

Introduction to Premise Capital Frontier Based Tactical™

It is widely accepted that controlling the exposure to the asset classes is the most important part of portfolio construction, yet control is exactly what one loses in the Core/Satellite structure. In 2009, research was done to analyze the range of possible asset allocations in Core/Satellite portfolios created by utilizing the various available managers and styles. While it was discovered that one was able to control the ultimate equity-to-fixed income exposures using a combination of tactical and strategic managers, it still left portfolio construction deficiencies.

Multiple manager styles in a Core/Satellite framework can potentially work to negate each other, or worse, all make calls in the same direction, creating over-concentration risk. Feeling the real solution to the problem was to overlay the tactical shifts on top of the strategic allocation, Premise Capital, LLC was formed to further develop their thesis.

The emphasis is believed to be on the exposure to the class. Rather than the random addition of multiple styles, "tactical" should be a purposeful adjustment of the "core". Overlaying the tactical movements would allow the shifts to be grounded in their relationship to the longer term strategic allocation. A manager could over and underweight the actual exposure an investor has instead of having multiple managers all acting in their own interests of absolute return. Over and underweighting would be done intentionally within a defined framework of the investor's total equity range, with the goal of always maintaining a diversified portfolio. This solves the issues of overall risk exposure and concentration risk and gives a basic concept to employ in portfolio construction.

This tactical overlay on top of the strategic allocation is how Premise Capital manages its portfolios. We control the exposure to each class relative to each other in a diversified portfolio that remains on the Efficient Frontier. Then, acknowledging that there are also times that risk is not being rewarded, we also tactically shift along the curve to a more conservative diversified position when the situation warrants.

This innovative process, called Frontier Based Tactical™, uses this dual tactical shift to create allocations for our Frontier Advantage Portfolios™. These portfolios are rooted in mathematically based, widely accepted, and risk controlled portfolio construction methodologies. This technique gives the Advisor and their client total control of how much risk a specific portfolio will be exposed to both in "good times" and in "bad".

In addition, Premise created the Premise Capital Frontier Advantage™ Diversified Tactical Index (PCFADT). The Index is a non-investable broad-based market index that provides a benchmark for investors focusing on the return of a globally diversified portfolio that can adjust its position along the Efficient Frontier of optimal market portfolios.



While the Efficient Frontier is a set of all optimal portfolios that maximize return at each given risk level, the index takes the additional step of looking at the amount of risk being taken in light of current market conditions and adjusts as to which portfolio on the frontier to invest in at a given time. Thus, the index tracks the movement, through time, of a portfolio that can be at various risk tolerance levels, conservative to aggressive, with the goal of being diversified in a global asset allocation. In conjunction with the launch of the non-investable PCFADT Index, Premise launched an index-based ETF (symbol: TCTL).

CONCLUSION

Frontier Based Tactical™ was created as a solution to inefficient Core/Satellite models. Under control of the risk parameters agreed upon by the advisor and client, the Premise approach allows investors to complement their existing core portfolio in an efficient manner, rather than with the random addition of dynamic or tactical managers. The result is a combined approach that moves in response to current market environments, that can position at various risk tolerance levels along the efficient frontier with the constraint of remaining in a globally diversified portfolio intact.

Contact: Info@premisecapital.com
Phone: 630.596.9911

Premise Capital's ADV is available at www.adviserinfo.sec.gov

No particular investment strategy, methodology or investment approach can assure positive returns.
Investing carries risk of loss.

