

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 managed portfolios available as separately managed accounts.

Overview

Following some early struggles, US equities rebounded in March to end the first quarter in positive territory. The S&P 500 closed the month of March at a YTD high, and is only around 3% below its all-time high set last May. Yield seemed to be the theme, as higher yielding, defensive sectors like Utilities, and higher yielding fixed income became more attractive in response to the growing belief that interest rates will be held lower for longer than previously anticipated.

Economic data since the consumer report on February 12th has been constructive and while the picture was more opaque previously, the month of March brought in positive economic data. Employment numbers, strength in payrolls, and in the final week of March, the ISM Manufacturing Index, which is a measure of industrial sentiment across the US, went over 50 for the first time since last August. This all suggests that growth is more on track to accelerate from here, rather than turn down into a recession as many market participants thought in February.

RPg Tactical US Equity

Early in March, the portfolio added Technology and Industrials and established a fully invested posture. Later in March, Consumer Discretionary and Materials sectors were added leaving the portfolio with (6) of the possible nine (9) sectors allocated to. Continued positive U.S. economic data and continued dovishness from the FOMC seemed to stem the prior focus on tail risk and the probability of recession, and as the month wore on volatility receded.

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RPg Tactical US Long/Short Equity

Coming into March, the strategy was long two (2) sectors and held an inverse positions in seven (7) sectors. After the first week of the March, the strategy added long positions in: Technology and Industrials. Later in the month, the strategy added Consumer Services and Basic Materials. The allocation at the end of the month was long six (6) sectors, inverse three (3) sectors, and a 38% allocation in cash.

RPg Tactical Global Balanced

RPg Tactical 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: Early in March, the sleeve added Consumer Discretionary and Industrials and established a fully invested posture. Later in March, Technology and Materials were added leaving the sleeve with (6) of the possible nine (9) sectors allocated to. Continued positive U.S. economic data and continued dovishness from the FOMC seemed to stem the prior focus on tail risk, a probability of recession, and as the month wore on volatility receded.

Global Fixed Income: Early in March, the sleeve added US and Global TIPS, EM Sovereign Debt and Investment Grade Corporate Bonds sectors. The sleeve continues to favor high quality and began to introduce some spread oriented fixed income sectors, along with inflation protection. The sleeve ended March with 8 of 10 fixed income sectors allocated to.

International Equity: The International Equity sleeve entered the month of March in the most defensive position with 100% in cash. Early in the month, the sleeve added Canada and Japan into the allocation. By mid-month, the Emerging Markets and All World ex-US sectors were added, bringing the exposure in International Equity to a fully invested posture. The International Equity sleeve's performance benefitted from avoiding a significant portion of the global sell-off within the international equity markets that started back in May of 2015. Aggressive monetary stimulus measures from the ECB shifted away from rates and towards more direct unconventional means of easing credit which was received enthusiastically by investors.

Alternatives: The sleeve came into March invested only in the Gold ETF and 50% cash allocation. Early in March, the REIT ETF sector was added, removing the cash allocation and becoming fully invested.

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:

- The US Equities allocation is fully invested. The risk on/risk off environment has been challenging, but the reversal of the trend in volatility in mid-February prompted the tactical strategy to add sectors and materially participate in the upward trend of March.
- International Equity is fully invested in four regions.
- Global Fixed Income evolved to include more spread and inflation protection sector ETFs in March.
- Gold and REITs are on in the alternatives sleeve.

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. Equity", "RPg Tactical US Equity FT", "RPg U.S. Long-Short Equity", and "RPg Tactical 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

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(Page Three of Three)