

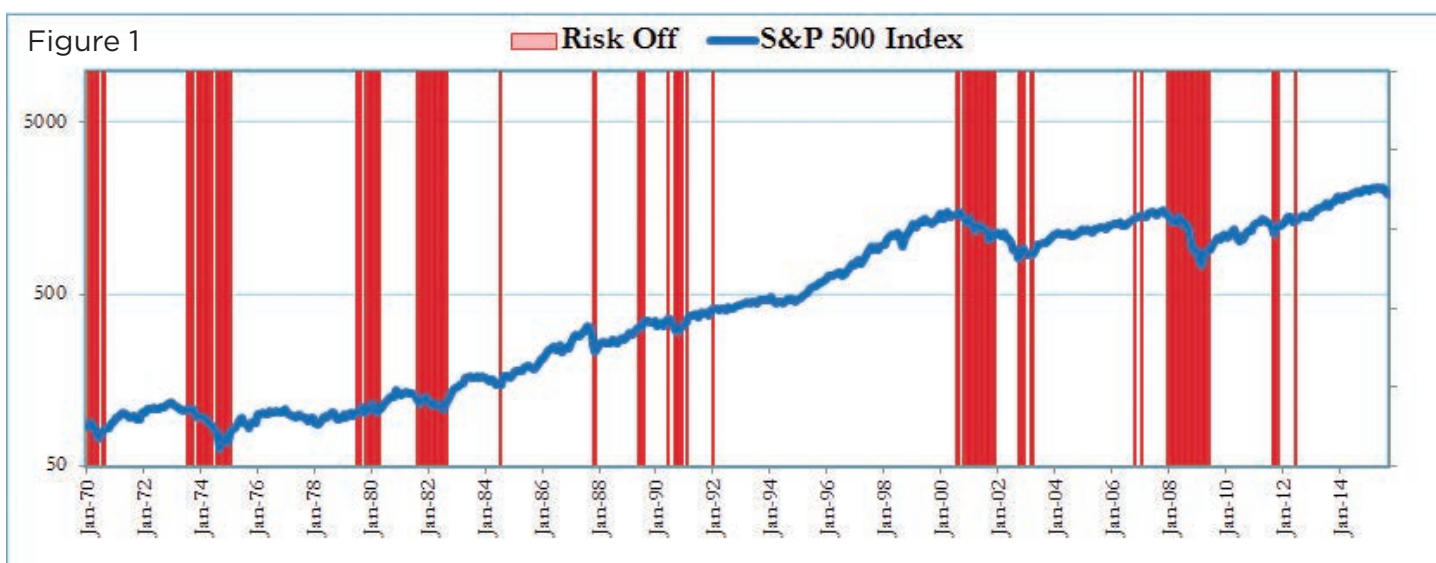
Julex Capital uses a unique approach to managing tactical asset allocation strategies. Prior to looking at sectors, styles or asset classes our process first looks at the market environment. We feel it's best to determine which market regime we are in before investing. Is it a healthy market or an unhealthy market? Is this the time to have market exposure (risk-on) or to be defensive in our positioning (risk-off). We do this by using a proprietary tool we call the RiskSwitch™. The RiskSwitch™ looks at various indicators; economic

## The RiskSwitch™

### Identifying changing market regimes

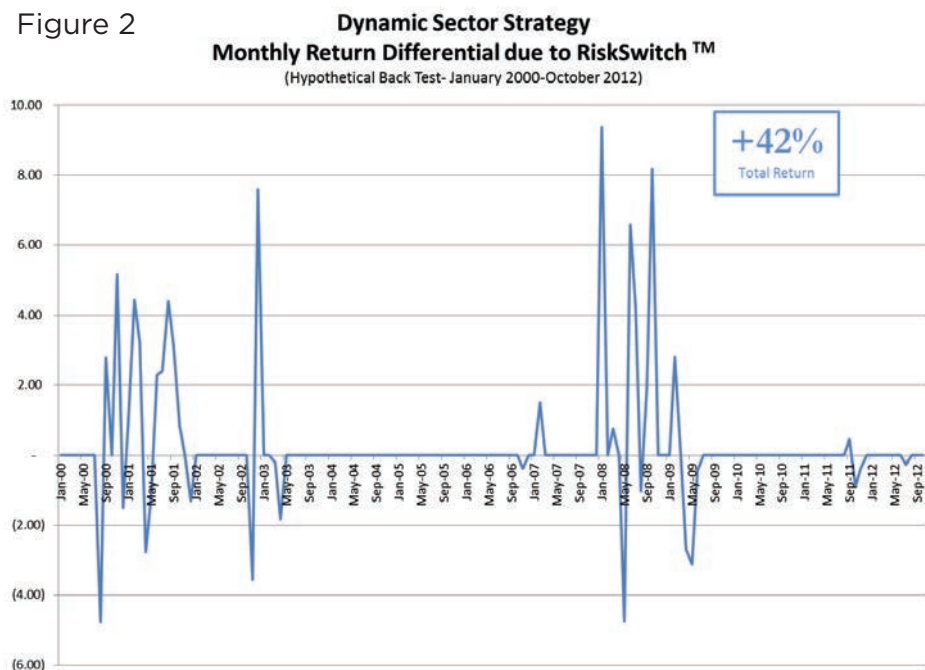
indicators, price momentum, market volatility and liquidity to determine which regime we are in.

It doesn't happen often, but sometimes it's just not a good time to be invested. The chart below (Fig. 1) looks back over time beginning in 1970 and highlights when a 'risk-off' signal was triggered by the Julex model. The vertical red lines indicate a 'risk-off' signal while the blue line is the S&P 500 over the period. You can see that during most 'risk-off' periods it was best to be out of the market.



By avoiding the market during 'risk-off' signals we have added incremental performance to our strategies. Fig. 2 looks at the monthly return differential of the Dynamic Sector strategy using the RiskSwitch™, relative to the monthly return without using the RiskSwitch™. Without the RiskSwitch™ the portfolio is based solely on the momentum of the ETFs regardless of the market environment. Performance is for the back tested period of January 2000 to October 2012.

**Figure 2**

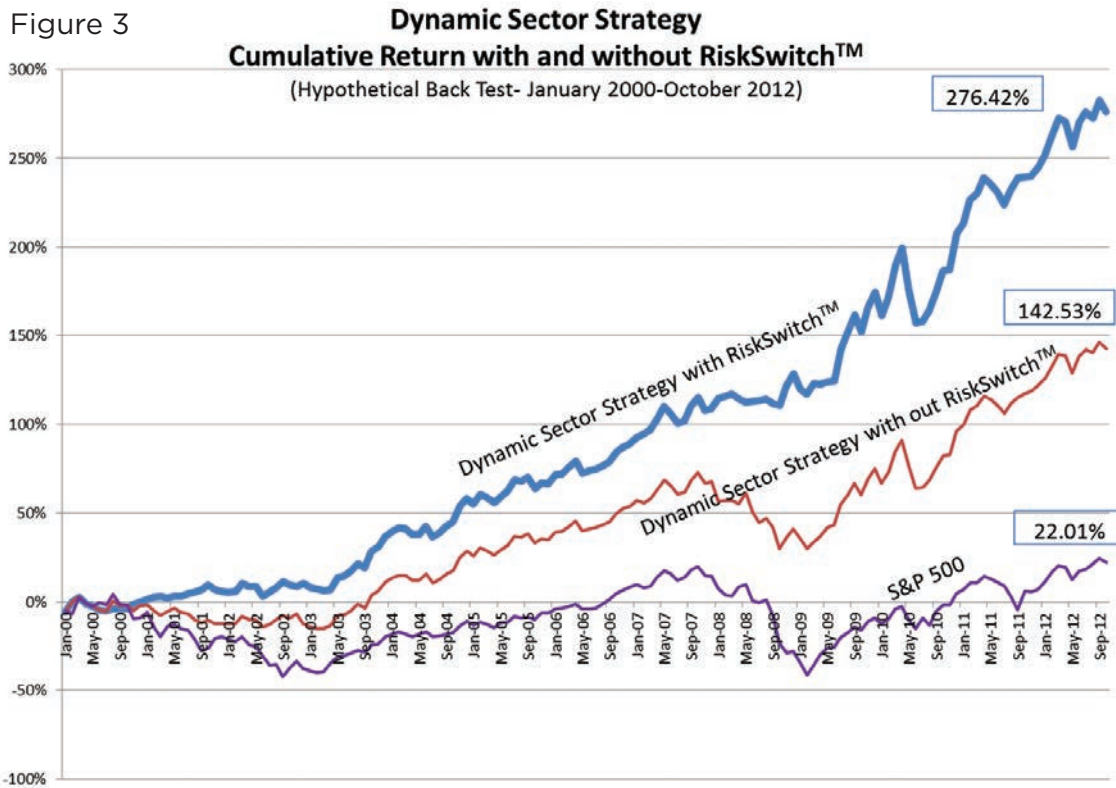


## The RiskSwitch™ - Identifying Changing Market Regimes

The flat lines in Figure 2 or periods when the differential monthly return was zero are during periods of 'risk-on' and the portfolio positioning would be the same in either scenario. The chart does demonstrate that sometimes the RiskSwitch™ will get us out of the market earlier than without, or sometimes leave the strategy out a bit longer, but in aggregate the

The RiskSwitch™ added an incremental 133% cumulative return to the strategy during this hypothetical period.

RiskSwitch™ has contributed 42% to the total return of the Dynamic Sector strategy over the period. Looking at this another way, Fig. 3 shows the cumulative return of the strategy again with and without the RiskSwitch™ relative to the S&P return over the same January 2000 to October 2012 back tested period.



Understanding the market regime and then positioning a portfolio appropriate to that regime is the cornerstone of the Julex strategies.

### Disclosures

The investment performance shown in some of slides is HYPOTHETICAL. It is based on the back tests of historical data. Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or

adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the presentation of hypothetical performance results and all of which can adversely affect actual trading results.

The composition of a benchmark index may not reflect the manner in which a Julex portfolio is constructed in relation to expected or achieved returns, investment holdings, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error targets, all of which are subject to change over time.

No representation or warranty is made to the reasonableness of the assumptions made or that all assumptions used to construct the performance provided have been stated or fully considered.



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