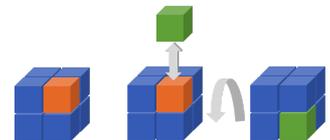


The Case for Tactical Equity

November 2019

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Newfound Case #9203614



PRO-ACTIVE RISK MANAGEMENT

About Newfound Research

We are dedicated to helping investors pro-actively navigate the risks of investing through industry-leading research and investment acumen.

We offer high conviction, systematically-managed tactical allocation strategies.

- Founded in August 2008
- Privately held and owned by Principals

Leadership Team



Tom Rosedale
Chief Executive Officer
Chief Compliance Officer

- Prior to Newfound, Tom formed a Boston-based corporate law firm focused on SEC compliance for public and private offerings, venture capital financing, M&A transactions, and general corporate law matters.
- BS Finance, Bryant University
- JD, Boston University School of Law



Corey Hoffstein
Chief Investment Officer

- Frequent speaker on industry panels. Contributor to ETF.com, ETF Trends, and Forbes Great Speculations blog.
- Named ETF All Star in 2014 by ETF Report.
- MS Computational Finance, Carnegie Mellon University
- BS Computer Science, Cornell University



Nathan Faber
Portfolio Manager

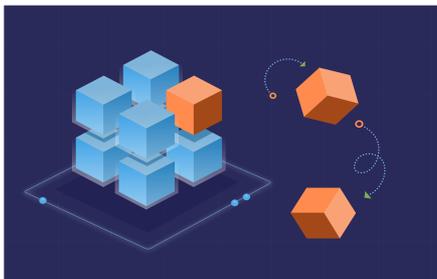
- Prior to joining Newfound, responsible for process simulation and project economic analysis for a global engineering firm in the oil, natural gas, and biofuels industry.
- MS Computational Finance, Carnegie Mellon University
- BS Chemical Engineering, Case Western Reserve University

About Us



A Research-Driven Investment Process

We adhere to a philosophy of quantitative integrity, whereby an idea must not only be supported by empirical data but must also be grounded in sound theory. We seek to de-mystify the investment process through the consistent publication of transparent and original research reports.



Systematic Pursuit of Risk and Style Premia

We believe process consistency is paramount for long-term investment success and is best achieved through systematic approaches which help mitigate the behavioral biases that often lead to poor investment decisions.



Balancing Simplicity and Complexity with Thoughtful Design

Our portfolios are built around a holistic view of diversification which considers not only what a strategy invests in, but also how and when those decisions are made.

Awards & Recognition



2016

ETF.com ETF Strategist of the Year



2017

ETF.com ETF Strategist of the Year Finalist

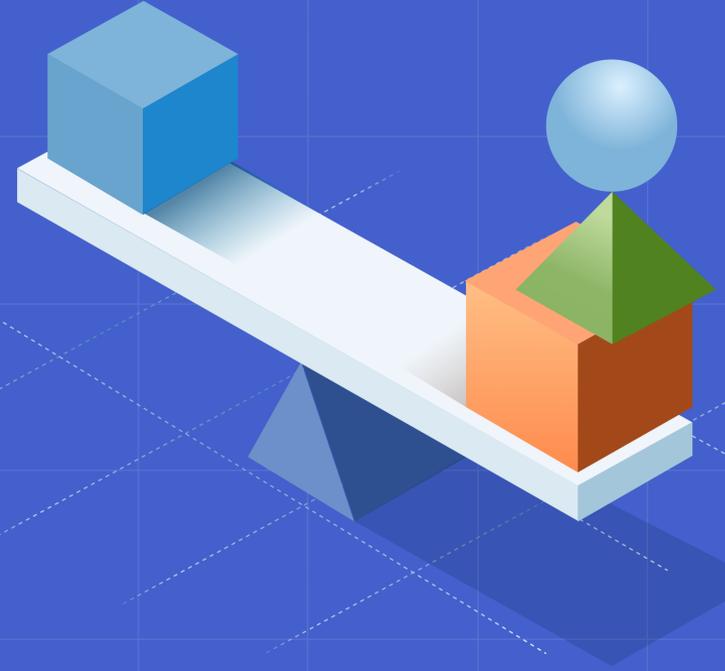


2018

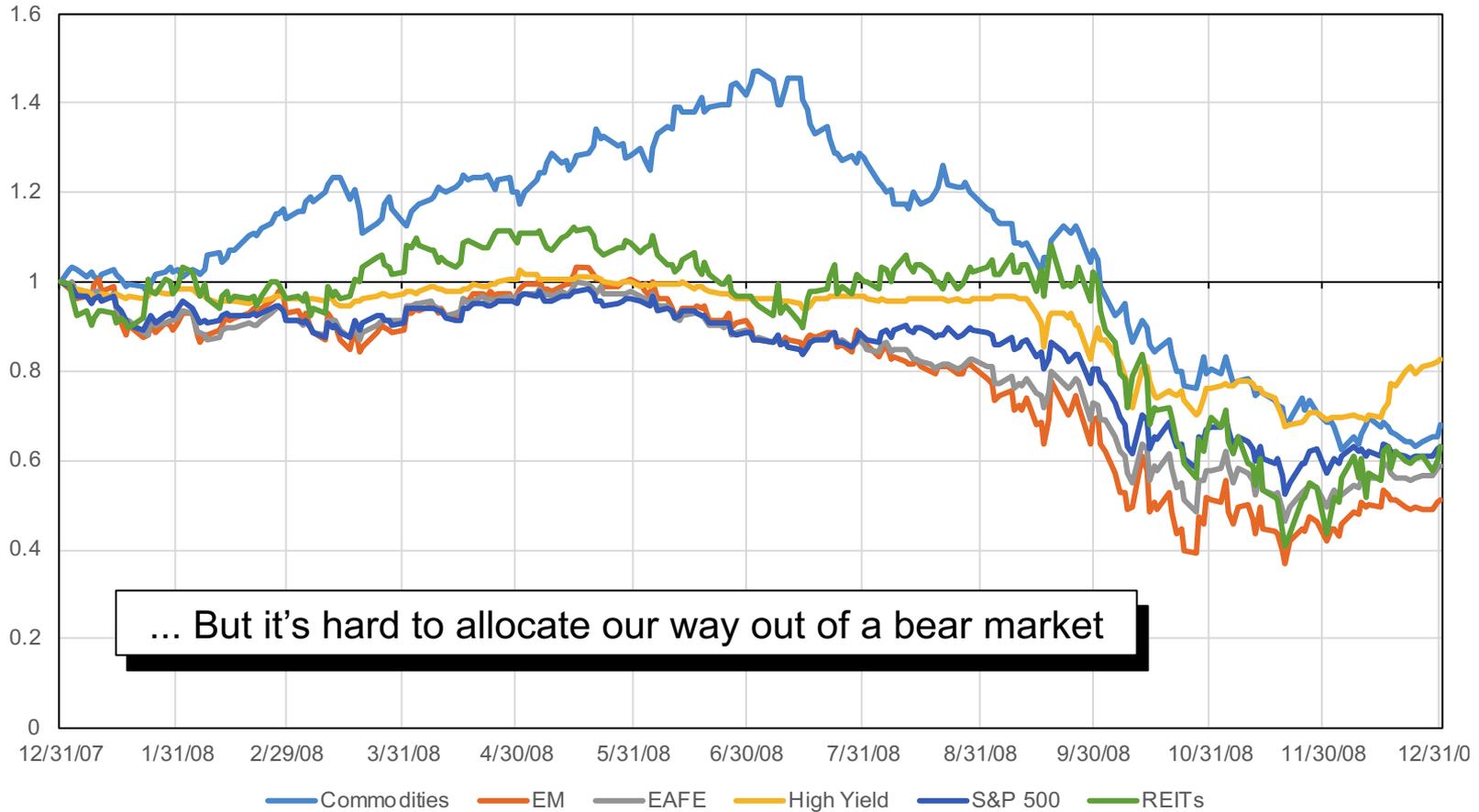
ETF.com ETF Investor of the Year

ETF.com is a third-party organization which specializes in providing resources on Exchange Traded Funds. ETF.com Award winners are selected in a three-part process. The process begins with open nominations where interested parties were invited to submit nominations. Self-nominations were accepted. Then the ETF.com Awards Nominating Committee – made up of senior leaders at ETF.com, Inside ETFs, and senior members of the FactSet ETF Analytics team – selected up to five finalists in each category. The winners are selected from these finalists by a majority vote of the ETF.com Awards Selection Committee, which is a group of independent ETF experts. ETF.com is not affiliated with Newfound Research. There were no payments made in connection with the award. After winners were selected, Newfound Research purchased seats to attend the awards ceremony dinner. Newfound Research has not purchased any plaques, article reprints, or other similar indicia of the award. Ratings and awards may not be representative of any one client's experience and are not indicative of Newfound Research's future performance.

RE-THINKING DIVERSIFICATION



Diversification is the Foundation of Risk Management



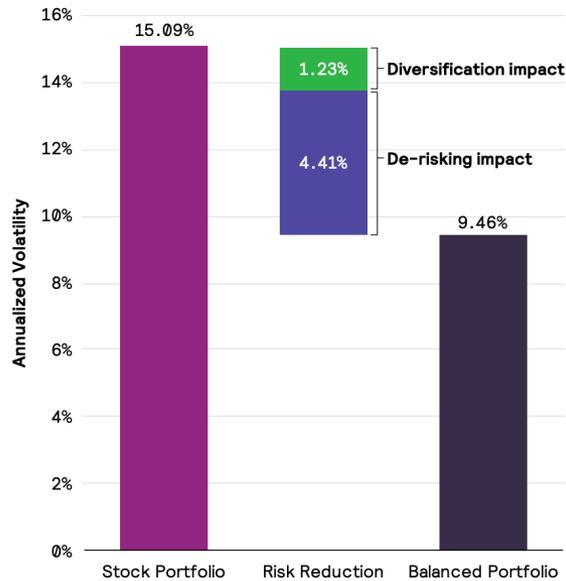
Source: CSI Data and Newfound Research. Commodities=DBC; EM=EEM; EAFE=EFA; High Yield=HYG; S&P 500=SPY; REITs=VNQ.

Bonds De-Risk, Not Diversify

FIGURE 1

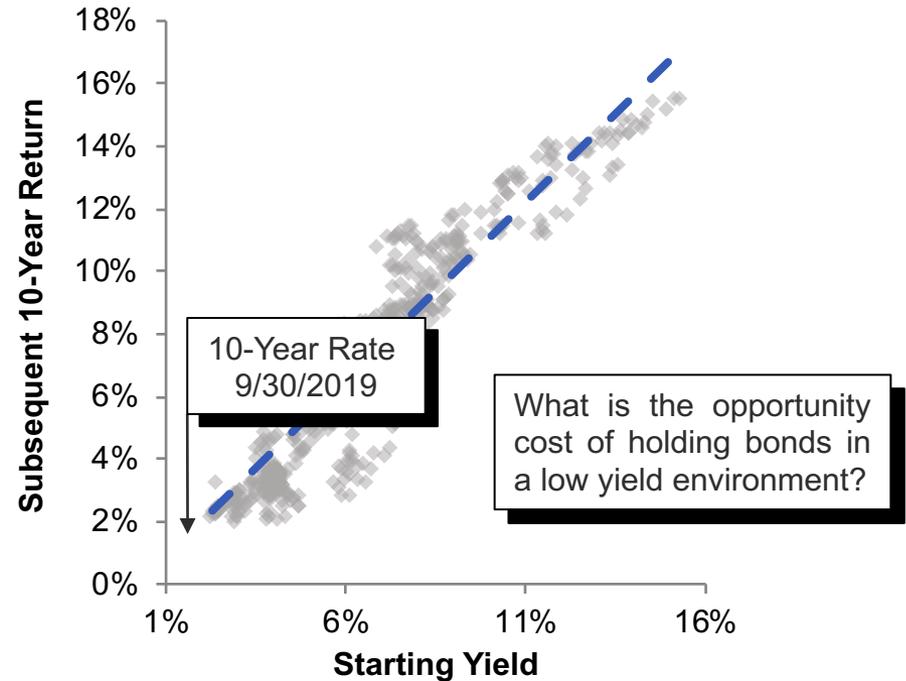
Sources of Risk Reduction in a Traditional Balanced Portfolio

July 1, 1984 – February 29, 2016



Sources: Pertrac, Salient Capital Advisors, LLC
For illustrative purposes only.

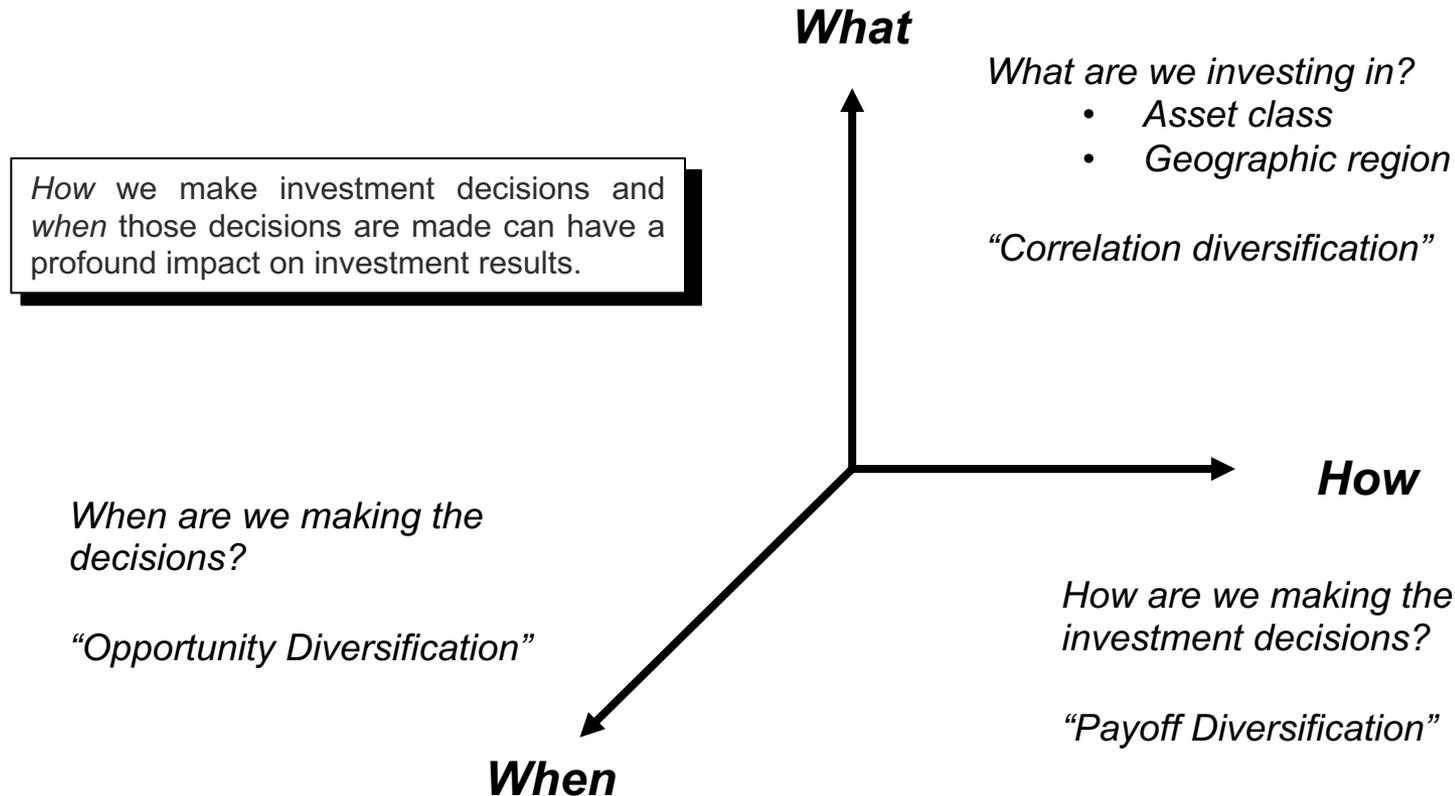
Starting Yields Forecast Forward Nominal Returns



Source: Federal Reserve Bank of St. Louis. Analysis provided by Newfound Research. 1963 is the first year for the information presented because 1953 is the first date with monthly 10-year constant maturity interest rate data. Data is through 12/31/18.

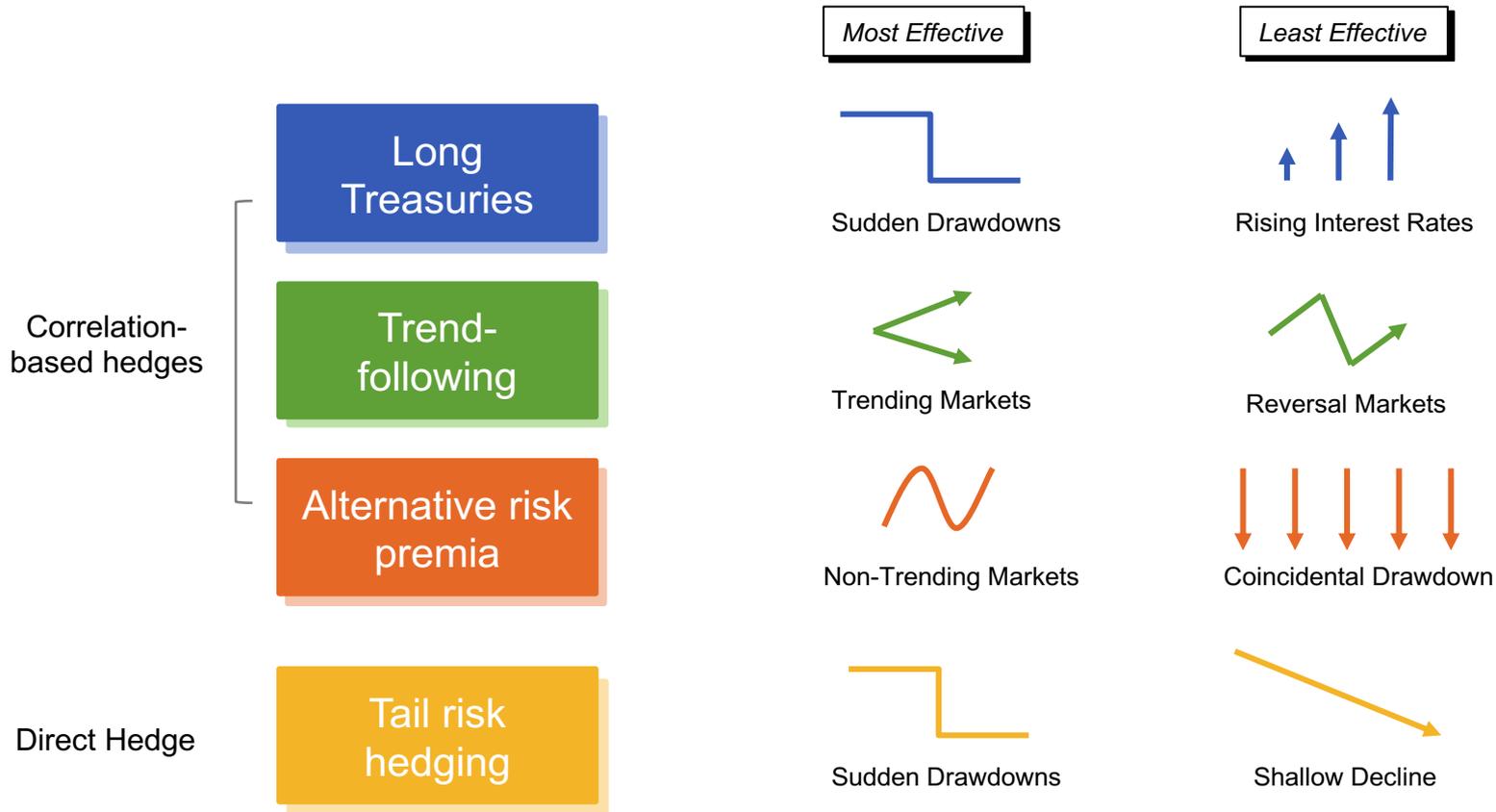
Past performance does not guarantee future results. The 10-Year U.S. Treasuries index is a constant maturity index calculated by assuming a 10-year bond is purchased at the beginning of every month and sold at the end of that month to purchase a new bond at par at the beginning of the next month. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. The referenced index is shown for general market comparisons and is not meant to represent any Newfound index or strategy. Hypothetical performance results have many inherent limitations, some of which, but not all, are described in the disclosures at the end of this presentation. No representation is being made that any fund or account will or is likely to achieve profits or losses similar to those shown on this page.

Diversification Goes Beyond Just *What* We Invest In

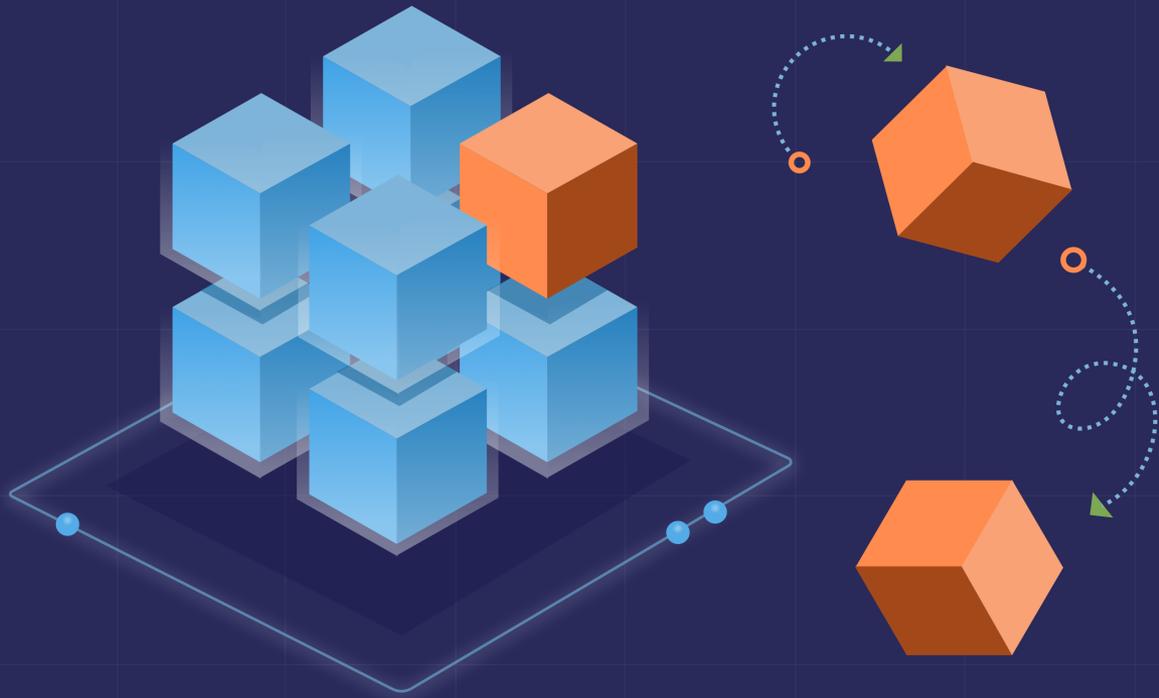


“Risk Cannot Be Destroyed, Only Transformed”

In addition to diversifying across assets, investors should also diversify across *how* they manage risk.



Source: PIMCO



TACTICAL EQUITY STRATEGIES

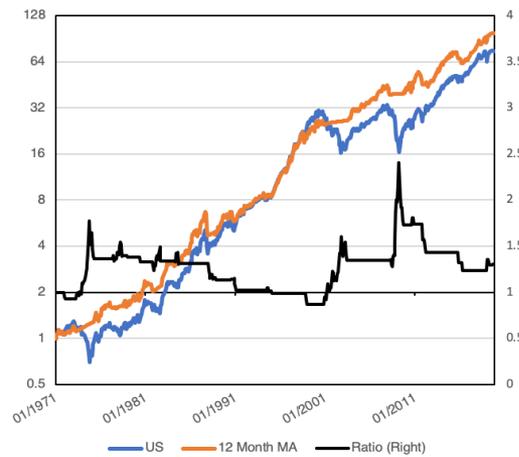
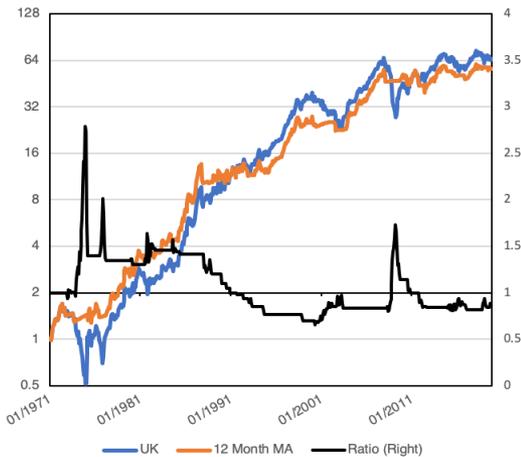
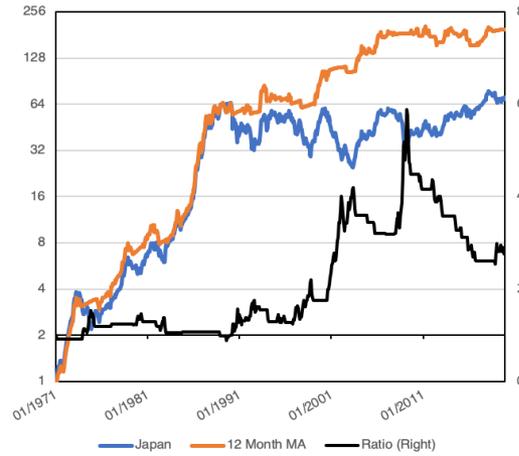
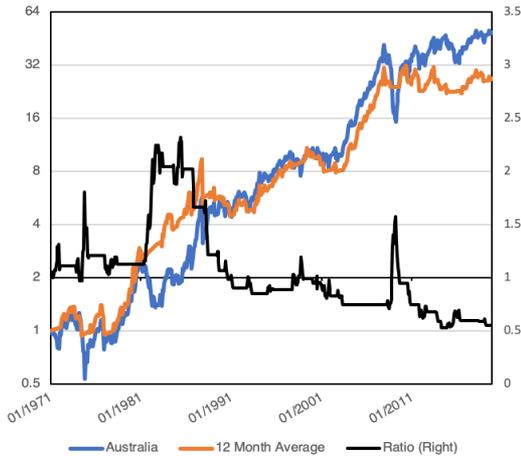
What is Trend Equity?

200-Day SMA Cross-Over



Source: Kenneth French Data Library. Calculations by Newfound Research. Trend following strategy is a 200-day simple moving average cross-over approach where the strategy holds a broad U.S. equity index when price is above its 200-day simple moving average and invests in the risk-free asset when price falls below. Not an actual strategy managed by Newfound. Returns are gross of all fees, including transaction fees, taxes, and any management fees. Returns assume the reinvestment of all distributions. Past performance is not a guarantee of future results.

Empirical Global Evidence

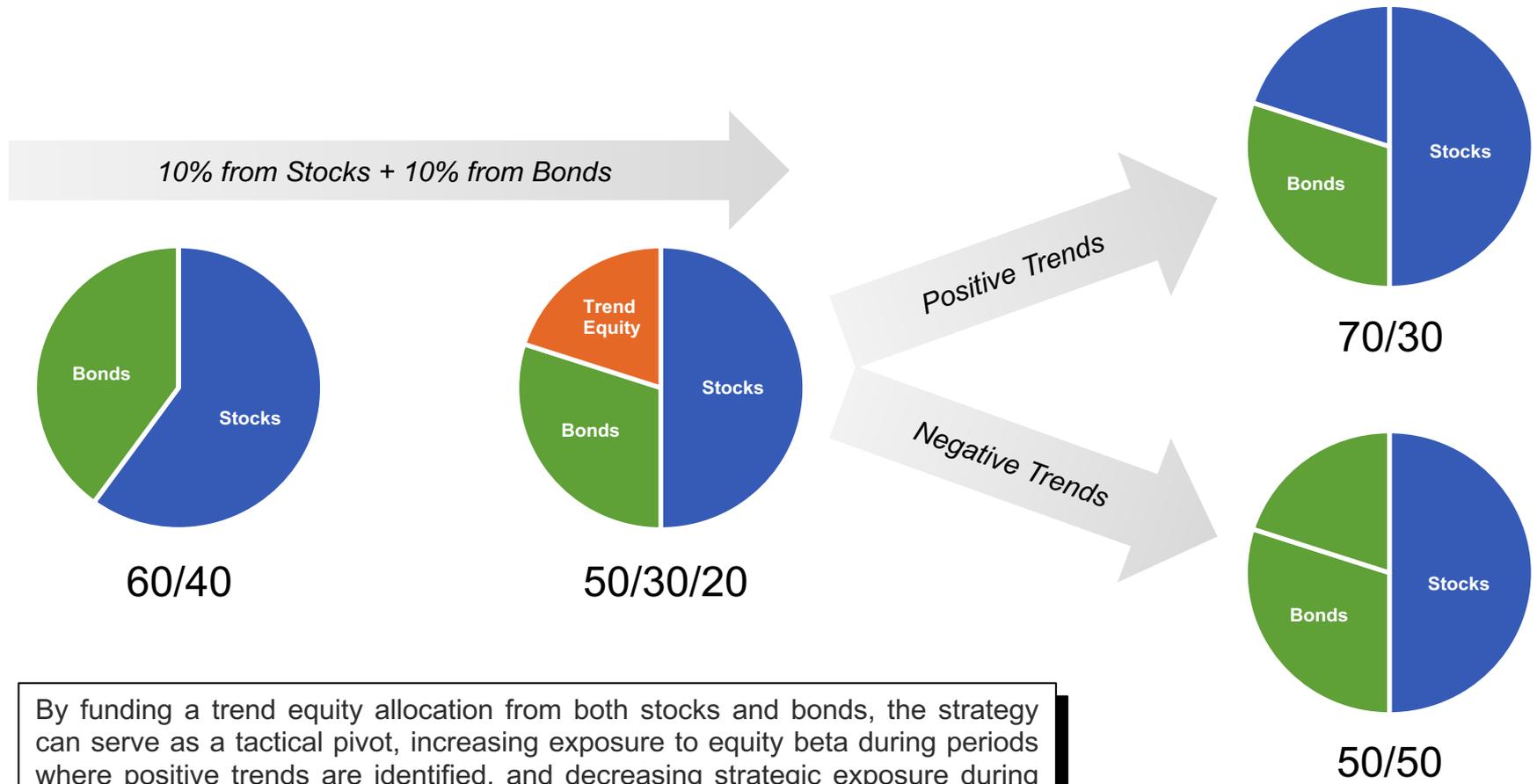


The **–black lines–** plot the ratio of the trend equity strategy versus a buy-and-hold approach.

We can see that trend equity tends to do well during significant drawdowns in the underlying country index, but sacrifices some returns during strong bull markets, similar to other risk management techniques.

Source: MSCI, Global Financial Data. Calculations by Newfound Research. Past performance is not an indicator of future results. Performance is backtested and hypothetical. Performance figures are gross of all fees, including, but not limited to, manager fees, transaction costs, and taxes. Performance assumes the reinvestment of all distributions.

Using Trend Equity to Complement a Core Allocation



By funding a trend equity allocation from both stocks and bonds, the strategy can serve as a tactical pivot, increasing exposure to equity beta during periods where positive trends are identified, and decreasing strategic exposure during periods where negative trends are identified.

Mandate Availability

Separately Managed Accounts

- Available on most major TAMP and UMA platforms
- Model delivery is available to qualifying institutions

Mutual Funds

- Select Newfound strategies are made available in open-end fund format
- See www.thinknewfoundfunds.com

ETFs

- Select Newfound strategies are made available in exchange-traded fund format

Custom Index Solutions

- We offer custom tailored investment solutions that are built with and powered by our research and insights



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Investors should understand that while the performance results may show a general rising trend at times, there is no assurance that any such trends will continue. If such trends are broken, then investors may experience real losses. No representation is being made that any account will achieve performance results similar to those shown in this presentation. In fact, there may be substantial differences between backtested performance results and the actual results subsequently achieved by any particular investment program. As a result, the strategy theoretically may be changed from time to time to obtain more favorable performance results. There are other factors related to the markets in general or to the implementation of any specific investment program which have not been fully accounted for in the preparation of the hypothetical/backtested performance results, all of which may adversely affect actual portfolio management results. The information included in this presentation reflects the different assumptions, views and analytical methods of Newfound as of the date of this presentation.

Accounts and funds managed by an adviser using the Newfound model portfolios are subject to additions and redemptions of assets under management, which may positively or negatively affect performance depending generally upon the timing of such events in relation to the market's direction. The Hypothetical Information and model performance assume full investment, whereas actual accounts and funds managed by an adviser would most likely have a positive cash position. Had the Hypothetical Information or model performance included the cash position, the information would have been different and generally may have been lower. While there have been periodic updates and improvements to the Newfound model, there have not been any material changes in the objectives or strategies of the model that have occurred that may affect results. While Newfound believes the outside data sources cited to be credible, it has not independently verified the correctness of any of their inputs or calculations and, therefore, does not warranty the accuracy of any third-party sources or information.