

GLOBAL ROTATION

Global Rotation (“GR”) is an actively managed tactical strategy that targets the upside of various equity asset classes and sectors during bull markets. GR attempts to reduce downside participation in extended bear markets by rotating some or all of the assets into sectors and/or asset classes that are showing signs of relative strength during periods of market stress. GR invests in low expense ratio securities and uses a proprietary quantitative-based model designed to eliminate exposure to weak equity asset classes and sectors as determined by the model.

OBJECTIVES

Global Rotation targets the bull market upside of U.S. equities, international equities, emerging market equities, commodities, and/or various sectors. GR strives to reduce participation in asset class and/or sector bear markets by investing in other equity securities that have a buy signal. Multiple models are available that target various risk and return characteristics. The strategy remains fully invested at all times, with money market allocation exposure ranging from 2% to 10%, depending on the model.

PROCESS

Global Rotation starts with a universe that includes securities representing various equity asset classes and sectors, money market, and/or U.S. fixed income. Proprietary quantitative analysis is applied to the equity asset classes and sectors on a periodic basis to determine if exposure to each is included or excluded. Upon a sell signal of any equity asset class, GR first attempts to invest the proceeds into other equity asset classes or sectors with a buy signal. If no other asset classes or sectors in the investible universe have buy signals or if the maximum allocation targets have been reached, then the remaining proceeds are moved to a broad-based U.S. equity security. Proceeds are reinvested back into each respective asset class or sector in a pre-determined order as buy signals re-emerge. A combination of money market and/or U.S. fixed income securities are used in the money market/fixed income portion of the portfolio.

RISK MANAGEMENT

Global Rotation implements risk management procedures in an attempt to reduce downside participation in extended bear markets for weak equity asset classes and/or sectors as defined by the proprietary quantitative-based model. The ability to exclude weak asset classes and/or sectors and the ability to invest in areas of relative strength are key elements of the GR risk management process.

RISK OF LOSS

As with any strategy, there is no guarantee that this strategy will be profitable or meet its objectives. Investors may own securities that lose a substantial portion of value or possibly drop to \$0 in value, resulting in substantial or complete losses for the portfolio. Quantitative-based models can generate negative alpha in certain market conditions or lose money. Markets that lack extended trends and volatile markets with quick price reversals can be problematic for this quantitative model by generating false buy and false sell signals. GR may sell an asset class and/or sector at or near a relative price low then buy back later at a higher price. Similarly, GR may buy an asset class and/or sector at or near a relative price high then sell at a lower price. Additional risks include investing in the “wrong” asset classes and/or sectors at certain times or not investing in the “right” asset classes and/or sectors at certain times.

MODELS

Three models targeting various percentages of equities and fixed income are available. Aggressive models target 98% equity exposure; Growth models target 80% equity exposure; Balanced models target 60% equity exposure.