Alsworth Capital Management, LLC

Market & Portfolio Strategy Review

First Quarter 2016

Agenda

- Market Review
- Investment Outlook & Portfolio Positioning

Market Review

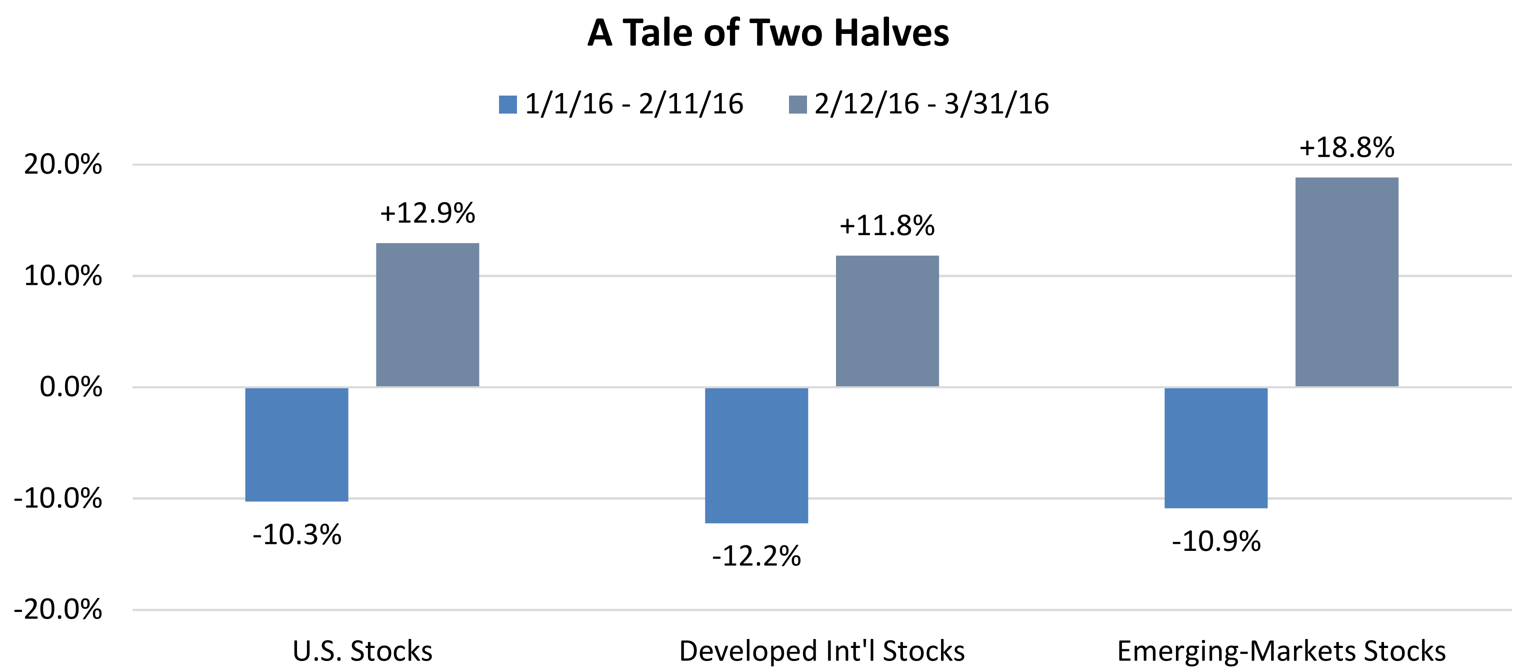
Market Review

- It was a tale of two halves in the first quarter of the year as stock markets plunged early on, falling 10% or more before reversing, and staging a furious rally into quarter end.
- Emerging-markets stocks led the charge, gaining 5.9% for the quarter. Larger-cap U.S. stocks also finished in the black, up 1.3% while developed international stocks trailed, down 1.9%.
- A bottoming in oil prices seemed to trigger the reversal in global stock markets. After reaching its lowest price since May 2003, oil prices surged more than 50% through the middle of March.
- Bonds were a main beneficiary of the market selloff as investors flocked to lower risk asset classes, but somewhat surprisingly bonds were able to hold their gains even as risk assets rallied.
- Monetary policy was an important factor this quarter as investors digested announcements from the Fed, European Central Bank, and Bank of Japan.

Asset Class	Q1 2016	Year-to-Date (3/31/16)
U.S. Treasurys	3.2%	3.2%
U.S. Investment-Grade Bonds (Intermediate-Term)	3.1%	3.1%
Municipal Bonds	1.7%	1.7%
Floating-Rate Loans	1.5%	1.5%
High-Yield Bonds	3.2%	3.2%
U.S. Larger-Cap Stocks	1.3%	1.3%
U.S. Smaller-Cap Stocks	-1.5%	-1.5%
Developed International Stocks	-1.9%	-1.9%
Emerging-Markets Stocks	5.9%	5.9%

**Data source information can be found in the disclosure slide*

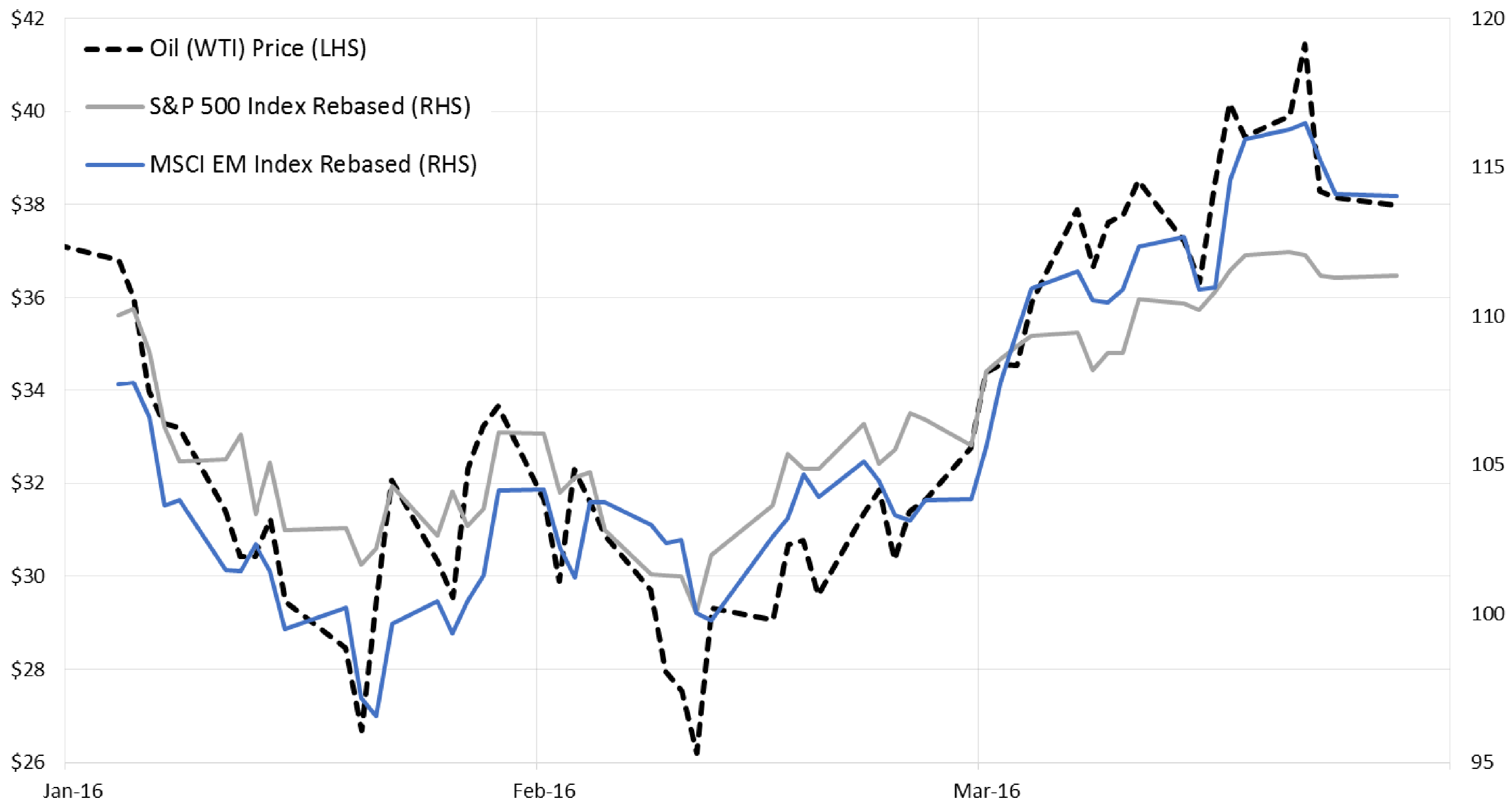
Stock Markets Got Off to One of Their Worst Starts to a Year Ever Before Reversing and Rallying Strongly Into Quarter End



- The major global stock markets got off to a rocky start for 2016, falling 10% or more through the lows of February.
- In mid-February, global stock markets reversed quickly and rallied sharply into quarter end. The rally was led by a strong turnaround in emerging-markets stocks.

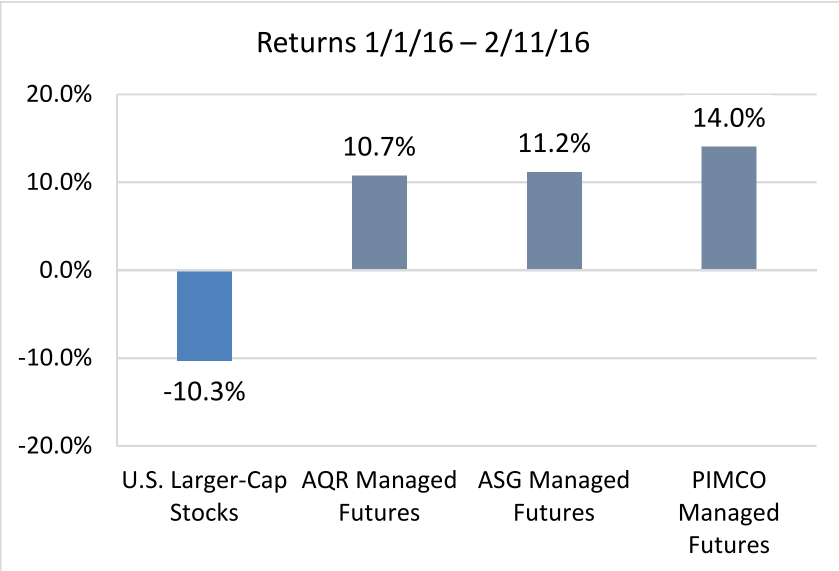
Source: Morningstar Direct. Using price and U.S. dollar returns.

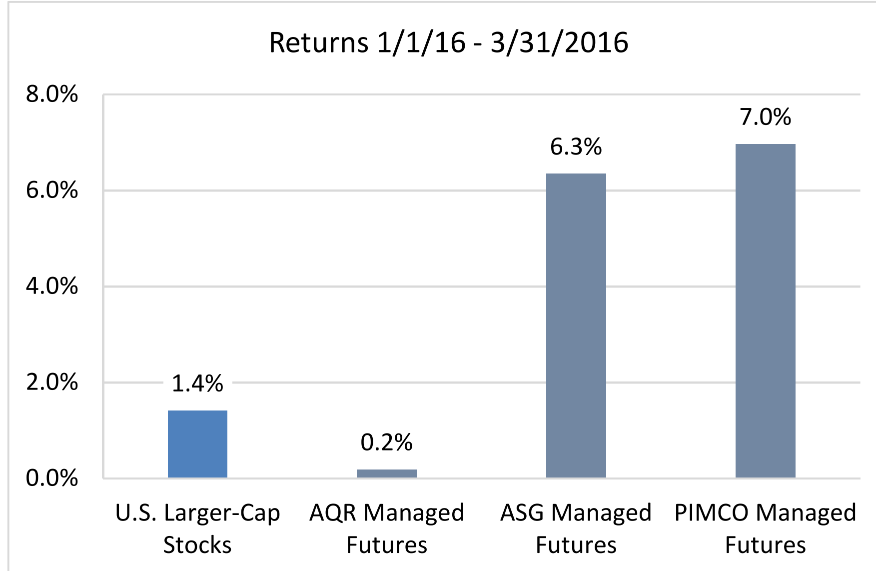
A Bottoming in Oil Prices Seemed to Trigger the Reversal in Global Stocks



Source: Morningstar Direct. Using price and U.S. dollar returns. Data as of 3/31/2016.

Managed Futures Funds Helped to Cushion the Selloff in Stocks

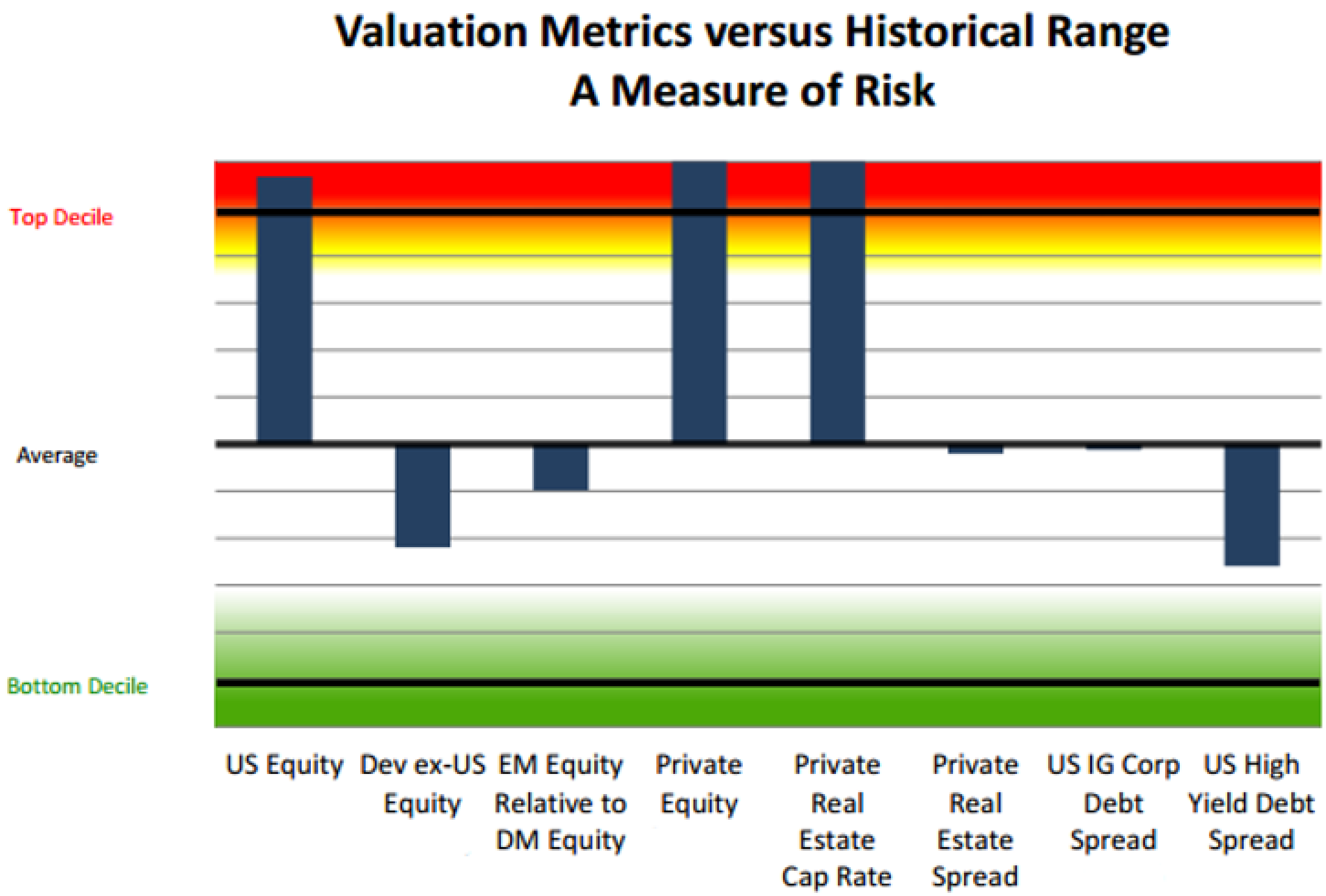




- Our position in managed futures helped to buffer the downdraft, as the funds were up more than 10% during the first half of the quarter.
- While the managed futures funds gave up some return as the markets reversed and rallied, in aggregate they still outperformed U.S. stocks over the full quarter.
- Trend-following strategies have historically offered attractive diversification benefits (almost zero long-term correlation) to traditional portfolios, with long-term positive returns and a high likelihood of strong relative performance during equity bear markets.

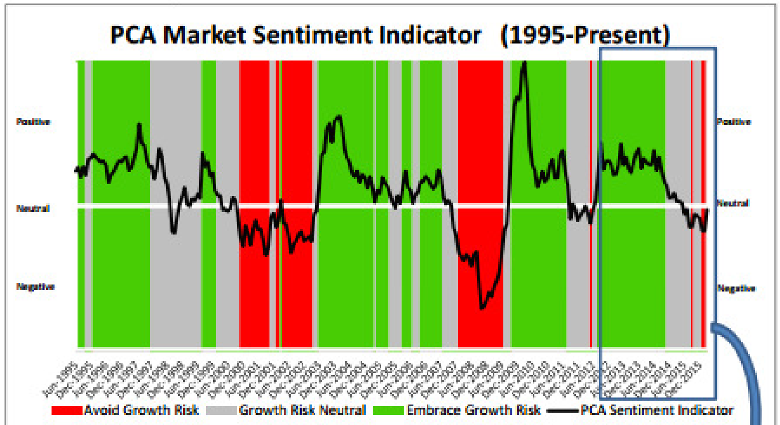
Source: Morningstar Direct. Using price and U.S. dollar returns.

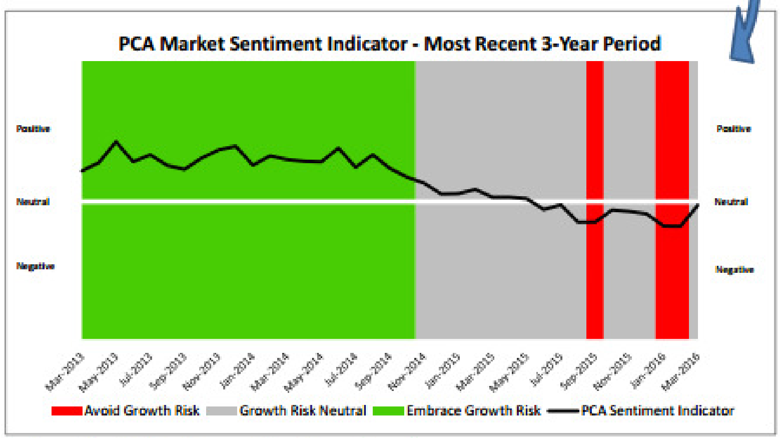
Pension Consulting Alliance, Inc. – Risk Overview



Pension Consulting Alliance, Inc. – Risk Overview

Market Sentiment





Information Behind Current Sentiment Reading

Bond Spread Momentum Trailing-Twelve Months	Negative
Equity Return Momentum Trailing-Twelve Months	Positive
Agreement Between Bond Spread and Equity Spread Momentum Measures?	Disagree
Growth Risk Visibility (Current Overall Sentiment)	**Neutral**

PENSION CONSULTING ALLIANCE, LLC. • Investment Market Risk Metrics

Investment Outlook and Portfolio Positioning

Outlook: Unchanged

- U.S. Equities: Risk
  - Profit margins are well above historical averages and unsustainable
  - Stocks are pricey and most likely expected returns from current valuation levels are not encouraging
- Rising interest rates: Risk
  - Low returns expected for core bonds over the next five years
  - Absolute-return-oriented fixed-income funds can better manage their interest rate sensitivity

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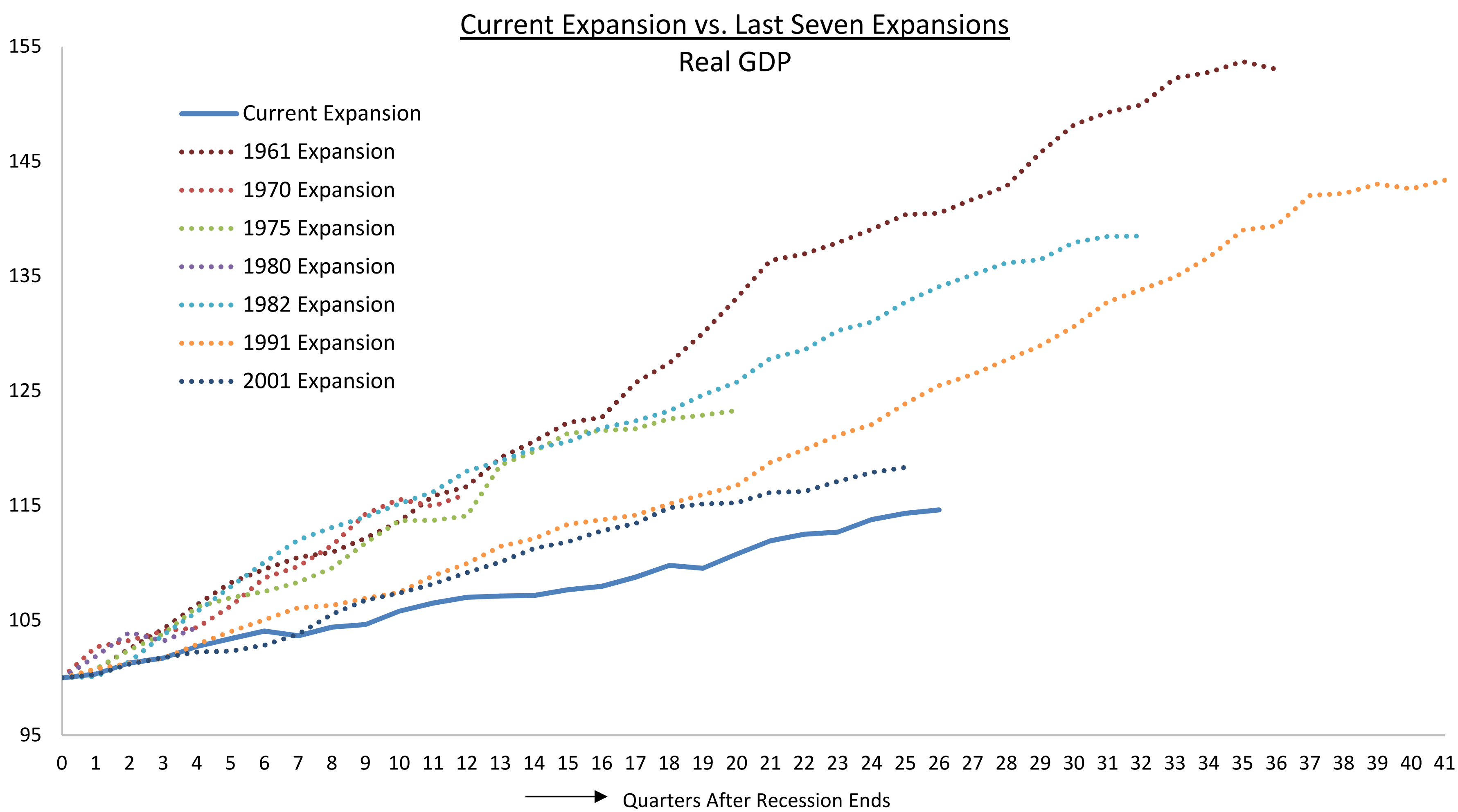
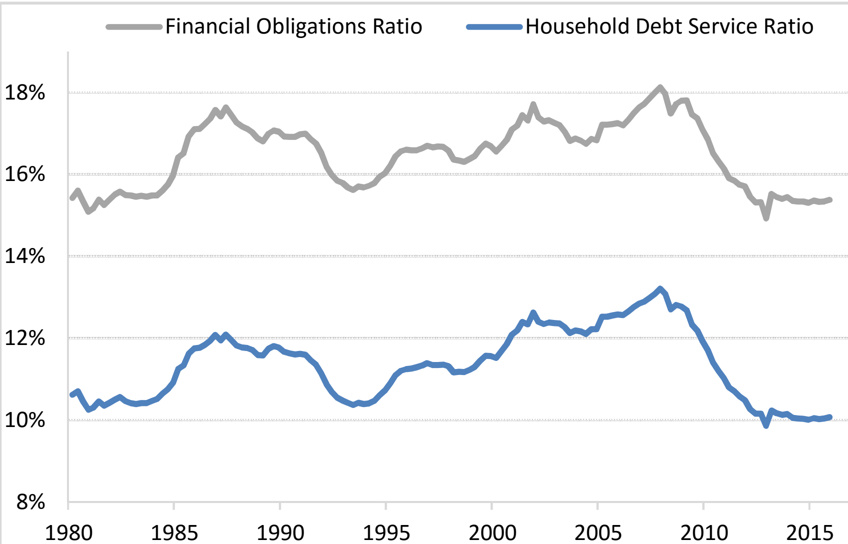
- International Equities: Opportunity
  - Attractive stock valuations despite recent elevated uncertainty
  - Probability is high that market earnings growth will be higher than current depressed levels indicate
- Alternative Strategies: Opportunity
  - Better risk-adjusted return potential in volatile equity and bond markets
  - Diversification and a source of return independent from traditional stock and bond markets

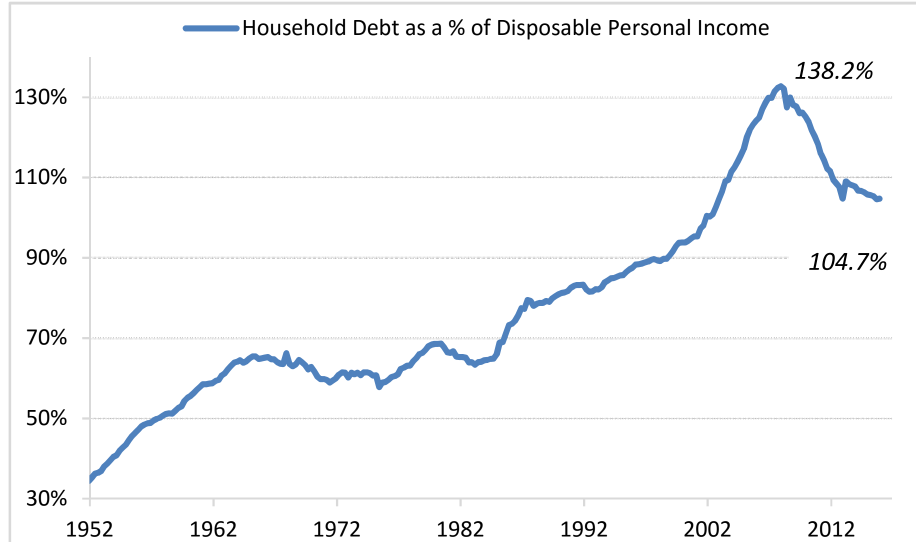
The U.S. Economy Appears in Decent Shape, But Growth Remains Subpar Relative to Previous Expansions



Source: Bureau of Economic Analysis. Data as of 12/31/2015.

Household Balanced Sheets are Solid and Consumers Have Reduced Their Debt Load Considerably Since the Financial Crisis

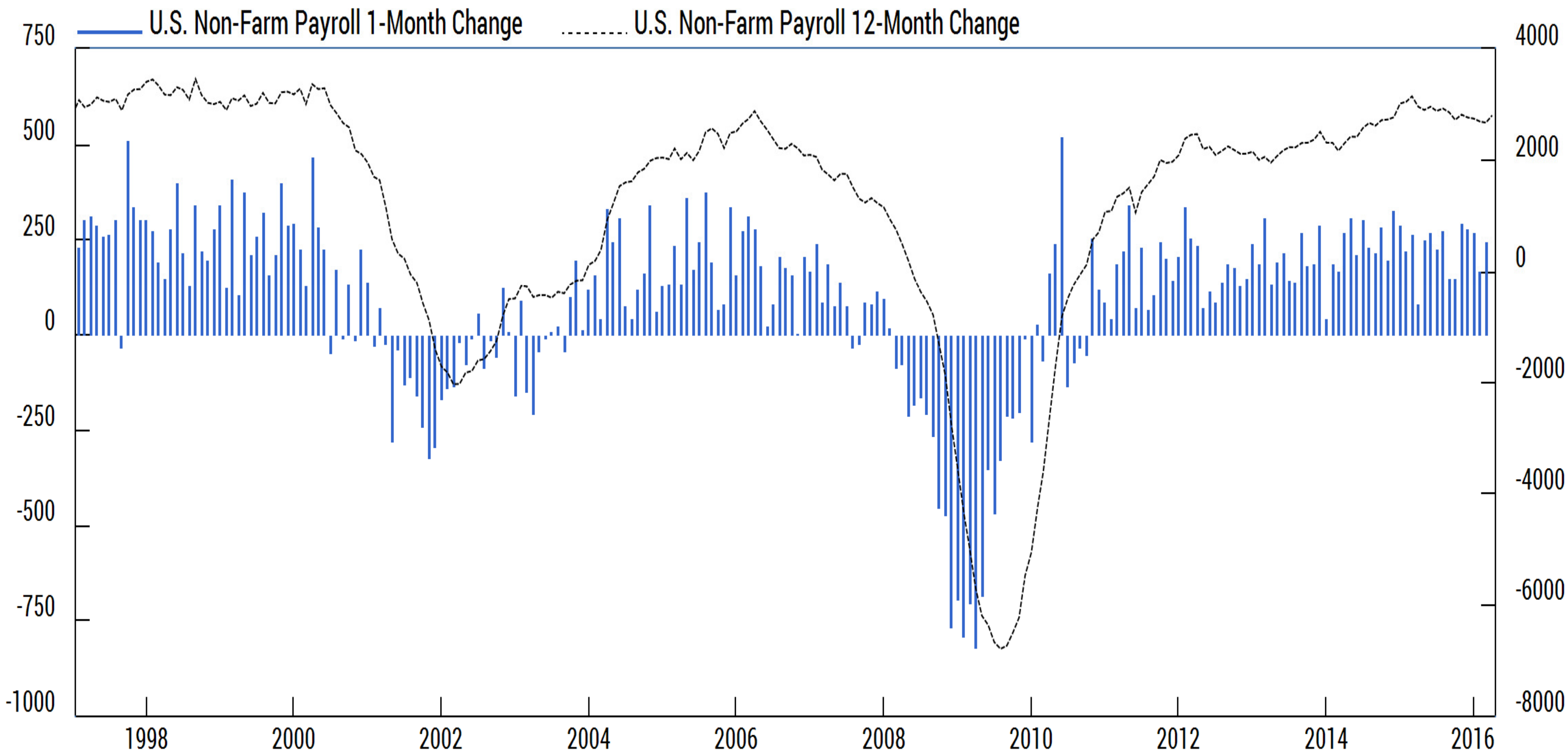




- Household debt as a percentage of disposable income fell to its lowest level since 2002, while household net worth hit an all-time high of $87 trillion – 25% above its previous high before the financial crisis.
- Thanks in part to all-time low interest rates, household debt-service payments and financial obligations as a percentage of disposable income remain around all-time lows.
- Consumers are conservatively positioned and have the ability to increase their spending and/or borrowing if they choose to do so.

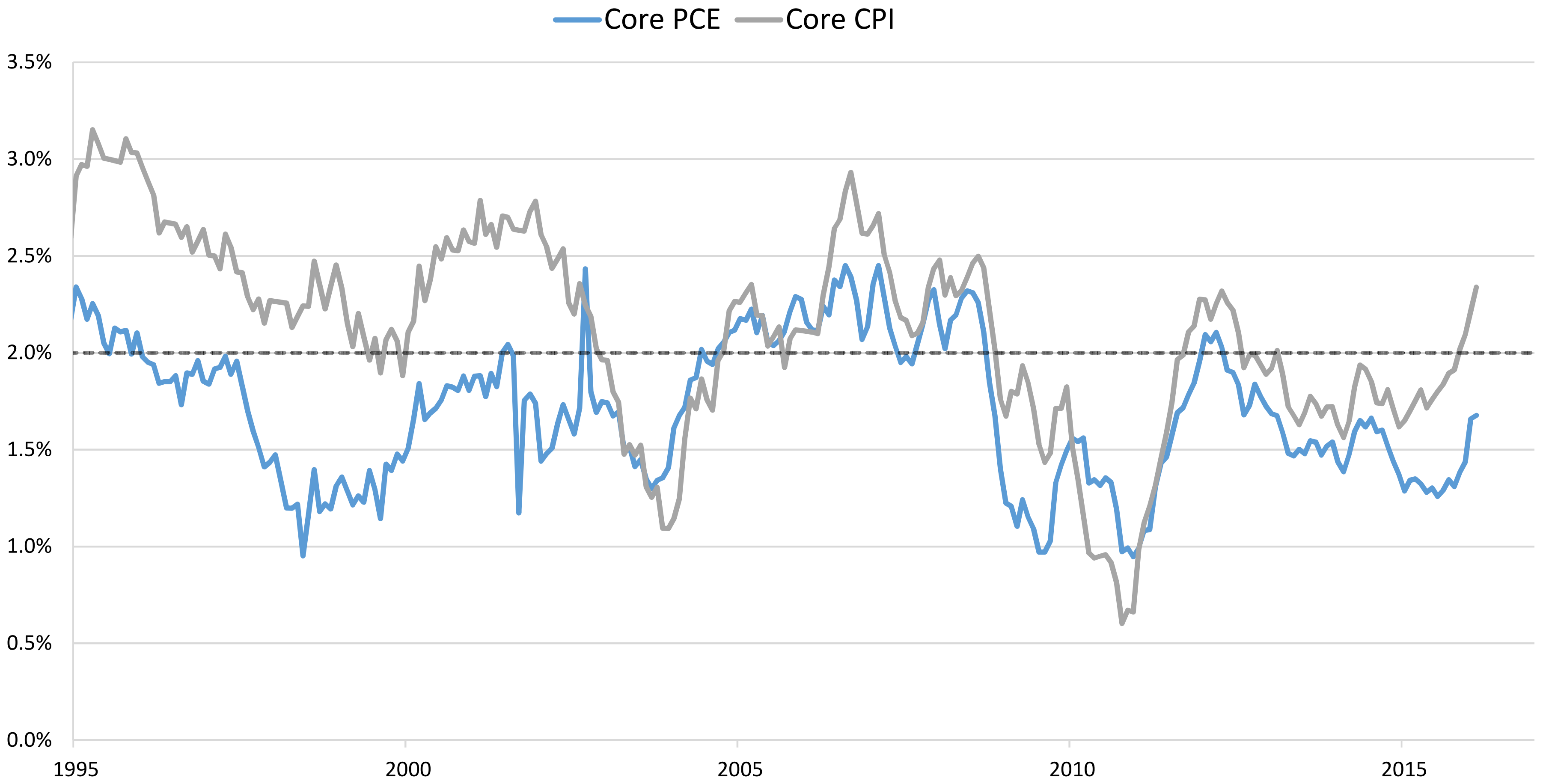
Source: Board of Governors of the Federal Reserve System. Data as of 12/31/2015.

The Labor Market Continues to Improve



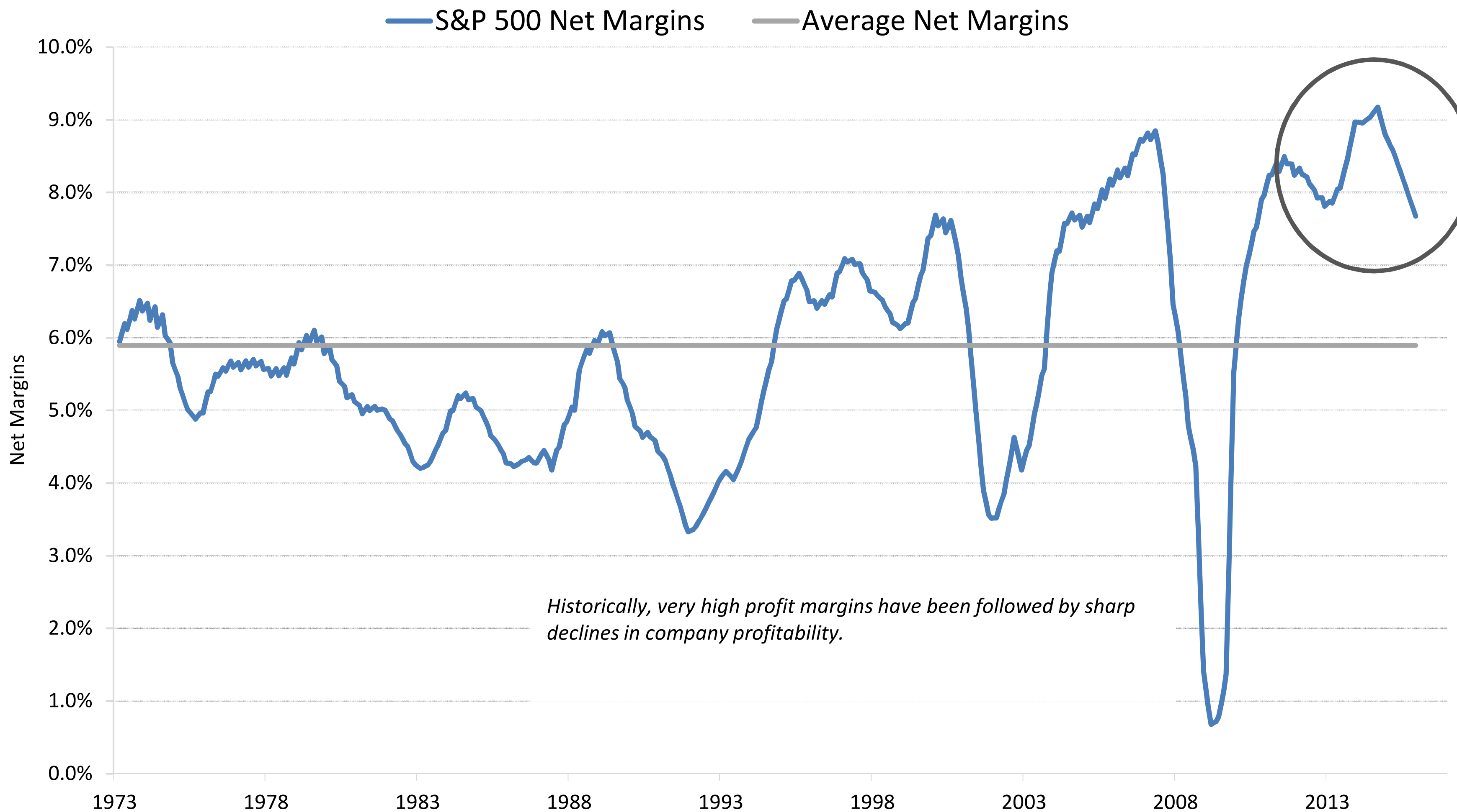
Source: Board of Governors of the Federal Reserve System. Data as of 12/31/2015.

Inflation is Rising But Still Below the Fed's Preferred Levels



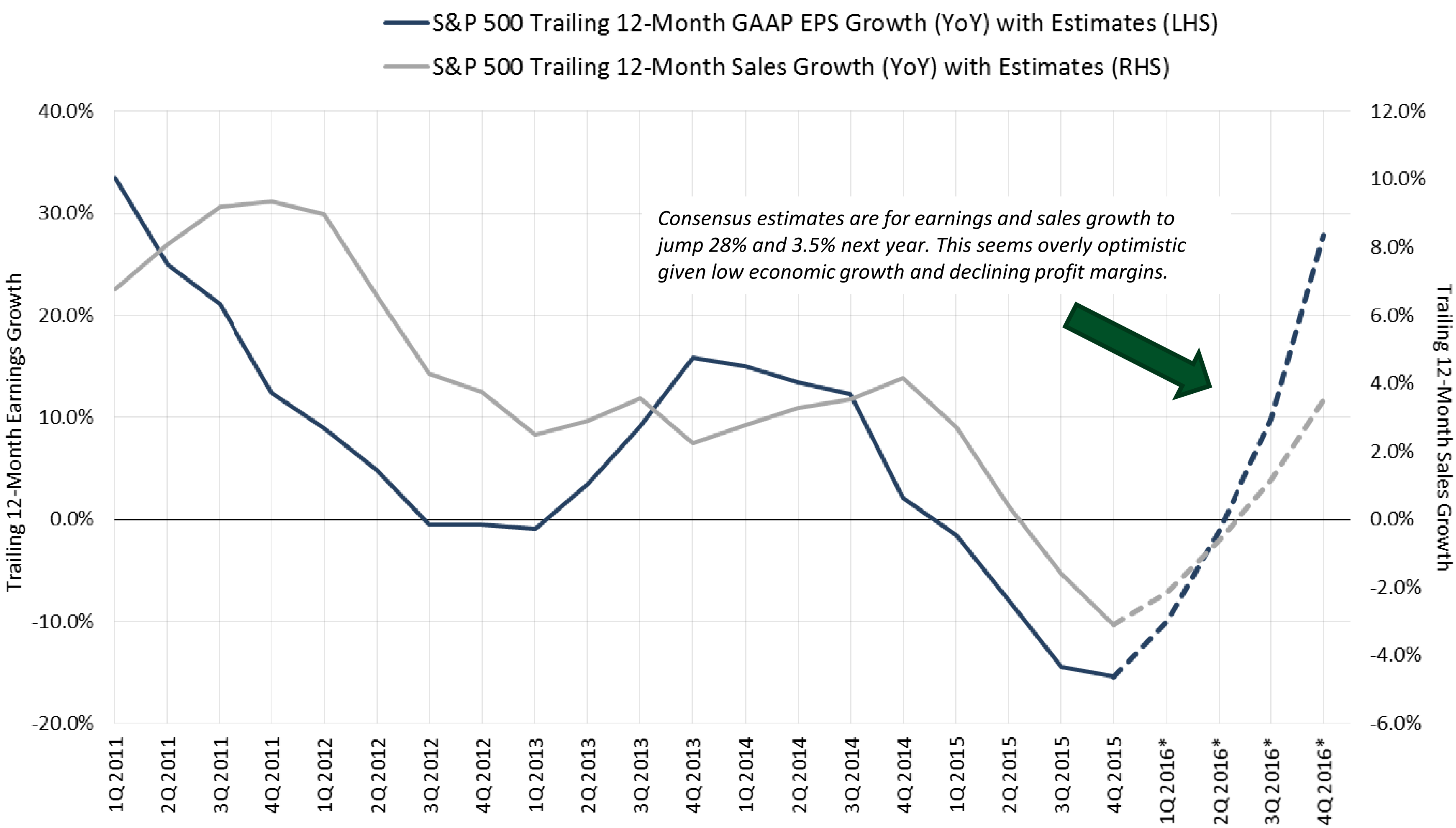
Source: U.S. Bureau of Economic Analysis. Data as of 2/29/2016.

Shrinking Profit Margins Are Pressuring Earnings Growth – And Potentially Stock Prices



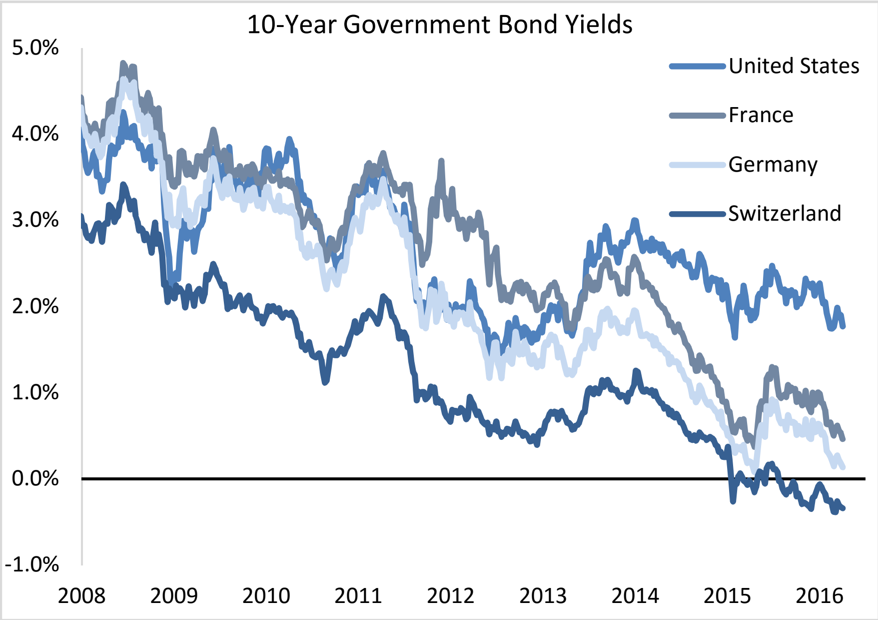
Source: Robert J. Shiller and Standard & Poor's. Data as of 12/31/2015.

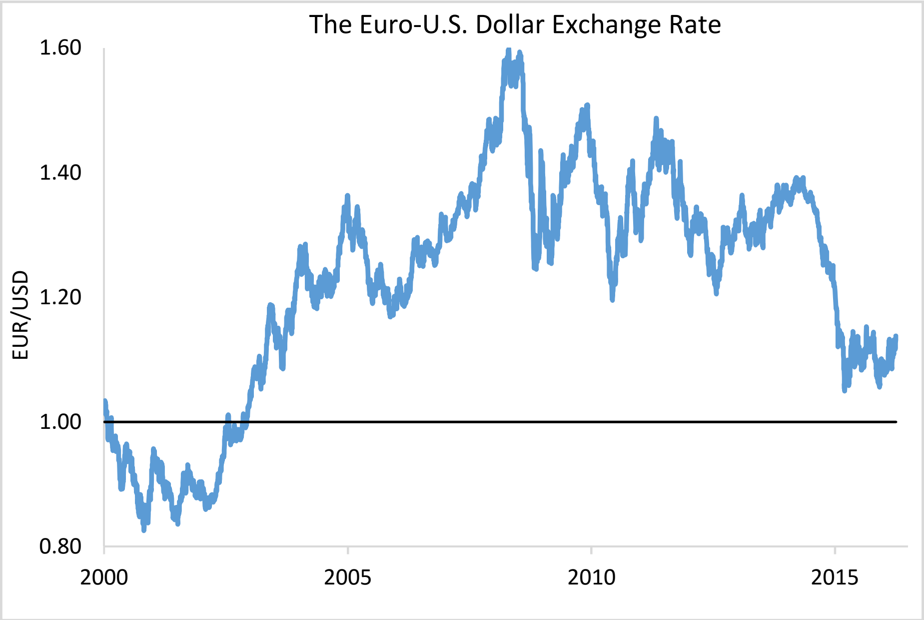
Earnings and Revenue Growth Were Disappointing in 2015



Source: S&P Dow Jones Indices. *Estimates. Data as of 4/12/2016.

Accommodative Monetary Policy and a Weaker Currency Should Provide Support for the European Economy

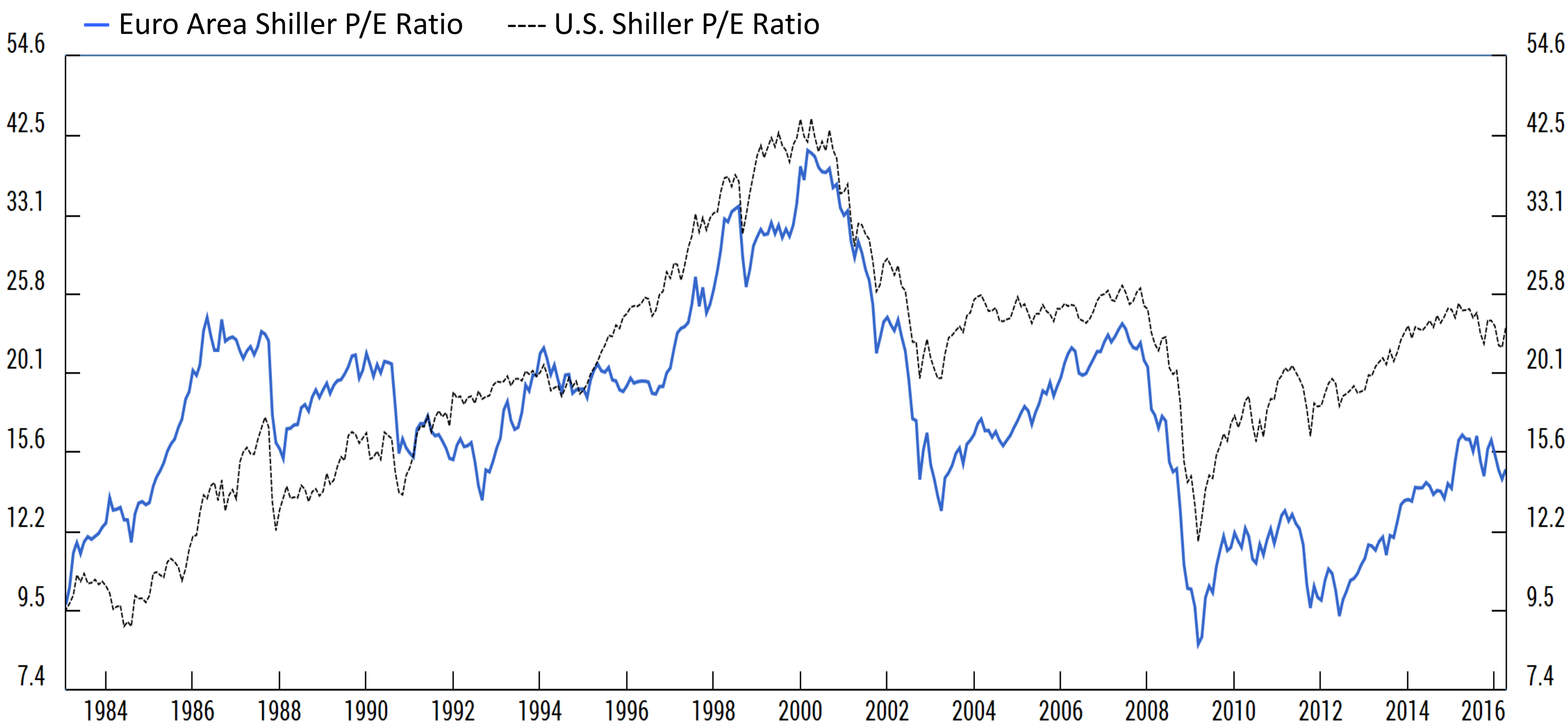




- The European economy continues to deal with a number of challenges, but rock bottom interest rates, a cheaper currency, and low oil prices should provide support in the near term.
- In addition, the ECB expanded their QE program to include buying debt issued by non-bank corporations – which reduced corporate borrowing costs and should provide a small short-term boost to the economy.

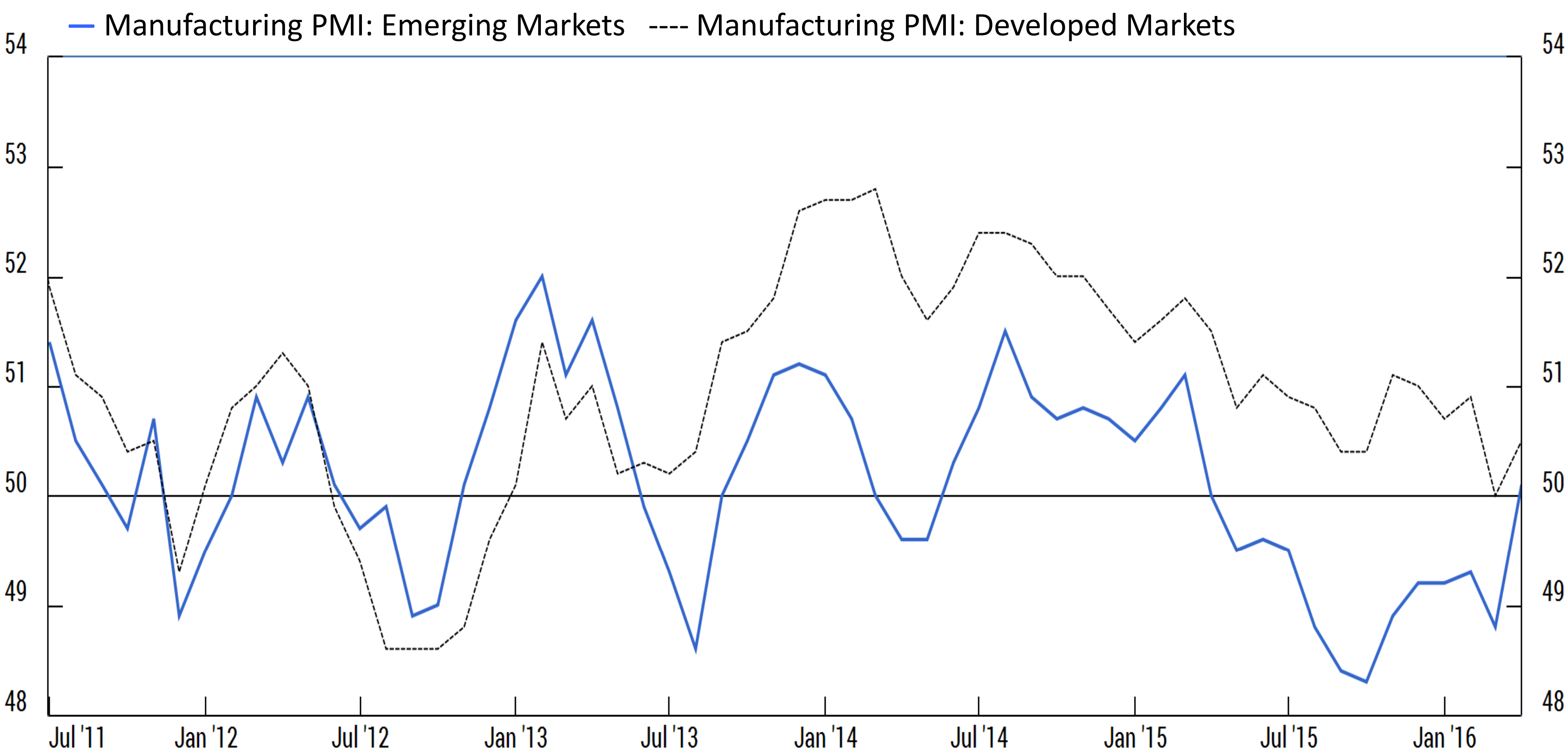
Source: Bloomberg. Data as of 3/31/2016.

Valuations for European Stocks are Attractive, Both in Absolute Terms and Relative to U.S. Stocks



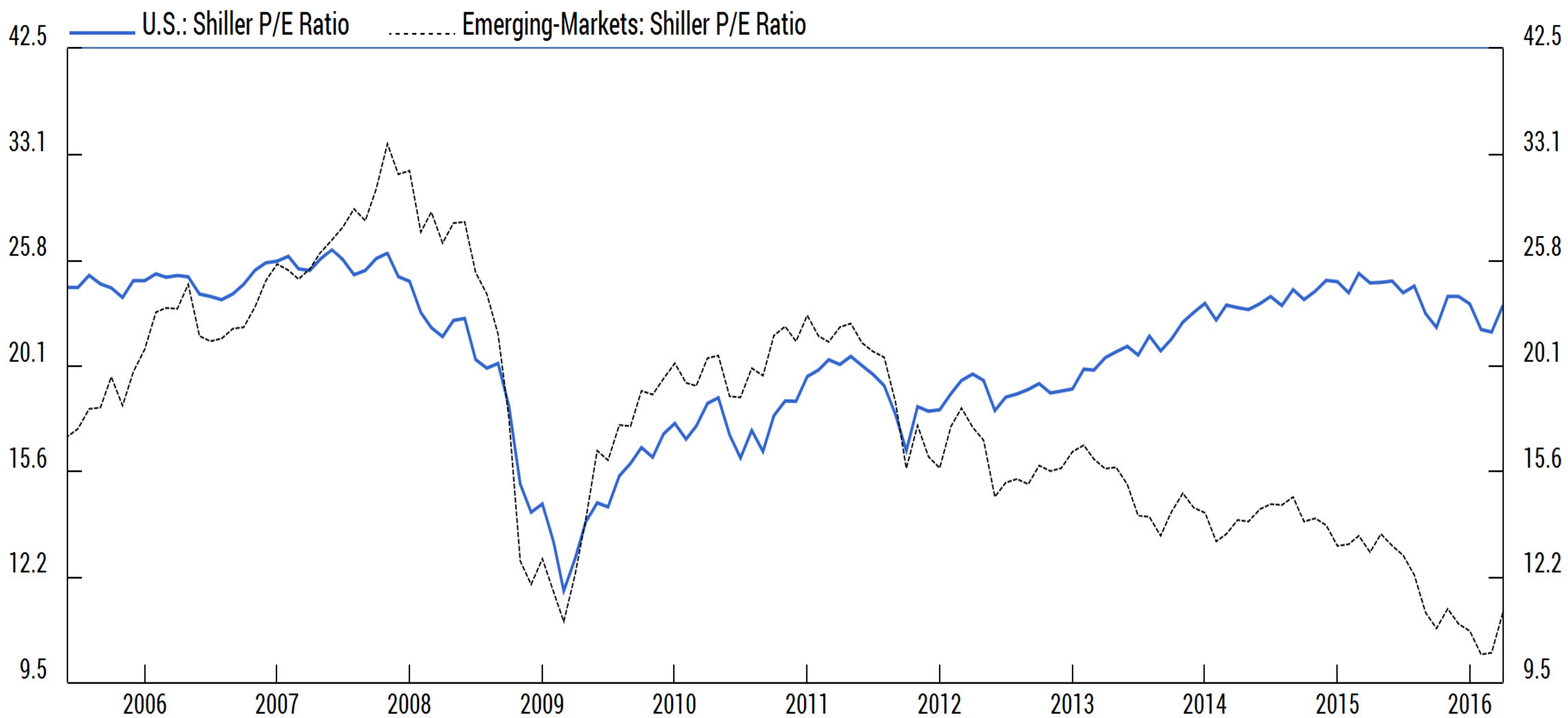
Source: BCA Research and Thomson Reuters. Data as of 3/31/2016.

Economic Data in Emerging Markets has Modestly Improved



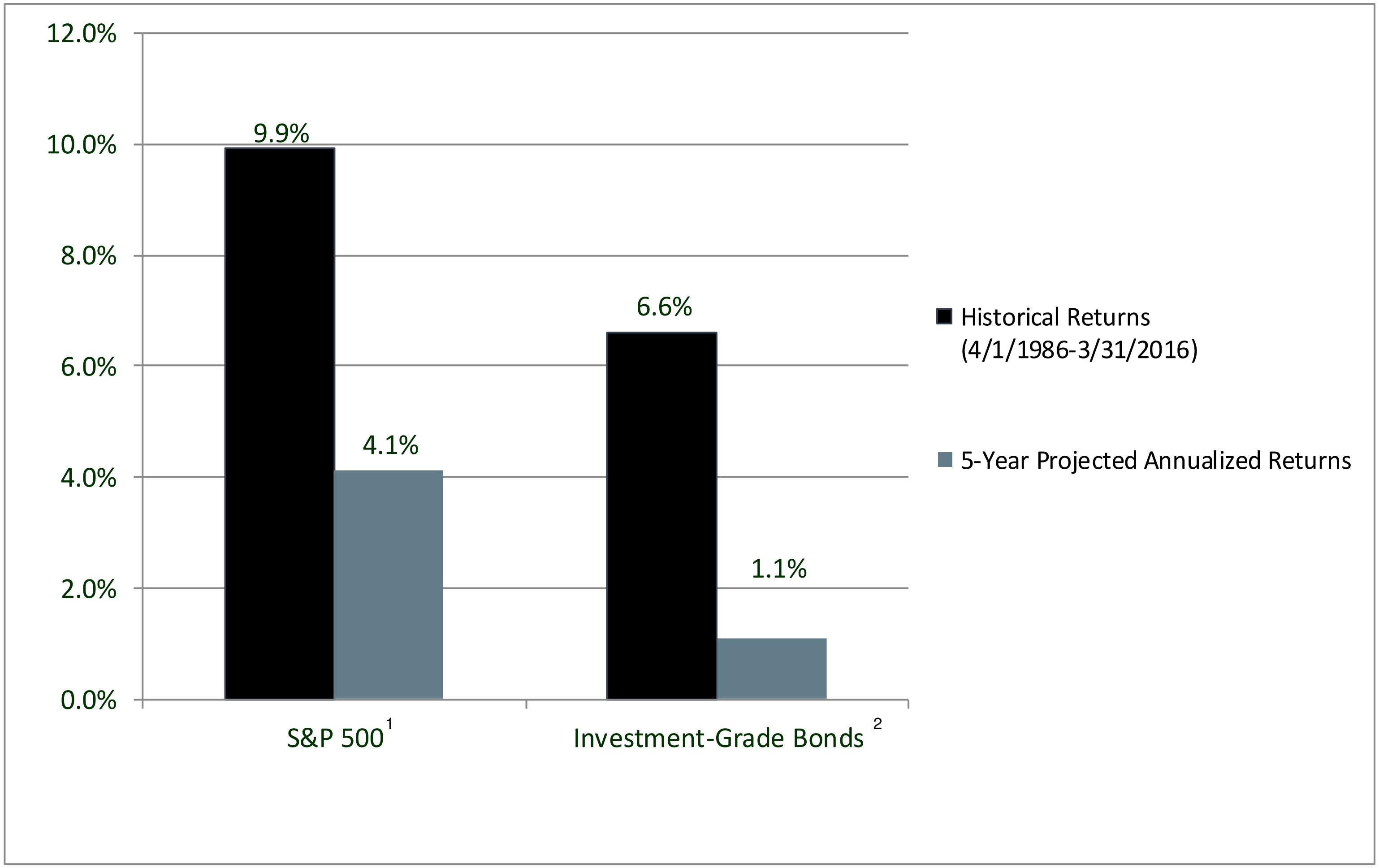
Source: BCA Research Markit Economics. Data as of 3/31/2016.

Emerging-Markets Stocks are Trading at Attractive Valuations vs. U.S. Stocks



Source: BCA Research and Thomson Reuters, OECO Main Indicators. Data as of 3/31/2016.

Expect Future Returns of Stocks and Bonds to be Lower than Experienced Historically



1 Projections under our base case, subpar economic scenario as of 3/31/2016.
2 As measured by the Barclays Capital U.S. Aggregate Bond Index.

Current Portfolio Positioning and Rationale

Asset Class	**Portfolio Position vs. Strategic Allocation**	**Comments**
Fixed-Income: Traditional Investment-Grade	Underallocated	*Low expected returns but important for risk reduction, especially in deflationary or weak economy*
Absolute-Return-Oriented	Overallocated	*Flexible strategies that can perform well even with rising interest rates*
Floating-Rate Loans *(defensive balanced, conservative balanced, and balanced strategies)*	Overallocated	*Protection from rising interest rates with potential for higher returns*
Equities: Larger-Cap U.S. Stocks	Underallocated	*Equities appear overvalued and potential returns low relative to risk*
Smaller-Cap U.S. Stocks	Underallocated	*Similar to large cap; more downside in poor economic conditions*
Foreign Stocks – Developed Markets	Overallocated	*Attractive both in absolute terms and relative to U.S. stocks*
Foreign Stock – Emerging-Markets	Overallocated	*Moderately attractive relative to U.S. on risk-adjusted basis; broader opportunity set and diversification benefits*
Alternative Investments: Alternative Strategies *(except Equity strategy)*	Overallocated	*Attractive risk-adjusted returns; low correlation to stocks and bonds*

Disclosures

Advisory services offered through Alsworth Capital Management, LLC, an independent Registered Investment Advisory firm. Broker Dealer services offered through Cadaret, Grant & Co., Inc. Member FINRA/SIPC. Alsworth Capital Management, LLC and Cadaret, Grant & Co. are separate entities.

Projections and opinions in this presentation are attributed solely to Shane Alsworth and Alsworth Capital Management, LLC.

Indexes Used (source Morningstar Direct)

- Domestic Investment-Grade Bonds (Barclays Capital U.S. Aggregate Bond Index): We are currently using the Vanguard Total Bond Market Index Fund to represent the Barclays Capital U.S. Aggregate Bond Index, an index of domestic investment grade bonds.
- Domestic Larger-Cap Stocks (S&P 500 Index): We are currently using the Vanguard 500 Index Fund to represent the S&P 500, an index of primarily domestic larger-cap stocks.
- Domestic Smaller-Cap Stocks (Russell 2000 Index): We are currently using the Russell 2000 Index iShares Exchange Traded Fund (ETF) to represent the Russell 2000, an index of primarily domestic smaller-cap stocks.
- International Developed-Market Stocks (FTSE Developed Markets Index): We are currently using the Vanguard FTSE Developed Markets Index Exchange Trade Fund (ETF) to represent an index of international developed-market stocks.
- International Emerging-Markets Stocks (FTSE Emerging Markets Index): We are currently using the Vanguard FTSE Emerging Markets Index Exchange Traded Fund (ETF) to represent an index of emerging markets in international emerging market stocks.
- High-Yield Bonds (Merrill Lynch U.S. High Yield Master Cash Pay Index): We are currently using the Merrill Lynch U.S. High Yield Master Cash Pay Index to represent an index of domestic high yield bonds.
- Floating-Rate Loans (S&P/LSTA Leveraged Loan Index): We are currently using the S&P/LSTA Leveraged Loan Index to represent an index of floating rate loans.
- U.S. Treasurys (Barclays US Treasury Index): We are currently using Barclays US Treasury Index
- Municipal Bonds: We are currently using the Barclays Municipal Bond index for municipal bonds