



**STRINGER**  
Asset Management

## Moderate Growth Portfolio

March 31, 2017

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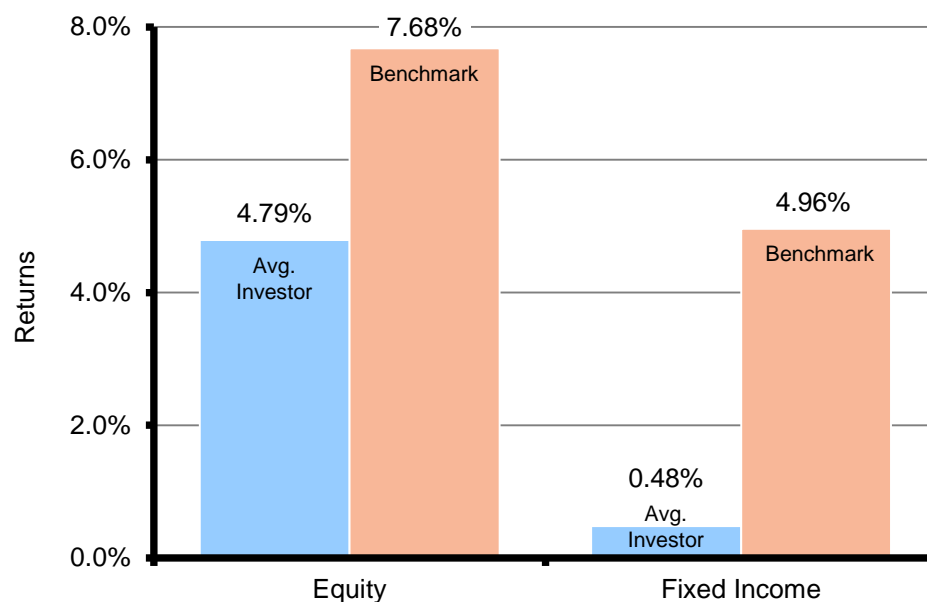


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# Stringer Asset Management

## Your Success Is How We Measure Ours

Average Investor Performance vs. Market Benchmarks  
 January 1997 – December 2016



Sources: Stringer Asset Management and DALBAR, QAIB 12/30/16. The graph shown is for illustrative purposes only. Performance data quoted represents past performance. Past performance is not a guarantee of future results. The indices represented do not bear transaction costs or management fees, and cannot be actually bought or sold. To the extent a shareholder pays sales charges, the performance shown would be less. All indices are unmanaged and investors can not invest directly in an index. For index definitions, see the Index Definitions section at the end of this document.

Equities are represented by the S&P 500 Index. Fixed Income is represented by the Barclays U.S. Aggregate Bond Index. Investor returns are calculated by DALBAR.

Investors tend to fall short of achieving the opportunities and returns presented by the financial markets. The impact of investment errors caused by the constant market noise, media-hype and uncertainty of real world economic and market events may not be realized for years. We have dedicated our careers to refining our investment processes to avoid those emotional pitfalls and help you realize your financial goals.

# Stringer Asset Management

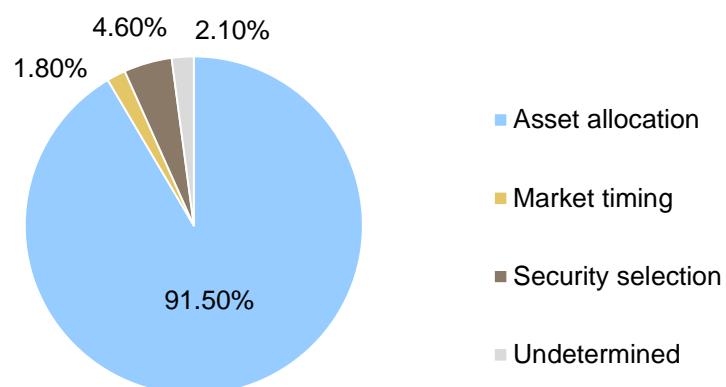
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We blend Behavioral Finance with Modern Portfolio Theory to form the basis of our investment management philosophy. We believe MPT has certain limitations which require additional qualitative judgments.

- 1** We pursue global investment opportunities beyond the traditional “style box” approaches. We implement our investment themes primarily utilizing ETFs for diversification, specificity and cost control.
- 2** We anchor our portfolios with strategic asset allocations that are dynamically managed based on our proprietary capital market expectations for the next 3-5 years.
- 3** We complement our strategic asset allocations with tactical asset allocations that attempt to take advantage of the near-term opportunities that exist in every market.
- 4** We overlay our proprietary Cash Indicator to help identify periods of time when it may be advantageous to temporarily raise our cash allocation to 25% or 50% of the portfolio so that we might be able to redeploy the cash in the future at lower market valuations.

# Our Approach

## Managing Asset Allocation



<sup>1</sup>Source: Brinson, Gary, and Brian Singer, and Gilbert Beebower. "Determinants of Portfolio Performance II: An Update." *Financial Analysts Journal* 47.3 (1991): 40-48. Print.

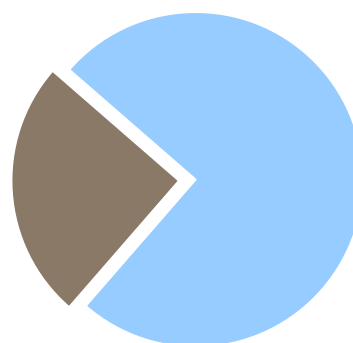
Asset allocation is the most influential factor in determining the variations in portfolio returns<sup>1</sup>. Therefore, we actively manage our asset allocations to focus our portfolios on areas where we see the best opportunities for future returns.

# Our Approach

## Managing Asset Allocation

### ■ 25% Tactical Allocation:

- Equity Sectors
- Global Regions
- Emerging Markets
- High Yield Credit
- Real Estate
- Commodities



### ■ 75% Strategic Allocation:

- Value Bias
- Small-Midcap Bias
- Developed Markets
- Low Volatility
- Momentum
- High Quality Corporates
- Treasuries

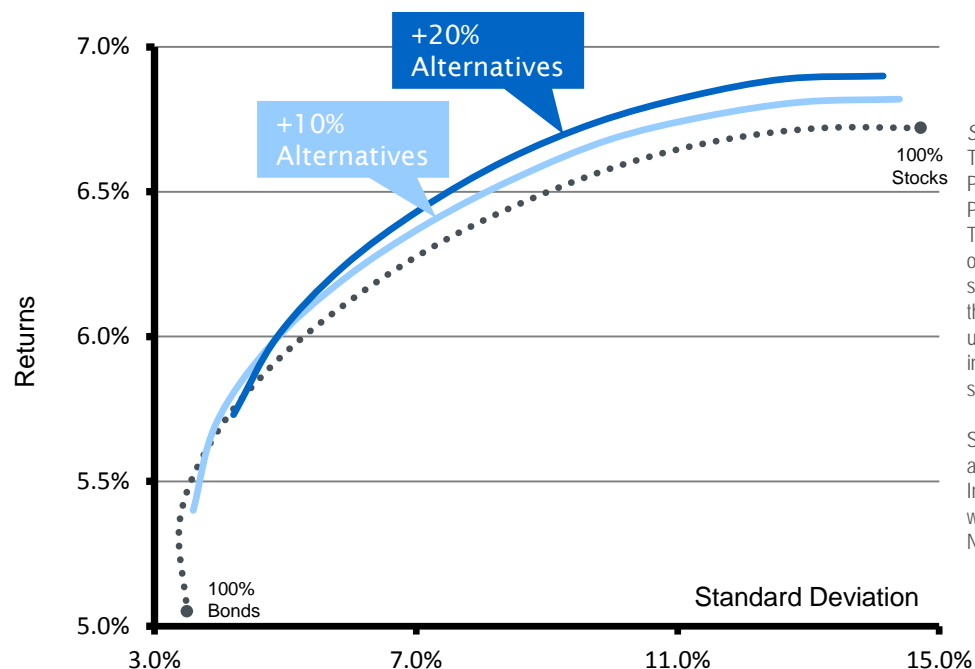


Within our strategic and tactical allocations, we maintain specific biases that should benefit our clients over the long-term. Our strategic allocations use market factors that we think perform best over the long-term. Conversely, our tactical allocations use factors that are less persistent but can add significant value to performance.

# Our Approach

## Managing Asset Allocation

Efficient Frontier: Stocks, Bonds and Alternatives  
 January 2002 – December 2014

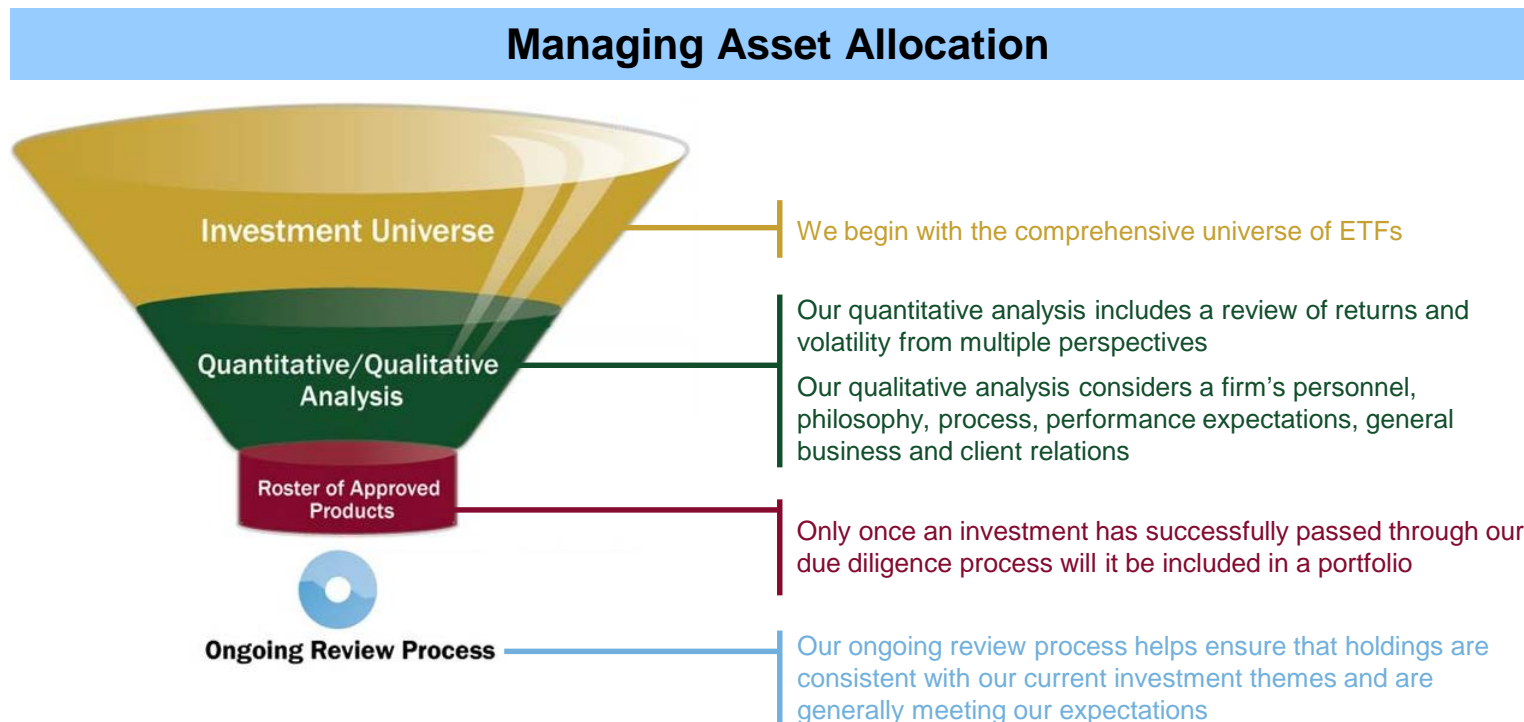


Sources: Stringer Asset Management and Zephyr.  
 The graph shown is for illustrative purposes only. Performance data quoted represents past performance. Past performance is not a guarantee of future results. The indices represented do not bear transaction costs or management fees, and cannot be actually bought or sold. To the extent a shareholder pays sales charges, the performance shown would be less. All indices are unmanaged and investors can not invest directly in an index. For index definitions, see the Index Definitions section at the end of this document.

Stocks are represented by the S&P 500 Index. Bonds are represented by the Barclays U.S. Aggregate Bond Index. Alternatives are represented by an equally-weighted blend of the CBOE BuyWrite Index, FTSE Nareit All Equity REITs Index and the S&P GSCI Index.

Alternative or non-traditional investments are a key differentiator for Stringer Asset Management and a central part of our investment management process. Using these types of non-traditional assets can help boost returns and reduce volatility over time.

# Our Approach



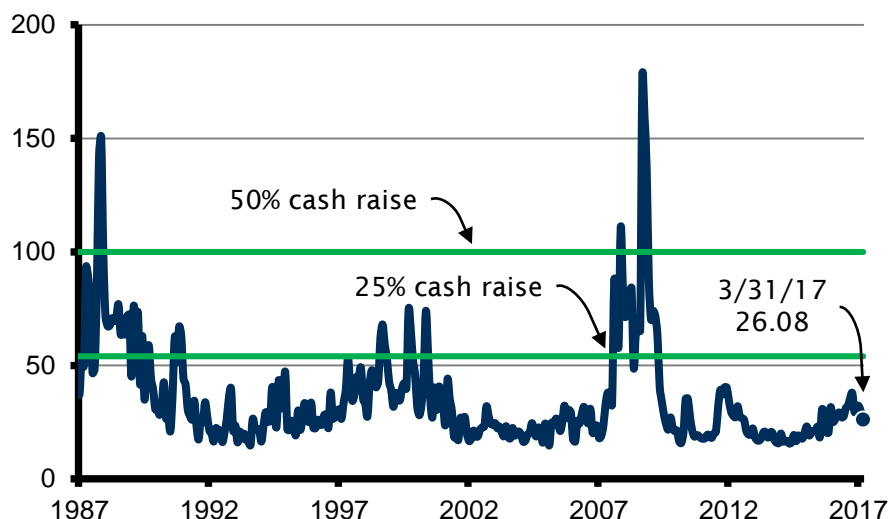
We follow a multi-step process for investment selection to ensure that we are implementing our ideas in the best manner. Investments that are selected for inclusion in our portfolios are constantly reviewed, and we are always looking for new and innovative ideas that better fit our investment themes.



# Our Approach

## The Cash Indicator

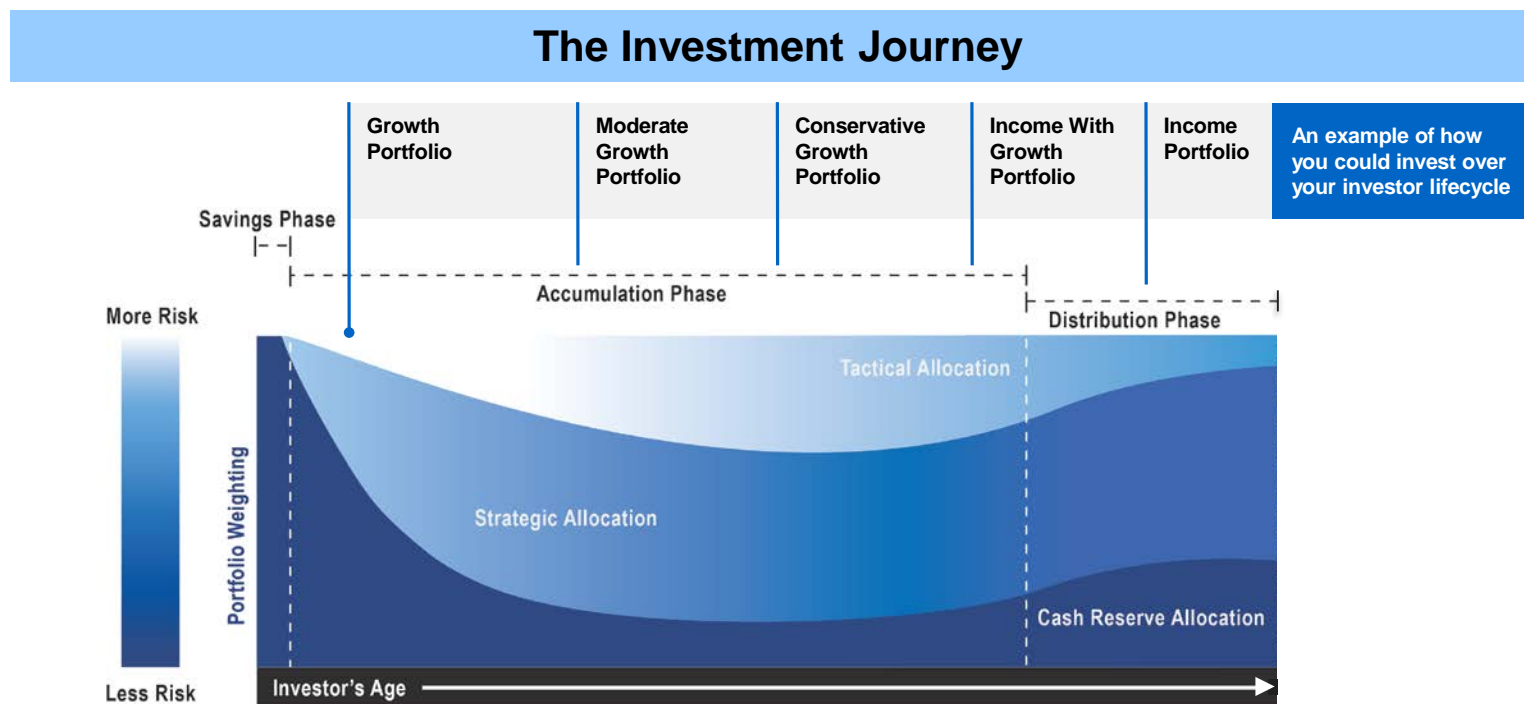
The Cash Indicator  
 January 1987 – March 2017



Sources: Stringer Asset Management and Bloomberg. This material is for informational purpose only. Opinions and forecasts expressed herein may not actually occur. Past performance is not indicative of future results. The Cash Indicator is a combination of the VIX Index and TED Spread. The VIX Index is the Chicago Board Options Exchange (CBOE) Volatility Index and reflects a market estimate of future volatility based on the weighted average of the implied volatilities for a wide range of strikes. VXO Index is used for data prior to 1990. This index is a measure of the CBOE OEX volatility and reflects a market estimate of future volatility based on the weighted average of the implied volatilities of 8 OEX calls and puts. The Ted Spread is calculated by taking the LIBOR USD 3-month minus the 3-Month U.S. Government yield.

We have found that excessive correlation of certain volatility indicators related to the equity and fixed income markets provide us with an early warning system and well-defined process for identifying extreme outlier markets. Our studies have shown that significant preservation of capital and enhanced return can be achieved when we are able to exit equity and alternative markets during these events. Our process allows us to increase the cash allocation to 25-50% during those events and redeploy that cash in the future at more attractive valuations.

# Our Approach



Our solutions are designed to meet your objectives and risk tolerances at each step in your journey. Your location on this journey will determine the portfolio's overall allocation to strategic, tactical and cash reserve allocations. This step is the key determinate of overall investment results.

# Our Portfolios

## The Moderate Growth Portfolio

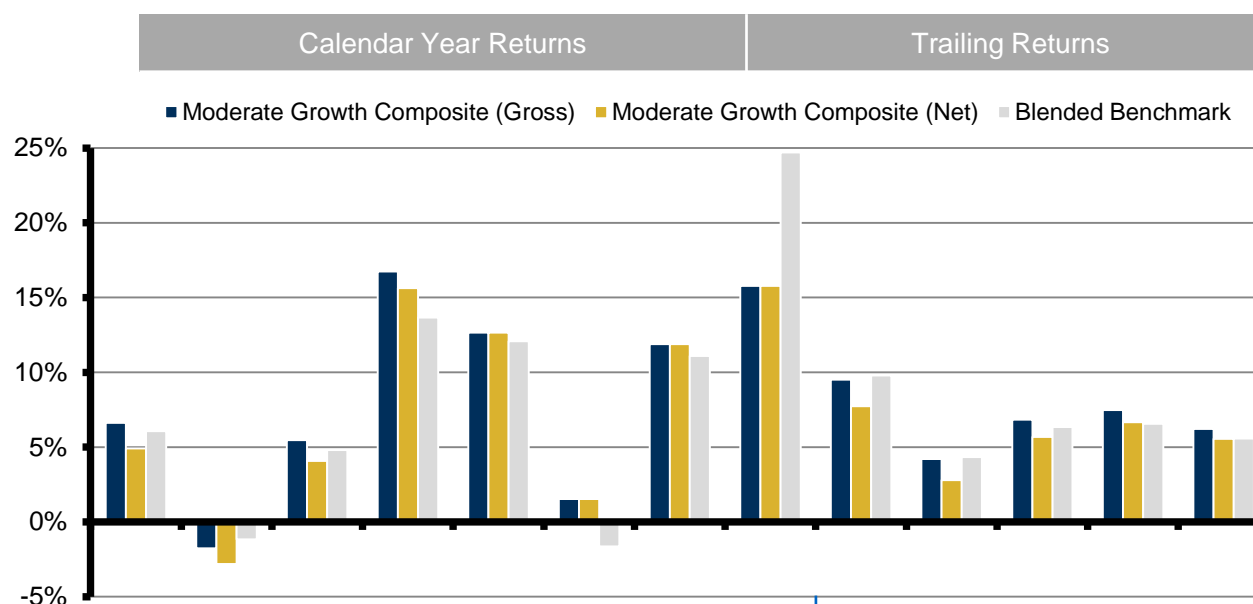
Risk and Return Characteristics: September 2008 – March 2017			
	Moderate Growth Composite (Gross)	Moderate Growth Composite (Net)	Blended Benchmark <sup>1</sup>
RETURN	6.22%	5.55%	5.57%
STANDARD DEVIATION	10.29%	10.30%	11.48%
MAXIMUM DRAWDOWN	-24.56%	-24.56%	-29.71%
ALPHA	1.30%	0.67%	-
BETA	0.87	0.87	1.00

*Sources: Stringer Asset Management and Zephyr. Returns are presented gross of fees. Advisory fees and any other expenses will reduce actual returns. Performance data quoted represents past performance and is for illustrative purposes only. Past performance is not a guarantee of future results. Returns include the reinvestment of income. <sup>1</sup>Blended Benchmark: The blended benchmark is comprised of 65% MSCI ACWI Index and 35% Barclays U.S. Aggregate Bond Index. The indices represented do not bear transaction costs or management fees, and cannot be actually bought or sold. To the extent a shareholder pays sales charges, the performance shown would be less. All indices are unmanaged and investors can not invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. Please refer to the important disclosures found at the end of this document.*

The Moderate Growth Portfolio may be appropriate for investors with intermediate-term time horizons who are sensitive to short-term losses yet want to participate in the long-term growth of the financial markets. It seeks to keep investors well ahead of the effects of inflation with an eye toward maintaining principal stability. The portfolio has return and short-term loss characteristics that may deliver returns lower than that of the broader equity market with lower levels of risk. Under most circumstances, the portfolio invests the majority of its assets in equities but also includes alternatives and fixed income. The fixed income portion of this portfolio generates taxable cash flow which is appropriate for investors who are not sensitive to the effects of taxation or are investing in tax-deferred accounts.

# Our Portfolios

## The Moderate Growth Portfolio



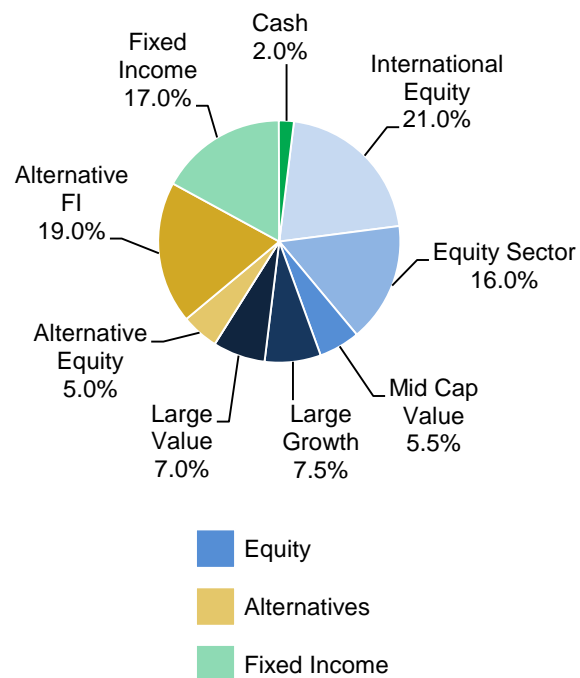
	2016	2015	2014	2013	2012	2011	2010	2009	1-Yr	3-Yrs	5-Yrs	7-Yrs	Since Inception <sup>1</sup>
COMPOSITE GROSS RETURN	6.63%	-1.77%	5.46%	16.75%	12.66%	1.53%	11.89%	15.77%	9.51%	4.21%	6.83%	7.49%	6.22%
COMPOSITE NET RETURN	4.92%	-2.82%	4.07%	15.63%	12.66%	1.53%	11.89%	15.77%	7.73%	2.80%	5.69%	6.67%	5.55%
BLENDED BENCHMARK <sup>2</sup>	6.07%	-1.17%	4.81%	13.66%	12.08%	-1.64%	11.10%	24.70%	9.80%	4.34%	6.34%	6.57%	5.57%

Sources: Stringer Asset Management and Zephyr. Performance data quoted represents past performance and is for illustrative purposes only. Past performance is not a guarantee of future results. The total returns presented are gross and net of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. Returns include the reinvestment of income. <sup>1</sup>Since Inception: composite performance begins September 2008. <sup>2</sup>Blended Benchmark: The blended benchmark is 65% MSCI ACWI Index and 35% Barclays U.S. Aggregate Bond Index. The indices represented do not bear transaction costs or management fees, and cannot be actually bought or sold. To the extent a shareholder pays sales charges, the performance shown would be less. All indices are unmanaged and investors can not invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. Please refer to the important disclosures found at the end of this document.

# Our Portfolios

## The Moderate Growth Portfolio

Asset Allocation as of March 31, 2017



Equity Sector Exposure as of March 31, 2017

	Moderate Growth Portfolio	MSCI ACWI Index
CONSUMER DISCRETIONARY	13.95%	12.10%
CONSUMER STAPLES	5.97%	9.49%
ENERGY	4.13%	6.62%
FINANCIALS	23.06%	18.31%
HEALTH CARE	13.53%	11.22%
INDUSTRIALS	8.07%	10.89%
INFORMATION TECHNOLOGY	18.10%	16.46%
MATERIALS	3.52%	5.16%
REAL ESTATE	2.55%	3.15%
TELECOMM. SERVICES	2.63%	3.42%
UTILITIES	4.49%	3.16%

Sources: Stringer Asset Management and Bloomberg. For index definitions, see the Index Definitions section at the end of this document.

# Our Portfolios

## The Moderate Growth Portfolio

Portfolio Holdings as of March 31, 2017

Allocation	Ticker	Investment	Moderate Growth Portfolio
FIXED INCOME	BND	Vanguard Total Bond	17.00%
INTERNATIONAL EQUITY	DWM	WISDOMTREE INTERNATIONAL EQUITY	8.00%
LARGE GROWTH	MTUM	ISHARES MSCI USA MOMENTUM FACTOR	7.50%
LARGE VALUE	VTV	VANGUARD VALUE ETF	7.00%
ALTERNATIVE FIXED INCOME	FPE	FIRSTTRUST PREFERRED SECURITIES	6.00%
MID VALUE	MDYV	SPDR S&P 400 MID CAP VALUE ETF	5.50%
ALTERNATIVE FIXED INCOME	CWB	SPDR BARCLAYS CONVERTIBLE SECURITIES	5.00%
INTERNATIONAL EQUITY	HEFA	ISHARES CURRENCY HEDGED MSCI EAFE	5.00%
ALTERNATIVE EQUITY	PBP	POWERSHARES S&P500 BUYWRITE	5.00%
INTERNATIONAL EQUITY	DXJ	WISDOMTREE JAPAN HEDGED EQUITY	4.00%
INTERNATIONAL EQUITY	GSIE	GOLDMAN SACHS ACTIVEBETA INTL EQUITY	4.00%
EQUITY SECTOR	IXG	ISHARES GLOBAL FINANCIALS	4.00%
ALTERNATIVE FIXED INCOME	IYLD	ISHARES MORNINGSTAR MULTI-ASSET INCOME	4.00%
EQUITY SECTOR	QTEC	FIRST TRUST NASDAQ-100-TECHNOLOGY	4.00%
ALTERNATIVE FIXED INCOME	TOTL	SPDR DOUBLELINE TOTAL RETURN	4.00%
EQUITY SECTOR	XLV	HEALTH CARE SELECT SECTOR SPDR	4.00%
EQUITY SECTOR	XLY	CONSUMER DISCRETIONARY SELECT SPDR	4.00%
CASH	-	CASH	2.00%

Please note that portfolio holdings are subject to change without notice. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

# Our Team

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## **Gary Stringer, CFA**

Mr. Stringer serves as the President and Chief Investment Officer for Stringer Asset Management, LLC (SAM). Mr. Stringer leads the portfolio management efforts for the Firm's mutual funds and separately managed account portfolios. In this role, he works with the team to develop the Firm's investment management process, strategic and tactical allocations, as well as security selection. Prior to co-founding SAM in February 2013, Mr. Stringer was a Managing Director at Morgan Keegan and Company, Inc. where he served as the Director of Investments for Morgan Keegan's Wealth Management Services division. Mr. Stringer holds a Bachelor of Science degree in Marketing from the University of Maryland, as well as the Chartered Financial Analyst (CFA) designation, and is a member of the CFA Society of Memphis. He has also completed the Securities Industry Institute sponsored by the Securities Industry and Financial Markets Association and the Wharton School. Additionally, Mr. Stringer speaks at various industry conferences and is a frequent contributor to financial industry publications.

## **Kim Escue, CFA**

Mrs. Escue serves as the Senior Portfolio Manager at Stringer Asset Management, LLC (SAM). Ms. Escue is responsible for the daily management of both the Firm's mutual funds and separately managed account portfolios. In her role, she works with the team to develop the Firm's strategic allocations and security selection, as well as develop tactical themes based on current market opportunities. Prior to co-founding SAM, Ms. Escue was with Morgan Keegan and Company, Inc. for over 15 years where she was a Due Diligence Analyst and a member of the Firm's Investment Strategy Committee. Ms. Escue received both her Bachelor of Business Administration and Masters of Business Administration from the University of Memphis. She also holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Society of Memphis. Additionally, Ms. Escue is a frequent contributor to various financial industry publications.

# Our Team

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## **Chad Keller, CFP®**

Mr. Keller serves as the Portfolio Manager, Chief Operating Officer, and Chief Compliance Officer for Stringer Asset Management, LLC (SAM). Mr. Keller is a member of the investments team and works on the quantitative analysis, factor-biases, and asset allocation of the Firm's mutual funds and separately managed account portfolios. He is also responsible for the daily operations and compliance for the Firm. Prior to co-founding SAM, Mr. Keller was a Senior Investment Specialist at Morgan Keegan and Company, Inc. where he worked with investment and economic data daily, and was responsible for monitoring the risk characteristics of several of the Firm's discretionary models. Mr. Keller earned a Bachelor of Arts degree in Economics from the University of Tennessee and a Master of Business Administration from the University of Memphis. He also holds the Certified Financial Planner™ (CFP®) designation. Additionally, Mr. Keller is a frequent contributor to various financial industry publications.

## **Jonathan Bernstein, CIMA®**

Mr. Bernstein serves as Vice President and Sales & Marketing Director for Stringer Asset Management, LLC (SAM). Mr. Bernstein is responsible for business development, marketing and communication. Prior to co-founding SAM, Mr. Bernstein was a Senior Vice President and the Director of Sales and Consulting at Morgan Keegan and Company, Inc. He has spent his career working with financial advisors on effective communication, objective consulting and best practice training. He is an accomplished and dynamic presenter with extensive experience in communication, project management, operations management, and is a frequent contributor to financial industry publications. Mr. Bernstein earned a Bachelor of Science degree in Business Administration and Finance from Brooklyn College and holds the Certified Investment Management Analyst® (CIMA®) designation. Living in Katy, Texas, he is married with three children and is a valued resource in his community.



# Our Team

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## **Kenneth Hill**

Mr. Hill serves as Regional Sales Director for Stringer Asset Management, LLC (SAM), covering the Northeast and Mid-Atlantic states. Ken's background includes over 25 years of experience in investment products, sales and distribution. Prior to joining SAM, he was the Director of Sales and Distribution at an investment advisor. Ken has also held key sales and marketing positions with several other firms. His vast experience working with a variety of investment products, advisory practices, and clients make Ken a fantastic resource to advisors. His ability to simplify complex ideas and processes have helped him become an accomplished presenter and sought after industry speaker. Ken holds a Bachelor of Science degree in Economics from Kean University and resides in Wayne, NJ with his wife Meg. Ken enjoys golfing, skiing, and summers at the Jersey shore.

## **Thomas McCarthy**

Mr. McCarthy serves as Regional Sales Director for Stringer Asset Management, LLC (SAM), covering the Great Lakes region. Mr. McCarthy is responsible for educating financial advisors in Illinois, Wisconsin, Michigan, Indiana, Minnesota, and Ohio on the Firm's separately managed account portfolios and mutual funds. Prior to joining SAM, Mr. McCarthy worked with a variety of financial services organizations in a sales capacity helping them grow their assets under management through effective interaction with Financial Advisors. Mr. McCarthy earned a Bachelor of Science degree in Marketing from Marquette University and a Master of Business Administration in Finance from Loyola University.

# Disclosures

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## Performance:

Stringer Asset Management LLC is a registered investment adviser that generally provides services through model portfolios on a sub-advisory business. The firm primarily allocates client's investment management assets among exchange-traded funds ("ETFs") and secondarily among mutual funds. A fully compliant GIPS presentation along with a complete list and description of all composites is available at [www.stringeram.com](http://www.stringeram.com) or by calling 901-800-2956. Stringer Asset Management LLC claims compliance with the Global Investment Performance Standards (GIPS®).

The Moderate Growth Composite includes all portfolios that mainly invest the majority of their assets in equity exchange-traded funds but also includes fixed income and alternative ETFs selected from the global investment opportunity set. The Moderate Growth Composite has risk characteristics lower than that of the broad equity market and include but are not limited to equity risk, international investing risk and credit risk. The total returns presented are gross and net of fees. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The benchmark is a blend of 65% MSCI ACWI Index and 35% Barclays U.S. Aggregate Bond Index rebalanced quarterly as of January 1, 2016. The benchmark is market-cap weighted and is composed of several country-specific indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. Prior to January 1, 2016, the blended benchmark was 65% MSCI World Index and 35% Barclays U.S. Aggregate Bond Index rebalanced quarterly. Prior to January 1, 2015, the blended benchmark was 45% Russell 3000 Index, 20% MSCI ACWI xUS Index and 35% Barclays U.S. Aggregate Bond Index rebalanced quarterly. In both cases, the benchmark was retroactively changed to more closely follow our investment strategy. The index represented does not bear transaction costs or management fees, and cannot be actually bought or sold. It is not possible to invest directly in an index. For index definitions, see the Index Definitions section at the end of this document. The U.S. Dollar is the currency used to express performance. Material use of leverage, derivatives and short positions are not used in this composite.

**Past performance is not indicative of future results.** The investment return and principal value of an investment will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. Advisory fees and any other expenses incurred in the management of the account will reduce actual returns. The performance of any individual portfolio may not be considered comparable to the Composite performance.

# Disclosures

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**ETFs are offered by prospectus. Investors should carefully consider a fund's investment objectives, risks and charges before investing. The prospectus contains this and other information. Your financial advisor can provide prospectuses which you should read carefully before investing. Any discussion of the individual securities that comprise a portfolio is provided for informational purposes only and should not be deemed a recommendation to buy or sell any security.**

The benchmark indices are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the accounts included in the composites. These indices were chosen to give perspective on the risk management philosophy and asset allocation portfolio management process for the composite performances.

## Index Definitions:

*CBOE BuyWrite* – This Index provides a measure of a hypothetical buy-write strategy on the S&P 500 Index. This strategy consists of a hypothetical portfolio consisting of a "long" position indexed to the S&P 500 Index and the sale of a succession of one-month, at- or slightly out-of-the-money S&P 500 Index call options that are listed on the Chicago Board Options Exchange.

*Barclays U.S. Aggregate Bond Index* – This Index provides a measure of the U.S. investment grade bond market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have at least 1 year remaining to maturity. In addition, the securities must be denominated in US dollars and must be fixed rate, nonconvertible and taxable.

*FTSE Nareit All Equity REITs Index* – This Index includes the price and income returns of all publicly traded Equity REITs.

*IA SBBI FI Blend Index* – This index is a blend of the Ibbotson Associates U.S. Intermediate and Long-Term Government Bond Indexes. They are created using different return streams for various periods and estimates provided by Thomas Coleman, Lawrence Fisher and Roger Ibbotson.

*MSCI ACWI (Net) Index* – This Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI Index consists of 23 developed and 23 emerging market country indexes. Net total return includes the reinvestment of dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

*MSCI EAFE Index* – This Index is a free-float weighted equity index and covers countries in Europe, Australasia, Israel and the Far East.

*Russell 3000 Index* – This Index measures the performance of the broad U.S. equity market. It serves as the underlying index for Russell 3000 Growth and Value series and the Russell 1000 and Russell 2000 Indexes, as well as their respective Growth and Value series. The Index is capitalization-weighted and consists of the 3000 largest companies domiciled in the U.S. and its territories. Component companies are adjusted for available float and must meet objective criteria for inclusion to the Index. Reconstitution is annual.

*S&P 500 Index* – This Index is a capitalization-weighted index of 500 stocks. The Index is designed to measure performance of a broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

*S&P GSCI Index* – This Index is a measure of general commodity price movements and inflation in the world economy.

# Disclosures

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## Statistical Definitions:

*Standard deviation* – A statistical measure of volatility, standard deviation is often used as an indicator of the ‘risk’ associated with a return series. Standard deviation of return measures the average deviations of a return series from its mean. A large standard deviation implies that there have been large swings in the return series of the manager.

*Maximum drawdown* – This is the maximum loss (compounded, not annualized) that the manager incurred during any sub-period of the entire time period. Conceptually, this is the biggest “peak to trough” loss. The calculation looks at all sub-periods of the time period in question and calculates the compound return of the manager over that period. The maximum drawdown is the minimum of zero and all these compounded returns.

*Alpha* – Alpha is a measure of risk (beta)-adjusted return. Alpha measures the difference between a portfolio's actual returns and what it might be expected to deliver based on its level of risk. In an ideal sense, higher risk should equate to higher return. A positive alpha means the fund has beaten expectations. A negative alpha means that the fund has failed to match performance given its level of risk. If two managers have the same return, but one has a lower beta, that manager would have a higher alpha.

*Beta* – This represents the systematic risk of a portfolio and measures its sensitivity to a benchmark. A portfolio with a beta of one is considered to be as risky as the benchmark and would therefore provide expected returns equal to those of the market benchmark during both up and down periods. A portfolio with a beta of two would move approximately twice as much as the benchmark.

## Principal Risks:

*Allocation risk* – The performance of the portfolio relative to its benchmark will depend largely on the decisions to strategic asset allocation and tactical adjustments made to the asset allocation. At times, judgments as to the asset classes in which the portfolio should invest may prove to be wrong, as some asset classes may perform worse than others or the equity markets generally from time to time or for extended periods of time. *Market risk* – The value of securities in the portfolio may decline due to daily fluctuations in the securities markets, including fluctuation in interest rates, national and international economic conditions and general equity market conditions. *Management style risk* – To the extent the portfolio focuses on a particular style of stocks, such as growth or value, its performance may at times be better or worse than that of similar portfolios with other focuses or that have a broader investment style. *Business and sector risk* – From time to time, a particular set of circumstances may affect a particular industry or certain companies within an industry, while having little or no impact on other industries or other companies within the industry. *Large company risk* – The portfolio may invest in larger, more established companies, which may be unable to respond quickly to new competitive challenges such as changes in consumer tastes or innovative smaller competitors. Also, large companies are sometimes unable to attain the high growth rates of successful, smaller companies, especially during extended periods of economic expansions. *Mid-sized company risk* – The portfolio may invest in mid-cap companies, which may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these mid-sized companies may pose additional risks, including liquidity risk, because these companies tend to have limited product lines, markets and financial resources, and may depend upon a relatively small management group. *Small company risk* – The portfolio may invest in smaller companies, which generally have less experienced management teams, serve smaller markets, and find it more difficult to obtain financing for growth or potential development than larger companies.

# Disclosures

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## Principal Risks (continued):

*Real Estate Investment Trust ("REIT") risk* – The portfolio may invest in ETFs or other pooled investment vehicles that invest in REITs. REITs are susceptible to the risks associated with investing in real estate generally, including, among others, declines in the value of real estate, lack of ability to access the credit markets and defaults by borrowers or tenants. *Commodities risk* – The portfolio may invest in ETFs or other pooled investment vehicles that invest in commodities, such as raw materials or agricultural products. Commodities are tied to future market values and future income and are vulnerable to adverse movements in prices and exchange rates. Additionally, the price of commodities may be affected by geopolitical changes and relations. *Credit risk* – An issuer of debt securities may not make timely payments of principal and interest. *Debt securities risk* – Increases in interest rates typically lower the value of debt securities held by the portfolio. Investments in debt securities include credit risk. There is also the risk that a bond issuer may “call,” or repay its high yielding bonds before their maturity dates. Debt securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. Limited trading opportunities for certain debt securities may make it more difficult to sell or buy a security at a favorable price or time. *High yield securities risk* – Investments in high yield fixed income securities, also known as “junk bonds”, involve a greater risk of default and are subject to a substantially higher degree of credit risk or price fluctuations than other types of debt securities. *Interest rate risk* – Increases in interest rates typically lower the present value of a company’s future earnings stream. Accordingly, stock prices will generally decline when investors anticipate or experience rising interest rates. *Issuer risk* – The value of an individual security or particular type of security can be more volatile and thus perform differently than the market as a whole. *Shares of other investment companies and ETFs risk* – Investors will indirectly bear fees and expenses charged by the underlying funds in which the portfolio may invest in addition to the portfolio’s direct fees and expenses and, as a result, the cost of investing in the portfolio will generally be higher than the cost of investing directly in the underlying fund shares. Investments in ETFs bear the risk that the market price of the ETF’s shares may trade at a discount to their net asset value or that an active trading market for an ETF’s shares may not develop or be maintained. *Non-diversified fund risk* – A non-diversified fund is generally subject to the risk that a large loss in an individual issue will cause a greater loss for the fund than it would if the fund was required to hold a larger number of securities or smaller positions. *Foreign exposure risk* – Foreign markets, particularly emerging markets, can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, or economic developments. *Foreign currency risk* – The value of an investment denominated in a foreign currency will decline in dollar terms if that currency weakens against the dollar. Additionally, certain countries may utilize formal or informal currency-exchange controls or “capital controls.” Such controls may also affect the value of the portfolio’s holdings. *U.S. Government and U.S. agency obligations risk* – There can be no assurance that the U.S. Government would provide financial support to its agencies or instrumentalities (including government-sponsored enterprises) that issue or guarantee certain securities where it is not obligated to do so.

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