TI

Insight

Opportunity

Excecution

TACTICAL INVESTMENTS

At Tactical Investments, we employ proprietary models and screening techniques to identify and capitalize on unique investment opportunities that arise from market inefficiencies. Anchored by two distinct investment themes, the TI Fund is purposefully designed to optimize returns and manage risk effectively. Leveraging its unique, opportunistic Balanced Strategy alongside a proprietary quant-driven Growth Strategy, TI is strategically positioned to navigate and capitalize on the elevated market volatility that has begun to unfold.

Balanced Strategy

Targeting a **75%** allocation to a diverse portfolio of income-producting investments. Dividend income is anticipated to average 10-12%, with the balance of returns in this allocation stemming from long-term capital gains.

Growth Strategy

Targeting a **25%** allocation to our proprietary trading model that generates its signals based on the strength and momentum in the US government bond market and changes in the velocity and degree of stock market volatility.

75%

BALANCED STRATEGY

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Markets that are correcting tend to fall much faster than those that rise. Anyone who was invested in 1987, 2000, 2007, and 2020 knows this all too well. You feel the impact of a serious market correction not just financially but emotionally. The Federal Reserve, understanding the importance of investor sentiment and the financial markets as a driver of the economy, has consistently acted as a backstop. Fed printing began in earnest after the tech bubble burst in 2000, accelerated during the Great Recession of 2008, and went parabolic after Covid struck. This type of Fed policy has conditioned investors to buy every dip.

A genuine bear market, particularly one dragged down by recession, will have staying power. “Sticky inflation” will make it hard for the Fed to take rates back down to the historic lows they held them at for much of the last decade. The pressing question remains: how do we discern when we are heading toward a recession or already entrenched in one?

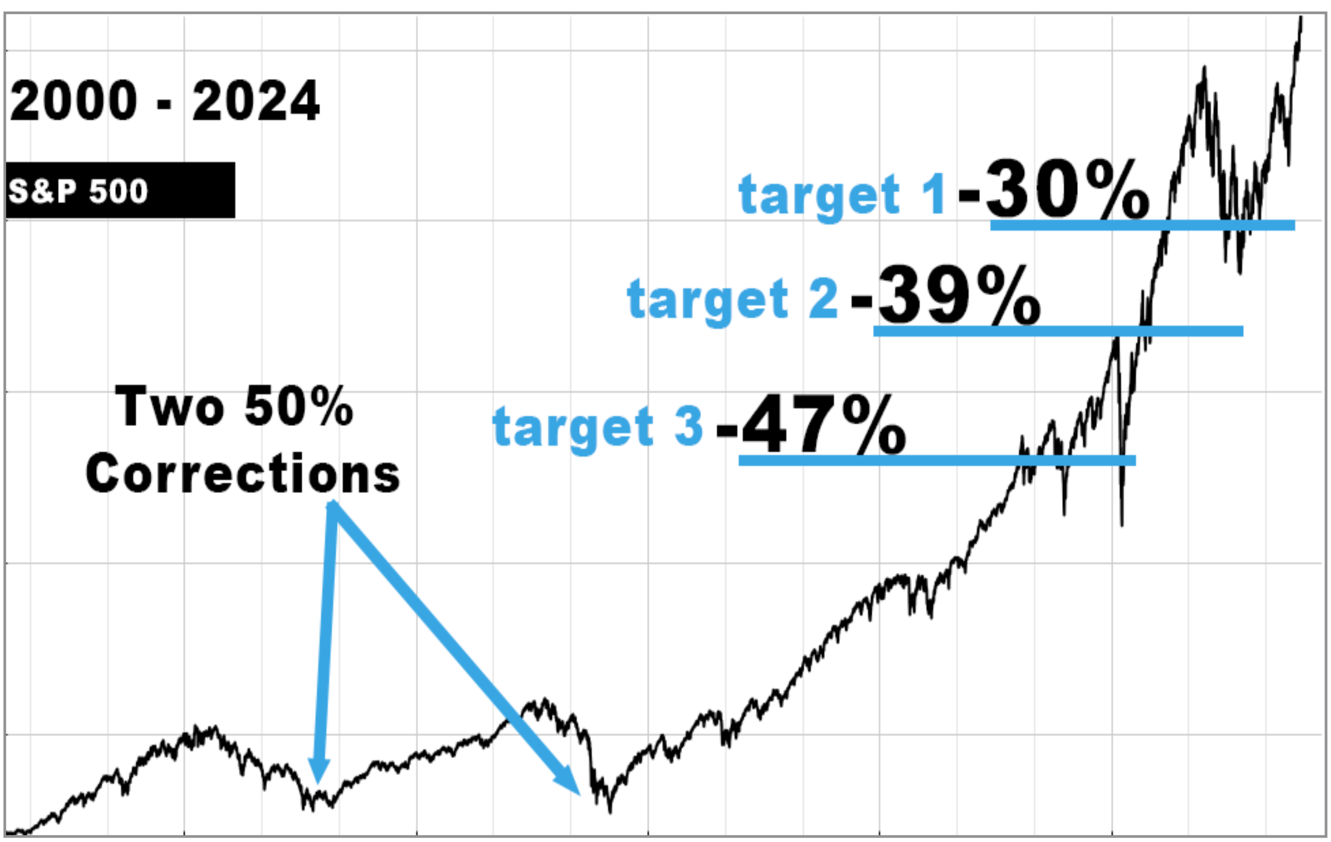
An inverted yield curve, where short-term interest rates exceed long-term rates, has long been a highly reliable precursor to recessions. Since October 2022, the U.S. 3-month Treasury yield has topped the 10-year yield, marking the longest inversion on record—a duration that often signals more severe economic fallout once a recession takes hold. Recently, however, the curve has been flirting with uninversion, hinting at a return to its typical upward slope. Historically, it’s this upward shift after a prolonged inversion that frequently signals a recession has already begun. Recessions impact markets in real-time, even if officially declared later by the National Bureau of Economic Research. Consistent with this outlook, the Federal Reserve began its anticipated rate-cutting cycle in September 2024, aiming to stabilize economic conditions amid these developments.

INVERSION → REINVERSION → RECESSION ↓

BEAR MARKET

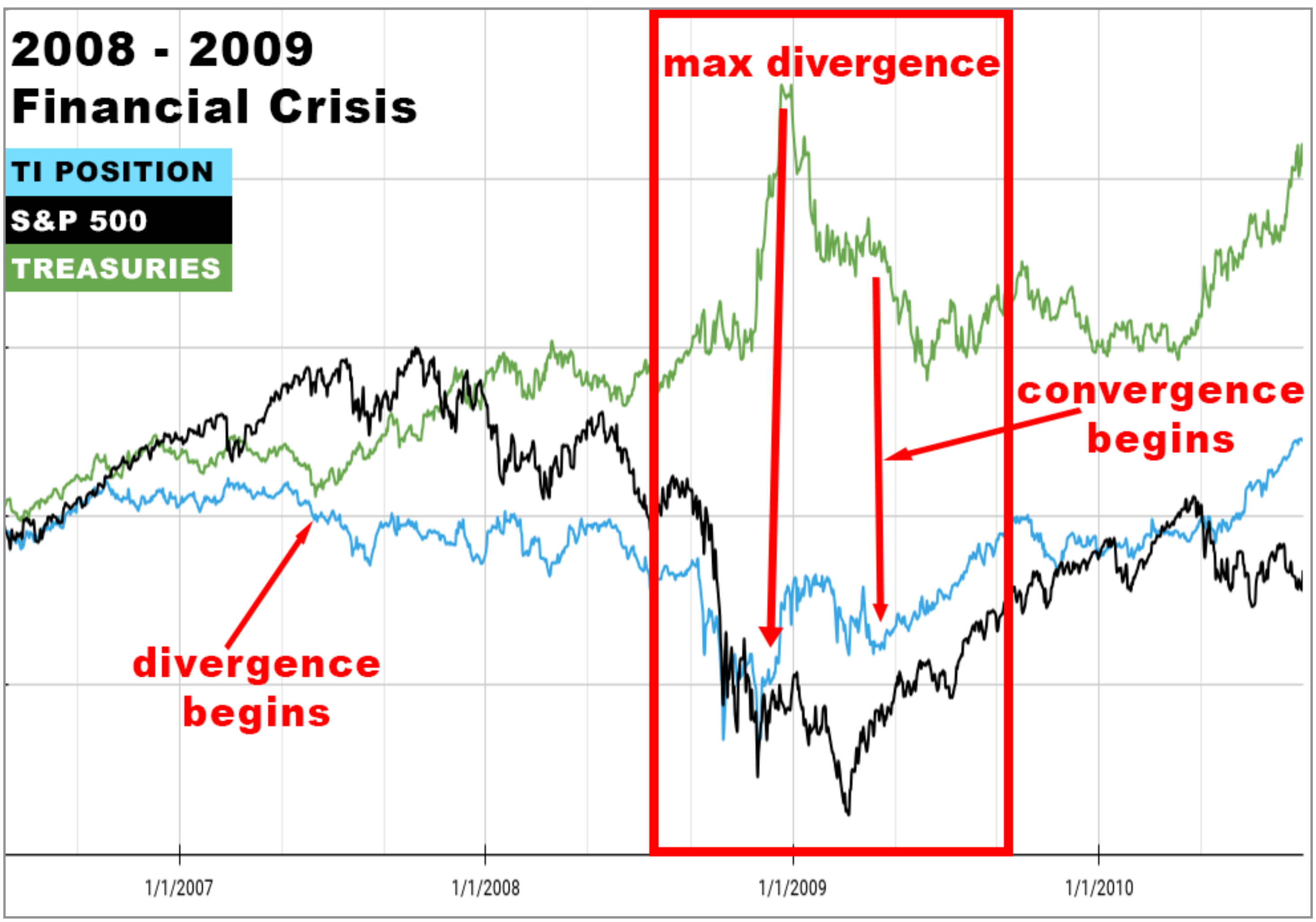
The equity markets, driven by the "magnificent seven," have taken stock market valuations to extreme levels only seen prior to the crashes of 2000 and 1929. Dividend payers, on the other hand, more desired for their balanced returns, have been left behind. The Fed's aggressive tightening of interest rates, coupled with that “sticky” inflation, has put a ceiling on their upside. The average TI target is 35% below its all-time high. TI has identified approximately 40 dividend investments it will accumulate when within range of our price targets.

Three key areas on the S&P 500 chart below provide a roadmap for our entry points. When the market corrects to targets 1, 2 and 3, which represent the 2022 low, the pre-COVID high, and halfway down the COVID low, respectively, TI will begin acquiring its dividend investment positions. The drop in price of these investment positions is anticipated to mirror that of the drops in the equity markets. While we may not see a full 47% drop in the equity markets, it should be noted that corrections of 50% occurred during both the 2000 and 2008 bear markets. The Fed-induced parabolic move since the Covid low puts that kind of move on the table. TI will very likely hit its buy targets regardless.



When the equity markets begin to correct, stocks and government bonds will break in opposite directions as there is a “flight to quality” coupled with a panicked Fed cutting rates. Case in point, the chart below reflects the performance of the US Treasury market, the S&P 500, and one of the TI investment positions during the 2008-2009 correction. Notably, the TI position in this example is a closed-end bond fund comprised of investment-grade corporate bonds—not stocks. Why does this happen?

Intense selling pressure in the equity markets causes a disconnect from the rallying treasury bond market, exemplifying the indiscriminate selling of stocks that occurs during corrections. This common yet counterintuitive pattern was most recently seen in the 2000, 2008, and 2020 corrections. In addition to the three S&P 500 drawdown targets noted in the above chart, this divergence is a confirmation signal for TI to begin accumulating its dividend positions at levels offering steep discounts to their dividend cash flow.



INSIGHT | OPPORTUNITY | **EXECUTION**

Tactical Investments has targeted four diverse market sectors and investment vehicles for its balanced allocation - all of which exhibit the preceding patterns to varying degrees:

TARGET 1: Closed-End Bond Funds

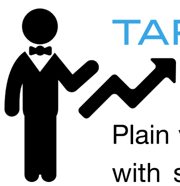
Closed-end bond funds are portfolios that can be comprised of a myriad cross-section of bonds - from government, agency, and municipal bonds to corporate bonds and preferred stock (a bond equivalent). At first glance, they appear similar in structure to ETFs and open-end mutual funds. However, during bear market corrections, closed-end funds present favorable pricing opportunities that the others do not due to their unique redemption mechanism. Closed-end funds do not redeem shares directly from investors. In contrast, open-end funds and ETFs allow investors to buy or redeem shares directly with the fund at the net asset value (NAV). This direct creation and redemption mechanism helps keep the share price of open-end funds and ETFs close to their NAV.

Closed-end funds, on the other hand, have a fixed number of shares, which means they do not have to deal with inflows and outflows of capital. Since closed-end funds do not have to redeem shares on demand, they are not forced to sell assets in a declining or oversold market to meet redemptions. This can help preserve the net asset value of the portfolio during market downturns. As importantly, the intense selling pressure will most often push the price of a closed-end bond fund towards a steep discount to its NAV. When you purchase a closed-end bond fund at a discount, you are effectively buying the underlying assets of the fund for less than their actual market value. In general, this can provide an immediate value advantage and also secure a yield significantly higher than an open-end fund and ETF holding similar positions trading at their net asset value.

TARGET 2: Real Estate Investment Trusts

A Real Estate Investment Trust (REIT) is a company that owns, operates, or finances income-generating real estate. Modeled after mutual funds, REITs typically pay out the majority of their taxable income as dividends. REITs can be comprised of different types of real estate - from commercial office space and shopping malls to residential real estate and assisted living facilities. With the trend towards working from home, sectors like office space have taken a huge hit and many will likely have cash flow pressured by this over the long term. The healthcare sector, on the other hand, can offer a unique investment opportunity during bear market corrections.

Healthcare services are essential and non-discretionary, leading to consistent demand for healthcare facilities, regardless of economic cycles. Demographics also provide a backstop to the sector. As the population ages the demand for healthcare services and facilities such as hospitals, medical office buildings, senior housing, and skilled nursing facilities is expected to grow. Also benefiting the sector, healthcare facilities often operate under long-term lease agreements with tenants, providing healthcare REITs with a more reliable and stable income stream over extended periods. Many healthcare services are supported by government funding and insurance programs, which can add an extra layer of financial stability for the operators of these facilities. Healthcare is the sector TI will be attempting to overweight in its REIT positioning.



TARGET 3: High Dividend Large-Cap Stocks

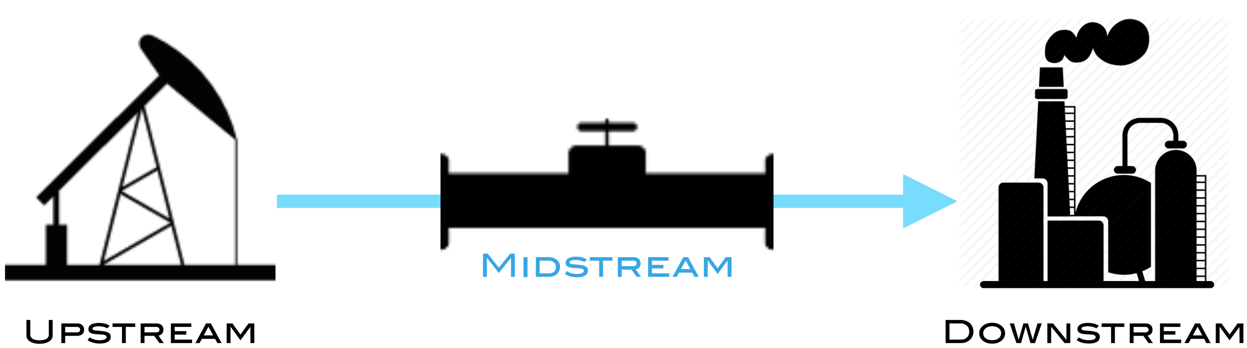
Plain vanilla large-cap companies that pay high dividends are often well-established, mature firms with stable cash flows and a history of profitability. These firms are typically less volatile than younger, growth-oriented companies that do not pay dividends. They also tend to raise dividends over time, which generates higher cash flow and also acts as an inflation hedge. This sector has not participated in the major run-up in the equity markets since the low put in in 2022 but will be pulled down in a bear market just the same. TI is targeting mostly non-cyclicals, including telecom, utilities, and food and beverage companies.

TARGET 4: Master Limited Partnerships

Publicly traded Master Limited Partnerships (MLPs) are typically found in the oil and natural gas sector. They combine the tax benefits of a partnership, such as tax-deferred income, with the liquidity of publicly traded securities. There are three types of companies in the MLP sector: upstream, midstream, and downstream producers. TI will focus on midstream companies.

Midstream companies tend to have the most stable earnings of the three. This stability stems from several key factors:

- **Upstream companies** produce oil and gas, thus depending on the strength of the economy and consumer demand, which drives pricing and profitability.
- **Downstream companies** are influenced by demand/volume and refining margins.
- **Midstream companies** transport the oil and gas. They typically enter into long-term, fee-based contracts with upstream producers and downstream refiners. These contracts often include minimum volume commitments, which ensure a more steady revenue stream regardless of short-term fluctuations in oil and gas prices. This makes them less directly exposed to commodity price fluctuations and refining margins. Midstream earnings are more reliant on the volume of hydrocarbons transported and stored rather than market prices.



Balanced Strategy - What to expect

Expect the Fed to cut rates...and then cut some more

When the markets inevitably break, the Federal Reserve will cut interest rates to support the economy and financial markets. Although the prices of dividend investments will fall along with the equity markets, the resulting favorable interest rate comparisons will make these investments particularly attractive. Higher dividends and their status as more logical alternatives to pure growth stocks during market downturns will enhance their appeal once a more durable bottom is reached.

Expect some mostly temporary dividend cuts

A recession, concurrent with a market correction, will pressure earnings across the board. During these periods, it is not uncommon for dividend payers to reduce or cut their dividends to preserve capital. This is why it is crucial to invest in sectors that are traditionally less susceptible to the ebbs and flows of the business cycle. However, these investments are not immune to price drops when the overall stock market takes a hit. Counterintuitively, in more stable markets, a company cutting its dividend can sometimes lead to a rise in its stock price. Investors recognize that this move can help strengthen a company's balance sheet, allowing it to weather the storm and remain ready for future opportunities. While not all companies will follow this path, most will likely reinstate their dividends once the economy and markets stabilize.

Expect / Hope for some early losses

From our observations over nearly four decades of navigating the financial markets, significant corrections tend to unfold in waves. The bull or bear head and shoulders pattern is one of the most widely recognized and fairly reliable roadmaps over time. Given the market's overvaluation and the tendency of investors to buy every dip, there will be points on the way down where large bursts of buying occur. We might become fully invested over several months, or it could take up to a year. While it is nearly impossible to hit the exact trough of each wave, the goal is to target the areas within these waves that represent the most likely support levels. For this reason, we aim to undercut our first entry point to secure an average price below our initial purchase. This approach offers a higher average yield and more upside potential. Deploying assets over at least two waves improves the likelihood that we will become more fully invested in case there is a quick vertical spike. This will put us in a better position to achieve a higher balanced return.

Expect low portfolio turnover

Once the Balanced Strategy is fully invested, this portion of the portfolio will experience little trading. It will be “managed around the edges” in a way that keeps it fine-tuned to current market conditions, occasionally shedding and adding stronger dividend candidates as opportunities arise.

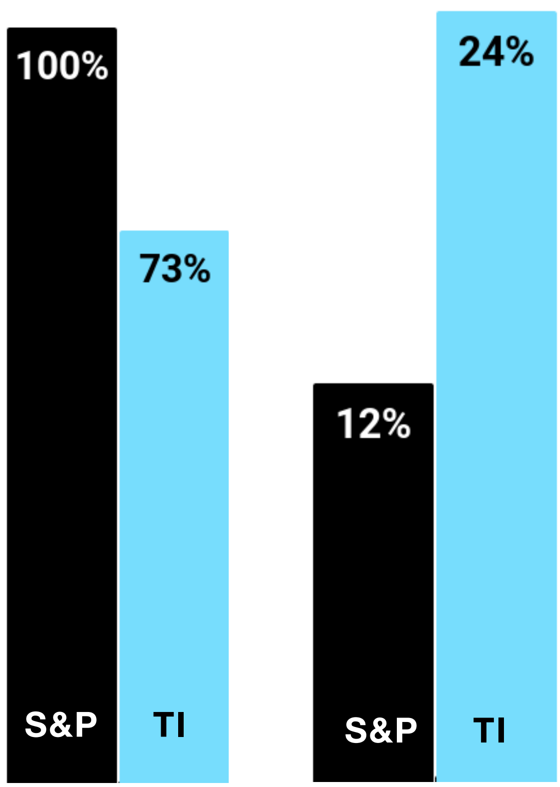
Most importantly - Get paid to wait

While rebounds follow a fairly recognizable pattern during market turns, their duration and magnitude are uncertain. Assuming favorable entry points, we will benefit from high dividend cash flow while waiting for a recovery. In past corrections of dividend targets such as TI is targeting, it is common to see a retracing of half of the drop from all-time highs within two years. While past performance is not indicative of future results, buying these types of investments in the region of their lows has offered yields of between 10% and 12%, followed by marked capital gains over time (as seen in the second chart above). This is where our strategy is poised to deliver a robust total return, showcasing the strength of maintaining a well-balanced portfolio.

25%

GROWTH STRATEGY

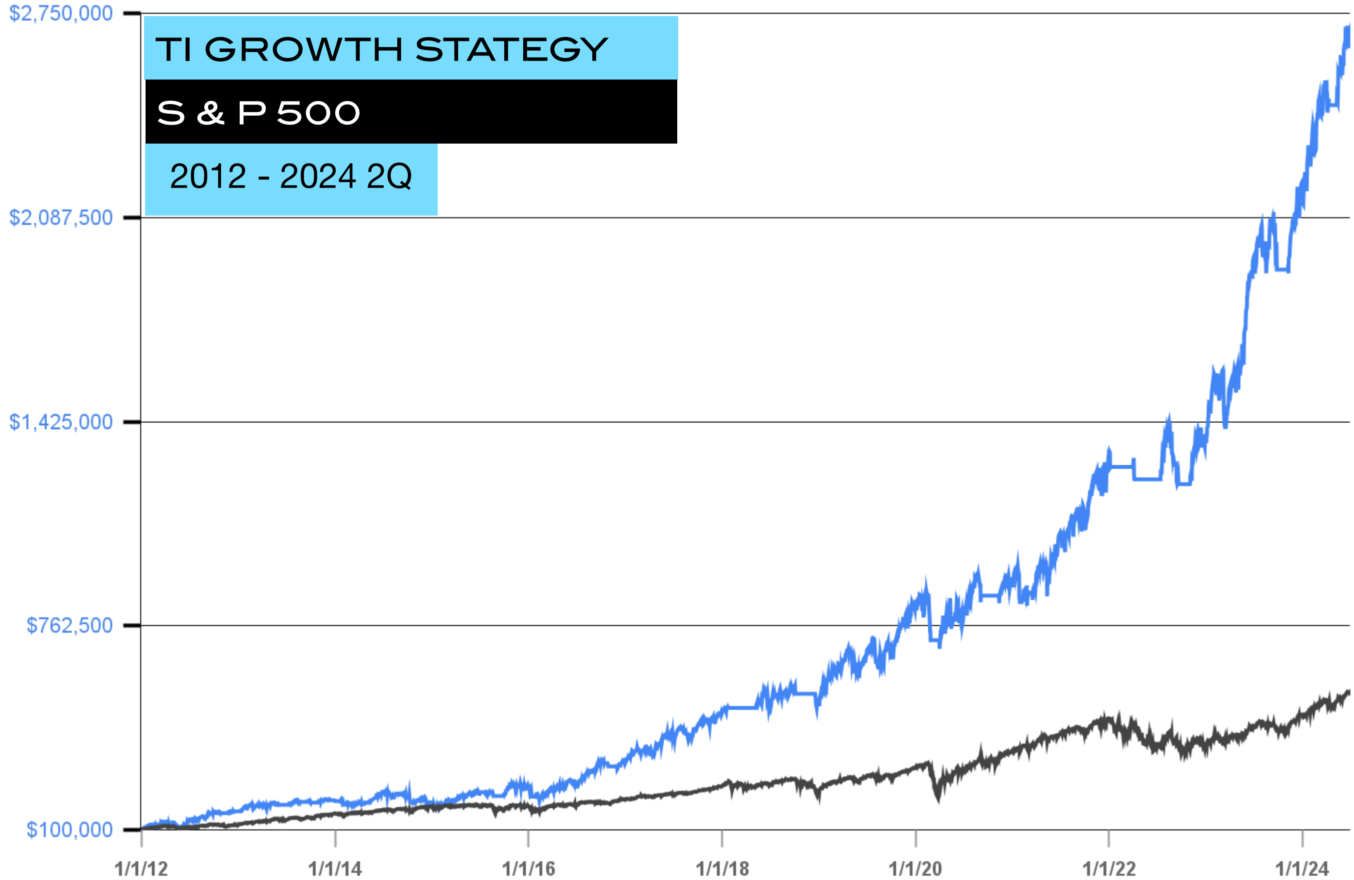
The TI Growth Strategy allocation leverages a proprietary systematic trading model designed to generate investment signals by analyzing key market indicators. These indicators include the strength and momentum of the US government bond market, fluctuations in the velocity and degree of stock market volatility, and the internal metrics of the trading program. The signals produced by this model guide a dual investment strategy: maintaining a long position in semiconductor stocks through the SMH ETF and an inverse position in the S&P 500 volatility index via the SVXY ETF. This approach is grounded in a thorough analysis of market dynamics, ensuring that the fund remains aligned with evolving market conditions.



AVERAGE TIME INVESTED IN MARKET

AVERAGE ANNUAL RETURN

To manage risk more effectively, TI strategically allocates its assets to US government T-bills or a high-yield money market fund instead of ETFs for approximately one-third of the year. This shift occurs during periods when TI identifies heightened market risk and increased anticipated volatility, aiming to reduce exposure to potential downturns. By adopting this cautious stance, the fund seeks to protect its assets and navigate volatile market conditions with greater resilience. The TI Growth Strategy will represent approximately 25% of the overall fund. The following section provides a detailed breakdown of the program's performance and risk metrics, offering insights into its overall effectiveness and potential for long-term growth.



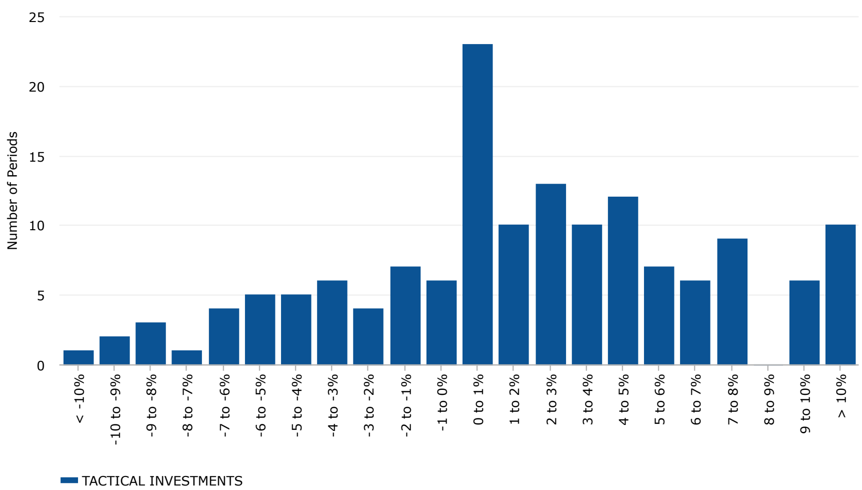
MONTHLY PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	2.20	6.45	2.73	-2.59	4.43	4.62							**18.94**
2023	10.88	0.31	-0.88	3.44	6.30	10.98	4.30	0.18	-7.19	0.01	7.82	4.77	**47.37**
2022	-1.93	0.01	0.01	-3.15	0.01	0.01	9.18	-3.87	-6.76	0.01	13.06	-1.79	**3.26**
2021	-8.25	0.92	7.12	3.32	3.04	6.67	0.62	4.67	-4.53	9.97	2.38	4.24	**32.92**
2020	-4.70	-9.41	0.01	12.68	-1.80	1.40	7.16	2.58	-3.98	0.01	4.98	0.86	**8.27**
2019	12.30	5.00	2.18	5.79	-9.18	7.11	4.50	-5.91	5.12	6.50	6.13	3.34	**49.67**
2018	3.78	0.01	0.01	0.01	3.31	-3.18	5.52	2.88	1.82	-3.63	0.00	-5.23	**4.82**
2017	9.32	-0.36	3.47	1.56	7.99	-0.59	4.83	-5.81	7.87	3.43	0.15	3.10	**39.80**
2016	-8.62	-2.83	11.53	0.18	9.02	-5.19	11.42	4.12	9.36	-5.38	-0.25	2.94	**26.40**
2015	-6.14	12.92	1.41	5.42	6.79	-1.52	1.64	-4.61	2.81	10.35	1.12	-4.20	**26.98**
2014	-6.76	1.31	1.78	0.74	7.07	5.98	-3.21	2.42	-4.31	-6.56	2.81	-8.71	**-8.58**
2013	5.47	0.90	2.87	1.64	-1.20	0.13	4.92	-0.59	-1.94	1.92	3.62	-2.01	**16.51**
2012	9.41	2.82	7.74	-2.88	-11.74	20.56	0.68	5.17	7.98	-1.05	2.68	0.61	**46.39**

RETURN STATISTICS

	TACTICAL INVESTMENTS	S&P 500 ETF TRUST
Last Month	4.62%	3.20%
Year To Date	18.94%	14.50%
3 Month ROR	6.43%	4.04%
12 Months ROR	30.29%	22.77%
36 Month ROR	113.58%	27.14%
Total Return Cumulative	1329.68%	333.64%
Total Return Annualized	23.71%	12.45%
Winning Months (%)	70.67%	68.67%
Average Winning Month	4.47%	3.25%
Losing Months (%)	28.67%	31.33%
Average Losing Month	-4.29%	-3.70%

DISTRIBUTION OF MONTHLY RETURNS



VOLATILITY STATISTICS

Sortino Ratio	2.26
Correlation vs S&P 500	0.68
Standard Deviation Monthly	5.32%
Downside Deviation	2.74%
Beta	0.87
VaR Historical	-6.76
Alpha Annualized	12.71%
Sharpe Ratio (10Y T-Note)	1.01

RETURN REPORT

Period	Best	Worst	Average	Winning %
1 Month	20.56%	-11.74%	1.93%	70.67%
3 Months	27.66%	-14.94%	5.63%	76.35%
6 Months	40.05%	-19.33%	11.31%	86.21%
1 Year	55.06%	-8.58%	22.86%	94.96%
2 Years	106.56%	-5.21%	47.27%	99.21%
3 Years	148.11%	12.85%	79.02%	100.00%
5 Years	257.43%	115.03%	170.49%	100.00%

DRAWDOWN REPORT

No.	Depth (%)	Length (Months)	Recovery (Months)	Start date	End date
1	-21.92%	7	4	07/2014	05/2015
2	-14.94%	3	3	12/2015	05/2016
3	-14.28%	2	1	04/2012	06/2012
4	-13.67%	2	5	01/2020	07/2020
5	-10.37%	2	2	08/2022	11/2022

Growth Strategy - What to expect

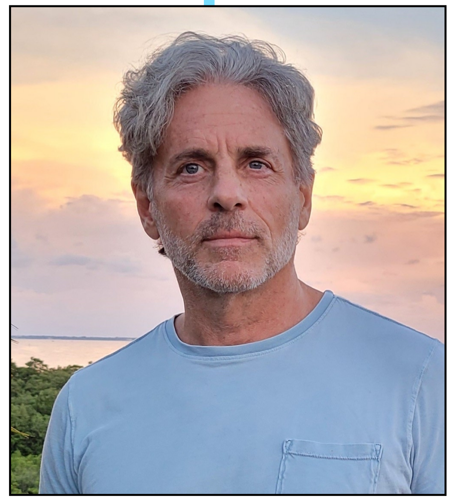
Expect a different and complementary growth profile

Once the TI Fund is fully positioned within its Balanced Strategy, that portion of the portfolio will align more closely with interest rate movements rather than the equities market. In contrast, the TI Growth Strategy will move more in sync with the stock market. The inverse VIX ETF, which typically rises when the S&P 500 increases, will form 75% of the Growth Strategy's exposure. Although its movements are directionally tied to the S&P 500, the magnitude of its fluctuations can vary. This ETF always carries a 50% cash position which reduces the volatility the VIX would normally exhibit. Additionally, 25% of the Growth Strategy is allocated to the semiconductor index. This combination has historically worked well with the VIX ETF, and we believe that the exponential growth driven by artificial intelligence, which depends heavily on semiconductors, will enhance overall returns. While past performance does not guarantee future results, this strategic profile has enabled the TI Growth Strategy to consistently outperform the S&P 500 index.

Expect continuous active management

The Growth Strategy adheres to signals from a proprietary, systematic trading program. This approach leads to varying investment periods: there will be stretches of weeks or months where the strategy remains consistently invested in either ETFs or money market funds. At other times, the program engages in more active trading. On average, you can anticipate approximately 1.5 to 2.5 trades per month, with the strategy positioned in money market funds around 28% of the year.

TI MANAGEMENT

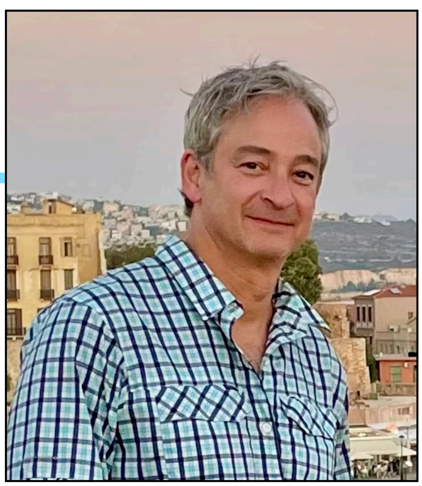


DJ Kadagian is a registered investment advisor with over 38 years of experience in the financial markets. While proficient in all major markets, his primary focus for the past 33 years has been on developing and managing proprietary quantitative investment systems. During his tenure as Vice President at Shearson Lehman Brothers, he developed his first proprietary trading system, becoming the firm's first broker to offer a quantitative management program to clients.

In 1996, DJ launched Four Seasons Asset Management, utilizing his proprietary system which focused on the small, mid, and large-cap equity markets. Over the next eight years, this program delivered returns double those of the S&P 500. In 2016, he developed the H2 Fund, which focused on the gold and oil markets and significantly outperformed the S&P 500. Both funds maintained a cash position of approximately 30% of each year, with net volatility lower than that of the S&P 500.

The Tactical Investment Fund leverages his 38 years of expertise across equity, fixed income, commodities, and futures markets to develop and manage advanced, proprietary quantitative investment strategies. His ongoing goal is to deliver exceptional risk-adjusted returns.

DJ is an award-winning documentary filmmaker, best-selling author, and a member of the Director's Guild of America and the Authors Guild of America. He is a graduate of Cornell University.



Brian Bernstein, a Registered Investment Advisor and Partner at Tactical Investments, began his career in the investment industry at A.G. Edwards & Sons over thirty years ago. There, he specialized in proprietary equity research and asset allocation modeling, quickly advancing to the position of Senior Vice President. Brian then transitioned to the consumer products industry, joining Melissa & Doug LLC, a global leader in children's toys. He played a pivotal leadership role in transforming the company from a $12 million "mom & pop" business to an internationally recognized brand with nearly $500 million in annual revenue. During his 22-year tenure at Melissa & Doug, Brian drove an exponential increase in the company's enterprise value, facilitating three successful private equity transactions and paving the way for the $950 million strategic acquisition of the company by Spin Master in 2024.

Most recently, as Chief Commercial Officer at leading e-commerce furniture manufacturer Ubique Group LLC, Brian led global sales, marketing, and product development, achieving record performance with significant top and bottom-line improvements. His strategic initiatives included overhauling the sales team, securing major new retailer accounts, and establishing key licensing agreements with Martha Stewart.

Brian brings with him over 35 years of diverse industry experience and a proven track record of successful business management and corporate value creation. His strategic vision and hands-on execution make him an invaluable asset to Tactical Investments. Brian holds a Bachelor of Business Administration in Marketing and Finance from the University of Texas at Austin.

For Accredited Investors

Minimum investment $500,000

Individually managed accounts

Daily liquidity

No client lock up or exit fees

No margin and no direct short positions

Performance fee / Management fee

Highwater Mark

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