

Market Movement Strategies



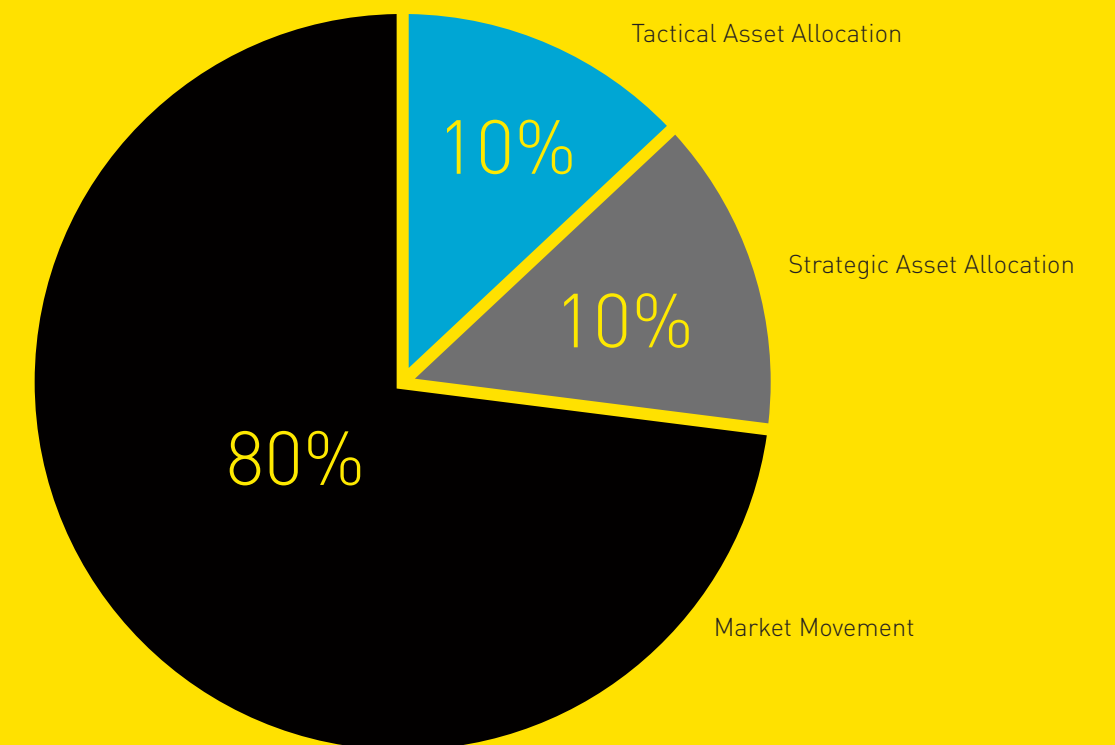
Evolved Investment Process

fj | FundChoice, LLC believes that investor confidence and satisfaction can be influenced by performance over short-term market cycles. The Market Movement Strategies (MMS) program diversifies portfolios utilizing our Three Mandate process. This process seeks to insulate clients from the unpredictability of market cycles.

According to a 2010 award winning study¹, Roger Ibbotson and Associates identified short-term market movement as the primary driver of investment returns. After advising through two market meltdowns in a decade, a clear correlation was made between Market Movement and investment performance.

The idea that portfolios could be constructed based entirely on modern portfolio theory and asset class diversification, while ignoring short-term market cycles, was left behind in the bull markets of the 90's. Advisors soon realized more types of diversification were needed.

Research Emphasizes the Importance of Market Movement on the Variance of Portfolio Returns



¹Financial Analysts Journal, March/April 2010, Volume 66. "The Equal Importance of Asset Allocation and Active Management." © 2010 CFA Institute

Mandate 1—

Strategic Market Movement

Building Confidence based on Long-Term Trends

Strategists in this mandate are optimized and stay fully invested in all market conditions.

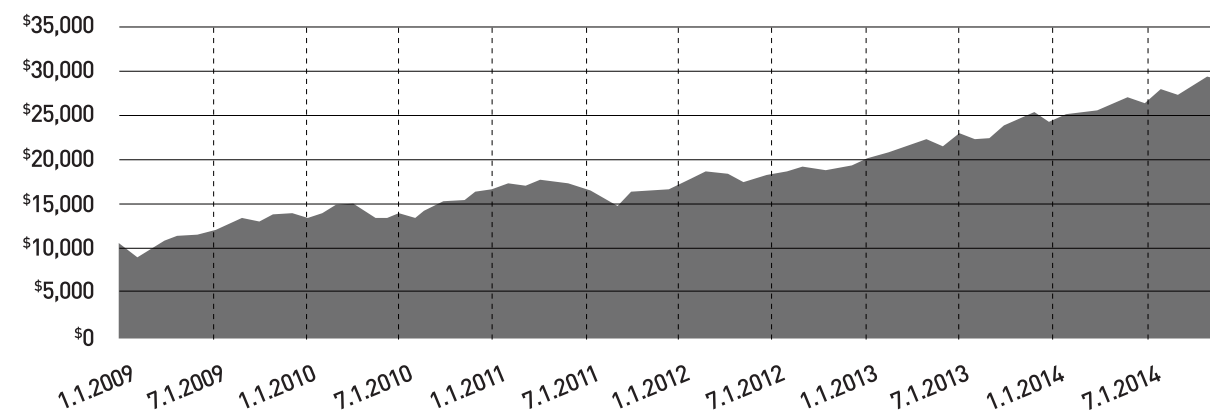
Key Characteristics:

- **Source of risk/return:** Dependent on market direction, less reliance on manager skill.
- **Role in portfolio:** Capture and fully participate in market returns; long term growth, effectively manage longevity and inflationary risks.

Strategic Market Movement

01/2009 - 12/2014
Growth of \$10,000

● S&P 500



Mandate 2—

Tactical Market Movement

Turning Frustration into Opportunity

Strategists in this mandate are highly flexible and able to adjust for changing market conditions. Their active approach allows them to increase and decrease their exposure to Market Movement as their research dictates.

Key Characteristics:

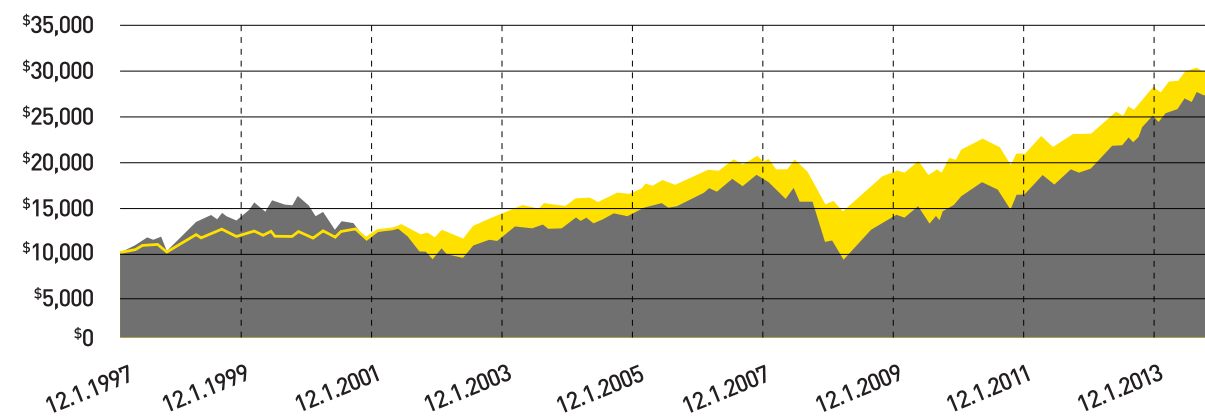
- **Source of risk/return:** Increasingly dependent on active manager decisions; Variable market exposure.
- **Role in portfolio:** Moderate/Flexible allocation designed to actively manage risk while opportunistically allocating to attractive asset classes.

Tactical Market Movement

12/1997 - 12/2014
Growth of \$10,000

● *fj* | FundChoice Tactical Index

● S&P 500



Mandate 3—

Market Movement Diversifiers

Managing Concern by Providing Consistency

Strategists in this mandate are designed to disengage from Market Movement and provide new sources of potential return and risk. They tend to exhibit low correlation to the other mandates.

Key Characteristics:

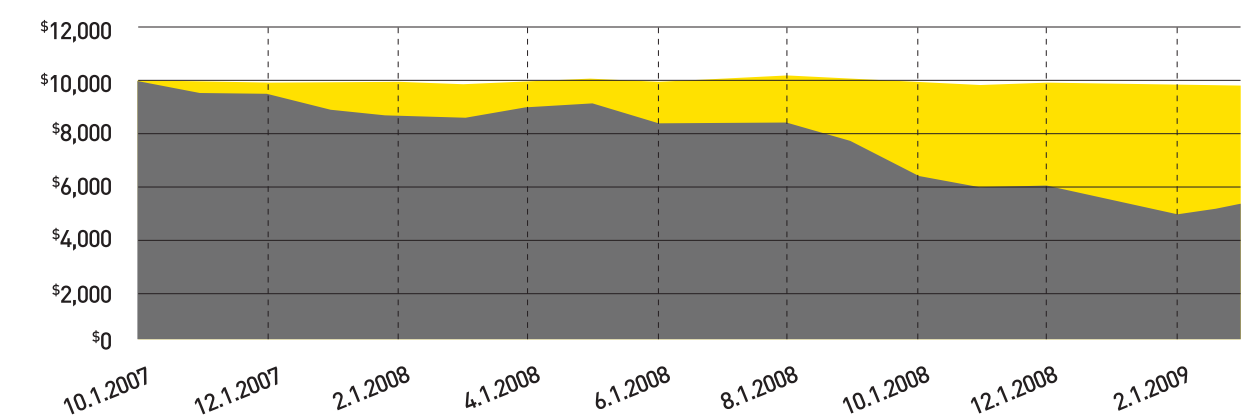
- **Source of risk/return:** Very active strategies that are heavily reliant on manager skill; use wider spectrum of asset classes and approaches; very little dependence on market direction.
- **Role in portfolio:** Counterbalance to the Strategic Mandate; focus on risk, then return, enhance diversification and protection; improve overall risk management of portfolio.

Market Movement Diversifiers

10/2007 - 03/2009
Growth of \$10,000

● *fj* | FundChoice Diversifier Index

● S&P 500



Portfolio Construction and Setting Expectations

Determining Risk

It is not unusual for investors to lack clarity in understanding how their portfolio is expected to perform. Deterred by unmet expectations and emotional reactions, many investors failed to capture returns during the large market increases over the past several years.

ftj | FundChoice's innovative MMS process includes a clear, understandable client Risk Tolerance Questionnaire, designed to provide advisors better insight on how to design portfolios and provide clear information about potential risk/return expectations.

Based on our proprietary risk scoring system, we will assist you in determining your client's propensity towards risk, resulting in a Target Risk Score. The Target Risk Score will serve as a guide during your construction of their portfolio and enable you to set expectations (i.e. a range of returns on the upside and the downside).

Our risk scoring process establishes the need for a multi-mandate approach by determining client sensitivity to cyclical market changes and volatility. Based on their agreed upon risk score their account is then allocated across the three mandates.

Building portfolios with an eye towards market changes takes investors a step beyond simply looking at what performed well in the past. We believe that diversifying by mandates provides you and your clients with greater investing confidence, regardless of what type of market cycle is coming next.



Strategist Selection

The final step in our process is to align portfolio strategies within each of the mandates. We have identified specific strategies for each mandate. Strategy allocation is implemented utilizing mutual funds and ETFs for your chosen models. We continually monitor the overall Strategist Program so you and your clients can set expectations and confidently develop customized portfolios.

For a complete list of strategies, please visit us:

*ftj*FundChoice.com



Reporting

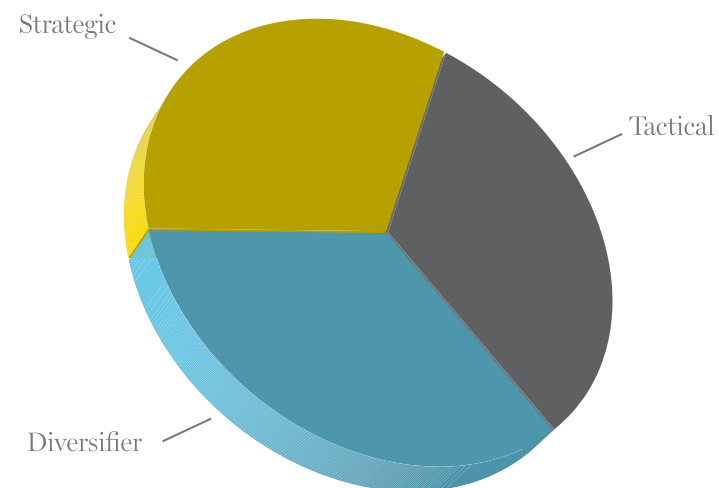
Three-Mandate Portfolio in One Account

Because MMS operates as a multi-strategy investment process, its value is reinforced by the technology and reporting capabilities it provides. The embedded UMA technology platform allows for a single account registration to house the three-mandate approach. Each mandate is segregated on the quarterly performance report and can be regarded as a separate contributor in the investment process.

For your own flexibility, mandates can be targeted individually for distribution, and the entire portfolio can be rebalanced at the registration level. *ftj* FundChoice partners with you to create practice level models for all ranges of the risk spectrum, allowing your staff to benefit from our proposal tools and efficiently design effective portfolios for your clients.

Our reporting capabilities aid client retention efforts by clearly showing mandate allocation and performance and linking it with general market movement. This ongoing reminder of the process reinforces your investment strategy and keeps the client informed. Working together to amplify your skills and grow your business, *ftj* FundChoice equips advisors with the tools to invest with confidence while simplifying your business.

Please visit [ftjFundChoice.com](http://ftjfundchoice.com) or contact sales@ftjfundchoice.com for more information.



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The performance information presented in certain charts and tables for the FTJ FundChoice Tactical Index (the "Tactical Index") and FTJ FundChoice Diversifier Index ("Diversifier Index") represent backtested performance data. The Tactical Index is comprised of equal weightings of FPACX, OIBFX, and FLMTX. The Diversifier Index is comprised of equal weightings of MERFX, BTS Select Bond Asset Allocation Program, and EAGMX. Prior to 7/1/2007, the Credit Suisse Hedge Fund Global Macro Index was used in lieu of EAGMX. FTJ FundChoice utilized the performance data provided by each of the products for the relevant periods in calculating the performance of the Tactical Index and Diversifier Index. The backtested performance results assume the reinvestment of dividends and capital gains. In addition, the performance results reflect the deduction of underlying mutual fund, brokerage and other administrative fees. The performance results also reflect FTJ FundChoice's current maximum Administrative Fee of .45% per annum. The current FTJ FundChoice Administrative Fee ranges from .15% to .45% depending upon the size of account. An assumed Advisor Fee of 1.00% per annum is also included. The Advisor Fee ranges from 0% to

2.20%. The S&P 500 Index is a market value weighted index consisting of 500 stocks chosen for market size, liquidity and industry group representation. The S&P 500 Index is unmanaged and does not incur investment management fees. It is not possible to invest directly in the S&P 500 Index.

Backtested performance is hypothetical (it does not reflect actual trading in actual accounts) and is provided for informational purposes only to indicate historical performance had the Tactical Index and Diversifier Index been available over the relevant time period. Backtested performance results do not represent the impact that material economic and market factors might have on an investment adviser's decision making process if the adviser were actually managing client money. Backtested performance also differs from actual performance because it is achieved through the retroactive application of model portfolios (in this case the Tactical Index and the Diversifier Index) designed with the benefit of hindsight. Performance results for clients that invest in strategies available at FTJ FundChoice will vary from the backtested performance of the Tactical Index or Diversifier Index due to market conditions and other factors, including investments cash flow, mutual fund allocations, frequency and precision of rebalancing, tax-management strategies, lower or higher Strategist fees, Administrative Fees and Advisor Fees, varying custodian, brokerage and other administrative fees and/or the timing of fee deductions. As a result of these and potentially other variances, actual performance for client accounts may differ materially from (and may be lower than) that of the Tactical Index and Diversifier Index. As with any investment strategy, there is potential for profit as well as the possibility of loss. FTJ FundChoice does not guarantee any minimum level of investment performance or success of any index portfolio or investment strategy. All investments involve risk and investment recommendations will not always be profitable. Past performance does not guarantee future results.



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