Newfound Research
Risk-Managed, Tactical Asset Allocation Strategies

Last Update: April 2019
While other asset managers focus on alpha, our first focus is on managing risk.
Newfound Research is a quantitative asset management firm that specializes in the management of high conviction, tactical ETF portfolios. Our strategies provide access to the systematic application of major quantitative investment styles such as value, momentum, carry, defensive, and trend.

We believe in systematic, disciplined, and repeatable decision-making powered by evidence-based insights of consistent and thoughtful research.

Founded in August 2008. Privately held and owned by Principals. Headquartered in Boston, MA.

**Brief History**

- Began delivering tactical investment research signals to first clients in September 2008.
- Began offering directly managed investment strategies in December 2013.
- Our research has been utilized to help drive investment decisions for in excess of $10 billion.
Leadership Team

Tom Rosedale
Chief Executive Officer
Chief Compliance Officer

- Prior to Newfound, Tom formed a Boston-based corporate law firm focused on SEC compliance for public and private offerings, venture capital financing, M&A transactions, and general corporate law matters.
- BS Finance, Bryant University
- JD, Boston University School of Law

Corey Hoffstein
Chief Investment Officer

- Frequent speaker on industry panels. Contributor to ETF.com, ETF Trends, and Forbes Great Speculations blog.
- Named ETF All Star in 2014 by ETF Report.
- MS Computational Finance, Carnegie Mellon University
- BS Computer Science, Cornell University

Nathan Faber
Portfolio Manager

- Prior to joining Newfound, responsible for process simulation and project economic analysis for a global engineering firm in the oil, natural gas, and biofuels industry.
- MS Computational Finance, Carnegie Mellon University
- BS Chemical Engineering, Case Western Reserve University
Thought Leadership

Audiences across the globe regularly utilize our data-driven investment research to help make portfolio management decisions within institutional mandates.

Readership stats
- ~50 publications per year
- ~4250+ subscribers
- ~300k+ article views in 2018
- Channels represented:
  - Pensions
  - Insurance Companies
  - Superannuation Funds
  - Family Offices
  - Wealth Advisory
Inside the black box of our quantitative strategies

What Differentiates Us: Our Beliefs
Our first focus is on risk.

We know investors care deeply about protecting the capital they have worked hard to accumulate.

And as investors approach and enter retirement, managing “sequence risk” becomes even more important.

We seek to improve risk-adjusted returns by prioritizing downside risk ("drawdown") management.
We believe in quantitatively-driven investment approaches, powered by the evidence-based insights of consistent, thoughtful research.

We focus on the application of “style premia” — factors like value, momentum, carry, defensive, and trend — in tactical asset allocation.

We believe process consistency is paramount for long-term investment success and is best achieved through systematic approaches which help mitigate the behavioral biases that often lead to poor investment decisions.

“We adhere to a philosophy of quantitative integrity, whereby an idea must not only be supported by empirical data, but it must also be grounded in sound theory.”
Investing shouldn’t be complicated, but that doesn’t mean it is easy. Emotional decisions can derail even the best laid investment plan. Therefore, we believe the optimal investment plan is, first and foremost, the one we can stick with.

We know investors care deeply about protecting the capital they have worked hard to accumulate, so we seek to improve risk-adjusted returns by prioritizing downside risk (drawdown) management.

“In the real world, short-term emotional decisions can threaten even the best-scripted financial plan. We believe that managing anxiety is paramount for long-term investment success.”
Cornerstone Beliefs of our Firm

“Risk cannot be destroyed, only transformed”

We view every choice in investment management as a trade-off of one type of risk for another. In absence of a crystal ball, we believe the prudent choice is to diversify the risks we are exposed to.

“No pain, no premium”

If it were easy, everybody would do it. That’s why we believe that for any strategy to have an edge, it has to underperform from time to time. In fact, it has to be painful enough for weak hands to fold. We call it the “frustrating law of active management.”

“Hubris sells, humility survives”

An evidence-based approach to investing inherently relies on the results of statistical analysis. With statistics, there is always a probability that results are due to randomness alone. As such, we believe that skepticism and humility are prudent.

“The journey matters just as much as the destination”

The optimal investment portfolio is, first and foremost, the one an investor can stick with. For alpha to be achievable, not only must the edge be sustainable, but the investor must be able to sustain the journey.
What We Do: *Risk-First* Tactical Asset Allocation

*Inside the black box of our quantitative strategies*
Tactical Asset Allocation

Opportunistically adapt and rotate portfolio exposures away from areas of perceived weakness.
The Pillars of our Process

Research-Driven
We embrace an evidence-based approach to investment management, relying on investment insights that we believe are robust, persistent, pervasive, investable, and are grounded in sound economic theory.

Systematically Managed
We believe in using a systematic, rules-based, and disciplined approach to ensure consistency in process and help eliminate the cognitive biases that, when repeated over time, can compound and create negative investment results.

Thoughtfully Designed
At Newfound, we believe that portfolio construction has two separate and distinct elements: the investment signals we generate and the rules that compose these signals into portfolio allocations.

While most quantitative research focuses only on the trading signals, by utilizing a bifurcated framework we ensure that our research is balanced, recognizing that the rules are often where a portfolio’s objective is defined and prudent risk management techniques are applied.
# The Elements of Our Process

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value</strong></td>
<td>Identify investments that are trading at a steep discount to intrinsic value and avoid those trading at a premium.</td>
</tr>
<tr>
<td><strong>Momentum</strong></td>
<td>Identify investments that have been recently outperforming peers and avoid those that have been recently underperforming.</td>
</tr>
<tr>
<td><strong>Carry</strong></td>
<td>Identify investments that offer a higher return, assuming no change in price.</td>
</tr>
<tr>
<td><strong>Defensive</strong></td>
<td>Identify investments that are “safer” based upon both quantitative and fundamental characteristics.</td>
</tr>
<tr>
<td><strong>Trend</strong></td>
<td>Identify investments that are appreciating in value and avoid those that are depreciating.</td>
</tr>
</tbody>
</table>
Broad Strategy Mandates

**Objective**

**Equity Trend**
Seek to participate in equity market growth and avoid significant and prolonged drawdowns.

**Multi-Asset**
Seek to provide diversified global market exposure and avoid significant and prolonged drawdowns.

**Fixed Income**
Seek to provide dynamic, risk-managed exposure to global fixed income markets.
### Accessing Newfound

#### Separately Managed Accounts
- Managed accounts are available through Schwab and Fidelity
- Available on most major TAMP and UMA platforms
- Model delivery is available to qualifying institutions

#### Open-End Funds
- Select Newfound strategies are made available in open-end fund format
- See www.thinknewfoundfunds.com

#### Custom Index Solutions
- Custom tailored solutions are available to institutional clients.
Further information about Newfound Research and important disclosures.
We contribute to industry and national outlets, including:

- ETF.com
- ETF Trends
- Forbes (Great Speculations)
- The Wall Street Journal (Experts Corner)

Our research and insights have been featured in:

- Morningstar Magazine
- Barron’s
- FA Magazine
- S&P Dow Jones Indexology
- CNBC
- Investor’s Business Daily
ETF.com is a third-party organization which specializes in providing resources on Exchange Traded Funds. ETF.com Award winners are selected in a three-part process. The process begins with open nominations where interested parties were invited to submit nominations for awards in approximately 30 categories (with there being one winner per category, unless a tie resulted). Self-nominations were accepted (Newfound Research employees did provide self-nominations to ETF.com prior to 2018). ETF.com announced that as part of the 2016 awards, “hundreds of nominations from participants in all corners of the ETF space” were received. Then the ETF.com Awards Nominating Committee – made up of senior leaders at ETF.com, Inside ETFs, and senior members of the FactSet ETF Analytics team – selected up to five finalists in each category (unless a tie resulted, in which case there could be more than five finalists in a category). The winners were selected from these finalists by a majority vote of the ETF.com Awards Selection Committee, which is a group of independent ETF experts (as determined by ETF.com). ETF.com is not affiliated with Newfound Research. There were no payments made in connection with the award. After winners were selected, Newfound Research purchased one seat to attend the 2016 awards ceremony dinner and two seats to attend the 2018 awards ceremony dinner. Newfound Research has not purchased any plaques, article reprints, or other similar indicia of the award. Ratings and awards may not be representative of any one client’s experience and are not indicative of Newfound Research’s future performance. Nominees were not required to be members of any organization to be eligible to receive an award.
Newfound Research LLC ("Newfound") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Newfound Research LLC has been independently verified for the period from December 1, 2013 (inception date) through July 31, 2017.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.

To receive a list of composite descriptions of Newfound Research and/or a presentation that complies with the GIPS standards, contact Nathan Faber at (617) 531-9773, or write to info@thinknewfound.com.
Important Disclosures

This document is provided for informational purposes only and is subject to revision. This document is not an offer to sell or a solicitation of an offer to purchase an interest or shares ("Interests") in any pooled vehicle. Newfound does not assume any obligation or duty to update or otherwise revise information set forth herein. This document is not to be reproduced or transmitted, in whole or in part, to other third parties, without the prior consent of Newfound.

Certain information contained in this presentation constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of an investment managed using any of the investment strategies or styles described in this document may differ materially from those reflected in such forward-looking statements or in the hypothetical/backtested results included in this presentation. The information in this presentation is made available on an "as is," without representation or warranty basis.

There can be no assurance that any investment strategy or style will achieve any level of performance, and investment results may vary substantially from year to year or even from month to month. An investor could lose all or substantially all of his or her investment. Both the use of a single adviser and the focus on a single investment strategy could result in the lack of diversification and consequently, higher risk. The information herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations. You should consult your investment adviser, tax, legal, accounting or other advisors about the matters discussed herein. These materials represent an assessment of the market environment at specific points in time and are intended neither to be a guarantee of future events nor as a primary basis for investment decisions. The hypothetical/backtested performance results and model performance results should not be construed as advice meeting the particular needs of any investor. Past performance (whether actual, hypothetical/backtested or model performance) is not indicative of future performance and investments in equity securities do present risk of loss. The ability to replicate the hypothetical or model performance results in actual trading could be affected by market or economic conditions, among other things.

Investors should understand that while performance results may show a general rising trend at times, there is no assurance that any such trends will continue. If such trends are broken, then investors may experience real losses. No representation is being made that any account will achieve performance results similar to those shown in this presentation. In fact, there may be substantial differences between backtested performance results and the actual results subsequently achieved by any particular investment program. There are other factors related to the markets in general or to the implementation of any specific investment program which have not been fully accounted for in the preparation of the hypothetical/backtested performance results, all of which may adversely affect actual portfolio management results. The information included in this presentation reflects the different assumptions, views and analytical methods of Newfound as of the date of this presentation.

This document contains the opinions of the managers and such opinions are subject to change without notice. This document has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. This document does not reflect the actual performance results of any Newfound investment strategy or index. This purpose of this document is to explain Newfound’s beliefs that: there is no holy grail investment style that will out-perform in all market environments; being systematic and disciplined in use of active strategies is the best way to capture out-performance because we don’t know when the out-performance will happen; and diversifying across several active approaches – all of which have independently proven to add value in different market environments – can help smooth out short-term underperformance of a single approach.

The investment strategies and themes discussed herein may be unsuitable for investors depending on their specific investment objectives and financial situation.

No part of this document may be reproduced in any form, or referred to in any other publication, without express written permission from Newfound Research.

© Newfound Research LLC, 2018. All rights reserved.