HARVEST
INVESTMENT SERVICES
"Harvest Gains and Limit Losses"

AlphaSolutions Daily Harvest Model

An investment model that actively trades the daily volatility of Exchange Traded Funds (ETF)

Portfolio Goals

Primary: Seeks short term growth by buying and selling leveraged ETFs to reach a 1% profit target due to the large daily price variability, generally taking profits very quickly, often daily.

Secondary: Seeks to reduce market volatility by minimizing trades that carry over to the following day by closing out trades by the end of the trading day or within a few days.

Suitability

Investors that seek long term capital appreciation.

Investors that seek an investment strategy that is very tactical trading often to take advantage of price variability to make short term profits.

Investors comfortable with investments in leveraged ETFs.

Investment Strategy

The AlphaSolutions Daily Harvest model seeks to actively buy and sell leveraged ETFs profiting from short term daily price variability. The leveraged ETFs that we utilize have sizeable daily price variability, which allows us to potentially profit from short term buying and selling. Due to the daily variability of these ETFs we seek to hold onto an ETF position for a short period of time with the goal of making approximately 1% on a given trade. Once we have reached our profit goal we either sell the position locking in a gain or we set a new price target seeking a higher profit. There are times when we make multiple purchases of a given ETF as the price fluctuates allowing us to purchase shares at a lower price and if that position bottoms out on the day and starts to recover even slightly it will allow us to sell that position for a profit on the day.

Strategy Goals

The AlphaSolutions Daily Harvest strategy seeks to profit from the daily price fluctuation, by buying and selling ETFs often times the same day.

Figure 1: Example of daily price fluctuation

Goal number one, don't lose money on a trade has just under a 97.95% success rate with 1330 total trades. Approximately 51% of positions bought are sold the same day that.

We often set a limit sell order 1% higher than what we purchased the ETF for, currently our average gain on a completed trade is 1.16%, with 77% of completed trades meeting or exceeding our 1% target goal. We seek not to lose money on a round trade, therefore we take profits very quickly when we can. In addition, when prices have not quite reached our target we place a stop loss or an OCO trade to preserve gains if prices start to move down.

Trading Tools

The AlphaSolutions Daily Harvest utilizes several trading tools to meet its goals of not losing money on a round trade, attaining a 1% gain on a round trade and to be out of a trade as soon as possible.

The strategy utilizes Limit Buy orders at prices lower than the current price. When prices decline to the set price the buy will be triggered. as well as sell limit order to sell at a higher price. Conversely, the strategy utilizes Limit Sell orders that are triggered when prices increase to the point where they reach that sell price.

Figure 2: Example of Limit Orders

The strategy utilizes Extended hours trading. We use both pre-market (Prior to the market opening 8:30 AM CST) and after-hours trades (After the market closes 3:30 PM CST). Trading pre and post market hours allows us to purchase or sell positions at opportune time to meet our goal, for example, selling a holding that was earlier purchased in order to take a profit.

The strategy utilizes One Cancels Other (OCO) trade orders. An OCO trade is a pair of orders that are simultaneously placed and once one of the orders execute the other order is automatically cancelled. We often use an OCO trades after we have purchased a position that has moved up in price but has not yet reached our target goal. We would place an OCO order above the current price and a stop below the current price. Therefore, regardless of the movement we bracket the position and if the price moves up and reaches are goal the trade goes off as a Limit order and conversely if price decline to a point where it hits our stop we would sell out a small profit preserving principal.

Figure 3: Example of OCO Sells

Past performance is no guarantee of future results. Information provided in this report is for educational and illustrative purposes only and should not be construed as individualized investment advice. The investment or strategy discussed may not be suitable for all investors. All investments involve risk and although our rules-based investment process utilizes downside risk controls, loss of principal can still occur. Principal values and investments returns are neither guaranteed nor issued by, guaranteed by, or obligations of a bank, savings and loan, or credit union; and are not insured or guaranteed by the FDIC, SIPC, NCUSIF or any other agency.

There can be no assurance that any or all three of the goals can be met. Trade and performance data is as of date June 30, 2018. For up-to-date information on trades and how well the Daily Harvest model has met its goals please contact your advisor or the advisor that introduced you to the AlphaSolutions Daily Harvest model.

Current holdings are subject to change at any time without notice.   In addition to the normal risk associated with equity investing, investments in small and mid-cap companies exhibit higher volatility and are less readily marketable then investments in larger companies. The S&P 500 Index is an unmanaged group of securities considered to be representative of the stock market in general, and its performance is not reflective of the performance of any specific investment. Investments cannot be made directly into an index.

Extended-hours risk: Risk of lower Liquidity. Risk of higher volatility, risk of wider spreads.

Leveraged ETFs seek to achieve a return that is a multiple of two or three times the performance of the index they track. For example, if the market as measured by the S&P 500 is up 1%, then an ETF with a 2x multiplier would be up approximately 2%, while an ETF with a 3x multiplier would be up 3%. It may seem that a 2x or 3x multiplier is a benefit when the market and ETF move higher, it is important to remember that the multiplier applies when the ETF moves lower, which would result in greater losses than the tracked index. For instance, if the S&P 500 is down 1% then an ETF with a 2x multiplier would be down approximately 2%, while an ETF with a 3x multiplier would be down 3%.

Inverse ETFs seek to deliver the opposite performance of the index or benchmark they track. For example, if the market as measured by the S&P 500 is down 1% the inverse ETF would be positive by approximately 1%. Conversely, if the S&P 500 is up 1% then an inverse ETF would be down approximately 1%. Inverse ETFs often are marketed as a way for investors to profit from or hedge exposure to declining markets. it is important to remember that historically the market does move higher over the intermediate to long term.

Leveraged Inverse ETFs seek to achieve the inverse return of two or three times the performance of the index they track. For example, if the market as measured by the S&P 500 is down 1%, then an inverse leveraged ETF with a 2x multiplier would be up approximately 2%, while an ETF with a 3x multiplier would be up 3%. Conversely, if the market as measured by the S&P 500 is up 1%, then an inverse leveraged ETF with a 2x multiplier would be down approximately 2%, while an ETF with a 3x multiplier would be down 3%. To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies using swaps, futures contracts, and other derivative instruments.

Most leveraged and inverse ETFs "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time -- over weeks or months or years -- can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets and results can deviate substantially from their index.

Real-Life Examples
The following two real-life examples illustrate how returns on a leveraged or inverse ETF over longer periods can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time.

- Between December 1, 2008, and April 30, 2009, a particular index gained 2 percent. However, a leveraged ETF seeking to deliver twice that index's daily return fell by 6 percent—and an inverse ETF seeking to deliver twice the inverse of the index's daily return fell by 25 percent.
- During that same period, an ETF seeking to deliver three times the daily return of a different index fell 53 percent, while the underlying index gained around 8 percent. An ETF seeking to deliver three times the inverse of the index's daily return declined by 90 percent over the same period.

How can this apparent breakdown between longer term index returns and ETF returns happen? Here's a hypothetical example: let's say that on Day 1, an index starts with a value of 100 and a leveraged ETF that seeks to double the return of the index starts at $100. If the index drops by 10 points on Day 1, it has a 10 percent loss and a resulting value of 90. Assuming it achieved its stated objective, the leveraged ETF would therefore drop 20 percent on that day and have an ending value of $80. On Day 2, if the index rises 10 percent, the index value increases to 99. For the ETF, its value for Day 2 would rise by 20 percent, which means the ETF would have a value of $96. On both days, the leveraged ETF did exactly what it was supposed to do – it produced daily returns that were two times the daily index returns. But let's look at the results over the two-day period: the index lost 1 percent (it fell from 100 to 99) while the 2x leveraged ETF lost 4 percent (it fell from $100 to $96). That means that over the two-day period, the ETF's negative returns were 4 times as much as the two-day return of the index instead of 2 times the return.

Leveraged or inverse ETFs may be more costly than traditional ETFs. Leveraged or inverse ETFs may be less tax-efficient than traditional ETFs, in part because daily resets can cause the ETF to realize significant short-term capital gains that may not be offset by a loss. Be sure to check with your tax advisor about the consequences of investing in a leveraged or inverse ETF.

Tax Treatment of Short Term Trading: The AlphaSolutions Daily Harvest investment strategy is managed for capital appreciation and is not managed to be tax efficient. The Daily Harvest model engages in short-term trading by actively buying and selling leveraged and inverse ETFs, attempting to profit from short term price variability. The model's main priority is to make money on trades, therefore, we will sell a position once again has met our price objective, often 1% or more. These short-term trades within a taxable account would result in short term capital gains that are taxed as ordinary income and not the preferential tax treatment of a long-term capital gain. For 2017, ordinary income is taxed at the rate of 10 to 39.6 percent depending on your total taxable income as opposed to maximum 20% long term capital gain. In summary, trades in the Daily Harvest Model will be taxed as ordinary income. Harvest Investment Services does not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in The AlphaSolutions Daily Harvest model.

The AlphaSolutions Daily Harvest investment model is offered through Harvest Investment Services, LLC an SEC Registered Investment advisor and is traded on the TD Ameritrade Institutional platform.

Advisory Services offered through Harvest Investment Services, LLC, a Registered Investment Advisor.