WENNCO

Downshift Strategies

Wennco Downshift ETF

Advisor Deck

June 2019

Manage market volatility. *Stay on track*.

FIRM OVERVIEW &
DEFENSIVE EQUITY STRATEGIES

Wennco LLC specializes in managing covered call and hedged equity strategies. Our defensive equity strategies provide advisors and the clients they serve cost-effective solutions for retaining equity exposure while focusing on generating yield and hedging market risk. The firm is a registered investment advisor and located in Atlanta, GA.

Existing Strategies:

- **Hedged Equity (Downshift ETF)**
- **Equity Covered Call**

Current Platform:

- **Schwab's Marketplace Platform**

WENNCO DOWNSHIFT ETF STRATEGY
MEANINGFUL SOLUTION TO CURRENT MARKETPLACE

The need for advisors to offer new and differentiated products to their clients that specifically address where we are in the market cycle is increasing. Downshift ETF solves the specific challenge of an easy to understand alternative strategy that is also transparent, inexpensive, and focuses on protecting the downside more than any other single factor.

Downshift ETF provides:

- Meaningful protection in risk-off equity markets

- A differentiator for advisors and an extension of existing investment solutions

- An institutional-quality, alternative strategy that is designed for individual clients at a much lower cost than other hedged equity strategies

- Fills advisory model gaps and fits into models for all risk-profiles

- A partner in Wennco LLC to provide you with an understanding of what changes are being made and why

- A prudent way for clients to remain invested after a 10-yr, 400%+ bull market

DOWNSHIFT ETF STRATEGY
SIMPLE & EFFECTIVE WAY TO REMAIN INVESTED WITH LESS RISK

EQUITY EXPOSURE	INCOME GENERATION	PROTECTION
➢ 13 S&P 500 ETFs ➢ Blended expense ratio of 16bps ➢ +/- 5% sector weightings of current S&P 500 sector weightings ➢ Invested in all 11 S&P 500 sectors at all times with an additional 2 satellite ETFs	➢ Call options opportunistically written to generate income *and* total portfolio return ➢ Proactive profit-taking and rolling of covered calls, when necessary, to preserve the underlying and remain invested	➢ Long-dated S&P 500 puts provide meaningful protection against market declines ➢ Active management mitigates theta decay ➢ A portion of the portfolio is always invested in long-dated S&P 500 puts

HISTORIC RUN IN EQUITIES
S&P 500 (2009-2019)

Source: Bloomberg

From the March 2009 low, the S&P 500 has gained over 400% (Total Return)

WENNCO DOWNSHIFT ETF STRATEGY
HIGHLIGHTS

- **Strategy philosophy: a winning portfolio is built with a combination of passive and active investments, including negatively-correlated investments**
- **Designed to capture the majority of the upside while avoiding the majority of the downside over full market cycles**
- **S&P 500 exposure with an actively managed layer of long-dated hedging results in a much lower beta and standard deviation vs. long-only strategies**
- **Eliminates market timing through risk-managed levels of market exposure**
- **Ideal for clients seeking to reduce portfolio volatility while remaining in equities**
- **Ideal for advisors seeking a cost-effective solution in delivering an extension to their current long-only models, or a replacement to the underperforming, expensive and hard to explain alternative investments previously selected for their clients**

STOCKS ARE EXPENSIVE
S&P 500 PRICE TO BOOK RATIO (2004-2019)

Source: Bloomberg

At 3.40x Price to Book, the S&P 500 is expensive. Other fundamental ratios on the S&P 500 look similar and stretched, and no metric reflects the S&P 500 as currently inexpensive

WENNCO DOWNSHIFT ETF STRATEGY
HIGHER RISK-ADJUSTED RETURNS

WENNCO DOWNSHIFT ETF STRATEGY IN DIFFERENT MARKET SCENARIOS

Rising Equity Markets

- Underlying ETFs provide significant participation in strong equity markets
- Active risk management mitigates both theta decay on the S&P 500 puts and call-away risk on the underlying ETFs
- Superior risk-adjusted returns

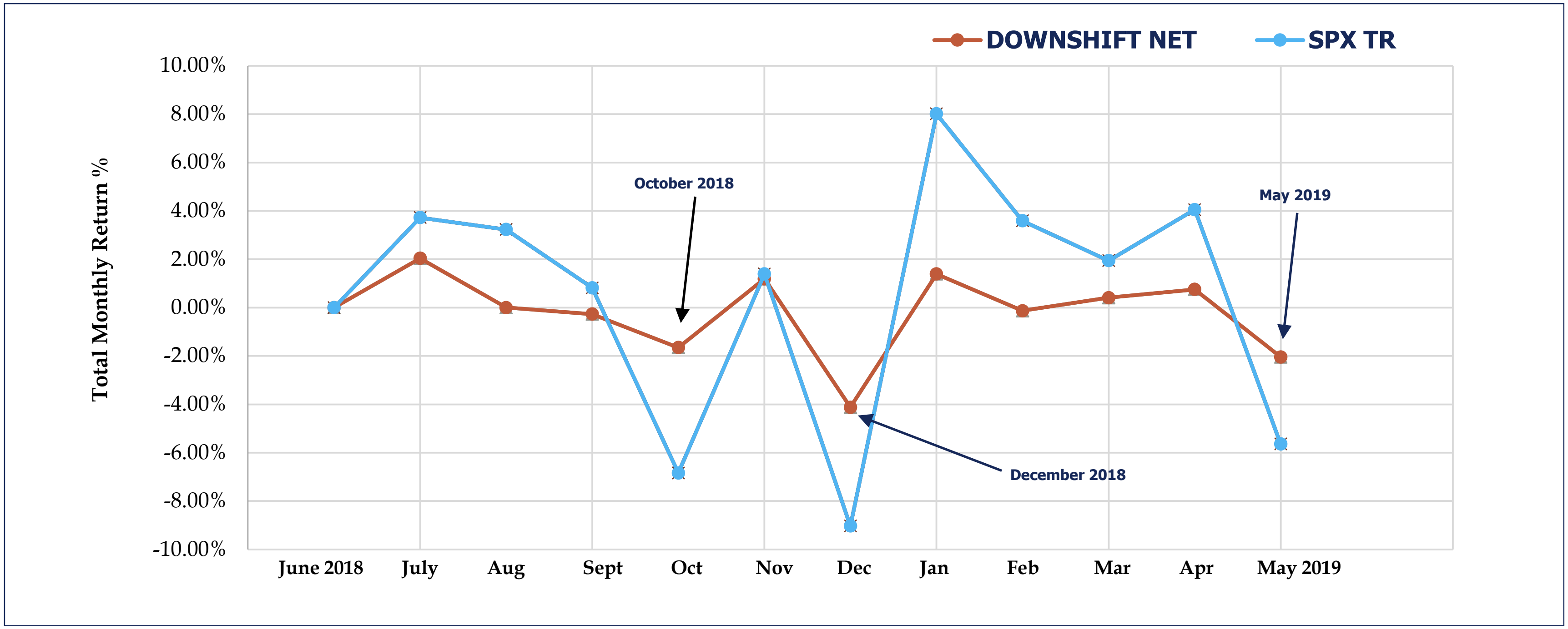
Slightly Rising or Declining Markets

- In sideways to choppy markets, volatility may rise, presenting potentially beneficial opportunities to harvest volatility premium
- Potential to outperform the overall market while lowering portfolio volatility

Falling Equity Markets

- Heightened market volatility results in heightened premium received from selling covered calls
- Long-dated S&P 500 puts significantly increase in value and calls decrease in value
- Potential to significantly outperform long-only portfolios and the overall market

WENNCO DOWNSHIFT ETF STRATEGY
3 LARGEST RISK-OFF MONTHS SINCE INCEPTION



Source: Bloomberg & Schwab

Downshift ETF performance shown is net of Wennco manager fee and excludes advisory fees, including possible transactional and trading costs

1) **OCTOBER 2018: S&P 500 TOTAL RETURN: (-6.84%) DOWNSHIFT ETF: (-1.65%) 24% downside capture**

2) **DECEMBER 2018: S&P 500 TOTAL RETURN: (-9.03%) DOWNSHIFT ETF: (-4.12%) 46% downside capture**

3) **MAY 2019: S&P 500 TOTAL RETURN: (-6.35%) DOWNSHIFT ETF: (-2.04%) 32% downside capture**

Manage market volatility. ***Stay on track.***

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DOWNSHIFT STRATEGIES

HEDGED EQUITY STRATEGIES
DOWNSHIFT ETF VS. THE OTHERS

OUR HEDGED EQUITY STRATEGY VS. OTHER HEDGED EQUITY STRATEGIES

DOWNSHIFT ETF HEDGED EQUITY STRATEGY

- **Sector weightings are closer in-line with current S&P 500 weightings**
- **Much of the alpha and portfolio income is derived from actively managed covered calls**
- **Puts are bought further out in time, allowing for a larger weighting % without as much negative carry vs. short-dated puts**

MOST OF THE OTHER HEDGED EQUITY STRATEGIES

- **Generally do not employ covered calls to generate portfolio income**
- **Sector weightings are not closely weighted to the S&P 500 and often concentrated in crowded stocks**
- **Puts bought are often more short-term in expiration (3-6 months) and smaller weighted (1.00-2.00%). Some use put spreads to limit the negative carry and to fund the put purchases, but this strategy can and often does prevent proper hedging in swift equity market drawdowns**

WENNCO CHIEF INVESTMENT OFFICER
CHRISTOPHER WENNER

Chris is the Chief Investment Officer and Head Trader for Wennco LLC. He oversees all portfolio management and trading around the investment strategies. He has spent the majority of his professional career at UBS where he worked in both the company's Investment Bank and Wealth Management divisions for more than 9 years. Within UBS's Investment Bank, he worked on their fixed income trading desks both in Stamford, CT and in New York City trading both repo and municipal bonds. He transitioned to the Wealth Management side of UBS in mid-2010, and spent the following six years working with institutional and private clients as an analyst and then a financial advisor. Among his various duties as a financial advisor, managing discretionary covered call portfolios was his favorite. Prior to co-founding Wennco, Chris was the CIO for an RIA in Atlanta, GA. Earlier in his career Chris worked for LPL and John Hancock. Chris is married, and he and his wife Whitney have 4 boys aged 6, 4, 2, and 2 months old. He earned a Bachelor of Science in Business and Economics from Lehigh University.

DISCLAIMER

Disclosures

Data sources:
Wennco LLC, Bloomberg Schwab, and Morningstar. Performance data quoted represents past performance and is for illustrative purposes only.

Strategy and Portfolio Information:
The strategy and portfolio information within this document, including the top 10 Holdings, as well as the portfolio characteristics for this strategy, is based on information provided by the Manager and the data is calculated by Bloomberg. This information is based on the representative account, or the composite account, of how an individual portfolio might have been invested at that time based on the portfolio's model target weighting was invested as of the indicated date for this publication. The list of top holdings should not be considered a recommendation to purchase or sell any particular security. The securities listed do not represent an entire portfolio as of the date indicated or as any other date and may represent in the aggregate only a small percentage of portfolio holdings. It should not be assumed that any security listed was, or will prove to be, profitable. Actual holdings may vary for each client and there is no guarantee that a particular client will hold any or all of the securities listed. Holdings are subject to change without notice.

Investment Performance:
Past performance is not indicative of future results. Please note that the above results do not reflect deduction of any 3rd party Advisory fees, brokerage, or other commissions, and any other expenses that a client would have paid or actually paid. Historical index performance results for all historical benchmark indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment manager fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical performance results for all indices are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether Wennco Downshift ETF performance meets, or continues to meet, his/her investment objective(s). Comparative indices may be more or less volatile than Wennco portfolios. The Wennco management fee is the only fee deducted from the above net-of-fees performance results. Please see Wennco LLC ADV, Part 2 for an associated description of investment advisory fees. Fees have a compounding effect on future results. Gross-of-fee performance figures presented do not reflect the deduction of any Wennco management fees. A client's returns will be reduced by the Wennco management fee and other expenses incurred in the management of its account. For example, the deduction of a 1% advisory fee over a 10-year period would reduce a 10% gross return to an 8.9% net return. Both gross and net-of-fees performance results are derived from the Downshift ETF composite account, which is the original and represents only 1 single account, with inception date of July 1, 2018. The basis on which this account was used to market performance was this was the first account, and only account at the time of strategy inception, and remains the only account existing with an inception date of July 1, 2018. This presentation of composite performance is the primary vehicle by which strategy returns are presented to prospective clients. This composite is defined according to the Wennco Downshift ETF investment mandate, and composite returns are updated on a monthly basis. It should not be assumed that Wennco Downshift account holdings will correspond directly to any such comparative benchmark index. The Wennco Downshift ETF performance results do not reflect the impact of taxes. Certain portions of the content may contain a discussion of portfolio weightings and holdings as of a specific prior date. For reasons including variances in the investment management fee, differing client investment objectives and/or risk tolerance, market fluctuation, the date on which a client engaged Wennco management services, and any account contributions or withdrawals, the performance of a specific client's account may have varied from the indicated portfolio performance results.

Investment Performance:
Holdings are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned. All performance shown assumes reinvestment of dividends and capital gains distributions. Any commissions, taxes, and transactions costs are not included in this document, but can affect final outcome and should be considered.

Options Information and Options Risks:
A Call Option is an option contract giving the owner the right, but not the obligation, to buy a specified security at a specified price within a specified time. A Put Option is an option contract giving the owner the right, but not the obligation, to sell a specified security at a specified price within a specified time. Written call options and purchased put options may limit the strategy's participation in equity market gains and even amplify losses. Options carry a high level of risk and are not suitable for all investors. Please contacts a tax advisor for the tax implications involved in these strategies. Please read the options disclosure document titled "Characteristics and Risks of Standardized Options" as published by the Options Clearing Corporation by CLICKING HERE. https://www.theocc.com/about/publications/character-risks.jsp

Index Definitions:
The benchmarks used for the strategy are: 1) the S&P 500 Total Return Index, which is a market cap weighted index of 500 leading companies and captures approximately 80% coverage of available market capitalization. The S&P 500 is often used as a proxy for the overall U.S. equity market. The S&P 500 is widely regarded as the best single gauge of large-cap U.S. equities and serves as the benchmark for a wide range of investment products. Total Return reflects all dividends as reinvested; and 2) a 60/40 blended composite, weighted 60% in the aforementioned S&P 500 Total Return Index (dividends reinvested) and 40% in the Barclays US Aggregate Bond Index. The 60/40 is rebalanced monthly. The Barclays US Aggregate Bond Index is a broad-based leading benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). This index was chosen to give perspective on the risk management philosophy and asset allocation portfolio management process for the composite performances. An investment cannot be made directly in an index. Indexes are unmanaged and have no fees or expenses

Statistical Definitions:
Standard Deviation - a statistical measure of volatility that is often used as an indicator of the 'risk' associated with a return series. Standard deviation of return measures the average deviations of a return series from its mean. A large standard deviation implies that there have been large swings in the return series of the manager. Alpha - a measure of risk (beta)-adjusted return. Beta - represents the systematic risk of a portfolio and measures its sensitivity to a benchmark. A portfolio with a beta of one is considered to be as risky as the benchmark and would therefore provide expected returns equal to those of the market benchmark during both up and down periods. A portfolio with a beta of two would move approximately twice as much as the benchmark. The benchmark index is referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the accounts included in the composites.

Manager Risk
Manager risk includes those that exist within a manager's organization, investment process or supporting systems and infrastructure. There is also a potential for fund-level risks that arise from the way in which a manager constructs and manages the fund. The above are not an exhaustive list of potential risks. There may be additional risks that should be considered before investment decision. Wennco, LLC pledges to protect the privacy of our clients.
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