



Tactical Portfolio Series

Overview

The Tactical portfolios are tactical, risk-managed models designed to provide appropriate asset allocations to current market conditions, adjusting accordingly as market environments change. Clarus offers three different Tactical portfolios, each targeting a different risk profile: Conservative, Moderate, and Growth.

The strategy utilizes a proprietary signaling model built to help define the current market environment. Once the environment has been determined, low-cost equity and fixed income index ETFs are selected to fill out appropriate exposures to suit the environment.

The primary goal of the Tactical portfolios is to be positioned in equities during positive environments (bull markets), utilize a reduced-risk profile in neutral environments, and hold cash and/or fixed income in negative environments (bear markets). The appropriate investing time frame is generally 3-5 years. The investment minimum is \$5,000.

Determining the Market Environment

In order to determine the market environment, the Tactical portfolios rely on a proprietary signaling model. The model is broken up into two major components – The "Internal" and "External" components. The Internal component focuses on technical and price-oriented market indicators, including multi-cap tape readings, moving average slopes, momentum and trend reversals, and new 30-day highs, among others. The External component focuses on fundamental, economic, fixed income, and sentiment indicators, including earnings yield, EPS, industrial production, bond yields, daily sentiment, and low/high beta, among others. The primary goal is to answer the questions, "how healthy is the market right now, and how should my portfolio be allocated?"

The Tactical portfolios utilize these two components to "score" the market environment to determine if we are in a positive mode, a neutral mode, or a negative mode. For example, if both the Internal and External model components are giving positive readings (based on a cumulative score of the indicators within each component), the Tactical Portfolios would allocate to the "Positive Market Allocation Target," placing heavy favor on owning equities. If the Internal and External model components are both giving negative readings, the Tactical Portfolios would allocate to the "Negative Market Allocation Target," favoring holding cash and fixed income to protect capital. If the Internal and External components disagree (one positive, one negative), the Tactical Portfolios would allocate to the "Neutral Market Allocation Target," positioning more cautiously to 60% equity / 40 % fixed income on Tactical Moderate and Growth, and 30% equity / 70% fixed income in Tactical Conservative.

The market environment mode determines the Tactical portfolios' asset allocation, though manager discretion plays a role as well. Manager discretion can be used between Moderately Positive or Negative conditions in order to reduce trading frequency and/or capitalize on signal strength. Below is an example of how varying component readings could allocate the Tactical Growth model in different ways:

Internal / External	Market Environment	Tactical Growth Allocation
Both Positive	Positive	100% Equity
One Neutral, One Positive	Moderately Positive	80% Equity / 20% Fixed Income
Both Neutral	Neutral	60% Equity / 40% Fixed Income
One Negative, One Positive	Neutral	60% Equity / 40% Fixed Income
One Negative, One Neutral	Moderately Negative	30% Equity / 70% Fixed Income
Both Negative	Negative	100% Cash

Tactical Portfolio Offerings

Below you'll find a table of each Tactical portfolio offering, describing how the general asset allocation is weighted given varying market environments, and the general risk level of each portfolio.

Portfolio	Negative Market Allocation Target	Neutral Market Allocation Target	Positive Market Allocation Target	Risk Level
Tactical Conservative	60% Cash / 40% Bonds	30% Equity / 40% Bonds	60% Equity / 40% Bonds	Conservative
Tactical Moderate	100% Cash	60% Equity / 40% Bonds	80% Equity / 20% Bonds	Mod Aggressive
Tactical Growth	100% Cash	60% Equity / 40% Bonds	100% Equity	Aggressive

Summary

Investment Style:	Tactical
Methodology:	Active Asset Allocation
Asset Category:	ETFs
Risk Level:	Varied
# of Holdings:	1-4
Investing Time Frame:	3-5 Years
Portfolio Minimum:	\$5,000
Benchmarks:	60% MS Tactical / 40% Barclays US Agg Bond (Tactical Conservative); 80% MS Tactical / 20% Barclays US Agg Bond (Tactical Moderate); Morningstar Tactical (Tactical Growth)