OMNIA INVESTMENT METHODOLOGY

"You have to zoom out and connect the dots between things that don't necessarily seem obvious to people at the time."

– STEVE JOBS, APPLE FOUNDER AND CEO

WHY HAVE A WRITTEN INVESTMENT METHODOLOGY?

Having a written methodology is like having the picture on the box of a puzzle, you know how your puzzle – or in this case, your portfolio – should look. Not having a clear methodology is like building a puzzle blindfolded but also with the wrong pieces for your puzzle.

Every piece of information we collect and analyze is a piece we try to fit into the overall puzzle. In our world today, with an overwhelming amount of information, there must be a thoughtful process of screening and rationalizing the information we receive. Many times, the information is not relevant or does not fit our puzzle.

Having a methodology helps us see beyond a certain market or economic event, whether it's a recession, a sharp drop in equity markets, or higher interest rates. We know what our actions will be in each event and understand how we can take advantage. Most events are very hard to predict, and extreme "tail" events are unpredictable. That is why we focus on our process and the robustness of our portfolios. It's the only thing you can control beforehand.

Having a methodology, a process and models is like having a roadmap; it ensures we do not have to reconsider every investment decision from scratch, and most importantly, you do not have to guess what the markets will do.

OUR KEY GUIDELINES

We build portfolios to weather extreme market conditions. Our objective is to be able to grow wealth regardless of the economic environment and protect it from random events that could have devastating results.

Omnia's investment methodology embraces uncertainty, providing a disciplined, systematic, rules-based, and repeatable approach to investments. It is built around a few core beliefs:

- **Most important events are unpredictable, and no investor can reliably time the markets.**
- **Risk management is at the core of every portfolio and contributes significantly to long-term superior returns.**
- **Valuations are important and are the main driver of consistent success.**
- **Investing without a robust and evolving research and investing process is gambling.**
- **Cycles are important. Recognizing where we are in a cycle has a significant effect on the odds of our success.**
- **The very large moves in markets sometimes take years to develop and can only be identified using a process.**

THE FALLACY OF DIVERSIFICATION

The conventional belief about diversification is that investing in non-correlated assets will prevent heavy losses as a result of bad performance in one asset. This concept is correct, but the reality is not that simple. Many investors think they are diversified based on an asset's historical correlation, only to find out at the worst time that the correlation between their "diversified" assets is very high when they all fall at the same time. Many assets that presumably are not correlated actually share the same risk factors, and **correlations between assets will change over time and in different economic environments.**

THE ASSET CLASS DILEMMA

The majority of portfolios are constructed based on a strict definition of asset class, like equities, fixed income, real assets, and alternatives. We believe this is an inferior way to build portfolios. The most important question to ask before adding an asset to a portfolio is, **"What objective am I trying to accomplish in the portfolio?"** The second question is, **"What strategy can most efficiently achieve the objective?"** Within the generic asset classes, certain investments behave very differently in certain economic environments and should have different objectives in a portfolio. Take US equities and US high yield bonds for example. They are defined as different asset classes, but in certain environments, they behave the same.

THE FOUR MAIN ECONOMIC ENVIRONMENTS

At any point in time, the economy will be either in or transitioning out of one of **four dominant economic environments.** At times, there will be forces from two economic environments working at the same time. The main environments are:

1. **G**rowth
2. **R**ecession
3. **I**nflation
4. **D**eflation

Extensive studying of historical market environments and cycles taught us that having a portfolio that is well balanced between these four environments at all times is a superior method of wealth management. **We found that the majority of portfolio returns can be attributed to the allocation they had to a certain dominant economic environment.**

G.R.I.D. ASSET ALLOCATION METHODOLOGY

Because different assets perform well or poorly in different economic environments, we developed the G.R.I.D. methodology to build portfolios that are diversified across **G**rowth, **R**ecessionary, **I**nflationary and **D**eflationary environments. This allows us to allocate to assets based on their correlation to an economic environment – not based on their correlation to other assets.

THE METHODOLOGY ALSO HELPS US:

1. STAY DIVERSIFIED ACROSS ECONOMIC ENVIRONMENTS
2. DEFINE AND UNDERSTAND THE CURRENT AND FUTURE RELATIONSHIP BETWEEN ASSET CLASSES
3. INPUT OUR RESEARCH FINDINGS OF ECONOMIC ENVIRONMENTS AND CYCLES
4. ACHIEVE TRUE DIVERSIFICATION
5. AVOID OVERLAP OF STRATEGIES (I.E. SOURCES OF RETURNS AND RISKS)
6. THINK SYSTEMATICALLY

ALLOCATION ACROSS THE FOUR QUADRANTS

In each quadrant of the model, we allocate assets that should do well in that environment. For example, in a deflationary environment, very few assets perform well, so in this bucket, we would allocate to long-term Treasuries, cash, and other alternative strategies that would benefit from deflationary pressures. In a growth environment, for example, US equities typically perform the best, so we would allocate accordingly. It also means we would reduce or completely remove allocations to investments such as high yield bonds and commodities to avoid an overlap in risk factors.

This process allows us to increase returns and lower the overall risk over time without depending on predicting assets' future performance to drive our success.

OMNIA QUANTITATIVE MODELS

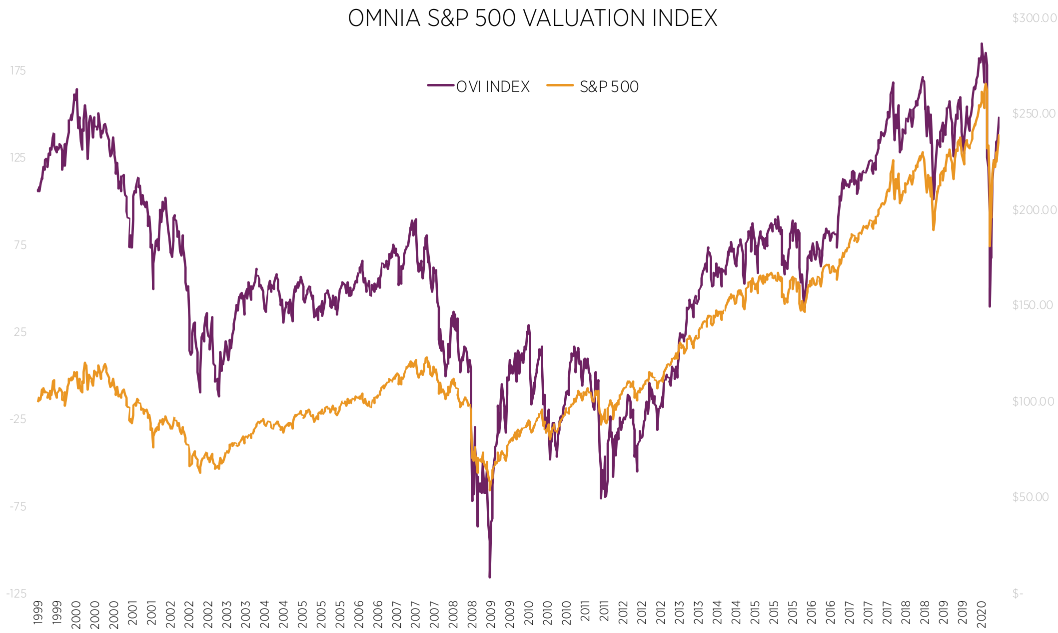
If we had no view of where we are in the economic cycle and what economic environment we might be heading toward, a portfolio would be equally allocated with 25% in each quadrant. In this case, the portfolio would be balanced between all possible environments.

Having a view on where we are in the economic cycle and environment helps us put the odds in our favor. **That's where our research process comes in.** Because most returns of assets can be explained by the four market environments, we use our quantitative models to identify which economic environment we are currently in, and toward which economic environment we might be headed. These environments also determine interest rates and the strength or weakness in the dollar. Our process allows us to assign a probability and magnitude for each upcoming economic environment and tilt the allocation accordingly when we have high conviction. In addition, we use models to value the attractiveness or expected returns for each asset to determine its weight in the portfolio and quadrant. Below are examples of some of the models we use.

US EQUITIES

We say it often: It is impossible to predict what markets are going to do next month or next year because corporate earnings are very volatile, valuations are subjective and investors' psychology changes frequently. But sooner or later, though, value counts. We know that future returns are always affected by current valuations, and as Warren Buffett said, "Interest rates act on financial valuations the way gravity acts on matter." We take all these factors into account in our models.

Our valuation model helps us identify extreme points of valuations, such as when the S&P 500 is undervalued or overvalued. **It has been shown that value is the most important factor for superior returns.**

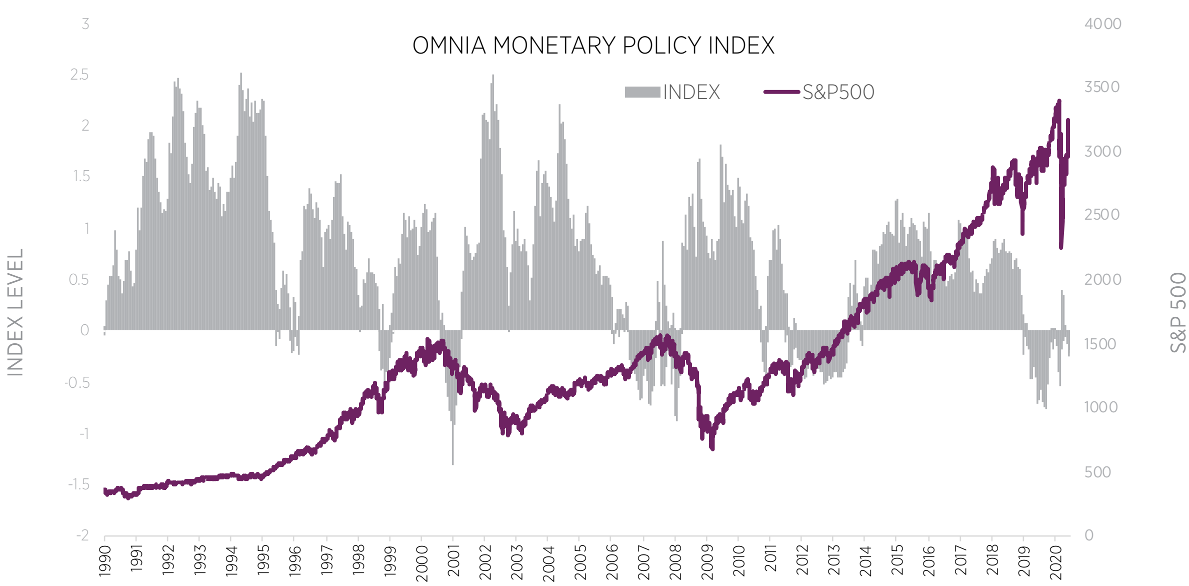


FIXED INCOME

We think that fixed income markets are the most important ones. They provide us a great amount of valuable information about the real state of the current economy and help us project expected changes.

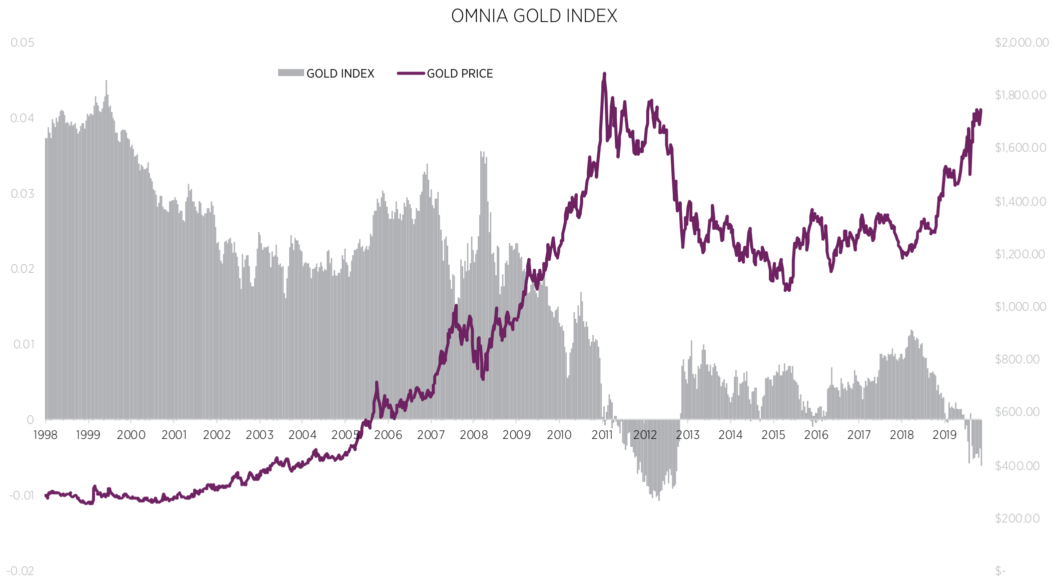
Our fixed income model analyzes signals coming from the Treasury market, which is one of the largest and most liquid markets. The model helps us isolate the “noise” and focus on data related to the upcoming economic environment, which is important to our asset allocation process.

The model will also identify disconnects between the equity market and the bond market’s economic expectations, which then helps us reposition our equities.



GOLD VALUATION

Gold is one of the hardest assets to evaluate because, just like other commodities, there's no cash flow/earnings to model. But gold is very different from other commodities. Most of the time it behaves like a currency and follows real interest rates (nominal dollar rates minus inflation) and sometimes as a monetary crisis hedge. This model has been tested going back to 1998 and has been reliable. The model uses interest rates, inflation expectations, US dollar value, and other inputs to estimate the attractiveness of gold. We can also calculate expected returns using regression and expected changes in the value of the dollar, which will then affect inflation rates. We see gold as a permanent position in portfolios. The position size will change based on the model.

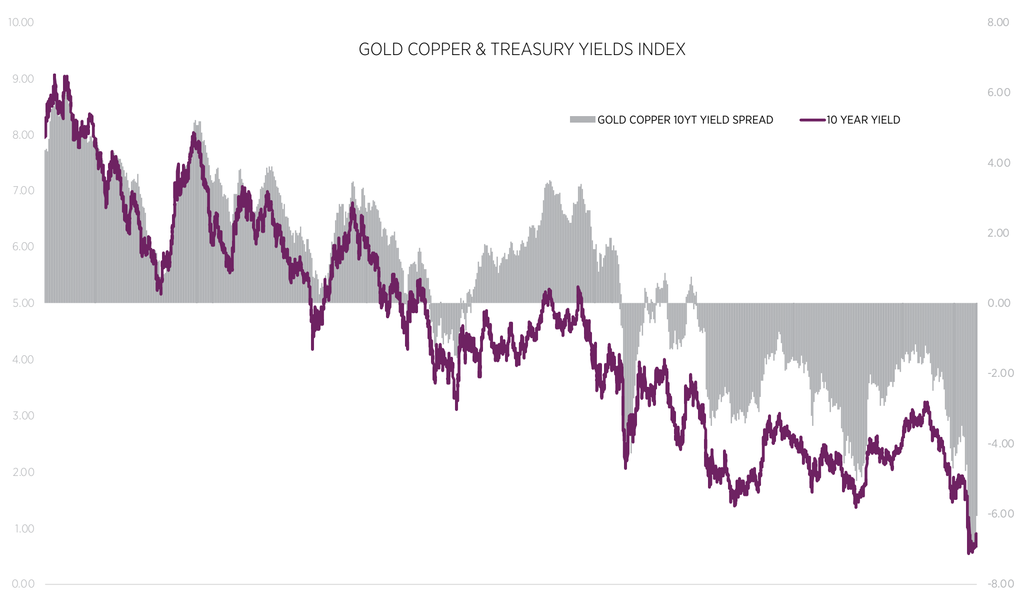


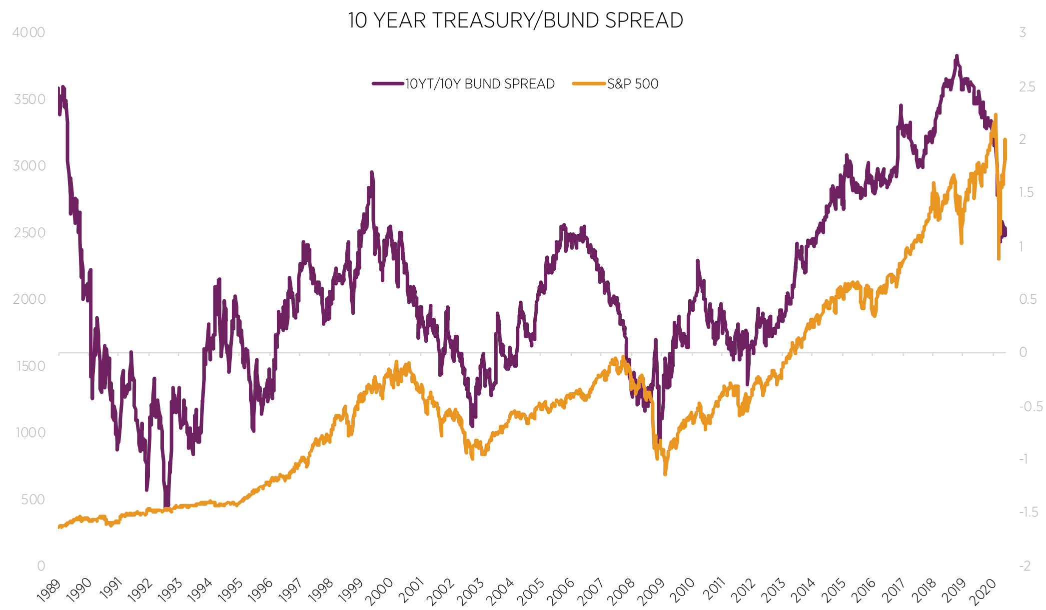
CROSS-ASSET VALUATIONS

Our models assign valuations to most publicly traded assets, which allows us to examine a certain market's attractiveness relative to other markets/opportunities. The attractiveness of an investment opportunity can't be viewed in a vacuum, but relative to other opportunities. *(See table on the following page)*

SECURITY NAME	PRICE CHANGE MTD PERCENT	PRICE CHANGE QTD PERCENT	PRICE CHANGE YTD PERCENT	PRICE CHANGE 1-Y PERCENT	CHANGE 2-Y PERCENT	CHANGE 3-Y PERCENT	DIVIDEND ESTIMATED YLD	VALUATION	TOTAL YIELD	VOLATILITY 10 DAY	VOLATILITY 30 DAY	VOLATILITY 60 DAY
US Generic Govt 10 Yr	-7.99	-7.99	-68.52	-71.55	-78.65	-74.11					84.577371	84.5482
S&P 500 Index	2.07	2.07	-2.06	5.00	12.96	28.67	1.85	3.36%	5.21%	14.6882	27.29395	25.63604
Russell 2000 Index	-2.00	-2.00	-15.34	-10.03	-16.27	-1.14	1.33	0.15%	1.48%	21.71868	39.0313	39.91775
Russell 1000 Value Index	0.99	0.99	-16.63	-11.91	-7.15	-2.00	2.67	3.98%	6.65%	17.75427	32.12245	30.81214
Russell 1000 Growth Index	3.05	3.05	12.51	21.61	32.75	63.36	0.91	2.40%	3.31%	19.80671	26.71579	25.17095
Deutsche Boerse AG German Stoc	3.14	3.14	-4.16	3.04	1.25	0.52	2.80	4.39%	7.18%	22.06832	27.85877	32.82307
CAC 40 Index	1.45	1.45	-16.24	-10.15	-7.77	-4.35	2.86	4.07%	6.93%	23.55366	27.19358	30.00377
FTSE 100 Index	0.16	0.16	-18.07	-17.67	-19.34	-16.25	3.76	4.70%	8.46%	22.69355	24.89238	27.67633
FTSE MIB Index	2.60	2.60	-15.43	-10.38	-9.19	-7.50	3.87	3.55%	7.41%	24.23126	28.29286	29.15464
MSCI Emerging Markets Index	7.66	7.66	-3.88	1.95	-0.40	2.32	2.36	5.21%	7.56%	19.75979	19.09535	19.64176
Hong Kong Hang Seng Index	4.30	4.30	-9.62	-10.51	-10.68	-3.45	3.41	7.90%	11.31%	30.19744	23.1413	26.19956
NSE Nifty 50 Index	2.96	2.96	-12.83	-8.18	-3.73	7.29	1.66	4.01%	5.67%	17.03779	18.10955	26.6634
RTS Index	0.34	0.34	-21.44	-12.33	2.31	16.52	6.33	8.68%	15.00%	22.06592	26.88201	34.05042
Ibovespa Brasil Sao Paulo Stoc	5.00	5.00	-13.69	-3.94	30.31	52.53	2.62	2.66%	5.27%	20.94283	24.22765	31.9158
Taiwan Stock Exchange Weighted	5.06	5.06	1.77	12.79	12.37	16.90	3.29	4.64%	7.93%	13.05692	13.66093	16.56653
S&P/TSX Composite Index	1.37	1.37	-7.83	-4.61	-5.03	3.65	3.37	3.47%		8.723811	19.58302	21.06149
Shanghai Shenzhen CSI 300 Inde	15.44	15.44	17.33	26.20	37.62	29.80	1.96	5.76%	7.72%	33.58965	22.36937	19.17819
Nikkei 225	1.34	1.34	-4.52	4.16	-0.05	12.27	1.88	3.98%	5.86%	18.90701	25.44535	24.85153
MSCI USA Energy Index	-6.33	-6.33	-41.04	-43.73	-52.47	-43.96	6.27	-0.76%	5.51%	41.72497	56.40638	54.18297
MSCI Turkey Index	-0.75	-0.75	-5.68	5.74	17.99	-4.00	3.81	9.80%	13.60%	26.08857	17.87151	19.53253
MSCI Israel Index	4.11	4.11	2.28	2.51	-2.28	-6.40	0.37	6.63%	7.00%	10.69929	18.04528	22.19958
MSCI Argentina Index	4.42	4.42	-8.94	-46.97	-41.35	-58.00	0.59	-1.47%	-0.88%	38.90395	50.9505	54.95407
S&P 500 Energy Sector GICS Lev	-4.08	-4.08	-39.60	-42.18	-51.12	-42.77	6.11	-1.26%	4.85%	43.38124	57.72202	54.72149
S&P 500 Health Care Sector GIC	1.73	1.73	-0.02	11.07	17.44	28.32	1.75	4.99%	6.74%	11.19356	24.3631	22.49157
S&P 500 Information Technology	1.19	1.19	15.57	30.71	45.96	89.79	1.15	3.08%	4.23%	19.49276	28.21346	28.50495
S&P 500 Banks Industry Group G	-0.42	-0.42	-36.43	-26.56	-26.27	-19.45	4.15	5.10%	9.25%	42.39669	58.4732	57.11878
S&P 500 Food Beverage & Tobacc	3.01	3.01	-8.45	-4.35	-0.05	-8.64	3.71	4.74%	8.45%	18.96522	25.74052	23.12449
S&P 500 Utilities Sector GICS	2.82	2.82	-10.14	-4.06	10.71	11.97	3.54	4.80%	8.34%	20.02537	25.27134	26.42775
S&P 500 Communication Services	4.95	4.95	3.94	10.58	26.76	26.59	1.18	3.64%	4.82%	22.45164	27.69318	26.53004
S&P 500 Real Estate Sector GIC	-0.81	-0.81	-10.69	-7.88	5.36	7.90	3.21	1.47%	4.68%	19.89387	33.38086	32.29167
MSCI USA LARGE CAP INDEX	2.25	2.25	-0.15	7.33	15.90	32.50	1.81	3.38%	5.19%	15.1621	26.60061	23.97146
MSCI United States Small Cap I	-2.03	-2.03	-15.14	-10.50	-13.07	2.34	1.52	1.36%	2.88%	20.71412	38.6096	38.69057
MSCI AC Asia Ex. Japan Index	7.88	7.88	1.70	8.02	4.23	9.02	2.22	5.17%	7.39%	22.23543	19.92997	20.56906
Alerian MLP Index	-7.72	-7.72	-43.74	-52.37	-53.82	-59.59	12.84	7.60%	20.44%	27.15615	54.5499	51.37696
MSCI US REIT Index	-1.74	-1.74	-21.49	-19.56	-13.20	-12.93	4.19	1.55%	5.74%	21.136	38.16469	37.97478
MSCI EM Asia Index	8.58	8.58	3.84	12.69	6.63	11.66	2.04	5.15%	7.20%	22.60704	20.0114	20.25362
BlueStar Israel Global Index N	3.10	3.10	-3.55	3.94	8.16	13.93	0.83	4.24%	5.07%	16.16362	20.09432	19.17171
MSCI FM FRONTIER MARKETS	1.17	1.17	-17.10	-15.20	-13.84	-14.65	3.23	6.22%	9.45%	4.580046	10.69559	11.50339
MSCI Mexico Index	-0.54	-0.54	-29.22	-27.02	-37.54	-44.65	2.91	3.55%	6.46%	21.87999	33.48342	36.67879

There are many other important relationships between assets we explore using our models. They are all part of our ongoing process of understanding the big picture.





DECISION-MAKING FRAMEWORK

We look at the future as a set of potential outcomes with a range of probabilities. We know we will never have full certainty about a particular outcome but having enough knowledge and a strong process will help us achieve success over the long run.

We have to remember that decision-making should never be done in a vacuum or as an emotional reaction, and for that, we need a process. The most effective and simplest method to use is making a list of different scenarios that may affect our portfolio and then, based on our research, assigning magnitude and probability to each scenario.

Below is an example of the framework for using the intersection of magnitude and probability to inform your decisions:

MAGNITUDE	PROBABILITY	ACTION
High	Low	Moderate action
High	High	Yes
Low	High	No
Low	Low	No

EVENT	PROBABILITY	MAGNITUDE OF IMPACT ON PORTFOLIO	ACTION
Equities could drop 20%	60%	Loss of 10% in overall portfolio	Lower equity exposure or hedge
Fed will lower rates	100%	Will probably not support equities	None
Break in high yield markets	50%	Could be significant	Lower equity exposure or hedge
Fed will suport markets in unconventional way	60%	Could boost equities higher	Keep current exposure
Economy to fall into recession	Over 50%	Possible losses in equities, real estate and so on...	Reduce exposure in some assets and increase in others

Apple Founder CEO Steve Jobs once said, **"Look, you have to zoom out and connect the dots between things that don't necessarily seem obvious to people at the time."** Rather than chasing short-term portfolio performance, we focus on managing risk by understanding the connections between assets and their environment, which is often less obvious but also more likely to lead to better, more stable returns in the long run.

IMPORTANT INFORMATION