

## OUR INVESTMENT PHILOSOPHY

**We believe that investors should focus on both preservation of wealth and growth of that wealth over time.** We believe the best investment philosophy to achieve those dual objectives is relative strength investing. By investing in the best performing asset classes and avoiding the worst performing asset classes, investors will participate in positive market environments while turning defensive in negative market environments. By buying the best performing markets and asset classes, relative strength investing will move your portfolio into emerging areas of growth while keeping your portfolio out of areas of weakness. In investing, it is not only what you own but also what you do not own that determines your investment success. In turbulent and volatile markets, this ability to adapt is an important risk control feature that protects your portfolio in declining markets. We believe that relative strength investing is superior to buy and hold investing or, as we call it, buy and hope investing.

**The underlying philosophy for our relative strength investment strategy is that prices of global assets exhibit trends.** This anomaly has been researched and proven in numerous studies, both in the academic community and the asset management community. The momentum anomaly has persisted for hundreds of years and has its roots in a number of human biases such as confirmation bias, anchoring, overconfidence, loss aversion and conservatism.

**We primarily use Exchange Traded Funds or ETFs to implement our relative strength investment strategy.** We use ETFs, in part, because they are transparent, low cost, liquid, easy to implement and tax efficient. We also use ETFs because of the wide variety of asset classes, markets, countries, and sectors that can be accessed using ETFs. With the extremely rapid growth of ETFs in the last five years, many asset classes that were previously difficult and costly for all but the most sophisticated investors have become available. This allows investors to adopt asset allocation strategies that previously were not available at a reasonable cost.

**We believe in diversification.** Our portfolios are customized based on client risk preferences, and include investment strategies that focus on the preservation of wealth and others that focus on growth. We combine investment strategies to achieve an additional level of diversification for each client portfolio and to help manage the level of risk in each portfolio. By forcing a level of diversification on our portfolios, we control the level of risk for each individual investor's comfort level.

**Our investment portfolios seek to be invested in the best performing asset classes and markets around the world.** This global strategy is implemented through a disciplined research process combined with a proprietary risk management system. As part of this investment process, the portfolio management team has carefully reviewed the universe of investible ETFs and chosen those that best represent asset classes, regions, countries, markets and sectors, globally. Those ETFs are then ranked with similar ETFs and the best performing ETFs selected for investment. The portfolio management team also selects additional ETFs for investment based on improving fundamentals and trends. This strategy

benefits from a systematic and objective approach while retaining the benefits of analysis by experienced investment professionals.

**Relative strength investing is similar to selecting athletes for an Olympic team.** The athletes you would want to choose would be those that are the fastest, strongest, most talented right now. You would probably not choose athletes that had played well in the past but were not playing well right now – this would be a more fundamental or value-oriented approach. You also would probably not just stick with the same athletes on the team from four years ago – this would be akin to a buy and hold approach. We know that if we were picking the Olympic team, we would choose those athletes in each sport that were performing the best, right now.