

# Cash Allocation Strategy

## Green Day Traders

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# Executive Summary



## Strategy

Invest in bond, market, and gold ETFs to conserve and grow cash



## Performance

Total YTD Return: 13.89%



## Recommendation

Invest \$700,000 in Ultra-Short-Term, Total Market, and Gold ETFs



# iShares: Ultra-Short-Term Bonds ETF (ICSH)

**Current Price:** \$50.59

**Beta:** 0.05

**Expense:** 0.08%

**YTD Return:** 4.98%

**\$ Amount Allocated:** \$300,000

## Key Takeaways:

- Ultra-Low Risk
- Broad range of short-term U.S. dollar-denominated investment-grade fixed- and floating-rate debt securities and money market instruments



# iShares: 0-3 Month Treasury Bd ETF (SGOV)

**Current Price:** \$100.59

**Beta:** 0.00

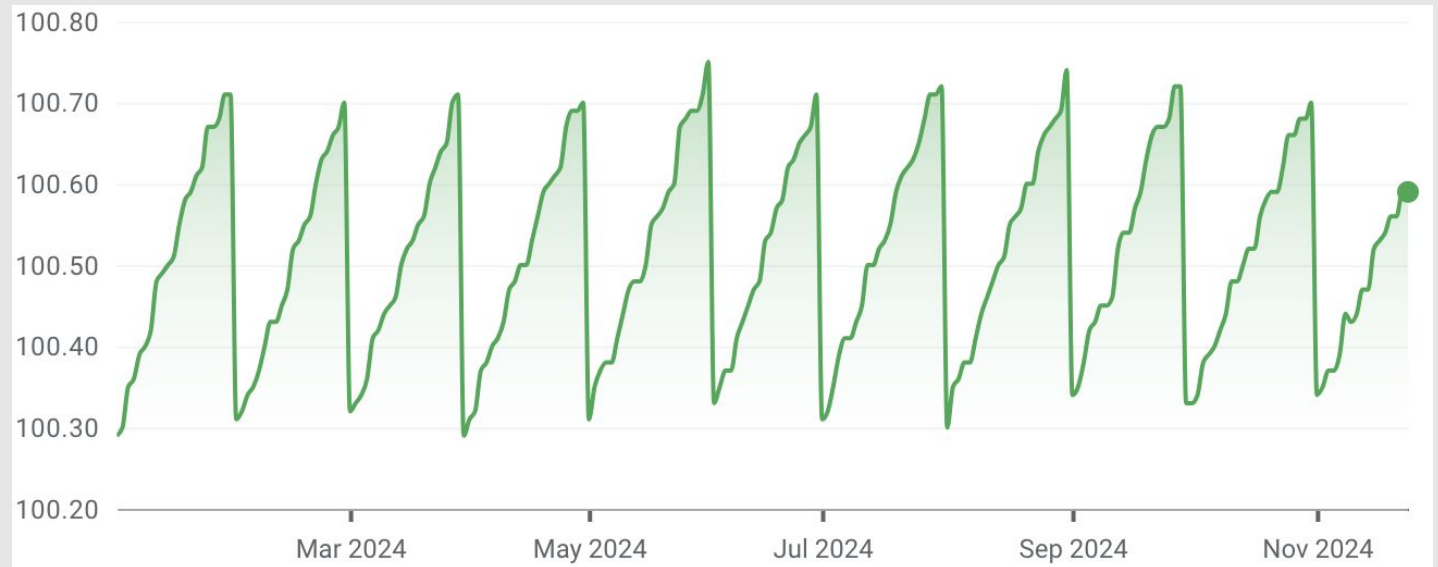
**Expense:** 0.09%

**YTD Return:** 4.77%

**\$ Amount Allocated:** \$300,000

## Key Takeaways:

- Risk-free
- U.S. Treasury bonds with remaining maturities less than or equal to three months.
- Significantly lowers our portfolio's beta, allowing for range within our investment pitches.



# Vanguard Total Stock Market ETF (VTI)

**Current Price:** \$296.51

**Beta:** 1.01

**Expense:** 0.03%

**YTD Return:** 26.27%

**\$ Amount Allocated:** \$300,000

## Key Takeaways:

- Seeks to track the performance of the CRSP US Total Market Index.
- Large-, mid-, and small-cap equity diversified across growth and value styles.
- Allows us exposure to returns of the stock market with low fees.



# iShares Gold Trust (IAU)

**Current Price:** \$51.08

**Beta:** 0.15

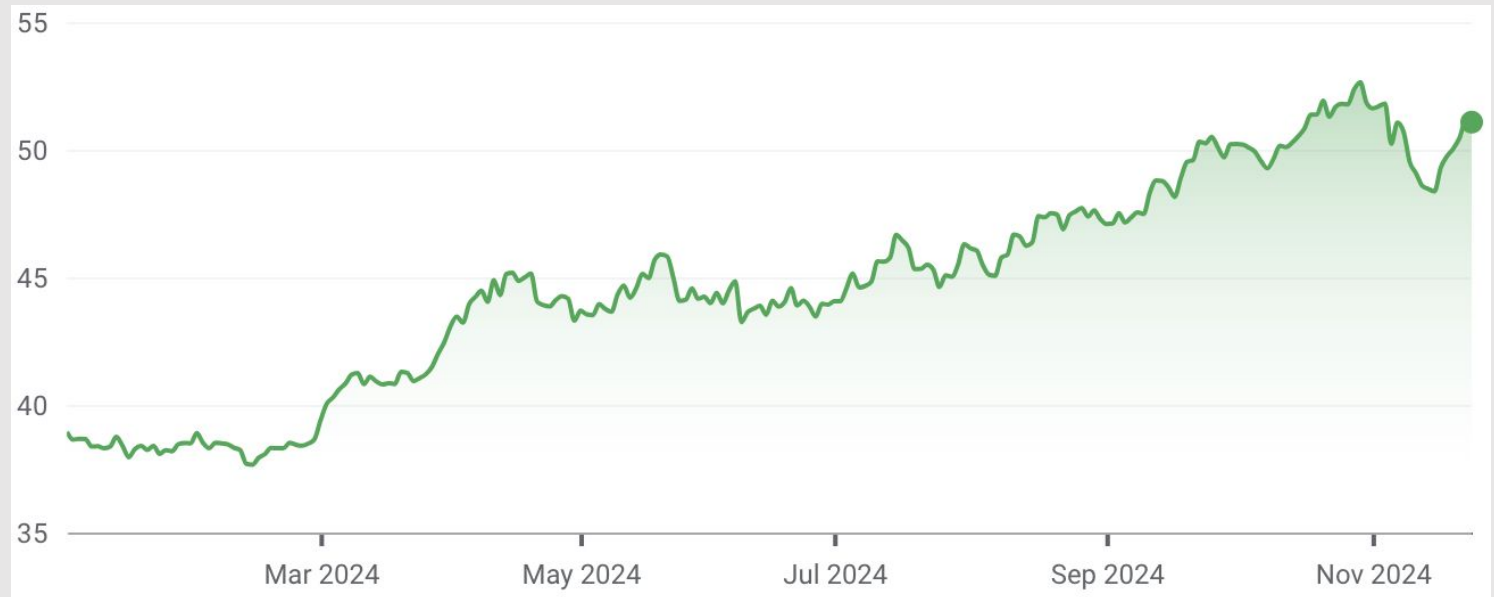
**Expense:** 0.25%

**YTD Return:** 30.87%

**\$ Amount Allocated:** \$100,000

## Key Takeaways:

- Exposure to the day-to-day movement of gold bullion
- Provide our fund with a store of value and a sufficient hedge against inflation.
- Low correlation with traditional asset classes (Stocks & Bonds).



# Strategy Design

## Description

- **Simple Explanation** – Preservation of capital while maintaining liquidity for incremental deployment

## Origin

- **How You Identified** – Researching various low beta and low expense ratio ETFs

## Goal

- **State Hypothesis** – By diversifying our cash allocation, we seek to capture additional returns on both the market and gold.

## Parameters

- **Establish Rules** – Generate stable and consistent income while maintaining minimal market exposure (beta <0.4)



# Rationale

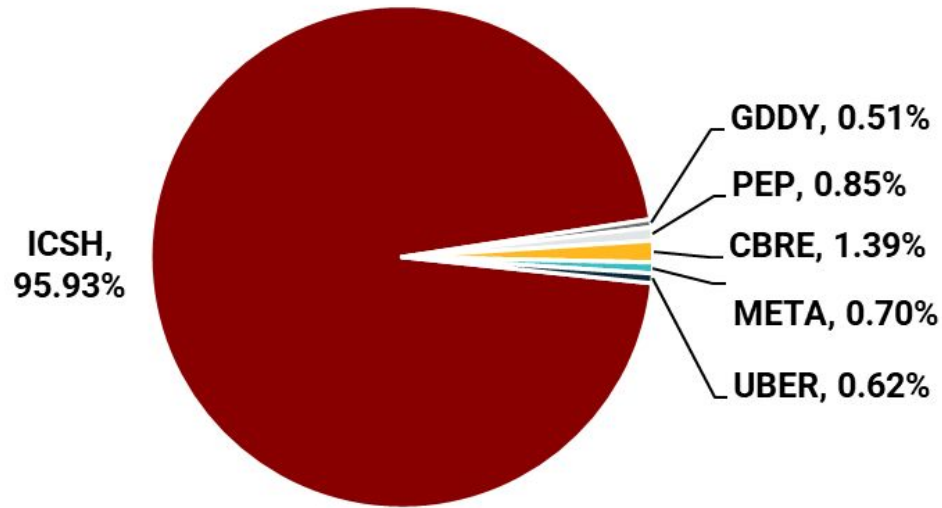
- With the stock market at all-time highs, many experts anticipate a potential decline or recession.
- Allocating more defensively positions us to weather downturns effectively.
- Still maintaining exposure to growth and inflation hedges.
- Warren Buffett's increased cash reserves signal caution, aligning with our approach to preserve capital and avoid overexposure to volatile equity markets.
- Retaining liquidity (ICSH, SGOV) ensures we can seize opportunities in undervalued stocks without being overly committed to a market index fund.
- Creates a low-beta foundation, ensuring we remain under the fund's target beta of 0.7.
- This allows flexibility to allocate toward higher-beta individual stock ideas throughout the year.
- Trump 2.0 is expected to favor small and mid-cap companies, having exposure to the broad market instead of only S&P 500 would help us capture this.



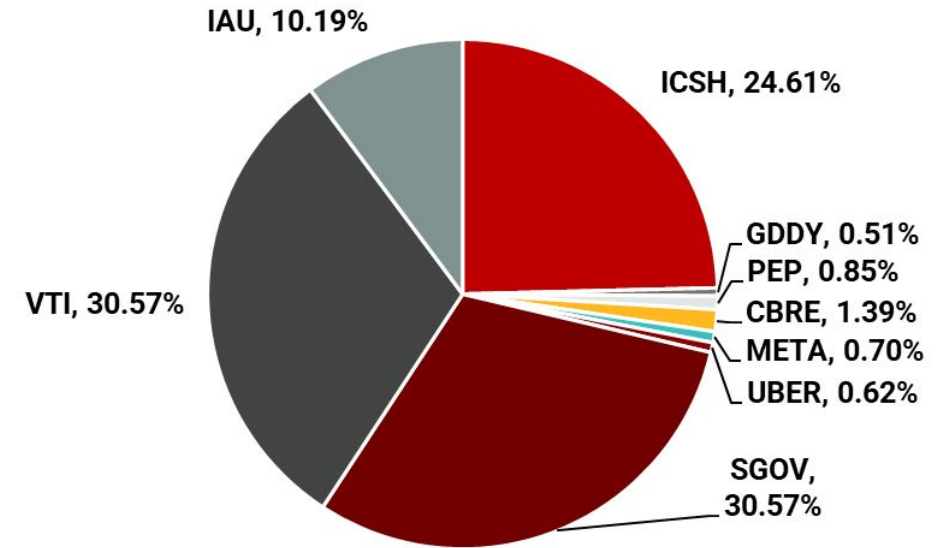


# Effect on the Portfolio

**Current Portfolio by Security**



**New Portfolio by Security**



<u>Portfolio</u>	<u>Exp. Return</u>	<u>St. Dev*</u>	<u>Beta*</u>	<u>Sharpe Ratio*</u>	<u>Idios. Risk*</u>	<u>Info. Ratio*</u>
Existing	4.78%	3.36%	0.10	0.131	0	-4.87
Adjusted	6.02%	12.09%	0.36	0.139	0	-1.25



# Summary & Recommendation

## Strategy Merits



- **Performance**

This allocation has generated 13.9% YTD returns

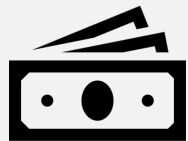
- **Risk**

Beta of 0.26, emphasizing the weight on ST bond ETFs to minimize inherent risk and correlation to the market

- **Effects on Portfolio**

Reduce the overall portfolio beta

## Action Plan



- **Recommendation: Yes**

Allocate \$300,000 to ICSH, \$300,000 to SGOV, \$200,000 to VTI, \$100,000 to IAU



# Sources

- <https://www.foxbusiness.com/media/trumps-post-election-market-boom-wont-stop-inevitable-doom-economist-harry-dent-warns>
- <https://money.usnews.com/investing/articles/will-the-stock-market-crash-risk-factors>
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- <https://mapsignals.com/map-blog/trump-2-0-macro-outlook-favors-small-mid-caps/>

