INCORPORATING OPPORTUNISTIC STRATEGIES
A QUALITATIVE AND QUANTITATIVE REVIEW

KEY TAKEAWAYS

Passive and opportunistic investment strategies are the building blocks we believe are necessary for a portfolio that seeks to both minimize drawdowns and also provide capital appreciation.

Opportunistic strategies have historically outperformed passive strategies during financial market drawdowns.

Innealta Capital offers two opportunistic funds within U.S. equity and international equity markets that have shown strong absolute and risk-adjusted performance.

INTRODUCTION

At the core of any asset allocation scheme lies equity and fixed-income investments. Asset allocators and investors tend to use equities for capital appreciation potential while using fixed income for income and capital preservation. Generally, the goal for most investors is to construct a portfolio, using these two core asset classes, with the highest expected return for a given level of risk.

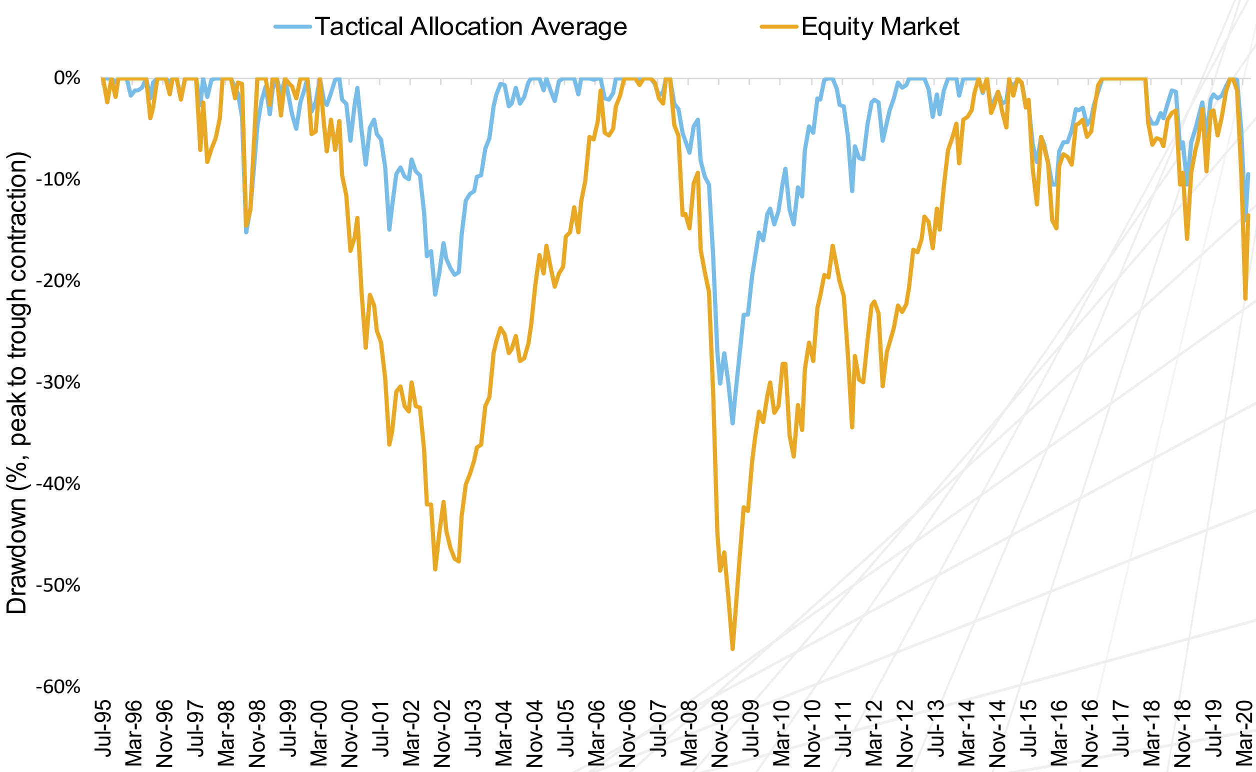
	PASSIVE	OPPORTUNISTIC
PORTFOLIO ROLE	CORE	COMPLEMENT
TRACKING ERROR	LOWER	HIGHER
ASSET CLASS FLEXIBILITY	NO	YES
RISK MANAGEMENT	NONE	YES

In application, asset allocators, which may include advisors or retail investors, have a wide array of options to build model portfolios, ranging from passively managed, index-tracking vehicles to actively managed, blended ones. Passive vehicles (“passive”) typically track an index and offer consistent exposure to an asset class or market segment using market capitalization weights, whereas actively managed vehicles (“opportunistic”) maintain the flexibility to adjust the asset class allocation and security selection decisions seeking to increase returns, reduce risks, or both.

We believe that both passive and opportunistic strategies add value and have a role to play in the portfolio, depending on the investor's needs. Since 1990, global equities have experienced a drawdown of 20% or more, 7 times. Complementing a passive core with opportunistic, risk-managed strategies may provide a portfolio with the ability to minimize significant drawdowns and allow for smoother return streams. Done correctly, we believe that asset allocators can construct a portfolio that not only aims for higher risk-adjusted returns but also higher absolute returns. **By minimizing the investment-related stress, asset allocators can increase the probability that end clients stay the course and stick to their financial plans**.

THE VALUE OF OPPORTUNISTIC STRATEGIES

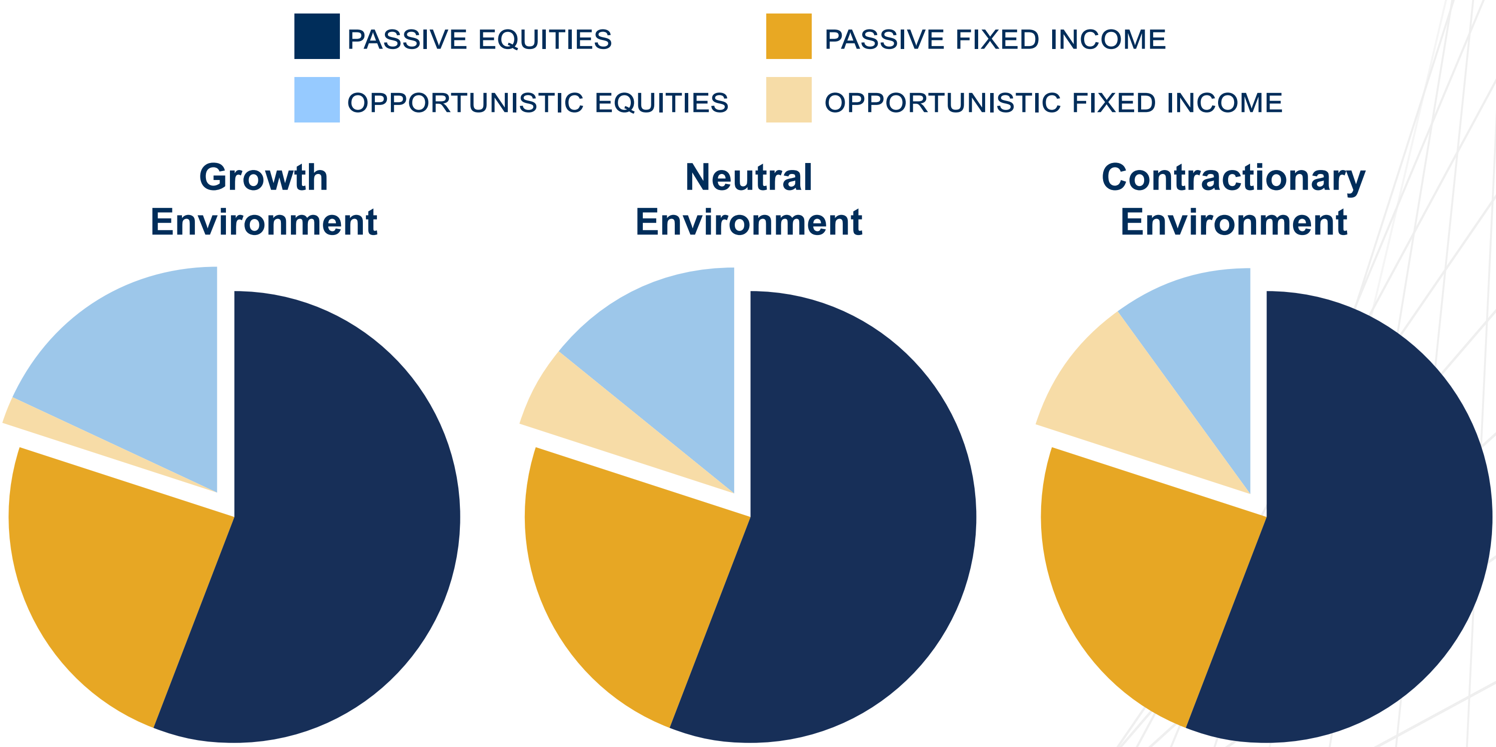
Opportunistic strategies can help reduce the emotional stress of investing. The two primary risks during financial market drawdowns are the inability to meet financial goals (e.g., retirement) or making portfolio changes that negatively impact future performance (e.g., liquidating or going to cash). **In financial market selloffs, opportunistic strategies, as measured the Morningstar Tactical Allocation category average performance, have historically performed better than passive strategies**. For example, during the Great Financial Crisis, opportunistic strategies declined 34% while the MSCI All Country World Index, a global equity benchmark, declined 55%. In our opinion, minimizing severe drawdowns is critical as a dollar earned is not the same as a dollar lost.



SOURCE: Innealta Capital. As of 04/30/2020. Time frame 07/31/1995 to 04/30/2020. For illustrative purposes only. "Tactical Allocation Average" refers to the average fund performance, as calculated by Morningstar, within the Morningstar Tactical Allocation category. "Equity Market" refers to the MSCI All Country World Index. Past performance is not indicative of future returns.

OPPORTUNISTIC STRATEGY FLEXIBILITY

To achieve higher risk-adjusted returns, opportunistic strategies, compared to passive strategies, generally have more flexibility in their mandates to adjust the asset allocation or the selection of securities or sectors within an asset class. It is important to understand that when using an opportunistic strategy, the overall asset allocation is likely going to change based on the market environment. For example, a moderately risked portfolio (“Moderate”) using 80% passive strategies and 20% opportunistic strategies is likely to contain 70% equities and 30% fixed income. During a growth environment, the opportunistic strategies are likely to increase their equity allocation relative to their fixed income, which results in the Moderate portfolio, increasing its equity allocation. **Utilizing opportunistic strategies with passive strategies can help minimize drawdowns during periods of financial market stress as the opportunistic strategies are likely to adjust the asset and security selection based on the market environment.**

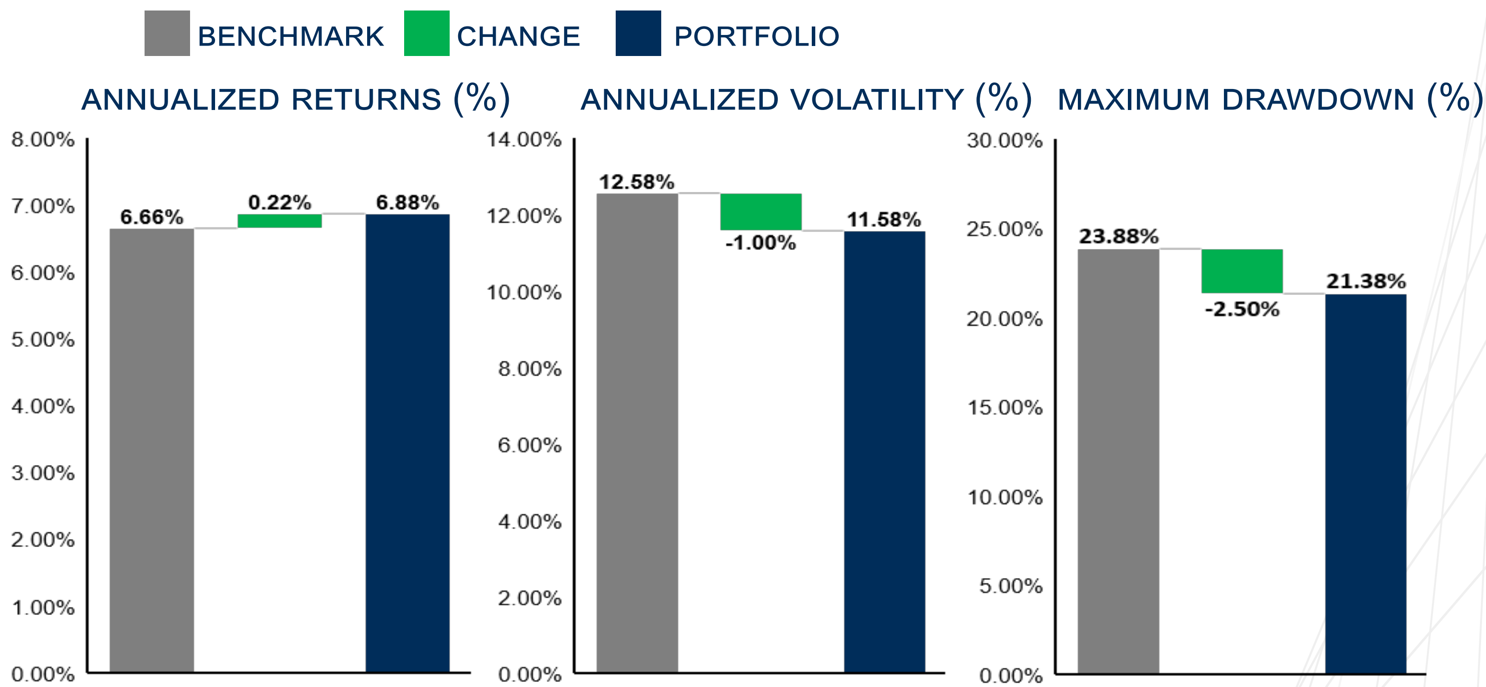


Asset Class Breakdown		Growth	Neutral	Contractionary
Passive	Equities (%)	56	56	56
	Fixed Income (%)	24	24	24
Opportunistic	Equities (%)	18	14	10
	Fixed Income (%)	2	6	10
Total	Equities (%)	74	70	66
	Fixed Income (%)	26	30	34

SOURCE: Innealta Capital. For illustrative purposes only. Values represent the opinions of Innealta Capital and are subject to change without notice. Portfolio allocations assume a portfolio composed of 80% Traditional strategies and 20% Opportunistic strategies.

UTILIZING OPPORTUNISTIC STRATEGIES

Innealta Capital offers two opportunistic mutual funds, the Dynamic International Opportunity fund (“ICCIX”) and the Dynamic U.S. Opportunity Fund (“ICSIX”) that provide exposure to international equities, U.S. equities, and fixed income. To assess the impact of including Innealta Capital funds within a portfolio, we simulated a benchmark containing 70% traditional equity and 30% traditional fixed income and a portfolio containing 50% traditional equity, 30% traditional fixed income, and 20% Innealta funds. **The results show that by adding Innealta Capital funds, the hypothetical portfolio would have achieved a more attractive performance and risk profile**.



SOURCE: Innealta Capital. As of 04/30/2020. Time frame 12/31/2015 to 04/30/2020. For illustrative purposes only. All results shown are hypothetical and do not include any trading costs. “Benchmark” refers to a quarterly rebalanced portfolio consisting of 70% iShares MSCI ACWI exchange traded fund (“ETF”) and 30% iShares Core U.S. Aggregate Bond ETF. “Portfolio” refers to a quarterly rebalanced portfolio consisting of 50% iShares MSCI ACWI ETF, 30% iShares Core U.S. Aggregate Bond ETF, 10% Dynamic U.S. Opportunity Fund, and 10% Dynamic International Opportunity Fund. The simulation includes the management fees of all investments but does not include any transaction costs.

SUMMARY

We believe that opportunistic strategies can add value for investors by marginally controlling the portfolio risk level. Historically, this has yielded a better investment experience for investors, seeking to minimize significant portfolio losses and providing a risk-managed strategy. **However, its important to understand that not all opportunistic strategies are alike, and asset allocators should perform due diligence to ensure the asset manager is providing the right type of opportunistic strategy for their portfolios, and that they are capable of delivering results when it matters**. A few key characteristics that we believe are critical in evaluating a manager are as follows:

» An intuitive, robust, and repeatable investment process

» An experienced team with the right qualifications

» A significant track record of delivering what they promise

INNEALTA FUND PERFORMANCE

DYNAMIC U.S. OPPORTUNITY FUND

RETURN (%)	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
ICSIX	-11.54	-11.54	-2.40	2.98	5.26	4.26
S&P 500	-19.60	-19.60	-6.98	5.10	6.73	11.42
Blend	-12.77	-12.77	-1.73	5.46	6.02	9.15

As of 03/31/2020

S&P 500: S&P 500 Index.

Blend: 70% S&P 500 Index / 30% Bloomberg Barclays U.S. Aggregate Bond Index USD.

DYNAMIC INTERNATIONAL OPPORTUNITY FUND

RETURN (%)	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
ICCIX	-5.18	-5.18	-6.34	-0.18	1.42	2.07
ACWI ex-US	-23.36	-23.36	-15.57	-1.96	-0.64	3.21
Blend	-16.45	-16.45	-9.33	0.04	0.63	2.96

As of 03/31/2020

ACWI ex-US: MSCI All Country World ex-USA NR Index.

Blend: 70% MSCI All Country World ex-USA NR Index / 30% Bloomberg Barclays Global Aggregate Bond NR Index.

The performance data presented in the table represents past performance net of all fees, including any acquired fund fees. Past performance is no guarantee of future results. Current performance may be lower or higher than the data cited above. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. For performance information current to the most recent month end, please call 855.994.2326.

The Dynamic U.S. Fund (the Fund) total annual fund operating expenses are 1.78%, and 1.53% for Class N and Class I shares respectively. Total annual operating expenses after fee waiver are 1.62% and 1.37% for Class N and I shares. The Fund's investment adviser has contractually agreed to reduce fees and/or absorb expenses until at least April 30, 2021, to ensure that total annual fund operating expenses (excluding any front-end or contingent deferred sales loads, brokerage fees and commissions, acquired fund fees and expenses, borrowing costs, taxes and extraordinary expenses such as litigation) for the Fund do not exceed 1.49%, and 1.24% of the Fund's average net assets, for Class N and Class I shares, respectively.

The Dynamic International Fund (the Fund) total annual fund operating expenses are 2.01%, and 1.76% for Class N and Class I shares respectively. Total annual operating expenses after fee waiver are 1.80% and 1.55% for Class N and I shares. The Fund's investment adviser has contractually agreed to reduce fees and/or absorb expenses until at least April 30, 2021, to ensure that total annual fund operating expenses (excluding any front-end or contingent deferred sales loads, brokerage fees and commissions, acquired fund fees and expenses, borrowing costs, taxes and extraordinary expenses such as litigation) for the Fund do not exceed 1.49%, and 1.24% of the Fund's average net assets, for Class N and Class I shares, respectively.

IMPORTANT FUND INFORMATION

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The **MSCI ACWI ex US NR Index** captures large- and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 1,866 constituents, the index covers approximately 85% of the global equity opportunity set outside the U.S. Net total return indexes reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The **MSCI All Country World ACWI NR Index** captures large- and mid-cap representation across 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 1,866 constituents, the index covers approximately 85% of the global equity opportunity set outside the U.S. Net total return indexes reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The **Bloomberg Barclays Global Aggregate Bond NR Index** is a measure of global investment grade debt from twenty-four different local currency markets. Net total return indexes reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The **S&P 500 TR Index** is an American broad market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The **Bloomberg Barclays US Aggregate Bond TR Index** is representative of the entire universe of taxable fixed-income investments. It includes issues of the U.S. Government and any agency thereof, corporate issues of investment grade quality (Baa/BBB or better), and mortgage-backed securities.

Investments cannot be made in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges. Blended benchmarks are unmanaged and rebalanced quarterly. It is not possible to invest directly in an index.

Innealta Capital, LLC is an independent registered investment advisor and is the investment advisor for certain mutual funds and individually managed accounts.

Investing involves risk, principal loss is possible, and there can be no assurance that investment objectives will be achieved. Past performance is no guarantee of future results. Innealta Capital, LLC only transacts business in states where it is properly registered or exempt from registration. Registration of an investment adviser does not imply any certain level of skill or training.

The Fund is a 'fund of funds' and typically invests in other investment companies and exchange traded funds ("ETFs"). Costs of investing in the Fund are generally higher than direct investments and investors may bear the fees, expenses, and brokerage costs charged by the ETFs. ETFs carry security, market and sector risks, and may not perform as expected which could result in a decline in value. When the Fund invests in ETFs that own fixed income securities, the value of your investment in the Fund will fluctuate with changes in interest rates. The use of leverage and inverse leveraged ETF's may exaggerate changes in price and return. Accordingly, values may be more volatile and the risk of loss magnified when compared to non-leveraged investments. Other possible risks to the Fund include those related to investment in small and medium sized companies, foreign securities, currencies and emerging markets, and short-term trading. Please review the prospectus carefully for additional details.

Mutual Funds involve risk including the possible loss of principal.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Innealta Funds. This and other important information about the Funds is contained in the prospectus, which can be obtained by calling 855.994.2326. The prospectus should be read carefully before investing. The Innealta Funds are distributed by Northern Lights Distributors, LLC a FINRA/SIPC member. Innealta Capital, LLC is not affiliated with Northern Lights Distributors, LLC.

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