

U.S. TACTICAL

U.S. Tactical (“UST”) is an actively managed tactical strategy that targets a percentage of S&P 500 upside during bull markets and attempts to reduce downside participation in extended bear markets. UST invests in low expense ratio securities and uses a proprietary quantitative-based model designed to reduce exposure to weak sectors as determined by the model.

OBJECTIVES

U.S. Tactical targets a specific percentage of S&P 500 bull market upside and attempts to reduce participation in extended bear markets. Multiple models are available that target various risk and return characteristics. In weak markets, equity allocations may be reduced to 12% to 20%, depending on the model. Maximum money market allocation exposure ranges from 58% to 80%, depending on the model.

PROCESS

U.S. Tactical starts with a universe that includes securities representing sectors of the S&P 500, the S&P 500 index, money market, and/or U.S. fixed income. Proprietary quantitative analysis is applied to sectors of the S&P 500 on a periodic basis to determine if direct exposure to each sector is included or excluded. UST includes strong sectors (as determined by the proprietary quantitative-based model) and S&P 500 index exposure among allocations. UST reduces exposure to weak sectors that trigger a sell within the proprietary quantitative-based model by excluding direct sector exposure. Included sectors within the portfolio are equally weighted upon initial allocation. 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

U.S. Tactical implements risk management procedures in an attempt to reduce downside participation in extended bear markets and weak sectors as defined by the proprietary quantitative-based model. The ability to raise cash in weak markets (via money market) and the ability to exclude weak sectors are key elements of the UST 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. UST may sell a sector or raise cash at or near a relative price low then buy back later at a higher price. Similarly, UST may buy a sector or reduce cash exposure at or near a relative price high then sell at a lower price. Additional risks include investing in the “wrong” sectors at certain times, not investing in the “right” sectors at certain times, and underperformance of equally-weighted sectors at certain times relative to index weightings.

MODELS

Three models targeting various percentages of S&P 500 bull market exposure are available. Aggressive models target 98% equity exposure; Growth models target 80% equity exposure; Balanced models target 60% equity exposure.