



# HIS Envoys Faith-Based 2020 Model

A PORTFOLIO THAT FOCUSES ON ALIGNING AN INVESTOR'S FAITH AND BIBLICAL BELIEFS



## Model Objective

The model may be appropriate for investors that would like to align their investments with their faith and Biblical beliefs and are retiring on or near the year 2020.

## Suitability

Investors that seek a balance between capital appreciation and income and as they approach retirement they favor gradually shifting to a more conservative allocation.

Investors that are comfortable with investments in common stock and fixed income.

Investors that would like active portfolio management to minimize risk.

## Investment Strategy

HIS Envoys Faith-Based Target Portfolio model employs a multi-step process to derive at the investments in the portfolio. HIS Envoy first screens for companies that meet its faith-based standards. Those companies are then filtered by companies that exhibit strong fundamentals and are then ranked utilizing a relative strength scoring system. Investments are made in those companies that exhibit a positive relative strength trend and are outperforming their peers. This model is generally intended for investors expecting to retire around the year 2020 (target retirement date) as the asset allocation will change over time.

## Expanded Insight

Target Portfolio seeks to provide capital appreciation and current income consistent with its current allocation of equity and fixed income. Periodically the target date model shifts the asset allocation by decreasing the equity percentage while increasing the fixed income allocation as the target date approaches. The model will become more conservative over time based on a pre-determined glide path. Depending on the target date model and its proximity to the target date, the model will seek to achieve the following to varying degrees; growth, income and conservation of capital. The target date models utilize HIS Envoy investment strategies that invest in companies that align investor's faith and Biblical beliefs while participating in the long-term growth of equity and the yield of fixed income investments.

## Portfolio Composition

HIS Envoys Faith-Based Target model seeks to achieve its investment objective by investing in current and newly established HIS Envoy Faith-Based investment strategies.

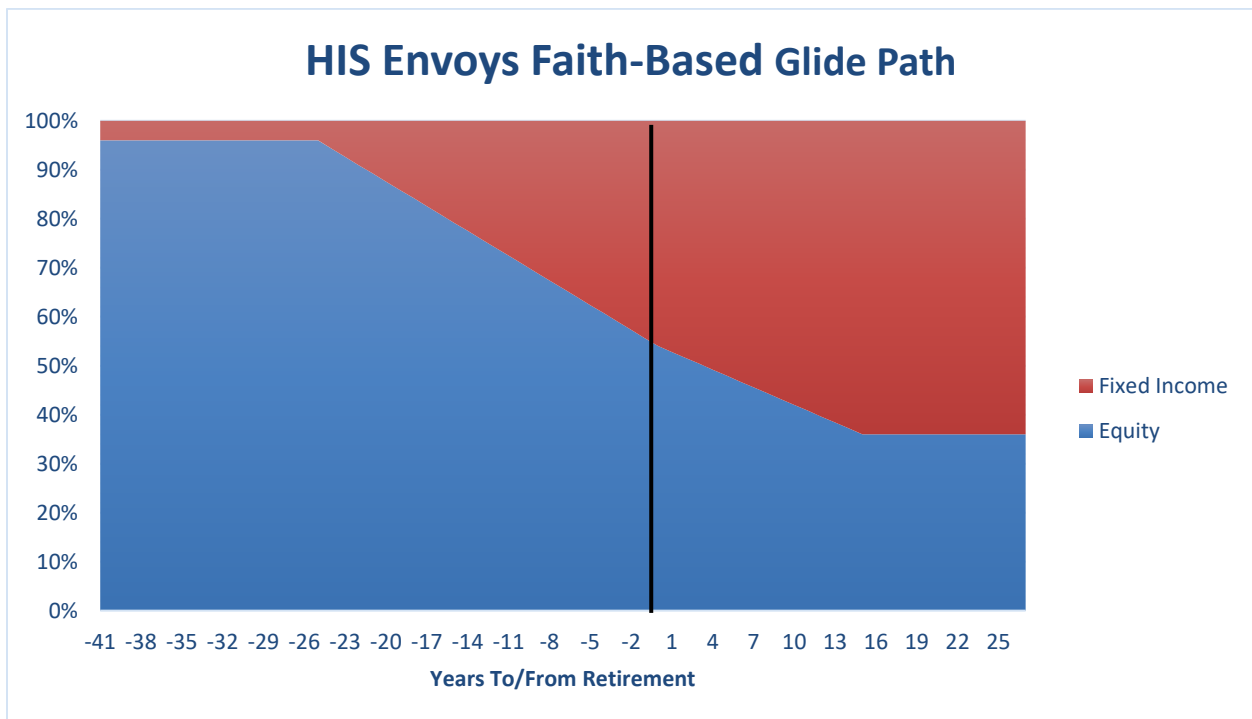
The underlying HIS Envoy investment strategies apply faith-based screening methodology to screen for companies that allow investors to be good stewards of what they have been entrusted with and to have a positive kingdom impact, while avoiding companies that fall short of Faith-based standards.

The HIS Envoy strategies employ a multi-step process to arrive at the companies to invest in. After screening a broad universe of publicly traded stocks for faith-based criteria, they are ranked by the momentum of their stock price utilizing our relative strength scoring system.

The strategy seeks to own and hold stocks that exhibit positive relative strength trend and are outperforming their peers at the time of purchase. Furthermore, the HIS Envoys strategies seek to mitigate downside risk by selling companies that no longer exhibit positive relative strength trend, have reversed momentum or break key support levels in the market.

## Glide Path

Under normal conditions, the HIS Envoys Faith-Based Target model will maintain an asset allocation according to the pre-determined glide path allocation as illustrated below. Periodically the asset allocation strategy will become more conservative by reducing the equity allocation and increasing allocation to fixed income.



The asset allocation shown in the glide path does not reflect tactical decisions in the underlying HIS Envoy strategies. The strategies will invest independently of the glide path based upon the relative strength of the underlying positions within the portfolio composition that are screened and ranked. There will be times when the target model has a fixed income allocation that exceeds the predetermined glide path due to investment decisions in the underlying HIS Envoy strategies. However, the equity allocation is limited to the maximum percentage according to the glide path.

The target model maintains a substantial allocation to equities both prior to and after the target date, which can result in greater volatility over shorter time horizons, but historically equities have outperformed fixed income over a longer time horizon.

### **Faith-Based Screening of Underlying investment strategies.**

A Christian Biblical view starts with the premise that everything belongs to Him. We are stewards of the assets that we have been entrusted to manage for Him and that we don't own it. 1 Chronicles 29:11-13 says, "Yours, Lord, is the greatness and the power and the glory and the majesty and the splendor, for everything in heaven and earth is yours. Yours, Lord, is the kingdom; you are exalted as head overall. Wealth and honor come from you; you are the ruler of all things. In your hands are strength and power to exalt and give strength to all. Now, our God, we give you thanks, and praise your glorious name."

Since Christians are stewards of His resources, they may choose to invest their money in a Biblical way. They would strive to obtain a return on their investment such as what Matthew 25:13 the Parable of the Talents describes. In addition, Christians should be in the world but not of the world and their investment process should be God pleasing, "Whatever you do in word or deed do all to the glory of God" and therefore should avoid investments that go against God's Word.



In order to align investor's faith and Biblical beliefs the HIS Envoy investment strategy negatively screens for eight business practices with over sixty sub screens to derive at our Faith-Based investing universe. We start with approximately 3,000 companies and based on the Faith-Based screening process that excludes companies that receive revenue or profits within, have business dealing in, or are involved in the following eight areas; Abortion, Entertainment, Pornography, Lifestyle, Rights, Alcohol, Tobacco and Gambling. Approximately 375 companies violate one or more of these faith-based screening. The process of eliminating companies that violate the faith based screening is the primary method of how the HIS Envoys Faith-Based model aligns investors values with their investments.



*For Illustrative purposes only*



Life begins at conception, therefore, as part of the underlying investment process we screen for and exclude companies that promote the Pro-Choice agenda, including advertisements or marketing companies. Additionally, companies that provide charitable aid or donations to non-profit organizations which include foundations that pay for abortions, provide emergency contraception pills, birth control pills and or pursue “reproductive freedom”, like Planned Parenthood.



Examples, of negative business practices within the Entertainment industry that are screened for and exclude from the investment strategy are companies that distribute anti-family programming through cable, pay-per-view or video on demand channels. Furthermore, we exclude companies that distribute anti-family programming through the theaters or major motion pictures. Faith based values are continually being assaulted by the entertainment industry, therefore, it makes sense not to invest in companies that deliberately promote sex, drugs, extreme violence and language.



As part of our Faith-Based process the underlying models exclude companies that are involved in the pornographic industry. Examples would include companies that distribute pornographic films through cable, pay-per-view (PPV) or video-on-demand. Additionally, we exclude both online and brick and mortar companies that sell, market or distribute pornographic material. We believe that God created sex within the confines of marriage and the immoral sexual practices of pornography contradict the Bible, failing the standards that God has set forth in his Word.

The HIS-Envoy Faith Based underlying investment strategy examines the investment universe and scores companies based upon our screening methodology with either a Pass or Fail. Companies that fail or miss the mark are eliminated, while the companies that pass the faith-based screening we further examine.

1	Company	Ticker	Industry	Abortid	Alcohol	Enterta	Gambl	Lifestyl	Pornog	Rights	Tobacco	Results
2	3M Company	MMM	Surgical and Medical Instrument Mfg	Y	N	N	N	Y	N	N	N	FAIL
3	A. O. Smith Corp.	AOS	Motor and Generator Manufacturing	N	N	N	N	N	N	N	N	PASS
4	Abbott Laboratories	ABT	Pharmaceutical Preparation Manuf	Y	N	N	N	Y	N	N	N	FAIL
5	ABIOMED Inc.	ABMD	Electromedical and Electrotherapeu	N	N	N	N	N	N	N	N	PASS
6	Accenture PLC	ACN	Management Consulting Services	Y	N	N	N	Y	N	N	N	FAIL
7	Activision Blizzard Inc.	ATVI	Software Publishers	N	N	Y	N	N	N	N	N	FAIL
8	Adobe Systems Inc.	ADBE	Software Publishers	Y	N	N	N	Y	N	N	N	FAIL
9	Advance Auto Parts Inc.	AAP	Automotive Parts and Accessories	N	N	N	N	N	N	N	N	PASS
10	Advanced Micro Devices Inc.	AMD	Semiconductor and Related Device	N	N	N	N	N	N	N	N	PASS
11	AES Corp. The	AES	Other Electric Power Generation	N	N	N	N	N	N	N	N	PASS
12	Affiliated Managers Group Inc.	AMG	Investment Advice	N	N	N	N	N	N	N	N	PASS
13	Aflac Inc.	AFL	Direct Health and Medical Insurance	N	N	N	N	N	N	N	N	PASS
14	Agilent Technologies Inc.	A	Instrument Manufacturing for Meas	N	N	N	N	N	N	N	N	PASS
15	Air Products and Chemicals Inc.	APD	Industrial Gas Manufacturing	N	N	N	N	Y	N	N	N	FAIL
16	Akamai Technologies Inc.	AKAM	Custom Computer Programming Ser	N	N	N	N	N	N	N	N	PASS
17	Alaska Air Group Inc.	ALK	Scheduled Passenger Air Transport	N	N	N	N	Y	N	N	N	FAIL

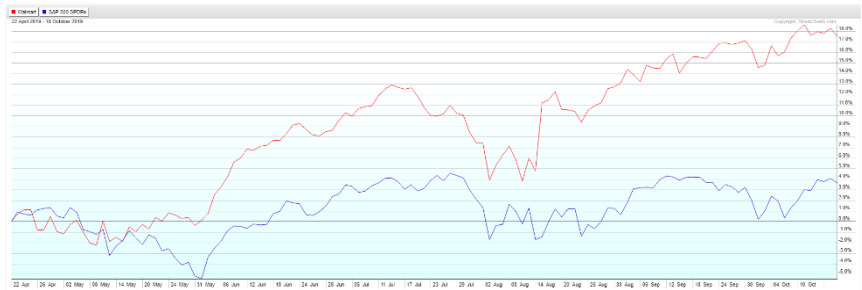
*1 Faith Based Screening Example as of 10/01/2019*

## Relative Strength

Relative strength is a measure of the price trend of a stock or other financial instrument compared to the price trend of a benchmark, a stock, or industry. It is calculated by taking the price movement of one

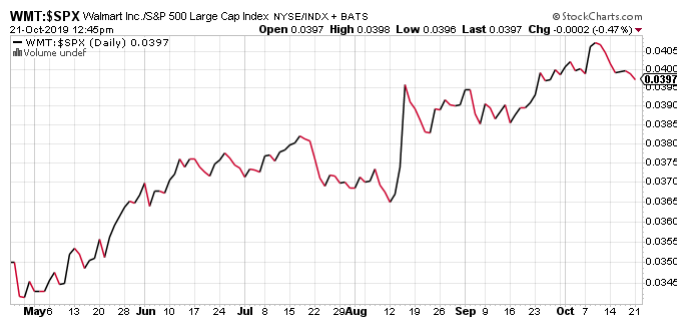
financial instrument over a period of time and dividing it by the price movement of another. It is a form of technical analysis, specifically, momentum investing because companies or financial instruments that are outperforming their benchmark or industry tend to continue to outperform until sentiment changes. Relative strength is a type of ranking system in the financial markets. For instance, if there are more buyers that are bidding up the price of investment A than there are investors that are buying Investment B then investment A would outperform Investment B. This occurs because there is more demand for Investment A as investors are indirectly stating that the outlook for Investment A is greater than Investment B.

In the following example we compare Walmart's (WMT) performance relative to the S&P 500. The performance for Walmart over this period was approximately 17% which outperformed the S&P 500 that gained approximately 3% over the same period.



*2 Relative Strength example of WMT VS S&P 500 4/22/2019-10/18/2019*

Another way to compare the two is to utilize a ratio of WMT stock price compared to the S&P 500. When



the line is moving higher then WMT is outperforming and when the line is declining then WMT is under performing. Once again, the chart shows that Walmart outperformed over the full period, but by charting a ratio you can easily see periods when WMT either outperformed or underperformed.

*3 Relative Strength ratio WMT vs S&P 500 4/22/2019-10/18/2019*

By applying this process of relative strength, we rank investments by how well they are performing relative to one another. We can see investments and specific areas within the market, stocks, sectors or broad assets classes that are outperforming and conversely what is currently out of favor and is underperforming. Our process routinely compares many securities to each other and ranks the results from strongest to weakest, similar to the illustration below, where you can see Kellogg starting to outperform its peers.

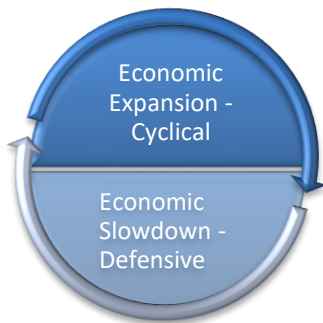
POSITION	6/1/2001	1/1/2002	6/1/2002	1/1/2003
1	Microsoft	Walmart	Kellogg	Microsoft
2	Honda Motor Corp.	Johnson & Johnson	Honda Motor Corp.	Kellogg
3	Exxon	Microsoft	McDonalds	Berkshire Hathaway
4	Johnson & Johnson	Kellogg	Berkshire Hathaway	Johnson & Johnson
5	Berkshire Hathaway	Berkshire Hathaway	Johnson & Johnson	Exxon
6	Walmart	Honda Motor Corp.	Disney	S&P 500
7	Disney	S&P 500	Exxon	Disney
8	Kellogg	Exxon	Walmart	Walmart
9	S&P 500	McDonalds	S&P 500	Honda Motor Corp.
10	McDonalds	Disney	Microsoft	McDonalds

*4Relative Strength Ranking example*

Under normal market conditions, the HIS Envoy strategy seeks to invest in the fifty highest ranked financial instruments as ranked by our relative strength system. As investments with greater momentum surpass one or more of the existing fifty positions, we would purchase the higher-ranking security and replace the position that no longer meets the criteria of being ranked within the top fifty. This active management approach is very fluid as holdings are reviewed on an ongoing basis and replaced once they no longer meet the stated criteria.

## Risk Control Measures

The earlier examples focused on securities that outperform to the upside, which occurs when the broad-based market is in an uptrend and increasing in value. When markets decline due to market uncertainty, economic slowdown, or earnings declines, we tend to see financial instruments that are cyclical or those that may be considered growth to underperform, whereas, defensive positions start to outperform due to more stable outlook of earnings or dividends. Consider that when markets are in a decline, defensive positions may also decline; however, generally they tend to outperform cyclical equities by falling less. Companies that are considered blue chip companies that pay a dividend, certain securities that are classified as lower volatility securities or companies within a specific sector are examples of defensive companies with lower Beta's that historically decline less than the broad market.



In a declining equity market in addition to the rotation into defensive equity positions, traditional fixed income securities would start to outperform and move up on our relative strength ranking system due to the stability of fixed income, low correlation to the equity market and investors becoming more conservative and reallocating their investments. When fixed income securities increase in ranking and

breach the top fifty ranking we would replace those that fell out of the top fifty with more conservative fixed income securities.

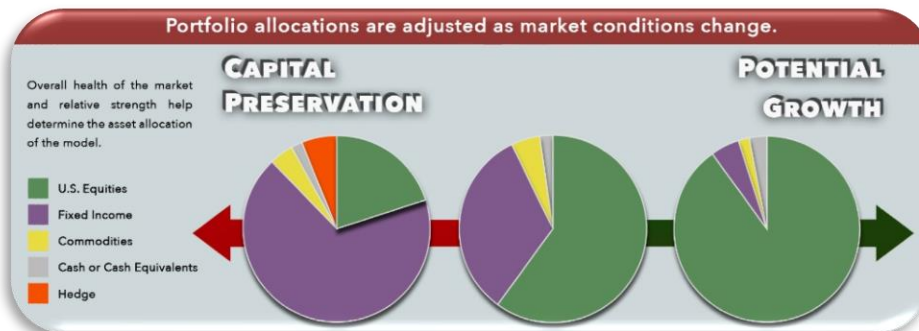
In addition to investing in defensive equity and fixed income positions, we include in the investible universe an Exchange Traded Fund that allows us to hedge equity positions. This hedge ETF seeks daily investment results that correspond to the inverse of the daily performance of the S&P 500. If markets were to decline the inverse ETF would increase in value and conversely when markets increase, then the inverse would decline. Hedge positions have unique risk characteristics and are capped at 10% of the portfolio. Additionally, they are not meant as a long-term investment, rather they are used to hedge declining positions in the model. If equity markets were to decline to the point where the inverse of the S&P 500 was ranked within the top fifty of our relative strength system, the position would be purchased and when markets stabilized and started to rebound then the hedge ETF would be sold when he fell out of the top fifty.

From our relative strength process, we constitute our Faith Based model with the fifty highest ranked positions and actively monitor and manage the list so that we are constantly reallocating assets to those that are ranked highest. Positions that fall out of the top fifty are sold, while those that make the ranking are purchased to take their place. Momentum may be concentrated in specific asset classes or industries with no regard to a broad-based allocation of large cap, midcap and smallcap as traditional asset allocation models are constructed. Furthermore, the tactical portfolio can be skewed towards a higher allocation in equities and may have little to no allocation to commodities or fixed income while at times it may have a higher allocation to commodities or fixed income. Asset allocation is dynamic and may change from 100%

equity allocation to 0% over time. Additionally, the model at times may invest in the international markets through ADR's when those positions are outperforming. Our

relative strength analysis seeks positions that are outperforming, whether those positions are outperforming to the upside when markets are increasing in value or positions that are declining less than others when markets are declining.

By combining Faith based screening with relative strength assessments, the HIS Envoys Faith-Based investment strategies seek to hold a portfolio of fundamentally sound companies which are exhibiting high relative strength and positive trends at the time of purchase.



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 is not suitable for all investors. All investments involve risk, including loss of principal. In addition to the normal risk associated with equity investing, investments in technology, 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. 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. Asset Allocation Risk. The Portfolio's allocations to various asset classes and to the Underlying Funds may cause the Portfolio to underperform other funds with a similar investment objective. Expenses. By investing in the Underlying Funds indirectly through the Portfolio, the investor will incur not only a proportionate share of the expenses of the Underlying Funds held by the Portfolio (including operating costs and investment management fees), but also expenses of the Portfolio. Inadequate Retirement Income. An investment in the Portfolio is not guaranteed, and the Portfolio may experience losses, including losses near, at, or after the Target Date. There is no guarantee that the Portfolio will achieve sufficient capital appreciation to provide adequate income at and through retirement. Moreover, there is no guarantee that the Portfolio's performance will keep pace with or exceed the rate of inflation, which may reduce the value of your investment over time. The principal value of the Target Date model is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire and likely stop making new investments in the fund. If an investor plans to retire significantly earlier or later, the funds may not be an appropriate investment. The funds' allocations among a HIS Envoy investment strategies will change over time. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon. The funds are not designed for a lump-sum redemption at the target date and do not guarantee a particular level of income.

The S&P 500, MidCap 400 and SmallCap 600 indexes are an unmanaged group of securities considered to be representative of their market cap weighted asset class stock. Their performance is not reflective of the performance of any specific investment. Investments cannot be made directly into an index.

Inverse ETFs seek to deliver the opposite performance of the index or benchmark they track. For example, if the market as measured by the S&P 500 is down 1% the inverse ETF would be positive by approximately 1%. Inverse ETFs often are marketed as a way for investors to profit from or hedge exposure to declining markets. It is important to remember that historically the market does move higher over the intermediate to long term.

Definition: Relative Strength: Relative strength is a technique used in momentum investing. It consists of investing in securities that have performed well, relative to their market or benchmark. Mean: Arithmetic average. Standard Deviation is a measure of how much an investment's returns can vary from its average return. It is a measure of volatility and in turn, risk. 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.

The average current yield of the portfolio is the weighted average of the distribution and current yields of the securities in the model portfolio at the time of writing. Distribution yield is the anticipated annual distribution as a percentage of the current price of the security. These distributions are not guaranteed and can fluctuate. The average current yield is not the anticipated annual return of the portfolio. The total annual return of the portfolio is a combination of annual distributions and price fluctuation which can be positive or negative over the course of the one year. The average current yield will change over time. There can be no guarantee the portfolio will pay the average yield over and period of time. This yield is gross of all fees. 30-day SEC yield is calculated by dividing the net investment income per share earned during the most recent 30-day period by the maximum offering price per share on the last day of the period.

This Model portfolio is being offered through the Advisory Services offered through Harvest Investment Services, LLC, a Registered Investment Advisor.