



# Julex Capital Management, LLC

Upside Participation, Downside Protection

## Julex Dynamic Income Index

### Index Description

The Julex Dynamic Income Index (“Julex Income Index”) is an innovative, quantitative-driven index designed to provide enhanced risk and return performance within the global income-paying multi-asset class universe through dynamic asset allocation.

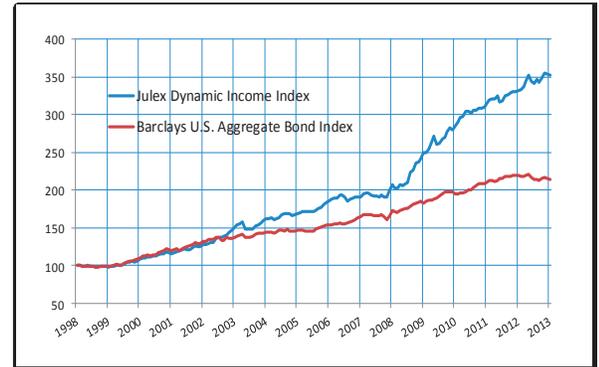
The Julex Income Index provides downside protection and upside participation through a 3-step investment process that:

1. identifies the risk state of the economy and capital markets through fundamental and technical methods,
2. evaluates macro asset classes that are best likely to outperform in the identified risk state, and
3. optimizes the asset allocation through a risk parity approach.

Because investors cannot invest directly in an index, Julex Capital Management, LLC manages a portfolio of macro asset class exchange-traded products (“ETP”) providing targeted exposure to the model results. The portfolio attempts to replicate the performance and characteristics of the Julex Income Index. The portfolio is long-only and employs no derivatives and no leverage.

### Portfolio Components

The strategy invests in either risky assets or less risky assets depending upon the risk state. Risky assets include U.S. dividend-paying equities, high yield bonds, energy MLPs, emerging market bonds, bank loans, preferred stocks and real estate. Less risky assets include U.S. Treasury bonds, TIPS, and cash equivalents. It is a flexible strategy that will include allocations that can be either focused or diversified depending upon the risk environment. The model was enhanced during Q4 2013 to provide higher expected levels of return and risk with a stable Sharpe ratio.



	Julex Dynamic Income Index	Barclays Aggregate U.S. Bond Index	Difference
December 1992-December 2013			
Annual Return	8.7%	5.8%	2.9%
Standard Deviation	4.8%	3.7%	1.1%
Max. Drawdown	6%	5%	1%
Sharpe Ratio	1.2	0.7	0.5
Expected time to Recover (years)	0.7	0.9	-0.2

Year	Julex Dynamic Income Index	Barclays Aggregate U.S. Bond Index	Difference
2000	9.9%	11.6%	-1.7%
2001	7.0%	8.4%	-1.4%
2002	10.1%	10.3%	-0.2%
2003	19.1%	4.1%	15.0%
2004	7.3%	4.3%	3.0%
2005	3.6%	2.4%	1.2%
2006	9.9%	4.3%	5.6%
2007	3.1%	7.0%	-3.9%
2008	8.4%	5.2%	-3.2%
2009	20.6%	5.9%	14.7%
2010	14.1%	6.5%	7.6%
2011	10.3%	7.5%	2.8%
2012	5.6%	4.2%	1.4%
2013	6.4%	-2.0%	8.4%

**Julex Capital Management, LLC** (Julex) is an investment advisory firm dedicated to creating innovative solutions for institutions and individuals. Julex is managed by industry veterans with strong academic and practical experience in portfolio management, asset allocation, risk management and quantitative research across asset management, hedge fund and insurance industries. Julex offers a variety of multi-asset, rule-based, and risk-managed total return strategies that are designed to deliver consistent returns with low volatility and drawdowns in both bull and bear markets.



### Consistent Returns in Both Bull and Bear Markets

We deliver better risk-adjusted return with lower risk and draw-down than traditional and other alternative investments.

### Downside Risk Management

We emphasize capital preservation and manage downside risk through our systematic risk indicator and risk-balanced portfolio construction approach.

### Global Multi Asset Investments

We diversify and search for the best opportunities globally and across asset classes.

### Daily Liquidity and Transparency

We implement our strategies with liquid ETF/ETNs in separately managed accounts that provide daily liquidity and transparency.

Brian Phelan  
 Managing Director, Sales  
 800 Boylston Street  
 16th Floor  
 Boston, MA 02199  
 Tel: 857-453-6669  
 brian.phelan@julexcapital.com  
 www.julexcapital.com



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### Disclosure

This fact sheet is for the purpose of information exchange. This is not a solicitation or offer to buy or sell any security. You must do your own due diligence and consult a professional investment advisor before making any investment decisions. The use of a proprietary technique, model or algorithm does not guarantee any specific or profitable results. **Past performance is not indicative of future returns.** The performance data presented are gross returns.

The risk of loss in trading securities can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. All information posted is believed to come from reliable sources. We do not warrant the accuracy or completeness of information made available and therefore will not be liable for any losses incurred.

The investment performance shown in this fact sheet is HYPOTHETICAL. It is based on the back tests of historical data. Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the presentation of hypothetical performance results and all of which can adversely affect actual trading results.

In the back test, we use the data of underlying indices rather than EFTs to get longer histories. Some of the data do not go back to the start of testing period. In those situations, we use proxies or keep the data incomplete. Therefore, the early test results do not cover all the indices.

#### Note on Data

In the back tests, we used data of the underlying indices rather than the ETFs to get longer histories. For some of the indices that do not have data dated back to the start of testing period, we used proxies, approximation or just left them incomplete. The following are the details:

(1) SP 500 Index: 1/1970-present; (2) Russell 2000 Index: 1/1979- present, proxy 1/1970-12/1978 SP500 Index; (3) EAFE Index: 1/1970-present; (4) MSCI Emerging Market Index: 1/1988-present, proxy 1/1970-12/1987 MSCI EAFE Index; (5) FTSE Equity REIT: 1/1972-present; (6) JP Morgan Alerian MLP Index: 1/1996- present, proxy 1/1972-12/1995 REIT Index; (7) London Gold Price: 1/1970-present; (8) SPGC Commodity Index: 1/1970-present; (9) Barclays Capital HY index: 07/1983- present, approximation: 01/1970-06/1983 0.5\**Russell 2000*+0.5\**Barclays Aggregate Bond*; (10) Barclays Capital US Aggregate Index: 1/1976 - present, proxy 1/1973-12/1975 Barclays Treasury Index; (11) Barclays Capital US TIPS Index: 3/1997-present, proxy 1/1973-2/1997 Barclays Treasury Index; (12) Barclays Capital US Treasury Index: 1/1973-present; (13) Barclays Capital US Treasury 20YR+ Index: 2/1992-present, approximation: 1/1973-1/1992 3\**Barclays Treasury Index* - 2\*3-Month Treasury Bill; (14) US Three-Month Bill: 1/1970-present; (15) Dow Jones Dividend Select Index: 2/1992 - present; (16) JP Morgan Emerging Market Bond Index: 1/1998 - present, proxy 2/1992 - 12/1997 Barclays US High Yield Index; (17) The underlying indices of the S&P Sectors, S&P Large Cap Growth and Value Indices, Russell Mid Cap Growth and Value Indices, Russell Small Cap Growth and Value Indices: 12/1997- 09/2012; (18) S&P Latin America 40 Index: 12/2000-10/2012; (19) MSCI Mexico Index: 12/1997-10/2012; (20) MSCI Korea Index: 12/1998-10/2012; (21) MSCI South Africa Index: 12/1998-10/2012; (22) iShares FTSE China 25 ETF: 10/2004-10/2012; (23) DAX Global Russia Index: 09/2001-10/2012; (24) MSCI Chile Index: 12/1997-10/2012; (25) MSCI Malaysia Index: 12/1998-10/2012; (26) MSCI Taiwan Index: 12/1998-10/2012; (27) MSCI India Index: 12/1998-10/2012; (28) MSCI Indonesia Index: 12/1998-10/2012; (29) MSCI Thailand Index: 12/1997-10/2012; (30) S&P BMI Emerging Market Small Cap Index: 12/1997-10/2012; (31) WisdomTree Emerging Market High-Dividend Index: 5/2007-10/2012; (32) Barclays Capital US Aggregate Bond Index, Barclays Capital TIPS Index, Barclays Capital US Treasury Bond Index, Barclays Capital Treasury 20+ Year Index: 12/1997-10/2012. (Source: Bloomberg, Yahoo)

The indices shown here are not investable so Julex uses ETFs, ETNs, and registered funds to implement the investment strategy. These investment vehicles have their own fees and costs associated with them and will not exactly match the performance of the index they represent. ETFs and ETNs trade like stocks and may trade for less than their net asset value. Reference to an index does not imply that the Julex portfolio will achieve returns, volatility, or other results similar to the index.

The composition of a benchmark index may not reflect the manner in which a Julex portfolio is constructed in relation to expected or achieved returns, investment holdings, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error targets, all of which are subject to change over time.

No representation or warranty is made to the reasonableness of the assumptions made or that all assumptions used to construct the performance provided have been stated or fully considered.

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