OCEAN PARK
ASSET MANAGEMENT

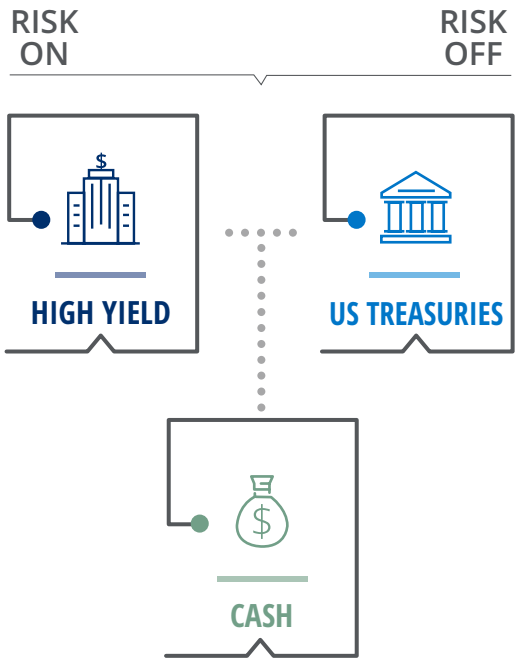
An Alternative Approach to a Traditional Asset Class

The Ocean Park Tactical Bond Strategy

FOR INVESTMENT PROFESSIONAL USE ONLY

What Makes This Strategy Different?

The **Ocean Park Tactical Bond Strategy** employs a truly tactical, rules-based approach to accessing two uncorrelated asset classes: High Yield Corporate Bonds (high yield) and Long-Duration U.S. Treasury Bonds.



Our Primary Asset Class: High Yield Corporate Bonds

Most of the time the Fund will be invested in high yield funds. Commonly referred to as junk bonds, this asset class tends to increase in value when the U.S. economy exhibits periods of expansion or growth. When economic conditions decline, due to emotional sentiment and/or increasing credit default risk, the asset class declines. High yield bonds tend to be less volatile than long-duration U.S. Treasury bonds.

Our Second Choice: Long-Duration U.S. Treasury Bonds

When the high yield markets turn down, the Strategy can move into long-duration U.S. Treasury bond funds. Considered to be immune from default risk because payment is backed by the full faith and credit of the U.S. Government, this asset class moves inversely to interest rates. Treasury bonds often rise in value when the economy exhibits weakness or when the stock market experiences large declines, making them an attractive alternative when high yield bonds are trending negatively.

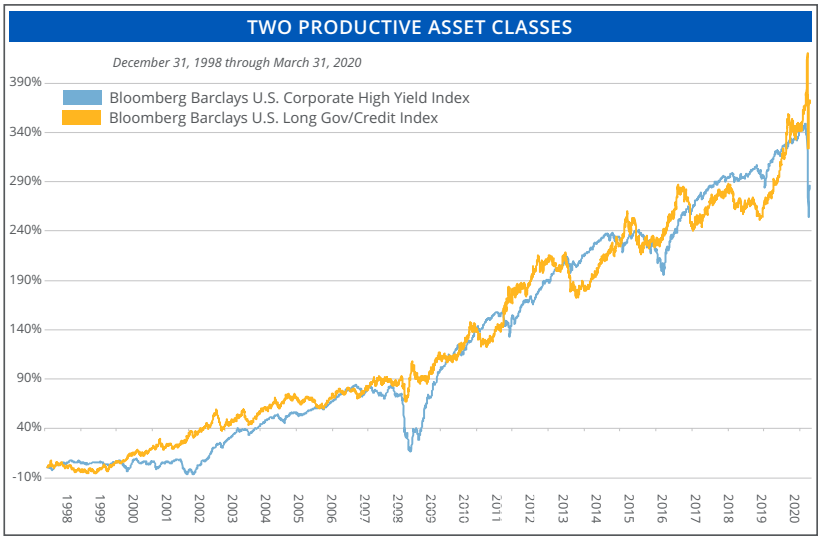
Our Last Resort: Cash

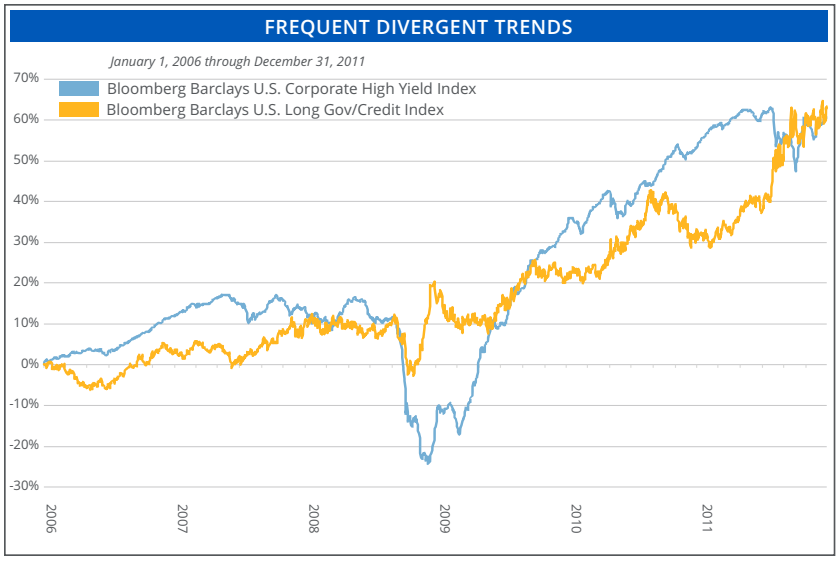
For the rare occasions when neither high yield bonds nor long-duration U.S. Treasury bonds are trending positively, to preserve capital we'll shift to cash as a temporary safe haven until trends in one of the other asset classes turn up.

Two Productive Asset Classes, Often Divergent

Over the long term, high yield bonds and long-duration U.S. Treasury bonds have each proven to be productive asset classes. But both are subject to occasional significant declines that many investors would find uncomfortable.

Sources: yCharts, Ocean Park Asset Management



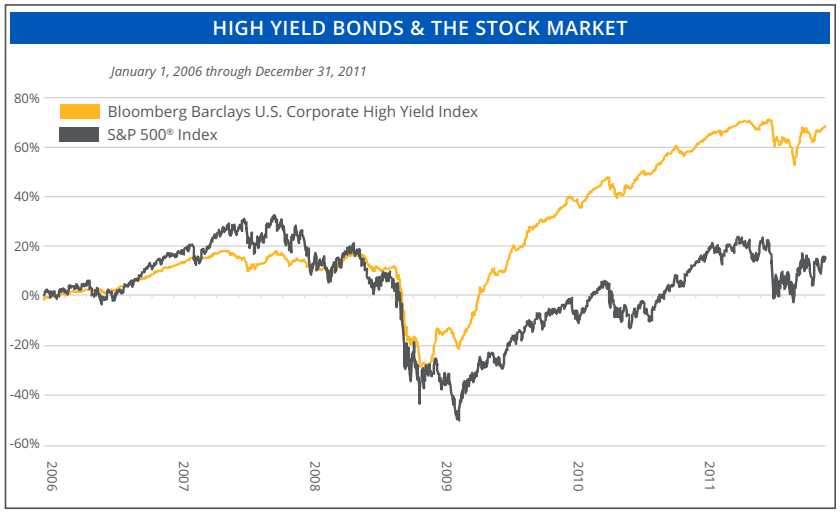


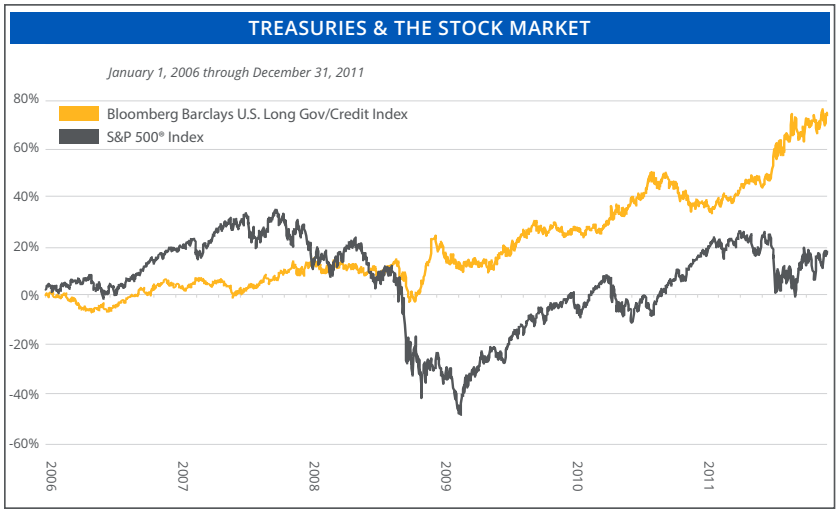
Prices in Treasury bonds and high yield bonds often trend in opposite directions. This is due to their respective responses to periods of economic strength or weakness, among other factors. So historically, it has been often productive to switch between the two when high yield bonds price trends reverse.

Sources: yCharts, Ocean Park Asset Management

High yield bonds tend to be correlated to the stock market, since both respond similarly to periods when the economy is strong, or weak. And high yield bond funds tend to be less volatile than stock funds.

Sources: yCharts, Ocean Park Asset Management





We believe high yield bond funds provide attractive dividend yields, and often rise in value when investors are confident about the economy. Treasury bonds decline in price when global interest rates rise. They tend to perform best when the U.S. economy shows signs of slowing or during periods of stock market uncertainty.

Sources: yCharts, Ocean Park Asset Management

A Truly Tactical Approach to Risk Management

As you've come to expect from a Ocean Park strategy, the Ocean Park Tactical Bond Strategy is managed with a truly tactical approach:

DIVERSIFICATION

Rather than constructing a portfolio by individually selecting a limited number of high yield bonds, Sierra diversifies across a variety of mutual funds and ETFs that, in total, own an abundance of high yield bonds. The result is an investment set that has the potential to limit the impact of price declines or credit defaults in any individual issues.

DIFFERENTIATION

Ocean Park's investable universe of mutual funds includes over 80 different management teams, with some variation of styles. Purchase decisions are based in part on the historical performance of these funds relative to their peer group, which demonstrates their success in adding value and avoiding defaults.

DEFENSIVE DISCIPLINES

Ocean Park's investment process attempts to limit the impact of any sustained decline in the high yield bond market and thereby mitigate downside risk (drawdowns). Through our tactical rules-based, sell discipline, our competitive advantage is that we have the ability to be up to 100% in cash by quickly shifting out of any holdings that pass through our trailing stop levels. This completely quantitative, rules-based discipline strives to keep the portfolio out of trouble, and helps reduce client anxiety in times of volatility or any sustained decline in the high yield market.

For Advisors who are seeking an alternative approach to a traditional asset class, the **Ocean Park Tactical Bond Strategy**, may be an appropriate compliment to your clients current investment mix.

Definition Key

The **S&P 500®** is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 9.9 trillion indexed or benchmarked to the index, with indexed assets comprising approximately USD 3.4 trillion of this total. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

The **Bloomberg Barclays U.S. Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The **Bloomberg Barclays U.S. Long Gov/Credit Index** is a float-adjusted version of the US Long Government/Credit Index, which tracks the market for investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

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Invest wisely. Rest easy.

Investment Objectives & Strategy

The Ocean Park Tactical Bond Strategy seeks to produce satisfying long-term returns while limiting downside risk. It uses a tactical approach to move between three uncorrelated asset classes: High Yield Corporate Bonds (HYCB), U.S. Treasuries, or Cash. Tactical Bond Strategy accounts are diversified among typically eight or more High Yield Corporate Bond mutual funds. When each underlying HYCB mutual fund hits its proprietary Sell level, we will move the relevant assets temporarily into a long-term Treasury bond fund (provided the Treasury fund is in an uptrend) until the next set of Buy signals in the HYCB funds. If the Treasury fund is not in an uptrend, we will instead move temporarily into a moneymarket fund until either the HYCB funds or Treasury fund gives a new Buy signal.

Investors are not able to invest directly in the indices referenced in this illustration. The referenced indices are shown for general market comparisons and are not meant to represent the Portfolio.

Shares of ETFs may trade at a discount or a premium in market price if there is a limited market in such shares and are also subject to brokerage and other trading costs, which could result in greater expenses to the Fund.

Past performance does not guarantee future results and there is no assurance that any investment strategy will achieve its investment objective.

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