RPg asset management

Defending Capital. Redefining Risk.

February 2015 Commentary

Solutions based upon the RPg ActiveParadigm Methodology

Risk Paradigm Group seeks to defend capital through our ETF strategies based upon the RPg ActiveParadigm methodology. The below monthly commentary is related to the RPg Tactical ETF portfolios available as separately managed accounts.

Overview

The US equity markets showed strength in February and the S&P 500 and DJIA hit new records for the first time in 2015, with the S&P having its best month since October 2011. Current sector allocations for the methodology, as of the end of February, continue to show a bullish posture. There were minimal changes made to previous allocations for the portfolios.

RPg Tactical US Equity

The Tactical US Equity portfolio experienced no changes at the sector position level for the month of February, having 8 of the 9 sectors allocated to; only Energy continues to remain excluded from the portfolio. February's performance was largely driven by the participation in Consumer Discretionary, Technology and Materials. The Utilities allocation was a negative contributor to the portfolio's performance as it was the lone negative performing sector.

RPg US Long/Short Equity

The US Long/Short Equity portfolio experienced no changes at the sector position level for the month, having 8 of 9 sectors long, and Energy remaining in an inverse position. RPg US Long/Short February performance was largely driven by the long positions in Consumer Discretionary, Technology and Materials. Negative contributors for the month's portfolio's performance were the inverse position in energy and the long position in Utilities.

RPg Global Balanced

RPg Global Balanced portfolio has targeted allocations to four asset classes: US Equity (33%), Global Fixed Income (28%), International Equity (28%), and Alternatives (11%). Below are highlights of the activity for each asset class within the portfolio for the month of February.

US Equity: The sleeve had no changes within the month, having 8 of 9 sectors allocated to; the Energy sector remains out of the US Equity sleeve.

Global Fixed Income: Both the floating rate and high yield sector ETF were added into the sleeve in February. TIPS and EM debt sectors ETF were removed within the month. The portfolio is now positioned as of month end at 5 of 10 fixed income sector ETFs allocated to, with a concentration in higher quality fixed income sector ETFs.

International Equity: The Europe sector ETF was allocated into in February, bringing the sleeve to a fully invested posture with 4 international sector ETFs as of month end. Positive contributors in the sleeve included Europe, Asia-ex Japan and Japan sector ETFs.

Alternatives: The Gold sector ETF was removed during the month leaving only an allocation to REITS and the S&P 500 by month end for the sleeve.

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Outlook

As a quantitative rules-based asset manager who relies on data to drive the investment decisions, we do not make market forecasts. However, the portfolio allocation does offer useful intelligence to how the methodology is interpreting current market activity. Some specific observations:

- Bullish trend for US Equities continues
- Bullish trends for the International Equity sectors
- Bullish trends have rotated to higher yielding fixed income sectors

By design, the allocations can change abruptly, and it is possible that some or all of the sectors now scoring positively could score negatively and be removed from the portfolio in the near future.

Commentary Disclosure

Risk Paradigm Group, LLC. d/b/a RPg Asset Management is a registered investment advisor with the U.S. Securities and Exchange Commission ("SEC"). Additional information regarding Risk Paradigm Group, LLC can be found on our website at www.rpgassetmanagement.com.

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"ActiveParadigm" is a quantitative methodology that is proprietary to RPg. The RPg tactical strategies ("RPg Tactical U.S. Equities", "RPg U.S. Long-Short Equities", and "RPg Global Balanced") are managed account strategies managed by RPg. 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 quantitative methodology and strategies are disclosed in Risk Paradigm Group's publicly available Form ADV Part 2A.

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

References to Indexes

The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the equity performance of larger companies in the U.S. Please note that an investor cannot invest directly into an index.

Risk Disclosures

Concentration, volatility, and other risk characteristics of a client's account also may differ from the information shown herein. There is no guarantee that any client will achieve performance similar to, or better than, the strategy mentioned herein.

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

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