

About the Strategy

Investment Philosophy

FolioBeyond employs a disciplined approach utilizing sophisticated algorithms to create optimal portfolios for Fixed Income and core Equity strategies, as well as more tactical Equity and customized Fixed Income portfolio allocations. We emphasize a comprehensive Factor-based optimization model for Fixed Income and Factor-based and Volatility-weighted methodologies for Equities.

Investment Objective

Strategy serves as a Core-Plus, Multisector or Nontraditional Fixed Income allocation.

Key Advantages

✓ Global Diversification

Practices broad asset selection as a fundamental investment principle to capture what global markets offer in potential return while smoothing the volatility in performance.

✓ Risk Management

Limits absolute exposure to any one sector in addition to correlation effects across all sectors.

✓ Volatility Constrained

Anchors the volatility of the selected portfolio to the historical volatility of the broad investment grade market benchmark, the Bloomberg Barclays US Aggregate Bond Index.

Fixed Income markets are inefficient

1. Bond trading suffers from a significant lack of transparency:

Only bond dealers see bid-offer spreads and transactions. Execution levels are rarely seen by non-professional investors.

2. Fixed Income pricing inefficiencies are very difficult to quantify:

Market participants have a wide array of goals and objectives driving valuations and reflected in many risk characteristics including credit, options, duration and convexity. These are highly difficult to monitor by most investors on a real-time basis across a diversified portfolio.

3. Market inefficiencies require a disciplined, algorithmic methodology to extract excess returns:

Successful methodologies require calibration, out-of-sample testing and sensitivity analysis.

Index Construction

FolioBeyond utilizes an advanced Factor-based algorithm to optimize portfolio allocations based on forward-looking value, momentum, correlations, volatility, and stress-testing across 23 sub-sector indices in the Fixed Income market.

1. ICE U.S. Treasury Short Bond TR USD
2. ICE U.S. Treasury 1-3 Year Bond TR USD
3. ICE U.S. Treasury 3-7 Year Bond TR USD
4. ICE U.S. Treasury 10-20 Year Bond TR USD
5. ICE U.S. Treasury 20+ Year Bond TR USD
6. Bloomberg Barclays US Agency TR USD
7. Bloomberg Barclays US TIPS 0-5 Year TR USD
8. Bloomberg Barclays US Trsy US TIPS TR USD
9. ICE BofA Merrill Lynch 1-5Y US CorpTR USD
10. ICE BofA Merrill Lynch 5-10Y Corp TR USD
11. Markit iBoxx Liquid IG TR USD
12. ICE BofA Merrill Lynch 10+Y Corp TR USD
13. Bloomberg Barclays US HY 350mn CP 0-5 2% TR USD
14. Markit iBoxx Liquid High Yield TR USD
15. S&P/LSTA U.S. Leveraged Loan 100 TR USD
16. Bloomberg Barclays US MBS TR USD
17. Bloomberg Barclays CMBS ERISA Eligible TR USD
18. Bloomberg Barclays 1-3 Year Global Treasury ex-US Capped Index
19. JPM EMBI Global Core TR USD
20. Bloomberg Barclays Muni Managed Mny Short TR USD
21. Bloomberg Barclays AMT-Free Interm Cont Mun TR USD
22. Bloomberg Barclays Municipal Custom High Yield Composite Index
23. FTSE Nareit All Mortgage Capped TR USD

TOTAL RETURN FIXED INCOME FACT SHEET

Updated for July 2020

Optimized Fixed Income Strategy vs Market Benchmarks

Annualized Returns (through 7/31/20)¹

STRATEGY	July	YTD	1Yr	3Yr	5Yr	10Yr
FolioBeyond Optimized Fixed Income Strategy ²	1.35%	0.27%	3.94%	5.16%	5.00%	4.58%
Standard Deviation (Daily)	-	-	4.59%	3.44%	3.23%	3.73%
Standard Deviation (Monthly)	-	-	6.22%	4.42%	4.10%	4.22%
Sharpe Ratio	-	-	0.53	0.86	1.01	1.01
Morningstar Category: US Fund Multisector Bond	2.32%	0.45%	2.60%	3.24%	3.82%	4.62%
Standard Deviation (Monthly)	-	-	12.31%	7.58%	6.27%	5.34%
Sharpe Ratio	-	-	0.30	0.34	0.57	0.90
FolioBeyond Strategy Percentile Ranking	84	61	43	11	13	53
US Fund Multisector Bond Category Universe	325	325	321	301	274	176
Bloomberg Barclays US Aggregate TR	1.49%	7.72%	10.12%	5.69%	4.47%	3.87%
Standard Deviation (Daily)	-	-	5.05%	3.69%	3.51%	3.43%
Standard Deviation (Monthly)	-	-	3.69%	3.33%	3.12%	2.96%
Sharpe Ratio	-	-	2.35	1.19	1.05	1.10

Source for Bloomberg Barclays US Aggregate TR and US Fund Multisector Bond Category data: Morningstar

¹ FolioBeyond Optimized Fixed Income Strategy returns are net of underlying ETF fees and 30 bp assumed management fee. Returns are monthly based on back-tested simulation results. Back-tested performance does not represent actual performance and should not be interpreted as an indication of such performance. Actual performance for client accounts may be materially lower than that of the index portfolios. Back-tested performance results have certain inherent limitations. Such 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. Back-tested performance also differs from actual performance because it is achieved through the retroactive application of model portfolios (in this case, FolioBeyond's ETF portfolios) designed with the benefit of hindsight. As a result, the models theoretically may be changed from time to time and the effect on performance results could be either favorable or unfavorable.

² Strategy is available in ETF form (Ticker: FWDB), index form (S-Network FolioBeyond Optimized Fixed Income Index - SNFBFI), and for Separately Managed Account environments. FWDB and SNFBFI incur additional fees.

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Important Disclaimers

1. Material in this document is intended for professional and institutional investors.
2. FolioBeyond, LLC (FolioBeyond) is an SEC registered investment adviser. Information pertaining to FolioBeyond's advisory operations, services, and fees is set forth in FolioBeyond's current Form ADV Part 2 (Brochure), a copy of which is available upon request and at www.adviserinfo.sec.gov. The performance information presented in certain charts or tables represent back-tested performance based on combined simulated index and ETF data for the dates indicated, using the FolioBeyond's automated fixed income strategy and rebalancing the index and ETF weightings. Back-tested performance is hypothetical (it does not reflect trading in actual accounts) and is provided for informational purposes only to indicate historical performance had the indices been available over the relevant time period. FolioBeyond did not offer referenced portfolios until January 1, 2019. Prior to January 1, 2019, FolioBeyond managed client assets using strategies with risk profiles that were different from what's shown. FolioBeyond's investment strategies are based on proprietary models and algorithms that are designed to capture alpha generating opportunities in the fixed income and equity markets. FolioBeyond utilized Exchange Traded Funds ("ETFs") in constructing client portfolios that are designed to provide substantial global diversification in order to reduce investment concentration and the resulting potential increased risk caused by the volatility of individual companies, indexes, or asset classes.
3. The ETFs used in FolioBeyond's portfolios are FolioBeyond's best estimate of an ETF that will come closest to the index data included in the simulated performance. FolioBeyond's back-tested performance data is based on a starting value of October 1, 2009.
4. **Back-tested performance does not represent actual performance and should not be interpreted as an indication of such performance.** Actual performance for client accounts may be materially lower than that of the back-tested portfolios. Back-tested performance results have certain inherent limitations. Such results do not represent the impact that material economic and market factors might have on the execution of model-based portfolio strategies. Back-tested performance also differs from actual performance because it is achieved through the retroactive application of model portfolios (in this case, FolioBeyond's ETF portfolios) designed with some benefit of hindsight. As a result, the models theoretically may be changed from time to time and the effect on performance results could be either favorable or unfavorable.
5. Back-tested performance results assume the reinvestment of dividends and capital gains and rebalancing, as required based on a 15% risk deviation threshold on fixed income model. It is important to understand that the assumption of rebalancing has an impact on the monthly returns reported for the FolioBeyond ETF portfolios. Actual monthly and year-to-date returns will differ from the back-tested returns due to the cost impact of rebalancing transactions on the overall portfolio. Back-tested risk and return data can be a combination of live (or actual) ETF results and simulated results. **All returns data reflect net returns applying a deduction of 30 basis points of investment advisory fees.** Tax liability is not deducted from performance results. **Performance results reflect estimated transaction fees (e.g., commissions, platform access fees and ETF bid-offer spreads) but there is no assurance that these assumptions are accurate and represent actual transaction costs that would have been incurred by investors in live accounts.**
6. Performance results for clients that invested in accordance with the FolioBeyond Model Portfolios will vary from the back-tested performance due to market conditions and other factors, including investment cash flows, allocations, frequency and precision of rebalancing, tax-management strategies, cash balances, advisory fees, varying custodian fees, and/or the timing of fee deductions. As the result of these and potentially other variances, actual performance for client accounts may differ materially from (and may be lower than) that of the back-tested portfolio(s). Clients should consult their account statements for information about how their actual performance compares to that of the index portfolios.
7. As with any investment strategy, there is potential for profit as well as the possibility of loss. FolioBeyond does not guarantee any minimum level of investment performance or the success of any portfolio or investment strategy. All investments involve risk and investment recommendations will not always be profitable.
8. Past performance does not guarantee future results.
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