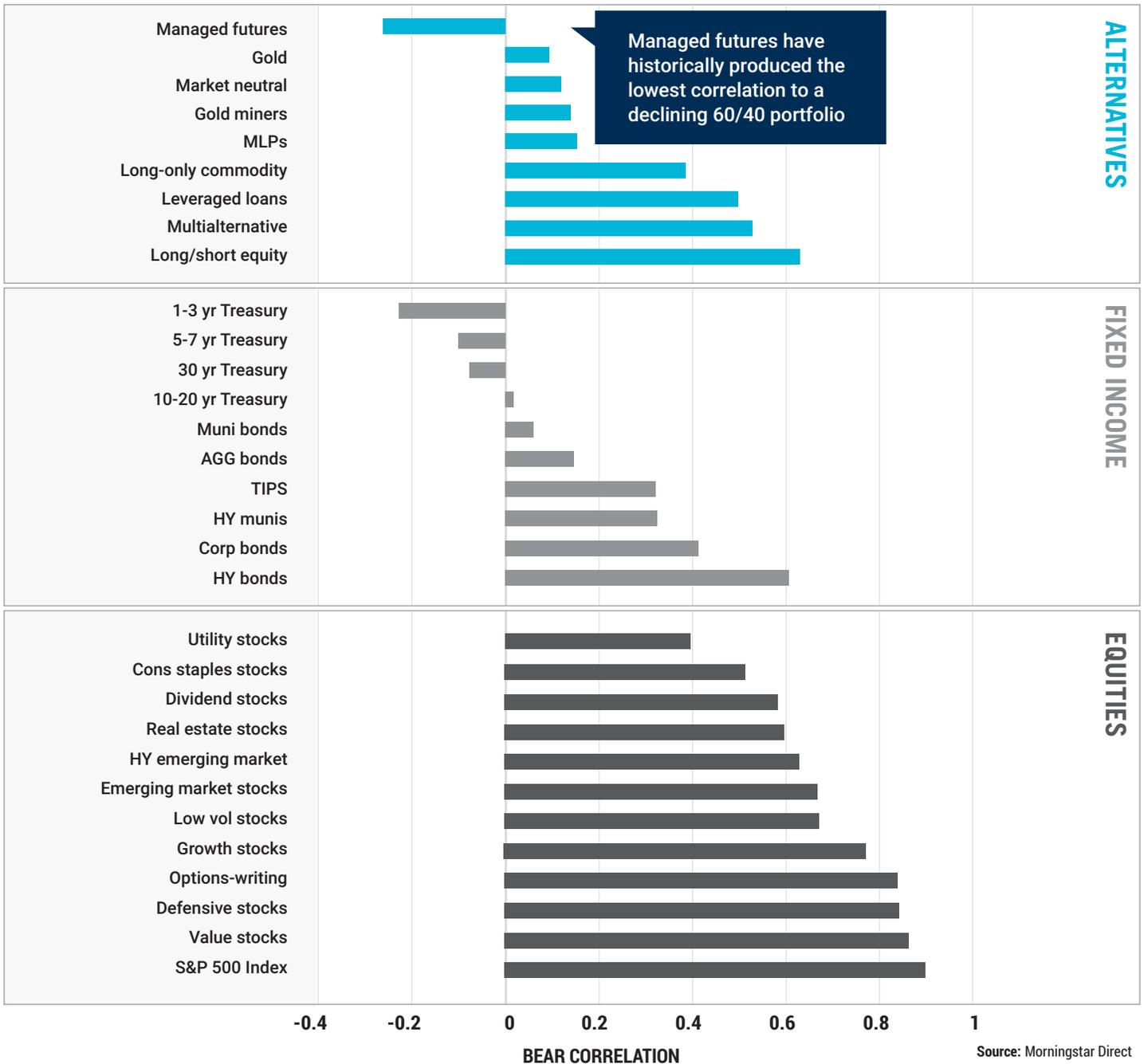


# Which Asset Classes Can Provide Diversification for Your 60 Stock/40 Bond Portfolio?

## ASSET CORRELATION TO THE NEGATIVE PERIODS OF A 60/40 PORTFOLIO<sup>1</sup>

JAN. 1, 2000 - JUN. 30, 2019



<sup>1</sup> Bear correlation, as defined by Morningstar, is an indication of the strength and direction of a linear relationship between two random Bear Correlation variables in a bear market. In general statistical usage, correlation or co-relation refers to the departure of two variables from independence. In this broad sense, several coefficients measure the degree of correlation, adapted to the nature of data.

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Index performance in this presentation was sourced from third party sources deemed to be accurate, but is not guaranteed. All index performance is gross of fees and would be lower if presented net of fees except for the SG Trend, which is net of fees. Investors cannot invest directly in the indexes referenced in this presentation.

(60/40 Portfolio) Morningstar Mod Tgt Risk TR USD: The

Morningstar Target Risk Index family is designed to meet the benchmarking needs of target risk investors by offering an objective yardstick for performance comparison. The indexes utilize asset allocation methodologies developed and maintained by Ibbotson Associates, a leader in asset allocation research for over 30 years and a Morningstar company since 2006. The securities selected for the asset allocation indexes are driven by the rules-based indexing methodologies that power Morningstar's comprehensive index family. The Morningstar Moderate Target Risk index is composed of 60% global equity exposure and 40% global bond exposure.

(International Stocks) MSCI EAFE NR USD: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East. (S&P 500 Index) S&P 500 TR USD: A stock market index based on the market capitalizations of 500 leading companies publicly traded in the U.S. stock market, as determined by Standard & Poor's. In this presentation, the S&P 500 is presented as a total return index, which reflects the effects of dividend reinvestment.

(Value Stocks) Russell 1000 Value TR USD: Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. (Defensive Stocks) Russell 1000 Defensive TR USD: The index measures the performance of the large-cap defensive segment of the U.S. equity universe. It includes those Russell 1000 Index companies with relatively stable business conditions which are less sensitive to economic cycles, credit cycles, and market volatility based on their stability variables.

(Growth Stocks) Russell 1000 Growth TR USD: Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992.

(Low Volatility Stocks) S&P 500 Low Volatility TR USD: The S&P 500 Low Volatility Index is designed to measure the performance of the 100 least volatile stocks of the S&P 500 Index. Volatility is defined as the standard deviation of the security computed using the daily price returns over 252 trading days.

(Dividend Stocks) DJ US Select Dividend TR USD: The index measures the performance of 100 leading US dividend-paying companies, based on dividend yield. The securities in this index are dividend-weighted. Securities are capped to prevent one security from dominating the index's constitution.

(Consumer Staples) S&P 500 Sec/Cons Staples TR USD: Standard and Poor's 500 Consumer Staples Index is a capitalization-weighted index. The index was developed with a base level of 10 for the 1941-43 base period.

(Utility Stocks) DJ Utilities Average TR USD: Dow Jones US Utilities Total Return Index is designed to serve as an investable global market benchmark. The index is capitalization-weighted and is quoted in USD. Index was launched 12/20/2004. Disseminated by the Dow Jones data feed of the Chicago Board of Trade.

(U.S. High Yield) BBgBarc US Corporate High Yield TR USD: The Bloomberg Barclays US 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.

(U.S. Corporate Bond) BBgBarc US Corp Bond TR USD: The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

(TIPs) BBgBarc Gbl Infl Linked US TIPS TR USD: The Bloomberg Barclays Global Inflation Linked Index (Series-L) measures the performance of investment-grade, government inflation-linked debt from 12 different developed market countries. Investability is a key criterion for inclusion of markets in this index, and it is designed to include only those markets in which a global government linker fund is likely and able to invest.

(U.S. Aggregate Bond) BBgBarc US Agg Bond TR USD: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

(Munis) BBgBarc Municipal TR USD: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

(10-20 Yr. U.S. Treasuries) BBgBarc US Treasury 10-20 Yr TR USD: The index is a market capitalization weighted index. The index includes treasury bonds issued by the USA with a time to maturity of at least 10 years, but no more than 20 years.

(30-Yr. U.S. Treasuries) ICE BofAML Current 30-Y US Trsy TR USD: A one-security index comprised of the most recently issued 30-year US Treasury bond.

(5-7 Yr. U.S. Treasuries) BBgBarc US Treasury 5-7 Yr TR USD: The index is a market capitalization weighted index. The index includes treasury bonds issued by the USA with a time to maturity of at least 5 years, but no more than 7 years.

(1-3 Yr. U.S. Treasuries) BBgBarc 1-3 Yr US Treasury TR USD: The index measures the performance of US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. It is the subset of the US Treasury Index includes bonds with maturities of 1 to 3 years. For each index, Barclays maintains two universes of securities: the Returns (Backward) and Statistics (Forward) Universes. The composition of the Returns Universe is rebalanced at each month-end and represents the fixed set of bonds on which index returns are calculated for the next month. The Statistics Universe is a forward-looking projection that changes daily to reflect issues dropping out of and entering the index but is not used for return calculations.

On the last business day of the month (the rebalancing date), the composition of the latest Statistics Universe becomes the Returns Universe for the following month.

(S&P 500 Options Writing) CBOE S&P 500 BuyWrite BXM: The index measures the performance of a portfolio that engages in a buy-write strategy using S&P 500 index call options. It is a passive total return index based on selling the near-term, near-the-money S&P 500 Index (SPX) call option against the S&P 500 stock index portfolio each month. The SPX call that is sold (or written) will have approximately one month remaining to expiration, with an exercise price just above the prevailing index level (i.e., slightly out of the money). The premium collected from the sale of the call is added to the portfolio's total value. The SPX call is held until its expiration, at which time a new one-month, near-the-money call is written. The expired option, if exercised, is settled in cash.

(Long/Short Equity) Credit Suisse Long/Short Equity TR USD: The Credit Suisse Long/Short Equity Hedge Fund Index is a subset of the Credit Suisse Hedge Fund Index<sup>SM</sup> that measures the aggregate performance of dedicated short bias funds. Long/short equity funds typically invest in both long and short sides of equity markets, generally focusing on diversifying or hedging across particular sectors, regions or market capitalizations. Managers typically have the flexibility to shift from value to growth; small to medium to large capitalization stocks; and net long to net short. Managers can also trade equity futures and options as well as equity related securities and debt or build portfolios that are more concentrated than traditional long-only equity funds.

(U.S. Real Estate) DJ US Real Estate TR USD: The index measures the performance of all US stocks in the Dow Jones US Index classified into the real estate sector. The sector classifications are defined by the proprietary classification system which is used by S&P Dow Jones. It is a free-float weighted index which is calculated by taking the number of shares readily available in the market (floating) multiplied by the equity's price.

(Multi-Alternative) Credit Suisse Multi-Strategy USD: The Credit Suisse Multi-Strategy Hedge Fund Index is a subset of the Credit Suisse Hedge Fund Index<sup>SM</sup> that measures the aggregate performance of dedicated short bias funds. Multi-strategy funds typically are characterized by their ability to allocate capital based on perceived opportunities among several hedge fund strategies. Through the diversification of capital, managers seek to deliver consistently positive returns regardless of the directional movement in equity, interest rate or currency markets. The added diversification benefits may reduce the risk profile and help to smooth returns, reduce volatility and decrease asset-class and single-strategy risks. Strategies adopted in a multi-strategy fund may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.

(Leverage Loans) Credit Suisse Leveraged Loan USD: The index measures the performance of investible universe of the \$US-denominated leveraged loan market.

(Long-Only Commodities) Bloomberg Commodity TR USD: The Bloomberg Commodity Total Return index is composed of futures

contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

(MLPs) Alerian MLP TR USD: The index measures the performance of energy segment US equity securities. It is a composite of the 50 most prominent energy Master Limited Partnerships ('MLPs'). The index is calculated using a float-adjusted, capitalization-weighted methodology.

(Gold Miners) DJ US Gold Mining TR USD: The index universe is defined as all component stocks of the Dow Jones U.S. Total Stock Market Index that are categorized into the Gold Mining Subsector as defined by the proprietary classification.

(Equity Market Neutral) Credit Suisse Equity Market Neutral USD: The Credit Suisse Equity Market Neutral Hedge Fund Index is a subset of the Credit Suisse Hedge Fund Index<sup>SM</sup> that measures the aggregate performance of dedicated short bias funds. Equity market neutral funds typically take both long and short positions in stocks while seeking to reduce exposure to the systematic risk of the market (i.e., a beta of zero is desired). Equity market neutral funds typically seek to exploit investment opportunities unique to a specific group of stocks, while maintaining a neutral exposure to broad groups of stocks defined for example by sector, industry, market capitalization, country, or region. The index has a number of subsectors including statistical arbitrage, quantitative long/short, fundamental long/short and index arbitrage. Managers often apply leverage to enhance returns.

(Gold) S&P GSCI Gold TR: A sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future. The index is designed to be tradable, readily accessible to market participants, and cost efficient to implement.

(Managed Futures) SG Trend Index: A leading benchmark for tracking the performance of a pool of the largest managed futures trend following based hedge fund managers that are open to new investment. The SG Trend Index is equal-weighted and reconstituted annually. The SG Trend Index is formerly known as the Newedge Trend Index.

Diversification does not eliminate the risk of experiencing investment losses.