SAFFRON
Tactical and Risk Managed Portfolios

Tactical Index Portfolio

January 31, 2023

Overview

- An S&P 500 index portfolio with tactical asset allocations
- Provides large cap index tracking with rotations into core equity sectors, bonds, and cash
- Seeks consistent returns with low volatility and drawdowns across the full business cycle

Objectives

- *Manage Downside Risk*: A proprietary risk model dynamically sets the level of market participation to limit potential loss
- *Upside Participation:* Quality allocation signals maximize profits from index tracking and high-performing sectors

Facts

Inception Date:
10/01/2022

Benchmark Index:
S&P 500 Index (SPX)

Benchmark Category:
Morningstar Tactical Allocation

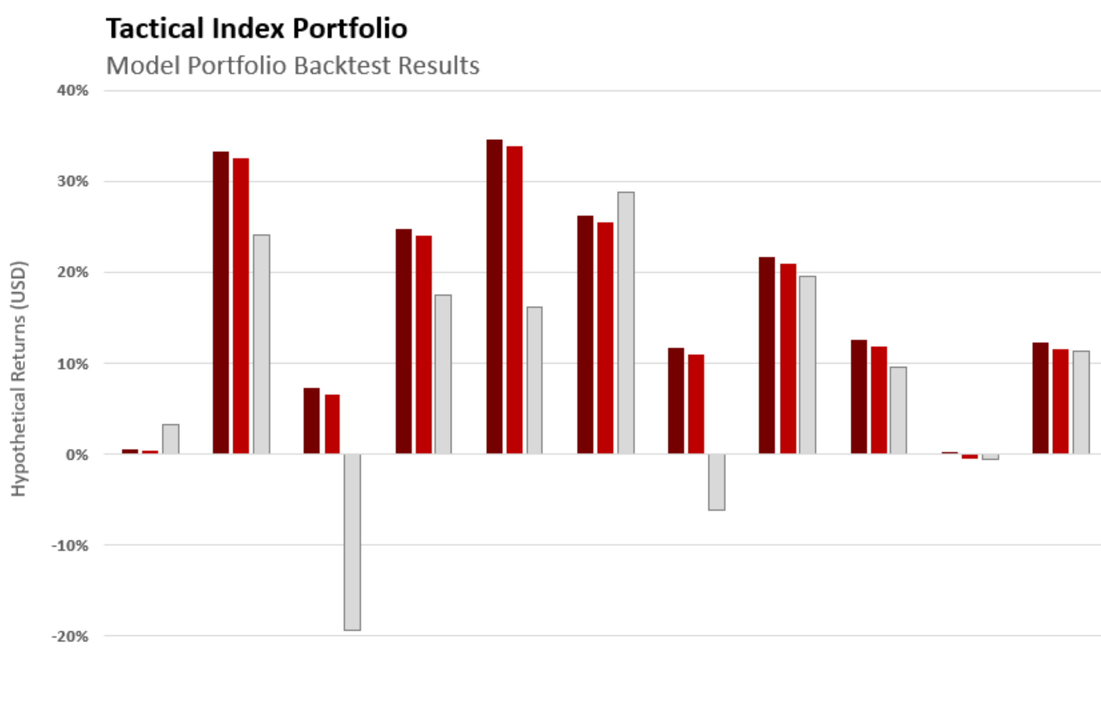
Portfolio Manager:
Bradley J. Horn

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 S&P 500 sectors with the best potential to outperform the index
3. Allocate funds to index tracking (60%) and the top 4 of 11 index sectors (40%)
4. Smooth out returns using risk parity portfolio construction so no one sector dominates portfolio returns
5. Use rules-based technology to systematically rebalance the portfolio, preserve profits, and mitigate losses.

Composite Returns



	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Gross Return	0.5%	33.3%	7.2%	24.8%	34.5%	26.2%	11.7%	21.6%	12.5%	0.2%	12.2%
Net Return	0.4%	32.6%	6.5%	24.1%	33.8%	25.5%	11.0%	20.9%	11.8%	(0.5%)	11.5%
Benchmark	3.3%	24.1%	(19.4%)	17.6%	16.2%	28.9%	(6.2%)	19.5%	9.6%	(0.6%)	11.3%

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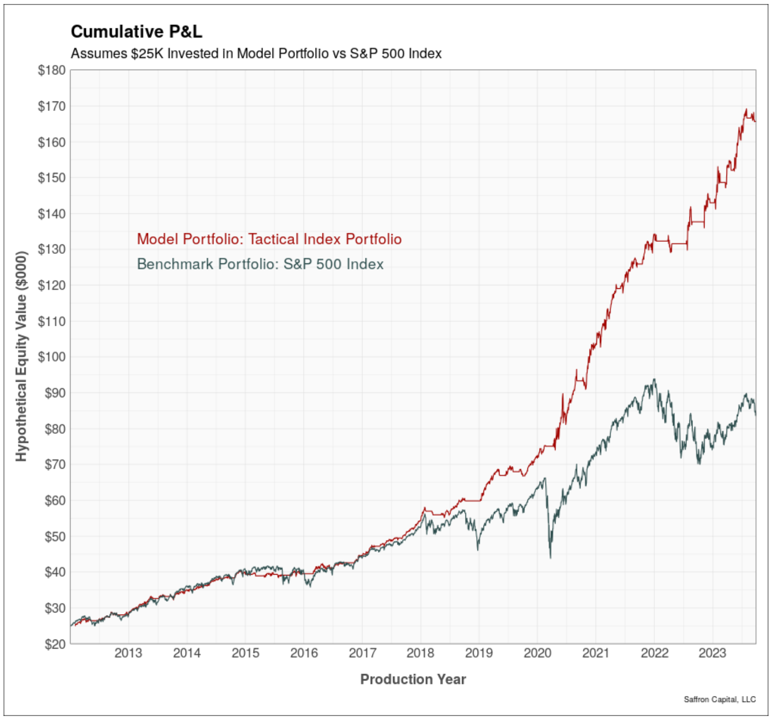
Compound Returns

	Trailing Returns Compound Annual Growth Rates by Period						Risk Profile		
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Standard Deviation	Sharpe Ratio	Max Drawdown
Gross Return	0.5%	0.5%	26.6%	21.7%	23.6%	18.0%	6.8%	2.48	(11.2%)
Net Return	0.4%	0.4%	25.9%	21.0%	22.9%	17.3%	6.8%	2.38	(11.2%)
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
IVV	Core S&P 500 Index	60.0%
XLK	Technology Sector	6.9%
XLC	Communication Services Sector	7.5%
XLF	Financial Sector	11.5%
XLV	Health Care Sector	14.0%
-	Cash / Cash Equivalents	100%

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: Funding of the S&P 500 index exposure is currently set to 60%. Fund allocations to the top 4 equity sectors are optimized to ensure their relative risk is equal. Sector weights are stable and assessed daily for potential changes.

Portfolio Construction

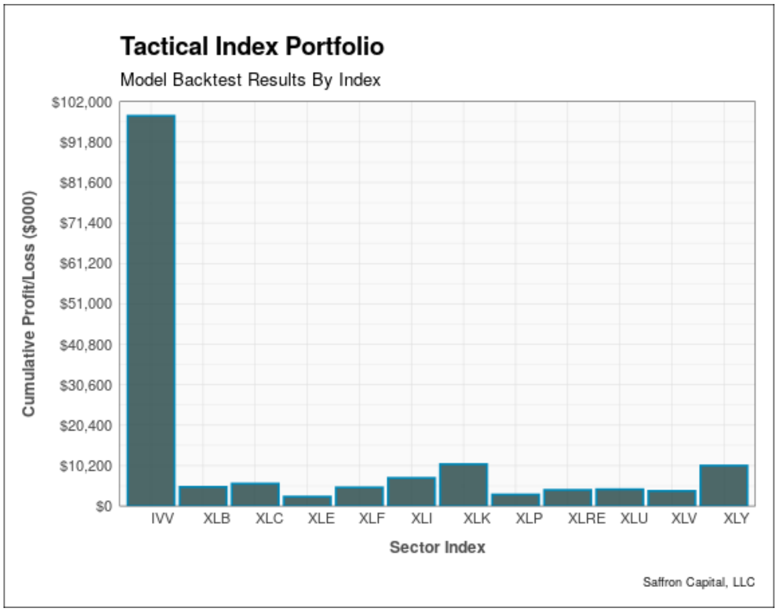
Risk-On Portfolio

- Index ETFs
  - S&P 500 Index
- Sector ETFs
  - Materials
  - Technology
  - Utilities
  - Energy
  - Consumer Staples
  - Health Care
  - Financials
  - Utilities
  - Consumer Discr.
  - Industrials
  - Real Estate

Risk-Off Portfolio

- Long-term T-Bonds
- Intermediate T-Notes
- Short-term T-Bills
- Short-term Corp. Bonds
- Cash / Money Mkt Acnt.

Profit Attribution



Investment guidelines mandate that 60% of the portfolio is invested in the S&P 500 index (IVV). As a result, the index dominates cumulative returns over the 10-year period.

The remaining 40% of the portfolio is allocated to the top 4 of the 11 index sectors based on relative return performances. The aim is to tilt the portfolio toward the best performing sectors to enhance potential returns. Attribution of profits by sector for the 10-year sample is profiled at left. Assumes a starting equity value of $25,000.

Monthly Returns

Tactical Index Portfolio

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	0.00%	3.70%	3.60%	-0.40%	-1.10%	1.50%	0.90%	1.40%	2.40%	-0.20%	0.00%	0.30%
2013	5.20%	1.90%	3.40%	2.50%	1.90%	0.20%	2.00%	-0.20%	-0.80%	3.00%	1.80%	1.80%
2014	-0.20%	1.50%	1.70%	0.40%	2.80%	1.30%	1.10%	0.70%	-0.40%	2.20%	2.70%	-2.10%
2015	-0.30%	0.50%	-1.50%	-1.00%	2.30%	-0.20%	-0.60%	0.10%	0.00%	1.90%	0.40%	-1.30%
2016	0.00%	0.00%	4.50%	0.90%	-0.30%	-1.20%	2.50%	0.30%	0.70%	0.00%	2.00%	2.60%
2017	1.50%	3.90%	0.40%	0.90%	1.30%	1.00%	1.50%	0.20%	2.20%	2.60%	2.60%	1.70%
2018	5.50%	-0.30%	-1.80%	0.00%	-0.80%	1.20%	3.40%	3.10%	0.30%	0.70%	0.00%	0.00%
2019	5.20%	3.20%	1.80%	3.20%	-0.60%	2.20%	2.00%	0.00%	-0.60%	2.10%	3.80%	1.40%
2020	2.70%	-0.20%	0.00%	5.40%	4.70%	0.20%	6.00%	6.90%	-0.90%	-1.70%	4.20%	3.20%
2021	-1.00%	4.70%	2.20%	4.90%	1.40%	1.80%	1.40%	2.60%	-1.00%	2.20%	2.10%	1.20%
2022	-0.70%	0.00%	1.00%	-0.40%	0.00%	0.00%	3.50%	0.10%	0.00%	0.00%	5.50%	-1.80%
2023	5.70%	0.30%	3.50%	1.00%	2.00%	5.40%	3.10%	-1.50%	0.00%	0.00%	5.70%	4.20%
2024	0.50%											

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

Saffron Capital, LLC

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, in the risk-off market regime, the model portfolio will allocate funds away from the benchmark index and its components to avoid risk. In the risk-on market regime, the model portfolio is constructed using the same components as the benchmark portfolio, but the weights of each component will differ. 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.