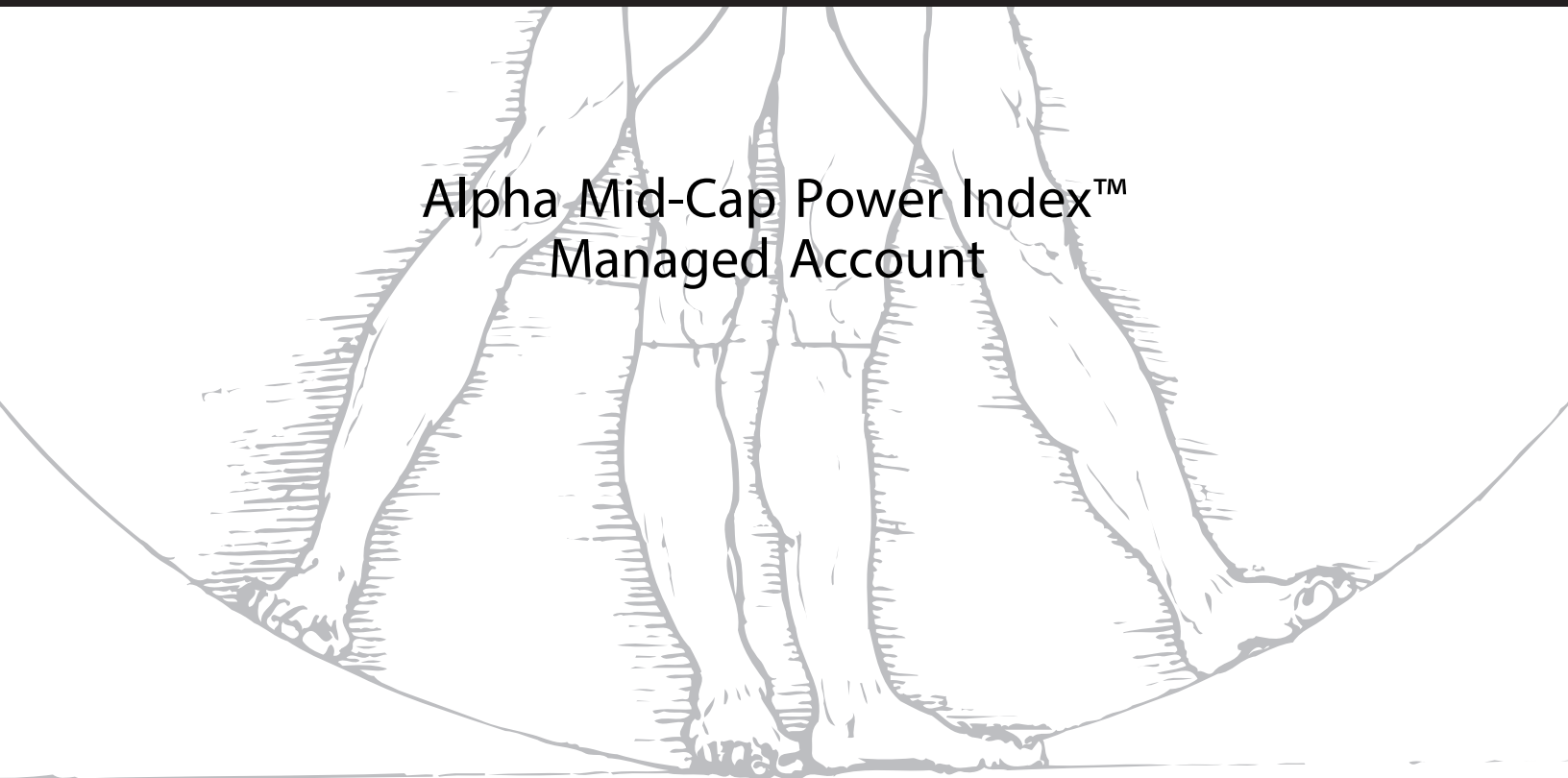


alpha

INVESTMENT MANAGEMENT

Alpha Mid-Cap Power Index™
Managed Account



Introduction to Power Indexing

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, successful investing is about finding a sustainable edge – an objective, reality-based factor that can be profitably exploited year after year. Casinos have this kind of edge. Stay at the blackjack table long enough and you will lose all of your money. The casino has the odds in its favor and sooner or later the laws of probability will work for the dealer and defeat the player.

Power indexing is about a sustainable edge. As you will see in the illustrations which follow, the U.S. stock market does not distribute returns randomly over the course of the calendar year. Over time, returns are “skewed” into what we call the annual “power zone” – the six or seven month period beginning in late-October.

There is an old saying on Wall Street: “Sell in May and go away, buy again near turkey day”.

This bit of folk wisdom – derived from practical experience – contains an important insight into the workings of the stock market. There is, indeed, a tilted playing field for investors who know about this effect and its causes. The existence of the “power zone” provides investors with a casino-like edge, which, if exploited consistently over time, has a profound effect on investment returns.

Dow Performance
May 1 through October 31 (Dead Zone)
versus
November 1 through April 30 (Power Zone)
1950 – 2015

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

Source: [Stock Trader's Almanac 2017](#), Wiley

Sell in May – the “Dead Zone”

- The Dow posted a gain 79% of the time between November and May with an average return of 7.4%.
- The Dow posted a gain 59% of the time between May and November with an average return of 0.4%.
- A \$10,000 investment only during the November-to-May period grew to \$853,577.
- A \$10,000 investment only during the May-to-November period shrank to \$9,681.

Disclosure: Past performance is not a guarantee of future performance. Indexes are not investment vehicles. Index funds may vary somewhat from index returns due to management fees and portfolio structure. **The returns illustrated above are not returns of any Alpha strategy** and do not include management fees or the cost of funds, trading, or other expenses. The illustration above is designed to quantify the effect of a certain time period on representative market indexes. Power Zone data is based on November 1 – April 30, and Dead Zone data is based on May 1 – October 31.

Causes

Since World War II the stock markets in the U.S. and in over 30 other developed countries have exhibited a non-random distribution of returns over annual periods. In general, the long-term returns of the market tend to be “skewed” into a six to seven month period beginning in late-October. The bulk of bear markets and other market corrections tend to occur in the five to six month period from May to November. Since 1950, a \$10,000 investment in the Dow Industrials during the six-month period from May to the end of October has lost \$319 (appreciation only, ending 2015). On the other hand, a \$10,000 investment in the Dow over the favorable six months has grown to over \$853,000 over the same period (appreciation only, ending 2015). Clearly a structural cause is at work in the marketplace.

We believe that this skewing of returns into the November through April/May period is caused by the annual forecasting cycle. All developed countries employ an army of investment “experts” who predict corporate earnings and economic growth. This well-publicized body of opinion has a causal effect on the behavior of both institutional and individual investors. The effect follows a fairly predictable pattern.

Investors tend to believe that experts can consistently and accurately predict earnings. Certainly Wall Street and the investment industry promote this image. It is, however, a proven fact that the experts tend to be spectacularly wrong and that they exhibit “herd” behavior. In general, expert predictions of earnings growth tend to be overly optimistic as does economists’ predictions of economic growth.

The forecasting cycle tends to unfold along the following lines: As the 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. The pace of downward revisions accelerates in the third quarter. By then, investors are getting a much clearer view of earnings for the year and this causes a negative climate for the market. Then the cycle repeats.

Naturally, this does not happen like clockwork. 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. Since 1950, the Dow Industrials have been up 59% of the time during the six-month period from May to November. Eventually, however, the laws of probability catch up and produce the dismal long-term returns of this period cited earlier.

Small-cap stocks, being more speculative, exhibit a more pronounced tendency to decline during the July to November period. Naturally, the earnings for these companies are more volatile and 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 2016), producing a negative 1.25% rate of return for the period.

For long-term investors seeking to control risk, particularly in accounts which are tax-deferred, the prudent course of action is to avoid the five to six month “dead zone” altogether and sit it out in conservative bonds. This policy has paid off in spades over the past 60+ years, especially during multi-year bear markets. Since the annual forecasting cycle is a reflection of human nature, there is every reason to 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.

**Seasonal Patterns
S&P MidCap 400 Index
1981 - 2017**

DEAD ZONE				POWER ZONE					
S&P MIDCAP 400				S&P MIDCAP 400					
% CHANGE				% CHANGE					
YEAR	JUNE 1 - OCT 31	INVESTING		YEAR	NOV 1 - MAY 31	INVESTING			
		\$	1,000			\$	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		
Losing Periods				12	Losing Periods				4
Winning Periods				24	Winning Periods				32
36 Yr Gain / (Loss)		\$	212	36 Yr Gain / (Loss)		\$	76,882		
Compound Annual Return			0.5%	Compound Annual Return			12.9%		

Note: The returns illustrated above are not returns of any Alpha strategy and do not include management fees or the cost of funds, trading, or other expenses. The illustration is designed to quantify the effect of certain time periods on the S&P MidCap 400 Index. Dividends included. Data Source: Callan Associates PEP Database

**S&P MidCap 400 Index
vs.
Mid-Cap Power Zone + Intermediate Treasuries
Calendar Year Returns
1981 - 2016**

YEAR	S&P MIDCAP 400	MID-CAP	
		INVESTING \$ 1,000	POWER ZONE + TREASURIES
1981	11.1%	\$ 1,111	21.0%
1982	22.7%	\$ 1,363	17.9%
1983	26.1%	\$ 1,719	31.0%
1984	1.2%	\$ 1,740	1.7%
1985	35.6%	\$ 2,359	36.7%
1986	16.2%	\$ 2,741	25.1%
1987	-2.0%	\$ 2,686	21.9%
1988	20.9%	\$ 3,247	18.7%
1989	35.6%	\$ 4,403	35.7%
1990	-5.1%	\$ 4,178	24.1%
1991	50.1%	\$ 6,271	47.3%
1992	11.9%	\$ 7,017	13.4%
1993	14.0%	\$ 7,999	11.8%
1994	-3.6%	\$ 7,711	-6.7%
1995	31.0%	\$ 10,101	21.6%
1996	19.2%	\$ 12,040	22.4%
1997	32.3%	\$ 15,929	21.2%
1998	19.1%	\$ 18,971	34.4%
1999	14.7%	\$ 21,760	14.7%
2000	17.5%	\$ 25,568	11.9%
2001	-0.6%	\$ 25,415	22.3%
2002	-14.5%	\$ 21,730	12.4%
2003	35.6%	\$ 29,466	15.5%
2004	16.5%	\$ 34,328	17.9%
2005	12.6%	\$ 38,653	6.4%
2006	10.3%	\$ 42,634	10.9%
2007	8.0%	\$ 46,045	13.2%
2008	-36.2%	\$ 29,377	1.7%
2009	37.4%	\$ 40,364	21.0%
2010	26.6%	\$ 51,101	20.6%
2011	-1.7%	\$ 50,232	13.6%
2012	17.9%	\$ 59,224	10.9%
2013	33.5%	\$ 79,064	21.9%
2014	9.8%	\$ 86,812	6.6%
2015	-2.2%	\$ 84,902	3.1%
2016	20.7%	\$ 102,477	19.5%

Compound Annual Return

36 Yrs	13.7%	17.4%
20 Yrs	11.3%	14.7%
10 Yrs	9.2%	13.0%
5 Yrs	15.3%	12.2%

Note: **The returns illustrated above do not represent the returns of any Alpha strategy** and do not include management fees or the cost of funds, trading, or other expenses. The illustration is designed to quantify the effect of a certain time period on representative market indexes. The Mid-Cap Power Zone + Treasuries is constructed by holding the S&P MidCap 400 Index from November 1 to May 31; then holding the Bloomberg Barclays Intermediate Treasury Index from June 1 to October 31 of each year. S&P MidCap 400 Index returns includes dividends. Interest June through October calculated monthly using the Bloomberg Barclays Intermediate Treasury Index. Data Source: Callan Associates PEP Database

Alpha Mid-Cap Power Index Managed Account

The Management Formula

The Alpha Mid-Cap Power Index Managed Account seeks to enhance the performance of the S&P MidCap 400 Index by holding the index during the annual “power zone” and then holding fixed income assets the remaining months of each year.

The formula used in the Alpha Mid-Cap Power Index Managed Account is as follows:

Step #1: 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: For three sub-periods totaling 20 days in the fourth quarter of each year hold an S&P MidCap 400 Index fund with a beta of 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 sub-periods benefit 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: Each year, hold an intermediate-term treasury index 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. All returns presented prior to that date are computer backtested using the returns of the S&P MidCap 400 Index and Bloomberg Barclays Intermediate Treasury Index less .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.

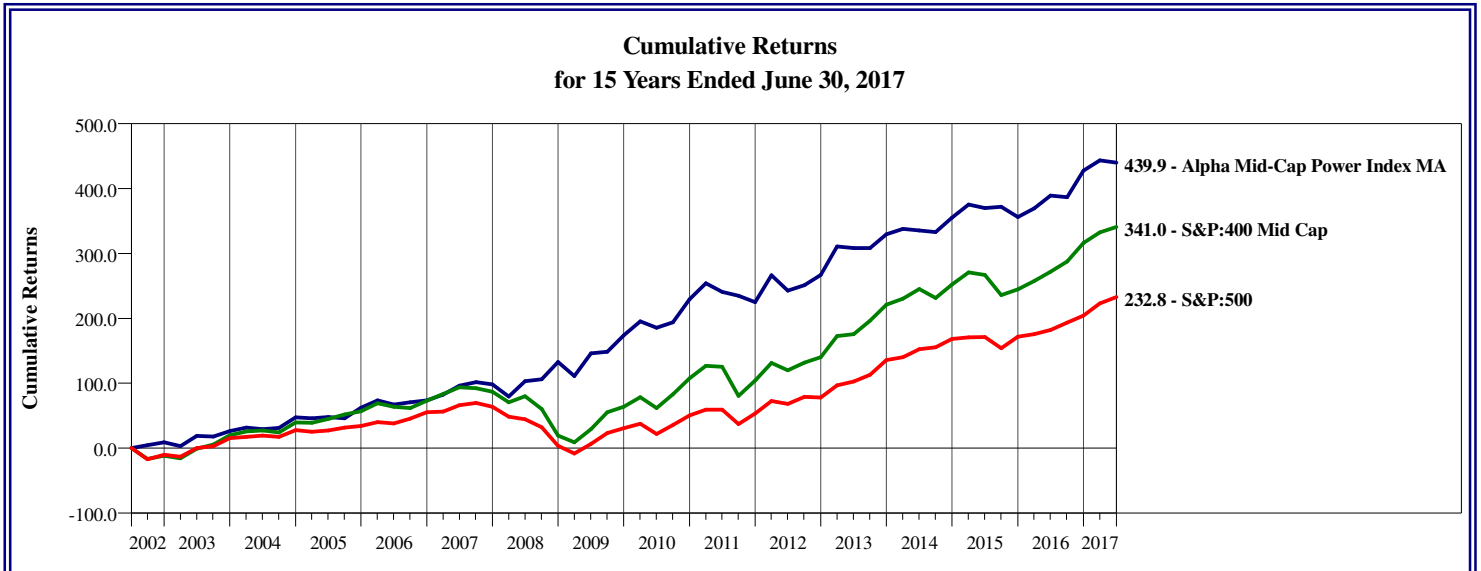
Beginning January 2010, actual client net composite returns are used. The net client composite returns include all internal accounts managed by Alpha Investment Management at various custodians that pay Alpha advisory fees ranging from 0.8% to 2.0% annually, and as such, individual results may vary. The Alpha client composite returns are weighted by account size and assets included in the composite 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.

Results presented from January 2000 to present have been examined and verified for accuracy by an independent third party accounting firm, Ashland Partners & Company, LLP. A copy of Ashland’s examination reports are available at our website at 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



Annual Returns for Calendar Years 15 1/2 Years Ended June 30, 2017

	2 Qtrs. 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Alpha Mid-Cap Power Index MA	2.26	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	13.42
S&P:400 Mid Cap	5.99	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	-14.51
S&P:500	9.34	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	-22.10

Compound Annual Returns for Periods Ended June 30, 2017

	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	-0.64	10.33	7.18	7.43	7.22	9.52	7.98	9.52	10.31	11.47	10.64	11.26	11.39	11.63	11.41	11.90
S&P:400 Mid Cap	1.97	18.57	9.61	8.53	12.48	14.92	11.84	15.42	16.56	10.49	8.56	9.43	9.72	10.04	11.24	10.40
S&P:500	3.09	17.90	10.73	9.61	13.18	14.63	13.05	15.41	15.29	9.71	7.18	8.34	8.36	8.20	8.95	8.35

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. 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 rather than actual investment vehicles which cannot be used in actual investing. 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 from January 2000 to March 31, 2017 have been examined by an independent third-party accounting firm, Ashland Partners & Company LLP. Copies of Ashland's examination reports are available at our website at www.alphaim.net.

Cautions: The SEC mandates that we state: 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 two seasonal influences on the stock market. These seasonal forces have historically “skewed” returns into certain months of the year and specific sub-periods in the final three months of the year. 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 intermediate-term bond funds 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 raises the beta of the mid-cap index fund by 50% during three sub-periods totaling 20 days. These three sub-periods are 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 rather than actual investment vehicles which cannot be used in actual investing. 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 from January 2000 to March 31, 2017 have been examined by an independent third-party accounting firm, Ashland Partners & Company LLP. Copies of Ashland’s examination reports are available at our website at www.alphaim.net.

Cautions: The SEC mandates that we state: 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.

The data used to construct the backtested results were obtained from third-party sources, including a database provided by Callan Associates, one of the oldest and largest institutional investment consultants in the U.S. 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 late-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 historical performance results of indices 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 mutual fund that is used in the execution of an Alpha strategy is set forth in each respective mutual fund’s prospectus and is available directly from the fund.



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