

# SSI Investment Management Flexible Allocation Strategy

Inception: May 1, 2009

THIRD QUARTER 2018



## ★★★★ Morningstar Rating

SSI Flexible Allocation Strategy ranks 24th out of 395 Balanced ETF Managed Portfolio Strategies reporting 5-year performance returns on Morningstar<sup>1</sup>

### Benefits

- Broad market upside participation
- Protects capital in times of market stress
- Invests in attractive market segments
- Positive return profile in varying market environments

### Securities Utilized

- Exchange traded funds (ETFs)
- Cash equivalents
- No levered or inverse ETFs

### Return Expectation

- High-single digit returns with a standard deviation of 4-7%

### Risk Controls

- Proprietary quantitative tools identify periods of unusual market stress
- Asset allocation dynamically adjusted as the market environment changes
- Strict adherence to fundamental measures, quantitative discipline, and proprietary decision tools

### About SSI

- Headquartered in Los Angeles, California
- Founded in 1973
- Registered Investment Advisor
- 100% Employee Owned
- \$1.9 Billion AUM
- 37 Employees
- 13 Investment Professionals

### Developments

Equities were mixed in September as large caps (S&P 500 +0.57%) posted gains, while small (Russell 2000 -2.41%) and mid caps (S&P MidCap 400 -1.10%) declined. Markets were helped by continued strength in domestic economic data and a new trade agreement between the USA, Mexico and Canada. The Fed raised rates late in the month, and another hike is expected in December. Longer term interest rates also moved higher, with the yield on the 10-Yr US Treasury rising by 0.20% to finish the month at 3.06%. The rise in rates pushed the Bloomberg Barclays US Aggregate Bond Index down -0.64% during September, and it is now down -1.60% year-to-date.

SSI's Flexible Allocation Strategy was profitable in September, and is solidly positive year-to-date. Strategy returns (gross) slightly lagged the 60/40 index in September, but remains ahead year-to-date. SSI's Tactical Asset Allocation (TAA) model continues to be positive on the prospects for the equity market, and the portfolio is overweight equities. The longer term market trend and domestic economic environment remain among the more positive variables. Among the biggest concerns for investors are the seemingly hawkish stance of the Federal Reserve and geopolitical issues heading into the November elections. As the environment changes, SSI's Flexible Allocation Strategy is designed to quickly adapt, adjusting asset allocation to manage risk while still participating in up-trending markets.

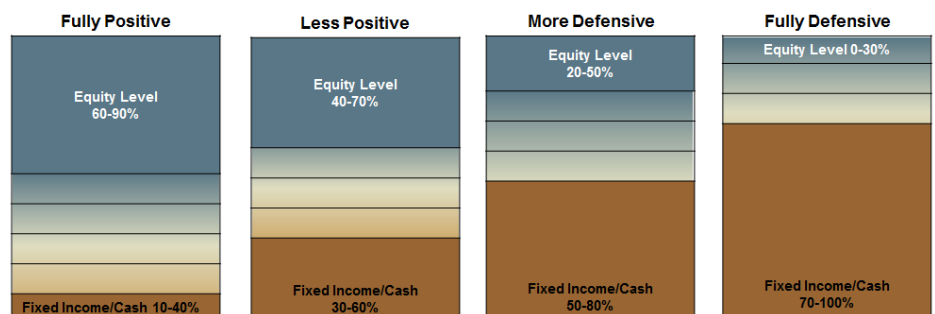
### Performance Data

Preliminary performance as of 9/30/2018  
Inception date: 5/1/2009

	Annualized Performance				
	YTD 2018	1 YR	3 YR	5 YR	Annualized Since Inception
<b>SSI Flexible Allocation Strategy (gross)</b>	<b>6.15%</b>	<b>10.89%</b>	<b>10.31%</b>	<b>8.25%</b>	<b>7.98%</b>
<b>SSI Flexible Allocation Strategy (net)</b>	<b>5.58%</b>	<b>10.13%</b>	<b>9.54%</b>	<b>7.49%</b>	<b>7.20%</b>
Benchmark <sup>2</sup>	5.64%	9.98%	10.77%	8.11%	8.62%
Morningstar Tactical Allocation Category <sup>3</sup>	1.93%	6.03%	7.15%	4.36%	—

### Portfolio Construction

Based on SSI's proprietary decision tools, the Investment Management Team establishes levels for equity and fixed income/cash investment equivalents.



■ Equity Level  
■ Fixed Income/Cash Equivalent Level

Gradient represents varying investment levels based on long-term and short-term signals

<sup>1</sup>Performance and Morningstar's overall 4-star ranking as of 9/30/2018. SSI performance results are preliminary, gross of fee. Source: Morningstar and SSI internal research. Past performance is not necessarily indicative of future results.

<sup>2</sup>The benchmark for the Flexible Allocation Strategy has historically been 50% S&P 500 / 50% T-Bills (5/12009 -7/31/2015). As the Strategy has evolved the portfolio has averaged an equity level closer to 60%. The remaining 40% has been made up of a variety of fixed income investments. As a result, a benchmark of 60% S&P 500 / 40% Barclays U.S. Aggregate Bond Index will be used beginning August 1, 2015. Please see the accompanying performance disclosure. Past performance is not a guarantee of future results.

<sup>3</sup>Returns are simple averages published by Morningstar, Inc. as of 9/30/2018. Tactical Allocation portfolios seek to provide capital appreciation and income by actively shifting allocations across investments. These portfolios have material shifts across equity regions, and bond sectors on a frequent basis. Morningstar peer group performance data is supplemental information.



**Ken Raguse, CFA**  
Portfolio Manager  
27 Yrs. Experience



**Steve Wachtel, CFA**  
Portfolio Manager  
23 Yrs. Experience



**Tim Ruiz**  
Portfolio Manager  
23 Yrs. Experience

### Investment Professionals

- Three senior Portfolio Managers with an average of 26 years of industry experience
- Nine investment professionals dedicated to convertible securities
- Six additional professionals with an average of 20 years of industry experience and 15 years at SSI

#### Compliance Statement

SSI Investment Management, Inc. ("SSI") claims compliance with the Global Investment Performance Standards (GIPS®).

#### Definition of the Firm

SSI was established in 1973 and is a Registered Investment Advisor based in Los Angeles, CA. SSI manages assets in domestic and global capital markets. SSI acquired the assets of Frolely, Revy Investment Co., Inc. ("Frolely Revy") and its composites as of March 1, 2009. SSI is 100% employee owned and is not affiliated with any parent organization nor does SSI have any subsidiaries. SSI applies quantitative disciplines and fundamental research in its management of alternative and traditional portfolios for institutional and high net-worth investors. SSI manages separate accounts, limited partnerships and acts as sub-advisor to mutual funds.

#### Policies

SSI's policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request.

#### The Composite & Benchmark

SSI's Flexible Allocation Strategy (composite created May 1, 2009) invests in a portfolio primarily of Exchange Traded Funds but may include Exchange Traded Notes and other Mutual Funds. The exposure to various asset classes including, but not limited to, equity, fixed income and cash may range from 0-100%. The composite contains fully discretionary accounts including those no longer with the firm. SSI believes a performance comparison versus the Balanced Index is appropriate. Prior August 1st, 2015, the Balanced Index was 50% of the total return of the S&P 500 and 50% of the 90-Day Treasury Bill ("Balanced Index"). Subsequent to August 1st, 2015, the Balanced Index will be 60% of the total return of the S&P 500 and 40% of the Barclays Aggregate Bond Index. Portfolios in this composite may have asset allocations that are different from the allocation of the Balanced Index. These allocations may generally range from 60% equities & 40% Barclays Aggregate to 75% equities & 25% Barclays Aggregate. The volatility of this strategy may be greater than the Balanced Index due to changes in asset allocation. The return, if any, is dependent upon SSI's discretionary management. The Barclays Aggregate Bond Index is made up of government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market and the maturities of the bonds in the index are more than one year. Any other indices shown are not necessarily comparable to SSI's Flexible Allocation Strategy. These are widely recognized market indices that are shown for informational purposes only. Investors should be aware that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. The composite name was formally known as SSI Flexible Equity Strategy from 5/1/2009 – 4/30/2015 and on 5/1/2015 the new composite name became the SSI Flexible Allocation Strategy. Benchmark rebalancing frequency: monthly.

#### Investment Management Fees

Returns are presented gross and net of management fee. Actual results of an individual account may be materially different from the performance shown herein because of differences in inception date, transaction and related costs, restrictions, fees and other factors. All performance is based in U.S. dollars and reflect, on a percentage basis for each of the periods indicated: the actual net increase (decrease) of all SSI Flexible Equity Strategy portfolios, dollar-weighted, including adjustments for unrealized gains and losses, the reinvestment of dividends and other earnings, the deduction of some investment costs, the deduction of mutual fund costs, and are time-weighted to adjust for additions and withdrawals, and (b) the net increase (decrease) of the Balanced Index.

Net performance is reduced by SSI's actual investment management fees and model fees (2011-2012). 1% annual fee is used for any model fees. Gross performance does not include deduction of SSI's investment management fees.

If performance is gross of management fees, client's actual return will be reduced by the management fees and any other expenses which may be incurred in the management of an investment advisory account. See SSI's Form ADV, Part 2A for a complete description of the investment advisory fees customarily charged by SSI. As an example, an account with an initial \$1,000,000 investment on January 1, 2003, earning a recurring 5% semi-annual gross return (10.25% annualized), and paying a .5% semi-annual management fee (1% annual fee) would have grown to \$1,340,096 on a gross of fees basis and \$1,300,392 on a net of fees basis by December 31, 2005 (3 years).

#### List of Composites

A list of the Firm's composite descriptions and/or compliant presentations are available upon request. Please contact juliea@ssi-invest.com.

#### Additional Disclosure

\*The benchmark for the Flexible Allocation Strategy has historically been 50% S&P 500 / 50% T-Bills (May 1, 2009-July 31, 2015). As the Strategy has evolved the portfolio has averaged an equity level closer to 60%. The remaining 40% has been made up of a variety of fixed income investments. As a result, a benchmark of 60% S&P 500 / 40% Barclays U.S. Aggregate Bond Index will be used beginning August 1, 2015.

When representative portfolio information is shown the representative portfolio is selected by comparing any one (but not limited to) the following criteria: most in line with composite investment objectives /consistency of investment strategy, investment restrictions, fee structure, time frame managed, type of client, size of account.

SSI acquired Frolely Revy and its composites as of March 1, 2009. Prior to the acquisition, Frolely Revy claimed GIPS compliance for the periods of 1983-2008 and was independently verified by Ashland Partners & Co.

Investors must assess the suitability of any particular investment opportunity and carry out any due diligence that they require in relation to the strategy or investments or individual holdings of the strategies that SSI manages. In doing this, investors should seek separate advice. It should not be assumed that recommendations made will be profitable and any investment is at risk of loss. This summary represents the views of the portfolio managers as of the date noted at the beginning of this document. Any holdings mentioned in the accompanying summary are from its stated strategy. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. The information in this article is not intended to be personalized recommendations to buy, hold or sell investments. The information, statements, views and opinions included in this article are based on sources (both internal and external sources) considered to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. Such information, statements, views and opinions are expressed as of the date of this article, are subject to change without further notice and do not constitute a solicitation for the purchase or sale of any investment referenced in the article.

THIS MATERIAL IS INTENDED ONLY FOR QUALIFIED INVESTORS. IT DOES NOT CONSTITUTE AN OFFER TO PURCHASE AN INTEREST IN ANY PRIVATELY OFFERED FUND MANAGED BY SSI. SSI BELIEVES THAT RESULTS WERE GENERATED WITH AN INVESTMENT PHILOSOPHY AND METHODOLOGY SIMILAR TO THAT DESCRIBED HEREIN. FURTHERMORE, THE PERFORMANCE DISCUSSED HEREIN REFLECTS INVESTMENT OF LIMITED FUNDS FOR A LIMITED PERIOD OF TIME AND DOES NOT REFLECT PERFORMANCE IN DIFFERENT ECONOMIC OR MARKET CYCLES. FUTURE INVESTMENTS, HOWEVER, WILL BE MADE UNDER DIFFERENT ECONOMIC CONDITIONS, IN DIFFERENT SECURITIES AND USING DIFFERENT INVESTMENT STRATEGIES. IT SHOULD NOT BE ASSUMED THAT FUTURE INVESTORS WILL EXPERIENCE RETURNS, IF ANY, COMPARABLE TO THOSE DISCLOSED HEREIN. THE INFORMATION GIVEN IS HISTORIC AND SHOULD NOT BE TAKEN AS ANY INDICATION OF FUTURE PERFORMANCE. THE PERFORMANCE DATA WAS PREPARED BY SSI AND WAS NOT COMPILED, REVIEWED OR AUDITED BY AN INDEPENDENT ACCOUNTANT. BEING REGISTERED AS A REGISTERED INVESTMENT ADVISOR DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING. ANY INVESTMENT IS SUBJECT TO RISK OF LOSS. ANY USE OF LEVERAGE INCREASES THE INVESTMENT GAIN OR LOSS IN DIRECT PROPORTION TO THE DEGREE OF LEVERAGE USED.