

Nov 2016

AR +1.70% AG +2.07% TMG +1.16% SP500 +3.68% R2000 +11.08% GDP +1.35%

## Commentary

Forecasters and pollsters are having a rough year. First Brexit and now the US presidential election. And Italians are heading to the polls today to cast ballots on a referendum that is essentially a vote to support the current Prime Minister or show him the door. Polls suggest he may get the boot. I guess that means he's safe.

The pundits were actually wrong twice on our election. First, Hillary was supposed to win. And if Trump won, the market was supposed to crash. Turns out that investors were more interested in a clean finish of the election and like the possibility that tax cuts and big spending might give a boost to the economy. US equity markets moved to new all-time highs with small cap stocks way ahead of large caps. Financial stocks were the other big winner on the prospect that regulations will be rolled back and higher interest rates will help them. Interest rates rose sharply and bonds were pummeled. The long-awaited shift to increasing rates may finally be here. Monthly statements for bond investors will look bad and may cause more of them to move money into stocks.

The three primary LongRun strategies (Absolute Return, Aggressive Growth and Tax Managed Growth) entered the month with exposure to international equities and bonds – areas that had shown better strength than US equities. The election outcome made clear that these allocations were in big trouble. Our models immediately shifted to the US and we faced a decision to stick with our end of month rebalancing rule or make an exception given the surprise outcome of the election. We chose to make the move and it had a positive outcome with each of the strategies posting gains where they would have had losses. The volatility strategy took advantage of pre-election fear subsiding to post a nice gain for the month but the position remains open and the final outcome may be better or worse.

We enter December with essentially the same allocations adopted after the election. US markets pulled back a bit the first few days of this month. Nobody knows what news might take them back to higher highs or cause them to trade lower. We'll know the outcome in Italy late tonight. Then we have an ECB meeting on the 8<sup>th</sup> and a gathering of the Federal Reserve that ends on the 14<sup>th</sup>. Everyone expects the Fed to raise interest rates. Therefore, it should be a non-event. On the other hand, predictions don't seem to be worth much these days. Better to expect the unexpected. With Trump, that might actually turn out to be a good thing.

“Forecasts usually tell us more about the forecaster than about the future.”  
- Warren Buffett

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# LongRun Monthly Strategy Review



**Nov 2016**

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## Selected Asset Class Returns for Trailing Twelve Months (%)

	Dec-15	Jan-15	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	YTD	TTM
<b>US Equity</b>														
<b>SPY</b> <i>S&amp;P 500</i>	-1.7	-5.0	-0.1	6.7	0.4	1.7	0.4	3.7	0.1	0.0	-1.7	3.7	9.8	7.9
<b>MDY</b> <i>Mid Cap</i>	-4.2	-5.5	1.2	8.5	1.2	2.3	0.5	4.2	0.5	-0.6	-2.7	7.9	17.9	13.0
<b>IWM</b> <i>Small Cap</i>	-5.0	-8.6	-0.2	8.0	1.7	2.2	0.0	5.9	1.8	1.1	-4.6	11.1	18.2	12.2
<b>QQQ</b> <i>NASDAQ 100</i>	-1.6	-6.9	-1.6	6.9	-3.2	4.4	-2.3	7.2	1.1	2.2	-1.5	0.4	5.9	4.2
<b>IYR</b> <i>Real Estate</i>	1.1	-4.1	-0.8	10.3	-1.7	2.2	6.2	3.7	-3.4	-1.5	-5.0	-2.3	2.7	3.8
<b>XLB</b> <i>Materials</i>	-4.3	-10.7	7.8	7.6	5.1	-0.3	-0.8	5.1	-0.3	-1.2	-2.1	6.8	16.6	11.5
<b>XLE</b> <i>Energy</i>	<b>-10.5</b>	-3.5	-2.8	10.2	9.1	-0.9	2.7	<b>-1.3</b>	1.7	3.7	-2.8	8.5	25.8	12.6
<b>XLF</b> <i>Financials</i>	-2.4	-8.9	-2.9	7.3	3.6	1.9	-3.3	3.5	3.9	<b>-2.9</b>	2.3	14.0	18.0	15.3
<b>XLI</b> <i>Industrials</i>	-2.6	-5.7	4.3	7.0	1.2	-0.4	0.7	3.6	1.0	0.2	-2.0	9.1	19.6	16.6
<b>XLK</b> <i>Technology</i>	-2.1	-3.7	-0.7	8.8	-5.0	4.9	-1.4	7.1	1.2	2.1	-0.8	0.2	12.5	10.2
<b>XLP</b> <i>Staples</i>	<b>2.9</b>	0.5	0.3	4.7	-1.4	0.7	5.4	-0.8	-0.6	-1.5	-0.8	-4.2	1.9	4.9
<b>XLU</b> <i>Utilities</i>	2.1	4.9	1.9	8.0	-2.4	1.5	7.6	-0.7	-5.5	0.4	0.9	-5.4	10.6	13.0
<b>XLV</b> <i>Healthcare</i>	1.7	-7.7	-0.4	2.7	3.0	2.2	0.9	4.9	-3.2	-1.5	<b>-6.6</b>	2.1	-4.4	-2.8
<b>XLY</b> <i>Discretionary</i>	-2.8	-5.2	0.5	6.7	0.1	0.1	-1.1	4.6	-1.4	-0.3	-2.4	4.8	5.8	2.8
<b>XME</b> <i>Metals &amp; Mining</i>	-6.1	-7.0	<b>20.0</b>	<b>23.1</b>	<b>20.3</b>	-10.5	11.2	<b>18.9</b>	<b>-11.5</b>	3.6	-4.0	<b>22.1</b>	<b>110.2</b>	<b>97.5</b>
<b>Int'l Equity</b>														
<b>DXJ</b> <i>Japan</i>	-4.2	-5.0	<b>-12.5</b>	5.0	<b>-6.0</b>	<b>6.8</b>	<b>-10.7</b>	5.0	<b>6.1</b>	-0.6	5.2	9.0	-0.6	-4.8
<b>EEM</b> <i>Emerging Mkts</i>	-3.8	-5.0	-0.8	13.0	0.4	-3.7	4.6	5.4	0.9	2.5	-0.8	-4.4	11.2	6.9
<b>EFA</b> <i>Developed Int'l</i>	-0.8	-5.5	-3.3	6.6	2.2	-0.1	-2.4	4.0	0.5	1.3	-2.2	-1.8	-1.3	-2.0
<b>EPP</b> <i>Asia Pac ex Japan</i>	1.2	-7.8	-0.6	11.6	1.9	-2.2	2.0	6.5	-2.4	<b>3.8</b>	-3.0	0.1	8.7	10.0
<b>FXI</b> <i>China</i>	-3.7	<b>-11.6</b>	-3.0	11.5	-0.7	0.4	2.4	3.5	4.6	2.6	-3.0	2.0	7.3	3.3
<b>ILF</b> <i>Latin America</i>	-5.7	-3.2	1.6	20.7	7.8	<b>-13.0</b>	<b>11.9</b>	5.8	1.3	-0.5	<b>10.8</b>	<b>-9.5</b>	33.3	25.7
<b>VGK</b> <i>Europe</i>	-2.6	-5.6	-3.2	7.0	2.8	-0.5	-4.0	3.5	0.7	0.8	-3.5	-2.3	<b>-5.0</b>	<b>-7.5</b>
<b>Fixed Income</b>														
<b>AGG</b> <i>Aggregate Bond</i>	-0.2	1.2	0.9	0.9	0.3	0.0	1.9	0.6	-0.2	0.1	-0.8	-2.6	2.1	1.9
<b>EMB</b> <i>EM Bonds</i>	-1.5	0.0	1.8	3.3	1.6	-0.2	4.2	1.4	1.3	0.4	-1.7	-4.3	7.7	6.0
<b>HYG</b> <i>US High Yield</i>	-2.0	-1.6	1.5	2.5	3.1	0.2	1.8	1.3	2.0	1.1	-1.0	0.0	11.4	9.1
<b>LQD</b> <i>US IG Corporate</i>	-1.1	0.1	1.1	3.6	1.6	-0.5	3.1	1.3	0.2	-0.3	-1.5	-3.2	5.3	4.2
<b>TLT</b> <i>US 20+ Treasury</i>	-0.3	<b>5.6</b>	3.1	-0.1	-0.7	0.8	6.9	2.1	-1.0	-1.5	-4.4	-8.2	1.6	1.3
<b>Currencies</b>														
<b>UUP</b> <i>US Dollar</i>	-1.7	0.8	-1.4	<b>-3.7</b>	-1.8	3.1	0.0	-0.7	0.6	-0.6	3.0	3.3	2.4	0.7
<b>FXE</b> <i>Euro</i>	2.8	-0.4	0.4	4.5	0.6	-2.9	-0.4	0.7	-0.3	0.6	-2.4	-3.5	-3.2	-0.5
<b>FXJ</b> <i>Yen</i>	2.4	-0.8	7.3	0.2	5.7	-3.9	7.1	1.2	-1.4	2.0	-3.3	-8.4	4.5	7.0
<b>Dispersion</b>	13.4	17.2	32.5	26.8	26.3	19.8	22.6	20.2	17.6	6.7	17.4	31.6	115.3	105.0
<i>High value minus low value for each month; large dispersion provides better opportunity for active strategies.</i>														
<b>Global Diversified Benchmark</b>														
	<b>-3.0</b>	<b>-3.7</b>	<b>1.6</b>	<b>9.2</b>	<b>3.5</b>	<b>-1.6</b>	<b>3.7</b>	<b>4.4</b>	<b>-0.6</b>	<b>0.9</b>	<b>-1.9</b>	<b>1.4</b>	<b>17.6</b>	<b>14.0</b>

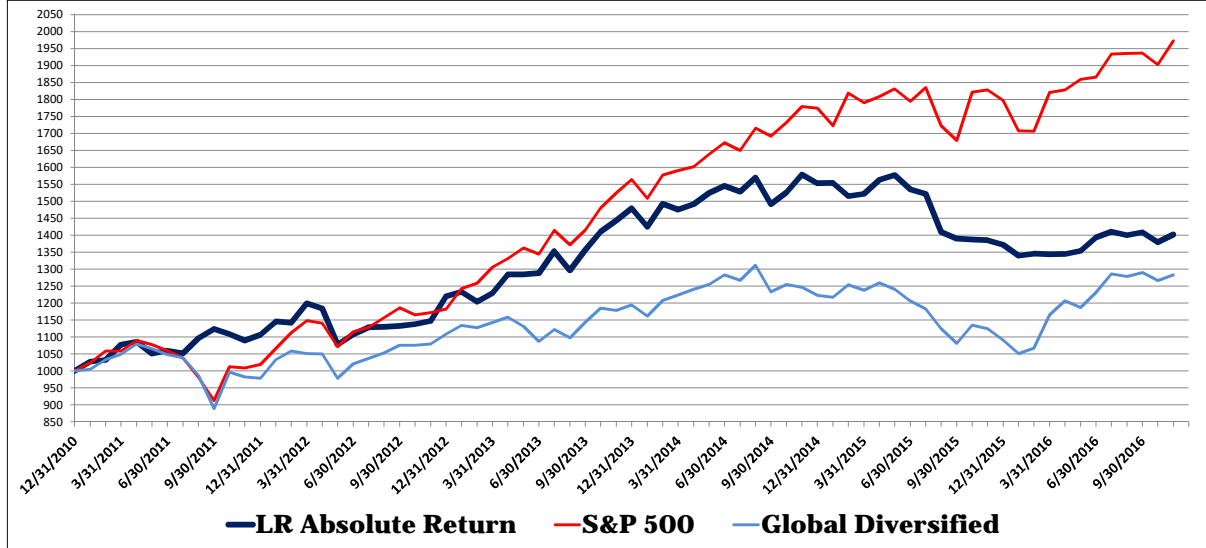
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# LongRun Absolute Return Strategy - Nov 2016



The LongRun Absolute Return Strategy is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a wide range of equity and fixed income investments. Absolute Return is designed to outperform benchmark returns over a full market cycle with significantly less risk. ETFs are ranked using a combination of factors favoring positive momentum and low volatility. The Absolute Return portfolio is generally invested in the four ETFs at the top of a monthly ranking but may allocate as much as 100% to cash in severe bear market conditions. This version of Absolute Return was introduced in August 2013 and has completely replaced the initial version.

## Growth of \$1,000 Since January 1, 2011



## Return Data for the Strategy (%)\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2011</b>	2.7	0.5	4.4	0.8	-3.1	0.8	-0.7	4.2	2.6	-1.4	-1.7	1.6	10.7
<b>2012</b>	3.4	-0.3	5.0	-1.2	-9.1	2.8	1.9	0.0	0.3	0.5	0.8	6.3	10.2
<b>2013</b>	1.1	-2.4	2.1	4.4	0.0	0.3	5.1	-4.2	4.7	4.0	2.4	2.5	21.3
<b>2014</b>	-3.7	4.8	-1.2	1.1	2.2	1.4	-1.1	2.7	-5.0	2.3	3.4	-1.6	5.0
<b>2015</b>	0.1	-2.5	0.5	2.7	0.9	-2.7	-0.9	-7.4	-1.4	-0.2	-0.2	-1.0	-11.7
<b>2016</b>	-2.3	0.4	-0.1	0.0	0.7	3.0	1.2	-0.7	0.5	-2.1	1.7		2.3

\* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	Absolute Return	S&P 500	Global Diversified
Year-to-Date Return	2.3%	9.8%	17.6%
Trailing 1-Year Return	1.3%	7.9%	14.1%
Trailing 3-Year Cume Return	-2.8%	29.4%	8.9%
Annualized Return from 2/1/03*	13.8%	9.1%	10.1%

\* Common start date for backtests of three LongRun strategies

## Portfolio Holdings for Prior Month and Current Month

November 2016*		December 2016	
EEM	Emerging Mkt Stocks	IWM	US Small Cap Stocks
EMB	Emerging Mkt Bonds	MDY	US Mid Cap Stocks
HYG	US High Yield Bonds	SPY	US Large Cap Stocks
XLE	Energy Sector	XLE	Energy Sector

\*Allocation was changed post-election

## Management and Operational Details

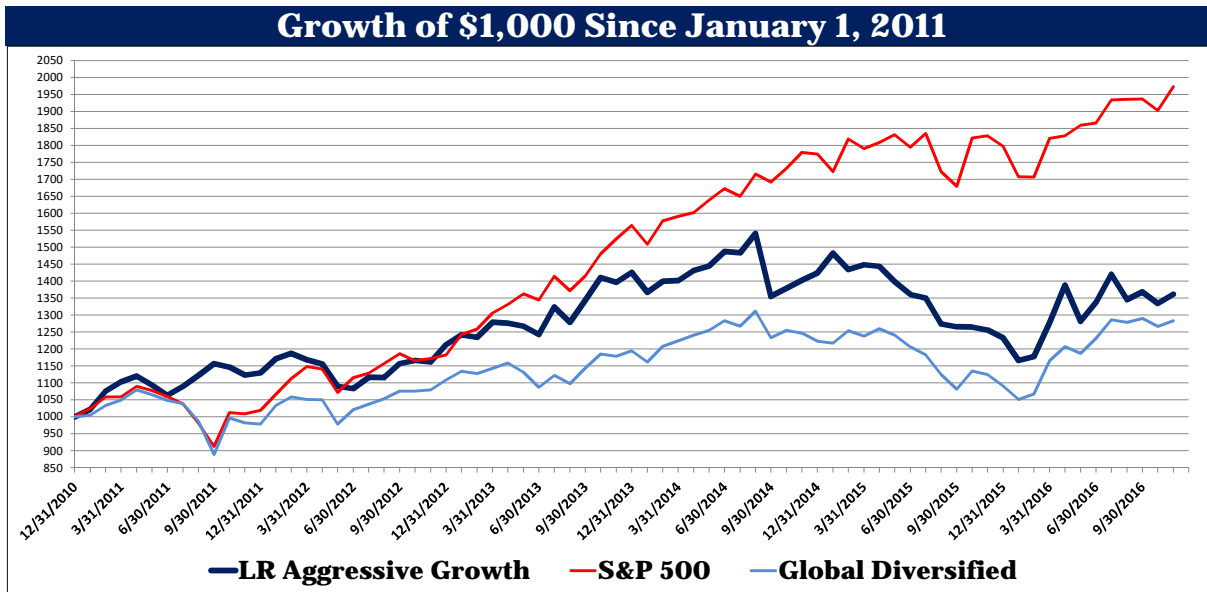
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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# LongRun Aggressive Growth Strategy - Nov 2016



The LongRun Aggressive Growth Strategy is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a diverse selection of equity and fixed income investments. Aggressive Growth is designed to significantly outperform benchmark returns over a full market cycle with less risk. ETFs are ranked based on total return for a relatively short lookback period as the single quantitative factor. The Aggressive Growth portfolio is always invested in the top three ETFs from the monthly ranking. In our research, this methodology demonstrated a higher return/higher risk profile than the Absolute Return strategy.



### Return Data for the Strategy (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2011</b>	2.2	5.2	2.6	1.6	-2.4	-2.8	2.4	2.9	3.2	-0.9	-2.0	0.6	<b>13.0</b>
<b>2012</b>	3.7	1.3	-1.6	-1.0	-5.7	-0.6	3.1	-0.1	3.7	0.8	-0.4	4.4	<b>7.3</b>
<b>2013</b>	2.4	-0.6	3.6	-0.2	-0.7	-1.9	6.5	-3.4	5.1	5.0	-1.0	2.1	<b>17.5</b>
<b>2014</b>	-4.1	2.3	0.1	2.2	0.9	2.9	-0.3	3.9	-12.0	1.7	1.8	1.5	<b>-0.1</b>
<b>2015</b>	4.1	-3.2	1.0	-0.3	-3.2	-2.7	-0.8	-5.6	-0.7	-0.1	-0.6	-1.9	<b>-13.5</b>
<b>2016</b>	-5.4	1.0	8.5	8.7	-7.7	4.4	6.2	-5.2	1.7	-2.5	2.1		<b>10.5</b>

Returns for all periods represent client composite results.

	<u>Aggressive Growth</u>	<u>S&amp;P 500</u>	<u>Global Diversified</u>
Year-to-Date Return	10.5%	9.8%	17.6%
Trailing 1-Year Return	8.4%	7.9%	14.1%
Trailing 3-Year Cume Return	-2.5%	29.4%	8.9%
Annualized Return from 2/1/03*	16.7%	9.1%	10.1%

\* Common start date for backtests of three LongRun strategies

### Portfolio Holdings for Prior Month and Current Month

November 2016*		December 2016	
<b>EEM</b>	Emerging Mkt Stocks	<b>IJR</b>	US Small Cap Stocks
<b>ILF</b>	Latin America	<b>XLE</b>	Energy Sector
<b>XLE</b>	Energy Sector	<b>XME</b>	Metals & Mining

\*Allocation was changed post-election

### Management and Operational Details

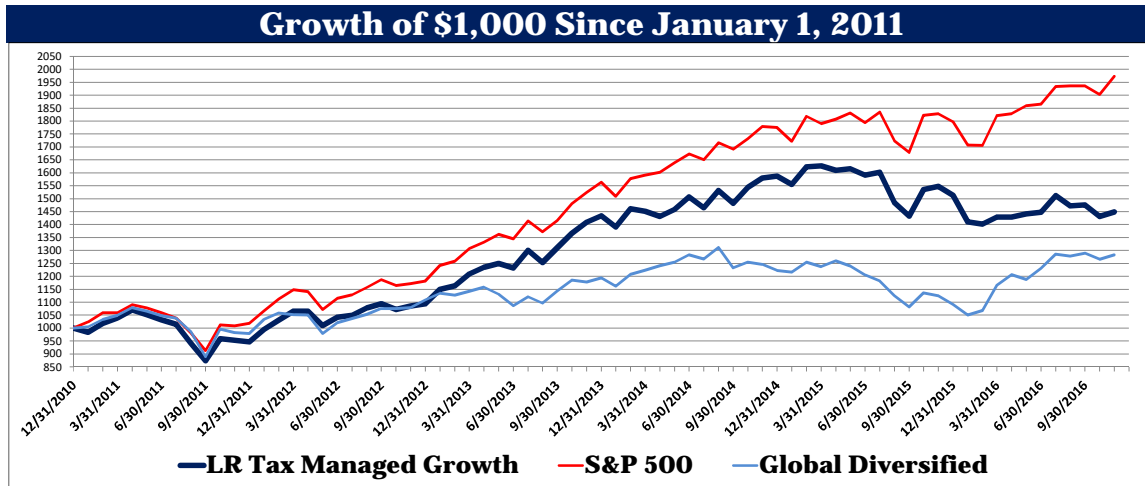
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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# LongRun Tax Managed Growth Strategy - Nov 2016



The LongRun Tax-Managed Growth Strategy ("TMG") is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a diverse selection of primarily equity and fixed income investments. TMG is designed to outperform benchmark returns over a full market cycle with less risk while also being highly tax efficient. ETFs are ranked based on an assessment of relative strength versus each of the 36 ETFs in the model. The strategy generally owns the top 8 ETFs subject to a buffer and may also allocate as much as 100% to cash in adverse market conditions. Rankings are reviewed daily and holdings adjusted as ranking changes dictate.



### Return Data for the Strategy (%)\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2011</b>	-1.7	3.5	2.2	2.9	-1.7	-1.9	-1.7	-7.1	-7.3	9.7	-0.6	-0.6	-5.3
<b>2012</b>	5.1	3.6	3.4	0.0	-5.3	3.3	0.6	2.8	1.5	-2.1	1.3	0.8	15.5
<b>2013</b>	5.1	1.2	3.9	2.2	1.2	-1.4	5.6	-3.6	4.5	4.2	3.2	1.8	31.2
<b>2014</b>	-3.1	5.1	-0.6	-1.4	1.9	3.3	-2.8	4.6	-3.3	4.2	2.3	0.5	10.7
<b>2015</b>	-2.1	4.4	0.2	-1.1	0.4	-1.6	0.7	-7.3	-3.5	7.1	0.8	-2.3	-4.7
<b>2016</b>	-6.7	-0.6	1.9	0.0	0.9	0.4	4.5	-2.7	0.2	-3.0	1.2		-4.2

\* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	Tax-Managed Growth	S&P 500	Global Diversified
Year-to-Date Return	-4.2%	9.8%	17.6%
Trailing 1-Year Return	-6.4%	7.9%	14.1%
Trailing 3-Year Cume Return	2.8%	29.4%	8.9%
Annualized Return from 2/1/03*	12.9%	9.1%	10.1%

\* Common start date for backtests of three LongRun strategies

### Portfolio Holdings for Latest Prior and Current Month

November 2016*		December 2016	
ILF	Latin America	IJT	US Small Cap Growth Stocks
QQQ	NASDAQ 100	QQQ	NASDAQ 100
TLT	20+ Year Treasury Bonds	RSP	US Equal Weight Large Stocks
XLP	US Consumer Staples	XLP	US Consumer Staples
XLJ	US Technology	XLK	US Technology
XLV	US Healthcare	XLV	US Healthcare
XLY	US Consumer Discretionary	XLY	US Consumer Discretionary
XME	Metals & Mining	XME	Metals & Mining

\*Allocation was changed post-election

Holdings shown reflect the portfolio at the start of the given month; changes are infrequent but may occur intra-month

### Management and Operational Details

Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

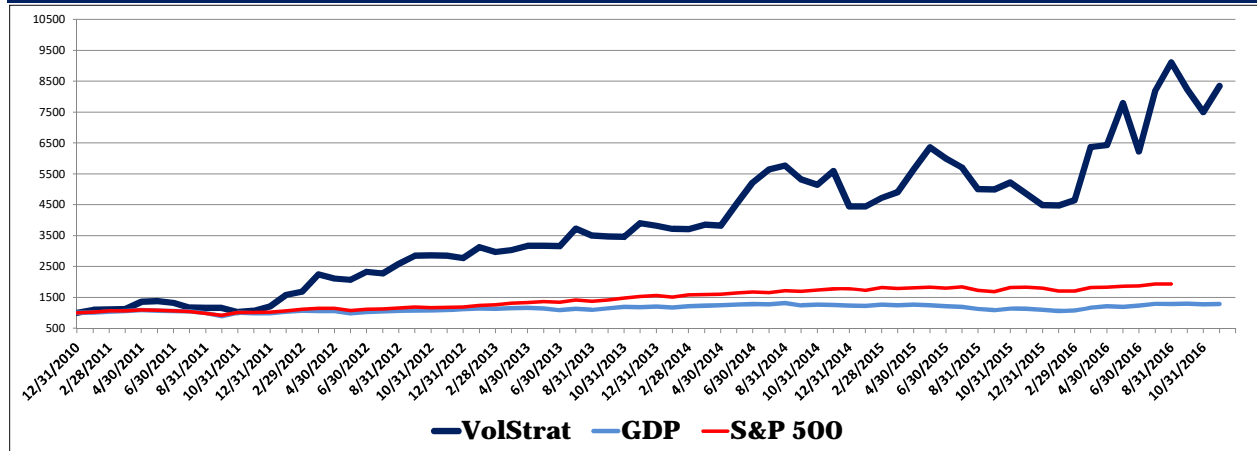
**IMPORTANT DISCLOSURES:** This document is not an offering to sell or the solicitation of an offering to purchase an interest in any of the separate account strategies offered by LongRun Capital Management LLC. S&P 500 benchmark represents the total return (including dividends) of the SPDR S&P 500 ETF (SPY). Global Diversified benchmark is the total return of an equal-weight portfolio consisting of 14 ETFs allocated approximately 70% equity (40% US and 30% international) and 30% fixed income. Investment returns shown for LongRun strategies represent actual client composite performance net of fees and expenses for certain periods and estimated net returns derived from a statistical backtest for other periods. The rule-sets used to determine month-to-month holdings of the LongRun strategy were applied consistently for the backtest period. Results of the complete backtest are available upon request. Underlying data has been obtained from sources believed to be reliable and LongRun is not responsible for errors or omissions in that data. Performance of individual separately managed accounts may vary from composite performance. Past performance (estimated or actual) is not necessarily indicative and is not a guarantee of future performance. Information regarding LongRun's management fees and the value of assets included in the composite results is available upon request. In addition, LongRun's disclosure document, Form ADV Part 2A, is available online at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or upon request.

# LongRun Volatility Strategy - Nov 2016



The LongRun Volatility Strategy (VolStrat) is designed to produce aggressive returns with a low correlation to broad equity market indices. VolStrat uses a systematic approach to investing in volatility through exchange traded products that are either long or short VIX futures and may also take a neutral position in cash. VolStrat methodology is the product of extensive research into the behavior of equity market volatility and securities designed to harvest returns from that behavior. Backtest results and recent live trading demonstrate attractive long-term returns but also periods of very high volatility. Investors must have a high tolerance for exposure to significant drawdowns in the value of their investment. VolStrat produces short-term gains and losses and is therefore most appropriate for tax-advantaged structures such as retirement accounts, charitable entities and private insurance vehicles.

## Growth of \$1,000 Since 12/31/2010



## Return Data for the Strategy (%)\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2011</b>	9.7	0.9	0.3	21.9	1.1	-3.1	-12.5	-0.2	-0.2	-11.5	4.0	13.9	21.1
<b>2012</b>	30.7	6.3	33.4	-6.0	-2.2	12.7	-2.1	13.5	9.9	0.5	-0.4	-2.3	129.2
<b>2013</b>	12.5	-4.9	2.2	4.3	-0.2	-0.2	18.0	-6.0	-1.0	-0.1	12.7	-2.0	37.7
<b>2014</b>	-3.0	-0.2	4.1	-0.9	18.7	15.3	8.1	2.1	-7.6	-3.5	8.8	-20.5	16.3
<b>2015</b>	-0.2	6.3	4.1	15.0	12.6	-5.8	-4.7	-12.3	-0.2	4.6	-6.9	-7.8	0.8
<b>2016</b>	-0.2	3.8	37.2	1.0	21.1	-20.2	31.8	11.2	-9.6	-9.1	11.2		85.7

\* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	VolStrat	S&P 500	Global Diversified
Year-to-Date Return	86.1%	9.8%	17.6%
Trailing 1-Year Return	71.7%	7.9%	14.1%
Annualized Return from August 2008*	59.5%	8.9%	4.7%

\* Start date of VolStrat backtest

## Fund Holdings for Prior Month and Current Month

November 2016		December 2016	
XIV	Inverse VIX	XIV*	Inverse VIX
CASH			

\*Represents current positioning of LongRun Volatility Strategy that is subject to change at any time

## Management and Operational Details

Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of assets invested in the strategy (subject to future increases)
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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