

DIVERSIFIED TACTICAL

Diversified Tactical (“DT”) is an actively managed tactical strategy that targets the upside of various asset classes during bull markets and attempts to reduce downside participation in extended bear markets. DT invests in low expense ratio securities and uses a proprietary quantitative-based model designed to eliminate exposure to weak asset classes as determined by the model.

OBJECTIVES

Diversified Tactical targets the bull market upside of U.S. equities, international equities, emerging market equities, real estate, commodities, fixed income, and/or money market. DT attempts to reduce participation in asset class extended bear markets by raising cash (via money market). Multiple models are available that target various risk and return characteristics. During weak markets for each asset class (as determined by the proprietary quantitative-based model), the respective percentage allocation is invested in money market. Thus, a 100% allocation to money market is possible if all asset classes are weak simultaneously.

PROCESS

Diversified Tactical starts with a universe that includes securities representing U.S. equities, international equities, emerging market equities, real estate, commodities, fixed income, and/or money market. Proprietary quantitative analysis is applied to each asset class on a periodic basis to determine if exposure to each asset class is included or excluded. DT includes strong asset classes (as determined by the proprietary quantitative-based model) among allocations. DT eliminates exposure to weak asset classes that trigger a sell within the proprietary quantitative-based model. Included asset classes within the portfolio have predetermined weightings 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

Diversified Tactical implements risk management procedures in an attempt to reduce downside participation in asset class extended bear markets, 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 asset classes are key elements of the DT 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. DT may sell an asset class or raise cash at or near a relative price low then buy back later at a higher price. Similarly, DT may buy an asset class or reduce cash exposure at or near a relative price high then sell at a lower price. Additional risks include investing in the “wrong” asset classes at certain times or not investing in the “right” asset classes at certain times.

MODELS

Three models targeting various percentages of equity asset class bull market exposure are available. Aggressive models target 98% equity exposure; Growth models target 80% equity exposure; Balanced models target 60% equity exposure.