BondWave Advisors Program Portfolios™

1-5 Year Corporate Index Targeted Program Model

Program Objective and Strategy

The 1-5 Year Corporate Indexed Targeted Program Model attempts to provide an index-based allocation to taxable fixed income securities. The objective of the Model is to emulate the Barclays 1-5 year Corporate Index in overall portfolio construction.

The 1-5 Year Corporate ITP Model includes corporate, domestic and non-domestic issuers in U.S. dollar-denominated issues only. BondWave Advisors Program Models are based on Bond Types – a collection of bond attributes such as product type, duration, yield, maturity, ratings and up to 40 additional attributes used to evaluate and compare bonds. BondWave Advisors uses objective criteria that filters the holdings of the bond index into Bond Types that have similar structural and risk characteristics to those of the index chosen to replicate. The Model is used to select bonds during the portfolio construction process and is updated monthly to maintain portfolio alignment on an ongoing basis.

Key Investment Features

Branches - Branches are weighted "partitions" within the portfolio. Branches are weighted by maturity and issue type. The 1-5 Year Corporate Index Targeted Program will include corporate US and foreign dollar denominated issues. Branches are further segmented into corporate bond sectors that mimic the index composition: financials, industrials and utilities. Duration and coupon ranges are targeted to the Index.

Restrictions - The following bonds will be excluded from the Model Portfolio: non-dollar denominated securities and non-corporate-based issues. The Program Model does not allow floating rate securities, and Preferred securities. Although included in the index, the Model excludes bonds rated below A-minus in an attempt to create a more conservative credit profile than the Index.

Portfolio Targets and Limits - The following statistical guidelines are targeted to the Index: average coupon, portfolio duration, average rating, average years to effective maturity, and the percentage of financial, industrial, and utility bonds. For diversification purposes, a limit is placed on Issuer Saturation.

Benefits

- Allows an investor disciplined access to a portfolio of individual corporate bonds by emulating the structure of a professional corporate bond index.
- Provides a disciplined, rules-based fixed income investment approach with consistent professional monitoring.
- Allows for a custom portfolio that can match the personal risk preferences or income requirements of the investor.
- Offers all the benefits of an individual bond investment: principal preservation, predictable income stream, portfolio control, well-defined maturity/yield and control for tax considerations and consequences.
- Investment grade credit quality, with restriction in bonds rated below A-minus.
- Modified ladder construction provides partial hedge against reinvestment risk.
- Coupon posturing can derive higher income and less volatility in rising rate environment or lower income and potential higher total return in declining rate environment.
- Short duration target. Less interest rate risk and principal fluctuations than Programs with longer maturity target.

Considerations

- Due to the shorter average maturity of the underlying bonds, principal valuations are potentially more affected by short term interest rate fluctuations.
- Lower income / yield relative to fixed income portfolios with longer maturities and lower credit risk.
- Program Model contains greater interest rate risk and principal fluctuations than Program Models with a shorter maturity target.
- Program contains greater credit risk commensurate with the rating of the bonds in the portfolio and relative to a portfolio of US Government Treasury securities.
- Exposure to call risk, including extraordinary, economic defeasance and "make-whole" calls is prevalent within this Program Model based on the short callability of the bonds in the index.
- Credit quality may vary from Aaa-rated to A-rated securities.

About BondWave Advisors

BondWave Advisors' (BWA) Program Portfolios™ fixed income portfolio construction process incorporates a rules-based, disciplined methodology that creates professional diversified portfolios defined by detailed bond attributes. Our approach covers the U.S. municipal, corporate, agency and treasury securities markets. BWA's approach seeks to manage risk through minimizing tracking error versus the chosen benchmark. Our highly customizable models are utilized to (1) Represent an existing professional index, (2) Create a bias by emphasizing specific attributes of an index or (3) Assist in creating a customized strategy based on the needs of the client.

Furthermore, BWA's pre-trade analysis process seeks to provide price assurance through identification of a clearly-defined peer group. This group is the result of the screening of actual trades and executable offerings available in the marketplace of bonds that meet the defined model parameters. This screening creates an acceptable pricing range (min., max., target) for offerings that will comprise the portfolio. BWA's rules-based models and price assurance create an efficient and transparent process for easily constructing, executing, monitoring and managing the elements of the portfolio.

Risk Considerations

An investment in bonds should be made with an understanding of the risks involved, such as interest rate risk, inflation, economic recession and the possible deterioration of either the financial condition of the issuers or the general condition of the bond market. You should be aware that portfolios constructed using the program are comprised of bonds which involve additional risks. You should consider the portfolio's investment objectives, risks, and charges and expenses carefully before investing. Contact your financial advisor before investing.

The strategies do not guarantee future correlation to the stated objective or underlying index, nor should they be used as a predictor of future returns. There can be no assurance the Program Portfolios™ strategies will match or outperform a given index or sampling over any time period or that it will have positive results. The strategies have a potential for loss.

.

BONDWAVE ADVISORS™
A Division of BondWave LLC
120 E. Liberty Drive, Suite 400, Wheaton, Illinois 60187
877.795.2929
www.BondWave.com