



**WBI**<sup>®</sup>

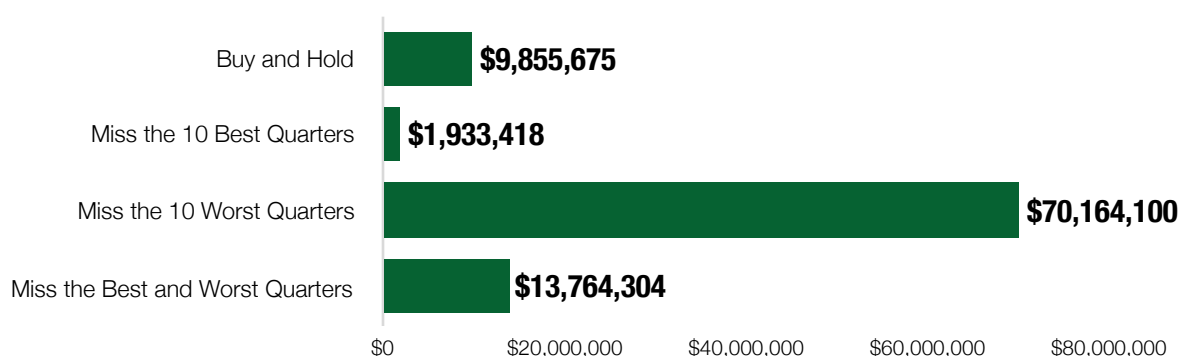
**TACTICAL  
DIVIDEND  
INCOME**

# THE PROBLEM WITH BUY & HOLD

WBI does not stand for “We Beat Indexes”; it stands for Wealth Builders, Inc. At WBI, we believe preserving capital to unleash the powerful benefits of compounding is the most important element of a successful investment approach. For many years, investors have been led to believe that low cost is better. Or, that a well-diversified approach will help cushion losses in a bear market. However, even a well diversified, passive, low-cost index approach can give you more risk and loss than you are willing to tolerate.

Since 1900, a market decline of 10% occurs on average once every year, 15% every two years, 20% every four years and 40% every six years.<sup>1</sup> From the 2007 market high to the 2009 low, the Dow Jones Industrial Average declined 53.78%. For many years, investors have been taught that if you try to avoid large losses, you will miss the 10 most powerful positive days of return. Without those days, so the 1970s buy and hold theory says, investing is not a worthwhile endeavor. We believe passive investing, which is based on a flawed 40-year-old philosophy, is not the way to win at investing.

## Hypothetical Investment of \$100,000 Dow Jones Industrial Average Index 1950-2016



Source: Bloomberg, 2017. Indices are not managed and may not be invested in directly. Past performance is not indicative of future results.

Years ago, in an effort to find a better way to invest, we refocused the concept to see how the 10 best or worst quarters affect an investor over a lifetime of investing. If you were to buy and hold a hypothetical investment of \$100,000 in the Dow Jones Industrial Average from 1950 through 2016, the investment would have grown to \$9,855,675. However, your success — relative to buy and hold — would have been greatly hampered by missing the 10 best quarters, ending with a disappointing capital balance of \$1,933,418. Surprisingly, by missing the 10 worst quarters, \$100,000 invested would have grown to over \$70 million. As it turns out, missing the worst quarters was 7 times more powerful than a buy and hold approach. Even if you gave up the 10 best quarters to miss the 10 worst quarters, you would have ended the period with \$13,764,304 or 40% more capital than the passive index approach.

The results from our original best and worst quarters study, performed over 30 years ago, formed the basis for WBI's unique active and risk-managed investment process. Our active approach offers investors an alternative to a traditional passive buy and hold approach. For over 25 years, our goal has been to help investors have more successful outcomes.

*“Compound interest is the eighth wonder of the world. He who understands it, earns it...He who doesn't...pays it.”*  
—Albert Einstein

# OUR PHILOSOPHY

Our goal is to provide you with a wealth-building investment approach that provides a blend of bull market return and bear market capital preservation. WBI's active investment process seeks to manage risk to capital, unleash the benefits of compounding, and to grow capital efficiently through good and bad market cycles. Over long periods of time, the powerful benefits of compounding are set free by reinvesting interest and dividends. This is a major reason why we focus our stock selection almost exclusively on dividend-paying stocks.



## About the Strategy

Launched in 2003, the WBI Tactical Dividend Income SMA aims to help investors meet their goals:

- Lower volatility and risk leading to less loss in bear markets
- Generate long-term growth of capital

This moderate investment strategy targets a global allocation of high-yield dividend stocks.

## Performance Metrics

June 30, 2003 to December 31, 2016

	Rate of Return	Best 4 Quarters	Worst 4 Quarters	Max. Drawdown	Upside Capture Ratio	Downside Capture Ratio	CPR
<b>Tactical Dividend Income</b>	6.40%	27.66%	-16.42%	-20.33%	58.75%	41.47%	1.42
<b>MSCI Index</b>	8.00%	53.24%	-42.19%	-48.59%	100.00%	100.00%	1.00

Data provided by PSN and Morningstar, Net of Fee, Quarterly Return, 2017. MSCI Index is representative of the MSCI World TR Gross Index. Return is annualized for periods of 1 year or more. Indices are not managed and may not be invested in directly.

## What is CPR?

Capital Power Ratio (CPR) measures the up and down market participation of an investment relative to a market index. CPR is calculated by dividing the upside capture by downside capture over a specific time period. If the result is greater than 1.0 (higher is better), this indicates outperformance relative to the index. Positive CPR can lead to improved compounding and a larger capital base over full market cycles.

### Past performance does not guarantee future results.

Performance is that of our Tactical Dividend Income Composite, comprised of three Tactical Dividend Income model strategies. Prior to 8/25/2014, the Composite includes only accounts invested in a model implemented through the use of individual securities. On 8/25/2014, the Composite added a model implemented through the use of 10 Affiliated ETFs (the "Initial ETFs") but is otherwise substantially similar. On 7/25/2016, the Composite added a third model, also implemented through the use of the Initial ETFs, plus an 11th Affiliated ETF, and remaining substantially similar. The Affiliated ETFs do not have performance history of comparable duration; therefore, performance of the two models implemented through Affiliated ETFs could have been better or worse over the same time period and is not indicative of future performance.

# RETURN VS. CAPITAL

We believe it is far more important to focus on preserving and growing capital than focusing on return. Our investment management system is designed specifically to reduce risk and loss of capital in bear markets. Due to our risk-managed approach, we expect that our strategies may not produce the highest returns in every market cycle. By managing risk and preserving capital, we increase our ability to compound more efficiently than a passive buy and hold approach focused on getting all of the return in up markets. Let's take a closer look at our active risk-managed approach versus a passive index.

## Index and Return Focused

Passive Buy and Hold Approach  
MSCI Index

Period	Cycle	Starting Value	Cumulative Return	Gain/Loss	Ending Value
6/30/2003-2007	Bull	\$1,000,000	101.18%	\$1,011,755	\$2,011,755
2008	Bear	\$2,011,755	-40.33%	-\$811,421	\$1,200,334
2009-2016	Bull	\$1,200,334	135.61%	\$1,627,716	\$2,828,050

## Risk and Capital Focused

Active Approach with Risk Management  
WBI Tactical Dividend Income SMA

Period	Cycle	Starting Value	Cumulative Return	Gain/Loss	Ending Value
6/30/2003-2007	Bull	\$1,000,000	55.67%	\$556,736	\$1,556,736
2008	Bear	\$1,556,736	-13.05%	-\$203,225	\$1,353,511
2009-2016	Bull	\$1,353,511	70.68%	\$956,700	\$2,310,211

Data provided by Morningstar, Net of Fee, Monthly Return, 2017. MSCI Index is representative of the MSCI World TR Gross Index. Indices are not managed and may not be invested in directly.

# INVESTMENT METHODOLOGY

WBI's time-tested Power Factor™ security selection software screens thousands of domestic and international stocks every night to find the companies with the strongest quality fundamentals and the highest dividend yields. This approach requires a stock to be a reasonable value, have positive revenue and earnings trends, and have positive price momentum. These hurdles are designed to keep us invested when market trends are favorable or to build cash when conditions indicate a high degree of risk with a low probability of success. Our risk management system applies a goal and a proprietary dynamic trailing stop (DTS)\* to each invested position. As a security appreciates towards the goal, the stop tightens in an effort to reduce risk and systematically harvest gains. The stop is not a market or limit order stop placed with a brokerage firm.

\*The DTS occurs within the holdings of each affiliated WBI ETF for the strategies in the Enhanced SMA® program.

## IMPORTANT INFORMATION

**Past performance does not guarantee future results.** This is not an offer to buy or sell any security. No security or strategy, including those referred to directly or indirectly in this document, is suitable for all accounts or profitable all of the time and there is always the possibility of loss. WBI Enhanced SMA<sup>®</sup> Program accounts are subject to investment risk, including the possible loss of principal amount invested. The ETFs used in WBI Enhanced SMA Program accounts may invest in other ETFs, mutual funds, and Exchange-Traded Notes (ETNs) which will subject the account to related additional expenses of each, and the risk of owning the underlying securities held by each. Investment risks may include but are not limited to: market, economic, political, interest rate, currency exchange, leverage, liquidity, credit quality, model, portfolio turnover, trading, REIT, high yield stocks, nondiversification, concentration, commodities, options, new fund, and client specific restrictions. Passive ETFs are not actively managed and the Sub-Advisor does not attempt to take defensive positions in declining markets. You should not assume that any discussion or information provided here serves as a substitute for personalized investment advice from WBI or from any other investment professional. If you have any questions regarding the applicability of specific issues discussed to your individual situation, please consult with WBI or your chosen professional advisor. This information is compiled from sources believed to be reliable, accuracy cannot be guaranteed. Information pertaining to WBI's advisory operations, services, and fees is set forth in WBI's Form ADV Brochure, a copy of which is available upon request.

WBI has an inherent conflict of interest in investing in or recommending Affiliated ETFs as follows: 1) WBI and its affiliates receive management fees from Affiliated ETFs. To avoid receiving two layers of management fees in those situations where clients invest in Affiliated ETFs through SMA and Platform accounts, WBI will either: (i) waive the management fee charged at the account level; or (ii) credit the portion of the management fees paid by the Affiliated ETFs to WBI and its affiliates with respect to an account's investments in Affiliated ETFs against the account-level advisory fees the account owes WBI, and 2) WBI's affiliated broker-dealer, Millington Securities, Inc., receives commissions and other compensation (including payment for order flow) for transactions effected on behalf of the Affiliated ETFs. Trades WBI places through Millington will be subject to WBI's duty of best execution and applicable law.

Net of Fee Performance (NFP) is net of WBI's investment management fees and includes reinvestment of dividends and other earnings. Both NFP and Gross of Fee Performance (GFP) were restated effective February 28, 2017, to reflect the exclusion of management fees paid by the Affiliated ETFs to WBI held through the WBI Enhanced SMA<sup>®</sup> accounts which resulted in understating GFP, and as a result, NFP. Additional information is available upon request.

Benchmark performance does not include the deduction of transaction and custodial charges, or the deduction of an investment management fee, which would likely reduce indicated historical performance results. Because the strategy involves active management of a potentially wide range of assets, no widely recognized benchmark is likely to be representative of the performance of any managed account. Therefore, WBI managed accounts may own assets and follow investment strategies which cause them to differ materially from the composition and performance of the benchmarks shown on performance or other reports. Benchmark indices are unmanaged and may not be invested in directly.

The WBI Dynamic Trailing Stop (DTS) is not a stop loss order or stop limit order placed with a brokerage firm, but an internal process for monitoring price movements. While the DTS may be used to initiate WBI's process for selling a security, it does not assure that a particular execution price will be received.

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**MSCI World TR Gross Index:** captures large and mid-cap representation of 23 developed markets with 1,653 constituents, covering approximately 85% of free-float capitalization of each country. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed, or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. **Dow Jones Industrial Average Index (DJIA):** comprised of 30 large, publicly owned, U.S. based companies. **Up and Down Capture Ratios:** used to evaluate how well a manager performed relative to an index during periods when the index is up or down. **Maximum Drawdown:** measures the peak-to-trough loss of an investment, indicating capital preservation. **Power Factors<sup>™</sup>:** Trailing 12-month diluted earnings from continuing operations to price ratio (E/P); Trailing 12-month free cash flow to price ratio (CF/P); Trailing 12-month sales to price ratio (S/P).

WBI's Tactical Dividend Income Strategy is one of six separately managed account strategies currently offered by WBI. Other strategies may have different results.

<sup>1</sup>"What Past Market Declines Can Teach Us." American Funds. Web. 2017.

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