The Wright

Investment Strategy

www.gradientinvestments.com
Gradient Investments, LLC is an independent, privately-owned, fee-only, SEC registered investment advisor. We are a professional asset management firm committed to your long-term financial success.

We serve individuals, corporations, employer-sponsored pension plans, foundations and endowments. We primarily utilize exchange-traded funds (ETFs), stocks and options through separately managed accounts. Whether your investment goal is preserving principal, maximizing income or growth of principal, our portfolios are designed to achieve your long-term investment goals.

We actively manage accounts through our proprietary Wright Investment Strategy, which is based on the principles of flight. Although the Wright brothers’ first flight was over 100 years ago, it remains one of the most complex and demanding challenges ever mastered. The Wright brothers conquered this challenge by developing a scientific 3-Axis Control System that is still used today on fixed-wing aircraft.

At Gradient Investments, we address your investment challenges through a parallel 3-Axis Control System which actively manages risk exposure, investment strategy and investment performance. Founded on the principle of fiduciary responsibility, we provide tailored investment solutions based on your unique objectives.

### 1st Axis: Risk Exposure

The 1st Axis in the control system actively manages risk exposure. Active risk management is the foundation of our investment process. Risk exposure is defined as the potential deviation from an expected outcome. Standard deviation is used to measure the volatility of an investment.

Higher standard deviation of an investment results in greater relative risk (and possible reward) due to uncertainty in the amount of return within the portfolio. Standard deviation in your portfolio parallels the uncertainties of flying; inclement weather and turbulence are inevitable.

Our approach to risk exposure minimizes standard deviation, and our risk management strategy helps to ensure assets are actively monitored and balanced based on your desired risk profile.

Highlights of the risk factors we actively manage are: economic, market, valuation, liquidity, principal, inflation, interest rate, country and exchange rate.

<table>
<thead>
<tr>
<th>RISK AXIS</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Economic:</strong></td>
<td>Changes in the global business cycle can affect your investments</td>
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<tr>
<td><strong>Market:</strong></td>
<td>Likelihood that broad investment markets will appreciate or decline in value</td>
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<tr>
<td><strong>Valuation:</strong></td>
<td>Possibility that an investment is overvalued</td>
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<tr>
<td><strong>Liquidity:</strong></td>
<td>Possibility you won’t be able to sell or convert an asset into cash at current market prices</td>
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<tr>
<td><strong>Principal:</strong></td>
<td>Chance your original investment will decline in value or be lost entirely</td>
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<tr>
<td><strong>Inflation:</strong></td>
<td>Likelihood the money you have invested will decline in real value due to inflation</td>
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<tr>
<td><strong>Interest Rate:</strong></td>
<td>Variability in an investment’s return from a change in interest rates</td>
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<tr>
<td><strong>Country:</strong></td>
<td>Chance of loss due to stability and viability of a country’s economy</td>
</tr>
<tr>
<td><strong>Exchange Rate:</strong></td>
<td>Variability in investment returns caused by currency fluctuations</td>
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The 2nd Axis in the control system actively manages investment strategy. Investment strategy is defined as a set of rules, behaviors or procedures that guide an investor to select the appropriate investment portfolio. Establishing an appropriate asset mix is a dynamic process, and it plays a key role in determining your portfolio’s overall risk and return. As such, your portfolio mix should reflect your goals at any point in time.

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Our tailored investment strategy is designed around your personal risk tolerance. No two investors are alike. Some investors prefer to maximize expected returns by investing in equity assets, while others prefer to minimize risk with a strategy weighted in fixed income assets.

Our investment selection process within our proprietary model portfolios is client focused. Unlike other investment managers who offer the same portfolio to every potential client, we take a different approach. We don’t force you into an arbitrary category; we build a portfolio tailored to your objectives, risk tolerance and time horizon.

Our portfolio solutions incorporate several investment management philosophies:

- Tactical
- Asset Allocation
- Strategic

**TACTICAL**

**GRADIENT TACTICAL ROTATION**

The Gradient Tactical Rotation (GTR) portfolio is a rules-based investment strategy designed to generate excess returns over global stock market indices. Stock markets from around the globe often display wide dispersions of return over time, thus creating tactical investment opportunities. By identifying these stock markets and their subsectors, the investment team actively manages the portfolio to maximize risk-adjusted return. We utilize a proven methodology to select the most optimal global stock market subsectors over full market cycles.

The investment team uses a top-down approach using price momentum metrics to identify global areas of opportunity and risk. Momentum in equities is the belief that stock price trends are more likely to keep moving in the same direction than change direction. We use exchange-traded funds (ETFs) to gain exposure to the single market sector our algorithms identify. The selected sector ETF contains exposure to 100 to 1,000 stocks, providing proper sector diversification and eliminating single security risk.

**ASSET ALLOCATION**

**FIXED INCOME SERIES**

Fixed income assets are often misunderstood, but at Gradient Investments we understand the complexities of investing in bonds. Our fixed income portfolios are carefully designed for long-term investors seeking current income through a diversified approach.

We offer three portfolios:

1. Laddered Income
2. Total Return
3. National Municipal Bond

**ETF ENDOWMENT SERIES**

The most successful investors are not who you think they are! If you The ETF Endowment Series are a set of diversified asset allocation models that follow a similar investment philosophy to the large university endowment funds. Endowment funds typically invest outside of traditional stock and bond allocations and incorporate other asset classes like real estate, commodities, and absolute return strategies. These strategies provide greater diversification and are meant to provide a superior risk-adjusted return over a full market cycle. The use of exchange traded funds (ETFs) allow individual investors lower-cost access to similar asset classes that large endowment funds have used in their asset allocations. The Gradient ETF Endowment Series offers five distinct portfolios that satisfy a variety of risk profiles and incorporate alternative assets as a value-added alternative to traditional stock and bond allocations.

**PORTFOLIO TILT SERIES**

The Gradient Portfolio Tilt Series is an actively managed, diversified asset allocation strategy that utilizes Gradient Portfolios as the underlying investments. The Tilt Series has 4 different series, from Conservative to Growth, that correspond to an investor’s risk tolerance. Then, each series is allocated using “tilts” that select Gradient portfolios that are in-favor based upon the analysis of the Gradient Investment Management Team. The Tilt Series is periodically rebalanced to maintain risk consistency, but is also reallocated opportunistically based upon market conditions and the analysis of the investment team.
Gradient Socially Responsible is an actively managed portfolio that is designed to consider socially responsible investments as its primary investable universe. Socially responsible investing utilizes environmental, social, and corporate governance (ESG) to select investments. The Gradient Socially Responsible portfolio uses ETFs to build a diversified portfolio that aligns with client social values as well as their risk tolerance.

**GRADIENT 33 (G33)**

The Gradient 33 Portfolio holds 33 equally weighted individual stocks. These are companies that are growing at rates much faster than the market averages. Our rigorous selection process focuses on long-term growth metrics, specifically sales and earnings per share growth. The G33 investment process identifies companies which have strong historical growth trends, but more importantly are projected to consistently experience above-average increases in sales and earnings in the future. We balance these 33 stock selections between the small, mid and large capitalization sectors of the market. Doing so gives the portfolio exposure to proven growth companies while participating in the emerging winners of tomorrow.

Secular growth companies have innovative business models. They provide unique, high-demand products and services to the markets that propel this growth and can change the way business is done. Investors wishing to participate in this growth seek outsized gains while understanding the inherent risks that accompany this style of investing. The 33 securities are actively managed and continuously monitored by our investment team.

**GRADIENT 50 (G50)**

The Gradient 50 Portfolio holds 50 equally weighted, high-quality, dividend-paying stocks. Investing in dividend paying stocks is a proven strategy that provides investors the growth opportunities of the stock market along with a steady income stream. Dividend paying stocks offer market growth, attractive income, an inflation hedge and volatility defense. The Gradient 50 investment process selects 50-blue-chip, dividend-paying stocks for inclusion in the portfolio. Our rigorous screens mine the universe of stocks for financially strong companies that generate ample cash flow and are exceeding analyst expectations. We then screen for companies that pay generous dividends with a history of raising those dividend payments. Our investment team selects the final 50 stocks and diversifies the portfolio across multiple industry sectors. The portfolio is actively managed to maintain both fundamental and dividend objectives. The G50’s combination of stock selection, portfolio construction and active management delivers a high-quality stock portfolio that focuses on long-term growth and generous dividend income.

**GRADIENT 40 INTERNATIONAL (G40i)**

The Gradient 40 International Stock Portfolio holds 40 equally weighted, high-quality, dividend-paying stocks domiciled outside the United States. Investing internationally provides enhanced diversification as non-U.S. geographies and companies within those regions have independent macroeconomic forces and sources of return. Finally, investing in dividend-paying stocks is a proven strategy that provides investors growth from stock market appreciation along with steady income.

The Gradient Investments team utilizes a rigorous selection process to identify strong companies with superior return opportunities earned via fundamental growth and dividends. The portfolio is actively managed to maintain fundamental objectives and income generation through dividends. The Gradient Investments team continuously monitors the portfolio to ensure both geographic and sector diversification.

**ABSOLUTE YIELD**

The Absolute Yield is a globally diversified portfolio with a primary objective of income maximization. The Absolute Yield invests in stocks, bonds, and alternative assets with the consistent theme of high-income production. These investments could incorporate such asset classes as high yield bonds, dividend paying stocks, master limited partnerships, real estate, preferred stocks, and senior bank loans. The Absolute Yield will primarily use exchange traded funds (ETFs) to invest assets with a risk-managed approach but is actively managed to identify attractive opportunities and to optimize yield.

**PRECIOUS METALS**

Historically, precious metals such as platinum, silver and gold have been a source of stability in uncertain economic times. Owning a diversified portfolio of precious metals as a part of an overall investment strategy can act as a hedge against market turmoil. There are numerous ways to purchase and own precious metals, and owning a portfolio of exchange-traded funds (ETFs) provides several distinct advantages over the physical possession of these metals. Such advantages include diversification, liquidity, pricing and custody. Additionally, owning a portfolio of ETFs allows for investing in precious metals in retirement accounts.

**ENERGY SECTOR FOCUS**

The Energy Sector Focus Portfolio provides investors with a specific avenue to invest in the energy sector. The strategy’s objective is to provide investors with long-term capital growth by investing primarily in individual energy company stocks in various sectors of the energy complex. The portfolio involves greater risk to the investor since performance largely depends on the overall state of the energy sector, which is largely driven by oil and gas commodity prices. Investors should have longer time horizons, the ability to tolerate greater volatility than the overall market and not depend on these assets for retirement income.
The 3rd Axis in the control system actively manages investment performance. Investment performance is defined as the rate of return on your investment portfolio (given your unique risk profile).

At Gradient Investments, we measure investment performance against your goals and objectives. Our disciplined investment approach is shaped by a long-term investment focus, thorough due diligence, and a belief that broad diversification across and within asset classes is essential for long-term success. Our portfolios are designed to generate excess return for a given level of risk.

Our investment performance axis uses sophisticated performance reporting along with our proprietary analytical tools, the Portfolio Pilot and Asset Map. These tools allow you the opportunity to visualize the relationship between risk (standard deviation) and potential reward (return). Our proprietary reports provide an analysis of your current portfolio along with a comparison of a proposed investment portfolio that is aligned with your desired risk profile and overall investment goals.

PORTFOLIO PILOT

Charting your desired flight plan with the proprietary Portfolio Pilot report is a process of thoroughly analyzing your current investments and desired risk tolerance, and making appropriate recommendations in a simple, easy-to-read format. The report is designed to illustrate your current portfolio risk/reward ratio relative to the risk/reward ratio within the selected portfolio. The report is based on personalized information and backed by independent, third-party data from Morningstar.

Navigating through retirement is similar to flying in inclement weather. Charting an investment flight plan with the Portfolio Pilot can enable you to avoid turbulence by plotting your desired flight plan and seeking the greatest return for the least amount of risk.

ASSET MAP

The interactive Asset Map provides a unique overview of your current and proposed asset allocation. The goal is to customize an overall strategy tailored to your risk tolerance, investment objectives and time horizon. This powerful tool is meant to give you a general idea of what you may expect long-term from a risk and reward standpoint. This proprietary tool allows you to analyze multiple investment strategies tailored to your risk tolerance, time horizon, investment objectives and income needs.

The above Portfolio Pilot Report and Asset Maps are samples. The numbers do not reflect actual results and are for illustrative purposes only. These numbers are not meant to predict your individual results or relate to specific investment strategies. Past performance is no guarantee of future returns. Investing involves risk including the potential loss of principal.
At Gradient Investments, you have access to our sophisticated Navigator reporting system, which monitors the execution of your “financial flight plan.” This web-based account management tool allows you to view your account activity, investment values, up-to-date portfolio performance and quarterly statements at your convenience. While you will receive brokerage statements from a third-party custodian, those reports do not track your progress.

The Navigator reporting system provides daily values, performance reports, quarterly statements, market commentary and much more. It organizes your accounts and portfolio strategies, allows for summary reports, and serves as a guide for you to review with your advisor. Importantly, the Navigator also allows you to observe the execution of our Wright Investment Strategy.

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**Gradient Performance Report**

**Household:** John and Jane Smith  
**Period:** Custom Date Range  
**Financial Advisor:** Financial Advisor Name

**Portfolio Composition** (Including bond accrual)

- **Management Strategy**
  - G50: 45.2%
  - Gradient Tactical Rotation: 40.1%
  - Absolute Yield: 14.7%

- **Asset Category**
  - Alternatives: 1.8%
  - Equity: 94.1%
  - Money Market: 4.1%

**Unannualized Performance Chart** for the period 5/27/20** to 3/30/20** (Including bond accrual)  
Returns are Net of Fees

**Quick Summary** for the period 5/27/20** to 3/30/20**  
Returns are Net of Fees  
**The first 12 month returns are not annualized**

- **Beginning Value:** $945,891.66 (Including bond accrual)  
- **Ending Value:** $1,016,017.03 (Including bond accrual)  
- **Period Contributions:** $0.00  
- **Period Distributions:** ($114,392.11)  
- **Transfers In/Out:** $2,257.57  
- **Internal Rate of Return:** 11.02%

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Please consult your advisor before making any investment decisions. The information herein is for informational purposes only and should not be used as the sole basis for making an investment decision. Investing involves risk including the potential loss of principal. For more information, please request a copy of Gradient Investments’ ADV Part 2A.