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The Role Demographics Plays on the Economy, Investments and OPEB Trusts

CACTTC Education Conference Oct. 10, 2013

Presented by Douglas C. Robinson

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SEC Registered Investment Advisory Firm

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The Immigration Adjusted Birth Index

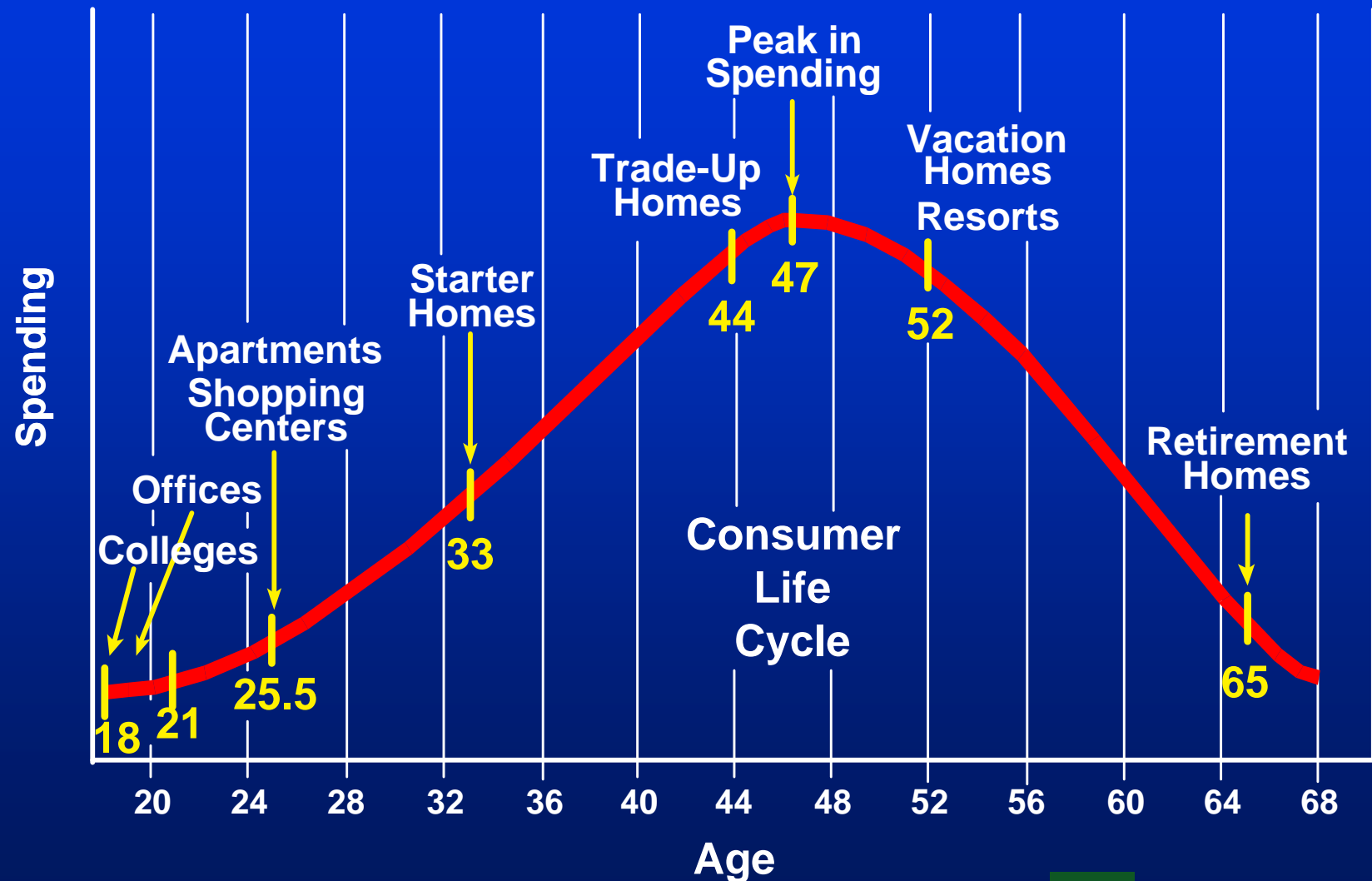


Source: U.S. Department of Justice and Immigration and Naturalization Service, "Immigrants Admitted by Sex and Race"; National Center for Health Statistics, "Live Births, Birth Rates, and Fertility Rates, by Race of Child: United States" 1909-1980 and 1960-2011

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Key Consumer Expenditures/Investments



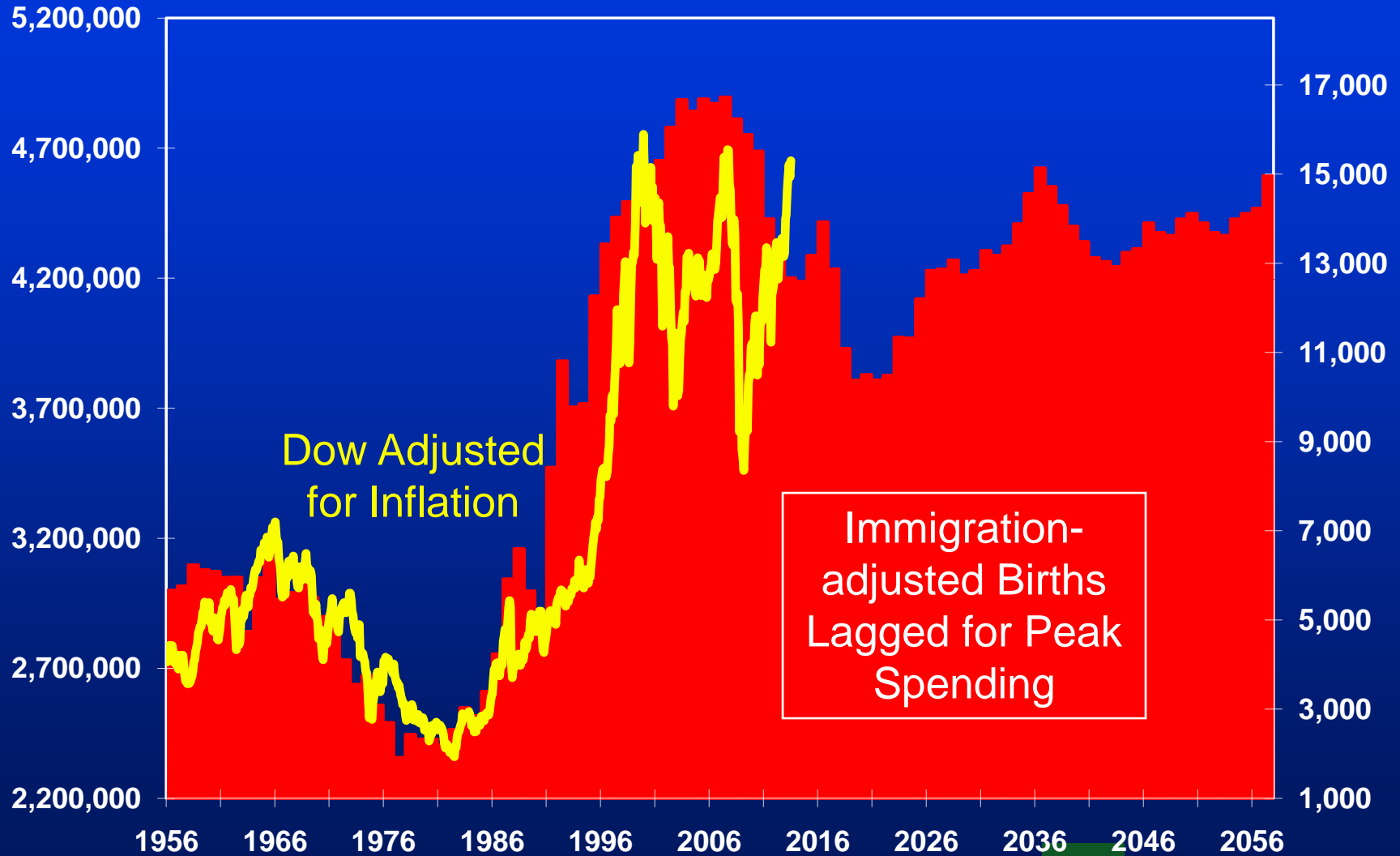
Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Annual Surveys and Research Memorandum-H.S. Dent

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The Spending Wave

Births Lagged for Peak in Family Spending

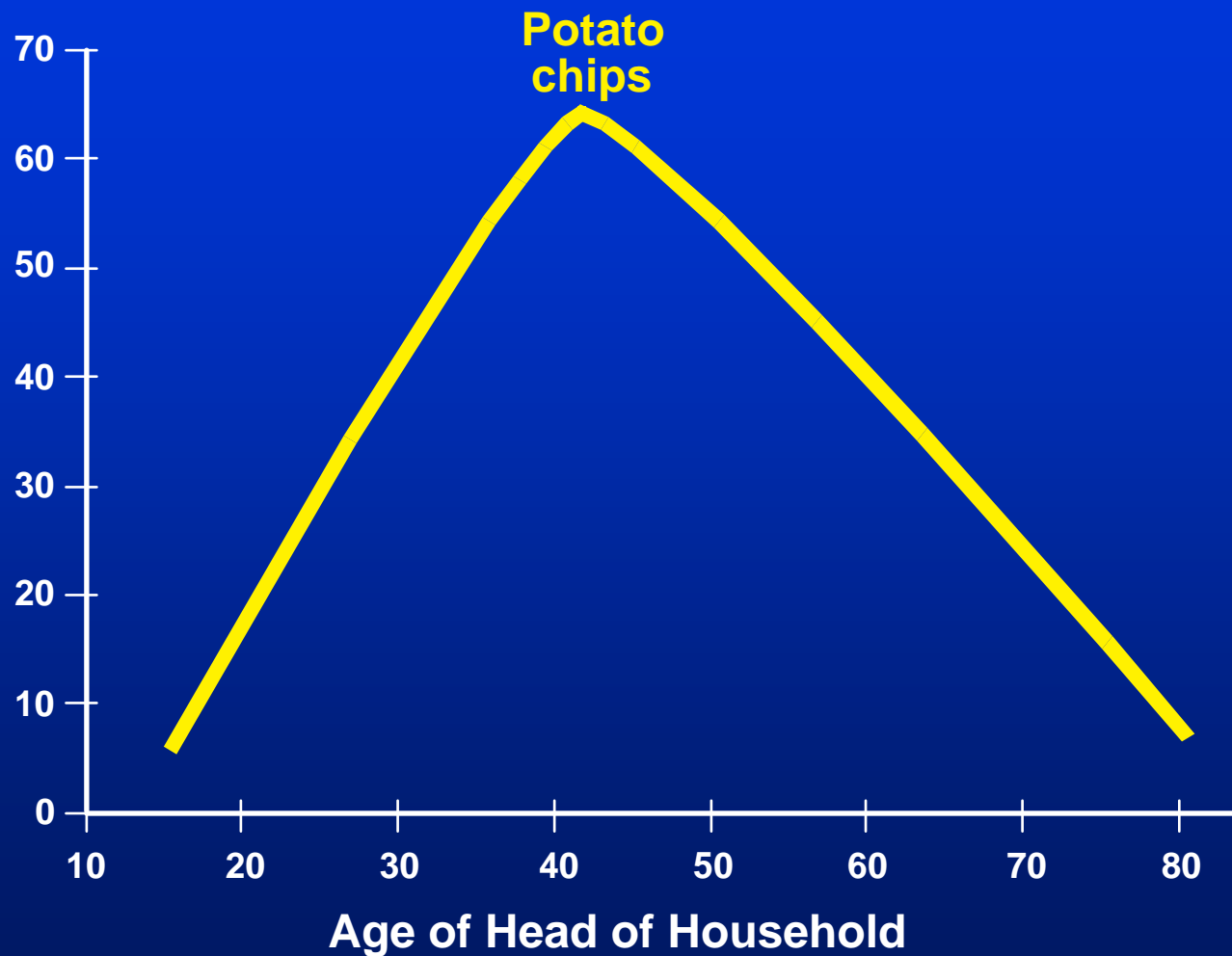


Source: Dent Research

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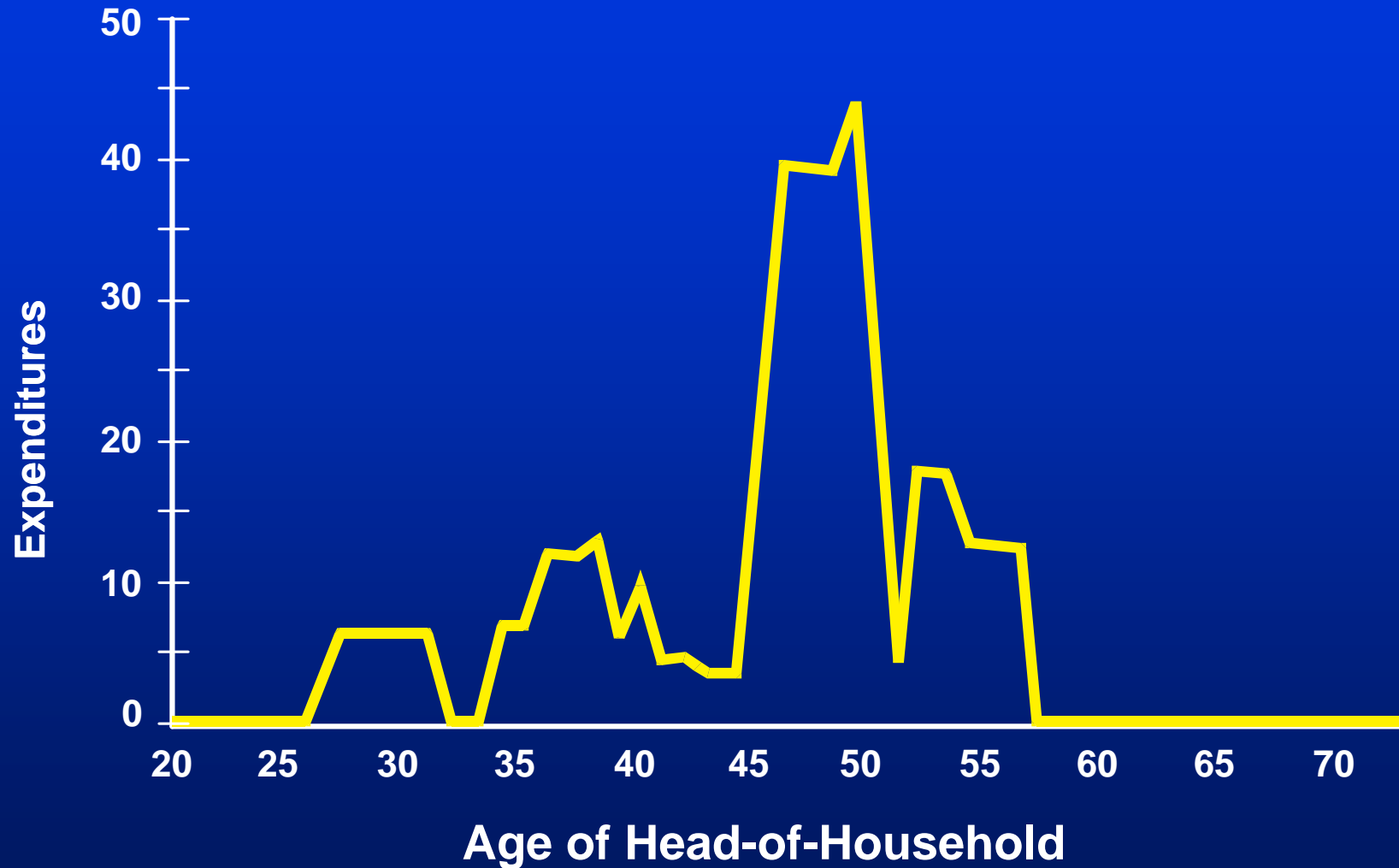
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Salty Snack Purchases vs. Age



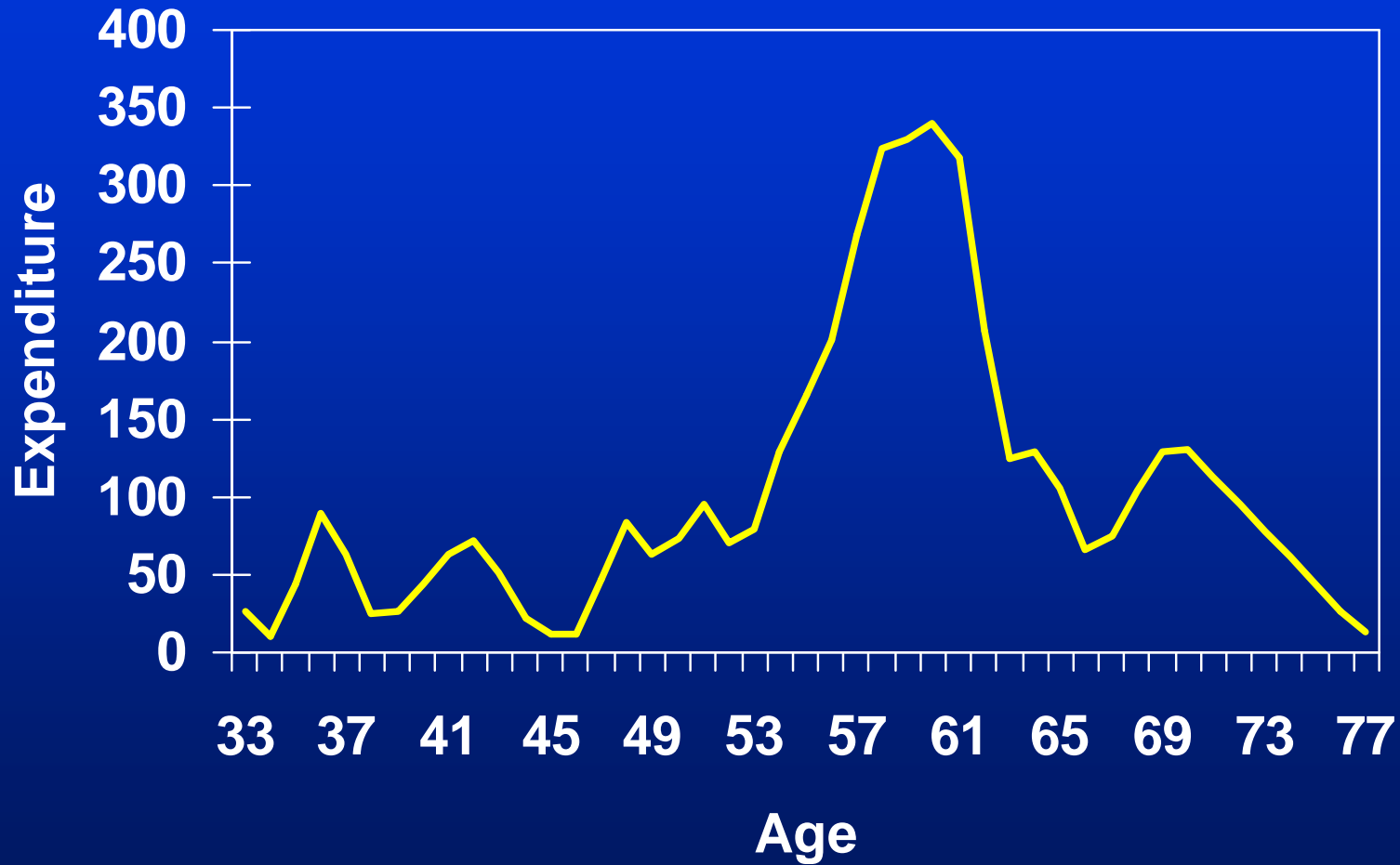
Source: U.S. Bureau of Labor Statistics Consumer Expenditure Annual Surveys, Potato Chips and Other Snacks (UCC 180310)

Motorcycles vs. Age



Source: U.S. Bureau of Labor Statistics Consumer Expenditure Annual Surveys; New Motorcycles (UCC 450220)

RV's vs. Age

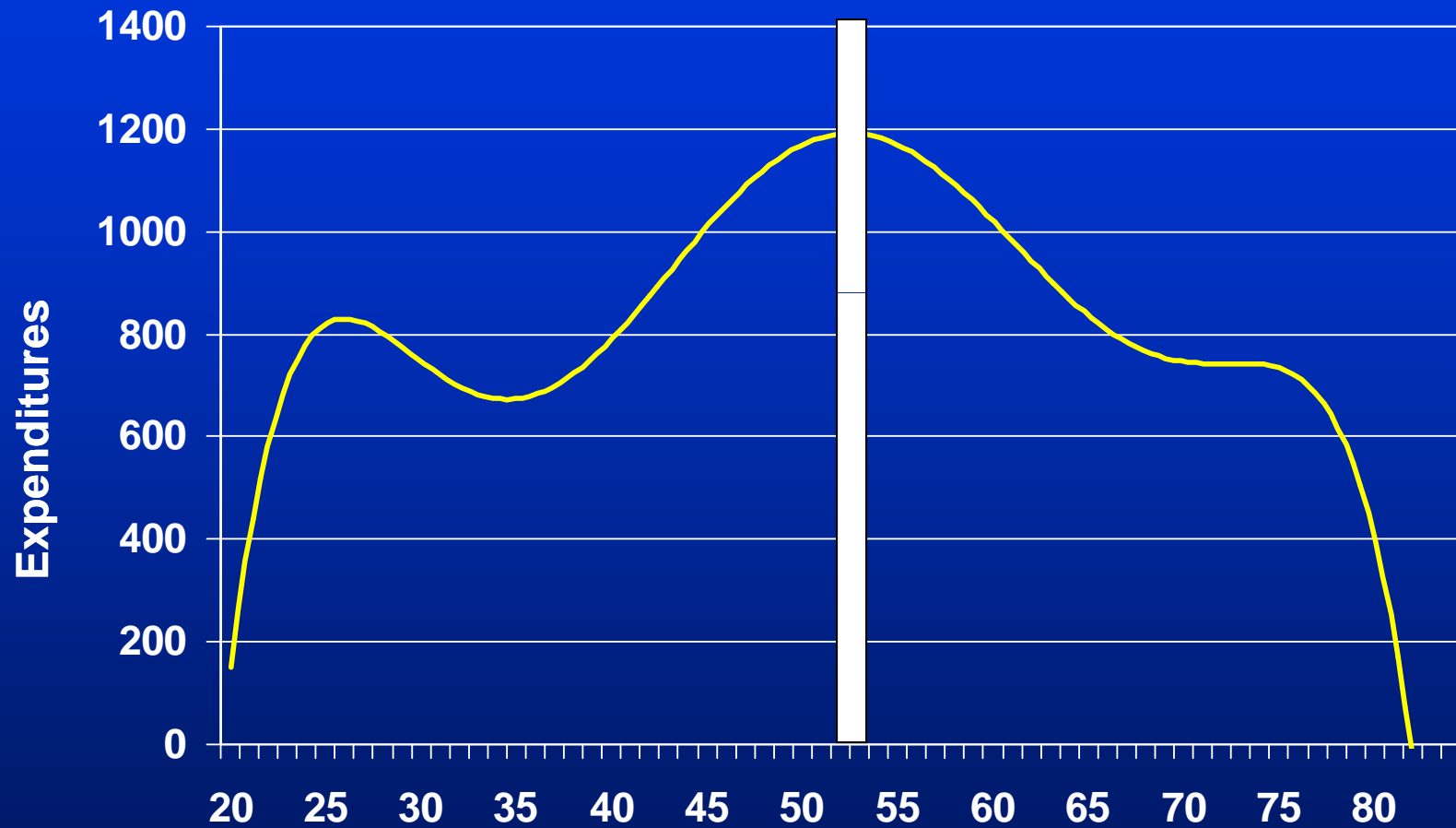


Source: U.S. Bureau of Labor Statistics Consumer Expenditure, H.S. Dent



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New Cars vs. Age

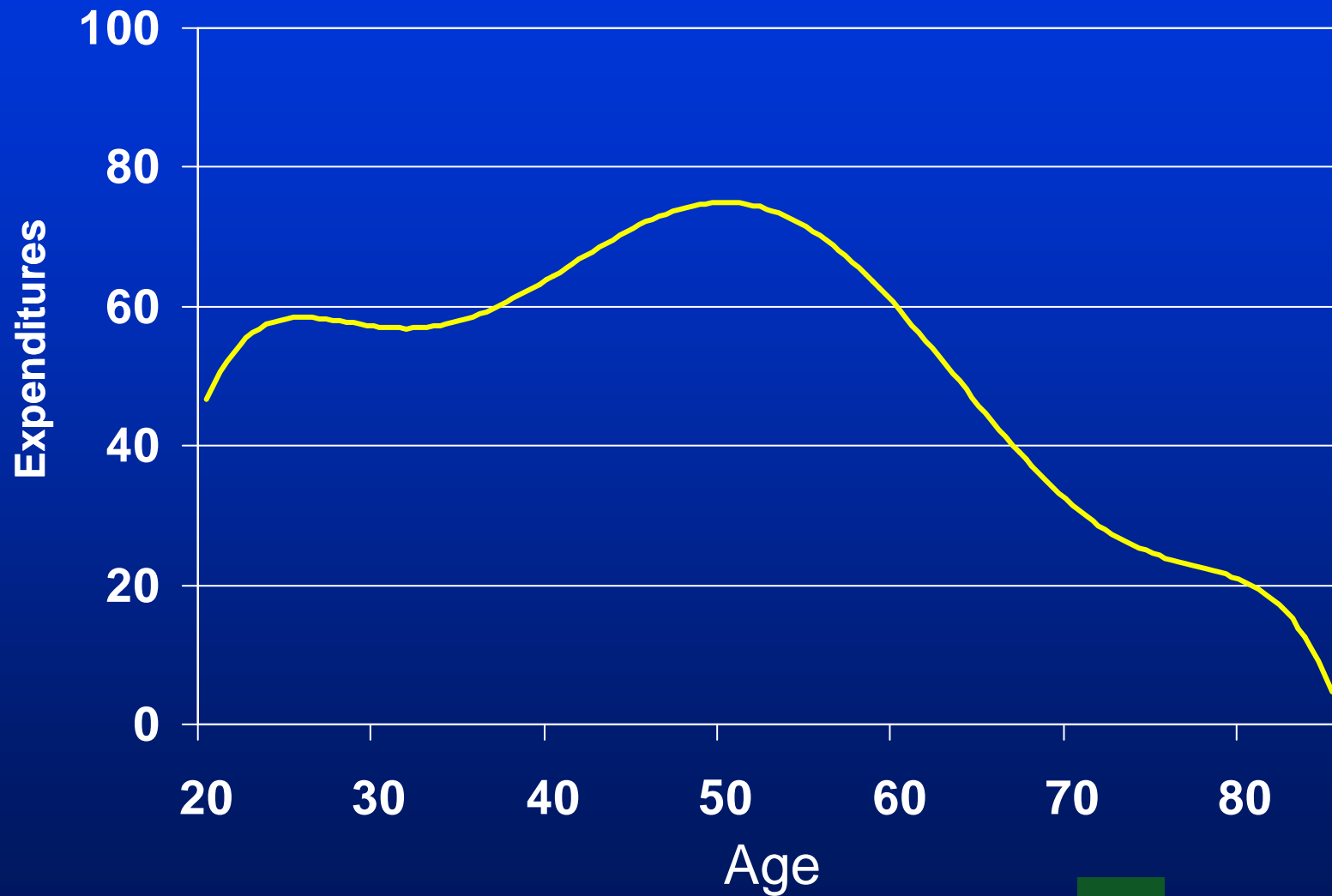


Source: U.S. Bureau of Labor Statistics Consumer Expenditure, H.S. Dent



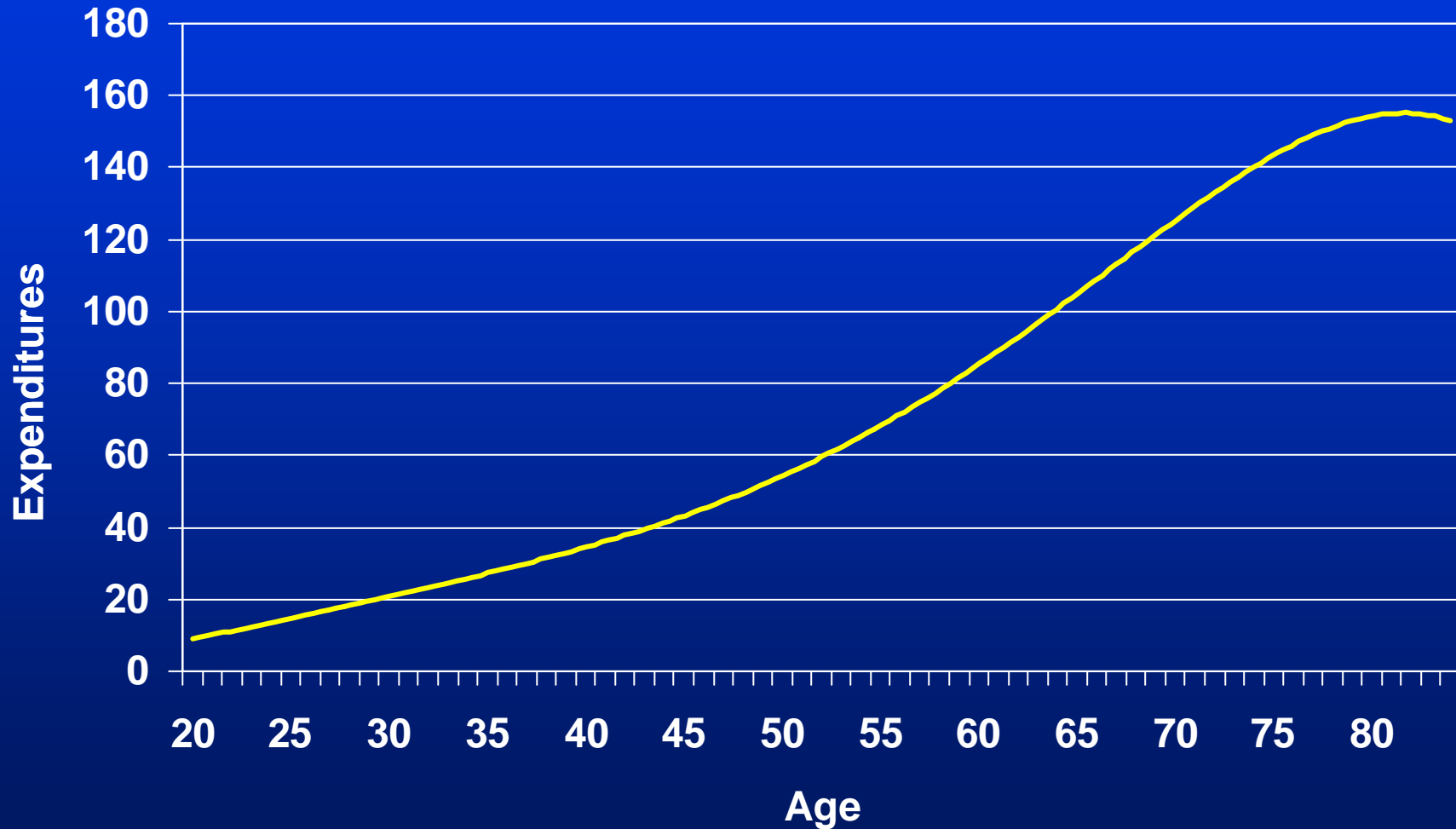
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Men's Shirts



Source: U.S. Bureau of Labor Statistics Consumer Expenditure, H.S. Dent

Spending on Drugs



Source: U.S. Bureau of Labor Statistics Consumer Expenditure, H.S. Dent

Healthcare Spending Wave Births on a 80-Year Lag



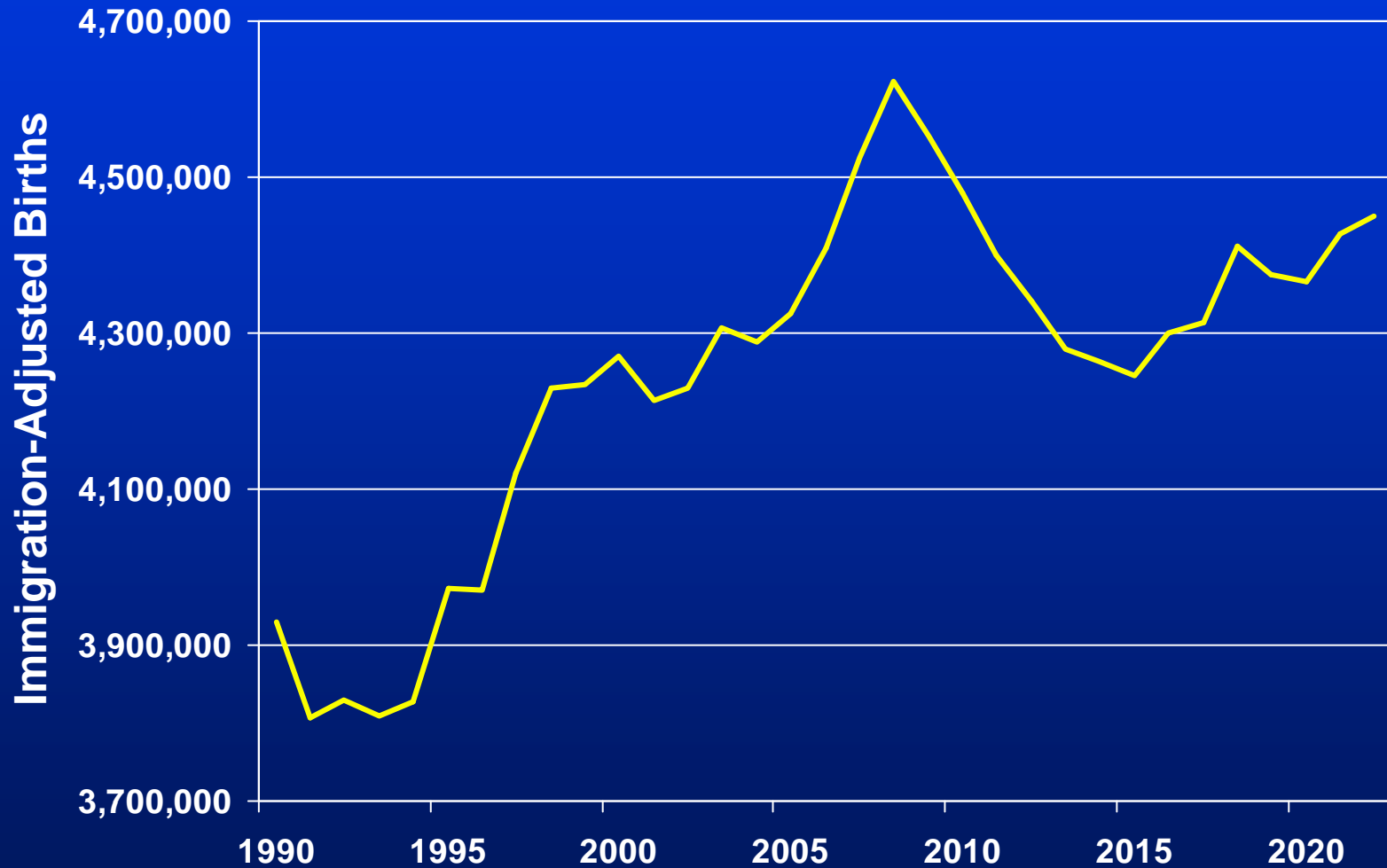
Source: U.S. Bureau of Labor Statistics Consumer Expenditure, H.S. Dent



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College Enrollment

18-Year Lag on Immigration-Adjusted Births

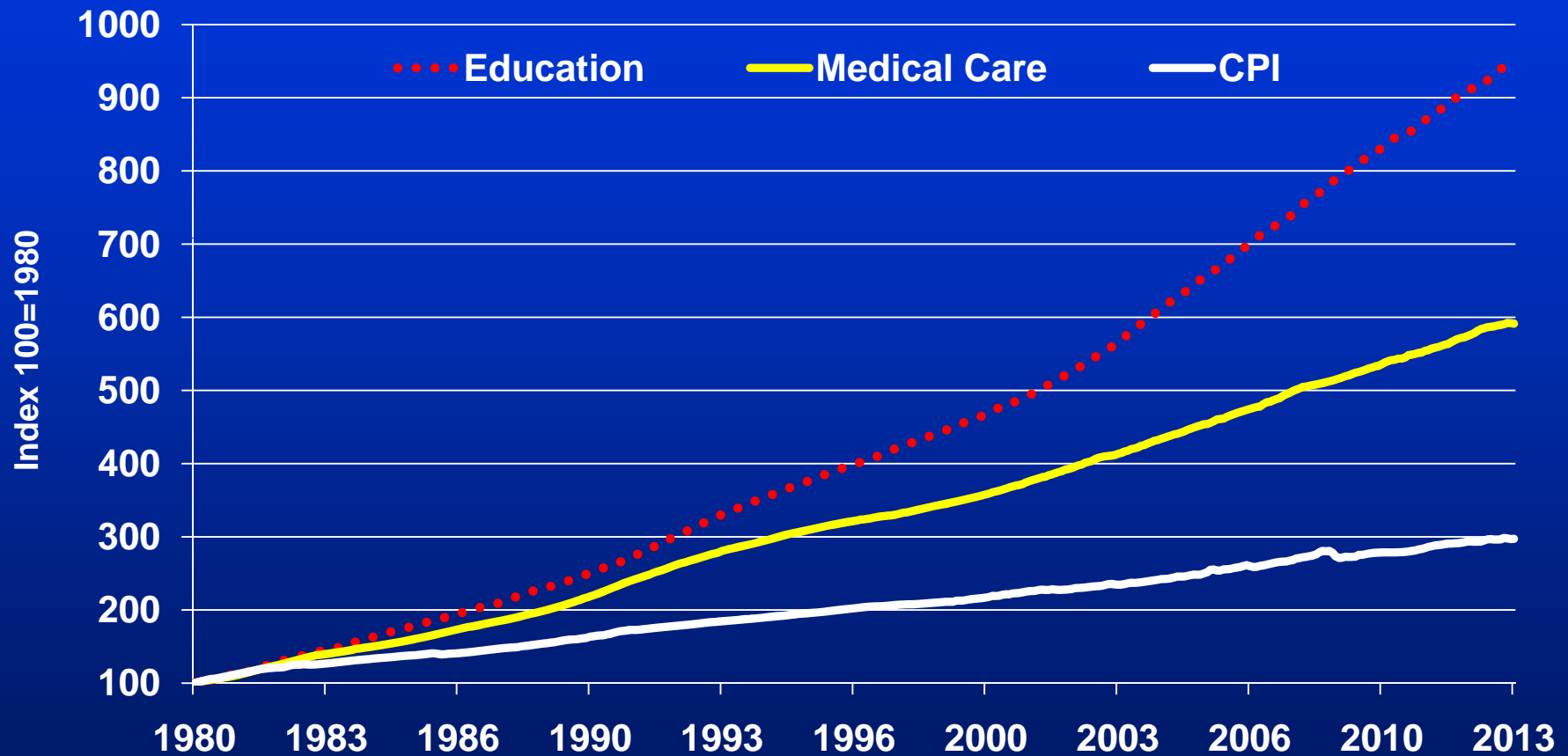


Source: U.S. Bureau of Labor Statistics Consumer Expenditure, H.S. Dent

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Education, Healthcare Costs vs. CPI



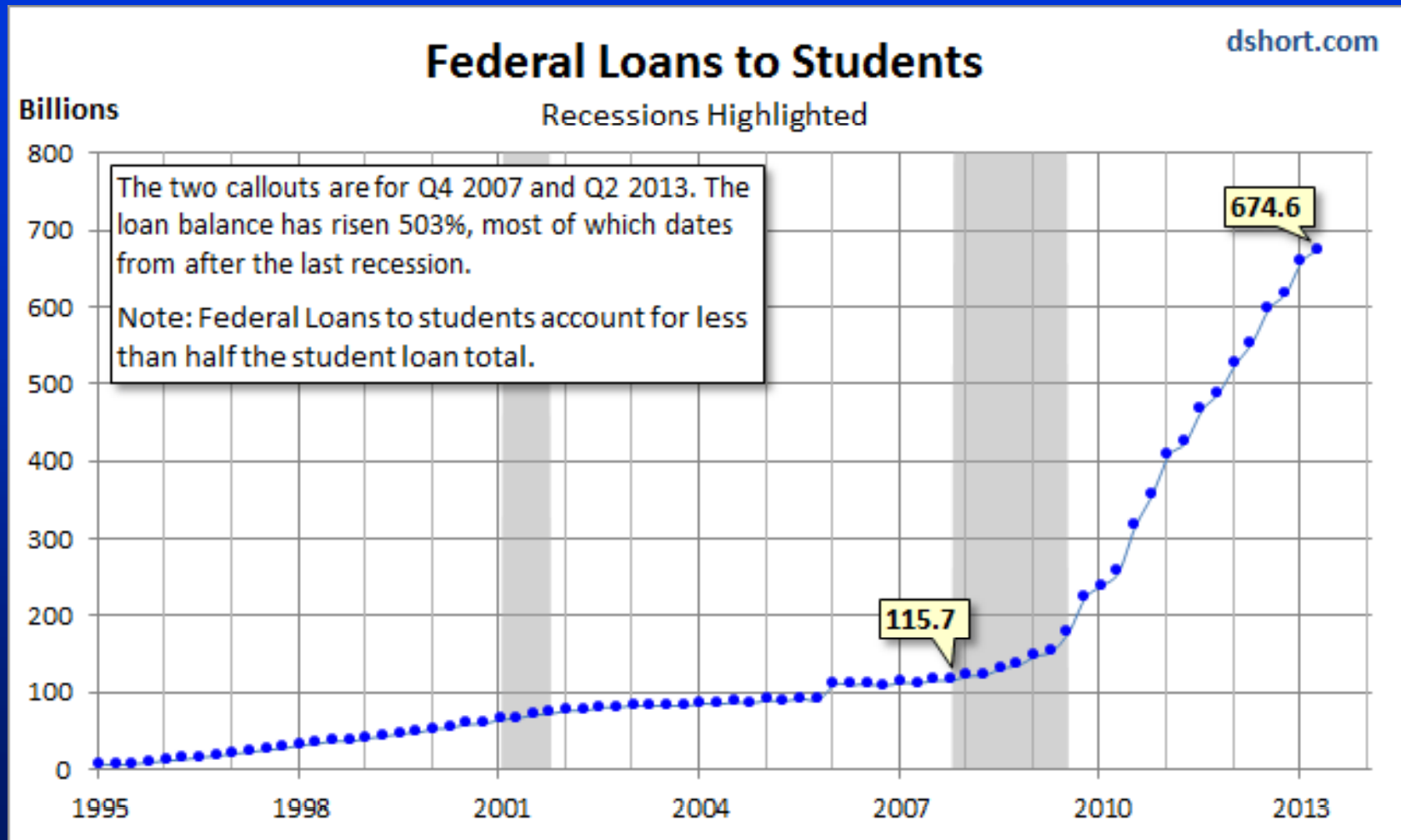
Data Source: Bureau of Labor Statistics, Dent Research 2013



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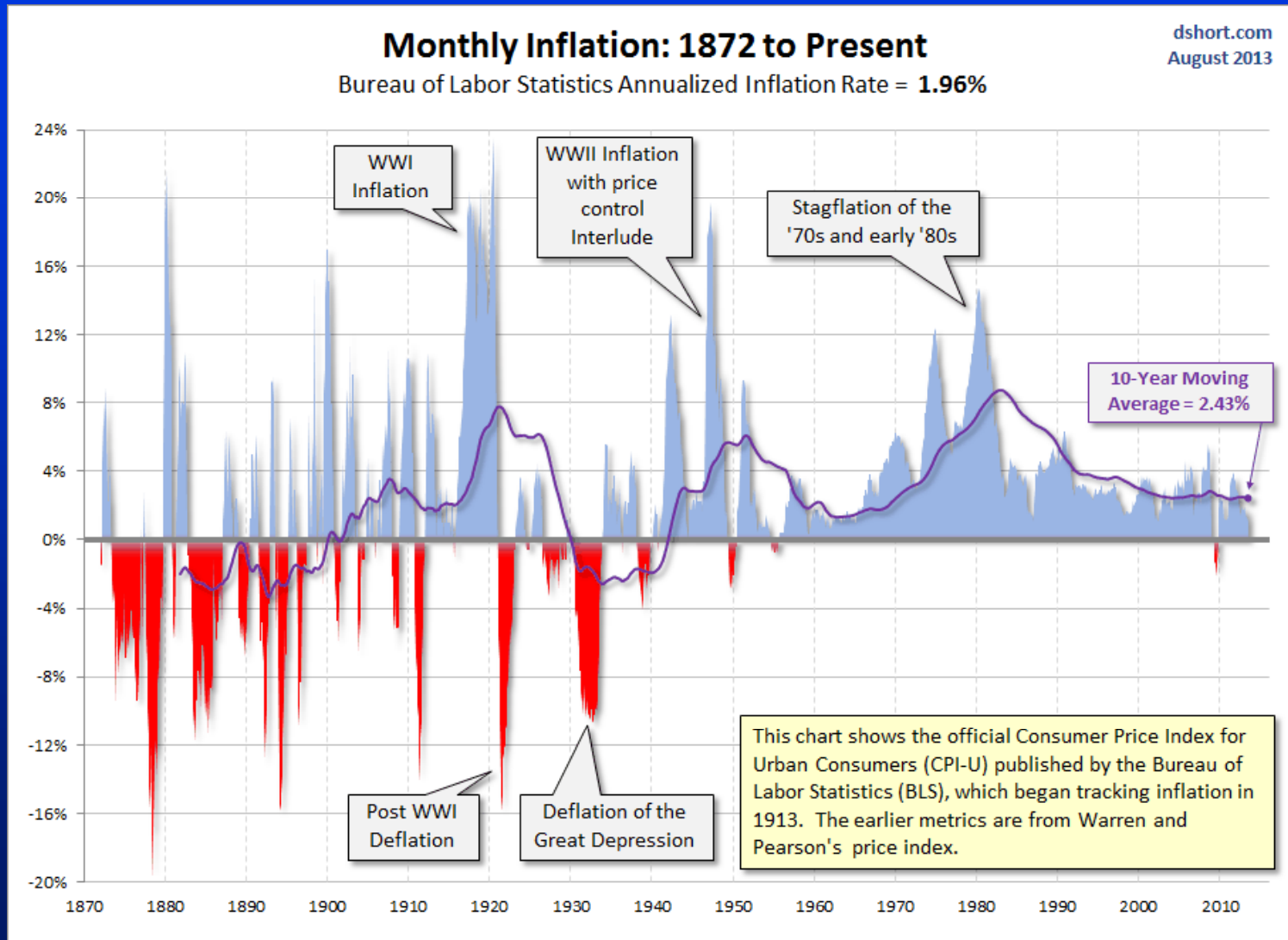
Rapid Growth in Student Loans

42% of Total Federal Assets!



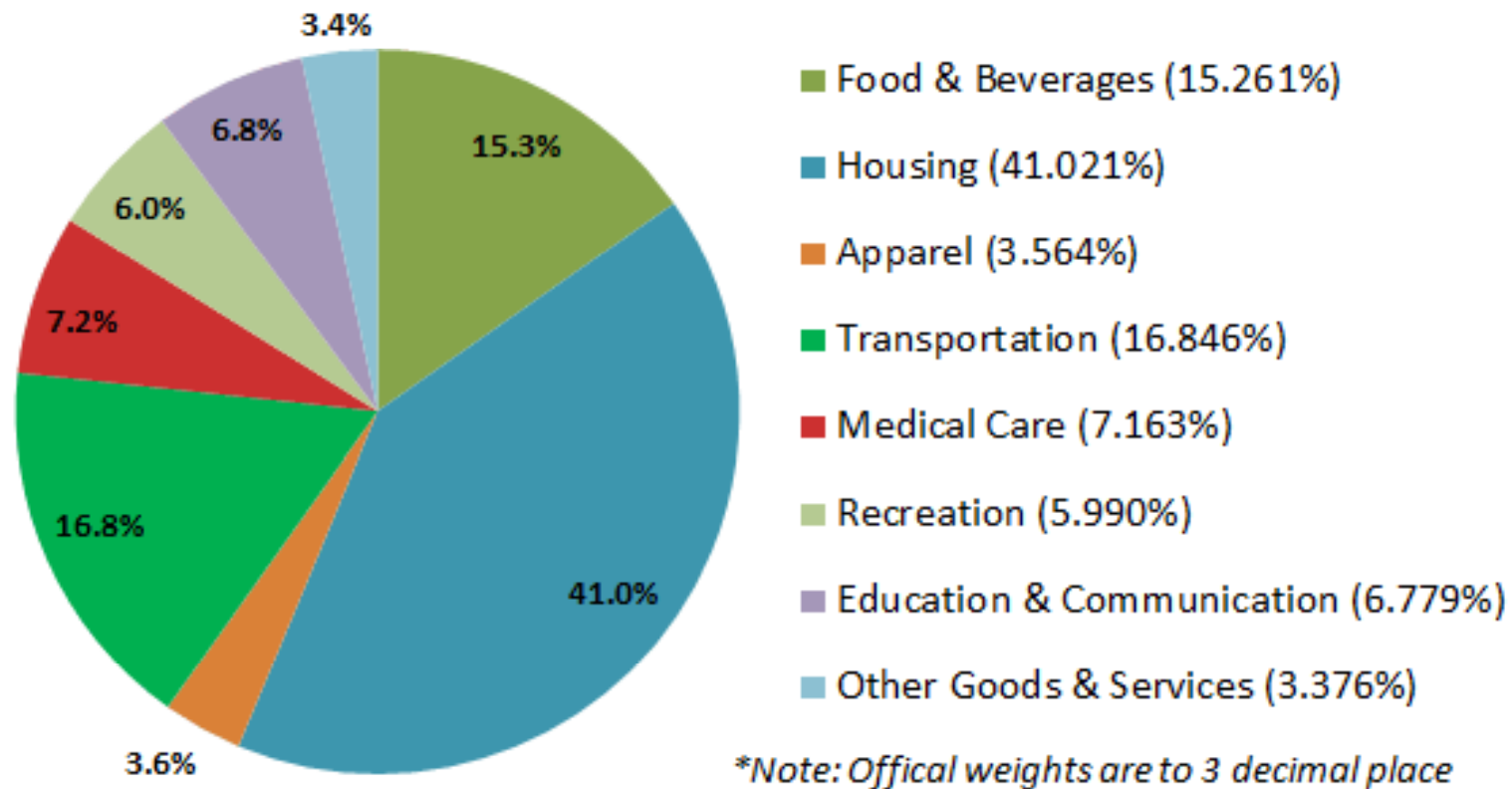
Source: Federal Reserve, Flow of Funds Table L.105, Advisor Perspectives – Doug Short, 2013

History of Inflation



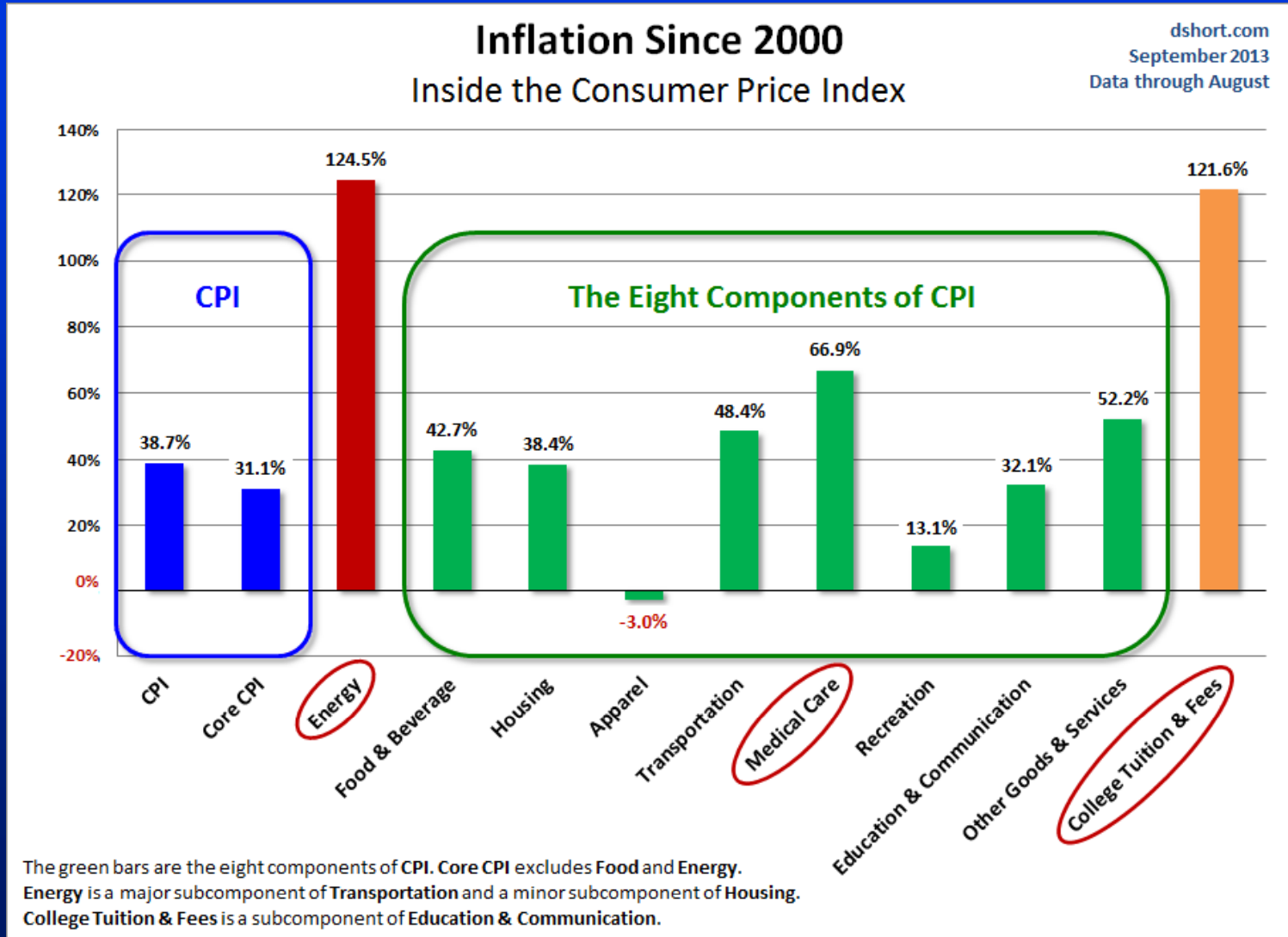
What's in CPI?

Consumer Price Index Components*



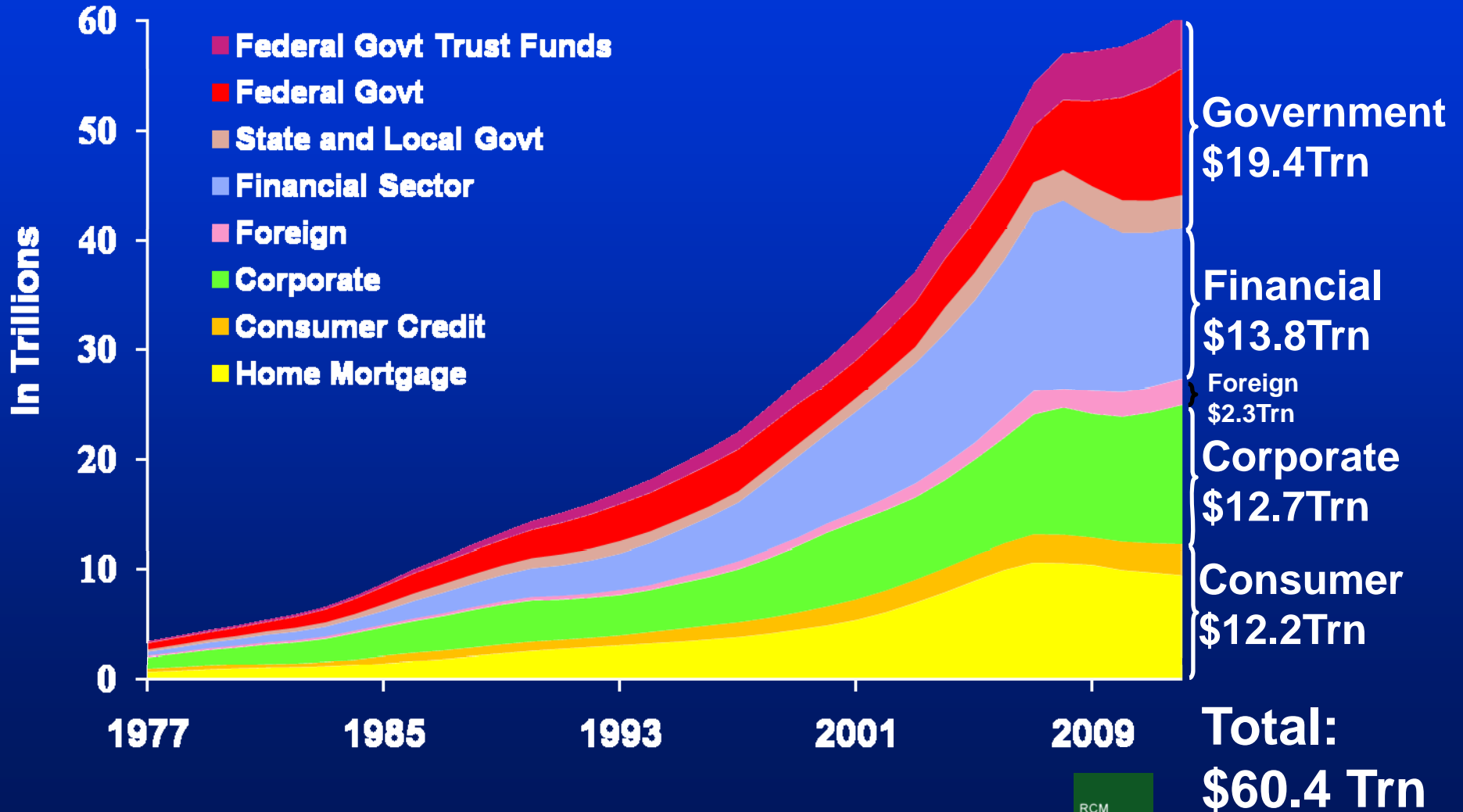
Source: BLS; The most recent reweighting was in December 2012.

What's in CPI?



Total U.S. Debt Outstanding

1977-2012

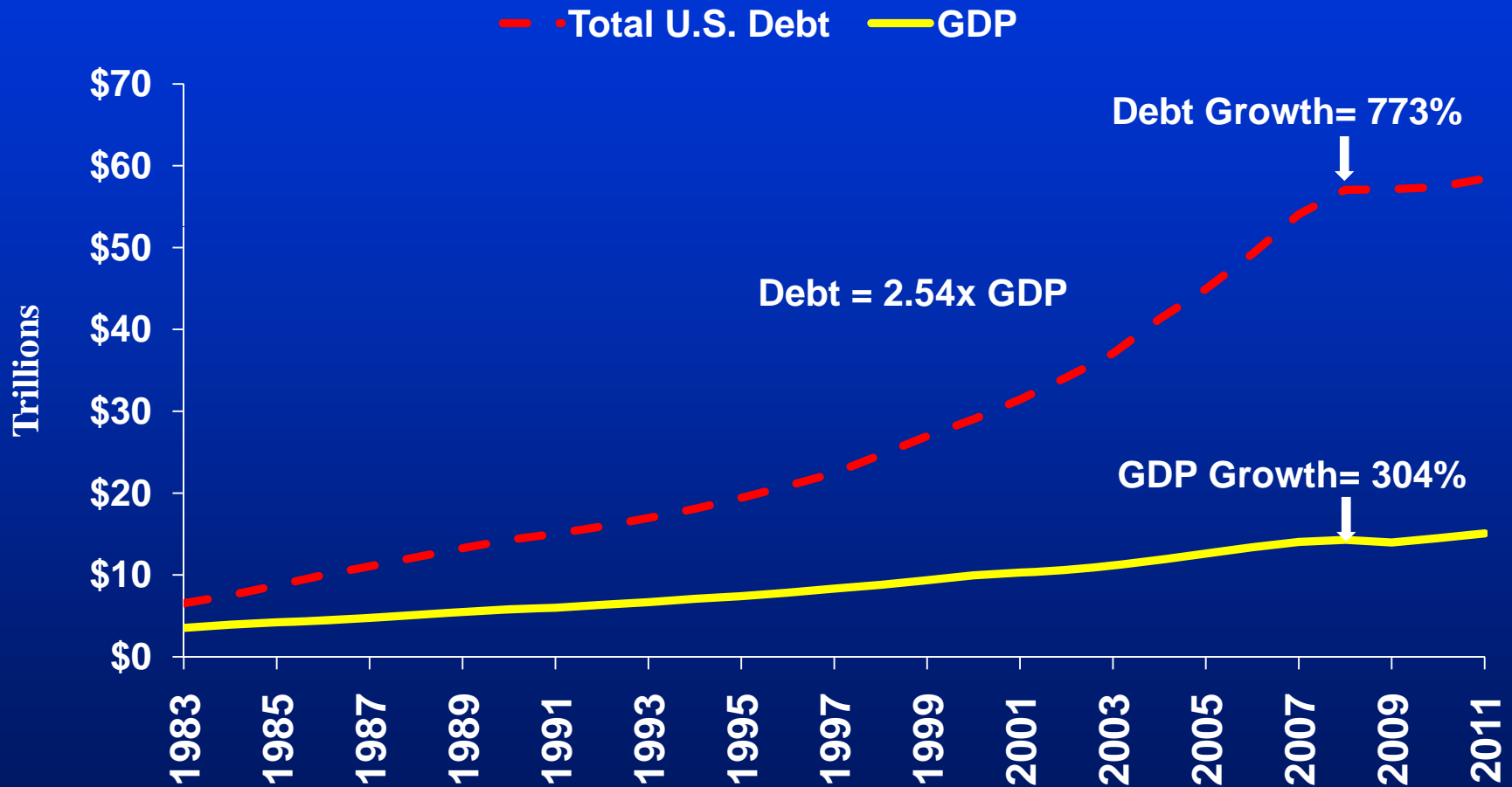


Data Source: Federal Reserve Flow of Funds Report, Treasury Direct, 2013

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Total U.S. Debt Growth vs. GDP



Data Source: St. Louis Federal Reserve, Treasury Direct, Dent Research ,2013



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Total U.S. Debt as % of GDP, 1870-2012

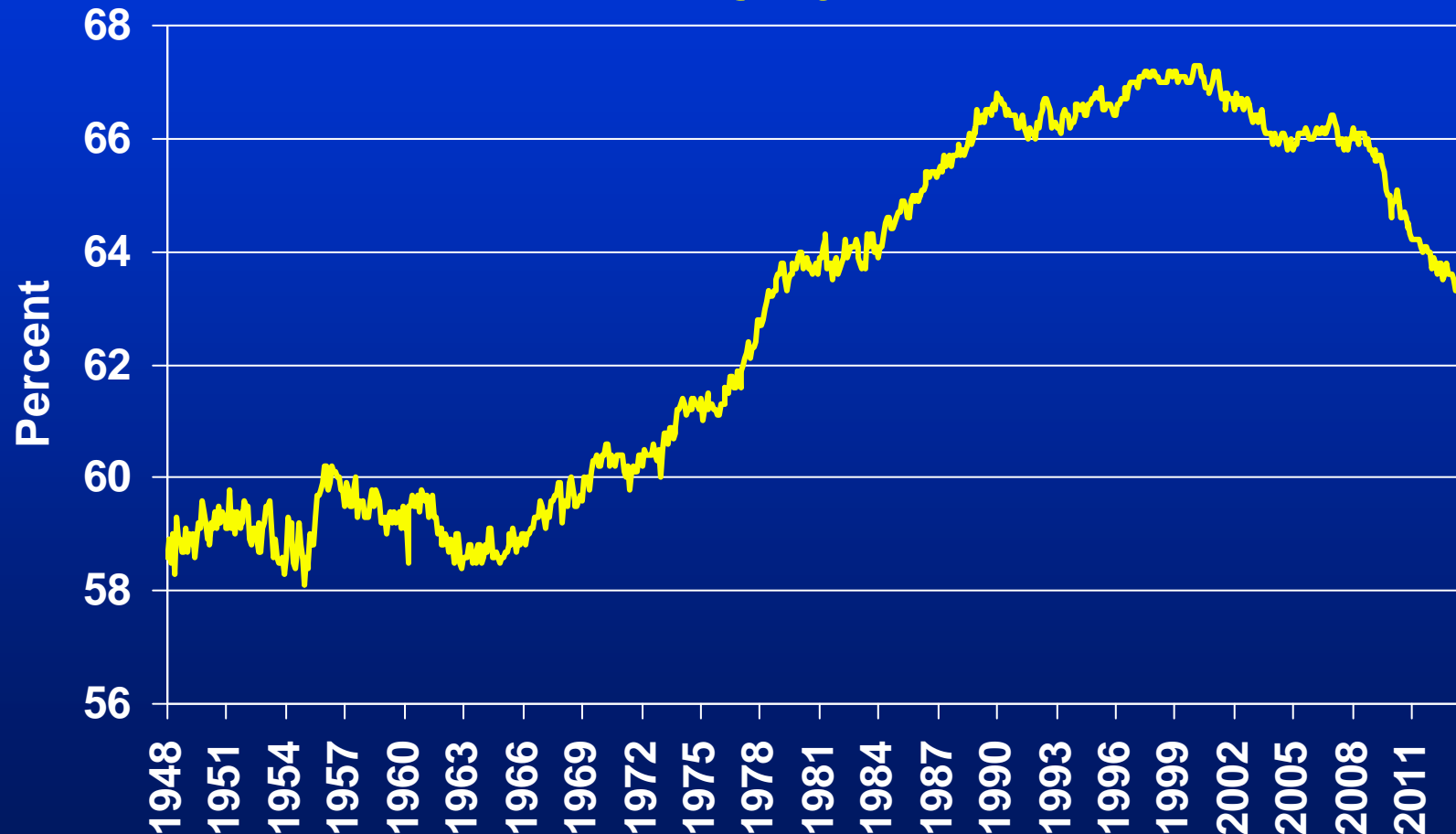


Source: Courtesy of Hoisington Investment Management, Dent Research



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US Labor Force Participation Rate Total

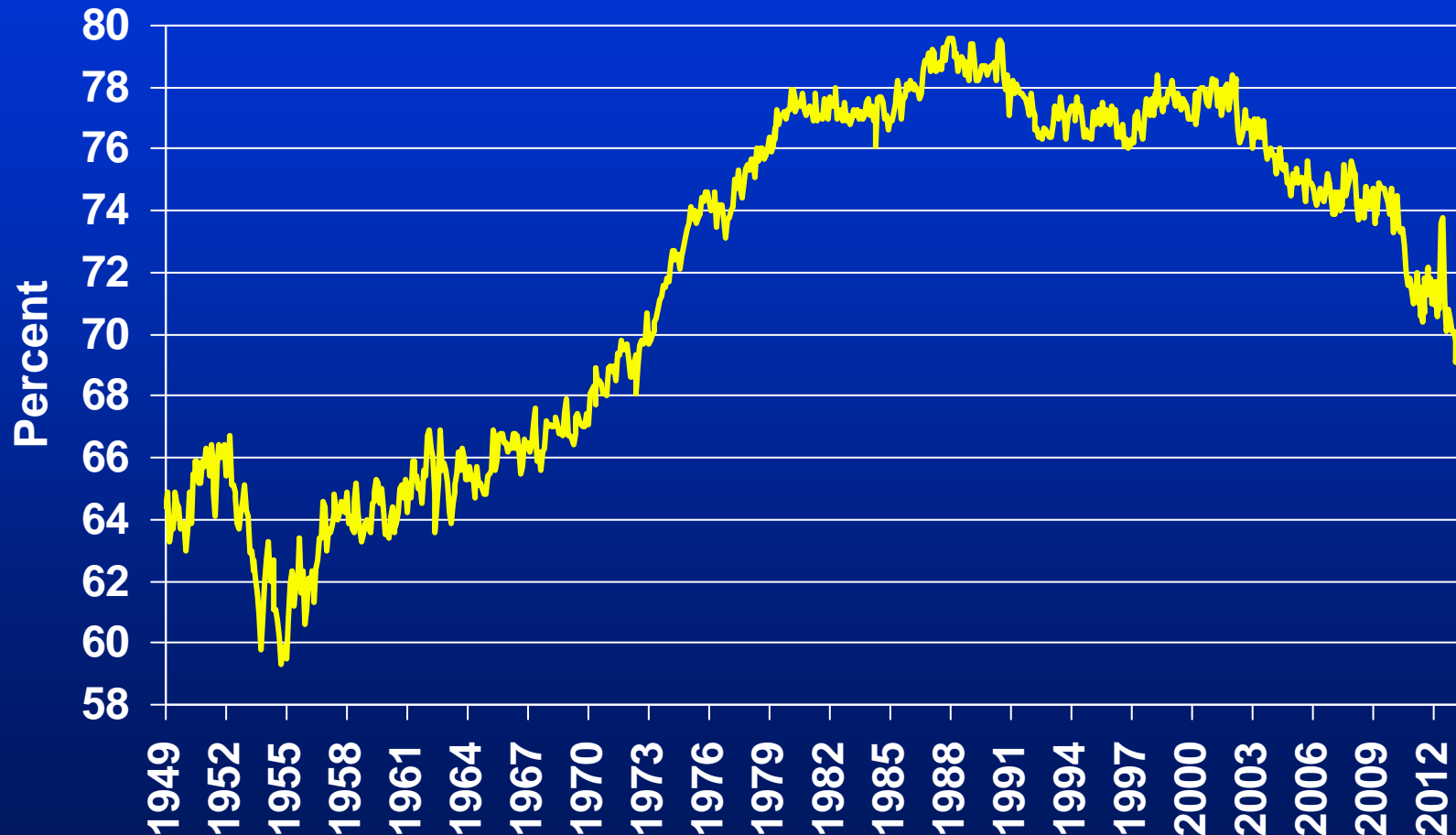


Source: Bureau of Labor Statistics, Bloomberg, 2013

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US Labor Force Participation Rate Age 20 to 24

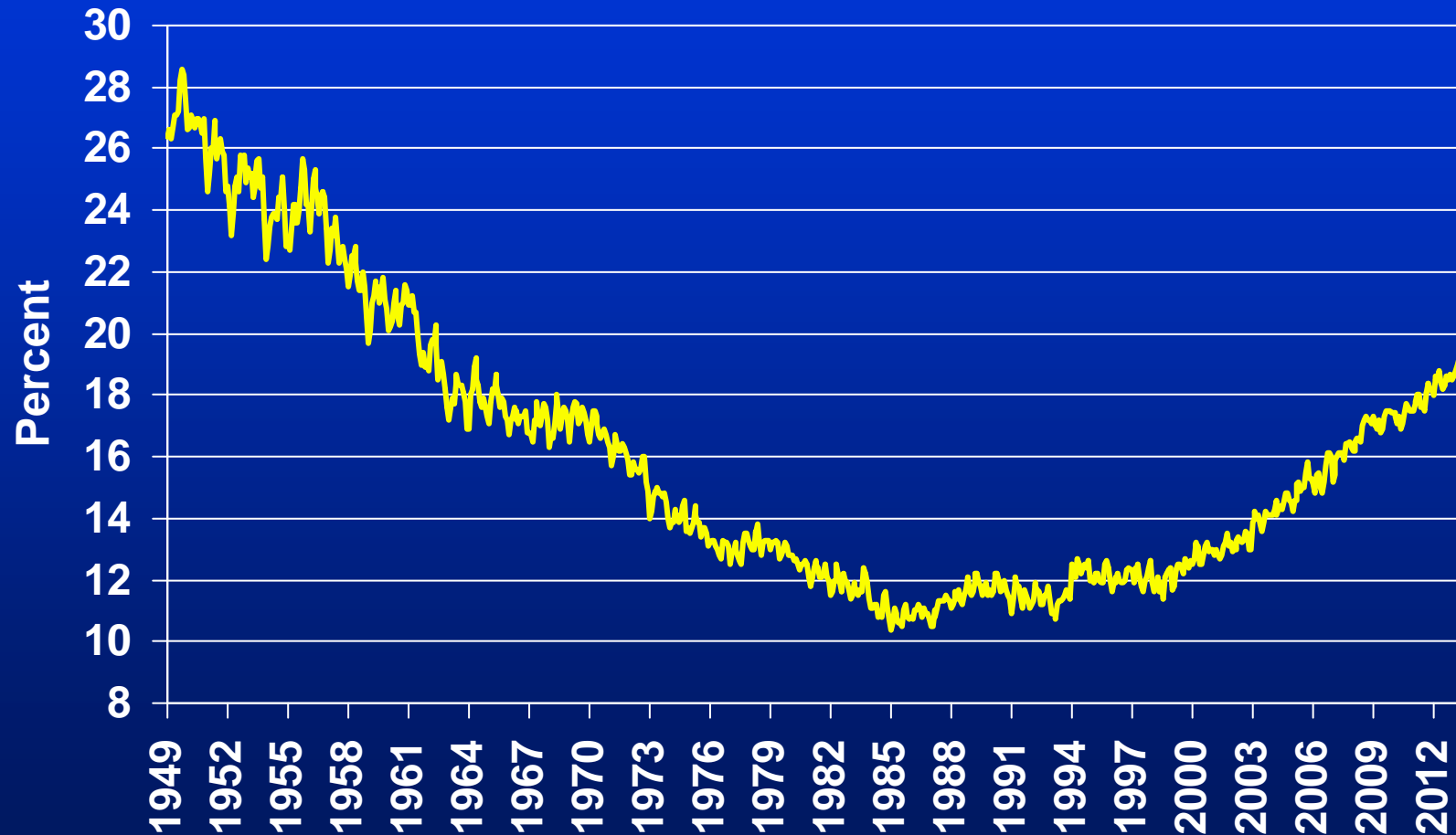


Source: Bureau of Labor Statistics, Bloomberg, 2013

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US Labor Force Participation Rate Age 65 & Over



Source: Bureau of Labor Statistics, Bloomberg, 2013

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Unemployment Rate Adjusted for Workforce Decline, 2004-2013



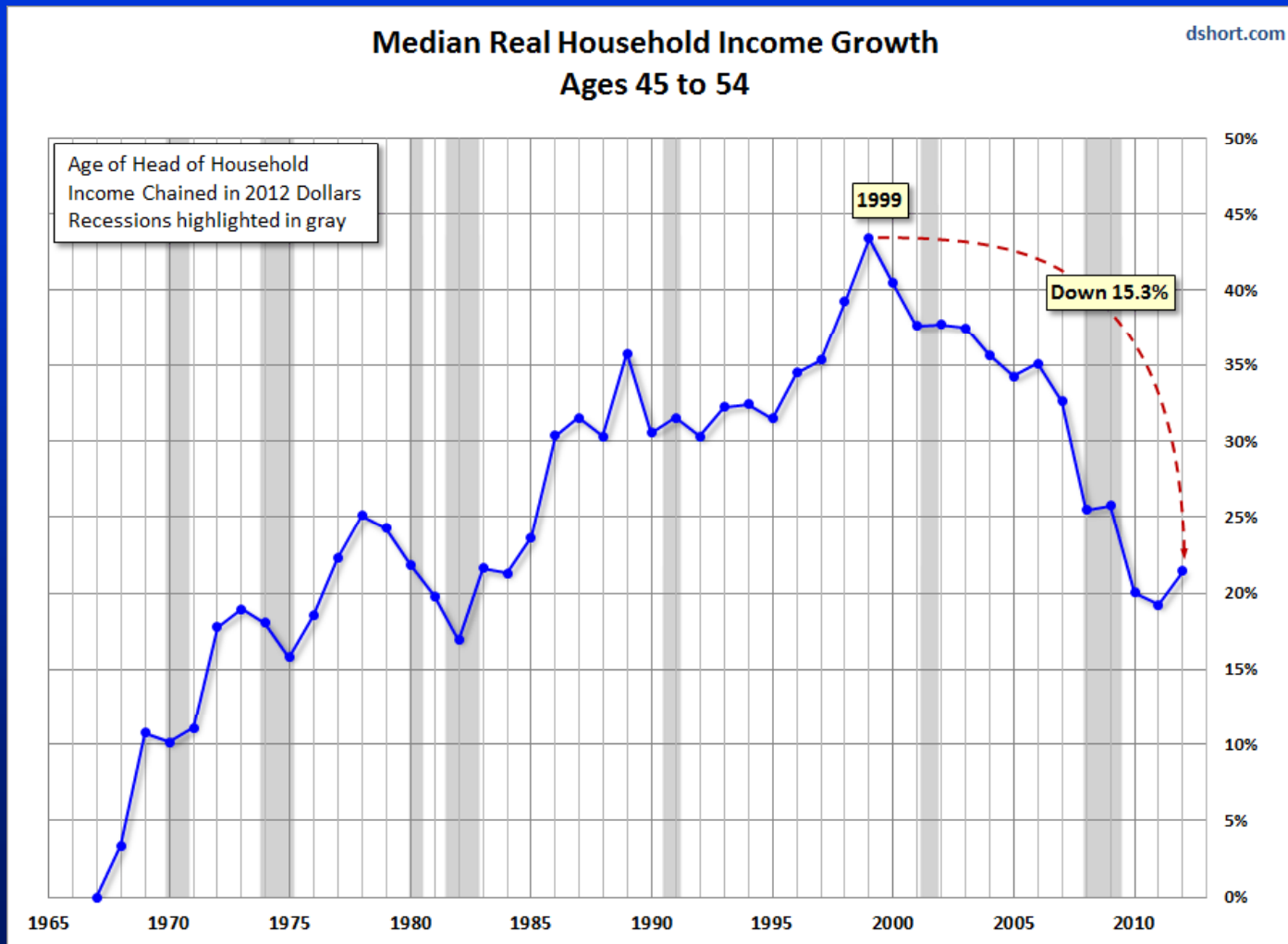
Data Source: St. Louis Federal Reserve, Dent Research, 2013

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Plight of the Peak Earner

Age 45 - 54



Source: Bureau of Labor Statistics, Bloomberg, Advisor Perspectives – Doug Short, 2013

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Median (Real) Household Income Declines from Peak Year

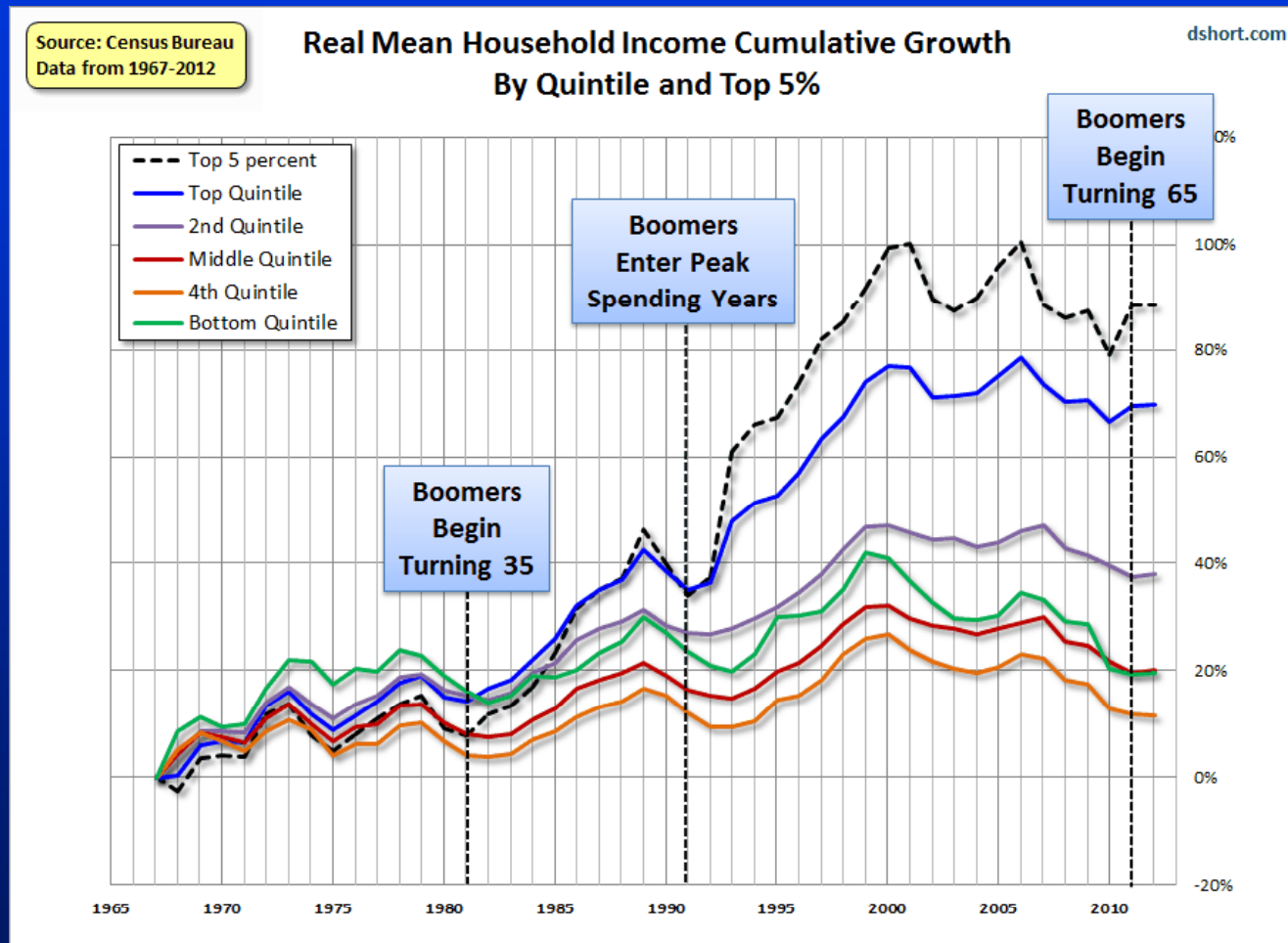
Age Bracket of Head of Household	Peak Year	Peak Income	2012 Income	Percent Change
15 to 24	2000	\$37,129	\$30,604	-17.6%
25 to 34	2000	\$59,219	\$51,381	-13.2%
35 to 44	2000	\$71,683	\$63,629	-11.2%
45 to 54	1999	\$78,410	\$66,411	-15.3%
55 to 64	2007	\$63,549	\$58,626	-7.7%
65 and older	2012	\$33,484	\$33,848	0.0%

Source: Bureau of Labor Statistics, Bloomberg, Chained in 2012 dollars
Advisor Perspectives – Doug Short, 2013



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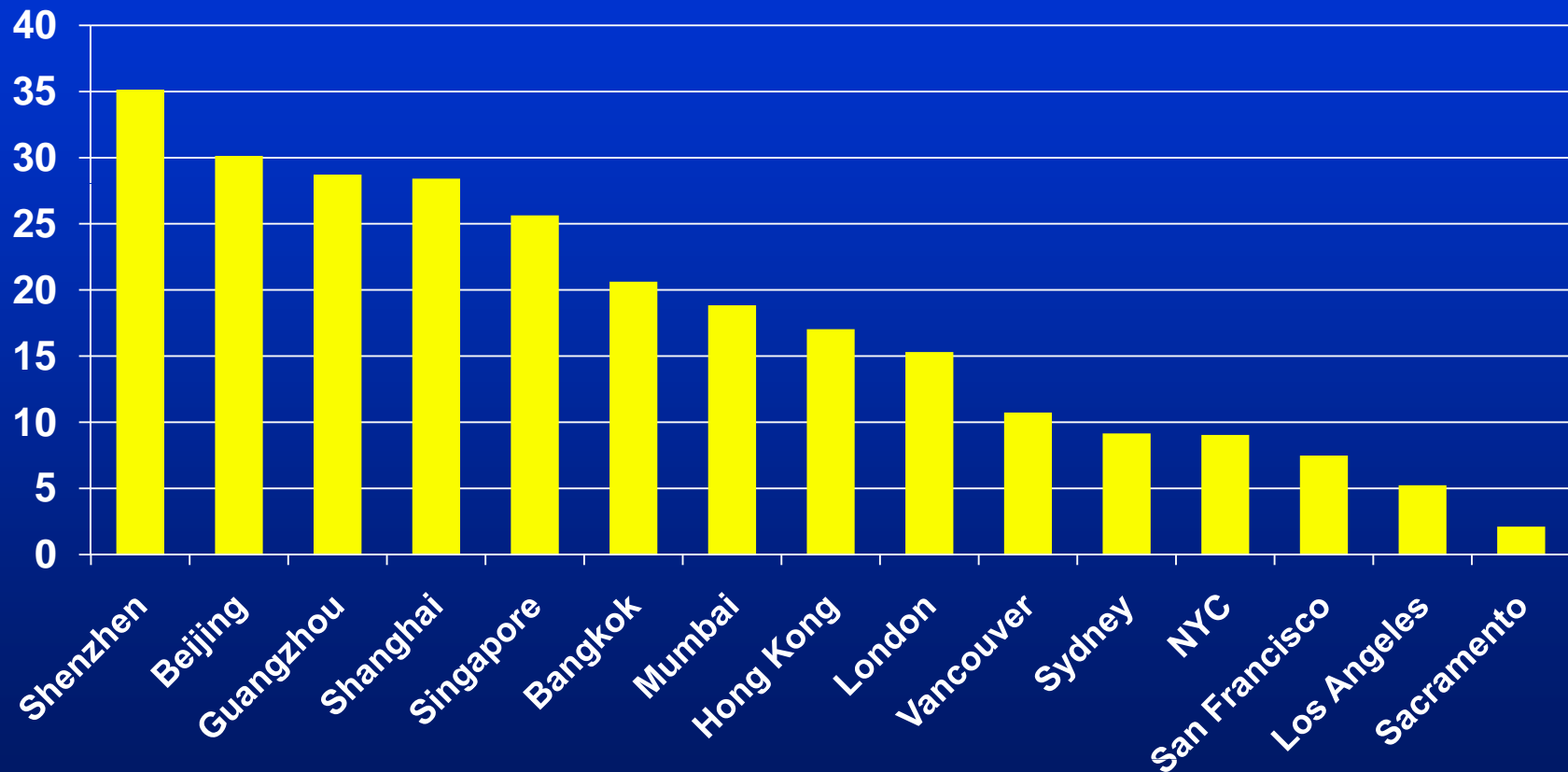
Average (Real) Household Income Cumulative Growth By Quintile



Source: Bureau of Labor Statistics, Bloomberg, Chained in 2012 dollars
Advisor Perspectives – Doug Short, 2013

Home Price to Income Ratios Around the World

■ Home Price to Income Ratio, 2013



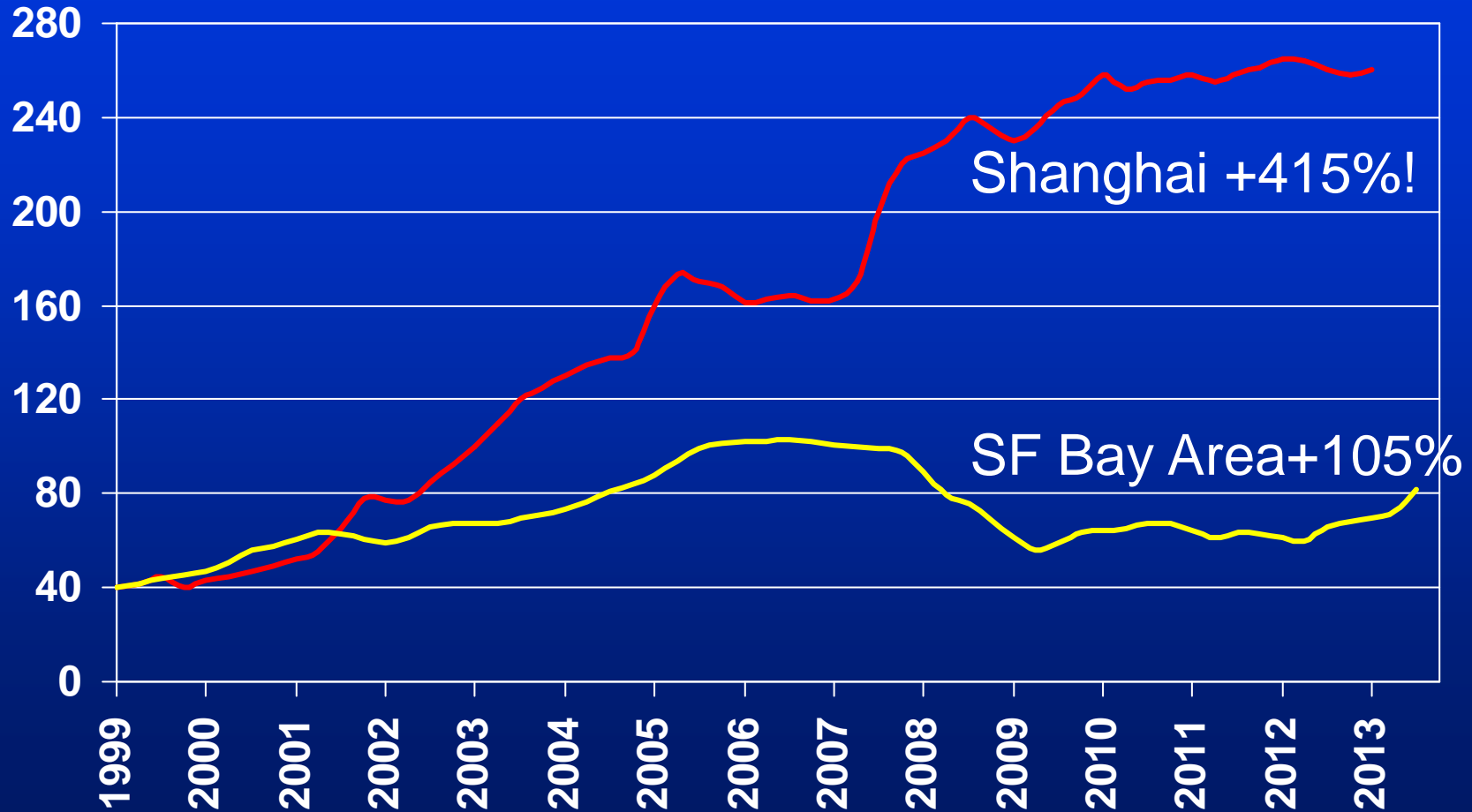
Data Source: Numbeo.com, Dent Research 2013



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Shanghai vs. SF Bay Area

House Price Index



Source: Global Property Guide, Case-Shiller Home Price Index, Dent Research, Bloomberg, 2013

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5 Year Treasury Channel 1980-Present

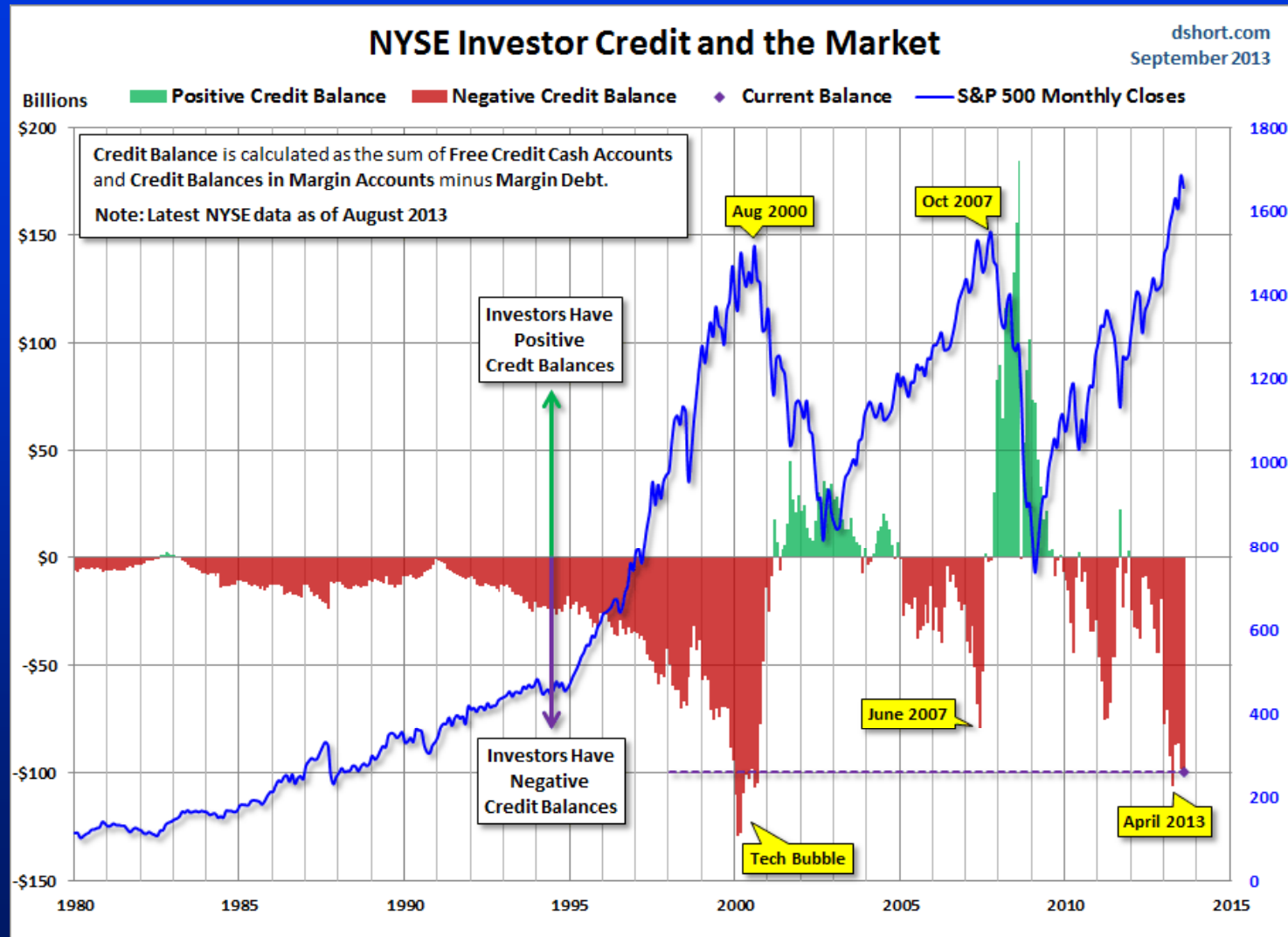


Source: Bloomberg

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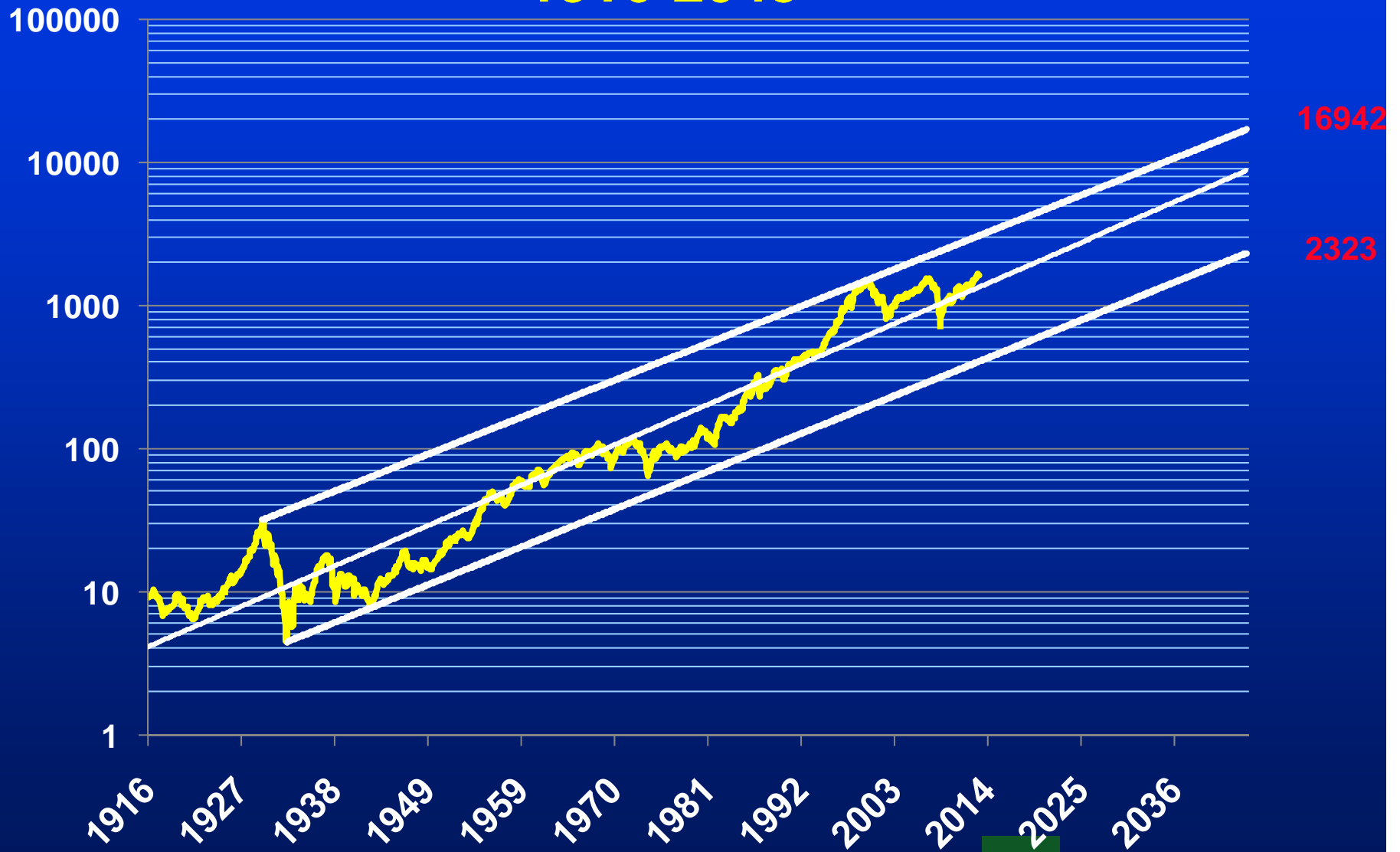
Record NYSE Margin Debt



Source: NYSE, Bloomberg, Advisor Perspectives – Doug Short, 2013

S&P Index 'Wide Channel'

1916-2045



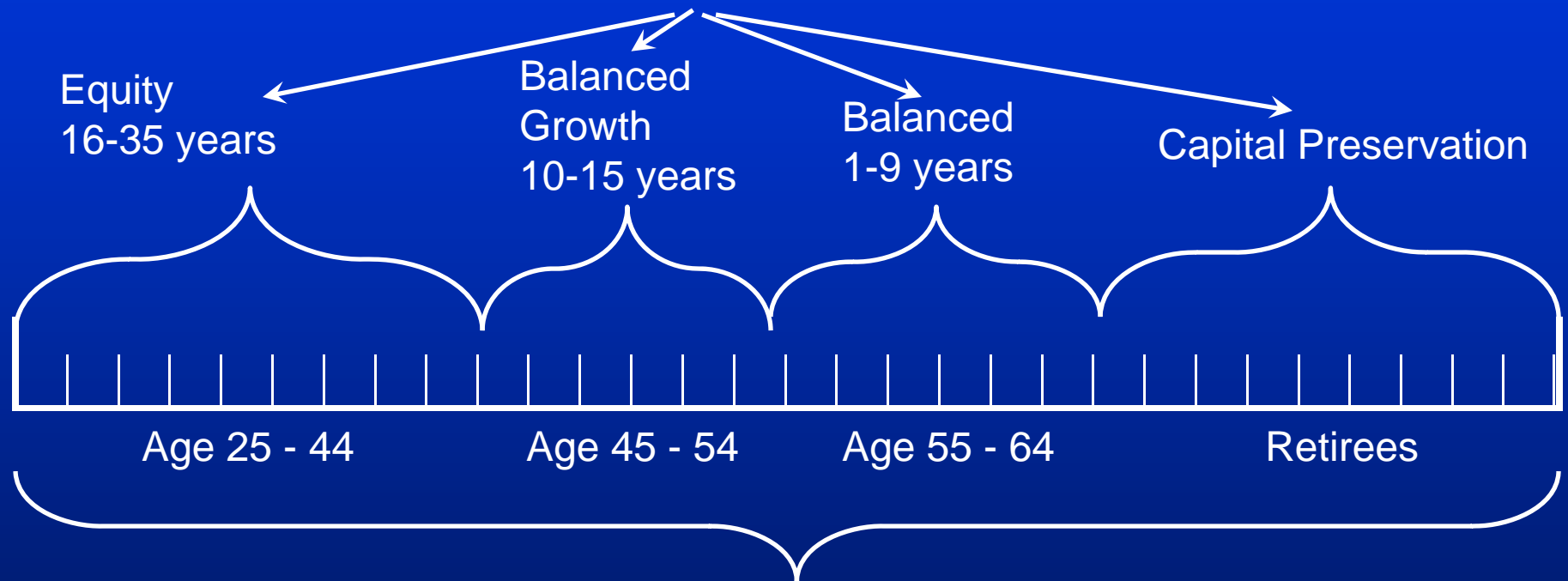
Source: Bloomberg, 2013, Projection channels assume continuation of 4.52 slope rate. Regression rate is 4.95



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OPEB Funding Liability Driven Investing (LDI)

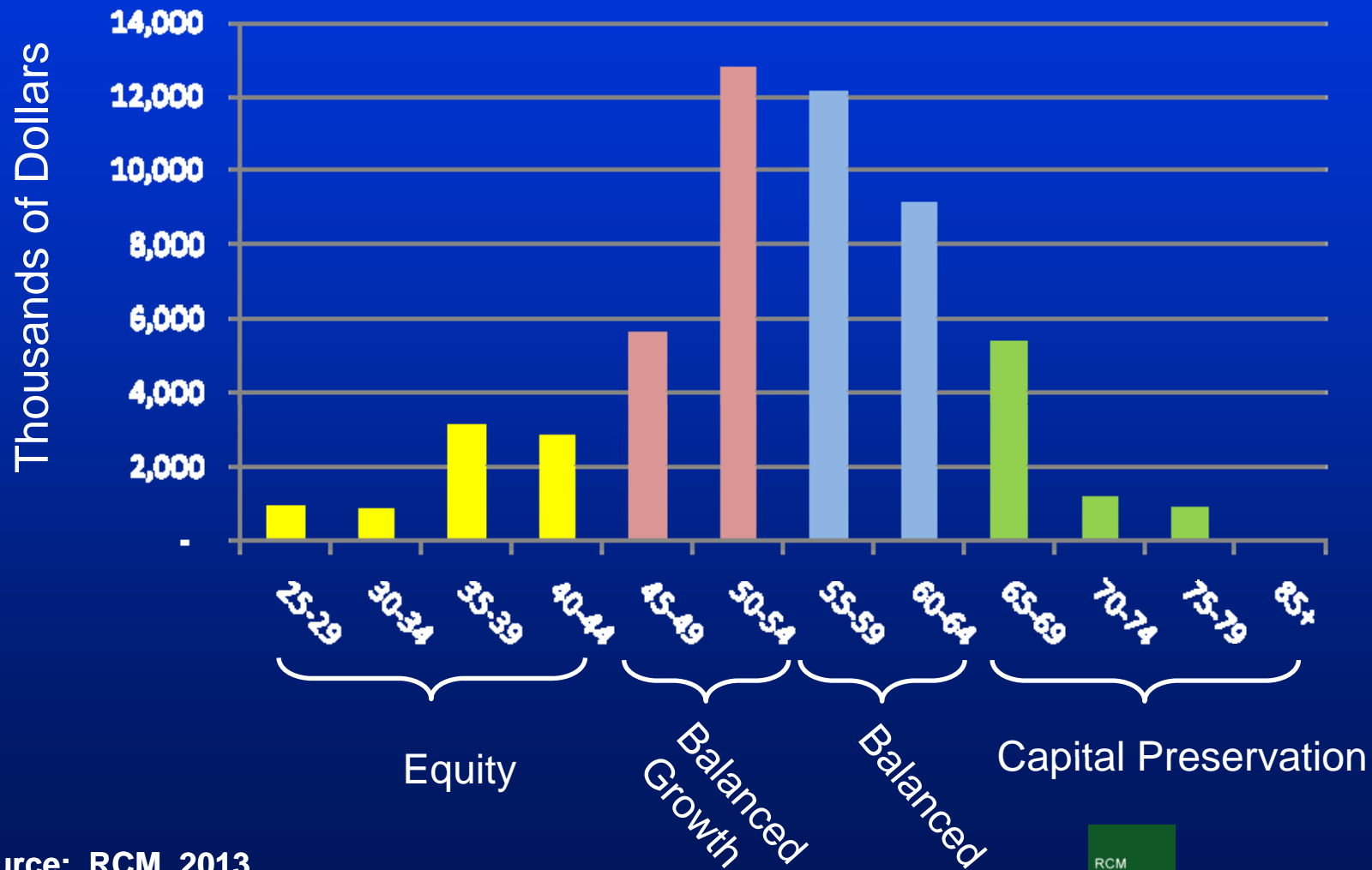
Match asset allocation risk/return with liabilities



- Each group has a different time horizon and liability, not one size fits all
- Establish goals-based investment strategy, preclude investor behavior

Source: RCM, SEI 2013

OPEB Funding Liability Driven Investing (LDI)



Source: RCM, 2013



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Douglas C. Robinson – Independent Registered Investment Advisor

Doug Robinson is the principle of RCM Robinson Capital Management, an SEC registered investment advisory and management firm specializing in institutional fixed income securities and OPEB trust asset allocation strategies. Doug is a frequent guest speaker and long-time member of the California Municipal Treasurers Association. With over thirty years in the investment industry, he is the editor of robinsoncapital.com, an educational web site providing investors with information on institutional fixed income, GASB 45 mitigation strategies and portfolio management. Doug is also a Branch Manager and Registered Principal with Foothill Securities.

Doug received his Bachelors of Science degree in Economics from University of Missouri-Columbia and is co-author of “Boom or Bust - Understanding and Profiting from a Changing Consumer Economy”.

www.robinsoncapital.com/fi_main.htm

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RCM Robinson Capital Management LLC
3997 Washington Street
San Francisco, CA 94118

Toll Free: 800-334-8140 Phone: 415-771-9421 Fax: 415-762-1980