

## Disciplined Risk Management



## Outcomes Delivered by Discipline

Since 1987, our investment disciplines have sought to help investors limit downside risk and grow their wealth. Through the years, we have remained committed to our truly tactical, rules-based investment process. Using decades of strategic research and our rules-based disciplines, we provide solutions that can complement investment portfolios, and strive to help advisors and their clients meet their investment goals.

We believe every good investment manager should be able to answer the questions “When do you buy?” “What do you buy?” and “When do you sell?” For us, the answers to those questions form the foundation of a tactical approach that has served investors for more than 35 years.

### Truly Tactical Rules-Based Decision Making

#### WHEN TO BUY



**Trend Following**

#### WHAT TO BUY



**Security Selection**

#### WHEN TO SELL



**Trailing Stop Discipline**



## When to Buy

- We evaluate buying opportunities when our quantitative decision rules identify an uptrend in the price of a security.
- An uptrend is determined by a security's price rising above both the recent low of its upper band and a secondary moving average.
- A security's bands are related to its historic volatility and are offset above and below a short-term exponential moving average.



## What to Buy

- We seek to buy securities exhibiting strong risk-adjusted returns during a recent uptrend.
- Additional metrics, such as strength of the recent uptrend, historical volatility, and correlation to existing holdings, are considered in portfolio construction.
- If there are multiple securities with buy signals in the same asset class, preference is towards buying securities with better, recent risk-adjusted performance.
- For multi-asset-class portfolios, if there are a number of securities with buy signals across different asset classes, risk and diversification are also considered, with the goal of preventing one asset class from having an outsized impact on the portfolio.



## When to Sell

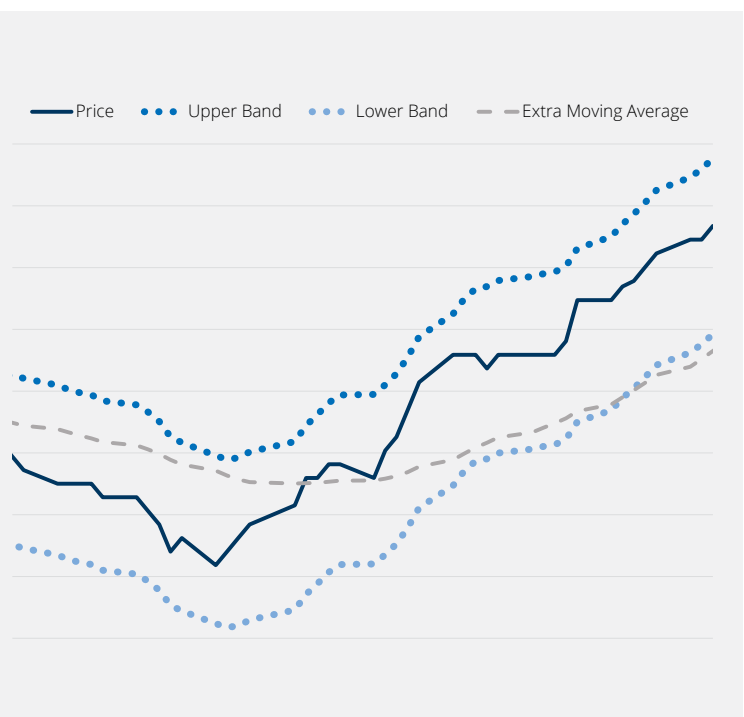
- We will sell a security when our quantitative decision rules identify a downtrend in the price of a security.
- A downtrend is determined by a security's price falling below the recent high of its lower band – an event which triggers a sell signal.
- Our Trailing Stop Discipline seeks to limit the impact of a further decline in value of a security on the overall portfolio.
- Our Trailing Stop Discipline is applied across positions in each of our managed portfolios and monitored daily.
- When a position is sold, we may keep the proceeds in cash or buy another security.

## When to Buy or Sell?

Our quantitatively-based investment disciplines only invest when an uptrend has been established. We use exponential moving averages to help drive our decisions.

An exponential moving average is a type of moving average that places a greater weight and significance on the most recent data points, and therefore, reacts more significantly to recent price changes compared to a simple moving average.

We create custom upper and lower bands for each eligible fund to help us identify when to buy or sell. The widths of the bands are related to the historic volatility of each fund and are set such that we would not anticipate more than two round trips per year. And we apply this rules-based discipline separately to each fund, rather than having a generic asset class-based signal.



This chart is an illustrative example of how the trend-buying methodology and trailing stop discipline are applied. They are not representative of any actual security or client portfolio. Provided for educational purposes only.

**Past performance is not an indication of future results and there is no guarantee that any investment strategy will achieve its objectives, generate profits, or avoid losses.**

**Investors should carefully consider the investment objectives, risks, charges and expenses of the Sierra Mutual Funds. This and other information about the Funds is contained in their prospectuses and should be read carefully before investing. The prospectuses can be obtained by visiting [sierramutualfunds.com](http://sierramutualfunds.com) or by calling toll free 1-866-738-4363 (1-866-RETI-FND).**

**Trailing Stop Discipline (“Discipline”).** This proprietary Discipline has the objective of limiting the magnitude for portfolio drawdowns. The Discipline is based on a manual process that defines sell levels/signals for security holdings in decline, as measured by its price falling below the recent high of its lower band. These are not market orders. Ocean Park utilizes this Discipline directly in the management of non-affiliated holdings. Ocean Park invests in its affiliated Sierra Mutual Funds (“Funds”) and the Discipline is applied at the Underlying Funds level, not on the Funds themselves.

Please see our Form ADV Part 2A for information on conflicts of interest that exist as a result of Ocean Park investing in affiliated Funds.

**Cash Exposure.** In the absence of buy signals, and/or temporarily following a sell signal, portfolios can have exposure to 100% cash and cash equivalent asset classes. Because our affiliated Funds utilize the same discipline, the Underlying Holdings of any Fund can also have cash exposure. Cash exposure in Ocean Park portfolios therefore considers both the direct cash exposure as well as the cash exposure within the affiliated Funds.

**Underlying Fund Risk.** Each Underlying Fund is subject to specific risks, depending on its investments. Underlying Funds are also subject to investment advisory fees and other expenses, which are indirectly borne by the Fund. As a result, your overall cost of investing in the underlying stocks, bonds and other basic assets will be higher than the cost of investing directly in them, and may be higher than other mutual funds that invest directly in stocks and bonds.

The Sierra Mutual Funds are distributed by Northern Lights Distributors, LLC, member FINRA/SIPC. Sierra Mutual Funds / Ocean Park Asset Management, LLC and Ocean Park Asset Management, Inc. are not affiliated with Northern Lights, LLC..

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