

SHEP Edge Strategy Overview

The SHEP Edge Strategy seeks to maximize growth through tactical shifts, exiting a core security to cash ahead of anticipated drawdowns. When not invested in its core security, cash may represent 100% of the position until a timely reentry is determined.

The aim is straightforward; to shrink the size and length of drawdowns and re-enter at better prices. Over multiple cycles, this seeks to retain more value during declines, which may enable greater compounding than pure buy-and-hold; there is no guarantee that it will do so. The discipline is uniform across securities: the same engine and structural design, with parameters tailored to each security. We execute solely with high-liquidity ETFs and equities (no shorting, no margin, no options).

We champion a companion Hedge Strategy, which “steps aside” into 1x inverse ETFs, but this exists only for securities that have a viable 1x inverse option. It follows the same rules framework but handles the storm differently.

What is the SHEP Advantage?

The compounding effect of new shares with each successful SHEP risk mitigation cycle seeks to produce:

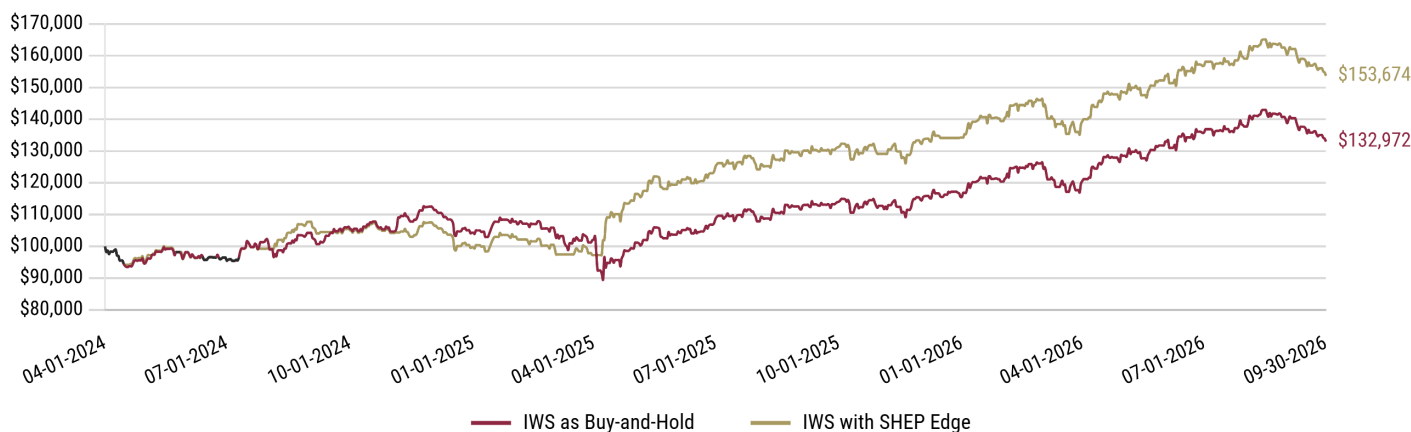
- ❖ Protection from draw downs
- ❖ Timely reentries at lower prices
- ❖ Compound growth over time

SHEP Edge Returns*	3 Mo	YTD	1 Yr	Inception
Total Return-Gross	-1.97%	14.48%	17.55%	18.74%
Total Return-Net	-2.14%	13.95%	16.85%	17.91%
Benchmark Return	-1.98%	14.70%	17.10%	12.07%
Relative Return	-0.16%	-0.75%	-0.25%	5.84%

Risk Measures (Inception)	Benchmark	Edge
Standard Deviation	12.93	16.37
Beta	1.00	0.72
Alpha	-	11.91
Sharpe Ratio	0.58	0.87
Sortino Ratio	-	1.24
Max Drawdown	-20.56%	-9.73%

Trade Analytics (Inception)	Benchmark	Edge
Initial Shares Purchased	796	796
Ending Shares	827	946
SHEP Advantage Share Diff %	-	14.95%
% Buy-Back less than Prior Sell	-	53.85%
Avg. % Disc. on Buy-Backs	-	3.34%
Avg. % Prem. on Buy-Backs	-	-1.65%
SHEP Advantage /Trade	-	1.04%
Best % Disc. on Single Trade	-	10.52%
Worst % Prem. on Single Trade	-	-4.19%
Total Trades	-	27
Total Days "Out of the Market"	-	87
% Days "Out of the Market"	-	9.53%

Hypothetical Growth of \$100K of IWS: April 2024 through September 2026



*Hypothetical performance. Results reflect SHEP® trade signals generated in real time on live market data since inception. They are hypothetical because each trade is assumed executed at the opening price on the trading day following the signal, not at prices obtained in any account. Returns for periods ≤ 1 year (3 Mo, YTD, 1 Yr) are cumulative; periods > 1 year are annualized (geometric). “Gross” reflects no fees; “Net” reflects deduction of SWFG’s 0.70% annual asset management fee. Neither reflects fees or transaction costs charged by advisory firms, platforms or custodians, which vary and will reduce returns. Past performance does not guarantee future results. See page 2 for assumptions, risks and limitations.



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This hypothetical illustration may not be suitable for all investors and, because it presents individual security performance, results may differ based on how each security is used within a portfolio model to meet specific 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. 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 their legal, tax, or financial professionals before making any investment decision.

SWFG provides asset management services exclusively to institutions and investment advisers as a model strategist and sub-adviser; it does not provide services to retail investors. This report contains confidential and proprietary information of SWFG and may include information derived from third-party data sources.

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 within custom model portfolios built by institutions and financial professionals. SHEP's primary objectives are to:

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

Hypothetical Performance Returns

Hypothetical performance is performance not actually achieved by any portfolio of SWFG. SHEP performance in this report reflects live, out-of-sample trade signals generated in real time from unseen market data; no period shown includes backtested results. SHEP's parameters are developed using historical data as early as 12/31/1993 and re-optimized quarterly, and each new version applies only to signals generated after its release (walk-forward). SWFG transmits these signals to advisory firms and their chosen platforms, where they are implemented in client accounts.

The results are hypothetical because each trade is assumed executed at the opening price on the trading day following the signal, rather than at prices obtained in any account. As a model provider and sub-adviser, SWFG does not control, and these results do not reflect, fees, commissions or trading costs charged by advisory firms, platforms or custodians. Results of accounts implementing SHEP signals will differ.

- SHEP is designed to reduce drawdown risk first and then time re-entry. It may lag a buy-and-hold approach in rising markets, as reflected in periods of negative Relative Return. When the SHEP Hedged strategy holds a 1X inverse ETF, that ETF resets daily, so its returns over periods longer than one day can differ from the inverse of the underlying security's return.
- Daily and weekly technical indicator data were obtained from credible data sources, reconciled through industry-standard calculations, and validated for accuracy by BDO USA, P.C. as part of the model review described below.
- Each SHEP illustration is benchmarked against a buy-and-hold of the same primary security to which the SHEP strategy is applied. For model portfolios, the benchmark is a buy-and-hold of the same securities in the same composition. This isolates the performance and risk effects of applying the actively managed SHEP discipline compared with simply holding the same securities.
- BDO USA, P.C., an independent accounting firm, reviewed the SHEP® Model (model file dated July 31, 2024) in an engagement titled "SHEP® Model Audit." BDO reviewed whether the SHEP® Model "is logically constructed, internally consistent and is, in all material respects, arithmetically accurate in terms of its formulae, algorithms and calculations," and reported that the updated model "meets the objectives set out in the scope of work." The review was not a financial audit or an attestation engagement. Gross and net SHEP performance data, as well as other key performance, MPT and risk analytics, are prepared by SWFG.
- SHEP performance calculations credit dividends and capital gain distributions for positions held on the ex-dividend date and reinvest them when received on the payment date. When the SHEP strategy holds a position out of the market awaiting re-entry, cash earns an assumed 2% annual interest rate. Buy-and-hold benchmark calculations assume a single purchase at the point of entry, with dividends and capital gain distributions credited and reinvested on the same basis; any residual cash earns an assumed 2% annual interest rate.

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