

**“Risk Control is the best route to Loss Avoidance, while Risk Avoidance is the best route to Return Avoidance.”**  
- Howard Marks

PAGE  
REFERENCE

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SECTION ONE: RULES-BASED SYSTEMS CAN YIELD UNPREDICTABLE RESULTS WHEN THE RULES MARKEDLY CHANGE

- ▶ In 1971, the rules of the game changed as the Gold-backed US Dollar reserve system was dismantled in one day.
- ▶ In 2020, the rules changed in material fashion once again as politicians gained access to the “money printer”. The potential after-effects could be transformative for the world.

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SECTION TWO: A VAST MAJORITY OF MARKET PARTICIPANTS APPEAR TO BE PLAYING BY THE OLD SET OF RULES

- ▶ One could explain the widespread surge in asset prices (over the past decade+) via a decline in the value of base currency. If so, a two-tailed risk scenario becomes the baseline.
- ▶ Even as five year annualized returns fall below zero for the Total US Bond Market, net flows continue to pour in by the many hundreds of billions.

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SECTION THREE: APPRECIATING JUST HOW GOOD IT’S BEEN - SEARCHING FOR POSSIBLE HISTORICAL ANALOGS

- ▶ For the past 17 years, the S&P 500 Index has spent nearly 3/4 of the time within a structural up-trend (Quad A). This would represent a 1/20 scenario over the past ~100 years.
- ▶ For the 17-year period ending in the summer of 1982, we find a very different environment - and one that could be similar to what we may experience in the years to come.

SECTION ONE  
RULES-BASED SYSTEMS CAN YIELD UNPREDICTABLE RESULTS WHEN THE RULES MARKEDLY CHANGE

Over 50 years removed from the closure of the Bretton Woods-based Gold Standard, the global economic system appears to be in fine working order. Income per capita is remarkably higher, extreme levels of poverty have collapsed, life expectancy has generally improved; and the US has ostensibly been the strongest “beneficiary” of this new fiat currency regime.

**The multi-decade movement towards globalization was enabled with a proverbial superpower by the US - the ability to print an untold amount of currency (out of thin air) while retaining currency reserve status about the globe.** Now, it was not smooth sailing for this 1/2 century adventure, as there were episodes of sustained inflationary pressures alongside more brief deflationary scares.

However, at the end of the day, we find less than 4% of the world’s population commanding over 1/4 of world GDP with capital markets accounting for over 1/2 of the global market capitalization.

“I HAVE DIRECTED SECRETARY CONNALLY TO SUSPEND TEMPORARILY THE CONVERTIBILITY OF THE DOLLAR INTO GOLD OR OTHER RESERVE ASSETS.”  
/ PRESIDENT RICHARD NIXON ADDRESS TO THE NATION ON AUGUST 15, 1971

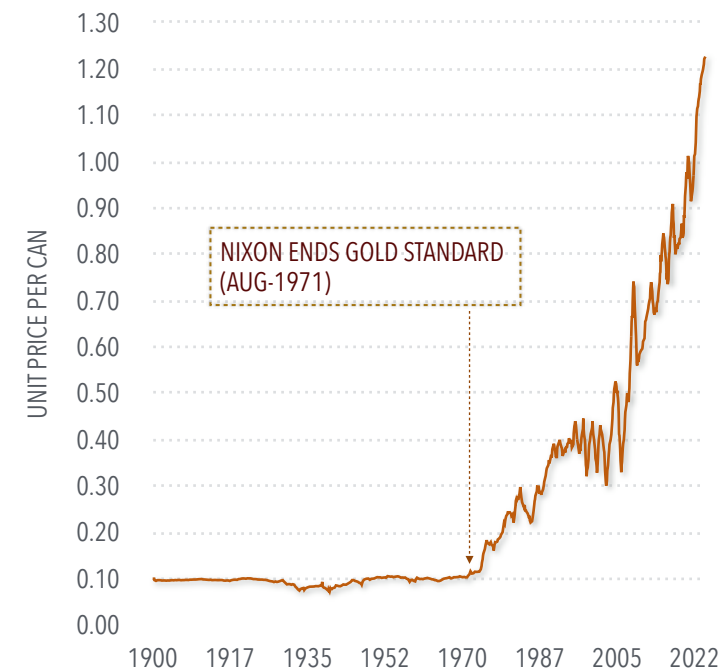
**The rules changed again four years ago.** As a result of the globally-coordinated policy response to what was initially believed to be a 3.5% CFR<sup>1</sup> killer (Covid-19), the rules that were in place for decades conceivably changed in abrupt fashion - at least for the advanced economies of the world. For the first time in US history, politicians gained the ability and willingness to direct fiscal expenditures far above that of Federal Receipts, and in unabating fashion.

These actions sparked a wave of inflationary pressures (exacerbated by supply-chain disruptions) that have shown an unexpected level of persistence to this day, at least from the standpoint of the policy makers. The assertion is that the credibility of America’s “superpower” is being tested - and perhaps in a manner that may be difficult to appreciate in real-time.

For instance, **can the substantial increase in prices and asset valuations for just about everything (except for bonds in general) largely be explained by an increased level of currency devaluation?** Using the philosophy of Occam’s Razor blended with historical inputs, our work would generally lean in that direction. Official inflation and employment metrics have been constantly “re-engineered” to present a result that may be more palatable for public consumption - conveniently allowing for otherwise inflationary policies to continue with only minor levels of resistance to date.

That’s because the path to put the genie back into the bottle (in pursuit of a more sound monetary system) would most likely include a level of pain that will not be politically viable - considering many not appreciate just how precarious America’s “superpower” may be - using history as a guide.

CAMPBELL’S CONDENSED TOMATO SOUP (PRICE PER CAN)  
12-MONTH NATIONAL AVERAGE PRICE (\$USD) / 1900 - 2024  
DATA SOURCE: POLITICAL CALCULATIONS 2024



For over 70 years, the price of a can of tomato soup hardly changed (no price inflation). Just after the closure of the Gold Window (ending the US dollar-linked Gold Standard) in 1971, price variability immediately surged alongside persistent upward pricing pressures over the next 50+ years.

TOTAL PRICE CHANGE AND ANNUALIZED RESULTS (VARIOUS PERIODS)

Period Duration	Price Change	Annualized
Jan-1900 to Nov-1929	(6.80)	(0.23)
Dec-1929 to Jul 1971	13.00	0.29
Aug-1971 to Dec-2001	172.40	4.48
Jan-2002 to Dec-2024	148.84	5.27
Total Period (125 Years)	1,126.56	2.04

1. On March 5, 2020 the WHO announced that the estimated Case Fatality Rate (CFR) for the Covid-19 Disease was 3.5%. A working study authored by Nobuyuki Horita & Takeshi Fukumoto (Oct-2022) revised this estimate to be less than 0.3% or 92% lower - with substantial variations based on age and underlying health-related variables. /



## SECTION ONE

### RULES-BASED SYSTEMS CAN YIELD UNPREDICTABLE RESULTS WHEN THE RULES MARKEDLY CHANGE

When it comes to finance, everything is a ratio. Prices and values are quoted with a numerator and a denominator. Although most effort is arguably spent analyzing the numerator in an equation, we would contend that the denominator deserves more scrutiny today especially. What if the sharp increase in valuations (for most financial assets) is more about the denominator falling in value than the numerator rising? That's a contention we made well over a decade ago - with the idea that equity-centric and real assets could serve as a "release valve" resulting from overt fiscal and monetary accommodation (from nearly all central banks).

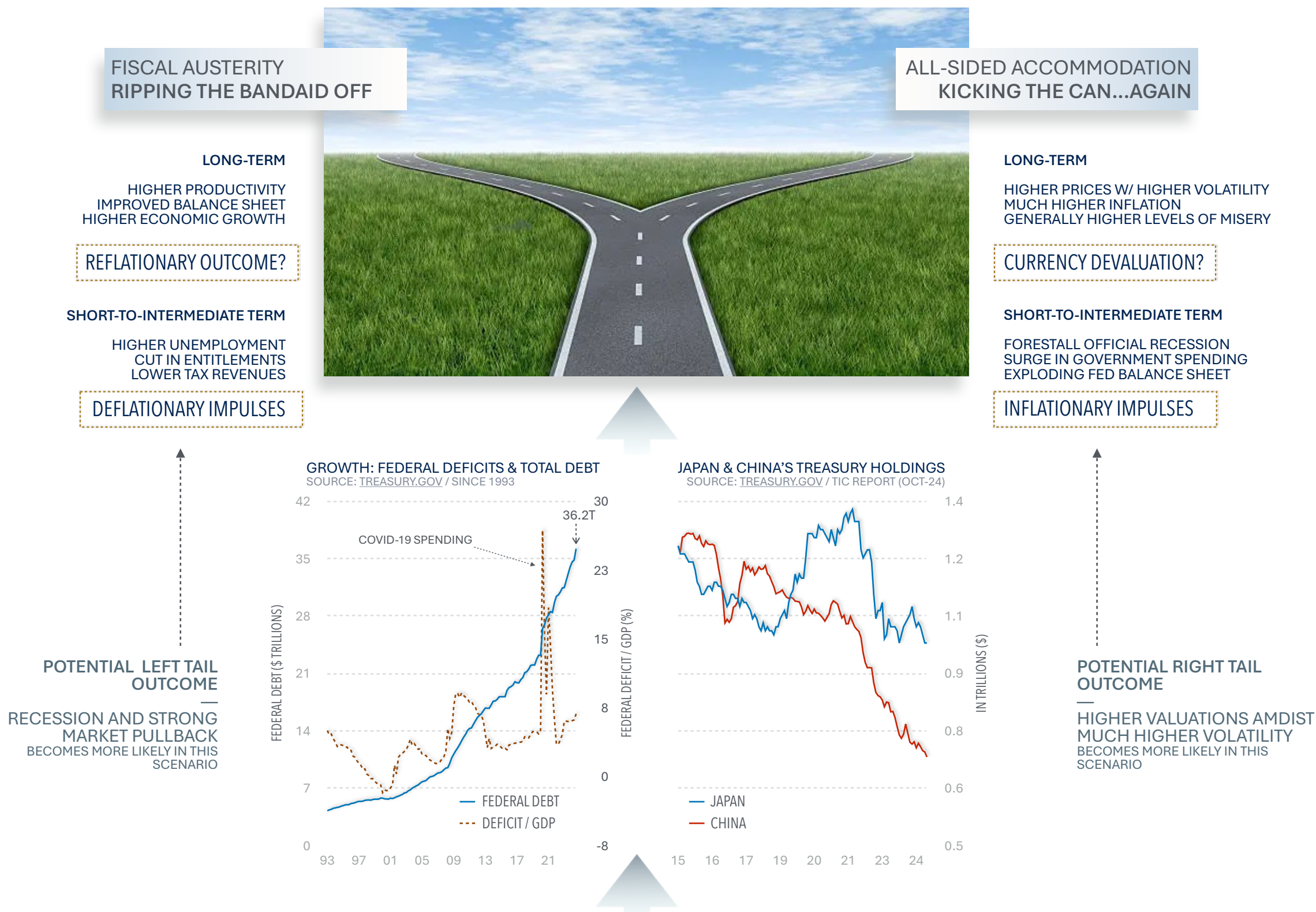
THE MATH IS GETTING TOUGH TO IGNORE...

JUST 4 BUDGET ITEMS ALREADY SURPASS ALL FEDERAL REVENUES: TOP FOUR US FEDERAL BUDGET ITEMS (DEC-2024) / US DEBT CLOCK / ST. LOUIS FEDERAL RESERVE

SOCIAL SECURITY		MEDICARE / MEDICAID		DEFENSE		INTEREST		TOP 4 SPENDING:		TAX REVENUES		SURPLUS / (DEFICIT)	
1,509,760	+	1,846,499	+	956,823	+	1,116,960	=	5,430,042	-	5,100,673	=	(329,369)	

This "alternative" perspective would contestably explain historical extremes for valuations in broad equity indices, prices for luxury residential real estate, tuition levels for secondary schooling, labor expenses for repairs + maintenance, healthcare costs, grocery prices, etc. Given structural imbalances embedded into the state of fiscal and monetary affairs, we have searched the history books for instances where a policy of sustained austerity was pursued in effort to repair the construct of the financial system - **we found no examples**<sup>2</sup>.

Pandemic-related spending probably accelerated by endpoint with regard to when a "decision" will need to be made. When such a path is chosen, we would submit that the results may be quite disparate (see below). The level of associated noise may seem deafening at times as this process works its way out in the coming period of time - which leaves our quantitatively-derived work to remain focussed on the signal through the noise.



**An Arguably Tough Decision Lies Ahead for Policy Makers**  
(Unsustainably-Increasing Debts - While the Largest Foreign Holders are Now Net Sellers)



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2. Policies enacted during the Great Depression by Hoover & Roosevelt led to a long-running deflationary depression - but most of the long-running effects can be attributed to a series of missteps from overt micro management of the economy. / A MONETARY HISTORY OF THE UNITED STATES, © 1963 / book by Milton Friedman and Anna Schwartz

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## SECTION TWO

### DISCOUNTING THE POTENTIAL OF A TWO-TAILED RISK SCENARIO GOING FORWARD

We will concede that this topic can come across a bit “heavy” at first, but nonetheless we would argue that it is an important subject to address. As fiduciaries, we expend much effort in working to mitigate the ill-effects of tail risk events. For US-based investors much of the effort in our industry has been focused on left-tail risks in particular. That is substantial and sustained (deflationary) drawdowns in the risk markets. Some periodic examples would be 1929-1933, 1969-1971, 2000-2003, 2007-2009, Spring of 2020. In each of these periods, equity-centric and many commodities suffered extensive price declines - in each of these cases, long duration and “high quality” bonds sharply increased in price (as yields fell) - stemming the blow to a “well diversified” portfolio as a whole.

Something material changed in the 2022 market decline. Not only did the fixed income complex not stem losses, they contributed to them. And, in some cases fell in price as much as some broad stock market indices. This observation fortifies our macro thesis regarding the potential for a **changing of the guard** unfolding with respect to the efficacy of long duration currency-based assets (e.g., traditional fixed income instruments of all kinds).

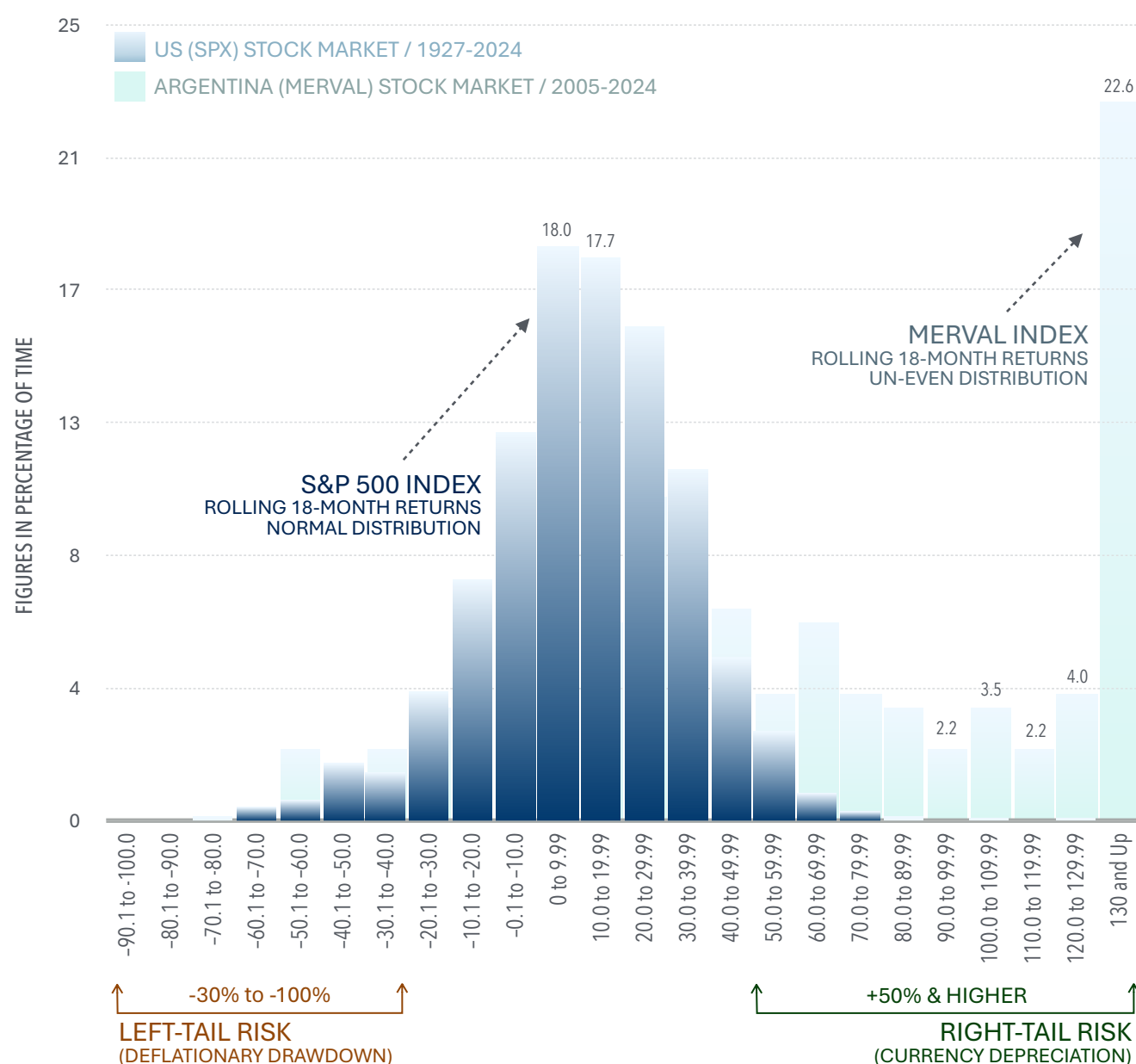
If investors (over time) lose faith in the Dollar<sup>3</sup>, then we would believe that the potential of right-tail risk outcomes increase immeasurably. Right tail risk scenarios occur when nominal prices rise substantially higher than historic extremes. Although this may sound good on the surface, these scenarios are historically associated with substantial erosion in the underlying currency. See the example below for the Argentina Merval Index over the past 20 years. Nearly 1/4 of rolling 18-month returns over this period exceeded +130%. Annual inflation rates were regularly exceeding 100% in Argentina over this span. In addition, price volatility (as measured by standard deviation of monthly returns) for the Merval index is ~170% higher than that of the S&P 500 Index over that period.

Hence, from a portfolio construction standpoint, we would posit the notion that even US-based investors may need to consider a framework carrying the increased potential of a two-tailed risk scenario unfolding. Our contention remains that today’s most popular platform-level investment products simply do not have an effectively viable solution for such an environment, if it were to in fact manifest.

### QUANTIFYING TWO-TAIL RISK / BOTH LEFT AND RIGHT

#### COMPARING DISTRIBUTION OF ROLLING 18-MONTH RETURNS BETWEEN US AND ARGENTINA STOCK MARKET

SOURCE: TRADINGVIEW MONTHLY RETURNS / 1927-2024 FOR S&P 500 INDEX / 2005-2024 FOR Merval INDEX



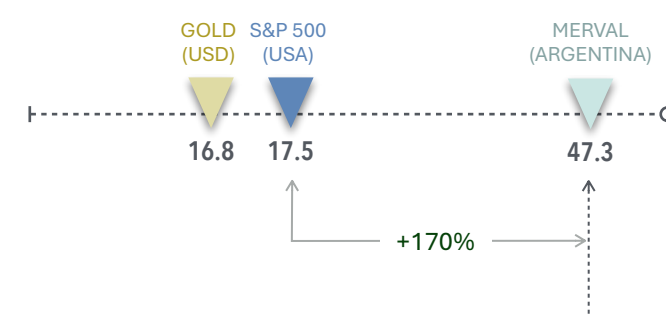
STOCK MARKET INDEX / COMPARING TAIL STRUCTURE	NUMBER OF OCCURRENCES (PERCENTAGE OF TIME IN EACH ZONE)		
	LEFT TAIL (-30% to -100%)	-29% to +49%	RIGHT TAIL +50% and Higher
US / S&P 500 INDEX	4.50	91.17	4.32
ARGENTINA / Merval INDEX	5.31	42.48	52.21

#### OUR TAKE REGARDING: THE POSSIBILITY OF A TWO-TAIL RISK SCENARIO UNFOLDING

Largely liquid portfolios containing a management mindset that strives to be adaptive within a highly dynamic environment have the potential to ultimately be “successful” - especially relative to more statically constructed investment portfolio that continue to follow the “old rules”.

#### COMPARING STANDARD DEVIATION (VOLATILITY) HIGH LEVELS OF PRICE VOLATILITY TYPICALLY COME RIGHT TAIL OUTCOMES

DATA SOURCE: TRADINGVIEW / JANUARY 2005 TO DECEMBER 2024 (TRAILING 20 YEARS)



Right tail environments are typically associated with relatively high amounts of volatility. Throughout history, investors (in the aggregate) have not shown the ability to successfully withstand sustained episodes of elevated price volatility.

Therein lies the crux of the problem. Today’s popular investment vehicles may not have the “structural integrity” to endure a potentially stormy cycle ahead.

Notwithstanding recent reforms being put into place, Argentina has not been a bastion of economic growth over the past 20 years. GDP per capita has been essentially flat (adjusting for purchasing power parity) over this time frame. And yet, over 1/2 of rolling 18-month returns for the Merval Index have exceeded +50%.

Could the US be currently experiencing a “low-grade” right tail event presently?



3. Although the US Dollar has lost 1/2 of its value compared to Gold Bullion over the past 5 years, The Dollar Index has actually gained by nearly 15% versus a basket of other sovereign currencies. Hence, all currencies are falling in value in real terms - just at disparate rates. / data source: [stockcharts.com](https://stockcharts.com)



## SECTION TWO

### A VAST MAJORITY OF MARKET PARTICIPANTS APPEAR TO BE PLAYING BY THE OLD SET OF RULES

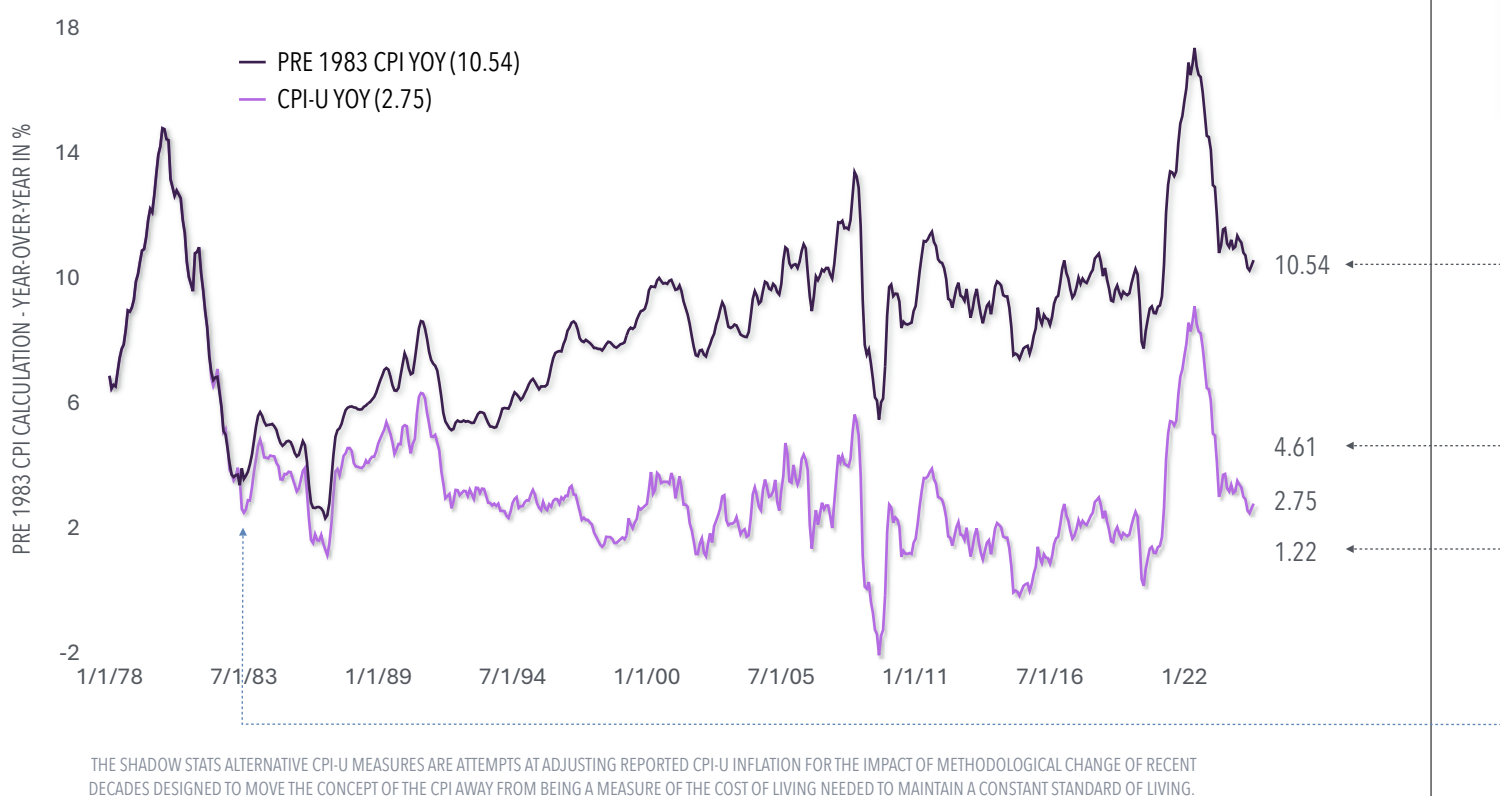
Given the collective experience of the past four years in particular, we continue to remain astounded by the sheer number of folks who seemingly continue to accept the official inflation metrics at face value. Understanding that the incentive structure to “under-estimated” the level of structural price inflation can be measured in the many billions of dollars, such data releases should perhaps be taken with a grain of salt.

As it relates to the construction of a diversified investment portfolio, we believe the industry is approaching a major crossroads. Allocations to bonds have been the centerpiece of Modern Portfolio Theory (MPT) as a primary low-correlating and de-risking component. However, through the combination of financial repression<sup>4</sup> and overt fiscal + monetary accommodation, we find the entire fixed income complex possibly unable to deliver on each of those aspects.

Over the past five years, the total US bond market has returned less than zero in nominal terms (-0.3% annualized) and deeply negative real returns when even the official (and more benign) inflation data are taken into account (-4.4% annualized). Yet, we have continued to witness massive inflows into the complex by the investing public. Of course, there could be a material bounce in bond prices from current oversold levels. Given the prospective supply-demand imbalances in the sovereign debt complex, we would generally view such a bounce through an opportunistic lens for those still somehow overweight traditional fixed income.

#### COMPARING TODAY'S CPI (CPI-U) WITH THE PRE-1983 DEFINITION OF INFLATION (P83-CPI) INFLATION METRICS HAVE BEEN RE-DEFINED OVER 30 TIMES SINCE THE EARLY 1980S - ALL OF THEM IN ONE DIRECTION

SOURCE: YEAR-OVER-YEAR (YOY) FIGURES / SHADOWSTATS.COM / NOVEMBER-2024



**“Show me the incentive and I will show you the outcome.”**

- CHARLIE MUNGER

Despite the substantive decline in “official” inflation figures (CPI-U) over the past 18 months, the pre-1983 calculation for price inflation has remained stubbornly high. Although no one can be certain which measure is the most accurate, it is becoming more evident to us that fewer out there are accepting the official data

10 Year Treasuries are yielding nearly 5 percentage points below the pre-1983 inflation calculations - meaning a 50% reduction purchasing power over 10 years (assuming current relationship were to hold).

The current 1.22% yield on the S&P 500 Index is the lowest since 2000, and less than 1/4 of the 1981 dividend yield (5.36%).

After a decade of seemingly sustained high inflation, the Bureau of Labor Statistics (BLS) started to redefine the underlying calculations for inflation between 1978-1983. In 1983, the BLS introduced a new calculation for shelter costs (homeowners equivalent included), which accounts for nearly 40% of all CPI calculations. / BLS.gov

We have found that the sustained poor performance within the fixed income complex has started to materially show up within investment products relying heavily on the 1981-2020 bond bull market. The many billions invested into Target Date funds (retirement-account-centric) have been negatively impacted by the persistent rise in intermediate to long-term interest rates. Yet, net flows continue into the complex (see chart to the right) - equating to over \$6 1/2 trillion over the past 15 years. **We continue to wonder what set of variables may catalyze a major reversal to this seeming defiant trend.**

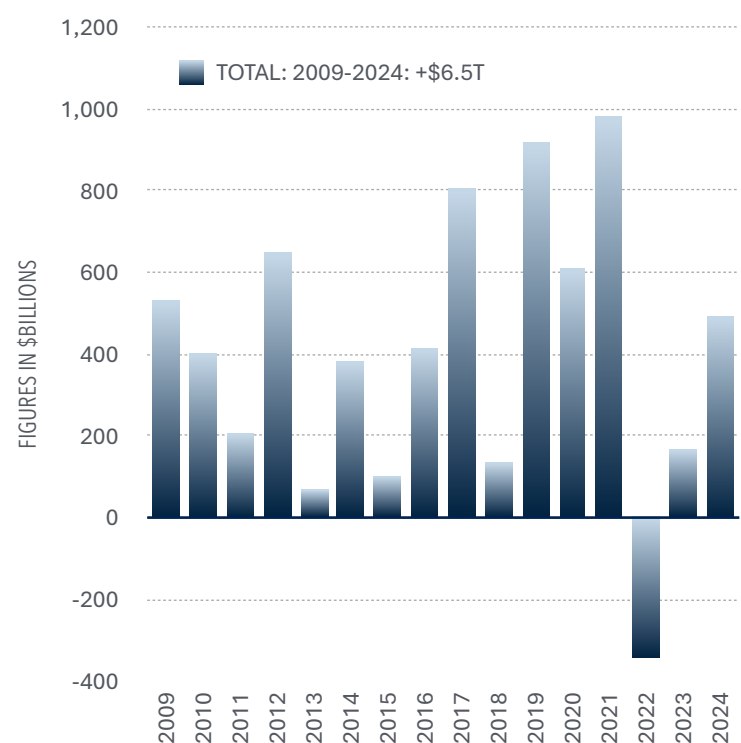
#### ROLLING 5-YEAR ANNUALIZED RETURNS: VANGUARD TOTAL BOND INDEX (TOTAL RETURN)

5-YEAR ROLLING PERIODS FROM 2000-2024 (~24 YEARS)  
SOURCE: STOCKCHARTS.COM / FROM OCT-2000 TO DEC-2024



#### NET FLOWS INTO BOND FUNDS/ETFS SINCE 2009 (PAST 15 YEARS) HUGE NET FLOWS INTO BONDS CONTINUE DESPITE POOR PERFORMANCE

DATA SOURCE: INVESTMENT COMPANY INSTITUTE / AS OF 12-09-2024



Trailing 5-year annualized returns for the Vanguard Total Bond Index have fallen once again into negative territory. When even using the more benign CPI-U figure, real annualized returns over the past five years equates to a -4.42% figure.



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4. This is defined as any policy with the explicit purpose of reducing the cost of government debt – such as forcing down real interest rates or steering central and commercial banks to buy up government bonds. / THE RISING RISKS OF FINANCIAL REPRESSION, The Financial Times, Tomasz Wieladek, March 20, 2024

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## SECTION TWO

MUSIC CONTINUES TO PLAY BUT IT'S AFTER MIDNIGHT AND THE WINDS ARE STARTING TO PICK UP...

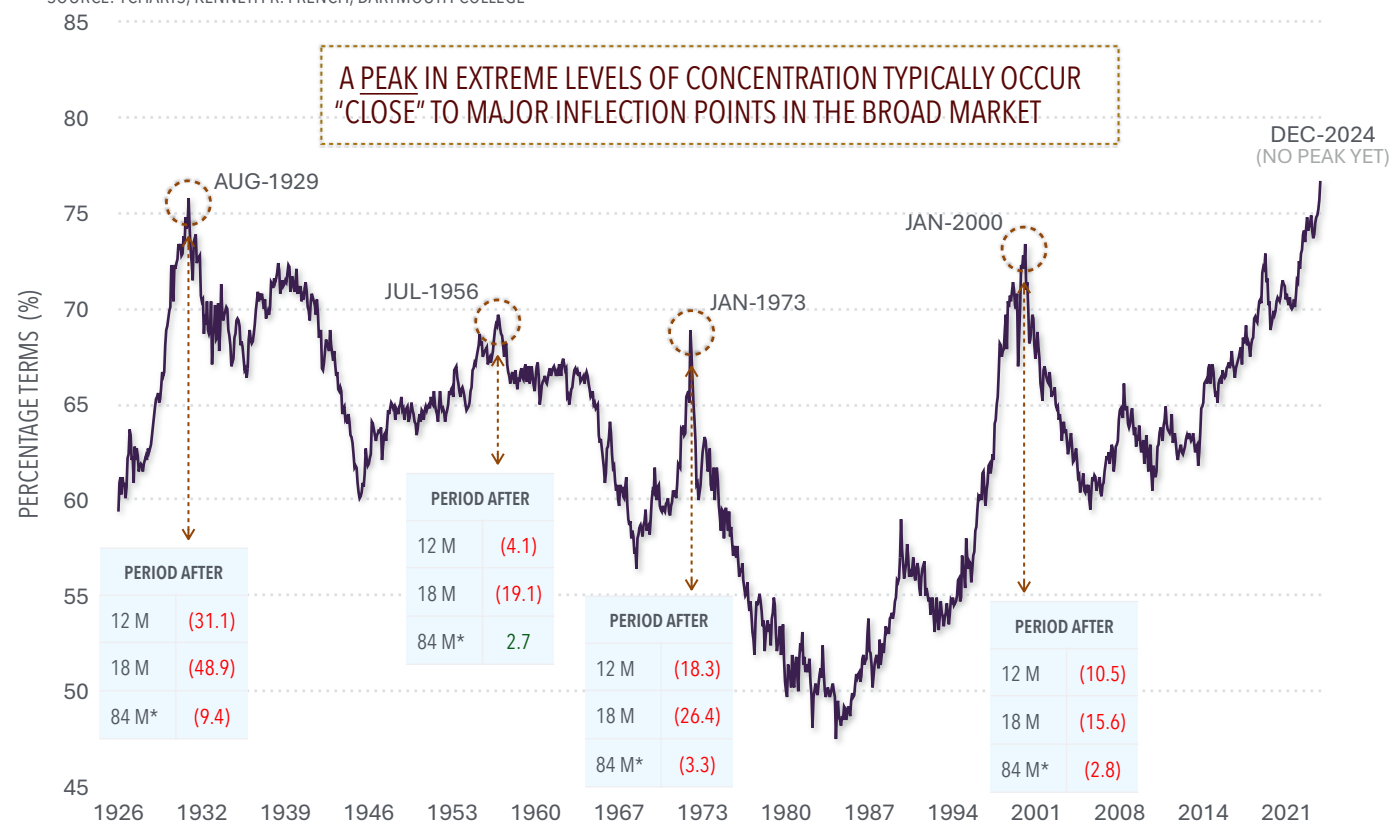
When measured via a myriad of fundamentally-driven metrics, valuations for US large-cap equities are at extreme levels. Moreover, all aspects of the investor community (individual households, non-profit organizations and even professional money managers) are essentially "all-in" at this stage of the market cycle. As it may be known, we view the public markets as the 9th wonder of the world - discounting all pertinent variables (public and close-held information) in real-time. If two people are talking about something material in nature, there is a good chance that the "market" has already discounted the likely consequences to a degree. Of course, there is noise associated with such signaling - and here is where the interpretation of the data is more of an art than pure science. Hence, we add the input of "lived experience" to interpret market-based signaling in determining a prudent time to leave the dance floor, metaphorically speaking.

- ➔ **POSITIVE:** NOMINAL TRENDS FOR BROAD EQUITY INDICES REMAIN IN SOLID UP-TRENDS (QUAD A)
- ➔ **POSITIVE:** RATIO OF STOCKS TO BONDS REMAINS IN SOLID UP-TREND (QUAD A)
- ➔ **WARNING SIGNS:** SEMI-CONDUCTOR STOCKS (LEADER OUT OF OCT-22 LOWS) HAVE STALLED
- ➔ **WARNING SIGNS:** MARKET BREADTH HAS DETERIORATED SUBSTANTIALLY SINCE THE LATE SUMMER

### CONTEXTUALIZING LEVELS OF MARKET CONCENTRATION (OVER THE PAST ~100 YEARS)

TOP 10% OF STOCKS AS A PERCENTAGE OF TOTAL MARKET CAPITALIZATION (1926-2024)

SOURCE: YCHARTS, KENNETH R. FRENCH, DARTMOUTH COLLEGE



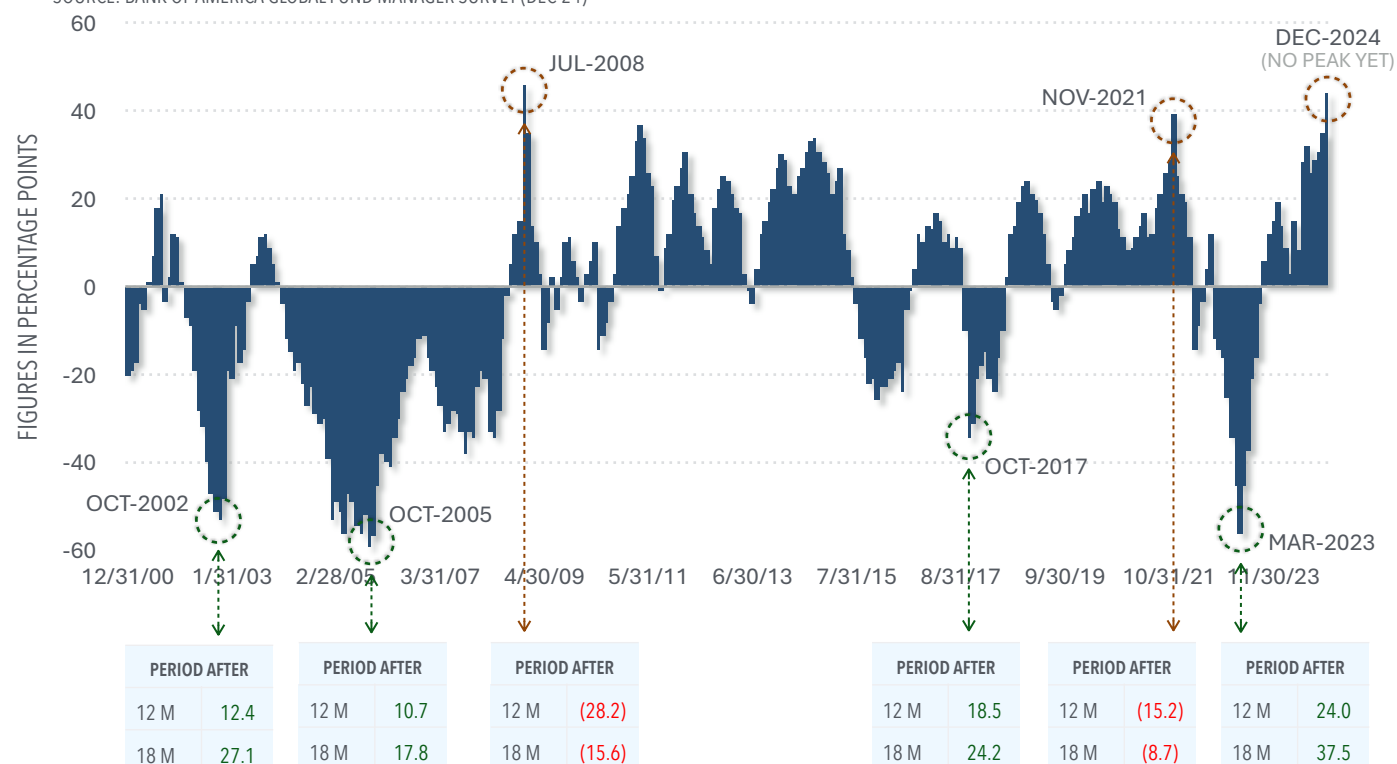
\* 84 M = FORWARD ANNUALIZED RETURN OVER A 7 YEAR PERIOD (84 MONTHS)

NOTE: PERIOD AFTER RETURNS WERE GENERATED FROM TABULATING MONTH-END PRICES IN THE S&P 500 INDEX FROM THE "PEAK MONTH" TO MONTH-END PRICES 12 MONTHS, 18 MONTHS AND 84 MONTHS THEREAFTER (MONTH-END DATA FROM TRADINGVIEW.COM)

### CONTEXTUALIZING CURRENT LEVELS OF FOMO VS. FEAR IN RISK MARKETS

BofA FUND MANAGER SURVEY / % OF FUND MANAGERS NET OVERWEIGHT EQUITIES

SOURCE: BANK OF AMERICA GLOBAL FUND MANAGER SURVEY (DEC-24)



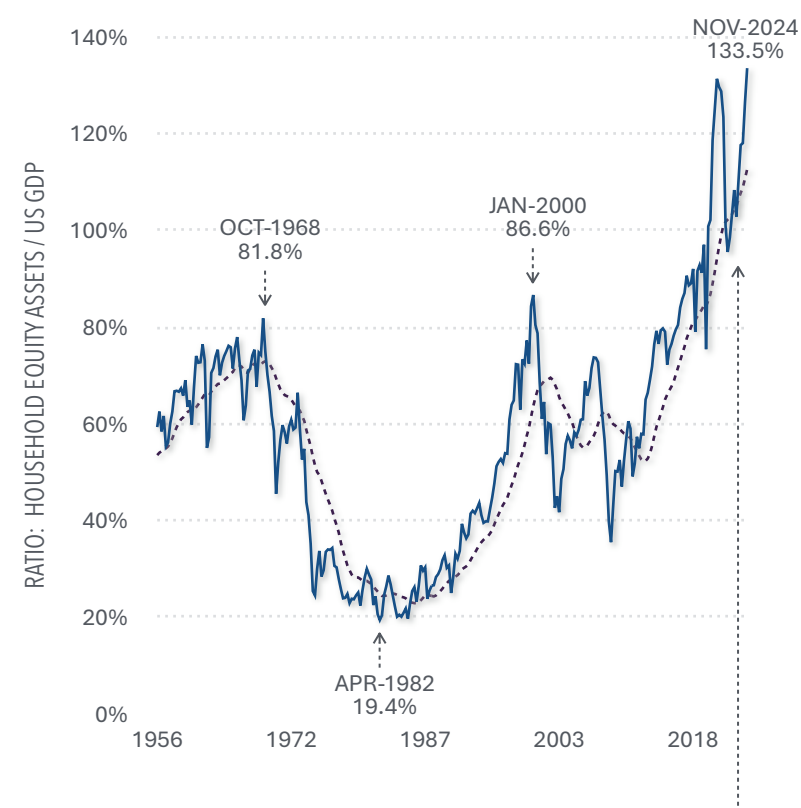
"Markets can stay irrational longer than you can stay solvent."

- JOHN MAYNARD KEYNES

### HOUSEHOLDS AND NONPROFIT ORGANIZATIONS

EQUITY ASSETS AS PERCENTAGE OF US GDP

SOURCE: ST. LOUIS FEDERAL RESERVE / AS OF NOV-2024

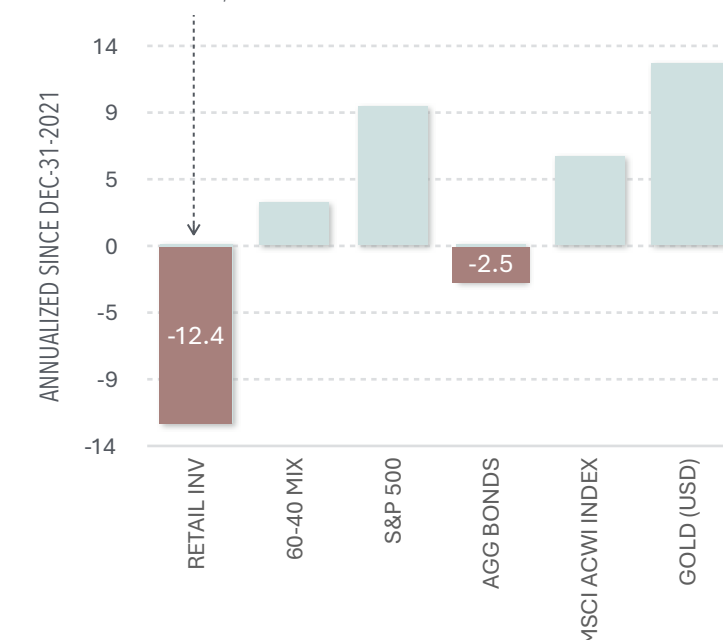


Retail investors have seemingly bought high and sold low in repeated fashion over this period (below) as the annualized return for this subset over the past 3 years is quite dismal. The key takeaway is that they are "all-in" at the current stage of the market cycle.

### PERFORMANCE OF "AVERAGE RETAIL INVESTOR" VS. BROAD MKT INDICES

RETAIL INVESTORS ARE HEAVILY UNDERWATER PAST 3 YEARS

DATA SOURCE: JP MORGAN, BLOOMBERG / AS OF 12-18-2024



> 60-40 MIX: 60% MSCI ALL COUNTRY WORLD INDEX, 40% BARCLAY'S AGGREGATE BOND INDEX



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SECTION THREE  
APPRECIATING JUST HOW GOOD IT'S BEEN - SEARCHING FOR POSSIBLE HISTORICAL ANALOGS

As human beings we often have trouble fully appreciating “good” things as they occur. Looking back over the past nearly century of stock market returns, the past decade and a half has been in the 95th percentile in terms of risk-adjusted, annualized returns - at least in nominal terms (the probable reasoning to which has been addressed earlier in this piece).

Although the macro nominal & relative trends remain in a “risk-on” mode, we believe the time is approaching for investors to take stock of their current financial situation and **reaffirm their respective long term investment mandate** - especially considering the refreshed risk/reward ratios that conceivably exist in today’s environment. Family households are typically not perpetual investment vehicles. On many occasions, goals and objectives may not be able to transcend multi-decade market cycles. Hence, we generally take odds with segments of the investment advisory community that use proverbial “hand holding” as the primary solution to out-sized volatility episodes, and sustained bear market trends.

Of course, we do not have a crystal ball with all of the answers. However, we would gather that a probabilistic approach (that aims to contextualize the current environment within a historical context) increases the potential for one to remain focussed on the ultimate goal and objective - especially at times when the ride gets rather bumpy and the visibility falls to zero.

- ➔ 2008 - 2024: S&P 500 ANNUALIZED AT NEARLY 9% (PRICE RETURN)
- ➔ 2008 - 2024: S&P 500 SPENT LESS THAN 12% WITHIN AN ESTABLISHED DOWN-TREND (QUAD D)
- ➔ 1965 - 1982: S&P 500 ANNUALIZED AT LESS THAN 2% (PRICE RETURN)
- ➔ 1965 - 1982: S&P 500 SPENT OVER 25% WITHIN AN ESTABLISHED DOWN-TREND (QUAD D)

OUR TAKE REGARDING:  
THE CURRENT MARKET ENVIRONMENT

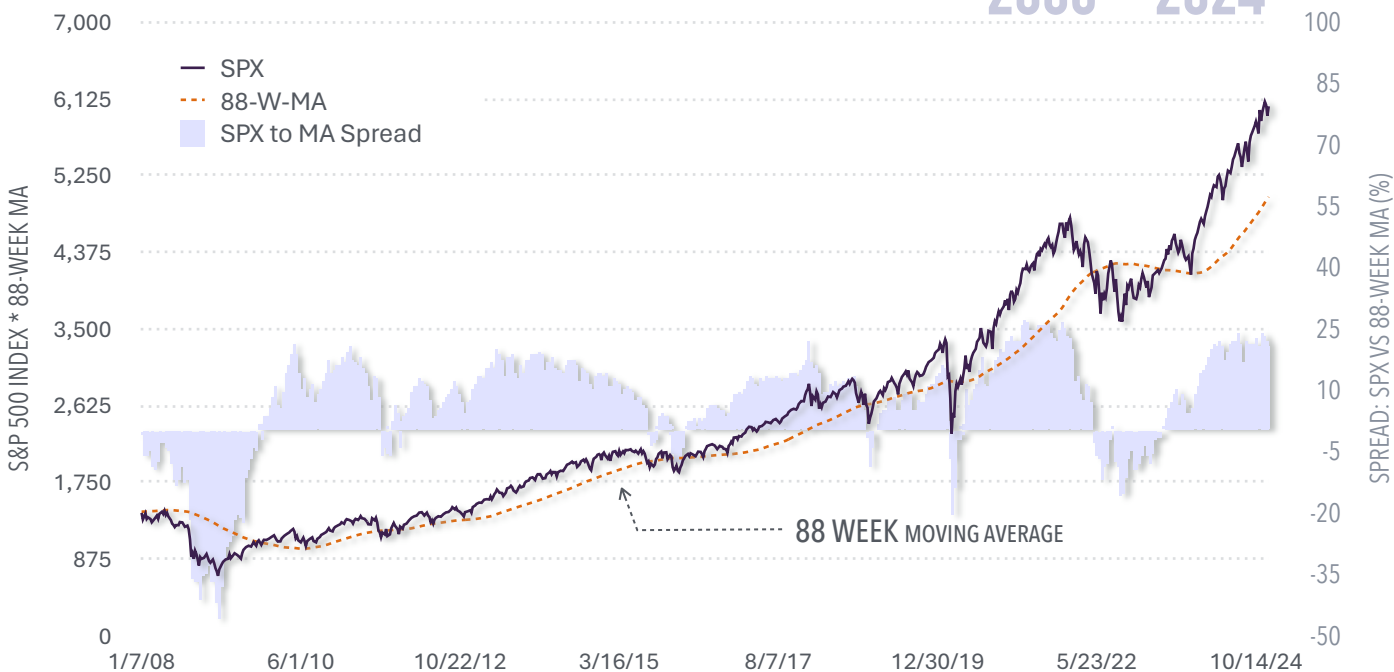
The S&P 500 has spent nearly 3/4 of the past 17 years within a quantitative up-trend (Quad A). That’s a 1/20 scenario taking into account the past century of returns.

MARKET TREND ANALYSIS (QUADRANTS)

S&P 500 INDEX / 2008 TO 2024 (DAILY RETURNS OF SPX)

SOURCE: TRADINGVIEW DAILY RETURNS / JANUARY-2008 TO DECEMBER 2024 (TRAILING 17 YEARS)

2008 - 2024

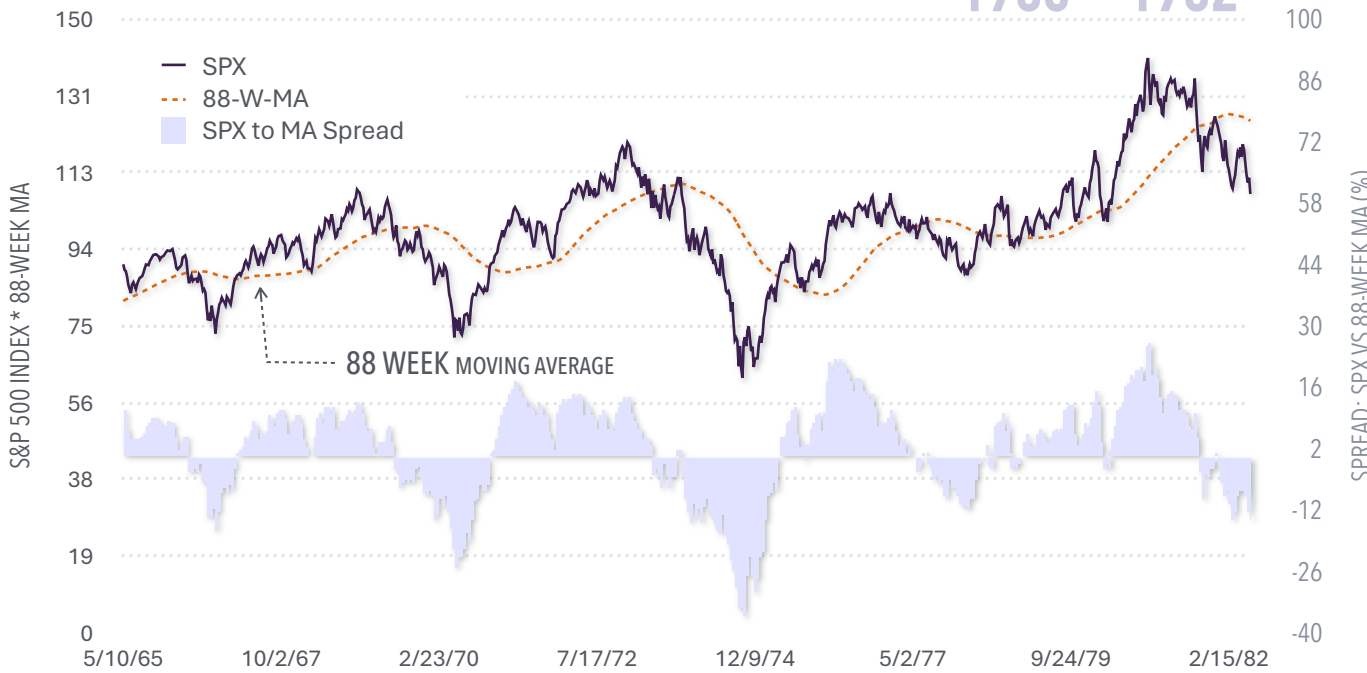


MARKET TREND ANALYSIS (QUADRANTS)

S&P 500 INDEX / 1965 TO 1982 (DAILY RETURNS OF SPX)

SOURCE: TRADINGVIEW DAILY RETURNS / MAY-1965 TO JUNE 1982 (TRAILING 17 YEARS)

1965 - 1982



DELINEATING BETWEEN DIFFERENT SEGMENTS OF A MARKET CYCLE  
17-YEAR PERIOD: 2008 TO 2024 (SPX IN RELATION TO ITS 88-WEEK MA)  
DATA SOURCE: TRADINGVIEW / JAN 2008 TO DECEMBER 2024 (TRAILING 17 YEARS)

➔ ANNUALIZED RETURN FOR SPX (TOTAL PERIOD): 8.94%

		DIRECTION OF MOVING AVERAGE			
		RISING	FALLING		
POSITION RELATED TO MOVING AVERAGE	ABOVE	% OF TIME	72.46	6.36	% OF TIME:
		ANNUALIZED	19.26	5.16	ANNUALIZED
	BELOW	ANNUALIZED	-16.52	-22.91	ANNUALIZED
		% OF TIME	9.21	11.97	% OF TIME

DELINEATING BETWEEN DIFFERENT SEGMENTS OF A MARKET CYCLE  
17-YEAR PERIOD: 1965 TO 1982 (SPX IN RELATION TO ITS 88-WEEK MA)  
DATA SOURCE: TRADINGVIEW / MAY 1965 TO JUNE 1982 (TRAILING 17 YEARS)

➔ ANNUALIZED RETURN FOR SPX (TOTAL PERIOD): 1.89%

		DIRECTION OF MOVING AVERAGE			
		RISING	FALLING		
POSITION RELATED TO MOVING AVERAGE	ABOVE	% OF TIME	55.40	8.45	% OF TIME:
		ANNUALIZED	9.79	19.01	ANNUALIZED
	BELOW	ANNUALIZED	-22.70	-10.64	ANNUALIZED
		% OF TIME	10.82	25.33	% OF TIME
			QUAD A	QUAD B	QUAD C





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**DISCLAIMERS, DEFINITIONS AND NOTES**

In a fee-based account, clients pay a quarterly fee, based on the level of assets in the account, for the services of a financial advisor as part of an advisory relationship. In deciding to pay a fee rather than commissions, clients should understand that the fee may be higher than a commission alternative during periods of lower trading. Advisory fees are in addition to the internal expenses charged by mutual funds and other investment company securities. To the extent that clients intend to hold these securities, the internal expenses should be included when evaluating the costs of a fee based account. Clients should periodically re-evaluate whether the use of an asset-based fee continues to be appropriate in servicing their needs.

The investments and strategies presented may not appropriate for every investor. Individual clients should review with their advisors the terms and conditions and risks involved with specific products or services.

Opinions and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable but should not be assumed to be accurate or complete. The views and strategies described may not be suitable for all investors

**Past performance is not a guarantee of future results. There is no assurance that any investment strategy will be successful. Investing involves risk and investors may incur a profit or a loss.**

Technical Analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity.

Relative Strength is a measure of price trend that indicates how a stock is performing relative to other stocks in its industry.

An Exchange-Trade Fund (ETF) is a security that trades an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange. ETFs experience price changes throughout the day as they are bought and sold. Inverse ETFs seek to provide a return that is inverse or opposite of the performance of its benchmark often to provide a hedge against securities held in a portfolio. To accomplish this goal inverse ETFs may use margin and sell securities short in addition to investing in various derivative instruments. These funds are not suitable for all investors and are intended for short holding periods. There is no assurance that the funds will achieve their objectives and an investment in a fund could lose money.

Asset allocation and diversification does not guarantee investment returns and does not eliminate the risk of loss.

*Remember, when investing in mutual funds or exchange-traded and index funds, please consider the investment objectives, risks, charges, and expenses associated with the funds before investing. You may obtain a fund's prospectus by contacting your Financial Advisor. The prospectus contains this and other information, which should be carefully read before investing.*

**Rebalancing a non-retirement account could be a taxable event that may increase your tax liability.**

The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time. Standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility.

Investing in fixed income products are subject to certain risks, including; interest rates, credit, inflation, call, prepayment and reinvestment risk.

Investing primarily in securities of small and mid-sized companies have historically had greater share price volatility than funds that invest in large companies. In addition, investments in these types of securities may be less liquid, which may negatively affect a fund's returns.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets may not be as politically and economically stable as the United States and other nations. Investments in emerging markets can be more volatile. Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage.

Dividends are not guaranteed and will fluctuate.

