

# DYNAMIC

PORTFOLIO SERIES



[/COMPANY-BETA/732347/](#)



[/AFAMCAPITAL](#)



[/CHANNEL/UCOZAL\\_VVNJ6OLFGHJ8G60UQ](#)



# AFAM

CAPITAL

[www.afamcapital.com](http://www.afamcapital.com)



# ABOUT AFAM CAPITAL

An asset manager delivering unique investment solutions to private clients, intermediaries, and institutions. We aim to produce well diversified portfolios that exhibit high risk-adjusted returns in varying market environments. Clients benefit not only from the diversification in our products but also from a collaborative approach that utilizes the strengths of two unique teams.

## COLLABORATION

AFAM Capital consists of two unique teams, AI Frank Asset Management and Innealta Capital. Each team brings a differentiated approach to asset management and work together to create and deliver client solutions.

## FRAMEWORK

The Dynamic Portfolio Series seeks a balance between asset selection, regional allocation, top-down versus bottom-up approach, and quantitative versus qualitative analysis. The investment team actively applies the framework across the investment universe to identify markets and securities with the potential for above average expected returns.

## INVESTMENT UNIVERSE

The Dynamic Portfolio Series builds portfolios using individual stocks and ETFs across developed U.S. equity markets, developed international equity markets, emerging equity markets commodities, REITs and global fixed income markets. This broad universe helps improve portfolio diversification.

## EXPERIENCE

For four decades, AI Frank Asset Management has focused on investing in U.S. equity markets. For over a decade, Innealta Capital has managed global investment portfolios of exchange traded funds.

## BARRON'S

"It pays to have nerves of steel. That's the most important lesson to emerge from The Prudent Speculator's position as one of this country's most successful investment newsletters of the past four decades."

## Forbes

"John Buckingham, whose value-and-dividend fund has outperformed both the S&P and Warren Buffett over the last 15 years, likes Apple, Allianz, Amgen, AT&T, Boeing, Cisco, Corning, Disney, Fluor, Intel, Royal Caribbean and Target. Buckingham takes a three-to-five-year horizon on his stock picks."

## WSJ

"Just how hard is it to outrun the market over the long haul? Back in 1980, the Hulbert Financial Digest began monitoring investment newsletters, with an initial group of 36. Two-thirds have gone out of business, many following poor performance. Of the 12 survivors, just three have topped the S&P 500's 11.7% annualized return, including dividends. They are The Prudent Speculator, edited by John Buckingham; NoLoad FundX, edited by Janet Brown; and the Value Line Investment Survey, published by investment research firm Value Line."

### Also Featured In:





# INVESTMENT TEAM



**Jason Clark, CFA // Senior Portfolio Manager**  
 BS in Finance from the University of West Florida. Prior employers were A.G. Edwards, Edward Jones, and the United States Navy. Fifteen years of industry experience as equity research analyst, fixed income trader, and portfolio manager.

**Joshua Kocher // Portfolio Manager**

MBA in Finance from Columbia University and BS in Chemical Engineering from the University of Virginia. Prior employers were MKP Capital, Credit Suisse, and Susquehanna Investment Group. Thirteen years of industry experience as proprietary trader, associate portfolio manager, and portfolio manager.



**Chris Quigley // Quantitative Research Analyst**  
 BA in Economics from the University of Southern California. Seven years of industry experience with AFAM Capital.

**Ray Chen // Research Analyst**

MS in Statistics from Rice University and BS in Physics from Michigan State University. Prior employer was Merrill Lynch.



**Aaron Steinman // Research Analyst**

MS in Finance and a BA in Economics from The University of Texas at Austin. Prior employer was Durbin Bennett Peterson - Private Wealth Management.



# INVESTMENT UNIVERSE

The Dynamic Portfolio Series seeks opportunities in U.S. equities, developed international equities, emerging market equities, commodities, REITs and global fixed income. By selecting an asset universe with wide scope, Dynamic Portfolio Series portfolios improve diversification.

**FIXED INCOME  
ETFs**

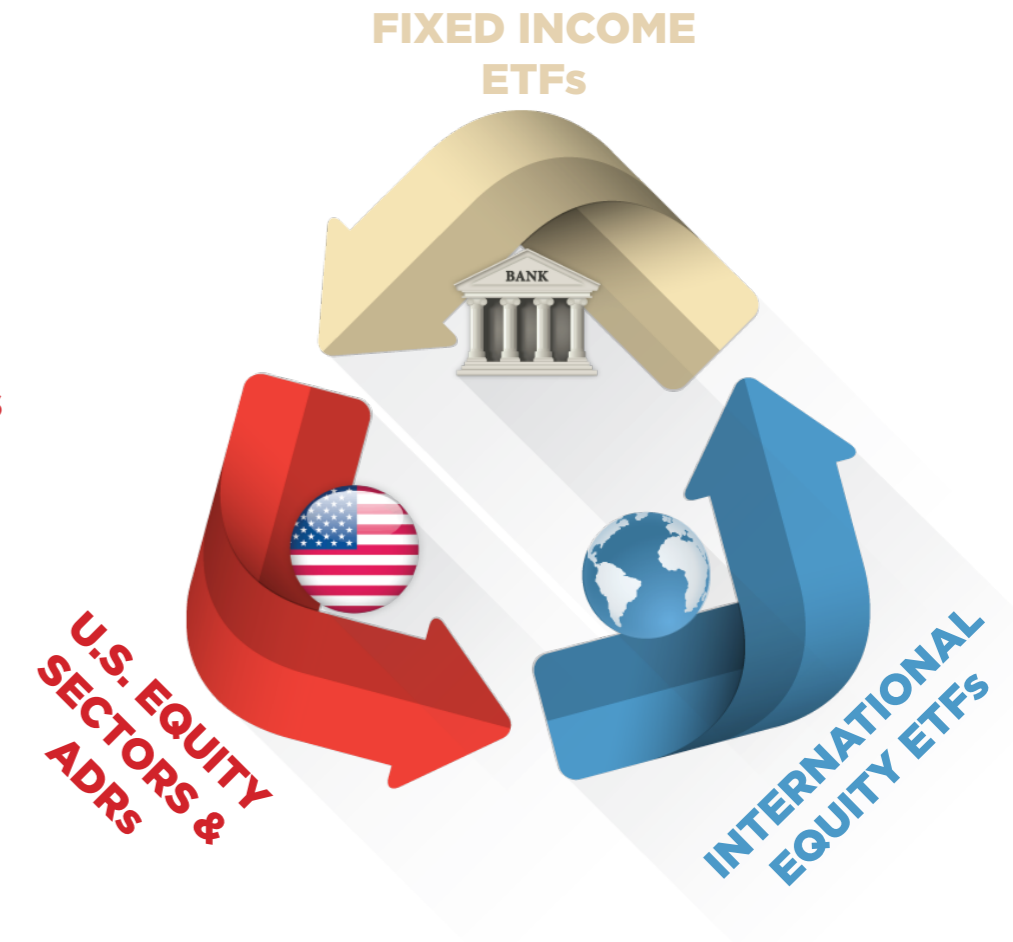
- Sovereign
- Credit
- Securitized
- Cash Equivalent

**U.S. EQUITY  
SECTORS & ADRs**

- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Health Care
- Industrials
- Information Technology
- Materials
- Real Estate
- Telecommunication
- Utilities

**INTERNATIONAL  
EQUITY ETFs**

- Emerging
- Developed Asia
- Developed Europe



The AFAM Capital framework analyzes variables relevant to each sector and sub-sector within a given asset class, and provides the Investment Committee insight on the various inter-sector relationships, intra-sector relationships, and the reward-to-risk profile.

# PORTFOLIO FRAMEWORK

The Dynamic Portfolio Series leverages the experience of two unique teams to collaborate on portfolio design across a wide scope of assets.

Each team uses quantitative and qualitative analysis combined with top-down/macro and bottom-up/micro approaches to find opportunities. To manage the complexity of large data amounts and changing market conditions, the Investment Committee relies on statistical analysis backed by academic research and recurring conversations amongst all investment team members. The result is a product designed to exhibit high risk-adjusted returns in varying market environments.



# INDIVIDUAL STOCK SELECTION

We utilize a go-anywhere approach focused on uncovering bargain priced U.S. stocks and ADRs independent of market capitalization, seeking broad sector, industry and holdings diversification.

Specifically, we seek long-term growth of capital through out-of-favor stocks that are trading for low multiples of earnings, sales and/or book value. We believe that growth is a component of value, and we strive to find inexpensive stocks in industries with above average growth prospects. This approach to selection and diversification gives us confidence that the true value of our investments should come to fruition in the fullness of time, so patience comes easily.

## WHY VALUE?

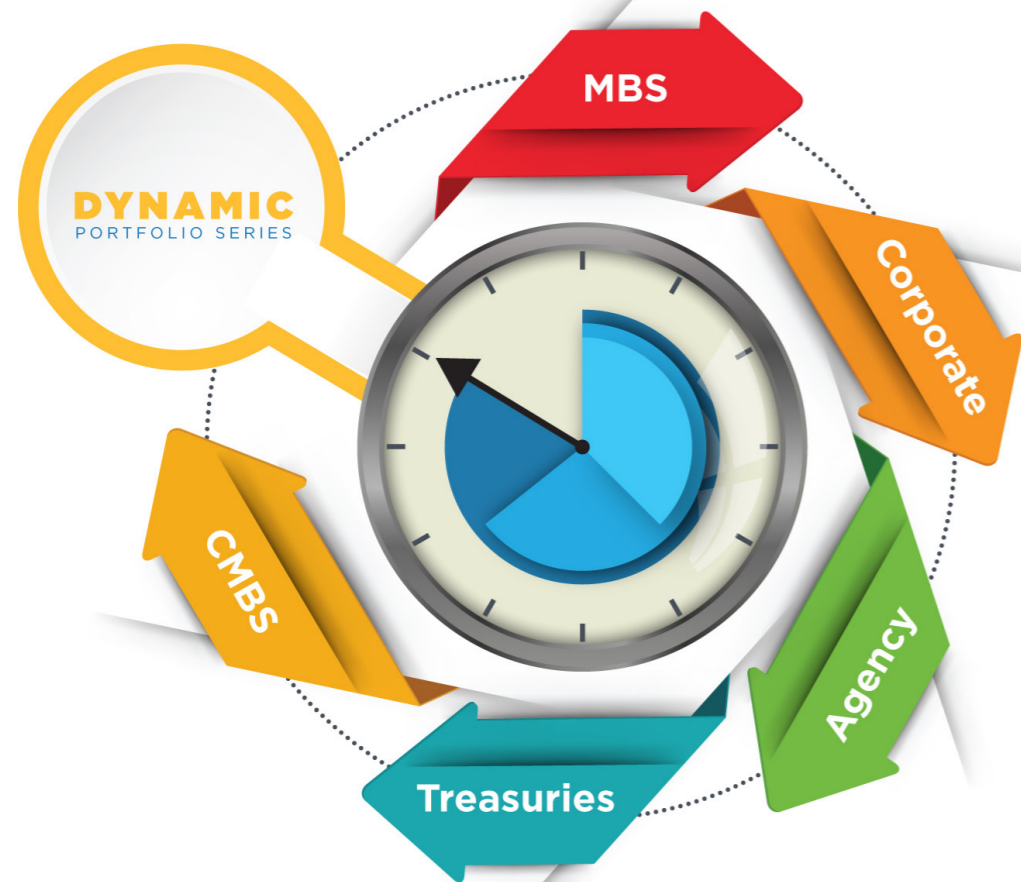
	LONG TERM RETURNS	
	Annulized Return	Standard Deviation
Value Stocks	13.5%	26.1%
Growth Stocks	9.2%	21.5%
Dividend Paying Stocks	10.5%	18.2%
Non-Dividend Paying Stocks	8.6%	29.8%
Long-Term Corporate Bonds	6.0%	7.6%
Long-Term Gov't Bonds	5.5%	8.5%
Intermediate Gov't Bonds	5.1%	4.4%
Treasury Bills	3.4%	0.9%
Inflation	3.0%	1.8%



# ETF SELECTION

## FIXED INCOME

The investible universe for the fixed income portion of the portfolio eclipses that of the Bloomberg Barclays U.S. Aggregate Bond Index. With access to a more comprehensive opportunity-set of fixed-income sectors, the strategy seeks risk-relative outperformance. The trading efficiency afforded by ETFs allows the Investment Team to quickly and cost-effectively alter portfolio exposures to reflect the prevailing market climate.



## INTERNATIONAL EQUITIES

For the international equity portion of DPS, the strategy can invest in over forty international equity markets. The Investment Team optimizes the portfolio weights and return potential of available components within the international equity universe to achieve optimal risk-adjusted returns.

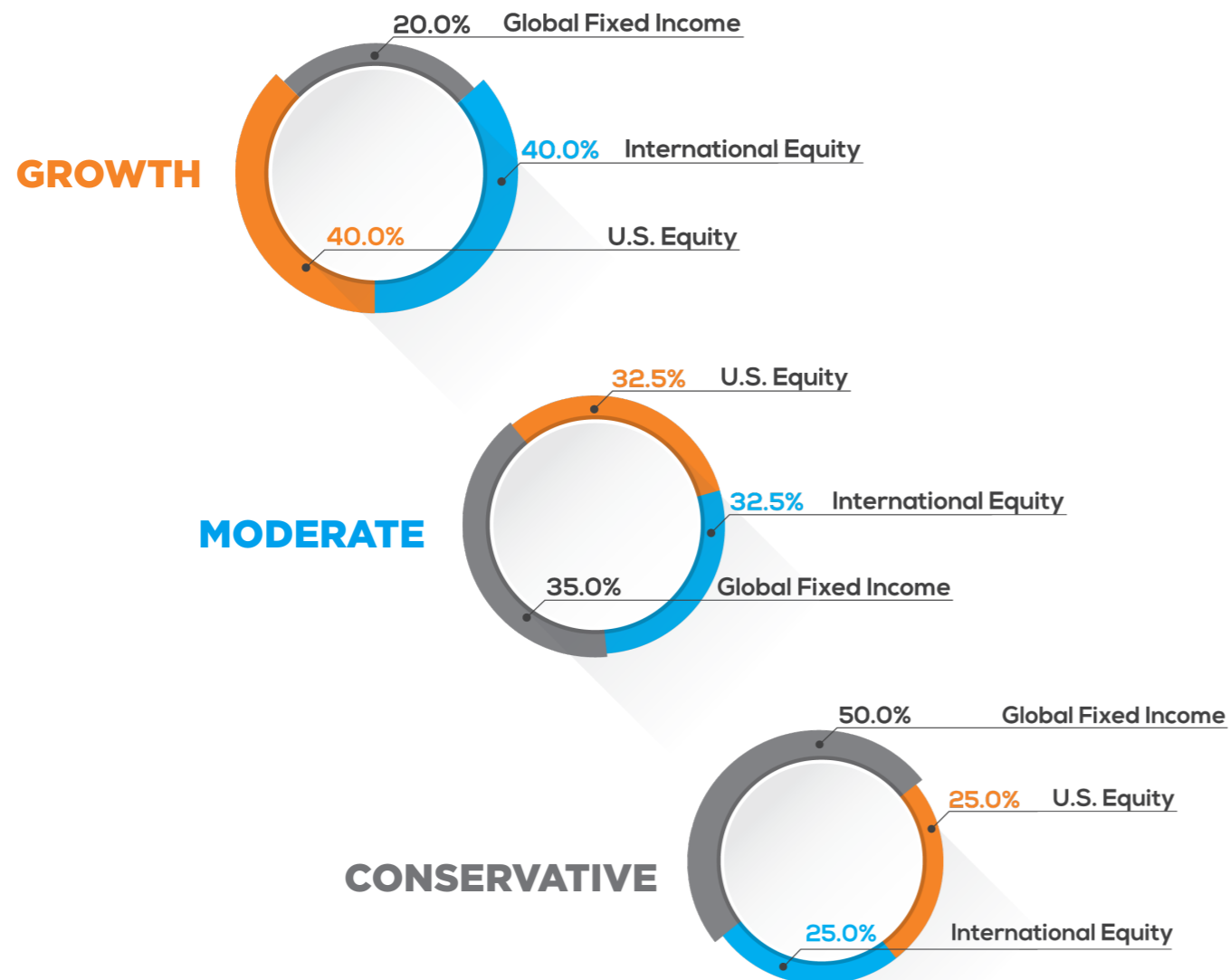
Shown below are the top five and bottom five international equity performers for a given year. The constituents of the top/bottom five performers change over time, implying that a portfolio with international allocations could benefit from proper active management.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TOP 5 PERFORMERS	COLOMBIA -25%	BRAZIL 128%	ARGENTINA 77%	IRELAND 14%	TURKEY 64%	UAE 90%	EGYPT 29%	DENMARK 23%	BRAZIL 66%	ARGENTINA 42%
	QATAR -26%	INDONESIA 126%	THAILAND 56%	QATAR 8%	NIGERIA 63%	ARGENTINA 66%	INDONESIA 27%	IRELAND 16%	PERU 56%	NIGERIA 34%
	JAPAN -29%	RUSSIA 104%	PERU 53%	INDONESIA 6%	EGYPT 47%	GREECE 51%	PHILIPPINES 26%	BELGIUM 12%	RUSSIA 55%	POLAND 34%
	ISRAEL -29%	INDIA 103%	CHILE 44%	NEW ZEALAND 6%	PHILIPPINES 46%	FINLAND 46%	INDIA 24%	ISRAEL 10%	PAKISTAN 40%	AUSTRIA 33%
	SWITZERLAND -30%	TURKEY 98%	COLOMBIA 43%	MALAYSIA 0%	BELGIUM 40%	IRELAND 41%	ISRAEL 23%	JAPAN 10%	THAILAND 27%	TURKEY 32%
BOTTOM 5 PERFORMERS	AUSTRIA -68%	IRELAND 12%	PORTUGAL -11%	INDIA -37%	SPAIN 3%	COLOMBIA -21%	NIGERIA -26%	PERU -32%	EGYPT -12%	CANADA 3%
	IRELAND -72%	FINLAND 11%	ITALY -15%	VIETNAM -38%	BRAZIL 0%	CHILE -22%	AUSTRIA -30%	TURKEY -32%	GREECE -12%	BRAZIL 3%
	UAE -73%	QATAR 9%	IRELAND -18%	ARGENTINA -39%	QATAR -2%	INDONESIA -23%	PORTUGAL -38%	BRAZIL -41%	DENMARK -16%	PAKISTAN -4%
	RUSSIA -74%	JAPAN 6%	SPAIN -22%	EGYPT -47%	ISRAEL -5%	TURKEY -27%	GREECE -40%	COLOMBIA -42%	ISRAEL -25%	QATAR -9%
	PAKISTAN -74%	NIGERIA -23%	GREECE -45%	GREECE -63%	ARGENTINA -37%	PERU -30%	RUSSIA -46%	GREECE -61%	NIGERIA -36%	RUSSIA -14%

SOURCE: Innealta Capital using data from Bloomberg. Total return data denominated in SUP from 12.31.07 to \_\_\_\_\_. Data for 2017 represents TYD returns as of \_\_\_\_\_.

# CONSTANT MONITORING

The investment team continuously monitors the individual holdings of the DPS portfolio as well as the numerous asset class sleeves within. If the weighting of a given asset class moves outside of our predetermined tolerance bands for that asset class, it triggers an overall portfolio review that may lead to a full rebalance of the portfolio to restore the asset class weightings to the original targets or to move the asset classes back within the allowable tolerance bands.



AFAM Capital is a Registered Investment Advisor. AI Frank and Innealta Capital are divisions of AFAM Capital. AFAM is editor of The Prudent Speculator newsletter and is the Investment Advisor to certain proprietary mutual funds and individually managed client accounts. Registration of an investment adviser does not imply any certain level of skill or training. AFAM only transacts business in states where it is properly registered or exempted from registration.

The Dynamic Portfolio Series combines an adaptive asset allocation portfolio component (using exchange traded funds) with a strategic domestic equity portfolio component in order to optimize diversification and seek relative outperformance versus product-specific benchmarks using assets sourced from domestic equity markets, developed and emerging international equity markets, and global fixed income markets. Please refer to AFAM Capital's Form ADV Part 2A for more information concerning the Growth, Moderate and Conservative portfolios - and their respective benchmarks - of the Dynamic Portfolio Series.

There is no assurance that investment objectives will be met. The composition of the portfolio change over time. Investing involves risk, and principal loss is possible. ETFs are subject to risks similar to those of stocks, such as market risk, and investors that have their funds invested in accordance with the portfolios may experience losses. Additionally, fixed income ETFs are subject to interest rate risk which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates. Investments in foreign investments may incur greater risks than domestic investments. For more information on the risks associated with investing, please refer to AFAM Capital's Form ADV Part 2A.

The market-representative indices cited on page 6 are as follows. The Bloomberg Barclays Capital 1-3 Month U.S. Treasury Bill Index (Cash) includes all publicly issued zero-coupon U.S. treasury bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have \$250 million or more of outstanding face value. The Bloomberg Barclays US Treasury 20+ year Total Return Index (Long Term Fixed Income) measures the performance of U.S. treasury bonds with remaining maturities greater than twenty years. The Bloomberg Barclays U.S. Treasury: 1-3 Year Total Return Index (Short Term Fixed Income) measures the performance of U.S. treasury bonds with remaining maturities of one to three years. The Bloomberg Barclays Capital U.S. Aggregate Bond Index (Aggregate Bond) measures the performance of the U.S. investment grade bond market. The Bloomberg Barclays High Yield Very Liquid Total Return Index (High Yield) includes publicly issued U.S. dollar denominated, non-investment grade, fixed-rate, taxable corporate bonds that have a remaining maturity of at least one year, regardless of optionality, are rated high-yield and have \$600 million or more of outstanding face value. The S&P 500 Index (Large Cap Equity) is a broad market sample based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The Russell 2000 Index (Small Cap Equity) measures the performance of the small-cap segment of the U.S. equity universe and is comprised of the smallest 2000 companies in the Russell 3000 Index. S&P GSCI® Total Return Index (Commodities) measures general price movements and inflation in the world economy. The MSCI US REIT Index (REIT) is a free float-adjusted market capitalization index that is comprised of equity REITs. The MSCI Emerging Markets Index (Emerging Markets) captures large and mid cap representation across 23 emerging markets countries. The MSCI EAFE Index (Developed Markets) is an equity index which captures large and mid cap representation across developed markets countries around the world, excluding the US and Canada.

It is not possible to invest directly in an index. Diversification does not protect against loss in declining markets.

007-AFAM-1/6/2017  
12117 FM 2244, Bldg. 3-#170 | Austin, Texas 78738 | P: 512.354.7041 afamcapital.com