

The Canterbury Portfolio Thermostat



An Evolution in Adaptive Portfolio Strategy

Who We Are

- An investment advisory firm specializing in providing individuals, financial advisors, institutional investors, and retirement professionals with an innovative approach to investment portfolio management.
- Canterbury is known and respected nationally. Our market commentary and videos are frequently published on industry-leading websites such as Nasdaq and ETF Trends. Our leadership team has decades of experience in working with clients and financial advisors around the country

Canterbury by the Numbers

70+

Combined Years of
Experience

3

Chartered Market
Technicians®



700+

Advisors We Have
Trained

500+

Published
Articles



A Different Approach

Canterbury operates on the central premise that markets are always changing.

The past has shown us that market fluctuations occur rapidly and can be unpredictable, often causing investors to lose their reigns of control. Even the most diversified portfolio has felt the impact of a bear market.

At Canterbury, we see things differently and apply an innovative approach to portfolio management.

Canterbury clients learn to benefit from the market's volatile fluctuations, rather than being punished by it. Using an intelligent, adaptive process, we aim to solve the overriding question that has plagued investors since the inception of financial securities: "how do I avoid the substantial declines that come from inevitable bear markets?"



The Portfolio Thermostat

STRATEGY BACKGROUND



Why a Thermostat?

Markets and weather have a lot in common. Both will experience a wide range fluctuations. Just like in markets, extreme weather conditions can be devastating. To adapt to dynamic outdoor temperatures, your home uses a thermostat to maintain a comfortable environment indoors. What if your portfolio worked like a thermostat?

With variable weather conditions, we use a thermostat to maintain a stable indoor temperature. **To manage variable market conditions, a portfolio likewise needs its own thermostat to stabilize volatility.**

Strategy Facts



Overview

Objective: To maintain an efficient portfolio through all market environments

- Seeks to stabilize the portfolio's daily fluctuations to not exceed 1.5% (Outlier Day)



- Maintain portfolio volatility to a range conducive to producing compounded returns

- In essence, seeks to keep the portfolio bullish (i.e. low volatility), regardless of how the market is behaving

- Seeks to limit portfolio's peak-to-trough drawdowns to the range of corrections typical in a bull market



Strategy Strengths

Comprehensive
Rules-Based
System

Managed Daily

Utilizes a
Universe of
170 +/- ETFs

Seeks to
Mitigate Risk



The Portfolio Thermostat

STRATEGY PROCESS



The Process

Identify the Current Market Environment

-  Bullish (Low Risk)
-  Transitional
-  Bearish (High Risk)

Using a Proprietary, technical process, the Thermostat identifies the market's current climate

Classify Universe of Securities

-  250+ ETFs
-  Security Rating
-  Security Ranking

Based on the market's environment, the Thermostat Rates and Ranks a diverse universe of securities

Construct and Maintain an Efficient Portfolio

-  Select 11-15 ETFs
-  Create Stable Portfolio
-  Efficient Diversification

The Thermostat selects 11-15 ETFs built to maintain an efficient portfolio, with low volatility

Portfolio Rotation



The Thermostat makes adjustments according to how the portfolio's holdings are behaving in reaction to market shifts.

For instance, if one of the Global Equities holdings begins to exhibit greater volatility as well as other bearish characteristics, then it would trigger a Sell Signal. The Thermostat would then replace this security and look to the highest-ranked ETF in its universe that is triggering a Buy Signal rating. Only securities with low/flat to decreasing volatility will exhibit a Buy Signal. Security selection is thus based on a two-tiered "rating" (Buy, Sell, or Hold) and "ranking" (against other securities) process.

As we shift into a bear Market State, Alternative ETFs increasingly populate the list of possible buys. This will eventually result in a decreasing percentage of global equities in the portfolio, while alternatives and cash increase.





CANTERBURY
INVESTMENT MANAGEMENT

CONTACT US. WE'D LOVE TO CONTINUE THE CONVERSATION.

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GLOSSARY

Bullish – exhibiting low or decreasing volatility. Can refer to either a portfolio, market state, or security.

- A portfolio can be bullish in a bearish market environment if it is exhibiting low or decreasing volatility even though the market is not.

Bearish – exhibiting high or increasing volatility. Can refer to either a portfolio, market state, or security.

Global Equities or Global Stock Market Class – Securities that tend to correlate with the market environment (i.e. the Market State) and tend to benefit from a bullish (or low volatility) environment.

- If the market environment is bullish, the Global Equities class will tend to be bullish as well, or bearish if the market is bearish.

Alternatives to the Stock Market – Securities that tend not to correlate with the market environment (i.e. the Market State) and tend to benefit from a bearish (or high volatility) environment.

- If the market environment is bullish, the Alternatives class will tend to be bearish, or vice versa.

Buy Signals – Buy Signals are only triggered if a security is exhibiting low or decreasing volatility in a particular environment.

Sell Signals - Sell Signals are triggered if the security is exhibiting high or increasing volatility in a particular environment.

Efficient Portfolio – exhibiting low or decreasing volatility in all market environments (bull or bear)

Security Selection Two-Tiered Process – 1. Rating : Only securities within the universe of potential holdings with a Buy rating will be considered for selection.

2. Ranking : Among the securities with a Buy rating, the highest ranked (best performing) securities will be chosen.

Disclaimers

Past performance is no guarantee of future results. There can be no assurance that future performance of any model portfolios will be comparable to past performance. There are risks associated with any investment strategy, including the possible loss of principal. There is no guarantee that any investment strategy will achieve its objectives.

Canterbury Investment Management is an SEC Registered Investment Advisor. Performance results are presented in US dollars and are net of fees and trading expenses and reflect the reinvestment of dividends and capital gains. The applicable fee schedule is primarily based on account size and will vary from one account to another, but the performance results reported are calculated based on the maximum Canterbury investment management fee of 1.5% for account values less than \$500,000. Readers are advised that all information is issued solely for informational purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy, nor is it to be construed as a recommendation to buy, hold or sell (short or otherwise) any currency, future, equity, option or any other condition. Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example when the market makes a limit move. The placement of contingent orders by you, such as a stop-loss or stop-limit order, will not necessarily limit your losses to the intended amounts, since market conditions may make it impossible to execute such orders. The risk of loss in trading can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. Performance can and does vary between individuals.

The strategy primarily invests in ETFs, which are subject to market risk, including the possible loss of principal. The value of the ETF will fluctuate with the value of the underlying securities. The strategy is subject to the risks associated with its underlying ETFs. ETFs trade like a stock, and there will be brokerage commissions associated with buying and selling ETFs unless trading occurs in a fee-based account. ETFs may trade for less than their net asset value. The strategy may also invest in ETNs.

Information pertaining to Canterbury Investment Management advisory operations, services, and fees is set forth in our current disclosure statement, a copy of which is available upon request. Information pertaining to any exchange traded fund that is a current component of the Portfolio Thermostat model is set forth in each respective Exchange Traded Fund's prospectus, a copy of which is available through the ETF sponsor.