

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 aggressive re-pricing of benchmark interest rates continued in the first two weeks of May, leading to a more volatile regime in the last two weeks of the month. Contradictory data releases from the US economy mixed in with uncertainties about the Greek debt talks, led to a modest gain for the S&P 500, and negative performance for the MSCI EAFE Index for the month. We've noticed investors and commentators alike looking to time a correction in both the equity and fixed income markets. While tempting, we would suggest a more measured, as well as quantitative approach to getting off the tracks, *if and when*, a train is coming.

RPg Tactical US Equity

The Tactical US Equity portfolio added the Utilities sector into the portfolio during the month of May, bringing the portfolio to all 9 US sectors included in the allocation, remaining in a bullish position. The portfolio experienced material participation for the month with the largest detractor being the allocation to the Energy sector. Positive contribution came from the Technology and Health Care Sectors for the month.

RPg Tactical US Equity FT

The Tactical US Equity FT portfolio utilizes the First Trust AlphaDex sector ETF for its exposure to the US Sectors. The First Trust AlphaDex quantitative overlay to security selection and weighting to compose the sector ETFs can lead to different outcomes. A prime example of this was seen with the Utilities sector avoiding the whipsaw (in-out-in) that was experienced in April in the other RPg tactical strategies. The portfolio, at month end, was positioned bullishly, having 9 of the 9 sectors included. For the month's performance, the allocation to Energy was a detractor with allocations to Health Care and Technology contributing positively to performance.

RPg US Long/Short Equity

The Tactical US Long/Short portfolio had the Utilities sector move from inverse to long during the month of May, and at month end, has 9 of the 9 US sectors long and no inverse positions, reflecting a bullish stance. The portfolio experienced positive performance for May mainly driven from the Technology and Health Care sectors. Energy served as the lone negative contributor to performance for the month.

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 May.

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US Equity: The US Equity sleeve experienced material participation in May due to being fully invested, with Energy being the lone detractor from performance. The Utilities sector was added during the month, bringing the sleeve to all 9 sector EFTs being allocated to.

Global Fixed Income: The sleeve experienced an allocation shift during the month from a Developed International Fixed Income bias to a US Fixed Income bias, primarily driven by the rising benchmark rate environment and Greek debt talks. The sleeve continues to have 7 of 10 fixed income sector ETFs on within the allocation.

International Equity: There were no changes made to the sleeve for the month of May. The sleeve experienced a negative month led by Canada and the Emerging Markets. The allocation within the sleeve has evolved since January from a bearish posture with only the Japan sector on and 75% in cash, to a bullish posture with all 6 sectors allocated to and being fully invested.

Alternatives: The sleeve experienced no changes during the month and remains with an allocation to MLPs and the S&P 500 (used when Gold is removed). REITs also remain out of the sleeve allocation.

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
- Rotation from Developed International Fixed Income to a US Fixed Income bias
- Heightened levels of volatility in alternatives such as Gold and REITs continues.

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

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