Premise Capital
STAY ON THE CURVE™

Premise Capital 1st Quarter Investment Commentary

Premise Investors,

	1 year trailing Return	1 year trailing Std Dev	1Q 2019 Return	1Q 2019 Std Dev
BBgBarc US Agg Bond TR USD	4.48	3.38	2.94	3.48
BBgBarc US Treasury US TIPS TR USD	2.70	3.87	3.19	4.14
BBgBarc US Treasury 20+ Yr TR USD	6.20	10.97	4.73	10.92
BBgBarcrclays US Corporate High Yield TR U	5.93	3.79	7.26	4.11
S&P 500 TR USD	9.50	18.76	13.65	16.31
S&P MidCap 400 TR	2.59	18.46	14.49	17.33
S&P SmallCap 600 TR USD	1.57	20.94	11.61	20.16
MSCI EAFE NR USD	-3.71	13.57	9.98	11.65
S&P Developed Small NR USD	-1.62	15.22	13.53	14.59
MSCI EM NR USD	-7.41	18.01	9.91	14.53
FTSE NAREIT All Equity REITs TR	20.46	17.60	17.17	13.93

Our main goal has always been twofold: we seek results comparable to a diversified 'buy and hold' portfolio when equity markets are in a general uptrend; we also take steps to minimize the effects of prolonged down moves on portfolio value. In other words, can we exit the markets when they go down and still give comparable returns over time?

At year end, the market direction was uncertain. Some markets continued down in excess of 10% after the risk off move we made in November, with total pullback from highs registering greater than 20%. The rate of meltdown in all equity markets was startling as market highs in October quickly became calendar year losses. Due to our risk off move in November, our investors not only were able to side step a large portion of the down-move, they had the comfort of knowing a further meltdown would have a subdued effect on their portfolio values. Knowing we can't predict the future, being conservatively positioned in that environment was a big win.

After the dramatic reversal up-move in the first quarter, we can now look back and judge the full effect of the decision. During the first quarter, we reversed our allocation to a risk on positioning in all classes. So, we can now look at the total down and up moves to determine the value and cost of making this decision.

Looking back on the full cycle, we can say that our risk off move was a win. Our portfolios had not experienced the market deterioration in the month of December, so investors felt good going into the new year. However, it is only after the subsequent risk on move that we can judge the full effect of tactically managing the portfolio. Let's look at the following graph to see how it played out.

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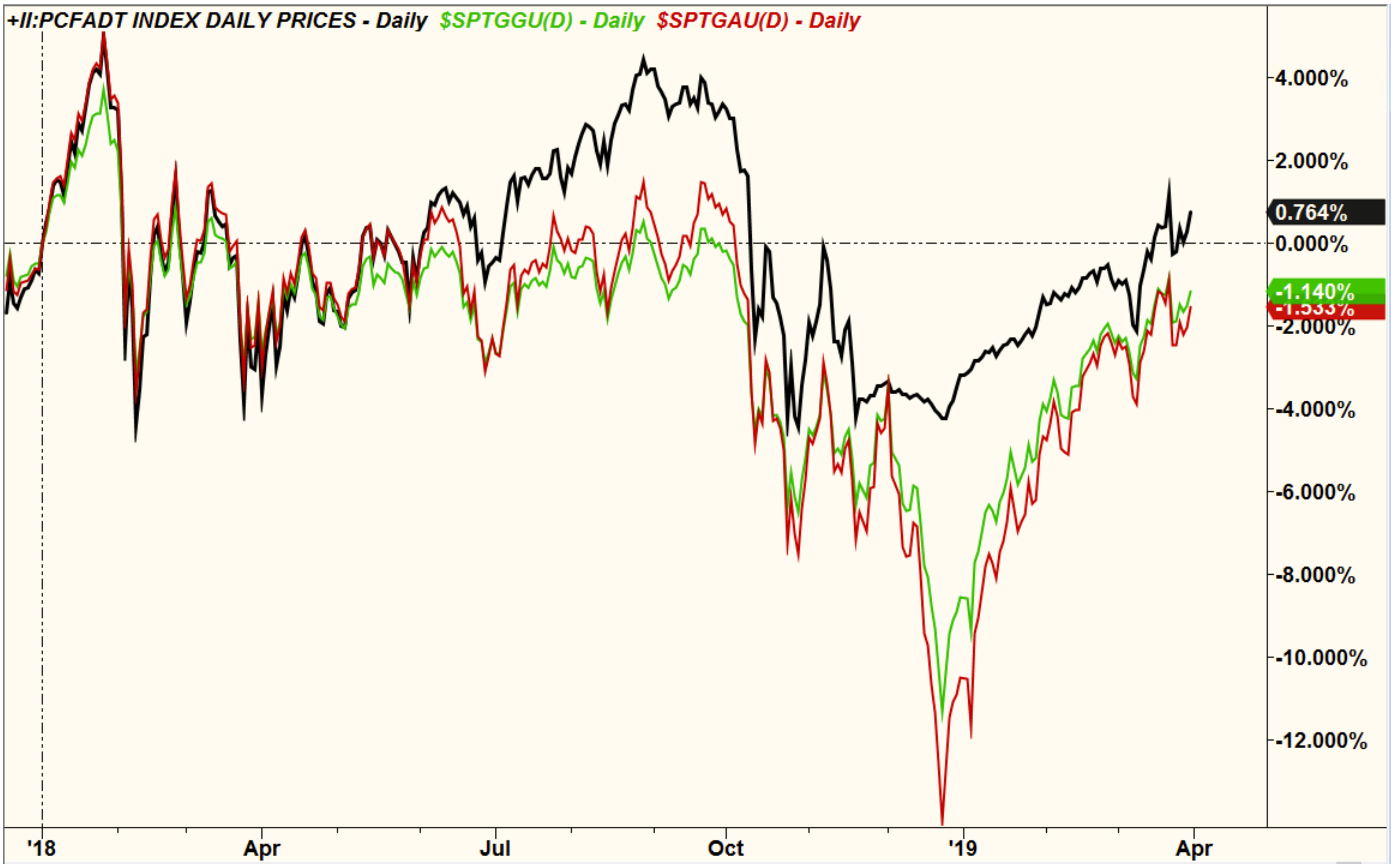

Premise Frontier Advantage Diversified Tactical Index | S&P Target Risk Growth Index | S&P Target Risk Aggressive Index

The graph shows three return paths over the time period beginning 1/1/2018 and ending on 3/31/2019. **This time frame was chosen because it clearly shows the effect of *both types of tactical decisions* we make for our portfolios and how they can work together to achieve our desired results - the tactical movement of asset classes *relative to each other* and *overall risk control of the portfolio*.**

We used the return of the Premise Capital Frontier Advantage Tactical Index (PCFADT) along with the S&P diversified indexes at the growth and aggressive risk tolerance levels. Remember, we look at the return of diversified portfolios as our benchmark, not just the S&P500. These vehicles are chosen because they give a view of diversified 'buy and hold' returns along with the return of our diversified tactical index. Our tools allow portfolios to be created with various amounts of tactical exposure, so this analysis gives a clear view of the expectations of each piece.

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As 2018 began, we were basically exposed to every class at comparable rates to the aggressive diversified portfolio. As you can see, our path followed very closely to both the 'buy and hold' indices. In the middle of the year, you can see how the underweight to international and emerging markets effected the portfolios. As those classes weakened (the on-going trend for quite some time), we underweighted them relative to domestic equities. This allowed for us to significantly outpace ‘buy and hold’ diversified baskets until October. ***This is a good example of adjusting the weights of the portfolio relative to other classes but still remaining in a diversified basket.***

After October, you can see the sell-off that dramatically reduced all baskets. Our index, however, went risk off in November and stopped the bleeding while the 'buy and hold' portfolios continued downward toward the year end. The most important point to remember is that we are not predicting the future, and no one knows if the sell-off will bounce or turn into the prolonged down-moves we have seen in the past. All we can do is position the portfolio for the heightened potential of a disastrous effect on value and then await to see what the future holds.

As you can see, as the first quarter ends and we go back risk on, we end up with a nice gap in returns relative to a 'buy and hold' portfolio. From this point, we are back with comparable risk exposure and should continue to outpace the market if we remain risk on for the rest of the year.

While we see that this move ended up in our favor, we know that our last risk off move in 2016 went against us. The important thing to note is that neither of those two moves are the prolonged down-move we are attempting to protect against. In each case, the markets would have to drop another 30% from our exit point just to tie the extent of the moves in 2000 and 2008.

In both cases, we greatly reduced our risk exposure and the volatility that was experienced by our investors, as the potential for an extreme down-move was heightened. While one went in our favor, and one didn’t, we were positioned both times to not let a life changing market sell-off destroy the years of hard work that are needed to accumulate savings for investment.

Over time, we believe that these moves will balance each other out as we attempt to achieve our stated ‘premise’ - we create diversified portfolios that aim to provide an optimal balance of risk and return, while adjusting the positioning to limit the

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portfolios' exposure to inadequately compensated risk. In other words, we create portfolios that closely track 'buy and hold' baskets while employing techniques that can reduce the downside in market sell-offs. At the end of the first quarter, we believe you can look back and see that the conservative positioning reduced risk, and the portfolios were able to get ‘risk on’ at a time that was advantageous.

Thank you again for you continued support in Premise Capital.

The Premise Team.