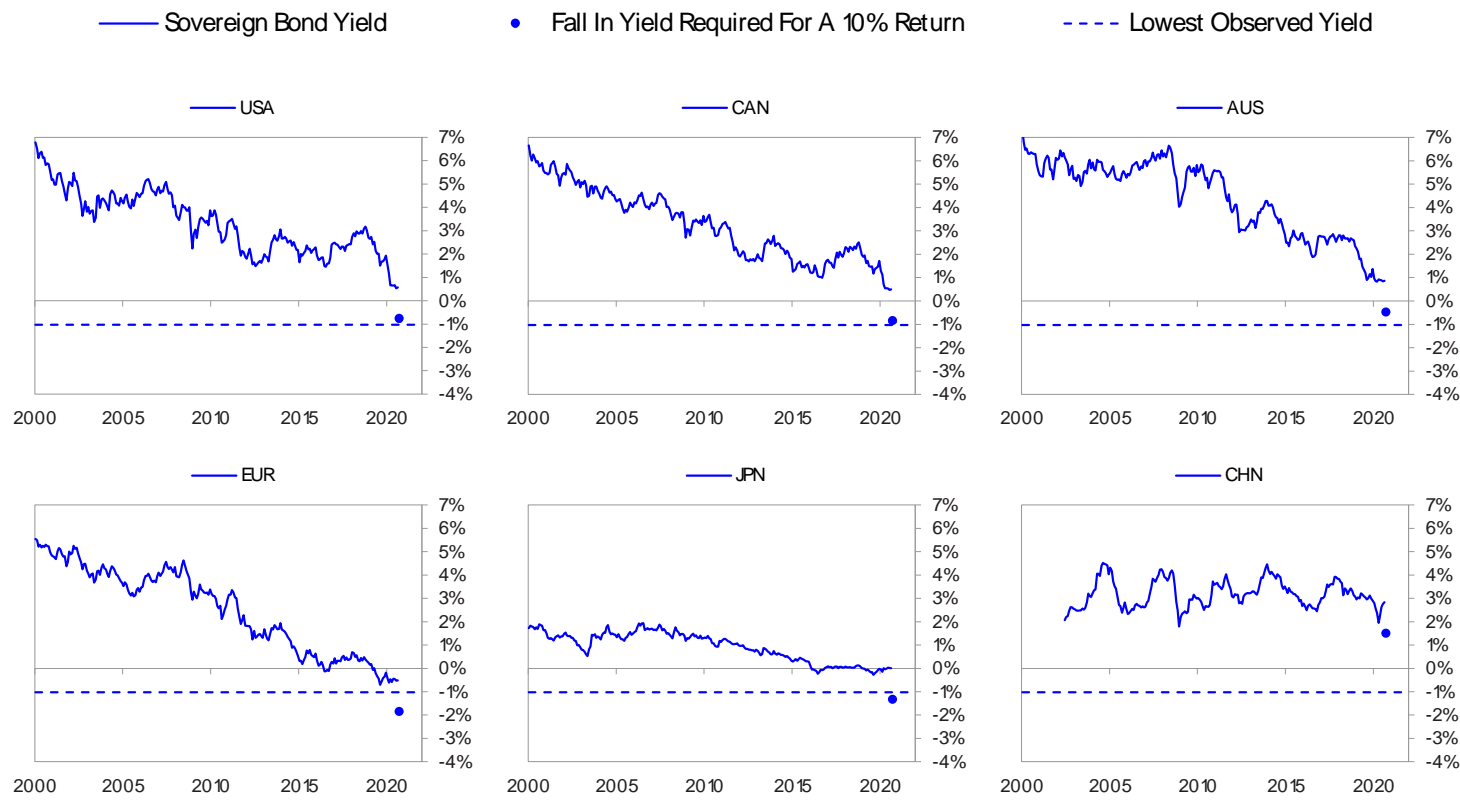
## United States



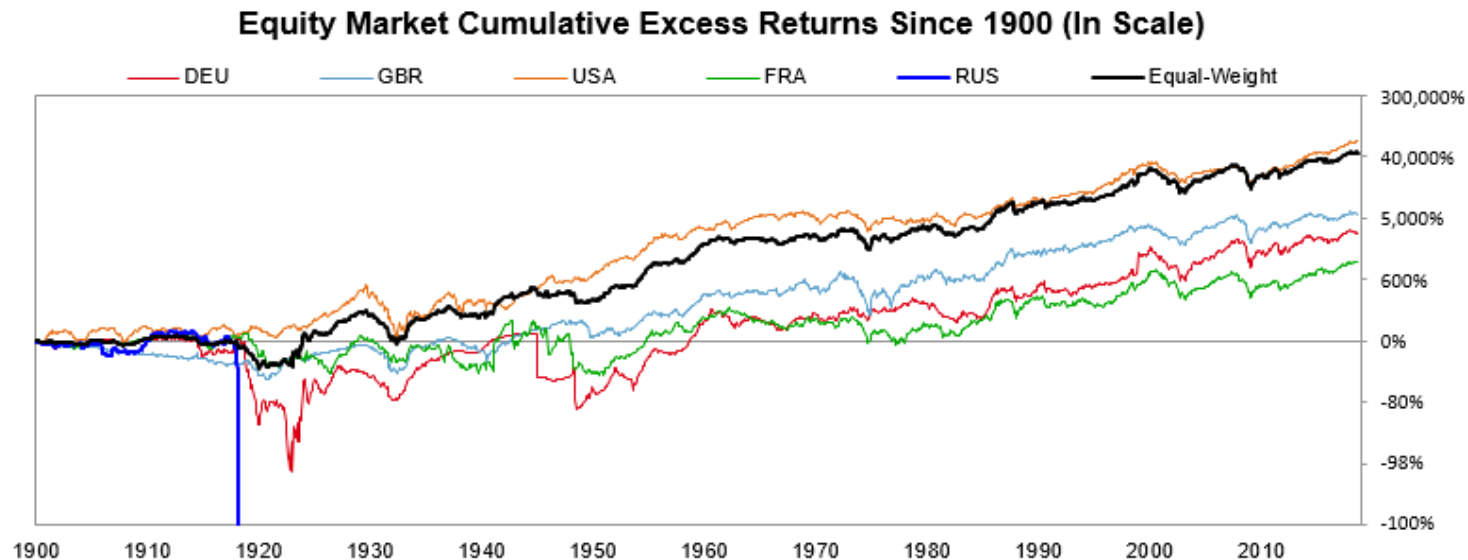
## United Kingdom



# OUTSIDE OF CHINA, GLOBAL BOND YIELDS HAVE LIMITED ROOM TO FALL

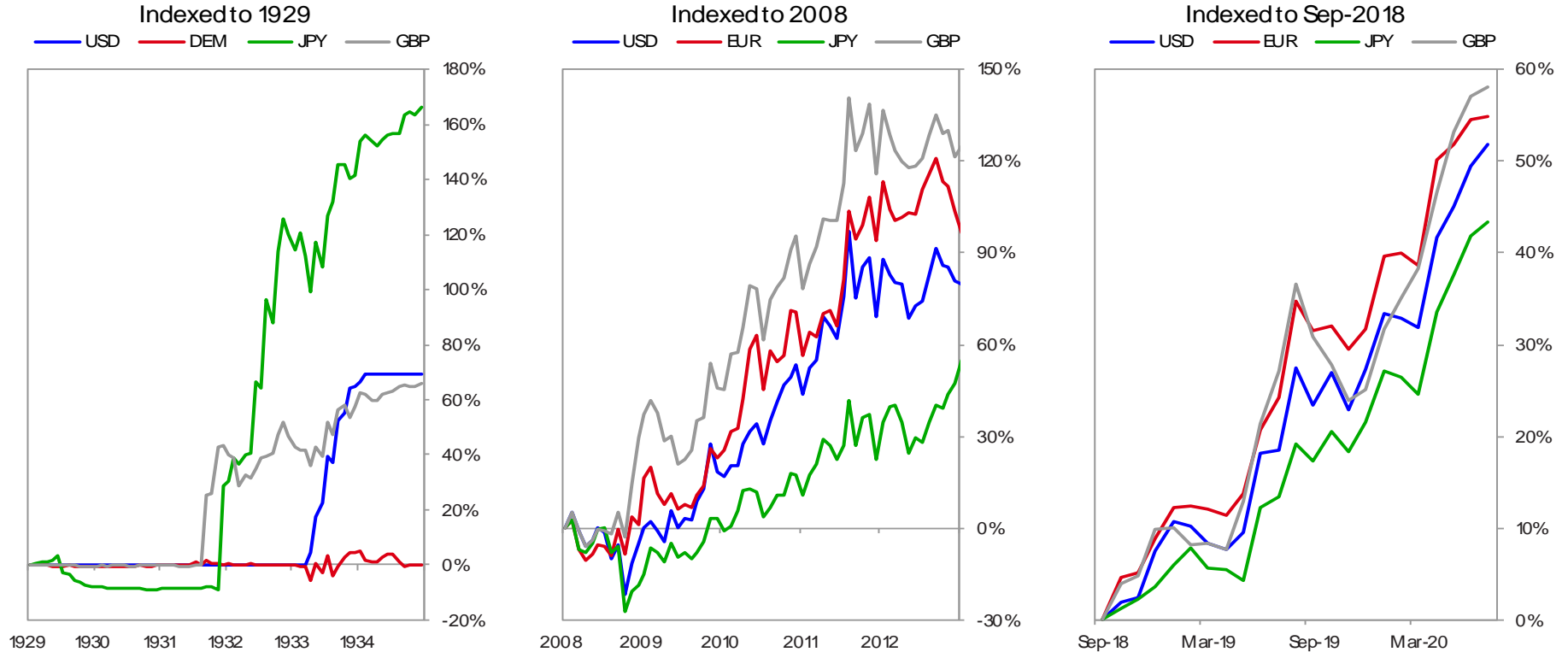


# GEOGRAPHIC DIVERSIFICATION CAN BE A LIFE SAVER



# MONETIZATION IS A LONG-TERM THREAT TO CURRENCIES

Gold vs. Fiat Currency  
in the Great Depression, Financial Crisis, & Today



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Bridgewater's investment process seeks to understand the cause and effect linkages that drive markets over time. To assess and refine its understanding of these linkages, Bridgewater performs historical stress tests across a wide range of timeframes and market environments. From these stress tests, Bridgewater is able to simulate how its strategies would have performed prior to their inception. For strategies that include active decision making, Bridgewater often "humbles" its simulated alpha returns (by systematically adjusting downward the simulated results that Bridgewater's current alpha investment logic produces) to account for the possibility that it could be wrong. Because this stress testing is a core component of Bridgewater's investment process, it shares these simulations with current and prospective investors to demonstrate its thinking. However, because they do not demonstrate actual results, these simulations are inherently limited and should not be relied upon to make an investment decision.

**HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.**

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Bridgewater believes that a particular return stream should be evaluated against its expected performance or its benchmark. To that end, Bridgewater demonstrates whether its strategies are operating as expected via a cone chart, which shows the performance of a particular strategy over time relative to the strategy's benchmark and also within bands of standard deviation from that benchmark. Separately, to demonstrate the impact of market conditions on the strategies it manages, Bridgewater explains the macro-economic pressures and market conditions that effected performance in the context of client letters, account reviews, or other publications that Bridgewater provides to each current and prospective investor on a regular basis. Additional information about how Bridgewater thinks about setting expectations for its strategies via a benchmark is available upon request.



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None of the information related to a fund or strategy that Bridgewater may provide is intended to form the basis for any investment decision with respect to any retirement plan's assets. Any information Bridgewater provides should be independently and critically evaluated based on whatever other sources deemed appropriate, including legal and tax advice; it is also not intended to be impartial investment information or advice as Bridgewater may recommend one or more Bridgewater products in connection with such information, which would result in additional fees being paid to Bridgewater. Bridgewater's status as an ERISA fiduciary with respect to the management of any existing or future Bridgewater product(s) in which you invest would be (or continue to be) set forth in that product's applicable governing instruments. You are responsible for ensuring that your decision to invest in any Bridgewater product does not violate the fiduciary or prohibited transaction rules of ERISA, the U.S. Internal Revenue Code or any applicable laws or regulations that are similar. On and after June 9, 2017, the information provided herein is being made available only to "independent fiduciaries with financial expertise" (within the meaning of the Definition of the Term "Fiduciary"; Conflict of Interest Rule – Retirement Investment Advice, 81 Fed. Reg. 20,946 (Apr. 8, 2017)), available at <https://www.gpo.gov/fdsys/pkg/FR-2016-04-08/pdf/2016-07924.pdf>), and this presentation should not be accepted by any person who does not meet such requirements.

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# AUS ILLUSTRATIVE PORTFOLIO

This page contains the allocation information for the historical simulation of the Australia Illustrative portfolio, from 1970 onwards, as well as forward looking assumptions for expected ratio, volatility, and tracking error, used in this analysis. The portfolio capital allocation weights (illustrated below) are estimates based either upon Bridgewater Associates' understanding of standard asset allocation (which may change without notice) or information provided by or publicly available from the recipient of this presentation. Asset class returns are actual market returns where available and otherwise a proxy index constructed based on Bridgewater Associates understanding of global financial markets. Information regarding specific indices and simulation methods used for proxies is available upon request (except where the proprietary nature of information precludes its dissemination). Results are hypothetical or simulated and gross of fees unless otherwise indicated. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

Investments	Allocation	Beta Ratio	Beta Volatility	Alpha Ratio	Alpha Volatility	FX Hedge Ratio
<b>Total</b>	<b>100%</b>					
<b>Equities</b>						
Active Australia Equities	35.0%	0.35	17.1%	0.25	5.0%	0.0%
Active Developed World Equities (50% Hedged)	29.0%	0.21	15.1%	0.30	5.0%	50.0%
<b>Real Estate</b>						
Active Australia Real Estate	9.0%	0.34	23.5%	0.25	6.0%	0.0%
<b>Nominal Government Bonds</b>						
Developed World Bonds	8.0%	0.29	4.1%	--	--	0.0%
Australia Govt Bonds	4.0%	0.29	4.9%	--	--	0.0%
<b>Absolute Return</b>						
Absolute Return	7.0%	--	--	0.50	7.0%	0.0%
<b>Infrastructure</b>						
Active World Infrastructure (100% Hedged)	6.0%	0.30	16.1%	0.30	6.0%	100.0%
<b>IL Bonds</b>						
Australia IL Bonds	2.0%	0.29	6.6%	--	--	0.0%

# ALL WEATHER ASSET MIX DISCLOSURE

## All Weather Asset Mix Performance (Net of Fees)

	Total Return in USD
<b>Last 1 Year</b>	18.2%
<b>Last 3 Years</b>	9.2%
<b>Last 5 Years</b>	6.3%
<b>Last 7 Years</b>	5.9%
<b>Last 10 Years</b>	9.1%

Annualized Returns (Jan-70 through Jan-20)

## Net Since Inception Jan-70 through Jan-20

	Total Return in USD
<b>Annualized Return</b>	12.3%
<b>Standard Deviation</b>	10.6%
<b>Sharpe Ratio</b>	0.69

Standard deviation is calculated using gross of fees performance. Past results are not necessarily indicative of future results. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

### All Weather Asset Mix Simulation Performance Disclosure

Where shown all performance of the Bridgewater All Weather Asset Mix is based on simulated, hypothetical performance and not the returns of Bridgewater's All Weather strategy. Bridgewater's investment selection and trading strategies are systematic and rules-based. However, they are not fully automated and they do include human input. As a result, back-tested returns are designed based on assumptions about how Bridgewater would have implemented the All Weather Asset Mix, prior to its existence. These assumptions are intended to approximate such implementation, but are inherently speculative.

The simulated performance for the All Weather Asset Mix was derived by applying Bridgewater's current investment systems and portfolio construction logic to historical market returns across the markets selected for the All Weather Asset Mix. A table of the markets used appears below. We use actual market returns when available as an input for our hypothetical returns and otherwise use Bridgewater Associates' proprietary estimates, based on other available data and our fundamental understanding of asset classes. In certain cases, market data for an exposure which otherwise would exist in the simulation may be omitted if the relevant data is unavailable, deemed unreliable, immaterial or accounted for using proxies. Proxies are assets that existed and for which data is available, which Bridgewater believes would approximate returns for an asset that did not exist or for which reliable data is not available. For example, before reliable commodity futures returns data can be found Bridgewater estimates futures returns by using the spot commodity returns and their typical relationship to futures returns. Examples of omitted markets or accounted for using proxies include, but are not limited to, emerging market equities, emerging market debt, and certain commodities. The mix and weightings of markets traded for All Weather Asset Mix are subject to change in the future.

The All Weather Asset Mix maintains the desired strategic asset allocation and level of risk regardless of market conditions. Accordingly, the All Weather Asset Mix does not alter the desired strategy asset allocation and level of risk based on the strategic management process employed in the All Weather Strategy.

Simulated asset returns are subject to considerable uncertainty and potential error, as a great deal cannot be known about how assets would have performed in the absence of actual returns. The All Weather Asset Mix is an approximation of our current process but not an exact replication and may have differences including but not limited to the precise mix of markets used and the weights applied to those markets. It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology (including the addition/removal of asset classes) and the underlying market data. There is no guarantee that previous results would not be materially different. Future strategy changes could materially change previous simulated returns in order to reflect the changes accurately across time.

Transaction costs are accounted for and are estimates themselves based on historical measured costs and/or modeled costs. Actual transaction costs experienced could have been higher or lower than those reflected. Where noted, the All Weather Asset Mix net of fees returns have been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A. Gross of fees performance (i) excludes the deduction of management fees, and other operating expenses (the "fees and expenses") and (ii) includes the reinvestment of interest, gains and losses. Including the fees and expenses would lower performance. There is no guarantee regarding the All Weather Asset Mix's ability to perform in absolute returns or relative to any market in the future, during market events not represented or during market events occurring in the future. Market conditions and events vary considerably, are unpredictable and can have unforeseen impacts resulting in materially adverse results.

### Markets included in the All Weather Asset Mix Simulation

The All Weather Asset Mix Simulation includes returns from the following markets: global nominal interest rates, global inflation linked bonds, emerging market credit spreads, corporate credit spreads, global equities, and commodities.

# ALL WEATHER CHINA ASSET MIX DISCLOSURE

## All Weather China Asset Mix (Net of Fees)

	Hedged to USD Total Return in USD	Hedged to RMB Total Return in RMB
<b>Last 1 Year</b>	18.0%	20.3%
<b>Last 3 Years</b>	2.7%	5.6%
<b>Last 5 Years</b>	2.3%	5.2%
<b>Last 7 Years</b>	1.3%	4.3%
<b>Last 10 Years</b>	2.9%	5.7%

Annualized Returns (Aug-02 through Jan-20)

## Net Since Inception Aug-02 through Jan-20

	Hedged to USD Total Return in USD	Hedged to RMB Total Return in RMB
<b>Annualized Return</b>	7.9%	9.6%
<b>Standard Deviation</b>	11.1%	11.1%
<b>Sharpe Ratio</b>	0.59	0.64

Standard deviation is calculated using gross of fees performance. Past results are not necessarily indicative of future results. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

### All Weather China Asset Mix Simulation Performance Disclosure

Where shown all performance of the All Weather China Asset Mix is based on simulated, hypothetical performance and not the returns of any Bridgewater strategy. Bridgewater's investment selection and trading strategies are systematic and rules-based. However, they are not fully automated and they do include human input. As a result, back-tested returns are designed based on assumptions about how Bridgewater would have implemented the All Weather China Strategy prior to its existence. These assumptions are intended to approximate such implementation, but are inherently speculative.

The simulated performance for the All Weather China Asset Mix was derived by applying Bridgewater's current investment systems and portfolio construction logic to historical market returns across the markets currently selected to be included in the All Weather China Strategy. A list of the markets used appears below. We use actual market returns when available as an input for our hypothetical returns and otherwise use Bridgewater Associates' proprietary estimates, based on other available data and our fundamental understanding of asset classes. In certain cases, market data for an exposure which otherwise would exist in the simulation may be omitted if the relevant data is unavailable, deemed unreliable, immaterial or accounted for using proxies. Proxies are assets that existed and for which data is available, which Bridgewater believes would approximate returns for an asset that did not exist or for which reliable data is not available. For example, in the All Weather China Strategy we hold bonds across the yield curve, but we use an index of 7-10 year maturity bond returns for the purpose of simulation. Examples of omitted markets or accounted for using proxies include, but are not limited to, certain nominal bonds, equities, and commodities. We simulate as far back as we can based on the availability of reasonable data and proxies. Additionally, the mix and weightings of markets traded for the All Weather China Strategy are subject to change in the future.

Simulated asset returns are subject to considerable uncertainty and potential error, as a great deal cannot be known about how assets would have performed in the absence of actual returns. The All Weather China Asset Mix is an approximation of our intended process but not an exact replication and may have differences including but not limited to the precise mix of markets used and the weights applied to those markets. It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology (including the addition/removal of asset classes) and the underlying market data. There is no guarantee that previous results would not be materially different. Future strategy changes could materially change previous simulated returns in order to reflect the changes accurately across time.

Transaction costs are accounted for and are estimates themselves based on historical measured costs and/or modeled costs. Actual transaction costs experienced could have been higher or lower than those reflected. Where noted, the All Weather China Asset Mix net of fees returns have been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A. Gross of fees performance (i) excludes the deduction of management fees, and other operating expenses (the "fees and expenses") and (ii) includes the reinvestment of interest, gains and losses. Including the fees and expenses would lower performance. There is no guarantee regarding the All Weather China Strategy's ability to perform in absolute returns or relative to any market in the future, during market events not represented or during market events occurring in the future. Market conditions and events vary considerably, are unpredictable and can have unforeseen impacts resulting in materially adverse results.

### **Markets included in the All Weather China Asset Mix**

The All Weather China Asset Mix includes returns from the following markets: Chinese nominal interest rates, global inflation-linked bonds, Chinese equities, gold, and other commodities.