

*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**

As we have previously conveyed, volatility seems to have arrived in the markets leading to a nine month period of one of our most challenging market environments as a tactical ETF Manager – the whipsaw environment. This quarter has been marked by risk off in January, risk on in February, and risk off again in March. Last year's top performing sector, Utilities, was the most challenged this past quarter and has experienced so much whip-saw price movement that within the month of March, the sector was removed, put back in, and removed. Current sector allocations for the methodology, as of the end of March, continue to show a bullish posture.

### **RPg Tactical US Equity**

The Tactical US Equity portfolio remained in a bullish posture at month end, having 7 of the 9 sectors allocated to with only Energy remaining excluded, however the Utilities sector experienced whipsaw activity during March having the sector removed, turned back on, and removed again within the month. For the quarter, performance was largely driven by participation in the Health Care and Consumer Discretionary Sectors. Negative contributors to the portfolio's performance were led by the allocation to Utilities as well as Financials.

### **RPg US Long/Short Equity**

The Tactical US Long/Short Equity remained in a bullish posture at month end, having 7 of the 9 sectors allocated to long exposure with Energy and Utilities in an inverse position. The Utilities sector experienced whipsaw activity within March, moving from long, to inverse two times within the month. For the quarter, performance was largely driven by participation in the Health Care and Consumer Discretionary Sectors. Negative contributors to the portfolio's performance were led by the long allocation to Financials and the whipsaw activity 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 March.

US Equity: March witnessed the S&P 500 mark an all-time high just to end the month in negative territory. This whipsaw environment was evident within the Utilities sector for the month, being removed, added and then removed again during the month of March. The sleeve remains at a bullish posture, having 7 of the 9 sectors allocated with Energy and Utilities sectors excluded.

(Page One of Three)

**Global Fixed Income:** Treasury yields have fallen five straight quarters, the longest since March 2001. With dovish global central bank activity, the Global Fixed Income sleeve experienced US Inflation Protection and EM Sovereign Debt sector ETFs being added to the allocation in March. The sleeve, at the end of the quarter, had 7 of 10 fixed income sector ETFs allocated to, favoring higher yielding securities, as well as high quality corporates and US Government securities ETFs.

**International Equity:** The International sleeve went from a bearish posture, with only the Japan sector allocated to and 75% cash, to a bullish posture during the quarter. At quarter end, the sleeve had five international equity sectors allocated to with the Emerging Markets sector being added in March. Only Canada remains excluded from the allocation within the sleeve. Positive contributors to performance at the sleeve level included: Emerging Markets, Europe, Asia-ex Japan, and Japan sector allocations.

**Alternatives:** At quarter end, only REITS and the S&P 500 were allocated to for the sleeve, with MLP's and Gold excluded from the allocation. The U.S. Dollar experienced its largest quarterly gain since 2008, leading to higher levels of volatility for the GLD ETF.

## 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](http://www.rpgassetmanagement.com).

This material has been prepared solely for informative purposes and is not to be considered investment advice nor a solicitation for investment. Any projections, market outlooks, or estimates in this presentation are forward-looking statements and are based upon certain assumptions and should not be construed as indicative of actual events that will occur. Information contained in this report is as of the period indicated and is subject to change. The Information contained herein includes information obtained from sources that are believed to be reliable, but are not independently verified by RPg. It is made available on an "as is" basis without warranty.

This material is proprietary and may not be reproduced, transferred or distributed in any form without prior written permission from RPg. RPg reserves the right at any time, and without notice, to change, amend, or cease publication of the information contained herein.

Performance provided is past performance. Past performance is not indicative of future results. Investments may increase or decrease in value and are subject to a risk of loss. Investors should consult their financial advisor before investing.

(Page Two of Three)

“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.

Sources: Bloomberg. All rights reserved.

For more information including risks of investing in our strategies, visit our website at [www.rpgassetmanagement.com](http://www.rpgassetmanagement.com)