CataMetrics Structured Strategies

Make the Power of Markets Work for You

CataMetrics®
MANAGEMENT, LLC

The Structured Approach: Philosophy

Over the long term, markets work.

The Structured strategies are built on the philosophy that a diversified, disciplined, and low-cost portfolio is the best way to leverage the power of global markets.

DIVERSIFIED

Nobel prize-winning economist Harry Markowitz is famously attributed with saying that the only "free lunch" in investing is diversification. By diversifying, you can maximize potential returns for a given amount of risk. The Structured strategies are grounded in the *Global Market Portfolio* and are among the most broadly diversified portfolios in the market.

DISCIPLINED

Research by Nobel prize-winning economists William Sharpe[1] and Eugene Fama[2] suggests that it's almost impossible to consistently beat the market. That's why the Structured strategies follow a disciplined and passive approach to investing. Regardless of how markets are performing in the short run, Structured stays invested and ready for long-term growth.

LOW COST

Structured is built using inexpensive, highly-liquid ETFs to minimize costs and help investors keep more of their earnings. Cost is one of the single biggest factors impacting investment performance that can be controlled, and Structured aims to keep costs down without sacrificing quality.

THE GLOBAL MARKET PORTFOLIO

The *Global Market Portfolio* is what you would own if you could build a portfolio of all the investable financial assets in the world, weighted by their market capitalizations. Financial theory suggests that this may be one of the most efficient portfolios you can own, so it's no surprise that it guides many of the largest and most sophisticated investors in the world.

As of 2015, the *Global Market Portfolio* was estimated to be made up of 48% stocks and 52% bonds, with a value of $107 trillion![3]

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[1] William F. Sharpe, "Likely Gains from Market Timing," *Financial Analysts Journal,* Vol. 31, No. 2 (Mar. - Apr., 1975), pp. 60-69
[2] Eugene Fama, "Efficient Capital Markets: A Review of Theory and Empirical Work," *The Journal of Finance,* Vol. 25, No. 2 (May 1970), pp. 383-417
[3] *An Introduction to Structured Strategies,* CataMetrics Management, 2016

The Structured Approach: What is Structured

Starting from an approximation of the Global Market Portfolio, represented by the Structured Global Market Portfolio strategy, Structured is offered in six strategies that are modified to accommodate varying levels of risk tolerance and geographic preferences.

GLOBAL MARKET PORTFOLIO

less risk **RISK TOLERANCE** more risk

More Fixed Income ⟷ More Equity

GEOGRAPHIC PREFERENCE

International Focus ⟷ US Focus

The Structured Strategy: What is Structured

Each strategy is built using 8 to 12 exchange-traded funds (ETFs) that track key asset classes around the world. These funds are selected for their low cost, liquidity, and close tracking of the asset classes they represent.

Rebalancing occurs quarterly to ensure asset-allocation discipline.

Structured's weighted-average expense ratio is less than 1/2 the cost of similarly-weighted ETF portfolios

	Expense Ratio	Annual Dollars Cost per $1,000,000	Estimated Annual Cost Savings per $1,000,000
Structured Portfolio	0.06%	$584	$2,566
Industry Average	0.32%	$3,150	

Exchange-traded funds (ETFs) are funds that track indexes, like the S&P 500 or the Dow Jones Industrial Average. When you buy shares of an ETF, you are buying shares of a portfolio that seeks to track the yield and return of its target index. ETFs are typically low cost and potentially offer tax advantages relative to mutual funds. Please see disclosure page for important information regarding ETFs.

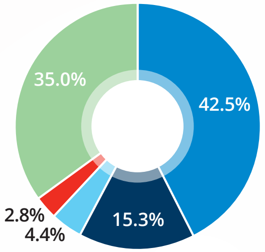
The illustration results are only an estimate and do not reflect manager fees or advisory fees charged by your investment adviser. Industry blended average based on similarly allocated portfolios. Average ETF cost based on asset-weighted average cost. Source: Morningstar, "The Cost of Owning ETFs and Mutual Funds," Morningstar, Dec. 2014, p. 5

The Structured Strategies: What is Structured

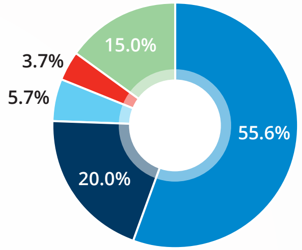
CONSERVATIVE | BALANCED | GROWTH | EQUITY GROWTH

US FOCUS

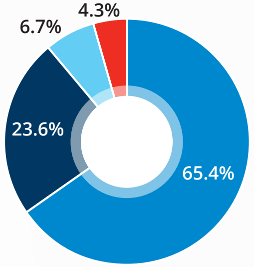
Structured US-Focused Balanced
Benchmark: Russell 3000 / MSCI ACWI ex-US / BBG Barc Agg (45/20/35)



Structured US-Focused Moderate Growth
Benchmark: Russell 3000 / MSCI ACWI ex-US / BBG Barc Agg (60/25/15)

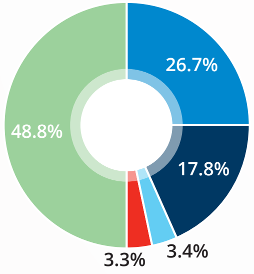


Structured US-Focused Equity Growth
Benchmark: Russell 3000 / MSCI ACWI ex-US (70/30)

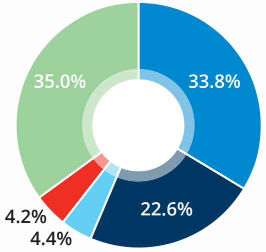


INTERNATIONAL FOCUS

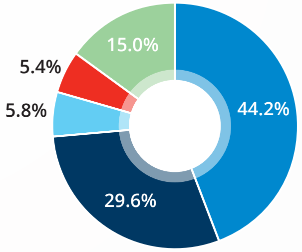
Structured Global Market Portfolio
Benchmark: Russell 3000 / MSCI ACWI ex-US / BBG Barc Agg (24/23/53)



Structured Global Balanced
Benchmark: Russell 3000 / MSCI ACWI ex-US / BBG Barc Agg (33/32/35)



Structured Global Moderate Growth
Benchmark: Russell 3000 / MSCI ACWI ex-US / BBG Barc Agg (43/42/15)



- US equities
- Developed international equities
- Global real estate
- Emerging-market equities
- US bonds

Asset-class allocation as of 10/31/2017

The Structured Investor: Whom it's For

The Structured strategy relies on time and consistent exposure to the markets.

The Structured investor is:

PATIENT

Structured usually is best suited for investors who believe in disciplined asset allocation and have sufficient time to make up for periodic declines.

RISK TOLERANT

While Structured offers six strategies with varying risk levels, it is a long-term strategy that maintains exposure to key asset classes regardless of short-term performance.

FEE CONSCIOUS

Structured seeks to minimize management and trading costs, allowing investors to reap more of the benefits of long-term growth.

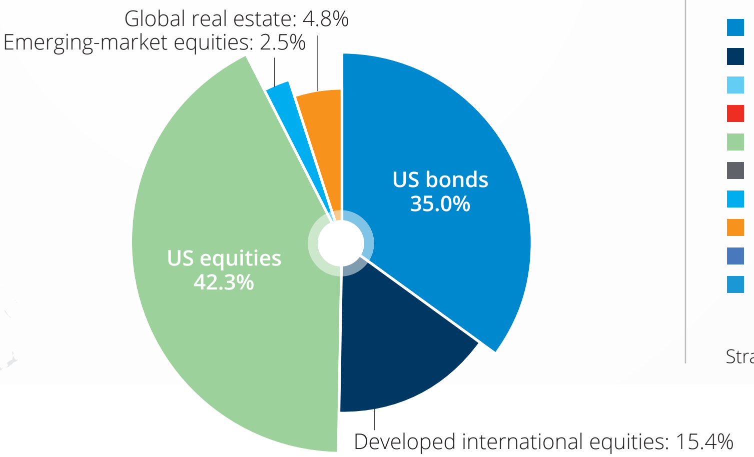
Choosing Structured: Example

THE CLIENT: A risk-tolerant investor with a 20-year plus time horizon. She has performed poorly in recent years due to emotionally-driven trading decisions and high-cost strategies.

THE OBJECTIVE:

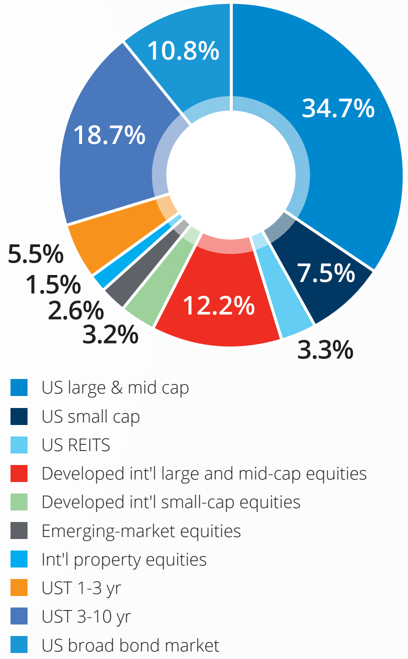
– Find a simple, cost-effective investment solution that is easy to monitor
– Enhance long-term growth opportunities
– Maintain a core allocation to capital-preserving investments

THE RECOMMENDATION: The Structured US-Focused Balanced strategy, which balances a low-risk foundation of high-quality US Treasury and corporate bonds with higher-risk US and international stocks.



Structured US-Focused Balanced Strategy

Objective: Pursuing modest long-term growth through a US-focused equity portfolio while seeking to limit risk to investment capital.
Benchmark: Russell 3000 / MSCI ACWI Ex-US / BarCap Agg (45/20/35)



Strategic Allocations as of 11/1/2016

Taking the Long-Term View: Performance

While any holding within a portfolio can decline at any point in time, an investor in a well-diversified, disciplined and low-cost portfolio should benefit over the long-term.

DIVERSIFIED

Structured is based on research which shows that investing in assets with low correlations reduces portfolio risk without sacrificing long-term returns.

A fall in any one portfolio holding will likely be cushioned in a well-diversified portfolio.

DISCIPLINED

Structured adheres to the principle of long-term, low-cost, passive investing.

Structured strategies remain allocated to all selected asset classes throughout every market cycle, so that you are more likely to participate in rising markets.

LOW COST

Low fees have been shown to reduce drag on returns, helping you make the most of long-term growth.

The effect of fees is significant: The difference between 1% versus 2% on a $100,000 portfolio growing at 6% a year adds up to about $46,000 in fees over a 20 year period.[4]

[4] Calculation comparison between two portfolios: One with an initial investment of $100,000 growing at a rate of 6% per year, with annual fees of 1% per year for 20 years. The other is exactly the same but with charges of 2% per year. Assuming no contributions are made to either portfolio, the first portfolio will grow to $265,000 in 20 years, and the second will grow to $219,000.

Taking the Long Term View

The long term is where diversification, discipline, and low costs shine.

Historically, even conservative portfolios can experience volatile performance from one year to the next. For example, between 1976 and 2016, this moderately conservative allocation had annual returns that ranged from -29.64% to 49.38%.

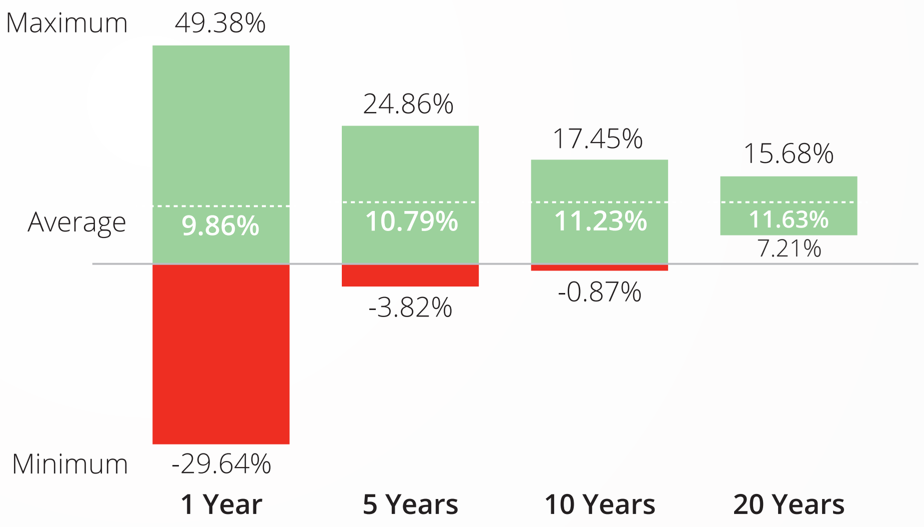
Staying invested and disciplined in the face of this kind of volatility can be difficult. But for the long-term investor, it's also important. Diversification and discipline do their best work over the long run. When measured in decades, this portfolio's annualized rolling-average returns were always positive. In 20-year blocks they ranged from 7.21% to 15.68%.

Over the long run, markets work. Structured works with them.

Longer Holding Periods May Narrow Outcomes

- 65% S&P 500 and 35% Barclays US Aggregate Bond Index
- Minimum, maximum and average annualized return for rolling 1, 5, 10 and 20-year periods 1/30/1976-3/31/2016

Source: Bloomberg, CataMetrics Management, LLC



The Structured Advantage: Benefits

Take Structured's academically grounded approach to investing and reap the benefits of long-term, disciplined, and low-cost exposure to global investment opportunities.

GLOBAL DIVERSIFICATION

Nobel prize-winning economist Harry Markowitz showed that diversification maximizes risk-adjusted returns. Economist William Sharpe later concluded that the most efficient method of diversifying is to invest around the world.

DISCIPLINE

A large body of research supports the performance of passive strategies over long time horizons. A 2010 study[5] co-authored by another Nobel prize-winning economist, Eugene Fama, found that most actively managed strategies underperform their benchmarks over the long run.

LOW COST

A key weakness in most investment strategies is their high fees, which drag down portfolio returns. Structured's use of low-cost and tax-efficient ETFs helps to minimize cost and provide more opportunity for long-term growth.

[5] Eugene F. Fama, Kenneth R. French, "Luck Versus Skill in the Cross Section of Mutual Fund Returns," *The Journal of Finance,* 2010, 65(5), pp. 1915-47

Disclosures and Disclaimers

CataMetrics Management, LLC, (the "Firm") a Registered Investment Adviser, offers global, risk-managed, multi-asset class, and index-focused portfolio strategies to the institutional platform marketplace as well as to financial advisors. Please visit our website www.catametricsmanagement.com for more information and to review the firm's Form ADV Part 2A. All investments carry a certain risk, and there is no assurance that an investment will provide positive performance over any period. An investor may experience loss of principal. Investment decisions should always be made based on the investor's specific financial needs and objectives, goals, time horizon, and risk tolerance. The asset classes and/or investment strategies described may not be suitable for all investors and investors should consult with an investment adviser to determine the appropriate investment strategy.

Exchange-traded funds (ETFs) are subject to risks similar to those of stocks, such as market, interest rate, foreign exchange, and liquidity risks. An investor in ETFs may bear indirect fees and expenses charged by the ETFs in addition to their direct fees and expenses, and is subject to the risk of loss of principal. ETF sponsors may suspend trading in ETFs and may not honor redemption requests. ETFs may trade at a discount or premium to their net asset value and are subject to the market fluctuations of their underlying investments. When considering investing in an ETF, you should consult your financial advisor and accountant on how investing in the fund will affect your taxes.

Before investing in an ETF, you should read both its summary prospectus and its full prospectus, which provide detailed information on the ETF's investment objective, principal investment strategies, risks, costs, and historical performance (if any). The SEC's EDGAR system, as well as Internet search engines, can help you locate a specific ETF prospectus. You can also find prospectuses on the websites of the financial firms that sponsor a particular ETF, as well as through your broker.

Past performance is no guarantee of future results of any ETF.

Information obtained from third-party sources is believed to be reliable but is not guaranteed. The Firm makes no representation regarding the accuracy or completeness of information provided herein. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.

The S&P 500 Index is a commonly recognized, market-capitalization-weighted index of 500 widely-held companies, designed to measure the performance of US large-cap stocks. The Russell 3000 Index is a free float-adjusted, market-capitalization-weighted index which measures the performance of the largest 3,000 US companies representing approximately 98% of the investable US equity market. The MSCI All Country World Index [ACWI] is designed to measure the performance of the global equity market and is a free float-adjusted, market-capitalization-weighted index composed of large- and mid-cap stocks of companies located in developed and emerging countries throughout the world. The MSCI ACWI ex-USA Index is designed to measure the performance of the global equity market excluding the US component and is a free float-adjusted, market-capitalization-weighted index composed of large- and mid-cap stocks of companies located in developed- and emerging-market countries. The Bloomberg Barclays US Aggregate Bond Index [BBG Barc Agg] provides a broad-based measure of the fixed-rate US investment-grade debt market. The Bloomberg Barclays Global Aggregate Bond Index [BBG Barc Global Agg] measures global investment-grade, fixed-rate debt from both developed- and emerging-markets. The J.P. Morgan Global Aggregate Bond Index (JPM GABI) provides a broad-based measure of the global fixed-rate, investment-grade debt markets. The JPM GABI is a US dollar denominated, investment-grade index with asset classes from developed and emerging markets. Cash refers to overnight Fed funds.

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