Strategic Factor Portfolio

January 31, 2024

Overview

- Strategic allocations across traditional factor portfolios
- Provides exposure to the core factors that drive returns, such as size, value, quality, dividends, momentum, and volatility
- Seeks consistent returns with low volatility and drawdowns across the full business cycle.

Objective

- *Manage Downside Risk*: A proprietary risk model dynamically sets the level of market participation to limit potential loss.
- *Upside Participation:* Maximize profit potential from single and multifactor stock portfolios.

Facts

Inception Date:
10/01/2022

Benchmark Index:
S&P 500 Index (SPX)

Benchmark Category:
Morningstar Tactical Allocation

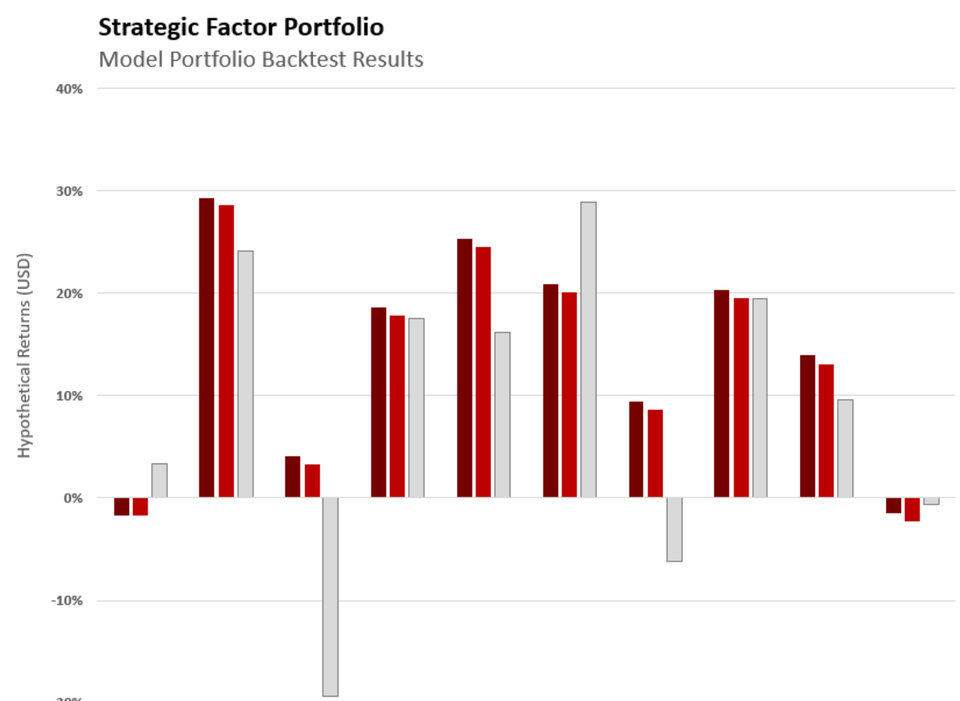
Portfolio Manager:
Bradley J. Horn

Firm AUM:
$4.01 M

Value Process

1. Identify the market risk regime (risk-on vs risk-off) and the level of market participation
2. Rank the factor portfolios with the best potential to outperform the benchmark index
3. Allocate funds to the top 7 of 21 factors
4. Smooth out returns using risk parity portfolio construction so no one position dominates portfolio returns
5. Use rules-based technology to systematically rebalance the portfolio, capture value, and preserve capital.

Composite Returns



	2024 YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015
Gross Return	(1.7%)	29.3%	4.0%	18.6%	25.3%	20.9%	9.4%	20.3%	13.9%	(1.5%)
Net Return	(1.8%)	28.6%	3.2%	17.8%	24.5%	20.1%	8.6%	19.5%	13.1%	(2.3%)
Benchmark	3.3%	24.1%	(19.4%)	17.6%	16.2%	28.9%	(6.2%)	19.5%	9.6%	(0.6%)

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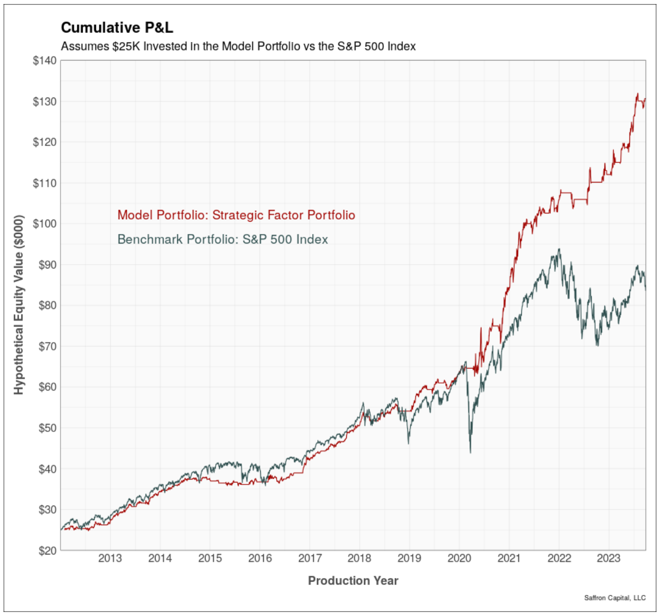
Compound Returns

	Trailing Returns Compound Annual Growth Rates by Period						Risk Profile		
	QTD	YTD	1 Yr	3Yr	5Yr	10 Yr	Standard Deviation	Sharpe Ratio	Max Drawdown
Gross Return	(1.7%)	(1.7%)	23.1%	16.6%	18.8%	14.5%	6.9%	1.95	(16.3%)
Net Return	(1.8%)	(1.8%)	22.4%	15.9%	18.1%	13.8%	6.9%	1.85	(16.3%)
Benchmark	3.3%	3.3%	20.8%	9.9%	12.7%	10.7%	14.9%	0.64	(43.2%)

10 Year Hypothetical Performance



Current Holdings and Portfolio Summary

Ticker	Name	Weight
MTUM	US Momentum Factor	10.0%
IVW	US Large Cap Growth Factor	10.6%
XLG	S&P 500 Top 50 Index	12.8%
QUAL	US Quality Factor	13.2%
IMTM	Intl Momentum Factor	15.2%
USMV	US Minimum Volatility Factor	27.5%
IJK	US Mid Cap Growth Factor	10.7%
-	Cash / Cash Equivalents	0%

Risk regime analysis: Both short- and long-term trend indicators are positive. As a result, the risk regime is risk-on and equity market participation is set equal to 100%.

Allocations: Fund allocations to the top 7 equity factors are optimized to ensure their relative risk is equal, thereby maximizing diversification. Sector weights tend to be stable over time but are assessed daily to identify potential changes.

Portfolio Construction

Risk-On Portfolio			
Size Factor	**Volatility Factor**	**Multi Factor**	**Quality Factor**
S&P 500 Large Cap	US Min Vol Stocks	Large Cap Growth	US Stock Screening
S&P 400 Mid Cap	Intl Min Vol Stocks	Large Cap Value	Intl Stock Screening
S&P 600 Small Cap	EM Min Vol Stocks	Mid Cap Growth	**Dividend Factor**
Value Factor	**Momentum Factor**	Mid Cap Value	US High Div Stocks
US Value Stocks	US Trending Stocks	Small Cap Growth	Intl High Div Stocks
Intl Value Stocks	Intl Trending Stocks	Small Cap Value	Infra Project Equity

Risk-Off Portfolio
Long-term T-Bonds
Intermediate T-Notes
Short-term T-Bills
Short-term Corp. Bonds
Money Market Account
Cash Sweep Account

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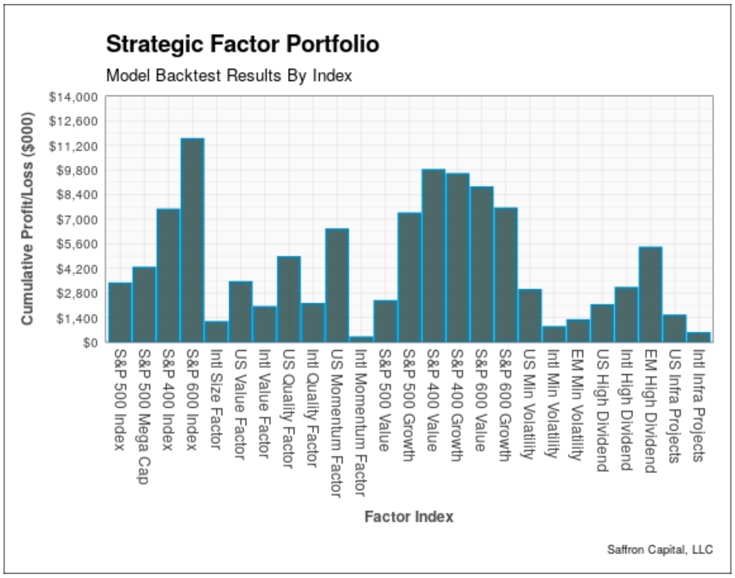
Profit Attribution



The model portfolio uses historical return data to dynamically allocate funds to the top 7 of the 21 factor indexes.

The aim is to tilt the portfolio toward the best performing sectors and factors with the aim to capture benchmark outperformance.

Attribution of profits by factor index for the 10-year sample is profiled at left. Assumes starting equity of $25,000.

Monthly Returns

Strategic Factor Portfolio

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	0.00%	1.70%	1.10%	0.00%	-1.40%	0.00%	-0.40%	1.30%	3.10%	-0.40%	0.00%	2.90%
2013	5.00%	1.70%	2.40%	2.90%	2.00%	-0.70%	2.90%	-0.20%	-0.80%	5.30%	2.80%	1.80%
2014	0.60%	1.20%	1.50%	1.00%	1.60%	2.00%	0.30%	0.50%	-1.30%	1.30%	0.70%	-1.60%
2015	-0.80%	0.00%	-1.40%	-0.80%	-0.40%	1.80%	-0.60%	-0.80%	0.00%	1.90%	1.50%	-1.80%
2016	0.00%	0.00%	4.10%	-1.50%	-1.40%	0.80%	1.20%	0.80%	1.60%	0.00%	5.10%	2.60%
2017	2.30%	2.10%	1.00%	0.40%	2.40%	0.00%	1.90%	0.40%	3.80%	1.90%	2.60%	-0.10%
2018	4.90%	-0.40%	-1.90%	0.00%	1.00%	1.40%	1.50%	2.50%	0.60%	-0.40%	0.00%	0.00%
2019	3.60%	3.50%	1.10%	1.80%	-0.50%	1.00%	3.70%	0.00%	-1.30%	1.50%	3.10%	1.80%
2020	2.00%	-2.70%	0.00%	2.00%	2.50%	-0.50%	5.10%	6.80%	-0.70%	-1.70%	4.70%	5.80%
2021	1.80%	6.40%	0.80%	3.70%	1.00%	-0.50%	1.50%	1.30%	-0.70%	1.60%	-0.50%	1.00%
2022	0.80%	0.00%	1.40%	-1.50%	0.00%	0.00%	3.10%	0.90%	0.00%	0.00%	3.30%	-1.10%
2023	3.30%	0.40%	2.50%	0.80%	0.10%	6.20%	4.50%	-1.40%	0.00%	0.00%	4.20%	5.70%
2024	-1.70%											

Return Profile

- > 20%
- (16%,20%]
- (12%,16%]
- (08%,12%]
- (04%,08%]
- (0%, 04%]
- (-04%, 0%]
- (-08%,-04%]
- (-12%, -08%]
- (-16%,-12%]
- (-20%, -16%]
- < -20%

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Disclosures

Purpose

The portfolio strategy fact sheet is provided for due diligence and informational purposes only. The fact sheet is not a solicitation to buy or to sell any security. A solicitation to buy or sell securities is only made after an investment advisor agreement has been signed and following an assessment of the investor's financial goals and risk appetite.

Firm Brochure / Investment Manger's Background Check

The fact sheet is incomplete without access to the investment advisor's firm brochure (ADV Form 2A) and the portfolio manager's background summary (ADV Forms 2B). As a result, we do not warrant the completeness of the fact sheet. The ADV Forms for Saffron Capital and its associated persons are available on request.

Notice on Investment Risks and the Potential for Losses

One of the primary objectives of the model portfolio is to mitigate market risk. This is achieved through tactical asset allocations and the periodic movement of funds away from risky assets to low-risk assets such as cash, money market accounts, and short-term bonds. Notwithstanding, an investment in the model portfolio still involves the risk of loss. Moreover, no guarantees is made that risk can be eliminated. You should therefore carefully consider the risk profile of the portfolio and whether an investment is suitable for you given your financial goals and resources. Saffron Capital will not be liable for any market losses incurred.

A Note on Gross vs Net Returns

The performance data for the model portfolio includes (1) gross returns before fees and taxes; and (2) net returns before taxes and after the assessment of an annual management fee of 0.70%. The management fee is negotiable. Some clients may have fees which are higher or lower than 0.70%. Meanwhile, both gross and net returns are calculated using adjusted security prices that account for the reinvestment of dividends, stock splits, and interest income. Finally, some additional cost will impact net returns that are not profiled. These include third-party fees that Saffron Capital is not responsible for, such as bank custodian fees, exchange clearing fees, and regulatory fees.

Material Market and Economic Conditions

The scope of the performance returns profiled include returns by year, returns by month, and compound returns for 1, 3, 5 and 10 years. Monthly return data is included to profile portfolio performance in periods that may have material market and economic conditions. If investors are interested in more detailed return or risk data, they should contact Saffron Capital with their data and due diligence requests.

Benchmark Comparisons

Model portfolio returns are compared to the S&P 500 Index. The are several reasons why returns for the model portfolio and the benchmark will differ. For example, the return factors that drive the model portfolio may have weights that differ from the return factors for the portfolio benchmark. Moreover, in the risk-off market regime, the model portfolio will allocate funds away from stocks, the benchmark index, and its components to avoid risk. See ADV Form 2A for additional insights on portfolio methods, performance, and risks.

A Note on Model Backtesting and Hypothetical Performance

The detailed and long-term returns presented for the model portfolio are based on model backtesting. Specifically, the returns are hypothetical and do not reflect actual trading performance. The returns were produced using historic market prices and the investment management rules for the model portfolio. Hypothetical returns are valid inputs for any investment planning. However, past returns are no guarantee of future results, and no representation is made that an investor will achieve profits or losses in the future like those shown.

It is important to note that model backtesting and hypothetical performance results have many inherent limitations, some of which are described below. One limitation of hypothetical performance results is that they are prepared with the benefit of hindsight. In addition, hypothetical return simulations do not involve actual financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. The ability to withstand losses or to adhere to a particular investment strategy despite trading losses are material points which can affect actual portfolio results. There are also other factors related to the markets or to the implementation of a specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results, all of which could adversely impact portfolio results. Finally, the model portfolio backtest relies on specific investment guidelines as applied to the past and it is possible that the rules-based investment approach could be changed in the future.

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