



CLIENT & PARTNERS

PORTFOLIO CASE STUDIES

UNIQUE CLIENT RELATIONSHIPS

Founded August 2008

Mission Provide each client with a unique non-competing use of our data that enables the investment manager to balance market risk and potential return

Clients Firms that have the capacity to drive billions of dollars in asset flow into products they co-develop with Newfound Research

Newfound Research Clients

** Due to non-disclosure agreements with our clients, we are not currently able to provide names of all clients*

COPELAND[™]
CAPITAL MANAGEMENT.LLC



**Investment
Guidance
Solutions**

 **Huntington Funds**

 **LAUREL**
INVESTMENT STRATEGIES

NEWFOUND CLIENT CASE STUDY

COPELAND RISK MANAGED DIVIDEND GROWTH FUND (CDGRX)

Launch Date **December 2010**, Copeland Capital Management, LLC and Newfound Research establish a partnership and the Copeland Risk Managed Dividend Growth Fund (CDGRX), **a 40Act fund**, is launched

CDGRX overlays the **ER™** for tactical sector selection with the **Copeland** manager's security selection, **using cash as a source of tail-risk protection**

CDGRX implementation with the Newfound Research technology

Newfound Research – ER™	Copeland
On a monthly basis, Copeland's managers use the ER™ to identify and remove securities in the portfolio whose sectors have negative exposure recommendations	The manager selects securities from a universe of equities which have increased their dividend consistently for five years and also pass a proprietary screening process

NEWFOUND CLIENT CASE STUDY

COPELAND RISK MANAGED DIVIDEND GROWTH FUND (CDGRX)

2011 Drivers of Fund Performance – Value of Newfound Research Technology

YTD Performance 2.55% (excluding fees)
As of 11/15/2011 Outperforming Morningstar category^[1] by 388bps
Outperforming S&P 500 Total Return by 124bps

Net Assets Raised approximately \$115 million in 12 months (approximately \$100 million
As of 11/15/2011 in the mutual fund and \$15 million in SMAs)
Despite domestic equity fund outflows of over \$90 billion since June 2011,^[2] CDGRX grew 5X during same period. 50% of assets were raised in September as the S&P 500 was -15% from its May 2011 high

ER™ provided the signals for CDGRX to make the following asset allocation changes in 2011

June	July	August
Removed FINANCIALS	Removed INDUSTRIALS	Built CASH position
Maintained positions in defensive sectors such as UTILITIES and CONSUMER STAPLES		

NEWFOUND CLIENT CASE STUDY

COPELAND RISK MANAGED DIVIDEND GROWTH FUND (CDGRX)



The CDGRX portfolio reallocates monthly. Sectors with positive exposure recommendations are equally weighted



Each sector is limited to a maximum exposure of 25% of the portfolio. When there are three or less sectors with positive exposure recommendations in the portfolio, cash or short-term treasuries are held in the portfolio



By reallocating capital to other sectors, the portfolio can take advantage of relative sector gains as well as limit model risk, taking advantage of high sector correlations to offset incorrect exposure recommendations



This model also recognizes the use of cash and short-term treasuries as sources of tail-risk protection, building a cash position when enough sectors have turned off to signal a market event versus a sector correction

NEWFOUND PARTNERSHIP CASE STUDY

WITH ISLAND LIGHT: DYNAMIC BALANCED PORTFOLIO

Launch Date **December 2011**, Island Light Capital, LLC and Newfound Research establish a partnership and Dynamic Balanced Portfolio, is launched **based on the principal idea that an asset allocation is not a risk profile**

The portfolio aggregates multiple domestic and global equity exposure recommendations to form a Global Equity Risk Index (GERI™), which is used to drive monthly reallocation choices into one of several strategic portfolios on the efficient frontier provided by Island Light.

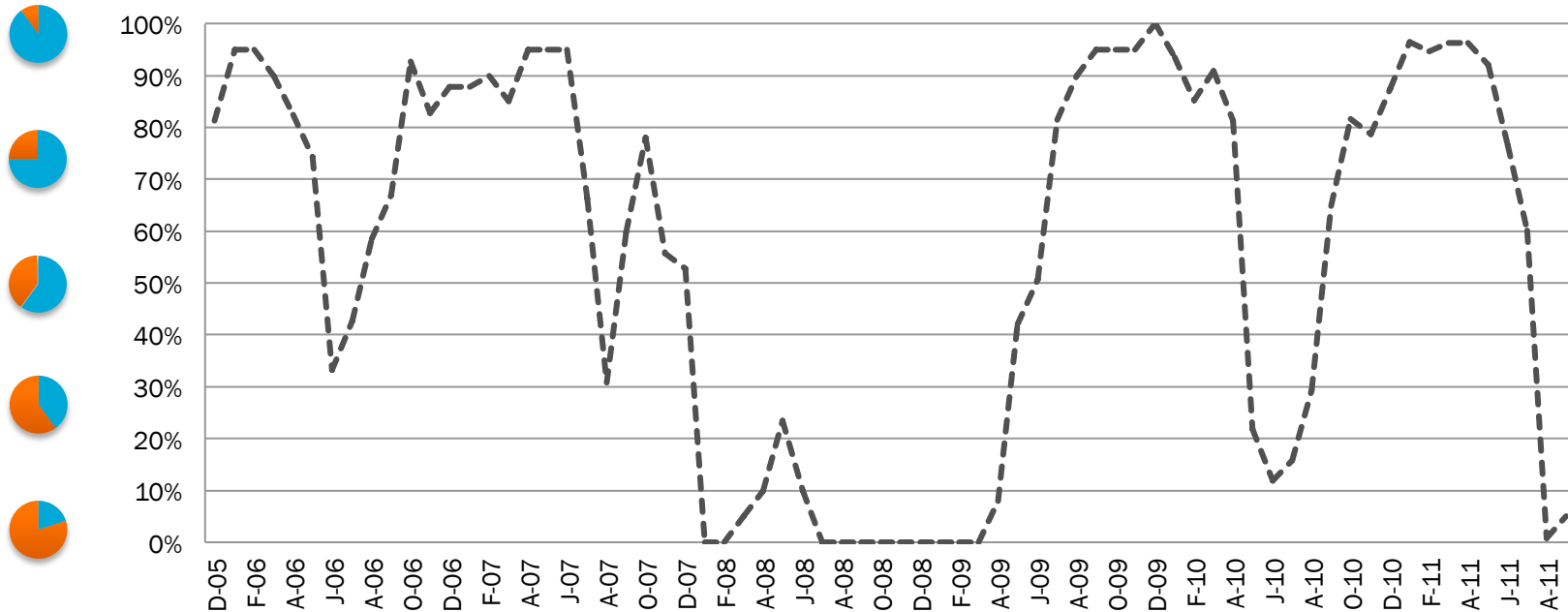
DBP implementation with the Newfound Research technology

Newfound Research – ER™	Island Light
On a monthly basis, the Global Equity Risk Index is computed and based on the location within its range, determines which strategic allocation the portfolio should be in	Using the patented Resampled Efficiency method, Island Light develops optimized strategic portfolios among the efficient frontier using global asset classes

NEWFOUND PARTNERSHIP CASE STUDY

WITH ISLAND LIGHT: DYNAMIC BALANCED PORTFOLIO

Example of how GERI™ affects Portfolio Composition over Time








This slide is an example of the portfolio process and does not represent actual product portfolio allocation over time

NEWFOUND PARTNERSHIP CASE STUDY

WITH ISLAND LIGHT: DYNAMIC BALANCED PORTFOLIO

Portfolio allocations over time

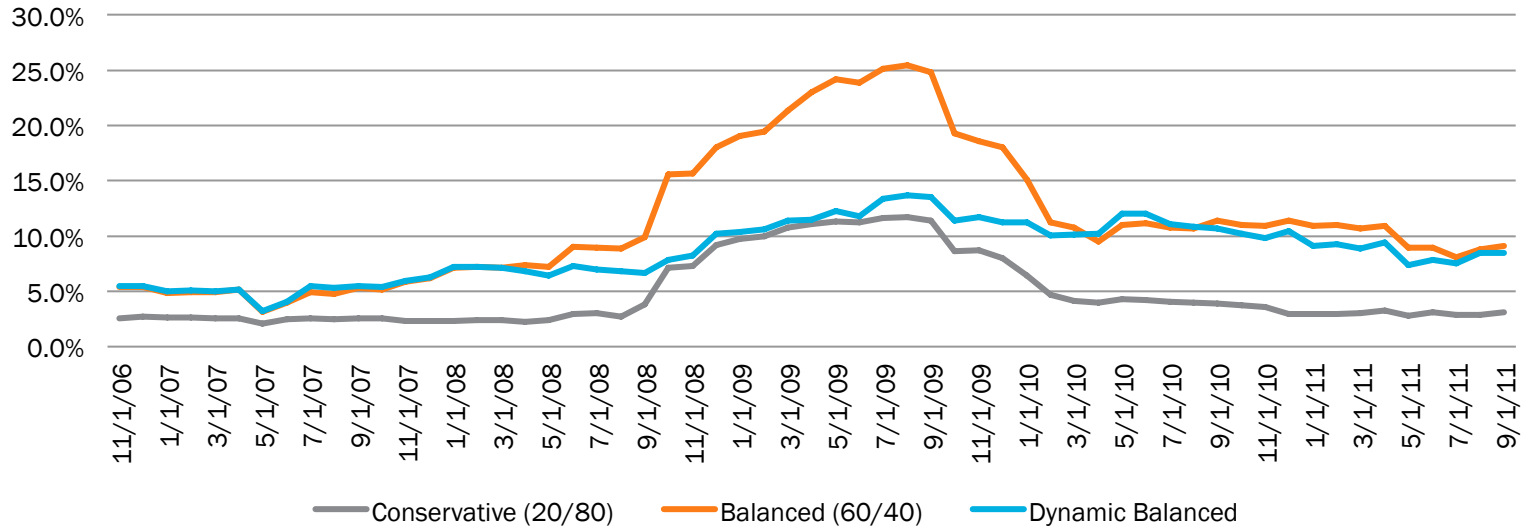
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005												3
2006	3	4	4	4	3	3	2	2	3	3	4	3
2007	3	3	4	3	4	4	4	3	2	3	3	3
2008	3	1	1	2	2	2	2	1	1	1	1	1
2009	1	1	1	1	2	2	3	3	4	4	4	4
2010	5	4	3	4	3	2	2	2	2	3	3	3
2011	3	5	4	5	5	4	3	3	2			

Portfolio	Defensive	Income	Balanced	Growth	Aggressive
Color					
Count	11	14	25	16	4
Frequency	15.28%	19.44%	34.72%	22.22%	5.56%

NEWFOUND PARTNERSHIP CASE STUDY

WITH ISLAND LIGHT: DYNAMIC BALANCED PORTFOLIO

12-Month Annualized Volatility



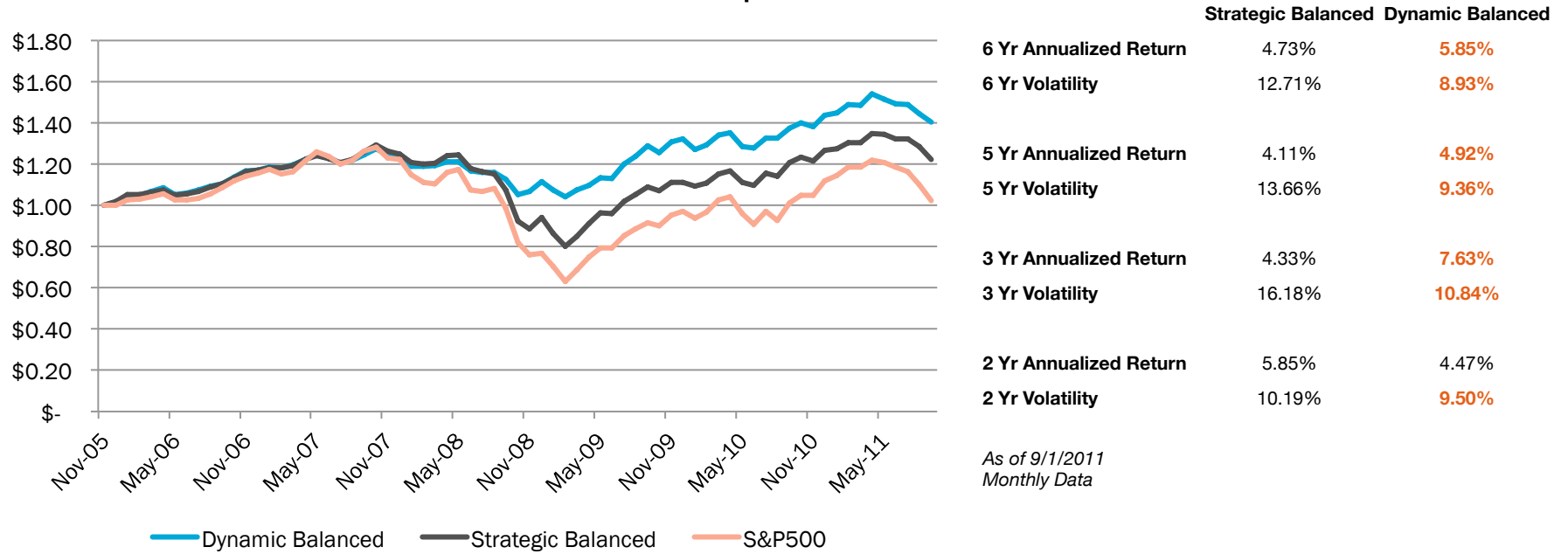
Strategic asset allocations are not effective proxies for investor risk profiles

By dynamically moving between different strategic allocation profiles, the Dynamic Balanced Portfolio achieves capital protection and reduces volatility in periods of crisis

NEWFOUND PARTNERSHIP CASE STUDY

WITH ISLAND LIGHT: DYNAMIC BALANCED PORTFOLIO

Moderate Portfolios: Growth of \$1



Both Dynamic Balanced and Strategic Balanced show performance after estimated trading costs, but before management fees

NEFOUND PORTFOLIO CASE STUDY

DYNAMIC β BETA PORTFOLIO

While cash is an excellent tail-hedge, both from a cost and diversification standpoint, many portfolio managers and wealth-advisors feel uncomfortable taking on the tactical risk associated with a large cash position.

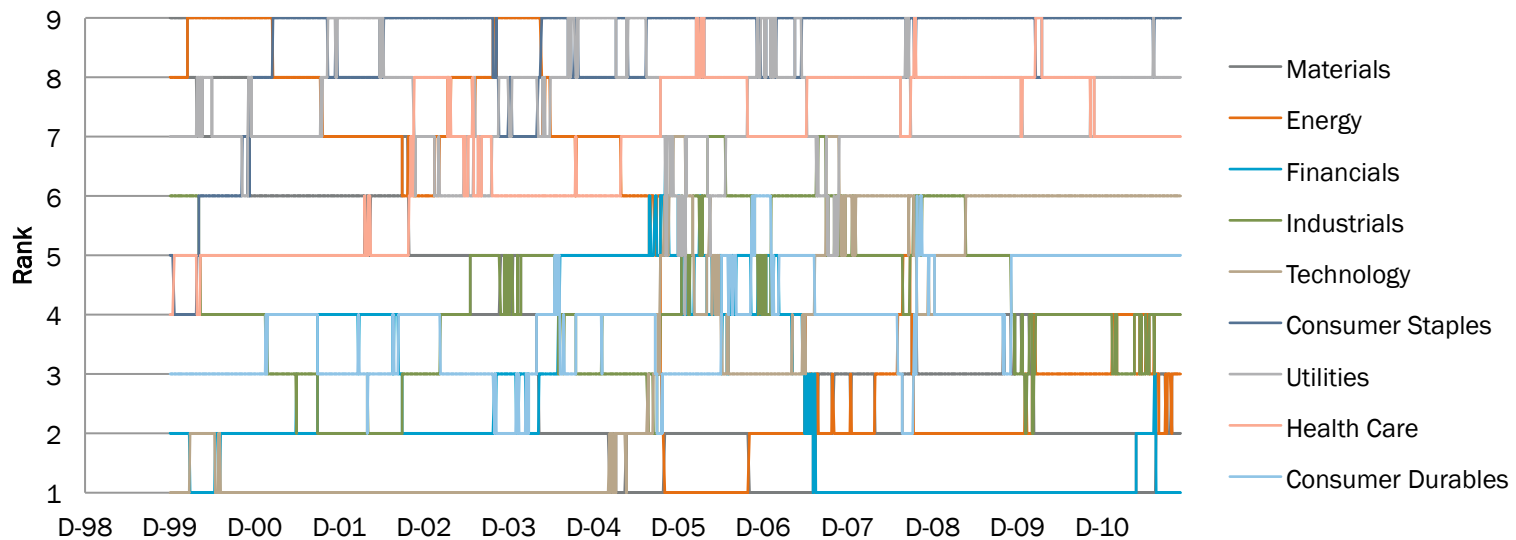
The **Dynamic β Portfolio** uses a **composite risk index to drive beta exposure** in the portfolio, acting more aggressively when risk is low, and more defensively when risk is high

Using the trailing one-year realized beta to the S&P 500, the sectors of the S&P 500 are sorted. A portfolio of four equally-weighted sectors is then selected based on the current market risk characteristics

NEWFOUND PORTFOLIO CASE STUDY

DYNAMIC β PORTFOLIO

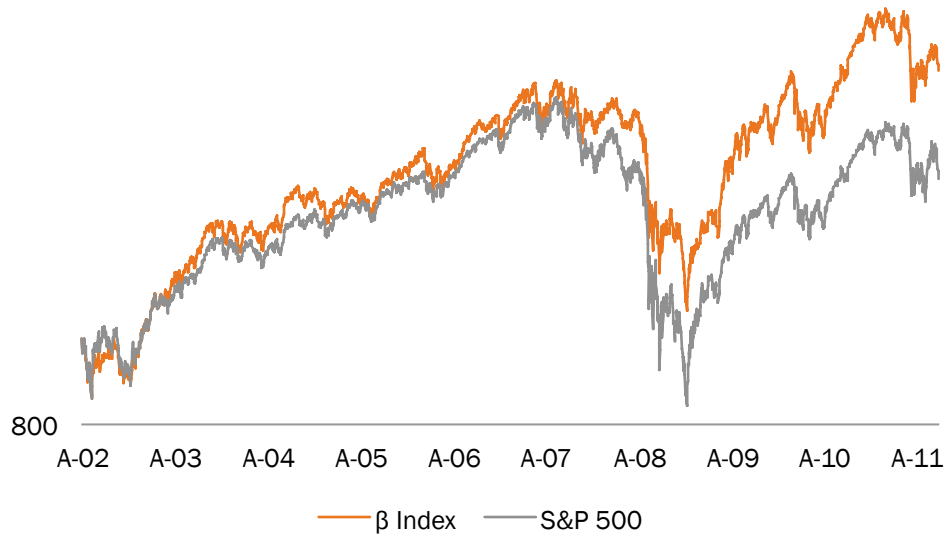
Ranked Beta (9 Lowest, 1 Highest)



Despite consistent definitions of “defensive” and “cyclical” sector groups, **in the last decade there has been a considerable structural shift in relative betas** among the 9 S&P sectors; Materials and Energy started the decade being two of the least sensitive sectors to S&P 500 movements and ended it being two of the most

NEWFOUND PORTFOLIO CASE STUDY

DYNAMIC β BETA PORTFOLIO



	β Index	S&P 500
Total Return	100.53%	51.01%
Annualized Volatility	19.85%	21.68%
Annualized Return	7.82%	4.56%
Max Draw Down	-45.05%	-55.19%
1 yr Return	2.76%	-0.04%
1 yr Annualized Vol	22.25%	21.51%
2 yr Total Return	17.54%	11.49%
2 yr Annualized Return	8.41%	5.59%
2 yr Annualized Vol	22.47%	20.14%
3 yr Return	12.49%	-2.54%
3 yr Annualized Return	4.00%	-0.85%
3 yr Annualized Vol	26.38%	30.03%
5 yr Return	27.79%	-1.16%
5 yr Annualized Return	5.03%	-0.23%
5 yr Annualized Vol	23.09%	25.70%

NEWFOUND PORTFOLIO CASE STUDY

RISK-MANAGED, TARGET VOLATILITY PORTFOLIOS

The Product A suite of portfolios targeting the SMA market, providing **target-risk domestic equity portfolios with a built in tail-hedge mechanism**. The portfolio process was designed to be flexible, **capable of incorporating international and alternative asset classes**

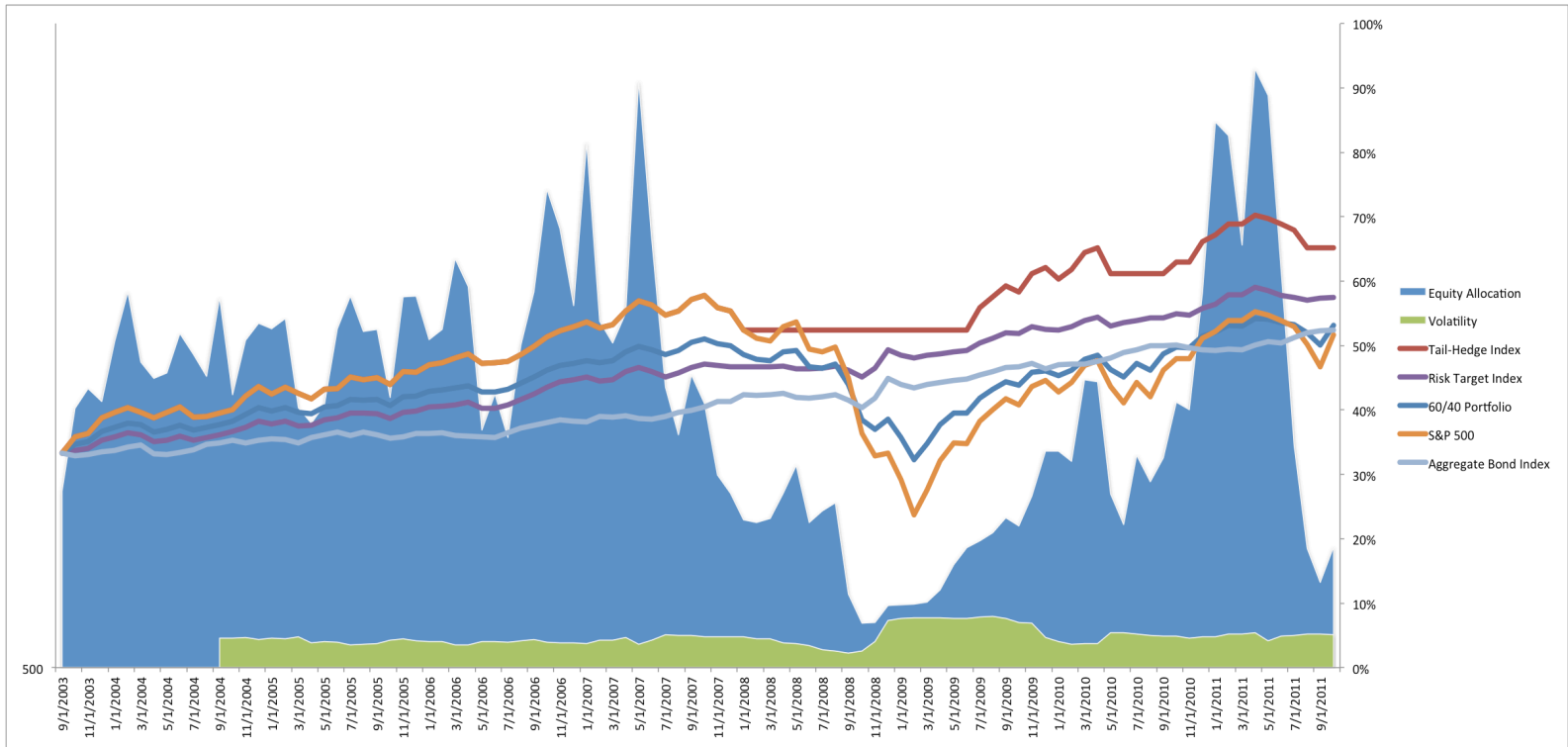
Two independent and orthogonal processes working in tandem to manage portfolio returns, using both “reactive” and “predictive” methodologies to manage volatility and tail-risk

The **target volatility process manages the “smoothness” of the returns**, balancing and trading risk for reward to fit with a client’s expectations and risk profile – however, this does not prevent a “smooth ride down”

The **tail-risk process is incorporated to manage absolute downside returns**, kicking in when exposure recommendations from Newfound’s ER™ model signal an equity melt-down

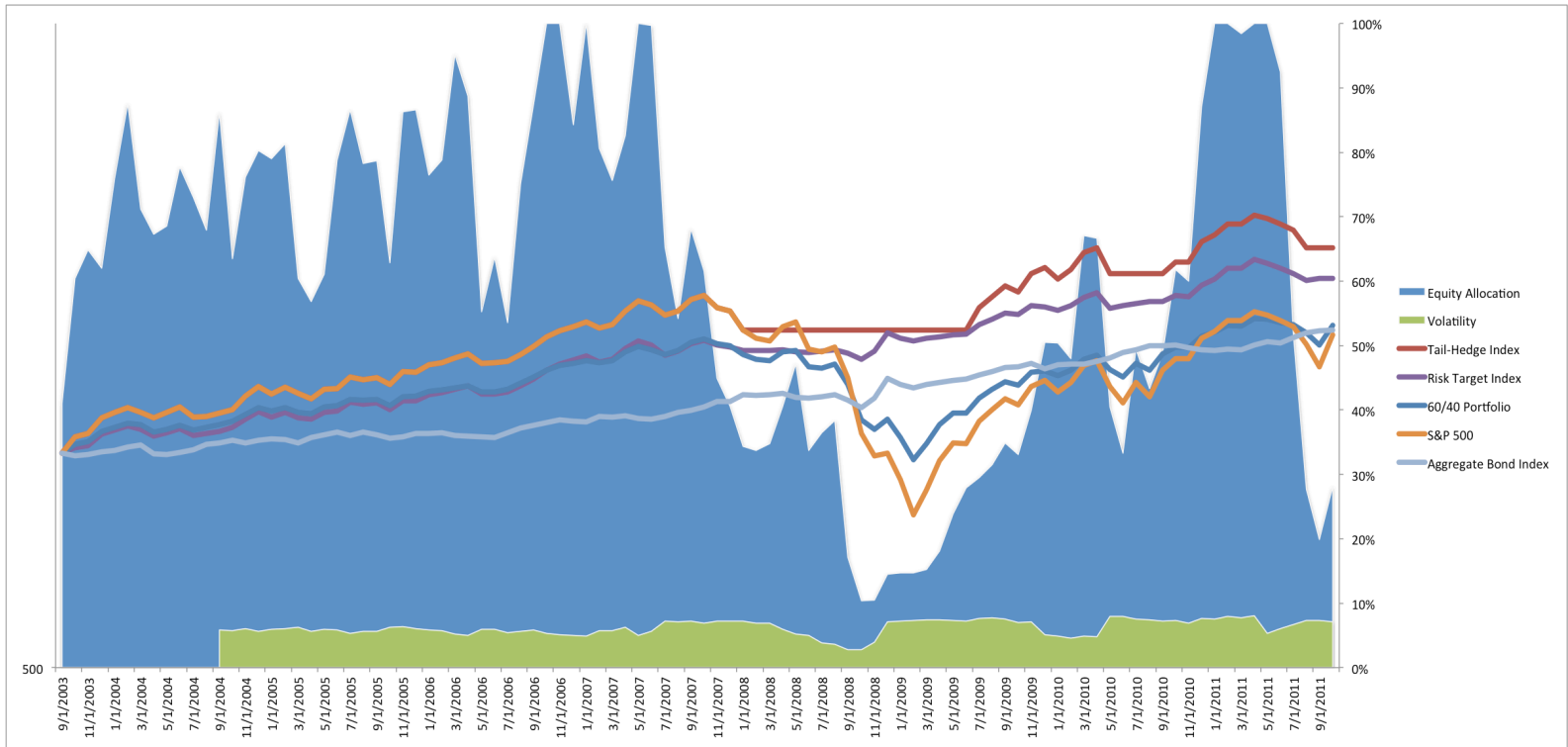
NEWFOUND PORTFOLIO CASE STUDY

RISK-MANAGED, TARGET VOLATILITY PORTFOLIOS – LOW



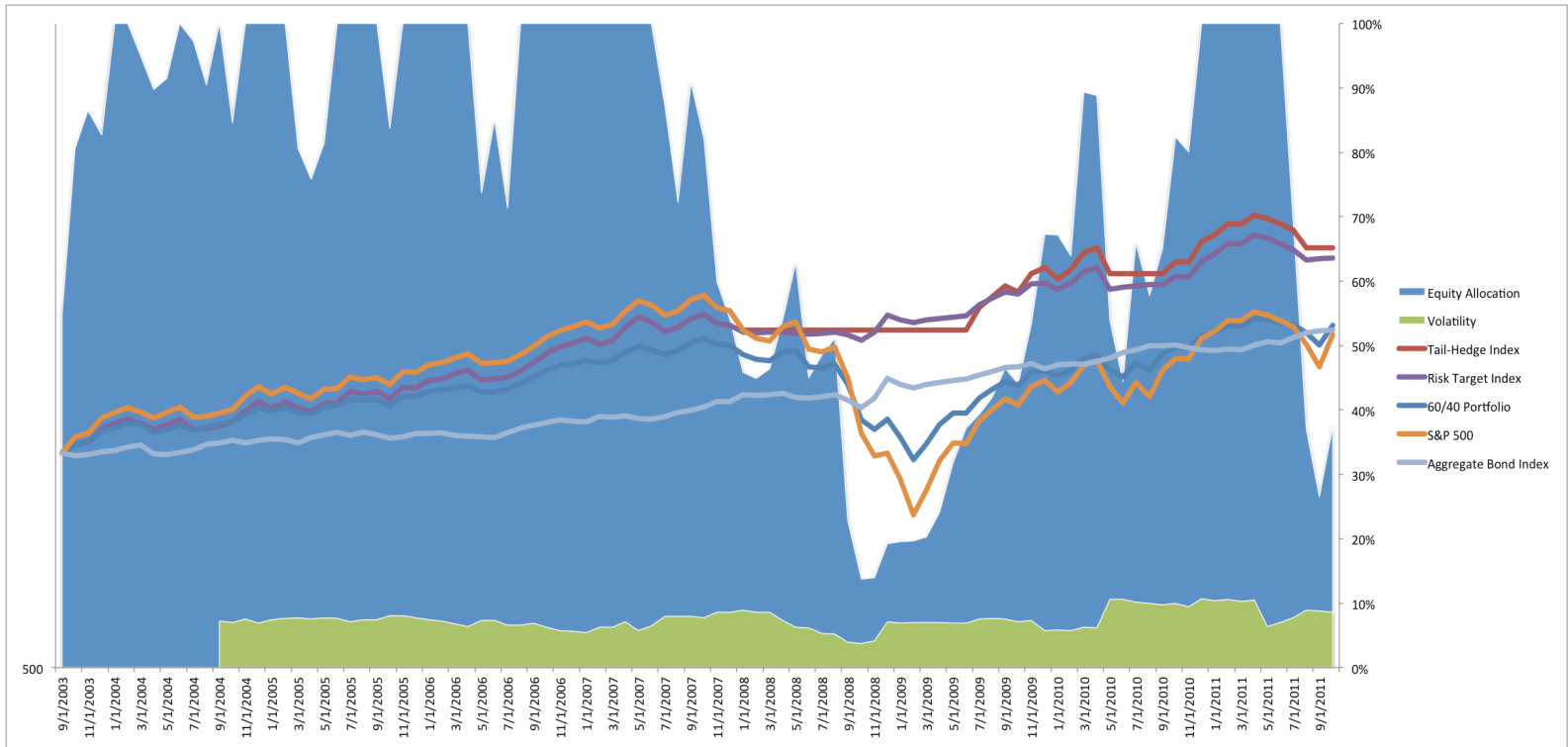
NEWFOUND PORTFOLIO CASE STUDY

RISK-MANAGED, TARGET VOLATILITY PORTFOLIOS – MID



NEWFOUND PORTFOLIO CASE STUDY

RISK-MANAGED, TARGET VOLATILITY PORTFOLIOS – HIGH



NEWFOUND PORTFOLIO CASE STUDY

RISK-MANAGED, TARGET EQUITY PORTFOLIOS

	S&P 500	Agg. Bond	60/40 Portfolio	Low Target	Mid Target	High Target
Total Return	46.49%	48.62%	50.99%	71.15%	83.92%	93.26%
Annualized Return	4.84%	5.02%	5.17%	6.87%	7.83%	8.49%
Annualized Volatility	15.81%	4.15%	9.73%	5.26%	6.98%	8.09%
Max Draw Down	-50.78%	-4.32%	-32.32%	-5.04%	-7.52%	-8.93%
1 Yr Total Return	8.02%	5.00%	7.20%	11.66%	11.53%	12.21%
1 Yr Annualized Volatility	16.44%	3.03%	9.48%	5.73%	8.30%	10.29%
2 Yr Total Return	25.53%	12.68%	21.24%	28.67%	29.27%	30.80%
2 Yr Annualized Return	12.04%	6.15%	10.11%	13.43%	13.70%	14.37%
2 Yr Annualized Volatility	17.27%	3.17%	9.94%	6.35%	8.02%	9.46%
3 Yr Total Return	37.73%	28.31%	35.80%	23.40%	21.39%	20.23%
3 Yr Annualized Return	11.26%	8.66%	10.74%	7.26%	6.67%	6.33%
3 Yr Annualized Volatility	22.01%	5.16%	13.56%	5.70%	7.21%	8.60%
5 Yr Total Return	0.69%	34.90%	15.67%	50.87%	55.92%	58.00%
5 Yr Annualized Return	0.14%	6.17%	2.95%	8.57%	9.29%	9.58%
5 Yr Annualized Volatility	19.00%	4.53%	11.70%	5.39%	6.99%	8.22%
Average Monthly Volatility	N/A	N/A	N/A	5.21%	6.91%	7.91%
Std Dev Monthly Volatility	N/A	N/A	N/A	1.29%	1.54%	1.97%

As of 10/30/2011, Monthly Data

DISCLOSURES & CITATIONS

CITATIONS

- [1] – Copeland Risk Managed Dividend Growth (CDGRX). On Morningstar. Retrieved October 16th, 2011, from <http://quote.morningstar.com/fund/f.aspx?t=CDGRX>
- [2] – Weekly Flows of Long-term Funds. On Investment Company Institute. Retrieved October 8th, 2011, from <http://www.ici.org/research/stats/flows/>

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