



**STRINGER**  
Asset Management

## 2020 Mid-Year Outlook

From Crisis to Recovery and What Comes Next

-- 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: June 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	1.99%	-6.11%	0.28%	4.41%	5.50%	7.08%	8.60%	6.03%	14.26%	0.83	<b>0.77%</b>
MSCI ACWI Index	2.04%	-6.25%	2.11%	6.14%	6.46%	7.81%	9.16%	5.99%	16.90%	1.00	-
Stringer AM Moderate Growth – Gross	2.40%	-4.04%	1.65%	4.25%	4.76%	6.15%	7.53%	5.89%	10.24%	0.90	<b>0.46%</b>
65% MSCI ACWI - 35% BC Agg Index	2.17%	-1.01%	5.63%	6.42%	6.10%	6.76%	7.61%	5.95%	11.08%	1.00	-
Stringer AM Conservative Growth – Gross	2.44%	-2.17%	2.73%	4.18%	4.41%	5.59%	6.49%	5.65%	7.87%	0.87	<b>0.53%</b>
50% MSCI ACWI - 50% BC Agg Index	2.23%	0.94%	6.73%	6.34%	5.81%	6.20%	6.83%	5.77%	8.70%	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	2.99%	-5.40%	-1.51%	1.95%	2.14%	-	-	2.14%	6.13%	1.04	<b>-3.29%</b>
35% MSCI ACWI - 65% BC Agg Index	2.29%	2.71%	7.60%	6.16%	5.44%	-	-	5.44%	5.36%	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	2.97%	-2.79%	0.51%	2.71%	3.33%	3.55%	-	4.07%	4.13%	1.03	<b>-0.66%</b>
20% MSCI ACWI - 80% BC Agg Index	2.35%	4.30%	8.24%	5.87%	5.00%	4.93%	-	4.66%	3.48%	1.00	-

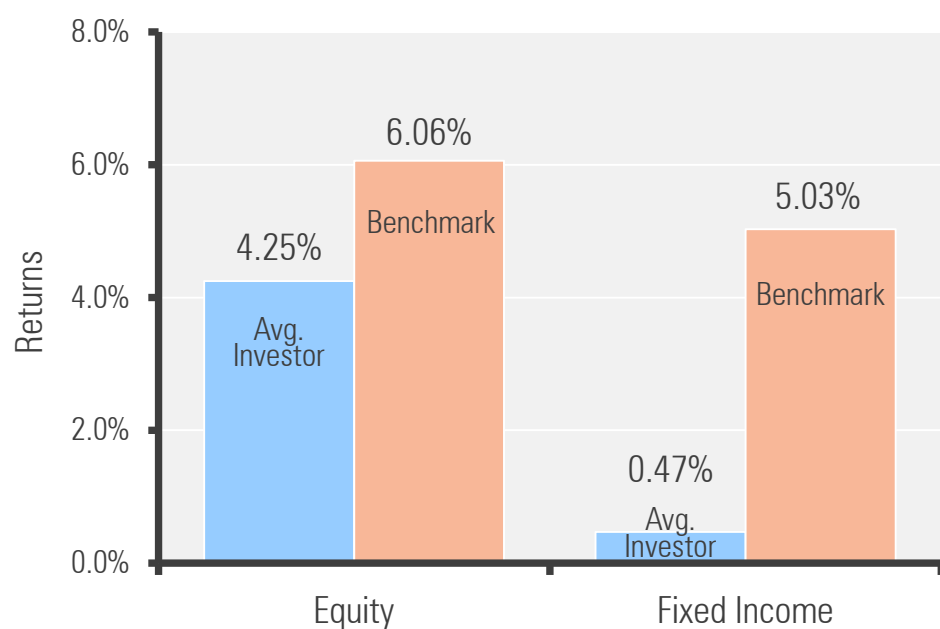
Sources: *Stringer Asset Management and Morningstar*. Performance data quoted represents past performance and is for illustrative purposes only. **Past performance is not a guarantee of future results.** The total returns presented are gross of fees. Advisory fees and any other expenses incurred in the 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.

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

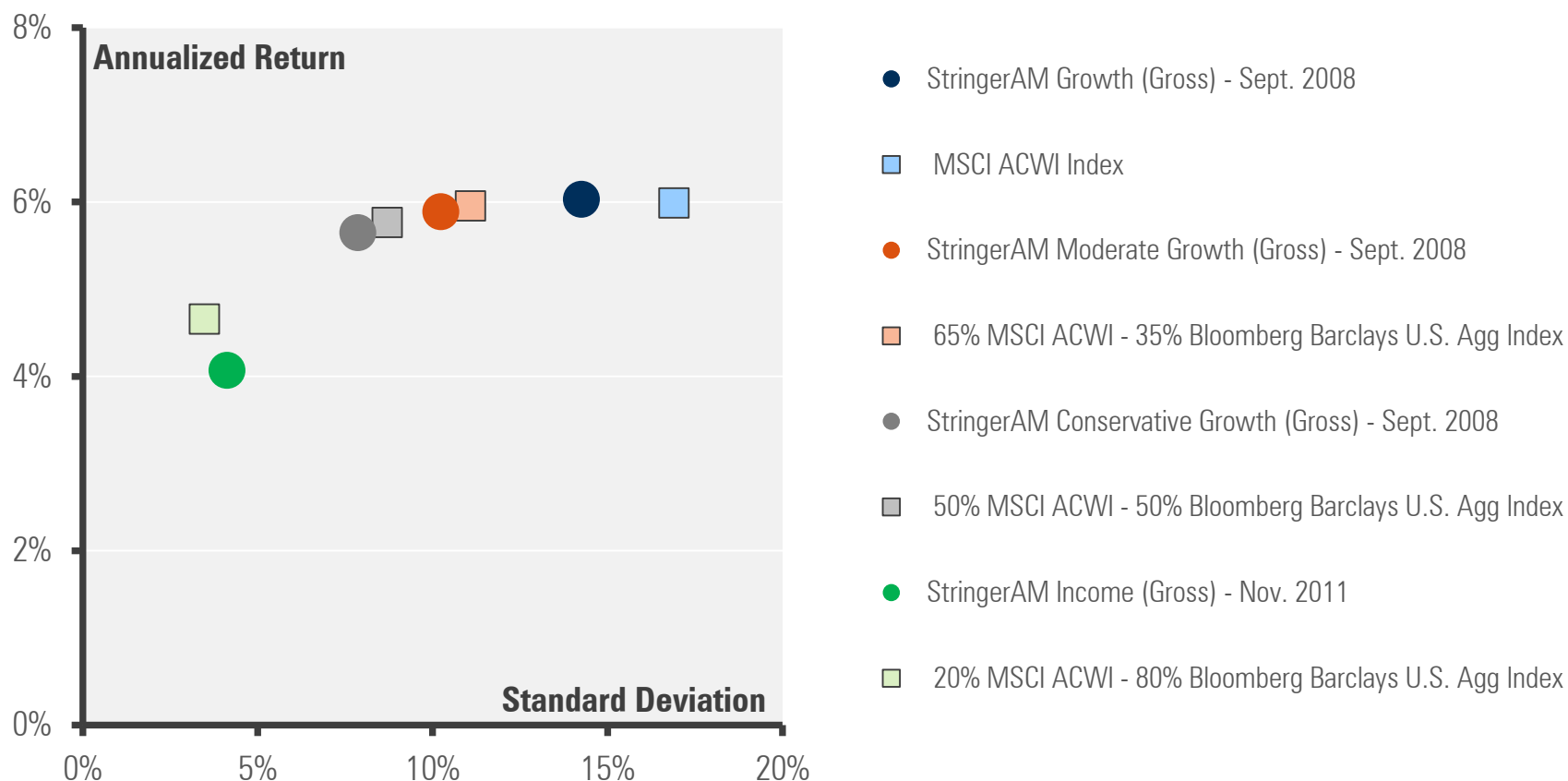
Average Investor Performance vs. Market Benchmarks | January 2000 – December 2019



*Sources: Stringer Asset Management and DALBAR, QAIB 12/31/19.* 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.

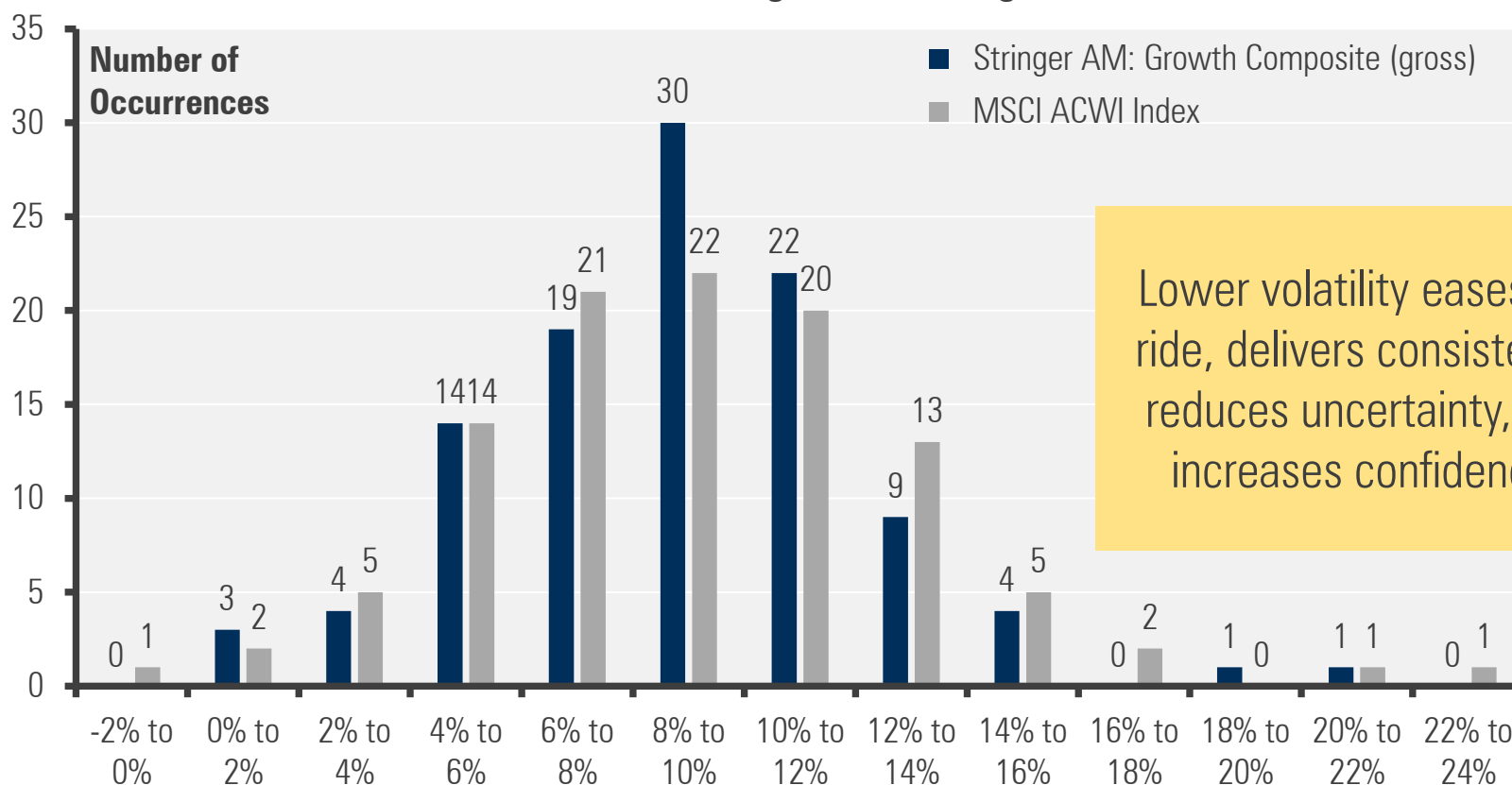
## RISK/REWARD PLOT<sup>1</sup>: SINCE INCEPTION TO JUNE 2020



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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.

Source: Morningstar. This material is for informational purpose only. Opinions and forecasts expressed herein may not actually occur. **Past performance is not indicative 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 definitions, see the Index Definitions and Statistical Definitions sections at the end of this document.**

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  - » Broad Outlook
  - » The Global Economy
  - » Investment Implications
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  - » The Cash Indicator

## BROAD OUTLOOK

- » The global markets experienced a remarkable second quarter rebound in both the equity and credit markets.
- » In fact, we think that the bounce back in the credit and equity markets, along with other forward-looking and coincidental data, suggests that the U.S. economy will return to expansion this summer.
- » The economic recovery is likely to start out looking like a V-shaped recovery on a quarter-over-quarter percentage change basis.
- » With that in mind, investors should be prepared for more market volatility and ugly headlines.
- » It will be important for investors to focus on leading indicators rather than lagging indicators and headline noise.
- » Our current base case scenario is that the stock market appreciates impressively over the next year, although we may see some consolidation in the near-term as we also think the market got ahead of itself during the second quarter.
- » There is a high probability the U.S. equity market will make new all-time highs within the next twelve months or less.
- » We believe this unprecedented environment and circumstance favors flexible strategies like ours with a tactical component that can be both opportunistic as well as protective.



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

## SAMPLE OF RECENT ADDITIONS

While market-based inflation expectations and TIPS fell prior to the economic slowdown, they are still far below their 2018 highs. Additionally, financial conditions have shown some improvement since the initial shock to the global financial market. This suggests to us that economic growth will be a challenge going forward, but the worst of the shock to the financial markets is likely behind us. As a result, we have been incrementally increasing our exposure to the equity and credit markets.

During the quarter, we added equity exposure to the following areas: U.S. value factor, U.S. quality, technology dividend, innovation, international dividend-payers, healthcare, home builders, and transports.

- » iShares Edge MSCI USA Value (VLUE); iShares Edge MSCI USA Quality (QUAL); First Trust NASDAQ Technology Dividend (TDIV); ARK Innovation (ARKK); WisdomTree International Quality Dividend (IQDG); Health Care Select SPDR (XLV); SPDR Homebuilders (XHB); SPDR Transports (XTN)

Within the fixed income and alternative investments markets, we added exposure to active, non-traditional fixed income, short-term corporate bonds, multi-asset income, U.S. preferred securities, and high yield bonds.

- » SPDR DoubleLine Total Return (TOTL); SPDR Short-Term Treasury (SPTS), iShares Morningstar Multi-Asset Income (IYLD); Global X US Preferred (PFFD); VanEck Fallen Angels (ANGL)

## INVESTMENT OUTLOOK SUMMARY | FAVORED CHOICES

<b>EQUITY</b>	<i>U.S.</i> » health care, home builders, internet-related, transports, quality <i>Global</i> » infrastructure, low volatility, quality
<b>FIXED INCOME</b>	short and intermediate-duration high quality bonds, fallen angels
<b>ALTERNATIVES</b>	active non-traditional fixed income, convertible bonds, preferreds, put option overlay strategy

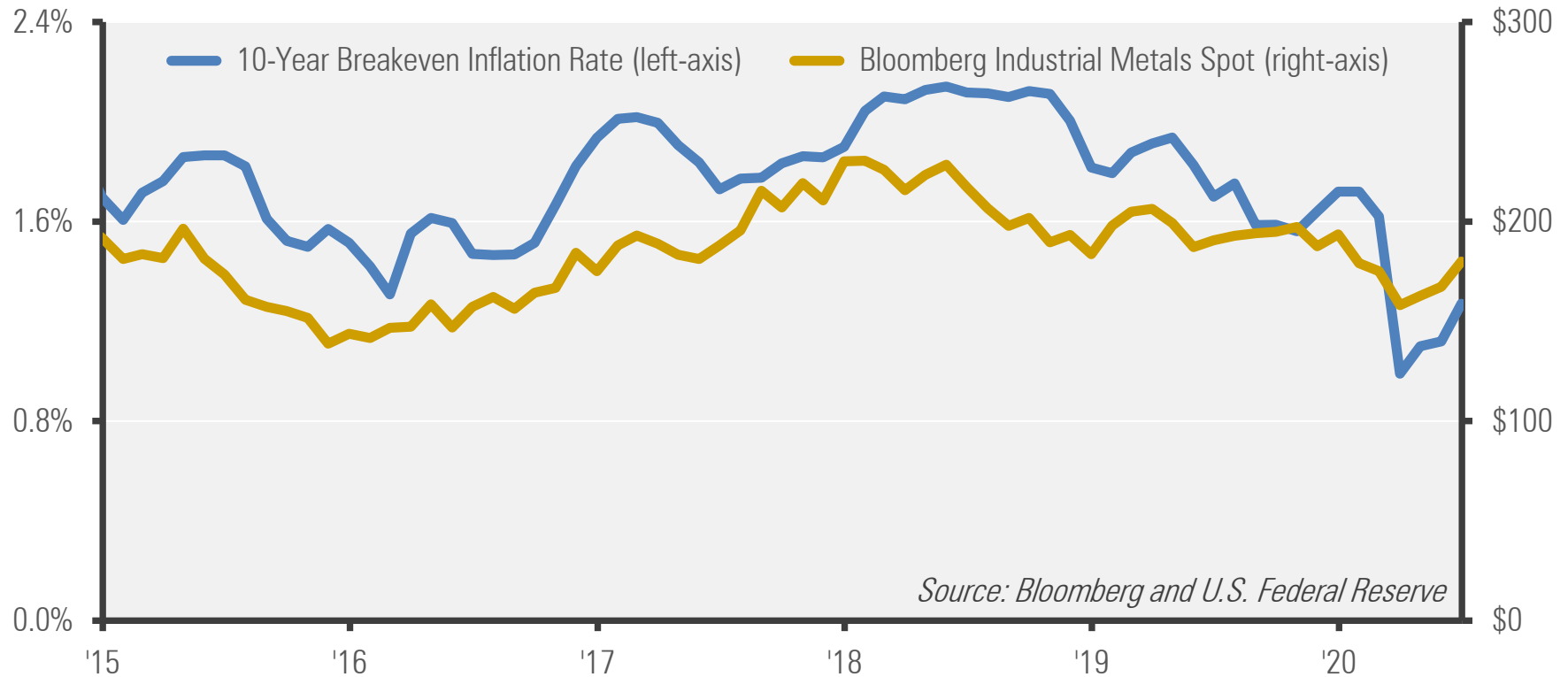
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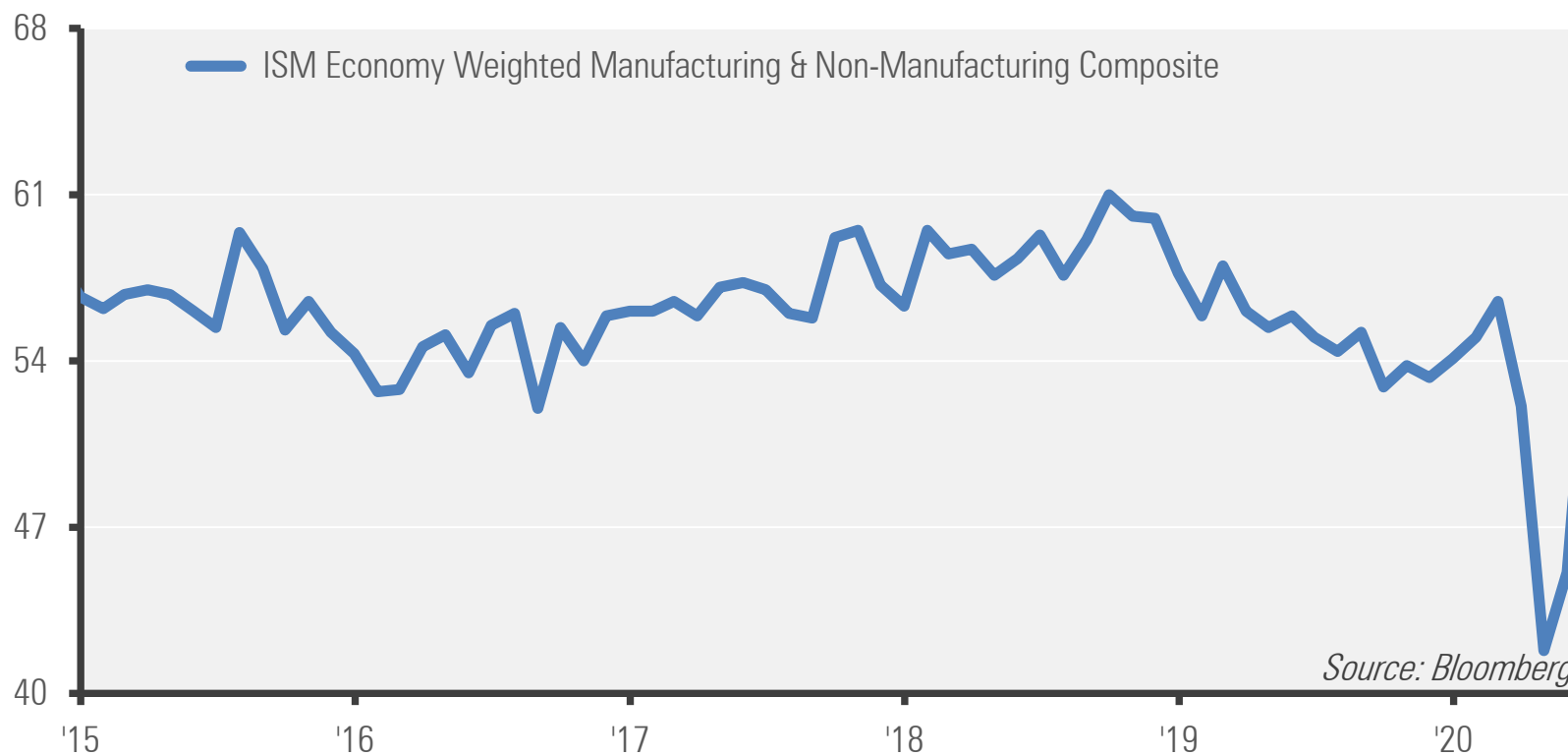


- ✓ Preliminary Performance
- ✓ Broad Outlook
  - » The Global Economy
  - » Investment Implications
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# Near-Term Leading Indicators: Inflation Expectations

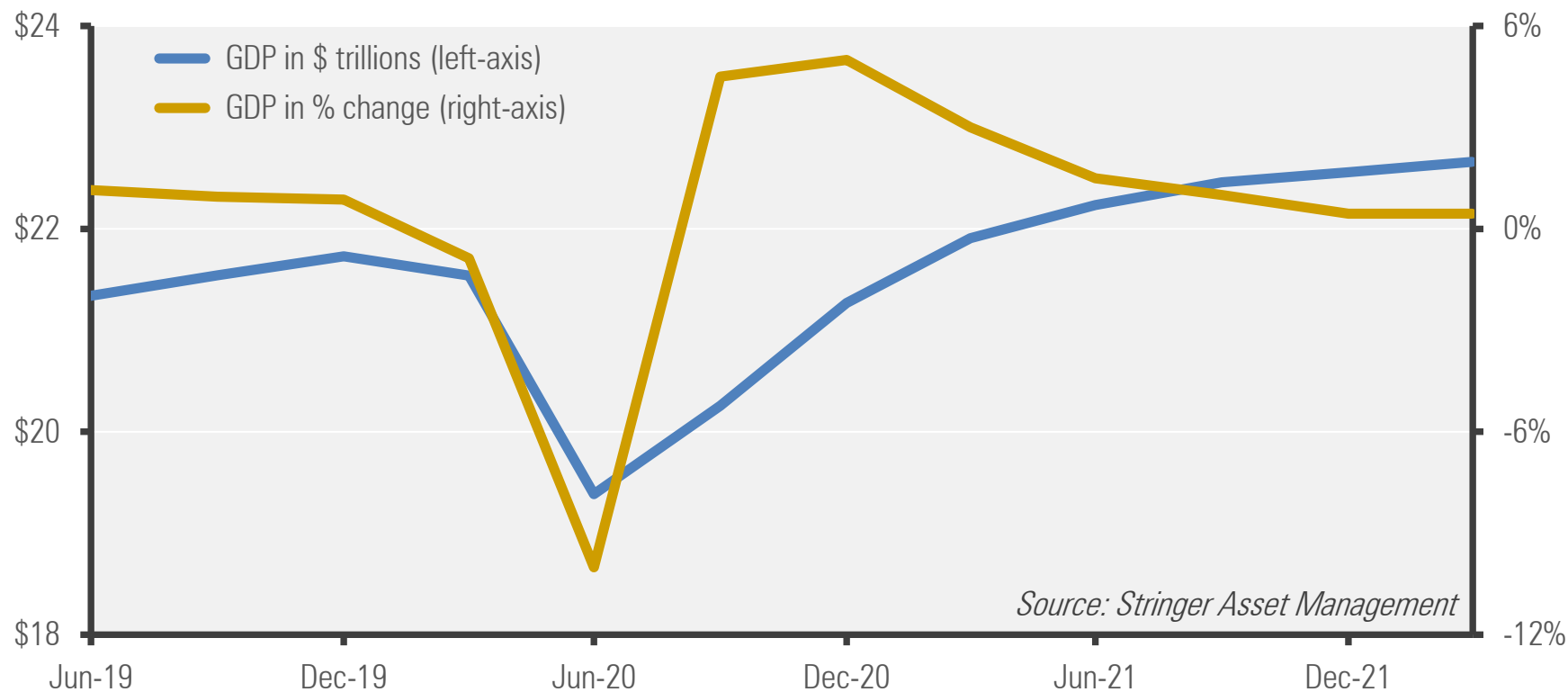


- » Industrial metals prices, which are a proxy for global economic growth, and market-based inflation expectations are moving higher.
- » This suggests that the prospects for a return to economic growth have improved.
- » However, the level of these indicators suggests that growth going forward will be subdued.



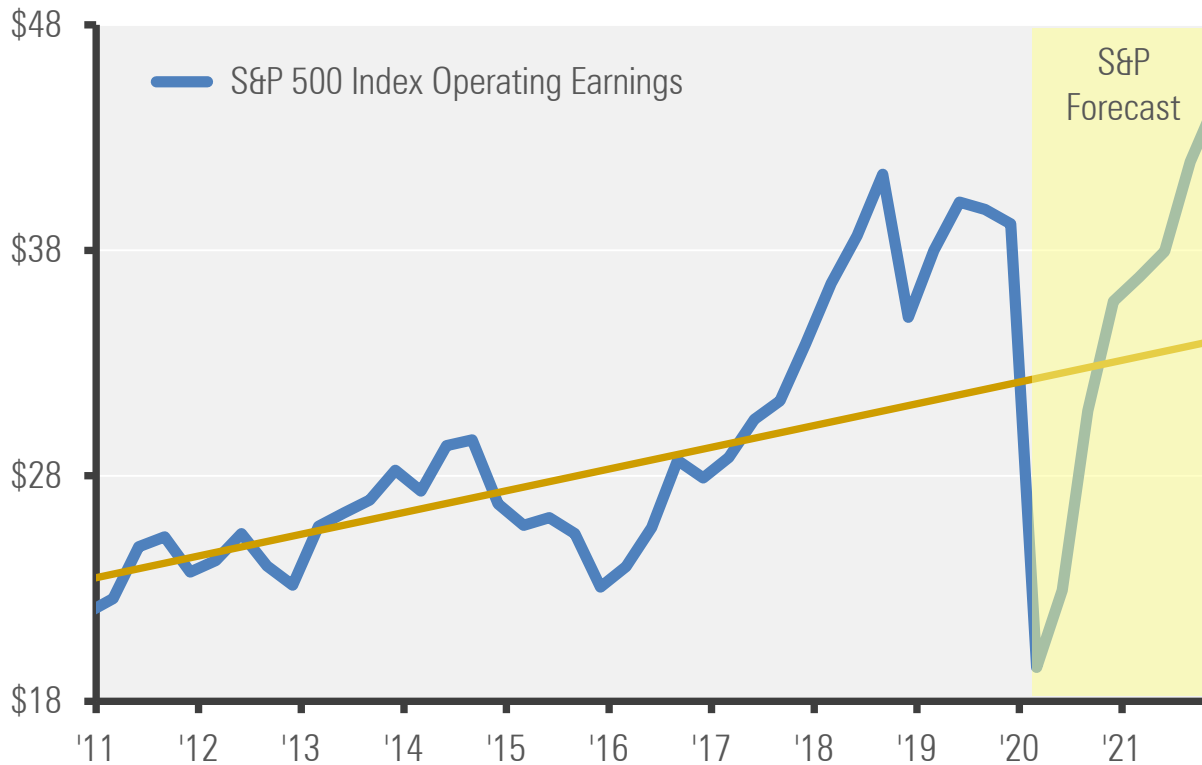
- » Similarly, business survey data, such as purchasing manager indices (PMIs), have rebounded sharply.
- » This is consistent with the recovery in the previously discussed indicators.

# Stringer GDP Forecast



- » The economic recovery is likely to start out looking like a V-shaped recovery on a quarter over quarter percentage change basis.
- » We expect second quarter GDP to have dropped by roughly 10% and be followed by a rebound in the third and fourth quarters.
- » In actual dollar terms, the economic decline and rebound will look more drawn out.
- » It may take a couple of years for our economy to grow to the level that we would have been without the crisis.

# S&P 500 Index Earnings



*Source: S&P Dow Jones Indices and Stringer Asset Management.*

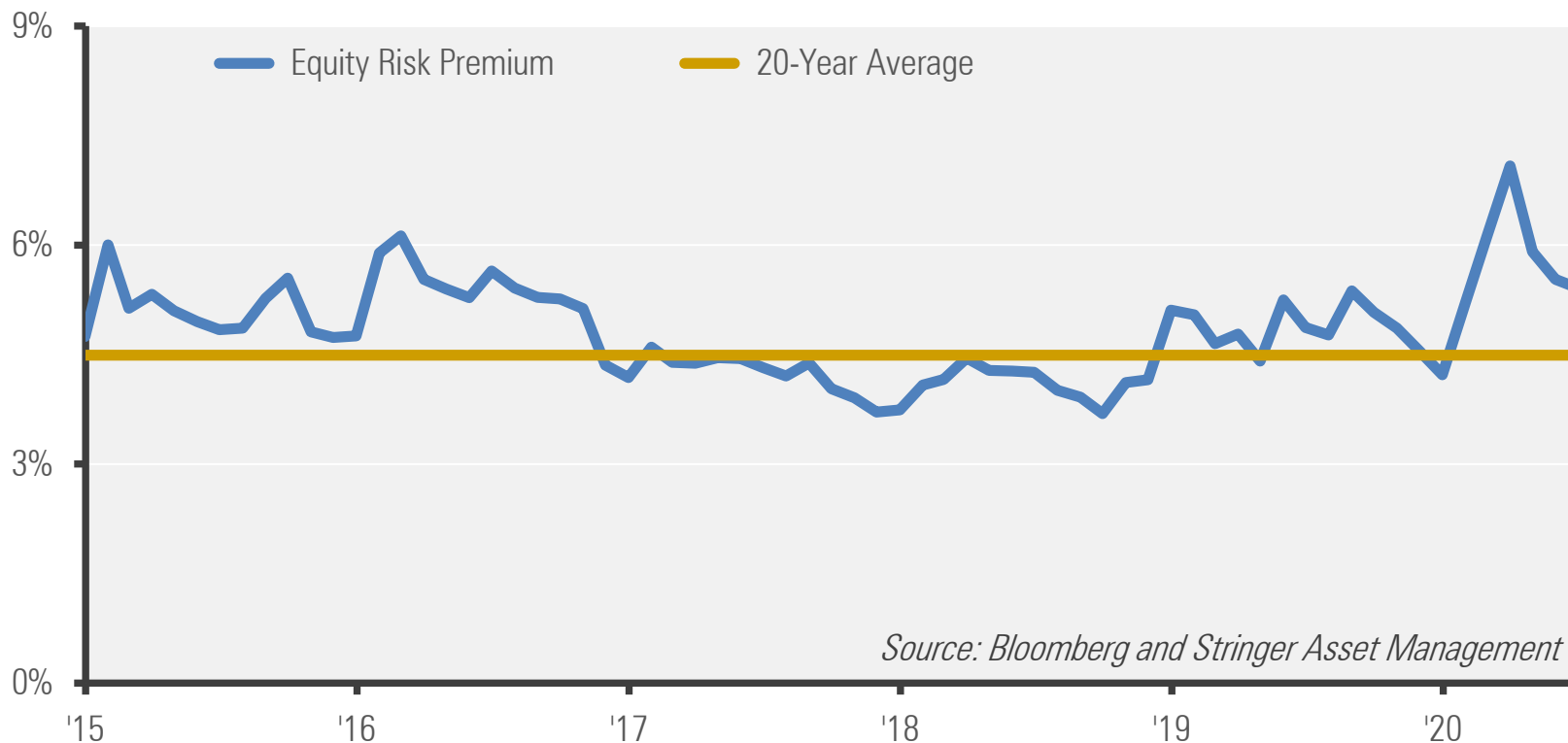
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- » In our experience, consensus earnings expectations are relatively inaccurate around turns in the business cycle as forward estimates are often too high at the business cycle peak and too low at the bottom.
- » We believe that the brevity of the current recession means that we are nearing an economic upturn and consensus earnings expectations for the next 12 months are now too low.
- » We think that corporate operating earnings will revert to trend over the coming quarters as economic growth stabilizes closer to its long-term trend.



# Equity Risk Premium



- » Overall equity market valuations do not look stretched in our view despite the recent impressive recovery.
- » Based on the current level of the S&P 500 Index equity risk premium, which is the difference between the earnings yield for stocks and the 10-year Treasury yield, equities are still priced relatively attractively.

# Agenda



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

## INVESTMENT IMPLICATIONS

- » We are maintaining our broad strategic allocations with overweights to domestic equities while investing in high quality fixed income and alternative investments to help manage risk.
- » Additionally, we are tactically looking for opportunities to find attractive valuations and themes and to pare back risk as necessary.
- » Currently, our largest sector allocations include health care, information technology, and industrials.
- » Within fixed income, we favor mortgage backed securities and corporate bonds.
- » Our alternative allocations include non-traditional active fixed income, convertible bonds, preferreds, and an equity put writing strategy.
- » We are watching our indicators closely and will make adjustments quickly if we sense problems or other opportunities ahead.
- » That flexibility is one of the benefits of having a tactical allocation where we can manage risk in real time.

# Agenda



- ✓ Preliminary Performance
- ✓ Broad Outlook
- ✓ The Global Economy
- ✓ Investment Implications
  - » Recent Activity
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  - » The Cash Indicator

# Recent Trading Activity

## NET TRADE SUMMARY: APRIL 1, 2020 – JULY 10, 2020

	Growth		ModGrowth		ConGrowth		IncGrowth		Income	
	Weight	Action	Weight	Action	Weight	Action	Weight	Action	Weight	Action
ARK Innovation (ARKK)	6.0%	BUY	-	-	-	-	-	-	-	-
VanEck Fallen Angels (ANGL)	-	-	4.0%	BUY	4.0%	BUY	4.0%	BUY	-	-
Wisdom Tree Global Div (DEW)	-	-	4.0%	BUY	-	-	5.0%	BUY	-	-
Wisdom Tree Quality Div Gro (DGRW)	-	-	-	-	-	-	9.0%	BUY	5.5%	BUY
Wisdom Tree Intl Equity (DWM)	5.0%	BUY	-	-	-	-	-	-	-	-
First Trust DJ Internet (FDN)	5.0%	BUY	4.0%	BUY	4.0%	BUY	-	-	-	-
First Trust Preferreds (FPE)	6.0%	BUY	-	-	-	-	5.0%	BUY	5.0%	BUY
iShares Convertible Bond (ICVT)	-	-	5.0%	BUY	5.0%	BUY	-	-	-	-
Wisdom Tree Intl Dividend (IQDG)	4.0%	BUY	4.0%	BUY	4.0%	BUY	5.0%	BUY	4.0%	BUY
Global X U.S. Preferred (PFFD)	-	-	4.0%	BUY	3.5%	BUY	-	-	-	-
iShares MSCI US Quality (QUAL)	-	-	-	-	4.0%	BUY	-	-	-	-
SPDR Short Corp. Bond (SPSB)	-	-	6.5%	BUY	8.0%	BUY	20.0%	BUY	23.0%	BUY
First Trust NASDAQ Tech (TDIV)	-	-	-	-	-	-	4.0%	BUY	-	-
SPDR DoubleLine Total Return (TOTL)	-	-	5.0%	BUY	6.0%	BUY	1.0%	ADD	9.5%	BUY

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	Weight	Action	Weight	Action	Weight	Action	Weight	Action	Weight	Action
iShares MSCI US Value (VLUE)	-	-	4.0%	BUY	4.0%	BUY	-	-	-	-
SPDR S&P Homebuilders (XHB)	5.0%	BUY	-	-	-	-	-	-	-	-
Health Care Select SPDR (XLV)	5.0%	BUY	4.0%	BUY	4.0%	BUY	4.0%	BUY	4.0%	BUY
SPDR S&P Transports (XTN)	5.0%	BUY	4.0%	BUY	-	-	-	-	-	-
iShares Intl Momentum (IMTM)	2.0%	ADD	-	-	-	-	-	-	-	-
Overlay Shares LC Equity (OVL)	2.0%	ADD	-	-	-	-	-	-	-	-
Direxion NASDAQ-100 (QQQE)	4.0%	ADD	3.5%	ADD	4.0%	BUY	-	-	-	-
SPDR MSCI US StrategicFac (QUS)	-	-	-	-	1.5%	ADD	-	-	-	-
iShares MSCI Min Vol (ACWV)	-5.0%	TRIM	-	-	-	-	-	-	-	-
iShares MStar MA-Income (IYLD)	-2.0%	TRIM	-6.0%	SELL	-5.0%	SELL	-	-	-5.5%	SELL
iShares US Momentum (MTUM)	-6.0%	TRIM	-3.5%	TRIM	-1.5%	TRIM	-	-	-	-
Invesco S&P xRate Sensitive (XRLV)	-4.0%	SELL	-	-	-	-	-	-	-	-
Invesco R1000 Multifactor (OMFL)	-8.0%	SELL	-	-	-	-	-	-	-	-
SPDR Short-Term Treasury (SPTS)	-	-	-10.0%	SELL	-11.0%	SELL	-25.0%	SELL	-23.5%	TRIM

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	Growth		ModGrowth		ConGrowth		IncGrowth		Income	
	Weight	Action	Weight	Action	Weight	Action	Weight	Action	Weight	Action
iShares MSCI Min Vol USA (USMV)	-	-	-4.00%	SELL	-3.50%	SELL	-	-	-	-
Vanguard Value (VTV)	-	-	-4.50%	SELL	-5.00%	SELL	-	-	-	-
Vanguard High Dividend (VYM)	-	-	-	-	-	-	-9.00%	SELL	-	-

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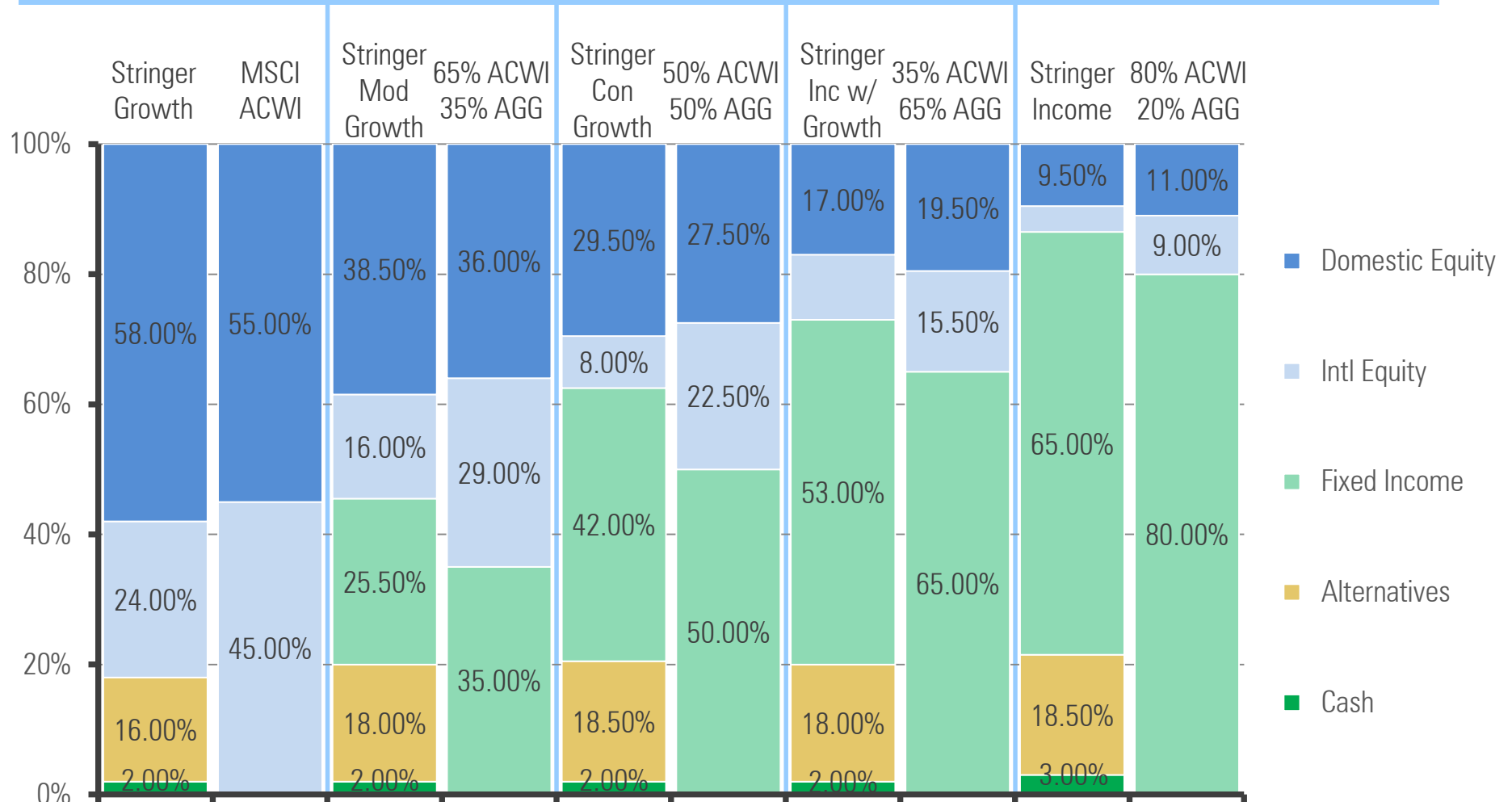
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- ✓ Broad Outlook
- ✓ The Global Economy
- ✓ Investment Implications
- ✓ Recent Activity
  - » Current Portfolio Allocations
  - » The Cash Indicator

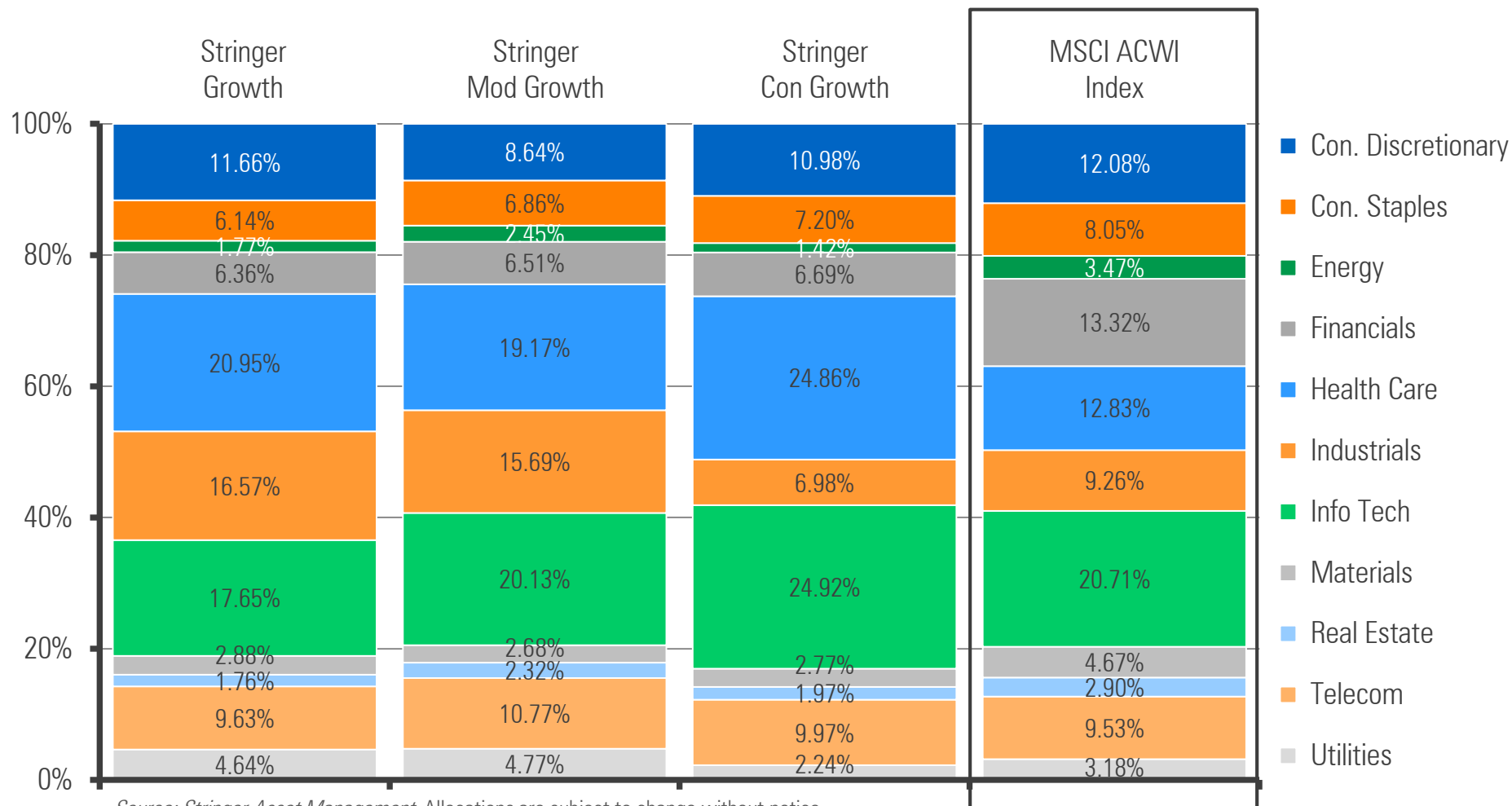


## BROAD ASSET ALLOCATION AS OF JULY 2020



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

## TRADITIONAL EQUITY SECTOR ALLOCATION AS OF JULY 2020

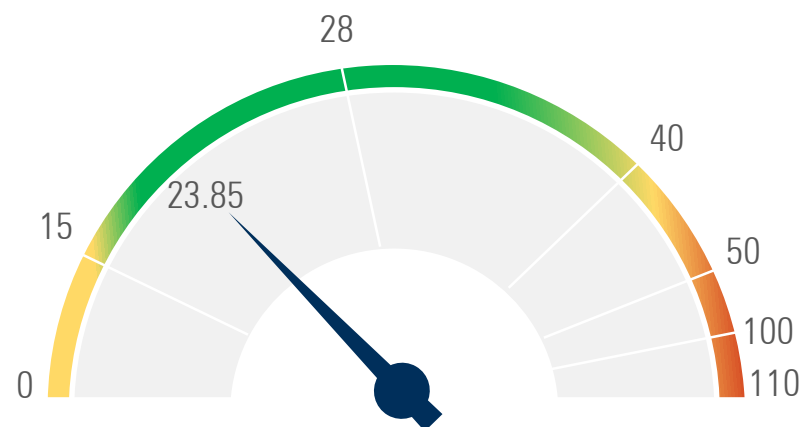
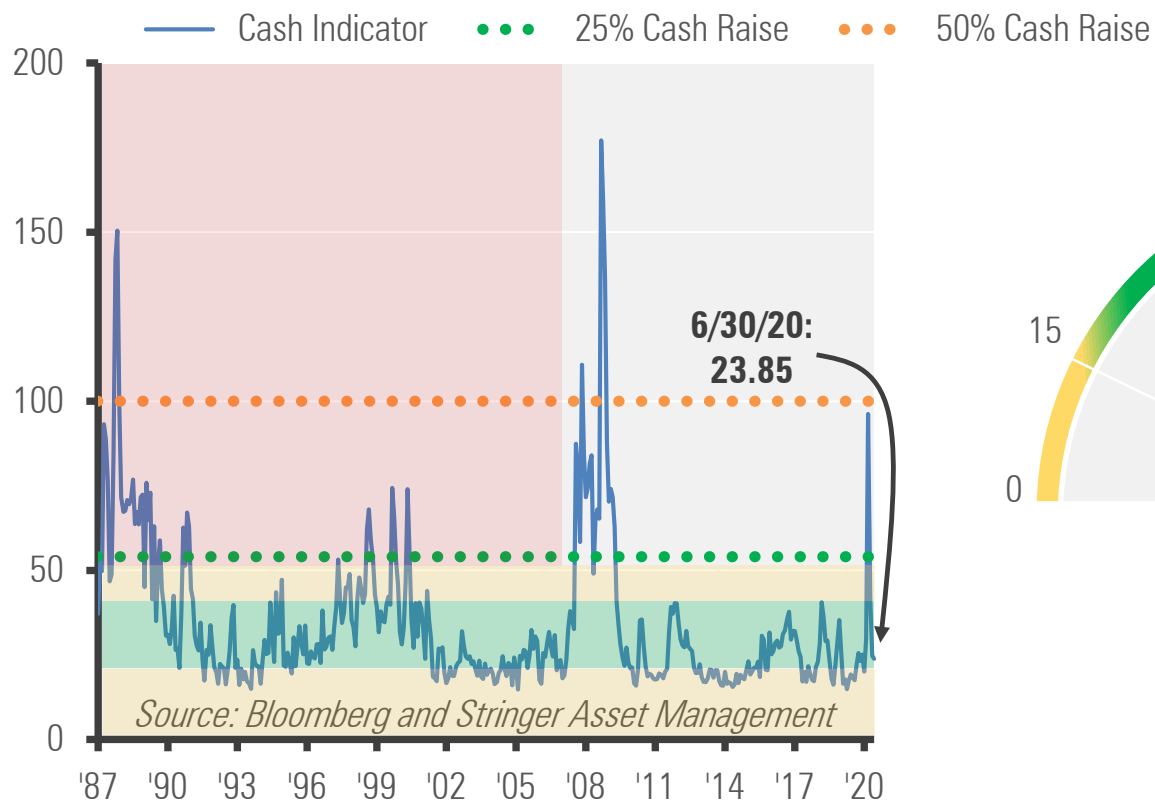


# Agenda



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

# The Cash Indicator



- » Our Cash Indicator (CI) has steadily edged lower.
- » The current level suggests that the markets are functioning better with sufficient liquidity, yet not too much complacency.
- » Keep in mind that the CI, as a statistical measure, is bound by reversion to the mean and can signal volatility based on extremely high or low levels.

Let Us Be Your 'Easy Button'



For more information:

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



Q&A

You have  
Questions  
We have  
Answers

# Disclosures

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Stringer Asset Management, LLC is a registered investment adviser that generally provides services through model portfolios on a sub-advisory business. The firm primarily allocates clients' investment management assets among exchange-traded funds ("ETFs") and secondarily among mutual funds. Stringer Asset Management claims compliance with the Global Investment Performance Standards ("GIPS®"). A fully compliant GIPS presentation along with a complete list and description of all composites is available at [www.stringeram.com](http://www.stringeram.com) or by calling 901-800-2956.

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**ETFs are offered by prospectus. Investors should carefully consider a fund's investment objectives, risks and charges before investing. The prospectus contains this and other information. Your financial advisor can provide prospectuses which you should read carefully before investing. Any discussion of the individual securities that comprise a portfolio or strategy is provided for informational purposes only and should not be deemed a recommendation to buy or sell any security. The securities identified and described may not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.**

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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