

### PORTFOLIO MANAGERS



Jason R. Clark, CFA, a member of AFAM Capital's Investment Committee, has been a part of the firm's Research and Portfolio Management Department since 2007. Jason is currently a Vice President and Senior Portfolio Manager.



Joshua Kocher serves as Portfolio Manager at Innealta Capital and is responsible for supporting and directing investment decisions, generating investment ideas across equities, credit, and fixed income, and providing trading support for dynamically managed portfolios.

### INVESTMENT STRATEGY

- Asset diversification via exposure to multiple asset classes, including equities and fixed income in U.S., Developed and Emerging markets
- Actively managed strategy combining the experience of two diverse research teams
- Variable exposures based on a quantitative and qualitative review of risk and return metrics

### WHO WE ARE

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.

### THE AFAM ADVANTAGE

- Two distinct investment teams with unique quantitative and qualitative investment analysis styles.
- Value investing specialists with a combined experience of 50 years in asset management
- ETF management specialists with over a decade of financial industry experience
- Portfolios with dynamic allocations to domestic and international equities and global fixed income designed to target superior risk-adjusted returns
- Strategic and dynamic investment decisions modeled to methodologically take advantage of market trends across short- and long-term time horizons

### CONTACT INFORMATION

AFAM Capital  
30 Enterprise Suite 210  
Aliso Viejo, CA 92656  
P: 949.499.3215

### INVESTMENT OBJECTIVE

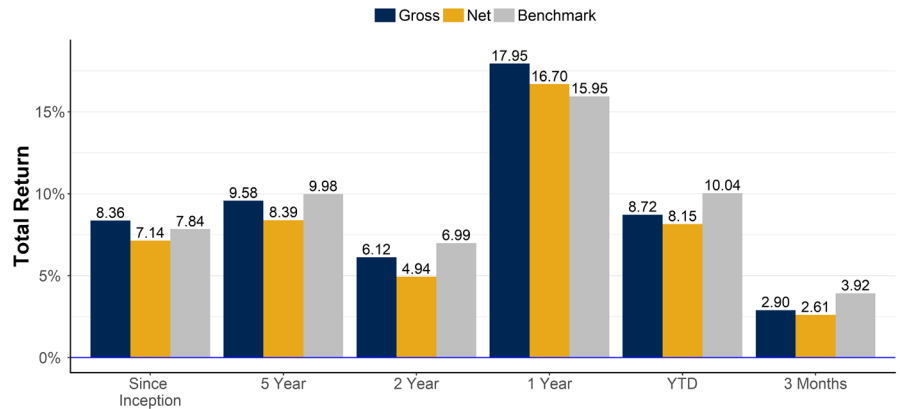
#### Target

Long-term capital appreciation and income

#### Benchmark

50% Russell 3000; 35% MSCI ACWI ex-U.S. NR Index; 15% Bloomberg Barclays Capital Global Aggregate Bond NR Index

### COMPOUND ANNUAL RETURNS

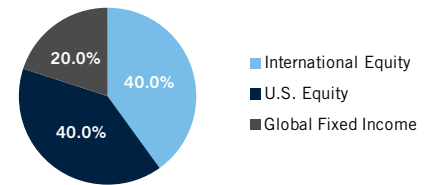


### TOP HOLDINGS\*

Stocks	Weight
Apple Computer	1.15
ING Groep NV	0.87
Amgen Inc	0.83
Walt Disney	0.83
Corning	0.81

ETFs	Weight
iShares iBoxx Invest Grade Corp Bond	4.75
iShares MSCI Brazil Capped Ind. Fund	3.84
iShares Barclays 7-10 Year Treasury	3.10
iShares MSCI Japan Index	3.00
iShares MSCI United Kingdom Index	2.75

### PORTFOLIO BASELINE

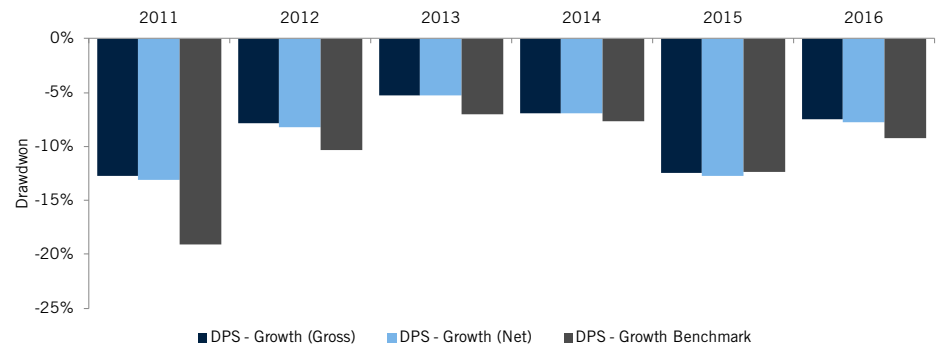


### PERFORMANCE & RISK STATISTICS\*

	Performance (Since Inception)	Benchmark
Alpha	0.84	0.00
Beta	0.79	1.00
R-Squared	93.18	100.00
InfoRatio	-0.26	NM
Std.Dev	8.64	10.55
SharpeRatio	0.83	0.76
Current Yield	2.40	NM

\*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. Data since portfolio's inception.

### CALENDAR YEAR DRAWDOWN



As of 12/31/2016. SOURCE: Innealta Capital using data from Bloomberg. Chart depicts the maximum drawdown within a calendar year to show an important aspect of the strategy goal: risk mitigation. There is no guarantee this goal will be met. Past performance is no guarantee of future results.

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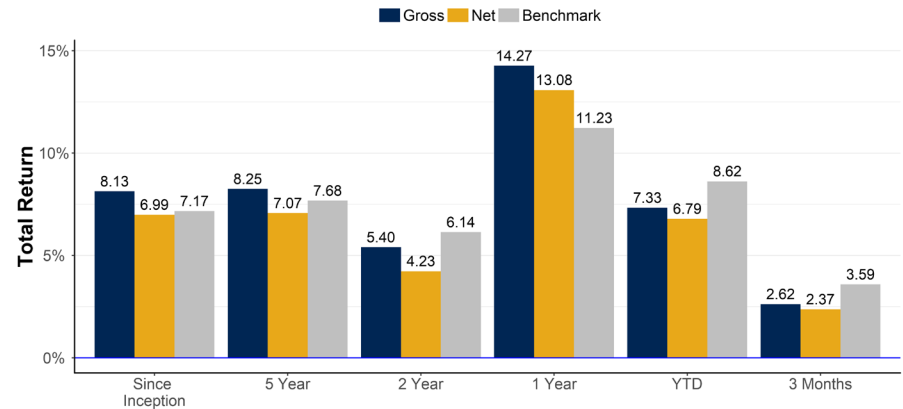
#### Target

Long-term capital appreciation and income

#### Benchmark

37.5% Russell 3000; 26.25% MSCI ACWI ex-U.S. NR Index; 36.25% Bloomberg Barclays Capital Global Aggregate Bond NR Index

### COMPOUND ANNUAL RETURNS

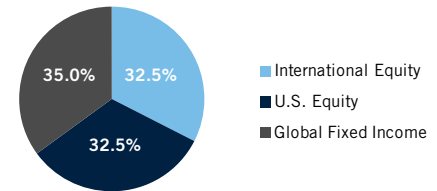


### TOP HOLDINGS

Stocks	Weight
Apple Computer	1.12
Walt Disney	0.74
Cisco Systems	0.72
JP Morgan Chase	0.67
ING Groep NV	0.66

ETFs	Weight
iShares iBoxx Invest Grade Corp Bond	9.42
iShares Barclays 7-10 Year Treasury	6.17
iShares JPMorgan USD EM Bond	4.67
iShares Barclays 20+ Year Treas Bond	3.74
iShares MSCI Brazil Capped Index	3.32

### PORTFOLIO BASELINE

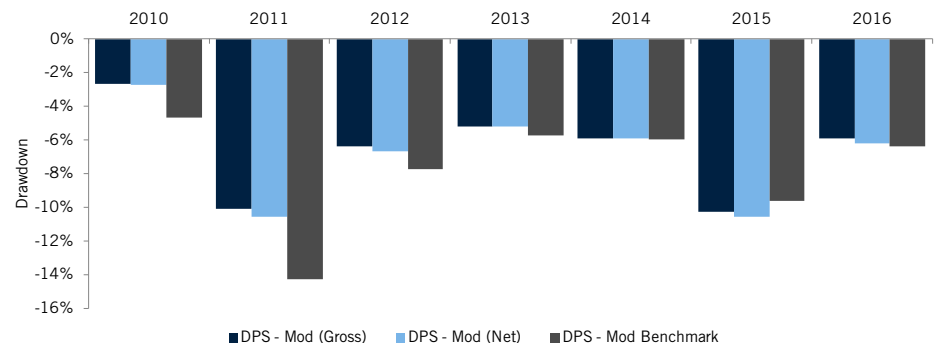


### PERFORMANCE & RISK STATISTICS

	Performance (Since Inception)	Benchmark
Alpha	1.38	0.00
Beta	0.77	1.00
R-Squared	90.56	100.00
InfoRatio	-0.10	NM
Std.Dev	7.44	9.24
SharpeRatio	0.93	0.78
Current Yield	2.50	NM

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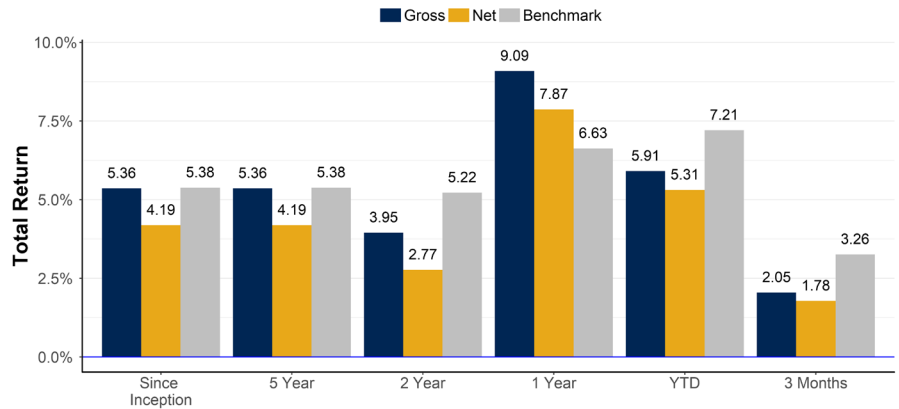
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Long-term capital appreciation and income

#### Benchmark

25% Russell 3000; 17.5% MSCI ACWI ex-U.S. NR Index; 57.5% Bloomberg Barclays Global Aggregate Bond NR Index

### COMPOUND ANNUAL RETURNS

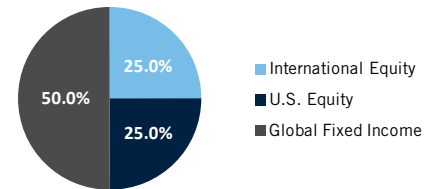


### TOP HOLDINGS

Stocks	Weight
Corning	0.63
Amgen Inc	0.62
Jabil Inc.	0.61
Symantec	0.59
Apple Computer	0.59

ETFs	Weight
iShares iBoxx Invest Grade Corp Bond	14.56
iShares Barclays 7-10 Year Treasury	9.40
iShares JPMorgan USD EM Bond	7.19
iShares Barclays 20+ Year Treas Bond	5.83
PIMCO Enhanced Short Maturity ETF	3.59

### PORTFOLIO BASELINE

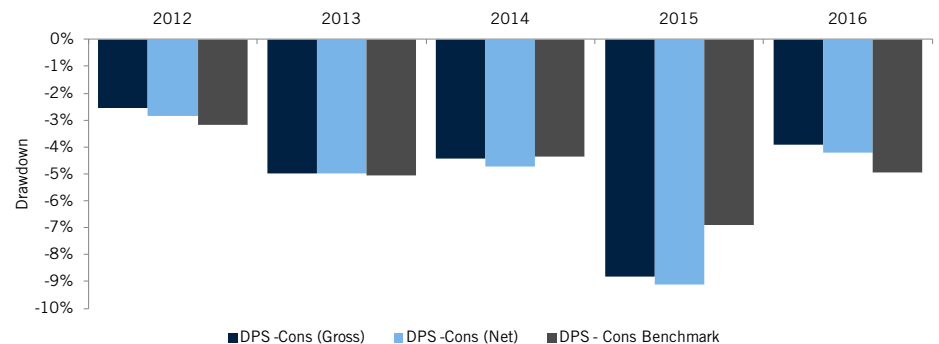


### PERFORMANCE & RISK STATISTICS

	Performance (Since Inception) Portfolio	Benchmark
Alpha	-0.11	0.00
Beta	0.80	1.00
R-Squared	84.17	100.00
InfoRatio	-0.53	NM
Std.Dev	4.81	5.54
SharpeRatio	0.85	0.95
Current Yield	2.80	NM

\*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. Data since portfolio's inception.

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## COMPOSITE PERFORMANCE

Strategy	Year	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)
Conservative	2016	711	3.50	<6	6.97	5.76	5.28	5.5	4.73	NA	12.29	<1
Conservative	2015	701	3.34	6	-3.37	-4.46	0.65	5.31	3.51	0.11	12.19	<1
Conservative	2014	827	2.90	<6	2.88	1.74	7.6	NA	NA	NA	14.56	<1
Conservative	2013	788	2.50	<6	8.12	7.12	6.13	NA	NA	NA	16.54	<1
Conservative	2012	676	1.40	<6	6.60	5.89	2.97	NA	NA	NA	<1	<1
Moderate	2016	711	21.60	28	9.52	8.29	6.81	7.17	5.79	0.48	4.25	<1
Moderate	2015	701	27.60	36	-3.81	-4.93	0.67	6.89	4.54	0.36	41.54	<1
Moderate	2014	827	34.70	45	4.54	3.40	8.41	6.19	5.36	0.32	42.78	<1
Moderate	2013	788	27.80	37	16.15	15.03	10.39	7.70	7.67	0.39	47.55	<1
Moderate	2012	676	19.50	30	13.48	11.98	11.78	8.59	5.36	0.24	41.48	<1
Moderate	2011	476	12.00	23	3.04	1.94	1.35	NA	NA	0.08	23.55	2.89
Moderate	2010	486	5.00	9	12.02	11.31	11.42	NA	NA	0.00	<1	6.45
Growth	2016	711	21.30	36	10.92	9.70	8.30	8.59	7.22	0.31	<1	<1
Growth	2015	701	25.76	45	-5.10	-6.18	0.67	8.12	5.76	0.33	9.07	<1
Growth	2014	827	19.80	35	5.17	3.99	9.24	7.28	7.01	0.25	11.76	<1
Growth	2013	788	18.10	30	20.45	19.30	14.77	NA	NA	0.75	8.10	<1
Growth	2012	676	12.50	22	14.59	13.05	14.23	NA	NA	0.25	7.98	<1
Growth	2011	476	8.50	17	0.78	-0.30	-2.93	NA	NA	0.18	7.62	<1

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 December 31, 2015 by Ashland Partners & Company LLP. A copy of the verification report(s) is/are 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 had assets under management of \$811 million as of June 30, 2017.

The DPS Growth Composite was created on January 31, 2011, the DPS Moderate Composite was created on December 31, 2009, and the DPS Conservative Composite was created on June 30, 2012. Inception dates for portfolio performance match composite creation dates. Portfolios eligible for the DPS composites must follow the stated respective investment strategies. The minimum account size for inclusion in the DPS composites is \$200,000. Composite policy originally required the temporary removal of any portfolio incurring an aggregate net cash flow of at least 25% of portfolio assets. On July 1, 2016, the cash flow policy was updated to reflect the temporary removal of any portfolio incurring cash inflow or outflow of 25% or more during the month – “net” and “aggregate” no longer applicable. The removal of such a portfolio occurs at the beginning of the month in which the significant cash flow occurs, and the portfolio re-enters the composite at the beginning of the month after the cash flow. This policy is reviewed and maintained monthly. On June 30, 2014 the composites were redefined to include accounts that may utilize margin.

The firm maintains a complete list and description of composites, which is available upon request.

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. 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.

**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.**

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. **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 benchmark. **Information Ratio** is a measure of risk-adjusted performance. **Current yield** is an investment's annual income (interest or dividends) divided by the current price of the security.

For comparison purposes, the composites are measured against the following:

Effective Date - Rationale	DPS Growth (inception 1/31/2011)	DPS Moderate (inception 12/31/2009)	DPS Conservative (inception 6/31/2012)
Portfolio Inception Date	50% Russell 3000 Index, 30% MSCI EAFE GR Index, 20% Barclays Capital US Aggregate Bond Index	37.5% Russell 3000 Index, 22.5% MSCI EAFE GR Index, 40% Barclays Capital US Aggregate Bond Index	25% Russell 3000 Index, 15% MSCI ACWI ex US NR Index, 60% Barclays Capital US Aggregate Bond Index
12/31/11 - more fully reflects the breadth of the investment opportunity set	50% Russell 3000 Index, 30% MSCI ACWI ex US NR Index, 20% Barclays Capital US Aggregate Bond Index	37.5% Russell 3000 Index, 22.5% MSCI ACWI ex US NR Index, 40% Barclays Capital US Aggregate Bond Index	N/A
3/31/13 - better represents the neutral-state, risk-return characteristics of the Country Rotation strategy and is a more appropriate reference for all potential active investment decisions	50% Russell 3000 Index, 50% Barclays Capital US Aggregate Bond Index	62.5% Barclays Capital US Aggregate Bond Index, 37.5% Russell 3000 Index	75% Barclays Capital US Aggregate Bond Index, 25% Russell 3000 Index
12/31/15 - better represents the exposure characteristics of the Country Rotation and Fixed Income strategies and is a more appropriate reference for all potential active investment decisions	50% Russell 3000 Index, 35% MSCI ACWI ex US NR Index, 15% Bloomberg Barclays Capital Global Aggregate NR Index	37.5% Russell 3000 Index, 26.25% MSCI ACWI ex US NR Index, 36.25% Bloomberg Barclays Capital Global Aggregate Bond NR Index	25% Russell 3000 Index, 17.5% MSCI ACWI ex US NR Index, 57.5% Bloomberg Barclays Capital Global Aggregate Bond NR Index

**The Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies. **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 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 All Country World Index ex US NR** captures large- and mid-cap representation across 22 of 23 developed markets countries-excluding the United States. Net total return 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.

AFAM Capital, Inc. is an independent, registered investment adviser, wholly owned by AF Holdings, Inc. Innealta Capital is a division of AFAM Capital, Inc. AFAM is editor of *The Prudent Speculator* newsletter and is the investment advisor to certain proprietary mutual funds and individually managed client accounts. Registration of an investment adviser does not imply any certain level of skill or training.

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