



# HARVEST INVESTMENT SERVICES

"Harvest Gains and Limit Losses"

## AlphaSolutions Momentum – High Equity Model

*An investment model based on trending and momentum strategies*



### Portfolio Goals

**Primary:** Seeks long term growth of capital by investing in high-ranked Global Equity Classes.

**Secondary:** Seeks to reduce volatility during bear markets by decreasing equity exposure and increasing cash and bond positions.

### Suitability

Investors that seek long term capital appreciation.

Investors that wish to minimize volatility and risk by utilizing an active approach to portfolio management.

Investors comfortable with investments in common stock and concentrated classes of the global market.

### Investment Strategy

We employ a maximum/minimum investment allocation to equities that is dependent on market trends. There are three Momentum models which differ based upon the equity exposure during both bull (maximum) and bear (minimum) markets. The specific Momentum model (allocation towards equities) utilized is predetermined based on risk profile, financial goals or discussions with an investment advisor.

Technical trending strategies are used to evaluate and determine if the maximum or the minimum allocation in equities should be invested for that quarter. After the determination to invest in equity positions has been made, we then select highly-ranked asset classes to invest in for the quarter. The following quarter we reevaluate the technical trend of the equity markets to determine if the max or the min equity exposure is to be utilized and reallocate to highly ranked asset classes.

### Risk Control Measures

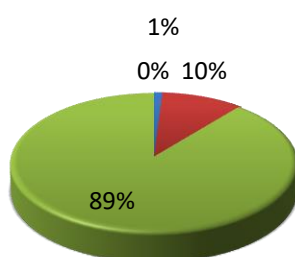
We utilize an active approach to manage risk. We employ technical trending strategies to evaluate and determine on a quarterly basis if the portfolio will invest the maximum or the minimum equity exposure for that quarter. If our technical analysis determines that we are to minimize risk then the minimum equity allocation will be employed for that quarter; low exposure - 10%, medium exposure - 20% or high exposure - 30%. During the low equity quarters, we will have a high percentage of investments in more conservative cash and bond positions. We will reevaluate the trend for the coming quarter to determine if we should invest the maximum or the minimum amount in the equity market.

Our trend evaluation helps to minimize or avoid losses during precipitous bear markets due to our minimize equity and maximum bond allocation during these times. Bond positions historically have lower volatility and higher dividend payouts than equity holdings.

## Current Trend Status



## Allocation



- Cash
- Bonds
- Domestic Equity
- Global / International Equity

## Portfolio Characteristics

Cost-effective diversification is primarily derived from the use of Exchange Traded Funds which may track an entire index or sector without exposure to a smaller group or even an individual security.

Each portfolio is managed within a single separate account and is not part of a pooled portfolio.

Technical analysis used to minimize risk and asset class rotation based on relative performance to potentially enhance returns.

<b>Cash</b>		70.0%		
	Cash		70.00%	0%
<b>Bonds</b>		0.00%		
	AGG		0.0%	2.7%
<b>Domestic Equity</b>		30.0%		
	FNK		6.0%	1.7%
	FTA		6.0%	2.1%
	DIA		6.0%	2.5%
	FNX		6.0%	1.3%
	FEX		6.0%	1.7%
				0.0%
<b>Global / International Equity</b>		0.0%		
	FDT		0.0%	1.3%
	FEM		0.0%	10.3%

## Market and Asset Class Overview

We evaluate and utilize a number of technical trending strategies to evaluate the general trend of the equity market. One method to determine the trend of the market is to utilize moving averages. For instance, we evaluate the thirteen-day exponential moving average relative to the fifty-day exponential moving average and when the thirteen day moving average is greater (or above) than the fifty day moving average we consider that the market is trended in.

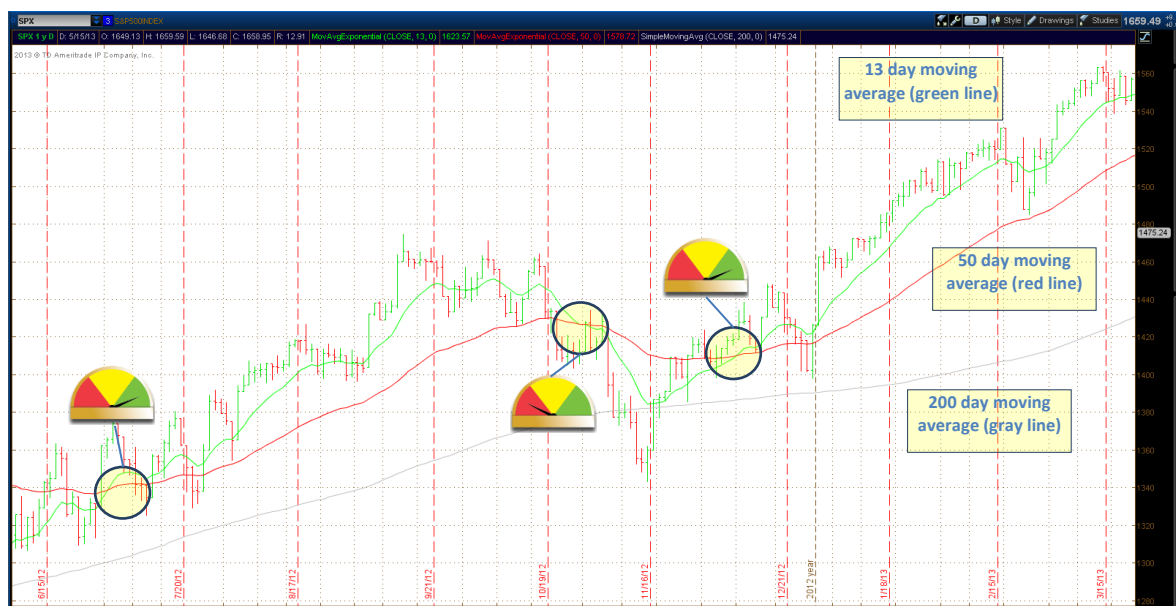


Figure 1: S&P 500 with moving averages

Another market trend that we assess is if the U.S. and international markets are moving higher. If these and other methods are trending higher we then take a maximum exposure to the equity market; otherwise we take a minimum exposure to the equity market.



Maximum Equity Exposure

Model	Equity Exposure
High Equity	90%
Medium Equity	60%
Low Equity	30%

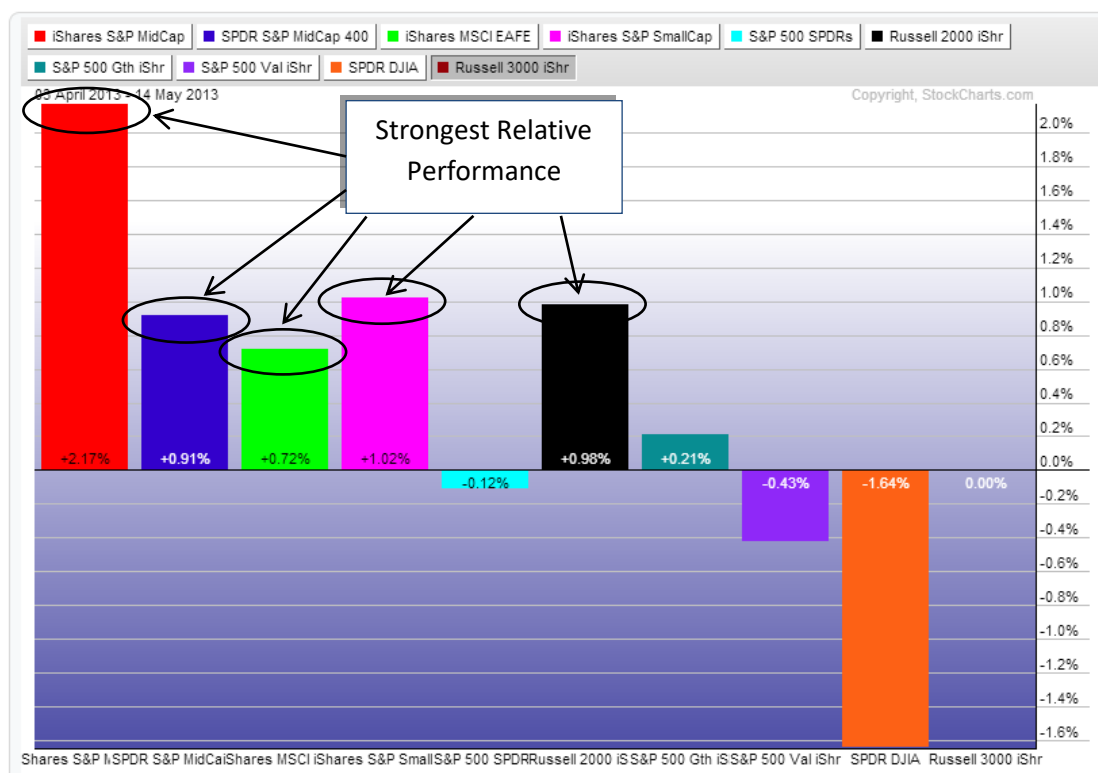


Minimum Equity Exposure

Model	Equity Exposure
High Equity	30%
Medium Equity	20%
Low Equity	10%

There are a number of methods to implement a global equity class investment strategy. Generally, equity class investing is based on the relative strength or performance of stocks, sectors, asset styles or asset classes relative to the performance of a benchmark, an index or an industry. Investments are usually made in the highest ranking classes and then reallocated on a regular basis.

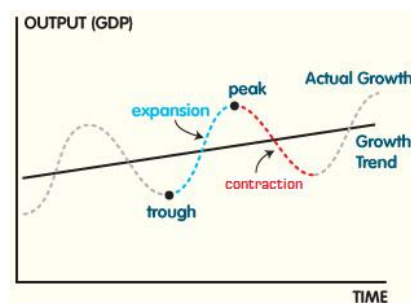
The AlphaSolutions Momentum strategy evaluates the relative strength of many areas of the equity market and invests in the strongest major classes of the global market. The chart below shows an example of the relative strength of numerous asset styles and classes evaluated relative to the performance the Russell 3000. As an example, the strongest positions we have highlighted and would invest in for the quarter. At the end of the quarter we would analyze the trend of the market to determine the equity exposure and the relative strength of the equity classes to determine investment holdings.



**Figure 2: Relative Performance of Equity Classes.** This is just a partial list of equity classes reviewed.

The idea behind asset class rotation investing is that not all the asset classes perform similar or as well during various periods of the economic cycle. For example, during a period where international sales are weak due to weak international markets, small cap's may outperform since typically a smaller percentage of their sales come from international markets.

In addition, the relative performance of an asset class may continue for a period of time because investors will invest in stronger sectors and avoid the weakest areas of the market.



## Market and Momentum Strategy in 2009

One additional example that can help explain the Momentum strategy is to examine what transpired in 2009. The first quarter of 2009 the market trended lower in a bear market from the great recession and hit a low on March 6<sup>th</sup>. After the market hit its low on March 6<sup>th</sup> it turned and trended in a bull market for the remainder of the year, ending the year higher.

For the first quarter of 2009 our technical trending strategy signaled to continue a risk off approach because the market was trending in a bear market. The Momentum Strategy took a conservative approach and invested the minimum exposure to equities and the maximum amount in bonds and cash positions during the first quarter of 2009. For the 2<sup>nd</sup> quarter the technical trending strategy again allocated the minimum to the equity exposure while allocating the maximum amount to bonds and cash. For the third quarter our technical trending strategy signaled a bull market and we took the maximum equity exposure for the quarter and invested into the above average equity asset classes, which was eight positions, while the strategy invested the minimum into bond and cash positions. Lastly, for the fourth quarter our technical trending strategy signaled bull market and we invested the maximum into the equity allocation and invested into the above average equity asset classes, which for the fourth quarter was nine positions, and invested the minimum in bond and cash positions.





			
1 <sup>st</sup> Qtr - 2009	2 <sup>nd</sup> Qtr - 2009	3 <sup>rd</sup> Qtr - 2009	4 <sup>th</sup> Qtr - 2009
Dow 30	MidCap Growth	MidCap Growth	MidCap Growth
SmallCap Blend	Large Cap Tech (NDX)	LargeCap Tech (NDX)	SmallCap Blend
SmallCap Value	LargeCap Growth	SmallCap Blend	MidCap Blend
LargeCap Growth	LargeCap Blend	MidCap Blend	MidCap Value
LargeCap Blend		SmallCap Growth	SmallCap Value
	Basic Materials	Basic Materials	Real Estate
		Emerging Markets	Basic Materials
		Developing Int'l Markets	Emerging Markets
			Developing Int'l Markets
Russell 3000 Index			

Table 1: 2009 Technical Market Signals and Momentum Investments

Past performance is no guarantee of future results. Information provided in this report is for educational and illustrative purposes only and should not be construed as individualized investment advice. The investment or strategy discussed may not be suitable for all investors. All investments involve risk although our rules-based investment process utilizes downside risk controls, loss of principal can still occur. Principal values and investments returns are neither guaranteed nor issued by, guaranteed by, or obligations of a bank, savings and loan, or credit union; and are not insured or guaranteed by the FDIC, SIPC, NCUSIF or any other agency.

Current holdings are subject to change at any time without notice. In addition to the normal risk associated with equity investing, investments in small and mid-cap companies are narrowly focused investments that exhibit higher volatility and are less readily marketable than investments in larger companies. Also, international investments involve special risk consideration, which includes currency fluctuations, lower liquidity, economic and political risk. The S&P 500 Index is an unmanaged group of securities considered to be representative of the stock market in general, and its performance is not reflective of the performance of any specific investment. Investments cannot be made directly into an index.

1 Returns are through September 30, 2022. Net returns reflected after deducting portfolio management fee of .065, applicable to \$100,000 - \$499,999 account size. Management fee will vary for accounts that are less than or greater this range. Individual performance may vary depending upon the timing of contributions and withdrawals. Historical returns data are calculated using data provided by sources deemed to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness or correctness. This information is provided "AS IS" without any warranty of any kind. All historical returns data should be considered hypothetical. All AlphaSolutions rules based managed models have been back tested over multiple market cycles to prove the validity and reliability of the rules-based strategy. Historical back tested returns were based on the use of Ishares ETFs; actual ETFs chosen may differ from the use of Ishare ETFs, past and future returns may be higher or lower.

Additional Definitions: The Compound Annual Growth Rate represents the annualized growth rate of an investment over a specified period of time. The Maximum Drawdown represents the greatest peak to trough decline over the life of an investment. Capture Ratio is a measure of the investment performance in periods when the benchmark has positive/negative returns. It tells you what percentage of the up/down market, as represented by the benchmark return, was captured. Standard Deviation is a statistical measurement of dispersion from an average, which, for an investment, depicts how widely the returns varied over the time period indicated. Alpha is an indication of how much an investment outperforms or underperforms on a risk-adjusted basis relative to its benchmark. Beta is a measure of price variability relative to the market. Sharpe Ratio is a measure of excess reward per unit of volatility.

Advisory Services offered through Harvest Investment Services, LLC, a Registered Investment Advisor.