



Economic Index Associates

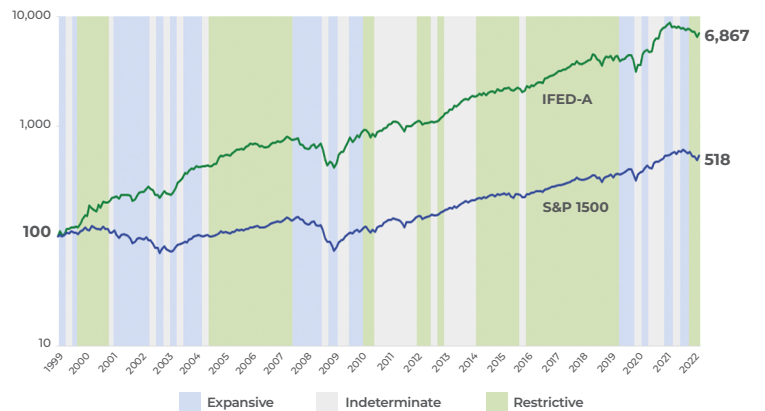


Do you Invest with the Fed?

Economic Index Associates (EIA) is a developer and licensor of active index strategies that are replicable, investable, rules-based and transparent. EIA created the **“Invest with the Fed” (IFED™) strategy**, which uses Fed policy signals to guide security selection.

EIA’s founders are the **authorities on the association of Fed monetary policy with security returns** – combined they have published over 200 academic articles, which have over 10,000 citations. The basic premise of their research is captured in their book - **Invest with the Fed** (McGraw-Hill, 2015).

IFED-A and S&P 1500 Performance by Market Environment



EIA’S US EQUITY OFFERINGS & THEIR PERFORMANCE, JAN 1999 – AUG 2022

	IFED-A (All Cap)	IFED-LG (Large Cap)	IFED-LM (Large Mid)	IFED-M (Mid Cap)	IFED-S (Small Cap)	IFED-LV (Low Vol)
Annual Return	19.57%	18.45%	19.63%	18.68%	16.57%	12.84%
Alpha vs Benchmark	12.37%	11.43%	12.55%	9.30%	7.16%	3.80%
Standard Deviation	21.37%	18.55%	20.04%	20.57%	22.68%	12.71%
Upside Capture	152.42%	142.19%	147.43%	125.47%	127.30%	121.14%
Downside Capture	69.90%	64.15%	66.22%	70.59%	87.43%	93.00%
Tracking Error	13.93%	10.75%	12.30%	10.26%	11.09%	5.23%
Benchmark	S&P Composite 1500	S&P 500	Russell 1000	S&P MidCap 400	S&P SmallCap 600	S&P 500 Low Vol

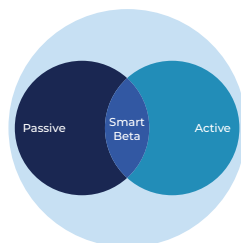
THE EVOLUTION OF INDEX INVESTING

CAPM



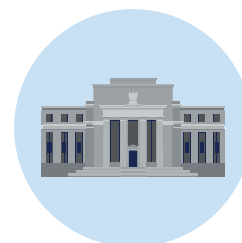
Capital Asset Pricing Model Formula

$$R_a = R_{rf} + B_a (R_m - R_{rf})$$



SMART BETA

Smart beta ushered in the concept of fundamentally-weighted indexes.



ECONOMIC INDEXING

EIA applies the next generation approach – dynamically-weighted portfolios positioned to benefit from prevailing market conditions.

IFED INDEX OUTPERFORMANCE (ALPHA) BY HOLDING PERIOD

Average Annual Alpha, Jan 1999 - Aug 2022

	IFED-A (All Cap)	IFED-LG (Large Cap)	IFED-LM (Large Mid)	IFED-M (Mid Cap)	IFED-S (Small Cap)	IFED-LV (Low Vol)
Full Period	12.37%	11.43%	12.55%	9.30%	7.16%	3.80%
20 Years	8.42%	8.21%	8.62%	6.48%	4.10%	3.70%
10 Years	7.20%	7.97%	7.16%	8.39%	4.57%	5.92%
5 Years	4.06%	7.07%	3.52%	6.55%	4.14%	5.25%
3 Years	7.89%	9.80%	6.28%	8.53%	10.72%	5.72%
2 Years	9.00%	17.07%	13.24%	8.26%	3.02%	2.34%
1 Year	-4.13%	14.06%	2.61%	1.19%	-4.42%	1.07%
3 Months*	-2.20%	-1.66%	0.03%	-0.59%	-1.84%	-0.20%
1 Month*	0.95%	2.02%	2.90%	1.30%	-0.37%	0.56%
YTD*	2.91%	14.97%	10.16%	5.66%	0.26%	1.53%

* Not annualized

IFED METHODOLOGY



STARTING UNIVERSE AND STOCK SCORING

- Stocks listed on NYSE or Nasdaq with 3+ years of data
- EIA's proprietary monetary indicator classifies conditions as expansive, restrictive or indeterminate
- 12 firm-specific metrics determine stock *IFED* scores (i.e., ability to benefit from prevailing market conditions)




COMPOSITION & WEIGHTING

- Each stock is ranked by its *IFED* score
- 75 stocks with highest scores for prevailing conditions are selected
- Selected stocks are weighted by *IFED* score
- Customized *IFED* indexes integrate unique features



INDEX REBALANCE TIMING

- *IFED* indexes rebalance when required to maintain alignment with market conditions.
- The *IFED* model reacts to signaled shifts in Fed policy, rather than relying on existing rate levels or current economic conditions.
- See below... 

Selected Data by Market Environment: Jan 1999 - Aug 2022

	Market Environment		
	Expansive	Indeterminate	Restrictive
Fed Signal	Easing	Mixed	Tightening
IFED-A Alpha	15.50%	14.08%	9.45%
Fed Mandate Priority	Full Employment	Balanced	Price Stability (Inflation)
% Sample Period	26.76%	27.11%	46.13%

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