

Jan 2017

AR +0.21% AG +3.61% TMG +3.54% SP500 +1.79% R2000 +0.28% GDP +2.87%

Commentary

Coming into January, investors worried that profit taking and anticipation of lower tax rates would trigger a sell-off and the last week of December seemed to confirm those fears. But as we experienced throughout 2016, concerns were off-base and January saw further gains from equity markets. The inauguration came and went with less turmoil in the markets than there was in the streets. Liquidity remains strong and Wall Street is giving Trump a chance. International equities were significantly stronger than US in January. It's possible that money is moving away from potential political uncertainty in Washington.

The primary LongRun strategies (Absolute Return, Aggressive Growth and Tax Managed Growth) turned in positive returns for the month. AG (+3.6%) and TMG (+3.5%) saw a big benefit from holding Metals & Mining (XME) that was up almost 10%. On the other side, AR (+0.2%) was held back by Energy (XLE) that was the weakest name on our list coming off a strong show in November and December. All three strategies entered February with no change to their holdings – a strong tilt to US equities including commodity exposure. In another indication that investors are looking past the headlines, volatility continued to drop in January and our VolStrat took advantage to the tune of almost 30%. The financial press is working overtime to call a bottom for VIX and that day will come, but things can stay quiet longer than most people believe.

In addition to digesting tweets and executive orders from the White House, investors are tracking earnings reports where there have been some big winners (e.g. Apple) and losers (e.g. Amazon, GoPro). We don't yet have a full picture but the market has so far taken the news in stride. We also had an uneventful Fed meeting last week. After the December rate hike, the committee took a pause to gather more economic data and get a better sense of what the President and Congress will prioritize on the fiscal side. Executive orders play to Trump's base but they don't enact legislation to reform taxes, repeal and replace the ACA, or build the wall. Based on the modest gains forecast for the market in 2017 (averaging 5%), it wouldn't be surprising to see some sideways action while we wait for real clarity on priorities and timing. We also still have the usual suspects that could trigger a sell-off (China, Middle East, French and German elections, Italian banks, terrorism). Right now, however, markets still have good momentum. As with low volatility, momentum will change at some point. We are on watch and our strategies are designed to adapt.

"One cool judgment is worth a dozen hasty councils. The thing to do is to supply light and not heat."
Woodrow Wilson, 28th U.S. president

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LongRun Monthly Strategy Review



Jan 2016

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Selected Asset Class Returns for Trailing Twelve Months (%)

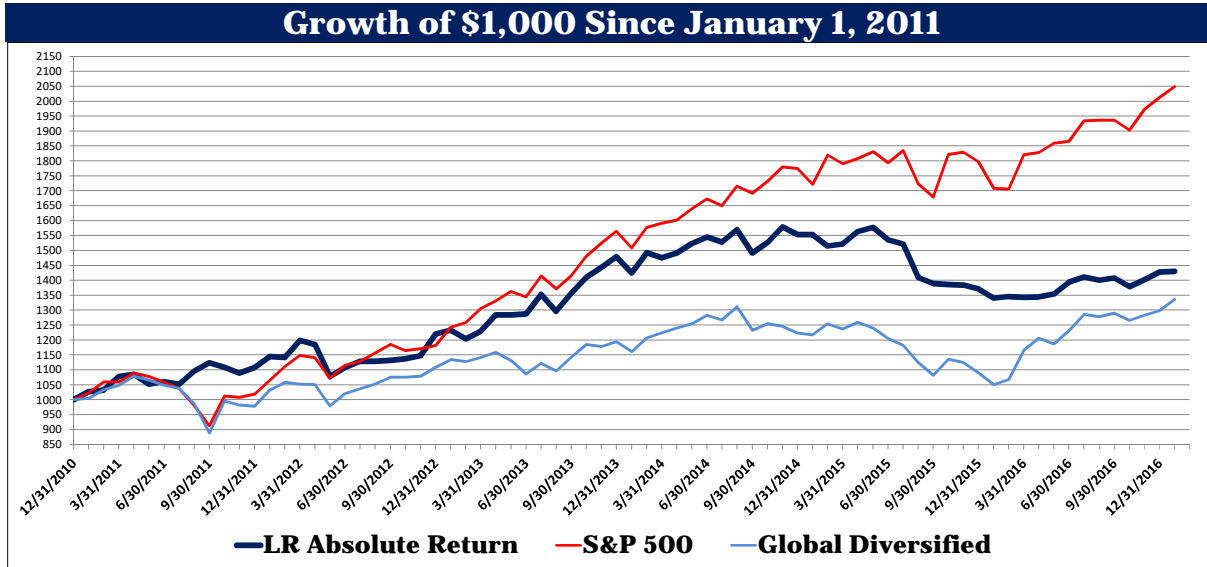
	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	YTD	TTM
US Equity														
SPY S&P 500	-0.1	6.7	0.4	1.7	0.4	3.7	0.1	0.0	-1.7	3.7	2.0	1.8	1.8	19.9
MDY Mid Cap	1.2	8.5	1.2	2.3	0.5	4.2	0.5	-0.6	-2.7	7.9	2.2	1.7	1.6	29.6
IWM Small Cap	-0.2	8.0	1.7	2.2	0.0	5.9	1.8	1.1	-4.6	11.1	2.9	0.3	0.3	33.4
QQQ NASDAQ 100	-1.6	6.9	-3.2	4.4	-2.3	7.2	1.1	2.2	-1.5	0.4	1.1	5.1	5.1	20.9
IYR Real Estate	-0.8	10.3	-1.7	2.2	6.2	3.7	-3.4	-1.5	-5.0	-2.3	4.3	0.1	0.1	11.7
XLB Materials	7.8	7.6	5.1	-0.3	-0.8	5.1	-0.3	-1.2	-2.1	6.8	0.2	4.6	4.6	36.8
XLE Energy	-2.8	10.2	9.1	-0.9	2.7	-1.3	1.7	3.7	-2.8	8.5	1.7	-3.2	-3.2	28.4
XLF Financials	-2.9	7.3	3.6	1.9	-3.3	3.5	3.9	-2.9	2.3	14.0	3.8	0.3	0.3	34.7
XLI Industrials	4.3	7.0	1.2	-0.4	0.7	3.6	1.0	0.2	-2.0	9.1	0.0	1.9	1.9	29.2
XLK Technology	-0.7	8.8	-5.0	4.9	-1.4	7.1	1.2	2.1	-0.7	0.2	2.3	3.6	3.6	23.7
XLP Staples	0.3	4.7	-1.4	0.7	5.4	-0.8	-0.6	-1.5	-0.8	-4.2	3.0	1.7	1.7	6.2
XLU Utilities	1.9	8.0	-2.4	1.5	7.6	-0.7	-5.5	0.4	0.9	-5.4	4.9	1.3	1.3	12.0
XLV Healthcare	-0.4	2.7	3.0	2.2	0.9	4.9	-3.2	-1.5	-6.6	2.1	0.7	2.3	2.3	6.7
XLV Discretionary	0.5	6.7	0.1	0.1	-1.1	4.6	-1.4	-0.3	-2.4	-2.4	0.0	4.2	4.2	8.4
XME Metals & Mining	20.0	23.1	20.3	-10.5	11.2	18.9	-11.5	3.6	-4.0	22.1	-2.0	9.8	9.8	143.1
Int'l Equity														
DXJ Japan	-12.5	5.0	-6.0	6.8	-10.7	5.0	6.1	-0.6	5.2	9.0	1.7	0.7	0.7	7.2
EEM Emerging Mkts	-0.8	13.0	0.4	-3.7	4.6	5.4	0.9	2.5	-0.8	-4.4	-0.3	6.7	6.7	24.5
EFA Developed Int'l	-3.3	6.6	2.2	-0.1	-2.4	4.0	0.1	1.3	-2.2	-1.8	2.7	3.3	3.3	10.3
EPP Asia Pac ex Japan	-0.6	11.6	1.9	-2.2	2.0	6.5	-2.4	3.8	-3.0	0.1	-1.4	6.7	6.7	24.1
FXI China	-3.0	11.5	-0.7	0.4	2.4	2.4	4.6	2.6	-3.0	2.0	-5.8	5.7	5.7	19.6
ILF Latin America	1.6	20.7	7.8	-13.0	11.9	5.8	1.3	-0.5	10.8	-9.5	-0.8	9.8	9.8	49.9
VGK Europe	-3.2	7.0	2.8	-0.5	-4.0	3.5	0.7	0.8	-3.5	-2.3	4.9	3.0	3.0	8.6
Fixed Income														
AGG Aggregate Bond	0.9	0.9	0.3	0.0	1.9	0.6	-0.2	0.1	-0.8	-2.6	0.3	0.2	0.2	1.4
EMB EM Bonds	1.8	3.3	1.6	-0.2	4.2	1.4	1.3	0.4	-1.7	-4.3	1.5	1.7	1.7	11.1
HYG US High Yield	1.5	2.5	3.1	0.2	1.8	1.3	2.0	1.1	-1.0	0.0	1.8	0.9	0.9	16.3
LQD US IG Corporate	1.1	3.6	1.6	-0.5	3.1	1.3	0.2	-0.3	-1.5	-3.2	0.8	0.2	0.2	6.2
TLT US 20+ Treasury	3.1	-0.1	-0.7	0.8	6.9	2.1	-1.0	-1.5	-4.4	-8.2	-0.5	0.8	0.8	-3.4
Currencies														
UUP US Dollar	-1.4	-3.7	-1.8	3.1	0.0	-0.7	0.6	-0.6	3.0	3.3	0.8	-2.8	-2.8	-0.5
FXE Euro	0.4	4.5	0.6	-2.9	-0.4	0.7	-0.3	0.6	-2.4	-3.5	-0.7	2.5	2.5	-1.1
FXV Yen	7.3	0.2	5.7	-3.9	7.1	1.2	-1.4	2.0	-3.3	-8.4	-2.1	3.5	3.5	6.7
Dispersion	32.5	26.8	26.3	19.8	22.6	20.2	17.6	6.7	17.4	31.6	10.7	13.0	13.0	146.5
<i>High value minus low value for each month; large dispersion provides better opportunity for active strategies.</i>														
Global Diversified Benchmark														
	1.6	9.2	3.5	-1.6	3.7	4.4	-0.6	0.9	-1.9	1.4	1.2	2.9	2.9	27.1

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LongRun Absolute Return Strategy - Jan 2017



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.



Return Data for the Strategy (%)*													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	<i>2.7</i>	<i>0.5</i>	<i>4.4</i>	<i>0.8</i>	<i>-3.1</i>	<i>0.8</i>	<i>-0.7</i>	<i>4.2</i>	<i>2.6</i>	<i>-1.4</i>	<i>-1.7</i>	<i>1.6</i>	10.7
2012	<i>3.4</i>	<i>-0.3</i>	<i>5.0</i>	<i>-1.2</i>	<i>-9.1</i>	<i>2.8</i>	<i>1.9</i>	<i>0.0</i>	<i>0.3</i>	<i>0.5</i>	<i>0.8</i>	<i>6.3</i>	10.2
2013	<i>1.1</i>	<i>-2.4</i>	<i>2.1</i>	<i>4.4</i>	<i>0.0</i>	<i>0.3</i>	<i>5.1</i>	<i>-4.2</i>	<i>4.7</i>	<i>4.0</i>	<i>2.4</i>	<i>2.5</i>	21.3
2014	<i>-3.7</i>	<i>4.8</i>	<i>-1.2</i>	<i>1.1</i>	<i>2.2</i>	<i>1.4</i>	<i>-1.1</i>	<i>2.7</i>	<i>-5.0</i>	<i>2.3</i>	<i>3.4</i>	<i>-1.6</i>	5.0
2015	<i>0.1</i>	<i>-2.5</i>	<i>0.5</i>	<i>2.7</i>	<i>0.9</i>	<i>-2.7</i>	<i>-0.9</i>	<i>-7.4</i>	<i>-1.4</i>	<i>-0.2</i>	<i>-0.2</i>	<i>-1.0</i>	-11.7
2016	<i>-2.3</i>	<i>0.4</i>	<i>-0.1</i>	<i>0.0</i>	<i>0.7</i>	<i>3.0</i>	<i>1.2</i>	<i>-0.7</i>	<i>0.5</i>	<i>-2.1</i>	<i>1.7</i>	<i>1.8</i>	4.1
2017	<i>0.2</i>												0.2

* 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	0.2%	1.8%	2.9%
Trailing 1-Year Return	6.8%	20.0%	27.1%
Trailing 3-Year Cume Return	0.4%	35.8%	15.0%
Annualized Return from 2/1/03*	13.8%	9.2%	10.3%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month			
January 2017		February 2017	
IWM	US Small Cap Stocks	IWM	US Small Cap Stocks
MDY	US Mid Cap Stocks	MDY	US Mid Cap Stocks
SPY	US Large Cap Stocks	SPY	US Large Cap Stocks
XLE	Energy Sector	XLE	Energy Sector

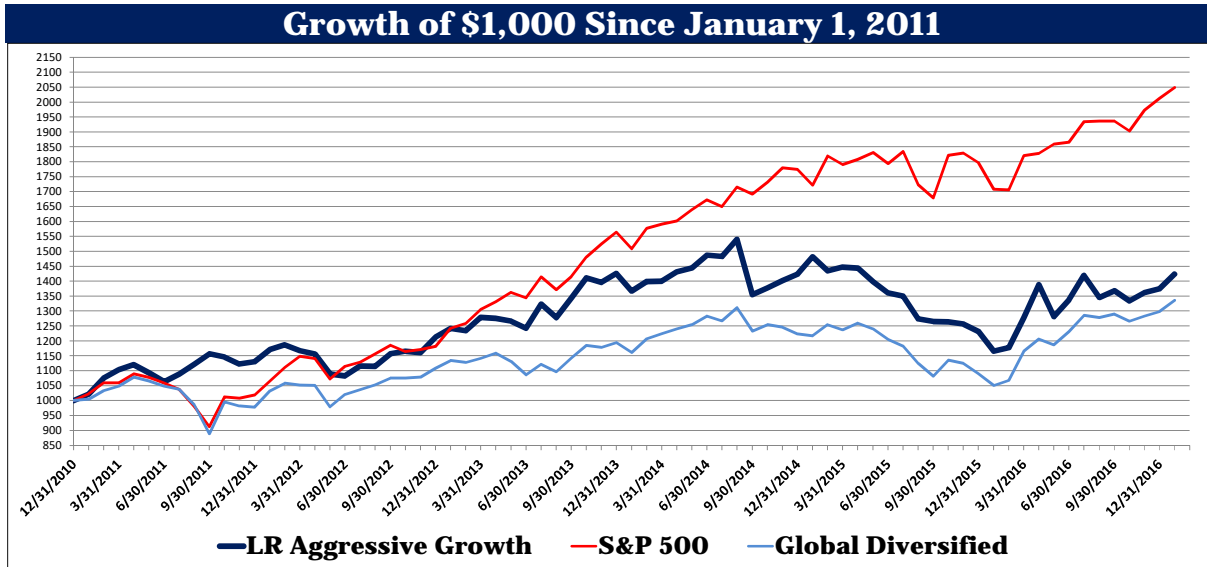
Management and Operational Details	
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$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 - Jan 2017



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
2011	2.2	5.2	2.6	1.6	-2.4	-2.8	2.4	2.9	3.2	-0.9	-2.0	0.6	13.0
2012	3.7	1.3	-1.6	-1.0	-5.7	-0.6	3.1	-0.1	3.7	0.8	-0.4	4.4	7.3
2013	2.4	-0.6	3.6	-0.2	-0.7	-1.9	6.5	-3.4	5.1	5.0	-1.0	2.1	17.5
2014	-4.1	2.3	0.1	2.2	0.9	2.9	-0.3	3.9	-12.0	1.7	1.8	1.5	-0.1
2015	4.1	-3.2	1.0	-0.3	-3.2	-2.7	-0.8	-5.6	-0.7	-0.1	-0.6	-1.9	-13.5
2016	-5.4	1.0	8.5	8.7	-7.7	4.4	6.2	-5.2	1.7	-2.5	2.1	1.0	11.6
2017	3.6												3.6

Returns for all periods represent client composite results.

	Aggressive Growth	S&P 500	Global Diversified
Year-to-Date Return	3.6%	1.8%	2.9%
Trailing 1-Year Return	22.2%	20.0%	27.1%
Trailing 3-Year Cume Return	4.1%	35.8%	15.0%
Annualized Return from 2/1/03*	16.8%	9.2%	10.3%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

January 2017		February 2017	
IJH	US Mid Cap Stocks	IJH	US Mid Cap Stocks
IJR	US Small Cap Stocks	IJR	US Small Cap Stocks
XME	Metals & Mining	XME	Metals & Mining

Management and Operational Details

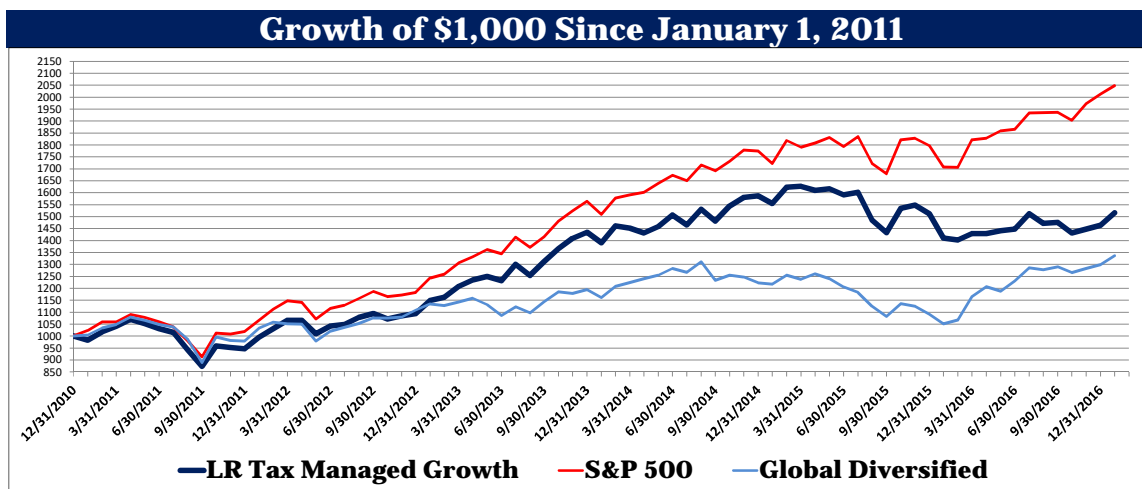
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above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

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LongRun Tax Managed Growth Strategy - Jan 2017



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
2011	<i>-1.7</i>	<i>3.5</i>	<i>2.2</i>	<i>2.9</i>	<i>-1.7</i>	<i>-1.9</i>	<i>-1.7</i>	<i>-7.1</i>	<i>-7.3</i>	<i>9.7</i>	<i>-0.6</i>	<i>-0.6</i>	-5.3
2012	<i>5.1</i>	<i>3.6</i>	<i>3.4</i>	<i>0.0</i>	<i>-5.3</i>	<i>3.3</i>	<i>0.6</i>	<i>2.8</i>	<i>1.5</i>	<i>-2.1</i>	<i>1.3</i>	<i>0.8</i>	15.5
2013	<i>5.1</i>	<i>1.2</i>	<i>3.9</i>	<i>2.2</i>	<i>1.2</i>	<i>-1.4</i>	<i>5.6</i>	<i>-3.6</i>	<i>4.5</i>	<i>4.2</i>	<i>3.2</i>	<i>1.8</i>	31.2
2014	<i>-3.1</i>	<i>5.1</i>	<i>-0.6</i>	<i>-1.4</i>	<i>1.9</i>	<i>3.3</i>	<i>-2.8</i>	<i>4.6</i>	<i>-3.3</i>	<i>4.2</i>	<i>2.3</i>	<i>0.5</i>	10.7
2015	<i>-2.1</i>	<i>4.4</i>	<i>0.2</i>	<i>-1.1</i>	<i>0.4</i>	<i>-1.6</i>	<i>0.7</i>	<i>-7.3</i>	<i>-3.5</i>	<i>7.1</i>	<i>0.8</i>	<i>-2.3</i>	-4.7
2016	<i>-6.7</i>	<i>-0.6</i>	<i>1.9</i>	<i>0.0</i>	<i>0.9</i>	<i>0.4</i>	<i>4.5</i>	<i>-2.7</i>	<i>0.2</i>	<i>-3.0</i>	<i>1.2</i>	<i>1.1</i>	-3.2
2017	<i>3.5</i>												3.5

* 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	3.5%	1.8%	2.9%
Trailing 1-Year Return	7.4%	20.0%	27.1%
Trailing 3-Year Cume Return	9.0%	35.8%	15.0%
Annualized Return from 2/1/03*	13.1%	9.2%	10.3%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Latest Prior and Current Month

January 2017		February 2017	
IJT	US Small Cap Growth Stocks	IJT	US Small Cap Growth Stocks
QQQ	NASDAQ 100	QQQ	NASDAQ 100
RSP	US Equal Weight Large Stocks	RSP	US Equal Weight Large Stocks
XLP	US Consumer Staples	XLP	US Consumer Staples
XLK	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

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

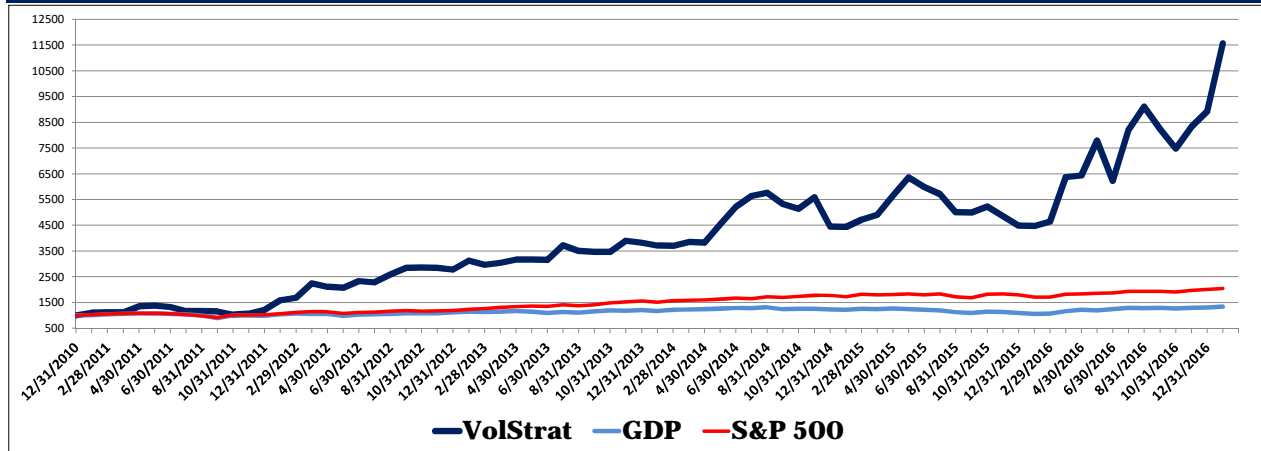
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LongRun Volatility Strategy - Jan 2017



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
2011	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
2012	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
2013	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
2014	-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
2015	-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
2016	-0.2	3.8	37.2	1.0	21.1	-20.2	31.8	11.2	-9.6	-9.1	11.2	7.1	98.9
2017	29.7												29.7

* 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	29.7%	1.8%	2.9%
Trailing 1-Year Return	158.6%	20.0%	27.1%
Annualized Return from August 2008*	64.3%	9.2%	5.1%

* Start date of VolStrat backtest

Fund Holdings for Prior Month and Current Month

January 2017	February 2017
XIV Inverse VIX	XIV* Inverse VIX

*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:	\$500,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of initial assets; 2% above threshold return
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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