



# MARKET ADVANTAGE PORTFOLIOS

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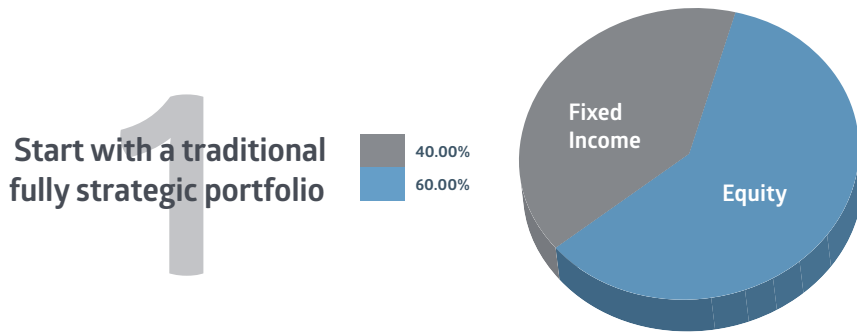
PROVIDING COMPLETE PORTFOLIO SOLUTIONS  
USING INNOVATIVE STRATEGIES AND TACTICAL  
ALLOCATIONS IN A SIMPLE WRAPPER THAT  
INVESTORS CAN UNDERSTAND



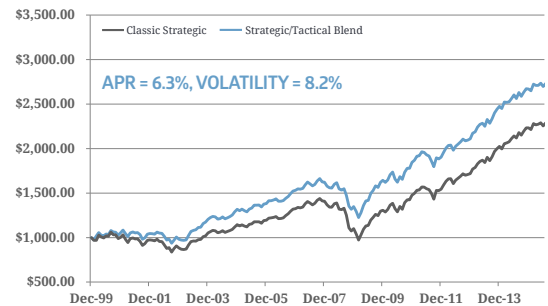
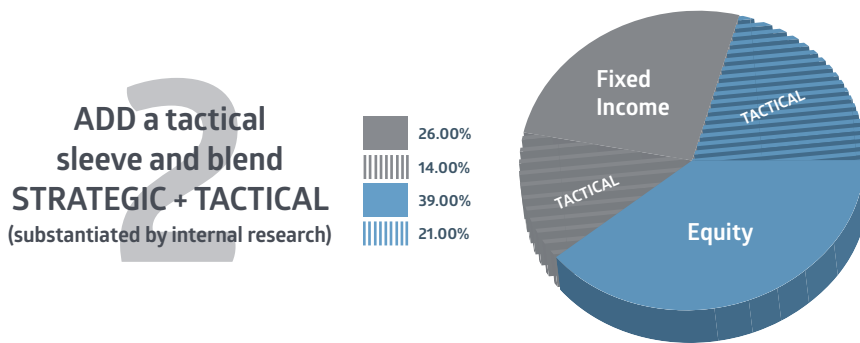
**CEDAR**CAPITAL  
M/A/P/s

# CEDAR CAPITAL PORTFOLIO PHILOSOPHY

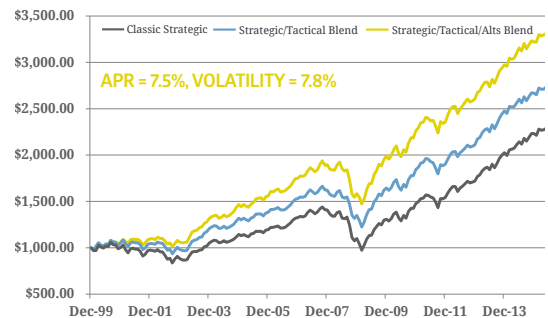
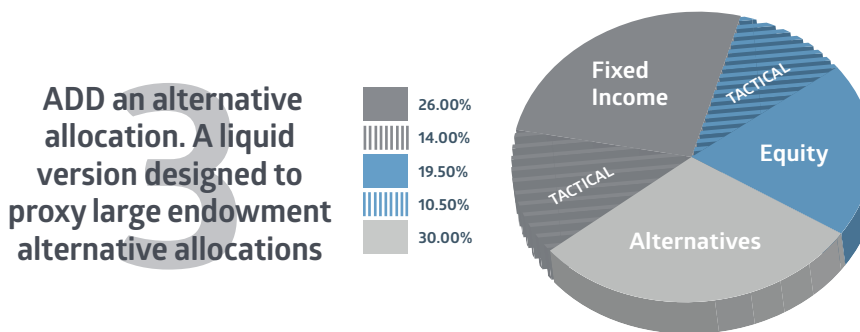
Hypothetical example - for illustrative purposes only



Including tactical management in a portfolio may address some common investing concerns: not having a long enough time horizon to recover from losses; diversification failing when needed the most; desiring, but not being prepared, to make tactical decisions.



We recommend that investors do not try to chase returns of strategic or tactical strategies, but rather, to blend strategic and tactical. When looking to implement tactical strategies into an overall investment portfolio, we suggest an allocation in the 20% to 50% range.



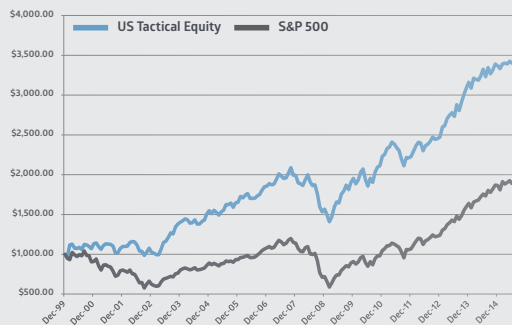
Adding an alternative sleeve to a portfolio provides an additional dimension of diversification. By properly combining both return enhancers and return diversifiers within the alternative sleeve it may be possible to both improve return and lower volatility, which may result in a better overall portfolio construction.

Strategic Fixed Income
  Tactical Fixed Income
  Strategic Equity
  Tactical Equity
  Alternatives

Past performance is not a guarantee of future results. Data: 31 Dec 1999 - 30 Jun 2015, updated annually. Source: Bloomberg, Morningstar, Internal. An investment cannot be made directly in an index. Please see 'Important Disclosures' for index definitions and dataset construction methodology. Strategic Equity is represented by the S&P 1500 TR Index. Strategic Fixed Income is represented by the Barclays US Aggregate Bond TR Index. Tactical Equity is represented by the Tactical US Equity Dataset. Tactical Fixed Income is represented by the Tactical US Fixed Income Dataset. Alternatives are represented by: 5% Thomson Reuters Venture Capital Index, 5% Thomson Reuters Private Equity Buyout Index, 10% Credit Suisse Global Macro Index, 5% S&P North American Natural Resources TR Index, and 5% Dow Jones Equity REIT TR Index.

# BLENDING STRATEGIC & TACTICAL

## Growth of \$1,000<sup>1</sup>



## No One Approach Always Outperforms<sup>2</sup>

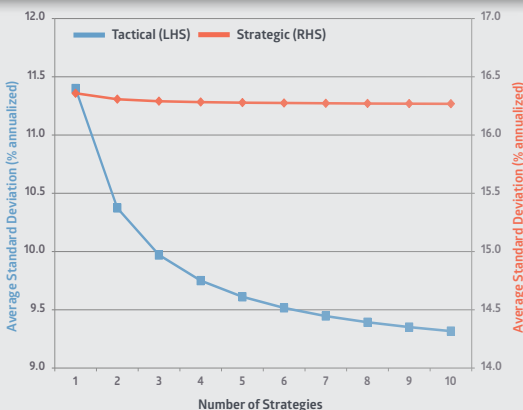
	S&P 500 Total Return	US Tactical Equity <sup>3</sup>
2000	-9.10%	13.20%
2001	-11.89%	-3.00%
2002	-22.10%	-6.54%
2003	28.68%	36.72%
2004	10.88%	10.23%
2005	4.91%	6.93%
2006	15.79%	12.30%
2007	5.49%	7.24%
2008	-37.00%	-21.31%
2009	26.46%	24.61%
2010	15.06%	14.13%
2011	2.11%	-0.07%
2012	16.00%	10.96%
2013	32.39%	27.91%
2014	13.69%	6.54%
2015 <sup>4</sup>	1.23%	0.92%

STATEMENT RISK

## Performance Metrics for Various Tactical Allocations<sup>1,3</sup>

Tactical Exposure	APR	Volatility	Max Drawdown	R Correlation	Estimated Probability of 10% Underperformance over 12 months	Statement Risk
0%	4.18%	15.08%	-50.95%	1.000	0%	LOW
10%	4.61%	14.57%	-49.32%	0.999	0%	↑ ↓
20%	5.04%	14.09%	-47.65%	0.996	0%	
30%	5.45%	13.64%	-45.93%	0.990	0%	
40%	5.87%	13.24%	-44.16%	0.981	0%	
50%	6.27%	12.87%	-42.35%	0.969	1%	
60%	6.67%	12.54%	-40.49%	0.952	3%	
70%	7.07%	12.27%	-38.58%	0.931	5%	
80%	7.45%	12.04%	-36.62%	0.906	8%	
90%	7.84%	11.87%	-34.61%	0.875	11%	
100%	8.21%	11.75%	-32.54%	0.839	14%	

## Number of Strategies in Portfolio (Standard Deviation) - US Equity<sup>1,4</sup>



## WHY WE BELIEVE IN TACTICAL MANAGEMENT

Including tactical management in a portfolio may address some common investing concerns:

- Not having a long enough time horizon to recover from losses
- Diversification failing when needed the most
- Desiring, but not being prepared, to make tactical decisions

## BLENDING STRATEGIC & TACTICAL

Our research suggests that while a fully tactical portfolio may at first glance be preferred over a fully strategic or blended portfolio, other investor considerations may need to be examined as well. Tactical management is offered not as a replacement but rather as a complement to traditional buy-and-hold strategic investing.

## USING THE RIGHT AMOUNT

We recommend that investors do not try to chase returns of strategic or tactical strategies, rather, to blend strategic and tactical. When looking to implement tactical strategies into an overall investment portfolio, we suggest an allocation range of 20%-50%.

- Too small of an allocation and the investor may miss out on benefits of tactical strategies
- Too much and the investor risks underperforming the benchmark due to decreased correlation to the benchmark, i.e. "Statement Risk"

## USING MULTIPLE TACTICAL STRATEGIES

Just as individual equity risk may be mitigated through diversification, model risk in tactical strategies may be reduced through diversification of strategies in a tactical sleeve.

- Unlike strategic management where performance may be highly correlated, our research shows that using three to five differentiated tactical strategies may help to reduce risk in a portfolio
- Tactical strategies not only deviate from their benchmark, but can also be uncorrelated from each other

Past performance is not a guarantee of future results. <sup>1</sup>The datasets presented are hypothetical and provided for illustrative purposes only. The datasets do not represent an actual investment strategy, thus are not indicative of past or future performance. Please see the posterior disclosures for more information on the data presented. Data: 31 Dec 1999 to 30 Jun 2015, updated annually. <sup>2</sup>"Statement Risk" is a period when an investment strategy underperforms its benchmark. <sup>3</sup>Partial year return: 01 Jan 2015 - 30 Jun 2015. <sup>4</sup>Data: 1 Jan 2008 - 30 Jun 2015, updated annually. Source: Morningstar, Internal. Tactical Dataset combined with various benchmark allocations. <sup>5</sup>Data: 1 Jan 2008 - 30 Jun 2015, updated annually. Source: Morningstar, Internal. Largest tactical separate account strategies and large cap blend (strategic) mutual funds by AUM as of 30 Jun 2015.

## WHY ALTERNATIVES<sup>1</sup>

Adding an alternative sleeve to a fixed income and equity portfolio may provide an additional dimension of diversification through the use of non-traditional asset categories. With a well constructed alternatives component comes the potential to improve overall portfolio return and lower volatility.

## ENDOWMENTS' SUCCESS USING ALTERNATIVES

Top endowments have demonstrated an ability to outperform the broader markets by successfully utilizing alternatives. Analyzing the asset allocation trends of top endowments reveals these larger institutions effectively combine the key elements of a well constructed alternatives sleeve, and therefore provide a solid roadmap for the Cedar MAPs alternative component.

## SINCE THE 1980s LARGE ENDOWMENTS HAVE

- Increased their exposure to alternative assets
- Decreased exposure to fixed income and equity
- Generated higher risk-adjusted returns than the average investor<sup>2</sup>

## HOW MUCH ALTERNATIVE EXPOSURE SHOULD BE USED?<sup>4,5,6</sup>

Large Endowments allocate over half to alternatives.<sup>4</sup> Investors may seek balance between seeking out excess returns and managing risks, and various types of alternative products can be used to address these issues specifically.

- Conservative investors may gravitate towards lower allocations
- Growth-oriented investors may gravitate towards considerably larger allocations
- Less benchmark-focused investors can mimic endowment allocations

## HOW TO ALLOCATE TO ALTERNATIVES?

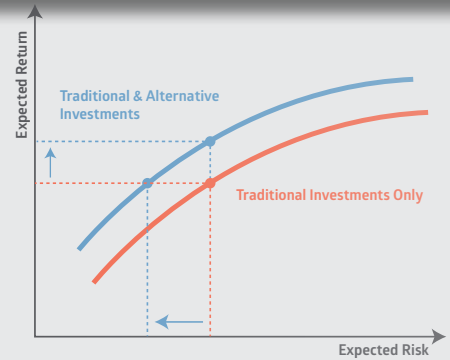
By properly combining both the goals of return enhancement and return diversification within the alternative sleeve, it can be possible to both improve return and lower volatility, which may result in a better overall portfolio construction.

## TYPES OF ALTERNATIVES AND GOALS

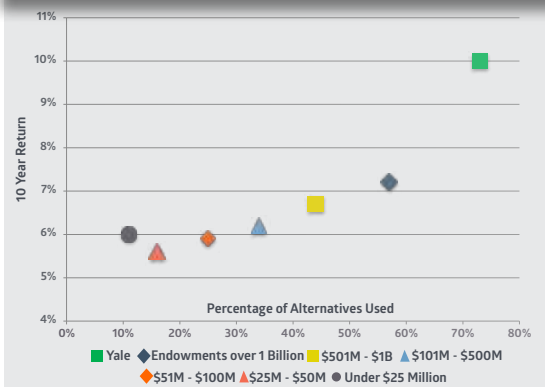
- Absolute Return – Diversification of return streams
- Real Assets – Inflation protection, diversification, and cash flow
- Private Equity – Enhanced returns

*Past performance is not a guarantee of future results. <sup>1</sup>Alternative investment products involve a high degree of risk. Alternative investment performance can be volatile and an investor could lose a substantial portion of their investment. Diversification does not ensure profit or protect against loss. Please see posterior disclosures for additional information. <sup>2</sup><http://www.vanguard.com/pdf/ISGAEP.pdf> Large Endowment performance compared to balanced funds from 1988-2013. <sup>3</sup>Data: As of 30 Jun 2015, updated annually. Source: Morningstar, Yale, NACUBO. <sup>4</sup>Alternatives include the following: private equity, marketable alternative strategies, venture capital, private equity real estate (non-campus), energy and natural resources, distressed debt and other investments. Asset classes further classified by Cedar Capital. <sup>5</sup>Allocations represent a dollar-weighted average. <sup>6</sup>Endowment allocations are presented to illustrate examples and are not representative of any strategy's current allocations. Source: National Association of College and University Business Officers and Commonfund Institute, Fiscal Year 2015. <sup>7</sup>Source: [http://www.yale.edu/investments/Yale\\_Endowment\\_10.pdf](http://www.yale.edu/investments/Yale_Endowment_10.pdf) and Reports from <http://investments.yale.edu/index.php/reports/endowment-update>. Updated through 2014. 2015 data was not available at the time this presentation was completed.*

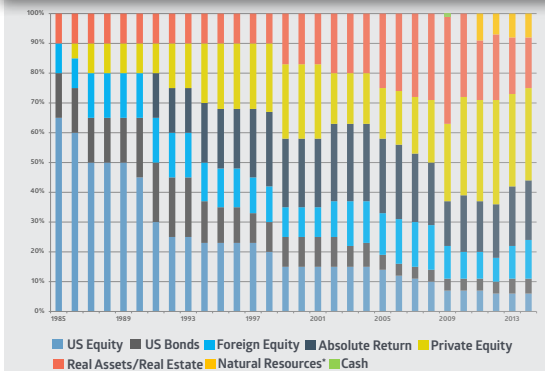
Efficient Frontier - for illustrative purposes only



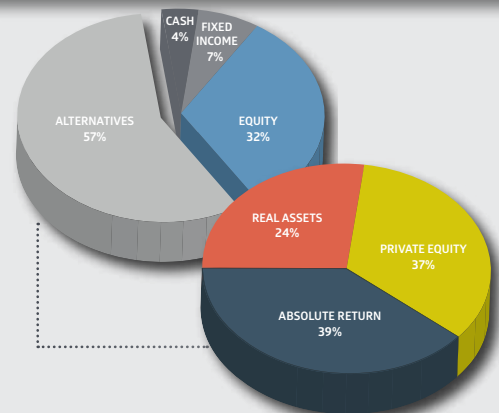
Return to Alternative Allocation<sup>3</sup>



Target Asset Allocations by Year for the Yale Endowment<sup>7</sup>



Large Endowment Allocations<sup>4,5,6</sup> - for illustrative purposes only



# CEDAR MAPs: CONCEPT & STRATEGY

The Cedar Market Advantage Portfolios are built on the idea that blending strategic approaches with tactical and alternative strategies may result in a better overall portfolio construction. Based on our in-depth research, the Cedar MAPs utilize multiple tactical strategies in an attempt to diversify key portfolio risks while including strategic and innovative alternative strategies to complete the asset allocation.

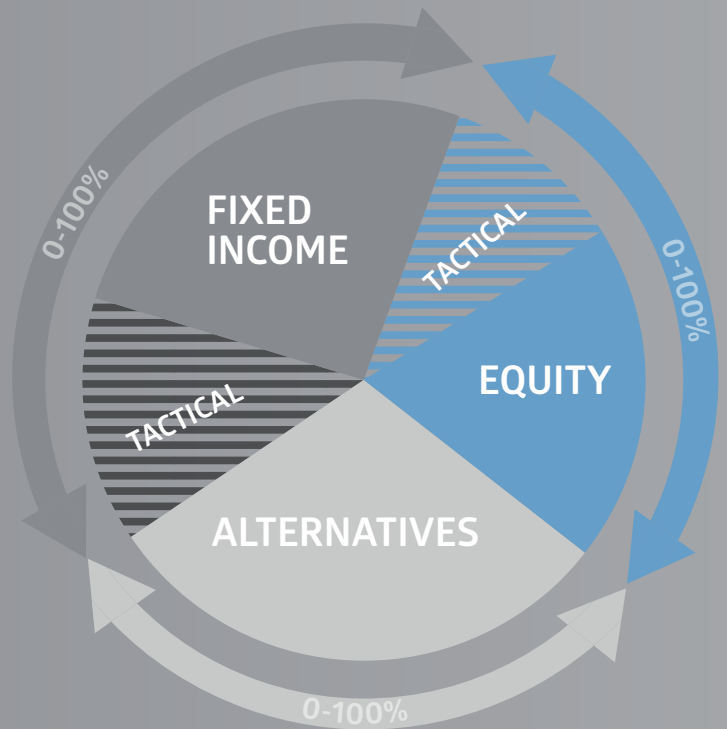
**1** Specify risk profile by allocating amongst equity, fixed income and alternatives

**2** Set equity allocation amongst domestic US and international developed and emerging markets

**3** Specify level of tactical exposure for fixed income and equity exposures

**4** End result: set of risk-based solutions

- a.) Conservative, Moderate, Growth, and Individual Endowment
- b.) Available as separately managed accounts
- c.) Can be tailored to fit an advisors individual practice



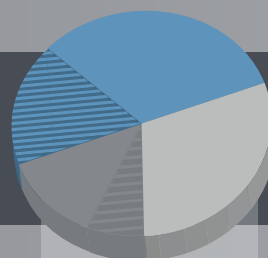
**CONSERVATIVE**

Strategic Fixed Income	45.50%
Tactical Fixed Income	24.50%
Strategic Equity	13.00%
Tactical Equity	7.00%
Alternatives	10.00%



**MODERATE**

Strategic Fixed Income	32.50%
Tactical Fixed Income	17.50%
Strategic Equity	19.50%
Tactical Equity	10.50%
Alternatives	20.00%



**GROWTH**

Strategic Fixed Income	13.00%
Tactical Fixed Income	7.00%
Strategic Equity	32.50%
Tactical Equity	17.50%
Alternatives	30.00%



**INDIVIDUAL ENDOWMENT**

Strategic Fixed Income	6.50%
Tactical Fixed Income	3.50%
Strategic Equity	16.25%
Tactical Equity	8.75%
Alternatives	65.00%

Strategic Fixed Income
  Tactical Fixed Income
  Strategic Equity
  Tactical Equity
  Alternatives

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All investment strategies have the potential for profit or loss. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment strategy will either be suitable or profitable for a client’s investment portfolio. There is no guarantee that any investment strategy, including the use of tactical or alternative investments, will achieve its objectives, generate profits, or avoid losses.

The Cedar Market Advantage Portfolios (“Cedar MAPs”) are subject to specific risks. Cedar MAPs are subject to management risk and an investor’s return and principal value of investment may fluctuate such that an investment, when liquidated, may be worth more or less than the original investment. Cedar MAPs invest primarily in mutual funds or exchange traded funds (ETFs), which are subject to investment advisory and other expenses. There are numerous risks associated with investing in the underlying mutual funds and ETFs which should be considered prior to investing.

Cedar MAPs invest in equity, fixed income, and liquid alternative investments (as classified by Cedar Capital). The more aggressive the Cedar MAPs selected, the more likely the strategy will contain larger percentages of riskier asset classes. Diversification does not guarantee a profit or eliminate the risk of loss. Equity investments are subject to overall market risk and volatility. Fixed income investments are subject to issuer credit risks and the effects of interest rate fluctuations. Alternative investments typically hold more non-traditional

investments and may employ more complex trading strategies including leverage through the use of derivatives. Investors considering alternative investments should carefully consider their unique characteristics and additional risks. Tactical investment strategies may result in the portfolios being more concentrated in a specific asset class, which could reduce overall return if these asset classes underperform.

Alternative investment products involve a high degree of risk. Alternative investment performance can be volatile and an investor could lose a substantial portion of their investment. Past performance is not a guarantee of future results. As with any investment, there is a potential for profit as well as the possibility of loss. Actual results could differ materially from those anticipated. Past performance is no guarantee of future results.

#### Tactical Datasets

The Tactical Datasets (“Datasets”) were created by Cedar Capital utilizing the Morningstar ETF Strategist Database (the “Database”) of tactical separately managed account strategies. **The Datasets are not investment strategies managed by Cedar Capital and cannot be invested in directly. The Dataset data presented is hypothetical and is provided for illustrative purposes only. The Datasets do not represent an actual investment strategy thus are not indicative of past or future performance. The Datasets are presented gross-of-fees and do not include the deduction of any investment management fees or expenses, both of which would decrease the performance results presented.** The Datasets reflect performance as reported to the Database but cannot be confirmed by Cedar Capital.

The Datasets were created utilizing the following criteria. A time period spanning back to the start of 2000 was chosen such that multiple market environments would be included in the Datasets: namely the weaker market environments of 2000-2002 and 2008 as well as the stronger market periods from 2003-2007 and 2009-2014. Finally, to reduce the impacts of survivorship bias, if a strategy did not exist for the entirety of the analysis period, it was included for the time periods where returns were available. In other words, if a manager stopped reporting performance to the Database, the strategy was still

included to the extent possible.

It is not possible to invest directly in an index (benchmark). Indexes are unmanaged and do not reflect the deduction of fees or other expenses. Historical performance results for market indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark.

**The S&P 1500 TR Index** is a total return market capitalization weighted combination of the large-cap S&P 500 Index, S&P MidCap 400 Index and the S&P Small Cap 600 Index; covering approximately 90% of the U.S. market capitalization.

**The S&P 500 TR Index** is a capitalization weighted index of 500 stocks designed to measure the performance of the broad domestic economy. The total return index included the effects of dividends.

**The Barclays Aggregate Bond Total Return Index** is an index designed to provide a measure of the performance of the U.S. investment grade bonds market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass through securities and asset backed securities that are publicly offered for sale in the United States.

**The 60/40 Blend** is represented by 60% S&P 1500 TR Index and 40% Barclays US Aggregate Bond TR Index.

**The S&P North American Natural Resources Index** provides investors with a benchmark that represents U.S. traded securities that are classified under the GICS® energy and materials sector excluding the chemicals industry; and steel sub-industry.

**The Thomson Reuters Private Equity Buyout Index** replicates the performance of the Thomson Reuters Private Equity Buyout Research Index, which is a comprehensive and highly representative indicator of the US PE Buyout industry, through a combination of liquid, publicly listed assets.

**The Thomson Reuters Venture Capital Index** replicates the

performance of the Thomson Reuters Venture Capital Research Index, which is a comprehensive and highly representative indicator of the US venture capital industry, through a combination of liquid, publicly listed assets.

**The Dow Jones Equity REIT Total Return Index** represents all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT industry classification hierarchy. These companies are REITs that primarily own and operate income-producing real estate.

**The Credit Suisse Global Macro Hedge Fund Index** is a subset of the Credit Suisse Hedge Fund Index that measures the aggregate performance of dedicated short bias funds. Global macro funds typically focus on identifying extreme price valuations and leverage is often applied on the anticipated price movements in equity, currency, interest rate and commodity markets. Managers typically employ a top-down global approach to concentrate on forecasting how political trends and global macroeconomic events affect the valuation of financial instruments. Profits can be made by correctly anticipating price movements in global markets and having the flexibility to use a broad investment mandate, with the ability to hold positions in practically any market with any instrument. These approaches may be systematic trend following models, or discretionary.

#### Glossary

**APR** (Annual Percentage Rate) is the annual rate that is achieved by an investment over a period of time.

**Correlation** is a statistical measure of how two securities move in relation to each other.

**Drawdown** is the peak-to-trough decline during a specific record period of an investment, fund or commodity. A drawdown is usually quoted as the percentage between the peak and the trough.

**Standard Deviation** is a measure of the dispersion of returns; a large dispersion shows higher volatility.

**Volatility** is a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security.