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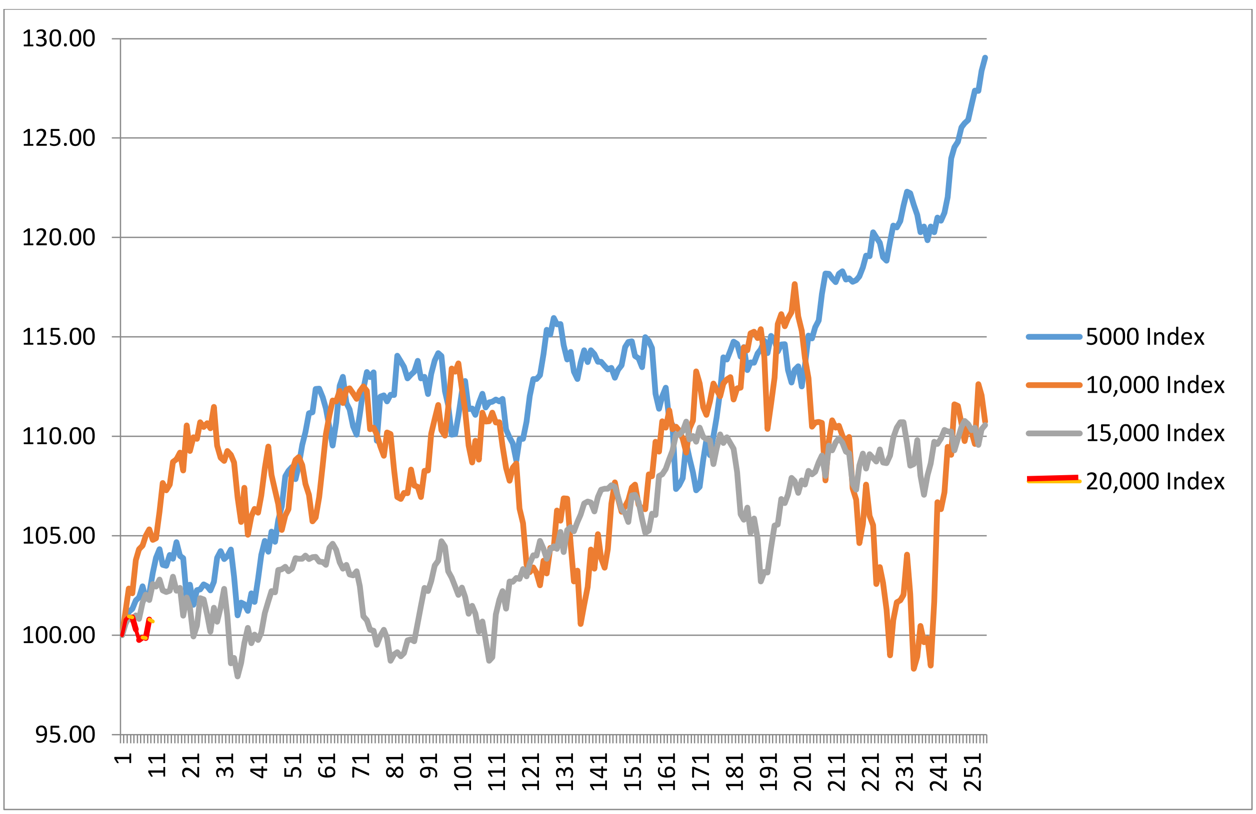
20,000 - Check, What's next?

The Dow Jones Industrial Average crossed the psychological 20,000 barrier on January 25th. Based on our article "To 20,000 and Beyond" written on December 24th we expected the barrier to be breached in the next 30-40 days based on history of past 5,000 multiple levels. History had shown that the last 5% was achieved between 30-64 days while the last 100 points required 6-26 days. The 20,000 level required 43 and 24 days, respectively, well within the historical ranges. We also noted that twelve months after the historic levels were achieved that the market was up approximately 10% after the 10,000 and 15,000 levels and up 28% after the 5,000 level. However, they had much different paths to achieve their 12 month performance. In Chart 1 below the chart shows the twelve month post daily trading action. It appears that after exceeding the 5,000 level the market consolidated above the historic level before producing a 28% plus return. The 10,000 level had a very strong move above its level increasing/ decreasing 10-15% over the next twelve months before finishing up around 10% for the year. The 15,000 level also appeared to consolidate after exceeding its level while trading in a 5-7% band above and below before slowly moving upwards to finish plus 10%. To date, it appears that the 20,000 run has not had the same strength after crossing the key level, bumping along the 20,000 level to date. What history seems to tell us is that each path has been different. However, the two consistent themes are volatility and a positive 12 month post period return.

Chart 1. Twelve month post performance of DJIA after exceeding 5,000 levels.



Source: Yahoo Finance

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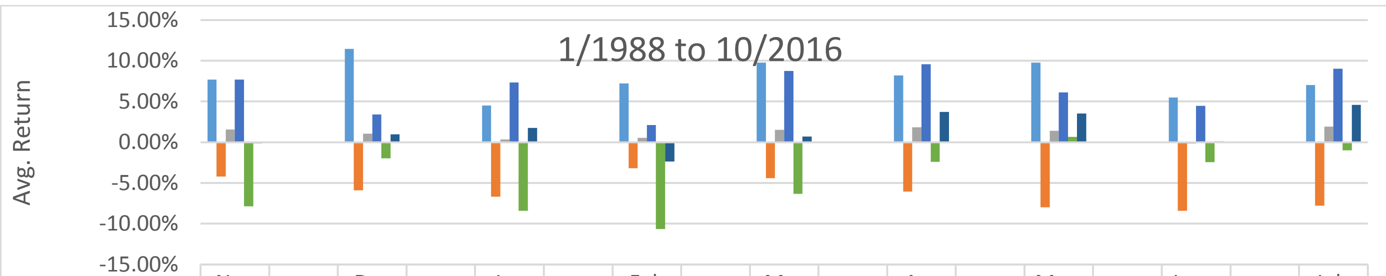
As noted in Chart 2 below, February post-election performance, on average, has had the roughest performance with an average return of -2.38% and a low of -10.65%. It is the only month that has posted an average negative return. Interestingly, when February is not negative March is. On average, March has posted an average return of 0.68% but has recorded a post-election low return of -6.34%. Therefore, we could be facing a difficult two month period where investor confidence may be challenged.

Chart 2. S&P 500 Average Monthly Performance



	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
High	7.67%	11.44%	4.50%	7.21%	9.78%	8.20%	9.75%	5.50%	7.00%
Low	-4.20%	-5.90%	-6.70%	-3.20%	-4.40%	-6.06%	-8.00%	-8.43%	-7.80%
Average	1.57%	1.04%	0.33%	0.56%	1.51%	1.82%	1.40%	-0.18%	1.91%
Post Hi	7.70%	3.40%	7.32%	2.10%	8.76%	9.57%	6.10%	4.48%	9.03%
Post Lo	-7.88%	-1.98%	-8.43%	-10.65	-6.34%	-2.42%	0.67%	-2.43%	-0.98%
Post Elec Avg	-0.13%	0.98%	1.75%	-2.38%	0.68%	3.73%	3.51%	0.11%	4.57%

Source: Morningstar Direct

Providing investors' confidence to stay fully invested can be challenging. As we all know, downward price action of 10% plus is 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 investors 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.

QID's Monthly Performance Update

Our Tactical U.S. Equity model added healthcare medical devices to the model in January. The sectors that are currently "on" are: materials, energy, financials, healthcare, industrials, and tech. The sectors that are "off" are typically considered more defensive or interest rate sensitive: REITS, staples and utilities. The only cyclical sector that was "off" was Consumer Discretionary. Although retail sales were disappointing for many companies, the stocks performed well as takeover rumors emerged. We will continue to shift U.S. equity sector allocations as the models dictate in the months ahead.

Fixed-income continues to be conservative with 90% in short-term instruments and 10% in emerging market debt. Emerging market debt has attractive yields and has benefitted from a slight weakening in the dollar.

International equity finished the month with all countries/regions turned “on”. However, Asia-Pacific ex-Japan did not turn on until the last day of the month. After a difficult 2016, the model seems to be indicating that international markets may be rebounding in 2017. A weak U.S. dollar in January helped international returns.

There was no change to Alternative asset classes in December as agriculture, natural gas and Oil remained “on”.

Below, is a summary of QID’s performance for the month of January. 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 to participate in market gains. During January, QID U.S. equity and alternative strategies outperformed. Fixed-income on a gross performance basis was in-line with its benchmark.

Tactical U.S. Equity Strategy

Tactical U.S. Equity Composite (net/gross)	S&P 500 Index	ETF Benchmark (SPY)
2.38/2.60%	1.90%	1.89%

Table 1.

Sectors	Materials	Energy	Financials	REITS	Industrials	Tech	Staples	Utilities	Healthcare	C-Disc
ETFs	SLX	PXE	KIE/KBE	EWRE	XTN	FDN/XSD	XLP	XLU	IHI	XLY
Index Weight	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%	16.33%	0%
ETF Return %	9.31	-3.87	-0.17/0.47	-0.3	0.85	6.9/3.8	1.7	1.26	2.29	4.21

Source: Morningstar Direct, ETF.com and iShares

The QID Tactical U.S. Equity strategy composite net of fees **OUTPERFORMED** its benchmark index (S&P 500) and its benchmark ETF (“SPY”) 2.38% vs. 1.90% and 1.89%, respectively. The Tactical U.S. Equity model ended the month invested in six sectors: energy, financials, healthcare, industrials, materials, and tech. Consumer discretionary, consumer staples, REITs, and utilities remained “off” during the month.

The introduction of subsectors to the strategy helped performance in January. When a subsector is "on" it replaces the sector ETF. Steel, materials sector, was the best performer up 9.31%. Expectation for infrastructure projects, new pipeline and construction of the Mexican wall helped drive steel's return. Exposure to techs internet and semi-conductor sub-sectors also benefitted performance up 6.9% and 3.8%, respectively. Energy dramatically underperformed -3.87% as concern of increasing number of active U.S. drilling rigs accelerated as well as uncertainty about OPEC maintaining production limits weakened stocks in the industry. The performance did not benefit from a strong performance by consumer cyclical. Zero exposure to REITS, staples and utilities benefitted the performance.

Tactical International Equity Strategy

QID Tactical Intl Equity Composite (Net/Gross)	MSCI All Cap World Index ex-USA NR USD	ETF Benchmark (ACWX)
-0.034%/-0.034%	**3.54%**	**3.51%**

Table 2.

Sectors	Asia Ex-Japan	Canada	Emerging Mkts	Europe	Japan
ETFs	FPA/DBAP	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	48.02	34.3	8.82
ETF Return (%)	6.69/4.94	3.94	3.7/5.8	3.0/0.1	3.5/0.7

Source: Morningstar Direct, ETF.com and iShares

The QID Tactical International Equity strategy composite underperformed its benchmark index (MSCI All Cap World Index ex-USA) and benchmark ETF ("ACWX"), -0.34 vs. 3.54 and 3.51%, respectively. At the end of the month, the composite was invested in Canada, Emerging Markets, Europe and Japan. Emerging Markets turned "on" mid-month. The allocation to Asia Pacific ex-Japan turned "on" the last day of the month and was invested in early February.

The allocation to Canada benefitted the composite. However, Japan on a hedged basis, underperformed reversing Decembers advantage of the dollar hedge. The same was true for emerging markets and Europe as the un-hedged ETFs outperformed the hedged. However, the treasury model continues to indicate a strengthening dollar as it is favoring cash/T-bills to T-bonds for the period ahead. In addition, hedged positions should benefit from the expected U.S. border tax on imports that favors a rising dollar.

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

QID Tactical FI Composite (Net)/(Gross)	BofAML US Broad Market	IQ Enhanced Core Plus Bond US (AGGP)
-0.12%/-0.04	0.11%	0.61%

Table 3.

Sectors	Corporate - Investment Grade	Corporate – High Yield	Emerging Market Debt	Mortgages	Municipal	Intermediate Treasury	T-Bills/Cash
ETFs	LQD/VCIT	HYG/PHB	EMB	MBB/VMBS	TFI/MUB	IEF/SCHR	BIL/MINT
Index Weight (%)	28	18		36	0	4	14
QID Month-end Allocation (%)	0	0	10	0	0	0	90
ETF Return (%)	0.15/0.36	0.91/0.86	1.73	0.09/0.17	0.48/0.26	0.22	0.04/0.19

Source: Morningstar Direct, ETF.com and iShares.

The QID Tactical Fixed Income strategy composite underperformed the broad U.S. bond index (Bank of America Merrill Lynch U.S. Broad Market) and its ETF benchmark ("AGGP") in October, -0.12% vs. 0.11% and 0.61%, respectively. The model ended the month 10% in emerging market debt and 90% in cash. With a 90% allocation to cash, the model continues to indicate a high probability for rates to increase in the months ahead.

January experienced continued credit spread tightening, difference between the yield of the 10 year treasury and the specific credit security, which benefitted non-Treasury fixed-income sectors. Investment grade and high yield corporates, emerging Market Debt, and Municipals on average outperformed intermediate Treasury bond ETFs.

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

QID Tactical Alts Composite (net/gross)	75% S&P GSCI and 25% NAREIT	75% GSG and 25% IYR ETFs
-2.59/-2.48	-1.00%	-1.01%

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 (%)	2.15	5.42	10.06	-15.85	-3.41	-0.95

Source: Morningstar Direct and ETF.com

The QID Tactical Alternative Investments strategy composite underperformed the market index (75% S&P GSCI / 25% NAREIT) and the ETF benchmark (75% GSG / 25%IYR) -2.59% vs. -1.00% and -1.01%, respectively. The model ended the month unchanged with 24.5% in agriculture and 32.34 % invested in energy.

Energy continued to be erratic as weather, number of drilling rigs in production and compliance to the OPEC production agreement whipped prices back and forth. Natural Gas and Oil were a major drag to performance, whereas, agriculture continues to benefit the strategy.

Note: 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 20% to the asset class.

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.**