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Understanding Real Return Investing

An Introduction to VestGen Real Return Portfolios

INTRODUCTION

Traditional investing conversations often focus on market performance, portfolio growth, and benchmark returns. But for long-term investors, a more important question may be: **What will your wealth actually be able to do for you in the future?**

Real return investing is built around that question. Rather than focusing solely on nominal gains, this approach emphasizes preserving and growing purchasing power over time—helping investors align their portfolios with the real-world costs they may face throughout retirement and other long-term financial goals.

This guide explores the philosophy behind real return investing and how VestGen Real Return Portfolios are designed to address inflation, currency dynamics, and long-term purchasing power.

> ***"The success of a portfolio should not be measured only by account value, but by how effectively it helps clients meet their long-term financial objectives."***

WHAT IS REAL RETURN INVESTING?

Real return investing focuses on the return investors keep after accounting for inflation, taxes, and other factors that affect purchasing power.

Nominal returns—the standard performance figures most investors see—measure portfolio growth in percentage terms. However, nominal growth alone does not necessarily reflect whether wealth is maintaining its ability to fund future spending needs.

For example, a portfolio may increase in value over time, but if the cost of living rises significantly during that same period, the investor's purchasing power may not improve at the same pace.

Real return investing reframes portfolio construction around a more practical objective:

- Maintaining purchasing power
- Supporting long-term spending needs
- Managing risks tied to inflation and currency shifts
- Aligning investments with future liabilities and financial goals

This philosophy recognizes that long-term financial planning is not only about growing assets—it is also about managing the forces that influence future expenses.

WHY PURCHASING POWER MATTERS

Over long periods, inflation can materially reduce the value of investment gains.

Even moderate inflation compounds over time. A dollar today may not purchase the same goods, services, healthcare, travel, or lifestyle decades from now.

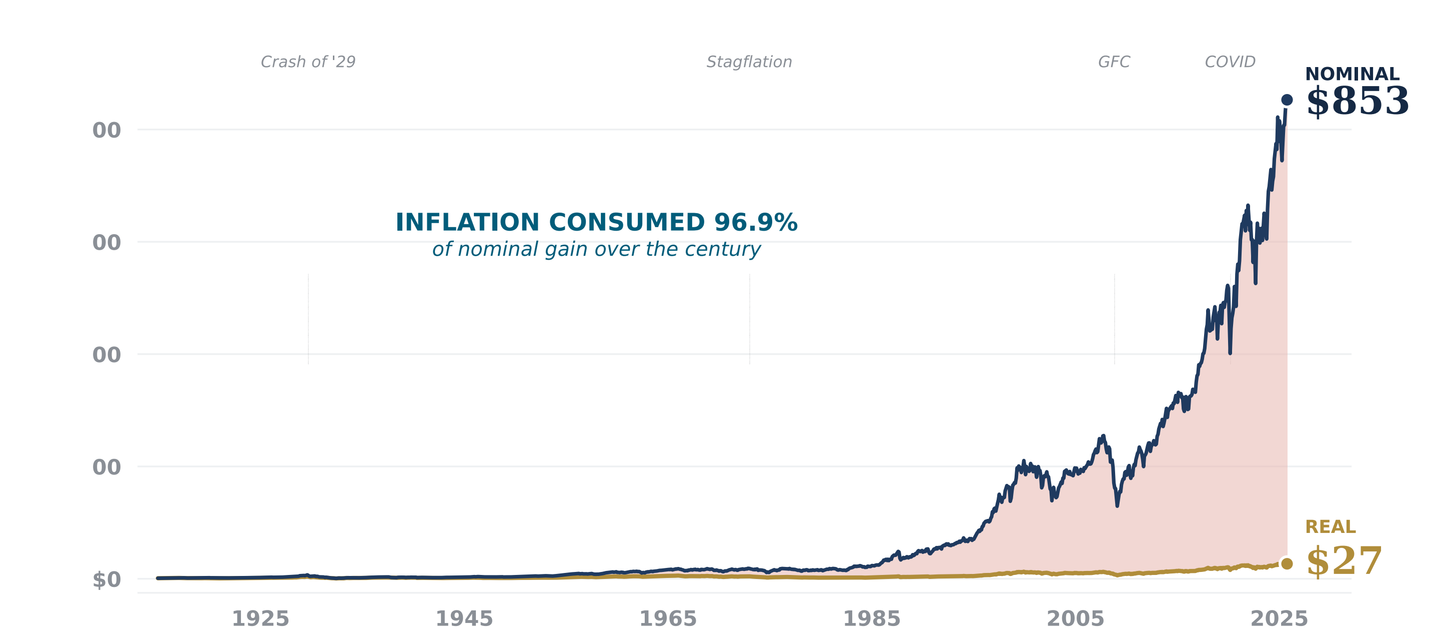
Historically, markets have produced strong nominal returns, but inflation has meaningfully reduced the real value of those gains over long horizons. This creates a challenge for investors whose future liabilities—retirement income needs, education expenses, healthcare costs, or legacy goals—continue to rise over time.

Real return investing seeks to address this issue directly by incorporating inflation and purchasing power considerations into portfolio design rather than treating them as secondary concerns.

WHY IT MATTERS FOR INVESTORS

If the purchasing power of the dollar changes over time, investment strategies that focus only on nominal returns may not fully reflect real-world outcomes.

DJIA - Past Century - Growth of $1, Nominal vs. Real



Source· Dow Jones Industrial Average total return Dec 1914 Oct 2025 Real return adjusted for CPI U Morningstar Direct

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UNDERSTANDING THE ROLE OF INFLATION AND CURRENCY VALUE

Inflation is one of the most visible threats to purchasing power, but it is not the only one.

Currency value also plays a meaningful role in shaping long-term investment outcomes and future expenses.

In today's global economy, many goods, services, and supply chains are influenced by international markets and foreign currencies. Changes in currency strength can affect consumer prices, imported goods, global travel costs, commodity prices, corporate earnings, and interest rates.

Because of this, purchasing power is influenced not only by domestic inflation but also by the broader global currency environment.

This has contributed to increased investor awareness around the concept of "de-dollarization."

WHY THE DE-DOLLARIZATION CONVERSATION MATTERS

"De-dollarization" refers to the gradual diversification away from exclusive reliance on the U.S. dollar within global trade, reserves, and financial systems.

While the U.S. dollar remains the world's dominant reserve currency, global central banks and institutions have increasingly diversified portions of their reserves over time through assets such as gold and non-U.S. currencies.

For investors, the key takeaway is not predicting the end of the dollar's role in global markets. Instead, it is recognizing that currency dynamics can influence inflation trends, interest rate environments, asset valuations, global purchasing power, and long-term portfolio outcomes.

THE VESTGEN REAL RETURN PHILOSOPHY

VestGen Real Return Portfolios are designed around a core principle:

Portfolios should be constructed with client objectives and future liabilities in mind—not solely around benchmark performance.

Traditional portfolio construction often separates assets from liabilities. Investments are managed for growth while future spending needs are considered independently.

The real return approach seeks to connect the two.

VestGen's framework emphasizes building portfolios that respond to the same forces that influence future client spending needs, particularly inflation and currency dynamics.

The philosophy centers on several core ideas:

1 Focus on Purchasing Power

The objective is not simply achieving nominal growth, but helping preserve long-term spending power.

2 Diversify Across Drivers of Return

Rather than relying exclusively on traditional stock-and-bond allocations, the approach incorporates multiple sources of return and risk management.

3 Long-Term Structural Positioning

The strategy is designed as a long-term framework intended to address evolving economic environments over decades—not as a short-term tactical trade.

4 Alignment with Client Goals

Portfolio construction is approached through the lens of real-world financial obligations and future liabilities.

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WHAT MAKES REAL RETURN PORTFOLIOS DIFFERENT?

Broader Opportunity Set

Compared to traditional models, these portfolios may include:

Real assets (e.g., commodities, gold, infrastructure)

International exposure to non-dollar assets

International and emerging markets equities

Strategic Positioning

The models may:

Overweight assets historically associated with store-of-value characteristics

Underweight areas with elevated concentration or valuation risk

(Portfolio positioning will vary and is subject to change.)

Emphasis on Real Outcomes

The focus is on aligning portfolios with:

Long-term purchasing power

Client-specific financial goals

Risk awareness beyond traditional benchmarks

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IS REAL RETURN INVESTING RIGHT FOR YOU?

Real return investing may be relevant for investors who:

- Are focused on long-term purchasing power
- Want to understand the impact of inflation and taxes on their portfolio
- Are open to broader diversification beyond traditional allocations

However, suitability depends on individual financial circumstances, goals, and risk tolerance.

FINAL THOUGHTS

Economic environments change over time. Inflation cycles, interest rates, and currency dynamics can all influence the long-term purchasing power of investors.

Real return investing offers a framework designed to address those realities directly by aligning portfolio construction with the forces that shape future financial obligations.

Rather than focusing solely on nominal returns, the philosophy centers on helping investors pursue what ultimately matters most: The ability for wealth to support future goals, spending needs, and long-term financial confidence.

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