

SHEP Investment Discipline

All SHEP models apply a unified, rules-based approach with AI-machine learning-assisted parameter tuning and portfolio rebalancing tied to predefined risk bands. This portfolio uses the Edge pathway only; the Hedged option is available in other compositions but not here. The aim is simple to grasp; to shrink the size and length of market drawdowns and re-enter at better prices. Over multiple cycles, our strategy has a better chance of retaining higher values during drawdowns, enabling opportunities for greater compounding than a pure buy-and-hold approach.

Objective

Balanced long-term growth via a low-cost index portfolio composition tilted to U.S. large-cap growth and technology overweight, complemented by diversified Treasuries and investment-grade credit for additional income, with targeted fixed-income weights range between ~55–65% to help control volatility.

Investment Approach

We target liquid, low-cost index ETFs across equity size tiers and core fixed income. Equities overweight U.S. large-cap growth with breadth across mid/small caps; fixed income emphasizes Treasuries and investment-grade corporates for stability and income. Positions are rebalanced within predefined risk bands on drift. This construction enables efficient execution while diversified size/style and rate/credit exposures reduce single-driver risk and helps to moderate volatility.

HOLDINGS (%)

	Edge
(SPY) SPDR S&P 500 ETF Trust	20.7%
(VCIT) Vanguard Int.-Term Corporate Bond Index Fund	17.9%
(VGIT) Vanguard Intermediate-Term Treasury Index Fund	17.2%
(QQQ) Invesco QQQ Trust ETF	12.2%
(VCLT) Vanguard Long-Term Corporate Bond Index Fund	12.2%
(VGLT) Vanguard Long-Term Treasury Index Fund	10.3%
(IJH) iShares Core S&P Mid-Cap ETF	5.3%
(IWM) iShares Russell 2000 ETF	4.2%

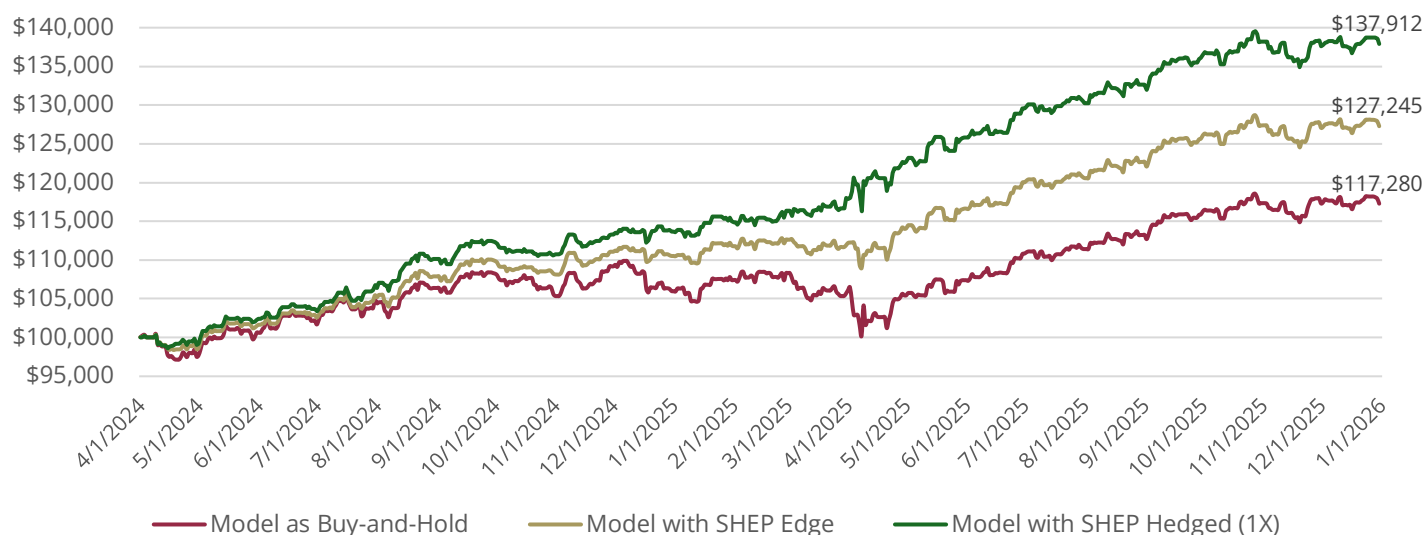
SHEP Edge Returns*	3 Mo	YTD	1Yr	Inception
Total Return-Gross	0.94%	15.17%	15.17%	14.73%
Total Return-Net	0.77%	14.47%	14.47%	13.93%
Benchmark Return	0.87%	10.69%	10.69%	9.52%
Relative Return	-0.10%	3.79%	3.79%	4.41%

Risk Measures (Inception)	Benchmark	Edge
Standard Deviation	8.28	6.17
Beta	1.00	0.68
Alpha	4.04	10.62
Sharpe Ratio	0.60	1.65
Sortino	-	6.46
Max Drawdown	-8.83%	-3.43%

Trade Analytics (Inception)	Benchmark	Edge
Initial Shares Purchased	1,144	1,144
Ending Shares	1,222	1,255
SHEP Advantage Share Diff %	-	2.9%
% Buy-Back less than Prior Sell	-	53.3%
Avg. % Disc. on Buy-Backs	-	2.25%
Avg. % Prem. on Buy-Backs	-	-1.16%

SHEP Advantage /Trade	-	0.66%
Best % Disc. on Single Trade	-	14.83%
Worst % Prem. on Single Trade	-	-6.91%
Total Trades	-	181
Total Days "Out of the Market"	0	745
% Days "Out of the Market"	0.0%	14.6%

Hypothetical Growth of \$100K Core Navigator-Conservative: April 2024 through December 2025



*The performance data represented here constitutes real-time live performance non-rebalanced over the defined period. These returns are hypothetical as they are not based on the actual performance of any account or portfolio. This information provided here is subject to change and presented for informational purposes only. Returns for periods ≤ 1 year (3 Mo, YTD, 1 Yr) are cumulative; periods > 1 year are annualized (geometric). "Gross" excludes advisory and platform fees; "Net" reflects returns after applying model fee of 70 bps.



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This hypothetical illustration may not be suitable for all investors; and as a result of presenting individual security performances, may produce different results based on the individual's need to alter how they use them in portfolio models to align to their needs and circumstances. Factors to be considered include, but are not limited to, the investor's age, financial situation, objectives, risk tolerance, experience, and time horizon. All investments involve some degree of risk and unless otherwise stated, are not guaranteed. Past performance is not indicative of future results. There are many resources available to assist you and other financial professionals with evaluating a particular investment or investment strategy. This report alone should not be used to make an investment decision. Investing involves numerous risks, and there is always the potential to lose money. Investors should consult with legal, tax, or your financial professional, prior to making any investment decisions.

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Use of Systematic Hedging for Enhanced Performance (SHEP)

SWFG demonstrates the hypothetical results of applying its proprietary quantitative platform intended for reducing risks while maximizing investment returns. The execution of SHEP relies on mathematical algorithms designed to detect and inform the next best action for investments held within our model portfolios or those institutions and financial professionals will build custom model portfolios for. SHEP's primary objectives are to:

- (1) anticipate impending market downturn,
- (2) anticipate conditions of an impending market upturn, and
- (3) determine action or inactions (i.e., buy, sell, stay long, and stay short) of each individual security of all SHEP portfolios.

Hypothetical Performance Returns

Hypothetical performance is investment performance returns not actually achieved by any actual portfolio of the financial professional. The entirety of the SHEP investment performance in this report came from "live" performance data, meaning that the buy and sell signals were generated from unseen, real market conditions, while assuming next-day at-open prices. The process by which SHEP performance outcomes are determined is made possible through rigorously audited back-tested results using precise mathematical algorithms historical trading, proprietary analytics, and technical indicator data as early as 12/31/1993.

- In the most recent history, market conditions were generally bullish with the exception of moments of extreme volatility, as compared to historical norms.
- Day and week aggregate periods of technical indicator data points were retained by credible data sources, reconciled through industry-standard calculations, and validated for accuracy and completeness by a third-party auditor.
- In applying the SHEP proprietary algorithms, the back-tested results accurately reflect trading scenarios that may have occurred in real-time; providing the fact that this illustration is built to display how SHEP responded to live unseen data, also known as out-of-sample testing. The historical price execution presumes the ability to execute trades at the opening price the day following SHEP triggers to buy or sell.
- Hypothetical illustrations revealing SHEP performance, as individual securities or as a model portfolio composition, are benchmarked against their own precise ETF/stock or a relevant DJ Model Portfolio that aligns with relative investor risk profiles. In using the securities themselves as the benchmarks, the illustrations help reveal the performance and risk distinctions of applying an "actively managed" SHEP investment discipline to a security or model, enabling the ability to display precise insights and analytics when comparing the buy-and-hold performance of the same ETF/stock or respective model portfolio.
- The SHEP platform has undergone a thorough examination by a highly credible third-party resource; concluding that the SHEP Model is logically constructed, internally consistent, and is, in all material respects, arithmetically accurate in terms of its formulae, algorithms, calculations and performance results. Gross and net SHEP performance data as well as other key performance, MPT, and risks analytics are prepared by SWFG.
- SHEP monthly performance calculations include reinvestment of capital gains and dividends (when SHEP held the position on the declaration date). When the SHEP strategy holds a respective individual position out of the market, awaiting reentry, Here, SWFG assumes an annual interest rate of 0%.
- Buy-and-Hold benchmark performance calculations assumes a single purchase at the point of entry and a reinvestment of dividends the day following the dividend declaration date, while any residual cash unable to invest, earns an assumed annual interest rate of 0%.

This report was generated from the use of an IA Tool and includes simulated analyses that present the likelihood of various outcomes of an investment in the strategy offered.

401 East Sonterra Blvd., Suite 375
San Antonio, Texas 78258
210-321-9300
www.StoneWallFG.com