

Portfolio Performance Review

Sector Rotation Portfolio

Date: 09/30/17

Performance



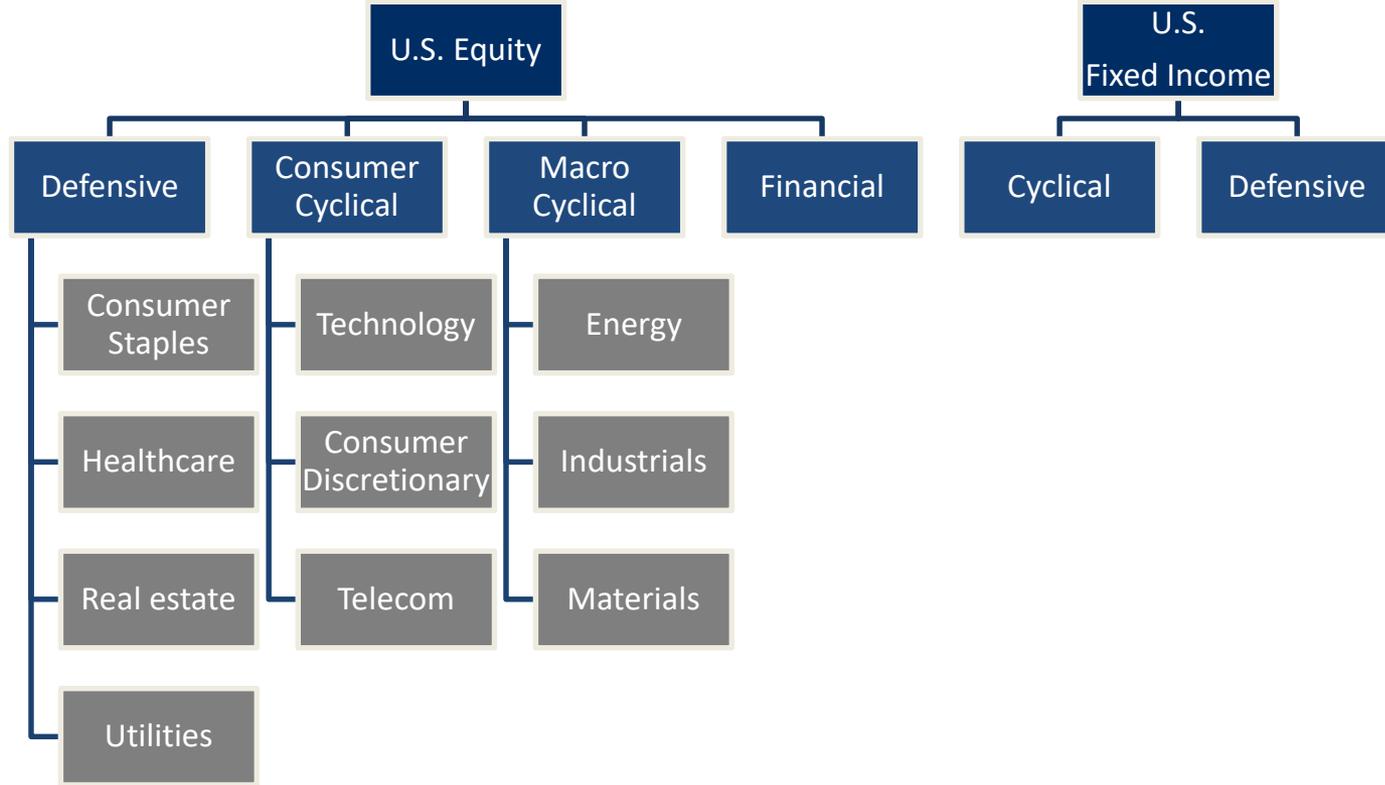
Performance Statistics (Since Inception*)		
	Portfolio	Benchmark 1
Alpha	0.63	0.00
Beta	0.37	1.00
R-Squared	43.06	100.00
Std. Dev.	4.63	8.29
Sharpe Ratio	0.96	1.25

*12/31/2009

SOURCE: Innealta Capital using 12/31/2009 – 9/30/2017 monthly net performance data from Bloomberg.

- The bar chart shows the gross and net performance of the Sector Rotation Portfolio and the performance of its primary benchmark, a blend of 70% S&P 500 Index and 30% Bloomberg Barclays U.S. Aggregate Bond Index .
- During the third quarter of the year, the Sector Rotation Portfolio underperformed its primary benchmark by 0.07% on a gross-of-fee basis; however, the portfolio took 62% less risk as measured by standard deviation
- Over the last two years, the Sector Rotation Portfolio, on a gross-of-fee basis, has underperformed the benchmark.

Categorization



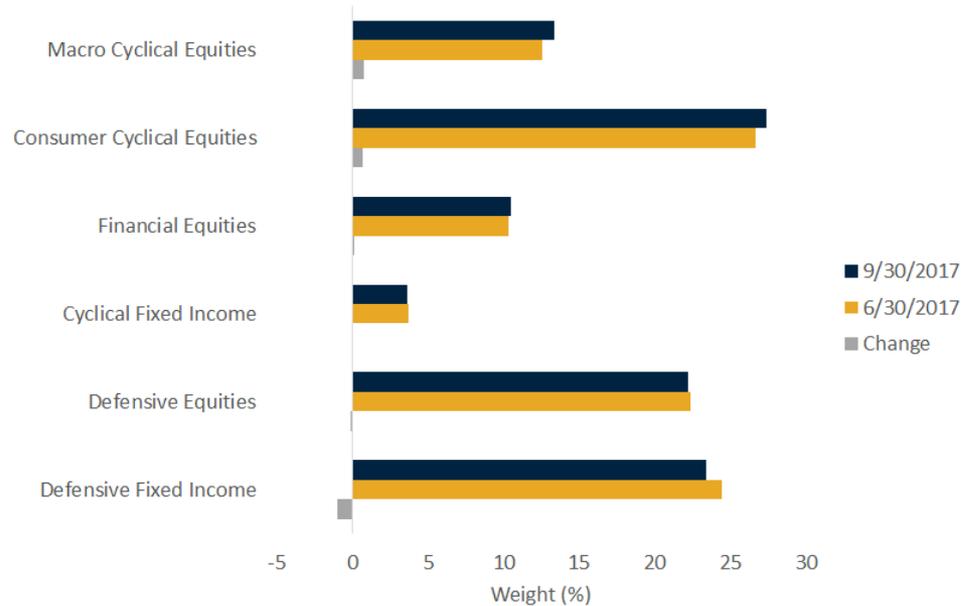
- The Fund's holdings are broadly categorized across equity and fixed income.
- Equities are further disaggregated into broad allocations of Consumer Cyclical, Defensive, Financial, and Macro Cyclical.
- Fixed Income is divided into Cyclical and Defensive allocations.

Categorized Portfolio Composition



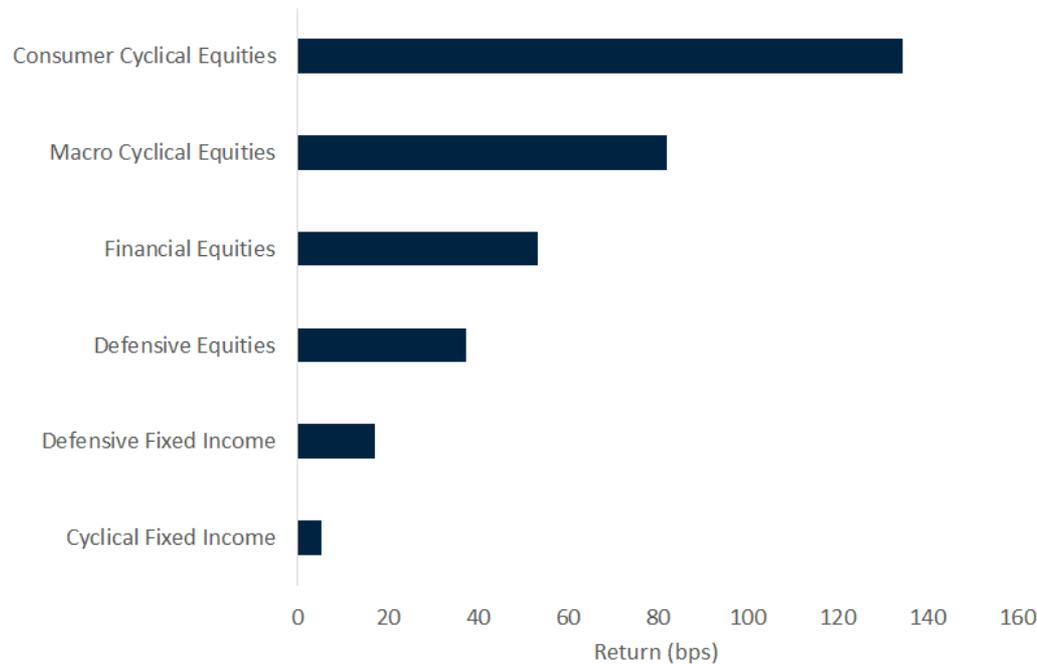
- Bar chart shows the categorized holdings of the portfolio, the benchmark, and the difference between them (“Skew”) as of 09/30/17.
- Cyclical Fixed Income, Defensive Equities, and Financial Equities are overweight allocations in the portfolio relative to the benchmark.
- Macro Cyclical Equities, Consumer Cyclical Equities and Defensive Fixed Income are underweight allocations in the portfolio relative to the benchmark.

Portfolio Changes



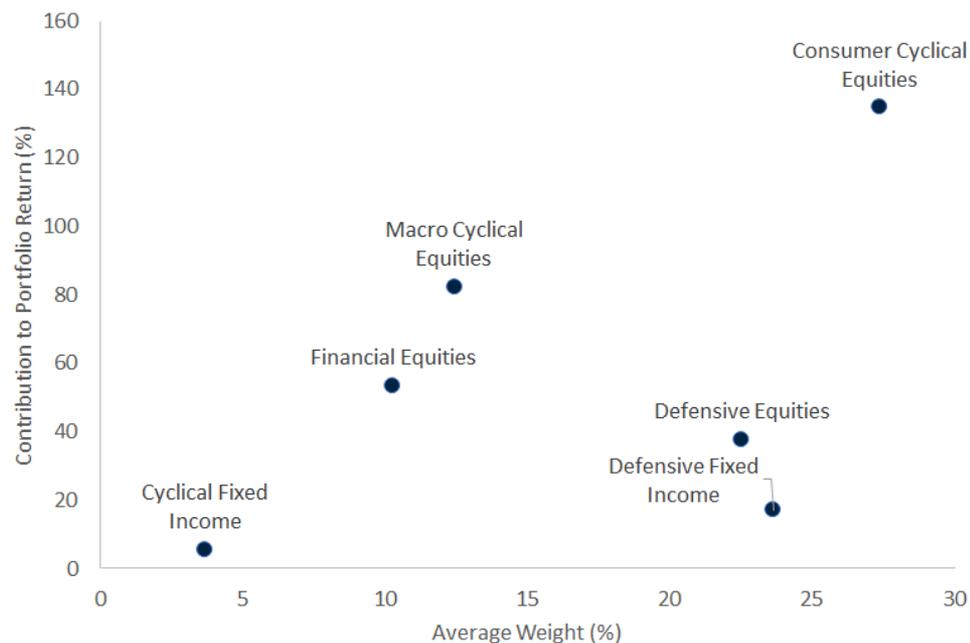
- Bar chart shows the categorized holdings as of 06/30/2017, 09/30/2017, and the change in holdings between those dates (“Change”).
- Changes can occur multiple times per quarter, and the holdings at the end of each quarter represent both portfolio management decisions and performance (i.e. drift).
- Allocations in Macro Cyclical Equities, Consumer Cyclical Equities, and Financial Equities increased during the quarter.
- Allocations in Cyclical Fixed Income, Defensive Equities, and Defensive Fixed Income decreased during the quarter.

Contribution



- The bar chart displays each category's contribution to the portfolio's total return during the quarter.
- The top contributors to the portfolio were Consumer Cyclical Equities, Macro Cyclical Equities, and Financial Equities.
- There were no negative contributors to the portfolio during the quarter.

Contribution versus Weight



- The scatterplot displays each category's total return contribution against its average weight in the portfolio during the third quarter.
- Macro Cyclical Equities exhibited the highest total return, relative to its weight, across all categories within the portfolio.
- Defensive Fixed Income exhibited the lowest total return, relative to its weight, across all categories within the portfolio.
- All categories contributed positively to the portfolio's total return.

Q4 Y2017 U.S. Equity Expectations

- Corporate fundamentals:
 - Positive sales growth and positive earnings growth
 - Valuations remain significantly above long-term averages
 - Profitability metrics flat and do not support current valuations
- Macroeconomic:
 - U.S. economic growth between 2 to 2.5%
 - Inflation remains subdued below 2%
 - Unemployment flatlines near 4.1%
 - U.S. FED maintains tightening monetary policy thru another 25 bps rate and selling off balance sheet
 - Equity and bond volatility increase
- Behavioral:
 - Positive time-series momentum remains
 - Preference to U.S. equities relative to U.S. fixed income
 - Q4 seasonality generally positive for U.S. equities

Contact Us

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Disclosures

The U.S. Dollar is the currency used to express performance. 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. 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. 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.

For comparison purposes, the Sector Rotation Portfolio is measured against a blended benchmark: 70% S&P 500 Index / 30% Bloomberg Barclays U.S. Aggregate Bond Index.

The S&P 500 Index is a broad market sample based on the market capitalizations of 500 large companies having common stock listed 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 US Government and any agency thereof, corporate issues of investment grade quality (Baa/BBB or better), and mortgage-backed securities.

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

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