

Premise Capital 3rd Quarter 2015 Summary

Premise Investors,

The third quarter ended with increased volatility and a downward bias we haven't experienced since the 4th quarter of 2011. We entered the quarter with an underweight position in Real Estate and Emerging Markets and a slight tilt away from International Equity, and ended the quarter in a full risk off position, as our indicators signaled that it was time to sit on the sidelines. While our tactical moves since 2012 have been mainly relative in nature, with movement from one class to another and only slight adjustments to the equity/fixed income ratio, we have reached a point where our methodology tells us that taking risk in the equity markets may not be adequately compensated.

As a result, risk tolerance based models are positioned at the lowest level of equity exposure available, and investor accounts are at the "low target equity" position agreed upon by themselves and their advisors.

While this is the first "risk-off" trade we have made since our inception in 2012, it is actually just another decision in a long line of decisions. As the chart below indicates, we have had 13 down moves in excess of -4.00% and 4 moves greater than -7.00%. In each of these pullbacks we are asked by clients, "Are we going to get out of the

	Q3 2015		YTD 2015	
	Return	Std Dev	Return	Std Dev
Barclays US Agg Bond TR USD	1.23	4.70	1.13	4.70
Barclays US Treasury US TIPS TR USD	-1.15	6.40	-0.80	7.04
Barclays US Treasury 20+ Yr TR USD	5.32	20.07	-0.21	19.95
Barclays US Corporate High Yield TR USD	-4.86	5.25	-2.45	3.96
S&P 500 TR USD	-6.44	25.24	-5.29	18.92
S&P MidCap 400 TR	-8.50	23.11	-4.66	17.98
MSCI EAFE NR USD	-10.23	22.19	-5.28	17.96
MSCI EM NR USD	-17.90	26.20	-15.47	19.54
FTSE NAREIT All Equity REITs TR	0.99	22.50	-4.51	20.26

market?" In each of those cases, our process led us to a decision to remain invested rather than take the "risk" of getting out of the equity markets.

I use the word "risk" here because we believe it is what separates us from other tactical managers. While others try to add value over time by moving in and out of the markets and trying to time the continual ebb and flow, we view the longer term uptrend of the markets as a tide that we always want to ride. We view times when we do not have this market exposure as a "risk" of the tide moving along without us, as well as the collateral costs of taxes, execution, slippage, and turnover. The high turnover of other tactical managers signals that while they are using tools like passive ETFs, they are dramatically changing the dynamics of the

market beta, and not giving investors the exposures that they seem to be.

If you view most pullbacks as wrong times to exit, as the chart and table show, you need a system that filters market noise from trend, in an attempt to limit the "errors" (sells when the market bounces), while recognizing and exiting those market pullback that materialize into prolonged selloffs.

As always, we will continue to monitor the markets as the question goes from, "when do we get out?" to "When do we get back in?". Thank you for your continued confidence in us at Premise Capital.

Senior Portfolio Manager
Jason Rolence CFA

High	Low	% Change	Days From Peak to Trough	Premise Model	News
9/14/2012 1474.51	11/16/2012 1343.35	-8.90%	63	Risk On	Hurricane Sandy/Election Sell Off/Fiscal Cliff
5/22/2013 1687.18	6/24/2013 1560.33	-7.52%	33	Risk On	Fed Signals End to Stimulus
8/2/2013 1709.67	8/28/2013 1627.47	-4.81%	26	Risk On	
9/19/2013 1729.86	10/9/2013 1646.47	-4.82%	20	Risk On	Obamacare Government Shutdown/US Debt Downgrade Warning
1/15/2014 1850.84	2/5/2014 1737.92	-6.10%	21	Risk On	China Slowdown
4/4/2014 1897.28	4/11/2014 1814.36	-4.37%	7	Risk On	
7/24/2014 1991.39	8/7/2014 1904.78	-4.35%	14	Risk On	
9/19/2014 2019.26	10/15/2014 1820.66	-9.84%	27	Risk On	Ebola/Slow Global Growth/ISIS
12/8/2014 2079.47	12/16/2014 1972.56	-5.14%	8	Risk On	
12/29/2014 2093.95	2/2/2015 1980.8	-5.40%	35	Risk On	
2/25/2015 2119.59	3/11/2015 2030.69	-4.19%	14	Risk On	
5/20/2015 2134.72	7/7/2015 2044.02	-4.25%	48	Risk On	China and Global Growth Concerns
7/20/2015 2132.82	8/24/2015 1867.01	-12.46%	35	Risk Off	China and Global Growth Concerns

