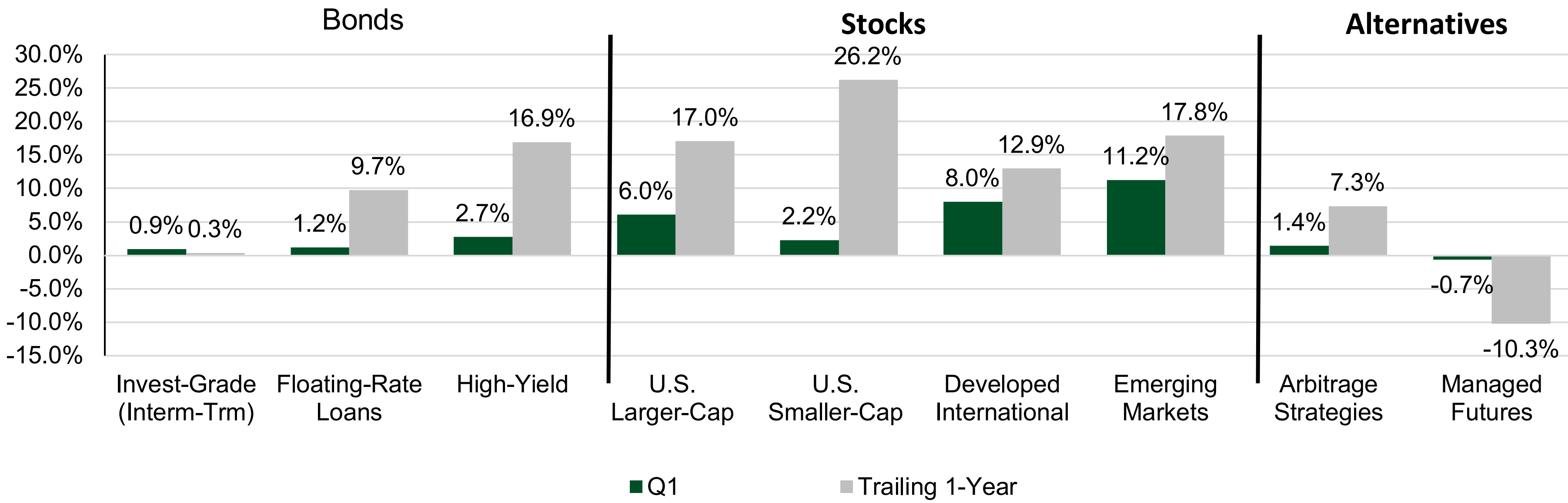
Market & Portfolio Strategy Review

First Quarter 2017

Alsworth Capital Management, LLC

Market Review & Economic Outlook

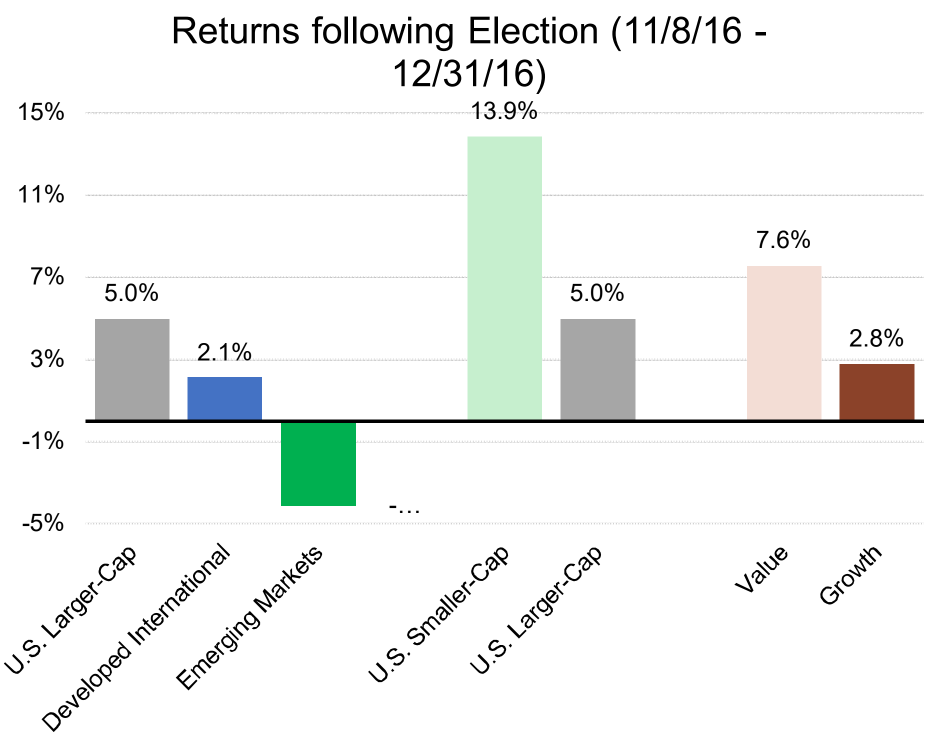
Market Review

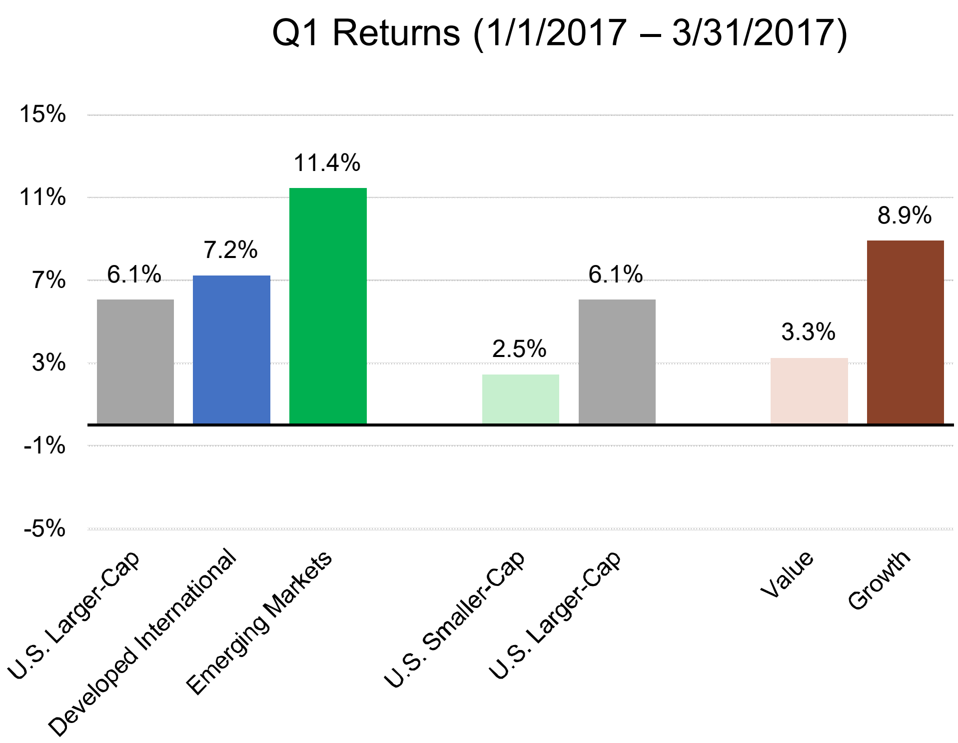


- Global stock markets greeted the new year with the same energy with which they closed 2016. Emerging-market stocks led the way in the first quarter with double-digit returns, followed by developed international and larger-cap U.S. stocks.
- Defensive assets turned in solid performance as Treasury yields declined in the latter half of March. Our absolute-return-oriented and flexible bond funds delivered 1% to 3% returns over the quarter, while floating-rate loans performed in line with the index.
- Across a wide range of measures, the global economy is in its best shape in many years. Economic growth in most countries and industries is in sync and has been accelerating, albeit modestly. Leading economic indicators suggest this trend can continue.

Source: Morningstar Direct. Using price and USD returns of investable indices. Data as of 3/31/2017. See disclosure page for benchmark definitions.

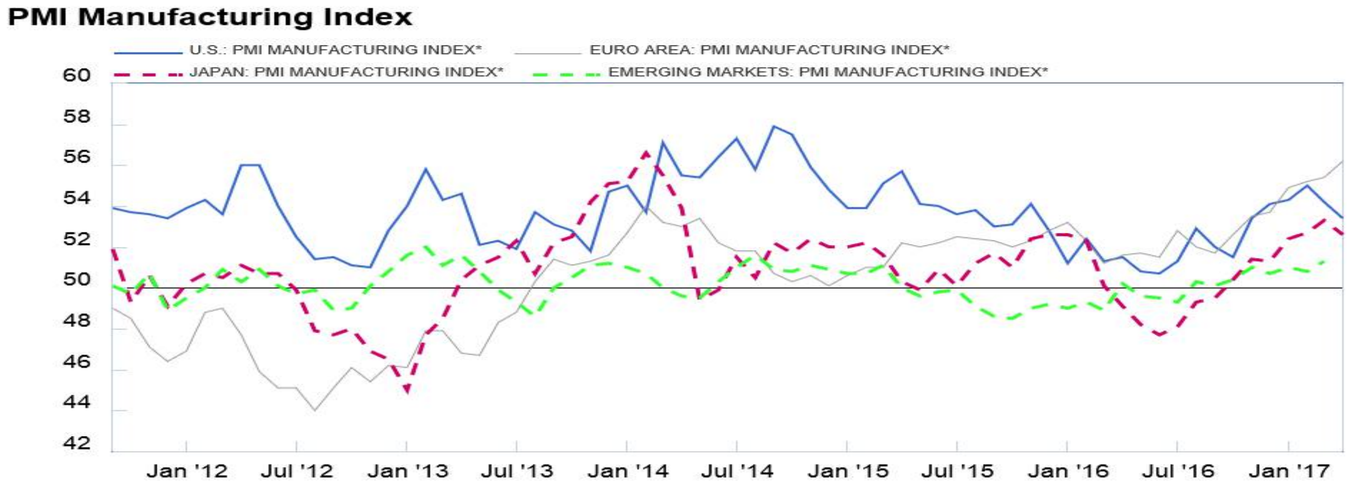
Reality May Soon Overtake Post-Election Rally

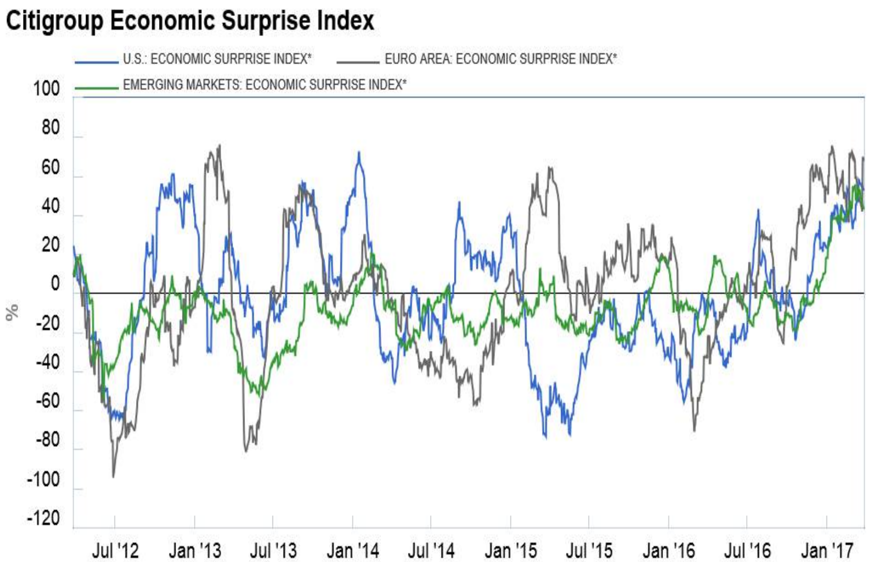


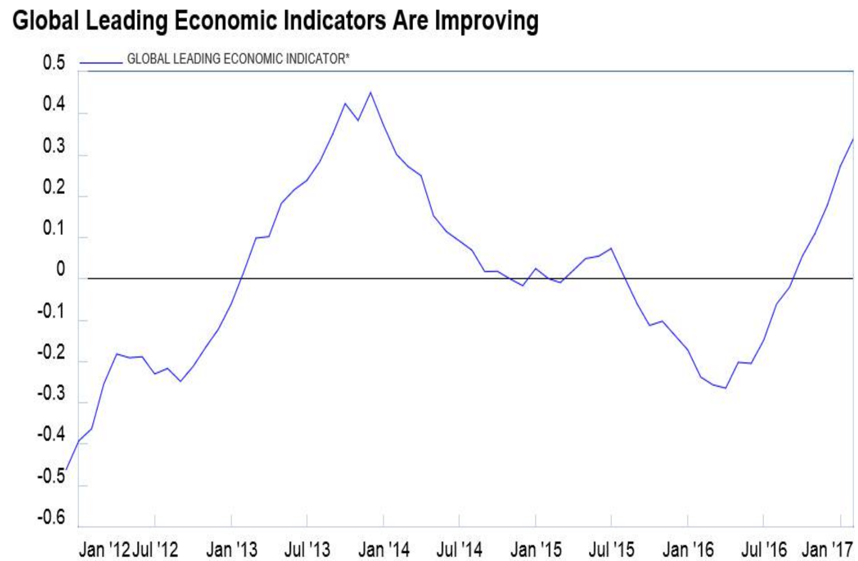


Source: Morningstar Direct. Data as of 3/31/2017.

The Global Economy is in its Best Shape in Many Years

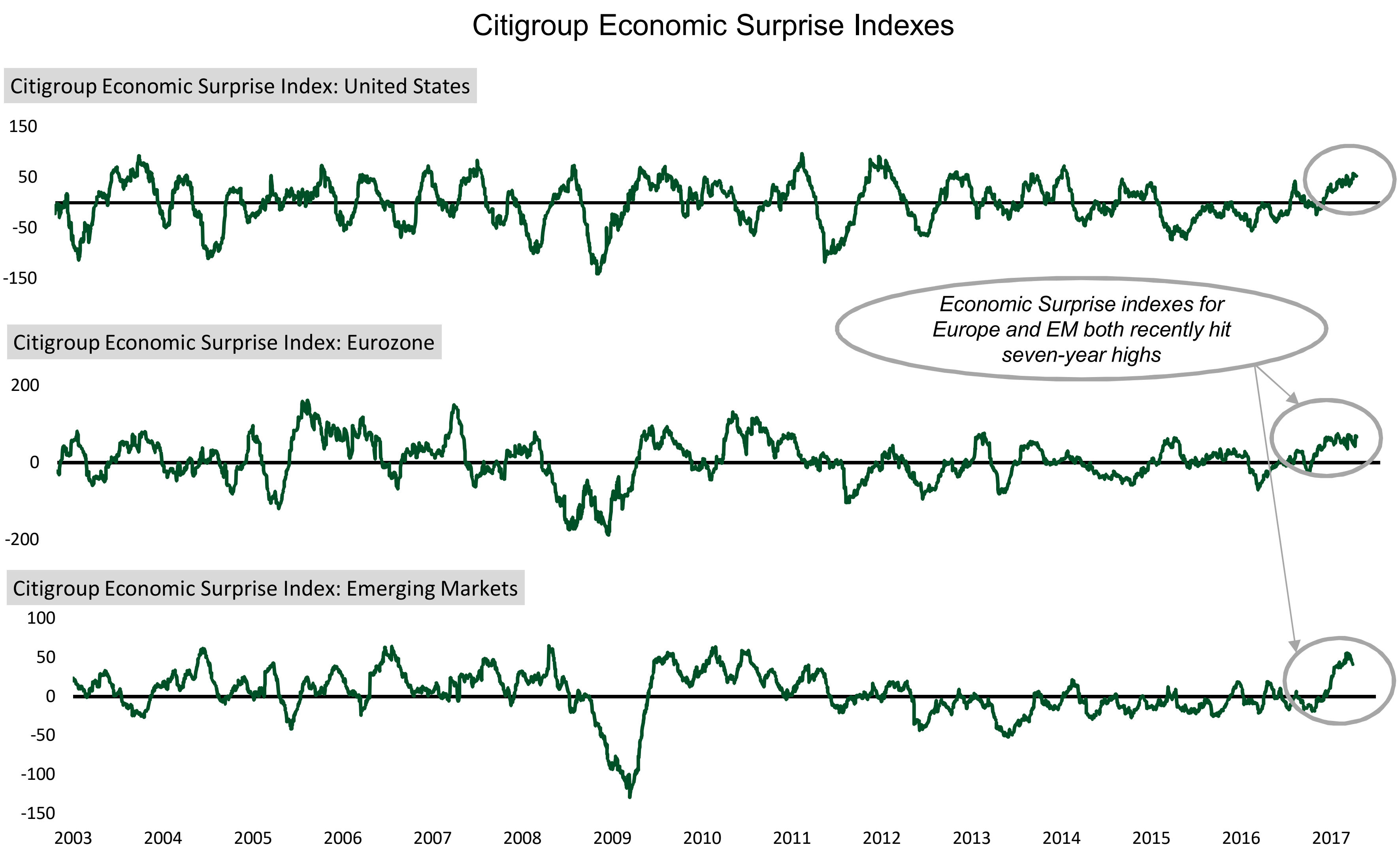






Source: BCA Research. Data as of 3/31/2017.

Economic Data Points are Exceeding Expectations Around the World



Data as of 3/29/2017. Source: Citigroup and Bloomberg.

Investment Outlook & Positioning

Tactical Investment Outlook

- U.S. Stocks: Risk
  - Profit margins are elevated and unsustainable
  - Stocks are pricey and historical outcomes from current valuation levels are not encouraging
- Rising interest rates: Risk
  - Very low returns expected for core bonds over the next five years
  - Active absolute-return-oriented fixed-income managers manage yield and duration

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

Current Portfolio Positioning and Rationale

Tactical Portfolio Position vs. Long-Term Strategic Allocation

Equity Asset Classes

	Over ↑/ Under ↓	Rationale
U.S. Larger-Cap	↓	*Equities appear overvalued and potential returns low relative to risk*
U.S. Smaller-Cap	↓	*Similar to large cap; more downside in poor economic conditions*
Developed International	↑	*Attractive both in absolute terms and relative to U.S. stocks*
Emerging Markets	↑	*Moderately attractive relative to U.S. stocks on risk-adjusted basis; broader opportunity set and diversification benefits*

Fixed-Income Asset Classes

	Over ↑/ Under ↓	Rationale
Investment-Grade Bonds	↓	*Low expected returns but important for risk reduction, especially in deflationary or weak economy*
Absolute-Return-Oriented	↑	*Flexible strategies that can perform well even with rising interest rates*
Floating-Rate Loans*	↑	*Protection from rising interest rates with potential for higher returns*

Alternative Asset Classes

	Over ↑/ Under ↓	Rationale
Alternative Strategies**	↑	*Attractive risk-adjusted returns; low correlation to stocks and bonds*

*Held only in the Balanced, Conservative Balanced and Defensive Balanced strategies.

**Not held in the Equity strategy.

Estimated Asset Class Returns Over Different Economic Scenarios

Average Annual Returns Over Next Five Years

Equity Asset Classes

	Bear Case	**BASE CASE**	Bull Case
U.S. Larger Cap	-6.7%	**2.3%**	9.4%
Developed International - Europe	-6.7%	**12.6%**	19.7%
Emerging Markets	-1.8%	**9.2%**	16.1%
REITS	3.3%	**5.2%**	4.2%

Fixed-Income Asset Classes

	Bear Case	**BASE CASE**	Bull Case
Investment-Grade Bonds	2.6%	**1.8%**	0.9%
High-Yield Bonds	1.8%	**2.3%**	2.0%
Floating-Rate Loans	6.6%	**6.2%**	6.7%
Treasury Inflation-Protected Securities (TIPS)	2.7%	**1.3%**	-1.0%

Alternative Asset Classes

	Bear Case	**BASE CASE**	Bull Case
Alternative Strategies	Mid-single-digit returns in most scenarios		

As of 3/31/2017, S&P 500 at 2363, Barclays Aggregate yield at 2.6%, MSCI Europe Index at 1570, MCSI EM Index at 958, BofA High Yield Cash Pay Index at 5.8%

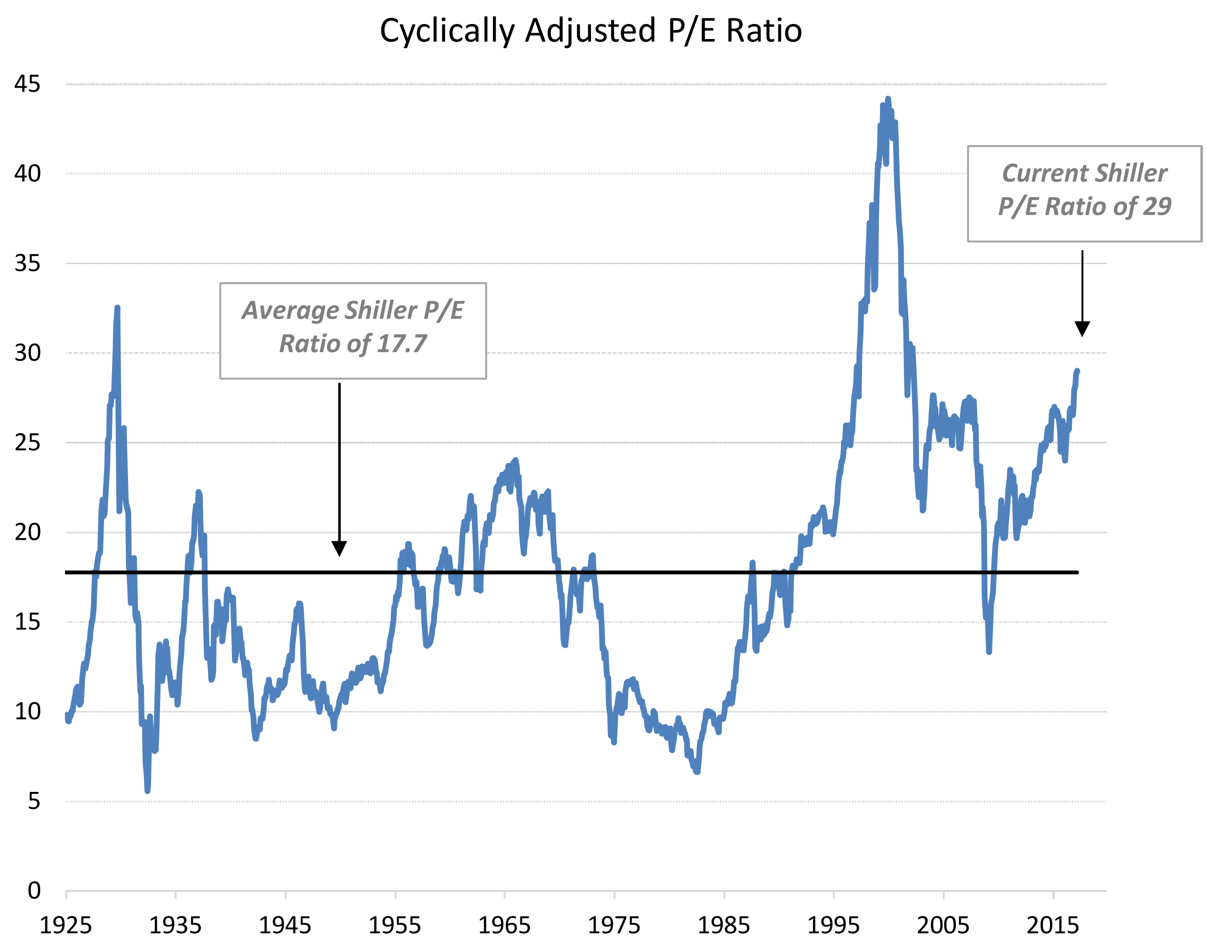
Asset-class return estimates, with the exception of TIPS, are in nominal terms. TIPS return estimates are shown in real terms i.e., inflation-adjusted. Litman Gregory Analytics

Investors are Paying Ever Increasing Multiples to Buy U.S. Stocks

- Over the last five years, earnings for U.S. companies have grown just 13% yet the stock market has rallied 87%.
- Over that same time period, the trailing 12-month P/E ratio for the S&P 500 has increased 64%, from 16.2 to 26.5*.
- The rally in U.S. stocks has been driven by expanding valuation multiples—investors paying more to own stocks, rather than underlying corporate earnings growth.

Data as of 3/31/2017. Note: Q4 2016 and Q1 2017 are estimates. Source: Standard & Poor's. *Price-to-earnings ratio, based on trailing 12-month as reported GAAP earnings.

U.S. Stock Market Valuations are Historically Expensive

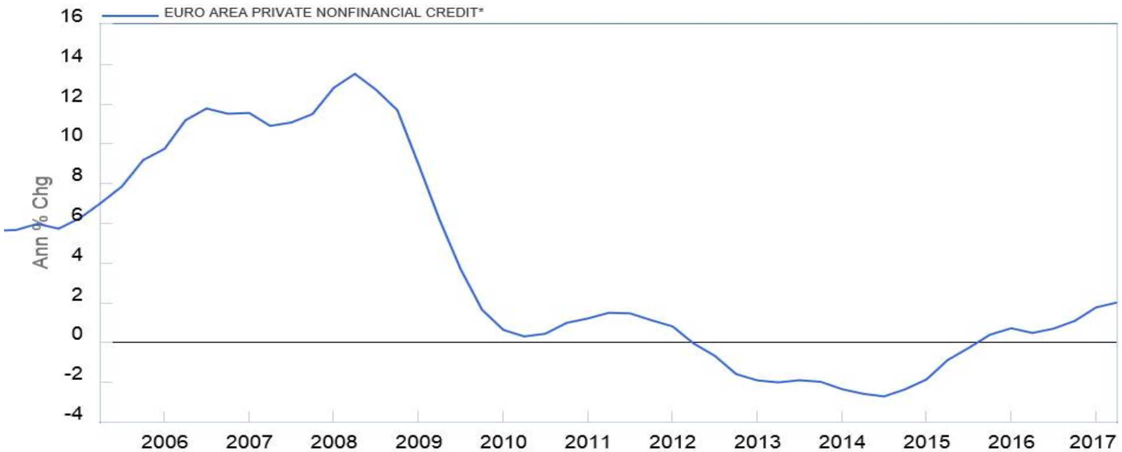


- On several measures, the U.S. stock market is as expensive as it has ever been in the past 50 years, with one exception: the dot-com/tech stock market bubble of the late 1990s (from which the S&P 500 declined 50%).
- When stock market valuations are this high, the odds are your future returns from buying the market will be low.

Source: Robert J. Shiller. Data as of 3/31/2017

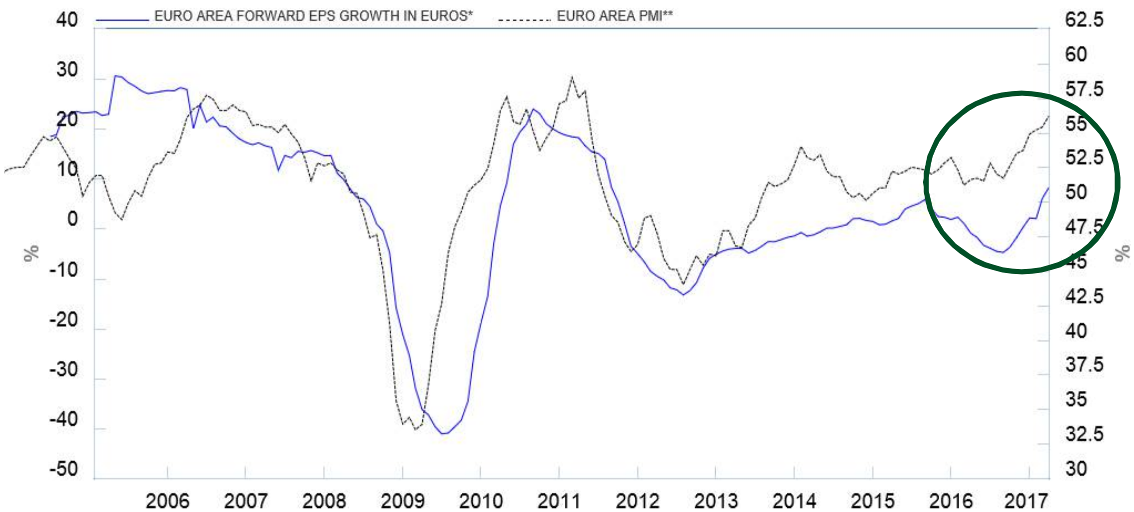
A Mild Economic and Earnings Recovery is Taking Hold in Europe

Credit Growth is Accelerating in Europe



- Last year, for the first time since the financial crisis, Europe's economy grew faster than the United States' did.
- Improving economic growth is a good sign as it ultimately leads to better sales growth and gets consumers and corporations to borrow and spend.
- According to BCA, private-sector credit growth in Europe is up at the fastest rate since the financial crisis.

Economic and Earnings Growth are Rebounding

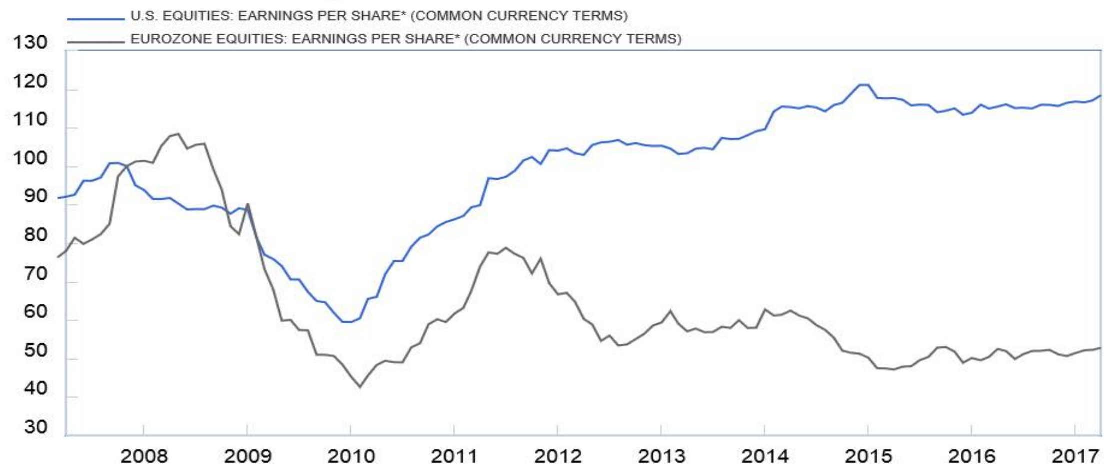


- We are also finally seeing better earnings growth from European companies.
- According to NDR, the most beaten down sectors, such as financials and energy, are seeing the fastest earnings growth year over year in local-currency terms.
- Europe has a relatively large exposure to these sectors and any improvement will reflect positively in overall earnings growth for the European stock index.

Source: BCA Research. Data as of 3/31/2017.

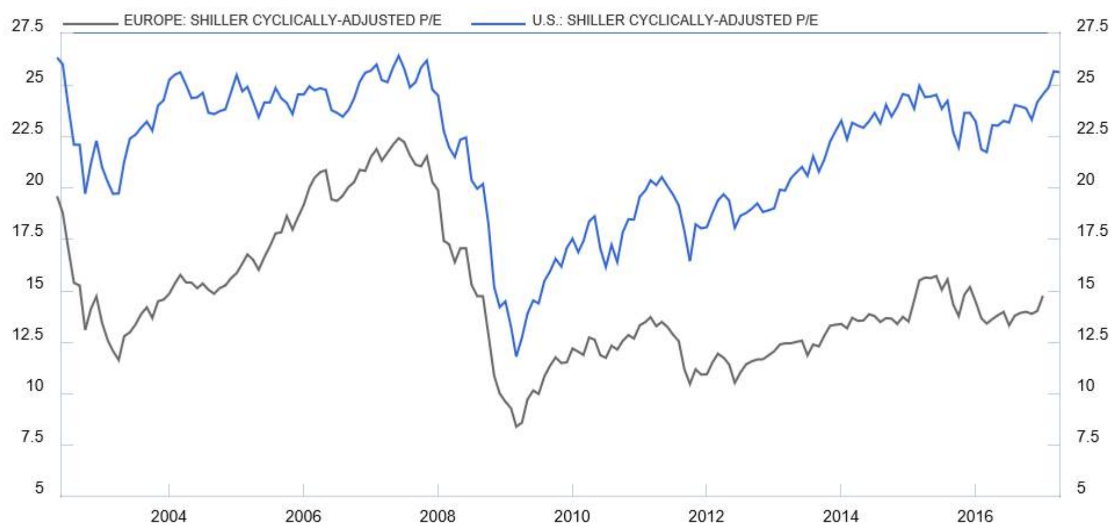
Improving Earnings Growth and Attractive Valuations Offer a Return Opportunity in European Stocks

U.S And Eurozone Earnings



- European companies have already gone through a crushing earnings recession—the likes of which we haven't seen in nearly 50 years.
- However, European companies have cut costs, improved operating and profit margins, such that if there is any pick up in economic and/or revenue growth, it should have a meaningful impact on earnings growth.
- Over the next few years, our analysis suggests earnings growth will improve and be higher than what the market is expecting.

Europe Vs. U.S. Shiller P/E



- European stocks are also trading at attractive valuations, both in absolute terms and relative to U.S. stocks.
- Our analysis suggests European stock market valuation multiples will increase, consistent with an economic and earnings recovery.
- We believe European stocks will benefit from rising earnings growth and valuation multiples over the next few years and can generate low- to mid-double-digit potential returns.

Source: BCA Research. Data as of 3/31/2017.

Long-Term Investors Have a Unique Opportunity in Emerging-Market Stocks

EM Stocks are Cheap Relative to U.S.

- Valuations for emerging-market stocks are trading well below historical averages and at about half the multiple of U.S. stocks.
- As emerging-market earnings growth improves, we expect valuation multiples to expand, consistent with a recovery in earnings.
- The combination of depressed earnings and cheap valuations make emerging-market stocks a very attractive long-term investment opportunity.

Source: BCA Research. Data as of 12/31/2016.

Managed Futures Provide Valuable Portfolio Diversification and Attractive Long-Term Return Potential

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Return Since 2000
Best	Managed Futures 12.0%	U.S. Core Bonds 8.4%	Managed Futures 26.1%	U.S. Stocks 28.7%	U.S. Stocks 10.9%	U.S. Stocks 4.9%	U.S. Stocks 15.8%	Managed Futures 8.6%	Managed Futures 20.9%	U.S. Stocks 26.5%	U.S. Stocks 15.1%	U.S. Core Bonds 7.8%	U.S. Stocks 16.0%	U.S. Stocks 32.4%	Managed Futures 19.7%	U.S. Stocks 1.4%	U.S. Stocks 12.0%	Managed Futures 5.7%
	U.S. Core Bonds 11.6%	Managed Futures -0.1%	U.S. Core Bonds 10.3%	Managed Futures 11.9%	U.S. Core Bonds 4.3%	U.S. Core Bonds 2.4%	Managed Futures 8.2%	U.S. Core Bonds 7.0%	U.S. Core Bonds 5.2%	U.S. Core Bonds 5.9%	Managed Futures 13.1%	U.S. Stocks 2.1%	U.S. Core Bonds 4.2%	Managed Futures 2.7%	U.S. Stocks 13.7%	U.S. Core Bonds 0.5%	U.S. Core Bonds 2.6%	U.S. Core Bonds 5.2%
Worst	U.S. Stocks -9.1%	U.S. Stocks -11.9%	U.S. Stocks -22.1%	U.S. Core Bonds 4.1%	Managed Futures 2.7%	Managed Futures 0.7%	U.S. Core Bonds 4.3%	U.S. Stocks 5.5%	U.S. Stocks -37.0%	Managed Futures -4.8%	U.S. Core Bonds 6.5%	Managed Futures -7.9%	Managed Futures -3.5%	U.S. Core Bonds -2.0%	U.S. Core Bonds 6.0%	Managed Futures 0.0%	Managed Futures -6.1%	U.S. Stocks 4.5%

- Despite difficult performance in 2016, our view of the longer-term strategic benefits from investing in managed futures as part of a diversified portfolio has not changed.
- Managed futures is a strategy that works over time and has very good risk-adjusted returns. But it doesn't work every quarter, or every year, and it behaves quite differently than stocks and bonds. This is precisely what makes managed futures so attractive.
- A strategy with positive expected returns and no correlation to existing asset classes is the most valuable thing you can add to a portfolio. The catch is that managed futures don't work all the time.

Source: Morningstar Direct. U.S. stocks is represented by the S&P 500 Index. U.S. core bonds is represented by the Bloomberg Barclays U.S. Aggregate Bond Index. Managed Futures is represented by the SG Trend Index.

Appendix

Investment Outlook

Economy: Our base case macroeconomic scenario calls for a continuation of the moderate economic recovery, both in the United States and globally. It assumes GDP growth rates and interest rates "normalize" toward the end of our five-year investment time horizon.

Asset Class	*Outlook*	*Positioning*
U.S. Stocks	We continue to view the U.S. stock market as overvalued and unattractive relative to the risks looking out over the next few years.	We're underweight to U.S. stocks because our analysis suggests potential returns are not high enough to compensate for the downside risk.
Developed International Stocks	Earnings are likely to improve and be higher than market expectations. Valuations are attractive both in absolute terms and relative to U.S. stocks.	We're slightly overweight developed international stocks, specifically Europe. Potential returns are in the low to mid-double digits over our five-year investment time horizon.
Emerging-Market Stocks	Long-term return potential is attractive, but there could be greater shorter-term downside risk.	We're slightly overweight emerging-market stocks as potential returns are more in line with what we want to see when taking equity risk.
Investment-Grade Bonds	Very low current yields and the likelihood of rising interest rates imply low potential returns.	We're heavily underweight to investment-grade bonds in favor of flexible core bond funds, unconstrained and absolute-return-oriented funds, and floating-rate loan funds we believe have the ability to generate higher returns and better manage their sensitivity to rising interest rates.
Alternative Strategies	Mid-single-digit return potential that offers a degree of portfolio protection and additional diversification relative to stocks and bonds.	We're overweight to a mix of alternative strategies we believe improve the overall risk-adjusted return potential of our portfolios.

Our Base Case Economic Scenario Continues to be a Moderate Economic Recovery

SCENARIO	DEFINITION
Bull Case	U.S. economic growth is above average and/or earnings end the period above the long-term trendline. Helped by stronger non-U.S. growth, releveraging of the U.S. consumer, and corporate investment spending, a self-reinforcing global growth cycle develops.
Base Case	Moderate economic recovery continues with no major crisis, but a normal recession is likely within the five-year time horizon. Assumes GDP growth rates and interest rates start to “normalize” toward the end of our five-year horizon.
Bear Case	The economy falls into recession for any of various reasons, such as deleveraging/deflation from Europe or China, an unexpected systemic shock, a Fed policy error, etc. This scenario does not assume another severe financial crisis (i.e., not a repeat of 2008–2009).

As of 3/31/2017.

Disclosures

Asset Class Descriptions:

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.

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.

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.

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 ex North America Index): We are currently using the Vanguard FTSE Developed Markets Exchange Trade Fund (ETF) to represent an index of international developed-market stocks. Prior to May 2013, this Vanguard Exchange Traded Fund followed MSCI-EAFE. Prior to the July 2007 inception of Vanguard MSCI EAFE ETF, we use iShares MSCI EAFE Index from September 2001 to July 2007, and the MSCI EAFE Index adjusted for 0.35% expenses annually prior to September 2001.

International Emerging-Market 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 market stocks. Prior to January 2013, this Vanguard Exchange Traded Fund followed the MSCI Emerging Markets Index. Prior to the March 2005 inception of Vanguard MSCI Emerging Markets ETF, we use iShares MSCI Emerging Markets Index from May 2003 to March 2005, and the MSCI Emerging Markets Index adjusted for 0.67% expenses annually prior to May 2003.

Managed Futures: We are currently using an average of the AQR Managed Futures Strategy HV, Natixis ASG Managed Futures Strategy Y and PIMCO TRENDS Managed Futures Strategy.

Alternative Strategies: We are currently using the Litman Gregory Masters Alternative Strategies mutual fund to represent the Alternative Strategies asset class.

Arbitrage Strategies: We are currently using an average of the AQR Diversified Arbitrage Strategy (ADAIX) and the Arbitrage Event Driven Strategy (AEDNX).

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