Tactical Conservative Model

Strategy Proposition

In 2016, the seventh year of the post-Financial Crisis bull market with risk assets at fair to rich valuations and against a backdrop of unusually low volatility in equity markets, we believed that it made sense to incorporate downside protection into our investment approach. After researching numerous investment strategies in pursuit of this outcome, we identified a compelling solution that forms the foundation of a series of four strategies that we implemented at the end of 2016. The Conservative Model can reduce a maximum 33% equity exposure down to zero percent as the market warrants.

Investment Return Profile

The Tactical Conservative Model seeks to achieve a return profile similar to a 30% Russell 3000 and 70% Barclays U.S. Aggregate Bond Index with less drawdown over a 5-7 year business cycle.

Top Five Holdings at 12/31/17

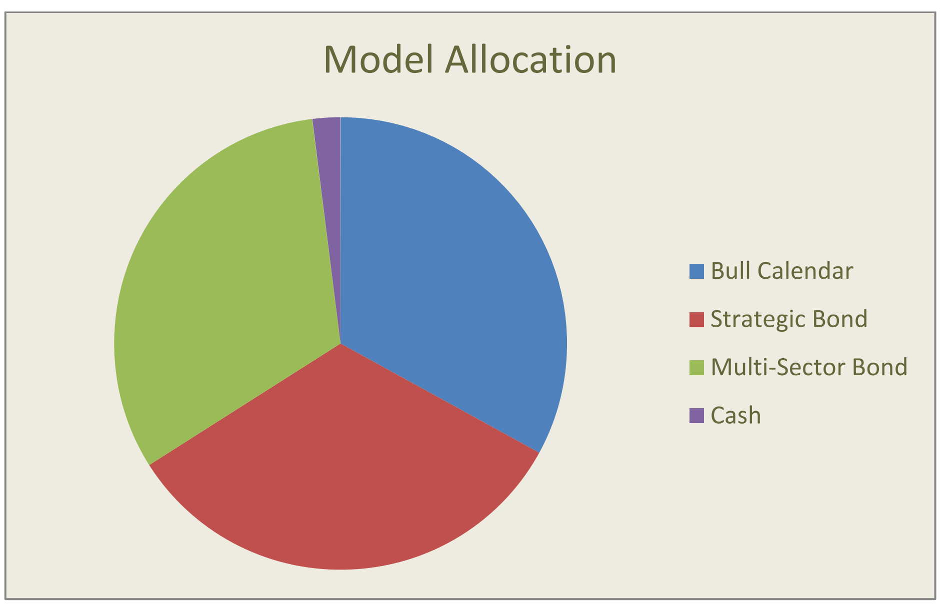
iShares Core Total U.S. Bond Market ETF	*16.7%*
PIMCO Income Fund Inst'l	*16.7%*
SPDR Barclays Capital International Treasury Bond	*10.5%*
PowerShares Preferred	*10.5%*
SPDR Barclays Capital Convertible Securities	*10.5%*

Investment Objective

The Tactical Conservative Model seeks income with some growth from capital appreciation. By combining three investment strategies that utilize a systematic relative-strength approach to determine the extent to which to be invested in the market and in which securities to be invested, the model eliminates individual behavioral biases and seeks to participate in upward trending markets while providing dampened downside participation in downward trending markets.

Key Features & Benefits

The Tactical Conservative Model predominantly uses passive index exchange-traded funds (ETFs) to keep internal costs low and specifically ones with attractive trading liquidity and volume metrics which are instrumental for this active strategy. Further to minimizing costs, we offer this model in a fee structure that includes 150 free trades per year, exceeding the expected number of annual trades.



Investment Strategies

Bull Calendar Strategy

The Bull Calendar Strategy uses a Bull-Bear strategy during bull markets and a Calendar Effects strategy during bear markets. Bull and bear markets are determined by a long-term trend indicator. The goal of this strategy is to be fully invested in equities during bull markets, and only exposed to the relatively few days with the highest probability of profit during bear markets. During bull markets, trading occurs on quarterly intervals. During bear markets, the Calendar Effects strategy, a short-term strategy with a goal to be invested only during those short periods of time during the calendar year that have historically shown a high probability of profit, is employed, There are 12-14 of these short periods per year, totaling just 75 market days of exposure per year.

- Long-term trend indicator that can change at any time
- Seven supply-demand ratios measuring internal market strength
- Quarterly rebalancing

Strategic Bond Strategy

The Strategic Bond Strategy is a dedicated allocation to fixed income securities that are adjusted from time to time in anticipation of changes in the interest rate environment. Doing so, this strategy offers the potential to capitalize on higher yield while avoiding the capital depreciation from rising interest rates. At the start of each quarter, an assessment of the current market and expected economic outlook is conducted and a decision is made whether to change the allocation.

- Strategic allocation to fixed income
- Quarterly assessment to security selection
- Serves as the core anchor to a conservative model

Multi-Sector Bond Strategy

The Multi-Sector Bond strategy selects among 18 wide-ranging bond sectors on the basis of relative strength and is reallocated quarterly. The top ranking candidate is bypassed to avoid the mean-reversion tendency frequently experienced by the top-ranked candidate.

- Continuously invested
- Tactically allocates among 18 wide-ranging bond sectors
- Quarterly rebalancing