RPg asset management

Defending Capital. Redefining Risk.

Flash Commentary 3.12.15

Solutions based upon the AlphaSector® Premium Model

Risk Paradigm Group seeks to defend capital through our ETF tactical strategies based upon the F-Squared AlphaSector ® Premium methodology. The below commentary is related to the RPg AlphaSector ® Core Domestic Equity and the RPg Premium FT portfolios available as separately managed accounts.

Market Environment

We entered the first quarter of 2015 on the heels of a volatile fourth quarter, and witnessed continued market volatility throughout January and February. Assessing the markets through F-Squared proprietary True Volatility™ lens, there continued to be concerning levels of stress in the markets. U.S. equities – as measured by the S&P 500® Index – were down 3.01% in January, which ranks as its worst monthly performance since January 2014. Volatility was further evidenced by the fact that the S&P 500 experienced a greater than 1% intraday trading range in 19 of 21 trading days in January.

Although markets rebounded in February, the amount of volatility present in the global markets continues to warrant caution. While, higher volatility does not automatically translate to losses, during periods of higher volatility the markets typically deliver their largest single-day market increases interspersed with oversized daily or intraday losses. For strategies which strive to deliver downside protection, elevated volatility levels present loud warning signals.

Implications for AlphaSector® Strategies

For the AlphaSector® methodology, the most important consideration impacting the investment decision making is volatility, followed by price trends. Volatility has not abated, and price momentum continues to trend negatively for many of the sectors evaluated for the True Volatility data. Based on the most recent signals as of February 24, they have once again de-risked, eliminating sectors that were deemed by the analytical engines as having the likelihood of future losses. The AlphaSector® Premium now has built a 50% cash equivalents position in the portfolios.

Understanding the AlphaSector® Portfolio Changes – Managing Expectations

The AlphaSector® strategies are not designed to capture excess returns or to outperform a benchmark on a "raw return" basis, but instead seek to deliver downside risk management and upside participation which may lead to high-quality risk-adjusted returns over time. The investment decisions are based on identifying times when the potential for meaningful losses are unacceptably high, and, in such instances, will structurally reduce exposure to the markets. In other words, the models seek to identify times to start looking for "higher ground." By design, all of the AlphaSector® strategies have the ability to fully de-risk in the face of rising market stresses and risks.

With regard to the most recent build-up of cash equivalents positions within the AlphaSector® strategies, these moves are intended to reduce the potential for losses within the portfolios. Philosophically, there are times when it is more important to focus on preventing a 10% decline than to attempt to capture the next 2% rally. That philosophy is at the heart of the AlphaSector® strategies. When the investment engines and analytics signal broad-based signs of market risk, there is de-risking in the AlphaSector® strategies. Throughout the first two months of 2015, as well as the fourth quarter of last year, there has been concerning levels of risk observed in the global market and as a result, the strategies raised cash equivalents positions in all of the asset classes.

(Please see last pages for important disclosures)

Commentary Disclosure

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The *AlphaSector U.S. Equity Index* ("U.S. Equity") is designed to provide exposure to the U.S. Equity market, and is constructed as an "asset allocation" overlay onto Exchange Traded Funds ("ETFs") representing major sectors of the U.S. economy. F-Squared defines the inception date for U.S. Equity, the Premium AlphaSector Index and the AlphaSector Rotation Index as October 1, 2008.

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. All investments include a risk of loss that clients should be prepared to bear. The principal risks of the AlphaSector Indexes and Strategies are disclosed in F-Squared Investments and Risk Paradigm Group's publicly available Form ADV Part 2A.

F-Squared may change the exposures and index compositions reflected herein at any time and in any manner in response to market conditions or other factors without prior notice to investors.

Index Maintenance: F-Squared actively maintains the Quant Model that generates the signals utilized to populate the Index. The Quant Model operates based on numerous and complex underlying mathematical assumptions. F-Squared periodically updates or revises these assumptions in an effort to improve the model's accuracy and responsiveness. These changes alter Index construction moving forward. Consequently, past index performance may not be representative of future performance.

Lack of Index Transparency: F-Squared does not publish detailed information about the Index at this time, including the specific names and weightings of the ETFs comprising the Index or the weekly "buy/sell" signals. Moreover, to date, no independent third-party has verified the accuracy of the Index performance presented herein. *(Continued on following page)*

Index Calculation Methodology: Index returns are calculated on a monthly total-return basis using published closing market prices for the constituent ETFs, as of the last business day of the month ("Market-Based ETF Valuations").They are time and asset weighted and reflect the reinvestment of all dividends and other distributions. Monthly returns are geometrically linked to create quarterly and annual returns. All returns are calculated and expressed in U.S. dollars.

Prior to April 3, 2014, Index returns were calculated using the published closing net asset values ("NAVs) for the ETFs comprising the Funds, as of the last business day of the month ("NAV Based ETF Valuations"). F-Squared switched from NAV-Based ETF Valuations to Market-Based ETF Valuation to more accurately reflect the manner in which ETFs are most commonly valued. This change did not materially impact Index performance.

References to Non-AlphaSector Indexes
The S&P 500 Index is a broad-based unmanaged index of 500 stocks, which is widely recognized as a representative of the equity market in general.

(Disclosures continued on next page)

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Risk Disclosures

Concentration, volatility, and other risk characteristics of a client's account also may differ from the indexes shown herein. Each of the above indexes is included merely to show general trends in the market during the periods indicated. Inclusion of these indexes is provided only for reference purposes and is not intended to imply that any AlphaSector index was comparable to any index in either composition or element of risk. There is no guarantee that any client will achieve performance similar to, or better than, an index mentioned herein.

Sources: Morningstar, F-Squared Investments.

For more information including risks of investing in our strategies, visit our website at www.rpgassetmanagement.com

For more information on F-Squared and the AlphaSector Indexes, please visit www.f-squaredinvestments.com