Innealta Capital Tactical ETF Portfolio Series
Sector Rotation Portfolio
December 31, 2016

PORTFOLIO MANAGER

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PORTFOLIO STATISTICS*

Annualized Turnover Ratio
89.30%

Yield to Maturity
3.57%

Average Duration
4.02

METHODOLOGY

- Broad set of fundamental and behavioral variables are calculated daily for individual sectors
- In-model variable weights are optimized to achieve framework-enhanced forecasting ability
- Sector-specific scores are estimated and cross sectionally ranked to determine their inclusion
- Exact exposure weights are optimized to achieve desired portfolio risk/return characteristics

INVESTMENT MANAGER

Since our founding in Santa Monica, California in 1977, we have been providing trusted asset management services to high-net-worth individuals and intermediaries through our proprietary investment solutions. We leverage cutting-edge academic research with more than three decades of practical experience to provide unique investment solutions to an exclusive set of clients.

CONTACT INFORMATION

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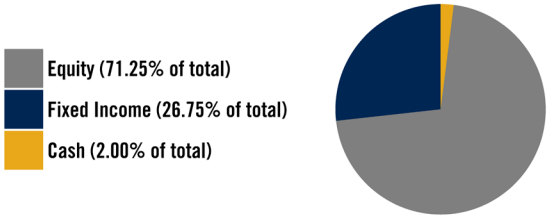
INVESTMENT STRATEGY

1. Broad, unbiased, and granular exposure to the sectors of the S&P 500
2. Actively-managed, methodical strategy based in advanced academic research
3. Variable GICS Sector exposures based on quantitative review of risk/return metrics

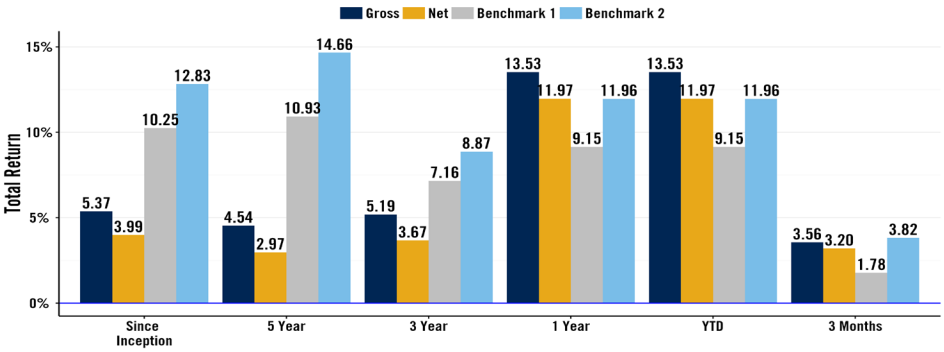
ALLOCATION & TOP 5 FUND HOLDINGS*

Holding	Description	Weight (%)
XLF	Financials Select Sector SPDR	10.09
XLE	Energy Select Sector SPDR	9.72
XLV	Health Care Select Sector SPDR	9.40
XLY	Consumer Discret Select Sector SPDR	9.39
XLK	Technology Select Sector SPDR	9.33

**Data shown are supplemental information to the Composite. Holdings are subject to change. Risk/reward statistics calculated using monthly data. Turnover includes only portfolios which were members of the composite for the entire trailing year. SOURCE: Innealta Capital using data from Bloomberg.*



COMPOUND ANNUAL RETURNS



Benchmark 1 represents a 70/30 blend of S&P 500 Total Return Index and Bloomberg Barclays Capital Global Aggregate Bond Index. Benchmark 2 represents the S&P 500 Total Return Index. Inception date for the portfolio is December 31, 2009.

PERFORMANCE & RISK STATISTICS*

	Performance (Since Inception)			
	Portfolio	Benchmark 1	Portfolio	Benchmark 2
Alpha	0.33	0.00	0.97	0.00
Beta	0.36	1.00	0.23	1.00
R-Squared	42.74	100.00	38.19	100.00
InfoRatio	-0.93	NM	-0.85	NM
Std.Dev	4.76	8.67	4.76	12.67
SharpeRatio	0.83	1.16	0.83	1.01

As of December 31, 2016. SOURCE: Innealta Capital using data from Bloomberg. Data since inception.

COMPOSITE PERFORMANCE

	Total Firm Assets (Millions)	Composite Assets (Millions)	Number of Accounts	Composite Gross Return (Percent)	Composite Net Return (Percent)	Benchmark Return (Percent)	Composite 3-Yr St Dev (Percent)	Benchmark 3-Yr St Dev (Percent)	Composite Dispersion (Percent)	Wrap Fee Paying Accounts (Percent)	Non-Fee Paying Accounts (Percent)
2016	711	6.4	21	13.53	11.97	9.15	4.69	4.79	0.09	100	<1
2015	701	5.80	20	-1.95	-3.39	0.55	4.26	2.92	0.16	100.00	<1
2014	827	19.00	101	4.56	3.01	5.97	4.35	2.66	0.19	100.00	<1
2013	788	26.00	145	-2.61	-4.16	-2.02	4.89	2.75	0.14	98.91	<1
2012	676	47.00	235	10.15	8.51	11.37	5.14	2.82	0.16	97.61	<1
2011	476	7.00	56	9.17	7.46	4.98	NA	NA	0.51	99.51	<1
2010	486	0.30	<6	5.79	5.79	12.19	NA	NA	NA	90.98	9.02

NA: Data shown are not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. Composite dispersion is presented asset-weighted and gross-of-fees. The three-year annualized ex-post standard deviation of the composite and/or benchmark is not presented because 36 monthly returns are not available.

DISCLOSURES & IMPORTANT INFORMATION

AFAM Capital Inc. (AFAM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. AFAM has been independently verified for the periods January 1, 1996 through September 30, 2015 by Ashland Partners & Company LLP. A copy of the verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation. The firm maintains a complete list and description of composites, which is available upon request. The Sector Rotation Composite was created Decem¬ber 31, 2009. Minimum account size for inclusion in the composite is $50,000. Prior to June 30, 2014 the minimum account size for the composite was $20,000. As of June 30, 2014 the composite was redefined to include accounts that may utilize margin, and on April 30, 2015 it was redefined to exclude those accounts that utilize the First Trust AlphaDEX® ETF products. On December 31, 2016, the composite was redefined to include any accounts that utilize the First Trust AlphaDEX® ETF products. This was done to encompass all accounts that follow the advisors strategy after the dissolution of the First Trust Composites. The firm had assets under management of $711 million as of December 31, 2016.

The Sector Rotation Composite includes discretionary portfolios using the sector rotation strategy, which is based on a quantitative¬ly driven asset allocation approach that apportions portfolio assets to 11 potential sectors (number may change) based on the specific risk/reward characteristics of each. Dollars not allocated to sector ETFs are invested in an actively managed portfolio of fixed-income ETFs.

Composite policy requires the temporary removal of any portfolio incurring an aggregate net cash flow of at least 25% of portfolio assets for any given month. Such a temporary removal of an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the com¬posite at the beginning of the month after a net cash outflow and the beginning of the next quarter after a net cash inflow. Additional information regarding the treatment of significant cash flows is available upon request.

Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. The composite 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. Portfolios eligible for this composite must follow the stated strategy. 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 cal¬cu-lated 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. In 2010, the composite consisted solely of a seed account for the purpose of composite construction. No fees were applied to this account. 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 Form ADV Part 2A.

Any investment is subject to risk. 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. Diversification does not protect against loss in declining markets.

Effective September 30, 2016, the benchmark was redefined to a blended benchmark consisting of 70% S&P 500 Index / 30% Bloomberg Barclays US Aggregate Bond Index. This blended benchmark better represents the utilization of primarily domestic fixed income instruments. From December 31, 2015 until September 30, 2016, the benchmark was a blend of 70% S&P 500 Index / 30% Bloomberg Barclays Global Aggregate Bond NR Index. The blended benchmark better represents the risk-return characteristics of the strategy and was a more appropriate reference for all potential investment decisions. From March 31, 2013 until December 31, 2015, the benchmark was the Bloomberg Barclays US Aggregate Bond Index which better represented the neutral state risk-return characteristics of the strategy at that time. Prior to that, the benchmark consisted of 60% S&P 500 Index / 40% Bloomberg Barclays US Aggre-gate Bond Index. The S&P 500 Index is a broad market sample based on the market capitalizations of 500 large companies having common stock list¬ed on the NYSE or NASDAQ. The Bloomberg Barclays US Aggregate Bond Index is representative of the entire universe of taxable fixed-income investments. It includes issues of the U.S. Government and any agency thereof, corporate issues of investment grade quality (Baa/BBB or better), and mortgage-backed securities. A person cannot invest directly in an index. Blended benchmarks are rebalanced quarterly.

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. Sharpe Ratio is a measurement of reward per unit of risk as calculated by the average monthly excess return divided by the monthly standard deviation of excess returns. R Squared is a measure of how close the relationship is between a portfolio and its bench-mark. Information Ratio is a measure of risk-adjusted performance.

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