Tactical Balanced 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 active 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 Moderate Model has the ability to reduce a maximum 66% equity exposure down to 33% as the market warrants.

Investment Return Profile

The Tactical Moderate Model seeks to achieve a return profile similar to a 55% Russell 3000 and 45% Barclays U.S. Aggregate Bond Index with less drawdown over a 5-7 year business cycle.

Top Five Holdings at 12/31/17

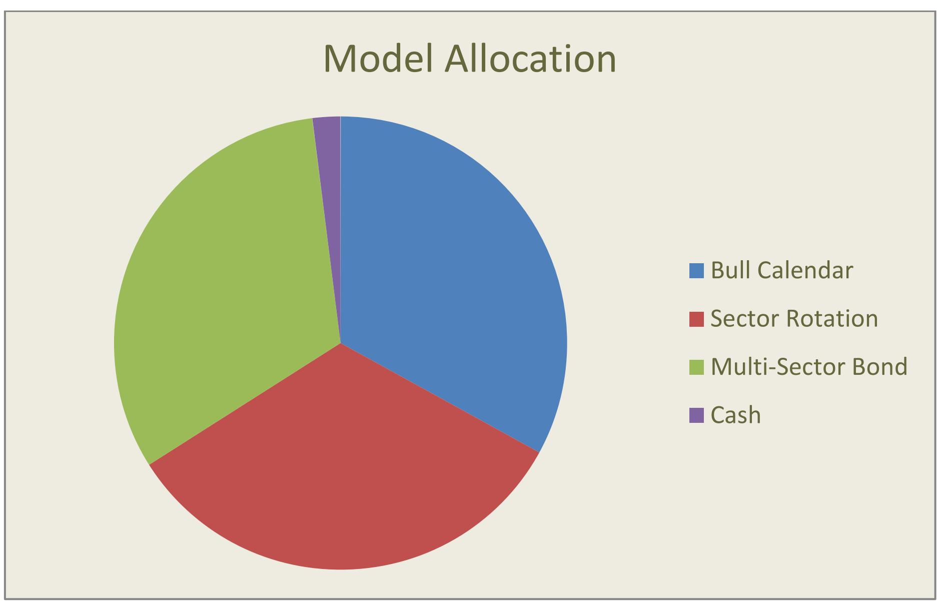
iShares DJ U.S. Basic Materials ETF	*12.5%*
PowerShares Preferred	*10.9%*
SPDR Barclays Int'l Treasury Bond	*10.6%*
iShares DJ U.S. Consumer Svcs ETF	*8.3%*
iShares DJ U.S. Industrials ETF	*8.3%*

Investment Objective

The Tactical Moderate Model seeks growth from capital appreciation and income. 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 Moderate 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

Sector Rotation Strategy

The Sector Rotation Strategy is a risk-managed strategy which invests either in high-ranked U.S. equity sectors or in high-ranked bond sectors. At the start of each quarter, a risk measurement is made to determine whether the strategy will invest in equities or bonds during the quarter. If equities are in an uptrend, then U.S. equity sectors are selected for that quarter. If both domestic and international equities are in downtrends at that time, the strategy invests in bond sector positions. When invested in equities, a reallocation of the portfolio is made monthly; when invested in bonds, a reallocation of the portfolio is made quarterly.

- Quarterly trend indicator
- Tactically allocates between equities and bonds based on equity market trends
- Monthly rebalancing (equities) and quarterly rebalancing (bonds) based on momentum and relative strength indicators

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