



Economic Index Associates

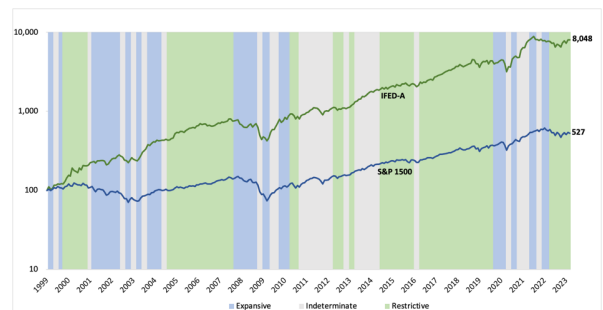


Do You Invest with the Fed?

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 INDEX OFFERINGS & THEIR PERFORMANCE, JAN 1999 – Feb 2023

	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	19.91%	18.36%	19.73%	18.94%	16.74%	12.78%
Alpha vs Benchmark	12.79%	11.44%	12.74%	9.42%	7.26%	4.00%
Standard Deviation	21.45%	18.77%	20.20%	20.70%	22.76%	12.97%
Upside Capture*	152.37%	142.30%	147.64%	125.23%	127.45%	121.43%
Downside Capture*	68.37%	63.79%	65.09%	70.06%	85.13%	91.42%
Tracking Error*	13.83%	10.68%	12.19%	10.17%	11.11%	5.29%
Benchmark	S&P 1500	S&P 500	Russell 1000	S&P MidCap 400	S&P SmallCap 600	S&P 500 Low Vol

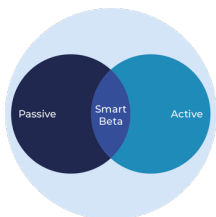
* Each IFED index vs its respective benchmark

THE EVOLUTION OF INDEX INVESTING



CAPM

Capital Asset Pricing Model



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

	<i>IFED-A</i> (All Cap)	<i>IFED-LG</i> (Large Cap)	<i>IFED-LM</i> (Large Mid)	<i>IFED-M</i> (Mid Cap)	<i>IFED-S</i> (Small Cap)	<i>IFED-LV</i> (Low Vol)
Full Period (Jan 1999 – Feb 2023)	12.79%	11.44%	12.74%	9.42%	7.26%	4.00%
20 Years	8.89%	8.32%	9.10%	6.94%	4.04%	4.00%
10 Years	8.46%	8.36%	7.73%	8.59%	5.26%	6.27%
5 Years	6.70%	6.01%	4.81%	7.92%	5.18%	4.16%
3 Years	13.57%	13.01%	10.61%	11.90%	11.69%	8.86%
2 Years	0.59%	7.82%	5.57%	8.90%	-0.01%	3.50%
1 Year	11.35%	8.11%	12.96%	5.91%	2.50%	3.42%
3 Months*	5.19%	0.06%	3.51%	2.83%	-4.53%	-0.62%
1 Month	2.97%	-0.01%	1.24%	0.94%	-4.71%	-0.73%
YTD*	6.56%	1.26%	4.43%	2.95%	-5.71%	1.12%

* Not annualized

IFED METHODOLOGY



STARTING UNIVERSE AND STOCK SCORING

- Stocks listed on NYSE or Nasdaq with 3+ years of data
- EIA's proprietary market 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 past economic conditions.
- See below....

Selected Data by Market Environment: Jan 1999 - Feb 2023

	Market Environment		
	Expansive	Indeterminate	Restrictive
Fed Signal	Easing	Mixed	Tightening
<i>IFED-A Alpha</i>	15.50%	14.08%	10.48%
Fed Mandate Priority	Full Employment	Balanced	Price Stability (Inflation)
% Sample Period	26.21%	26.55%	47.24%

MARKET ENVIRONMENT CHARACTERISTICS



● Expansive ● Indeterminate ● Restrictive

* As of June 1st in any year, if there has been no change in the market environment in the prior six months, *IFED* indexes rebalance to reflect updated financial metrics.

IFED Turnover/Rebalance Data

- Shifts in Fed policy signals are the primary trigger for index rebalances
- During the 24-year period, there are 44 rebalances
 - 34 due to changes in the market environment
 - 10 due to changes in firm metrics with no change in the market environment *
- Rebalances per year: max. = 3 (e.g., 2021); min. = 1 (e.g., 2020)
 - Average number of rebalances is 1.8 per annum
 - Turnover per rebalance ranges from 40.28% to 97.35%
 - Average annual turnover is 168.98%, range of 40.28% to 281.28%
- Index composition changes with each rebalance; alpha is captured by maintaining an allocation that aligns with the environment
 - Firm metrics drive the composition, so factor and sector exposures vary substantially across environment

COMPARATIVE ANNUAL RETURNS BY HOLDING PERIOD

	<i>IFED</i> -A	S&P 1500	<i>IFED</i> -LG	S&P 500	<i>IFED</i> -LM	Russell 1000	<i>IFED</i> -M	S&P 400	<i>IFED</i> -S	S&P 600	<i>IFED</i> -LV	S&P Low Vol
Full Period	19.91%	7.12%	18.36%	6.92%	19.73%	6.99%	18.94%	9.52%	16.74%	9.49%	12.78%	8.78%
20 Years	19.27%	10.38%	18.50%	10.18%	19.47%	10.37%	18.29%	11.34%	15.49%	11.45%	14.28%	10.28%
10 Years	20.56%	12.10%	20.53%	12.16%	19.82%	12.09%	19.27%	10.67%	16.17%	10.91%	16.52%	10.25%
5 Years	16.39%	9.69%	15.67%	9.66%	14.49%	9.68%	16.50%	8.58%	13.04%	7.86%	12.37%	8.21%
3 Years	25.90%	12.33%	24.93%	11.92%	22.53%	11.92%	26.37%	14.47%	25.53%	13.84%	15.60%	6.74%
2 Years	4.14%	3.55%	11.41%	3.59%	7.74%	2.17%	12.49%	3.59%	0.28%	0.28%	12.25%	8.75%
1 Year	4.17%	-7.19%	0.42%	-7.69%	4.75%	-8.21%	5.29%	-0.62%	-1.00%	-3.50%	2.40%	-1.02%
3 Months*	3.19%	-1.99%	-2.23%	-2.28%	1.62%	-1.89%	4.13%	1.31%	-3.64%	0.89%	-5.54%	-4.92%
1 Month*	0.60%	-2.37%	-2.45%	-2.44%	-1.14%	-2.38%	-0.87%	-1.81%	-5.93%	-1.23%	-4.01%	-3.28%
YTD*	10.57%	4.01%	4.95%	3.69%	8.60%	4.17%	10.20%	7.25%	2.44%	8.15%	-2.13%	-3.25%

* Not annualized

For more information:

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