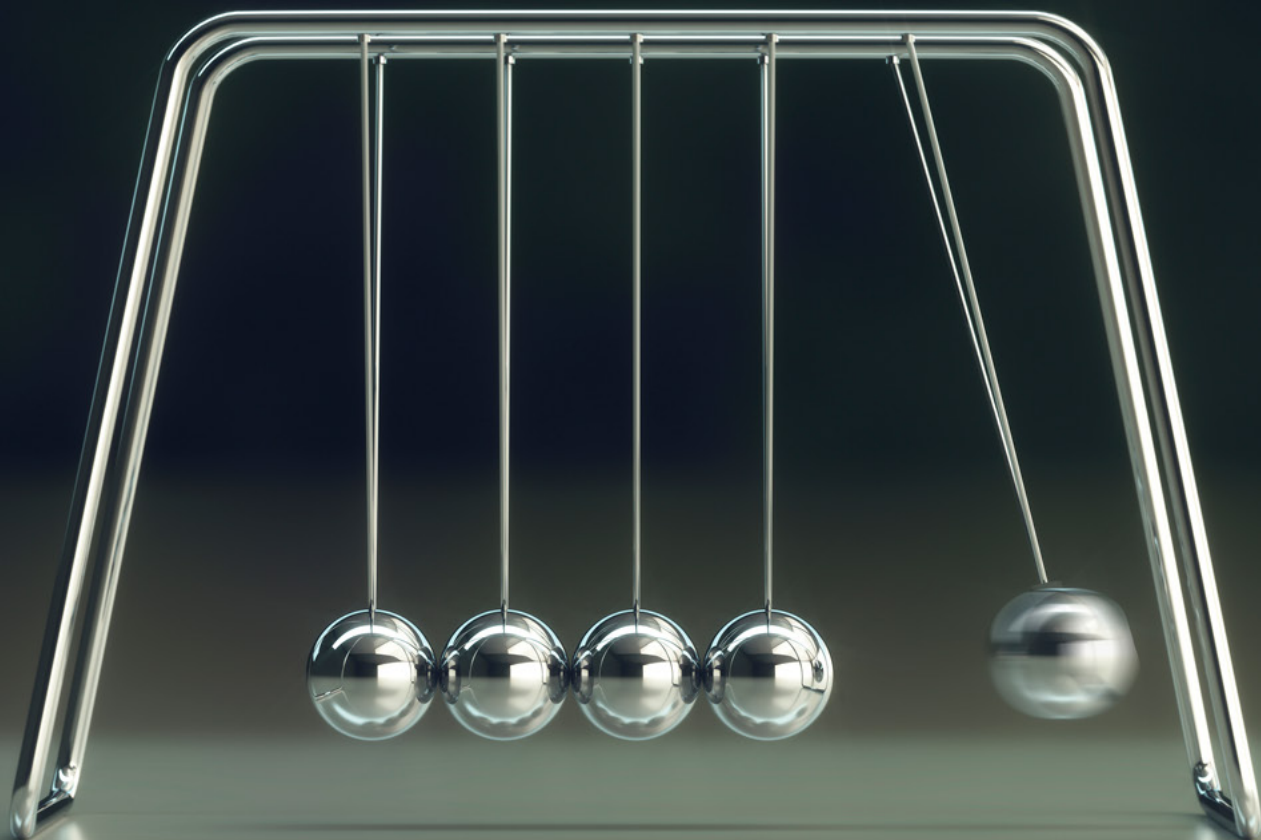


PORTFOLIO OVERVIEW



Dual Momentum Sector & Style Rotation Strategies



Dual Momentum Sector & Style Rotation strategies are structured in 3 versions to meet a variety of risk tolerances and investment goals.



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# VIRTUE CAPITAL MANAGEMENT

## *Dual Momentum Sector & Style Rotation Strategies*



Virtue Capital Management (VCM) Dual Momentum Sector & Style Rotation Strategies are two separate series of strategies that use the same investment methodology. **The VCM Dual Momentum Sector Rotation Series** identifies and provides exposure to the top 4 ranked broad U.S. economic sectors based on a proprietary relative strength ranking methodology. The sector/style ranking methodology relies upon relative strength comparisons across 10 of the 11 major sectors in the US market (minus real estate) as well as cash as measured by the 1-month T Bill.

- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Health Care
- Industrials
- Information Technology
- Telecommunications
- Materials
- Utilities

**The VCM Dual Momentum Style Rotation Series** identifies and provides exposure to the top 4 ranked broad global asset classes based on a proprietary relative strength ranking methodology. The sector ranking methodology relies upon relative strength comparisons across 10 global asset classes as well as cash as measured by the 1-month T Bill.

- Emerging Markets Equity
- Int'l. Developed Markets Equity
- U.S. Large-Cap Equity
- U.S. Mid-Cap Growth Equity
- U.S. Mid-Cap Value Equity
- U.S. Large-Cap Growth Equity
- U.S. Large-Cap Value Equity
- U.S. Small-Cap Growth Equity
- U.S. Small-Cap Value Equity
- Commodities



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The Dual Momentum Rotation Strategies provides exposure to 4 top-ranked broad U.S. economic sectors or styles based upon VCM's relative strength ranking methodology. The strategies seek to capitalize on the historical tendency of sectors/styles to diverge from one another through the course of major US equity market cycles. By seeking to identify positive sector/style performance trends in a timely fashion, this divergence may create a sustainable source of opportunity for sector/style rotation strategies. VCM sector/style ranking methodology relies upon relative strength comparisons across every major sector/style in the US market as well as cash as measured by the 1-month T Bill.

Portfolio construction consists of using a dual momentum approach by using relative strength with absolute momentum to attempt to mitigate volatility. The efficacy of momentum in financial markets has been well researched and thoroughly documented. Extensive academic research has demonstrated that momentum may be employed in all markets during any business cycle. Momentum is a dynamic investment approach regarding validity and applicability. Momentum based investing relies on the concept of trend following. Momentum strategies analyze the price movement of an individual security or group of securities. Relative Strength (RS) is a momentum-based strategy that seeks to measure the price movement of an individual security parallel to that of a collective group. The concept seeks to invest in the security with the highest relative price strength and periodically rebalances to maintain momentum.

When fully invested, initially the top four sectors/style are selected and kept within the rotation of our proprietary turnover solution. After the last trading day of the month our dual momentum methodology is applied, and trades will be placed on the first trading day of the month. If cash is outperforming any of the top four sectors/styles, we would invest 25% in a cash position (1 month T bill) will replace that sector(s)/style(s). Cash can represent 25%, 50%, 75% or 100% of the equity portion of each of the portfolios. The result is a strategy in which attempts to focus on the best performing sectors/styles during an upmarket, while defending against prolonged bear market scenarios.

Exposure to telecommunications services and information technology sectors are represented by one ETF. This takes place when the sector strategy is invested in both telecommunications services and information technology. This is due to the two sectors being represented by one ETF. Should the sector strategy be invested in both telecommunications services and information technology the sector strategy would be invested 50% into one ETF.



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### Investment Objective

- Seeks to capitalize upon sector/style trends within the U.S. markets to construct an index of market leadership based upon relative strength.
- Employ sector/style rotation to seek to mitigate participation of laggard sectors/styles, while maintaining diversified market exposure.
- Seeks to generate long-term investment returns in excess of the US large cap core market while limiting additional risk or volatility.

### Index Methodology

- The sector strategy utilizes 10 broad U.S. economic sectors as well as cash. Returns are ranked monthly based upon VCM's dual momentum approach using relative strength and absolute momentum.
- The style strategy utilizes 10 global asset classes as well as cash. Returns are ranked monthly based upon VCM's dual momentum approach using relative strength and absolute momentum.
- The sector and style strategies both systematically invest within the top 4 ranked sectors/styles based upon VCM's methodology each month, on an equal-weighted basis.
- Sectors/styles are equally weighted with a maximum allocation of 25% per sector/style at time of rebalancing. There is an exception to the maximum allocation of 25% for the sector strategies and that is when the strategy is invested in both telecommunications services and information technology since these sectors are combined into one ETF the strategy would be invested 50% into one ETF.



### Relative Strength

The Point & Figure Charting Methodology was first popularized by Charles Dow in the late-1800s as a means for better identifying positive price trends in the market. It was many years later, in the 1950s, that George Chestnut published a market letter ranking securities within industry groups by "relative strength," identifying outperformance trends within sectors. Investors and academics alike have furthered research supporting the merit of "RS," or "Momentum," factors over the years. Momentum based investing relies on the concept of trend following. Momentum strategies analyze the price movement of an individual security or group of securities. Relative Strength (RS) is a momentum-based strategy that seeks to measure the price movement of an individual security parallel to that of a collective group. The concept seeks to invest in the security with the highest relative price strength and periodically rebalances to maintain momentum.

### Dual Factor Drawdown Mitigation

The term Relative Strength alludes to a security's performance within a collective group. This concept however is absent of aggregate market developments. To protect the portfolio from the risk of excessive drawdown and market depreciation the concept of absolute momentum is introduced. Absolute momentum adds an additional degree of risk management and volatility mitigation. The additional overlay states that capital will be invested in the security of highest relative strength only if that investment maintains positive price trend. In the instance that a collective grouping of securities does not show positive price trend, then the investment is transitioned to hold a designated risk-free asset such as cash.

### Multi Factor Investment Approach

The concept of relative strength is supplemented by the Dual Momentum trend of absolute momentum. The duality of the strategy makes diversification more efficient by selectively utilizing assets only when both their absolute and relative strength are positive. This allows for an investor to maintain exposure to the areas of highest relative strength during bull markets, while subsequently adhering to the absolute trend of price momentum to defend against a market decline.

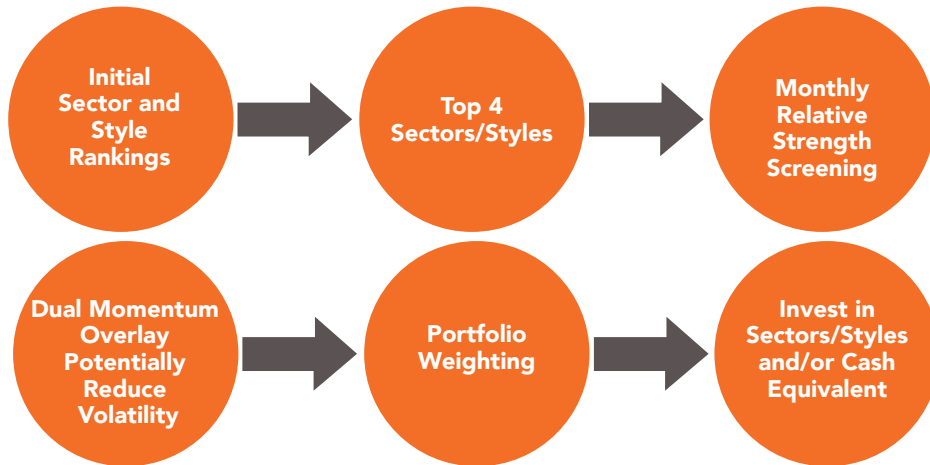


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## Portfolio Construction



## Sector Rotation Investment Options

(Cash equivalents may replace sectors as an investment option)

Sector	Sector Index	Sector ETF	Ticker
Consumer Discretionary	S&P 500 Sector Consumer Discretionary	First Trust Consumer Discretionary	FXD
Consumer Staples	S&P 500 Sector Consumer Staples	First Trust Consumer Staples	FXG
Energy	S&P 500 Sector Energy	First Trust Energy	FXN
Financials	S&P 500 Sector Financials	First Trust Financials	FXO
Health Care	S&P 500 Sector Health Care	First Trust Health Care	FXH
Industrials	S&P 500 Sector Industrials	First Trust Industrials	FXR
Information Technology*	S&P 500 Sector Information Technology*	First Trust Information Technology*	FXL*
Materials	S&P 500 Sector Materials	First Trust Materials	FXZ
Telcommunication Services*	S&P 500 Sector Telcommunication Services*	First Trust Telcommunication Services*	FXL*
Utilities	S&P 500 Sector Utilities	First Trust Utilities	FXU
N/A	N/A	Cash	Cash

## Sector Rotation Investment Thesis

Opportunity for additional alpha is afforded to the sector strategy by introducing active stock selection within each sector sleeve through First Trust AlphaDEX ETFs. Traditional market capitalization weighted indexes are designed to measure the average performance of a group of stocks, while seeking to replicate the beta of the index and minimize tracking error. The First Trust AlphaDEX ETFs are designed to enhance these passive investments by quantitatively managing the underlying stock holdings based on valuation and price momentum smart Beta factors.



## Style Rotation Investment Options

(Cash equivalents may replace styles as an investment option)

Asset Class	Rotation Index	Style ETF	Ticker
Emerging Markets Equity	MSCI EM GR USD	iShares MSCI Emerging Markets ETF	EEM
Int'l. Developed Markets Equity	MSCI EAFE GR USD	iShares MSCI EAFE ETF	EFA
U.S. Large-Cap Equity	S&P 500 TR USD	iShares Core S&P 500 ETF	IVV
U.S. Mid-Cap Growth Equity	Russell Mid Cap Growth TR USD	iShares Russell Mid-Cap Growth ETF	IWP
U.S. Mid-Cap Value Equity	Russell Mid Cap Value TR USD	iShares Russell Mid-Cap Value ETF	IWS
Commodities	S&P GSCI TR USD	Invesco Optm Yd Dvrs Cdty Stra No K1 ETF	PDBC
U.S. Large-Cap Growth Equity	Russell 1000 Growth TR USD	Vanguard Russell 1000 Growth ETF	VONG
U.S. Large-Cap Value Equity	Russell 1000 Value TR USD	Vanguard Russell 1000 Value ETF	VONV
U.S. Small-Cap Growth Equity	Russell 2000 Growth TR USD	Vanguard Russell 2000 Growth ETF	VTWG
U.S. Small-Cap Value Equity	Russell 2000 Value TR USD	Vanguard Russell 2000 Value ETF	VTWV
Cash & Equivalents	FTSE Treasury Bill 3 Mon USD	SPDR® Blmbg 1-3 Mth T-Bill ETF	BIL

## Style Rotation Investment Thesis

Traditional market capitalization weighted indexes are designed to measure the average performance of a group of stocks that are considered to be representative of either the broad market or a specific segment of the market.

To be as representative as possible of the applicable group of underlying stocks in the asset class, the performance goal of traditional market capitalization weighted indexes is to achieve a unitary “beta” versus their market segment. The emphasis on “beta” makes these indexes ideal for use in gauging the performance of active portfolio managers, who are trying to beat the index or generate “alpha”. “Alpha” has been elusive for many active portfolio managers that employ subjective stock selection methods. Some blame the failure of subjective analysis on the inherent lack of discipline of human managers who may follow hunches, or let emotions dominate their decision-making, leading to systematic biases. In contrast to subjective management, academic literature supports the possibility of generating outperformance using purely quantitative measures.

For a quantitative approach to stock selection to be successful, the strategy employed must capitalize on systematic deviations in the stock price from its fair value. The search for exploitable inefficiencies in equity prices has generally centered on value and momentum strategies.



## Dual Momentum Fixed Income Allocation

Both the Conservative and Balanced strategies utilize the dual momentum fixed income allocation. The dual momentum fixed income allocation utilizes the same investment methodology rankings as used in the sector/style when choosing equities by using relative strength with absolute momentum. The dual momentum fixed income allocation is made up of a blend of intermediate simple and exponential moving averages (SMA's/EMA's) to rank fixed income styles monthly. The strategy holds the top 4 (out of 10) fixed income styles until those positions lose momentum relative to other available styles. In addition, cash is added as an 11th asset class to help the allocation become more defensive in periods of high-risk aversion. The strategy also has ability to go fully to cash, especially in unusual market environments.

## Dual Momentum Fixed Income Allocation Investment Options

(Cash equivalents may replace fixed income as an investment option)

Asset Class	Rotation Index	ETF Name	Ticker
Short-Term U.S. Gov't. T-Bills	Bloomberg Short Treasury TR USD	iShares Short Treasury Bond ETF	SHV
Investment-Grade Bonds	Bloomberg US Agg Bond TR USD	SPDR® Portfolio Aggregate Bond ETF	SPAB
U.S. Corporate Bonds	Bloomberg US Credit TR USD	iShares Broad USD Inv Grd Corp Bd ETF	USIG
Short-Term U.S. Gov't. Bonds	Bloomberg US Treasury 1-3 Yr TR USD	Vanguard Short-Term Treasury ETF	VGSH
Long-Term U.S. Gov't. Bonds	Bloomberg US Treasury 20+ Yr TR USD	Vanguard Long-Term Treasury ETF	VGLT
U.S. Treasury Inflation-Protection Securities	Bloomberg US Treasury US TIPS TR USD	Schwab US TIPS ETF™	SCHP
U.S. Short-Term Corporate High-Yield Bonds	ICE BofA 1-3Y BB US Cash Pay HY TR USD	iShares 0-5 Year High Yield Corp Bd ETF	SHYG
Short-Term U.S. Treasury Inflation-Protection Securities	Morningstar US 1-5Y TIPS TR USD	Vanguard Short-Term Infl-Prot Secs ETF	VTIP
U.S. Floating Rate Corporate Notes	MVIS US Invst Grade Floating Rate NR USD	VanEck Investment Grd FI Rt ETF	FLTR
U.S. Corporate Bank Loans	S&P/LSTA Leveraged Loan TR	Invesco Senior Loan ETF	BKLN
Cash & Equivalents	FTSE Treasury Bill 3 Mon USD	SPDR® Blmbg 1-3 Mth T-Bill ETF	BIL

**Dual Momentum Sector & Style Rotation Strategies are structured in three versions to meet a variety of risk tolerances and investment goals.**

CONSERVATIVE

BALANCED

AGGRESSIVE



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### Aggressive Strategies

The aggressive strategies are always invested in sector/style rotation strategies and/or cash equivalents.

### Conservative & Balanced Strategies

The Conservative and Balanced versions both hold the same equity and fixed income positions, but at different weightings.

#### Conservative Version

- When fully invested in equities, the portfolio is comprised of 40% equities and 60% Dual Momentum Fixed Income Allocation.
- When reducing risk, the portfolio may be invested 25%, 50%, 75% or 100% among risk free assets (cash/cash equivalents).

#### Balanced Version

- When fully invested in equities, the portfolio is comprised of 70% equities and 30% Dual Momentum Fixed Income Allocation.
- When reducing risk, the portfolio may be invested 25%, 50%, 75% or 100% among risk free assets (cash/cash equivalents).

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### Important Disclosures:

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