

### January 2018 Commentary and Strategy Review

#### About the Strategy

The Global All Asset Strategy (“GAA”) provides market exposure across the six major assets – equities, sovereign fixed income, commodities, currencies, credit fixed income, and real estate – via exchange-traded funds. The Innealta Capital investment team creates three different portfolios – Conservative, Moderate, and Growth – that have varying risk levels, based on the GAA framework. The investment team manages each portfolio relative to a unique, balanced benchmark. For example, Innealta’s Investment Team manages the Global All-Asset Moderate strategy to a balanced benchmark of 40% Bloomberg Barclays Global Aggregate Bond Index, 24% MSCI All Country World ex U.S. index, 21% Russell 3000 Index, 9% S&P GSCI Total Return Index, and 6% Dow Jones Global Select Real Estate Securities Index. The benchmark reflects the desired average weight of each asset class through a business cycle. Innealta Capital utilizes a proprietary quantitative framework that combines traditional corporate fundamental, macroeconomic and behavioral data to produce risk and return forecasts. The investment team then utilizes those forecasts along with trading optimization techniques and portfolio design research to create a unique portfolio, that, in our opinion, best suits a client’s risk-adjusted goals across all major asset classes.

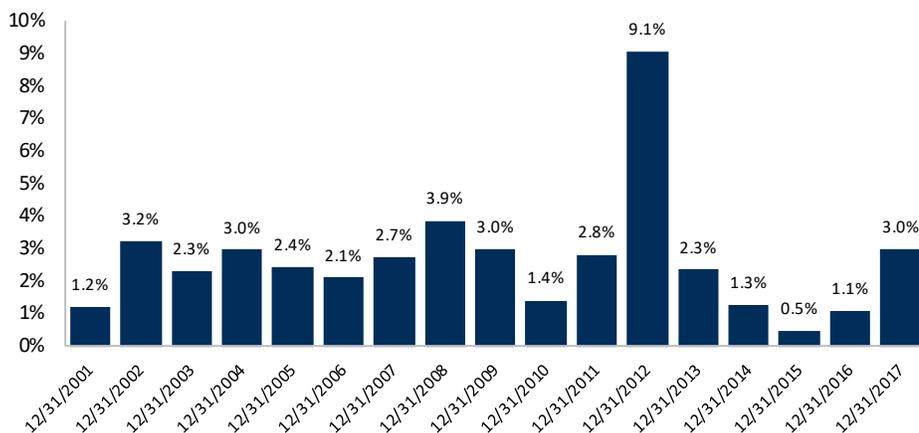
#### Outlook

Overall, we remain positive on growth-sensitive assets such as equities and commodities and neutral on rate-sensitive assets such as fixed income and real estate. Within equities, we continue to prefer Emerging Market equities relative to Developed Market ex-U.S. equities and U.S. equities. Emerging Market equities appear attractive as earnings continue to grow, macroeconomic growth within emerging markets remains above macroeconomic growth in developed markets, and Emerging Market valuations are cheaper relative to Developed Market valuations. For example, the “Chart of the Month” below shows the excess Gross Domestic Product (“GDP”) growth in Emerging Market countries relative to Developed Market countries through time. Note that after each year, Emerging Markets exhibit higher GDP growth. We believe that over the long-term, equity markets reflect macroeconomic growth.

We remain positive on the fixed income environment and neutral on the asset class as a whole as inflation expectations and term premiums are likely to increase. Over the medium term, we expect that tightening U.S. monetary policy to create a headwind for duration sensitive fixed income sectors. Additionally, tightening U.S. monetary policy will likely lead to overall higher financial market volatility, which is likely to increase term premiums. On the positive side, we continue to expect that global growth will be supportive of global credit.

#### Chart of the Month

EM Over DM - Excess GDP Growth



SOURCE: Innealta Capital using data from 12.31.2001 to 12.31.2017.

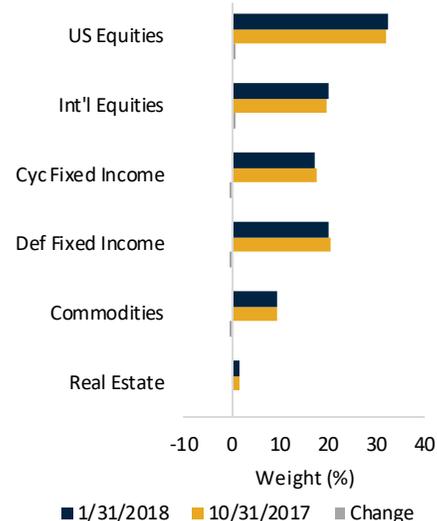
In the chart above, GDP, at each specific point in time, represents the average of the year-over-year change in GDP for a specific region. Excess GDP is the difference between Emerging Market (“EM”) average GDP and the Developed Market (“DM”) average GDP. EM refers to the 24 countries defined as “Emerging Markets” by MSCI. DM refers to the 23 countries defined by MSCI as “Developed Markets.”

#### Strategy Statistics

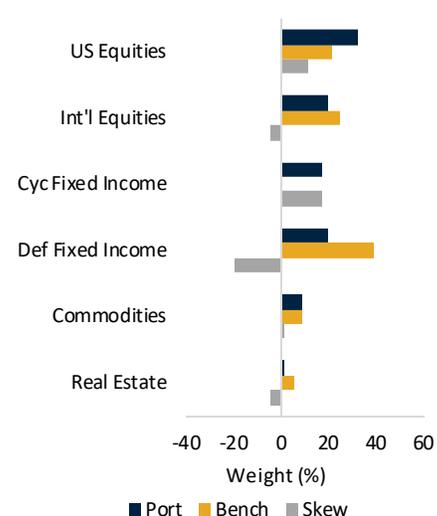
	Port	Benchmark
Alpha	0.98	0.00
Beta	0.98	1.00
R-Squared	0.98	1.00
Std. Dev.	8.90	8.73

SOURCE: Innealta Capital using data from Bloomberg for the Global All Asset - Moderate Portfolio. Data from 12.31.2009 to 01.31.2018. The benchmark is 21% Russell 3000 Index / 24% MSCI ACWI ex US NR Index / 6% Dow Jones Global Select Real Estate Securities NR Index / 9% S&P GSCI Total Return CME / 40% Bloomberg Barclays Global Aggregate Bond NR Index. Inception date for the portfolio is December 31, 2009.

#### Portfolio Changes



#### Portfolio Skews



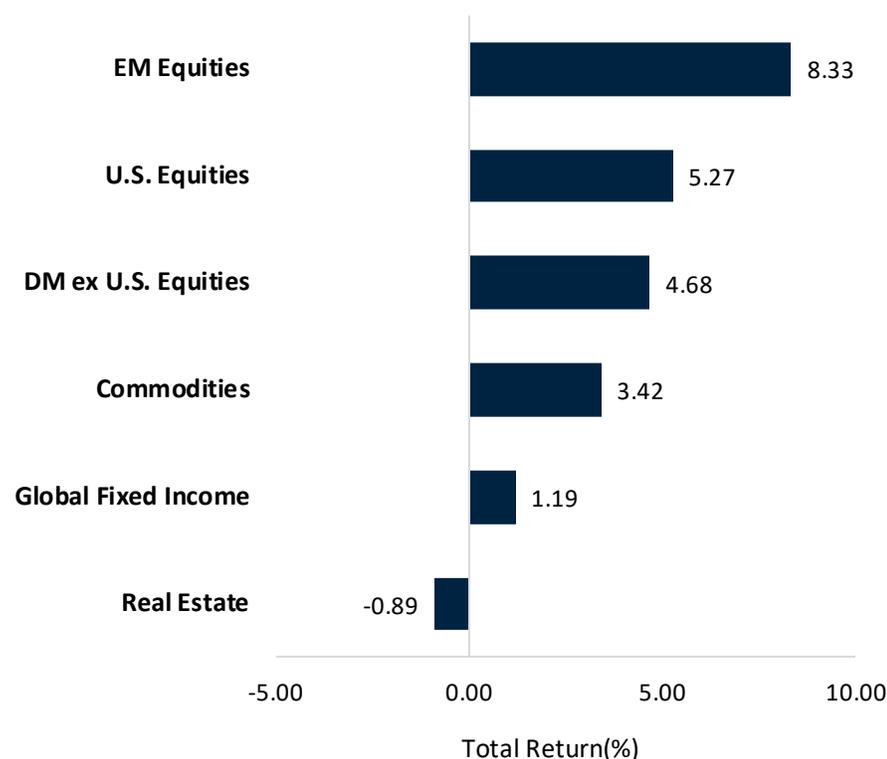
SOURCE: Innealta Capital using data from Innealta Capital as of 01.31.2018

### Performance

Except for Real Estate, assets classes during January exhibited strong positive performance. Across geographies, equity markets showed strong one-month performance as Emerging Market equities, Developed Market ex-US equities, and U.S. equities returned 8.33%, 5.27%, and 4.68%, respectively. Fixed income performed well outside the U.S. as the Bloomberg Barclays Global Aggregate ex-U.S. Bond index returned 3.03% while the Bloomberg Barclays US Aggregate Bond index returned -1.15%. Finally, the Bloomberg Commodities index returned +1.85%. The market narrative remained focused on the global reflation theme as positive earnings and improving sentiment indicators dominated headlines.

During January, the Global All-Asset Moderate portfolio returned 3.16% gross of fees, while its blended benchmark returned 3.16%. The portfolio benefitted from underweight allocations, relative to the benchmark, in Real Estate and overweight allocations, relative to the benchmark, in U.S. equities. The top contributors to the portfolio's performance were allocations to broad-based U.S. equities and Emerging Market equities. Allocations to fixed income sectors, such as intermediate-term corporate bonds and broad-based U.S. fixed income, were the top detractors to the portfolio's performance. During January 2018, the Global All-Asset portfolios did not experience any significant allocation changes.

**FIGURE 1: Benchmark Performance, Trailing 1-Month**



SOURCE: Innealta Capital using Bloomberg data from 12.31.2017 to 01.31.2018

### Top Contributors

1. Vanguard Total Stock Market ETF (VTI)
2. iShares Core MSCI Emerging Markets ETF (IEMG)

### Bottom Contributors

1. Vanguard Int-Term Corp Bond Index ETF (VCIT)
2. Vanguard Total Bond Market ETF (BND)

SOURCE: Innealta Capital using Innealta Capital data from 12.31.2017 to 01.31.2018.

### Strategy Performance

	Gross	Net	Benchmark
1-Month	3.16	2.83	3.16
3-Month	5.99	5.65	6.24
YTD	3.16	2.83	3.16
1-Year	17.48	16.20	16.56
3-Year	7.99	6.74	6.36
5-Year	6.09	4.94	4.79
Inception	7.78	6.68	5.85

SOURCE: Innealta Capital using data from Bloomberg for the Global All Asset - Moderate Portfolio. Data from 12.31.2009 to 01.31.2018. The benchmark is 21% Russell 3000 Index / 24% MSCI ACWI ex US NR Index / 6% Dow Jones Global Select Real Estate Securities NR Index / 9% S&P GSCI Total Return CME / 40% Bloomberg Barclays Global Aggregate Bond NR Index. Inception date for the portfolio is December 31, 2009.

**Disclosures & Important Information**

The U.S. Dollar is the currency used to express performance. The strategy includes portfolios charged bundled or wrap fees and portfolios charged transaction fees or trading costs. Bundled fee portfolios pay a fee based on a percentage of assets under management in place of a transaction fee. They include the advisor's fee and, in most cases, also include a fee for investment management and portfolio monitoring. Live returns are presented net of management fees, gross of withholding taxes on any dividends, interest or capital gains, and include the effects of trading costs and reinvestment of all income. Net of fee performance was calculated using actual management fees charged to the client. Gross returns are shown as supplemental information, include the effects of the reinvestment of all income, and are stated gross of all fees except for transaction fees, when charged.

Past performance is no guarantee of future results.

**Investing involves risk, principal loss is possible, and there can be no assurance that investment objectives will be achieved. Past performance is not indicative of future results. Exchange traded funds (ETFs) are subject to risks similar to those of stocks, such as market risk, and investors who have their funds invested in accordance with the portfolios may experience losses. Additionally, fixed income (bond) ETFs are subject to interest rate risk, which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates. Investments in foreign investments may incur greater risks than domestic investments. For more information on the risks associated with investment in ETFs, please refer to AFAM Capital's Form ADV Part 2A.**

Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Actual investment management fees will vary, beginning at 1.5% per annum. Our full management fee schedule is described in more detail in AFAM's Form ADV Part 2A.

**Alpha** is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. **Beta** is a measure of volatility, or systematic risk, of a portfolio in comparison to a benchmark. A beta greater than one indicates more volatility, while a beta less than one indicates less volatility than the relevant benchmark. **Annualized Standard Deviation** is a measure of the dispersion of investment returns from the mean. A higher standard deviation indicates higher volatility. **R Squared** is a measure of how close the relationship is between a portfolio and its benchmark.

For comparison purposes, the strategy is measured against a blended benchmark: 21% Russell 3000 Index, 24% MSCI ACWI ex US NR Index, 6% Dow Jones Global Select Real Estate Securities NR Index, 9% S&P GSCI CME Index, 40% Bloomberg Barclays Global Aggregate Bond NR Index. **The Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies. **The MSCI All Country World Index ex US NR** captures large- and mid-cap representation across 22 of 23 developed markets countries-excluding the United States. **The Dow Jones Global Select Real Estate Securities NR Index** represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded globally. **The S&P GSCI CME Index** is a measure of general commodity price movements and inflation in the world economy. Index is calculated primarily on a world-production-weighted basis comprised of the principal physical commodities futures contracts. **The Bloomberg Barclays Global Aggregate Bond NR Index** is a measure of global investment grade debt from twenty-four different local currency markets. This multi-currency benchmark includes fixed-rate treasury, government-related, corporate and securitized bonds from both developed and emerging markets issuers. Net total return ("NR") indexes reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. **The MSCI World ex USA Index** is a free-float weighted equity index that captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries - excluding the United States. **The MSCI Emerging Markets Index** captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 846 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Net total return ("NR") indexes reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

It is not possible to invest directly in an index. Blended benchmarks are calculated daily and rebalanced quarterly.

Innealta Capital is a division of AFAM Capital, Inc., a Registered Investment Advisor to individually managed client accounts and certain mutual funds. The firm only transacts business in states where it is properly registered or exempt from registration. Registration of an investment adviser does not imply any certain level of skill or training.

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