

THE POWER OF FACTOR ROTATION

PRESENTED BY
RYAN HESSENTHALER

May 2021



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INDICES VS. ETF/PORTFOLIOS



- This presentation contains information related to one or more Lunt Capital index
- ***YOU CANNOT INVEST DIRECTLY IN AN INDEX***
- Past performance is no indication of future results
- The performance of portfolios, ETFs, or products will differ from the performance of their respective index for various reasons, including:
 - ETF Costs
 - Management Costs
 - Trading Costs
 - Implementation Risk
 - ETF Tracking Error

SPEAKER BIO



Ryan Hessenthaler



Ryan Hessenthaler is a partner and the Chief Operating Officer of Lunt Capital. Ryan leverages his diverse operational experience and quantitative skills to help Lunt Capital's clients thrive. Ryan has extensive experience with financial modeling, investment index construction, market research, and quantitative analysis. Ryan is a current trustee and the former board president of Utah Retirement Systems (a \$40B+ pension fund) and PEHP Health & Benefits. Ryan also served as VP Finance & Strategic Insights for Children's Miracle Network Hospitals, which has raised over \$5 billion for 170 children's hospitals throughout North America. He was responsible for overseeing the organization's endowments, pensions, and investment portfolios. He led a cross-functional team responsible for capturing, analyzing, and reporting all performance metrics for the organization. Ryan excelled as a Finance professor and Director of the Center for Financial Analysis at Westminster College. He currently serves as a trustee for Westminster College, including roles on the Investment Committee and Finance & Operations Committee. Ryan has travelled extensively to more than 45 countries and actively seeks new experiences and diverse perspectives. Ryan graduated with a degree in Political Science from the University of Utah and an MBA in Finance from Westminster College.

INTRODUCTION TO INVESTMENT FACTORS

FACTOR FUNDAMENTALS



- Public instruments have characteristics and attributes that can be calculated and tracked
- These quantifiable attributes are “factors”
- Factors describe the behavior or reflect the fundamentals of an investment
- Factor investing involves tilting portfolios toward or away from specific factors in an attempt to generate outperformance

Common examples of equity factors include:

- High Momentum
- High Quality
- High Value
- Low Volatility

COMMON FACTORS



VOLATILITY



YIELD



QUALITY



MOMENTUM



VALUE



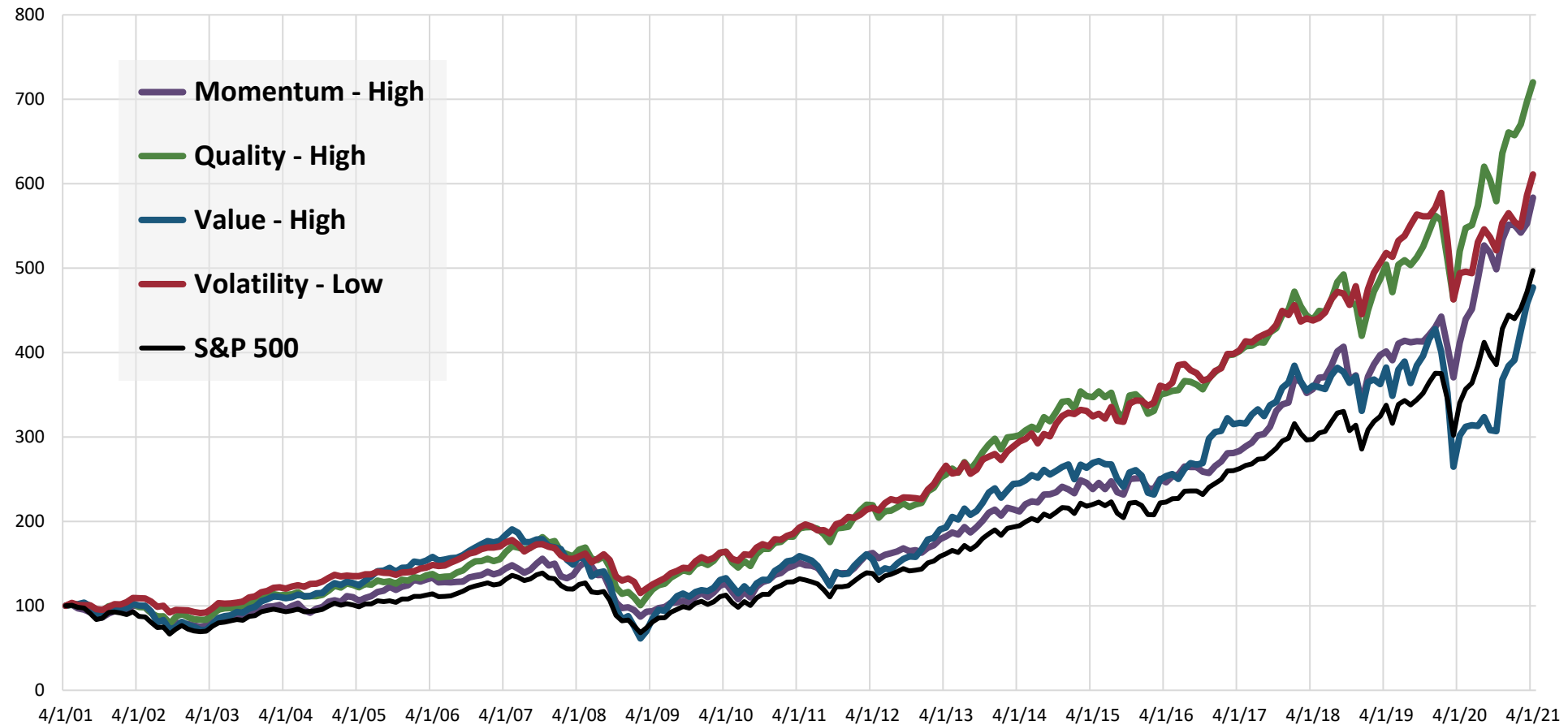
SIZE

Source: MSCI

A CLOSER LOOK



Factor Index Performance - 20 Years (April 2001 – April 2021)



For financial professionals only. Past performance is no indication of future returns. You cannot invest directly in an index. Not investment advice. Information not guaranteed accurate. See complete disclosures. © 2021 Lunt Capital Management, Inc.

WHY CONSIDER FACTOR INVESTING?



- Academic research and industry analysis demonstrates the long-term outperformance of key factors including momentum, quality, value, and volatility
- Long-term factor outperformance can mask years of factor underperformance
- Data shows factors move in and out of favor over shorter periods

Key	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	<i>Annualized</i> 20 Yrs
High Momentum	14.78	20.74	43.45	17.49	5.56	20.39	28.27	0.27	33.91	28.32	9.64
High Quality	10.89	17.33	34.24	14.95	4.34	11.96	21.83	(0.04)	31.49	18.40	9.17
High Value	2.11	16.00	32.39	13.69	1.38	10.37	19.51	(4.38)	29.22	17.55	7.74
Low Volatility	1.60	14.68	31.42	11.84	0.38	9.56	19.14	(6.79)	28.26	(1.11)	7.59
S&P 500	(2.15)	10.30	23.59	11.23	(5.01)	5.70	17.41	(9.20)	26.25	(10.23)	7.46

THE CASE FOR FACTOR ROTATION

PUT AWAY YOUR CRYSTAL BALL... ADAPT AS MARKET CONDITIONS CHANGE



	S&P 500 Factor Index	2020 Return	Traditional vs. Non-Trad. Factor
1	Low Value	32.03%	Non-Traditional
2	High Momentum	28.32%	Traditional
3	High Volatility	26.45%	Non-Traditional
	S&P 500 Index	18.40%	Benchmark
4	High Quality	17.55%	Traditional
5	Low Quality	11.83%	Non-Traditional
6	Low Momentum	-1.04%	Non-Traditional
7	Low Volatility	-1.11%	Traditional
8	High Value	-10.23%	Traditional

At the beginning of 2020, if we knew there would be:

- A global pandemic with dramatic health and economic impacts including the largest quarterly drop of GDP on record and the largest increase in the unemployment rate since the Depression...
- Sustained social unrest, protests, and significant property/business destruction in many urban areas of the United States...
- An evenly divided electorate engaged in the loudest and least civil presidential election in a lifetime...

We would have projected the Low Volatility factor would be the best performing factor of 2020.

- Instead, the Low Volatility factor was negative on the year, underperforming the S&P 500 by more than 19%.
- The three factors that outperformed the S&P 500 were Low Value (expensive stocks), High Momentum, and High Volatility.

WHAT IS THE CHALLENGE?



Low Volatility is Not a Buy and Hold Strategy

By John Lunt, President of Lunt Capital Management, Inc. December 9, 2016

Note: This article appears on the [ETFtrends.com Strategist Channel](#)

One of the themes of 2016 has been the continued growth of smart beta ETFs, including the proliferation of factor-based ETFs. There are now a wide variety of factors accessible to investors, including low volatility, quality, dividends, value, momentum, and high beta. ETFs exist across the spectrum of market capitalization and for both U.S. and International markets.

The adoption of factor strategies has followed volumes of academic and industry research on the efficacy of factors. There is no shortage of white papers demonstrating the long-term outperformance of individual factors over the market cap-weighted benchmark. There are sound arguments for the sustainability of factor premiums into the future.

In September, I spoke on a panel at the Morningstar ETF Conference titled, "Getting Active with Factors." After the conference one of my fellow panelists, Anthony Davidson from Charles Schwab, sent me a table showing the annual returns of various factors over the past decade. I have created a similar table below for U.S. Large Cap Equities using factor indices.

2009	2010	2017	2008	2006	2010	2011	2012	2013	2014	2015	2016 YTD	15 Yr. Perf.
Momentum	Value	Quality	Low Vol.	High Bt	Low Vol.	High Bt	High Beta	High Bt	Low Vol.	High Beta	High Beta	Uncertain
20.09	20.09	15.16	14.53	14.20	22.40	27.40	27.40	27.40	14.78	14.78	14.78	41.24
Quality	Low Vol.	Value	High Bt	Low Vol.	Quality	High Bt	Low Vol.	High Bt	Low Vol.	High Bt	Low Vol.	Uncertain
15.09	15.09	9.46	18.72	15.09	18.72	19.35	19.35	19.35	8.46	8.46	8.46	17.68
Value	Dividend	S&P 500	Quality	Dividend	Momentum	High Bt	Low Vol.	High Bt	S&P 500	High Bt	Dividend	Uncertain
15.09	15.09	5.49	15.09	15.09	18.72	19.35	19.35	19.35	13.61	13.61	13.61	32.39
S&P 500	15.09	Value	Low Vol.	High Bt	Low Vol.	S&P 500	Value	Low Vol.	High Bt	Low Vol.	S&P 500	Uncertain
15.09	15.09	1.99	15.09	15.09	2.11	2.11	2.11	2.11	11.31	11.31	11.31	7.38
Dividend	Quality	Low Vol.	S&P 500	High Bt	S&P 500	Quality	High Bt	Low Vol.	High Bt	Low Vol.	Quality	Uncertain
14.30	14.30	0.18	14.30	23.15	15.06	1.40	18.01	18.01	11.06	0.91	0.71	6.62
High Bt	Low Vol.	High Bt	Value	High Bt	Low Vol.	S&P 500	Dividend	High Bt	Low Vol.	High Bt	Low Vol.	Uncertain
13.36	9.97	0.40	Value	19.22	14.55	0.40	18.01	18.01	22.27	22.27	7.41	6.96
Low Vol.	High Bt	Dividend	High Bt	Low Vol.	Low Vol.	High Bt	Low Vol.	Low Vol.	High Bt	Low Vol.	Momentum	Uncertain
2.10	9.61	17.07	160.52	17.39	15.36	18.01	19.30	23.59	12.23	12.23	12.23	3.81

Data from Morningstar. Indices used include S&P 500 Momentum TR USD, S&P 500 Low Volatility TR USD, S&P 500 High Beta TR USD, S&P 500 Dividend Aristocrats TR USD, S&P 500 Value TR USD, and Russell 2000 Quality Factor TR USD. You cannot invest directly in an index.

This table reveals two key points for this period: 1) Some factors (Dividends, Low Volatility, Quality, and Momentum) have each generated strong long-term performance relative to the market cap-weighted benchmark, and 2) each factor has had periods or "seasons" of underperformance and outperformance relative to the benchmark. As always, past performance does not guarantee future returns.

exist in factor blending and in factor rotation.

John Lunt is the President of [Lunt Capital Management](#), a participant in the [ETF Strategist Channel](#).



2010	2011	2012	2013
High Beta 27.40	Low Vol. 14.78	High Beta 18.20	High Beta 41.24
Dividend 19.35	Quality 8.46	Value 17.68	S&P 500 32.39
Momentum 18.72	Dividend 8.33	Momentum 17.33	Momentum 31.42
Value 15.10	S&P 500 2.11	Dividend 16.94	Value 31.99
S&P 500 15.06	Momentum 1.60	Quality 16.09	Quality 31.66
Quality 14.55	Value (0.48)	S&P 500 16.00	Dividend 32.27
Low Vol. 13.36	High Beta (18.01)	Low Vol. 10.30	Low Vol. 23.59

- Factors move in and out of favor over time
- Factors express opinions
- Which factors should I choose? Or avoid?
- How do I manage extended periods when a factor underperforms?

EVOLUTION OF FACTOR INVESTING



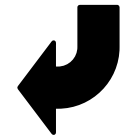
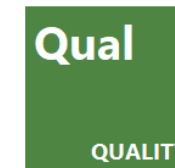
1) Institutional Users



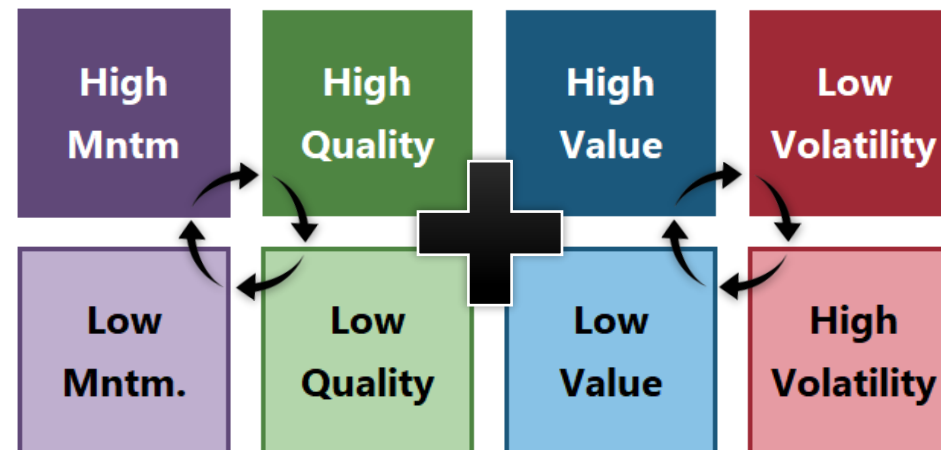
2) Single Factor ETFs



3) Factor Blending



4) Multi-Factor Rotation



Unique Factor Investing Innovations by Lunt Capital

- i) Expand factor opportunity set to include both traditional and non-traditional factor groups
- ii) Tactically rotate among factors to add alpha

FACTOR ROTATION



Industry Approach

- Blend traditional factors together
- May result in a profile similar to the benchmark
- Blending approach fails to express true factor opinions or demonstrate factor conviction

Lunt Capital Approach

- Build opportunity sets of factors with relatively wide performance dispersion – **include traditional side and non-traditional side** (or opposite) factors
- **Tactically rotate** between factors – **express a factor opinion**
- Outperformance requires “looking different”
- Embrace a **rules-based**, objective, tactical strategy to rotate between factors moving in & out of favor

NON-TRADITIONAL FACTORS OR “OPPOSITE SIDE” FACTORS



Q: You mentioned the value factor. What is the universe of factors that you use within your rotation strategies?

A: We focus on four factors where there's been a lot of research that shows factor persistence over time: momentum, quality, value, and low volatility. Those are robust, powerful factors. But those factors have seasons of underperformance, like value has experienced. It makes sense to us that the opposite side of those traditional factors may perform well during underperformance of a traditional factor. Our rotation universe includes that traditional side of those four factors, but also the opposite side of the four factors. Our universe ends up being high and low momentum, high and low quality, high and low value, and high and low volatility.

Q: You're including some non-traditional factors within that opportunity set. Talk about those and why you use them.

A: That's noteworthy because the data suggests that you would not want to buy and hold low momentum, low quality, low value or high volatility for a 15-year period. You're likely to underperform. However, you will find months, quarters, and years where these non-traditional, opposite-side factors outperform.

ADVISOR PERSPECTIVES
Helping advisors enable clients to achieve their financial goals

The Science Behind Multi-Factor Strategies

By Robert Huebscher
April 9, 2020

The last decade has been a painful one for investors who believe in a factor-based approach to investing and have stuck with those factors that have historically performed well, namely the value factor, which has severely underperformed growth over those 10 years. But a breed of products have avoided the plight. Funds and ETFs that were designed to be nimble and allocate across a range of factors have not suffered the same performance deficit.

John Lunt is the president and founder of Lunt Capital Management. John has created a series of dynamic and tactical investment strategies used by financial advisors around the country. Lunt Capital has built custom indices calculated by S&P Dow Jones and by NASDAQ Global Indices that are used as the engines in ETFs, separate accounts and model portfolios.

I spoke with John on February 20.

Bob: Tell me about the history of Lunt Capital and your vision in creating the firm.

John: Prior to launching Lunt Capital, I managed funds for our own family office. I'd served as a trustee for the state of Utah's multi-billion dollar pension fund and it was easy to see the advantages of institutional investors. They had better access to asset class diversification and access to a variety of investment strategies.

Lunt Capital has strived to bring those institutional investment advantages to all different types of investors and that naturally pointed us to ETFs and to managed-ETF portfolios. We were very, very early adopters of ETFs, and the evolution of the ETF marketplace has closed that gap and allowed us to deliver portfolios with institutional advantages to all different types of investors.

Bob: I noticed on your website that your management team recently did an extensive amount of traveling. They circled the globe twice in about a 100 days. You called it the investment trek. What was the idea behind that and what were the key insights that you came away with?

We believe in a global investment perspective and we wanted to understand those risks and opportunities firsthand. So we did exactly that. We circled the globe twice, held meetings with fund managers, economists, government officials, central banks and a wide array of market participants.

But one thing was clear to us through that experience. As U.S. investors, we think of our portfolio in terms of a U.S. bucket and everything else. That international bucket is going to capture everything else in the portfolio. What we knew and reconfirmed is that "everything else" is very, very diverse. Germany is different from India, which is different from China, which is different from Australia and on and on. It provides interesting opportunities within that international bucket when you notice those differences.

A second major takeaway was we could see what we would call a "freedom factor." The countries with more economic and political freedom would provide a better long-term investment return.

The investment trek to us is a mindset rather than an event. Last year we were in Shanghai, Mexico City and London. We need that firsthand perspective to global markets.

Bob: Let's turn to what you're known for, which is factor investing. Why has there been such a focus in the industry on factor investing?

John: Factor investing was the outgrowth of the concept that many in the industry had, which was that

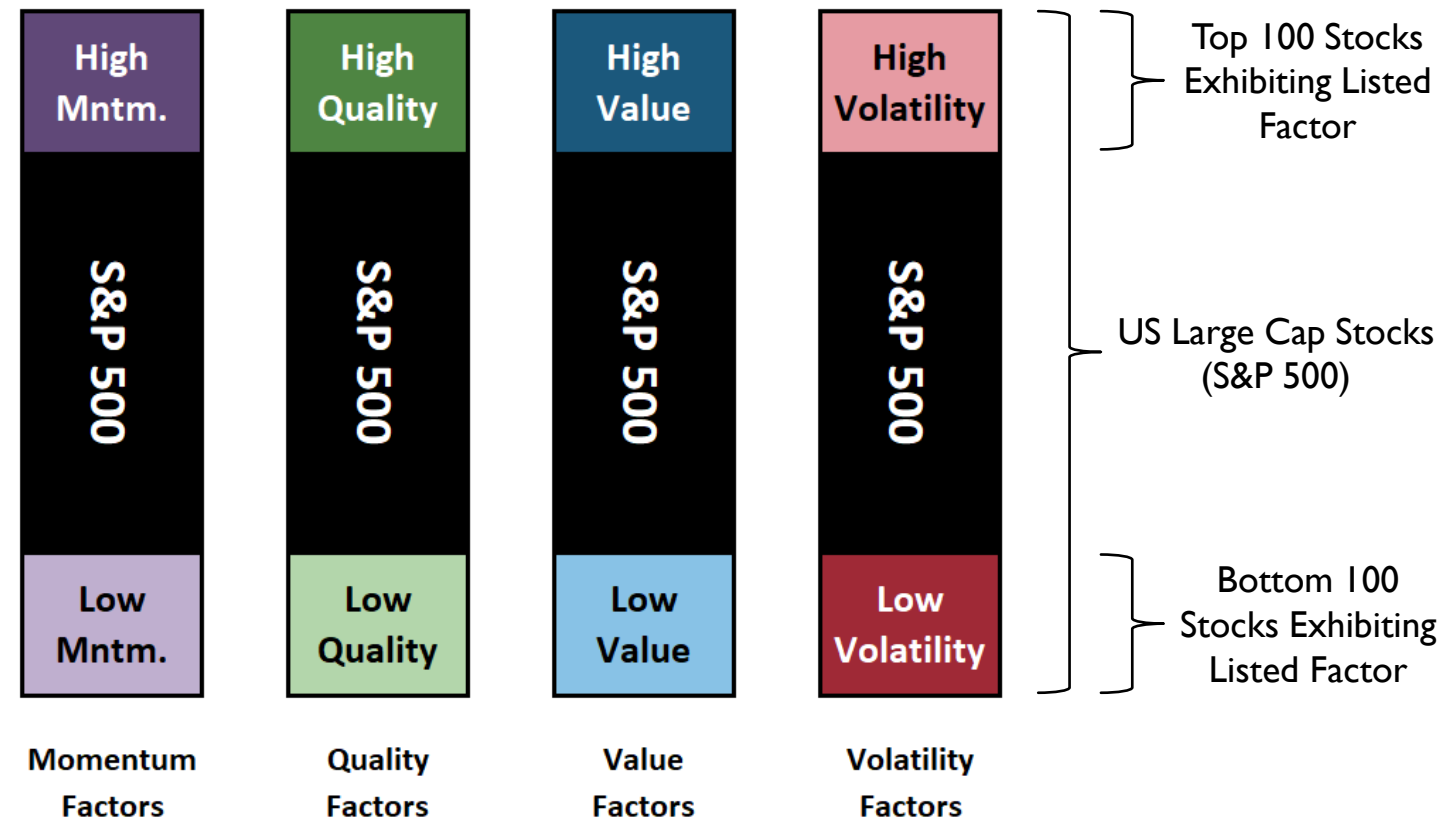


John Lunt

FACTOR GROUPINGS



- The traditional factors represent only one side of a factor (high or low).
- Research shows the opposite side of each factor have periods of outperformance.
- There are opportunities for out-performance thru **factor rotation** when including the **opposite side** of each factor.



S&P 500 FACTOR PAIR MOMENTUM



	Key	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>Traditional or Standard-Side Factor</i>	High Momentum	2.11	17.33	34.15	13.69	5.56	27.53	28.27	(0.04)	31.49	28.32
<i>Non-Traditional or Opposite-Side Factor</i>	Low Momentum	1.60	16.00	32.39	12.60	1.38	11.96	21.83	(4.38)	31.03	18.40
<i>Benchmark</i>	S&P 500	0.37	9.33	31.42	11.23	(8.34)	5.70	14.95	(14.55)	26.25	(1.04)
Dispersion between High & Low Factors		1.23	8.00	2.73	1.37	13.90	21.83	13.32	14.51	4.78	29.36

- Low Momentum outperformed High Momentum 4 out of 10 years (circled in yellow)
- S&P 500 TR (black) outperformed both momentum factors 3 out of 10 years
- “High” & “Low” factor indices listed are calculated by S&P Dow Jones Indices

S&P 500 FACTOR PAIR

MOMENTUM



High Momentum (Traditional Factor)

As of April 30, 2021 | Top 10 Holdings (out of 100)

Constituent	Symbol	Sector
Amazon.com Inc	AMZN	Cons. Discretionary
Microsoft Corp	MSFT	Information Technology
Apple Inc	AAPL	Information Technology
Tesla, Inc	TSLA	Cons. Discretionary
Nvidia Corp	NVDA	Information Technology
PayPal Holdings Inc	PYPL	Information Technology
Thermo Fisher Sci.	TMO	Health Care
NetFlix Inc	NFLX	Comm. Services
Qualcomm Inc	QCOM	Information Technology
Abbott Laboratories	ABT	Health Care

Low Momentum (Non-traditional Factor)

As of April 30, 2021 | Top 10 Holdings (out of 100)

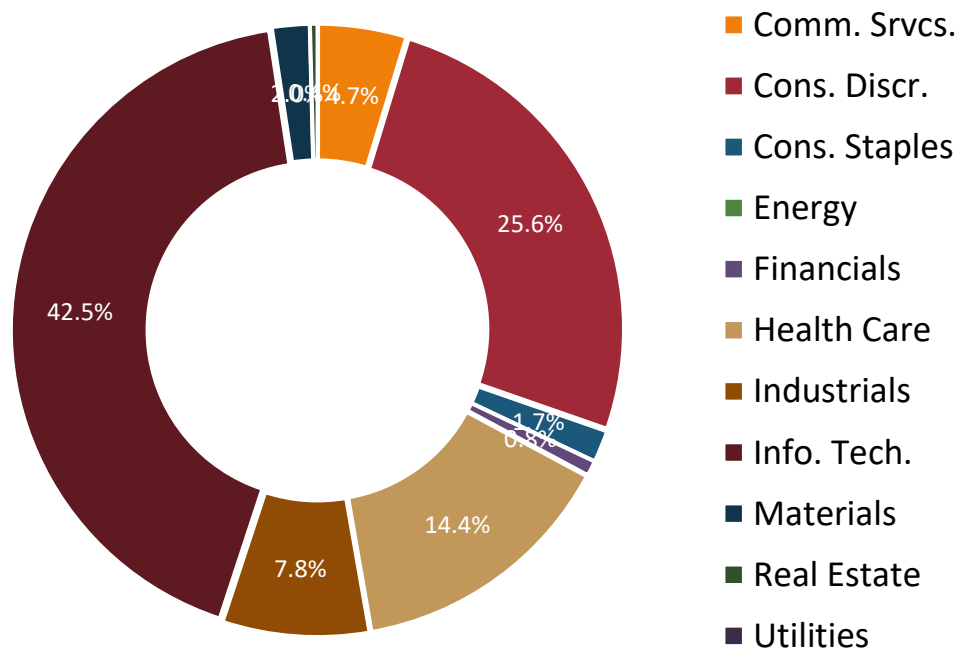
Constituent	Symbol	Sector
Exxon Mobil Corp	XOM	Energy
AT&T Inc	T	Comm. Services
Coca-Cola Co	KO	Consumer Staples
Wells Fargo & Co	WFC	Financials
Chevron Corp	CVX	Energy
Citigroup Inc	C	Financials
Boeing Co	BA	Industrials
Raytheon Tech. Corp	RTX	Industrials
IBM Corp	IBM	Information Technology
Lockheed Martin	LMT	Industrials

S&P 500 FACTOR PAIR MOMENTUM



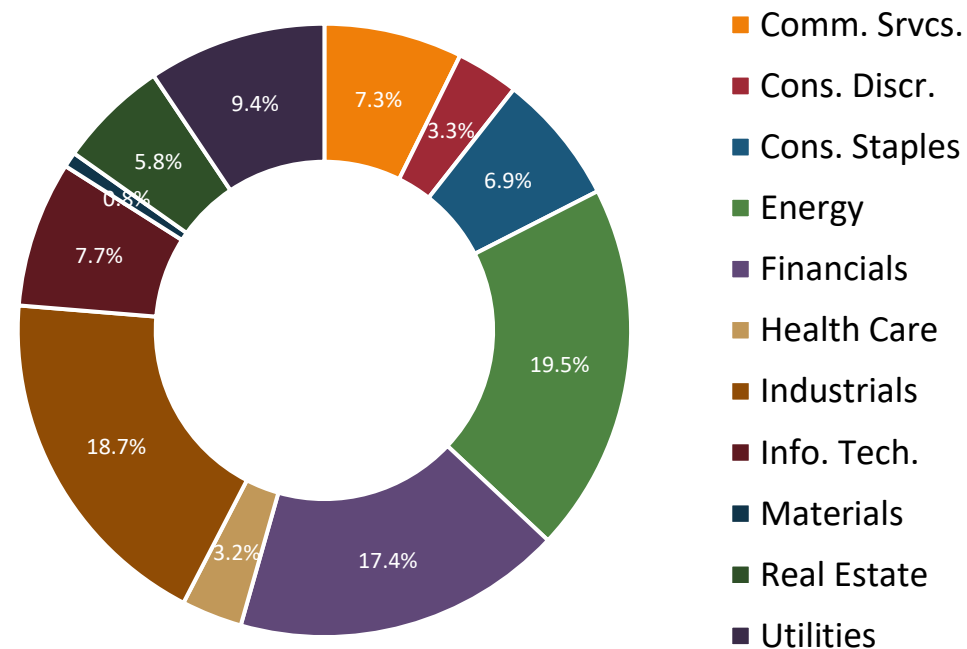
High Momentum (Traditional Factor)

As of April 30, 2021 | Sector Breakdown



Low Momentum (Non-traditional Factor)

As of April 30, 2021 | Sector Breakdown



S&P 500 FACTOR PAIR QUALITY



	Key	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>Traditional or Standard-Side Factor</i>	High Quality	10.89	23.92	34.24	14.95	8.44	11.96	28.65	(4.38)	33.91	18.40
<i>Non-Traditional or Opposite-Side Factor</i>	Low Quality	2.11	16.00	32.68	13.69	1.38	9.56	21.83	(4.93)	31.49	17.55
<i>Benchmark</i>	S&P 500	(13.18)	14.68	32.39	12.44	0.38	2.29	19.51	(6.79)	27.76	11.83
Dispersion between High & Low Factors		24.07	9.24	1.56	2.51	8.06	7.27	9.14	1.86	6.15	5.72

- Low Quality outperformed High Quality 4 out of 10 years (circled in yellow)
- S&P 500 TR (black) outperformed both quality factors in 3 out of 10 years
- “High” & “Low” factor indices listed are calculated by S&P Dow Jones Indices

S&P 500 FACTOR PAIR

QUALITY



High Quality (Traditional Factor)

As of April 30, 2021 | Top 10 Holdings (out of 100)

Constituent	Symbol	Sector
Microsoft Corp	MSFT	Information Technology
Nvidia Corp	NVDA	Information Technology
Apple Inc	AAPL	Information Technology
Johnson & Johnson	JNJ	Health Care
Procter & Gamble	PG	Consumer Staples
Visa Inc A	V	Information Technology
Mastercard Inc A	MA	Information Technology
Abbott Laboratories	ABT	Health Care
Merck & Co Inc	MRK	Health Care
Adobe Inc	ADBE	Information Technology

Low Quality (Non-traditional Factor)

As of April 30, 2021 | Top 10 Holdings (out of 100)

Constituent	Symbol	Sector
Home Depot Inc	HD	Consumer Disc.
McDonald's Corp	MCD	Consumer Disc.
Amazon.com Inc	AMZN	Consumer Disc.
Starbucks Corp	SBUX	Consumer Disc.
Boeing Co	BA	Industrials
Philip Morris Int'l.	PM	Consumer Staples
Salesforce.com	CRM	Information Technology
NetFlix Inc	NFLX	Comm. Services
Bristol-Myers Squibb	BMJ	Health Care
American Tower Corp	AMT	Real Estate

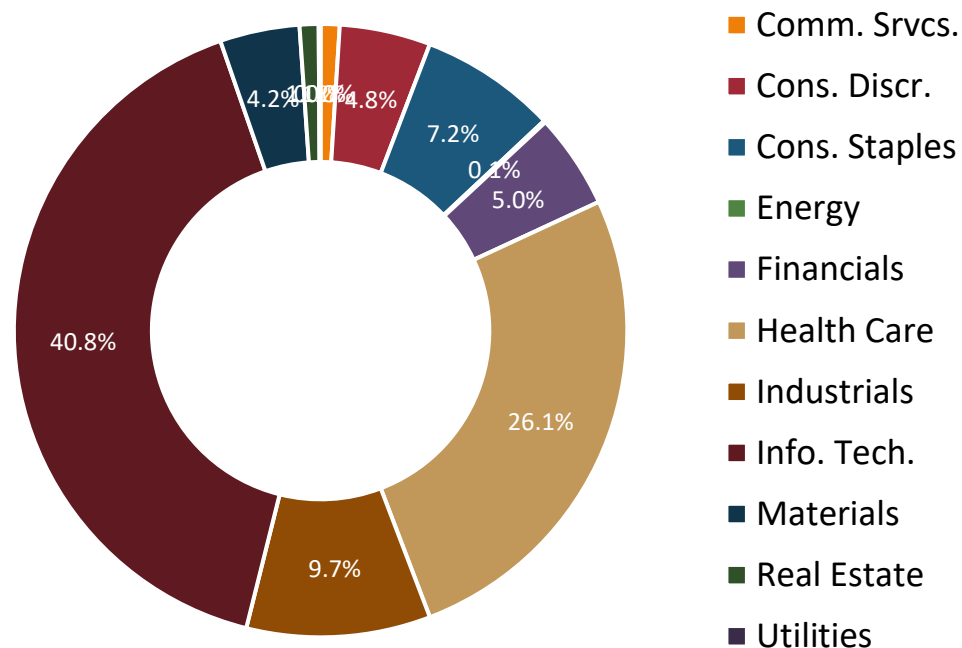
S&P 500 FACTOR PAIR

QUALITY



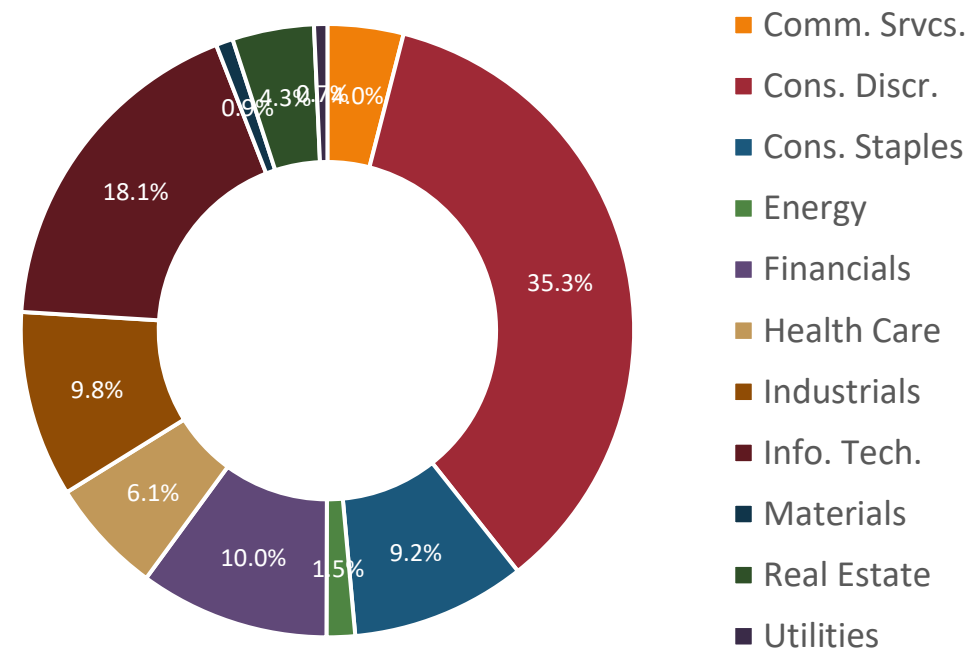
High Quality (Traditional Factor)

As of April 30, 2021 | Sector Breakdown



Low Quality (Non-traditional Factor)

As of April 30, 2021 | Sector Breakdown



S&P 500 FACTOR PAIR VALUE



	Key	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>Traditional or Standard-Side Factor</i>	High Value	2.11	20.74	43.45	14.18	14.83	20.39	24.94	6.03	31.49	32.03
<i>Non-Traditional or Opposite-Side Factor</i>	Low Value	1.62	16.00	34.01	13.69	1.38	11.96	21.83	(4.38)	29.72	18.40
<i>Benchmark</i>	S&P 500	(2.15)	12.04	32.39	11.84	(5.01)	4.10	19.14	(9.20)	29.22	(10.23)
Dispersion between High & Low Factors		3.77	8.70	9.44	2.34	19.84	16.29	5.80	15.23	0.50	42.26

- Low Value outperformed High Value 7 out of 10 years (circled in yellow)
- S&P 500 TR (black) outperformed both value factors 2 out of 10 years
- “High” & “Low” factor indices listed are calculated by S&P Dow Jones Indices

S&P 500 FACTOR PAIR

VALUE



High Value (Traditional Factor)

As of April 30, 2021 | Top 10 Holdings (out of 100)

Constituent	Symbol	Sector
Bank of America Corp	BAC	Financials
Exxon Mobil Corp	XOM	Energy
Berkshire Hathaway B	BRK.B	Financials
CVS Health Corp	CVS	Health Care
AT&T Inc	T	Comm. Services
Wells Fargo & Co	WFC	Financials
Citigroup Inc	C	Financials
Cigna Corporation	CI	Health Care
Anthem Inc	ANTM	Health Care
General Motors Co	GM	Consumer Disc.

Low Value (Non-traditional Factor)

As of April 30, 2021 | Top 10 Holdings (out of 100)

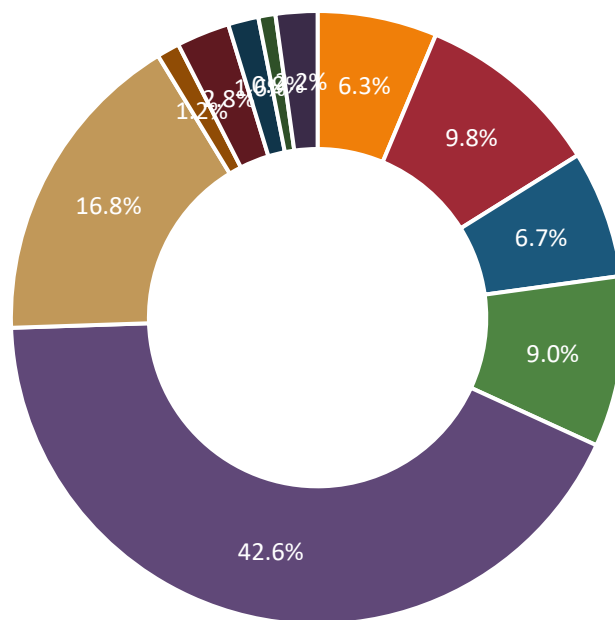
Constituent	Symbol	Sector
Microsoft Corp	MSFT	Information Technology
Facebook Inc A	FB	Comm. Services
Amazon.com Inc	AMZN	Consumer Disc.
Apple Inc	AAPL	Information Technology
Nvidia Corp	NVDA	Information Technology
Visa Inc A	V	Information Technology
NetFlix Inc	NFLX	Comm. Services
Mastercard Inc A	MA	Information Technology
PayPal Holdings Inc	PYPL	Information Technology
Abbott Laboratories	ABT	Health Care

S&P 500 FACTOR PAIR VALUE



High Value (Traditional Factor)

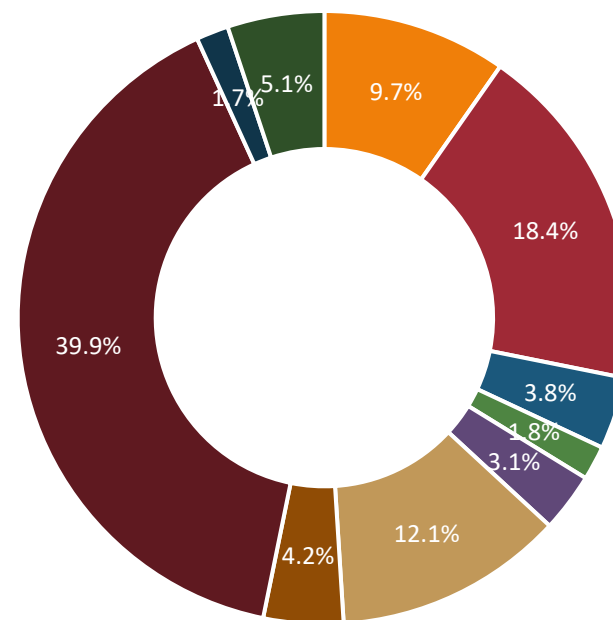
As of April 30, 2021 | Sector Breakdown



- Comm. Svcs.
- Cons. Discr.
- Cons. Staples
- Energy
- Financials
- Health Care
- Industrials
- Info. Tech.
- Materials
- Real Estate
- Utilities

Low Value (Non-traditional Factor)

As of April 30, 2021 | Sector Breakdown



- Comm. Svcs.
- Cons. Discr.
- Cons. Staples
- Energy
- Financials
- Health Care
- Industrials
- Info. Tech.
- Materials
- Real Estate
- Utilities

S&P 500 FACTOR PAIR VOLATILITY



	Key	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>Traditional or Standard-Side Factor</i>	Low Volatility	14.78	18.67	45.37	17.49	4.34	24.45	21.83	0.27	31.49	26.45
<i>Non-Traditional or Opposite-Side Factor</i>	High Volatility	2.11	16.00	32.39	15.18	1.38	11.96	17.41	(4.38)	28.26	18.40
<i>Benchmark</i>	S&P 500	(14.80)	10.30	23.59	13.69	(12.72)	10.37	10.01	(12.95)	27.91	(1.11)
Dispersion between High & Low Factors		29.58	8.37	21.78	2.31	17.06	14.08	7.40	13.22	0.35	27.56

- High Volatility outperformed Low Volatility 4 out of 10 years (circled in yellow)
- S&P 500 TR (black) outperformed both volatility factors 2 out of 10 years
- “High” & “Low” factor indices listed are calculated by S&P Dow Jones Indices

S&P 500 FACTOR PAIR

VOLATILITY



Low Volatility (Traditional Factor)

As of April 30, 2021 | Top 10 Holdings (out of 100)

Constituent	Symbol	Sector
Verzion Comm Inc	VZ	Comm. Services
Costco Wholesale	COST	Consumer Staples
Expeditors Int'l.	EXPD	Industrials
Bristol-Myers Squibb	BMY	Health Care
Waste Management	WM	Industrials
Dollar General Corp	DG	Consumer Disc.
Kellogg Co	K	Consumer Staples
Republic Services Inc	RSG	Industrials
General Mills Inc	GIS	Consumer Staples
Mondelez Int'l. Inc	MDLZ	Consumer Staples

High Volatility (Non-traditional Factor)

As of April 30, 2021 | Top 10 Holdings (out of 100)

Constituent	Symbol	Sector
Norwegian Cruise Lines	NCLH	Consumer Disc.
Carnival Corp	CCL	Consumer Disc.
Royal Caribbean	RCL	Consumer Disc.
Gap Inc	GPS	Consumer Disc.
APA Corp	APA	Energy
L Brands Inc	LB	Consumer Disc.
American Airlines	AAL	Industrials
United Airlines	UAL	Industrials
Diamondback Energy	FANG	Energy
DXC Technology Co	DXC	Information Technology

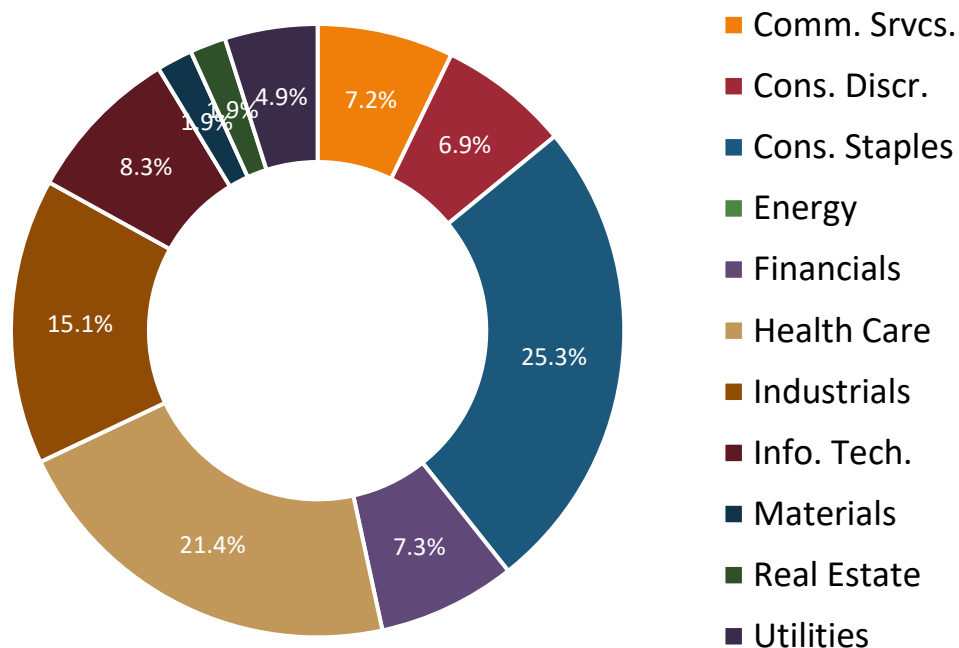
S&P 500 FACTOR PAIR

VOLATILITY



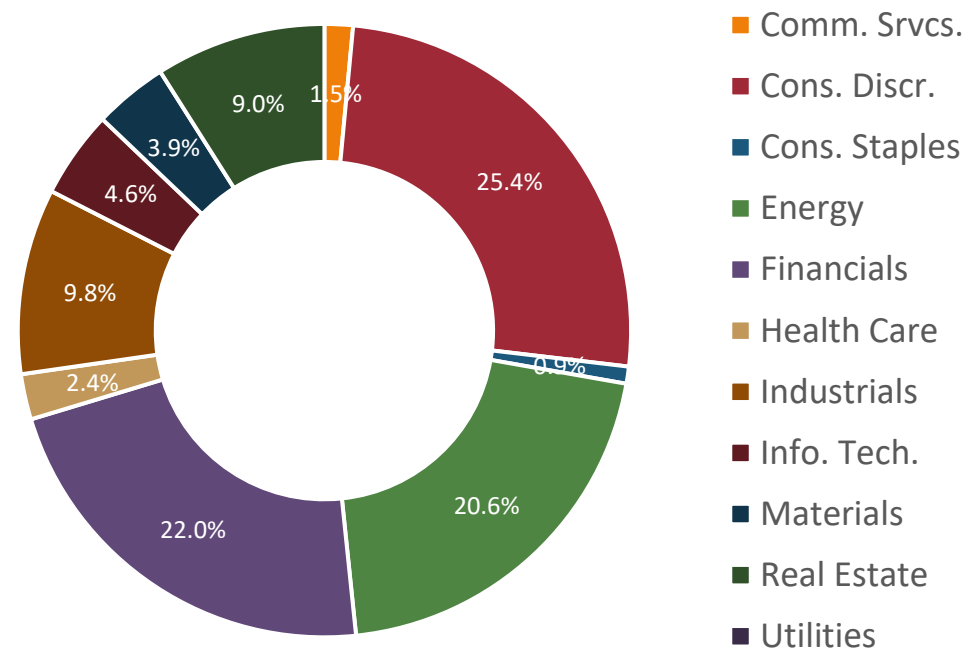
Low Volatility (Traditional Factor)

As of April 30, 2021 | Sector Breakdown



High Volatility (Non-traditional Factor)

As of April 30, 2021 | Sector Breakdown



FACTOR OPPORTUNITY SET (EXPANDED)



	Key	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Traditional or Standard-Side Factors	High Momentum	14.78	23.92	45.37	17.49	14.83	27.53	28.65	6.03	33.91	32.03
	High Quality	10.89	20.74	43.45	15.18	8.44	24.45	28.27	0.27	31.49	28.32
	High Value	2.11	18.67	34.24	14.95	5.56	20.39	24.94	(0.04)	31.03	26.45
	Low Volatility	1.62	17.33	34.15	14.18	4.34	11.96	21.83	(4.38)	29.72	18.40
Non-Traditional or Opposite-Side Factors	Low Momentum	1.60	16.00	34.01	13.69	1.38	10.37	19.51	(4.93)	29.22	17.55
	Low Quality	0.37	14.68	32.68	12.60	0.38	9.56	19.14	(6.79)	28.26	11.83
	Low Value	(2.15)	12.04	32.39	12.44	(5.01)	5.70	17.41	(9.20)	27.91	(1.04)
	High Volatility	(13.18)	10.30	31.42	11.84	(8.34)	4.10	14.95	(12.95)	27.76	(1.11)
	S&P 500	(14.80)	9.33	23.59	11.23	(12.72)	2.29	10.01	(14.55)	26.25	(10.23)

“TRADITIONAL” FACTORS ONLY



	Key	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Traditional or Standard-Side Factors	High Momentum	14.78			17.49					33.91	
	High Quality	10.89	20.74	43.45				28.27	0.27	31.49	28.32
	High Value	2.11		34.24	14.95	5.56	20.39		(0.04)		
	Low Volatility		17.33			4.34	11.96	21.83	(4.38)		18.40
Non-Traditional or Opposite-Side Factors		1.60	16.00		13.69	1.38	10.37	19.51		29.22	17.55
			14.68			0.38	9.56	19.14	(6.79)	28.26	
		(2.15)		32.39		(5.01)	5.70	17.41	(9.20)		
			10.30	31.42	11.84						(1.11)
	S&P 500			23.59	11.23					26.25	(10.23)

WHAT QUESTION IS ANSWERED?



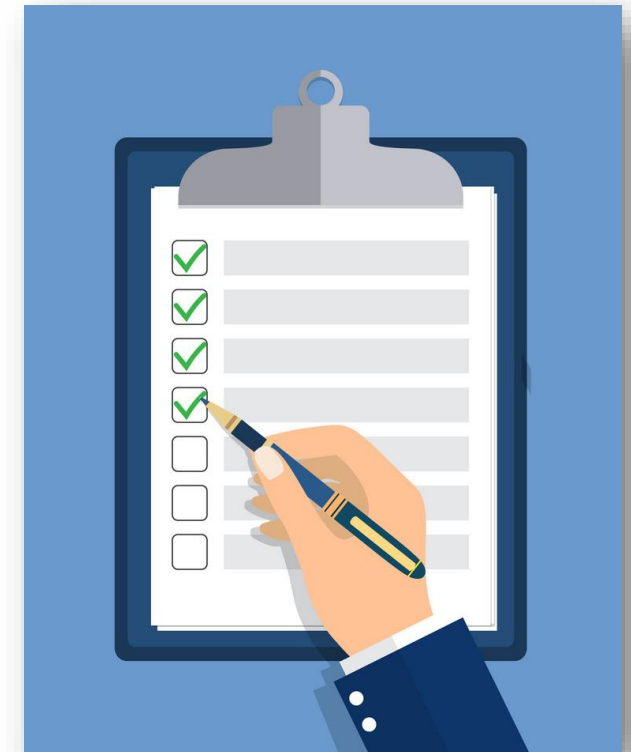
- Lunt Factor Rotation Indices **do not** attempt to answer, ***“Should I be in stocks or not?”***
 - Designed to be fully invested in stocks
 - **Do not** fill the role of protection or risk reducer



- Lunt Factor Rotation Indices **do** attempt to answer, ***“What sub-components (or factor) of equities should I be in now?”***
 - Designed to identify and exploit persistent factor disparities
 - **Do** fill the roll of growth engine or return enhancer

FINAL REVIEW

- Factor investing presents challenges including:
 - Which factor(s) to select (or avoid)?
 - What to do when a factor underperforms?
- Expanding the factor universe to include the traditional & non-traditional sides of factors provides meaningful opportunities to capitalize on factor dispersion
- Strategy employs a rules-based, objective process to tactically rotate between factors moving in & out of favor
- Significant advantages to accessing the strategy in an ETF



KEY POINTS TO REMEMBER



Key Innovations:
1) Expanded Factors
2) Tactical Rotation

Lunt factor rotation strategies
express factor opinions

Adaptive,
not predictive

Strategy seeks to be
generally right rather
than *specifically right*

An outstanding complement or
replacement to US beta allocations

Elegantly addresses the challenges of
factor selection and ever-changing
market environments

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ADDITIONAL DETAILS

FACTORS DEFINED



Momentum Factor

- **High Momentum** (Traditional): The S&P 500 Momentum Index is designed to measure the performance of securities in the S&P 500 universe that exhibit persistence in their relative performance.
- **Low Momentum** (Non-Traditional): The S&P 500 Momentum – Lowest Quintile Index is designed to measure the performance of securities in the S&P 500 that exhibit the lowest persistence in their relative performance.

Quality Factor

- **High Quality** (Traditional): The S&P 500 Quality Index is designed to track high quality stocks in the S&P 500 by quality score, which is calculated based on return on equity, accruals ratio and financial leverage ratio.
- **Low Quality** (Non-Traditional): The S&P 500 Quality – Lowest Quintile Index is designed to measure the performance of the 100 lowest-ranked stocks in the S&P 500 based on quality score. Quality scores are calculated based on return on equity, accruals ratio, and financial leverage ratio.

FACTORS DEFINED



Value Factor

- **High Value** (Traditional): The S&P 500 Enhanced Value is designed to measure the performance of the top 100 stocks in the S&P 500 with attractive valuations based on “value scores” calculated using three fundamental measures: book value-to-price, earnings-to-price, and sales-to-price.
- **Low Value** (Non-Traditional): The S&P 500 Enhanced Value – Lowest Quintile Index is designed to measure the performance of the 100 lowest-ranked stocks in the S&P 500 based on value score. Value scores are calculated using three fundamental measures: book value-to-price, earnings-to-price, and sales-to-price.

Volatility Factor

- **Low Volatility** (Traditional): The S&P 500 Low Volatility Index measures performance of the 100 least volatile stocks in the S&P 500. Constituents are weighted relative to the inverse of their corresponding volatility, with the least volatile stocks receiving the highest weights.
- **High Volatility** (Non-Traditional): The S&P 500 Volatility – Highest Quintile Index is designed to measure performance of the 100 most-volatile stocks in the S&P 500. Constituents are selected based on their volatility and are then weighted by their corresponding volatility.

INDICES VS. ETF/PORTFOLIOS



- This presentation contains information related to one or more Lunt Capital index
- ***YOU CANNOT INVEST DIRECTLY IN AN INDEX***
- Past performance is no indication of future results
- The performance of portfolios, ETFs, or products will differ from the performance of their respective index for various reasons, including:
 - ETF Costs
 - Management Costs
 - Trading Costs
 - Implementation Risk
 - ETF Tracking Error