# FAIRLEAD TACTICAL SECTOR ETF

## SYMBOL: TACK

Fairlead Strategies is subadvisor to the Fairlead Tactical Sector ETF (TACK). Cary Street Partners Asset Management LLC is the Fund's advisor.


# ABOUT KATIE STOCKTON & FAIRLEAD STRATEGIES

# KATIE STOCKTON & FAIRLEAD STRATEGIES

## ABOUT FAIRLEAD STRATEGIES

- Asset manager and independent research provider focused on technical analysis
- Founded in February 2018 by Katie Stockton, CMT
- Provides research and consulting services to institutions and individuals as a registered investment advisor
- Subadvisor for the Fairlead Tactical Sector ETF (TACK), which seeks capital appreciation with limited drawdowns

## ABOUT KATIE

- 25+ years on Wall Street providing technical research and advice to institutional and individual investors
- Chief Technical Strategist for BTIG, 2013-2018; Chief Market Technician at MKM Partners, 2004-2013
- Worked on technical strategy teams at Morgan Stanley and Wit Soundview
- Youngest woman to receive the Chartered Market Technician (CMT®) designation, 2001; Vice President of the CMT® Association, 2012 -2016
- University of Richmond BSBA, magna cum laude; served on the business school’s Executive Advisory Council

Katie serves as a portfolio manager of the Fairlead Tactical Sector ETF on the Subadvisor's behalf and is primarily responsible for the day-to-day portfolio management of the fund.

# PRESS & ACCOLADES

Katie is an official CNBC U.S. Contributor, and she is often quoted in financial news outlets. She speaks frequently at industry conferences.

Katie (@StocktonKatie) has more than 50K followers on “X” (formerly known as Twitter).

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WBENC/WEConnect INTERNATIONAL
WOMEN OWNED™
WWW.WOMENOWNEDLOGO.COM

In 2020, Fairlead Strategies was granted certification by the Women’s Business Enterprise National Council (WBENC) as a Women-Owned Small Business (WOSB).

BENZINGA
GLOBAL FINTECH AWARDS
FINALIST
BEST ETF LAUNCH
2023

TACK was a finalist for Best ETF Launch at the 2023 Benzinga Global Fintech Awards.*

* Please see Appendix for award methodology or visit https://www.benzinga.com/events/fintech-awards/awards/.

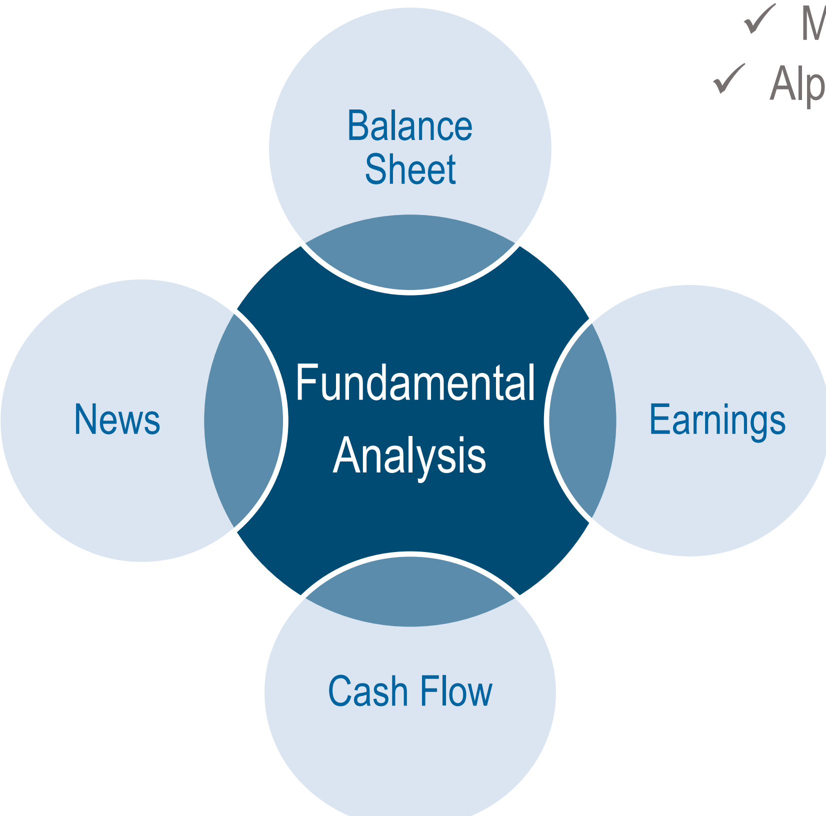
# FAIRLEAD STRATEGIES METHODOLOGY

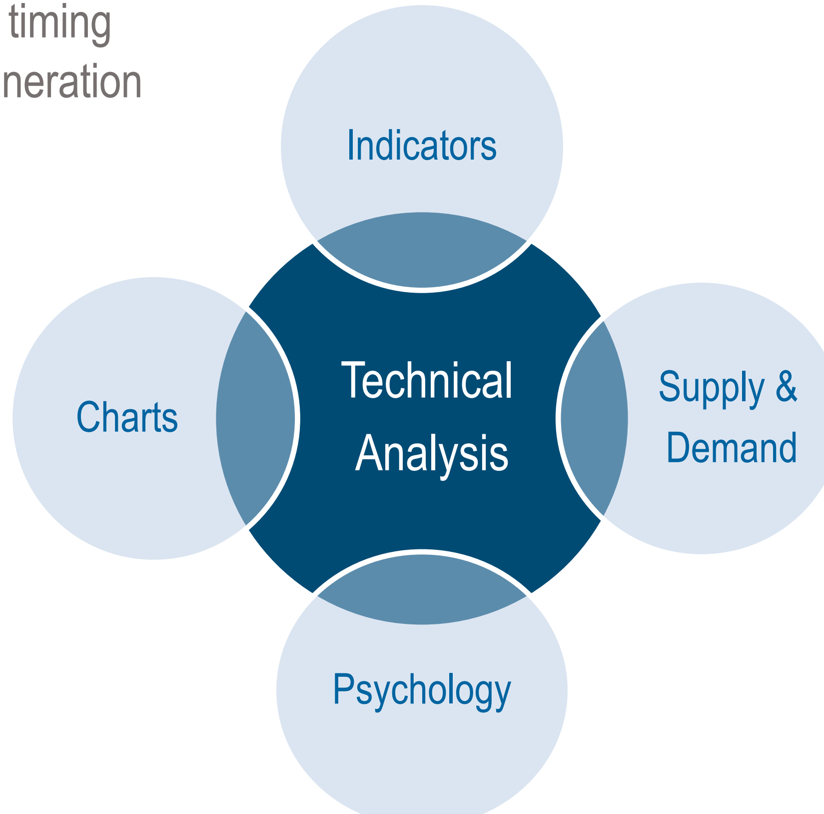
## OVERVIEW

# FAIRLEAD STRATEGIES' PHILOSOPHY

We use technical analysis to identify trends for:

- ✓ Risk management
- ✓ Market timing
- ✓ Alpha generation



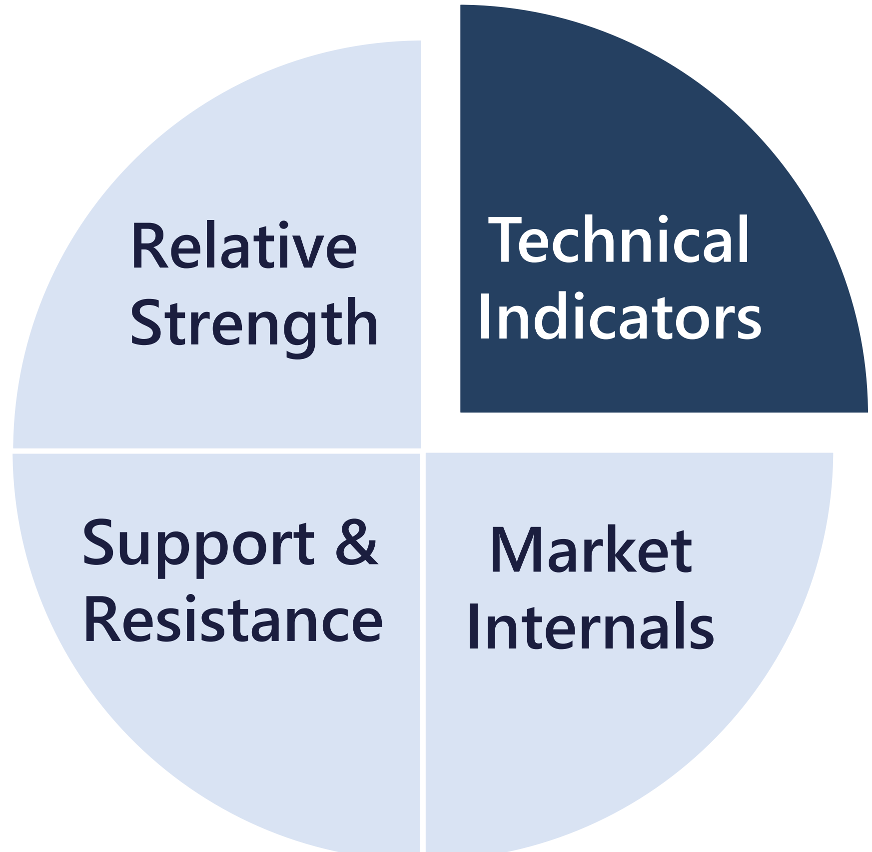
# CONCEPTUAL FRAMEWORK

- ☑ **TECHNICAL INDICATOR TOOLBOX**
- ☑ **IDENTIFY SECTOR LEADERSHIP**
- ☑ **REVIEW OVERALL MARKET RISK ENVIRONMENT**
- ☑ **TILT PORTFOLIO FOR RISK-ON & RISK-OFF**

# TECHNICAL INDICATOR TOOLBOX

We combine levels and trends with input from **Technical Indicators**:

- Trend-Following
  - Moving Averages
  - MACD (Moving Average Converge/Divergence)
  - Ichimoku Cloud Model
- Overbought/Oversold
  - Stochastic Oscillator
  - DeMARK Indicators®

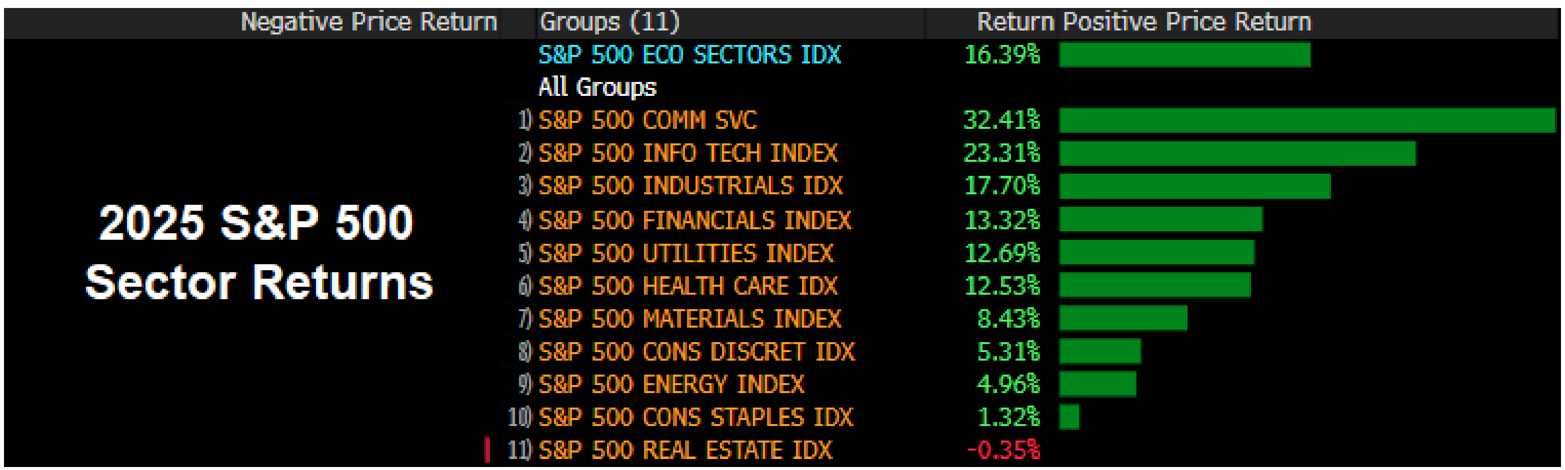



Please see Appendix for a list of terms and definitions.

# RELATIVE STRENGTH ANALYSIS

We can identify source of outperformance and underperformance using:

- Relative Strength/Comparative Ratios
- Relative Rotation Graphs (RRG)®



# TACK'S INVESTABLE UNIVERSE

The model invests in the 11 economic sectors of the U.S. equity market via ETFs, and, at times, a gold fund and ETFs representing U.S. Treasuries

**RISK ON:** when TACK primarily invests in sector ETFs to gain equity market exposure

Materials Select Sector SPDR Fund (XLB)
Communication Services Select Sector SPDR Fund (XLC)
Energy Select Sector SPDR Fund (XLE)
Financial Select Sector SPDR Fund (XLF)
Industrial Select Sector SPDR Fund (XLI)
Technology Select Sector SPDR Fund (XLK)
Consumer Staples Select Sector SPDR Fund (XLP)
Real Estate Select Sector SPDR Fund (XLRE)
Utilities Select Sector SPDR Fund (XLU)
Health Care Select Sector SPDR Fund (XLV)
Consumer Discretionary Select Sector SPDR Fund (XLY)

**RISK OFF:** when TACK invests in Treasury ETFs and a gold fund to reduce equity market exposure

SPDR Portfolio Long Term Treasury ETF (SPTL)
SPDR Portfolio Short Term Treasury ETF (SPTS)
SPDR Gold Mini Shares Trust (GLDM)

These securities represent potential underlying strategy holdings and may not represent current fund holdings. Such information is not intended to be complete or to constitute all the information necessary to evaluate adequately the consequences of investing in any securities, financial instruments, or strategies described herein. Nothing contained herein should be considered a solicitation to purchase or sell any specific securities or investment related services.

# TACK'S ALLOCATION PROCESS

## Allocate to sector leaders in uptrends | Minimize downside risk in downtrends

STEP 1: Fill up to eight equal-weighted buckets with sector ETFs with a favorable long-term outlook

STEP 2: If fewer than eight sector ETFs qualify, fill remaining buckets with "risk-off" ETFs

### Sample "RISK-ON" Portfolio:


### Sample "RISK-OFF" Portfolio:


FOR ILLUSTRATIVE PURPOSES ONLY

Risk-On Classification: This applies where the TACK strategy primarily invests in sector ETFs to gain market exposure.
Risk-Off Classification: This applies where the TACK strategy invests Treasuries via ETFs and a gold fund to reduce market exposure.

# BENEFITS OF TACK

## TACK is designed to be additive to a diversified portfolio

### DIVERSIFIED

Varied exposure lends to conservative approach focused on managing risk

### DYNAMIC

Tactical moves to exploit long-term uptrends while avoiding major drawdowns

**TACK FAIRLEAD TACTICAL SECTOR ETF**

### TRANSPARENT

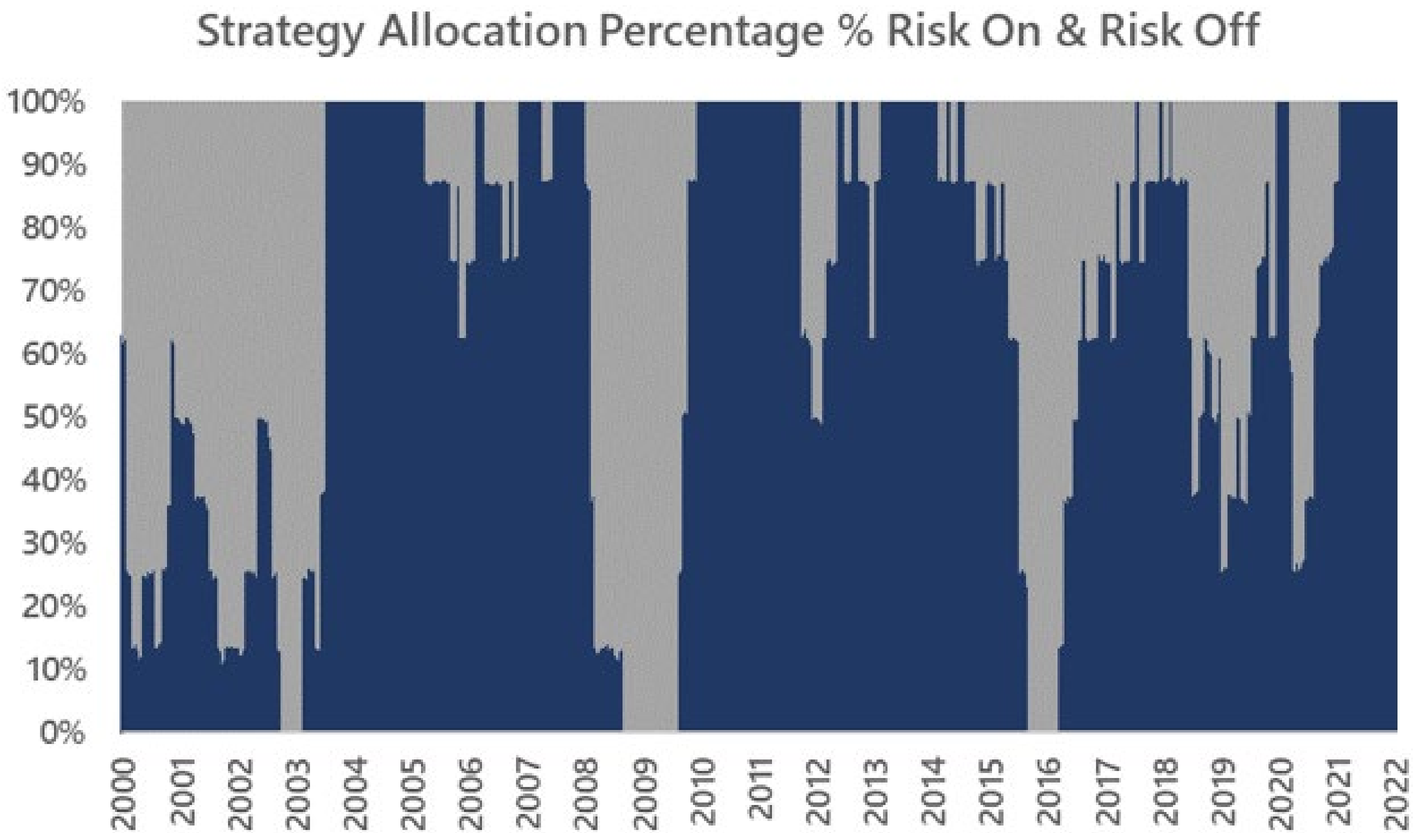
All holdings are disclosed each day at: www.fairleadfunds.com

### SIMPLE

Investible universe of 14 liquid ETFs representing U.S. sectors, S-T and L-T Treasuries, and gold

# RISK-ON / RISK-OFF CAPABILITY: HYPOTHETICAL

TACK can dynamically shift exposure to help achieve its investment goals according to a hypothetical, backtested portfolio



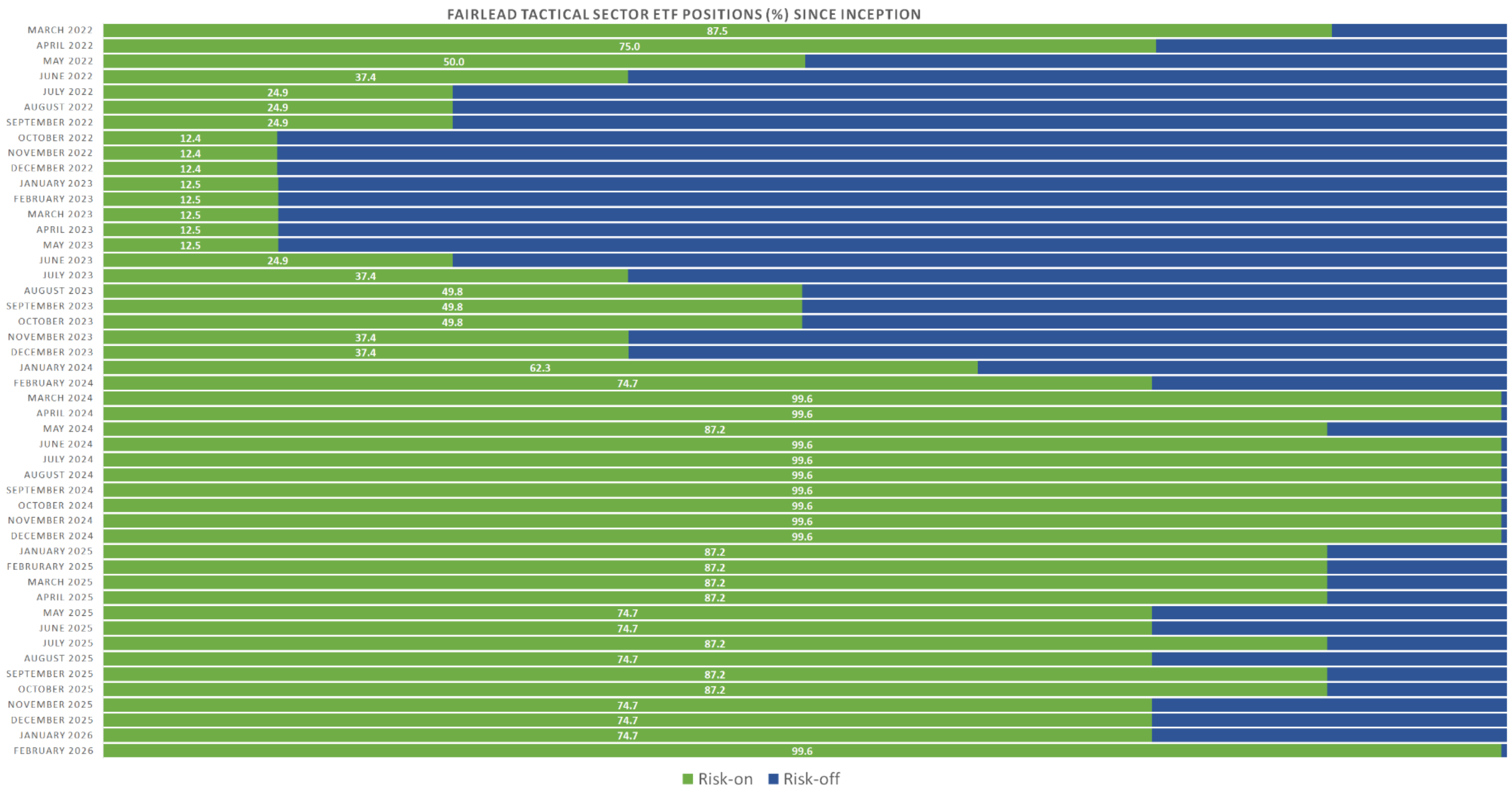

Sources: Norgate Premium Data; RQA

Risk-On Classification: This applies where the TACK strategy primarily invests in Sector ETFs to gain market exposure.
Risk-Off Classification: This applies where the TACK strategy invests in Treasury ETFs and Gold Shares to reduce market exposure.

FAIRLEAD STRATEGIES
20260206-5196669

# RISK-ON / RISK-OFF CAPABILITY: ACTUAL

## TACK has dynamically shifted between "risk-on" and "risk-off" assets




Sources: Bloomberg Finance, L.P., Fairlead Strategies

Risk-On Classification: This applies where the TACK strategy primarily invests in sector ETFs to gain market exposure.
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FAIRLEAD STRATEGIES

20260206-5196669

# USE CASES FOR TACK

## We believe TACK is an adaptable ETF that can satisfy different investment solutions

### HEDGING STRATEGIES
Asset allocation lends characteristics of a hedged equity portfolio

### MULTI-ASSET CORE
As a foundational core holding that lets advisors focus on generating alpha

TACK FAIRLEAD TACTICAL SECTOR ETF

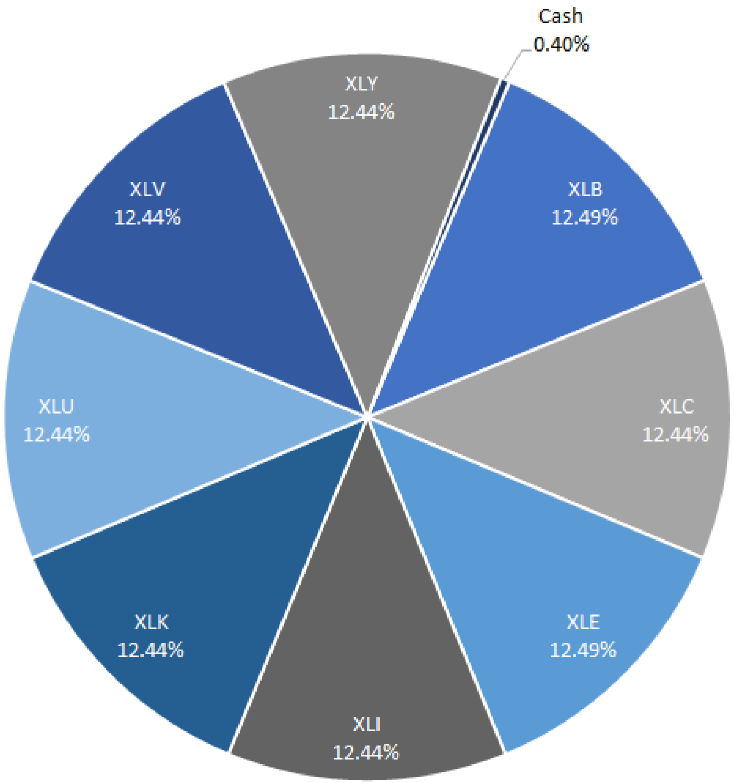
### MODEL PORTFOLIOS
An innovative approach to improving risk/reward for a traditional equity sleeve

### CORE-SATELLITE
Actively managed using systematic technical analysis as a complement to passive ETFs

# CURRENT POSITIONING

## OVERVIEW

# TACK'S MODEL POSITIONS AS OF FEBRUARY 2026




Past performance is not indicative of future performance. There is no guarantee that this, or any, investing strategy will be successful. Companies involved in commodity-related businesses such as gold may be subject to greater volatility than investments in companies involved in more traditional businesses. Portfolio holdings are subject to change and should not be considered investment advice.

# TACK HAS TILTED BETWEEN VALUE & BLENDED STYLES

| Year | Category | Style | Equity % |
|---|---|---|---|
| 2026 | US Fund Tactical Allocation | Large Blend | 74.26 |
| 2025 | US Fund Tactical Allocation | Large Blend | 74.42 |
| 2024 | US Fund Tactical Allocation | Large Value | 98.86 |
| 2023 | US Fund Tactical Allocation | Large Growth | 37.80 |
| 2022 | US Fund Tactical Allocation | Large Blend | 12.13 |

As of Jan 30, 2026 | Style Box Detail calculations do not include the fund's short positions (if any).

Source: Morningstar

As of dates are the most recently updated on Morningstar.com, which can vary. For more information on the Morningstar Style Box, categories, indexes, and financial terms, please see Appendix or visit Morningstar.com.

# TACK VS. CATEGORY

OVERVIEW

# TACK COMPARATIVE RETURNS

INCEPTION (3/22/2022) - 01/30/2025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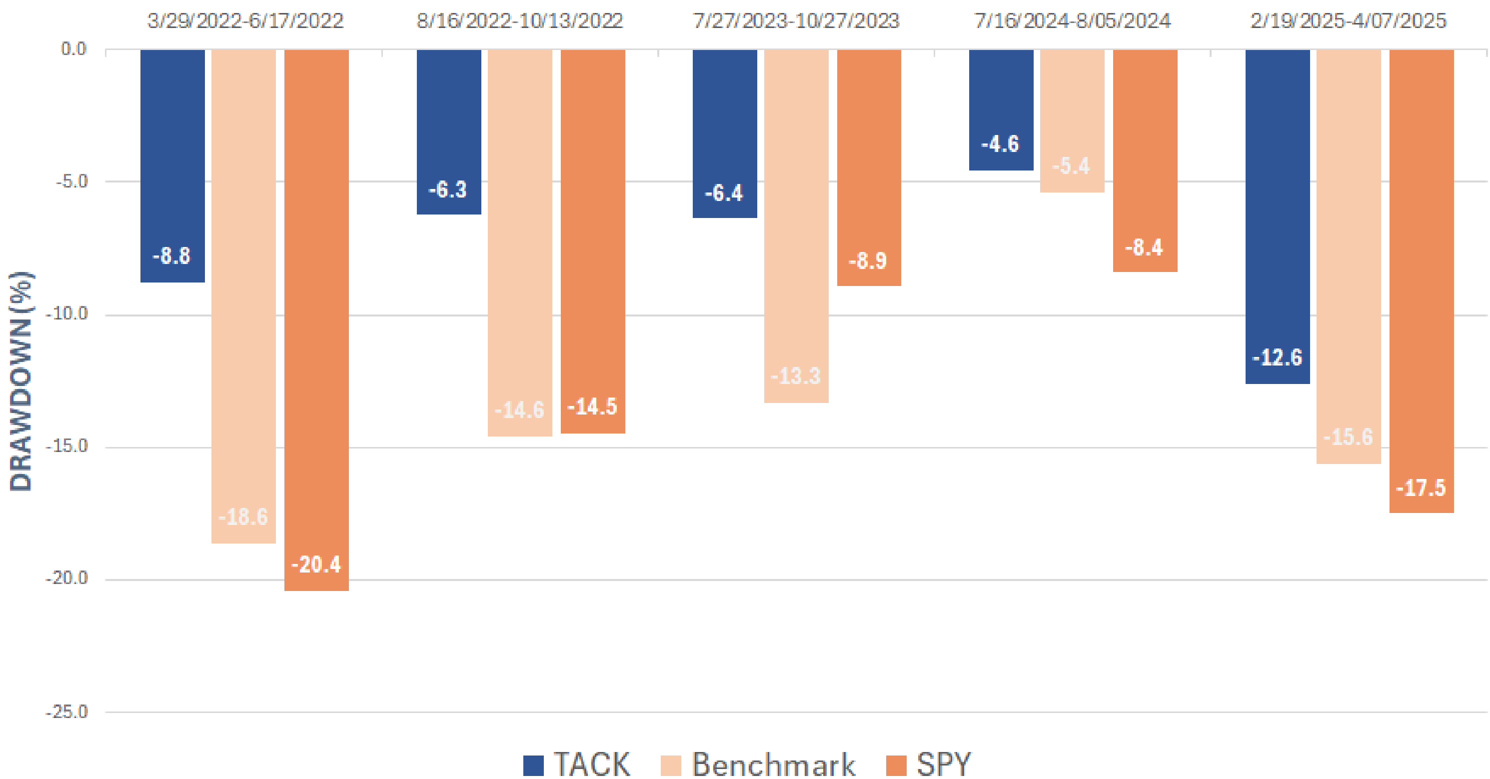
# TACK HAD LIMITED DRAWDOWNS

MAJOR DRAWDOWNS (8%+) IN THE S&P 500 SINCE TACK'S INCEPTION




Source: Bloomberg Finance, L.P.

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# KEY PERFORMANCE & RISK FIGURES

| *Inception (3/22/2022) - 01/30/2025* | Fairlead Tactical Sector ETF (TACK) | Russell 1000 Equal Weight Index (Benchmark) |
|---|---|---|
| Total Return | 28.8% | 27.6% |
| CAGR | 6.8% | 6.5% |
| Standard Deviation | 13.2% | 21.3% |
| Sharpe Ratio | 0.24 | 0.13 |
| Max Drawdown | -14.5% | -21.2% |
| Upside Capture Ratio vs. Benchmark | 0.48 | - |
| Downside Capture Ratio vs. Benchmark | 0.44 | - |
| Best Quarter | 9.8% | 11.2% |
| Worst Quarter | -6.3% | -15.3% |
| Beta (to SPX) | 0.48 | 0.93 |
| Correlation (R2 to Benchmark) | 0.54 | - |
| Correlation (R2 to SPX) | 0.57 | 0.82 |

Sources: Morningstar

Source: Morningstar

Please see Appendix for a list of terms and definitions.

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# TACK FUND & PERFORMANCE INFO

| **Performance** as of January 31, 2025 | 1 Month | 3 Months | 6 Months | 1 Year | Annualized Since Inception (3/22/2022) |
|---|---|---|---|---|---|
| **Fairlead Tactical Sector ETF NAV** | **2.43%** | **2.42%** | **8.43%** | **10.16%** | **6.77%** |
| **Fairlead Tactical Sector ETF Market Price** | **2.47%** | **2.35%** | **8.48%** | **10.21%** | **6.77%** |
| **Russell 1000 Equal Weight Index** | **4.17%** | **6.46%** | **10.94%** | **11.83%** | **6.51%** |
| **Performance** as of December 31, 2025 | | | | | Annualized Since Inception (3/22/2022) |
| **Fairlead Tactical Sector ETF NAV** | **-0.04%** | **0.29%** | **6.64%** | **10.93%** | **6.24%** |
| **Fairlead Tactical Sector ETF Market Price** | **-0.08%** | **0.15%** | **6.84%** | **10.93%** | **6.24%** |
| **Russell 1000 Equal Weight Index** | **0.10%** | **1.66%** | **7.84%** | **11.13%** | **5.52%** |

**Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Current performance may be lower or higher than quoted. Returns include changes in share price and reinvestment of dividends, if any.** For fund performance information current to the most recent month-end, please call 1-877-865-9549.

Total return and value will vary, and you may have a gain or loss when shares are sold. Market returns are based upon the closing price at 4:00 p.m. Eastern time, when the NAV is normally calculated for ETFs. Your returns may differ if you traded shares at other times. NAV returns represent the closing price of underlying securities.

# TACK FUND & PERFORMANCE INFO CONT.

## Fund Details

| | |
|---|---|
| Fund Inception | 3/22/2022 |
| Ticker | TACK |
| Net Assets | $273,642,559 |
| Shares Outstanding | 8,910,000 |
| Primary Exchange | NYSE |
| CUSIP | 14064D550 |
| Gross Expense Ratio | 0.70%* |
| Number of Holdings | 11 |

Data as of 01/30/2026

*The Gross Expense ratio is comprised of a 59-bps management fee plus 11-bps to reflect the cost of underlying ETFs.

# WHERE CAN I BUY TACK?

TACK is available for purchase through most major brokers as well as many investment advisory platforms, including:

**UBS**
**Wells Fargo**
**Stifel**
**RBC & RBC Dominion**
**Charles Schwab/TD Ameritrade**
**Fidelity Investments**
**Interactive Brokers**
**NewEdge Wealth**
**Cary Street Partners**

# CONTACT US

**For a free trial of our research:**
**www.fairleadstrategies.com**

**To learn more about TACK:**
**www.fairleadfunds.com**

TACK FAIRLEAD TACTICAL SECTOR ETF

**203-872-6500**
**info@fairleadstrategies.com**

# DISCLOSURES

**Information presented herein has been obtained from sources believed to be reliable, but the accuracy and completeness of summaries, conclusions, and opinions based on this information are not guaranteed**. It should never be assumed that recommendations will be profitable or will equal the past performance of listed or recommended securities. For access to our full disclaimers and disclosures, including our policy regarding editor securities holdings, go to https://www.fairleadstrategies.com/disclaimers-and-disclosures or email info@fairleadstrategies.com.

# DISCLOSURES

**Investors should carefully consider the investment objectives, risks, charges and expenses of the fund before investing. The prospectus contains this and other information about the fund, and it should be read carefully before investing. Investors may obtain a copy of the prospectus by calling 877-865- 9549 or emailing** info@fairleadstrategies.com or it may be downloaded here.

The fund is distributed by Northern Lights Distributors, LLC. Northern Lights Distributors, LLC, Fairlead Strategies, and Cary Street Partners Asset Management LLC are separate and unaffiliated. Cary Street Partners is the trade name used by Cary Street Partners LLC, Member FINRA/SIPC; Cary Street Partners Investment Advisory LLC and Cary Street Partners Asset Management LLC, registered investment advisors. Cary Street Partners is the Advisor for the Fairlead Tactical Sector Fund (TACK). For full disclaimers and disclosures, please view Disclaimers and Disclosures.

Fairlead Strategies is a registered investment advisor and the Sub-Advisor for TACK. For access to the full disclaimers and disclosures for Fairlead Strategies, including their policy regarding editor securities holdings, go to https://www.fairleadstrategies.com/disclaimers-and-disclosures or email info@fairleadstrategies.com.

These materials are furnished for informational purposes only. Materials have been compiled from sources believed to be reliable; however, Cary Street Partners and Fairlead Strategies do not guarantee the accuracy or completeness of the information presented, or any summaries, conclusions, or opinions based on such information. Such information is not intended to be complete or to constitute all the information necessary to evaluate adequately the consequences of investing in any securities, financial instruments, or strategies described herein. Nothing contained herein should be considered a solicitation to purchase or sell any specific securities or investment related services. It should never be assumed that recommendations will be profitable or will equal the past performance or listed or recommended securities.

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This information may contain future predictions that are subject to certain risks and uncertainties, which could cause actual results to differ from those currently anticipated or projected. **You should not view the past performance of securities, or information about the market, as indicative of future results.**

# DISCLOSURES

**Important Risk Information:**

Investing involves risk, including loss of principal. There is no guarantee the fund will achieve its investment objective. As an actively-managed ETF, the fund is subject to management risk. The ability of the Advisor to successfully implement the fund's investment strategies will significantly influence the fund's performance. The success of the fund will depend in part upon the skill and expertise of certain key personnel of the Advisor, and there can be no assurance that any such personnel will be successful. Neither the Advisor nor the Sub-Advisor has previously served as an advisor or a sub-advisor to a mutual fund or exchange-traded fund. As a result, there is no long-term track record against which an investor may judge the Advisor and/or Sub-advisor.

Exchange-Traded Funds ("ETFs") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities.

ETFs can be bought and sold throughout the day like equities or stocks and their price can fluctuate throughout the day. The returns on ETFs will be reduced by the costs to manage the funds. ETFs may have tracking error risks. For example, the ETF's portfolio manager may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

# DISCLOSURES

**Important Risk Information (continued):**

Principal investment risks of the Fairlead Tactical Sector ETF (the "Fund") are summarized below and include, but are not limited to, the following:

*Momentum Investing Risk.* The Fund employs a "momentum" style of investing that emphasizes selecting sector ETFs that have had higher recent price performance compared to other sector ETFs. Momentum can change quickly and sector ETFs that previously exhibited high momentum characteristics may not experience positive momentum or may experience more volatility than the market as a whole. In addition, there may be periods when the momentum style of investing is out of favor and the investment performance of the Fund may suffer.

*Fixed Income Securities Risk.* During a "risk-off" defensive market environment, the Fund will focus its investments to a greater degree in short-term and long-term treasury ETFs (SPTS and SPTL). Such investments will be subject to the following risks:

- *Income Risk*. The Fund's income may decline if interest rates fall.
- *Interest Rate Risk.* During periods of very low or negative interest rates, the Fund may be unable to maintain positive returns or pay dividends to Fund shareholders. Very low or negative interest rates may magnify interest rate risk. Changing interest rates, including rates that fall below zero, may have unpredictable effects on markets, result in heightened market volatility and detract from the Fund's performance to the extent the Fund is exposed to such interest rates. Additionally, under certain market conditions in which interest rates are low and the market prices for portfolio securities have increased, the Fund may have a very low or even negative yield. An increase in interest rates will generally cause the value of securities held by the Fund to decline, may lead to heightened volatility in the fixed-income markets and may adversely affect the liquidity of certain fixed-income investments, including those held by the Fund.
- *U.S. Treasury Obligations Risk.* U.S. Treasury obligations may differ from other securities in their interest rates, maturities, times of issuance and other characteristics and may provide relatively lower returns than those of other securities. Like other issuers, changes to the financial condition or credit rating of the U.S. government may cause the value of the Fund's U.S. Treasury obligations to decline.

# DISCLOSURES

**Important Risk Information (continued):**

*Gold ETF Risks*. During a "risk-off" defensive market environment, the Fund will focus its investments to a greater degree in the SPDR® Gold MiniShares Trust (GLDM) which will be subject to the following risks:

- *Risks Related to Gold.* Companies involved in commodity-related businesses such as gold may be subject to greater volatility than investments in companies involved in more traditional businesses. This is because the value of companies in commodity-related businesses may be affected by overall market movements and other factors affecting the value of a particular industry or commodity, such as weather, disease, embargoes, or political and regulatory developments. The prices of commodities such as gold may move in different directions than investments in traditional equity and debt securities when the value of those traditional securities is declining due to adverse economic conditions.
- *Risks Related to GLDM Shares*. GLDM shares trade like stocks, are subject to investment risk and will fluctuate in market value. The value of GLDM shares relates directly to the value of the gold held by GLDM (less its expenses), and fluctuations in the price of gold could materially and adversely affect the Fund's investment in the GLDM shares. The price received upon the sale of the shares, which trade at market price, may be more or less than the value of the gold represented by them.
- *Risks Related to the Custody of Gold*. The gold held by the custodian on behalf of GLDM may be subject to loss, damage, theft or restriction on access by natural events (such as an earthquake) or human actions (such as a terrorist attack). Any of these events may adversely affect the operations of the GLDM and, consequently, the Fund's investment in the GLDM Shares. GLDM may not have adequate sources of recovery if its gold is lost, damaged, stolen or destroyed and recovery may be limited, even in the event of fraud, to the market value of the gold at the time the fraud is discovered.

*Sector Focus Risk.* The Adviser may allocate more of the Fund's investments to a particular sector or sectors in the market, including the following sectors: Communications Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Materials, Real Estate, Technology, and Utilities. If the Fund invests a significant portion of its total assets in a certain sector or certain sectors, its investment portfolio will be more susceptible to the financial, economic, business, and political developments that affect those sectors than a fund that is more diversified.

For a complete list of principal investment risks, please see the fund prospectus which is available here.

# APPENDIX

# AWARDS METHODOLOGIES

**Benzinga Global Fintech Awards Methodology:** The submission process is fairly simple and focuses on addressing the question – "Tell us why you deserve the award." After the submission deadline, all entries are fully evaluated and scored by an independent expert panel of judges. The evaluation criteria are focused on the concepts of innovation and accessibility.

Investing, Personal Finance & Wealth Management, Institutions, Outstanding Performance Categories

| Criteria | Description | Weight |
|---|---|---|
| Innovation | Does the nominee introduce new capabilities or significantly improve existing tools in making capital markets accessible to all people? | 25% |
| Functionality | Does the nominee deliver what it promises and provide greater functionality than others in its category? | 25% |
| Impact | Does the nominee uniquely meet the needs of or solve current problems for the Fintech Industry today? | 25% |
| Audience Appeal | How high did you rate in Public Voting? | 25% |

Industry Leadership Categories

| Criteria | Description | Weight |
|---|---|---|
| Innovation | Does the nominee push the boundaries of what is possible in the Fintech space? Are they consistently looking for new ways to make capital markets accessible for all? | 25% |
| Value | Does the nominee bring new, creative ideas to the Fintech industry? | 25% |
| Impact | Has the nominee made significant contributions to the Fintech Industry? | 25% |
| Leadership | Does the nominee emanate outstanding leadership in the Fintech Industry? Do they create a space for collaboration, innovation, and accessibility for all? | 25% |

All completed nominations are reviewed by the independent members of the Benzinga Fintech panel of judges. Judges are senior-level executives with diverse backgrounds and are recognized for their expertise in the Fintech industry.

# FURTHER INFORMATION ON MORNINGSTAR

**Morningstar Style Box:** The Morningstar Style Box is a nine-square grid – with three stock investment styles for each of three size categories: ‘small’, ‘mid’ and ‘large’. Two of the three style categories are ‘value’ and ‘growth’, while the third is ‘blend’ (funds that own a mixture of growth and value stocks). The darkened square details where the portfolio’s ‘center of gravity’ is, in terms of its style and market cap characteristics. See the images to the right for more information on the Morningstar Style Box.

**U.S. Tactical Allocation Category:** Tactical Allocation portfolios seek to provide capital appreciation and income by actively shifting allocations across investments. These portfolios have material shifts across equity regions, and bond sectors on a frequent basis. To qualify for the tactical allocation category, the fund must have minimum exposures of 10% in bonds and 20% in equity. Next, the fund must historically demonstrate material shifts in sector or regional allocations either through a gradual shift during three years or through a series of material shifts on a quarterly basis. Within a three-year period, typically the average quarterly changes between equity regions and bond sectors exceeds 15% or the difference between the maximum and minimum exposure to a single equity region or bond sector exceeds 50%.

**The Horizontal Axis Style**

**Value Score Components and Weights**

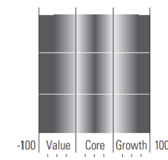
| | |
|---|---|
| **Forward-looking measures** | **50.0%** |
| ▸ Price-to-projected earnings | |
| **Historically based measures** | **50.0%** |
| ▸ Price-to-book | 12.5% |
| ▸ Price-to-sales | 12.5% |
| ▸ Price-to-cashflow | 12.5% |
| ▸ Dividend yield | 12.5% |

**Growth Score Components and Weights**

| | |
|---|---|
| **Forward-looking measures** | **50.0%** |
| ▸ Long-term projected earnings growth | |
| **Historically based measures** | **50.0%** |
| ▸ Historical earnings growth | 12.5% |
| ▸ Sales growth | 12.5% |
| ▸ Cashflow growth | 12.5% |
| ▸ Book value growth | 12.5% |

**Determining the Style Score**

| | |
|---|---|
| Growth Score | 0 to 100 |
| Value Score | 0 to 100 |
| Style Score | –100 to 100 |

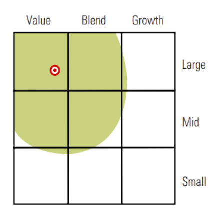



The value score is subtracted from the growth score. If the result is strongly negative, the stock’s style is value; if the result is strongly positive, the stock is classified as growth. If the scores for value and growth are not substantially different, the stock is classified as ‘core’.

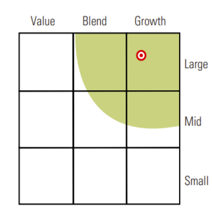
The dividing points between value, core and growth stocks vary to some degree over time, as the distribution of stock styles changes in the market. However, on average, each of the three stock styles accounts for approximately one-third of the total free float in a given size category.

**The Ownership Zone:** Morningstar’s Ownership Zone is a graphical tool that gives a more complete picture of a managed fund’s holdings. Developed by Morningstar, a fund’s Ownership Zone is derived by plotting each stock in the fund’s portfolio inside the proprietary Morningstar Style Box. The area into which most of the holdings fall is shaded, to represent the area of the market in which the fund invests. We developed the Ownership Zone to show precisely where a fund’s holdings fall within the Morningstar Style Box. Each share fund has its own unique Ownership Zone, showing exactly where it invests.

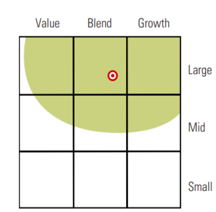
**What it means for advisers:** When mixing and matching funds for investors’ portfolios, the Style Box clearly shows you which funds are different in style and size. Using the Style Box reduces the risk of holding very similar securities with similar risk characteristics.




Typical Large-Cap Value Fund




Typical Large-Cap Growth Fund




Typical Large-Cap Blend Fund

# IMPORTANT TERMS & DEFINITIONS

**DeMARK Indicators®:** A technical analysis tool that compares the most recent maximum and minimum prices to a previous period's equivalent price to measure the demand of the underlying asset. From this comparison, it aims to assess the directional trend of the market. It is a member of the oscillator family of technical indicators and based on principles promoted by technical analyst Tom DeMark.

**Drawdown:** A peak-to-trough decline during a specific period, quoted in percentage terms.

**Ichimoku Cloud Model:** The Ichimoku Cloud is a collection of technical indicators that show support and resistance levels, as well as momentum and trend direction. It does this by taking multiple averages and plotting them on a chart. It also uses these figures to compute a “cloud” that attempts to forecast where the price may find support or resistance in the future.

**Momentum:** Momentum is the rate of acceleration of a security's price—that is, the speed at which the price is changing.

**Moving Average (MA):** A calculation of the average closing price for a specific period. The formula is the sum of the data points over a given period divided by the number of the data points.

**Moving Average Converge/Divergence Indicator (MACD):** A trend-following momentum indicator that shows the relationship between two exponential moving averages (EMAs) of a security’s price. MACD was developed in the 1970s by Gerald Appel. An exponential moving average (EMA) is a type of moving average (MA) that places a greater weight and significance on the most recent data points.

**Overbought/Oversold**: Extremes indicating an uptrend or downtrend is exhausted. Oversold is a term used when a security is believed to be trading at a level below its intrinsic or fair value.

**Relative Rotation Graphs® (RRG®):** Created by Julius de Kempenaer in the 1990s, RRG® charts display the relative strength and momentum for a group of stocks on separate axes. They are used to identify security performance in relation to a market index or benchmark. The RRG has four quadrants: Leading, Weakening, Lagging, and Improving. Securities with strong relative strength and momentum appear in the Leading quadrant. Securities with strong relative strength but weak momentum are in the Weakening quadrant. Securities with weak relative strength and momentum appear in the Lagging quadrant. Securities with weak relative strength but improving momentum are in the Improving quadrant.

# IMPORTANT TERMS & DEFINITIONS (CONT.)

**Relative Strength/Comparative Ratio:** Performance of a security versus another security or index.

**Stochastic Oscillator:** A stochastic oscillator is a momentum indicator comparing a particular closing price of a security to a range of its prices over a certain period. The sensitivity of the oscillator to market movements is reducible by adjusting that time period or by taking a moving average of the result. It is used to generate overbought and oversold trading signals, utilizing a 0–100 bounded range of values.

**Support/Resistance:** Levels of price equilibrium where supply and demand converge.

**Trend:** A trend is a general direction the market is taking during a specified period. Trends can be both upward and downward, relating to bullish and bearish markets, respectively. While there is no specified minimum amount of time required for a direction to be considered a trend, the longer the direction is maintained, the more notable the trend.