Ascend when conditions are right, and seek shelter when they’re not.
Why do people invest?

People invest money to improve their futures or the future of loved ones.

What are your financial goals? Education, buying a home, pursuing a comfortable retirement?

Whatever your reason is, Beaumont Capital Management (BCM) recognizes that people invest their hard-earned money to realize these future goals or dreams.

Investing is not what you think it is.

Traditional investment managers focus on a “buy and hold” strategy. Typically their method for managing risk is basic asset allocation, splitting your money between different percentages of stocks and bonds based on your risk tolerance, as a “set it and forget it” portfolio. This portfolio would ride through the good markets and suffer through the bear markets, often making only minor adjustments along the way.

This approach works in theory, but not always in practice.

Why? Three reasons.
Using 2007-2009 as an example, assuming an investor actually stuck with the “buy and hold” strategy in an Exchange Traded Fund (ETF) following the S&P 500® Index through the entirety of the bear market (most investors were not able to do this), the portfolio would have experienced a ~55% loss over roughly 1.5 years.

When your portfolio experiences large losses, it has to achieve a disproportionate gain – in this case 123% – just to get back to where you started. After 2007-2009, it took 3.5 years for the S&P 500 to go back up 123%. In or near retirement, can you afford to lose half your money, and wait years to get back to where you started? Probably not.

In this example, it would have taken a total of 5 years before your money began to achieve growth. Wouldn’t it be better to enjoy most of this upside as a pure gain, rather than a recovery of what you lost?
2 When do you need your money?

If you don’t need your money for a long time, you can afford to incur a large loss because theoretically, with a long enough time frame, the markets will recover (again, we are assuming you can keep yourself invested throughout the bear market). However, the time frame for most of life’s goals isn’t measured in decades, but rather years.

In retirement, if you plan to withdraw from your portfolio even to partially fund daily living, a large loss can be devastating.

As an example, let’s assume your portfolio is $500,000 and you need 5%, or $25,000, a year, which is usually a sustainable annual withdrawal over a full retirement.

However, if your portfolio experiences a 50% loss, then you only have $250,000 left. The $25,000 annual withdrawal is now 10% of your remaining portfolio and will further erode your savings.

**Withdrawning 10% a year is not sustainable in this scenario.**

3 Investors are Emotional

Since investors are trying to grow their money to achieve a more fulfilling future, investing becomes emotional for them if that future is threatened.

The average investor has proven, bear market after bear market, that they cannot stomach large losses…which is understandable. Consequently, this causes them to make their own buy and sell decisions at the worst times, exacerbating the problem.

**Want proof?**

This chart shows the annual return achieved by the average equity investor versus the S&P 500 from 1985-2015. During this time, the market experienced 3 major uptrends and 2 major downtrends. Due to fear and panic, the average investor made emotional, poorly-timed buy and sell decisions… and achieved about a third of the annual return.
There has to be a better way...right?

You should look for a manager who makes these buy AND sell decisions for you, keeping emotions out of it. A manager that uses data-driven research, investment rules and market trends to help you stay invested when times are good, and get you out of the market, or segments of the market, when times turn bad.

This is where BCM can help.

This is how we do it.

We invest in ETFs representing 10 sectors of the S&P 500 (shown in the chart below). Sectors can behave differently in different market environments. Having the ability to identify how each sector is performing allows us to keep our investors' money in the positive trending sectors and avoid (sell) sectors that are trending down. If all sectors are trending down, we can get out of the market completely.

BCM's rules-based sector rotation system keeps emotion out of the decision making process. The system analyzes each of the 10 sectors independently from each other. The primary factor the system is evaluating is price trend (momentum) – is it going up or down? Put simply, if the trend of a sector is going up, the portfolio will own that sector. If the trend is going down, the portfolio will look to sell the sector. Additional inputs shown below, volatility, change in volatility, and volume, help determine how quickly we buy or sell.

When all sectors are trending down, such as in ‘00-’02 and ‘07-’09, the strategy can sell and go into partial or 100% cash (money market funds) until the market begins to recover.

10 Sector ETFs

<table>
<thead>
<tr>
<th>Consumer Discretionary</th>
<th>Financials</th>
<th>Healthcare</th>
<th>Materials</th>
<th>Utilities</th>
<th>REITs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Staples</td>
<td>Energy</td>
<td>Industrials</td>
<td>Technology</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ongoing Quantitative Analysis considers:

- Has there been a change in the sector’s momentum?
- How is the change occurring? These 3 factors determine the speed of the system’s reaction.

+ Positive Trend = Keep/Buy  — Negative Trend = Keep Out/Sell
An Example of Sector Rotation in Action

In the diagram below, you can see an example of how the BCM Sector Rotation process can get out of the market when entering a bear market (left side), and then how we could judiciously reinvest when the market begins to re-establish positive momentum (right side). The portfolio will equally weight each sector that is turned “on” (with a maximum weighting of 25% in any one sector). Once there are fewer than 4 sectors “on”, it begins to raise cash.

It is important to note that this is just an example and the strategy could own any number of sectors (as few as 0 and as many as 10) at any given time.

BCM strategies invest solely in long-only ETFs and avoid ETFs that actively employ margin, leverage, shorting or any other complicating factors. We try to keep it simple. All eligible BCM strategies are GIPS® verified by an independent third party.
Shattering a common misperception.

Investors mistakenly react to short-term performance due to emotion. However, you must look at a long-term time horizon to see the big picture. Investors typically think you need to capture 100% or more of the upside in a bull market. **But you don’t.**

**Let us explain:** Start with two portfolios each with an investment of $250,000.

**Portfolio A** is invested in a buy and hold S&P 500 strategy which allows it to capture 100% of the upside and 100% of the downside with the assumption you have the fortitude to stay in through the bear markets.

**Portfolio B** is invested in a hypothetical strategy that is conservatively designed to capture only 50% of the upside and 50% the downside of the market, or half in the S&P 500 and half in no-interest cash.

Assuming we invest these portfolios through the last two bear markets and the last two bull markets (March 2000-December 2016), which portfolio do you think will have a higher return? **The results may surprise you!**

<table>
<thead>
<tr>
<th></th>
<th>Portfolio A 100% Up/Down Capture</th>
<th>Portfolio B 50% Up/Down Capture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest at March 2000 High</td>
<td>$ 250,000</td>
<td>$ 250,000</td>
</tr>
<tr>
<td>'00-'02 Bear (9/1/00-9/1/02)</td>
<td>-47.4%</td>
<td>-23.7%</td>
</tr>
<tr>
<td>Portfolio Loss</td>
<td>$ (118,500)</td>
<td>$ (59,250)</td>
</tr>
<tr>
<td>Remaining Portfolio Value</td>
<td>$ 131,500</td>
<td>$ 190,750</td>
</tr>
<tr>
<td>'02-'07 Bull (10/9/02-10/9/07)</td>
<td>120.6%</td>
<td>60.3%</td>
</tr>
<tr>
<td>Portfolio Gain</td>
<td>$ 158,589</td>
<td>$ 115,022</td>
</tr>
<tr>
<td>Portfolio Value</td>
<td>$ 290,089</td>
<td>$ 305,772</td>
</tr>
<tr>
<td>'07-'09 Bear (10/9/07-3/9/09)</td>
<td>-55.2%</td>
<td>-27.6%</td>
</tr>
<tr>
<td>Portfolio Loss</td>
<td>$ (160,129)</td>
<td>$ (84,393)</td>
</tr>
<tr>
<td>Remaining Portfolio Value</td>
<td>$ 129,960</td>
<td>$ 221,379</td>
</tr>
<tr>
<td>Current Bull (3/9/09-12/31/16)</td>
<td>290.5%</td>
<td>145.3%</td>
</tr>
<tr>
<td>Portfolio Gain</td>
<td>$ 377,533</td>
<td>$ 321,553</td>
</tr>
<tr>
<td>Ending Portfolio Value</td>
<td>$ 507,493</td>
<td>$ 542,932</td>
</tr>
</tbody>
</table>

Emotions have no place in investing. We can help. Our portfolios help you take part in the upside in good markets, while helping to protect your money in down markets.

Average investor: The average investor refers to the universe of all mutual fund investors whose actions and financial results are restated to represent a single investor. This approach allows the entire universe of mutual fund investors to be used as the statistical sample, ensuring ultimate reliability. Average Investor Return (performance): QAIB calculates investor returns as the change in assets, after excluding sales, redemptions, and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses and any other costs. After calculating investor returns in dollar terms (above) two percentages are calculated. 1) Total investor return rate for the period and 2) Annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net assets, sales, redemptions and exchanges for the period. Annualized return rate is calculated as the uniform rate that can be compounded annually for the period under consideration to produce the investor return dollars.

Exchange Traded Funds (ETFs) are not typically actively managed, trade like stocks, and are subject to investment volatility and the potential for loss. ETFs are securities that track an index, a commodity or a basket of assets like an index fund, but trade like a stock on an exchange. ETFs experience price changes throughout the day as they are bought and sold.

As with all investments, there are associated inherent risks including loss of principal. Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Sector investments concentrate in a particular industry and the investments’ performance could depend heavily on the performance of that industry and be more volatile than the performance of less-concentrated investment options. The risks are particularly significant for ETFs which focus on a single country or region. The ETF may have additional volatility because it may be comprised significantly of assets in securities of a small number of individual issuers. An investment cannot be made directly in an index. Past performance is no guarantee of future results.

The hypothetical example shown is for illustrative purposes only. It is not meant to represent or imply the performance of any BCM strategy or performance experienced by an investor.

The BCM investment strategies may not be appropriate for everyone. Due to the periodic rebalancing nature of our strategies, they are not appropriate for those investors who desire regular withdrawal or frequent deposits. The portfolio manager maintains full discretion over all BCM strategies. Actual allocations will differ due to market fluctuations. Cash levels are estimated to be ~2% even when a model is “fully” invested and can be allocated to a money market or short duration (up to a 1-3 year) bond ETF.

The Standard & Poor’s (S&P) 500® Index is an unmanaged index that tracks the performance of 500 widely held, large-capitalization U.S. stocks. “S&P 500®” are the registered mark of Standard & Poor’s Financial Services, LLC, a part of McGraw Hill Financial, Inc. From inception to July 2016, investment decisions for applicable BCM strategies were based on the Financials and REIT sectors being combined into one. Due to index changes, these two sectors may be considered separately going forward, with a representative ETF used for each. All strategies’ objectives and goals remain the same. The telecom, financial and REIT sectors are treated differently based on the index tracked or ETF family used within the strategy.

GIPS® Disclosure:
Beaumont Capital Management (BCM) is a separate division of Beaumont Financial Partners, LLC, an SEC-registered investment advisor. BCM offers tactical, defensively-oriented strategies using long-only ETFs across multiple asset classes with domestic, international and global exposure. Beaumont Capital Management (BCM) claims compliance with the Global Investment Performance Standards (GIPS®). To obtain a GIPS® compliance presentation, or the composite descriptions for our strategies, contact us through any of the following channels and the information will be sent to you: (P) (888) 777-0535, (F) (781) 237-7179, salessupport@investbcm.com or by mail to the address provided below.

For additional information about Beaumont Capital Management or any of our strategies please contact us at the number below or the email address provided above. Beaumont Capital Management, 250 1st Avenue, Suite 101, Needham, MA 02494.