

Quarterly review

The GGFS Tactical ETF Strategy gained 5.2% before fees for the quarter compared to a gain of 4.4% for the MSCI World Equity Index (ACWI). For the year-to-date period, the Tactical Equity Strategy gained 9.2% before fees compared to a gain of 4.2% for the MSCI World Equity Index.

Markets soared in Q3 powered by exceptionally strong earnings gains across sectors. On a year-to-year basis, S&P 500 earnings increased by 19.5%, the highest rate since 2012 when the US economy was still recovering from recession. Treasury yields rose during the quarter with 10-year treasury yields closing firmly above 3%. Longterm yields, however, have not risen nearly as fast as shorter-term rates and the yield curve flattened.

The Fed continued to hike in September and its target rate now stands at 2.25%. Its stance is beginning to appear hawkish given benign inflation readings; core CPI came in at 2.17% in September producing the first real yield (+8 bps) since the financial crisis. Fed activity bears watching. It is draining liquidity at an unprecedented pace as it simultaneously raises rates and unwinds its massive crisis-era balance sheet. The Fed has no historical experience with these maneuvers but previous liquidity withdrawals have increased volatility, especially among the weakest links.

Strategy review

The Tactical ETF Strategy continued to outperform its global equity benchmark in Q3 as allocations to health care and consumer discretionary outpaced the market. Communications, consumer staples and the strategy's diversifying investments were modest detractors.

Overall equity beta was the largest contributing factor last quarter with momentum also adding to return. Quality and global factors offset some of those contributions. The strategy remains most exposed to the momentum factor followed by low beta and small-cap.

The iShares Medical Devices ETF (IHI) was the largest contributor last quarter gaining 13.4% and adding 1.1% to return. The overall health care sector was the beneficiary of sector rotation as investors sought havens from macroeconomic and geopolitical strife. Health care also exhibits secular growth, renewed product cycles and a reduced regulatory threat making it attractive even prior to its re-rating.

The SPDR S&P Regional Banking ETF fell 2.1% and detracted 15 bps from return in Q3. Financials, and in particular banks, have fallen out of favor as investors assessed exposures to emerging markets and Eurozone debt. Although rising interest rates are a modest positive (at least for now), a flat yield curve mutes the benefits of higher rates.

Portfolio changes

The SPDR S&P Retail ETF (XRT) was added to portfolios during the quarter while the position in SPDR Gold Trust (GLD) was exited.

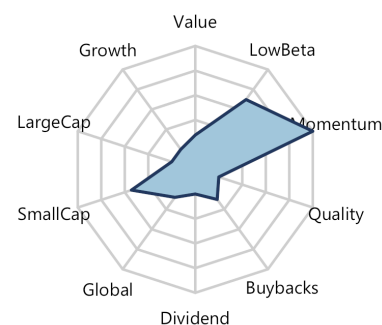
Strategy Highlights

- Dynamic equity strategy that combines strategic allocation to a core equity portfolio with tactical allocation to sectors and countries.
- Strategy driven by quantitative ranking of investment universe including price momentum, trend strength, volume and volatility.
- Cash allocation used as a defensive allocation. Cash allocation of up to 65% during stressed market conditions.
- Strategy seeks risk-adjusted returns.
- Holds 13 positions

Top holdings

Name	Weight
SPDR S&P 500 ETF	12.8%
iShares Dow Jones U.S. Medical Devi	8.8%
SPDR Industrial Select Sector Fund	8.5%
SPDR Technology Select Sector Fund	8.4%
SPDR Consumer Discretionary Select	8.3%
SPDR S&P Retail ETF	8.1%
iShares Russell 2000 ETF	7.9%
SPDR S&P Biotech ETF	7.8%
SPDR S&P Oil & Gas Exploration & Pr	7.8%
iShares MSCI EAFE Index Fund ETF	7.7%
Total	86.1%

Style map



Performance summary

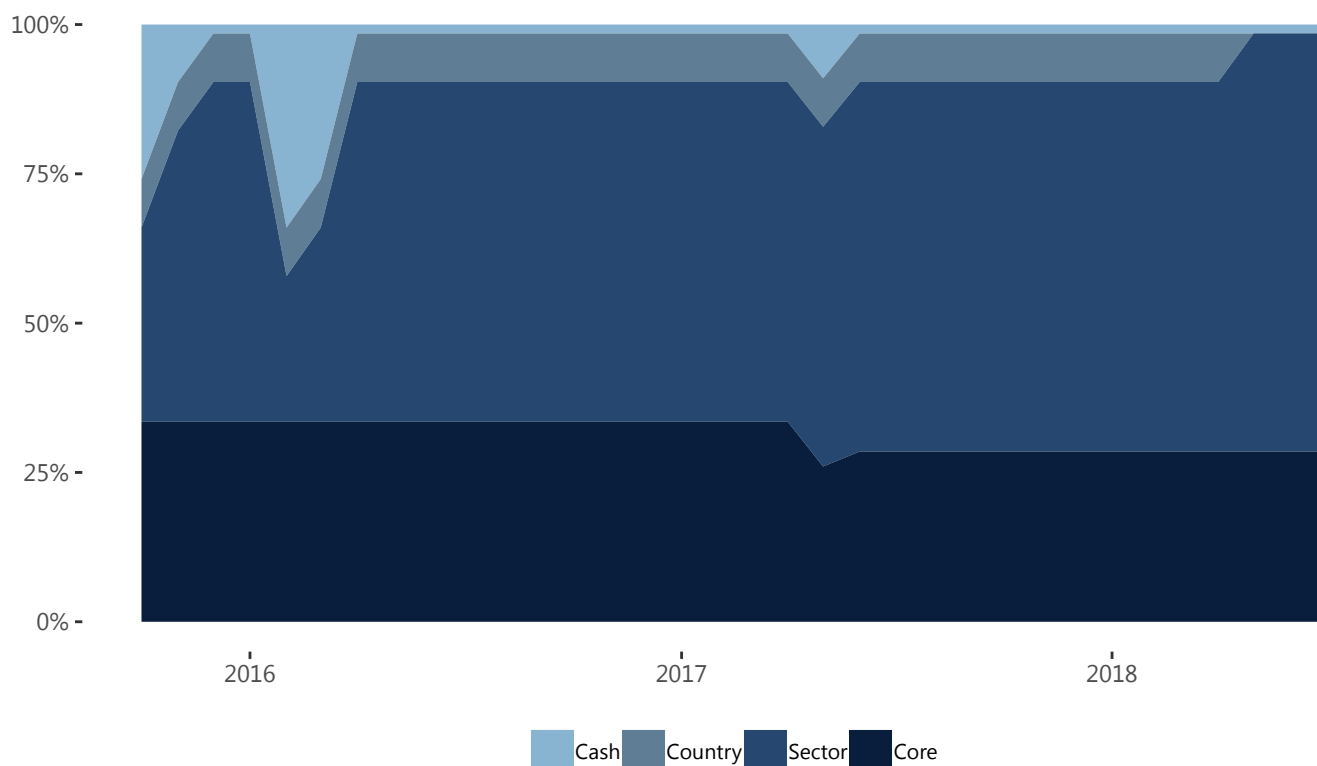
Annualized returns	Tactical ETF	MSCI World
Q3 2018	5.2%	4.4%
Year to date	9.2%	4.2%
Last one year	14.3%	10.1%
Last three years	12.0%	13.7%
Last five years	---	---
Since inception	12.0%	13.7%

Annual returns	Tactical ETF	MSCI World
2018	9.2%	4.2%
2017	19.5%	24.3%
2016	4.4%	8.4%
2015	3.2%	4.8%

Performance statistics

Metric	Tactical ETF	MSCI World
Return		
Average annualized return	12.0%	13.7%
Annualized alpha	2.1%	---
Sharpe ratio (0% rf)	1.54	1.51
Sortino ratio (0% rf)	2.06	2.23
Risk		
Annualized standard deviation	7.8%	9.1%
Beta	0.72	1.00
Maximum drawdown	-8.0%	-9.0%
Correlation	84.5%	100.0%

Sector allocation history



Investment process

Asset allocation

Investment universe consisting of 60 core and satellite investments

Universe selected to optimize liquidity and diversification and encompasses:

- Global equity indices
- US equity sectors
- US equity industry groups
- Countries
- Diversifiers

Research

Quantitative screening approach that ranks investment universe by grade

- Ranked by trend indication and strength
- Based on current values of eight technical indicators
- Trendrating SA provides daily ranking data

Supplemented by internal proprietary research and indicators

Portfolio construction

Core portfolio consists of long-term allocation to equity index / alternative portfolio

- 35% allocation

Satellite portfolio consists of tactical allocation to sectors, industry groups, countries and diversifiers

- 65% allocation
- 8 highest ranked investments
- Equal-weighted allocation

Risk management

Maintain exposure to core portfolio throughout market cycle

- Strategy seeks to participate in strongly trending markets

Tactical positions are exited when trend indications deteriorate

- Cash allocation of up to 65% used as defensive allocation during periods of market stress

Daily monitoring of portfolio risks



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Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. The S&P 500® Index has over US \$ 4.83 trillion benchmarked, with index assets comprising approximately US\$ 1.1 trillion of this total. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. The S&P 500 is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States.

The Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The DJIA is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system. The Consumer Price Index (CPI) program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

Consider the investment objectives, risks, charges and expenses before investing.