



**STRINGER**  
Asset Management

## 2020 Q1 Outlook

Disciplined Investing For Uncertain Times

-- For Financial Professionals Only --

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# Agenda



- » Preliminary Performance
- » Broad Outlook
- » The Global Economy
- » Investment Implications
- » Recent Activity
- » Current Portfolio Allocations
- » The Cash Indicator

## Preliminary Manager Composite (Gross) vs Benchmark: March 2020

	Yield	YTD	1-YR Trailing	3-YRS Trailing	5-YRS Trailing	7-YRS Trailing	10-YRS Trailing	Since Inception (9/1/2008)			
								Trailing Return	Standard Deviation	Beta	Alpha
Stringer AM Growth - Gross	2.67%	-20.02%	-12.15%	0.27%	2.00%	4.67%	5.76%	4.70%	14.09%	0.83	<b>0.67%</b>
MSCI ACWI Index	2.96%	-21.37%	-11.26%	1.50%	2.85%	5.07%	5.88%	4.52%	16.76%	1.00	-
Stringer AM Moderate Growth – Gross	2.80%	-14.10%	-6.43%	1.62%	2.22%	4.37%	5.70%	5.01%	10.16%	0.90	<b>0.48%</b>
65% MSCI ACWI - 35% BC Agg Index	2.83%	-12.79%	-3.75%	3.12%	3.37%	4.68%	5.52%	4.93%	10.97%	1.00	-
Stringer AM Conservative Growth – Gross	2.89%	-10.42%	-3.05%	2.20%	2.33%	4.11%	5.14%	4.97%	7.82%	0.87	<b>0.55%</b>
50% MSCI ACWI - 50% BC Agg Index	2.77%	-9.11%	-0.68%	3.66%	3.47%	4.42%	5.25%	4.94%	8.59%	1.00	-

	Yield	YTD	1-YR Trailing	3-YRS Trailing	5-YRS Trailing	7-YRS Trailing	10-YRS Trailing	Since Inception (7/1/2015)			
								Trailing Return	Standard Deviation	Beta	Alpha
Stringer AM Income w/ Growth – Gross	3.14%	-10.03%	-3.83%	1.03%	-	-	-	1.18%	6.15%	1.14	<b>-2.99%</b>
35% MSCI ACWI - 65% BC Agg Index	2.72%	-5.43%	2.31%	4.11%	-	-	-	3.91%	5.01%	1.00	-

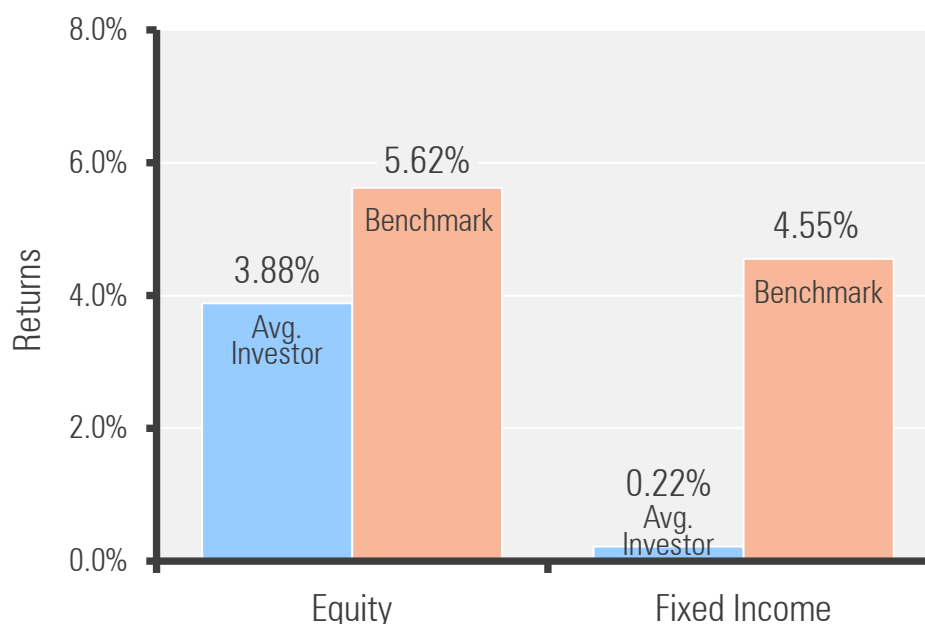
	Yield	YTD	1-YR Trailing	3-YRS Trailing	5-YRS Trailing	7-YRS Trailing	10-YRS Trailing	Since Inception (11/1/2011)			
								Trailing Return	Standard Deviation	Beta	Alpha
Stringer AM Income – Gross	3.28%	-6.50%	-0.71%	1.99%	2.09%	2.74%	-	3.71%	4.14%	1.11	<b>-0.66%</b>
20% MSCI ACWI - 80% BC Agg Index	2.66%	-1.75%	5.21%	4.47%	3.49%	3.74%	-	4.06%	3.32%	1.00	-

Sources: Stringer Asset Management and Morningstar. Performance data quoted represents past performance and is for illustrative purposes only. **Past performance is not a guarantee of future results.** The total returns presented are gross of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. Returns include the reinvestment of income. The indices represented do not bear transaction costs or management fees, and cannot be actually bought or sold. To the extent a shareholder pays sales charges, the performance shown would be less. All indices are unmanaged and investors can not invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. Please refer to the important disclosures found at the end of this document.

## YOUR SUCCESS IS HOW WE MEASURE OURS

Investors tend to fall short of achieving the opportunities and returns presented by the financial markets. The impact of investment errors caused by the constant market noise, media-hype and uncertainty of real world economic and market events may not be realized for years. We have dedicated our careers to refining our investment processes to avoid those emotional pitfalls and help you realize your financial goals.

Average Investor Performance vs. Market Benchmarks | January 1999 – December 2018

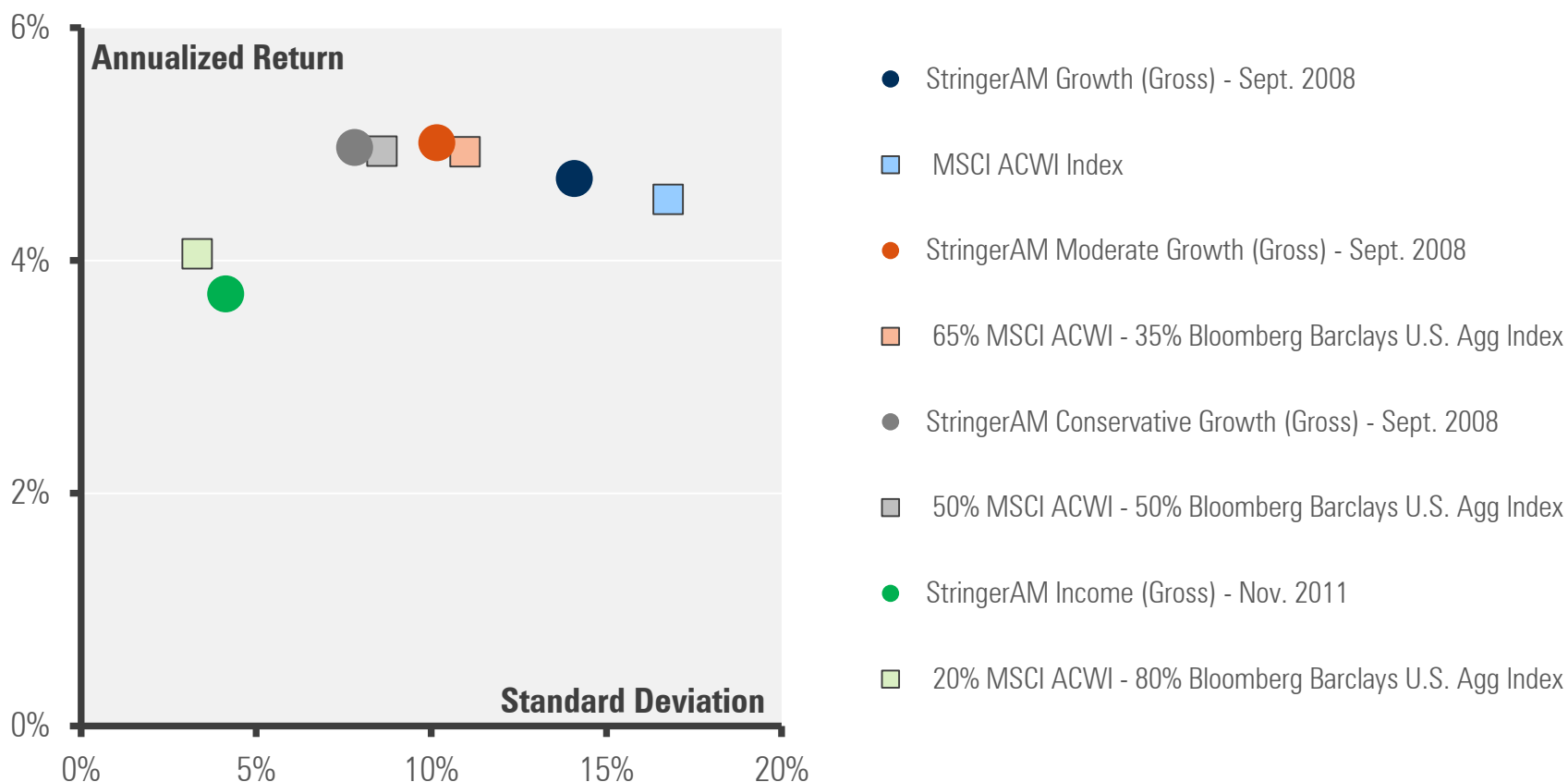


Sources: *Stringer Asset Management and DALBAR, QAIB 12/31/18*. The graph shown is for illustrative purposes only. Performance data quoted represents past performance. **Past performance is not a guarantee of future results.** The indices represented do not bear transaction costs or management fees, and cannot be actually bought or sold. To the extent a shareholder pays sales charges, the performance shown would be less. All indices are unmanaged and investors can not invest directly in an index. **For index definitions, see the Index Definitions section at the end of this document.**

Equities are represented by the S&P 500 Index. Fixed Income is represented by the Bloomberg Barclays U.S. Aggregate Bond Index. Investor returns are calculated by DALBAR.

“Manage the risks and the returns take care of themselves.”

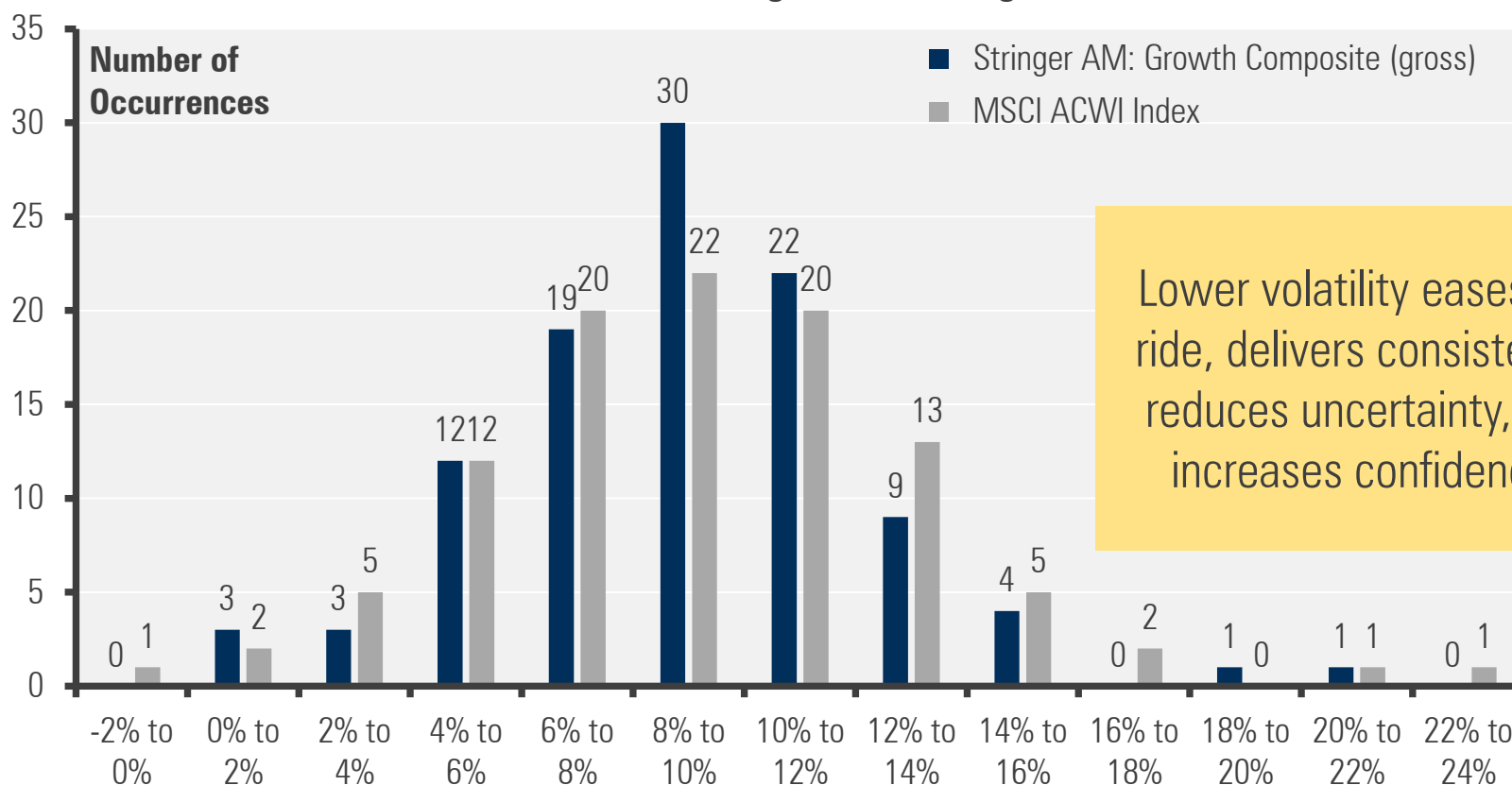
## RISK/REWARD PLOT<sup>1</sup>: SINCE INCEPTION TO MARCH 2020



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# Taking Investment Strategies to the Next Level With a Focus on Behavioral Finance

### 36-Month Rolling Return Histogram



Lower volatility eases the ride, delivers consistency, reduces uncertainty, and increases confidence.

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## BROAD OUTLOOK

- » We think that the initial shock to the markets stemming from coronavirus and the related government and private sector responses are behind us; however, that doesn't mean smooth sailing from here.
- » Importantly, our blend of strategic and tactical allocations in our Strategies means that nervous investors can take comfort in our ability and willingness to act and see protection from our defensive positions, including our relatively large cash allocations, while still participating in market gains.
- » We began to tactically raise cash in early March by reducing our more volatile exposures, so the additional cash we raised once our Cash Indicator signaled that the markets were not functioning properly required just an incremental shift.
- » Now that the recession is here, we expect to see a deeper global economic drawdown than we saw during the Global Financial Crisis of 2007-2009, though we do not expect the economic disruption to last nearly as long.
- » So long as the damage does not become a financial crisis, the recovery should be brisk and begin soon after containment measures are relaxed.
- » We think it will be important for investors to focus on areas that are more likely to participate fully in the recovery and shy away from areas that are likely to continue to struggle.



BROAD OUTLOOK				
	U.S.	Europe	Japan	Emerging Markets
Monetary Conditions	Expansionary	Expansionary	Expansionary	Expansionary
Fiscal Conditions	Expansionary	Restrictive	Expansionary	Expansionary
Leading Economic Indicators	Stable	Mixed	Soft	Mixed
Equity Valuations	Attractive	Attractive	Attractive	Attractive
<b>Overall</b>	<b>Optimistic</b>	<b>Cautious</b>	<b>Optimistic</b>	<b>Cautiously Optimistic</b>

## SAMPLE OF RECENT ADDITIONS

As a result of the coronavirus and economic downturn, we made many changes over the course of the quarter. Most notably, we raised our cash levels to more than 20% in all of our Strategies.

On the equity side, we increased our exposure in high quality companies with stable business, high profit margins, and solid balance sheets with lower debt that we think are now trading at attractive valuations.

- » [iShares Edge MSCI USA Quality \(QUAL\)](#)
- » [WisdomTree International Quality Dividend \(IQDG\)](#)
- » [Health Care Select SPDR \(XLV\)](#)
- » [iShares Expanded Tech-Software Sector \(IGV\)](#)

The fixed income changes added to short-term U.S. Treasury bonds as well as maintaining our bias to high-quality bonds and decreasing our exposure to corporate bonds.

- » [SPDR Short-Term Treasury \(SPTS\)](#)

## INVESTMENT OUTLOOK SUMMARY | FAVORED CHOICES

<b>EQUITY</b>	<i>U.S.</i> » health care, quality, low volatility, software developers <i>Global</i> » dividend growth, low volatility
<b>FIXED INCOME</b>	short and intermediate-duration high quality bonds, taxable municipal bonds, cash
<b>ALTERNATIVES</b>	convertible bonds, active non-traditional fixed income

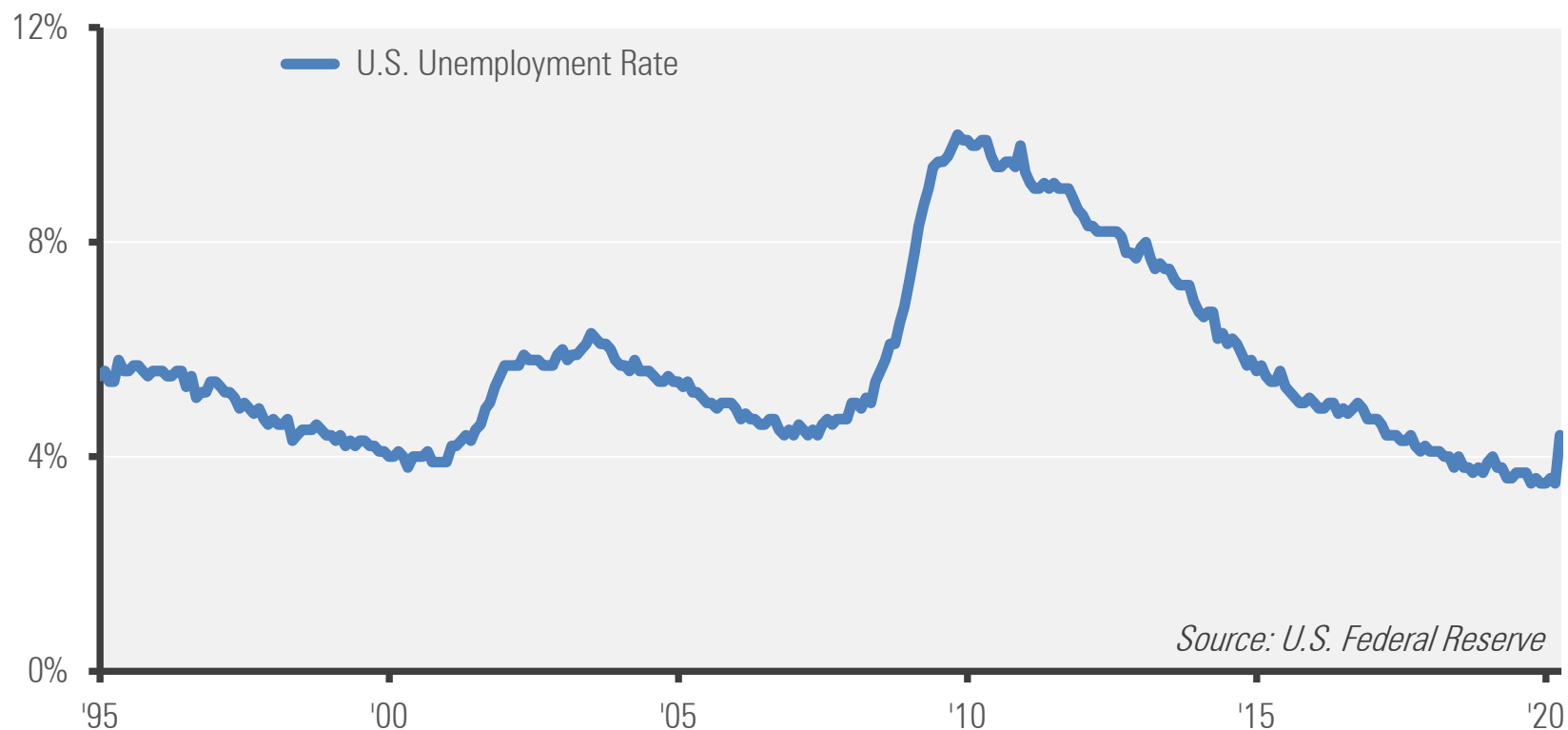
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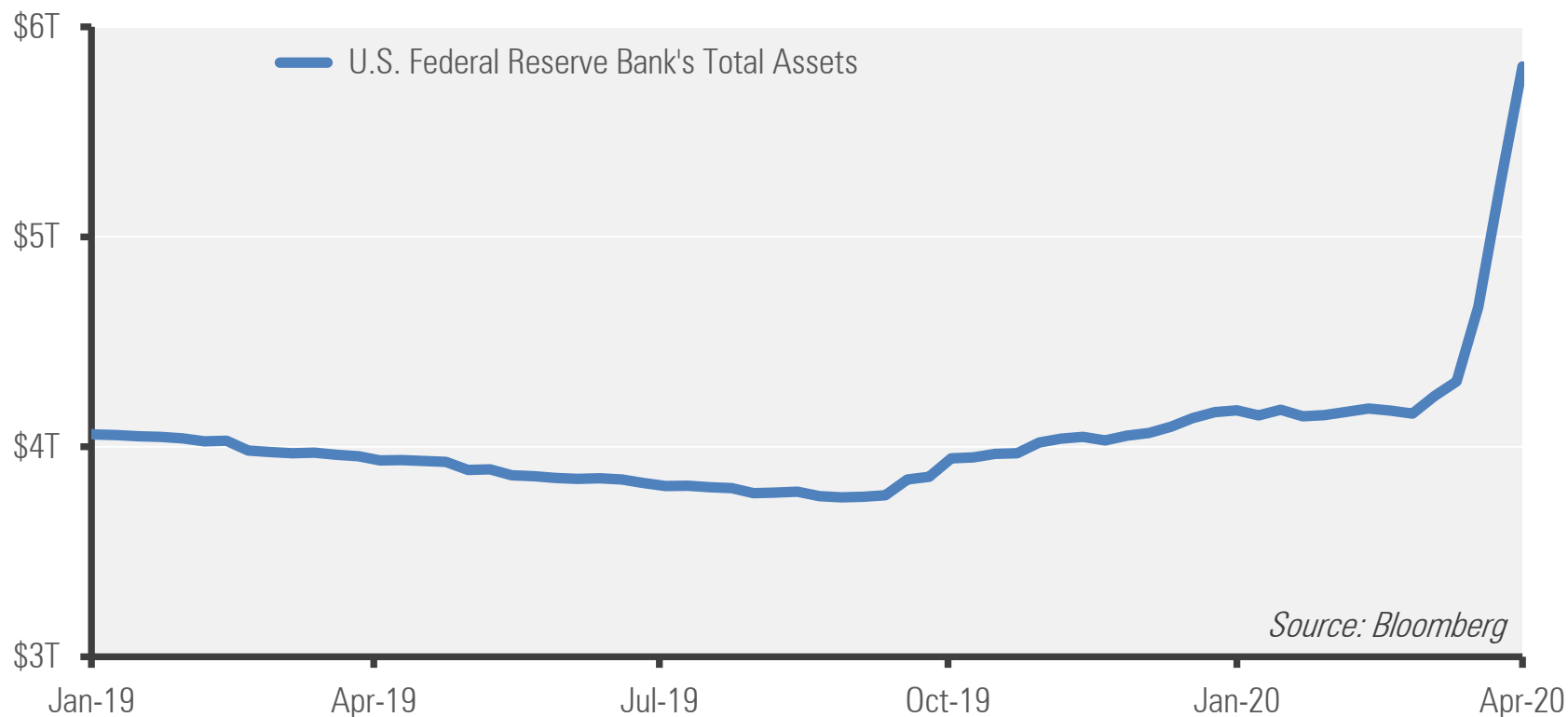
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# Unemployment Rate Lags



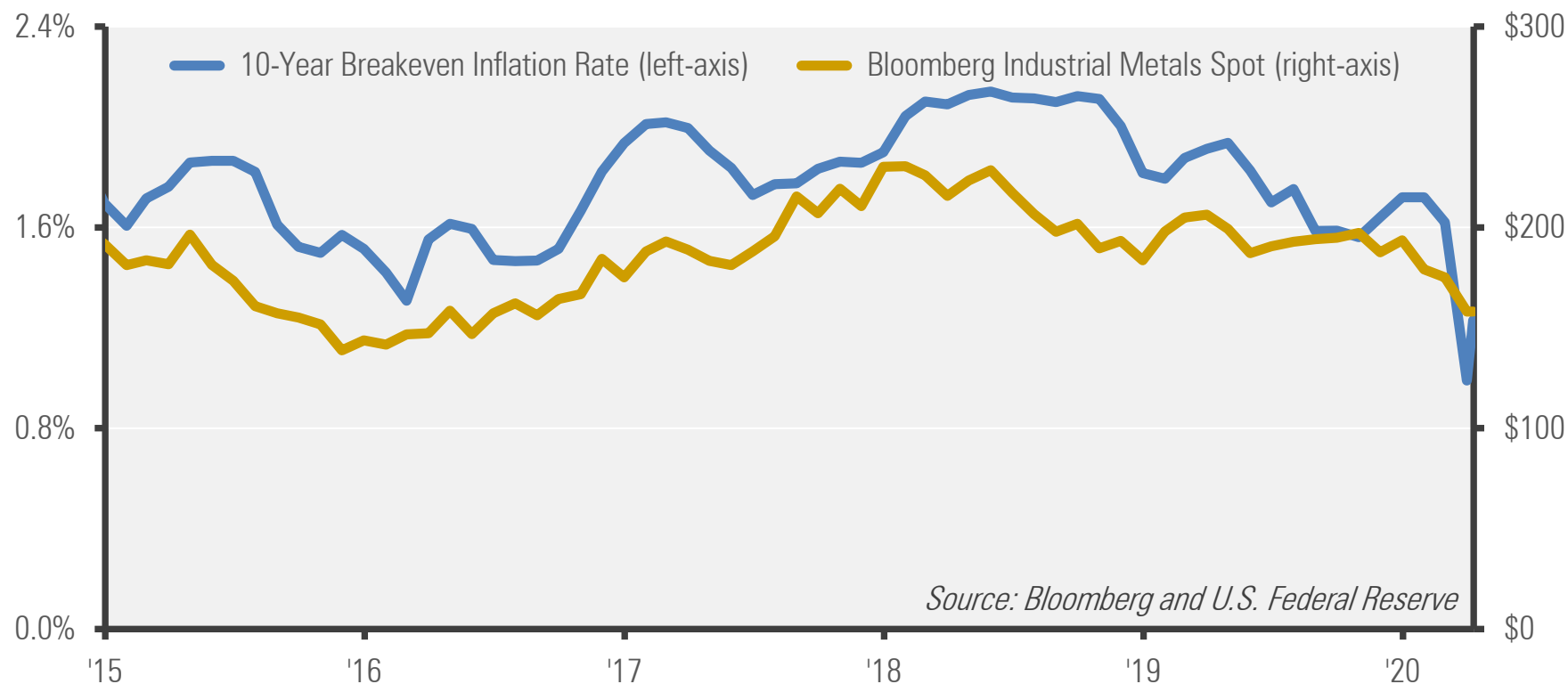
- » We will likely see unemployment well over 10% accompanied by a double-digit decline in economic activity.
- » Still, with strong consumer and banking balance sheets going into this crisis, we do not forecast a repeat of the housing and banking crisis that we saw during the GFC, at least not domestically.

# Massive Federal Reserve Action



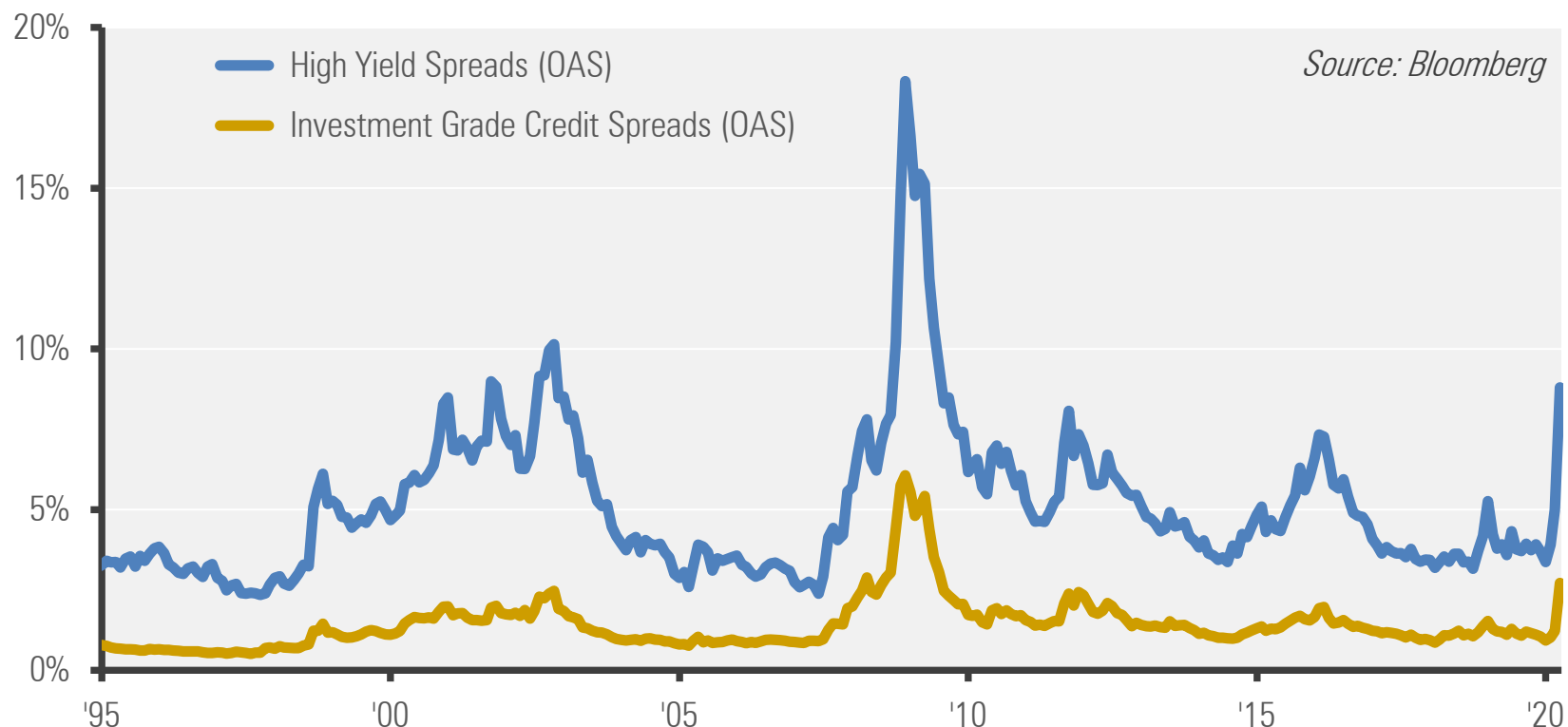
- » The U.S. Federal Reserve (Fed) was quick to act with several measures including decreasing short-term interest rates and expanding their balance sheet through a series of purchases and lending facilities.
- » As opposed to the relatively sluggish response to deteriorating conditions during the GFC, these actions helped to quickly offset some of the liquidity shock that we saw in March.

# Near-Term Leading Indicators: Inflation Expectations



- » Treasury Inflation Protected Securities (TIPS) spreads and industrial metals' prices provide useful insights for inflation trends.
- » Both measures have recovered from their lows but are still far below their 2018 highs when U.S. economic growth was accelerating.
- » A move from these indicators in one direction or another would be important.

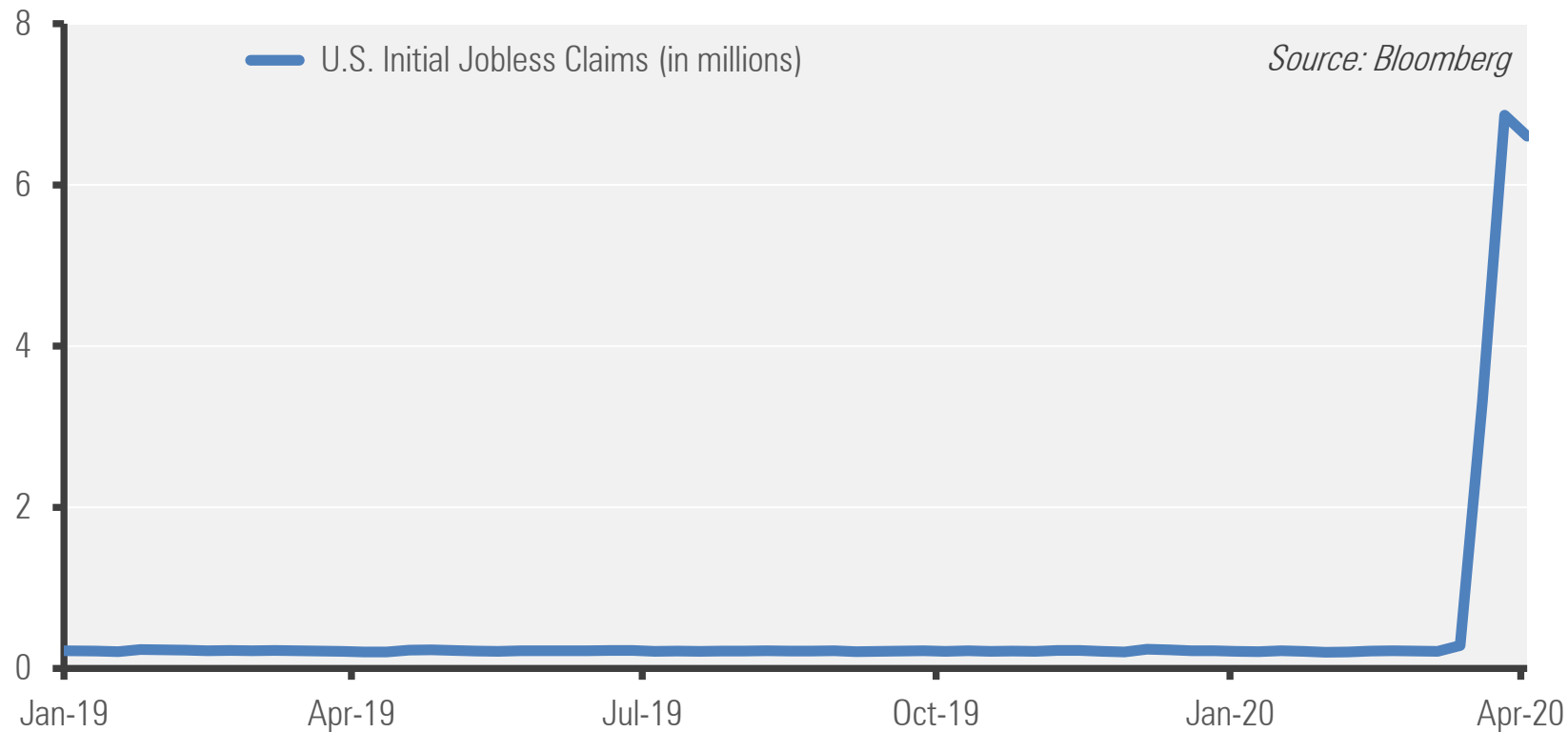
# Near-Term Leading Indicators: Credit Spreads



- » Both high yield and investment grade credit spreads suggest that companies are having a difficult time finding funding as investors are demanding a high return on capital.
- » Still, credit spreads remain well below the levels experienced during the GFC and are more reflective of levels during the March 2001 to November 2001 recession.
- » Decisive Fed action that eased market liquidity is at least part of the reason that spreads are not higher today.
- » Even so, investors are demanding a premium to offset the risk of a default.



# Near-Term Leading Indicators: Jobless Claims



- » Additionally, weekly initial jobless claims are spiking as never before experienced and suggest an abrupt economic decline.

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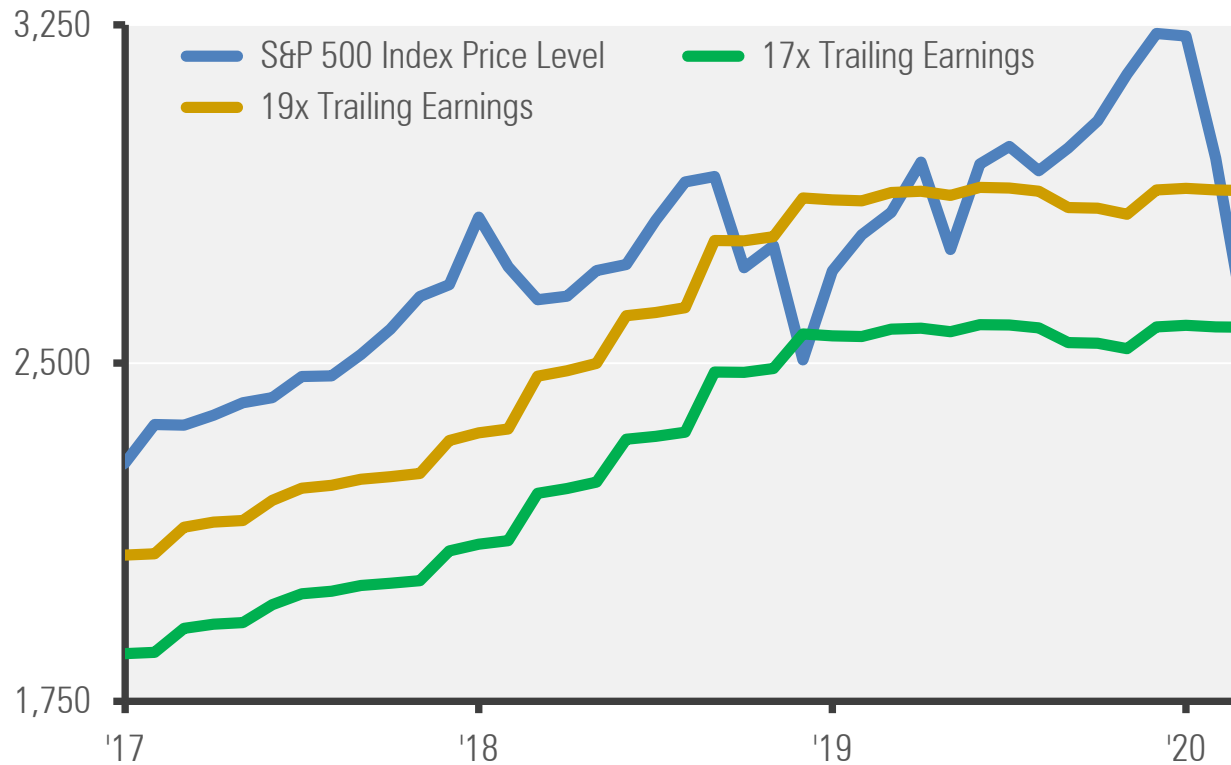


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## INVESTMENT IMPLICATIONS

- » Economic recessions, except those involving a financial crisis, and the associated recoveries tend to be V-shaped.
- » The current recession will likely also be V-shaped when the virus crisis passes.
- » Once restrictions begin to be lifted, we expect to see a strong resumption of economic growth.
- » Still, it will likely take some time for the economy to fully recover and some industries may see longer-term damage.
- » We think it will be important for investors to focus on areas that are more likely to participate fully in the recovery and shy away from areas that are likely to continue to struggle.
- » Our tactical choices allow us to accomplish that in this environment.
- » We are watching our indicators closely and will adjust quickly if we sense problems or opportunities ahead.
- » That flexibility is one of the benefits of having a tactical allocation where we can manage risk in real time.

# S&P 500 Index Price Levels & Earnings



*Source: Bloomberg and Stringer Asset Management.*

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- » Notably, equity valuations look more attractive following the recent market declines.
- » We cautioned in February that U.S. equities may be vulnerable due to stretched valuations at that time.
- » Meanwhile, with interest rates falling since the beginning of the year, future expected returns for investment grade bonds should decline as well.

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# Recent Trading Activity

## NET TRADE SUMMARY: JANUARY 1, 2020 – APRIL 1, 2020

	Growth		ModGrowth		ConGrowth		IncGrowth		Income	
	Weight	Action	Weight	Action	Weight	Action	Weight	Action	Weight	Action
Overlay Large Cap Equity (OVL)	4.0%	BUY	-	-	-	-	-	-	-	-
iShares USA Quality Factor (QUAL)	7.0%	BUY	-	-	-	-	-	-	-	-
Direxion NASDAQ-100 (QQQE)	5.0%	BUY	4.00%	BUY	-	-	-	-	-	-
iShares Convertible Bond (ICVT)	-	-	5.00%	BUY	5.00%	BUY	-	-	-	-
WisdomTree Intl Dividend (IQDG)	4.0%	BUY	4.00%	BUY	4.00%	BUY	-	-	-	-
iShares Tech-Software Sector (IGV)	5.0%	BUY	4.00%	BUY	4.00%	BUY	-	-	-	-
SPDR Doubleline Total Return (TOTL)	-	-	5.00%	BUY	6.00%	BUY	5.00%	ADD	4.50%	ADD
Health Care Select SPDR (XLV)	5.0%	BUY	4.00%	BUY	4.00%	BUY	4.00%	BUY	-	-
WisdomTree Quality Div Gro (DGRW)	-	-	-	-	-	-	9.00%	BUY	5.50%	BUY
SPDR Short Term Treasury (SPTS)	-	-	-	-	-	-	26.00%	BUY	26.00%	BUY
FirstTrust Low Dur Opp (LMBS)	-	-	-	-	-	-	9.00%	BUY	-	-
Cash	18.0%	ADD	22.50%	ADD	27.50%	ADD	22.00%	ADD	22.00%	ADD
Invesco R1000 Multifactor (OMFL)	3.0%	ADD	-	-	-	-	-	-	-	-
SPDR USA StrategicFactors (QUS)	-	-	2.50%	ADD	-4.00%	TRIM	-	-	-	-

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	Weight	Action	Weight	Action	Weight	Action	Weight	Action	Weight	Action
GS ActiveBeta Intl Equity (GSIE)	-	-	-	-	-4.00%	TRIM	-	-	-	-
iShares MSCI Min Vol Global (ACWW)	-5.0%	TRIM	-	-	-	-	-	-	-	-
SPDR Aggregate Bond (SPAB)	-	-	-4.00%	TRIM	-	-	-	-	-	-
Vanguard Value ETF (VTV)	-3.0%	TRIM	-7.00%	SELL	-5.00%	SELL	-	-	-	-
Invesco Taxable Muni (BAB)	-	-	-	-	-4.00%	SELL	-4.00%	TRIM	-4.00%	TRIM
iShares Multi-Asset Inc ETF (IYLD)	-4.0%	SELL	-9.00%	SELL	-8.00%	SELL	-5.00%	SELL	-5.50%	SELL
FirstTrust M-A Diversified Inc (MDIV)	-10.0%	SELL	-10.00%	SELL	-9.00%	SELL	-4.00%	SELL	-	-
Invesco S&P 500 ex-Rate (XRLV)	-9.0%	SELL	-4.00%	SELL	-5.00%	SELL	-	-	-	-
WisdomTree Intl Equity (DWM)	-5.0%	SELL	-5.00%	SELL	-	-	-4.00%	SELL	-	-
iShares Core Div Growth (DGRO)	-5.0%	SELL	-4.00%	SELL	-	-	-	-	-	-
First Trust NASDAQ-100 Tech (QTEC)	-5.0%	SELL	-4.00%	SELL	-	-	-	-	-	-
SPDR S&P 500 Growth (SPYG)	-5.0%	SELL	-4.00%	SELL	-	-	-	-	-	-
SPDR Inter Corporate Bond (SPIB)	-	-	-	-	-4.00%	SELL	-9.00%	SELL	-	-
FlexShares Glb Infrastructure (NFRA)	-	-	-	-	-4.00%	SELL	-	-	-	-

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	Weight	Action	Weight	Action	Weight	Action	Weight	Action	Weight	Action
iShares MSCI Min Vol USA (USMV)	-	-	-	-	-3.50%	SELL	-	-	-	-
iShares Dec 2026 Term Corp (IBDR)	-	-	-	-	-	-	-11.00%	SELL	-18.00%	SELL
iShares Dec 2024 Term Corp (IBDP)	-	-	-	-	-	-	-12.00%	SELL	-16.50%	SELL
Vanguard High Dividend Yield (VYM)	-	-	-	-	-	-	-6.00%	SELL	-5.00%	SELL
Invesco Income Infrastructure (GHII)	-	-	-	-	-	-	-5.00%	SELL	-5.00%	SELL
Newfleet Multi-Sector Inc (MINC)	-	-	-	-	-	-	-7.00%	SELL	-	-
Fidelity High Dividend ETF (FDVV)	-	-	-	-	-	-	-4.00%	SELL	-	-
iShares Intl Dividend Equity (IDV)	-	-	-	-	-	-	-4.00%	SELL	-	-
ProShares EAFE Div Growers (EFAD)	-	-	-	-	-	-	-	-	-4.00%	SELL
iShares MSCI Min Vol USA (USMV)	-	-	-	-	-3.50%	SELL	-	-	-	-
iShares Dec 2026 Term Corp (IBDR)	-	-	-	-	-	-	-11.00%	SELL	-18.00%	SELL
iShares Dec 2024 Term Corp (IBDP)	-	-	-	-	-	-	-12.00%	SELL	-16.50%	SELL
Vanguard High Dividend Yield (VYM)	-	-	-	-	-	-	-6.00%	SELL	-5.00%	SELL

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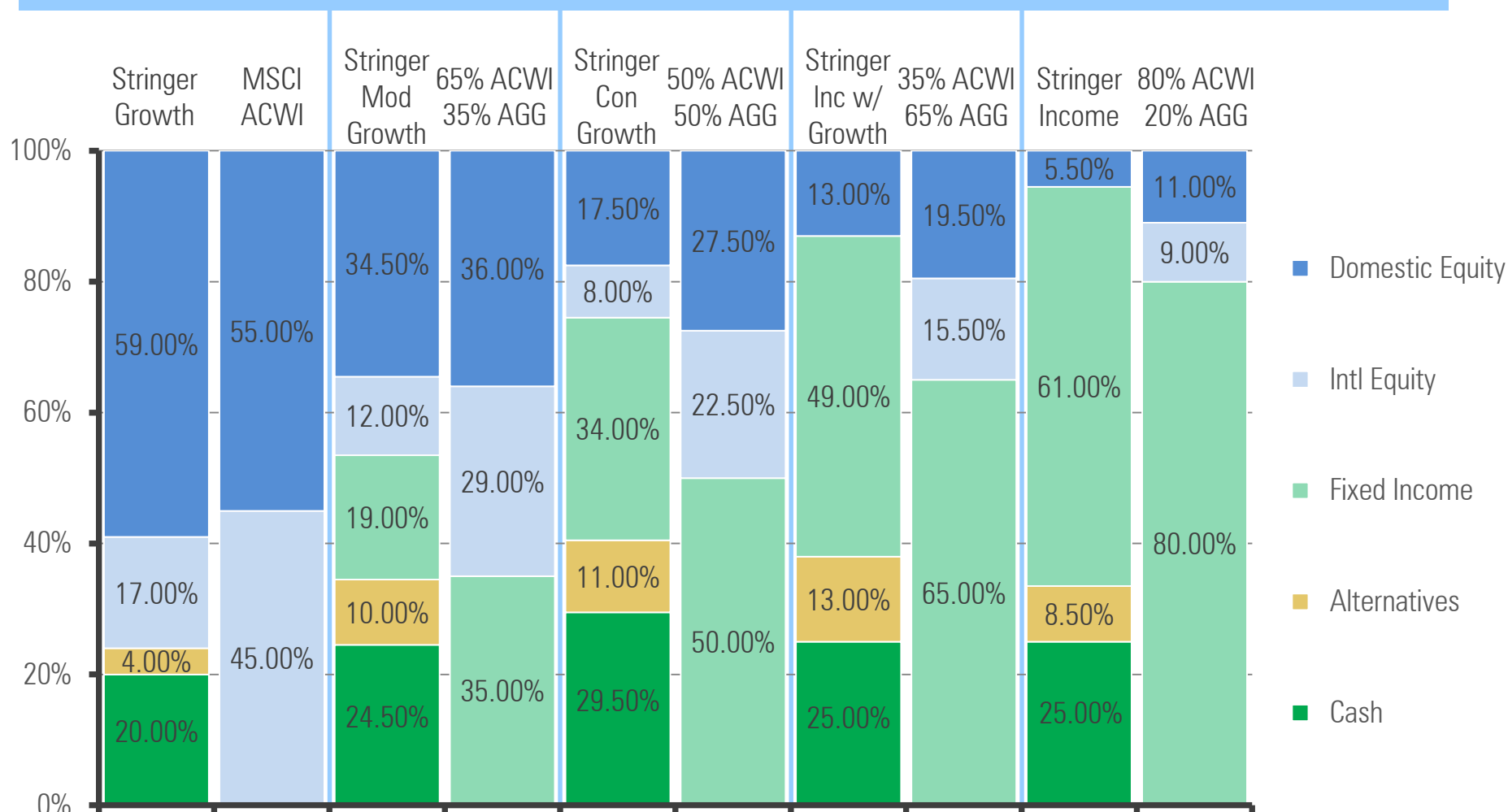


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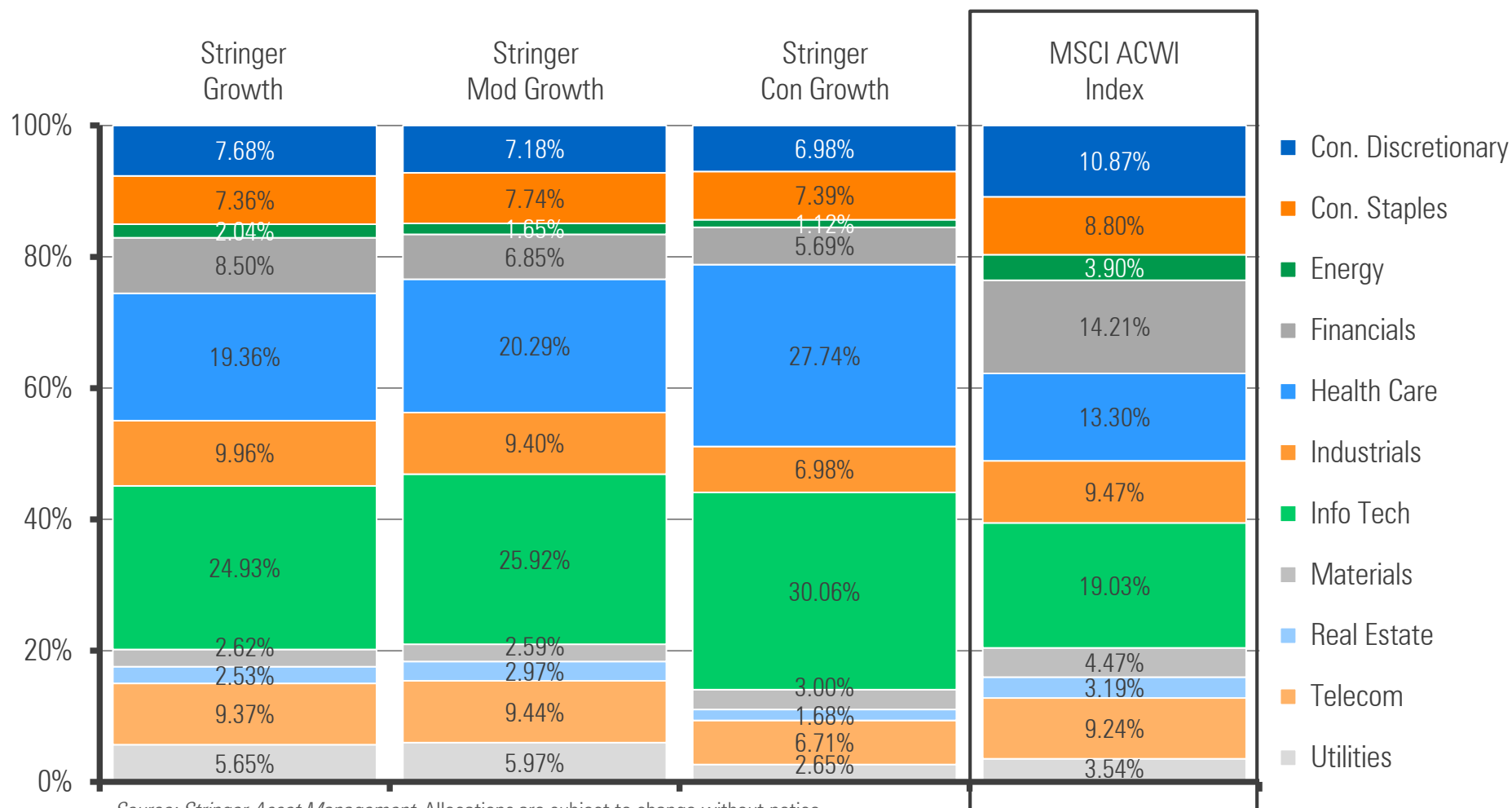
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## BROAD ASSET ALLOCATION AS OF MARCH 2020



Source: Stringer Asset Management. Allocations are subject to change without notice.

## TRADITIONAL EQUITY SECTOR ALLOCATION AS OF MARCH 2020

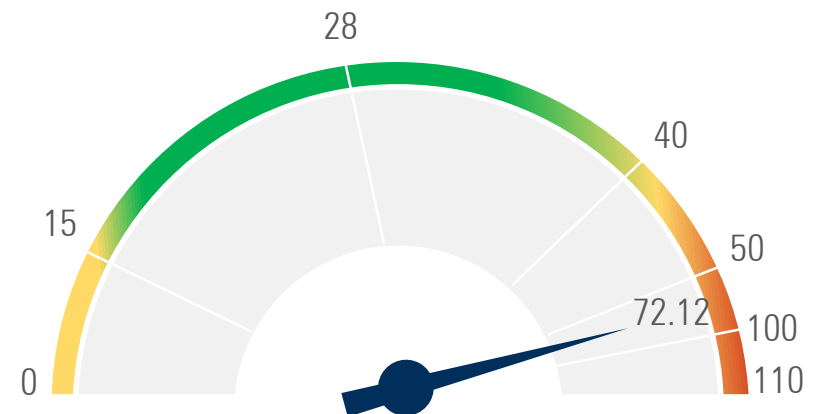
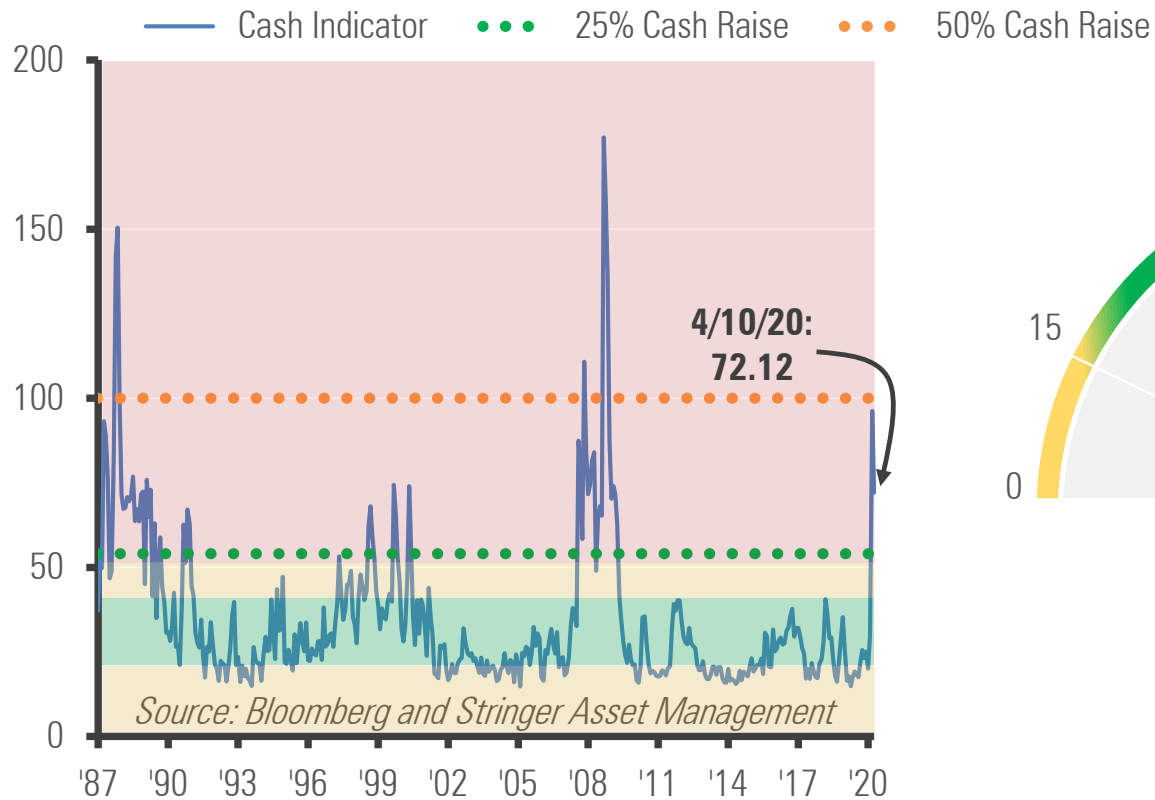


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# The Cash Indicator



- » Our proprietary Cash Indicator (CI) spiked into the red zone when the credit markets broke down during the second and third weeks of March.
- » During this March period, almost every corner of the bond market saw stress levels that we have not seen since 2008.
- » Additionally, the prices of equities, gold, and high-quality bonds fell as well.
- » The CI level has since declined but is still elevated and reflective of continued market stress.

Let Us Be Your 'Easy Button'



For more information:

Jonathan Bernstein (713) 339-0598 | [info@stringeram.com](mailto:info@stringeram.com)



# Disclosures

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The benchmark indices are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the accounts included in the Composites. These indices were chosen to give perspective on the risk management philosophy and asset allocation portfolio management process with respect to the performance of the Composites.

## **Performance:**

**Past performance is not indicative of future results.** The investment return and principal value of an investment will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The performance of any individual portfolio may not be considered comparable to the Composite performance.



# Disclosures

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## **Performance (continued):**

The Growth Composite includes all portfolios that mainly invest in equity and alternative ETFs selected from the global investment opportunity set. The Growth Composite has risk characteristics similar to that of the broad equity market and include but are not limited to equity risk, international investing risk and capitalization risk. The total returns presented are gross and net of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is the MSCI ACWI Index rebalanced quarterly as of January 1, 2016. The benchmark is market-cap weighted and is composed of several country-specific indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. Prior to January 1, 2016, the benchmark was the MSCI World Index rebalanced quarterly. Prior to January 1, 2015, the blended benchmark was 70% Russell 3000 Index and 30% MSCI ACWI xUS Index rebalanced quarterly. In both cases, the benchmark was retroactively changed to more closely follow our investment strategy. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite.

The Moderate Growth Composite includes all portfolios that mainly invest the majority of their assets in equity exchange-traded funds but also includes fixed income and alternative ETFs selected from the global investment opportunity set. The Moderate Growth Composite has risk characteristics lower than that of the broad equity market and include but are not limited to equity risk, international investing risk and credit risk. The total returns presented are gross and net of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is a blend of 65% MSCI ACWI Index and 35% Bloomberg Barclays U.S. Aggregate Bond Index rebalanced quarterly as of January 1, 2016. The benchmark is market-cap weighted and is composed of several country-specific indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. Prior to January 1, 2016, the blended benchmark was 65% MSCI World Index and 35% Barclays U.S. Aggregate Bond Index rebalanced quarterly. Prior to January 1, 2015, the blended benchmark was 45% Russell 3000 Index, 20% MSCI ACWI xUS Index and 35% Barclays U.S. Aggregate Bond Index rebalanced quarterly. In both cases, the benchmark was retroactively changed to more closely follow our investment strategy. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite.

# Disclosures

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## **Performance (continued):**

The Conservative Growth Composite includes all portfolios that invest their assets in equity, fixed income and alternative exchange-traded funds selected from the global investment opportunity set. The Conservative Growth Composite has risk characteristics lower than that of the broad equity market and include but are not limited to equity risk, international investing risk and credit risk. The total returns presented are gross and net of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is a blend of 50% MSCI ACWI Index and 50% Bloomberg Barclays U.S. Aggregate Bond Index rebalanced quarterly as of January 1, 2016. The benchmark is market-cap weighted and is composed of several country-specific indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. Prior to January 1, 2016, the blended benchmark was 50% MSCI World Index and 50% Barclays U.S. Aggregate Bond Index rebalanced quarterly. Prior to January 1, 2015, the blended benchmark was 35% Russell 3000 Index, 15% MSCI ACWI xUS Index and 50% Barclays U.S. Aggregate Bond Index rebalanced quarterly. In both cases, the benchmark was retroactively changed to more closely follow our investment strategy. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite.

The Income with Growth Composite includes all portfolios that invest their assets in equity, fixed income and alternative exchange-traded funds selected from the global investment opportunity set. The Income with Growth Composite has risk characteristics lower than that of the broad equity market and include but are not limited to equity risk, international investing risk and credit risk. The total returns presented are gross of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is a blend of 35% MSCI ACWI Index and 65% Bloomberg Barclays U.S. Aggregate Bond Index rebalanced quarterly. The benchmark is market-cap weighted and is composed of several country-specific developed market indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite. As of 12/30/16, the Conservative Composite was renamed the Income with Growth Composite.

# Disclosures

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## **Performance (continued):**

The Income Composite includes all portfolios that invest their assets in equity, fixed income and alternative exchange-traded funds selected from the global investment opportunity set. The Income Composite has risk characteristics lower than that of the broad equity market and include but are not limited to equity risk, international investing risk and credit risk. The total returns presented are gross and net of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is a blend of 20% MSCI ACWI Index and 80% Bloomberg Barclays U.S. Aggregate Bond Index rebalanced quarterly as of January 1, 2016. The benchmark is market-cap weighted and is composed of several country-specific indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. Prior to January 1, 2016, the benchmark was a blend of 20% MSCI World Index and 80% Barclays U.S. Aggregate Bond Index rebalanced quarterly. The benchmark was retroactively changed to more closely follow our investment strategy. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite.

# Disclosures

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## Index Definitions:

*Bloomberg Barclays U.S. Aggregate Bond Index* – This Index provides a measure of the U.S. investment grade bond market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have at least 1 year remaining to maturity. In addition, the securities must be denominated in US dollars and must be fixed rate, nonconvertible and taxable.

*MSCI ACWI (Net) Index* – This Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI Index consists of 23 developed and 23 emerging market country indexes. Net total return includes the reinvestment of dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

*S&P 500 Index* – This Index is a capitalization-weighted index of 500 stocks. The Index is designed to measure performance of a broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

# Disclosures

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## Statistical Definitions:

**Standard Deviation** – A statistical measure of volatility, standard deviation is often used as an indicator of the ‘risk’ associated with a return series. Standard deviation of return measures the average deviations of a return series from its mean. A large standard deviation implies that there have been large swings in the return series of the manager.

**Alpha** – Alpha is a measure of risk (beta)-adjusted return. Alpha measures the difference between a portfolio’s actual returns and what it might be expected to deliver based on its level of risk. In an ideal sense, higher risk should equate to higher return. A positive alpha means the fund has beaten expectations. A negative alpha means that the fund has failed to match performance given its level of risk. If two managers have the same return, but one has a lower beta, that manager would have a higher alpha.

**Beta** – This represents the systematic risk of a portfolio and measures its sensitivity to a benchmark. A portfolio with a beta of one is considered to be as risky as the benchmark and would therefore provide expected returns equal to those of the market benchmark during both up and down periods. A portfolio with a beta of two would move approximately twice as much as the benchmark.

**Yield** – Portfolio and blended benchmark yield is calculated using a harmonic weighted average of the net dividends per share during the past 12 months for each holding as of the date identified at their respective target weighting.

# Disclosures

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## Principal Risks:

**General Risk of Loss:** All investments in securities include a risk of loss of principal (invested amount) and any profits that have not been realized (i.e., the securities were not sold to “lock in” the profit). Stock markets and bond markets fluctuate substantially over time, and markets have experienced increased volatility in recent years. As recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage. Stringer Asset Management cannot guarantee any level of performance or that account assets will not be lost. Stringer Asset Management does not represent, warrant, or imply that the services or methods of analysis used can or will predict future results, successfully identify market tops or bottoms, or insulate clients from major losses due to market corrections or crashes. No guarantees are offered that clients’ goals or objectives will be achieved. Furthermore, no promises or assumptions can be made that the advisory services offered by Stringer Asset Management will provide a better return than other investment strategies. Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Stringer Asset Management’s managed account programs should be considered a long-term investment; as long-term performance and performance consistency are among our key objectives.

**Risks Related to Mutual Funds and ETPs:** An investment in a mutual fund or an ETP, which includes ETFs and ETNs, involves risk, including the loss of principal. Mutual fund and ETP shareholders are subject to the risks stemming from the individual issuers of the fund’s underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund’s stated daily per share net asset value (“NAV”), plus any shareholders’ fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund’s holdings. The trading prices of a mutual fund’s shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund’s shares trading at a premium or discount to NAV. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

**Risk Related to Liquidity:** Stringer Asset Management’s strategies may include investments subject to liquidity risk, which exists when particular investments are difficult to purchase or sell. Such securities may become illiquid under adverse market or economic conditions and/or due to specific adverse changes in the condition of a particular issuer. If our strategies invest in illiquid securities or securities that become illiquid, returns may be reduced because our strategies may be unable to sell the illiquid securities at an advantageous time or price.

# Disclosures

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## Principal Risks (continued):

***Risks Related to Management Through Similarly Managed Accounts:*** For certain clients, Stringer Asset Management manages strategies by allocating assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as “investment strategy”). In so doing, Stringer Asset Management buys, sells, exchanges and/or transfers securities based upon the investment strategy. Stringer Asset Management’s management using the investment strategy complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company. The investment strategy may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the investment strategy are usually exchanged and/or transferred without regard to a client’s individual tax ramifications. Certain investment opportunities that become available to Stringer Asset Management’s clients may be limited. For example, various mutual funds or insurance companies may limit the ability of Stringer Asset Management to buy, sell, exchange or transfer securities consistent with its investment strategy. ***Risks Related to Domestic Equities:*** Stringer Asset Management’s strategies that utilize equity securities are subject to the risk that stock prices may fall over short or extended periods of time. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in equity securities. ***Risks Related to Company Size:*** Stringer Asset Management’s strategies may invest in small-capitalization and mid-capitalization stocks, which are often more volatile and less liquid than investments in larger companies. The frequency and volume of trading in securities of smaller and mid-size companies may be substantially less than is typical of larger companies. Therefore, the securities of smaller and mid-size companies may be subject to greater and more abrupt price fluctuations. In addition, smaller and mid-size companies may lack the management experience, financial resources and product diversification of larger companies, making them more susceptible to market pressures and business failure. ***Risks Related to International Equities:*** Stringer Asset Management’s strategies that invest in foreign companies pose additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the strategies may also be exposed to currency fluctuation risks and emerging markets risks as described further below. Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the strategy’s investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer’s home country. Also, the value of the strategy may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the strategy. Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Finally, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

# Disclosures

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## Principal Risks (continued):

***Risks Related to Currency Hedging:*** Stringer Asset Management strategies that invest in non-U.S. securities may employ a currency hedging strategy. Because of this, these strategies may have lower returns than an equivalent non-currency hedged investment when the component currencies are rising relative to the U.S. dollar. As such, contracts to sell foreign currency will generally be expected to limit any potential gain that might be realized by the strategies if the value of the hedged currency increases. In addition, although the strategies seek to minimize the impact of currency fluctuations on returns, the use of currency hedging will not necessarily eliminate exposure to all currency fluctuations. Hedging against a decline in the value of a currency does not eliminate fluctuations in the value of a security traded in that currency or prevent a loss if the value of the security declines. Moreover, it may not be possible for the strategies to hedge against a devaluation that is so generally anticipated that Stringer Asset Management is not able to contract to sell the currency at a price above the devaluation level it anticipates.

***Risks Related to ADRs:*** Stringer Asset Management's strategies may invest in American Depository Receipts ("ADRs"), which are typically issued by a U.S. bank or trust company and represent ownership of underlying foreign securities. In addition to the risks presented in any investment, such as changes in value and changes in demand, there are several risks unique to ADRs that must be considered. For instance, while they will react to normal market fluctuations like regular stocks, ADRs are still vulnerable to currency risks. If the value of the company's home currency falls too much relative to the U.S. Dollar, the effect will trickle down to the ADR eventually. The same can be said for changes in the home country's government.

***Risks Related to REITs:*** Stringer Asset Management's strategies may invest in real estate investment trusts ("REITs"). REITs' share prices may decline because of adverse developments affecting the real estate industry, such as declining real estate values, changing economic conditions, and increasing interest rates. The returns from REITs may trail returns from the overall market. Additionally, there is always a risk that a given REIT will fail to qualify for favorable tax treatment or may not remain qualified as a REIT.

***Risks Related to MLPs:*** Stringer Asset Management's strategies may invest in Master Limited Partnerships ("MLPs"). Investing in MLPs includes risks, such as equity and commodity-like volatility. Also, distribution payouts sometimes include the return of principal and, in these instances, references to these payouts as "dividends" or "yields" may be inaccurate and may overstate the profitability/success of the MLP. Additionally, there are potentially complex and adverse tax consequences associated with investing in MLPs. This is largely dependent on how the MLPs are structured and the vehicle used to invest in the MLPs. It is strongly recommended that an investor consider and understand these characteristics of MLPs and consult with a financial and tax professional prior to investment.

***Risks Related to Commodities:*** Stringer Asset Management's strategies may invest in commodities, which allows for a source of diversification for those sophisticated persons who wish to add this asset class to their portfolios and who are prepared to assume the risks inherent in the commodities market. Any commodity purchase represents a transaction in a non-income-producing asset and is highly speculative.



# Disclosures

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## Principal Risks (continued):

*Risks Related to Fixed Income:* Stringer Asset Management's strategies that utilize debt securities are subject to the risk that changes in interest rates could affect the value of a client's investment. Rising interest rates tend to cause the prices of debt securities (especially those with longer maturities) to fall. Rising interest rates may also cause issuers to pay off mortgage-backed and asset-backed securities later than anticipated, forcing the strategies to keep their money invested at lower rates. Falling interest rates, however, generally cause investors to pay off mortgage-backed and asset-backed securities earlier than expected, forcing the strategies to reinvest the money at a lower interest rate. The concept of duration is useful in assessing the sensitivity of fixed income strategies to interest rate movements, which are the main source of risk for most fixed income securities. Duration measures price volatility by estimating the change in price of a debt security for a 1% change in its yield. For example, a duration of five years means the price of a debt security will change about 5% for every 1% change in its yield. Thus, the higher the duration, the more volatile the security. Debt securities have a stated maturity date when the issuer must repay the principal amount of the bond. Some debt securities, known as callable bonds, may repay the principal earlier than the stated maturity date. Debt securities are most likely to be called when interest rates are falling because the issuer can refinance at a lower rate. The credit rating or financial condition of an issuer may affect the value of a debt security. Generally, the lower the quality rating of a security, the greater the risk that the issuer will fail to pay interest fully and return principal in a timely manner. The issuer of an investment-grade security is more likely to pay interest and repay principal than an issuer of a lower rated bond. Credit ratings are not an absolute standard of quality, but rather general indicators that reflect only the view of the originating rating agencies from which an explanation of the significance of such ratings may be obtained. If an issuer defaults or becomes unable to honor its financial obligations, the security may lose some or all of its value. High yield or "junk" bonds are highly speculative securities that are usually issued by smaller, less credit worthy and/or highly leveraged (indebted) companies. Compared with investment-grade bonds, high yield bonds carry a greater degree of risk and are less likely to make payments of interest and principal. Market developments and the financial and business conditions of the corporation issuing these securities influences their price and liquidity more than changes in interest rates, when compared to investment-grade debt securities. Insufficient liquidity in the junk bond market may make it more difficult to dispose of junk bonds and may cause the portfolio to experience sudden and substantial price declines.

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