

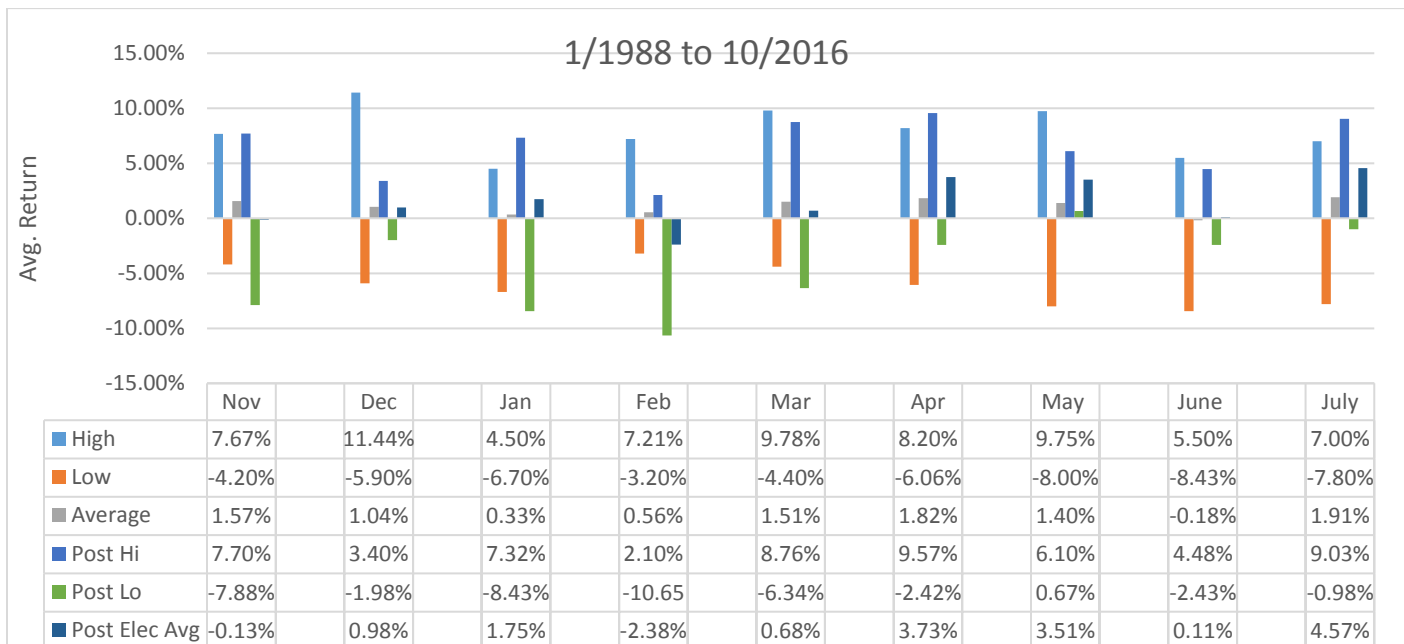
Has the Trump Bump Ended?

December's U.S. stock market return of 1.98% was well above the month's post-election average of 0.98%, but well below the December post-election historical high of +3.4%. The U.S. stock market seemed to be struggling in the last week of December. Some prognosticators were claiming that the Trump bump had ended. Our belief is that the psychological effect of the Dow's attempts to cross 20,000 level as well as the rebalancing of portfolios away from U.S. stocks to fixed-income and international equity are the cause. As we noted in our article "To 20,000 and Beyond" the U.S. equity market required between 30 and 64 days to cover the last 5% of previous multiples of 5000 levels. The range of trading days for the market to cover the last 100 points was 6-26. Currently at 30 and 13 days, respectively, we are well within the range for previous attempts at 5000, 10000 and 15000 Dow Jones Industrial Average levels.

However, after the 10,000 and 15,000 levels the market had erratic moves of 10-20%. As we all know, moves of these magnitudes are sufficient to scare the average investor to the sidelines. Quantitative Investment Decisions develops strategies to protect one's ASSETS. It's not how much an investor makes but how much one keeps long term that will impact one's lifestyle. QID believes that by providing investor's strategies that control downside risk that investors will be willing to stay fully invested through all market environments. Our strategies provide exposure to U.S. equity, International Equity, Fixed-Income and Commodities. Our strategies may be used to provide exposure to one of the asset classes offered or a diversified solution based on an investor's risk or age. We believe that our strategies will resonate with your clients. Ask your client if they believe "Defense wins Championships". If your client is a believer then our strategies may be appropriate for their portfolio.

Near-term, January's stock market performance has historically been a very good post-election month, averaging 1.75%. However, as noted last month, February is not so good, averaging -2.38%. Caution, seems a prudent path to take.

Chart1. S&P 500 Average Monthly Performance



Source: Morningstar Direct

QID's Monthly Performance Update

Our Tactical U.S. Equity model remains cautious with only 6 of 10 sectors “on”: materials, energy, financials, industrials, tech, and consumer discretionary. The sectors that are “off” are typically considered more defensive or interest rate sensitive: healthcare, staples, utilities and REITS. In November, REITS were turned “off” while consumer discretionary was turned back “on”. Consumer sentiment has rebounded, and the expectation is that Christmas outlays should improve as well. We will continue to shift sector allocations as the models dictate in the months ahead.

During November, our fixed-income composite became more defensive, moving to 75% cash, perhaps sensing an increase in rates that may be detrimental to bonds. This move to cash, in the fixed income strategy, would also indicate an increase in our commodity allocations within the alternative investments strategy. Instead, however, precious metals were switched “off” indicating that they may have lost some of their luster. Overall, our fixed-income, international equity and alternative investment strategies remain heavily in cash indicating some concern for these asset classes. For clients investing in QID’s age-based and risk-based strategies, these changes have resulted in a small portion of cash being moved from the fixed income portion of the portfolios, to the U.S. equity portion.

Below, is a summary of QID’s performance for the month of November. As a result of our models’ construction methodology, QID continues to fulfill its objective of providing its investors with downside protection. The asset class strategy goal, for all QID tactical portfolios, is to avoid extreme losses and give investors the confidence to stay fully invested and not to miss major market gains. During November, QID outperformed in all four asset classes: U.S. equity, international equity, fixed income, and alternative investments.

Tactical U.S. Equity Strategy

Tactical U.S. Equity Composite

1.02%

S&P 500 Index

1.98%

ETF Benchmark (SPY)

1.96%

Table 1.

Sectors	Materials	Energy	Financials	REITS	Industrials	Tech	Staples	Utilities	Healthcare	C-Disc
ETFs	PYZ/XLB	IYE/XLE	RYF/XLF	EWRE	VIS/XLI	RYT/XLK	XLP	VPU/XLU	RYH/XLV	XLY/VCR
Index Wght.	2.8%	7.3%	13.4%	2.9%	10.0%	21.5%	10.2%	3.4%	14.0%	12.2%
QID Month-end Allocation	16.33%	16.33%	16.33%	0%	16.33%	16.33%	0%	0%	0%	16.33%
ETF Return	0.14%	1.68%	3.11%	4.93%	0.36%	2.19%	3.05%	4.90%	0.71%	0.19%

Source: Morningstar Direct, ETF.com and iShares

The QID Tactical U.S. Equity strategy composite underperformed its benchmark index (S&P 500) and its benchmark ETF (“SPY”) 1.02% vs. 1.98% and 1.96%, respectively. The Tactical U.S. Equity model ended the month invested in six

sectors: consumer discretionary, energy, financials, industrials, materials and tech. REITs and utilities and healthcare remained “off” during the month.

The U.S. equity performance was negatively impacted by the reversal of performance of several sectors that were “off” and had underperformed in prior months such as REITs, Staples and Utilities. In December, only Financials and technology “on” sectors outperformed while materials, energy industrials and consumer discretionary underperformed. The portfolio continued to benefit from a zero allocation to healthcare as it underperformed as well. In January QID will be introducing sub-sectors to the portfolio. When a subsector is “on” it will be added to the portfolio in lieu of the sector ETF.

Tactical International Equity Strategy

<u>QID Tactical Intl Equity Composite</u>	<u>MSCI All Cap World Index ex-USA</u> NR USD	<u>ETF Benchmark (ACWX)</u>
0.22%	2.56%	2.55%

Table 2.

Sectors	Asia Ex-Japan	Canada	Emerging Mkts	Europe	Japan
ETFs	FPA/GMF	EWC	EEMV/VWO	VGK/HEDJ	EWJ/DXJ
Index Weight	15.0	6.6	19.4	41.44	17.4
QID Month-end Allocation	0	2.94	0	34.3	8.82
ETF Return (%)	-0.43	1.74	-0.96/-0.16	4.74/7.10	0.93/4.15

Source: Morningstar Direct, ETF.com and iShares

The QID Tactical International Equity strategy composite outperformed its benchmark index (MSCI All Cap World Index ex-USA) and benchmark ETF (“ACWX”), -2.20% vs. -3.94% and -2.38%, respectively. At the end of the month, the composite was invested in Canada and Japan, with Japan having been turned “on” mid-month. The allocations to emerging markets and Asia ex-Japan turned “off” during the month, while the allocation to Europe continued to remain “off” in the model.

The allocation to Canada benefitted the composite as did its selection of a hedged Japan ETF, “DXJ” vs. the unhedged Japan ETF, “EWJ”. The strategy was negatively impacted by both emerging markets and Asia ex-Japan, before they were sold mid-month.

Note: The portfolio position weights for international ETFs are based on GDP weight of the world economy, ex-USA. The index market cap weight is substantially different than the GDP weight with the result that QIDs performance might differ from that of the index. The reason that QID chooses to follow GDP weighting, versus market cap weighting, is that academic research has indicated that long-term market growth tends to follow GDP growth.

Tactical Fixed Income Strategy

<u>QID Tactical FI Composite</u>	<u>BofAML US Broad Market</u>	<u>IQ Enhanced Core Plus Bond US (AGGP)</u>
-0.04%	0.11%	0.61%

Table 3.

Sectors	Corporate - Investment Grade	Corporate – High Yield	Mortgages	Municipal	Intermediate Treasury	T-Bills/Cash
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ETFs	LQD/VCIT	HYG/PHB	MBB/VMBS	TFI/MUB	IEF/SCHR	BIL/MINT
Index Weight (%)	28	18	36	0	4	14
QID Month-end Allocation (%)	0	0	0	0	0	100
ETF Return (%)	0.65%	1.82	-0.06	1.11	-0.19	0.04

Source: Morningstar Direct, ETF.com and iShares.

The QID Tactical Fixed Income strategy composite outperformed the broad U.S. bond index (Bank of America Merrill Lynch U.S. Broad Market) and its ETF benchmark (“AGGP”) in October, -0.73% vs. -0.81% and -1.76%, respectively. The model ended the month invested 25% in a mortgage bond ETF and 75% in cash/T-bills. High-yield corporate bonds turned “off” mid-November. With all bond sectors having negative returns for November, the cash decision seems to be working quite well in helping to protect investor assets.

Cash/T-bills, with a yield of 0.4%, and high-yield’s return of -0.43%, were the only two fixed income sectors that outperformed the bond and ETF indices. The decision of allocating to cash vs high-yield, also appears to have had a positive impact on the portfolio. The mortgage sector seems to have given up their gains from October and returns have fallen in line with other investment grade sectors.

Note: The QID Fixed Income model utilizes a separate “signal” system for corporate bonds. The system determines whether an investment grade or a high-yield ETF should be used when the corporate fixed income signal is “on”.

Tactical Alternative Investments Strategy

<u>QID Tactical Alts Composite</u>	<u>75% S&P GSCI and 25% NAREIT</u>	<u>75% GSG and 25% IYR ETFs</u>
3.057%	1.99%	4.50%

Table 4.

Sectors	Agriculture	Gold	Silver	Gas	Oil	REIT
ETFs	DBA	IAU/GLD	SLV	UNG	DBO	RWR/IYR
GSCI Index Weight 2017 (%)	30	0-7	0-7	3.3	52.7	NA*
QID Month-end Allocation (%)	24.5	0	0	16.17	16.17	0
ETF Return (%)	0.02	-1.65	-2.59	10.0	6.70	4.63

Source: Morningstar Direct and ETF.com

*While REITs are not a sector contained in the GSCI commodity index, QID believes that REITs are an attractive alternative asset class for investors and as such has allocated 25% to the asset class.

The QID Tactical Alternative Investments strategy composite outperformed the market index (75% S&P GSCI / 25% NAREIT) -1.87 vs. -4.73. However, the composite underperformed the ETF benchmark (75% GSG / 25%IYR) -1.87% vs. 1.81%. Precious metals turned “off” in November, as they seem to have lost some of their luster. We believe the signal is surprising given how well gold tends to move with inflation. With wage inflation starting to rear its head, with increases in the mid-3’s, and oil prices moving higher, one would think that inflation expectations would be increasing enough to support higher precious metals prices. However, the market price support for the metals has deteriorated to the point that the model has signaled the sector “off”.

With the recently released weights for the GSCI Index, the allocation to the agriculture sector was increased from 17% to 25%. At 25%, the agriculture weight is still slightly below the latest published GSCI Index weight of 30%. While the base allocation to precious metals decreased from 25% to 17%, it is still above the new GSCI weight of 14%. The index weight

for energy also decreased from 63% to 56%. We are evaluating increasing the energy weight as we are still underweight the sector.

Agriculture continued to add value to the portfolio in November, while the returns from oil and natural gas being somewhat mixed. The model further benefitted from REITs being “off”.

Disclosures

Quantitative Investment Decisions, LLC (“QID”) claims compliance with the Global Investment Performance Standards (GIPS®).

Firm Definition

Quantitative Investment Decisions, LLC (“QID” or the “Advisor”) is registered investment advisor in the state of Florida organized as a Limited Liability Company (“LLC”) under the laws of the State of Delaware, whose principle place of business is in Naples, FL. The entire investment team and critical operations staff became affiliated with QID on January 2, 2015.

QID reviews a total firm AUM report broken out by account on a quarterly basis to ensure that only actual assets managed, or sub-advised, by QID are included. All accounts deemed to be advisory only, hypothetical, or model in nature are excluded from total firm AUM. Total firm assets are all discretionary (whether fee-paying or not) for which QID has investment management responsibility, including assets managed by sub-advisors that QID has authority to select.

Obtaining a Compliant Presentation and the Firm’s List of Composite Descriptions

A compliant presentation, including the performance data for the composite, may be obtained by contacting QID at 239.631.8912 or by emailing info@qidllc.com.

The Quantitative Investment Decisions’ (QID) Tactical U.S. Equity Strategy, Tactical International Equity Strategy, Tactical U.S. Fixed Income Strategy, and the Tactical Alternative Investments Strategy are long-term growth portfolios that invests in Exchange Traded Funds (ETF) as markets are rising and scales to cash as markets weaken using a trading algorithm. Their objective is capital appreciation. The portfolios represent United States markets, international markets, United States fixed-income markets and a blend of commodities and REITs that constitute the alternative investments strategy. The charts above show the total return, including reinvestment of all dividends. Returns are shown net (NR) of management fees and transaction fees for the composite account of the portfolios. The U.S. dollar is the currency used to express performance. QID claims compliance with the Global Investment Performance Standards (GIPS®). QID has been independently verified and its composites receive a quarterly performance examination by Ashland Partners & Company, LLP. **From April 30, 2012 through December 31, 2015 the performance shown is that of a composite of client accounts according to the dictates of the Program.** The quantitative engine providing strategy signals was enhanced effective April 1, 2014. The portfolio weighting scheme was also enhanced effective September 1, 2014.

Benchmarks are used for comparison purposes to correlate to each portfolio. The returns for the indexes shown include dividend reinvestment. Individual client accounts may have experienced investment results during the corresponding time periods that were materially different from those of the composite returns. **Performance data shown is past performance. Past performance is no guarantee of future results. Investments are subject to risk, and any of QID’s investment strategies may lose money. QID’s actively managed portfolios may underperform in bull or bear markets. The investment strategy presented is not appropriate for every investor and individual clients should review the terms, conditions and risk involved with specific products or services. The portfolio is constructed with Exchange Traded Funds that seek investment results that, before expenses, generally correspond to the price and yield of a particular index. There is no guarantee that the price and yield performance of the index can be fully matched. ETFs are subject to risks similar to those of stocks.**

Risks

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Asset allocation, nor diversification, does not guarantee a profit or protect against loss. Investment returns may fluctuate and are subject to market volatility, so that an investor’s shares, when redeemed or sold, may be worth more or less than their original cost. **All investments include a risk of loss that clients should be prepared to endure. Quantitative Investment Decision’s actively managed portfolio may underperform in bull or bear markets.**

Hypothetical Back-Tested Performance and Analytics



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Backtested performance is NOT an indicator of future actual results. There are limitations inherent in hypothetical results particularly that the performance results do not represent the results of actual trading using client assets, but were achieved by means of retroactive application of a backtested model that was designed with the benefit of hindsight. The results reflect the performance of a strategy not historically offered to investors and do NOT represent returns that any investor actually attained. Backtested results are calculated by the retroactive application of a model constructed on the basis of historical data and based on assumptions integral to the model which may or may not be testable and are subject to losses. Backtested performance is developed with the benefit of hindsight and has inherent limitations.

Specifically, backtested results do not reflect actual trading, or the effect of material economic and market factors on the decision-making process, or the skill of the adviser. Since trades have not actually been executed, results may have under-or-over-compensated for the impact, if any, of certain market factors, such as lack of liquidity, and may not reflect the impact that certain economic or market factors may have had on the decision-making process. Further, back-testing allows the security selection methodology to be adjusted until past returns are maximized. Actual performance may differ significantly from backtested performance.