Straight Arrow Financial Group Quarterly Update

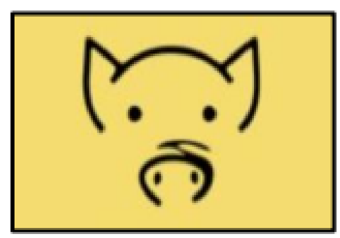
Please welcome two new faces to the office…

Amanda Schneider is our newest full time Client Service Specialist. She comes to us with 10+ years of experience and is looking forward to getting to know all of our Straight Arrow family! Please say hi the next time you are in the office.

Hadley Heimerman is working as a summer intern while she is home from the University of Kentucky, and we are thrilled to have her with us this summer!

THE ANNUAL PICNIC IN THE PARK…

Saturday, August 16th, 2025
11:30am – 2pm
Richfield Fireman's Park on Hwy 175



Dates to keep in mind:

- August 16th – Annual Picnic in the Park
- Sept. 15th – Estimated taxes due date (Q3 2025)
- Oct. 15th – Medicare Open Enrollment begins
- Nov. 1st – ACA Open Enrollment begins
- Dec. 31st – RMD annual deadline
- Jan. 15th – Estimated taxes due date (Q4 2025)

Commentary

Equity Markets Rebound on U.S. Tariff Pause in Q2

Global equity markets were volatile in Q2, coinciding with President Trump's tariff rates announcement and the subsequent pause in early April.

Coming into Q2, equity markets were in decline as investors anticipated President Trump's tariff "Liberation Day" announcement on April 2nd. When announced, the new tariff rates were higher than many had anticipated. In retaliation, China and the European Union announced their own tariffs on the U.S., which spooked investors, causing equity markets to decline sharply. From its peak in February, the S&P 500 Index declined roughly 21%.[1]

Shortly thereafter, on April 9th, President Trump announced a 90-day pause on implementing his tariff policy. Financial markets reacted favorably to the pause, with equities and other risk assets rebounding significantly from their lows. From its April low, the S&P 500 Index rallied approximately 28% to end Q2, and has since reached new highs.[1]

S&P 500 Index

Source: TradingView.com As of 7/3/25[2]

U.S. Fiscal Policies Remain Key Factors to Watch

In the first quarter, business, consumer and investor confidence showed signs of weakening as uncertainty about President Trump's tariff and tax policy weighed on confidence. Weaker confidence can translate into conservative spending decisions and can result in a slowing of the economy. Recent data has indicated some slowing of economic growth.

If clarity on U.S. government fiscal policies and their impact on the economy can improve, businesses and consumers may have greater confidence in their outlook. This could then translate to increased spending, investment, and general economic activity.

Tariff Policy

The 90-day pause on tariffs is set to expire on July 9th, with a potential tariff implementation date of August 1st. It is still uncertain whether deals will be reached, the current deadline will remain, the original Liberation Day tariff rates will be reinstated, or entirely new tariffs will be announced. The Trump administration has announced tariff frameworks for some countries, including China and the United Kingdom, but the full economic implications are still unknown.

Although the U.S. still does not have firm tariff policies in place for every country, President Trump has indicated that the ultimate tariff levels could be less than what was originally announced in early April. If tariffs end up being more manageable for companies and consumers, the global economy could remain on a stable growth path.

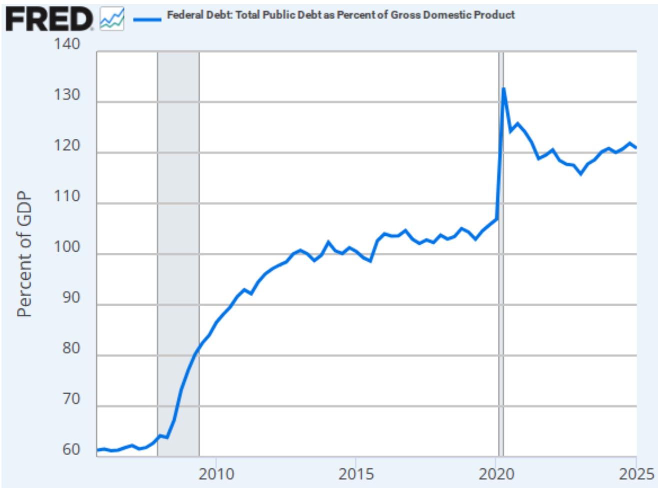
Tax & Budget Policy

President Trump and the Republican-led Congress passed the bill Republicans have called the "One Big Beautiful Bill". This bill extends and makes permanent several tax cuts originally enacted in the 2017 Tax Cuts and Jobs Act, which were set to expire at the end of this year. Failure to extend the tax cuts could have had a negative impact on the U.S. economy as tax rates would have increased, raising the tax expense of many Americans and businesses.

Now that the bill has passed, investors may shift some focus to the federal deficit and rising U.S. debt levels. Investors will be watching for potential federal spending cuts that fiscal conservatives in Congress may have pushed for in return for their vote on the tax bill. Federal spending is a key component of U.S. economic growth and if federal spending is cut significantly, it can negatively impact the U.S. economy.

U.S. politicians appear to be increasingly concerned with the growing U.S. federal debt. The U.S. has been running higher budget deficits for years, resulting in the U.S. total debt level exceeding $36 trillion, roughly 120% of GDP as of Q1 2025.[3] Although politicians have raised concerns about unsustainable debt levels, it remains unclear whether meaningful fiscal policies will be enacted to reduce the risks of high U.S. debt.

Federal Debt as % of GDP



Source: U.S. Office of Management and Budget and Federal Reserve Bank of St. Louis. FRED. As of Q1 2025.[4]

If the U.S. cannot effectively control the federal budget deficit through higher revenues and/or lower spending, investors may become cautious on U.S. bonds. This could push interest rates higher and potentially hurt the U.S. economy.

Foreign Policy

The second quarter also marked heightened conflict between Israel and Iran in the Middle East. The United States also became involved in the conflict, by the targeted bombing of Iranian nuclear-related sites to prevent Iran's development of a nuclear weapon. If the risk of Iran developing a nuclear weapon has been dramatically reduced, global investors could see this as a bullish backdrop over the short term.

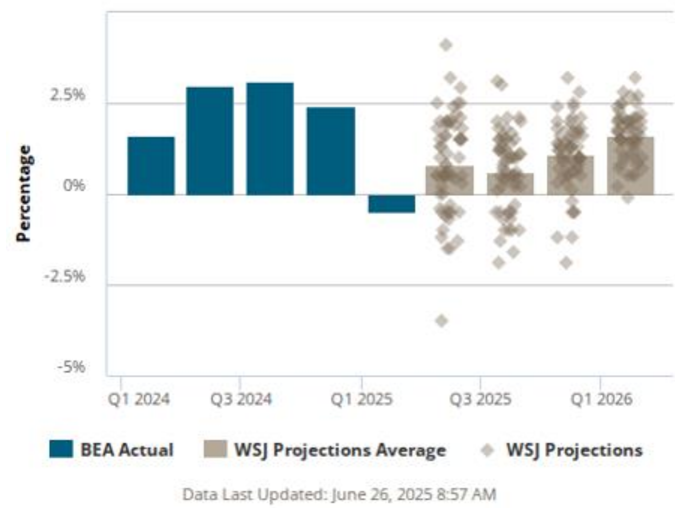
The U.S. economy is heavily driven by U.S. consumer spending. Recent conflicts in the Middle East and elsewhere have generally had limited impact on U.S. financial markets and the economy. Although foreign conflicts can bring global uncertainty and short-term shocks to financial markets, investors have tended to look past these conflicts and focus on the long-term potential of the U.S.

Economic and Corporate Growth Remains Stable

While U.S. fiscal policies have yet to be fully resolved, economic and corporate growth remains fairly stable. Although political and economic uncertainty remains, it does not appear severe enough to significantly weaken economic activity. The strong rebound in global equity and credit markets may have reflected that view as well.

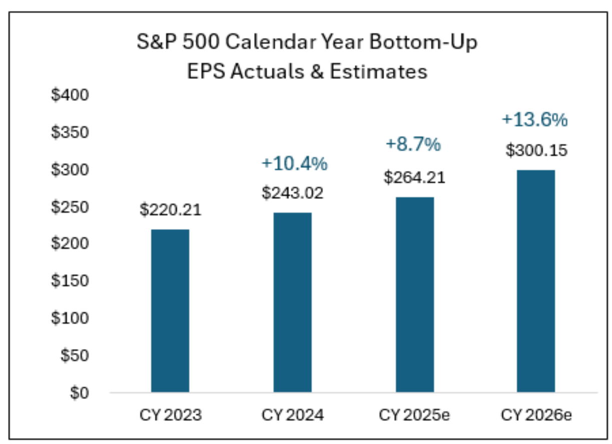
In Q1 2025, U.S. real GDP posted a negative 0.5% reading, indicating a slight contraction in the U.S. economy.[5] Based on the projections of economists in the Wall Street Journal Economic Forecasting Survey, U.S. real GDP is projected to reaccelerate in Q2 and continue to show growth into 2026.

U.S. Real GDP Actual and Forecast



Source: American Staffing Association[6]

U.S. companies are also anticipated to benefit from a stable, growing U.S. economy. The aggregate estimated earnings per share (EPS) of companies in the S&P 500 Index are forecasted to grow this year and through 2026. In this environment, investors could continue to drive support for U.S. equities and other risk assets.



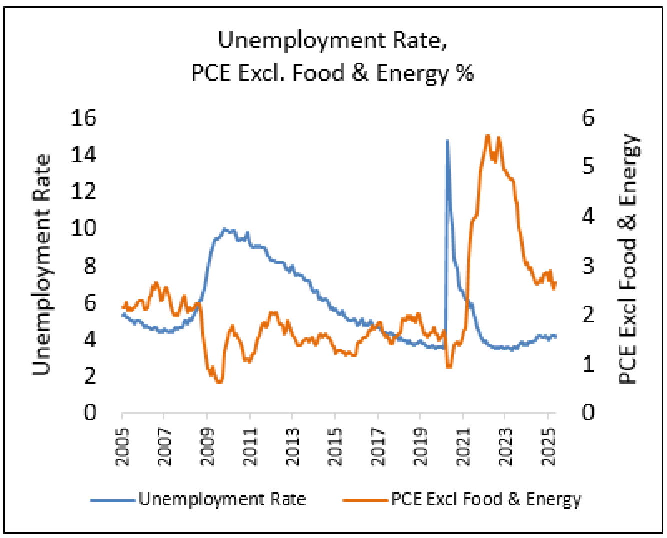
Source: FactSet[7]

Markets Pricing in Fed Rate Cuts Before Year End

The U.S. Federal Reserve has remained patient on cutting the fed funds rate, waiting for signs that inflation is steadily declining toward its 2% target. Economic growth is showing signs of slowing, which can translate to lower inflation. President Trump's final tariff policy remains an unknown factor in the Fed's monetary policy decisions. Until tariff policy is solidified and any potential tariff impacts on the economy are known, the Fed could remain on hold with any rate cuts.

The Federal Reserve will continue to monitor inflation and unemployment data to help determine whether to cut the fed funds rate. The Personal Consumption Expenditures Excluding Food & Energy Index, a measure of inflation, was +2.7% in May, which was a slight uptick from April. This latest inflation data does not directly support significant Fed rate cuts as inflation remains above the Fed's 2% target. The Fed may need to see inflation move closer to its 2% target before cutting rates.

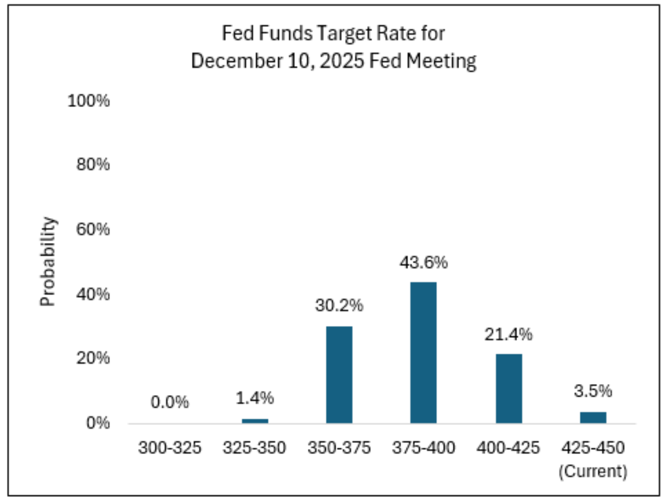
The U.S. unemployment rate has also remained relatively low. The June unemployment rate measured 4.1%, which remains at the lower end of its historical range. There have been some announcements of potential workforce reductions from the federal government and technology-related companies, but the labor market has not shown widespread weakness. If the job market remains strong, the Fed may not feel pressure to adjust its current monetary policy.



Source: U.S. Bureau of Labor Statistics. U.S. Bureau of Economic Analysis. PCE year-over-year change. FRED [8,9]

As it currently stands, the Federal Reserve has set the fed funds rate target at 4.25%-4.50%. This target range is anticipated to stay at that level until the Fed is comfortable with inflation and/or becomes uncomfortable with higher unemployment rates. The Fed has not shown a willingness to make speculative forecasts and prefers actual economic data to support its monetary policy decisions.

Unlike the Fed, investors try to anticipate monetary policy before any formal Fed decisions are announced. According to the CME FedWatch Tool, which provides some insights into investors' views on the future fed funds rate, financial markets are pricing in a high probability that the Fed could cut the fed funds rate between 25 and 75 basis points (0.25%-0.75%) before the end of the year.



Source: CME Group as of 7/3/25[10]

Lower interest rates can be stimulative for an economy. If the Fed returns to a stimulative monetary policy and cuts interest rates, investors may find this bullish and continue to support equities and other risk assets. Bond investors may also find rate cuts favorable as falling interest rates could drive existing bond prices higher.

Q2 Market Review

Equity Markets

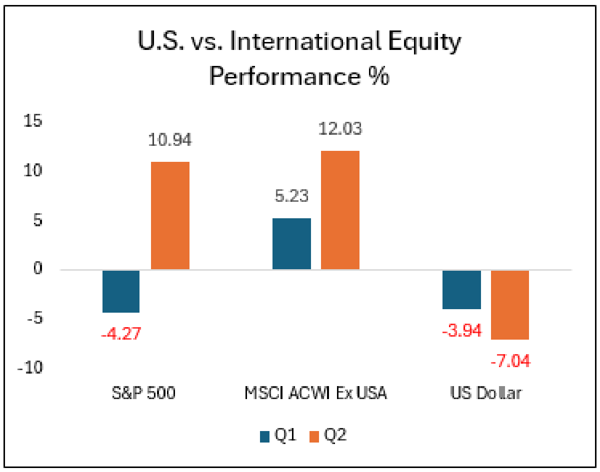
Global equity markets rallied significantly in Q2 following weaker U.S. markets in Q1. As investors continue to wait for clarity on President Trump's tariff policy, the rally in global equity markets may be reflecting greater investor confidence and potentially better days ahead.

In the U.S., after a steep decline into early April, the S&P 500 and NASDAQ 100 indices both rebounded sharply and reached new highs in June. For the full second quarter, the S&P 500 Index rallied 10.94% and the NASDAQ 100 Index rallied 17.86%.[1] Investor appetite for growth and artificial intelligence-related companies remained strong as the S&P 500 Growth Index was up 18.94% in the quarter and is up 8.86% YTD.[1] With U.S. large cap equity indices rallying to new highs, valuations have become elevated again, a potential concern for valuation-sensitive investors.

Smaller U.S. companies' stocks have yet to fully recover from their decline. Smaller companies can be more sensitive to economic activity and interest rates. If economic activity slows and interest rates remain elevated, smaller companies could continue to lag. If the Fed restarts interest rate cuts and President Trump's new fiscal policies are economically stimulative, smaller and more economically-sensitive companies could benefit.

International equity markets have been strong this year. The MSCI ACWI ex USA Index, which measures both non-U.S. developed and emerging market companies' stock performance, rallied 12.03% in Q2.[1] Foreign currency appreciation against a declining U.S. dollar also benefited U.S. investors with allocations to non-U.S. equities this year.

Global investors may have been reducing some of their overweight exposure to U.S. equities, which had several years of outperformance, and increasing exposure to non-U.S. equities. Equity valuations outside of the U.S. remain at a discount relative to the U.S., which could continue to attract investors to non-U.S. equity markets.



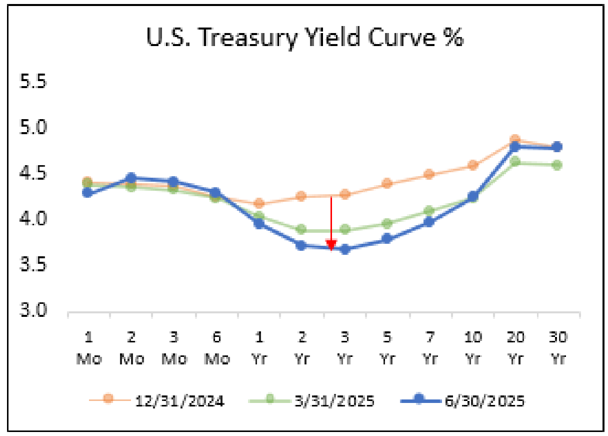
Source: 2025 quarterly total returns. Morningstar Direct[1]

Bond Markets

Bonds generally performed well on a total return basis in the second quarter, and income generation was a key driver. Like equities, credit-sensitive bonds also rebounded in Q2 from a challenging Q1, rewarding bond investors willing to take on additional risk in bonds.

Interest rates were volatile across the yield curve in Q2, with yield shifts depending on the maturities of the bonds. Short-term rates will generally be dependent on the Fed's monetary policy, while longer-term rates may be subject to bond investors' views on the long-term trajectory of U.S. debt levels. This year, the biggest shifts in yields have been in the intermediate-maturity part of the yield curve, which is often tied to inflation expectations over the coming years.

In addition to bonds generating income for investors, Treasury yields have fallen across 3- to 10-year maturities, as shown in the following chart. This decline in yields may indicate investors believe that inflation will be lower in the future. As yields have declined across these maturities, their corresponding bond prices have rallied.



Source: Treasury.gov[11]

This combination of yield plus price appreciation has benefited bond investors this year. The Bloomberg U.S. Aggregate Bond Index, a measure of investment grade U.S. bonds, has generated a total return of 4.02% this year. Comparatively, the riskier Bloomberg U.S. High Yield Corporate Bond Index has generated a total return of 4.57%, rewarding bond investors willing to take on greater credit risk.[1]

Commodity Markets

Gold prices showed persistent strength in Q2, as the U.S. dollar continued to decline and geopolitical uncertainty remained elevated. Gold prices rallied over 24% this year through Q2.[1]

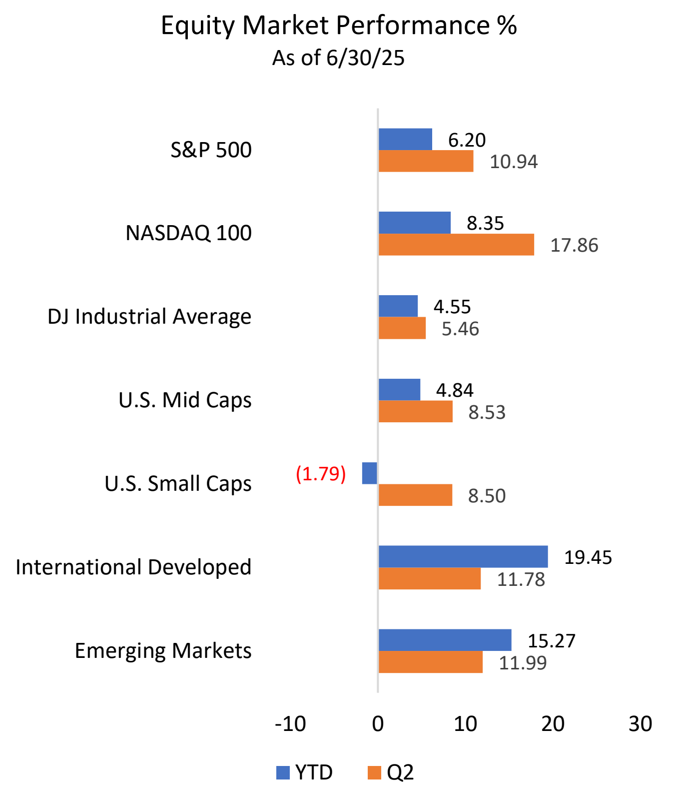
Oil prices were very volatile in the quarter. WTI Crude Oil fell below $60 per barrel in early April but spiked to over $78/bbl when the U.S. struck Iranian nuclear sites in June.[12] Since then, prices have fallen back to the mid-$60s. This sharp decline could be due to the perceived reduction in the risk of Iran creating a nuclear weapon over the near term.

In addition to the tensions in the Middle East and in the Russia/Ukraine conflict, investors will continue to monitor global oil supply and demand dynamics to determine an appropriate price level for oil. Oil demand is generally tied to the health of the global economy and investors will need to monitor economic growth around the world accordingly.

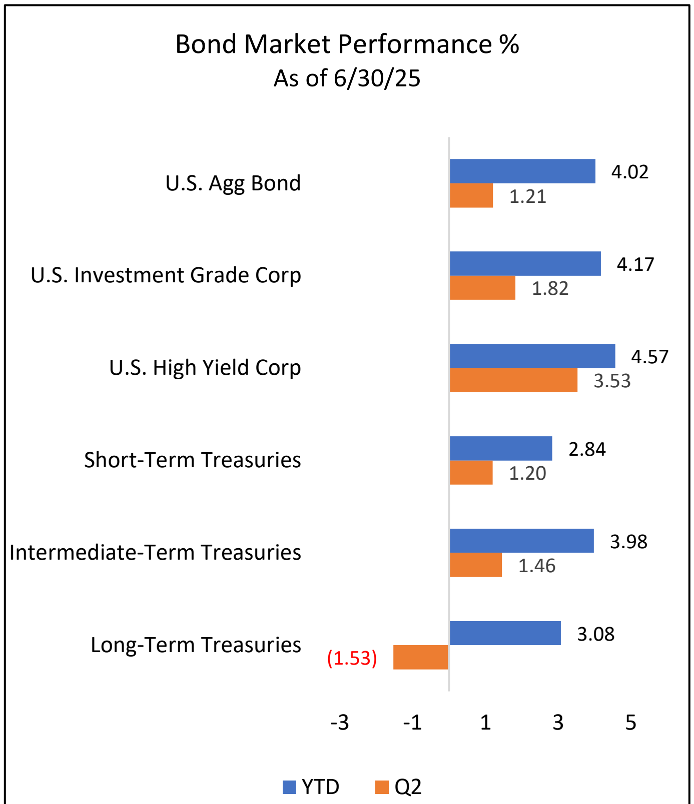
Currency Markets

The U.S. Dollar Index has depreciated against other foreign currencies this year, which has added positive performance for U.S. investors with allocations to non-U.S. currency-denominated assets. Through Q2, the U.S. Dollar Index has declined 10.7% this year.[1] Global investors' desire for U.S. assets relative to non-U.S. assets could continue to drive the direction of the U.S. dollar.

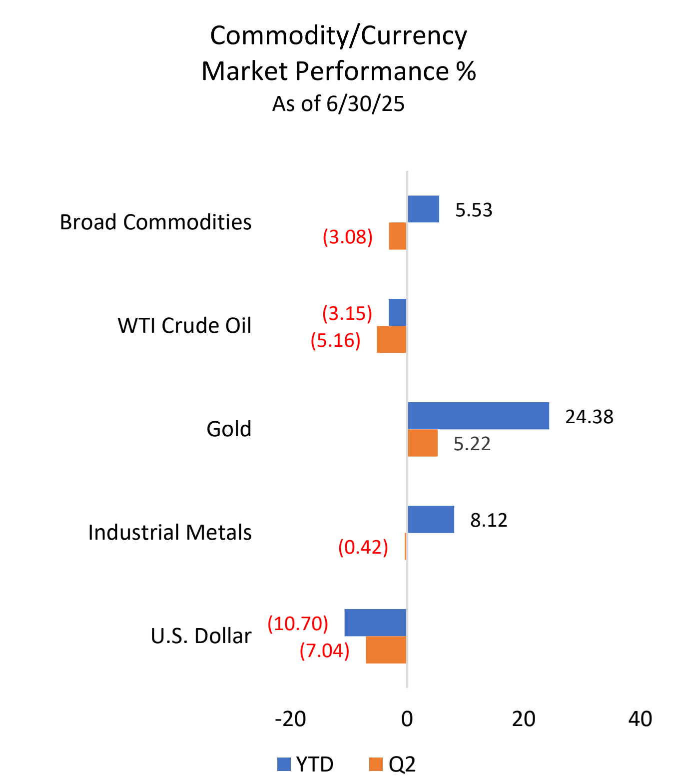
MARKET PERFORMANCE



Source: Morningstar Direct



Source: Morningstar Direct



Source: Morningstar Direct

INTRUA FINANCIAL MANAGED PORTFOLIOS

INCOME PORTFOLIOS

The Income portfolios primarily invest in higher income-generating assets. This can include dividend-paying stocks, option-income strategies, investment grade bonds, high yield bonds, emerging markets debt and real estate securities. The portfolios' risk exposure is not tactically managed, which can result in poor performance in weak U.S. market environments. The Income portfolios utilize mutual funds and ETFs to construct the portfolios.

Performance Review

The Income portfolios continued to perform well as equity-related and credit-sensitive income-generating assets rallied in Q2. Dedicated exposure to international dividend growth companies was the strongest contributor in the quarter as international equities continued to show strength this year. Exposure to multi-asset income strategies, including tactical income and closed-end funds, also positively contributed in the quarter. Other positive contributors in Q2 included option-income, U.S. dividend growth, mid cap dividend-paying companies and global real estate income strategies.

Across the portfolios' fixed income allocation, tactical credit-sensitive bond managers generally outperformed as riskier parts of the bond markets rebounded from early-quarter lows.

For our Income – Ultra-Conservative portfolio, allocation to active bond managers was a solid contributor to overall performance in Q2. Exposure to core, tactical bond managers was the strongest contributor in Q2 as their higher income-generation was a benefit to performance. Our exposure to short-term credit-sensitive bond managers also positively contributed in Q2.

Positioning

Risk Assets
The Income portfolios continue to emphasize investments that offer higher income potential. This includes exposure to strategies centered on dividend growers, high-yielding equities, option-based income, tactical yield opportunities, closed-end fund structures, and global real estate income. We believe this diversified mix supports strong income generation while also allowing for the possibility of capital growth over time.

Conservative Assets
The portfolios remain allocated to income-oriented, credit-driven fixed income strategies. Our preference is for both core and tactical bond managers with the flexibility to actively adjust credit exposure in response to changing market dynamics. We also maintain diversification across short- and intermediate-duration bonds to help manage interest rate sensitivity and broaden our fixed income exposure.

TOTAL RETURN PORTFOLIOS

The Total Return portfolios provide long-term diversified exposure across U.S. and international equities, bonds and income-generating assets. The portfolios are structured to participate in the upside of bullish equity and credit markets and provide moderate income generation. The portfolios' risk exposure is not tactically managed and can result in poor performance in weak market environments. The Total Return portfolios utilize mutual funds and ETFs to construct the portfolios.

Performance Review

The Total Return portfolios performed well in Q2 as U.S. and international equities and bonds rallied. Equity strength appeared in several areas during the quarter, including international small caps, U.S. large and mid cap growth companies, emerging markets, international high-quality companies, and actively-managed global equity strategies. The portfolios' exposure to tactical multi-asset income and closed-end fund strategies also positively contributed in the quarter.

In the Total Return taxable bond allocation, our allocation to fundamentally-driven, credit-sensitive bond managers added value in Q2 as credit rebounded following the decline in Q1. In the Total Return Muni bond allocations, performance was a bit different than the taxable bond allocation. Within munis, intermediate-term higher quality bonds generally outperformed, while credit-sensitive, longer-duration munis underperformed. In this environment, our fundamentally-driven muni bond manager allocations detracted relative to core muni bond markets in Q2.

Positioning

Risk Assets

The Total Return portfolios retain a broad mix of U.S. and international equity exposure, complemented by allocations to income-oriented investments. Our equity exposure spans a range of management styles, market capitalizations, and global regions to ensure broad diversification. On the income side, we emphasize multi-asset income strategies that provide diversified exposure across dividend-focused stocks, credit-driven bonds, option-based income, and closed-end funds. Our portfolio construction draws from a combination of actively-managed and index-based strategies to provide opportunities to add value while managing investment expenses.

Conservative Assets

Within fixed income, the portfolios remain allocated to actively managed bond strategies. We maintain a balance between core, high-quality investment grade managers and more flexible, tactical bond strategies with the ability to adapt to shifting market conditions. We believe these managers bring the expertise and adaptability needed to navigate a dynamic fixed income landscape.

U.S. CORE PORTFOLIOS

The U.S. Core portfolios provide long-term exposure to core U.S. equity and bond markets. The portfolios may have some exposure to non-core markets, including foreign assets and lower-quality fixed income. The portfolios are structured to participate in the upside of bullish U.S. equity and credit markets. The portfolios' risk exposure is not tactically managed and can result in poor performance in weak U.S. market environments. The U.S. Core portfolios utilize mutual funds and ETFs to construct the portfolios.

Performance Review

The U.S. Core portfolios rallied in Q2 as U.S. equity and credit-sensitive bond markets rebounded from their decline in Q1. Exposures to U.S. large and mid cap growth stocks were the strongest contributors to the portfolios in the quarter. The portfolios' allocation to dividend growth, valuation-oriented and small cap equity strategies also positively contributed in the quarter, albeit less than growth stocks in Q2.

In the U.S. Core portfolios' taxable bond allocation, our overweight to actively-managed bond managers continued to add value in Q2 as their general overweight to credit-sensitive bonds was rewarded as credit rallied. Across the U.S. Core Muni strategies, our allocation to credit-sensitive muni bond managers was not as supportive as their taxable bond manager counterparts, as the muni managers' positioning generally underperformed in Q2.

Positioning

Risk Assets
The U.S. Core portfolios maintain broad exposure to U.S. equities through a blend of market cap-weighted index, fundamentally-weighted index, and actively-managed strategies. We emphasize diversification across investment styles and company sizes, with a preference for investment strategies focusing on higher-quality businesses demonstrating consistent growth potential.

Conservative Assets
On the fixed income side, the U.S. Core portfolios remain allocated to a mix of traditional core investment-grade bond strategies and more flexible, opportunistic bond strategies. We continue to favor core bonds for their potential to provide downside protection during equity market stress. At the same time, we maintain exposure to tactical bond managers who can selectively increase credit exposure when credit markets decline, and valuations improve.

SOURCES

1. Morningstar Direct. Performance provided as total returns. U.S. Mid Caps is defined by the Russell Mid Cap TR USD index. U.S. Small Caps is defined by the Russell 2000 TR USD index. U.S. Growth is defined by the Russell 3000 Growth TR USD index. U.S. Value is defined by the Russell 3000 Value TR USD index. International Developed is defined by the MSCI EAFE NR USD index. Emerging Markets is defined by the MSCI Emerging Markets NR USD index. U.S. Agg Bond is defined by the Bloomberg U.S. Aggregate Bond TR USD index. U.S. Investment Grade Corp is defined by the Bloomberg U.S. Corporate Investment Grade TR USD Index. U.S. High Yield is defined by the Bloomberg High Yield Corporate TR USD index. Broad Commodities is defined by the Bloomberg Commodity TR USD index. WTI Crude Oil is defined by the Bloomberg Sub WTI Crude Oil TR USD Index. Gold is defined by the Bloomberg Sub Gold TR USD Index. Industrial Metals is defined by the Bloomberg Sub Industrial Metals TR USD Index. Short-Term Treasuries defined by the Bloomberg 1-3 Yr U.S. Treasury TR USD index. Intermediate-Term Treasuries defined by the Bloomberg Intermediate U.S. Treasury TR USD Index. Long-Term Treasuries defined by the Bloomberg Long-Term U.S. Treasury TR USD Index.
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DEFINITIONS

S&P 500® Index: The S&P 500® Index is a market cap-weighted stock market index of 500 companies across several industries. The index is often used as a broad representation of the common stocks of the largest publicly-traded companies in the United States.

S&P 500® Growth Index: The S&P 500® Growth Index is a subset of the S&P 500® Index, consisting of companies that exhibit above average growth based on sales, earnings and momentum.

S&P 500® Value Index: The S&P 500® Growth Index is a subset of the S&P 500® Index, consisting of companies that exhibit value, based on book value, earnings and sales to price.

Dow Jones Industrial Average Index: The Dow Jones Industrial Average Index is a price-weighted stock market index that tracks 30 large, publicly traded companies in the United States.

NASDAQ 100 Index: The NASDAQ 100 Index is a stock index that includes the largest 100 non-financial stocks traded on the Nasdaq exchange.

MSCI EAFE Index: The MSCI EAFE (Europe, Australasia and Far East) Index is a stock market index constructed to measure the performance of large cap and mid cap stocks across developed countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index: The MSCI Emerging Markets Index is a stock market index constructed to measure the performance of large and mid cap stocks across emerging countries around the world.

Emerging Markets: Emerging markets, also known as developing markets or developing countries, refer to countries, nations, and/or regions that are transitioning to more advanced economies. Relative to developed economies, emerging markets often have higher economic growth rates, lower per-capita incomes, higher sociopolitical instability, and less sophisticated financial markets. Investments in emerging markets can often be more volatile than in developed markets due to the potential for greater uncertainty in these markets.

Bloomberg U.S. Aggregate Bond Index: The Bloomberg U.S. Aggregate Bond Index is an unmanaged index that measures investment grade, U.S. dollar-denominated, fixed rate taxable bonds.

Bloomberg U.S. Corporate Investment Grade Bond Index: The Bloomberg U.S. Corporate Investment Grade Bond Index is a broad-based benchmark that measures the performance of investment-grade, fixed-rate, taxable corporate bonds issued by U.S. companies.

High Yield Bonds: High yield bonds refer to securities that are rated below investment grade by one of the established credit agencies (Standard & Poor's, Fitch, Moody's). These securities are often perceived as having greater risk of default.

Bloomberg High Yield Corporate Index: The Bloomberg High Yield Corporate Index measures the performance of U.S. dollar-denominated, high-yield (non-investment grade) corporate bonds.

Bloomberg U.S. Treasury Index: The Bloomberg U.S. Treasury Index measures the performance of U.S. Treasury bonds with maturities of one year or more. It includes fixed-rate, non-convertible, investment-grade securities issued by the U.S. Treasury.

Bloomberg Commodity Index: The Bloomberg Commodity Index is an index that is designed to provide diversified exposure to physical commodities via futures contracts.

Bloomberg Sub WTI Crude Oil Index: The Bloomberg Sub WTI Crude Oil Index is a sub-index of the Bloomberg Commodity Index that specifically tracks the performance of West Texas Intermediate (WTI) crude oil futures. It reflects the returns of WTI crude oil futures contracts traded on the New York Mercantile Exchange (NYMEX), providing a measure of the commodity's market performance.

Bloomberg Sub Gold Index: The Bloomberg Sub Gold Index is a commodity group sub-index of the Bloomberg Commodity Index that is composed of futures contracts on gold. It reflects the return of the gold futures price movements only and is quoted in U.S. dollars.

Bloomberg Sub Industrial Metals Index: The Bloomberg Sub Industrial Metals Index is a sub-index of the Bloomberg Commodity Index that tracks the performance of industrial metals futures contracts, providing a measure of price movements in metals such as aluminum, copper, nickel, and zinc.

Mutual Funds: Mutual funds are generally constructed as a pooled investment vehicle, managed by an investment firm. Mutual funds can be invested in stocks, bonds and other types of investments. Mutual funds are priced at net asset value (NAV) at the end of each trading day.

Exchange Traded Funds: Exchange traded funds (ETFs) are generally constructed to attempt to track the performance of an underlying index. ETFs can be invested across stocks, bonds and other types of investments. ETFs can trade intra-day, similarly to common stocks.

Closed End Funds: Closed end funds (CEFs) are generally constructed as a pooled investment fund, actively managed by an investment management firm. Closed end funds can be invested across stocks, bonds and other types of investments. Closed end funds trade at a market price, which may be at a premium or discount to the net asset value of the underlying fund assets. Closed end funds may utilize leverage, which can potentially increase returns and volatility relative to non-leveraged funds. Closed end funds can trade intra-day, similarly to common stocks.

Risk Assets: Risk assets generally refer to assets that carry a perceived high degree of risk and price volatility. Risk assets can include stocks, lower quality bonds, highly interest rate-sensitive bonds, commodities, currencies and certain alternative strategies.

Conservative Assets: Conservative assets generally refer to assets that carry a perceived low degree of risk and price volatility. Conservative assets can include cash securities and higher quality, less interest rate-sensitive bonds.

Tactical Investing: Tactical or active investing is an investment strategy where investment decisions are driven by opinions based on gathered information. There are different tactical investment styles, including, but not limited to, valuation-sensitive and momentum-driven styles. Tactical investing styles may also differ based on investment time horizons from days, weeks, months or years.

Passive Investing: Passive investing is an investment strategy that generally refers to buy and hold investing. This investment style does not attempt to make changes to portfolio allocations or investments based on opinions and information gathering.

Alternative Strategies: Alternative strategies refer to investments or investment styles that often incorporate non-traditional tactical investing methods, including, but not limited to, technical analysis, shorting, arbitrage, utilizing leverage and short-term tactical trading. Alternative strategies may also be referred to by their investment style categories, including, but not limited to, long/short equity, hedged equity, managed futures, unconstrained, and global macro. Alternative strategies may perform very differently from traditional asset classes, thus investors must be aware of the potential for widely differentiated performance relative to traditional stock and bond markets over shorter periods of time.

Fundamental Analysis: Fundamental analysis refers to making investment decisions based on gathered information, including, but not limited to, economic, sector, industry, company and security research to attempt to forecast future investment performance.

Technical Analysis: Technical analysis generally refers to analyzing an investment's price performance over a specified time period to attempt to predict the future potential performance of that investment. Technical analysis is often utilized in momentum-driven investment styles and may not incorporate fundamental analysis when making investment decisions.

Drawdown: A market drawdown refers to the investment performance from peak-to-trough over a specified time period.

Price-to-Earnings Ratio: The price-to-earnings ratio (P/E ratio) is the ratio of a company's stock price to the company's earnings per share. The P/E ratio is often utilized as a metric in valuing a company.

Price-to-Book Ratio: The price-to-book ratio (P/B ratio) is the ratio of a company's stock price to the company's book value. A company's book value refers to the company's total assets minus its intangible assets and liabilities. A company's book value is listed on its balance sheet and is the total value of the company that shareholders would theoretically receive if the company was liquidated, and liabilities were paid. The P/B ratio is often utilized as a metric in valuing a company.

Duration: Duration is a measure of the sensitivity of a bond's price to a change in interest rates. Generally, the higher the duration of a bond or portfolio, the higher the sensitivity of that bond or portfolio to changes in interest rates.

Credit Risk: Credit risk refers to the risk of default on debt, where the borrower fails to pay, and the lender may lose a portion, or all of the principal lent to the borrower. Generally, the higher the credit risk, the higher the yield and volatility of the security relative to other securities that are believed to have lower credit risk.

Currency Risk: Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged. Exposure to foreign currencies can come from direct investing in foreign currencies or from investing in foreign assets (stocks, bonds, real estate, etc.).

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for any individual security.

Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

The term "portfolios" used in this piece is in reference to the Straight Arrow Financial Group model portfolios. Any reference to performance is based on estimated, unaudited, gross of fee performance of the model portfolios. Model portfolio performance is calculated through Morningstar Direct based on model portfolio holdings. Client accounts assigned a Straight Arrow Financial Group model portfolio may have positioning and performance that differs from the firm's model portfolios at any given time.

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies. Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise and bonds are subject to availability and change in price. Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential illiquidity of the investment in a falling market.

Asset management does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Precious metal investing involves greater fluctuation and the potential for losses.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

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This research material has been prepared by Straight Arrow Financial Group