The Elevation Strategy Explained

The Elevation Strategy summary sheet provides key information about our risk-managed, tax-efficient, longer term, growth-oriented stock market strategy. However, we felt it was important to also provide advisors and investors with additional details on the primary elements of the strategy and to answer what we perceive to be the natural questions about how the strategy works. To recap:

1. **The Goals**
    - Participate in bull market cycles
    - Reduce exposure to risk during severely negative environments
    - Seek long-term capital gain treatment on trades whenever possible
2. **Management Strategy to Accomplish Goals**
    - Strive to keep in line with prevailing market
    - Focuses on the "health of the market" to determine appropriate account positioning
3. **Three Stock Market "Health" Modes**
    - **Extremely Healthy** – When our proprietary models determine and classify the stock market to be extremely healthy, the Elevation Strategy assumes a more aggressive stance where a portion of the account would be allocated to leveraged 2X mutual funds or ETF(s) to increase market exposure above 100%.
    - **Healthy –** When indicators classify the market as being in a "healthy" state, the strategy will be allocated 100% to the equity markets. (no 2X funds)
    - **Unhealthy -** When the market is deemed to be "unhealthy", the Elevation Strategy will remove exposure to market risk and hold a 100% cash and/or money market positions.

How the "Health" of the Market is Determined

One of the keys to the Elevation Strategy is the determination of the appropriate market regime – something we call the "health" rating. Thus, the first question an advisor should ask is, how does Atlas determine whether the stock market is extremely healthy, healthy, or unhealthy? We start by focusing on the "Technical Health" of the overall market by analyzing the status of 157 sub-industry groups.

In 1999, Morgan Stanley Capital International (MSCI) and Standard & Poor's Global (SPG) developed the Global Industry Classification Standard (GICS). The objective was to create an efficient tool to classify the breadth, depth and evolution of industry sectors. The first step in understanding how the Elevation Strategy works is to recognize that GICS classifies each security into the following categories:

11 Sectors → **24 Industry Groups** → **68 Industries** → **157 Sub-Industry Groups**

Each week, the Elevation Strategy identifies the technical health of the 157 sub-industry groups of the market. Our studies show that when the majority of the sub-industry groups are "technically healthy" (which we define as trending higher with positive momentum), the overall market tends to perform at an above average rate. Conversely, when the majority of the sub-industry groups are "technically unhealthy" (as determined by our models), the stock market has performed poorly. **Each week, all 157 sub-industry groups are rated as positive, neutral, or negative based on Atlas' proprietary indicators.**

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What is a Sub-Industry Group?

For a better understanding of the market's GICS structure, below are 4 examples of the GICS breakdown by Sector, Industry Group, Industry, and Sub-Industry; including examples of well-known companies in the sub-industries.

SECTOR—**Information Technology**
INDUSTRY GROUP—Technology Hardware & Equipment
INDUSTRY—Technology Hardware, Storage & Peripherals
SUB-INDUSTRY—Technology Hardware, Storage & Peripherals
COMPANIES—Apple, Hewlett Packard Enterprise, Western Digital, NetApp, Seagate Technology, Xerox

SECTOR—**Financial**
INDUSTRY GROUP—Banks
INDUSTRY—Banks
SUB-INDUSTRY—Diversified Banks
COMPANIES—JPMorgan Chase & Co, Bank of America Corporation, Wells Fargo & Co, Citigroup, U.S. Bancorp

SECTOR—**Consumer Discretionary**
INDUSTRY GROUP—Consumer Services
INDUSTRY—Hotels, Restaurants & Leisure
SUB-INDUSTRY—Restaurants
COMPANIES—McDonalds, Starbucks, Yum Brands, Darden Restaurants, Chipotle Mexican Grill

SECTOR—**Consumer Staples**
INDUSTRY GROUP—Food, Beverage & Tobacco
INDUSTRY—Beverages
SUB-INDUSTRY—Soft Drinks
COMPANIES—Coca-Cola, PepsiCo, Monster Beverage Corp, Keurig Dr Pepper Snapple Group

Additional Topics for Discussion

On the following pages we will discuss the following:

- Summary of the historical trades the system would have generated during "Healthy" market regimes
- Summary of the historical trades the system would have generated during "Extremely Healthy" market regimes
- Summary of the Elevation Strategy versus buy-and-hold
- Summary of drawdowns in different market environments

Trade Summary During "Healthy" Regimes

Below is a summary of trades the Elevation Strategy would have generated when the market was rated "technically healthy". For reference purposes, our studies indicate the market has been rated "Healthy" 86% of the time for the period 3/31/1999 through 6/30/2018.

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Additionally, in the table below, please note the following:

1. The size and number of gains that were "long term". For tax purposes, the extremely large gains were all classified as long term.

2. The fact that losses were minimal. Only one trade would have produced a loss of more than 10% and that this trade would have been only 50% of the portfolio.

3. The result of SPY and QQQ when the Elevation Strategy was "out of the market". This tells us the strategy didn't miss much upside opportunity when the market was rated "unhealthy". The market has been rated "unhealthy" 14% of the time for the period 3/31/1999 through 6/30/2018. When the market is rated "unhealthy", 100% of the Elevation strategy is allocated to cash and/or money market funds.

Trade Summary: Stock Market Rated "Technically Healthy"

Trade Dates	*SPY	*QQQ	Capital Gain Treatment	Returns When Elevation Strategy Out of the Market SPY	QQQ
3/1999 - 10/2000	11.53%	46.31%	Long Term	-10.59%	-39.89%
4/2001 - 6/2001	0.95%	-0.22%	Short Term	-7.58%	-12.07%
11/2001 - 4/2002	-1.84%	-14.05%	Short Term	-22.16%	-23.56%
3/2003 - 11/2007	76.64%	87.55%	Long Term	-0.71%	-3.79%
4/2008 - 6/2008	-1.39%	3.68%	Short Term	-40.81%	-38.09%
3/2009 - 6/2010	39.87%	51.11%	Long Term	3.75%	2.95%
7/2010 - 8/2011	17.75%	25.30%	Long Term	-6.16%	-0.60%
10/2011 - 10/2015	79.21%	93.48%	Long Term	1.54%	1.22%
10/2015 - 1/2016	-6.11%	-5.07%	Long Term	6.66%	3.92%
3/2016 - 6/30/18	42.03%	67.41%	Long Term		

***Please see important disclosures contained in the Elevation Strategy summary about the limitations of back testing. Results do not reflect any reduction for management or custodial fees, or any charges for transactions. Consult the Elevation Strategy disclosure page for back tested results that reflect maximum management and custodial fees.**

Trading Summary During "Extremely Healthy" Regimes

Below is a summary of trades for the leveraged funds (2X) ULPIX (ProFunds UltraBull Fund) and UOPIX (ProFunds UltraNASDAQ-100 Fund) when the market was rated "extremely healthy" by the Elevation Strategy models. For reference purposes, our studies indicate the market has been rated "Extremely Healthy" 65% of the time for the period 3/31/1999 through 6/30/2018.

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Please note in the table below:

1. **Majority of gains were "long term"**
2. **Losses minor when compared to the gains**

Summary of ULPIX (ProFunds UltraBull Fund) Trades During "Extremely Healthy" Regimes				
Number of Trades	Number of Gains	Success Rate	Total Return	Annualized
22	17	77%	*1505.83%	*15.54%

Summary of ULPIX (ProFunds UltraBull Fund) Gains/Losses/Average Returns		
Type of Gain/Loss	Number of Gains/Losses	Average Gain/Loss
Long Term Gain	4	*50.90%
Short Term Gains	13	*12.58%
Short Term Losses	5	*-7.60%

Summary of UOPIX (ProFunds UltraNASDAQ-100 Fund) Trades During "Extremely Healthy" Regimes				
Number of Trades	Number of Gains	Success Rate	Total Return	Annualized
22	18	82%	*7196.27%	*25.00%

Summary of UOPIX (ProFunds UltraNASDAQ-100 Fund) Gains/Losses/Average Returns		
Type of Gain/Loss	Number of Gains/Losses	Average Gain/Loss
Long Term Gain	4	*83.26%
Short Term Gains	14	*19.13%
Short Term Losses	4	*-13.44%

Summary of Trading versus Buy and Hold for SPY and QQQ	
Buy and Hold – No Transactions 3/31/99 – 6/30/18	Back Tested Transaction Results 3/31/99 – 6/30/18
**SPY +201.97% Annualized +5.92%	*SPY +728.98% Annualized +11.63%
**QQQ +268.00% Annualized +7.01%	*QQQ +1454.31% Annualized +15.34%

***Transactions results do not reflect any reduction for management or custodial fees, or any charges for transactions. Please consult the Elevation Strategy summary for back tested results that reflect maximum management and custodial fees.

** Results of buying and holding SPY and QQQ for indicated time period.

Discussion of Drawdowns and Two Different Negative Market Cycles

One of the primary objectives of the Elevation Strategy is to reduce exposure to market risk during severely negative cycles. Atlas believes it is important to recognize that negative market cycles are a reality and that no two cycles are the same. The drivers of the last negative cycle are unlikely to drive the next negative cycle.
It is for this reason that there are two time periods displayed in the Elevation Strategy Summary Sheets. The first illustrates back tested results shown monthly from 1/1/2008. This is the period that most advisors and investors want to explore first in their review of any risk-managed program. The second time period is from 4/1/1999 through 6/30/2018 (QQQ began trading 3/10/1999).

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The 2008 Financial Crisis

The back tested trading of the Elevation Strategy shows no calendar-year losses during the 2007-2009 periods. The results shown on the Elevation Strategy summary sheets reflect the deduction of maximum management and custodial fees. No transactions costs were deducted.

As shown in the table below, the maximum drawdown for the Elevation Strategy since 2008 was -16.10%, which occurred from 4/30/2010 to 8/31/2010 and recovered in the following 4 months. The S&P maximum drawdown for the same time period was -48.50 which occurred from 12/31/2007 to 2/28/2009 with a recovery length of 36 months. As such, we believe the Elevation Strategy would have performed very well during and after the "Financial Crisis."

Elevation and S&P 500 Maximum Drawdowns from 12/31/2007 to 6/30/2018					
	Max Drawdown	**Length**	**Recovery Length**	**Peak Date**	**Valley Date**
Elevation Strategy	**-16.10%**	4	4	4-30-2010	8-31-2010
S&P 500 Index (Divs Included)	**-48.50%**	14	36	12-31-2007	2-28-2009

Atlas believes the 2008 "Financial Crisis" was unique in that the cycle was protracted in terms of both duration and the extent of the decline. According to Ned Davis Research, the mean decline experienced by the Dow Jones Industrial Average during all negative cycles since 1900 (defined as 30% drop in the DJIA after 50 calendar days or a 13% decline after 145 calendar days) has been -30.6%. During the "Financial Crisis," the Dow fell by -53.8% over a period of 517 calendar days.

The 2000-2002 Tech Bubble

The "Technology Bubble" decline which, according to Ned Davis research occurred from January 14, 2000 through March 19, 2002, was a different animal.

In 1999 and early 2000 the market was rated "extremely technically healthy" and the Elevation Strategy was positioned with allocations in 2X funds. These aggressive positions would have helped generate a gain of 53.40% in 1999 (3/31/99 through 12/31/99 as QQQ began trading 3/10/1999). Thus, the strategy experienced substantial returns during late 1999 and early 2000 as the Nasdaq 100 was heavily concentrated in the technology (tech) sector. According to Invesco Capital Management, LLC., technology stocks comprised 76% of the Nasdaq 100 on 3/31/2000 with a total P/E multiple of over 158. The Nasdaq 100 actually gained over 100% from 3/31/99 thru 3/31/00. As of 6/30/2018 the Nasdaq 100 contained 61% tech stocks with a total P/E multiple of 30.

Also, important, as shown in the table below, the Elevation Strategy experienced less of a decline than the S&P 500 and NASDAQ-100 from 2000-2002. During the three-year period from 2000 through 2002, the strategy experienced a decline in value totaling -22.51%, compared to a decline of -37.65% for the S&P 500 and a decline of -73.45% for the NASDAQ 100. Thus, the strategy would have provided significant value by declining far less than the S&P 500 and NASDAQ -100 indexes.

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Elevation Annual Performance versus S&P 500 Index and NASDAQ-100 Index from 2000-2002				
	2000	2001	2002	Total Return 2000 - 2002
Elevation Strategy	-15.94%	-1.12%	-6.77%	-22.51%
S&P 500	-9.13%	-11.91%	-22.11%	-37.65%
NASDAQ-100	-36.84%	-32.65%	-37.58%	-73.45%

Our Expectations During Negative Market Cycles

As we mentioned above, no two negative market cycles are alike. In addition, one can never know what will cause the next decline, or how long it will last. What we do know is that since 1999, the Elevation Strategy back tests show the program would have provided significant outperformance relative to the buy-and-hold of the S&P 500 and, in our opinion, done a fine job of managing risk during negative cycles such as 2000-2002 and 2007-2009.

Finally, it is important to note that investors should NOT expect any strategy, including Elevation, to avoid all declines. We believe this is impossible and that striving to achieve such a goal is a fool's errand. To review, the overall objectives are to participate in bull market cycles, reduce exposure to risk during severely negative environments, and to seek long-term capital gains treatment for tax purposes whenever possible. We believe the Elevation Strategy has the potential to achieve those objectives.

This addendum must be accompanied by the complete Elevation Strategy summary report with its associated disclosure information. *The hypothetical transactions are intended to illustrate how the Elevation Strategy would have performed without consideration of management fees, custodial fees, and transaction expenses. Please refer to the Elevation Strategy summary report for detailed performance information that reflects maximum management and custodial fees. There are limitations inherent in hypothetical back-tested results particularly that the performance results does not represent the results of actual trading using client assets but were achieved by means of the retroactive application of a back-test model that was designed with the benefit of hindsight. Back-tested performance information may not reflect the impact that any material market or economic factors might have had on the adviser's use of the model if the model had been used during the period to actually manage client assets. Hypothetical results tend to portray an optimal application of a trading strategy because the investment professional designs the investment approach with the benefit of hindsight. Remember that past performance may not be indicative of future results and the future performance of a specific individual client account may vary substantially from the above hypothetical performance results. Therefore, no current or prospective client should assume that future performance will be profitable, or equal to the Atlas hypothetical performance results reflected above. The hypothetical results assume that all executions were completed at the closing price of SPY and QQQ. In actual practice, executions are completed during the trading day and the execution price may be higher or lower than the closing prices used. Each transaction involving SPY and QQQ would have resulted in a commission being charged. In the opinion of Atlas Capital, this charge would have been less than 0.10% on an annual basis. Data was obtained from sources believed reliable but whose accuracy is not guaranteed. Because markets are influenced by a variety of changing conditions, future performance based on prior results should not necessarily be assumed. It should be noted that the possibility of loss exists along with the potential for profit.

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