CAMBRIA

Market Outlook &

Global Stock Valuations

October, 2015

About Cambria

- SEC RIA founded 2006
- $400+ million across
  - Individual accounts
  - Active and Passive ETFs
- Disrupt traditional high fee investing

Disclaimer

This presentation is for informational purposes and is not an offer to sell. Any investment involves significant risks, and past market conditions may not resemble future market conditions.

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT, DO NOT INVOLVE FINANCIAL RISK OR REFLECT ACTUAL TRADING BY ANY ACCOUNT UNDER ACTUAL MARKET CONDITIONS AND THEREFORE DO NOT REFLECT THE IMPACT THAT ECONOMIC AND MARKET FACTORS MAY HAVE HAD ON THE ADVISOR' S INVESTMENT DECISIONS FOR THAT ACCOUNT. NO REPRESENTATION IS MADE THAT CIMI'S PERFORMANCE WOULD HAVE BEEN THE SAME AS SUCH SIMULATED HAD CIMI BEEN IN EXISTENCE DURING SUCH TIME. ANOTHER LIMITATION IS THAT INVESTMENT DECISIONS REFLECTED IN THE SIMULATED RESULTS CANNOT COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK ON THE MANNER IN WHICH AN ACCOUNT WOULD HAVE BEEN MANAGED. 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 AFFECT ACTUAL TRADING RESULTS. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL RESULTS AND THE ACTUAL RECORD SUBSEQUENTLY ACHIEVED. THE SIMULATED RESULTS DO NOT TAKE INTO ACCOUNT ENHANCEMENTS THAT MAY BE MADE TO THE PROPRIETARY COMPUTER MODELS OVER TIME. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKET IN GENERAL, OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY BE ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL SIMULATED PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS. ALL RESULTS ARE GROSS OF ALL TRADING AND MANAGEMENT FEES

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Blog: MebFaber
Work: CambriaFunds
Ideas: TheIdeaFarm
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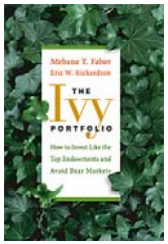

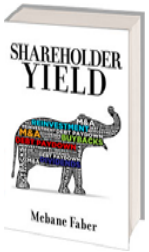

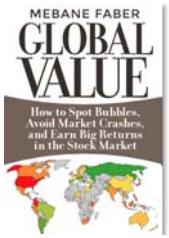

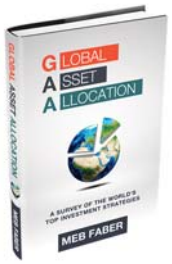

Before we start…

What percentage of your personal stock allocation is in the United States?

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TODAY

1. Asset Allocation Models
2. Global Market Valuations
3. Omaha!

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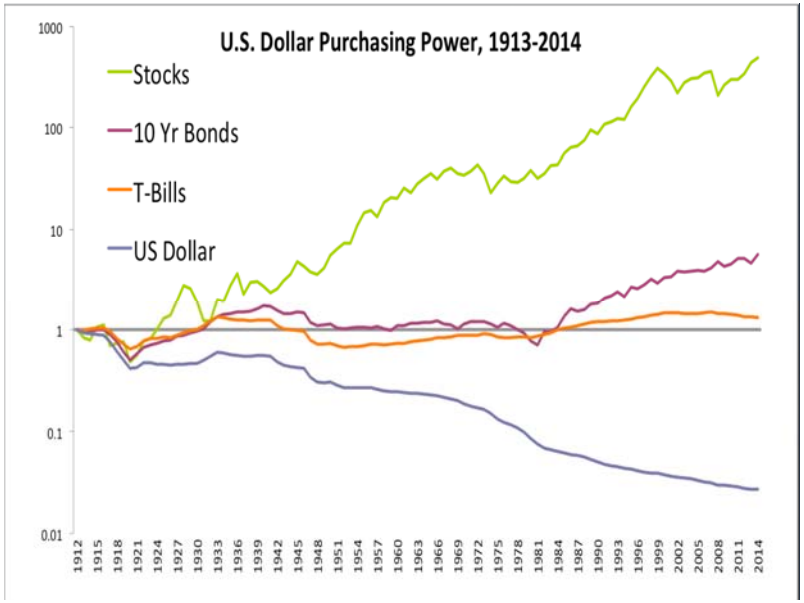
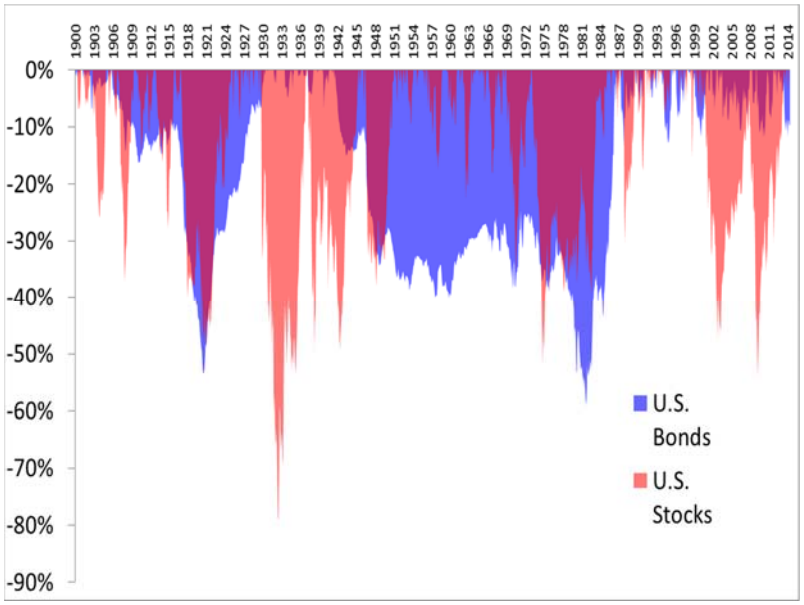
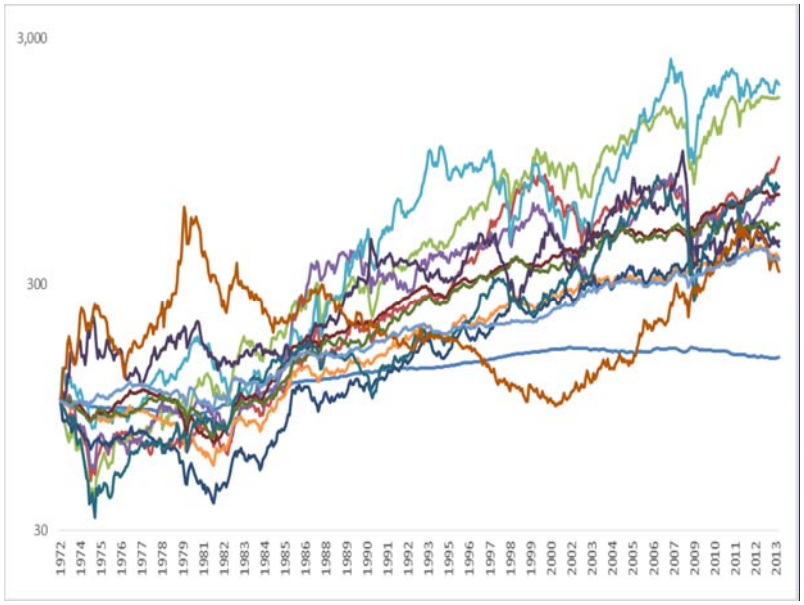
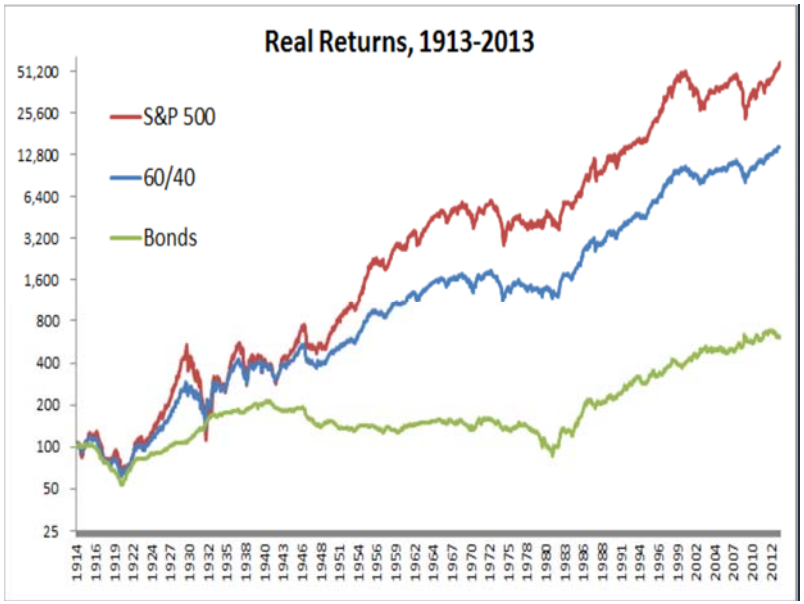
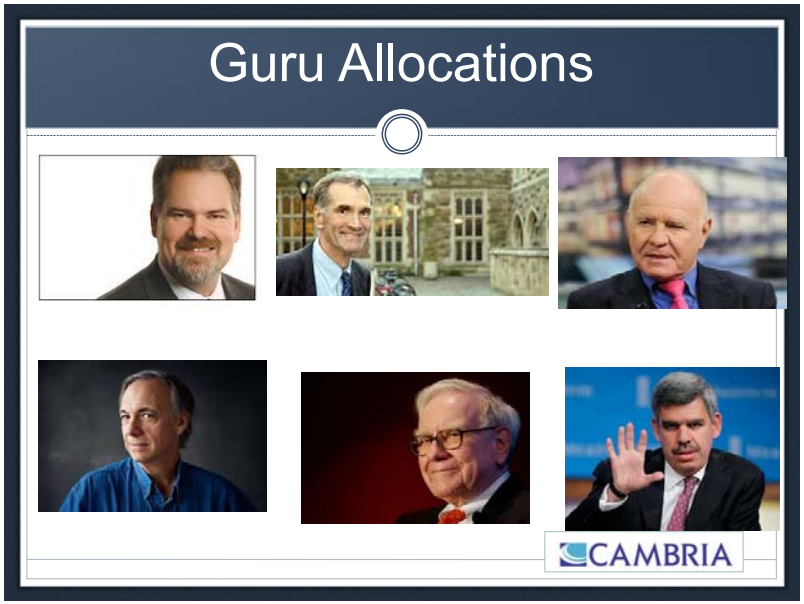



0%
-10%
-20%
-30%
-40%
-50%
-60%
-70%
-80%
-90%
U.S. Bonds
U.S. Stocks


3,000
300
30


Real Returns, 1913-2013
51,200
25,600
12,800
6,400
3,200
1,600
800
400
200
100
50
25
S&P 500
60/40
Bonds


Guru Allocations
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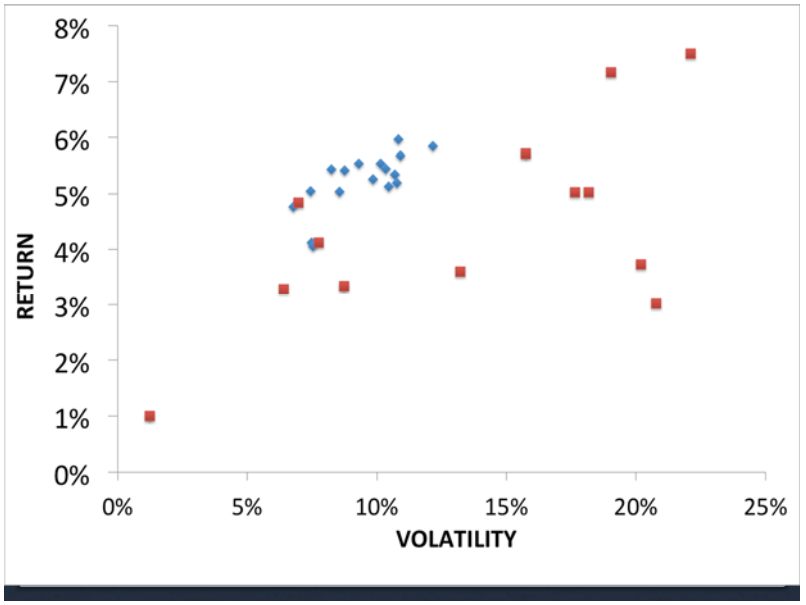
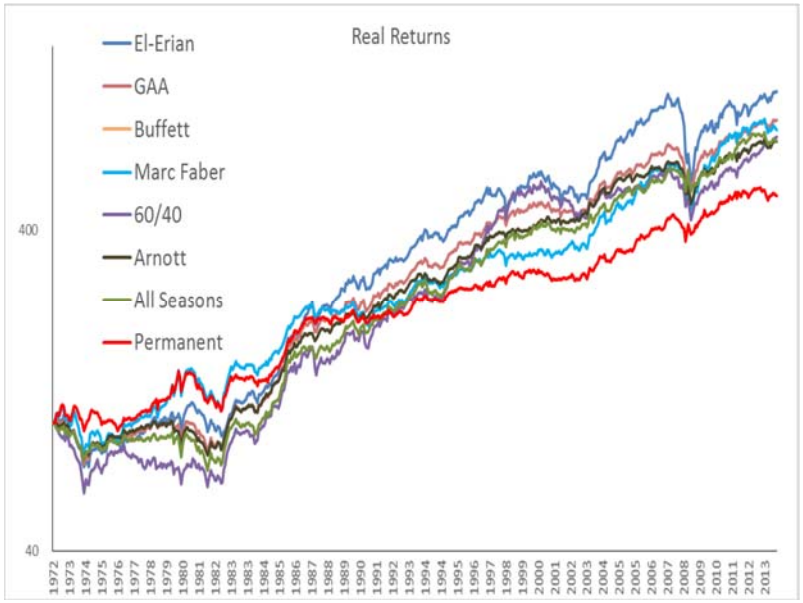
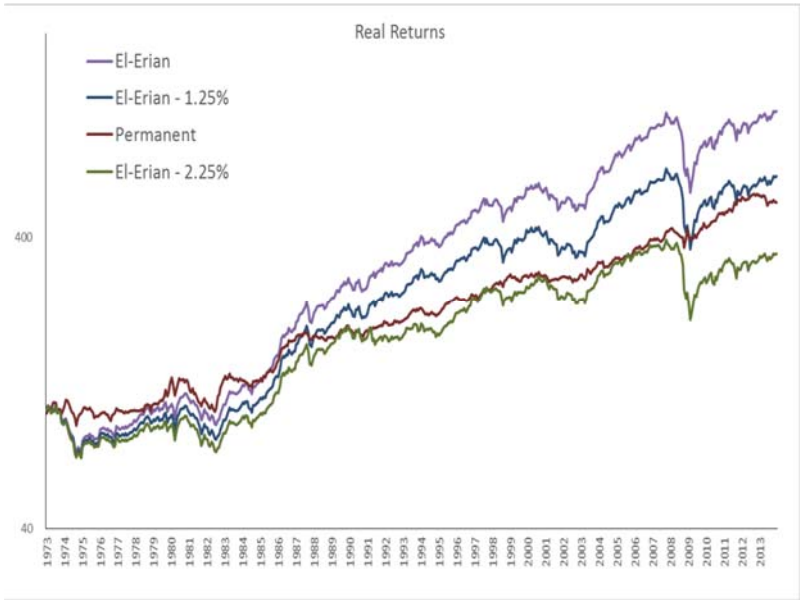
	Stocks	Bonds	Real Assets
60 / 40	60	40	
All Seasons	30	55	15
Permanent	25	50	25
GAA	46	38	16
Arnott	30	40	30
Marc Faber	25	25	50
El-Erian	51	17	32







TODAY

1. Asset Allocation Models
2. Global Market Valuations
3. Omaha

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High and Low Sentiment Years

- Investors Intelligence
  - Bulls / (Bulls + Bears)
- Ten Highest Years: 0.1%
- Ten Lowest Years: 17.4%
- 2014 2nd Highest Reading Ever

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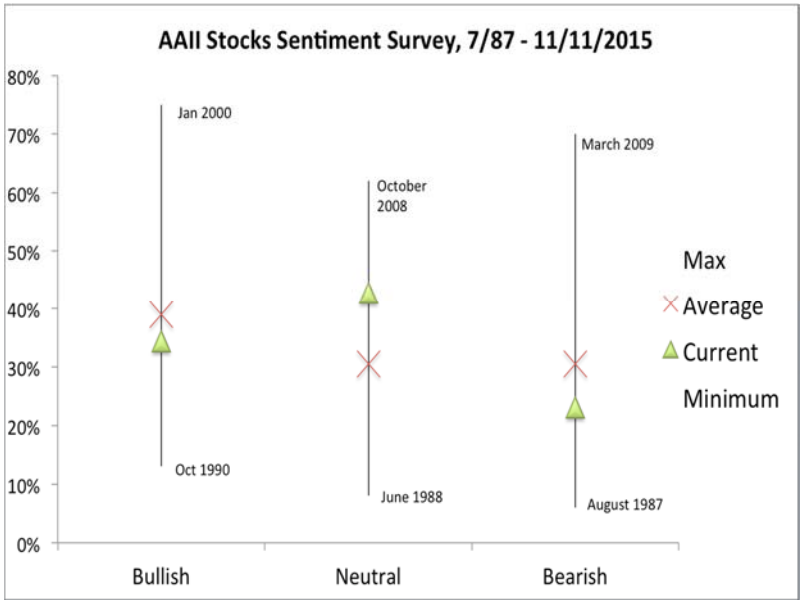

Can we do anything to remove emotional decision making?

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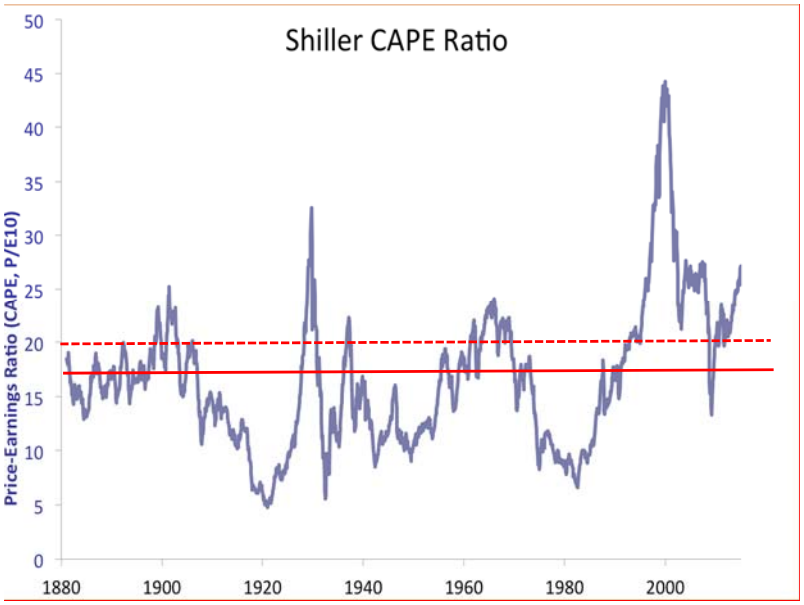
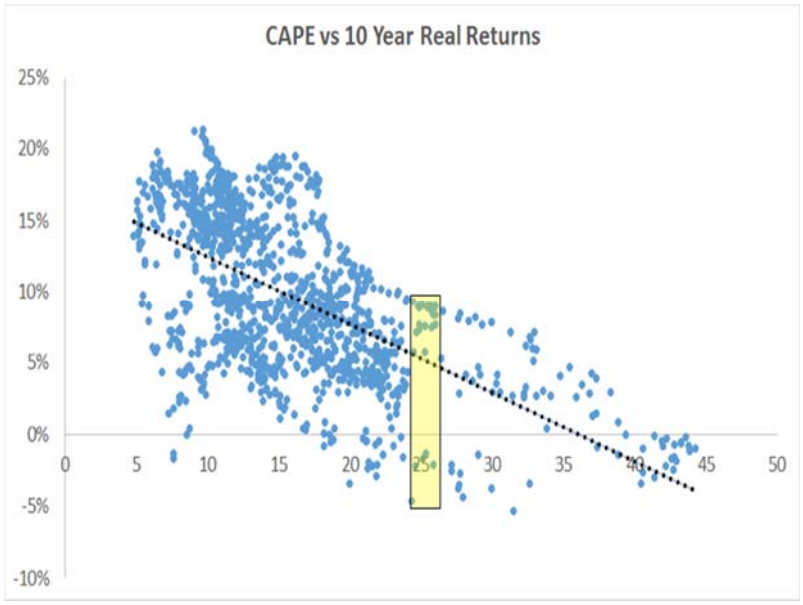
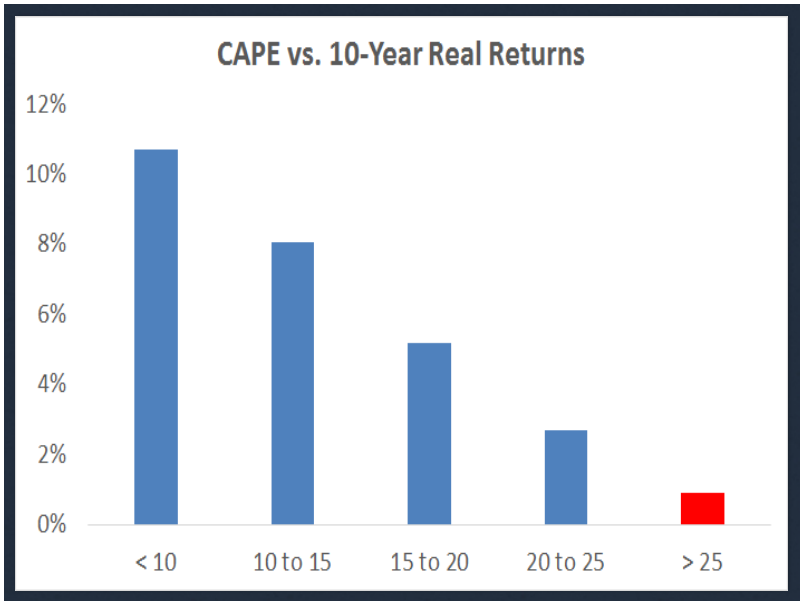
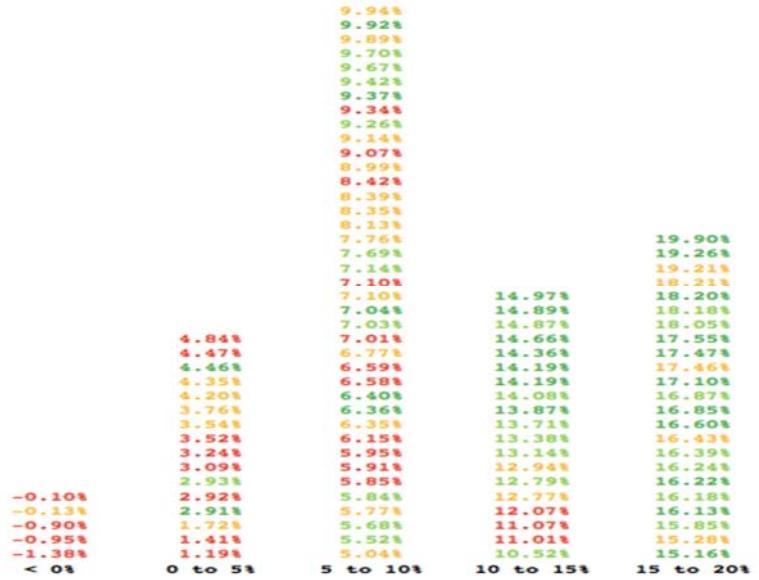

Shiller CAPE Ratio
Price-Earnings Ratio (CAPE, P/E10)
50
45
40
35
30
25
20
15
10
5
0
1880
1900
1920
1940
1960
1980
2000


CAPE vs 10 Year Real Returns
25%
20%
15%
10%
5%
0%
-5%
-10%
0
5
10
15
20
25
30
35
40
45
50


CAPE vs. 10-Year Real Returns
12%
10%
8%
6%
4%
2%
0%
< 10
10 to 15
15 to 20
20 to 25
> 25


-0.10%
-0.13%
-0.90%
-0.95%
-1.38%
< 0%
4.84%
4.47%
4.46%
4.35%
4.20%
3.76%
3.54%
3.52%
3.24%
3.09%
2.93%
2.92%
2.91%
1.72%
1.41%
1.19%
0 to 5%
9.94%
9.92%
9.89%
9.70%
9.67%
9.42%
9.37%
9.34%
9.26%
9.14%
9.07%
8.99%
8.42%
8.39%
8.35%
8.13%
7.76%
7.69%
7.14%
7.10%
7.10%
7.04%
7.03%
7.01%
6.77%
6.59%
6.58%
6.40%
6.36%
6.35%
6.15%
5.95%
5.91%
5.85%
5.84%
5.77%
5.68%
5.52%
5.04%
5 to 10%
14.97%
14.89%
14.87%
14.66%
14.36%
14.19%
14.19%
14.08%
13.87%
13.71%
13.38%
13.14%
12.94%
12.79%
12.77%
12.07%
11.07%
11.01%
10.52%
10 to 15%
19.90%
19.26%
19.21%
18.21%
18.20%
18.18%
18.05%
17.55%
17.47%
17.46%
17.10%
16.87%
16.85%
16.60%
16.43%
16.39%
16.24%
16.22%
16.18%
16.13%
15.85%
15.28%
15.16%
15 to 20%

	REAL RETURN	CAPE
10 BEST	16.1%	11
10 WORST	-3.3%	23

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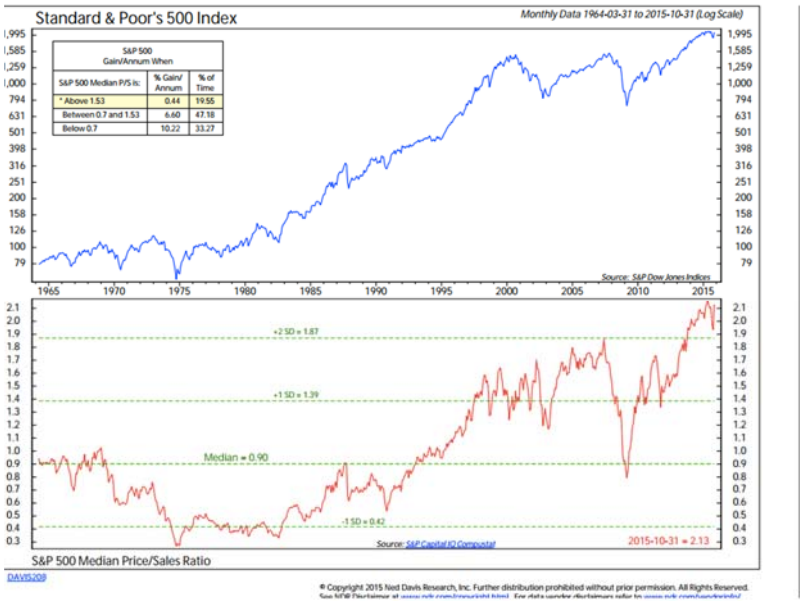
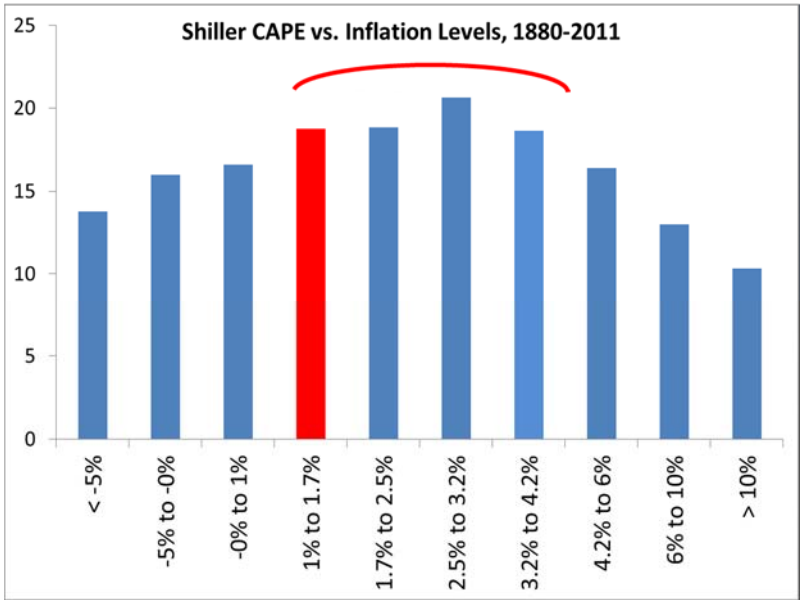
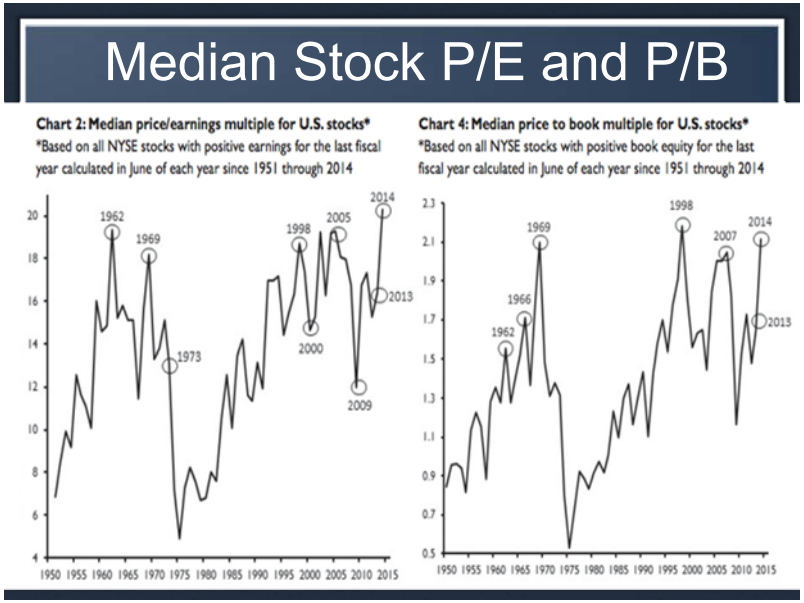
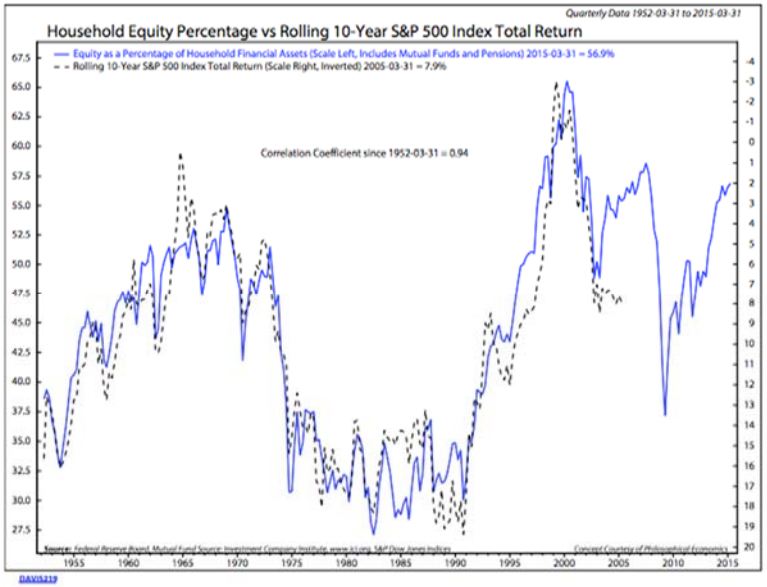




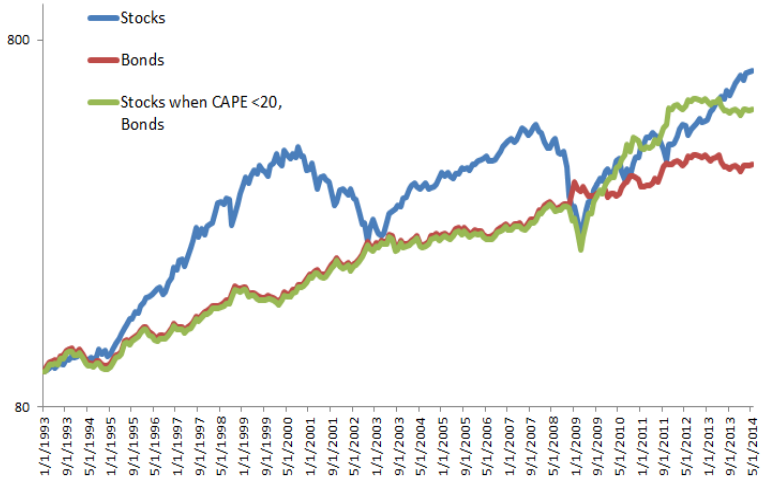
Median Stock P/E and P/B

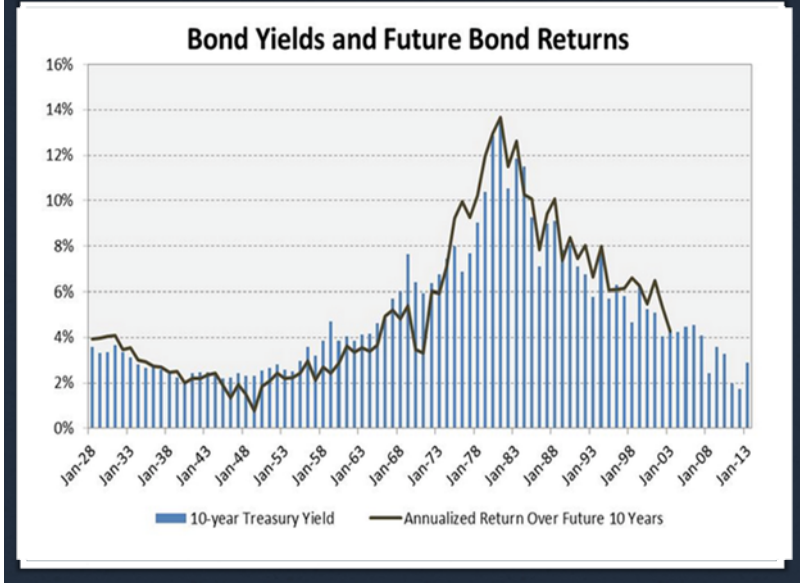




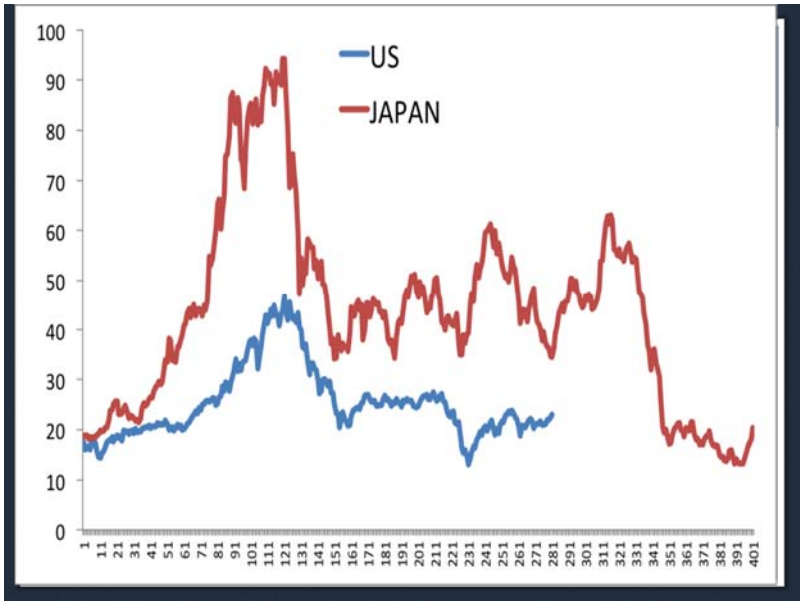
So, stocks are expensive, what about bonds?

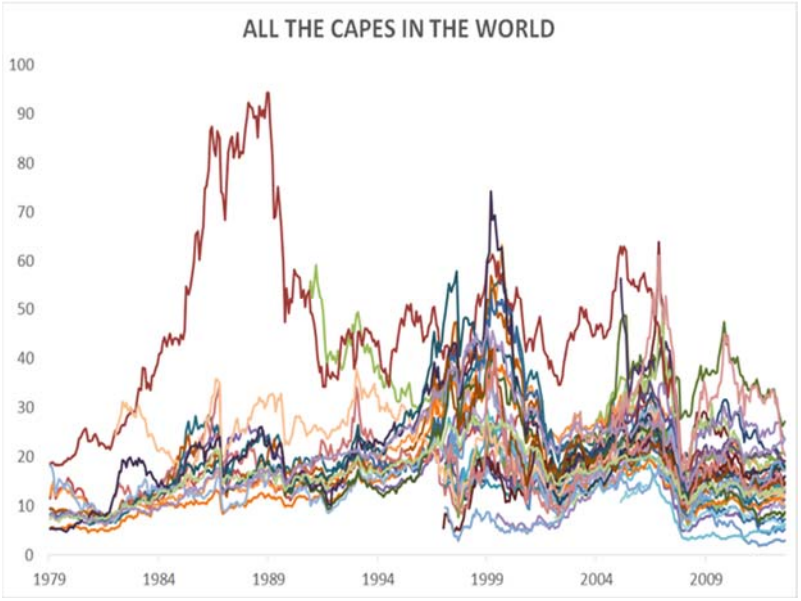
…But you would be out of stocks since the 1990s!

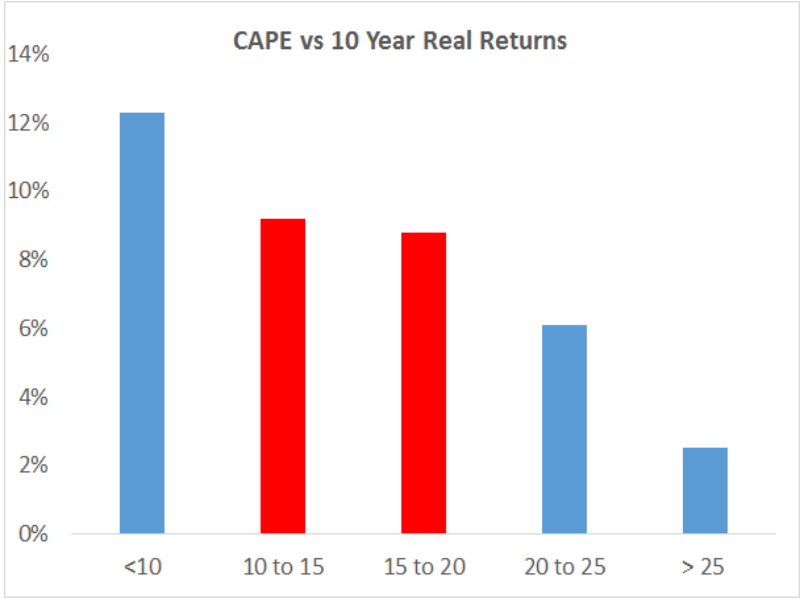


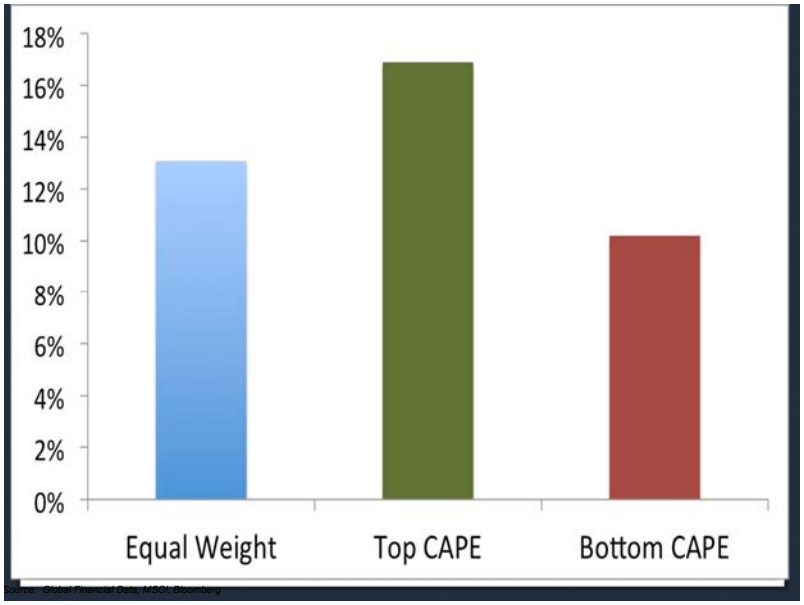


So, the US is expensive and bonds yield very little, where to look?









Blood…and Bubble.

	1 Year	3 Year	5 Year
Blood <7	31%	18%	21%
Bubble >45	-9%	-4%	-1%

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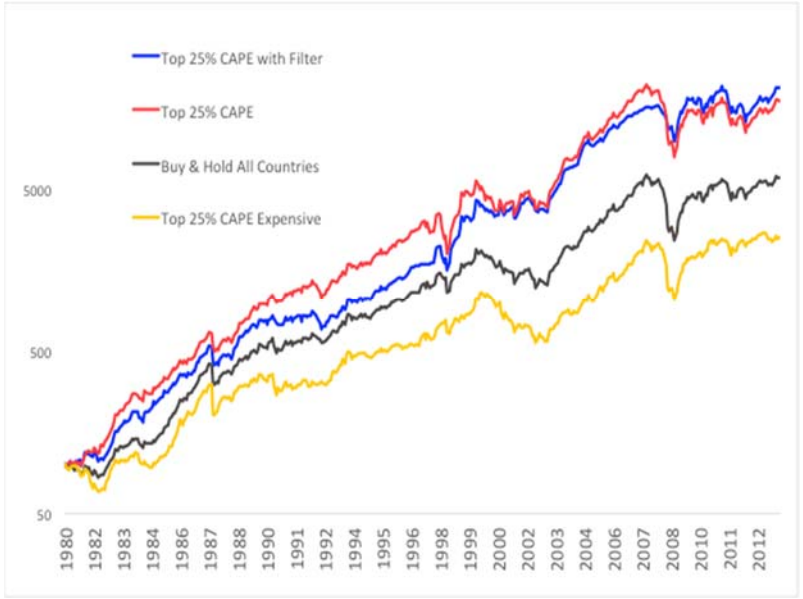
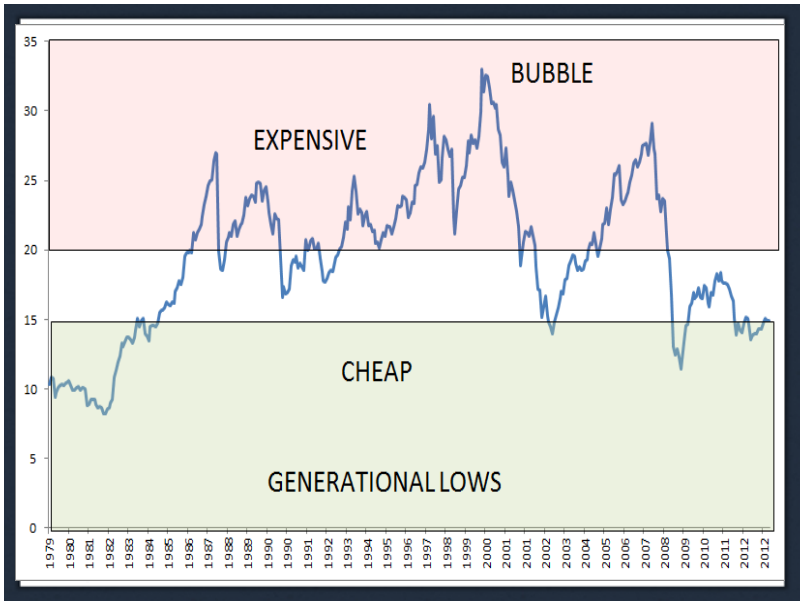
Source: Global Financial Data, MSCI, Bloomberg

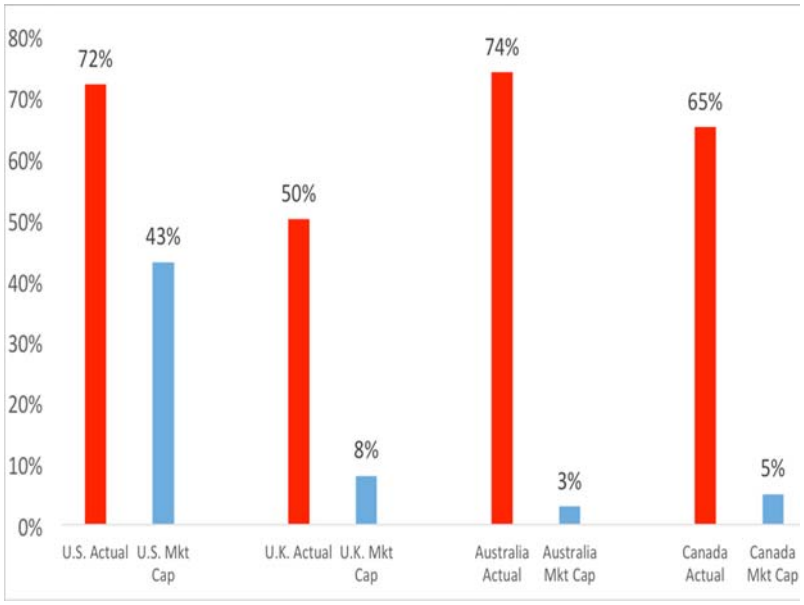


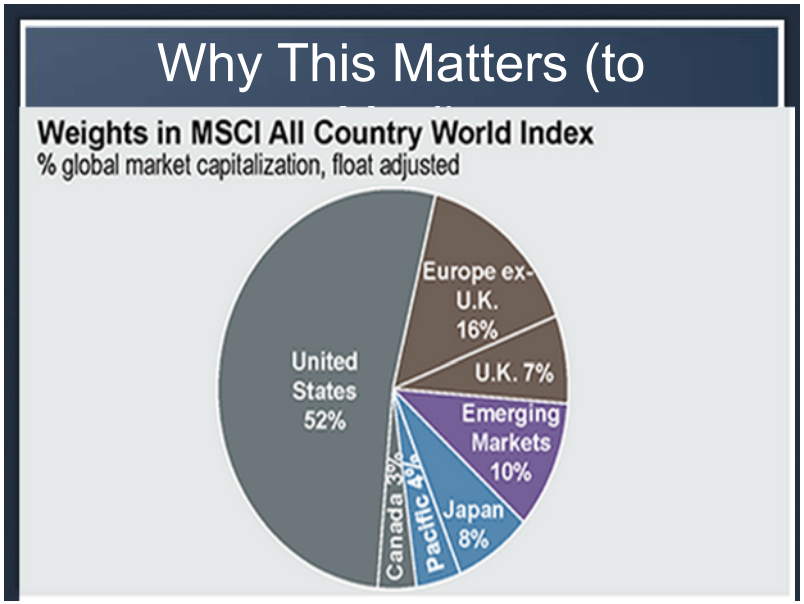
Where are we now?

Russia	5	Mexico	21
Hungary	8	Philippines	22
Brazil	8	Switzerland	23
Czech	10	USA	25
Poland	10	Ireland	26
Peru	10	Japan	27
Egypt	10	Denmark	37

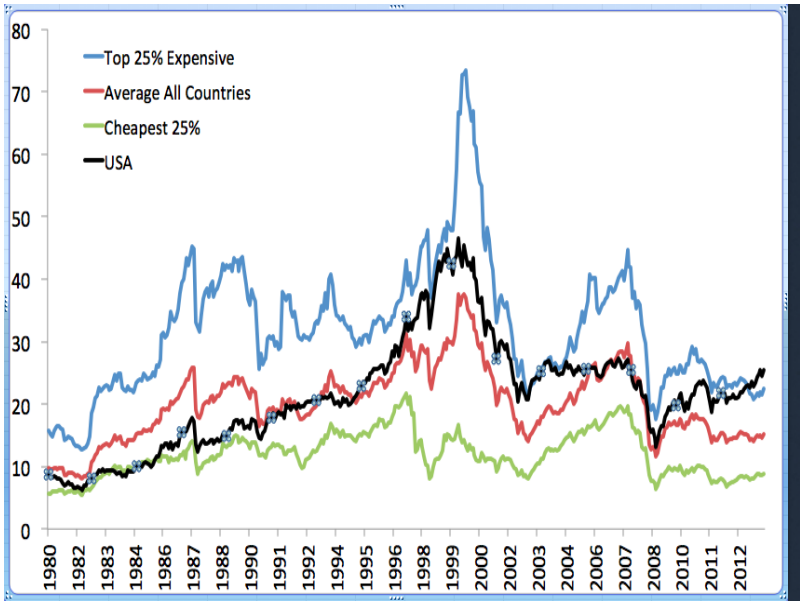
Source: Global Financial Data, MSCI, Bloomberg


BUBBLE
EXPENSIVE
CHEAP
GENERATIONAL LOWS

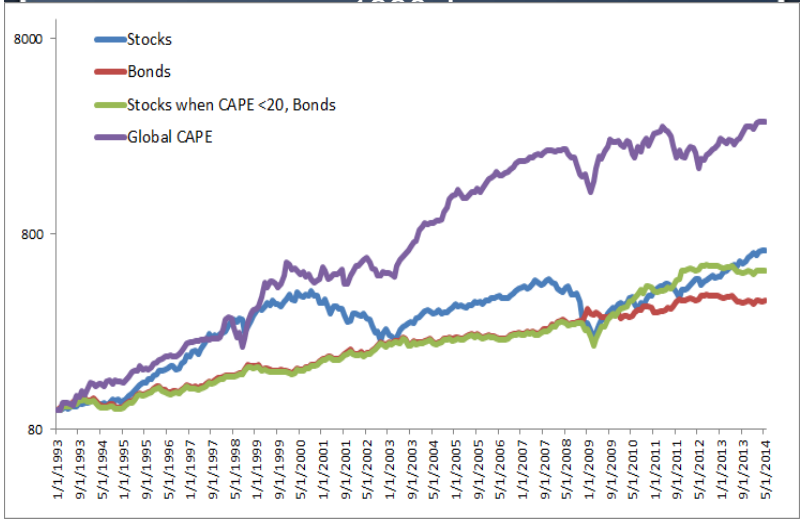

72%
43%
50%
8%
74%
3%
65%
5%
U.S. Actual
U.S. Mkt Cap
U.K. Actual
U.K. Mkt Cap
Australia Actual
Australia Mkt Cap
Canada Actual
Canada Mkt Cap


Why This Matters (to
Weights in MSCI All Country World Index
% global market capitalization, float adjusted
United States 52%
Europe ex-U.K. 16%
U.K. 7%
Emerging Markets 10%
Japan 8%
Pacific 4%
Canada 3%

Owning The Highest-Cap S&P 500 Stock
All Dividends Re-invested



…But you would be out of stocks since the



US VALUATION RANK

CAPE 41
CAPD 40
CAPB 40
CAPCF 41

Average 41/43

CONTACT

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