SYMMETRY®

Understanding Smart Beta and Factor Investing

Beta refers to exposure to a market capitalization-based index such as the S&P 500, while Smart Beta strategies seek to do something different or "smarter" than beta. To achieve that, Smart Beta creates new indices based on different criteria, such as dividend yield, that can then be tracked by an investment such as a mutual fund or an ETF.

At Symmetry, we view factors as a sub-set of Smart Beta. Very simply, a factor is a characteristic of a stock or bond that drives its behavior, and that has supportive data from the academic community. We target factors that may help to generate higher returns over time relative to a simple market index, or that may help to reduce risk.*

FACTORS WE TARGET

Factor or Characteristic	Asset Class	What is Rewarded?
Market	Equity	Stocks tend to outperform bonds
Value	Equity	Cheap stocks tend to outperform expensive stocks
Momentum	Equity	Stocks that outperform in the near term tend to continue to do so
Size	Equity	Small company stocks tend to outperform those of large companies
Quality	Equity	Stocks of high quality companies tend to outperform those of low quality companies
Low Volatility	Equity	Low volatility stocks tend to outperform high volatility stocks while offering better risk-adjusted returns
Interest Rate Risk	Bond	Bonds with longer durations or maturities tend to outperform shorter term bonds
Credit Risk	Bond	Bonds with lower credit quality tend to outperform bonds of higher credit quality

While we believe that factors are the keys to a better investment experience over time, it is important to understand that not all factors outperform all of the time. Value may outperform at a different time than will Momentum, for example, but all have the potential to enhance returns over the long run. As such, we believe it is important to adhere to a factor strategy over time regardless of short-term performance.

For more information, please contact your financial advisor, or visit us at www.symmetrypartners.com.

* Please be advised that adding these factors may not ensure increased return over a market-weighted investment and may lead to underperformance relative to the benchmark over the investor's time horizon. Information regarding these factors can be found on the back page.

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*Symmetry Partners' investment approach seeks enhanced returns by overweighting assets that exhibit characteristics that tend to be in accordance with one or more "factors" identified in academic research as historically associated with higher returns. Please be advised that adding these factors may not ensure increased return over a market-weighted investment and may lead to underperformance relative to the benchmark over the investor's time horizon. The factors Symmetry seeks to capture may change over time at its discretion. Currently, the major factors in equity markets used by Symmetry and some associated academic research are: the market risk premium (Sharpe, William F. "Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk." The Journal of Finance, Vol. 19, No. 3 (Sept. 1964), 425-442.), value (Fama, Eugene and Ken French. "Common risk factors in the returns on stocks and bonds." Journal of Financial Economics, 33, (1993), 3-56.), small (Banz, Rolf W. "The Relationship Between Return and Market Value of Common Stocks."Journal of Financial Economics, 9 (1981), 3-18.), profitability (Novy-Marx, Robert. "The Other Side of Value: The Gross Profitability Premium." Journal of Financial Economics, 108(1), (2013), 1-28.) quality (Asness, Clifford S.; Andrea Frazzini; and Lasse H. Pedersen. "Quality Minus Junk." Working Paper.), momentum (Jegadeesh, Narasimhan and Sheridan Titman. "Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency." The Journal of Finance, Vol. 48, No. 1, (March 1993), 65-91.), and minimum volatility (Ang, Andrew, Robert J. Hodrick, Yuhang Xing and Xiaoyan Zhang. "The Cross-Section of Volatility and Expected Returns." The Journal of Finance, Vol. 61, No. 1 (Feb. 2006), pp. 259-299.). On the bond side, Symmetry primarily seeks to capture maturity and credit risk premiums (Ilmanen, Antti. Expected Returns: An Investor's Guide to Harvesting Market Rewards. WileyFinance, 2011, p157-158 and 183-185.). All data is from sources believed to be reliable but cannot be guaranteed or warranted.

Higher potential return generally involve greater risk, short term volatility is not uncommon when investing in various types of funds including but not limited to: sector, emerging markets, small and mid-cap funds. International investing involves special risks such as currency fluctuation, lower liquidity, political and economic uncertainties, and differences in accounting standards. Risks of foreign investing are generally intensified for investments in emerging markets. Risks for emerging markets include risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates and adverse political developments. Risks for investing in international equity include foreign currency risk, as well as, fluctuation due to economic or political actions of foreign governments and/or less regulated or liquid markets. Risks for smaller companies include business risks, significant stock price fluctuation and illiquidity. Investing in real estate entails certain risks, including changes in: the economy, supply and demand, laws, tenant turnover, interest rates (including periods of high interest rates), availability of mortgage funds, operating expenses and cost of insurance. Some real estate investments offer limited liquidity options. Investing in higher-yielding, lower-rated bonds has a greater risk of price fluctuation and loss of principal income than U.S. government securities, such as U.S. Treasury bonds and bills. Treasuries and government securities are guaranteed by the government for repayment of principal and interest if held to maturity. Investors should carefully assess the risks associated with an investment in the fund.

DIFFERENT TYPES OF INVESTMENTS AND/OR INVESTMENT STRATEGIES INVOLVE VARYING LEVELS OF RISK, AND THERE CAN BE NO ASSURANCE THAT ANY SPECIFIC INVESTMENT OR INVESTMENT STRATEGY WILL BE EITHER SUITABLE OR PROFITABLE FOR YOUR PORTFOLIO. Allocation models are not intended to represent investment advice that is appropriate for all investors. Each investor must take into account his/her financial resources, investment goals, risk tolerance, investing time horizon, tax situation and other relevant factors to determine if such portfolio is suitable. Model composition is subject to change. You and your advisor should carefully consider your suitability depending on your financial situation.

Index Disclosure and Definitions

All indexes have certain limitations. Investors cannot invest directly in an index. Indexes have no fees. Historical performance results for investment indexes do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the occurrence of which would have the effect of decreasing historical performance results. Actual performance for client accounts will differ materially from index performance.

S&P 500 Index represents the 500 leading U.S. companies, approximately 80% of the total U.S. market capitalization.