The Active Manager

Quarterly Journal of the National Association of Active Investment Managers

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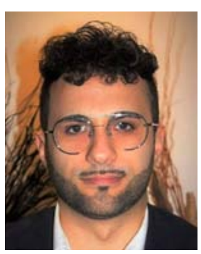
INDEX

Italian Financial Analyst Wins the 2019 NAAIM Founders Award for *Antifragile Asset Allocation Mode*



Gioele Giordano, CFTe

GIOELE GIORDANO, CFTe, a member of the Italian Society of Technical Analysis and student at the University of Modena and Reggio Emilia at the Department of Economics Marco Biagi, has won the $5,000 NAAIM 2019 Founders Award for Advances in Active Investment Management with his paper, *Antifragile Asset Allocation Model*.

In *Antifragile Asset Allocation Model*, Giordano demonstrated how a combination of an active quantitative investment model and an effective tail risk hedging strategy could immunize a portfolio to black swan events and exploit them to the investor's advantage. Black swan events are destructive market events that are by definition unpredictable, deemed improbable and explainable only afterwards.

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The views and opinions of the authors are not necessarily those of NAAIM, its officers or Board of Directors.

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President's Letter

Matthew Spangler

IT IS A PLEASURE TO SERVE AS NAAIM President for the upcoming year. Since attending my first NAAIM conference in 2011, this organization has become the most important business resource I have. Practice management at my business – Signal Research – has been shaped and influenced by the knowledge and insights of the NAAIM membership, conference speakers and sponsor firms. In many ways, I view NAAIM as the safety net for my business. I know I can go to a NAAIM member or someone within the organization if I have questions or run into a challenge within my firm, whether with a client or a firm issue.

Taking an active role in NAAIM is one way I try to pay back the value I have received. By 2013, I became consistently involved in NAAIM, attending conferences and serving on committees, starting with the agenda committee and later the marketing, new member and member retention committees. Three years ago I was elected to the NAAIM Board. As NAAIM Vice President, I headed the agenda committee for the 2018 NAAIM Outlook and 2019 NAAIM Uncommon Knowledge conferences.

I couldn't do the job of vice president and now president without great fellow board members. The NAAIM Board is critical to the association's overall success. A number of the members have been with the organization for a long time. They bring experience and history – knowledge going back over NAAIM's 30+ years. New members bring fresh ideas and energy to the future of NAAIM. It's a great mix of folks and viewpoints. They really help make my job easier.

Despite all the value this organization offers its members, it's not always easy to discover NAAIM. My primary goal as NAAIM President and a major goal of the NAAIM board is to increase the visibility of NAAIM within the RIA community. We need to grow awareness of NAAIM, educate advisers about incorporating active management into their practices, explain the value we bring to the table and increase membership.

In particular, we need to reach out to younger advisers who will form the future of this industry. To do so we will be focusing more on social media, digital marketing, online publications and even outreach into the academic communities. NAAIM members, however, are our most important tools for bringing in new members. We need to make it easier for our own members to refer prospective members and have a system in place to transition those individuals into membership.

My introduction to NAAIM was through a member firm. After 10 years with John Hancock, I had taken a position with

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Looking Back at Uncommon Knowledge 2019

UNCOMMON KNOWLEDGE 2019 MARKED NAAIM'S 30th year of exceptional conferences keyed to the needs of the active investment manager. Conference reviews cited exceptional speakers, new ideas for taking one's company to the next level and hard-to-equal networking opportunities. The most photogenic event of the conference turned out to be the Tuesday night baseball game.

Shown in the photo collage on the following page, clockwise from the top:

Working session audience, (2) You're Doing It All Wrong!-Portfolio Design for Modern Markets Panel with moderator-David Moenning, Heritage Capital Research, (3) Joe Maas, Vishal Muni, Alan Rubenfield and Matt Spangler at Chase Field, (4) NAAIM members in their private section of the stands, (5) Dale Roo, Ben Reppond and Jim Applegate, (6) Steve Williamson, (7) Ralph Doudera and Sam Jones, (8) Mike Jones and Craig Thompson at the NAAIM Golf Classic, (9) Presentation of the Shark Tank award to Len Fox (center) by Dana Fliss, John McClure and Dave Moenning.

Len Fox Wins Shark Tank for the Second Time

Len Fox - Scarecrow Trading

LEN FOX, FOUNDER AND CEO of Scarecrow Trading Inc. based in Savage, Minnesota, is the first-place winner of the 2019 NAAIM Shark Tank Competition for his Directional Equity Trading Strategy utilizing the firm's proprietary Symphonic Index. The 2019 event took place at the close of NAAM's annual Uncommon Knowledge Conference, held this year in Scottsdale, Arizona, April 28 – May 1, 2019. The competition is open to all trading and investing practitioners who have developed strategies with a live, verifiable, real money track record. Membership in NAAIM is not required.

In addition to the opportunity to increase awareness of their investment strategies, the firms competed for a first-place prize package that included a $5,000 cash prize; a distribution slot on Global View Capital Management's TAMP offering, which focuses on active investment managers; promotion to NAAIM membership via a membership webinar and in the NAAIM Active Manager publication, and six presentation meetings with NAAIM member firms.

Pending due diligence approval by Global View, the winning strategy will be promoted to Global View's advisor base and Len will receive an invitation to the firm's annual conference. Global View currently hosts three recent Shark Tank managers and has raised more than $100 million in AUM for Shark Tank winners over the past two years.

Len was also the winner of the first NAAIM Shark Tank competition in 2014 with his Crow Chaser strategy. He had an extended career with AT&T working in various management positions prior to starting Scarecrow Trading, Inc. in 2003 to commercialize the algorithms he uses today for servicing individuals and firms in the financial industry. Much like a symphony orchestra, which may have more than 100 members, the Symphonic Index is a carefully orchestrated blend of 34 distinct decision algorithms, 11 decision engines and four total selection engines that establish daily market exposure (up to 200% maximum). The investment strategy has a real-money track record dating back to September 2003 and outperformed the S&P 500 TR index nine of the last 14 years.

SymphonicIndex

2019 Shark Tank runner up was the team of David Varadi, MBA, CFA®, president of CSSA Research, and David Daughtrey, CFA®, CFP® of Copperwynd Financial with their CW Livermore Momentum 5 strategy. The investment approach has a seven-year, real-money track record in which it exceeded or equaled the S&P 500 Index every year.

In third place was the team of Bruce Greig and Greg Reid of Q3 Asset Management with an Enhanced Allocation Sector investment program. The strategy, which has a six-year real money track record, is designed to systematically shift out of underperforming sector/bond funds and into outperforming sector/bond fund investments.

The 2019 judges included Dave Morton, founder of AdvisorGuide, LLC; Dina Fliss, founder, president and CIO for Global View Capital Management, and past Shark Tank winners David Bush, founder of ALPHATATIVE, and John McClure, founder, president and CIO of ProfitScore Capital Management, Inc. For more information about the NAAIM Shark Tank, including how to compete in the 2020 competition, please contact the NAAIM office.

Uncommon Knowledge
CONFERENCE 2019

Excellence in Active Management
30 YEARS
SINCE 1989

Welcome to New NAAIM Board Members

A NEW SLATE OF OFFICERS and three new board members were elected to the NAAIM Board of Directors at the association's Annual Meeting on Wednesday, May 1st during the 2019 Uncommon Knowledge Conference. Newly elected directors include Rob Bernstein, RGB Capital Group, LLC; Jeffrey Cribbs, Chicago Wealth Management, Inc., and Dexter Lyons, Horizon Capital Management. We are also happy to welcome the return of Strategic Advisor to the Board David Bush, ALPHATATIVE , LLC.

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Jack Peters
Horter Investment Management
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STRATEGIC ADVISOR TO THE BOARD
David Bush
ALPHATATIVE, LLC
(845) 282-0180

Ties Dominated 2019 Golf Classic Results

1st place tie – Ron Rough, Steve Williamson, Jim Applegate and Jerry Jacobs.

1st place tie – Paul Schatz, Sam Jones, Dave Moenning and Ted Lundgren.

2nd place tie – Bo Bills, Will Hepburn, Gina Peacock and Dave Wagner.

2nd place tie – Ralph Doudera, David Varadi, Brian Humphrey and Ryan Rippy

3rd Place John McClure, Kristine Warner, Marty Kerns and David Jajewski

TYING FOR FIRST PLACE AT THE 2019 NAAIM GOLF Classic, held at Talking Stick Golf Club, were the teams of (1) Ron Rough, Steve Williamson, Jim Applegate and Jerry Jacobs, and (2) Paul Schatz, Sam Jones, Ted Lundgren and Dave Moenning.

A second tie marked second place as well, with teams (1) Bo Bills, Will Hepburn, Gina Peacock and Dave Wagner, and (2) Ralph Doudera, Ryan Rippy, Davis Varadi and Brian Humphrey, taking the honor.

Third place was an uncontested win by Kristine Warner, David Jajewski, John McClure and Marty Kerns.

Special recognition to the Longest Putt - Will Hepburn; Closest to the Pin - David Jajewski; Longest Drive - Steve Williamson, and Closest to the Pin - Paul Schatz.

Congratulations to all on a game well played!

Support the NAAIM Sponsors

Many of NAAIM's activities, including the Outlook and Uncommon Knowledge Conferences, would not be possible without the support of our sponsors. We encourage members to contact the following companies when their services or products might be of value to your business. For individuals with the firms, who work directly with NAAIM members, please refer to our Associate Member directory on NAAIM's members only discussion board, accessed through the login page of www.naaim.org.

Thank you to the following NAAIM 2019 Sponsors!

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Big Banks Are Big Targets for Traders

SCOTT ACHEYCHEK

IF YOU'RE TRADING THE FINANCIAL SECTOR, YOU'RE probably familiar with gyrating big-bank related headlines. You may even like them. Bank stocks can move, up or down, on all kinds of news. This past April big banks surged and then retreated in a span of three days with headlines like:

- "Bank stocks (except Wells) surge amid strong results"[1] (Seeking Alpha 4/12)
- "Wall Street dips after lackluster big bank earnings"[2] (Reuters 4/15)

For traders, this kind of volatility can be a welcome and potentially profitable opportunity, especially if you can find a pure play on the largest, most closely followed names in the banking business.

Financial Sector Index Landscape: Know Before You Trade[3]

Most financial sector indices dilute their bank exposure by including non-bank financials. For example, the top three constituents in the S&P Banks Select Industry Index, by weight, aren't banks: they're in the insurance and lending businesses[4].

More importantly, REITs and insurers make up a large portion of many "financial sector" indices. These non-bank stocks can have a very different response to certain market and economic developments compared to bank stocks. And some "financial sector" indices even include foreign banks, which may be subject to a very different interest rate, regulatory and legislative regimes, compared to the biggest U.S. banks.

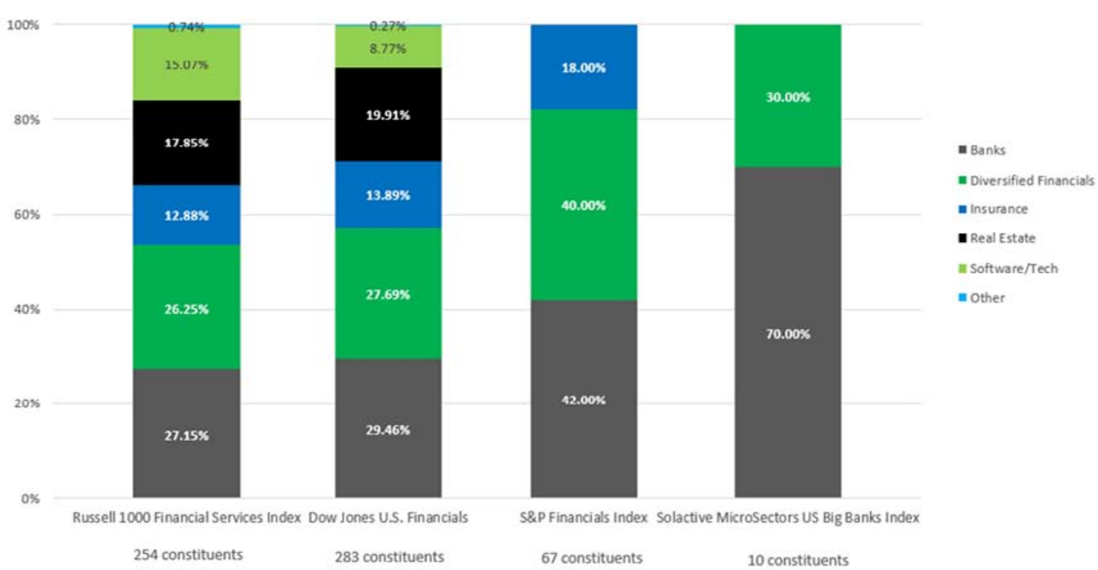
- The Russell 1000 Financial Services Index is only 27% banks—the rest is insurance (13%), real estate (18%), diversified financial services (26%), and even software & services (15%)! Software obviously behaves very differently to bank stocks.
- The Dow Jones U.S. Financials Index is only 29% banks—the rest is a mix of real estate (20%), insurance (14%), software & services (9%), and diversified financials. Real estate often moves in the opposite direction from banks on macro news, like interest rates.
- The S&P Financial Select Sector Index is 42% banks—the rest is diversified financial services with an 18% weighting to Insurance Companies, which significantly dilutes the sector exposure for traders looking for a pure play on banking moves.
- The S&P Banks Select Index claims a singular focus on "Banks" but that bank exposure includes small, mid, and large cap names, across sub-industries like asset management & custody banks, diversified banks, regional banks, other diversified financial services, and thrifts & mortgage finance. The top 3 holdings in this "banking" index are LendingTree, AXA, and Voya (as of 4/15/19).

Bottom Line: Big Banks Are Here to Stay

Love 'em or hate 'em, big banks aren't likely going anywhere. The recently announced BB&T/SunTrust merger is just more evidence that consolidation continues to occur in the banking sector. Will Congress bust up the big banks? (We believe that's unlikely—but if you disagree, you could trade on that, too!) Will the recovery falter and pull down interest rates, or will it rev up and push the Fed back into hiking mode? What about the easing of stress test regulations, or changing inflation data, or flagging consumer sentiment, and record corporate borrowing?

Bank stocks can be driven up or down by all kinds of developments: Fed moves on interest rates, economic growth, inflation data, yield curve moves, political and legislative news, earnings, stress tests, or

Financial Sector Index Breakdown: If You Trade With A View On Banks, Be Careful What You Choose



Source: Bloomberg, as of 3/31/2019

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Big Banks Are Big Targets for Traders

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any number of other factors. But it's the biggest, most highly traded names in banking that may give you the pure play you're looking for.

On the NYSE, Bank of America, Wells Fargo, JP Morgan Case and Citigroup are all among the top-25 most traded names. Daily trading volume for Bank of America alone (avg. 65 million shares) is more than several times that of ExxonMobil (avg. 10 million shares)[4]. And financial sector index linked ETFs (beta/delta-1 & Leverage/Inverse products) are among the most traded products, according to ETF.com.

Laser Focus on the Names that Lead the Sector

Traditional financial indices include insurance companies, advisory firms, credit card companies, software firms and even REITs. Maddeningly to us, their REIT exposure rivals their bank exposure, which can act as a counter balance under certain economic conditions: REITs typically sell off when rates rise, and climb when rates fall, which is the exact opposite behavior of a typical bank stock. We believe traders may benefit by breaking the financial sector into miniature sectors, or MicroSectors.

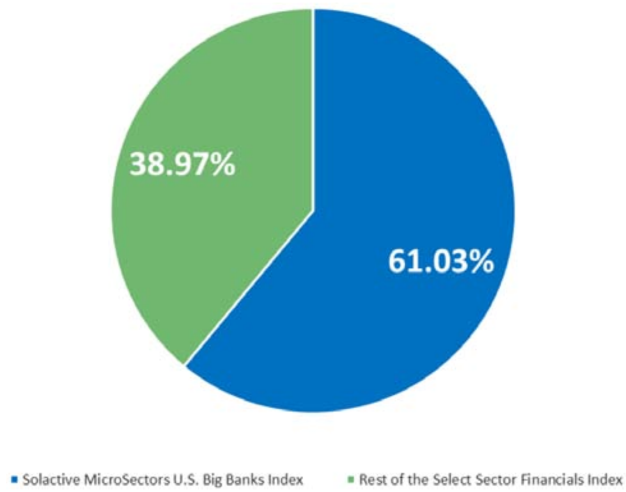
Behind the Solactive Microsectors U.S. Big Banks Index

We created MicroSectors indices to provide investors and traders a new benchmark for the most closely watched & biggest names in a given sector, in this case the banking sector.

The Solactive MicroSectors U.S. Big Banks Index includes 10 highly liquid stocks that represent industry leaders across today's U.S. banking sector. The index's underlying composition is equally weighted across all stocks, providing a unique performance benchmark that allows for a value-driven approach to investing. While the performance of cap-weighted benchmarks can be dominated by a few of the largest stocks, equal-weighting allows for a more diversified portfolio. Reference our website for important information and guidance on how to invest in this index.

Social Media Velocity Comparison: S&P Banks Select Index Versus Microsectors U.S. Big Banks Index

Index constituents per Bloomberg 4/11/19. REX Social Velocity score based on number of followers for each constituent across news and social media channels such as Stocktwits.



There's no shortage of issues buffeting the banking sector. So if you have strong views, and you want to trade banks (not REITS, insurance co's, credit card providers, software co's, etc), we believe this index is the way to do it.

Please visit our website for guidance on available products linked to the Solactive MicroSectors U.S. Big Banks Index: www.microsectors.com

This information is not intended to be investment advice. Past performance does not guarantee future results.

Sources

1. Bank stocks (except Wells) surge amid strong results on Seeking Alpha
2. Wall Street dips after lackluster big bank earnings by Reuters
3. FINANCIAL SECTOR INDEX LANDSCAPE: KNOW BEFORE YOU TRADE bullets sourced from Bloomberg, as of 12/31/2018
4. S&P Banks Select Industry Index on S&P Global
5. Most Active Securities sourced from Bloomberg

Solactive Microsectors U.S. Big Banks Index Holdings:

Ticker	Company Name	Index Weight	Market Cap ($b)
BAC US EQUITY	Bank of America Corp	10%	265.94
BBT US EQUITY	BB&T Corp	10%	35.54
C US EQUITY	Citigroup Inc	10%	145.63
GS US EQUITY	Goldman Sachs Group Inc	10%	73.22
JPM US EQUITY	JPMorgan Chase & Co	10%	331.45
MS US EQUITY	Morgan Stanley	10%	72.11
PNC US EQUITY	PNC Financial Services Group	10%	55.64
SCHW US EQUITY	The Charles Schwab Corp	10%	57.05
USB US EQUITY	U.S. Bank Corp	10%	77.12
WFC US EQUITY	Wells Fargo & Co	10%	219.47

Source: Bloomberg, market cap data as of 3/29/2019

MicroSectors is a new trading tool brought to advisors by REX Shares. Scott Acheychek is President of REX Shares, joining the company in 2016 after holding senior sales and leadership positions at several large global investment banks where Scott covered hedge funds, asset managers, and financial advisors for multi-asset and commodity specific solutions. Since 2006, he has worked on the launch of 30+ ETNs and ETFs. He is a graduate of Sacred Heart University with a B.S. in Mathematics.

Navigating the BBB Bubble Through Active Management

TIM BOND

"Work ethic, eliminates fear." - Michael Jordan

IN 1978, MICHAEL JORDAN TRIED OUT FOR THE varsity basketball team at Laney High School and was cut. The reason that coaches did not choose Jordan was not that he wasn't already an outstanding basketball player or that he lacked talent. The biggest reasons were seniority and size. The coaches only had one spot left for a Sophomore and instead of Jordan they decided to go with size and picked 6'6" Leroy Smith over 5'10" Michael Jordan.

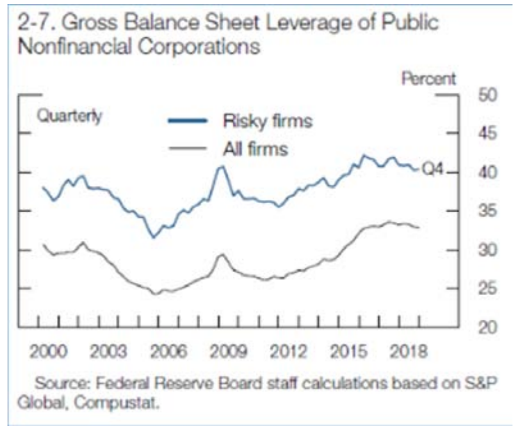
In the investment management industry, the selection of investment managers is perfectly analogous. Potential clients will often allocate investment management contracts to seniors (Blackrock, PIMCO, Etc.) and sometimes to juniors (Doubleline, Oaktree, Etc.). The sophomore's (Emerging Manager Firms) are typically overlooked completely due to various reasons. However, the sophomore asset management firms are where most potential talent and alpha generation is located. The investment management industry can be challenged by the same short-sightedness that Michael Jordan faced. If your timeframe was the next 3-5 years then picking Michael Jordan would have been a better choice. However, some coaches are only focused on the next year.

For example, as sophomores, we prove that coaches should be choosing their team based on work ethic and skill, not just size, alone. The fact that our strategy earned 1.7% for 2018 has the investment management industry looking to us as investment thought leaders. That is MJ championship quality, right there, fans.

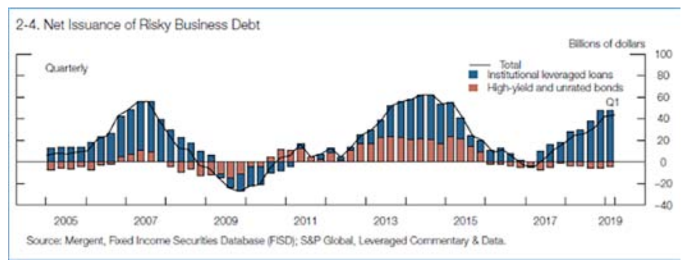
We stated in our market outlook for August 2018 that we had concerns about BBB corporate debt. We noted the growth of this portion of the market:

"Companies that have levered up and that have not been through an economic cycle with their new more levered capital structure will likely struggle in my opinion. These firms will see leverage spike and likely see downgrades from investment grade to high yield. The BBB category has grown to a size of $3 trillion and now makes up over 50% of investment grade debt outstanding. Potentially making this situation worse is the liquidity squeeze as index funds are forced to sell the debt upon the downgrades."

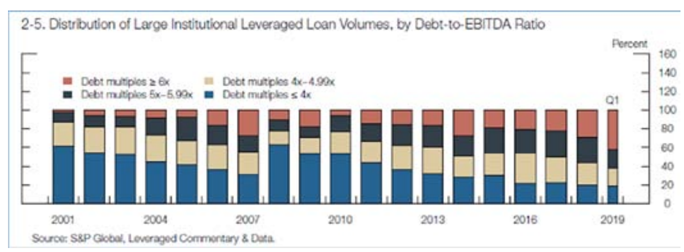
The Federal Reserve just released their Financial Stability Report summarizes multiple factors they use to monitor the stability of the financial system. They have stated that borrowing by businesses is historically high relative to GDP, with the most rapid increases in debt concentrated among the riskiest firms amid signs of deteriorating credit standards. They provided the following graphs for corporate debt and bank loans and shows the rise in leverage over the past ten plus years.



Most of the growth in debt has come from leveraged loan issuance:



and underwriting appears to be the worst ever tracked in this sector:



The numbers look problematic. However, we must pause and consider the reason for the changes we have seen over the past decade. We believe that the biggest driver for this rise of leverage and the leverage loans issuance comes directly from low interest rates. The leverage loan market demand had risen due to consistently higher interest rates, sparking investors to shift somewhat to the leverage loan market's adjustable rates. This calmed down considerably as interest rates peaked in August 2018. See chart next page.

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Navigating the BBB Bubble Through Active Management

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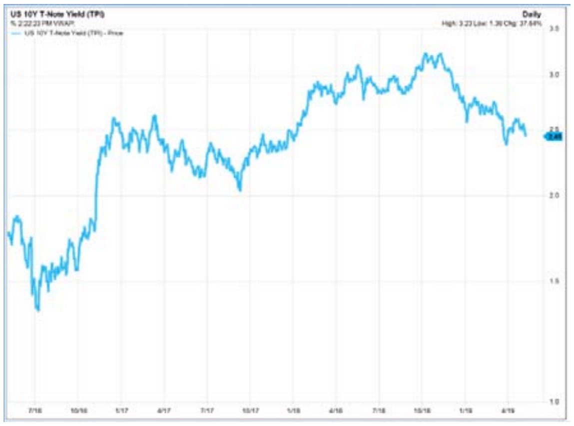


From a supply perspective, companies liked being able to issue debt with yields that remained attractive though interest rates were a bit higher than the previous years. Public Nonfinancial company CFOs knew that they had a bit higher leverage. Yet, they felt that the interest rates were low enough that their financial risk was still manageable since interest expense was still close to historic lows.

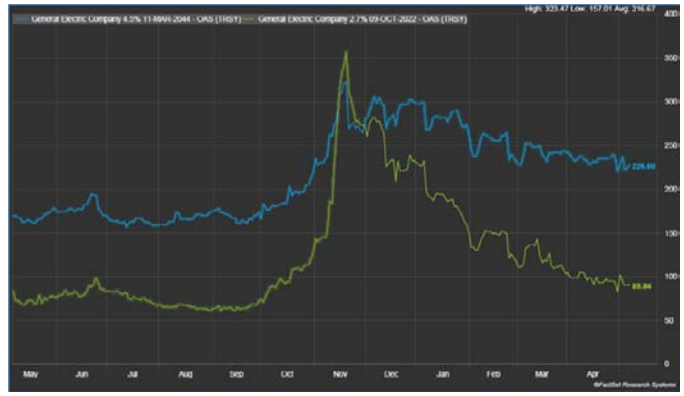
2-8. Interest Expense Ratio for Public Nonfinancial Corporations

Source: Federal Reserve Board staff calculations based on S&P Global, Compustat.

The move lower in late 2018 was all about leverage. As interest rates increased and investors started to worry about growth, investors became fearful of firms with too much leverage. Investors essentially performed a stress test of many leveraged companies in the market. The biggest headline grabbing name was General Electric Company.

The company came under pressure late in the year as they faced operational challenges combined with debt issues. Spreads gapped out due to the concern of a downgrade to below investment grade combined with GE being a large issuer. Above right is a chart of GE's short-term and long-term bonds.

Tim Bond is a founding partner and the Chief Executive Officer for Gripman Investment Advisors. He has a 20+ year track record in asset management, serves as Portfolio Manager for Gripman's equity and fixed income portfolios and is the architect of Gripman's quantitative investment framework. Gripman specializes in serving the needs of individual investors and smaller institutions with institutional quality strategies across every major asset class with the goal of providing low volatility-focused, multi-asset portfolio management.



The chart shows that the market is still worried about GE's overall risk profile and a potential downgrade to BB due to the spread staying well wide of old levels. However, through asset sales the company's liquidity profile has improved and the short-term risk has dropped.

This highlights where we are as investors in the current market and why active and not passive investing will be so important. Active managers pick through different issuers and bonds in the BB/BBB ratings categories. Bonds issued by companies in these ratings categories, that are more cyclical, and that have not improved their liquidity profiles, will suffer. Especially, if you own or buy bonds with a maturity of five years or greater. The greater the maturity of a bond the greater the risk as the duration adjusted effect of spread widening will lead to a bigger potential loss and more volatility.

The corporate bond market is still a good place to find value. However, you must be the insightful coach who is looking for the Michael Jordan's to round out your team. The active manager that will take your team to the finals knows how to do in depth credit work and allocate properly in building your portfolio. As Michael Jordan implied in the beginning quote, putting in the work allows us to more clearly segregate the corporate bond market to find true value and not be fearful of the coming BBB reckoning. When Michael was talking about work ethic, he was referring to the way he looked at practice. He would practice hard and push players around him as it prepared them for the big games. In that same way, we run scenarios around what would happen if liquidity dries up in corporate bonds and how a recession could affect the ability of firms to pay back their debt obligations.

We don't know what the remainder of 2019 will bring. Yet, we are confident that we will do well if markets stay sanguine. We are positioned to look for opportunities created by the BBB bubble if in fact, we do see an economic slowdown and massive downgrades from BBB to BB.

If you are looking to add alpha to your investment portfolio, then choose hard-working sophomores with an active management, multi-asset balanced strategy. If our strategies do not fit into your investment profile, we suggest looking to avoid passive long fixed income strategies with credit exposure.

When Should I Review My RIA Insurance Coverage?

CHAD RAMBERG

ANNUAL RENEWALS TYPICALLY TRIGGER A NATURAL tendency to review your coverages. That reminder is nice but once a year may not be enough. While there are no set requirements for when you should review your RIA business insurance coverage, there are several situations that may cause a need to do so. What are those situations? Do you need to do a full review every year? What do you need to include in the review? These are the items we will briefly discuss here. The goal is to give you some factors to think about to determine if you currently need a review.

An in-depth review should include a high-level view of your firm's risk profile, a complete reading of your current E&O coverage, and a comparison against what other carriers are offering in the market. If you can do this with an experienced insurance broker that specializes in advisors, it should only take two phone calls. The first call should be 15 to 30 minutes to update your firm's profile. Then, send a copy of your current coverage to your broker followed up by a 30 minute to one-hour call to discuss the findings. That call should include what is specifically covered, not covered, and a discussion of coverage lines you may want to entertain.

A lite review refers to a review of the declaration pages compared against your business profile. The goal of a lite review is to determine if you should adjust limits or add a specific coverage line to transfer risks. Working with a qualified insurance broker you should be able to do a lite review within a 15 to 30-minute phone call.

If you choose to use your annual renewal trigger to review coverages, there are a few things to keep in mind. An in-depth review should begin at least 90 days prior to the expiration of your current coverage. You want time on your side. If you need to go to market and review against other carriers you want to have time to make adjustments.

You should do a lite review at least annually and an in-depth review every 3 to 5 years. When it comes to E&O insurance for an RIA there are no standards. The constant shifting sands of the E&O market means an in-depth review will keep you aware of the changes and give you opportunities to adjust your coverage to get whatever is currently the best terms.

There are several things that can change throughout the year that would indicate a need for a lite review. In the insurance industry they call this a material change. A material change includes, but is not limited to, change of ownership, adding services, removing services, and purchasing a new book of business. If you have a material change, or a situation you think could be a material change, have a quick call with your broker to see if a lite review is in order. A material change may be as simple as "Thanks for the notification you are in good shape." Or it may be "We need to make some mid-term adjustments to your coverage." In either case, a quick question will save you a lot of potential pain should the unexpected happen.

How and when you review coverage is completely up to you. Having a review process in place allows you to spend less time worrying. Working with an insurance broker who specializes in serving RIA's will simplify and expedite the process for you.

Chad Ramberg is president of Box Professional Insurance (BoxProInsurance.com). has more than 12 years of experience in management, including GM/Director and Controller positions. Chad began his career on the claims side of insurance services, rising to management positions. When that season of his career was wrapping up, he decided to use his financial acumen to become a Registered Investment Advisor. Chad found he could add more value to the financial services community by being an insurance advisor to advisors. Box Professional Insurance is Built for Advisors, By Advisors and handles only the Fiduciary Liability portion of RIA insurance needs, so the firm can keep its General Liability, Property, etc. with its local agent. Box Professional Insurance begins where the local insurance shop ends.

OUTLOOK 2019

WITH MORE EXPERT PANELS, NETWORKING, and topical round tables than ever before, NAAIM's Outlook conference provides advisors with resources and peer-to-peer collaboration unique to NAAIM!

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To make your hotel reservations call 972-453-1234 – mention NAAIM to receive the group room rate or book ONLINE HOTEL RESERVATIONS: Hyatt Regency DFW https://www.hyatt.com/en-US/group-booking/DFWAP/G-NAAI

President's Letter

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a local RIA firm that focused on tactical management and was active in NAAIM. The 2011 conference introduction to like-minded advisers was an eye opener and provided the essential knowledge and impetus for me to launch my own firm five years ago.

As mergers and acquisitions create more mega-advisor firms, it is important to realize that in the history of our industry, innovation has tended to come from smaller firms that are quicker to adapt new technologies and ideas, less hampered by existing systems and mindsets. NAAIM can and should be an incubator for change.

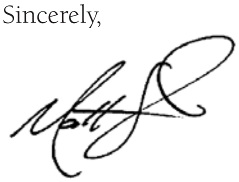
To give you a little bit on my background, my firm, Signal Research, manages retail client accounts utilizing proprietary fixed income and equity strategies. We also work with other advisors and institutions that utilize our strategies. My work-load is divided between firm and family.

My wife and I celebrated our 20th wedding anniversary this year. We have four kiddos ranging in age from 12 to 9, 7 and 4 – boy, girl, boy, girl – who keep us busy. Sports play a big part in our lives from going to the kids' games – baseball, basketball, soccer and other sports – to local professional sporting events. We are also involved with our local church with the focus on teaching our kids service and support for others in our community.

While it would be nice to think this is a sell in May and go away year and we can spend the summer outdoors with the kids, the bull market is getting long in the tooth and there is definitely a pullback on the horizon whether this year or the next. As active managers, we don't have the luxury of sitting back and saying oh well the market always recovers eventually. Clients come to us for downside protection. That can be the easy part of the job. Unfortunately, they also tend to want all the upside as well, which keeps us busy.

Have a great summer. Good trading. Make time for family and look for updates from NAAIM in your email box!

Sincerely,



Matt Spangler
2019-2020 NAAIM President

Italian Financial Analyst Wins the 2019 NAAIM Founders Award

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The rarity, inexplicability and certainty of black swans makes investment portfolios "fragile," says Giordano. The antidote is Antifragility, a system that can take advantage of randomness and chaos.

In designing an Antifragile system, Giordano combined a sector rotation quantitative strategy with a tail risk hedging strategy – the Black Swan Hedging Model. His four-part paper addresses (1) the main quantitative factors of the sector rotation mode; (2) how some tail risk hedging models work and how they can be improved through a more adaptive strategy; (3) creation of the Antifragile Asset Allocation Model by merging the models in 1 and 2, and (4) results of model backtesting utilizing monthly performances from June 2004 to February 2019.

A ranking algorithm consisting of quantitative factors such as Momentum, Correlation, Volatility and Trend selects the best assets over time for the Sector Rotation Model and the Black Swan Hedging Strategy. As long as each of the best sector ETFs has a positive absolute momentum, it is included in the portfolio with a 20% weighting. If a best sector has a negative Absolute Momentum, the Black Swan Hedging Model replaces the sector allocation. If all of the top five sectors ETFs have a negative balance, the Black Swan Hedging Model allocation will assume a 100% weighting. Thus, Giordano achieves Antifragility in his investment portfolio by merging the peculiarities of both models.

The NAAIM Founders Award was launched in 2009 to expand awareness of active investment management techniques and the results of active strategies through the solicitation and publication of research on active management. Over the last ten years, the program has attracted more than 150 papers in support of active investment management submitted by financial professionals and academia from the U.S., Canada, Europe and Australia. A panel of investment professionals selected by the Founders Award committee reviews entries and awards the prizes.

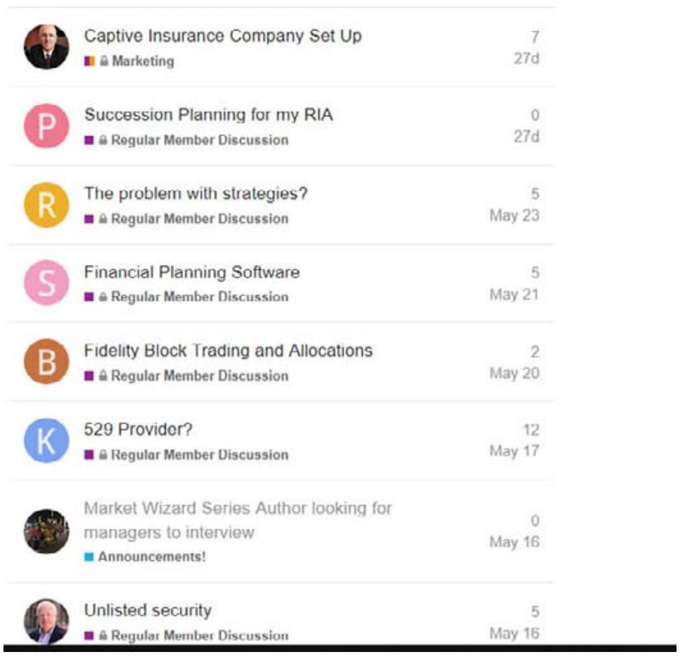
Judges for the 2019 competition included Patrick Beaudan, Belvedere Advisors, LLC; Franklin Parker, Bright Wealth Management, LLC; Jeff Pietsch, Eastsound Capital Advisors, LLC; Shouyan He, Tulane University, and Scott Juds, SumGrowth Strategies.

Giordano's winning paper, *Antifragile Asset Allocation Model*, along with prior winning Founders Award papers can be found on the NAAIM website at www.naaim.org.

NAAIM's Forum Board Keeps the Conversation Going after the Conference Ends!

NETWORKING WITH NAAIM MEMBERS GOES beyond attending the conferences! If you haven't visited the NAAIM Forums Board recently, you are missing out on new and continued conversations addressing everything from succession planning to utilizing the "cloud" in your business. Here's sample of the most recent topics …

Other topics that have "popped up":



Set up your profile and get started, or revisit the board at: https://community.naaim.org. If you need help logging in, contact Susan Truesdale at info@naaim.org.

NAAIM's Resources and Conference Library Open to Members

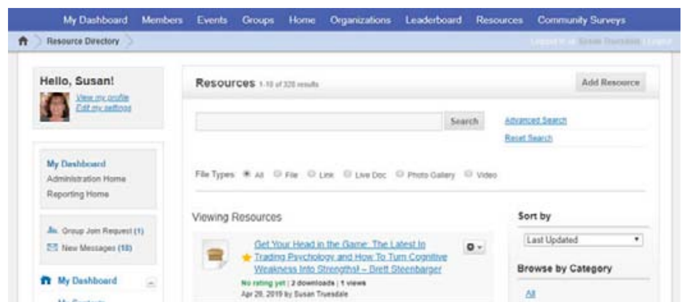
NAAIM MEMBERS TAKE NOTE! YOU HAVE THE ability to view, download and save Shark Tank presentations (pdfs) and many of the presentations (pdfs) and handouts that were distributed during Uncommon Knowledge 2019, as well as past events and conferences!

There is no need to request three Founders Award papers at a time, as a member you can read and/or download any or all of the competition papers that interest you!

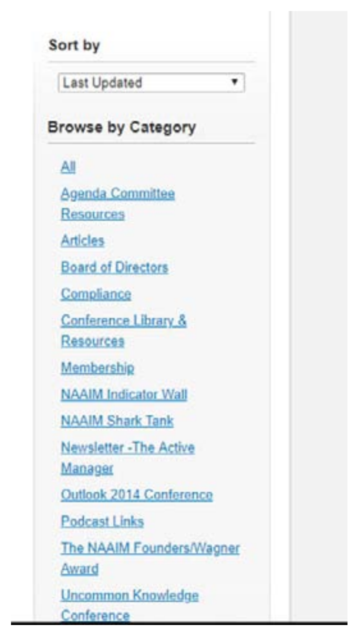
The Resources and Conference Library is KEY Word Searchable, as well. Go to: www.naaim.org and login to your account at: **Member Login** (top of page).

Once you are in, click on: **NAAIM Community** and then **RESOURCES** (top blue line)

You can search in RESOURCES by placing key words in the Search Bar (see below).



Or, "Browse By Category" - found in the right column of the page:



If you have any questions, or have misplaced your password, contact Susan Truesdale at info@naaim.org.

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