USA FINANCIAL PORTFORMULAS®
FORMULAIC TRENDING MONEY MANAGER

Understanding the Asset Management Process: Sector Bull-Bear™ Strategy

	How	Why
Step 1: Evaluate	At the beginning of each month, the formula measures the trend strength of 11 exchange-traded funds (ETFs) that track the following sectors: • Communication Services • Consumer Discretionary • Consumer Staples • Energy • Financials • Health Care • Industrials • Materials • Real Estate • Technology • Utilities Each sector ETF will have an individual Trigger Score.	Monthly rebalancing helps to ensure the recent trends are being analyzed and acted upon. The primary sectors being considered cover the entire range of equity holdings available within the S&P 500 Index.
Step 2: Calculate Master Trigger Score™	After each individual sector ETF Trigger Score is calculated, a Master Sector Trigger Score will be calculated. • A positive Master Sector Trigger Score will result in moving to step 3a. • A negative Master Sector Trigger Score will result in moving to step 3b.	This step in the process exists to identify whether there is a systemic trend identified among all of the sector ETFs that would suggest a complete shift in allocation, either toward equities or away from the equities market.
	The Trigger Scoring methodology is derived from a patented process used by Portformulas in the risk management of many of its strategies.	
Step 3a: Determine Sector ETF Allocations	The Sector Bull-Bear strategy will only invest in the sector ETFs that have a positive Trigger Score. The ETFs that have a positive score will receive an equally weighted allocation.	As trends within the sector ETFs develop, revisiting the investment allocation levels on a monthly basis seeks to capitalize on performance.
Step 3b: Reduce Risk Exposure	As a result of the Master Sector Trigger Score being negative, the formula dictates a shift away from equity exposure. At this point, the portfolio will be allocated to an equal allocation between four conservative bond ETFs and one gold ETF.	At the core of the risk-managed approach is the willingness to shift away from higher risk equity investments when the trending data dictates.

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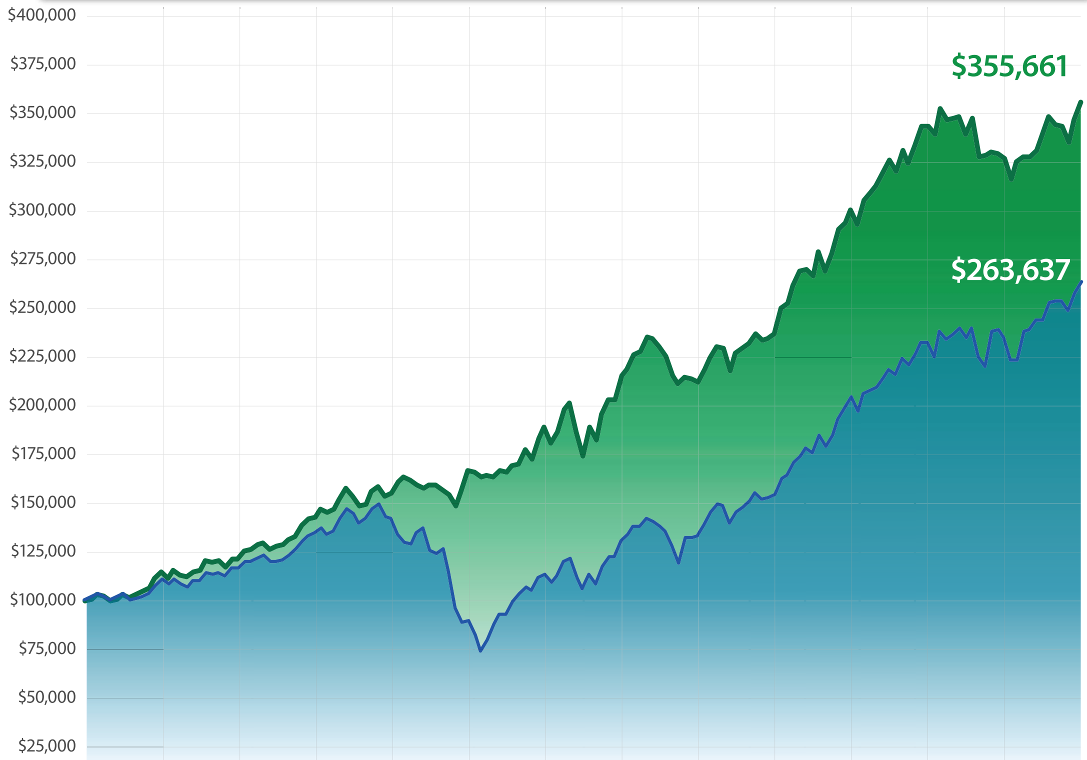
Hypothetical Application of the Sector Bull-Bear™ Strategy

Sector Bull-Bear™

Hypothetical Strategy Performance - January 1, 2004 - December 31, 2016



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Strategy	15.28%	5.66%	17.63%	8.43%	7.65%	13.10%	14.18%	-1.60%	11.66%	26.80%	14.12%	-4.76%	8.76%
Index	10.88%	4.91%	15.79%	5.49%	-37.00%	26.46%	15.06%	2.11%	16.00%	32.39%	13.69%	1.38%	11.96%

Strategy Validation

The Sector Bull-Bear strategy formula was developed by the Portformulas research team. The research team seeks to validate the investment strategy by retroactively applying the specific formulaic criteria over a specified time frame. The time period illustrated is from January 1, 2004 - December 31, 2016.

Why Back-test?

During strategy development, the research team is able to analyze what holdings would be bought and sold in order to stress-test how the strategy may react under different market and economic conditions. Strategy developers are able to get an idea of how a formulaic model would have theoretically performed over time.

What Investors Should Know

Although the firm may have clients with actual portfolios that are following the Sector Bull-Bear strategy, the performance shown is not indicative of an actual investor's experience.

The performance illustrated above uses back-tested performance. Back-tested performance involves the application of an investment strategy to past market data and conditions. The results do not represent actual trading using client assets but were achieved by means of the retroactive application of a model that was designed with the benefit of hindsight. The results posted in this illustration should not be considered indicative of Portformulas' skills since money was not being actively managed during the referenced time period and Portformulas was not providing investment advice. Client accounts will follow the strategies that generated these back-tested results, however, these results may not reflect the impact that any material market or economic factors might have had on Portformulas' use of the back-tested model if the model had been used during the period to actually manage client assets.

Returns for any strategy utilizing back-tested returns are calculated using the most recent month-end closing price for each holding chosen for the new period. Back-tested returns further assume trading was executed on the first business day of the month and therefore, as stated, do not reflect actual trading. Actual trading occurs on or near the beginning of the month, but not necessarily the first of the month. Due to market performance, fluctuations may occur after the first of the month but prior to the actual trade date. Accordingly, actual results for investors who were invested in a Portformula strategy during the same time period may have been higher or lower than the results for the period listed in this illustration.

The back-tested performance referenced herein is based on time-weighted returns. Because Portformulas publishes time-weighted returns, all advertised performance data reflects performance after advisory fees have been deducted. Time-weighted returns show the compound growth rate in a portfolio while eliminating the varying effect created by cash inflows and outflows by assuming a single investment at the beginning of the period and measuring market value growth or loss at the end of that period.

Due to market volatility, current performance may be higher or lower than the performance shown. Investments may be purchased or sold without regard to how long you have owned them. Frequent movement can result in tax implications. This illustration utilizes the S&P 500 because it is a well-known index and provides a recognizable frame of reference. Indexes such as the S&P 500 are not publicly available investment vehicles and cannot be purchased.

Portformula® Investment Strategy - Exclusively from USA Financial Portformulas®

IMPORTANT NOTICE: Portformulas is an SEC-registered investment advisor. SEC registration does not imply a certain level of skill or training. Past performance is no guarantee of future results and your actual results may vary. Investing carries an inherent element of risk. Potential for substantial loss in principal and income exists. Portformulas (the Firm) operates with limited discretionary authority to engage solely in the implementation of specific step-by-step investment criteria and account rebalancing as indicated and selected by the client. This activity is generally referred to by the Firm as a Portformula Investment Strategy. You should only invest in Portformulas upon receiving and reading the Portformulas ADV. SEC File No. 801-67442. ver. 6.28.17