

WHY TOPS®

5 KEY REASONS

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1

Indexing

2

Exchange
Traded
Funds (ETFs)

3

Diversification

4

Expenses

5

Professional
Money
Management





1

Indexing

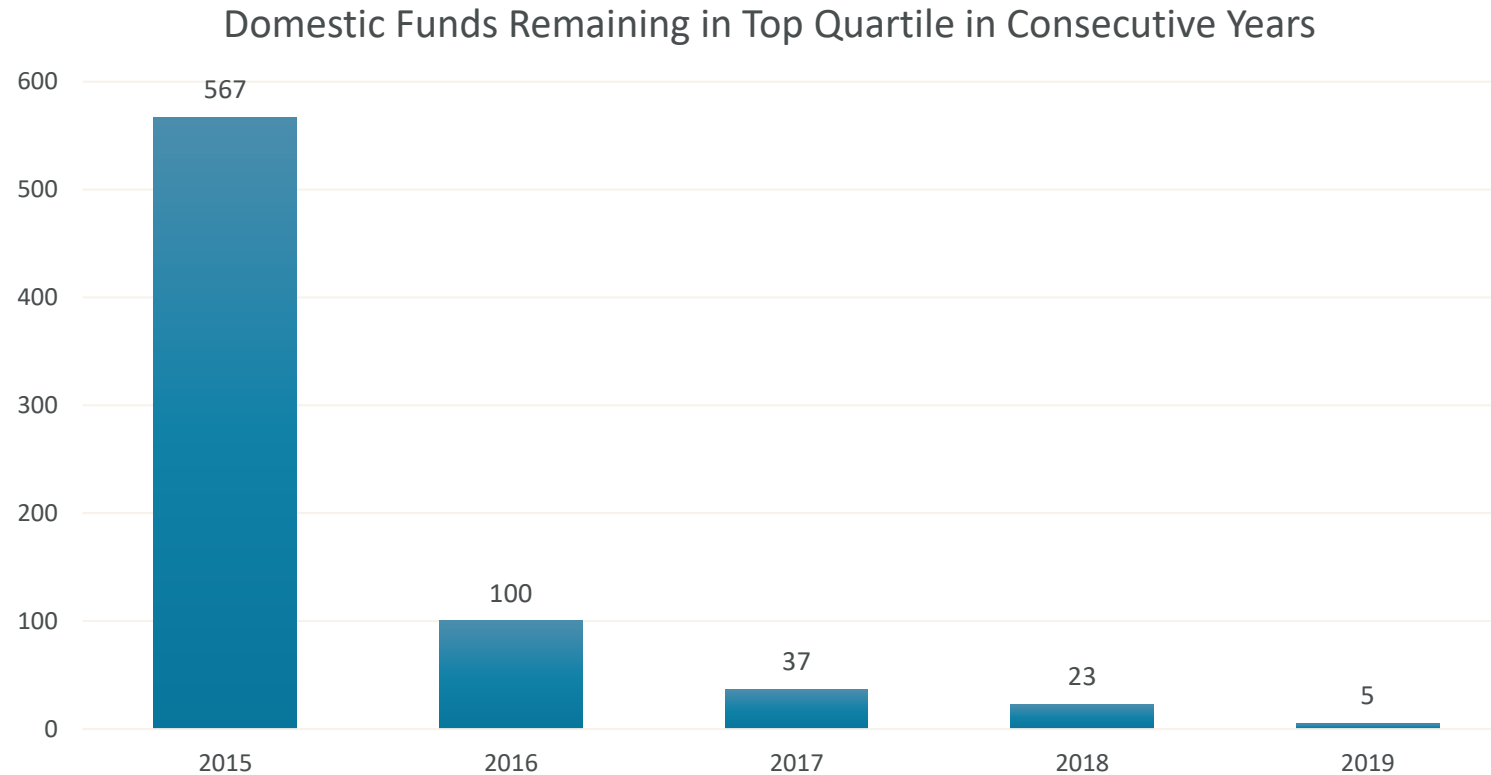
1. INDEXING

As the starting point for many investors, a choice between index-based investments and actively managed funds must be made. While actively managed funds were the default choice in the past, research shows these funds fail to beat the standard benchmark a large portion of the time.

Percentage of US Equity Funds Outperformed by Benchmarks						
Fund Category	Comparison Index	1-Year %	3-Year %	5-Year %	10-Year %	15-Year %
All Domestic Funds	S&P Composite 1500	70%	72%	83%	89%	89%
All Large-Cap Funds	S&P 500	71%	71%	81%	89%	90%
All Mid-Cap Funds	S&P MidCap 400	32%	46%	64%	84%	88%
All Small-Cap Funds	S&P SmallCap 600	39%	61%	77%	89%	89%
All Multi-Cap Funds	S&P Composite 1500	69%	68%	82%	89%	90%
Large-Cap Growth Funds	S&P 500 Growth	33%	42%	60%	89%	93%
Large-Cap Core Funds	S&P 500	70%	84%	94%	97%	92%
Large-Cap Value Funds	S&P 500 Value	97%	82%	89%	92%	81%
Mid-Cap Growth Funds	S&P MidCap 400 Growth	9%	19%	51%	78%	86%
Mid-Cap Core Funds	S&P MidCap 400	41%	60%	82%	92%	95%
Mid-Cap Value Funds	S&P MidCap 400 Value	65%	78%	89%	88%	94%
Small-Cap Growth Funds	S&P SmallCap 600 Growth	14%	22%	68%	82%	92%
Small-Cap Core Funds	S&P SmallCap 600	41%	75%	91%	97%	93%
Small-Cap Value Funds	S&P SmallCap 600 Value	80%	83%	92%	97%	91%
Global Funds	S&P Global 1200	57%	65%	75%	83%	83%
International Funds	S&P International 700	57%	68%	78%	78%	90%
International Small-Cap Funds	S&P Developed Ex-US Small Cap	60%	58%	74%	63%	68%
Emerging Markets Funds	S&P/IFCI Composite	36%	70%	79%	77%	91%

1. INDEXING

The solution to the problem shown on the prior slide is just to pick good, solid mutual funds right? Don't forget this old adage though: "past performance is not indicative of future results." The funds which have done the best historically have difficulty outperforming in subsequent years. In 2015, there were 567 domestic equity funds in the top quartile. Of these funds, only 5 remained in the top quartile ever year through 2019.





2

ETFs

2. ETFs

Transparency is one of the key benefits of using ETFs. While most mutual funds only publicly disclose holdings quarterly, ETFs typically provide daily transparency. A portfolio manager, advisor or investor can go to any of the ETF sponsor websites, input the ticker they want to research and see every holding that ETF owns.

What do I own today?

ETF Investor

Top 10		All			
Ticker	Name	Sector	Country	Weight (%)	Notional Value
NESN	NESTLE SA	Consumer Staples	Switzerland	1.97	1,266,576,910.16
NOVN	NOVARTIS AG	Health Care	Switzerland	1.44	925,038,203.32
ROG	ROCHE HOLDING PAR AG	Health Care	Switzerland	1.43	914,421,407.92
HSBA	HSBC HOLDINGS PLC	Financials	United Kingdom	1.26	805,598,151.01
RDSA	ROYAL DUTCH SHELL PLC	Energy	United Kingdom	1.08	693,465,728.59
BP.	BP PLC	Energy	United Kingdom	1.05	675,090,913.66
7203	TOYOTA MOTOR CORP	Consumer Discretionary	Japan	1.02	654,431,910.24
FP	TOTAL SA	Energy	France	0.99	636,282,684.49
RDSB	ROYAL DUTCH SHELL PLC CLASS B	Energy	United Kingdom	0.90	575,765,585.69
1299	AIA GROUP LTD	Financials	Hong Kong	0.84	540,860,275.33

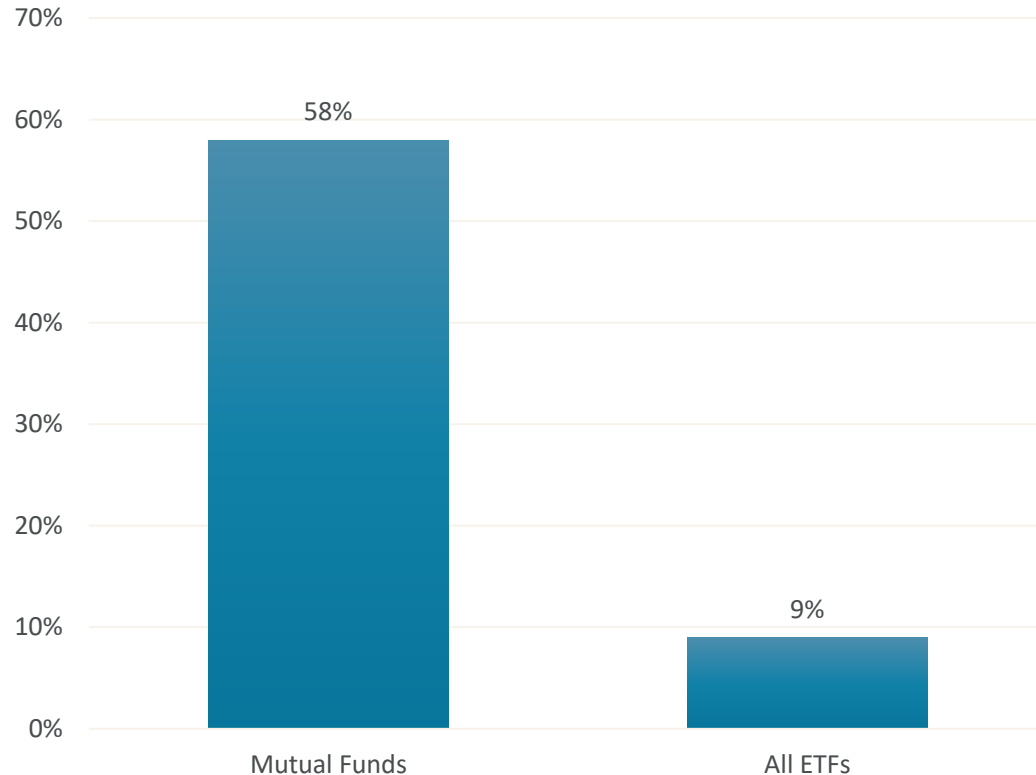
Mutual Fund Investor



2. ETFs

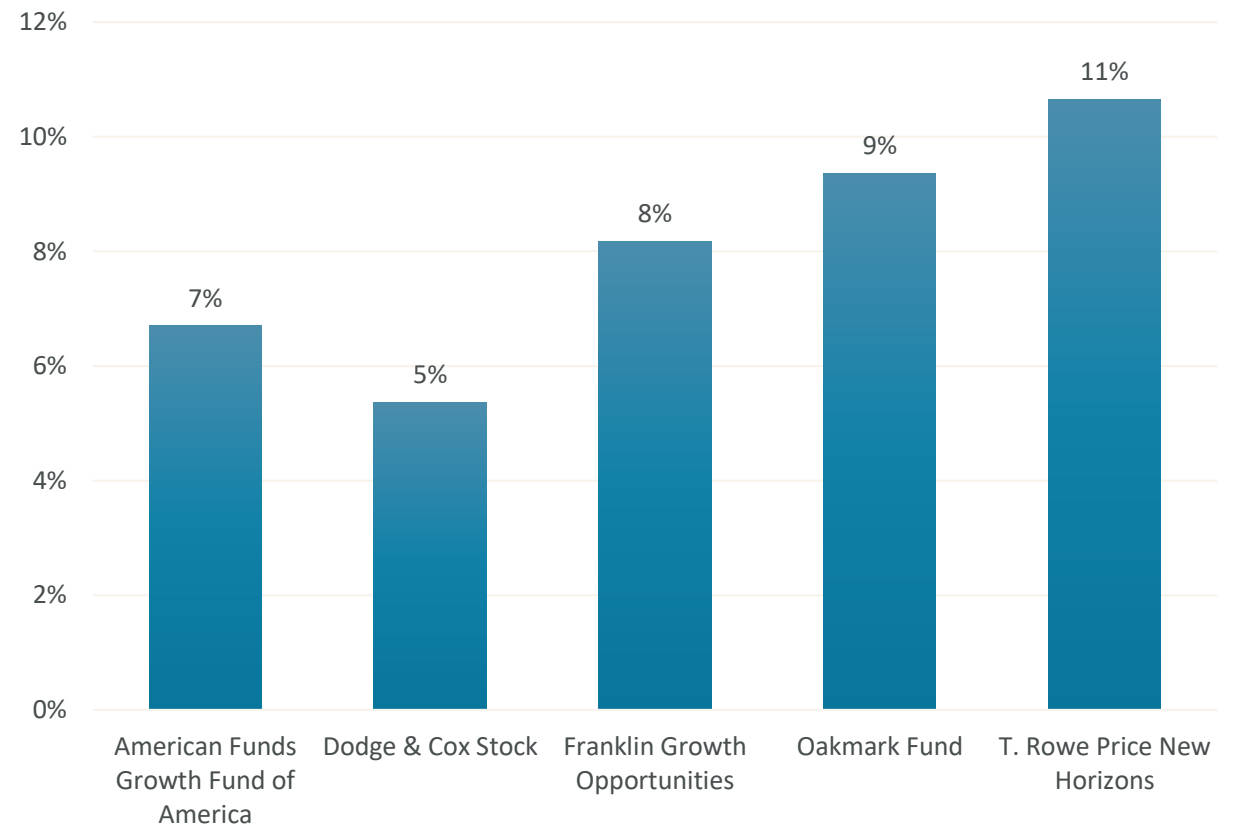
Tax efficiency is another big benefit of investing in ETFs. While more than half of mutual funds paid capital gains distributions over the past five years, just 9% of all ETFs paid a distribution. For some of the largest and most popular mutual funds, capital gains distributions exceeded 8% of their net asset value (NAV), resulting in a big tax bill for non-qualified investors.

Percentage of Funds that Paid Capital Gains Distributions over the Past 5 Years



Source: <https://www.ishares.com/us/education/etfs-and-taxes>

2019 Capital Gains Distributions as a % of NAV

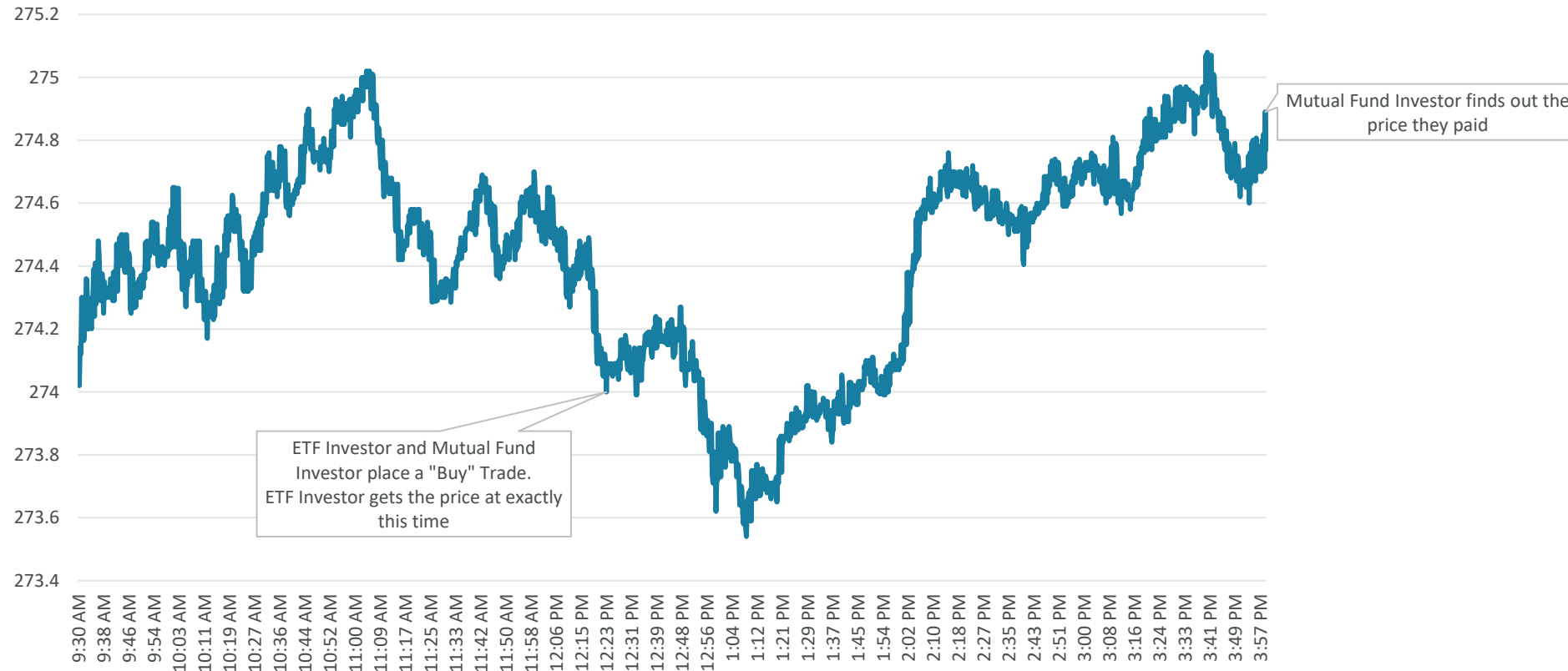


Source: Bloomberg.

2. ETFs

One last benefit of the ETF structure over mutual funds is **trading**. ETFs trade like a stock on an exchange at a known price. As a trader or portfolio manager, one knows exactly the price they are paying when the “execute” button is clicked. With a mutual fund, a trade is entered at 10:30 AM but the price will not be disclosed until after 4:00 PM when the NAV is struck.

Example of Trading ETFs vs. Mutual Funds



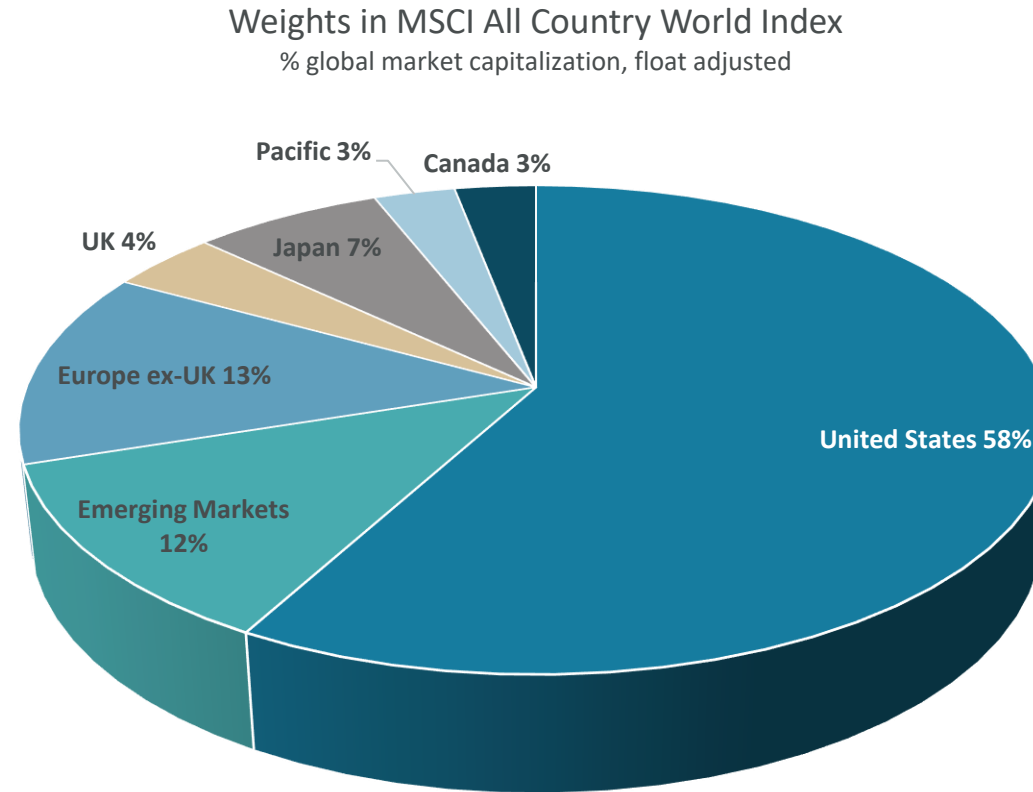


3

Diversification

3. DIVERSIFICATION

TOPS® is a globally diversified investment allocation. The TOPS® Portfolio Management Team believes in the benefits of global diversification and investing in the international equity markets. One of the reasons for global diversification is the make up of the global stock markets. If an investor were to just invest in US equities, they would be missing out on 42% of the world's equity markets.



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Chart is for illustrative purposes only. The MSCI ACWI (All Country World Index) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. Data as-of 04.30.2020.

3. DIVERSIFICATION

Not only does diversification provide exposure to the global equity markets, but it also helps to smooth out returns compared to investing in individual asset classes. For example, if an investor solely invested in emerging markets, they would be in for a wild investment experience. Instead, by allocating some to all these asset classes, you end up with a return in the middle of the chart and smooth out the investment experience for clients, with the realization their return will never be at the top of the chart, but it will also never be at the bottom.

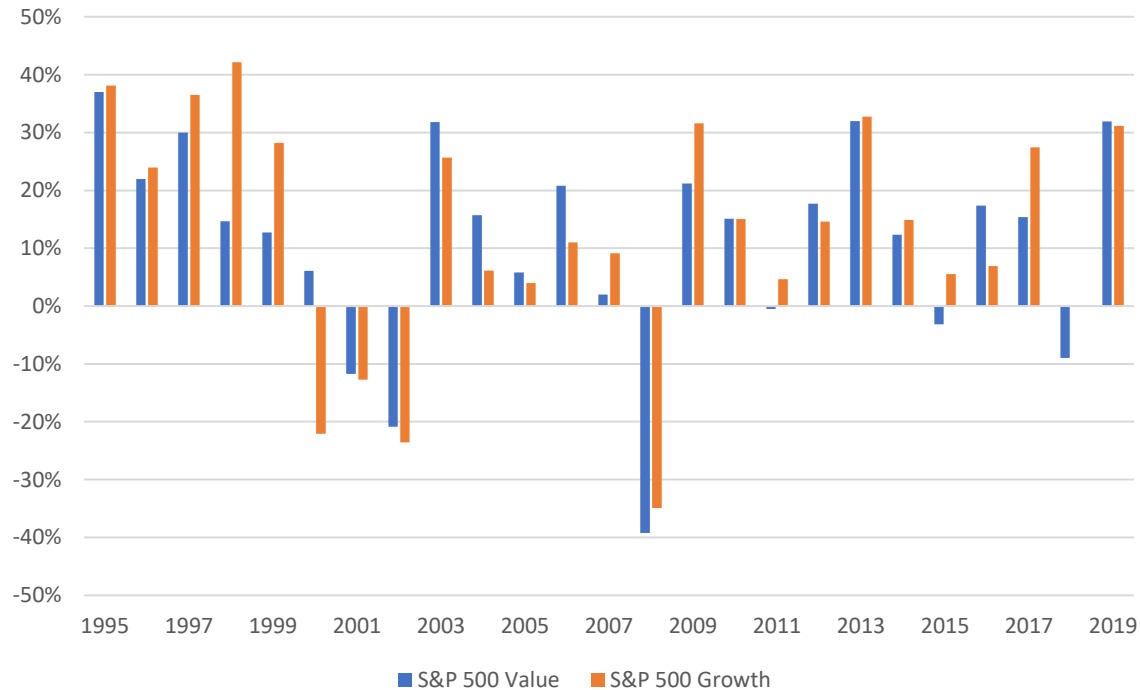
Calendar Year Returns										
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD 2020
REAL ESTATE 26.93%	US GOV'T BONDS 15.59%	REAL ESTATE 18.93%	SMALL CAP STOCKS 41.31%	REAL ESTATE 27.24%	REAL ESTATE 2.14%	NATURAL RESOURCES 30.87%	EMERGING MARKET 37.28%	US GOV'T BONDS 1.47%	LARGE CAP STOCKS 31.49%	US GOV'T BONDS 7.02%
MID-CAP STOCKS 26.64%	US CORP BONDS 9.15%	EMERGING MARKET 18.22%	MID-CAP STOCKS 33.50%	LARGE CAP STOCKS 13.69%	US GOV'T BONDS 1.76%	SMALL CAP STOCKS 26.56%	FOREIGN STOCKS 25.03%	US CORP BONDS -3.67%	REAL ESTATE 28.92%	US CORP BONDS 6.12%
SMALL CAP STOCKS 26.31%	REAL ESTATE 6.05%	MID-CAP STOCKS 17.88%	LARGE CAP STOCKS 32.39%	MID-CAP STOCKS 9.77%	LARGE CAP STOCKS 1.38%	MID-CAP STOCKS 20.74%	LARGE CAP STOCKS 21.83%	REAL ESTATE -4.03%	MID-CAP STOCKS 26.20%	LARGE CAP STOCKS -3.08%
NATURAL RESOURCES 23.88%	LARGE CAP STOCKS 2.11%	FOREIGN STOCKS 17.32%	FOREIGN STOCKS 22.78%	US CORP BONDS 8.66%	US CORP BONDS -0.74%	LARGE CAP STOCKS 11.96%	MID-CAP STOCKS 16.24%	LARGE CAP STOCKS -4.38%	SMALL CAP STOCKS 22.78%	EMERGING MARKET -9.78%
EMERGING MARKET 18.88%	SMALL CAP STOCKS 1.02%	SMALL CAP STOCKS 16.33%	NATURAL RESOURCES 16.49%	SMALL CAP STOCKS 5.76%	FOREIGN STOCKS -0.81%	EMERGING MARKET 11.19%	SMALL CAP STOCKS 13.23%	SMALL CAP STOCKS -8.48%	FOREIGN STOCKS 22.01%	FOREIGN STOCKS -11.34%
LARGE CAP STOCKS 15.06%	MID-CAP STOCKS -1.73%	LARGE CAP STOCKS 16.00%	REAL ESTATE 1.77%	US GOV'T BONDS 3.22%	SMALL CAP STOCKS -2.00%	REAL ESTATE 7.56%	REAL ESTATE 9.84%	MID-CAP STOCKS -11.08%	EMERGING MARKET 18.42%	MID-CAP STOCKS -12.78%
US CORP BONDS 9.37%	NATURAL RESOURCES -7.35%	US CORP BONDS 11.85%	US GOV'T BONDS -1.87%	EMERGING MARKET -2.19%	MID-CAP STOCKS -2.18%	US CORP BONDS 6.37%	US CORP BONDS 7.29%	FOREIGN STOCKS -13.79%	NATURAL RESOURCES 17.63%	REAL ESTATE -13.87%
US GOV'T BONDS 9.37%	FOREIGN STOCKS -12.14%	NATURAL RESOURCES 2.20%	US CORP BONDS -2.38%	FOREIGN STOCKS -4.90%	EMERGING MARKET -14.92%	US GOV'T BONDS 1.35%	US GOV'T BONDS 1.30%	EMERGING MARKET -14.58%	US CORP BONDS 17.27%	SMALL CAP STOCKS -17.85%
FOREIGN STOCKS 7.75%	EMERGING MARKET -18.42%	US GOV'T BONDS 2.19%	EMERGING MARKET -2.60%	NATURAL RESOURCES -9.77%	NATURAL RESOURCES -24.28%	FOREIGN STOCKS 1.00%	NATURAL RESOURCES 1.23%	NATURAL RESOURCES -21.07%	US GOV'T BONDS 5.88%	NATURAL RESOURCES -26.33%

Source: Bloomberg. Data as-of 06/30/2020. Foreign stocks are represented by the MSCI EAFE Index; Emerging markets are represented by the MSCI Emerging Markets Index; Large cap stocks are represented by the Standard & Poor's 500® Index; Mid cap stocks are represented by the Standard & Poor's MidCap 400 Index; Small cap stocks are represented by the Standard & Poor's SmallCap 600 Index; US real estate is represented by the Dow Jones U.S. Real Estate Index; US corp bonds are represented by the iBoxx \$ Liquid Investment Grade Index; US gov't bonds are represented by the ICE U.S. 3-7 Year Treasury Bond Index; US natural resources are represented by the S&P North American Natural Resources Sector Index. This material has been obtained from sources generally considered reliable. No guarantee can be made as to its accuracy. Not intended to represent the performance of any particular investment. Indices are unmanaged and one cannot invest directly in an index. Past performance is not a guarantee of future results. Returns in excess of 1 year are annualized.

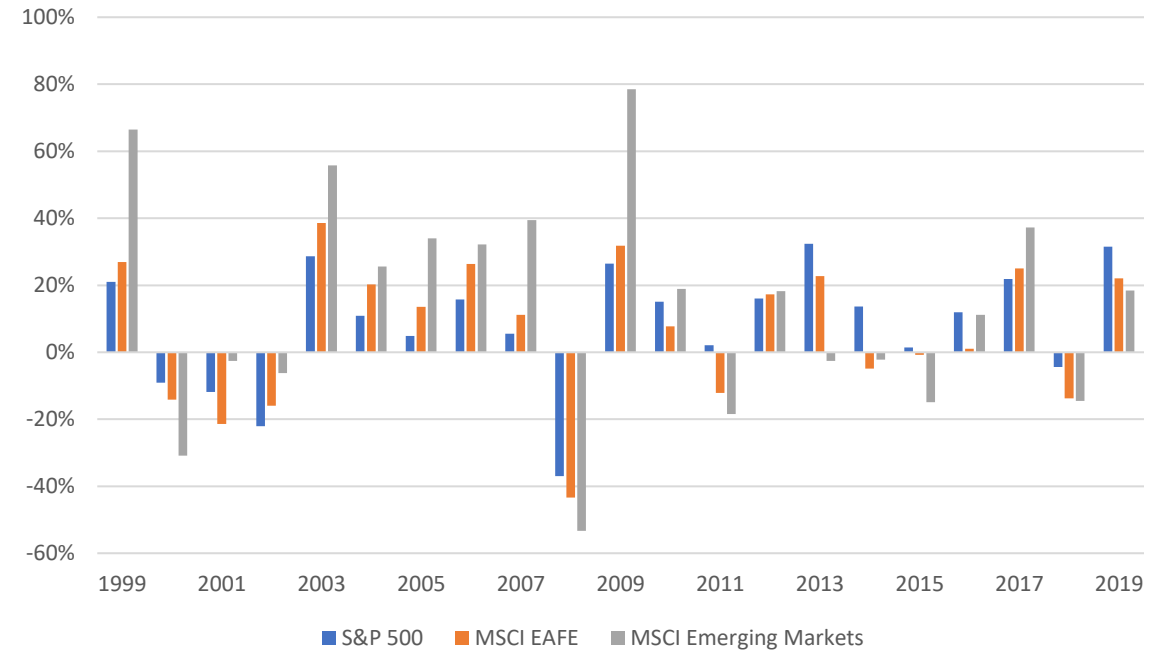
3. DIVERSIFICATION

Along with diversification of investment comes the understanding that investments over time may cycle, leading to periods of outperformance and underperformance relative to other investments. It is absolutely normal to experience multi-year cycles where certain asset classes outperform consistently, only to reverse course in the following cycle. Two areas which are good examples are growth vs. value stocks and U.S. vs. international stocks.

Annual Return of Growth vs. Value Stocks: 1995 to 2019



US Equity (S&P 500) vs. International Equity (MSCI EAFE & Emerging Markets): 1999 to 2019

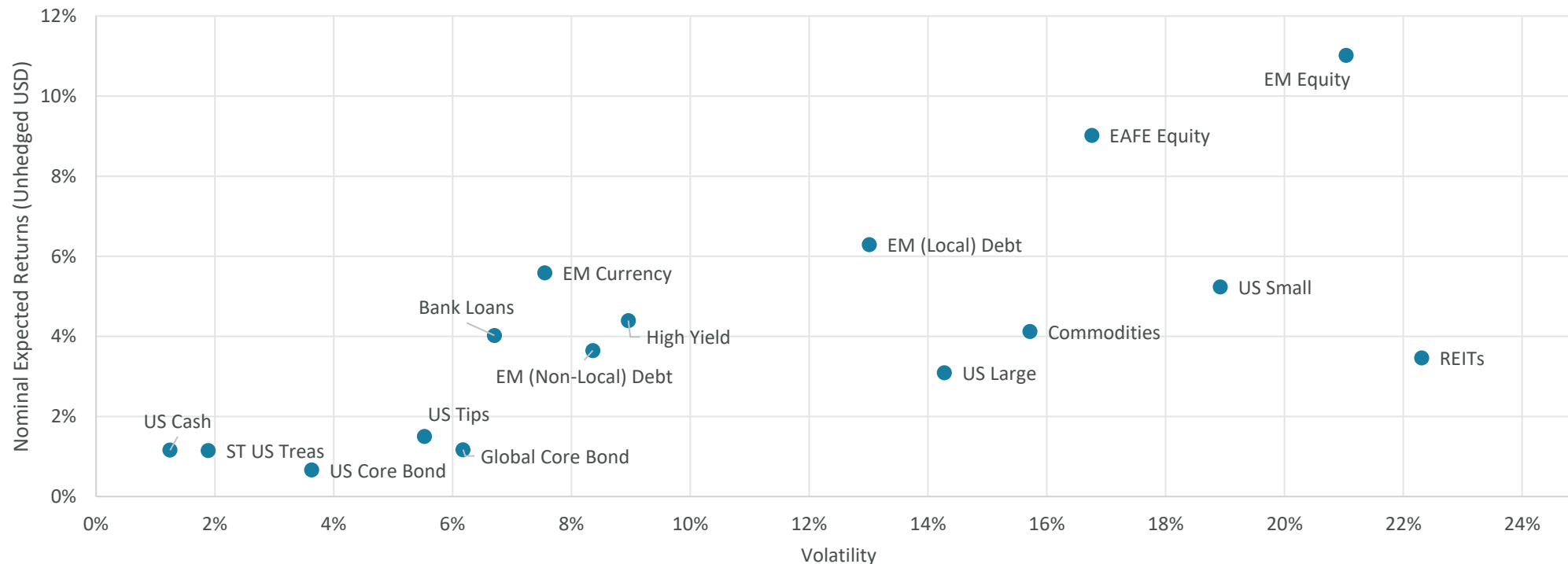


Source: Bloomberg. Past performance is not a guarantee of future results. One cannot invest directly into an index.

3. DIVERSIFICATION

Lastly, investors should diversify because investments have varying levels of expected performance. While emerging market equities may have the highest projected return over the next 10 years (as shown below), the prior slides indicate they have not been the best performer over the last ten years and if an investor puts all of their eggs in the emerging market basket, they could be in for a very up-and-down ride.

Global Asset Classes: 10-Year Expected Returns



Volatility is measured as standard deviation. These forecasts are forward-looking statements based upon the reasonable beliefs of RA and are not a guarantee of future performance. This content is not investment or tax advice or an offer, sale or any solicitation of any offer to buy any security, derivative or any other financial instrument. Any use of the above content is subject to and conditioned upon the user's agreement with all important disclosures, disclaimers and provisions found at www.researchaffiliates.com/en_us/about-us/legal.html. In the event the above content is provided or modified by a third-party, Research Affiliates LLC fully disclaims any responsibility or liability for such content. ©2020 Research Affiliates, LLC. All rights reserved.

Source: These expected returns are calculated by Research Affiliates LLC using data provided by MSCI Inc., Bloomberg, and Barclays. Data as-of 04/30/2020.

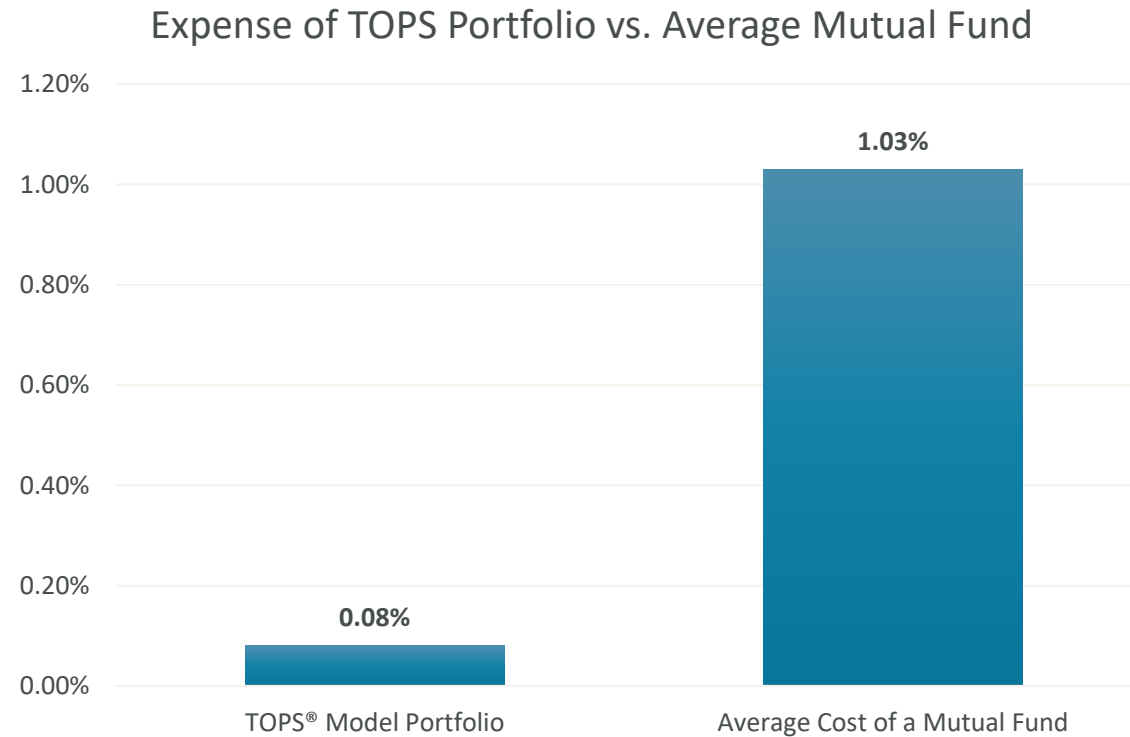


4

Expenses

4. EXPENSES

Expenses matter. Given the long-term return of the S&P 500 is 10%, every cost in the investment process adds up. With TOPS[®], the Portfolio Management Team has consciously worked to lower the expenses of the underlying ETF portfolios compared to the cost of a mutual fund investment.

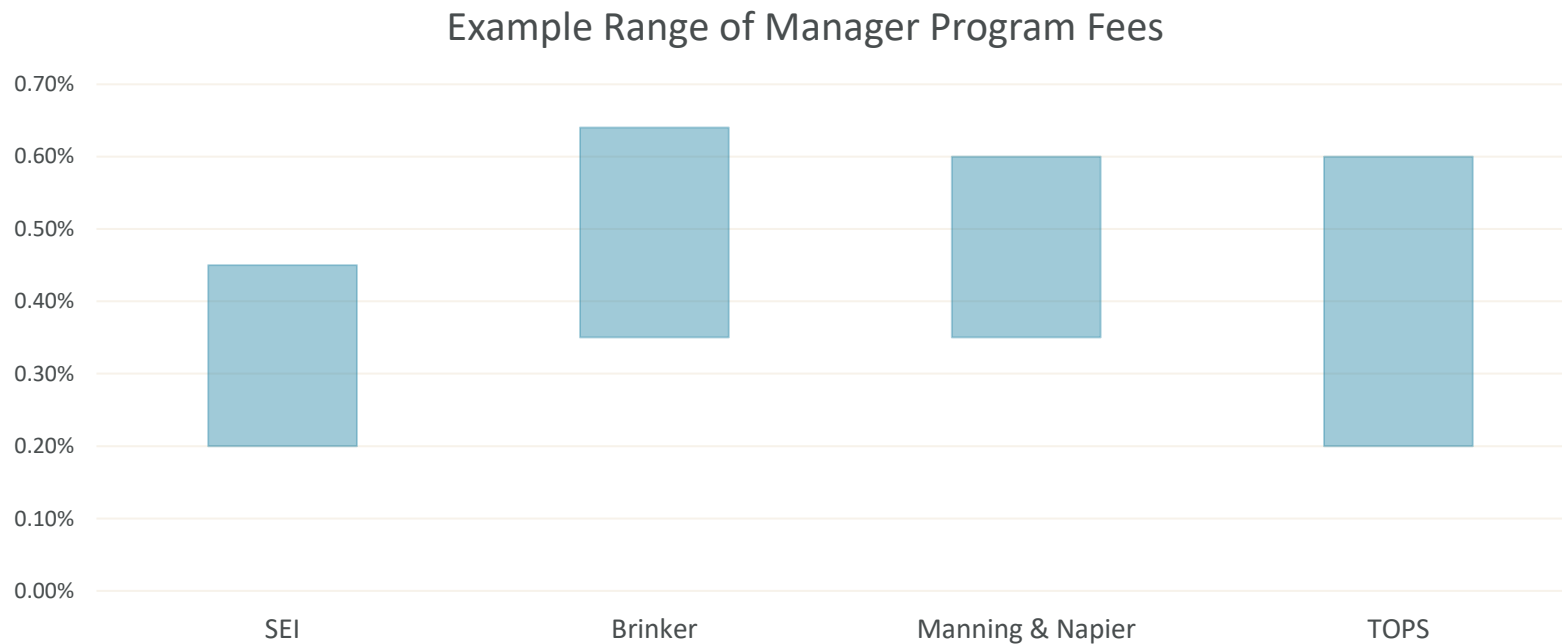


Source: Mutual fund average cost is representative of net prospectus expense ratio of all mutual funds in the Morningstar Mutual Fund Universe as of 07.27.20. TOPS[®] average cost is based on the average weighted average expense ratio of the seven standard models as of 07.27.20. Percentages do not reflect actual program fees. Refer to TOPS Wrap Brochure for detailed information.

4. EXPENSES

Traditionally, there are three layers of expenses with separately managed accounts. The first is the underlying investment expense which was covered on the prior slide. The second is the advisor's fee charged to the client for the services rendered. Lastly, is the expense of the investment manager, sometimes called a program fee. Valmark Advisers, Inc. has been diligent in ensuring the program fees for TOPS® are in-line with or lower than other platform and manager expenses.

The following manager program fees vary based on platform and assets, but typically have the following ranges:



Please note, Manager Program Fees typically vary based on the account size and overall program assets under management of the investment adviser. Please reference the Investment Advisory Agreement and consult directly with your investment adviser to discuss account-specific fees.



5

Professional Money Management

The TOPS® Portfolio Management Team has over 75 years of investment management experience. In addition to decades of combined experience, the past roles of portfolio team members also vary. This varied background aids portfolio management discussions by adding varied viewpoints.

TOPS® ETF Portfolio Management Team

- Michael McClary, MBA – Chief Investment Officer
- Robert Leggett, CFA – Sr. Portfolio Advisor
- Tyler Denholm, CFA, CMT – Vice President – Investment Management & Research
- Adam Schenck, CFA, FRM – Sr. Portfolio Advisor

TOPS® portfolio construction has three distinct phases: Formulation of Strategic Asset Allocations, ETF Selection and Portfolio Monitoring and Management.

**Formulation of Strategic
Asset Allocations**

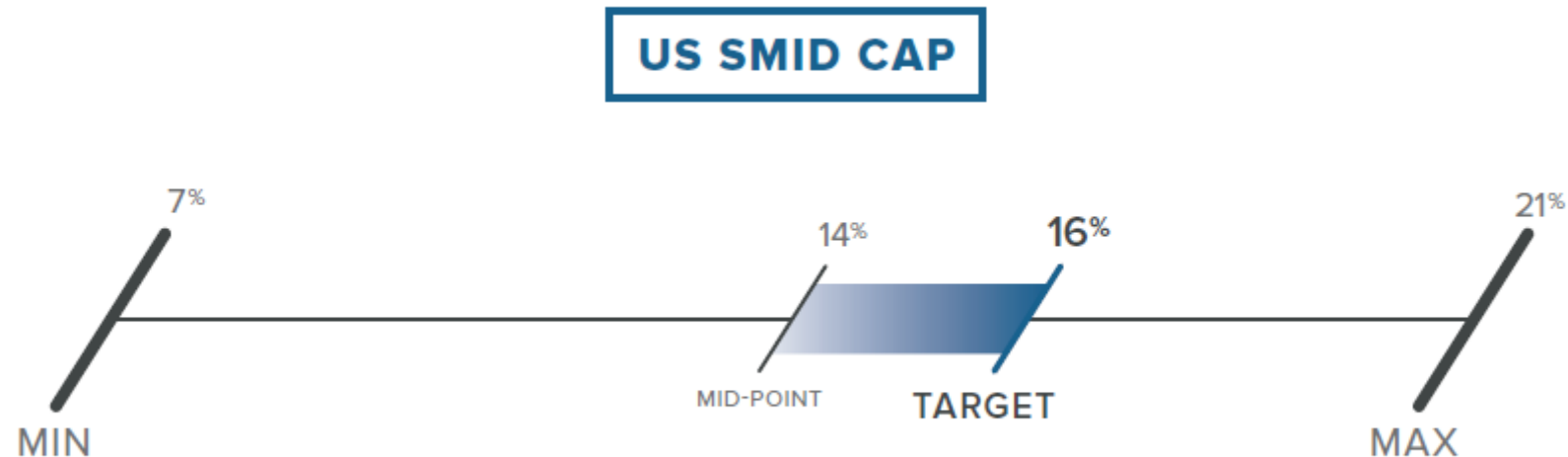
ETF Selection

**Portfolio Monitoring
and Management**

TOPS® Strategic Allocation Process

Step 1 – Risk Controlled Ranges

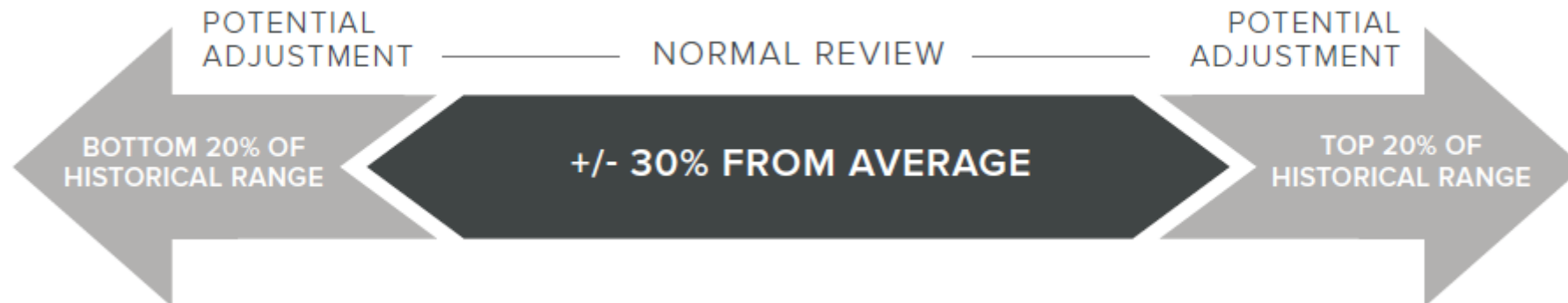
Within every TOPS® portfolio each major asset class is given a range. As an example, an allocation to small and mid cap U.S. stocks for a portfolio might have a range of 7-21%, with a current target allocation of 16%.



TOPS® Strategic Allocation Process

Step 2 – Adjustments to the Target Allocation

Through this disciplined formulation process, a 1–3 year prospective view on an asset class or ETF is taken before making any changes to target allocations. Potential portfolio adjustments are considered when asset class or market factor values are outside normal ranges in one of the many attributes monitored (such as valuation, yields, interest rates, earnings, inflation levels, etc). TOPS® defines values in the top or bottom 20% of their historical norms as outside normal ranges.



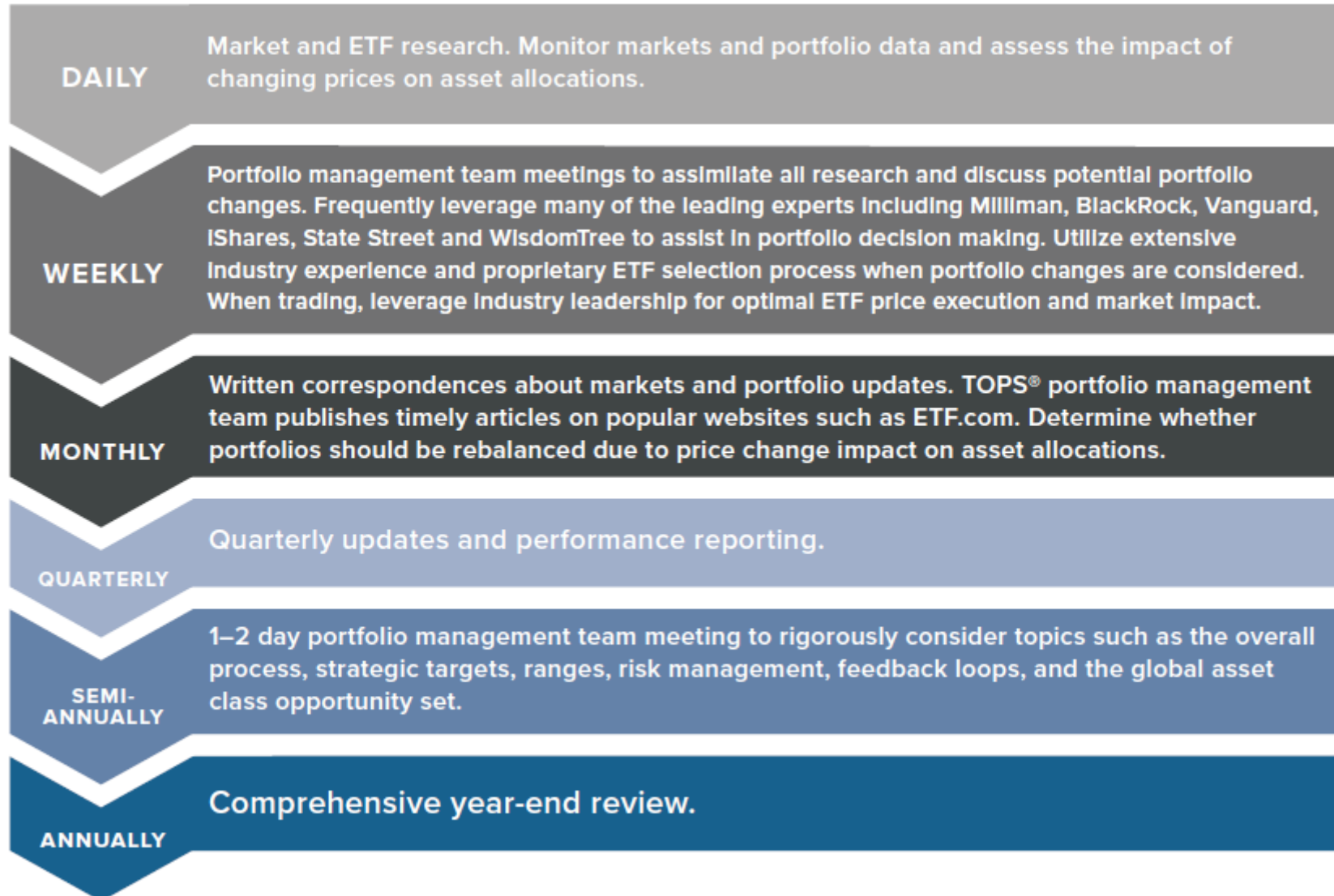
TOPS® ETF Selection Process

Not all ETFs are created equally. While on the surface, one fund may look similar to another, there are a multitude of factors which impact the decision of which fund should be selected for a given use. Some of these factors include:

- ETF Provider: experience, AUM, stability, breadth of offerings
- Expenses: expense ratios, intrinsic and extrinsic costs
- Trading: liquidity, volume, spread, AUM
- Index Data: components, weighting scheme, turnover, valuations, volatility, selection criteria (computer or committee), back tested vs actual performance
- Legal Structure: 1940 Act, UIT, Grantor Trust, LP

5. PROFESSIONAL MONEY MANAGEMENT

TOPS® Portfolio Monitoring and Management



Disclosures

Notes about risk and performance data: All investments are subject to risk, including the possible loss of the money you invest. Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. Diversification does not ensure a profit or protect against a loss in a declining market. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income. Please consider the investment objectives, risks, charges and expenses of any investment options before investing. Tax advice contained is incidental and should not be relied on. Talk to a qualified tax advisor, attorney, or financial advisor before implementing any investment strategy. This material has been obtained from sources generally considered reliable. No guarantee can be made as to its accuracy.