

TRADE UPDATE

On January 17th, 2019 the Innealta Capital investment team rebalanced the Fixed Income Portfolio (“FI”) to reflect the opportunity set within the global debt markets. The current portfolio reflects two key themes of positive corporate and macroeconomic growth and value opportunities within Emerging Market debt. The 54.1 December reading of ISM Manufacturing survey and the most recent US GDP year-over-year change of 5.5% indicates that expectations and actual growth remains positive. As such the Fixed Income Portfolio maintains position overweights, relative to the Bloomberg Barclays US Aggregate (“the Benchmark”), within U.S. High Yield credit. However the portfolio prefers to express credit risk via secured debt in the form of bank loans rather than unsecured debt given the current stage of the credit cycle. The Fixed Income Portfolio also maintains a position in Emerging Market debt given relative yield to other debt sectors and the investment team’s view that over long-term the U.S. Dollar will depreciate. Following the rally in financial markets to start the year, the investment team elected to reduce unsecured high yield exposure in favor of U.S. treasuries, collateralized debt, and municipal debt. The portfolio added U.S. treasuries and collateralized debt for diversification purposes. Moving forward the investment team expects macroeconomic growth to remain positive and inflation to slightly increase. As such the portfolio maintains position overweights, relative to the Benchmark, in high yield credit, municipals and inflation-protected debt while underweight in treasuries, collateralized debt and investment grade credit.

OVERVIEW

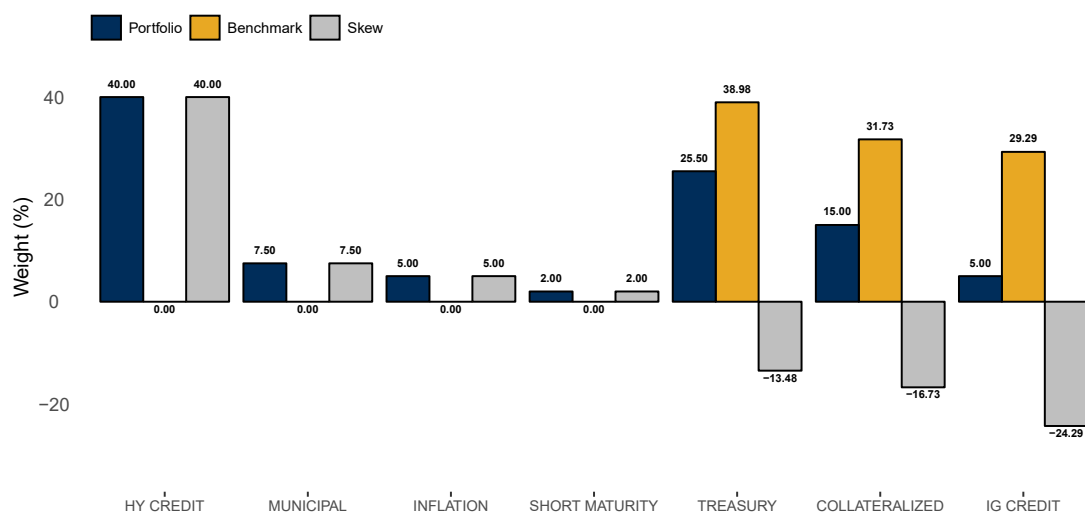
Themes

- Macroeconomic growth and earnings growth remain positive and supportive of more credit sensitive debt
- Emerging market debt is viewed as a value opportunity
- Sovereign fixed income yields offer low expected return given low yields

Portfolio implications

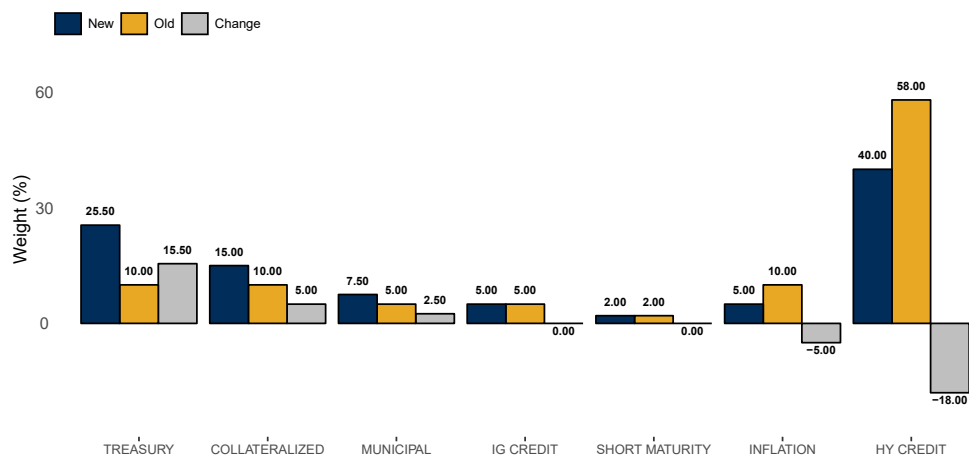
- Prefer credit risk over duration risk. Maintain allocations to secured High Yield credit, unsecured High Yield credit, and Emerging Market credit
- Prefer shorter duration debt rather than longer duration debt. Overweight allocations to short-term U.S. Treasuries relative to long-term U.S. Treasuries
- Prefer debt that is less correlated to benchmark. Maintain allocations to municipals, inflation-protected, and U.S. high yield debt

HOLDINGS RELATIVE TO BENCHMARK



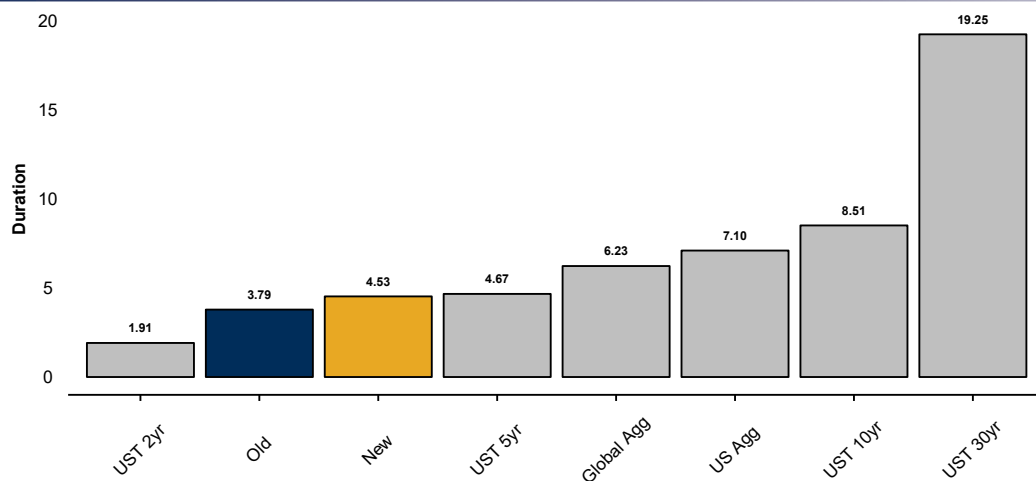
Source: Innealta Capital as of 01/17/2019. Note that “Benchmark” refers to the Innealta Capital benchmark which consists of 70% S&P 500 Total Return Index and 30% Bloomberg Barclays U.S. Aggregate Bond index. “Portfolio” refers to the Innealta Capital Fixed Income Portfolio as of 01/17/2019. “Skew” refers to the difference between Portfolio and Bench. See disclosures for category descriptions.

HOLDINGS CHANGES



Source: Innealta Capital as of 01/17/2019. "11/15/2018" refers to the Innealta Capital Fixed Income portfolio as of 11/15/2018. "01/17/2019" refers to the Innealta Capital Fixed Income portfolio as of 01/17/2019. "Change" refers to the difference between each portfolio. See disclosures for category descriptions.

DURATION COMPARISON



Source: Innealta Capital as of 01/17/2019. "New" refers to the Innealta Capital Fixed Income portfolio as of 01/17/2019. "Old" refers to the Innealta Capital Fixed Income portfolio as of 11/15/2018. "UST 2yr" refers to the Bloomberg Barclays US Treasury Bellwethers 2 Year Total Return Index. "UST 5yr" refers to the Bloomberg Barclays US Treasury Bellwethers 5 Year Total Return Index. "UST 10yr" refers to the Bloomberg Barclays US Treasury Bellwethers 10 Year Total Return Index. "UST 30yr" refers to the Bloomberg Barclays US Treasury Bellwethers 30 Year Total Return Index. "US Agg" refers to the Bloomberg Barclays U.S. Aggregate Bond Index.

Disclosures & Important Information

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 Innealta Capital's Form ADV Part 2A.

The **Bloomberg Barclays US Aggregate Bond Index** is a broad based debt index consisting of investment grade, US dollar-denominated, fixed-rate taxable bonds. The **Bloomberg Barclays Global Aggregate Bond Index** is global debt index consisting of investment grade debt in twenty-four local currency markets. The **Bloomberg Barclays US Treasury Bellwethers 2 year Total Return Index** measures total return of a two-year U.S. Treasury note. The **Bloomberg Barclays US Treasury Bellwethers 5 year Total Return Index** measures total return of a five-year U.S. Treasury note. The **Bloomberg Barclays US Treasury Bellwethers 10 year Total Return Index** measures total return of a ten-year U.S. Treasury note. The **Bloomberg Barclays US Treasury Bellwethers 30 year Total Return Index** measures total return of a thirty-year U.S. Treasury bonds.

Innealta Capital, LLC is an independent registered investment advisor and is the investment advisor for certain mutual funds and individually managed client accounts. Investing involves risk, principal loss is possible, and there can be no assurance that investment objectives will be achieved. Past performance is no guarantee of future results. Innealta Capital, LLC 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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