

Chapoquoit Dynamic Portfolios

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Presentation of

Chapoquoit Dynamic Portfolios

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Chapoquit Dynamic Portfolios

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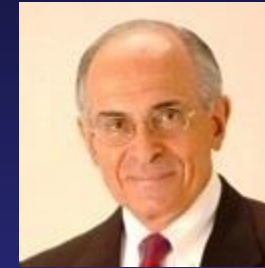
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Chapoquoit Adopted Philosophy

“The essence of investment management is the management of risk, not the management of returns.” Benjamin Graham

- Why especially true today
 - Causal factors creating current market risks
 - Demographics – 10,000 individuals retiring every day
 - Despite Fed and inflation concerns, big fully funded corporate pension are buying long Treasury securities to immunize liabilities
 - Historically low interest rates for the past decade – Bonds do not provide enough return, causing movement out the risk curve
 - Market volatility is increasing investor risk
 - Investors are chasing returns, i.e., adopting risk on strategies

Chapoquoit Objectives vs MPT

- Challenges of MPT in risk management
 - Difficulty in making assumptions
 - Selecting a benchmark to conform to investor risk
 - Determining an appropriate Standard Deviation risk measure
 - Determining an appropriate expected return
 - Using past performance to determine the MPT inputs

Chapoquoit Objectives vs MPT

- Chapoquoit state of the art approach is based on academic research
 - Research by Brinson, Hood, and Beebower of sector return attribution
 - Sector allocation decision explains more than 90% of the portfolios volatility of returns
 - Kahneman/Tversky/Thaler* – Behavioral response to losses
 - Feel 2 times worse about a loss than feel good about a gain

*Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower, *Determinants of Portfolio Performance*, The Financial Analysts Journal, July/August 1986

**Thinking Fast and Slow*, Daniel Kahneman

**The Making of Behavioral Economics, Misbehaving*, Richard H. Thaler

Chapoquoit Objectives

- Preserve capital by containing losses in an uncertain market environment
- Minimize risk at 3 portfolio target returns
- As measured over a full market cycle, (typically 5 to 7 years)

After-Fee Performance Summary

Current Performance Since Inception

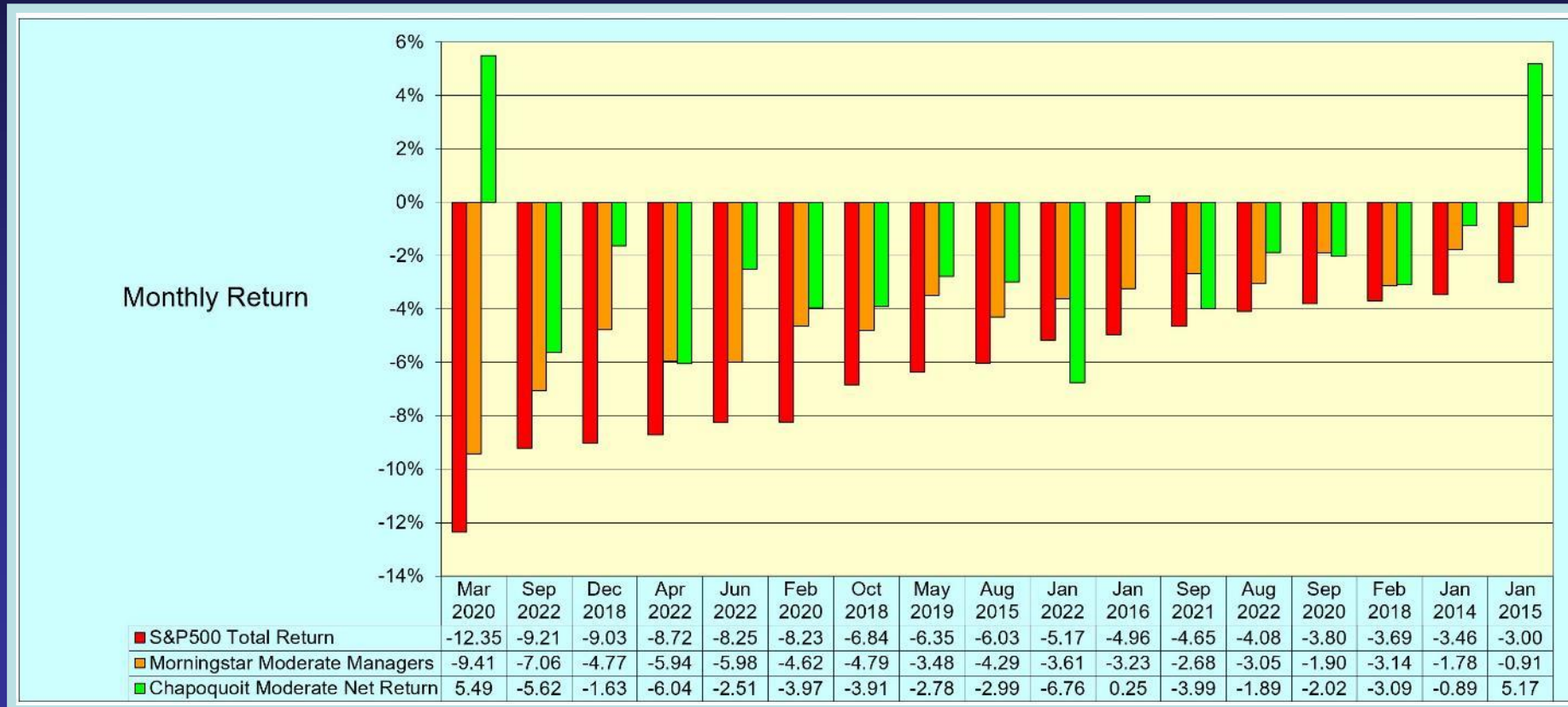
**Available on Aggressive, Moderate, and Conservative
portfolio fact sheets on our website**

www.Chapoq.com

Chapoquoit Moderate After-Fee Statistics

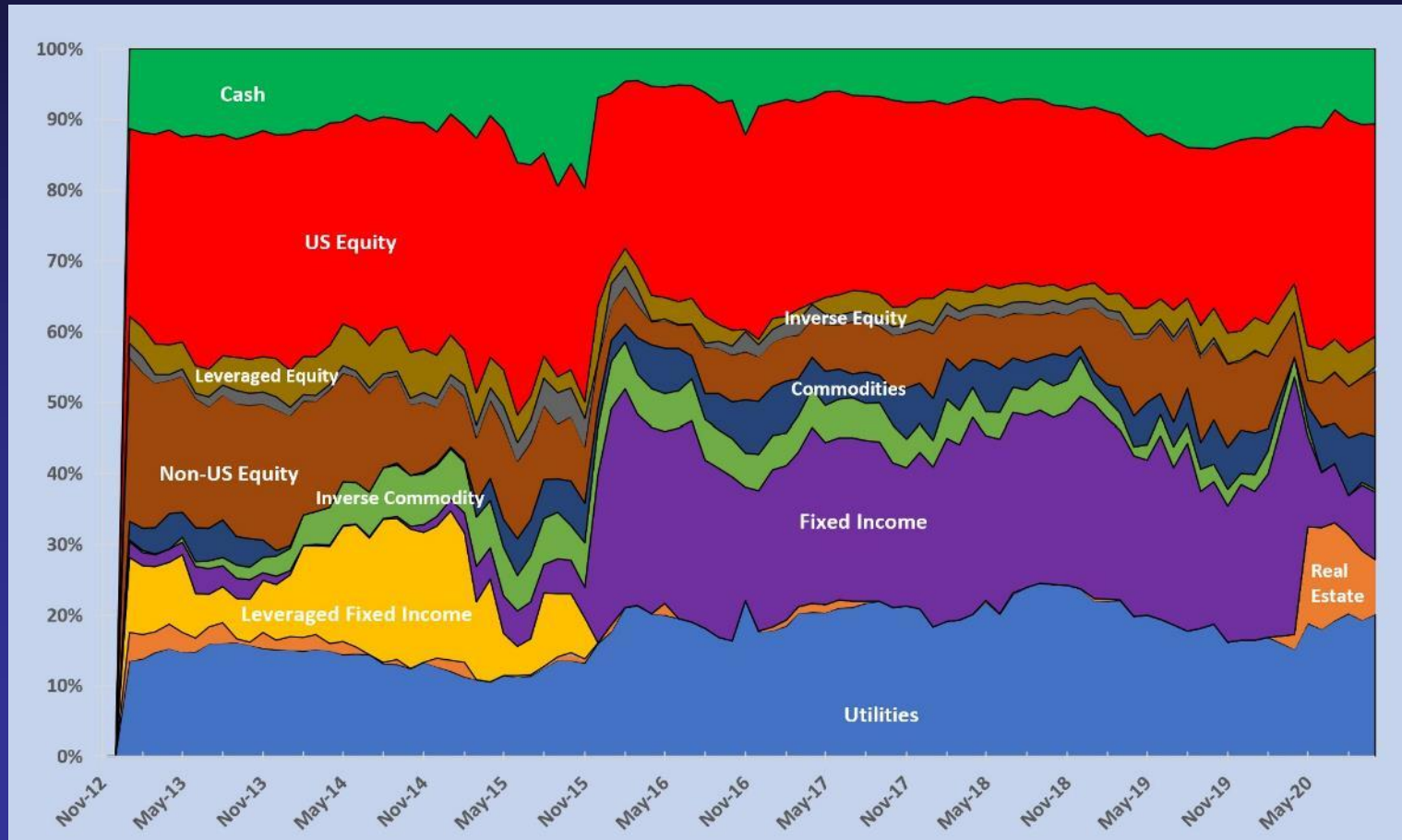
Jan 2013 - Sep 2022		SUMMARY STATISTICS - CHAPOQUOIT MODERATE & BENCHMARKS			
Statistic	Chapoquoit Moderate	Morningstar Moderate Mgr Benchmark	S&P500	Govt 5-7 Yr ICE Bond Index	50% S&P500 50% Govt 5-7
Annualized Return	10.96	6.33	12.08	0.64	6.53
Annualized Standard Deviation	9.29	9.44	14.56	4.24	7.50
Largest Peak-to-Valley Loss	21.21	19.68	23.86	15.18	18.00
Sharpe Ratio (Risk Free Rate=1.08)	1.05	0.59	0.79	-1.00	0.74
Highest Monthly Return	9.11	7.85	12.82	2.94	6.55
Lowest Monthly Return	-6.67	-9.41	-12.35	-3.69	-6.45
Percent of Past Months Less Than 0	29.91	29.91	29.91	47.86	30.77
Correlation with S&P500	0.67	0.98	1.00	-0.04	0.96
Up Capture Ratio vs S&P500	53.43	56.95	100.00	0.59	46.45
Down Capture Ratio vs S&P500	36.96	72.44	100.00	-3.98	53.53

Chapoquit Moderate Return in Months when S&P500 is down more than -3%



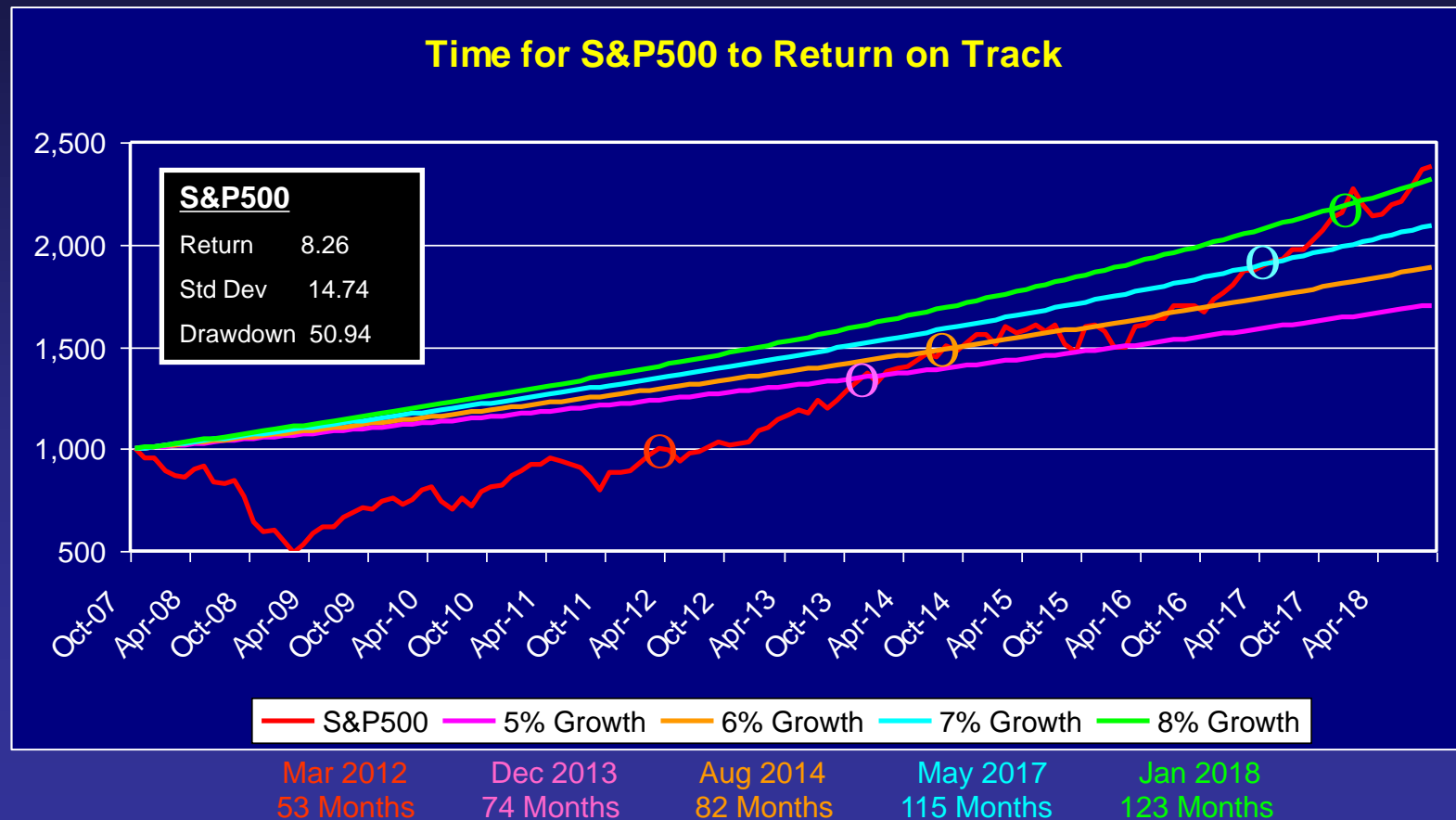
Chapoquoit Allocation Changes

Aggressive Portfolio Since Inception in Nov 2012



Why are Investors So Distressed by Large Losses?

Because they are worried they may never be able to get their investment train back on the track to their target destination.



How Does the Investment Process Work?

- Chapoquoit uses allocation control functions
- There is one function for each investment
- Each function employs multiple factors to determine the changes in allocation
- Model coefficients are redetermined monthly in a way that seeks to minimize portfolio downside risk

How allocations change as factors change

An example of a simple model

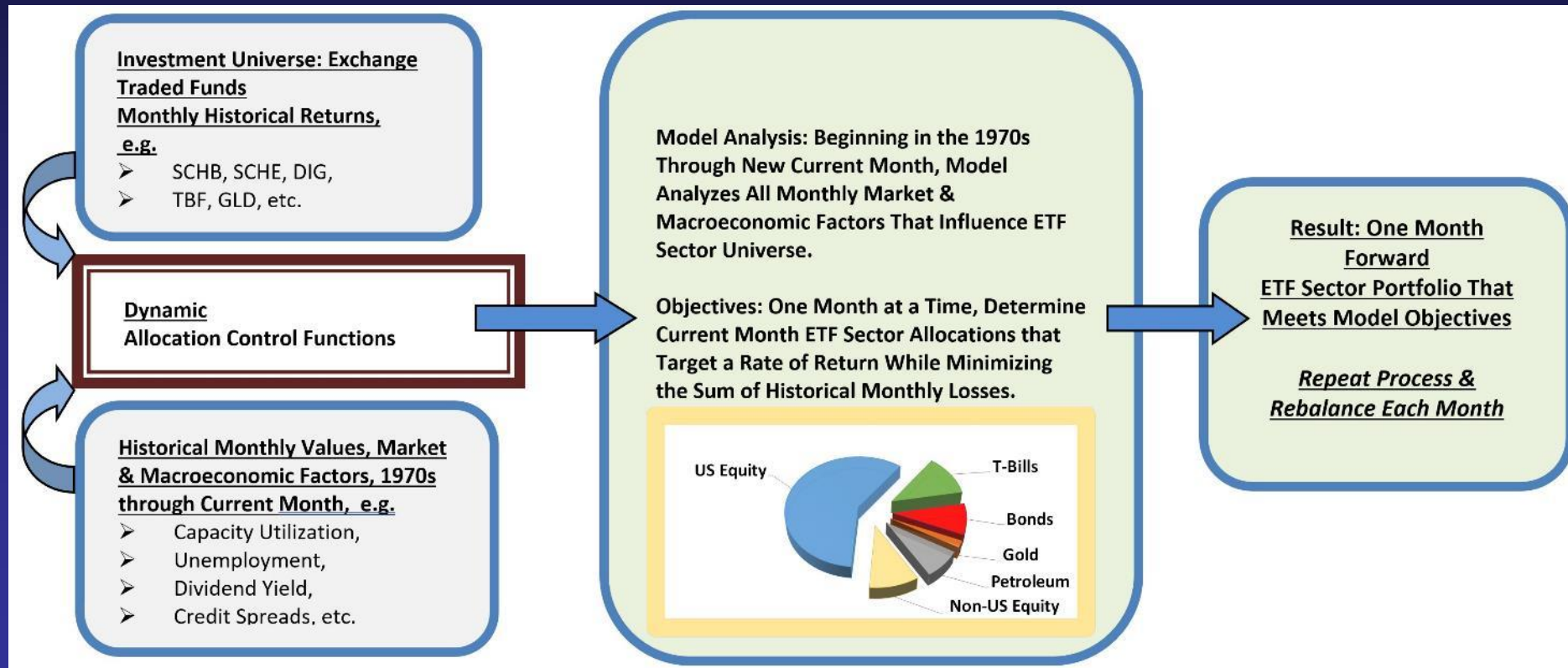
	Constant	% Chng		% Chng
Allocation $_{\text{Stocks}, t}$	= 13.06	+ 10.09	Div. Yield $_{t-1}$	- 10.82 Bond Yield $_{t-1}$
Allocation $_{\text{Bonds}, t}$	= 19.04	- 5.65	Div. Yield $_{t-1}$	+ 9.02 Bond Yield $_{t-1}$
Allocation $_{\text{T-bills}, t}$	= 67.90	- 4.44	Div. Yield $_{t-1}$	+ 1.80 Bond Yield $_{t-1}$

In these equations a 1 unit increase in Dividend Yield causes the allocation to Stocks to increase by 10.09%. The Bonds and T-bills allocations would then be reduced by 5.65% and 4.44% respectively.

Note that the sum of the constant coefficients adds to 100%.
The allocations will total 100% even when the factor values are zero.

Note that the algebraic sum of coefficients for each factor adds to zero.
The net allocation change due to each factor on all investments is zero.

Chapoquoit Investment Process



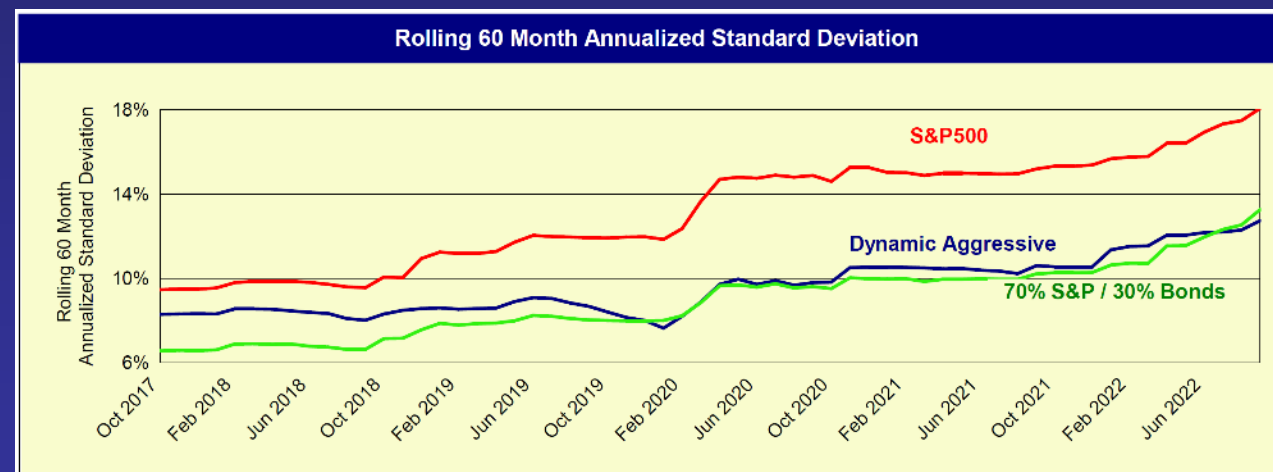
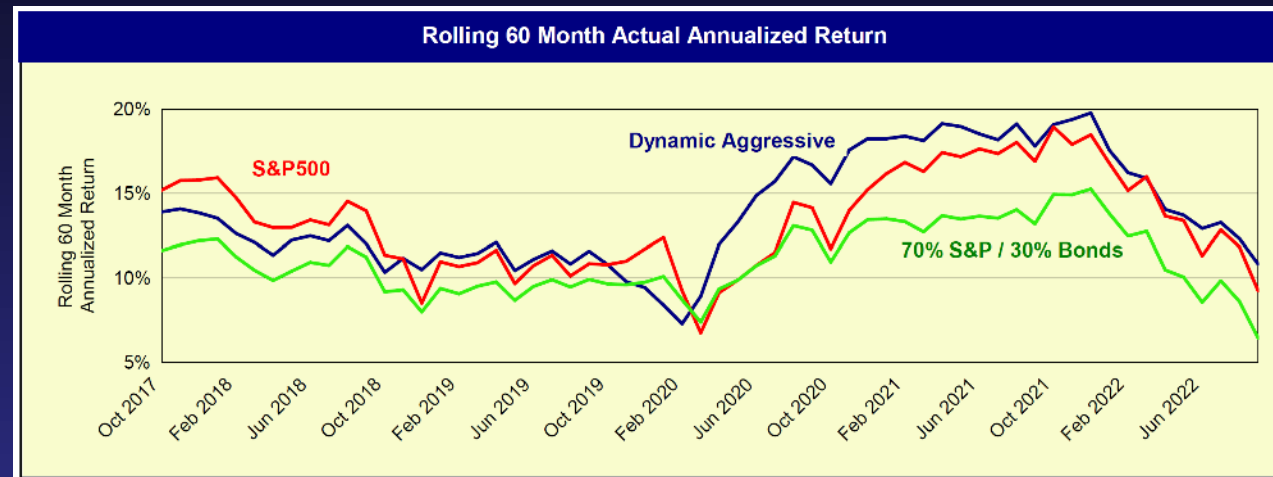
Chapoquoit Investment Process Circuit Breaker

- Model Determines That Market Has Disconnected From Normal Macroeconomic Factors
- Typically Occurs Every 5 to 7 Years
- Implement a Defensive Portfolio
 - Allocations to Cash, Fixed Income, Inverse Equity
- Model Returns to Normal Allocations When Market Reconnects to Normal Macroeconomic Factors
- For Example – March 2020 Circuit Breaker Implemented
 - Results: See fact sheets

Chapoquoit's Unique Investment Edge

- Tactical top-down fundamental model
- Patented, quantitative investment process
- No discretionary overrides
- Invests in a wide range of ETFs
 - Including limited use of inverse and levered ETFs
- Model inputs: market and macroeconomic factors
- Offered as managed accounts
- Management fee only, no performance fee

5-Year Rolling Statistics



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Phil Nehro, CFP® - Currently Mr. Nehro is an Investment Advisor Representative with the First National Corporation, a Registered Investment Advisor in Massachusetts. Previously he was a Financial Consultant with Smith Barney. Prior to Smith Barney, Mr. Nehro was a Managing Director with PSAM, a New York based hedge fund. Before PSAM, he held a Director position with Swiss Bank Corporation and was a Vice President with Alliance Capital Management and Salomon Brothers Inc. in New York. Mr. Nehro served as an Assistant Vice President with the Federal Reserve Bank, and he began his career as a commercial banker. Mr. Nehro has an undergraduate degree and an MBA from the University of Detroit, and is a graduate of the University of Wisconsin, Graduate School of Banking.

Richard Oberuc - Mr. Oberuc currently is an Investment Advisor Representative with the First National Corporation. He also serves as President of Burlington Hall Asset Management which was incorporated in 1985. Burlington Hall specializes in developing financial software, including LaPorte Asset Allocation System and DynaPorte. Prior to Burlington Hall, Mr. Oberuc spent 20 years conducting commodity supply/demand analysis, as well as, implementing hedging methodologies for controlling the cost of raw materials for the M&M/Mars Corporation. Before that Mr. Oberuc worked at the Manned Spacecraft Center in Houston developing real-time simulators used in the training of NASA astronauts. Mr. Oberuc has an undergraduate degree in Physics from Loyola University in Chicago, as well as, a masters degree in Operations Research from the University of Houston.

Disclosure Concerning Chapoquoit Strategies

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Continued Disclosure Concerning Chapoquoit Strategies

The actual performance of a client's account may differ from any performance presented based on the timing of securities transactions, actual asset allocations and advisor fees. Client accounts invested in a Chapoquoit strategy may differ materially from the composition and performance of the S&P 500 which has been used solely as a benchmark above. Because the S&P 500 is a widely known index it is shown simply as a reference and not intended to demonstrate that the Chapoquoit strategies are, or are likely to become, representative of past or expected S&P 500 performance.

The Chapoquoit strategies are separately managed accounts that are not guaranteed or FDIC insured. These accounts may lose value. An investment in a Chapoquoit strategy should be made with an understanding of the risks involved with owning exchange-traded funds and underlying common stock, fixed-income and other securities. Risks include, but are not limited to, a deterioration of either the financial condition of the issuers or the general condition of the economy.

Definitions:

Up Capture Ratio is a statistical measure that indicates the percentage of the return associated with an index that an investment achieves for all months when the index is up. A negative up capture ratio indicates that the investment suffers losses when the index is up.

Down Capture Ratio is a statistical measure that indicates the percentage of the return associated with an index that an investment achieves for all months when the index is down. A negative down capture ratio indicates that the investment makes a gain when the index is down.

Correlation is a number from -1 to +1 that indicates the degree to which an investment and an index tend to be up and down together. A value of +1 indicates the investment and the index are always up and always down together, irrespective of magnitude. A value of -1 indicates the investment is always up when the index is down, and vice versa, irrespective of magnitude. A value of 0 indicates there is no relationship between the investment and the index.

Index Definitions:

Standard & Poor's 500 Index {Total Return} ("S&P 500") is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general.

The U.S. Government 10+ year Merrill Lynch bond index (GOVT 10+ Yr ML Bond Index) is the return on an index of U.S. Treasuries and Agencies with duration greater than 10 years reported by Bank of America Merrill Lynch.

The U.S. Government 5-7 year Merrill Lynch bond index (GOVT 5-7 Yr ML Bond Index) is the return on an index of U.S. Treasuries and Agencies with duration between 5 and 7 years reported by Bank of America Merrill Lynch.

The U.S. Government 1-5 year Merrill Lynch bond index (GOVT 1-5 Yr ML Bond Index) is the return on an index of U.S. Treasuries and Agencies with duration between 1 and 5 years reported by Bank of America Merrill Lynch.

Continued Disclosure Concerning Chapoquoit Strategies

Index Definitions:

The Morningstar Aggressive Allocation AW index (Morningstar Aggressive Benchmark) is the gross-of-fees return on an asset-weighted index of offerings by managers following an aggressive approach that typically holds 70-85% in equities with a focus on a wide range of market capitalization and valuation characteristics. Remaining assets are allocated among bonds or cash.

The Morningstar Moderate Benchmark - The Morningstar Moderate Allocation AW index is the gross-of-fees return on an asset-weighted index of offerings by managers following a moderate approach that typically holds 50-70% in equities and 30-50% in fixed income.

The Morningstar Conservative Allocation AW index (Morningstar Conservative Benchmark) is the gross-of-fees return on an asset-weighted index of offerings by managers following a conservative approach that typically holds 20-50% in equities with the remainder focused on bonds and some cash. This material is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and makes no implied or express recommendations concerning the manner in which any client's account should or would be handled, as appropriate strategies depend upon the client's specific circumstances and investment objectives.

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