

GRADIENT TACTICAL ROTATION STRATEGY

QUANTITATIVE APPROACH TO WORLDWIDE STOCK MARKETS

The Gradient Tactical Rotation (GTR) portfolio is a rules-based investment strategy designed to generate excess returns over global stock market indices. Asset classes from around the globe often display wide dispersions of return over time, thus creating tactical investment opportunities.

By identifying these asset classes and their subsectors, the investment team actively manages the portfolio to maximize risk-adjusted return. We utilize a consistent methodology to select the most optimal global asset class sectors over full market cycles.

OPPORTUNITY TO ADD VALUE

History has established that there is a consistently wide dispersion of returns between various global equity markets. These return dispersions provide an opportunity to make tactical investment decisions with the objective of owning strong sectors of the markets and avoiding weak ones. The GTR utilizes a quantitative, two-factor approach in its tactical investment process. The strategy defines its investable universe:

First, by geographic equity markets that include the **U.S., international developed and emerging markets.**

Second, by regional market subsectors, including both **low volatility** and **high beta** sectors of each market.

This produces an investable universe consisting of 10 global market sectors. Nine of those segments represent subsectors of volatility within each broad geographical market, with the final sector being cash (short-term Treasury bills).

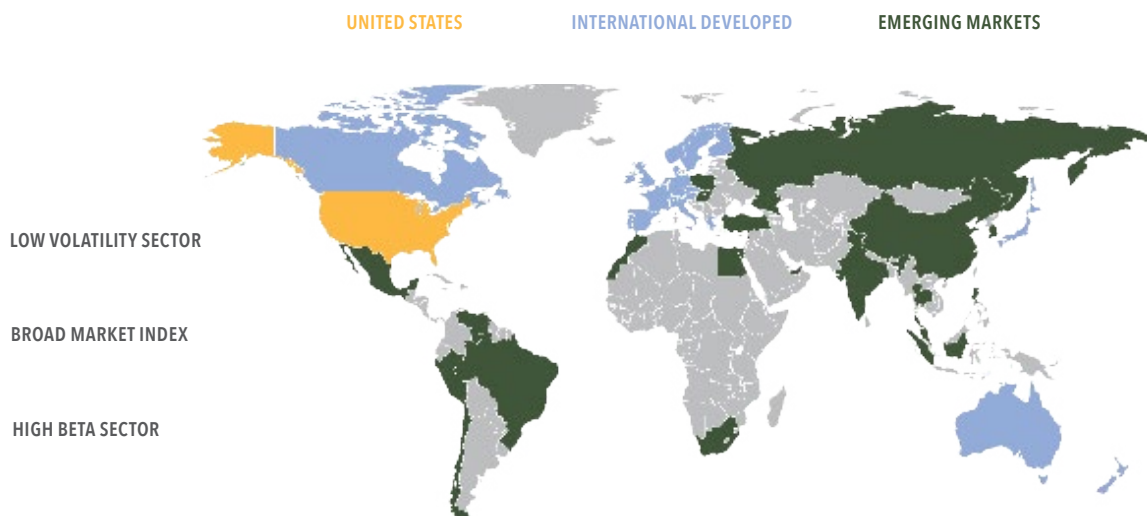
PORTFOLIO PHILOSOPHY

The GTR utilizes a **proprietary methodology** that measures various momentum indicators to determine which market sectors are strong and which sectors should be avoided.

A critical driver of our investment process involves **sector rotation** or the movement of money from one asset class or sector to another in an attempt to outperform a global stock market index. Herein lies the opportunity to add excess return on two levels:

- The tactical allocation to the selected geographic region
- The tactical allocation to a specific subsector in the selected region

OUR INVESTABLE UNIVERSE - A WORLD OF OPPORTUNITY



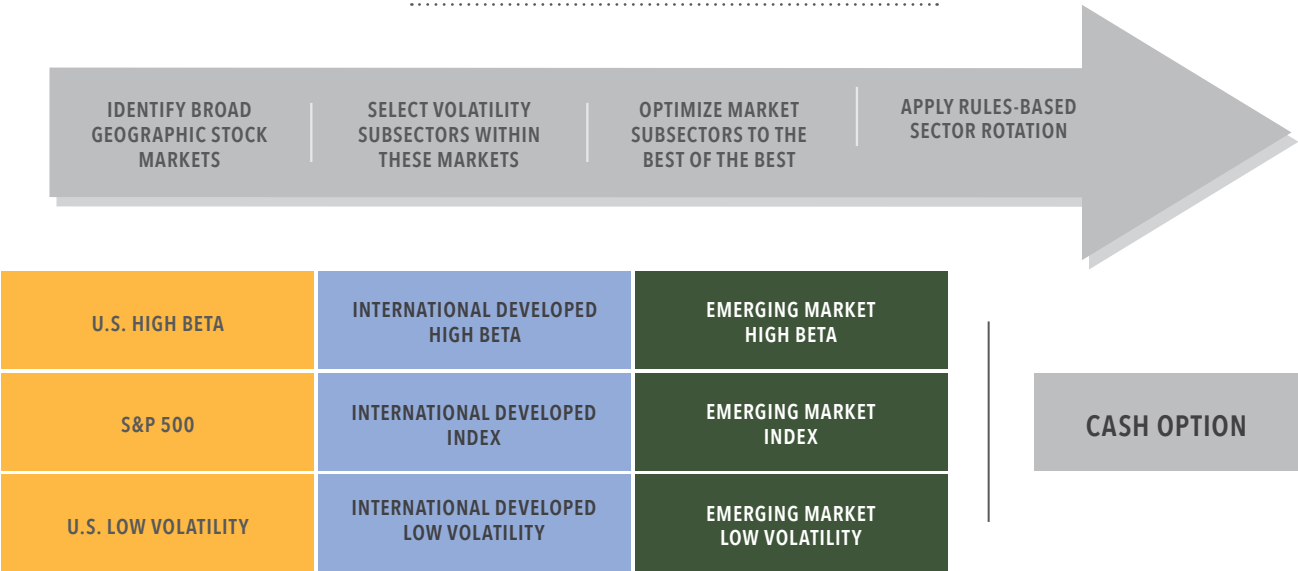
PROPRIETARY SELECTION PROCESS

Our investment team uses a **rules-based approach** using **price momentum** metrics to identify global areas of opportunity and risk. Momentum in equities is the belief that stock price trends are more likely to keep moving in the same direction than to change directions.

- Our quantitative model selects regional markets from around the globe.
- We identify sectors within each of those geographic markets that display wide performance spreads.
- The investable universe is analyzed based on momentum and volatility metrics every month.
- Global market subsectors are then optimized to select the strongest performing asset class.
- A cash position is used when all markets are in a significant and sustained decline.

We use exchange-traded funds (ETFs) to gain exposure to the single market sector our algorithms identify. The selected sector ETF contains 100 to 1,000 stocks, providing individual security diversification but all within the desired region and subsector selected by the GTR.

PROPRIETARY INVESTMENT PROCESS



SUMMARY

The GTR strategy is an actively managed portfolio for the long-term growth investor. The GTR utilizes a unique rules-based investment process with the objective of providing long-term capital appreciation.

Momentum and volatility shifts within various markets provide opportunity to capitalize on these fluctuations. The GTR deploys both tactical management and sector rotation strategies to identify the strongest, and avoid the weakest, equity market sectors around the globe.

Please consult your independent investment advisor before making any investment decisions. The information herein is for informational purposes only and should not be used as the sole basis for making an investment decision. Investing involves risk including the potential loss of principal. For more information, please request a copy of Gradient Investments' ADV Part 2A. Gradient Investments, LLC is an SEC Registered Investment Advisor.

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