55IP AUGUST 2019 RISK REPORT

Market Overview

U.S. Markets finished broadly positive in July, supported by better than expected GDP and an impending Fed rate cut at month-end. In addition, Consumer Confidence rebounded in July to its highest level this year. It was a different outcome for international markets, however, as both developed and emerging markets finished the month in negative territory. Trade tensions, weaker demand abroad, as well as a slowdown in the manufacturing sector in Europe have impacted markets. Brexit concerns due to incoming Prime Minister, Boris Johnson's promise to leave the EU by October 31st increased volatility in currency markets.

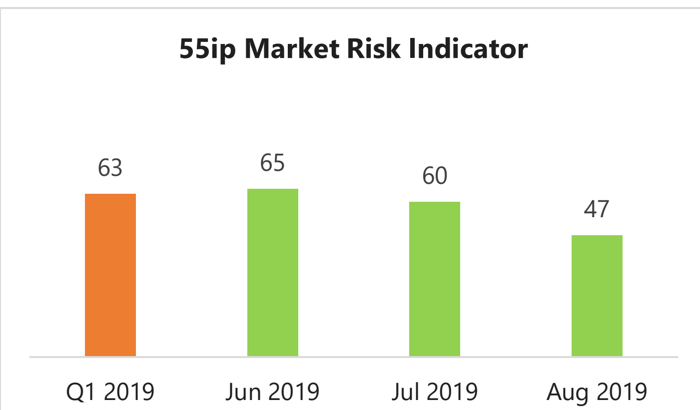
The S&P 500 finished up 1.31% for the month, MSCI EAFE Index returned -1.31%, and the MSCI Emerging Markets Equity Index returned -1.69% for July.

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 is important for investors who are averse to large 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 decreased from 60 to 47 in August 2019.

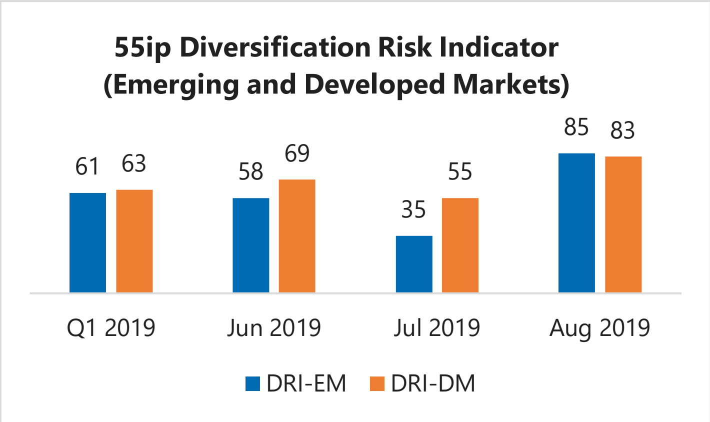
Based on this score, the shelter basket allocation decreased to 23.5% in the Equities sleeve of the standard application of MRI. Below are details on each of the metrics contributing to the MRI.

- **VALUATION:** Continued instability in equity valuations contributed to the MRI score in August.
- **MACROECONOMIC:** Macroeconomic risk indicators improved from July and did not contribute to the overall MRI score. According to the Conference Board, consumers are more optimistic about current and prospective business and labor conditions. Their expectations regarding their financial outlook also improved.
- **FINANCING:** Financing risks remain low. Lower interest rates and positive equity markets provided continued confidence in access to capital markets
- **RETURNS STABILITY** The majority of the risk measured by August MRI score stems from the Returns Stability indicators. Correlations among assets continue to be higher than average. Investors are still demanding protection against a significant equity market downturn.

Diversification Risk Indicator (DRI)

55ip DRI guides allocation among US and non-US equities to protect from episodes when international exposure could lead to increased risk instead of its intended 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 equities markets. DRI for Developed Markets (ex-US) (DRI-DM) guides allocation between developed market equities and US equities 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) increased to 85 from 35 and for Developed Markets (DRI-DM) increased to 83 from 55.

Both the DRI-EM and DRI-DM score measured increased risk in August. From an asset allocation perspective, DRI-EM signals a 42.5% reduction from the maximum EM equity allocation. In addition, the DRI-DM will indicate a reduction in the DM equity allocation of 41.5% in a standard 55ip-powered portfolio.

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 sophisticated quantitative capabilities 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.

Please contact us with any questions at 617.960.9559.