



## Canterbury Portfolio Thermostat Strategy

**Canterbury operates on the central premise that markets are always changing.** They go through bull periods and bear periods, volatility fluctuations, and securities switch from risky one moment to conservative the next.

In a fluctuating market environment, investors need a systematic and tactical process that is dynamic enough to respond to the shifting changes of the overall market. By seeking to control the portfolio's exposure to down-side risk, the Portfolio Thermostat strategy is designed with the goal of better positioning the portfolio to enjoy potential upside gains and create long-term growth.

**The Portfolio Thermostat aims to achieve and maintain stability, in the midst of instability.**

### Five key goals of the Portfolio Thermostat:

-  **Keep the Portfolio Bullish**  
By maintaining all internal goals, the Portfolio Thermostat has the potential to limit risk and maximize compounded returns.
-  **Maintain Consistent Portfolio Volatility**  
Keep the portfolio's volatility at a rational level.
-  **Limit Drawdowns**  
Limit the portfolio to no more than an 8-12% drawdown from peak value.
-  **Adjust for Efficient Diversification**  
Portfolio allocations adjust with the changing markets.
-  **Stabilize Daily Fluctuation**  
Daily fluctuations should be no more than 1.25% (a rational level).

### OBJECTIVE

The strategy seeks long term risk adjusted growth through compounded returns.

### STRATEGY

The Portfolio Thermostat Strategy is designed with the goal of creating and maintaining optimal portfolio efficiency through dynamic and ever changing market environments.

### INCEPTION DATE

9/1/2012

### APPROACH

Tactical

### HOLDINGS

ETFs

### EXPOSURE

All Asset

### ABOUT THE FUND ADVISOR

Canterbury Investment Management sets out to offer financial advisers, institutional investors, and retirement professionals an out-of-the-box approach to money management.

### PORTFOLIO MANAGEMENT TEAM

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PORTFOLIO CHARACTERISTICS

	Portfolio	70/30
Std. Dev.	7.92	7.16
Alpha	0.34	-0.96
Beta	0.87	0.64

Since inception as of 12/31/18

HOW THE PORTFOLIO  
THERMOSTAT WORKS



IDENTIFY

The current market environment is categorized as being bullish (stable) or bearish (unstable).



CLASSIFY

The model invests in exchange-traded funds (ETFs). Fund holdings are classified as Global Equities or Alternatives to Global Equities.



CONSTRUCT

Asset Allocation of the portfolio adjusts to an optimum level for the current market environment.

HISTORICAL RETURNS (%)

	Incep.	3 MO	YTD	1YR	3YR	5YR	Since Incep.
Portfolio Thermostat (gross)	9/1/12	-11.26	-6.71	-6.71	4.66	3	6.19
Portfolio Thermostat (net)		-11.6	-8.11	-8.11	3.1	1.47	4.62
70% MSCI World/30% US Treasury 3-7 Yr		-8.7	-5.21	-5.21	5.38	4.3	6.74

PERFORMANCE (%)

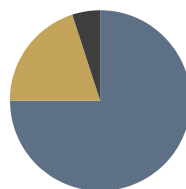
	2012*	2013	2014	2015	2016	2017	2018
Portfolio Thermostat (gross)	1.7	24.07	5.93	-4.5	7.17	14.65	-6.71
Portfolio Thermostat (net)	1.19	22.25	4.36	-5.93	5.58	12.98	-8.11
70% MSCI World/30% US Treasury 3-7 Yr	3.86	17.92	4.93	0.53	6.29	16.15	-5.21

Starting 9/1/12, as of 12/31/18

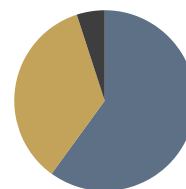
PORTFOLIO ROTATION

The Portfolio Thermostat's allocation adjusts to the current conditions of the overall market.

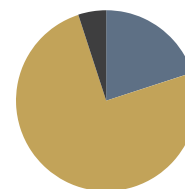
■ Global Equities ■ Alternatives to Global Equities ■ Cash



BULL MARKET



TRANSITIONAL MARKET



BEAR MARKET

Hypothetical portfolio allocations for the given market environments.

**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 a tactical portfolio manager that invests in Exchange Traded Funds. Canterbury claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complaint presentation, please email [info@canterburygroup.com](mailto:info@canterburygroup.com) or by calling 317-732-2075.

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 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.

The benchmark used above, 70% MSCI World (TR grs) Index/30% Barclays 3 to 7 Year U.S. Bond Index, is not an index into which an investor can directly invest. The historical performance results (and those of all other indices) are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a Canterbury portfolio performance meets, or continues to meet, his/her investment objective(s). It should not be assumed that Canterbury holdings will correspond directly to any such comparative index. The 70% MSCI World (TR grs) Index/30% Barclays 3 to 7 Year U.S. Bond Index is used because the standard deviation is similar to the Canterbury Portfolio Thermostat Model during the period of live performance.

Barclays U.S. 3-7 Year Treasury Bond Index—includes all publicly issued U.S. Treasury securities that have a remaining maturity of more than three years and less than seven years, are non-convertible, are denominated in U.S. dollars, are rated investment grade, are fixed rate, and have more than \$250 million par outstanding. Investor's cannot invest directly in an index.

MSCI World (TR grs) Index—The MSCI World Index is a broad global equity benchmark that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI World benchmark does not offer exposure to emerging markets.