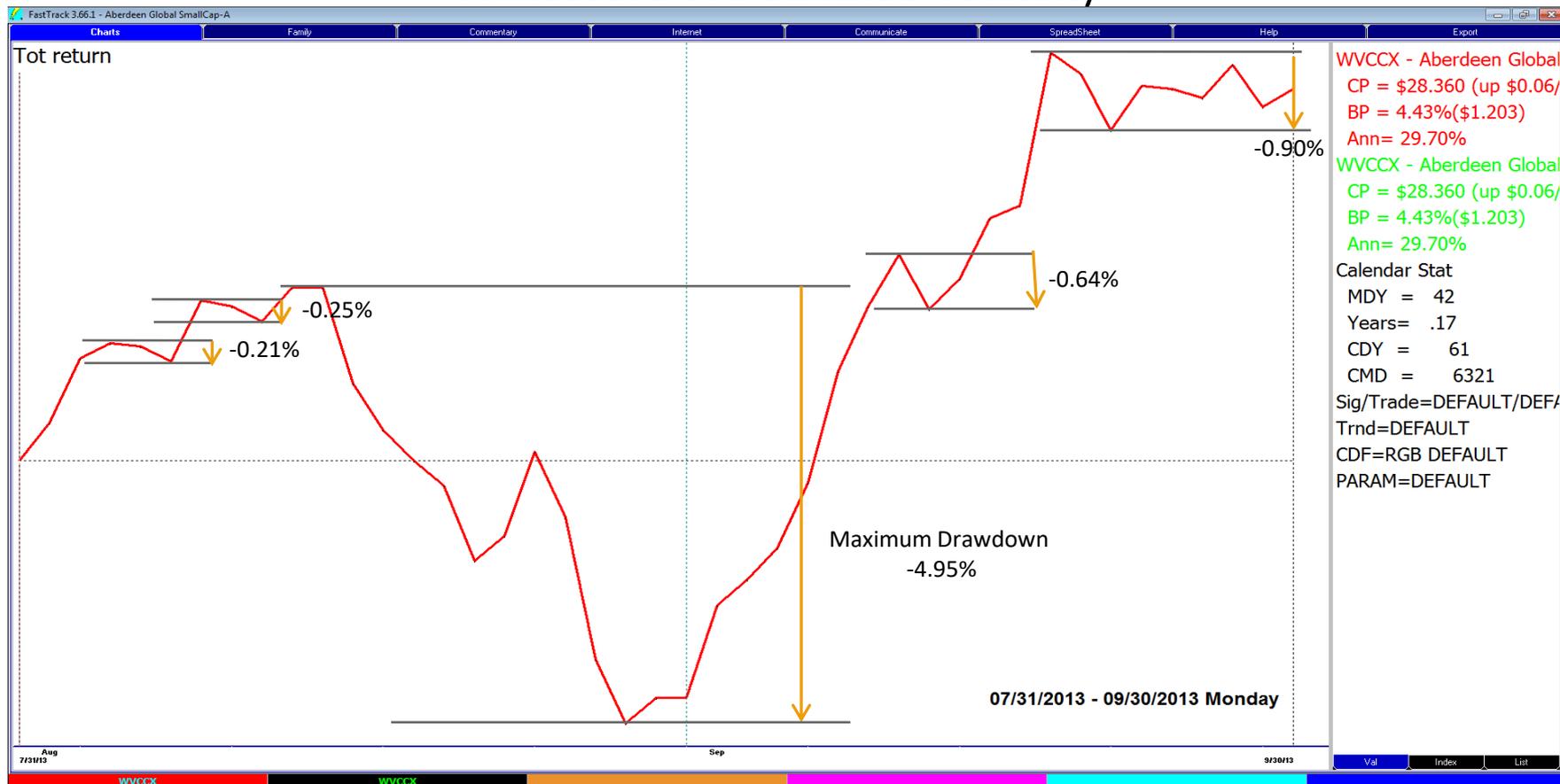


Generating Better Risk-Adjusted Returns

Other Low Volatility Asset Classes

Drawdown

A Measure of Downside Volatility

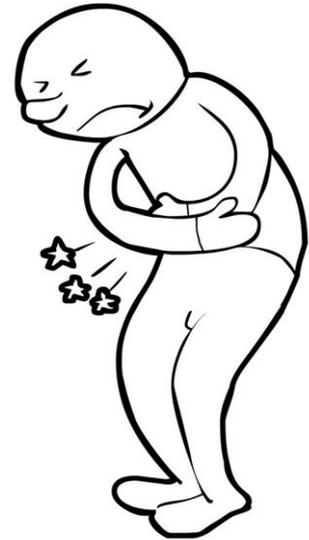


- Most investors are concerned with downside volatility.
- Drawdown (or retracement) measures the % price decline from a peak to a trough. The maximum drawdown for WVCCX from 07/31/2013 – 09/30/2013 was -4.95%.
- Drawdown does not measure the duration of the decline.

Ulcer Index and Ulcer Performance Index

Ulcer Index (UI) is a downside **volatility** metric that incorporates depth and duration of drawdowns. Lower values represent less volatile investments.

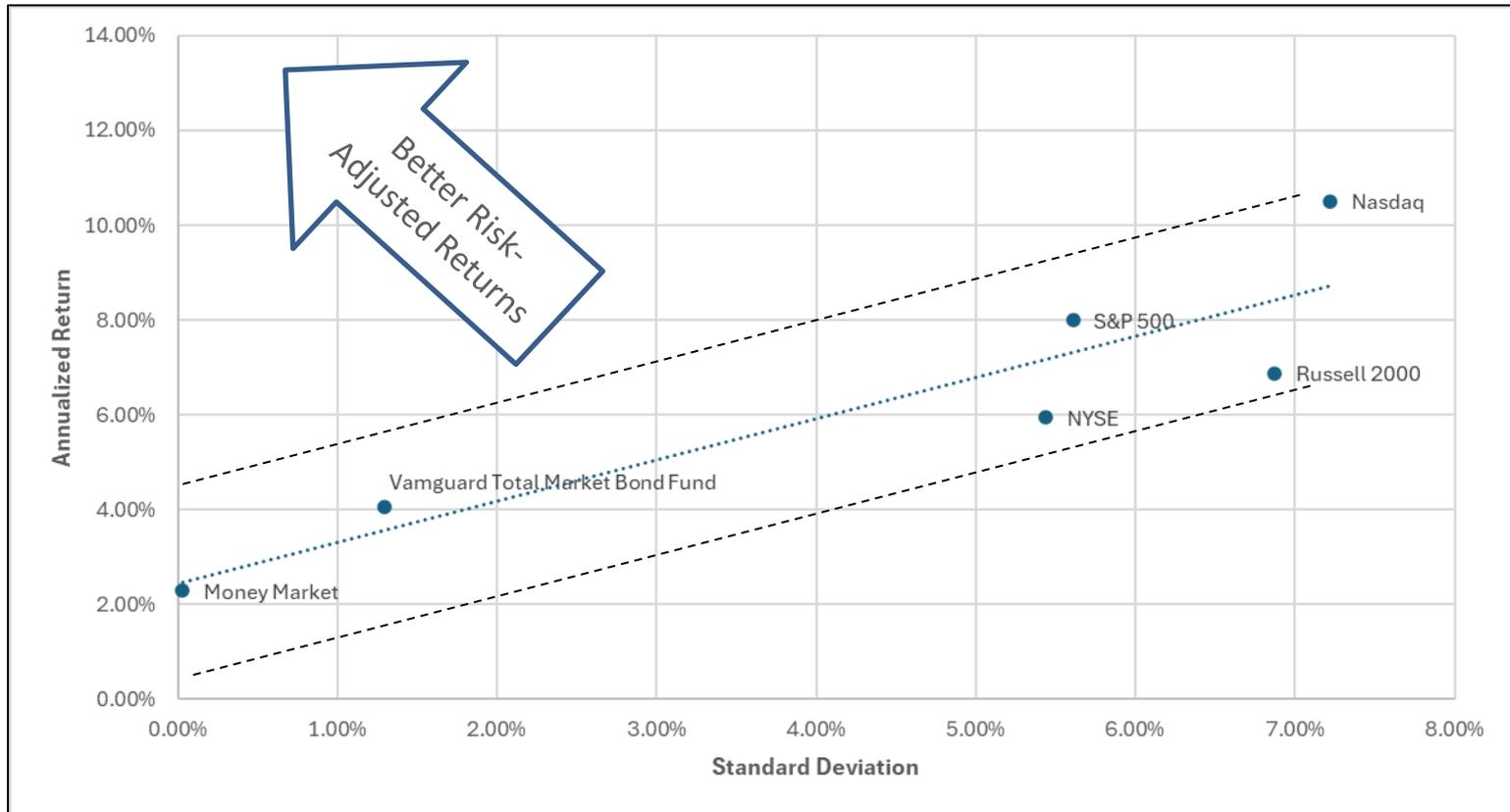
Ulcer Performance Index (UPI) is a measure of **trend strength** that uses downside volatility. Higher values represent better risk-adjusted returns.



For a detailed handout on how to calculate the Ulcer Index and Ulcer Performance Index please visit:
www.rgbcapitalgroup.com/resources and select the UI-UPI Guide.

Risk vs. Reward

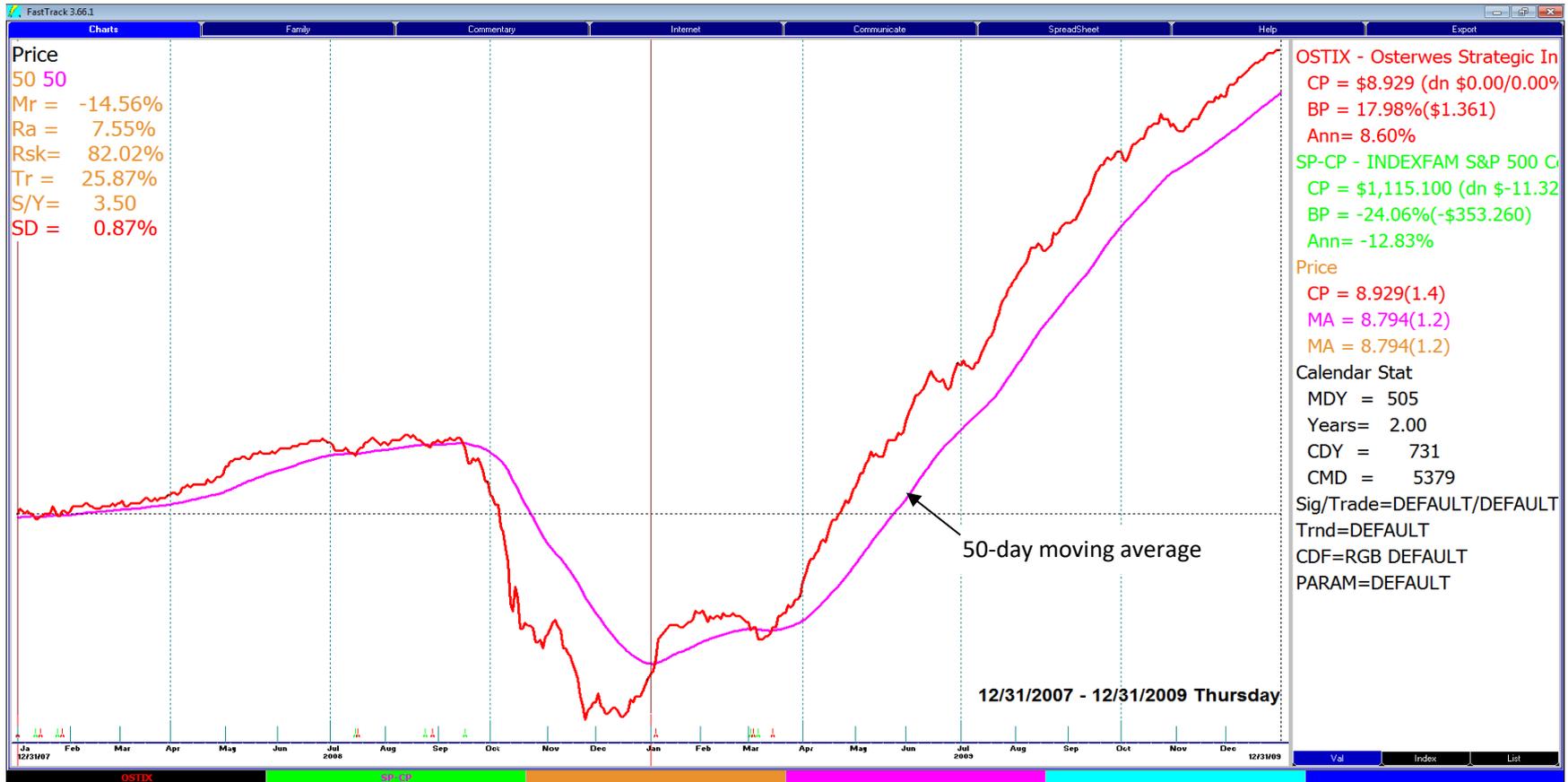
12/31/1996 – 12/31/2025



- Plotting standard deviation against annualized return provides investors the ability to visualize the trade-off between risk and return.
- Our goal as investors is to achieve returns outside the long-term, expected return channel.
- Most investors prefer lower volatility, higher returns (i.e. upper left-hand quadrant). These are called better risk-adjusted returns.

Moving Averages

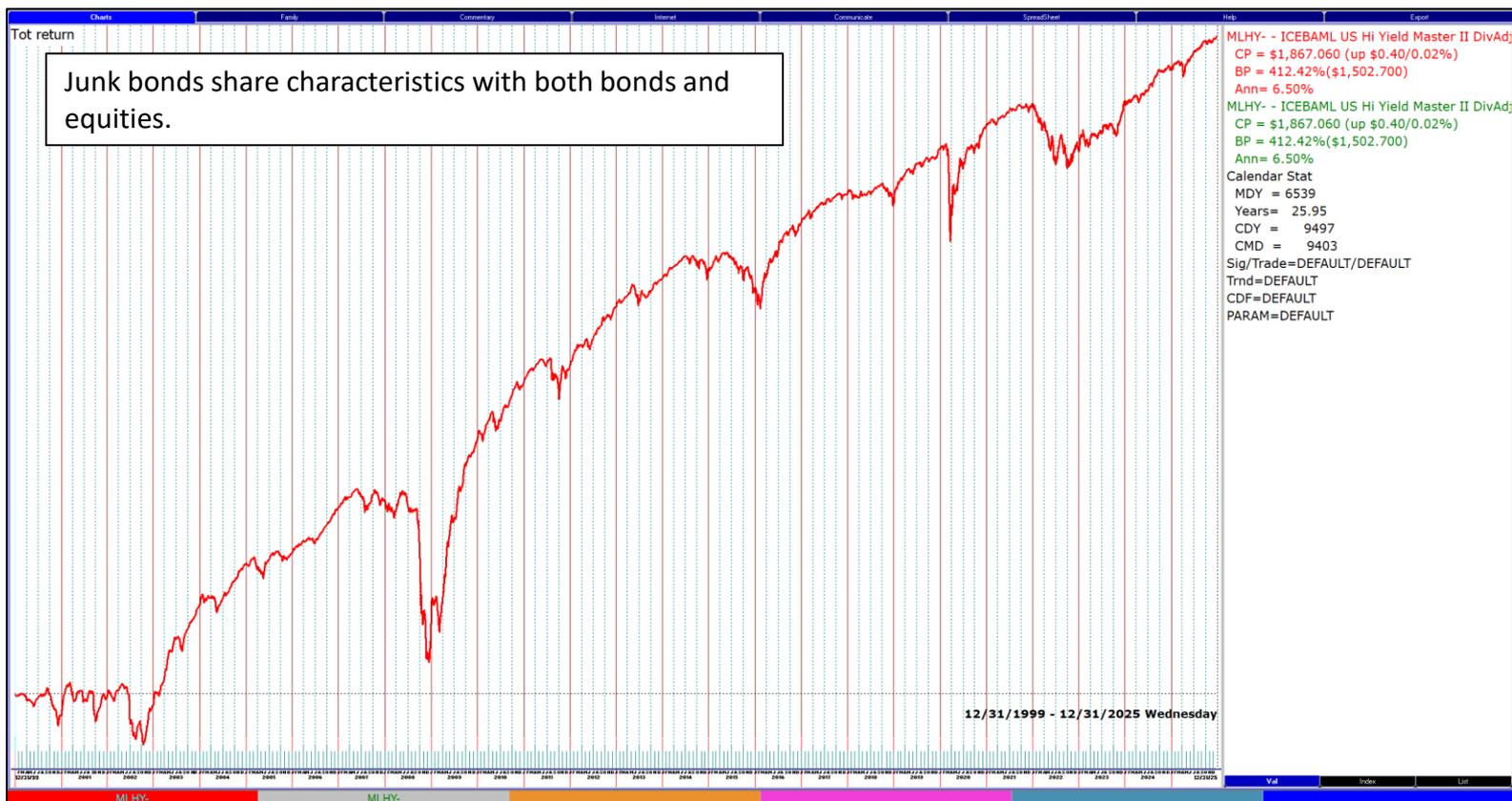
Good Trade Indicator for Certain Types of Funds



- Can be a good trade indicator for some funds that have a high propensity to trend (i.e. microcap funds, junk bonds and other income funds).
- Be invested when fund is trending above its moving average; sell when trending below the moving average.
- Changing moving average parameters will change the sensitivity of the signal.

Merrill Lynch US High-Yield Master II Index

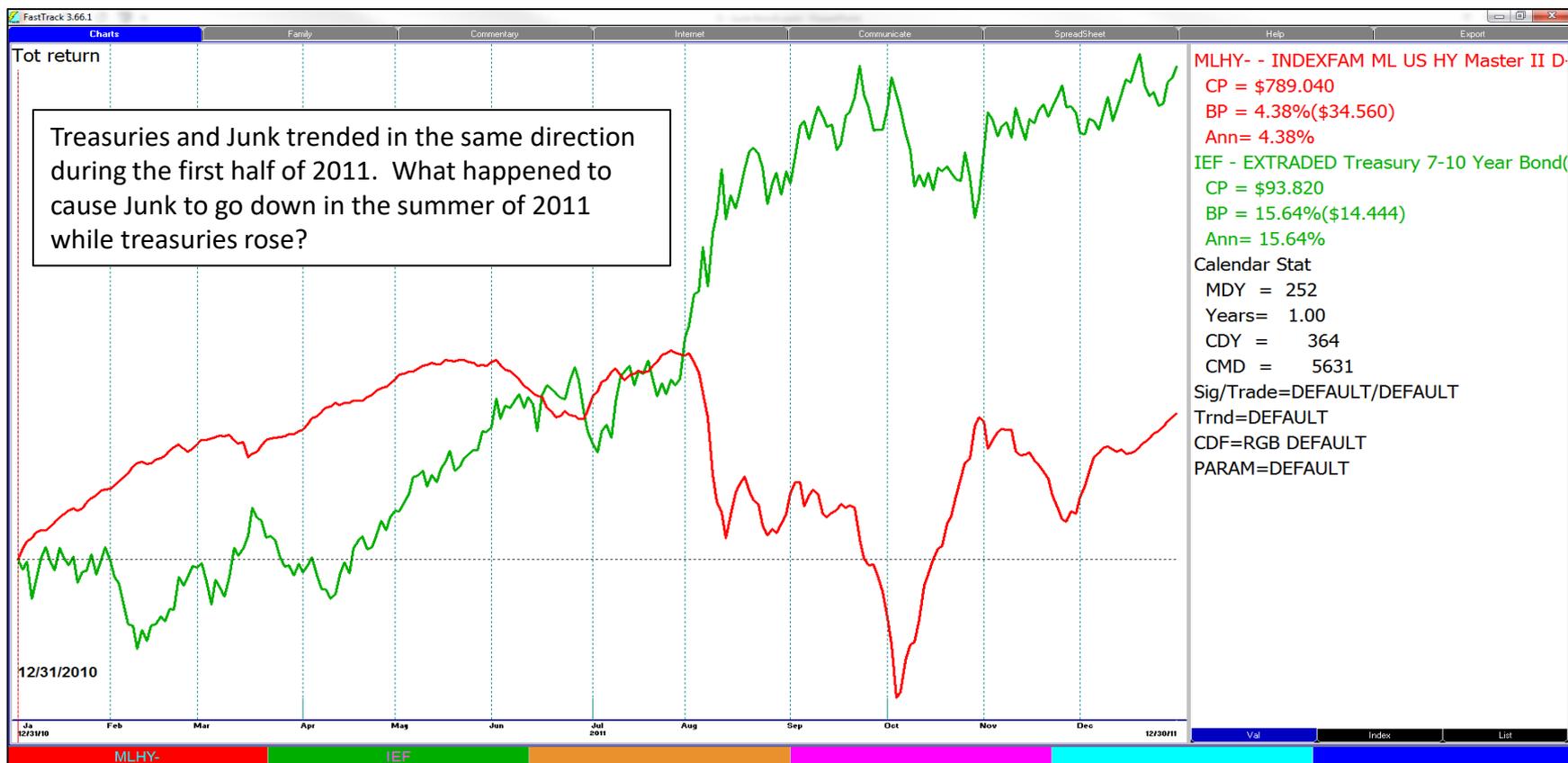
12/31/1996 – 12/31/2025



- Merrill Lynch US High-Yield Master II Index (FT Symbol: MLHY-) tracks below investment grade rated corporate debt publicly issued in the US domestic market.
- To qualify for inclusion in the Index, bonds must have a below investment grade rating, at least one year to maturity, a fixed coupon schedule, and a minimum of \$100 million outstanding.

Junk Bonds – Are they bonds or equities?

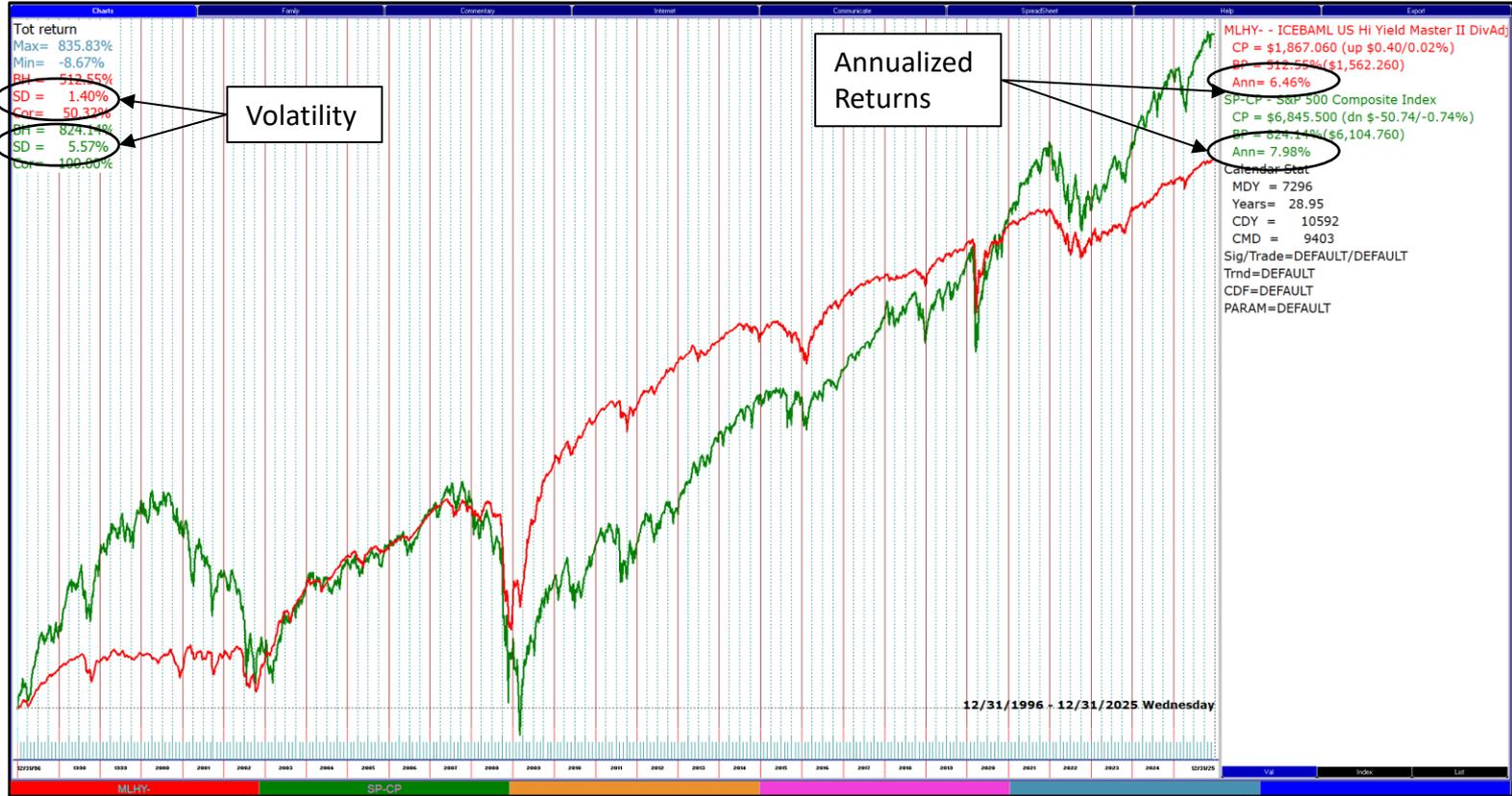
12/31/2010 – 12/31/2011



- Junk bonds share characteristics with both bonds and equities.
- Junk bond prices are influenced by interest rates like most other bonds but are also influenced by economic conditions and expected default rates. As expected default rates rise, investors require additional yield to compensate for this risk.

Equity-like Returns with Lower Volatility

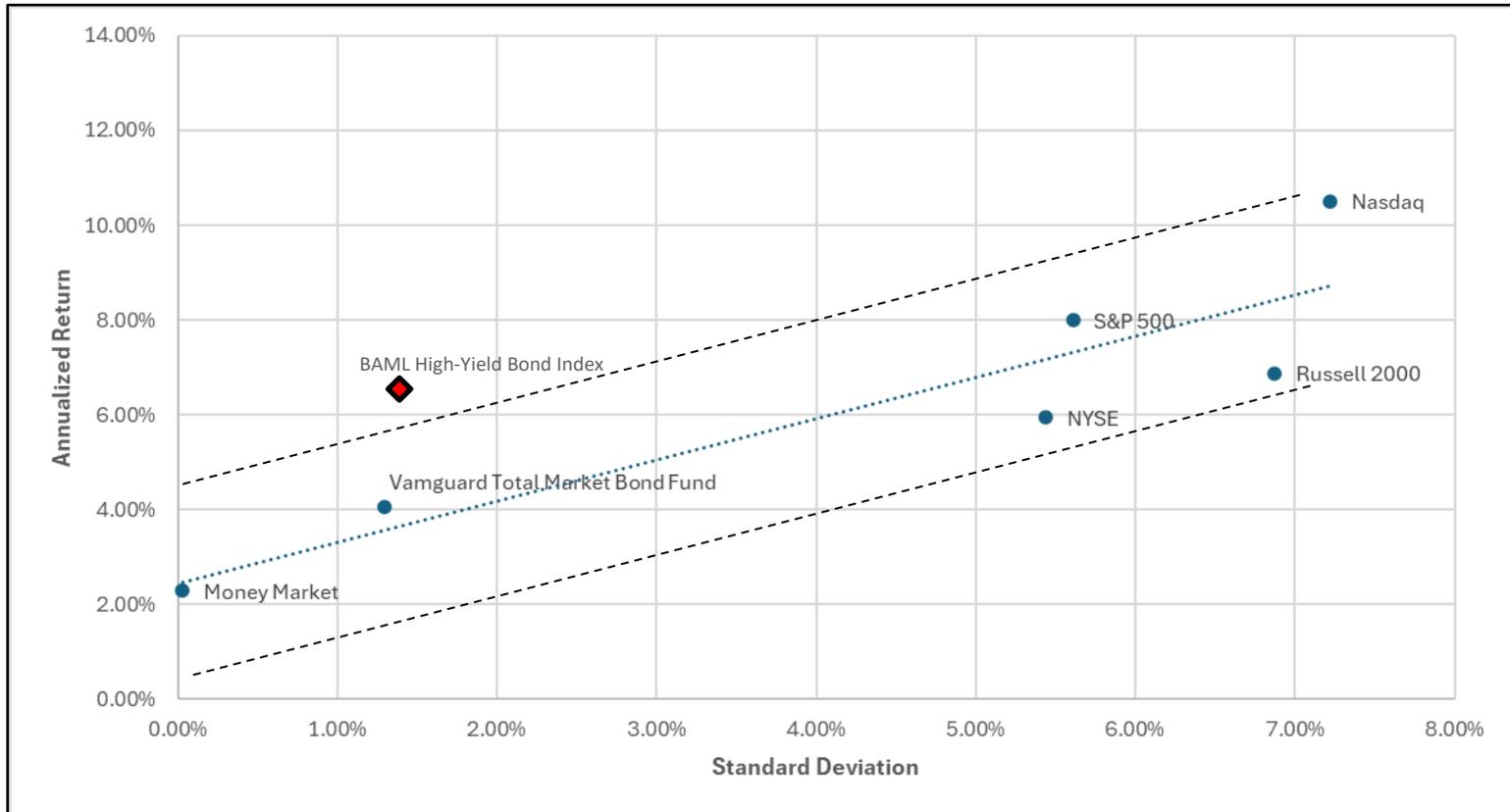
MLHY- vs. S&P 500 (12/31/1996 – 12/31/2025)



- Junk bonds tend to trend in the same direction as equities. Why?
- Over the long-term, junk bonds have provided returns that have kept pace with the S&P 500 on a fraction of the volatility, which makes them a desirable investment for most investors.

Junk Bonds

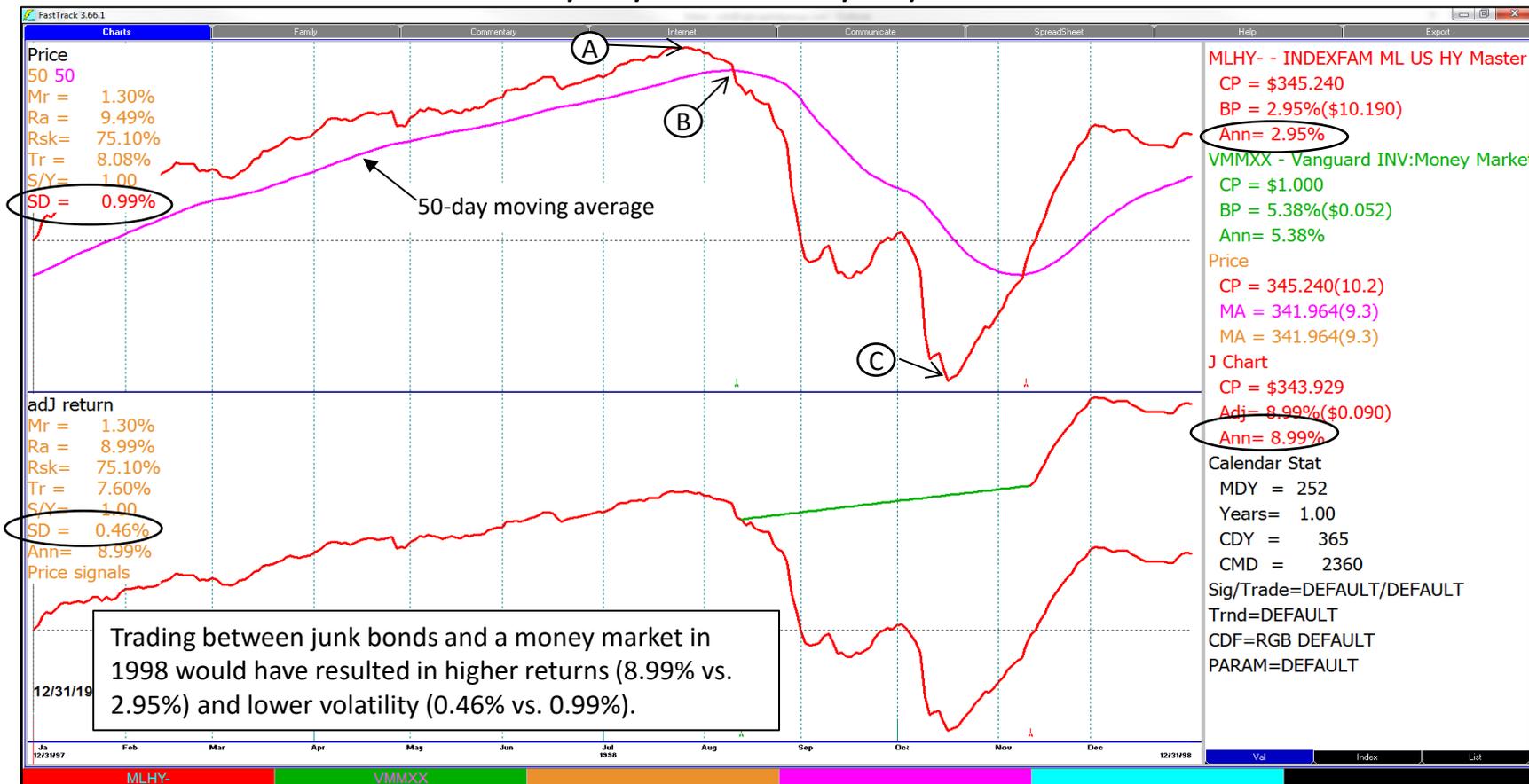
Risk vs. Reward (12/31/1996 – 12/31/2025)



- Owning junk bond mutual funds provides better risk-adjusted returns compared to many of the major market indices and provides investors a potential vehicle for moving outside the long-term expected return channel.
- Can we do better?

MLHY- Timed with a 50-day Moving Average

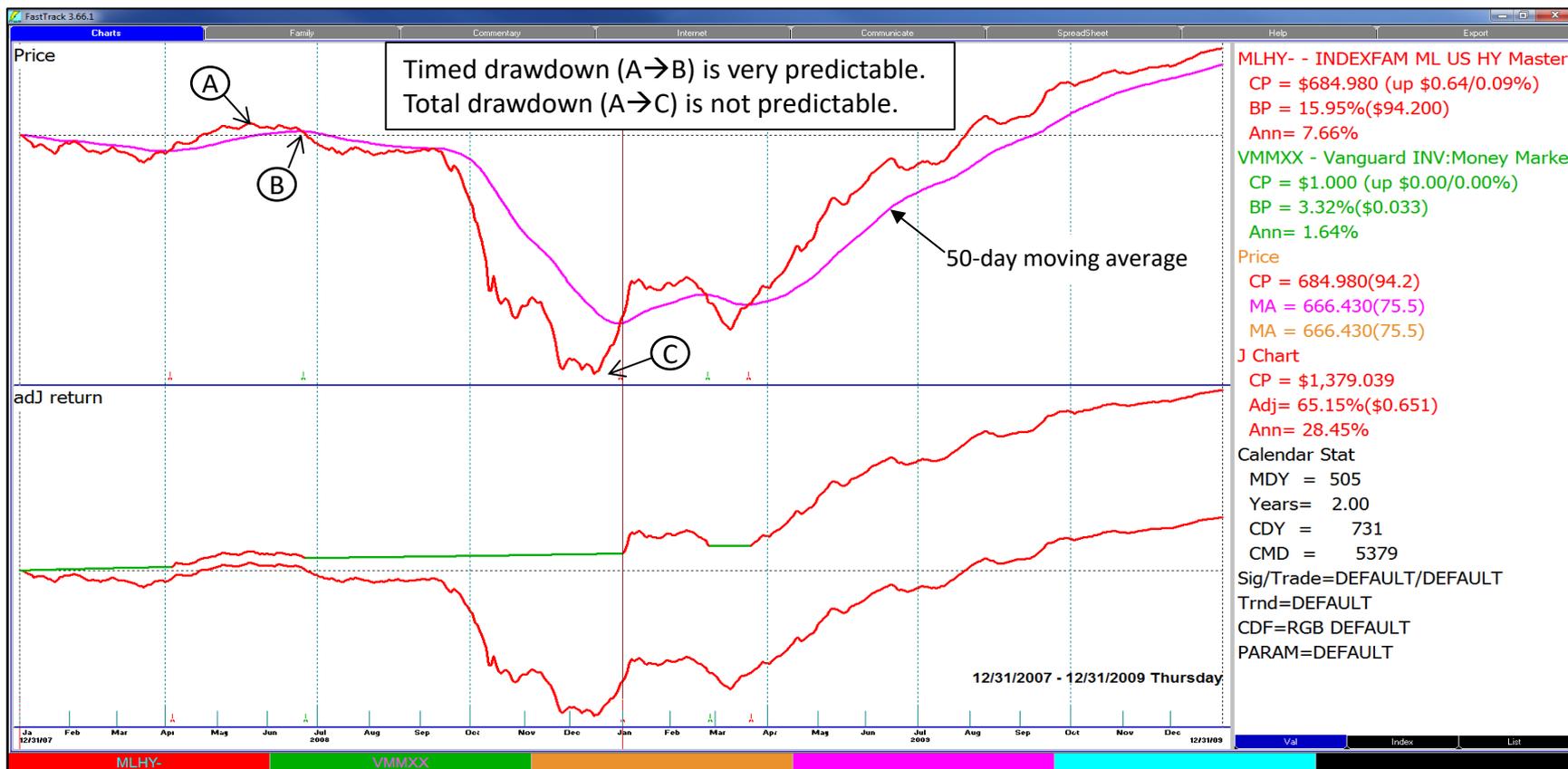
12/31/1997 – 12/31/1998



- Moving average timing can provide appropriate entry and exit points when investing in junk bonds.
- Timed drawdown is the % decline from a peak to the point it crosses the moving average (with a 1-day trading delay); total drawdown is the % decline from a peak to a trough prior to crossing above the moving average.
- The timed drawdown (point A → B) is -1.0%; much better than the -8.7% total drawdown (point A → C).
- During 1998, a 50-day moving average would have increased returns and reduced overall volatility/drawdown.

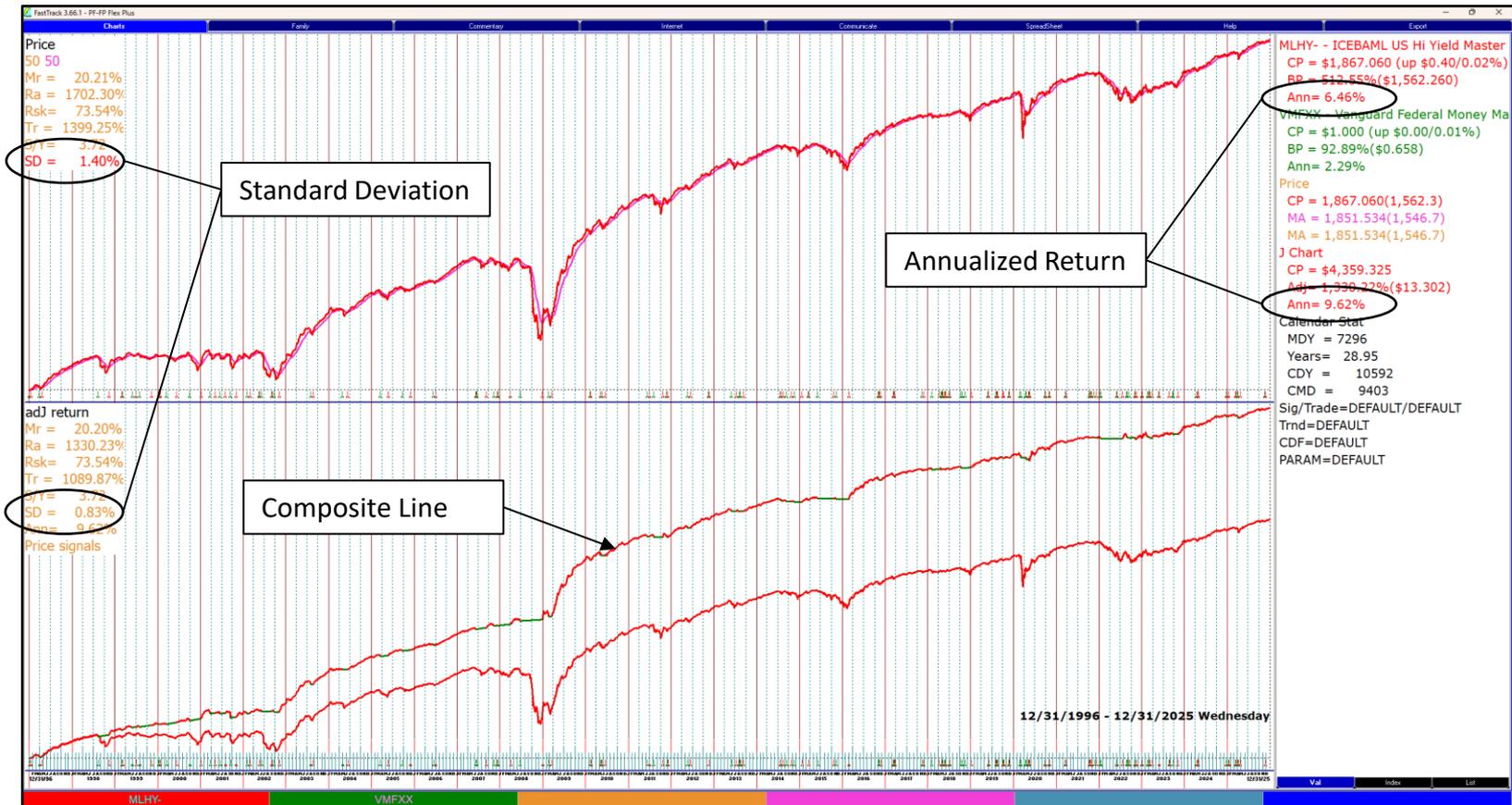
MLHY- Timed with a 50-day Moving Average

12/31/2007 – 12/31/2009



- Timed drawdown for MLHY- (A → B) was 1.5%; a lot better than the total drawdown (A→C) of 34.7%.
- Timed drawdown for MLHY- using a 50-day MA for the last 20 years was generally between 1%-3% and very predictable.
- Total drawdown is not predictable.

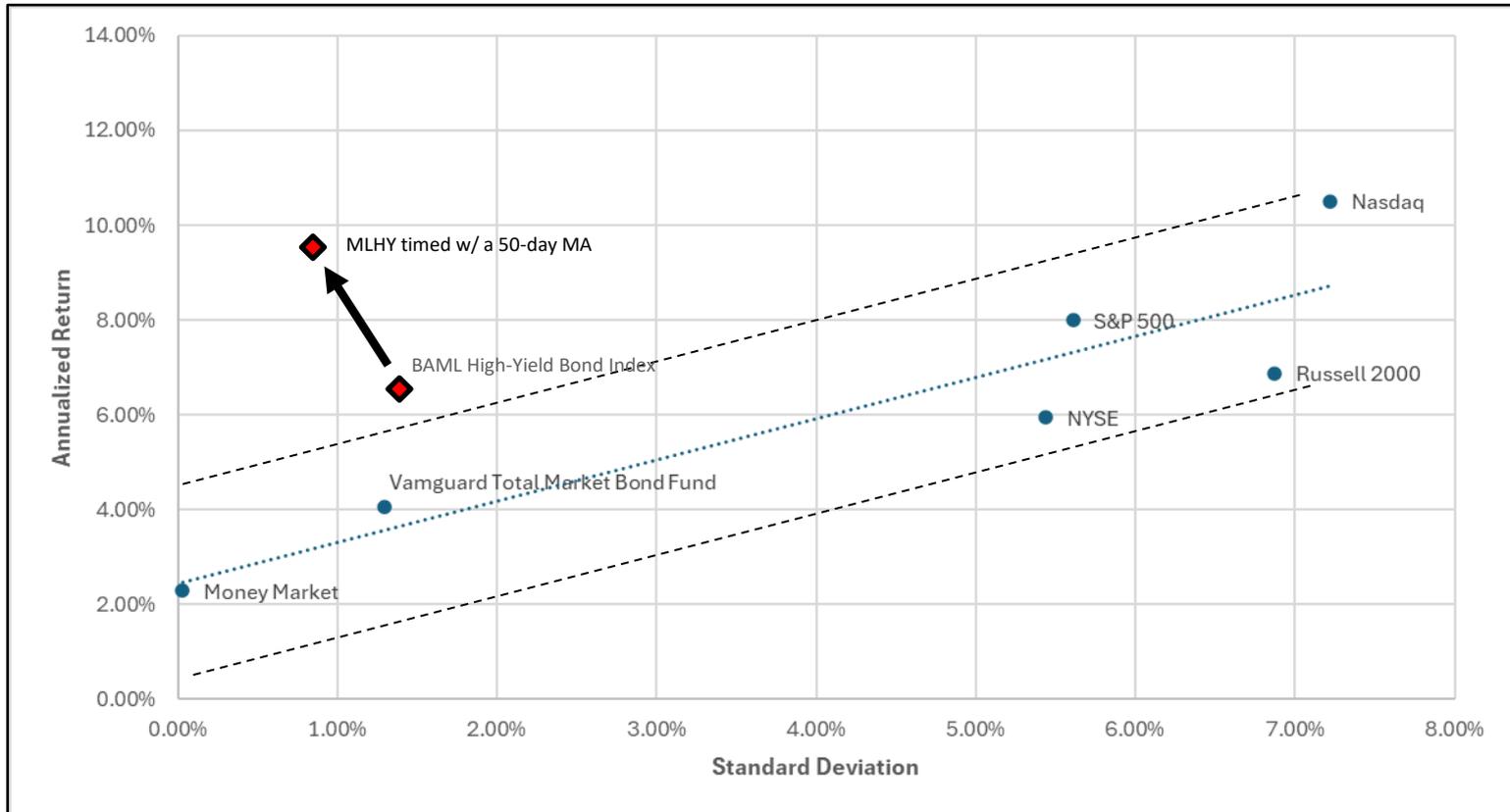
MLHY- Timed with a 50-day Moving Average 12/31/1996 – 12/31/2025



- The composite line shows the results of trading between junk bonds and cash based on a 50-day MA.
- Timing junk bonds with a 50-day moving average has provided higher returns and less risk than buying and holding junk bond funds.
- Maximum drawdown of the composite line is 5.9%; significantly less than the 35.0% max drawdown for MLHY-.

Junk Bonds

Risk vs. Reward (12/31/1996 – 12/31/2025)



- Using a 50-day moving average to time entry into and exits from junk bond funds produces better risk-adjusted returns.
- This technique is consistent with most investors' desire to strive for lower risk and higher returns.

Characteristics of Junk Bonds

- Lower Volatility than Equities
- Strong Trend Persistence
- Income Cushion
- Credit Cycle Driven
- Sensitive to Economic Environment

Other Low Volatility Asset Classes

The following asset categories possess some of the same characteristics as junk bonds. Therefore, they can be good candidates for moving average timing.

- US Treasury Bonds
- Corporate Bonds (Investment Grade)
- Floating Rate bonds
- Municipal Bonds
- High-Yield Muni Bonds
- Securitized Credit
- Emerging Market Debt
- Inflation Adjusted Bonds
- Preferred Securities

Tracking Low Volatility Asset Classes in FastTrack

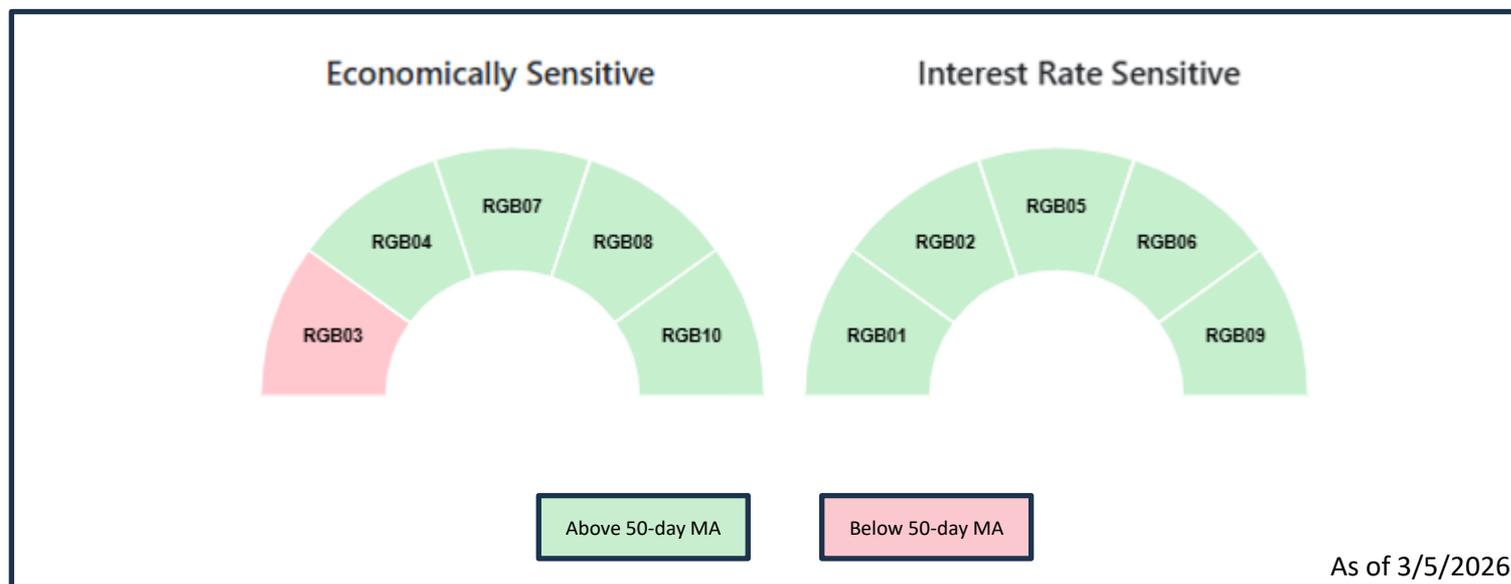
RGB Capital Group publishes indices that allows individual investors to track the performance of each of these groups:

| FT Symbol | FT Description |
|-----------|------------------------------------|
| RGB01 | RGB US Treasury Index |
| RGB02 | RGB Corporate Bond Index |
| RGB03 | RGB Floating Rate Index |
| RGB04 | RGB Junk Bond index |
| RGB05 | RGB Municipal Bond Index |
| RGB06 | RGB High-Yield Muni Bond Index |
| RGB07 | RGB Securitized Credit Index |
| RGB08 | RGB Emerging Market Index |
| RGB09 | RGB Inflation Protected Bond Index |
| RGB10 | RGB Preferred Securities Index |

RGB Indices are an equally-weighted average of large mutual funds representing each category. You can not invest directly in one of these indices. Indices are only available in the FastTrack database.

Tracking Low Volatility Asset Classes in FastTrack

Low volatility asset classes can be characterized into two classifications. The dashboard below shows each index relative to its 50-day moving average.



Data available daily at www.rgbcapitalgroup.com/bond-income-dashboard

Which Asset Class is Providing the Best Risk-Adjusted Returns

Methods for making determining the best risk-adjusted returns:

- a) Use FastTrack to rank the categories by Ulcer Performance Index over different time periods
- b) Use a relative strength comparison (confirmation)
- c) Review the monthly RGB Market Monitor

Which Asset Class is Providing the Best Risk-Adjusted Returns

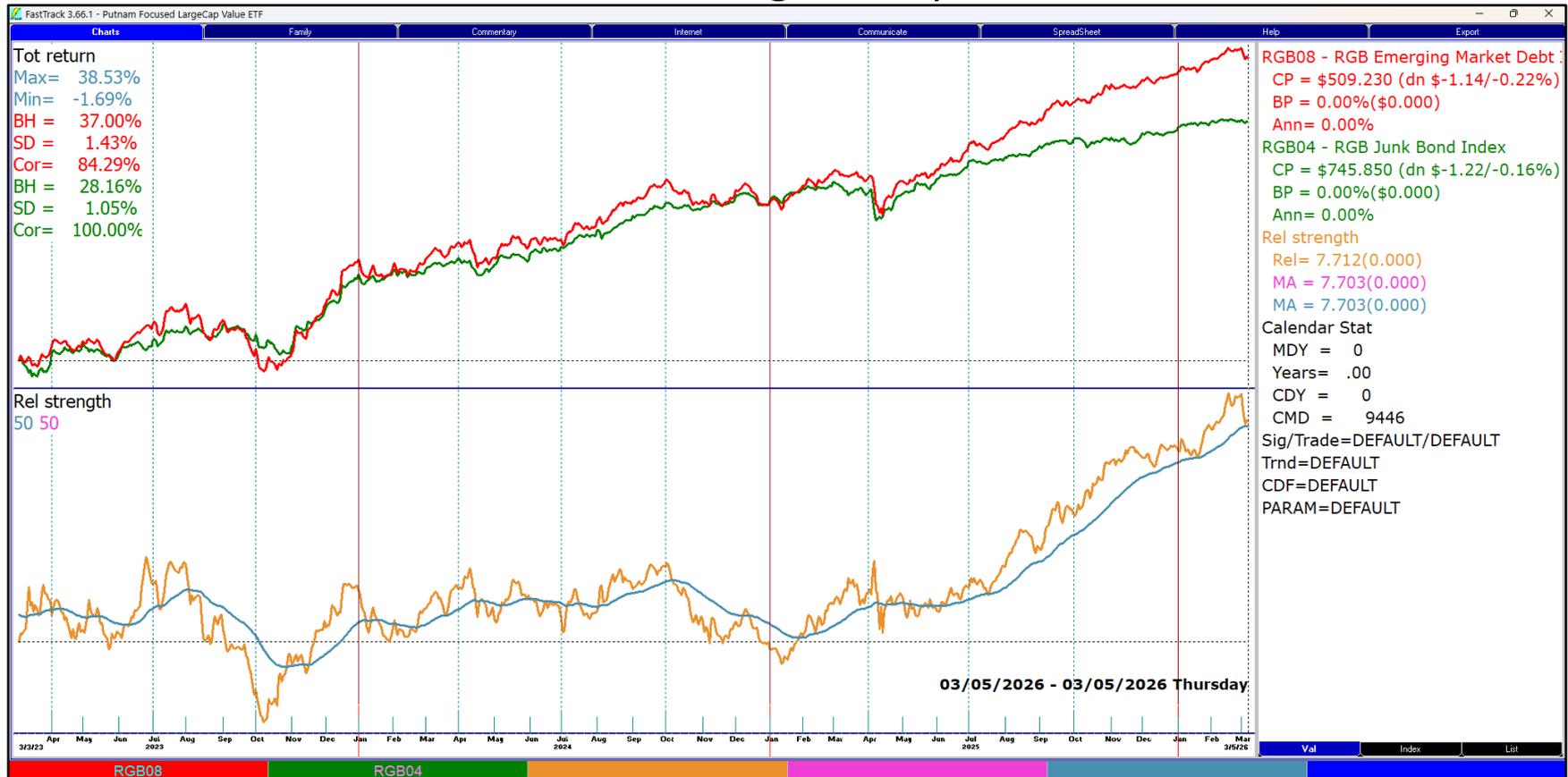
- Asset classes provide different behavior in different market environments.
- Rank by factors that are important to you.
- Evaluate asset classes across different time periods.

| Fasttrack Symbol | Description | FastTrack Family | Statistics for 12/31/24 - 12/31/25 | | | | | |
|---------------------|------------------------------------|--------------------------------|------------------------------------|---------------|-------|-------|-------------|-------|
| | | | Return | Annual Return | Ulcer | UPI | MaxDrawDown | SD |
| RGB08 | RGB Emerging Market Debt Index | Emerging Markets | 14.63% | 14.78% | 0.86 | 12.31 | -4.53% | 1.24% |
| RGB07 | RGB Securitized Credit Index | N/A | 8.44% | 8.52% | 0.51 | 8.52 | -2.10% | 0.89% |
| RGB10 | RGB Preferred Securities Index | Preferred Stock | 8.96% | 9.05% | 0.75 | 6.49 | -3.52% | 0.82% |
| RGB02 | RGB Corporate Bond Index | Corporate Bond | 7.74% | 7.81% | 0.79 | 4.61 | -2.94% | 1.28% |
| RGB04 | RGB Junk Bond Index | Junk Bonds | 7.92% | 7.99% | 0.85 | 4.47 | -3.89% | 0.99% |
| RGB09 | RGB Inflation Protected Bond Index | Inflation-Protected Bond | 6.85% | 6.92% | 0.77 | 3.55 | -2.82% | 1.11% |
| SP-CP | S&P 500 Composite Index | | 16.39% | 16.55% | 4.83 | 2.56 | -18.90% | 5.43% |
| RGB03 | RGB Floating Rate Index | Bank Loans | 5.33% | 5.38% | 0.61 | 1.96 | -2.78% | 0.78% |
| RGB01 | RGB US Treasury Index | Government-Short, Inter., Long | 6.64% | 6.70% | 1.31 | 1.92 | -3.68% | 1.57% |
| RGB05 | RGB Muni Bond Index | Muni | 3.97% | 4.01% | 1.72 | - | -5.09% | 1.37% |
| RGB06 | RGB High-Yield Muni Index | Muni Junk | 2.65% | 2.68% | 2.84 | - | -6.83% | 1.85% |

Chart ranked by Ulcer Performance Index (UPI). Negative UPI values set to zero and then sorted by maximum drawdown. The S&P 500 Index is provided as a market reference.

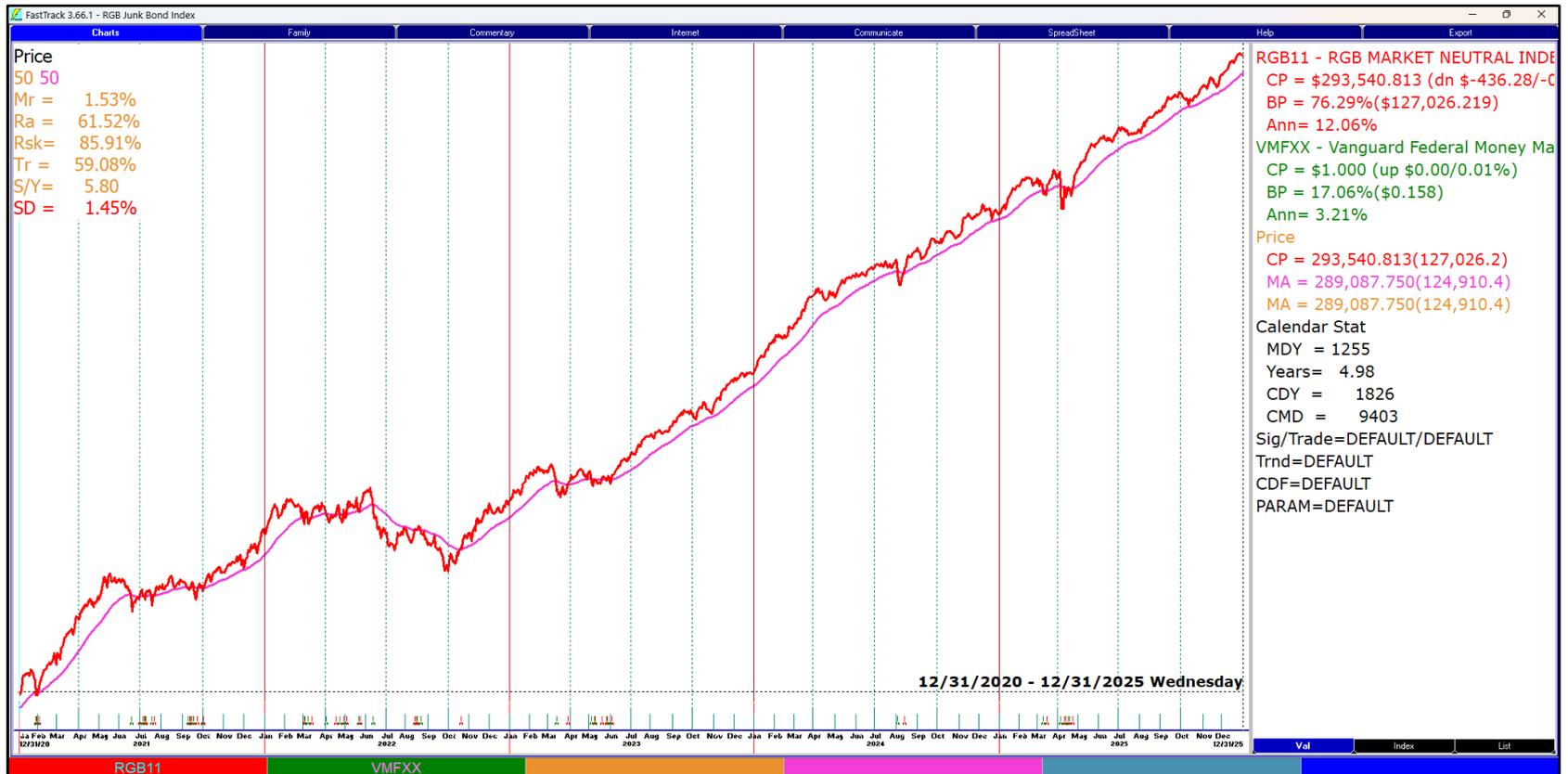
Which Asset Class is Providing the Best Risk-Adjusted Returns

Relative Strength Comparison



- Relative strength compares two assets. A rising relative strength line implies the red line is outperforming the green line.

Market Neutral Funds



- The RGB Market Neutral Index is comprised of mutual funds

Summary

- Low volatility categories share many characteristics with junk bonds
 - a) Have a high propensity to trend (high serial day-to-day correlation),
 - b) Tend to have lower volatility characteristics than equities, and
 - c) Tend to be good candidates for moving average timing.
- Economically sensitive groups tend to provide better risk-adjusted returns in strong market environments.
- Rank different categories to determine the best opportunities
 - a) Use FastTrack to rank categories
 - b) Select the best performing funds in the best performing asset classes.
- Look at lots of charts!!
- Consider the frequent trading restrictions of mutual funds. If you have to sell a mutual fund and want to buy again, use a different fund family.
- Consider using margin.



If you have any questions about the presentation, feel free to contact:

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