

Tactical vs. Static

Every investor should have a long-term baseline asset allocation based on their long-term objectives.

This can be implemented with a static asset allocation that does not change as the market environment changes...

...or this baseline allocation can be tactically tilted to better take advantage of opportunities or reduce risk.

Why be Tactical

- Markets have evolved over time and are now faster than ever, with bigger up and down swings – the last bear market was the fastest ever
- Quants, HFT and ETFs contribute to this higher and faster volatility
- Unprecedented central bank and government policies are also impacting market swings
- With bond yields so low, traditional sources of portfolio stability are not as attractive
- Technology has made it cheaper and easier to change your asset mix

Given this, we believe investors should incorporate a tactical component to their asset allocation

The Idea

It is not easy to be tactical. To be successful you either need to be smarter than everyone else or faster. We have some very smart people but also know this industry is full of really bright and talented people. So we chose to be fast.

Tactical is a rules-based strategy, designed to reduce market exposure in downward moving markets and increase market exposure when the trend is moving higher.

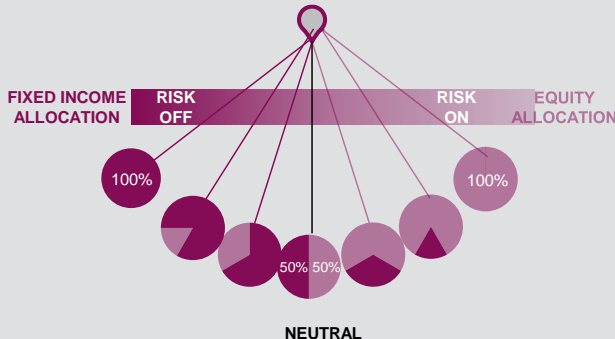
As a complement to a portfolio, Tactical can reduce the overall equity exposure during troubled times and increase during better times.

How it Works

- Systematic rules-based strategy that reduces human emotion – rules are based on equity market momentum
- During rising markets, Tactical tilts to hold more equities than bonds
- During falling markets, Tactical pivots rather quickly to own more bonds than equity
- Tactical is a risk reduction strategy that can be as much as 100% equity or 100% bonds, using broad based ETFs to implement the strategy
- Tactical is designed to reduce risk and add a tactical component complementing an existing portfolio
- Decrease equity exposure and increase fixed income exposure in downward moving markets
- Increase equity exposure and decrease fixed income exposure in upward moving markets

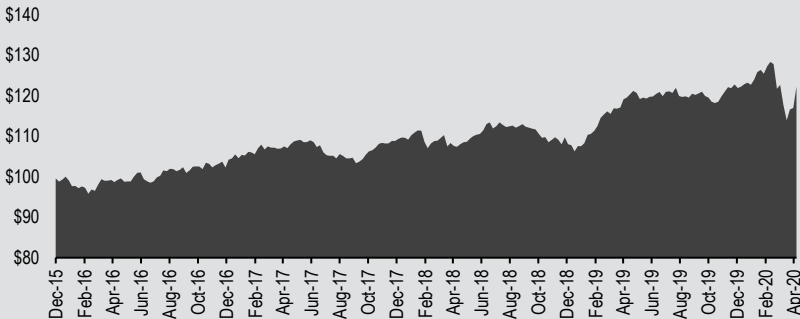
Investment Process

Theoretical asset class allocation over time



Fund Performance

Growth of \$100 Since inception



ETF SERIES	RTA	0.75%
SERIES F	PFC3901	0.75%
SERIES A	PFC3900	1.75%

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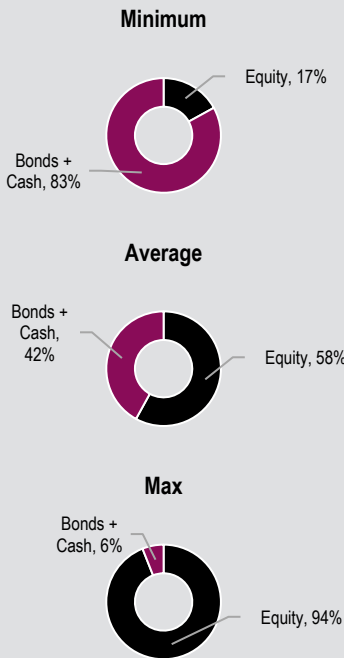
Where Tactical Fits

Any investment mandate should not just be considered based on its own merits but also how it integrates into a portfolio and what it complements.

- For a balanced type portfolios, we've found an allocation of 10% can enhance the risk/return characteristics. Tilting the portfolio to be more conservative in times of trouble and more aggressive in good times.
- For portfolios that employ either a more conservative bond allocation or volatility management focused alternatives, a smaller allocation is warranted.
- For portfolios that are more aggressive, either more equity or the bond allocation has greater credit exposure, a higher weighting of 15-20% could be justified.

Asset Allocations

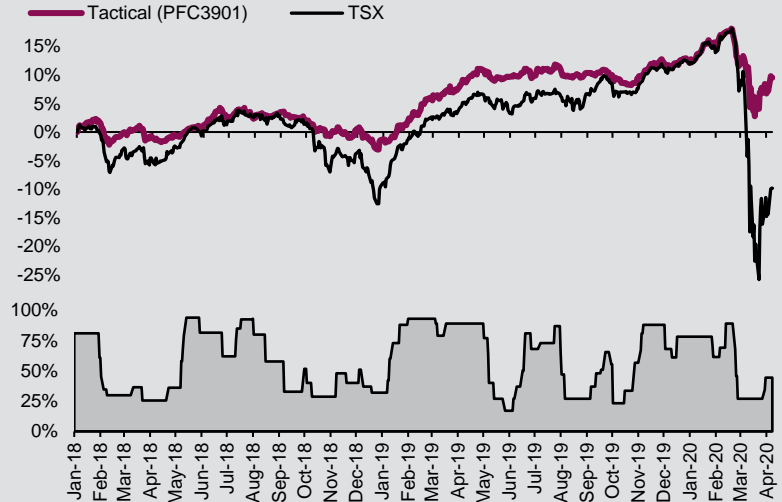
Dynamic tilts across various stages of the market cycle



How It Has Done

Purpose Tactical Asset Allocation Fund Asset Allocation

Performance vs. equity allocation

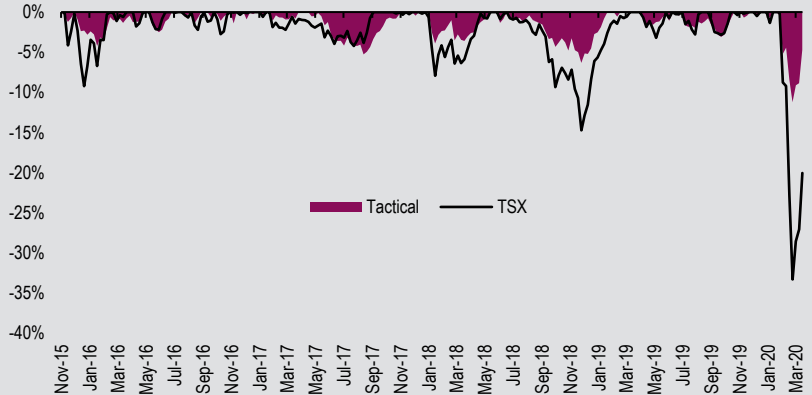


Being Tactical

- Being tactical is difficult but can enhance both return and reduce risk. If you believe more corrections are ahead or even a dreaded bear market, Tactical can complement a portfolio.

Downside Protection

Tactical vs. TSX drawdowns since inception



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