Presentation

Q2 2016

Smart Volatility™

Understanding Dynamic Management of Volatility As an Asset Class; Strategies used by ABRVX

ABR Dynamic Funds LLC

Dynamic Funds for a Dynamic Future

48 Wall Street, Suite 1100
New York NY 10005
212.918.4663
www.abrdynamicfunds.com
info@abrdynamicfunds.com

Disclosure

- There are risks involved with investing in mutual funds, including the possible loss of principal. **Investing is subject to risk**; investment return and principal value will fluctuate, and upon redemption, shares may be worth more or less than the amount originally invested. The ABR Dynamic Funds (the Funds) may be **non-diversified**, and fluctuations in individual holdings will have a greater impact on the Funds' performance. The Funds may also invest in **derivative instruments**, and a small investment could have a large potential impact on the performance of the Funds.

- Investment strategies used to help protect a portfolio from volatility also include unique risks that investors should consider when evaluating how to manage volatility in a portfolio. Moreover, the types of strategies used to manage volatility may not be appropriate depending on an investor's specific financial circumstances and risk tolerance.

- **Investors should carefully consider the investment objectives, risks, charges and expenses of the Funds before investing. To obtain a prospectus containing this and other important information please call (855) 422-4518 or download a prospectus online at http://abrdynamicfunds.com/documents/. Read the specific Fund's prospectus carefully before you invest. Distributed by Foreside Fund Services, LLC.**

- This material is intended for informational purposes only and should not be construed as legal, accounting, tax, investment, or other professional advice. Information is as of the date indicated, and is subject to change without notice. Samples provided are for demonstration purposes only and are not to be relied upon. ABR Dynamic Funds, LLC receives compensation in connection with licensing its indices to third parties.

- All investing involves risk including the possible loss of principal. There can be no assurance the Fund will achieve its investment objectives. In addition to the general risks of investing, the Fund is subject to additional risks including commodities risk, derivatives risks, ETF risk and model and data risks. Exposure to the commodities markets may subject the Fund to greater volatility than investments in traditional securities. Derivatives, such as options and futures, can be volatile, and a small investment in a derivative can have a large impact on the performance of the Fund as derivatives can result in losses in excess of the amount invested. Shares of an ETF may trade at a premium or discount to the net asset value of its portfolio securities. Given the complexity of the investments and strategies of the Fund, ABR Dynamic Funds, LLC relies heavily on quantitative models and data supplied by third parties. Models and data may prove to be incorrect or incomplete and expose the Fund to potential risks. Please see the prospectus for a complete discussion of the Fund's risks. Performance assumes the reinvestment of all income and dividends and is presented net of all fees, transaction costs and other expenses. More information about such fees and expenses applicable to a client's investment are generally available in the prospectus. To obtain a prospectus containing this and other important information please call (855) 422-4518 or download a prospectus online at http://abrdynamicfunds.com/documents/. Read the specific Fund's prospectus carefully before you invest. Distributed by Foreside Fund Services, LLC.

Disclosure

- The S&P 500 Total Return Index, as adjusted to reflect reinvestment of dividends, is an unmanaged index of 500 stocks and sets forth the performance of a broad-based stock market index. The VIX Index is a trademarked ticker symbol for the Chicago Board Options Exchange Volatility Index, a popular measure of the implied volatility of the S&P 500 Index options. The S&P 500 VIX Short-Term Futures Index TR is a trademarked index which measures the return from a daily rolling long position in the VIX futures contracts traded on the Chicago Board Options Exchange. The ABR Dynamic Blend Equity & Volatility Index Powered by Wilshire SM (The Index) invests in a different mix of investments than these indices, which may cause some differences in the performance among the Index and these indices. Wilshire®, the Wilshire Indexes SM and ABR Dynamic Blend Equity & Volatility Index Powered by Wilshire SM are service marks of Wilshire Associates Incorporated ("Wilshire") and have been licensed for use by ABR Dynamic Funds, LLC. All content of the Wilshire Indexes SM and ABR Dynamic Blend Equity & Volatility Index Powered by Wilshire SM is © 2015 Wilshire Associates Incorporated, all rights reserved. ABR Dynamic Blend Equity & Volatility Index Powered by Wilshire SM is not sponsored, endorsed, sold or promoted by Wilshire, and Wilshire makes no representations or warranties with respect to ABR Dynamic Blend Equity & Volatility Index Powered by Wilshire SM.

- This presentation was issued and prepared and by ABR Dynamic Funds, LLC, an investment adviser registered with the Securities and Exchange Commission and a commodity trading advisor registered pursuant to the U.S. Commodity Exchange Act and a member of the National Futures Association in such capacities. Registration does not imply any level of skill or training. All opinions and estimates included in this report constitute ABR Dynamic Funds, LLC's judgment as of the date of publication and are subject to change without notice. While the information in this report has been obtained from sources, which we believe to be reliable, we do not guarantee its accuracy and, as such, the information may be incomplete or condensed. Any reliance you may place on this information or the validity of our opinion is at your own risk.

Presenter

Taylor Lukof, Founder/CEO

- Taylor is the founder and CEO of ABR Dynamic Funds, LLC.
- Formerly, he was a Partner at Toro Trading LLC, where he co-managed equity derivative trading strategies.
- Prior to joining Toro Trading, Taylor was a market maker for Dellacamera Capital LLC, where he was responsible for trading single name and index-related exchanged traded products.
- Taylor began his career at TANSTAAFL Research and Trading, LLC as the youngest member of the American Stock Exchange at that time.
- He graduated *Cum Laude* from Bucknell University with a BS in Business Administration.

Major Issue Facing Wealth Advisors

Problem

- **Crises inevitably appear** and we believe current "60/40" equity/bond portfolios are potentially overbought and may not be diversified enough for the next crisis

Solution

- **Volatility as an asset class** can be a powerful diversification tool

Introduction to Smart Volatility™

Problem

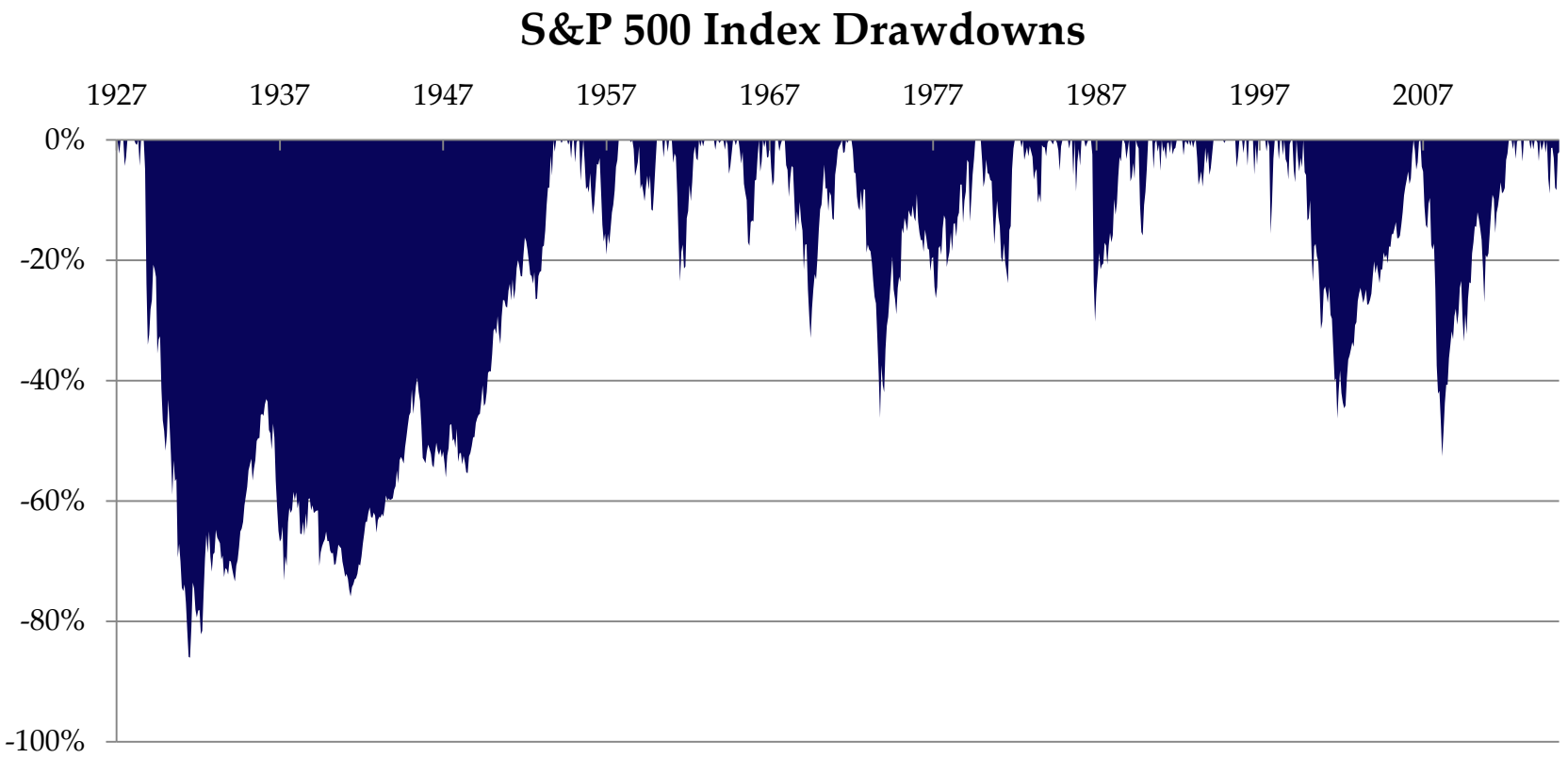
- Static portfolio allocations to volatility have the potential to be problematic

Solution

- ABR has developed a model-driven, dynamically-managed volatility method called Smart Volatility™

Taking a Long View of the Market

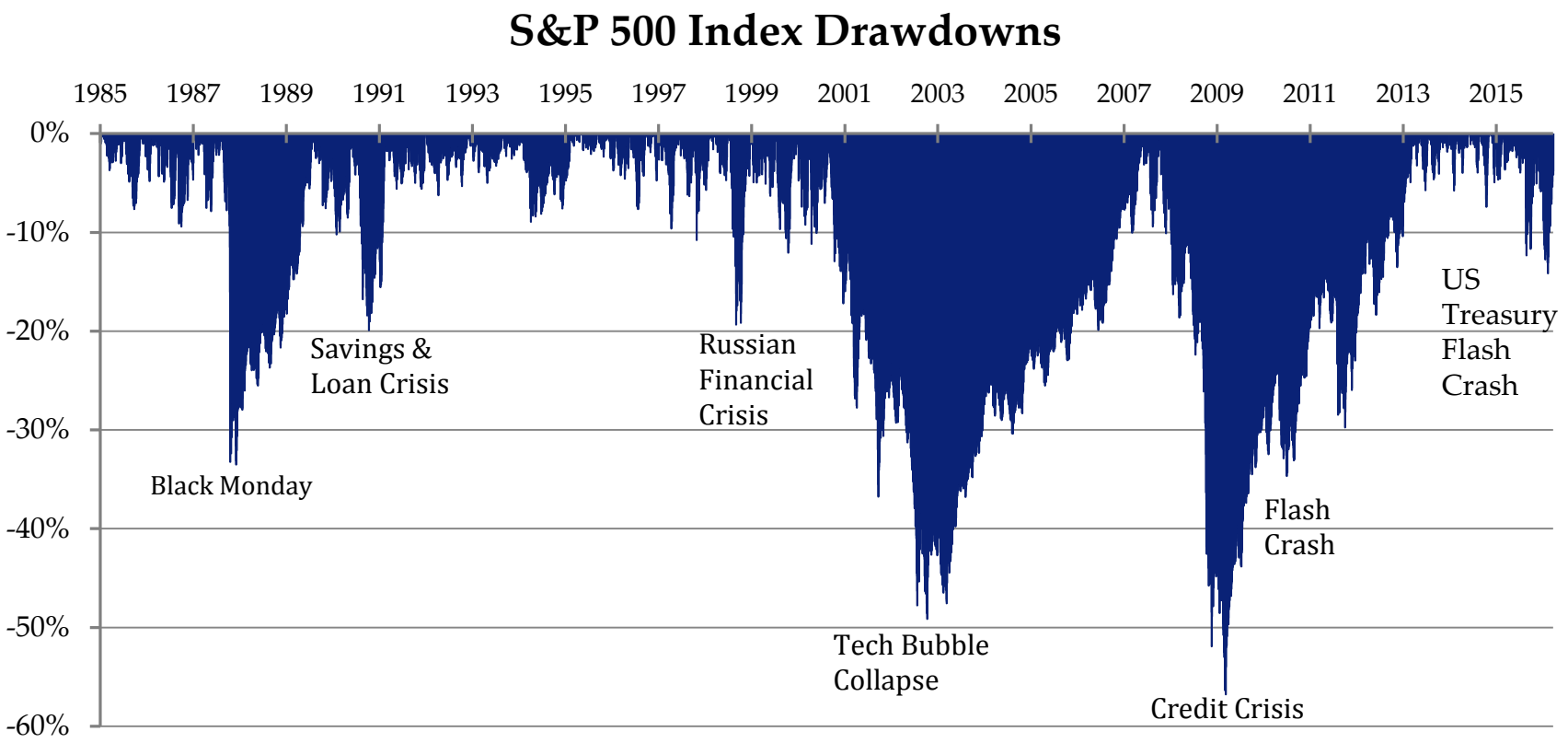
In the past 90 years, the S&P 500 experienced a maximum drawdown over 80% and spent around 25% of its time in bear markets.



Source: Bloomberg

Crises Occur More Often Than People Think

- S&P 500 averaged about one "crisis" every 5-7 years



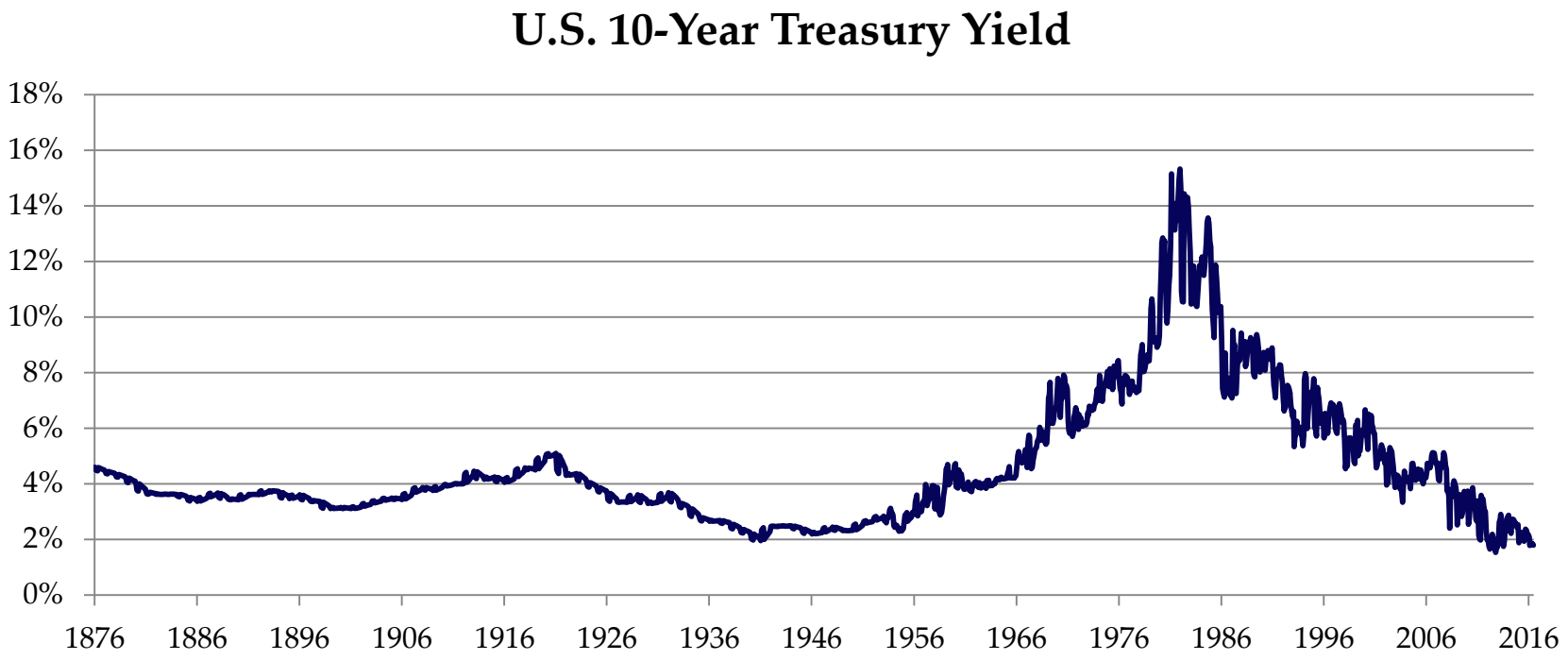
Source: "Getting Smart About Volatility," page 4

What's Driving Equities & Bonds Higher?

- Current Federal Reserve monetary policy environment has created a situation with historically low yields in U.S. Treasuries
  - leading to **higher priced bonds**
- Low yields in Treasuries have led to low yields in Corporate Debt
  - Money is cheap, so corporations are borrowing
- Cheap Corporate Debt has fueled stock market buybacks
  - leading to **higher priced stocks**

High Priced Bonds

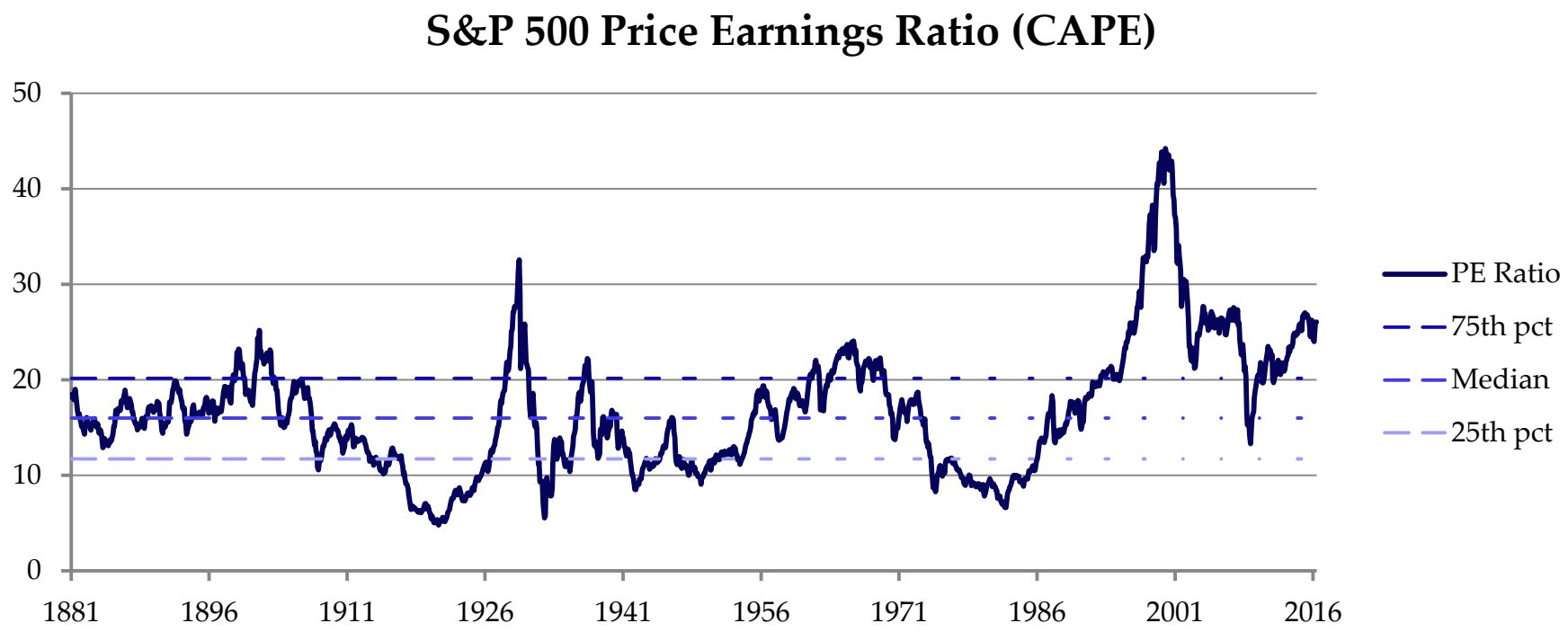
- 10 year treasury yields are at all-time lows. In a true crisis, yields may not have much more room to fall



Source: Multpl.com

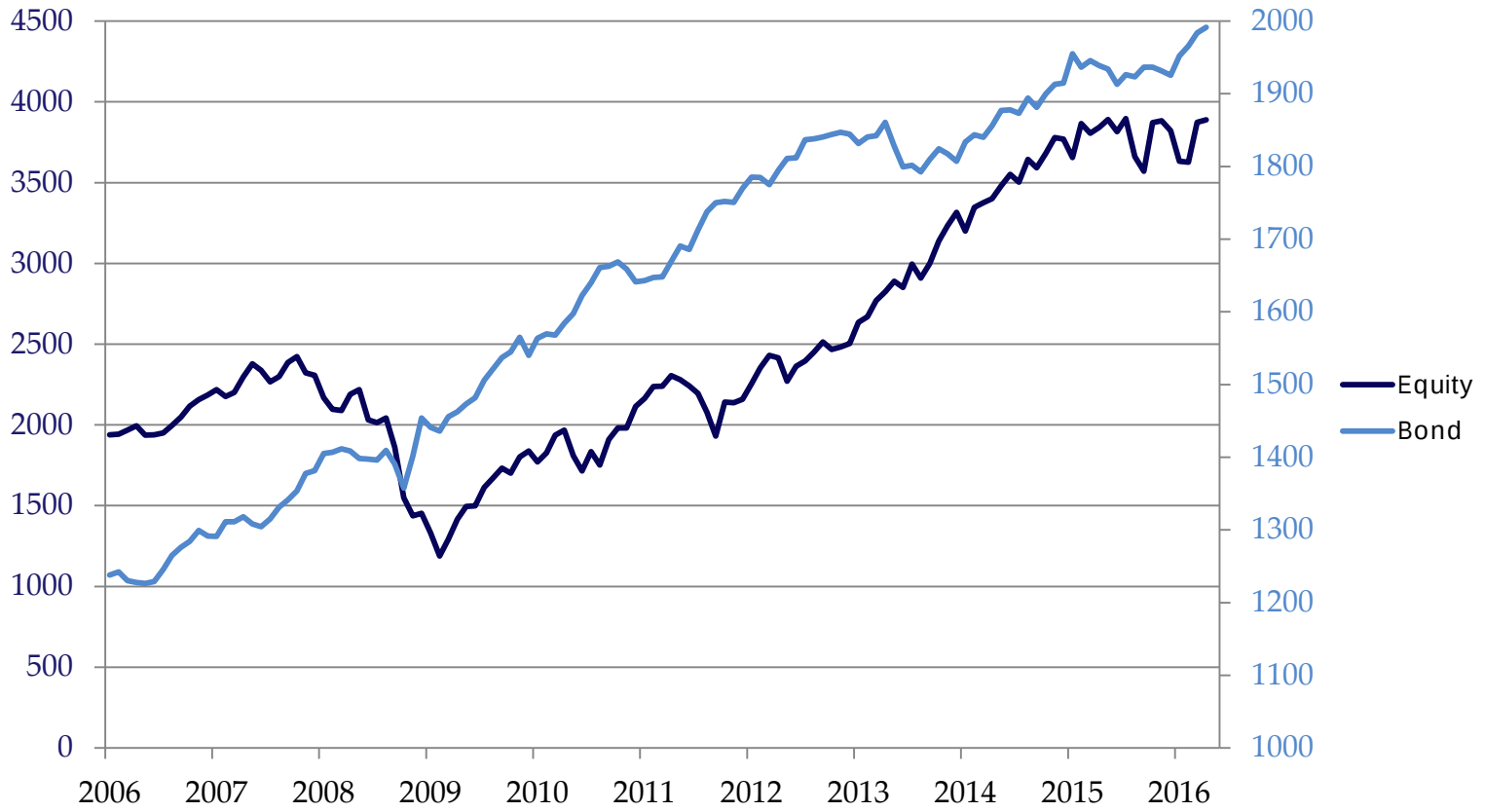
High Priced Stocks

- Current Shiller P/E ratio shows elevated equity valuations.



Source: Robert Shiller (Cyclically Adjusted Ratio or CAPE)

Stocks & Bonds Are Moving in Tandem

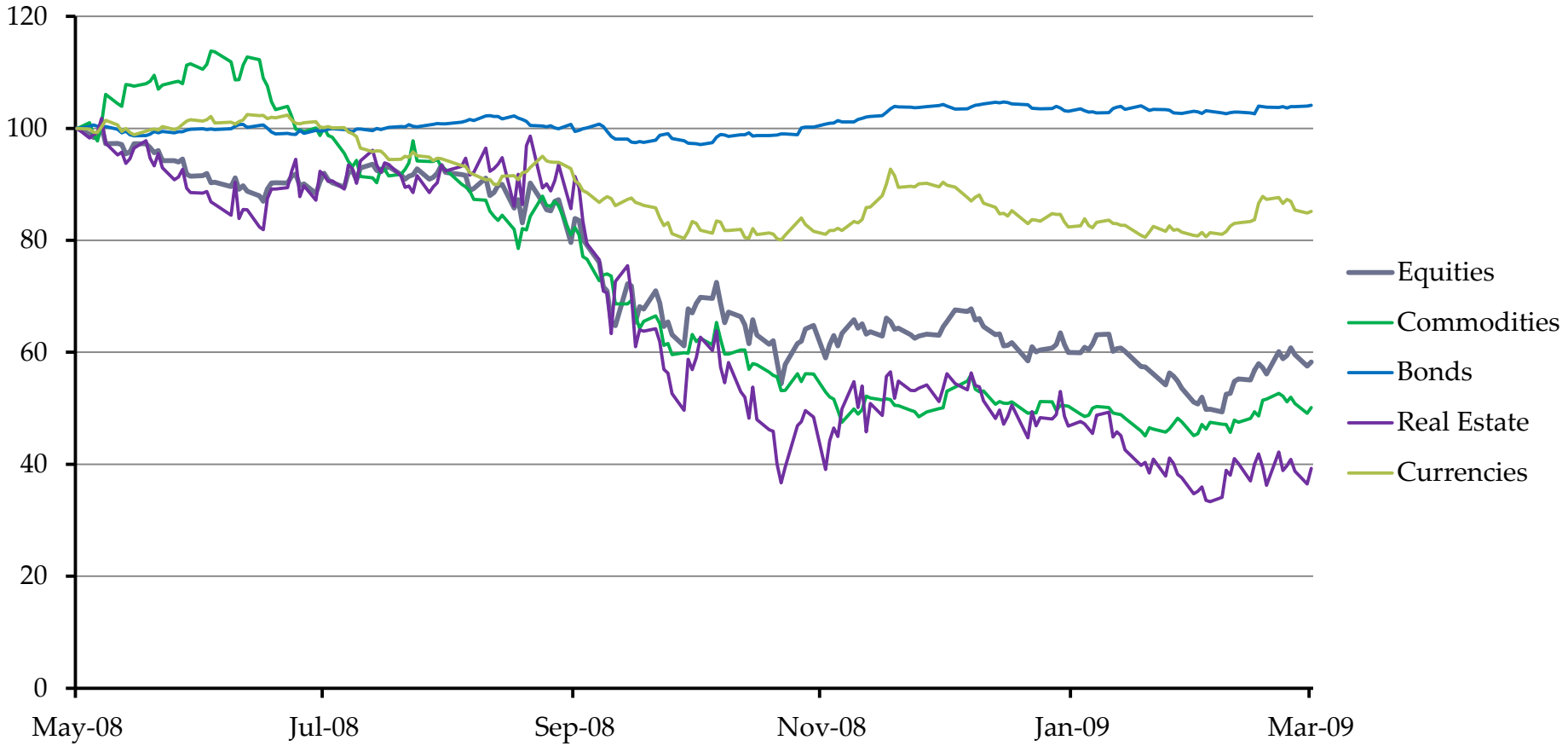


Source: Bloomberg

Should Advisors Be Worried?

- Bond asset prices and equity asset prices have risen in tandem
  - In the next crisis, will both fall in tandem?
- Given current short-term interest rates, does the Federal Reserve have any ammunition for the next crisis?
  - Rates are nearly zero, can they go much lower?
- Even without these concerns, how useful were other asset classes in the financial crisis?

2008/2009 Crisis: Performance by Asset Class



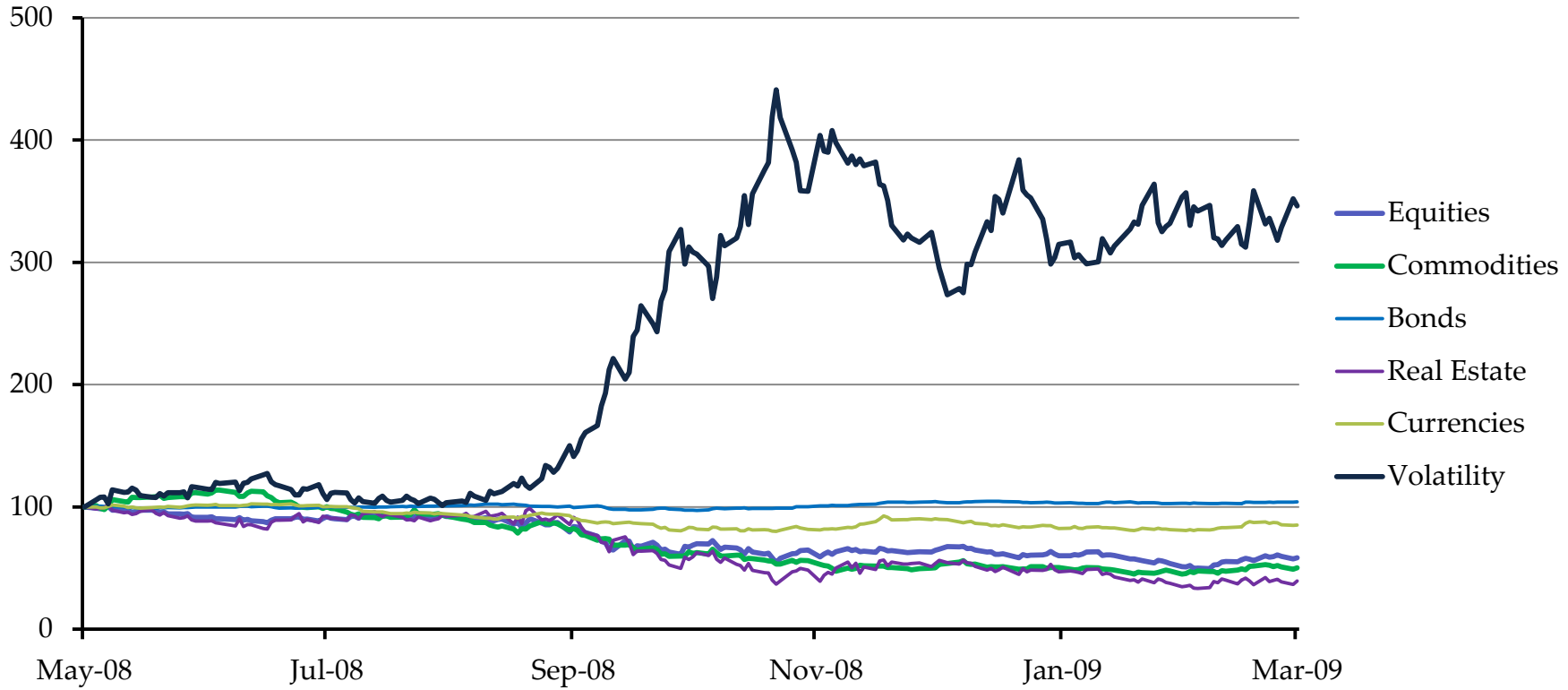
Source: Bloomberg

2008/2009 Crisis: Drawdowns by Asset Class

- Equities & Bonds:
  - Equites experienced a greater than 50% drawdown
  - Bonds were almost flat, up only 4% in the crisis
  - Diversified Equity/Bond (60%/40%) portfolios had drawdowns of around 25%
- Alternatives
  - Real Estate experienced a 67% drawdown
  - Commodities fell 55%
- What else can help preserve clients' portfolios?
  - **Instruments that track Volatility as an Asset Class**

Volatility Outperforms in a Crisis

- Short term Volatility gained 341% at its peak



Source: Bloomberg

Thinking About Volatility as an Asset Class

Volatility has tended to have a high decay rate but a strong negative correlation to equity markets

- Buyer pays for "hedge" on the stock market
  - Pays premiums in case something bad happens to stocks

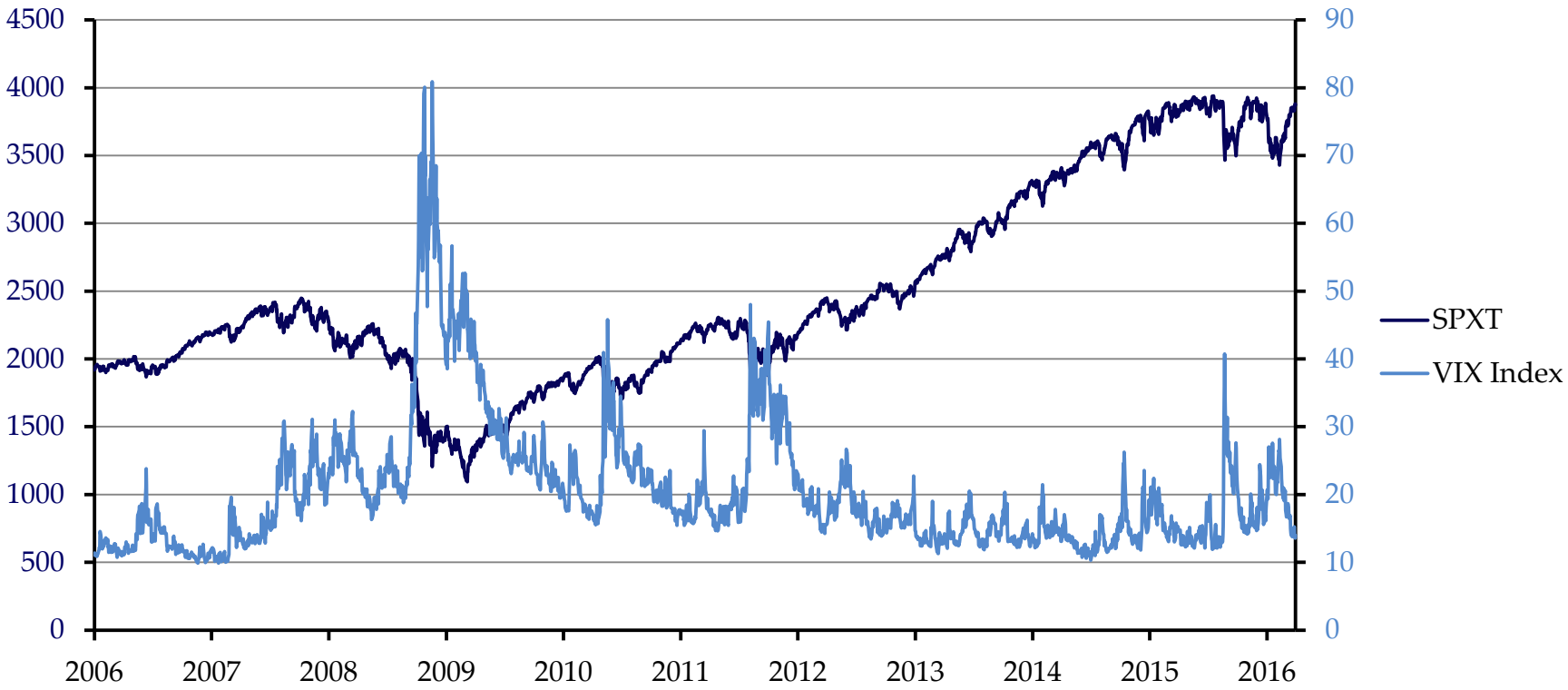
- Seller gets paid premiums but with large downside risk
  - If stocks drop a lot, the "Seller" will quickly have to pay out large sums, but usually the seller is happily collecting premiums.

Introduction to the VIX Index

- The VIX Index reflects the volatility of the S&P 500 Index
- VIX Index futures are liquid instruments based on the VIX Index
- VXX (Exchange-Traded Note) is based on VIX Index futures
  - started trading February 2009
  - tracks the S&P 500 VIX Short-Term Futures Total Return Index (SPVXSTR Index)
  - The SPVXSTR Index is a rolling blend of first and second month VIX Index futures intended to represent a theoretical VIX Index future which is always one month from expiration

VIX Index vs. S&P 500 Index

- High VIX Index values generally mean the market is in a volatile period.



Source: Bloomberg

Volatility is a Negatively Correlated Asset Class

- The VIX Index has a negative correlation to the market. A rising VIX Index has tended to accompany a falling S&P 500 Index.

Asset Class	Long-Term Correlation to the S&P 500 Total Return Index (SPXT) 2005-2015
Commodities	0.36
Fixed Income	***-0.30***
Real Estate	0.80
Currencies	0.29
Volatility	***-0.75***

Source: "Smart Volatility™, Dynamic Management of Volatility as an Asset Class," page 2

Volatility is a Negatively Correlated Asset Class

- Volatility **Increased** Its Negative Correlation to Equity Markets during the last Crisis (9/30/2008 – 11/28/2008)

Asset Class	Correlation to SPXT	Change from Previous Slide
Commodities	0.48	0.12
Fixed Income	***0.00***	***0.30***
Real Estate	0.83	0.03
Currencies	0.55	0.26
Volatility	***-0.88***	***-0.13***

Source: "Smart Volatility™, Dynamic Management of Volatility as an Asset Class," page 3

Static Volatility Strategies

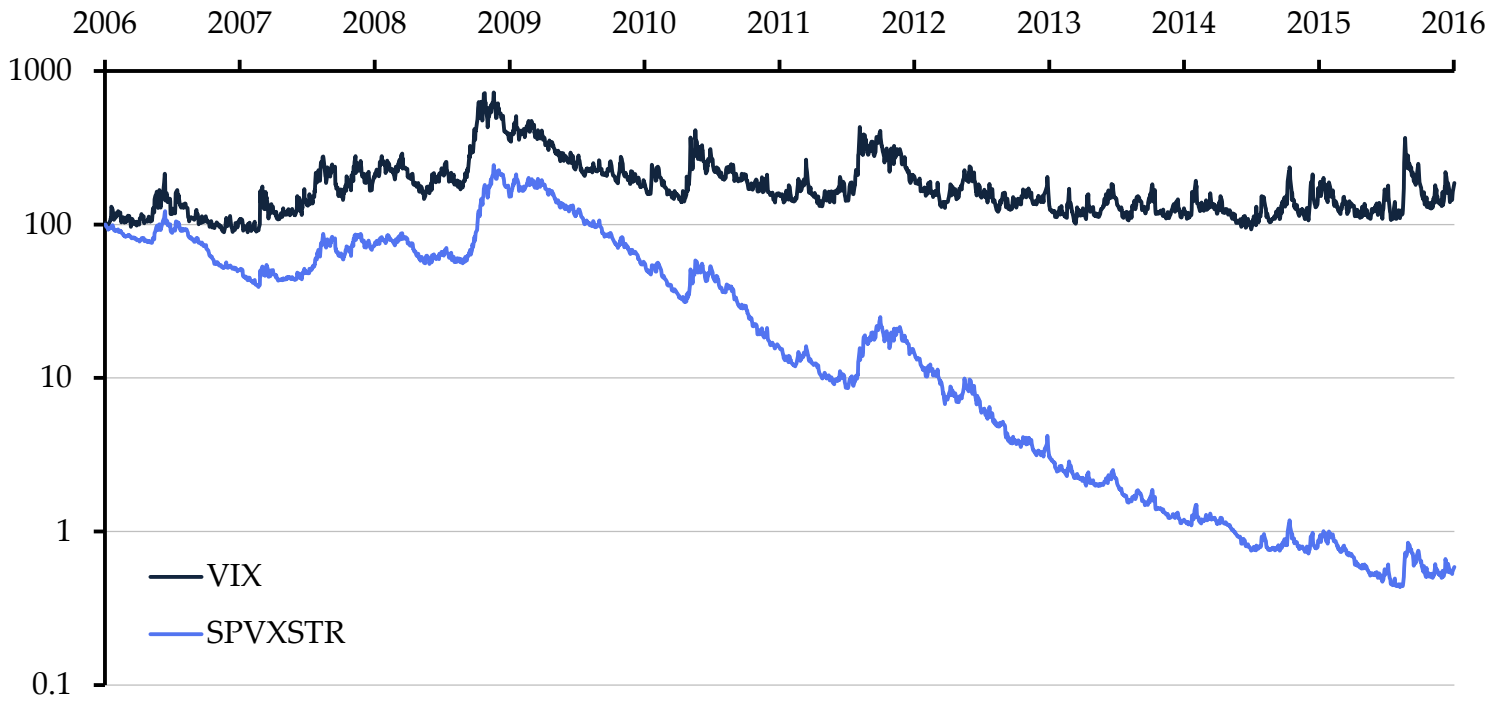
Static strategies of holding volatility have the potential to be problematic:

- Buy and Hold
  - "Bleed-out"
- Sell and Hold
  - "Blow-out", even if the inverse ETF is purchased
- Buy Low, Sell High
  - Worst of both worlds: bleed-out AND blow-out

→**What could go wrong? Let's take a look**

Buy and Hold: "Bleed-out"

SPVXSTR has tended to decline dramatically over extended periods of time. This index* has historically dropped 1% in value every 8 trading days! This index has a desirable feature where it has spiked in a crisis, but for this feature, the buyer has to pay reoccurring premiums.

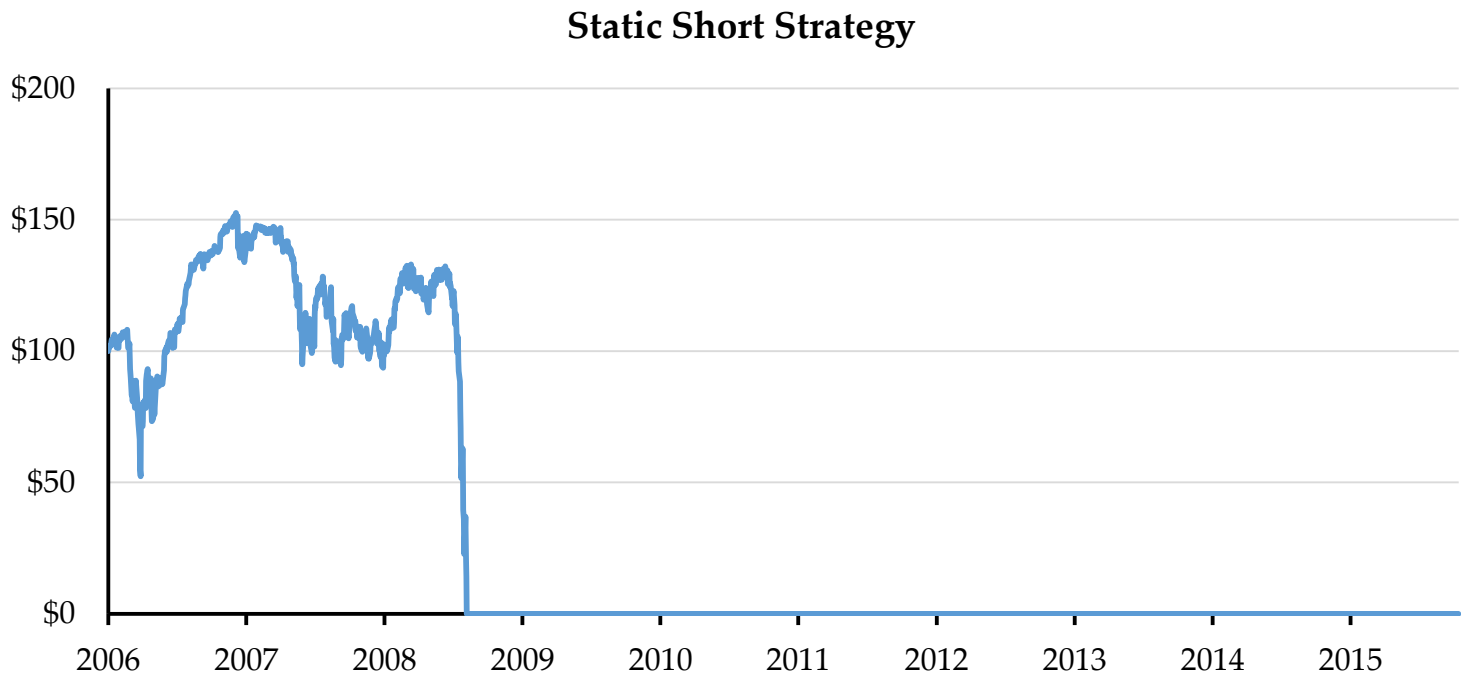


Source: "Smart Volatility™, Dynamic Management of Volatility as an Asset Class," page 3

*Note that one can not invest directly in an index

Sell and Hold: "Blow-out"

The below graph shorts the SPVXSTR Index* on 3/21/2006. It hit 0 on 10/24/2008. The spike in volatility during the 2008 Crisis caused the total loss of the shorted value.



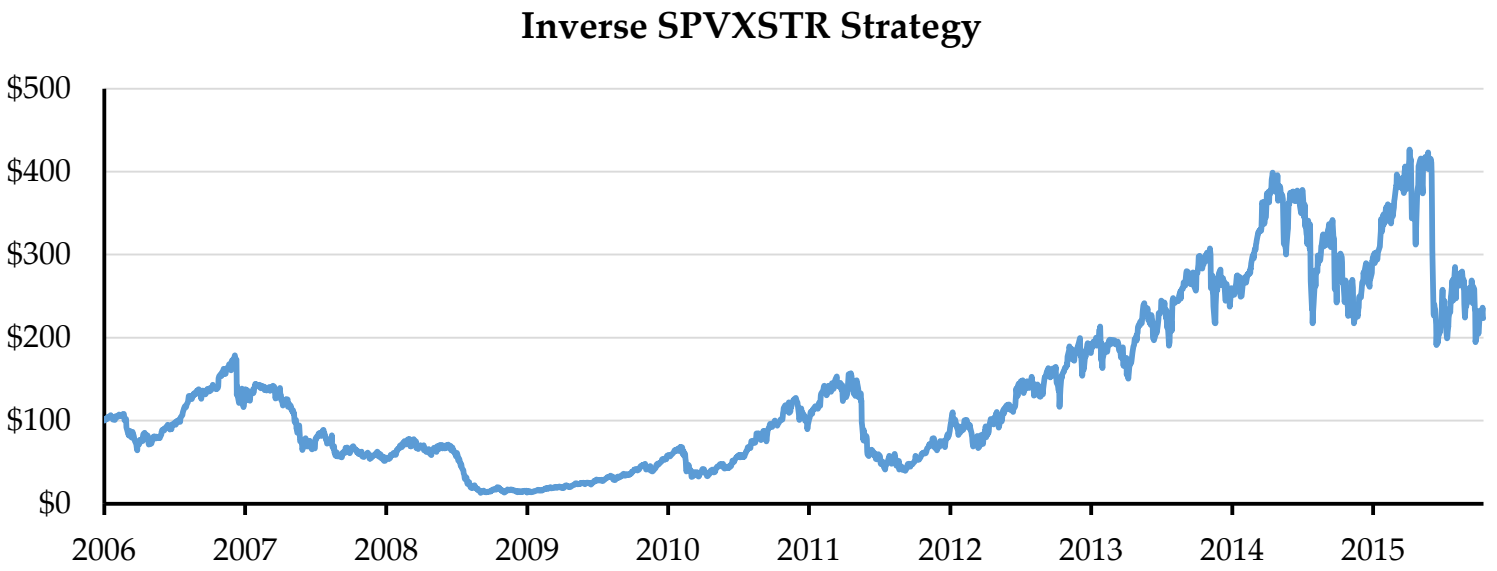
Source: Bloomberg

*Note that one can not invest directly in an index

Buying the Inverse Index

→ Sell and Hold Part 2:
"Blown-out" again

→ The below graph is the inverse of the SPVXSTR Index*. This suffered a 92% drawdown in 2007-2009.

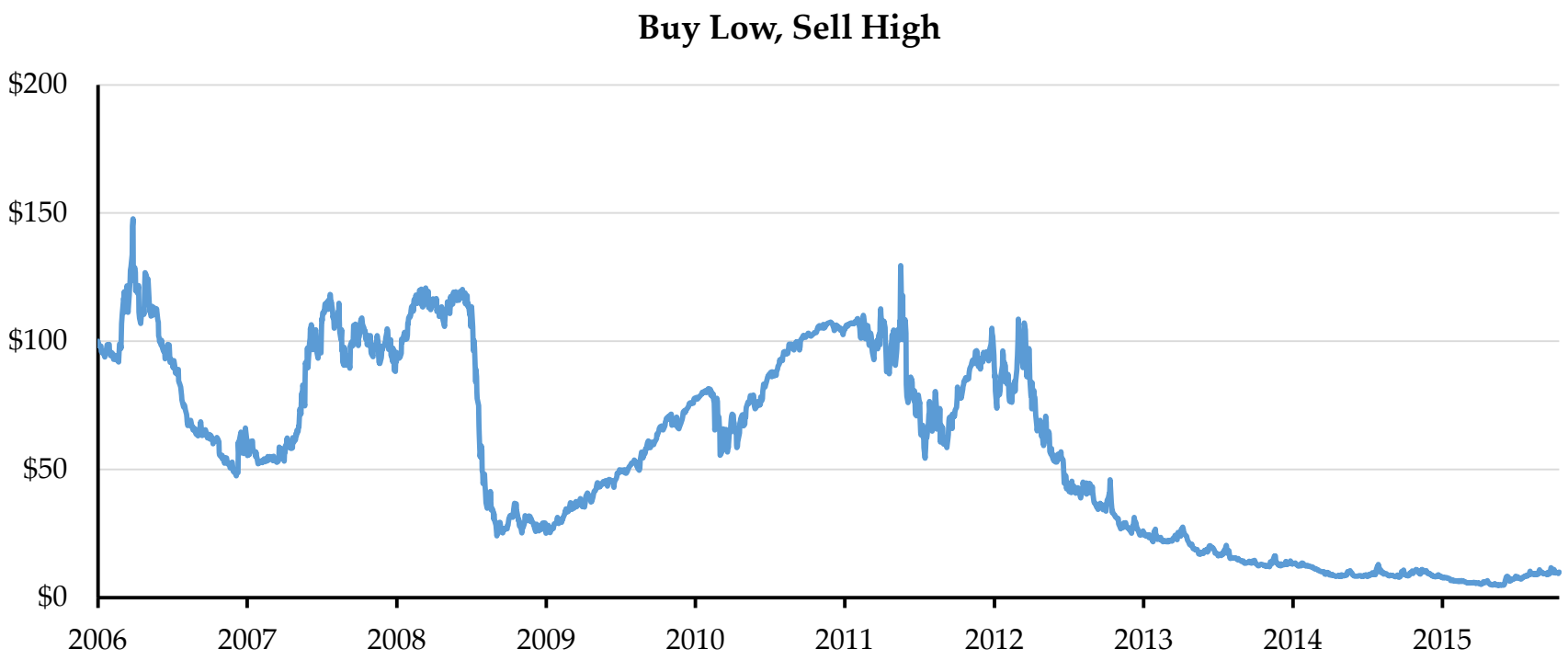


Source: Bloomberg

*Note that one can not invest directly in an index

Buy Low, Sell High: A Long, Wild Ride to Zero

→ The below graph buys SPVXSTR Index* when the VIX Index is under 15 and shorts SPVXSTR Index when the VIX Index is over 30. This had a 96.7% drawdown by 2015.



Source: Bloomberg

*Note that one can not invest directly in an index

So how should volatility be managed?

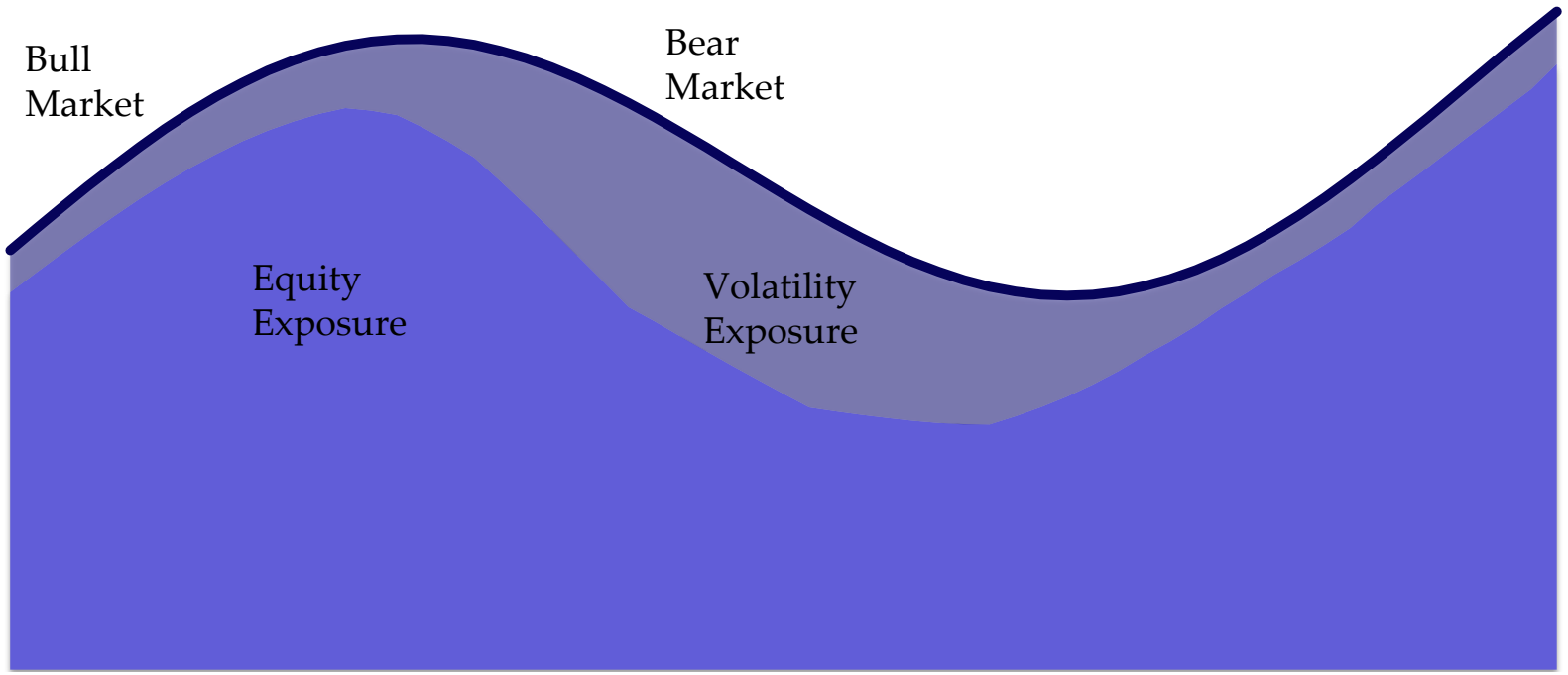
Smart Volatility™ is the systematic dynamic rebalancing of volatility in a portfolio

- Smart Volatility strives to capture spikes in volatility
- Smart Volatility strives to avoid decay in volatility

How Does Smart Volatility™ Work?

Model-driven dynamic allocation to volatility based on market conditions

Market Cycle with Sample Smart Volatility Allocations



What Signals Does Smart Volatility™ Use?

The short answer is: Momentum

Momentum is a well-known factor found in Equities, Futures, FX, and Commodities.

Below are some momentum signals in volatility:

- Implied Volatility and the VIX Index
  - "Buy High, Sell Low"
- Autocorrelation of Realized Volatility Changes
  - "The Trend is Your Friend"
- Implied Volatility Ratios
  - "Something Doesn't Smell Right"
- Realized Volatility
  - "Fear is Contagious"

Signal #1: Buy High, Sell Low

Buying volatility when the VIX price is high has generally led to better results. The time period for below table is from 12/30/2005 to 12/31/2015.

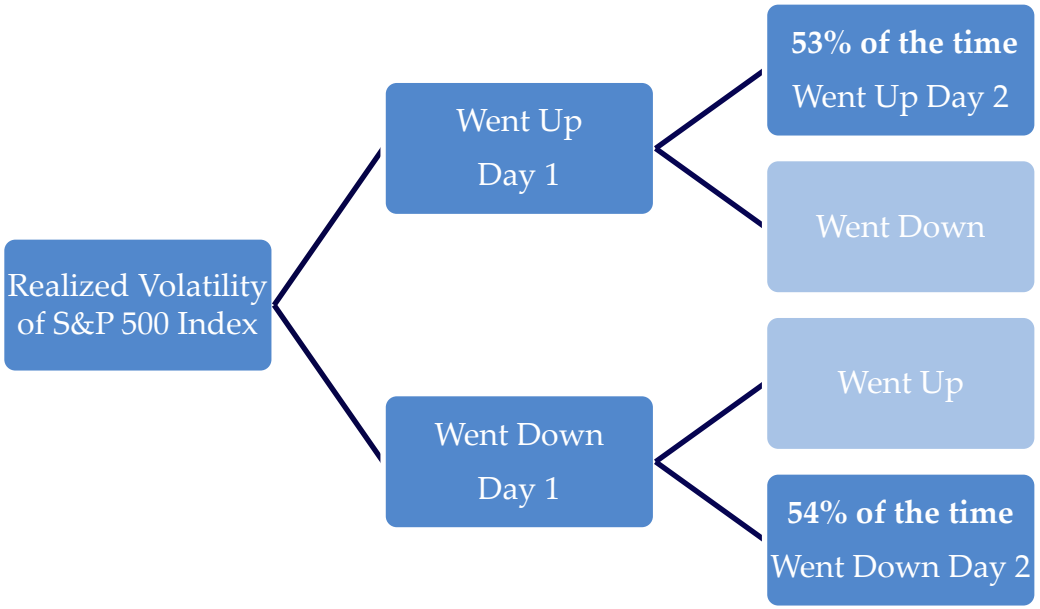
VIX Index Price	Percentage of Trading Days	Next Day Return of Volatility
0 – 30	88%	-0.16%
30 or higher	***12%***	***0.10%***

Source: "Smart Volatility™, Dynamic Management of Volatility as an Asset Class," page 4

Signal #2: The Trend is Your Friend

This usually works much better in volatility than equities or bonds:

- Realized volatility of S&P 500 Index moved in the same direction 54% of the time as the change in realized volatility. The time period for below chart is from 12/30/2005 to 12/31/2015.



Data Source: "Smart Volatility™, Dynamic Management of Volatility as an Asset Class," page 5

Signal #3: Something Doesn't Smell Right

When the ratio of short-term to mid-term volatility is "off", volatility may be a "buy". The time period for below table is from 12/30/2005 to 12/31/2015.

Short-Term vs. Mid-Term Volatility Ratio	Percentage of Trading Days	Average Daily Return of Volatility
Below 1	85%	-0.21%
Above 1	***15%***	***0.36%***

Source: "Smart Volatility™, Dynamic Management of Volatility as an Asset Class," page 6

Signal #4: Fear Is Contagious

Volatility may beget more volatility. The time period for below table is from 12/30/2005 to 12/31/2015.

S&P 500 Index Realized Volatility	Percentage of Trading Days	Average Daily Return of Volatility
0% - 30%	90%	-0.18%
30% or higher	***10%***	***0.37%***

Source: "Smart Volatility™, Dynamic Management of Volatility as an Asset Class," page 6

Key Take-Aways

- There have been times of crisis, when static holdings in volatility have been a losing proposition with large drawdowns
  - "Blow-out" or "bleed-out"
- We believe that the system should be completely rules-based
  - Removes human elements of fear & greed from the decision-making process
- Momentum signals in volatility can help decide when to buy more volatility
  - **Smart Volatility™**

Conclusion: Advisors Need Volatility as an Asset Class

- During a crisis, volatility can be a powerful portfolio management tool because of its consistent negative correlation to equity markets
- "60/40" portfolios may have significant drawdowns given current market conditions
- Our research indicates volatility should not be held as a static allocation in a portfolio
- Smart Volatility™ offers a dynamic volatility management system
- ABR builds systematic quantitative investment strategies. Learn more about us at www.abrfunds.com

Questions?

For further information about the fund, its past performance, and white papers, please feel free to reach out to us. Learn more at www.volfunds.com

Please feel free to contact the presenter:

- Taylor Lukof, Founder/CEO, ABR Dynamic Funds, LLC.
- tlukof@abrfunds.com
- 212-918-4664