STRINGER Asset Management

The Cash Indicator

During times of uncertainty, many investors, in an attempt to reduce risk, may consider whether moving their investment assets to cash makes sense. While markets are always subject to volatility stemming from economic and geopolitical risks, it is important to keep in mind that any movement in and out of an established investment plan can have significant consequences and should always involve a well-defined process that is devoid of emotion.

Stringer Asset Management has created an innovative process that is designed to identify those rare times when it does make sense to increase cash and then redeploy that cash at potentially more attractive valuations. Our Cash Indicator (CI) overlays all our Strategies and can offer peace of mind during uncertain times. For more than a decade, we have utilized this "airbag" methodology that gives us the ability to exit markets and raise up to 50% cash in 25% increments.

As an intentionally stubborn indicator, the CI is designed to be consistent with our belief that investors should be fully invested most of time. However, there are rare market environments when even the best asset allocation and risk management tools may not provide sufficient protection. It is only during these infrequent periods that we advocate increasing cash levels to not only potentially limit the downside but to also create a cash reserve to potentially take advantage of lower valuations as markets normalize.

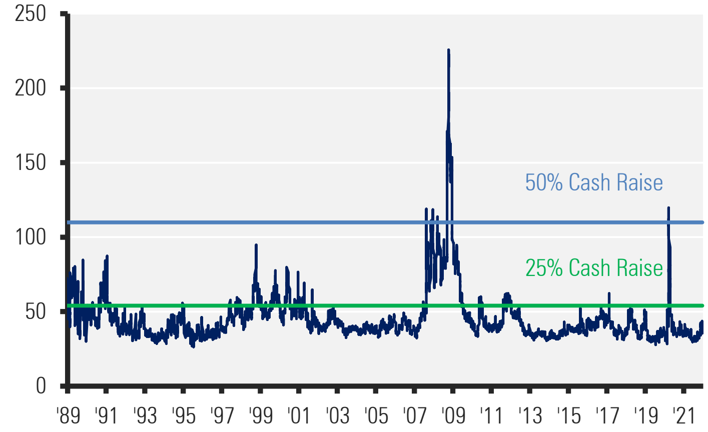
PROTECTING THE DOWNSIDE

Our Cash Indicator Index is a blend of various risk gauges across typically low-correlated equity and fixed income asset classes. Each risk gauge measures fear and volatility in its respective discipline. The combination of these gauges seeks to measure those rare periods when widespread fear and panic overwhelm the credit and equity markets simultaneously. The fear can cause their correlations to increase dramatically and markets to fall. When this situation occurs, the CI prompts us to increase cash to either 25% or 50% depending on the magnitude of the event. This process is designed to potentially protect assets during extreme market downturns and create a cash reserve for reinvestment at more attractive valuations.

REINVESTING AT MORE ATTRACTIVE VALUATIONS

The reinvestment process typically takes place in two phases. We anticipate that roughly half of the cash that was raised due to the CI event will be reinvested when our combination of near-term indicators signals that the broad equity market has established a sustainable bottom. The remaining cash is reinvested when the broad equity market crosses our collection of long-term technical and economic indicators that collectively suggest a more secure and sustainable recovery. Our two-phased reinvestment process allows us to potentially to take advantage of lower valuations as we wait for stronger confirmation of a more sustained market recovery.

THE CASH INDICATOR: JANUARY 1989 TO DECEMBER 2021



Source: Stringer Asset Management and Bloomberg. **Past performance is not indicative of future results.** The graph is for informational purposes only. Any forecasts, figures, opinions, investment techniques, and strategies explained are Stringer Asset Management LLC's as of the date of publication. They are considered to be accurate at the time of writing, but no warranty of accuracy is given and no liability with respect to error or omission is accepted. They are subject to change without reference or notification. The views contained herein are not be taken as advice or a recommendation to buy or sell any investment, and the material should not be relied upon as containing sufficient information to support an investment decision. It should be noted that the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements, and investors may not get back the full amount invested. Please read the important disclosures on the following page.

HYPOTHETICAL PERFORMANCE

Since 1987, these rare and volatile periods can be isolated to five main events: Black Monday, the 1990 recession, the late 1990s, the recession of 2008, and the early 2020 recession. Across the entire period of hypothetical performance, the CI added value through higher total return and lower volatility.

During those periods that did not experience large spikes in volatility, the data suggests that the total return differential between the Cash Indicator and the base, non-Cash Indicator models is virtually negligible. Most importantly, investor bias towards action is satisfied using the models with the Cash Indicator.

CONCLUSION

Based on numerous studies, we believe that our Cash Indicator has the potential to add significant downside protection by prompting decisions during severe outlier events with the goal of reinvestment at more attractive valuations when markets normalize. While no measurement tool is perfect, nor can it guarantee against an investment loss, the CI is an important tool for identifying and reacting when markets experience systematic breakdown as was the case during several periods in the last 30 years.

HYPOTHETICAL ALLOCATION PERFORMANCE WITHOUT AND WITH THE CASH INDICATOR: JANUARY 1987 TO DECEMBER 2021

	Annualized Return	Standard Deviation	Maximum Drawdown				
			Black Monday	1990 Recession	Late 1990s	2008 Recession	Early 2020
Growth Allocation Model	7.68%	18.49%	-23.70%	-25.53%	-20.53%	-58.39%	-33.74%
Growth with CI Model	8.16%	15.89%	-17.35%	-25.36%	-19.44%	-35.74%	-31.80%
Moderate Growth Allocation Model	7.38%	11.95%	-15.95%	-16.32%	-12.31%	-41.25%	-23.26%
Moderate Growth with CI Model	7.71%	9.74%	-10.42%	-16.13%	-11.29%	-11.59%	-21.14%
Conservative Growth Allocation Model	7.15%	9.30%	-12.55%	-12.08%	-8.81%	-32.28%	-18.47%
Conservative Growth with CI Model	7.41%	7.49%	-7.40%	-11.88%	-7.79%	-5.16%	-16.28%

Sources: Stringer Asset Management, Morningstar and Bloomberg. **The results shown above are simulated back-tested performance, not actual performance results. No actual trades took place. Past performance is not indicative of future results.** The results are based on hypothetical index allocation model blends developed by retroactively applying the Cash Indicator and are designed to simulate hypothetical returns over the period beginning January 1987 through December 2021. The allocations and indices represented do not bear transaction costs or management fees. To the extent a shareholder pays sales charges, advisory fees, brokerage commissions, and other expenses, the performance shown would be less. All indices are unmanaged and investors cannot invest directly in an index. Actual performances results may have significantly differed had the Cash Indicator been used while managing client assets during the full period. The results shown here are simulated back-tested performance, not actual performance results. No actual trades took place. The performance represented uses daily rebalancing of the index blends using total returns series that include the reinvestment of dividends and other earnings. Additionally, the results shown may not accurately reflect the impact that material economic or market factors may have had on Stringer Asset Management's investment decision-making process had Stringer Asset Management been actually managing client's assets using the strategies displayed during the time periods shown. This material is for informational purpose only and has not been verified or audited by an independent accountant. The information and opinions given are subject to change at any time, based on market and other conditions, and are not recommendations of or solicitations to buy or sell any security. The Growth Allocation uses the MSCI World Index from January 1987 through December 2000 and the MSCI ACWI Net USD Index from January 2001 through December 2021. The Moderate Growth Allocation uses a blend of 65% MSCI World Index from January 1987 through December 2000 and the MSCI ACWI Net USD Index from January 2001 through December 2021 and 35% Bloomberg Barclays U.S. Aggregate Bond Index. The Conservative Growth Allocation uses a blend of 50% MSCI World Index from January 1987 through December 2000 and the MSCI ACWI Net USD Index from January 2001 through December 2021 and 50% Bloomberg Barclays U.S. Aggregate Bond Index. The *S&P 500 Index* is a capitalization-weighted index of 500 stocks. It is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The *Bloomberg Barclays U.S. Aggregate Bond 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 with at least one year remaining to maturity. The *MSCI ACWI Net USD Index* is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. It 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. The *MSCI World Index* has been developed as a large and mid-cap equity benchmark for developed markets. It is a free float-adjusted market capitalization index that consists of 23 developed market country indexes.

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