55ip Risk Management Capabilities

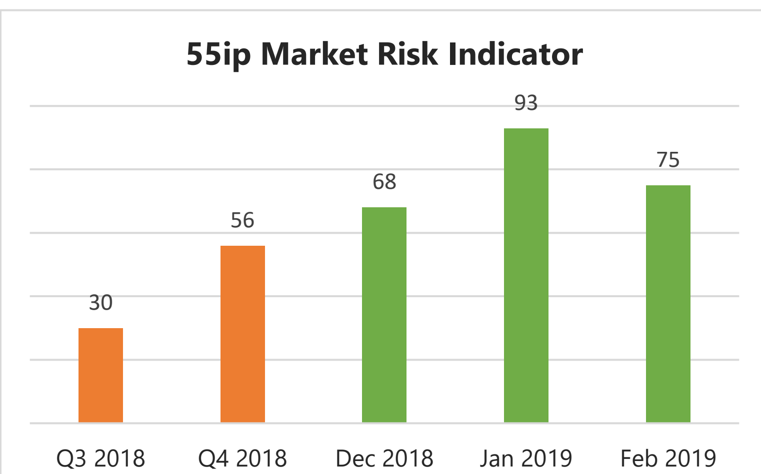
55ip provides portfolio construction and rebalancing algorithms aimed at protecting investors from extreme losses through increased diversification and monitoring the effectiveness of diversification in protecting capital in various market conditions.

55ip believes asset class diversification is helpful, but its effectiveness is limited in certain market conditions when there is a high degree of correlation. We help advisors leverage investment science to address these limitations by dynamically shifting asset allocation from higher volatility assets such as equities to lower volatility assets such as short duration fixed income.

55ip Risk Indicators

Market Risk Indicator (MRI)
55ip MRI guides allocation among global equities and a shelter basket (cash equivalents and other stable asset classes) to protect investors from extreme losses due to correlated and down markets. Based on the 55ip MRI score, exposure is dynamically adjusted to minimize the drag due to such allocation while aiming to provide protection when most needed. This becomes significantly important for investors who are averse to losses because of income or other needs.

The MRI score can range from 0 (lowest possible downside risk assessment) to 100 (highest possible downside risk assessment). (See White Paper). The MRI score is based on several indicators for **Valuations** (e.g. price to book ratio), **Macroeconomic Conditions** (e.g. manufacturing sentiment index), **Financing Indicators** (e.g. Trend indicators) and **Return Stability** (e.g. multi-asset VIX).



55ip Market Risk Indicator (MRI) score went from 93 in January 2019 to 75 in February 2019.

A 37.5% allocation in shelter basket relative to the maximum equity allocation was made in a standard 55ip-powered portfolio. For example, with the MRI score at 75, a portfolio with 100% maximum equity will have a 37.5% shelter basket allocation and 62.5% equity allocation.

- **VALUATION METRICS:** Within our valuation metrics, our analysis continues to indicate rich valuations, as US equities rebounded in January post the sell-off in December 2018 – implying high valuations relative to earnings uncertainty.

- **MACROECONOMIC METRICS:** There was no change in the macro indicators for consumer confidence and business confidence which show no cause for immediate concern.
- **FINANCING METRICS:** Financing risks that measure uncertainty declined - improvement in the short-term and long-term market momentum in developed and emerging market geographies contributed to the decrease in the MRI score for February.
- **RETURNS STABILITY METRICS:** Within our return stability indicators, the returns distribution remained unfavorable and ambiguity in forecasting performance increased.

Taken together, there is improvement in our risk metrics compared to the previous month as a result of recovery in equity and decreasing yields in bond markets. However, MRI remains in the higher range indicating higher volatility expectations. While trade-war and monetary policy concerns receded, earnings uncertainty and geopolitical concerns (such as a no-deal Brexit and oil price concerns due to the political situation in Venezuela) remain on the horizon that inform investors to retain a defensive stance in the current market environment as indicated by MRI.

Diversification Risk Indicator (DRI)

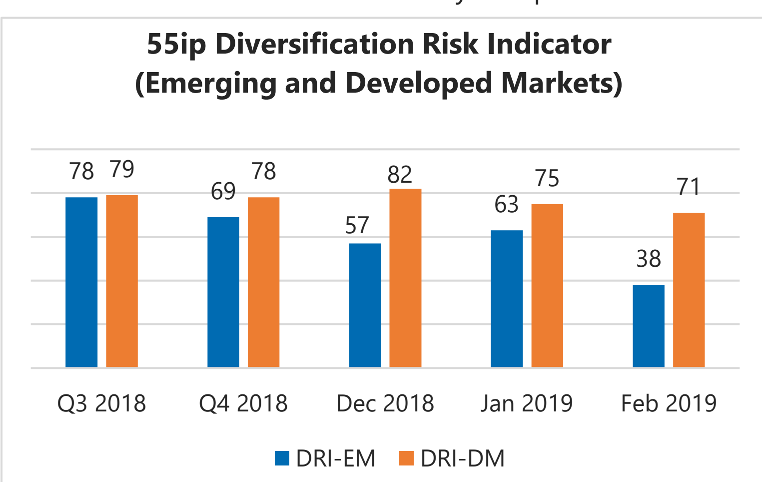
55ip DRI guides allocation among US and non-US equities to protect from times when international exposure could lead to increased risk instead of diversification and risk reduction. This score is comprised of two regional components. DRI for Emerging Markets (DRI-EM) guides allocation between emerging market equities and US domestic markets. DRI for Developed Markets (ex-US) (DRI-DM) guides allocation between developed market equities and US domestic markets.

DRI score can range from 0 (lowest possible downside risk assessment) to 100 (highest possible downside risk assessment).

The regional risk scores, DRI for Emerging Markets (DRI-EM) went from 63 to 38 and that for Developed Markets (DRI-DM) went from 75 to 71.

The DRI-EM measure will decrease the EM equity allocation by 17.2% relative to the maximum possible EM equity allocation. The DRI-DM measure will decrease the DM equity allocation by 35.7% in a standard 55ip-powered portfolio.

The decrease in DRI-EM for February compared to its value in January was due to the improvement in the short-term and long-term momentum measures of the emerging equity markets performance. Meanwhile, the reading for DRI for Developed markets remained stable – the improvement in the short-term momentum for developed equity markets was counter-balanced by the increase in short-term risk relative to US equity markets.



Please contact us with any questions at 617.960.9559.

Disclaimer

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The information contained herein is subject to change without notice, is not complete and does not contain certain material information about the investment strategy, including additional important disclosures and risk factors associated with such investment and information about fees, trading costs and taxes. Neither the U.S. Securities and Exchange Commission nor any state securities administrator has approved or disapproved, passed on, or endorsed, the merits of this document.