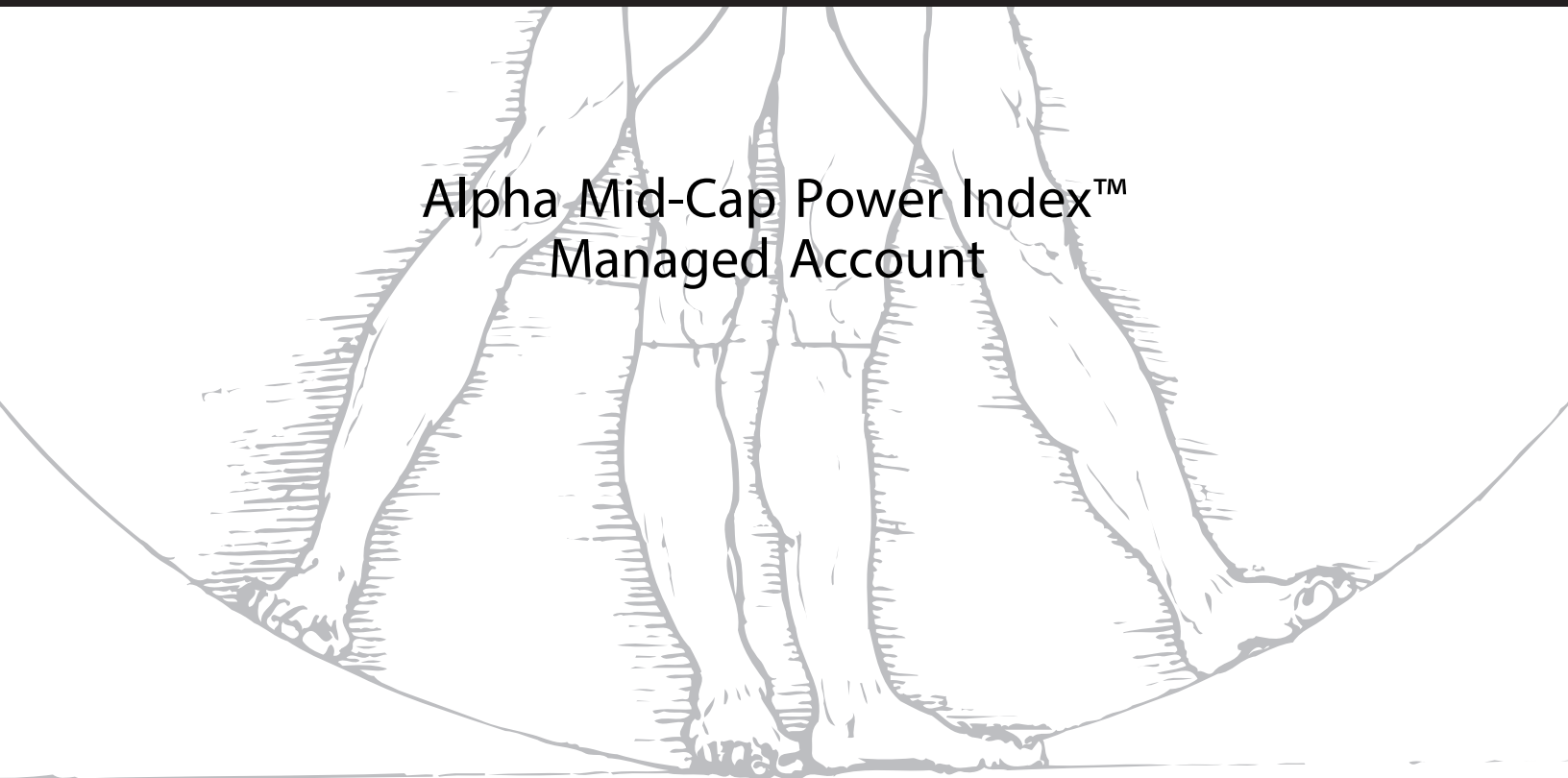


*alpha*

INVESTMENT MANAGEMENT

Alpha Mid-Cap Power Index™  
Managed Account



## **Alpha Mid-Cap Power Index Managed Account**

### **Introduction to Power Indexing and Seasonal Trends**

Successful investing is not about predicting next year's economy, corporate earnings growth or interest rate trends. These things cannot be predicted consistently. Even the best and brightest, who make a highly-paid career of it, are systematically wrong. Instead, Alpha Investment Management believes that successful investing is about identifying a consistent sustainable edge in the market, and then adhering to an objective investment approach that seeks to profitably exploit that edge.

Objective research has revealed that the stock market has shown a consistent tendency to perform better during certain times of the calendar year versus other times of the year. We refer to these long-term, calendar-driven recurring tendencies as "seasonal trends." While most market analysts focus the bulk of their efforts on technical and fundamental analysis, we believe that our focus on seasonal trends offers investors a unique "edge." Power indexing is designed to exploit these seasonal trends by utilizing indexes that show a historical tendency to outperform during certain times of the year.

One such recurring seasonal trend that we utilize in some of our strategies was derived from an old saying on Wall Street: "Sell in May and go away, buy again near turkey day". Alpha believes this bit of folk wisdom contains an important insight into the workings of the stock market. As you will see in the illustrations which follow, historically the U.S. stock market has not distributed returns randomly over the course of the calendar year. Our research shows that the bulk of stock market gains have been "skewed" into what we call the annual "power zone" – the six to seven month period beginning at the end of October and extending through April/May. It is our opinion that the existence of the "power zone" - if exploited consistently over time - may provide investors with enhanced investment return opportunities that could be significantly less volatile than a simple buy-and-hold approach.

### **Strategy Overview**

The Alpha Mid-Cap Power Index Managed Account is an asset allocation strategy which seeks to exploit several seasonal trends in the stock market.

Our research has revealed that these seasonal trends have historically "skewed" returns into certain months of the year and three specific sub-periods in the final three months of the year. Each year, the Alpha Mid-Cap Power Index Managed Account strategy holds an S&P MidCap 400 Index fund from late-October to the end of May and then invests in an intermediate-term bond fund from June into late-October. As a result, equity exposure is constrained to 60% of the available trading days each year. In addition, for three sub-periods totaling 20 days in the fourth quarter of each year, the strategy holds a leveraged S&P MidCap 400 Index fund with a beta of 1.5. These three sub-periods, which we refer to as "power periods", are influenced by end-of-month and holiday seasonal forces which have been particularly robust in small and mid-cap stocks. For more detailed information of how the strategy is allocated on an annual basis, please refer to the Annual Asset Allocation description included in this brochure.

The goal of employing this strategy is to meet or exceed our respective benchmark across a full bull/bear market cycle (i.e., from bull market high to bull market high and from bear market low to bear market low) while experiencing less volatility than simply buying and holding a stock index fund.

Using the historical returns of the Dow Jones Industrial Average (Dow) as an example, the chart below demonstrates the long-term seasonal trend of the stock market to skew returns into the six or seven month period beginning at the end of October that we refer to as the annual “power zone”. **The data below does not represent actual trading and is not representative of the returns of the Alpha Mid-Cap Power Index Managed Account strategy.** For actual returns of the strategy, please refer to the Alpha Mid-Cap Power Index Managed Account Performance History included in this brochure. This data is provided for illustrative purposes only.

**Dow Jones Industrial Average**  
**May 1 through October 31 (Dead Zone)**  
**versus**  
**November 1 through April 30 (Power Zone)**  
**May 1, 1950 – April 30, 2017**

Start Dead Zone (May)	% Change	Investing \$10,000	Start Power Zone (Nov)	% Change	Investing \$10,000	Start Dead Zone (May)	% Change	Investing \$10,000	Start Power Zone (Nov)	% Change	Investing \$10,000
1950	5.0	10,500	1950	15.2	11,520	1984	3.1	7,764	1984	4.2	75,626
1951	1.2	10,626	1951	-1.8	11,313	1985	9.2	8,478	1985	29.8	98,163
1952	4.5	11,104	1952	2.1	11,551	1986	5.3	8,927	1986	21.8	119,563
1953	0.4	11,148	1953	15.8	13,376	1987	-12.8	7,784	1987	1.9	121,835
1954	10.3	12,296	1954	20.9	16,172	1988	5.7	8,228	1988	12.6	137,186
1955	6.9	13,144	1955	13.5	18,355	1989	9.4	9,001	1989	0.4	137,735
1956	-7.0	12,224	1956	3.0	18,906	1990	-8.1	8,272	1990	18.2	162,803
1957	-10.8	10,904	1957	3.4	19,549	1991	6.3	8,793	1991	9.4	178,106
1958	19.2	12,998	1958	14.8	22,442	1992	-4.0	8,441	1992	6.2	189,149
1959	3.7	13,479	1959	-6.9	20,894	1993	7.4	9,066	1993	0.03	189,206
1960	-3.5	13,007	1960	16.9	24,425	1994	6.2	9,628	1994	10.6	209,262
1961	3.7	13,488	1961	-5.5	23,082	1995	10.0	10,591	1995	17.1	245,046
1962	-11.4	11,950	1962	21.7	28,091	1996	8.3	11,470	1996	16.2	284,743
1963	5.2	12,571	1963	7.4	30,170	1997	6.2	12,181	1997	21.8	346,817
1964	7.7	13,539	1964	5.6	31,860	1998	-5.2	11,548	1998	25.6	435,602
1965	4.2	14,108	1965	-2.8	30,968	1999	-0.5	11,490	1999	0.04	435,776
1966	-13.6	12,189	1966	11.1	34,405	2000	2.2	11,743	2000	-2.2	426,189
1967	-1.9	11,957	1967	3.7	35,678	2001	-15.5	9,923	2001	9.6	467,103
1968	4.4	12,483	1968	-0.2	35,607	2002	-15.6	8,375	2002	1.0	471,774
1969	-9.9	11,247	1969	-14.0	30,622	2003	15.6	9,682	2003	4.3	492,060
1970	2.7	11,551	1970	24.6	38,155	2004	-1.9	9,498	2004	1.6	499,933
1971	-10.9	10,292	1971	13.7	43,382	2005	2.4	9,726	2005	8.9	544,427
1972	0.1	10,302	1972	-3.6	41,820	2006	6.3	10,339	2006	8.1	588,526
1973	3.8	10,693	1973	-12.5	36,593	2007	6.6	11,021	2007	-8.0	541,444
1974	-20.5	8,501	1974	23.4	45,156	2008	-27.3	8,012	2008	-12.4	474,305
1975	1.8	8,654	1975	19.2	53,826	2009	18.9	9,526	2009	13.3	537,388
1976	-3.2	8,377	1976	-3.9	51,727	2010	1.0	9,621	2010	15.2	619,071
1977	-11.7	7,397	1977	2.3	52,917	2011	-6.7	8,976	2011	10.5	684,073
1978	-5.4	6,998	1978	7.9	57,097	2012	-0.9	8,895	2012	13.3	775,055
1979	-4.6	6,676	1979	0.2	57,211	2013	4.8	9,322	2013	6.7	826,984
1980	13.1	7,551	1980	7.9	61,731	2014	4.9	9,779	2014	2.6	848,486
1981	-14.6	6,449	1981	-0.5	61,422	2015	-1.0	9,681	2015	0.6	853,577
1982	16.9	7,539	1982	23.6	75,918	2016	2.1	9,884	2016	15.4	985,223
1983	-0.1	7,531	1983	-4.4	72,578						

Source: Stock Trader's Almanac 2018, Wiley

**Dow Jones Industrial Average “Power Zone” vs. “Dead Zone” Summary**

- The Dow posted a gain 79% of the time between November 1 and April 30 with an average return of 7.6%.
- The Dow posted a gain 60% of the time between May 1 and October 31 with an average return of 0.4%.
- A \$10,000 investment in the Dow only during the November 1 to April 30 “Power Zone” period grew to \$985,223.
- A \$10,000 investment in the Dow only during the May 1 to October 31 “Dead Zone” period shrank to \$9,884.

**Disclosures:** Past performance is not a guarantee of future performance. The Dow Jones Industrial Average is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities. Indexes are not investment vehicles and persons cannot invest directly in an index. The returns are based on price data only and do not include dividends and should not be considered return or performance data. The data above does not include management fees or the costs of funds, trading or other expenses. Index funds may vary somewhat from index returns due to management fees and portfolio structure. The illustration is designed to quantify the historical effect of certain time periods on the Dow Jones Industrial Average. **The above data does not represent actual trading and is not representative of any Alpha Investment Management strategy.** The actual Alpha Mid-Cap Power Index Managed Account strategy invests in the S&P MidCap 400 Index during the annual “Power Zone” and intermediate-term bond funds during the annual “Dead Zone”. The strategy also extends the annual “Power Zone” through May 31, with the annual “Dead Zone” beginning on June 1. As such, the actual returns of the Alpha Mid-Cap Power Index Managed Account strategy will be materially different than the results of the Dow Jones Industrial Average illustrated above. For actual returns of the strategy, please refer to the Alpha Mid-Cap Power Index Managed Account Performance History included in this brochure.

## **Causes of the “Power Zone” and “Dead Zone”**

Based on our research, we have found that since World War II the U.S. stock market, as well as those in over 30 other developed countries, have exhibited a non-random distribution of returns over annual periods. While historical performance may not be indicative of future performance, in general, these long-term seasonal forces have tended to “skew” the bulk of stock market returns into a six to seven month period beginning in late-October. The bulk of bear markets and other market corrections tend to occur more often in the five to six month period from May to November. As illustrated on the previous page, between May 1, 1950 and October 31, 2016, a \$10,000 investment in the Dow Jones Industrial Average during the six-month period extending from May 1 to the end of October has lost \$116 (price appreciation only). On the other hand, a \$10,000 investment in the Dow over the favorable six months (November to the end of April) has grown to \$985,223 (price appreciation only, ending April 30, 2017). In our opinion, a structural cause is clearly at work in the marketplace.

Alpha believes that this skewing of returns into the November through April/May period is caused by what we refer to as the “annual forecasting cycle.” All developed countries employ an army of investment “experts” who predict corporate earnings and economic growth. We believe this well-publicized body of opinion has a causal effect on the behavior of both institutional and individual investors and that this effect follows a pattern. Investors tend to believe that experts can consistently and accurately predict earnings. Certainly Wall Street and the investment industry promote this image. However, experts tend to be frequently wrong and very often exhibit “herd” behavior. It is our opinion that “expert predictions” of earnings growth - as well as economists’ predictions of economic growth - tend to be overly optimistic.

The annual forecasting cycle tends to unfold along the following lines: As each year comes to a close, forecasters project next year’s earnings growth for the companies that they follow. These estimates are usually overly optimistic. At beginning of the new year, the estimates for growth are revised upward. This causes a positive climate for stocks late in the year and in the first few months of the new year. By mid-year, reality begins to sink in and estimates start to be revised downward. Downward earnings revisions often accelerate in the third quarter. By then, investors are getting a much clearer view of earnings for the year and this causes a potentially negative climate for the market. Hence the reason this time of year typically witnesses the brunt of bear market action.

Naturally, this cycle may not repeat every year. Sometimes earnings estimates are off the mark by being too conservative and the market enjoys robust returns during the late summer and early fall. In strong secular bull markets this can happen several years in a row. In fact, since 1950 the Dow Jones Industrial Average has showed a gain 60% of the time during the six-month “dead zone” period from May to November. Despite this, the Dow has actually produced overall negative price returns during this period from 1950 through 2016.

Small-cap stocks, being more speculative, may exhibit a more pronounced tendency to decline during the July to November period. The earnings of these companies tend to be more volatile and may be subject to more dramatic downward revisions. Investors in this sector of the market need to be especially cautious during the four-month “dead zone” for small company stocks. Since the inception of the Russell 2000 index in 1979, the index has declined 20 times from July to November (ending 2017), producing a negative 1.06% rate of return for the period.

Given the overall lack of consistency of stock market performance during the “dead zone”, and the fact that it is not possible to predict in advance which years will see a “dead zone” gain and which years will see a “dead zone” loss, we believe that for long-term investors seeking to control risk, particularly in accounts which are tax-deferred, the prudent course of action is to avoid the stock market altogether during the “dead zone” period and to invest instead in conservative low-volatility bonds. It is our opinion that the annual forecasting cycle is a reflection of human nature and, therefore, we believe that it will continue to exert an influence on the distribution of stock market returns, tilting the playing field in favor of long-term investors who exploit it.

## **The S&P MidCap 400 Index “Power Zone”**

The S&P MidCap 400 Index has an annual “power zone” period of seven months, extending from November 1 to May 31. According to our research, the mid-cap index has demonstrated significant outperformance during the power zone versus other indexes such as the S&P 500 Index. Since 1981, the mid-cap index has outgained the S&P 500 Index 67% of the time during the seven-month power zone. In addition, the average gain for the mid-cap index during the power zone has been 33% higher than the average gain for the S&P 500 Index over the same time period (1981-2017).

The following chart illustrates the long-term seasonal patterns of the S&P MidCap 400 Index during the annual seven-month "power zone" (November 1 – May 31) versus the annual five-month "dead zone" (June 1 – October 31). **The data below does not represent actual trading and is not representative of the returns of the Alpha Mid-Cap Power Index Managed Account strategy.** For the actual returns of the strategy, please refer to the Alpha Mid-Cap Power Index Managed Account Performance History included in this brochure. This data is provided for illustrative purposes only.

Seasonal Patterns S&P MidCap 400 Index Dead Zone vs. Power Zone 1981 - 2018					
DEAD ZONE			POWER ZONE		
S&P MIDCAP 400 INDEX			S&P MIDCAP 400 INDEX		
YEAR	% CHANGE JUNE 1 - OCT 31	INVESTING \$ 1,000	YEAR	% CHANGE NOV 1 - MAY 31	INVESTING \$ 1,000
1981	-3.8%	\$ 962	1981-82	-2.3%	\$ 977
1982	18.3%	\$ 1,138	1982-83	35.5%	\$ 1,324
1983	-0.9%	\$ 1,128	1983-84	-9.3%	\$ 1,201
1984	10.5%	\$ 1,246	1984-85	20.5%	\$ 1,447
1985	4.1%	\$ 1,297	1985-86	33.6%	\$ 1,933
1986	-1.2%	\$ 1,281	1986-87	13.6%	\$ 2,196
1987	-17.3%	\$ 1,059	1987-88	13.9%	\$ 2,501
1988	6.5%	\$ 1,128	1988-89	23.5%	\$ 3,089
1989	5.8%	\$ 1,193	1989-90	8.2%	\$ 3,342
1990	-20.0%	\$ 954	1990-91	49.1%	\$ 4,983
1991	8.0%	\$ 1,030	1991-92	7.2%	\$ 5,342
1992	3.3%	\$ 1,064	1992-93	14.8%	\$ 6,133
1993	5.9%	\$ 1,127	1993-94	-1.8%	\$ 6,023
1994	4.2%	\$ 1,174	1994-95	8.9%	\$ 6,559
1995	11.3%	\$ 1,307	1995-96	15.4%	\$ 7,569
1996	1.7%	\$ 1,329	1996-97	16.2%	\$ 8,795
1997	14.2%	\$ 1,518	1997-98	13.8%	\$ 10,009
1998	-6.2%	\$ 1,424	1998-99	19.4%	\$ 11,951
1999	1.4%	\$ 1,444	1999-00	19.7%	\$ 14,305
2000	9.9%	\$ 1,587	2000-01	0.9%	\$ 14,434
2001	-13.2%	\$ 1,378	2001-02	18.0%	\$ 17,032
2002	-19.3%	\$ 1,112	2002-03	12.6%	\$ 19,178
2003	16.1%	\$ 1,291	2003-04	9.1%	\$ 20,923
2004	1.7%	\$ 1,313	2004-05	12.0%	\$ 23,434
2005	5.0%	\$ 1,379	2005-06	10.1%	\$ 25,801
2006	3.1%	\$ 1,422	2006-07	17.6%	\$ 30,342
2007	-0.5%	\$ 1,415	2007-08	-2.0%	\$ 29,735
2008	-35.2%	\$ 917	2008-09	2.5%	\$ 30,478
2009	15.3%	\$ 1,057	2009-10	16.7%	\$ 35,568
2010	9.4%	\$ 1,156	2010-11	21.6%	\$ 43,251
2011	-10.7%	\$ 1,032	2011-12	5.2%	\$ 45,500
2012	6.6%	\$ 1,100	2012-13	21.9%	\$ 55,465
2013	9.5%	\$ 1,205	2013-14	7.8%	\$ 59,791
2014	3.6%	\$ 1,248	2014-15	8.4%	\$ 64,813
2015	-4.6%	\$ 1,191	2015-16	4.4%	\$ 67,665
2016	1.8%	\$ 1,212	2016-17	15.1%	\$ 77,882
2017	7.3%	\$ 1,300	2017-18	7.1%	\$ 83,412
<b>Losing Periods</b>		<b>12</b>	<b>Losing Periods</b>		<b>4</b>
<b>Winning Periods</b>		<b>25</b>	<b>Winning Periods</b>		<b>33</b>
<b>Hypothetical Growth of \$1,000</b>		<b>\$ 300</b>	<b>Hypothetical Growth of \$1,000</b>		<b>\$ 82,412</b>
<b>Hypothetical Compound Annual Return</b>		<b>0.7%</b>	<b>Hypothetical Compound Annual Return</b>		<b>12.7%</b>

**Disclosures:** Past performance is not a guarantee of future performance. **The above data does not represent actual trading and is not representative of any Alpha Investment Management strategy.** The S&P MidCap 400 Index is a market-weighted index of 400 mid-sized companies with total market capitalizations from roughly \$750 million to \$3 billion dollars. Stocks in this index represent companies from industries including information technology, energy, health care, financial, manufacturing, etc. Indexes are not investment vehicles and persons cannot invest directly in an index. The data above does not include management fees or the costs of funds, trading or other expenses. Index funds may vary somewhat from index returns due to management fees and portfolio structure. The illustration is designed to quantify the historical effect of certain time periods on the S&P MidCap 400 Index. Dividends are included in the above data. Data Source: Callan Associates PEP Database

As stated earlier, the bulk of bear markets and other significant market corrections have tended to occur in the five to six month period from May to November, which we refer to as the “dead zone”. For long-term investors seeking to control risk, we believe the prudent course of action is to avoid equity market exposure during the “dead zone” and sit it out in conservative low-volatility bonds. The following chart illustrates the annual returns of the S&P MidCap 400 Index held continuously versus holding the S&P MidCap 400 Index only during the annual seven-month “power zone” (November 1 - May 31) and then holding the Bloomberg Barclays Intermediate Treasury Index during the “dead zone” (June 1 - October 31) of each year. **The data below does not represent actual trading and is not representative of the returns of the Alpha Mid-Cap Power Index Managed Account strategy.** For the actual returns of the strategy, please refer to the Alpha Mid-Cap Power Index Managed Account Performance History included in this brochure. This data is provided for illustrative purposes only.

S&P MidCap 400 Index vs. S&P MidCap 400 Power Zone + Intermediate Treasuries Calendar Year Returns 1981 - 2017				
YEAR	S&P MIDCAP 400	INVESTING	S&P MIDCAP 400	INVESTING
	ANNUAL RETURN	\$ 1,000	POWER ZONE + TREASURIES	\$ 1,000
1981	11.1%	\$ 1,111	21.0%	\$ 1,210
1982	22.7%	\$ 1,363	17.9%	\$ 1,427
1983	26.1%	\$ 1,719	31.0%	\$ 1,869
1984	1.2%	\$ 1,740	1.7%	\$ 1,901
1985	35.6%	\$ 2,359	36.7%	\$ 2,599
1986	16.2%	\$ 2,741	25.1%	\$ 3,251
1987	-2.0%	\$ 2,686	21.9%	\$ 3,963
1988	20.9%	\$ 3,247	18.7%	\$ 4,704
1989	35.6%	\$ 4,403	35.7%	\$ 6,383
1990	-5.1%	\$ 4,178	24.1%	\$ 7,921
1991	50.1%	\$ 6,271	47.3%	\$ 11,668
1992	11.9%	\$ 7,017	13.4%	\$ 13,232
1993	14.0%	\$ 7,999	11.8%	\$ 14,793
1994	-3.6%	\$ 7,711	-6.7%	\$ 13,802
1995	31.0%	\$ 10,101	21.6%	\$ 16,783
1996	19.2%	\$ 12,040	22.4%	\$ 20,542
1997	32.3%	\$ 15,929	21.2%	\$ 24,897
1998	19.1%	\$ 18,971	34.4%	\$ 33,462
1999	14.7%	\$ 21,760	14.7%	\$ 38,381
2000	17.5%	\$ 25,568	11.9%	\$ 42,948
2001	-0.6%	\$ 25,415	22.3%	\$ 52,525
2002	-14.5%	\$ 21,730	12.4%	\$ 59,038
2003	35.6%	\$ 29,466	15.5%	\$ 68,189
2004	16.5%	\$ 34,328	17.9%	\$ 80,395
2005	12.6%	\$ 38,653	6.4%	\$ 85,540
2006	10.3%	\$ 42,634	10.9%	\$ 94,864
2007	8.0%	\$ 46,045	13.2%	\$ 107,386
2008	-36.2%	\$ 29,377	1.7%	\$ 109,212
2009	37.4%	\$ 40,364	21.0%	\$ 132,147
2010	26.6%	\$ 51,101	20.6%	\$ 159,369
2011	-1.7%	\$ 50,232	13.6%	\$ 181,043
2012	17.9%	\$ 59,224	10.9%	\$ 200,777
2013	33.5%	\$ 79,064	21.9%	\$ 244,747
2014	9.8%	\$ 86,812	6.6%	\$ 260,900
2015	-2.2%	\$ 84,902	3.1%	\$ 268,988
2016	20.7%	\$ 102,477	19.5%	\$ 321,441
2017	16.2%	\$ 119,078	8.3%	\$ 348,121
HYPOTHETICAL COMPOUND ANNUAL RETURNS				
Last 37 Yrs	13.7%		17.1%	
Last 20 Yrs	10.6%		14.1%	
Last 10 Yrs	10.0%		12.5%	
Last 5 Yrs	15.0%		11.6%	

**Disclosures:** Past performance is not a guarantee of future performance. **The above data does not represent actual trading and is not representative of any Alpha Investment Management strategy.** The S&P MidCap 400 Index is a market-weighted index of 400 mid-sized companies with total market capitalizations from roughly \$750 million to \$3 billion dollars. Stocks in this index represent companies from industries including information technology, energy, health care, financial, manufacturing, etc. The Bloomberg Barclays Intermediate Treasury Index measures the performance of intermediate U.S. Treasury securities with remaining maturities of between three and five years. Indexes are not investment vehicles and persons cannot invest directly in an index. The data above does not include management fees or the costs of funds, trading or other expenses. Index funds may vary somewhat from index returns due to management fees and portfolio structure. The illustration is designed to quantify the historical effect of certain time periods on the S&P MidCap 400 Index and the Bloomberg Barclays Intermediate Treasury Index. Dividends are included in the above data. Data Source: Callan Associates PEP Database

# Alpha Mid-Cap Power Index Managed Account

## Annual Asset Allocation

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The Alpha Mid-Cap Power Index Managed Account strategy seeks to enhance the performance of the S&P MidCap 400 Index by holding the index for seven months during the annual “power zone” and then holding intermediate-term fixed income assets the remaining five months of each year. In addition, for three sub-periods totaling 20 days in the fourth quarter of each year, the strategy holds a leveraged mid-cap index fund with a beta of 1.5.

On an annual basis, the investment rules of the strategy are as follows:

**Step #1 - Power Zone:** Each year, hold an S&P MidCap 400 Index fund from the last two trading days of October until the end of May.

**Step #2 – Power Periods:** For three sub-periods totaling 20 days in the fourth quarter of each year use leverage to raise the beta of the S&P MidCap 400 Index fund to 1.5. The three sub-periods are:

- Last two trading days of October, first two trading days of November.
- Last six trading days of November, first three trading days of December.
- Last seven trading days of December.

These three sub-periods have historically benefited from seasonal strength that occurs within the small/mid-cap asset class in the fourth quarter during holidays and at the turn-of-the-month.

**Step #3 – Dead Zone:** Each year, hold an intermediate-term bond fund from June 1 until the last two trading days of October.

### **Performance**

The Alpha Mid-Cap Power Index Managed Account was begun in January 2010. Beginning January 2010, actual client net composite returns are used to calculate performance. The net client composite returns include all internal accounts managed by Alpha Investment Management at various custodians that pay Alpha advisory fees ranging from 0.8% to 2% annually, and as such, individual results may vary. The Alpha client composite returns are calculated using the time-weighted rate of return method. The monthly composite level performance is calculated by asset-weighting portfolio performance, using end of month market values. Trade date accounting is used for calculation and valuation purposes. The composite returns are net of all fees and trading expenses and reflect reinvestment of dividends, interest and capital gains. Performance results do not reflect the impact of taxes.

All returns presented prior to January 2010 are hypothetical computer backtested using the returns of the S&P MidCap 400 Index and the Bloomberg Barclays Intermediate Treasury Index. The hypothetical returns were reduced by .75% per quarter, or 3% annually, to approximate the effect of mutual fund expenses and Alpha’s maximum advisory fee, which would be expected in a real-time internally managed account.

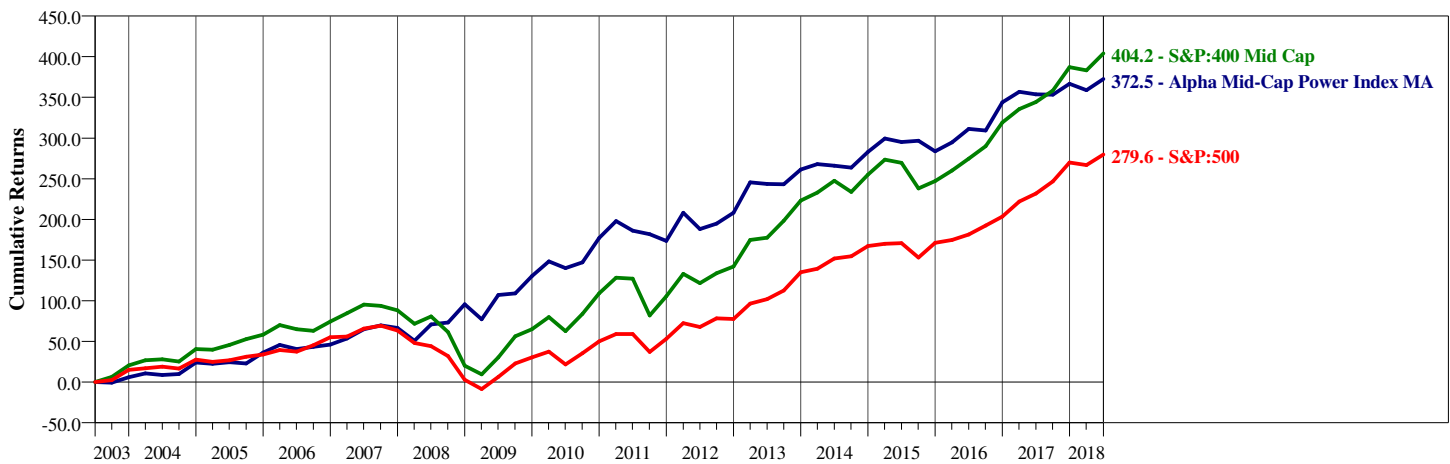
Performance results are not GIPS compliant. However, performance results from January 2000 to March 31, 2017 have been examined by an independent third-party accounting firm, Ashland Partners & Company LLP. Beginning April 1, 2017, performance results have been examined by ACA Performance Services, LLC. Copies of the non-GIPS examination reports are available at our website at [www.alphaim.net](http://www.alphaim.net).

Note: In June, 2011, the Alpha Mid-Cap Power Index Managed Account strategy included holding the S&P MidCap 400 Index during the first three days of June.

# Alpha Mid-Cap Power Index Managed Account Performance History

Net of Fees and Expenses

Cumulative Returns  
for 15 Years Ended June 30, 2018



Annual Returns for Calendar Years  
15 1/2 Years Ended June 30, 2018

	2 Qtrs.		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Alpha Mid-Cap Power Index MA	1.21	5.18	15.69	0.21	5.98	17.18	12.79	-1.37	20.40	17.63	17.30	14.20	7.05	10.00	16.97	15.87		
S&P:400 Mid Cap	3.49	16.24	20.74	-2.18	9.77	33.50	17.88	-1.73	26.64	37.38	-36.23	7.98	10.31	12.56	16.48	35.62		
S&P:500	2.65	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06	26.47	-37.00	5.49	15.79	4.91	10.88	28.68		

Compound Annual Returns  
for Periods Ended June 30, 2018

	Last Quarter	Last 1 Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years
Alpha Mid-Cap Power Index MA	2.99	4.10	7.17	6.14	6.58	6.59	8.59	7.42	8.83	9.60	10.71	10.03	10.64	10.81	11.07	10.91
S&P:400 Mid Cap	4.29	13.50	16.01	10.89	9.75	12.69	14.68	12.08	15.18	16.22	10.78	9.00	9.76	10.01	10.29	11.39
S&P:500	3.43	14.37	16.12	11.93	10.79	13.42	14.59	13.23	15.28	15.19	10.17	7.82	8.83	8.81	8.63	9.30

**Disclosures:** Past performance is not a guarantee of future performance. Returns presented above include both actual client performance and hypothetical (backtested) performance.

**Actual client performance:** Beginning January 2010, actual client net composite returns are used. The net client composite returns include all internal accounts managed by Alpha Investment Management at various custodians that pay Alpha advisory fees ranging from 0.8% to 2.0% annually, and as such, individual results may vary. The Alpha client composite returns are calculated using the time-weighted rate of return method. The monthly composite level performance is calculated by asset-weighting portfolio performance, using end of month market values. Trade date accounting is used for calculation and valuation purposes. The composite returns are net of all fees and trading expenses and reflect reinvestment of dividends, interest and capital gains. Performance results do not reflect the impact of taxes.

A model portfolio of the same name as this strategy may be managed by Alpha and offered by investment advisors at various trading/investment platforms, TAMPs, and/or custodians outside the parameters of the internal Alpha client composite returns. Assets invested in such model portfolios may experience significant dispersion in returns from those of the internal Alpha client composite. The causes of dispersion may include, but are not limited to, higher or lower advisory fees, custodial fees, trading expenses, the date on which a client engaged Alpha's investment management services, and the preference/availability of funds used to implement the strategy (i.e. ETFs vs. mutual funds) at the custodial level.

**Hypothetical (backtested) performance:** Returns presented prior to January 2010 are hypothetical (backtested) and represent a reduction in gross returns of 3% annually for fees and expenses, applied quarterly, which would be expected in a real-time internally managed account. (Alpha's maximum advisory fee is 2% per annum. The additional reduction of 1% is to approximate the effect of mutual fund expenses not already incorporated in the hypothetical returns.) Returns assume reinvestment of dividends and interest. Performance results do not reflect the impact of taxes. The backtested data does not account for any additional fees and/or trading expenses that may have been incurred at the custodial level. Backtested performance does not represent actual account performance, and the actual results of any Alpha client may have been materially different than the results of the hypothetical results presented. The backtested computer model represents a precise asset allocation formula for the Alpha Mid-Cap Power Index Managed Account strategy using the S&P 400 MidCap Index and the Bloomberg Barclays Intermediate Treasury Bond Index. The hypothetical backtested computer model applies the rules of the strategy to indexes which cannot be used in actual investing rather than actual investment vehicles. The actual strategy invests in index funds and bond funds, which may have results different from the indexes themselves. The backtested data does include interest and dividends attributed to each index. Even though the construction of the strategy is mechanical, objective, and fully disclosed, hypothetical model results have inherent limitations due to the fact that they do not reflect actual trading and may not reflect the impact that material economic and market factors might have had on the advisor's decision-making if actual client funds had been invested in the strategy.

Performance results are not GIPS compliant. However, performance results from January 2000 to March 31, 2017 have been examined by an independent third-party accounting firm, Ashland Partners & Company LLP. Beginning April 1, 2017, performance results have been examined by ACA Performance Services, LLC. Copies of the non-GIPS examination reports are available at our website at [www.alphaim.net](http://www.alphaim.net).

**Cautions:** The investment strategy that the backtested results were based upon can (theoretically) be changed at any time with the benefit of hindsight in order to show better backtested results, and (theoretically) the strategy can continue to be tested and adjusted until the desired results are achieved. Please note that Alpha has not made any data-fitting adjustments to its managed account model. Even though the rules of the strategy are mechanical, objective, and fully disclosed, hypothetical models must be approached with caution because they are created with the benefit of hindsight and do not represent how the manager of the model may react under material economic and market conditions. Actual accounts may use funds which deviate from the indexes represented in the model illustration. No matter how positive the model returns have been over any time period, the potential for loss is always present due to factors in the future which may not be accounted for in the model. Investors should be aware that the use of leveraged funds for 20 days in the fourth quarter of each year increases the volatility and risk of the equity component of the strategy. Leverage can magnify the losses of an investment during a down market. Given the potential risks involved, strategies employing leverage may not be suitable for all investors.



## Disclosures to Alpha Mid-Cap Power Index Managed Account Data and Illustrations

The Alpha Mid-Cap Power Index Managed Account is an asset allocation strategy which seeks to exploit several seasonal influences on the stock market. While historical performance may not be indicative of future performance, in general these long-term seasonal influences have tended to “skew” returns into a seven month period beginning in late-October, which we refer to as the “power zone”, and three specific sub-periods in the final three months of the year, which we refer to as “power periods”. Each year, the Alpha Mid-Cap Power Index Managed Account holds an S&P MidCap 400 Index fund from late-October to the end of May and then invests in an intermediate-term bond fund from June to late-October. As a result, equity exposure is constrained to 60% of the available trading days each year. During the fourth quarter of each year, the strategy leverages the mid-cap index fund by 50% during three “power period” trades totaling 20 days. These three sub-periods have historically been influenced by end-of-month and holiday seasonal forces which are particularly robust in small and mid-cap stocks. The description of the construction of the Alpha Mid-Cap Power Index Managed Account is included in this literature.

**Actual client performance: Performance presented since January 2010** represent actual net returns of the Alpha client composite. The net client composite returns include all internal accounts managed by Alpha Investment Management at various custodians that pay Alpha advisory fees ranging from 0.8% to 2.0% annually, and as such, individual results may vary. The Alpha client composite returns are calculated using the time-weighted rate of return method. The monthly composite level performance is calculated by asset-weighting portfolio performance, using end of month market values. Trade date accounting is used for calculation and valuation purposes. The composite returns are net of all fees and trading expenses and reflect reinvestment of dividends, interest and capital gains. Performance results do not reflect the impact of taxes.

A model portfolio of the same name as this strategy may be managed by Alpha and offered by investment advisors at various trading/investment platforms, TAMPs, and/or custodians outside the parameters of the internal Alpha client composite returns. Assets invested in such model portfolios may experience significant dispersion in returns from those of the internal Alpha client composite. The causes of dispersion may include, but are not limited to, higher or lower advisory fees, custodial fees, trading expenses, the date on which a client engaged Alpha’s investment management services, and the preference/availability of funds used to implement the strategy (i.e. ETFs vs. mutual funds) at the custodial level.

**Hypothetical Backtested Performance: Returns presented prior to January 2010** are hypothetical (backtested) and represent a reduction in gross returns of 3% annually for fees and expenses, applied quarterly, which would be expected in a real-time internally managed account. (Alpha’s maximum advisory fee is 2% per annum. The additional reduction of 1% is approximate for mutual fund expenses not already incorporated in the hypothetical returns.) Returns assume reinvestment of dividends and interest. Performance results do not reflect the impact of taxes. The backtested data does not account for any additional fees and/or trading expenses that may have been incurred at the custodial level. Backtested performance does not represent actual account performance. The backtested computer model represents a precise asset allocation formula for the Alpha Mid-Cap Power Index Managed Account strategy using the S&P 400 MidCap Index and the Bloomberg Barclays Intermediate Treasury Bond Index. The hypothetical backtested computer model applies the rules of the strategy to indexes which cannot be used in actual investing rather than actual investment vehicles. The actual strategy invests in index funds and bond funds, which may have results different from the indexes themselves. The backtested data does include interest and dividends attributed to each index. Even though the construction of the strategy is mechanical, objective, and fully disclosed, hypothetical model results have inherent limitations due to the fact that they do not reflect actual trading and may not reflect the impact that material economic and market factors might have had on the advisor’s decision-making if actual client funds had been invested in the strategy. No matter how positive the model returns have been over any time period, the potential for loss is always present due to factors in the future which may not be accounted for in the model.

Performance results are not GIPS compliant. However, performance results from January 2000 to March 31, 2017 have been examined by an independent third-party accounting firm, Ashland Partners & Company LLP. Beginning April 1, 2017, performance results have been examined by ACA Performance Services, LLC. Copies of the non-GIPS examination reports are available at our website at [www.alphaim.net](http://www.alphaim.net).

**Cautions:** The investment strategy that the backtested results were based upon can (theoretically) be changed at any time with the benefit of hindsight in order to show better backtested results, and (theoretically) the strategy can continue to be tested and adjusted until the desired results are achieved. Please note that Alpha has not made any data-fitting adjustments to its managed account model. Backtested or hypothetical data must be approached with caution because it is constructed with hindsight and may not reflect material conditions that could affect a manager’s decision process, thus altering the application of the discipline. There is no assurance that these backtested results could, or would have been achieved by Alpha during the periods presented. Backtested performance does not represent actual account performance, and the actual results of any Alpha client may have been materially different than the results of the hypothetical results presented.

The data used to construct the backtested results and illustrations were obtained from third-party sources, including a database provided by Callan Associates, an institutional investment consultant. While Alpha believes the data to be reliable, no representation is made as to, and no responsibility, warranty or liability is accepted for the accuracy or completeness of such information. The information and opinions expressed in this document are for informational purposes only. Any recommendation or opinion made in this document may not be suitable for all investors. The information contained herein does not constitute and should not be construed as investment advice, an offering of investment advisory services, or an offer to sell or a solicitation to buy any security.

Investors should be aware that the use of leveraged funds for 20 days in the fourth quarter of each year increases the volatility and risk of the equity component of the strategy. Leverage can magnify the losses of an investment during a down market. Given the potential risks involved, strategies employing leverage may not be suitable for all investors.

Past performance does not guarantee future performance. While Alpha believes that the factors which have historically “skewed” market returns into the “power zone” (consisting of the time period from late-October to the end of May) will continue to affect the market statistically over time, there can be no guarantee that this effect will persist or that it will have the same intensity as past time periods.

**Index Information:** The S&P 500 Index is market-cap weighted index and is widely regarded as the best single gauge of large-cap U.S. equities. The index includes the common stock of 500 leading U.S. companies and captures approximately 80% coverage of available market capitalization. The S&P MidCap 400 Index is a market-weighted index of 400 mid-sized companies with total market capitalizations from roughly \$750 million to \$3 billion dollars. Stocks in this index represent companies from industries including information technology, energy, health care, financial, manufacturing, etc. Indexes are not investment vehicles and persons cannot invest directly in an index. The historical performance results of indices does not include management fees or the costs of funds, trading or other expenses, and are provided exclusively for comparison purposes only, as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of an Alpha strategy meets, or continues to meet, his/her investment objective(s). It should not be assumed that the performance of Alpha account holders will correspond directly to any index presented or any other comparative index. In the event that there has been a change in a client’s investment objectives or financial situation, he/she is encouraged to notify Alpha or their respective financial advisor immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investment strategies devised or undertaken by Alpha) will be either suitable or profitable for a client’s or prospective client’s portfolio.

*Alpha Investment Management, Inc. is a SEC registered investment advisor. Such registration does not imply a certain skill or training and no inference to the contrary should be made. Information pertaining to Alpha’s advisory operations, services, and fees is set forth in Alpha’s current Form ADV Part 2A, a copy of which is available from Alpha upon request. Information pertaining to any fund that is used in the execution of an Alpha strategy is set forth in each respective fund’s prospectus and is available directly from the fund.*



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