

# Chapoquoit Aggressive Portfolio

## Fact Sheet

As of February 28, 2019

# Chapoquoit Dynamic Portfolios, Division of



Chapoquoit Dynamic Portfolios is a unique, tactical, & fundamental top-down investment strategy employing market & macroeconomic factors to invest in sectors. It is designed for investors who wish to build wealth over a longer term by generating equity-like returns with bond -like volatility.

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 For more information visit: [Chapoquoit Dynamic Portfolios](#)

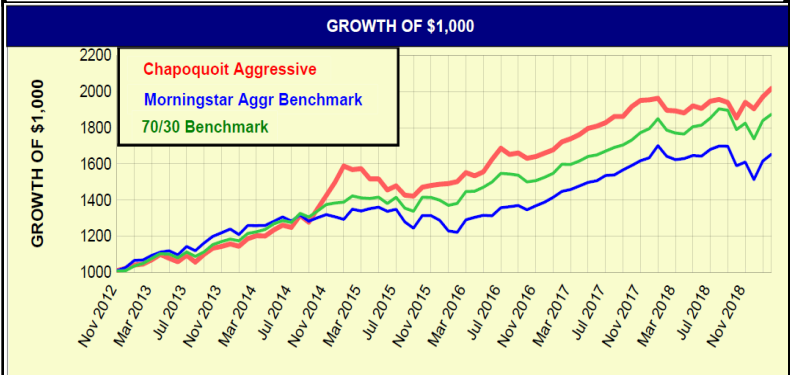
### AGGRESSIVE SEPARATELY MANAGED ACCOUNT

**Philosophy:** We believe in tactically preserving capital by reducing volatility in down markets in order to invest more capital in up markets. This more fully prepares investors to reach their longer term investment goals.

**Investment Objective:** Chapoquoit's aggressive tactical asset allocation is driven by market & macroeconomic factors over repeating market cycles in order to achieve a consistent satisfactory return associated with a client's risk tolerance. Risk is expressed over repeating market cycles by measuring performance against an index comprised of 70% S&P & 30% US Govt10yr+.

**Investment Process:** The Chapoquoit strategy has been researched historically over a 30 to 40 year period. It makes monthly sector allocations based on monthly changes in a number of market & macroeconomic factors. These factors have been historically researched as to their influence on the positive or negative performance of a universe of market sector and geared ETF investments. Chapoquoit is a patented quantitative model that rebalances monthly on a disciplined non-discretionary basis.

### Aggressive Growth Performance since Inception Nov. 2012



### Aggressive Portfolio Actual Monthly Returns Since Inception (November 2012) (Net of Fees)\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	3.42%	2.40%											5.90%
2018	0.44%	-3.38%	-0.17%	-0.58%	2.05%	-0.73%	2.09%	0.50%	-0.84%	-4.42%	4.67%	-1.85%	-2.50%
2017	1.15%	2.61%	0.98%	1.34%	1.94%	0.67%	1.07%	1.88%	0.00%	2.92%	1.80%	0.15%	17.79%
2016	0.23%	0.75%	3.29%	-1.13%	1.42%	4.44%	3.79%	-2.02%	0.49%	-1.80%	0.61%	1.13%	11.55%
2015	6.05%	-1.26%	0.36%	-3.62%	0.00%	-4.01%	1.51%	-3.45%	-0.40%	3.49%	0.63%	0.49%	-0.67%
2014	-1.07%	3.62%	1.40%	-0.11%	2.80%	2.13%	-1.01%	5.34%	-2.84%	5.78%	5.41%	5.10%	29.44%
2013	1.85%	0.54%	2.23%	2.79%	-1.94%	-1.77%	3.40%	-3.49%	4.08%	3.10%	0.81%	1.22%	13.24%
2012											0.97%	1.19%	2.16%

\*Past Performance is no guarantee of future results. You cannot invest directly in an index. For Benchmark Definitions See the Index Definitions in the Disclosures. Chapoquoit Aggressive Portfolio actual returns are shown net of the actual management fees and transaction charges to client account. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in U. S. dollars.

The firm *Chapoquoit Dynamic Portfolios* is a division of *First National Corporation*. *Chapoquoit Dynamic Portfolios* is GIPS compliant and verified.

Please review the Annual Disclosure Statements at: [Aggressive GIPS Presentation](#)

Nov 2012 - Feb 2019

### SUMMARY STATISTICS - CHAPOQUOIT AGGRESSIVE & BENCHMARKS

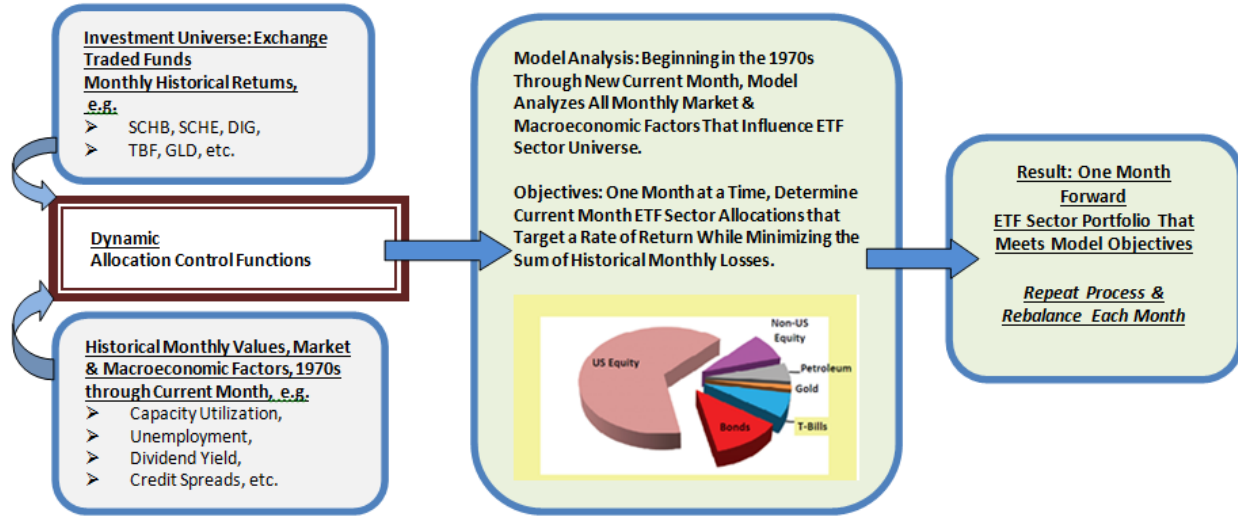
Statistic	Chapoquoit Aggressive	Morningstar Aggressive Mgr Benchmark	S&P500	Govt 10+ Yr ML Bond Index	70% S&P500 30% Govt 10+
Annualized Return	11.72	8.26	13.69	2.25	10.43
Annualized Standard Deviation	8.31	8.60	10.85	9.46	7.50
Largest Peak-to-Valley Loss	10.50	11.04	13.52	13.92	8.73
Sharpe Ratio (Risk Free Rate=0.15)	1.39	0.94	1.25	0.22	1.37
Highest Monthly Return	6.05	6.76	8.44	8.19	5.80
Lowest Monthly Return	-4.42	-6.38	-9.03	-7.08	-5.62
Percent of Past Months Less Than 0	28.95	31.58	25.00	47.37	31.58
Correlation with S&P500	0.57	0.97	1.00	-0.22	0.93
Up Capture Ratio vs S&P500	59.63	69.22	100.00	-0.92	67.35
Down Capture Ratio vs S&P500	34.17	88.74	100.00	-33.84	65.00

### Morningstar Ratings vs. Universe of Tactical ETF SMA Managers with a 5 Year Track Record as of 12/31/2018

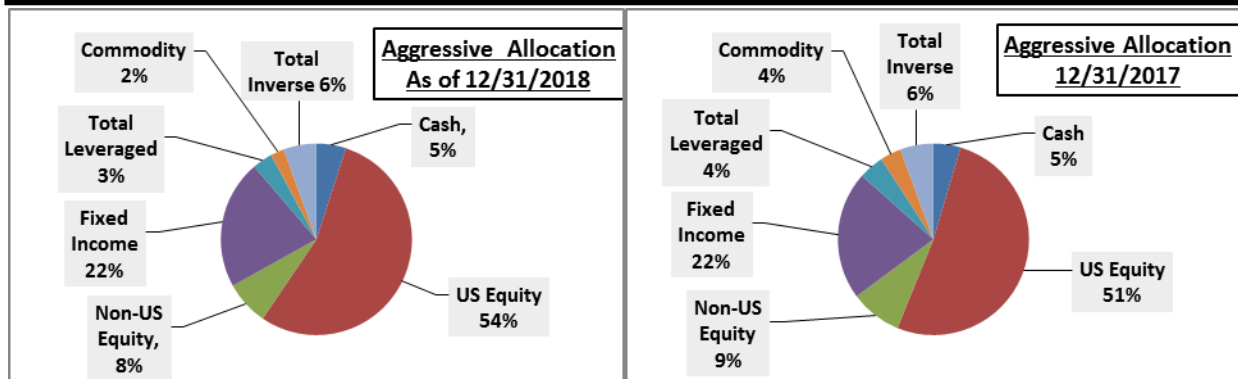
	3 Year Gross Return (Out of 300 Managers)	5 Year Gross Return (Out of 245 Managers)
Morningstar – Star Rating	5-Stars	5-Stars
Peer Group Percentile Ranking	5 <sup>th</sup> Percentile	1 <sup>st</sup> Percentile

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**MODEL DRIVEN INVESTMENT PROCESS WITH NO INVESTMENT DISCRETION**



**Tactical Changes in Aggressive ETF Asset Allocation**



**Performance of Various ETFs/Sectors as of 12/31/2018 –Not Necessarily in Chapoquoit’s Universe of ETFs (Source: Morningstar)**

ETF S&P Sector	% Past 1 Month	% Year to Date	% Last 12 Months	% 3 Year	% 10 Year
XLB: Materials Select Sector SPDR® ETF	(6.88)	(14.86)	(14.86)	7.24	10.75
XLE: Energy Select Sector SPDR® ETF	(12.43)	(18.21)	(18.21)	1.24	4.19
XLF: Financial Select Sector SPDR® ETF	(11.12)	(13.03)	(13.03)	9.16	10.81
XLI: Industrial Select Sector SPDR® ETF	(10.65)	(13.23)	(13.23)	8.88	13.01
XLK: Technology Select Sector SPDR® ETF	(8.36)	(1.66)	(1.66)	14.94	16.87
XLP: Consumer Staples Select Sector SPDR® ETF	(8.91)	(8.06)	(8.06)	2.93	10.84
XLU: Utilities Select Sector SPDR® ETF	(3.99)	3.95	3.95	10.56	10.27
XLV: Health Care Select Sector SPDR® ETF	(9.35)	6.28	6.28	7.96	14.51
XLY: Consumer Discret Sel Sector SPDR ETF	(7.95)	1.59	1.59	9.76	18.22
XRT: SPDR S&P Retail ETF	(11.18)	(8.03)	(8.03)	(0.33)	16.41
SPY: SPDR S&P 500 ETF	(8.79)	(4.56)	(4.56)	9.17	13.01
AGG: iShares Core US Aggregate Bond ETF	1.98	0.10	0.10	2.01	3.10
TIP: iShares TIPS Bond ETF	0.53	(1.42)	(1.42)	2.03	3.26
EEM: iShares MSCI Emerging Markets ETF	(3.50)	(15.31)	(15.31)	8.83	6.64
EFA: iShares MSCI EAFE ETF	(5.35)	(13.81)	(13.81)	3.01	5.84
GLD: SPDR Gold Shares ETF	4.94	(1.94)	(1.94)	6.12	3.43

Past Performance is no guarantee of future results. You cannot invest directly in an index. Please see the ETFs websites for current performance, and summary and full prospectus for a more complete description of risks.

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**Chapoquoit Dynamic Portfolios, Division of**  
 **FIRST NATIONAL CORPORATION**  
A REGISTERED INVESTMENT ADVISOR

**Disclosures**

This comparison is provided herein is for informational purposes only and is not to be considered investment advice. This information is neither an offer to sell nor a solicitation of an offer to buy any securities contained herein.

**Past Performance is no guarantee of future results.** You cannot invest directly in an index. Chapoquoit Portfolio returns are shown net of the actual annual fee charges to client account. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in U.S. dollars. Comparisons to other managers do not imply that First National Corp will outperform these managers or that these strategies are exact comparisons. Each manager has its own investment process.

**Risk Disclosure:**

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

All investments include a risk of loss that clients should be prepared to bear. The principal risks of the First National Corporation Chapoquoit Portfolios are disclosed in the publicly available Form ADV Part 2A.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns. Leveraged or inverse ETFs are generally non-diversified and each entails certain risks, which may include risks associated with the use of derivatives (swap agreements, futures contracts and similar instruments), imperfect benchmark correlation, leverage and market price variance, all of which can increase volatility and decrease performance. Leveraged or inverse ETFs are complex products that have the potential for significant loss of principal and are not appropriate for all investors. These ETFs generally seek investment results for a single day only. Although leveraged or inverse ETFs may be held in the portfolio for longer periods of time for diversification and/or hedging purposes, the effect of compounding and market volatility could have a significant impact upon the investment returns. Investors could lose a significant amount of principal rapidly in these securities.

All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

**Index Definitions:**

Standard & Poor's 500 Index (Total Return) ("S&P 500") is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general.

The U.S. Government 10+ year Merrill Lynch bond index (GOVT 10+ Yr ML Bond Index) is the return on an index of U.S. Treasuries and Agencies with duration greater than 10 years reported by Bank of America Merrill Lynch.

The U.S. Government 5-7 year Merrill Lynch bond index (GOVT 5-7 Yr ML Bond Index) is the return on an index of U.S. Treasuries and Agencies with duration between 5 and 7 years reported by Bank of America Merrill Lynch.

The U.S. Government 1-5 year Merrill Lynch bond index (GOVT 1-5 Yr ML Bond Index) is the return on an index of U.S. Treasuries and Agencies with duration between 1 and 5 years reported by Bank of America Merrill Lynch.

The Morningstar Aggressive Allocation AW index (Morningstar Aggressive Benchmark) is the gross-of-fees return on an asset-weighted index of offerings by managers following an aggressive approach that typically holds 70-85% in equities with a focus on a wide range of market capitalization and valuation characteristics. Remaining assets are allocated among bonds or cash.

Morningstar Moderate Benchmark - The Morningstar Moderate Allocation AW index is the gross-of-fees return on an asset-weighted index of offerings by managers following a moderate approach that typically holds 50-70% in equities and 30-50% in fixed income.

The Morningstar Conservative Allocation AW index (Morningstar Conservative Benchmark) is the gross-of-fees return on an asset-weighted index of offerings by managers following a conservative approach that typically holds 20-50% in equities with the remainder focused on bonds and some cash

This material is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and makes no implied or express recommendations concerning the manner in which any client's account should or would be handled, as appropriate strategies depend upon the client's specific circumstances and investment objectives.

*First National Corporation is registered with the Securities and Exchange Commission. Please refer to First National Corporation's ADV Part 2 for more information. For more information on FNC or Chapoquoit strategies, please contact us at 508 495-9555, or [pnehro@chapoq.com](mailto:pnehro@chapoq.com), or visit [www.fncadvisor.com](http://www.fncadvisor.com)*

**CHAPOQUOIT DYNAMIC PORTFOLIOS  
AGGRESSIVE COMPOSITE  
GIPS COMPLIANT PRESENTATION**

Year End	Total Firm Assets	Composite Assets	Number of Accounts	Annual Performance Gross	Annual Performance Net	Benchmark Returns	Composite Dispersion	Composite 3 Yr Std Dev	Benchmark 3 Yr Std Dev
2018	35	15	13	-1.85%	-2.5%	-3.16%	0.21%	6.77%	7.41%
2017	31	13	8	18.61%	17.79%	17.64%	N/A <sup>2</sup>	7.43%	6.69%
2016	15	9	≤5	12.32%	11.55%	9.03%	N/A <sup>2</sup>	9.46%	7.31%
2015	6	3	≤5	-0.1%	-0.67%	1.12%	N/A <sup>2</sup>	9.76%	7.26%
2014	2	0.28	≤5	30.11%	29.44%	16.86%	N/A <sup>2</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
2013	0.28	0.11	≤5	13.91%	13.24%	17.36%	N/A <sup>2</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
2012*	0.25	0.15	≤5	2.16%	2.16%	0.89%	N/A <sup>2</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>

N/A<sup>1</sup> - The three-year annualized standard deviation measures the variability of the returns over the preceding 36-month period. The three-year annualized standard deviation is not presented for periods before 36 months of data.

N/A<sup>2</sup> - Composite dispersion is not presented for periods with an insufficient number of portfolios in the composite for the entire year.

\* Performance is for a partial period from November 1, 2012 to December 31, 2012

**Aggressive Composite:** *Chapoquoit's aggressive tactical asset allocation is driven by market & macroeconomic factors over repeating market cycles in order to achieve a consistent satisfactory return associated with a client's risk tolerance. Risk is expressed over repeating market cycles by measuring performance against an index comprised of 70% S&P 500 & 30% US Govt10yr+ rebalanced monthly. The Aggressive composite has a minimum of \$100,000, with a tolerance of 10% for falling below the minimum. The Aggressive composite was created November 2012.*

Chapoquoit Dynamic Portfolios ("Chapoquoit" or "the firm") is a division of First National Corporation that offers a rules-based investment methodology for creating dynamic portfolios with defined risk targets. First National Corporation is a registered investment adviser with the United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. First National Corporation also manages customized portfolios for wealth management clients; however, this is separate from Chapoquoit and is not a part of the GIPS compliant firm. The firm's full list of composite descriptions is available upon request.

Chapoquoit claims compliance with the Global Investment Performance Standards (GIPS<sup>®</sup>) and has prepared and presented this report in compliance with the GIPS standards. Chapoquoit has been independently verified for the periods November 1, 2012 through December 31, 2017. The verification report is available upon request

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite and benchmark performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Past performance is not indicative of future results.

The currency used to express performance is USD. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee returns are reduced by trading costs and the portfolio's actual investment management fee. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule for the composite is tiered at: \$100-\$500k 0.90%, \$500k-\$1mil 0.85%, \$1mil-\$5mil 0.75%, \$5mil-\$25mil 0.65%, and over \$25mil 0.60%. Actual investment advisory fees incurred by clients are negotiable and may vary. In 2016 4.94% of the accounts in this composite are non-fee paying.