

*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

The S&P 500 had its best monthly performance since 2011 with earnings serving as the lead spark of support, but there were a number of other helpful participants as well. The Fed left interest rates alone in its October meeting and left the possibility of a rate increase open at their December meeting. Most agree that the Fed remains data dependent, and the expected economic reports between now and the Fed's Dec 15-16 meeting will have a major impact on its decision. M&A activity was robust as major deals continued, and leadership in the House of Representatives changed and a two year budget deal was passed which included a "fix" to the debt limit issue that could have shut down the government.

Leading the way for October were previously beaten-down sectors such as Energy and Materials. Economic data is expected to become more important next month as the data dependent Fed is seen as focusing in on the current trends for its December 2015 interest rate decision. As a data dependent firm who is also seeking trends, a September/October combination of risk off/risk on makes for a difficult environment. Our portfolios came into October defensively positioned, and did manage to have some participation despite no exposure to the leading sectors of the month of Energy or Materials.

### RPg Tactical US Equity

Coming into October, the RPg Tactical US Equity portfolio was invested only in the Utilities sector and held 75% in cash. Mid-way through the month, Consumer Staples, Consumer Cyclical and Technology were added and the strategy ended the month fully invested with four out of nine sectors allocated to.

### RPg Tactical US Equity FT

Coming into October, the RPg Tactical US FT Equity portfolio was invested only in the Utilities sector and held 75% in cash. Mid-way through the month, the Financials sector was added followed then by the addition of the Technology and Consumer Staples sectors. At month end, the strategy was fully invested with four out of nine sectors allocated to.

### RPg Tactical US Long/Short Equity

Coming into October, the RPg Tactical US L/S Equity portfolio was 50% in cash, long only the Utilities sector, and six sectors were inverse. There was no allocation to the two Consumer Sectors due to an exorbitant level of volatility. Mid-way through the month, Technology was added to the long position, followed by both the Consumer Staples and Consumer Cyclical sectors. At month end, the strategy was long four sectors and five sectors were inverse.

### 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 October.

**US Equity:** Coming into October, the RPg Tactical US FT Equity portfolio was invested only in the Utilities sector and held 75% in cash. Mid-way through the month, the Financials sector was added followed then by the addition of the Technology and Consumer Staples sectors. At month end, the strategy was fully invested with four out of nine sectors allocated to.

**Global Fixed Income:** During the month of October, Investment Grade Corporates was allocated to and International Corporates and Treasuries were removed from the sleeve. At month end, five of the 10 fixed income sectors were allocated to, favoring high quality and avoiding inflation protected securities.

**International Equity:** Coming into October, the International sleeve was 100% in cash. Mid-way through the month, the Europe sector was added, followed by the Japan sector. The portfolio's performance benefitted from avoiding a significant portion of the global sell-off within the international equity markets that started in May of this year.

**Alternatives:** The sleeve came into October with 100% in cash. By the end of the month, Gold and REITs sectors were allocated to.

## **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:

- While fully invested in US Equities, having only 4 sectors allocated to is not considered a bullish stance
- International Equity is still in a defensive stance but appears to be improving
- Global Fixed Income has seen a rotation to a defensive posture positioned in a short duration/high liquidity oriented portfolio
- Gold and REITs were allocated back into during the month

## **Commentary Disclosure**

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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 Tactical 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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