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PROTECT YOUR 60/40 BY ADDING AN EXIT PLAN.

JULY 2024

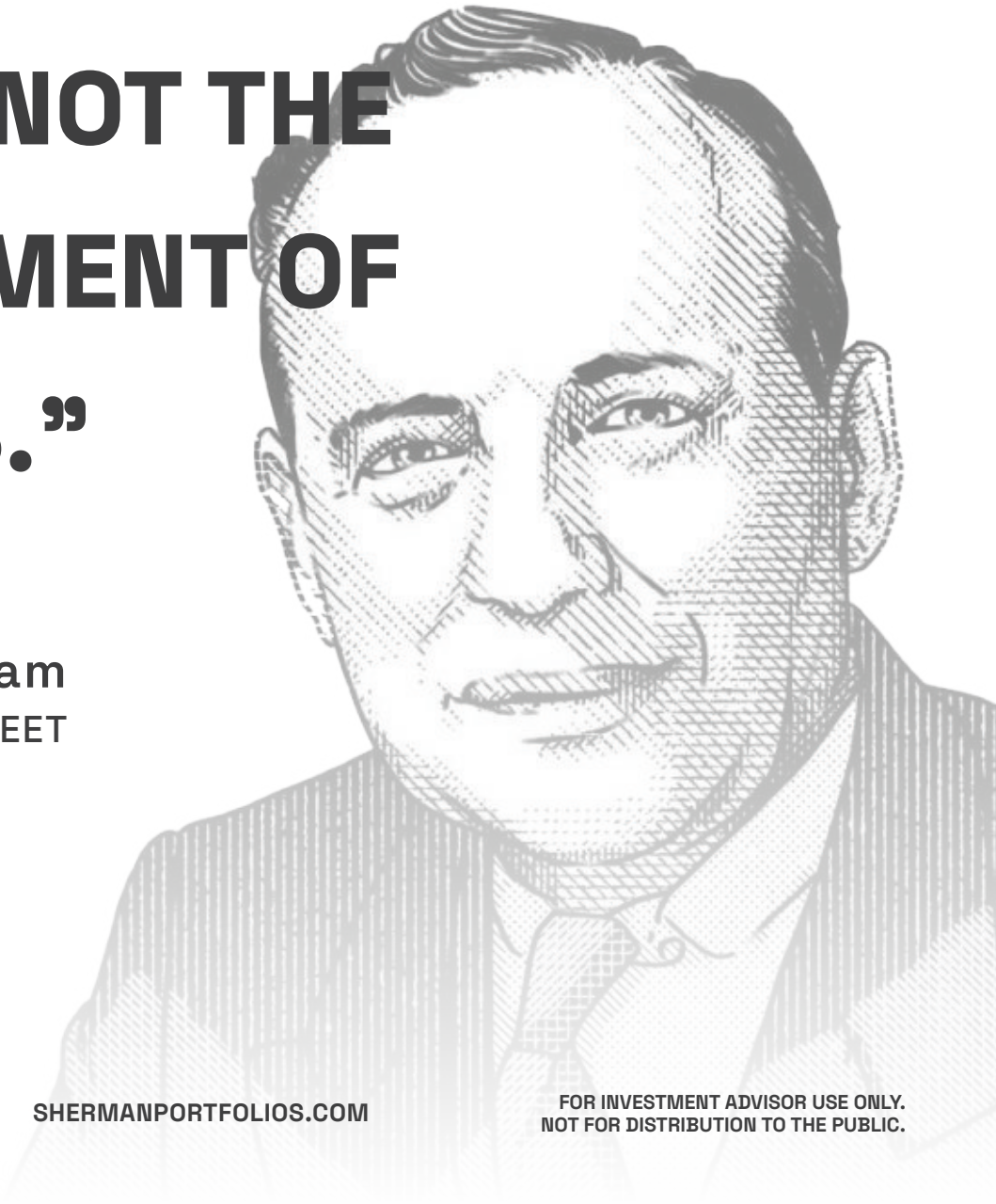
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REGISTERED INVESTMENT ADVISOR

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“THE ESSENCE OF INVESTMENT MANAGEMENT IS THE MANAGEMENT OF RISK, NOT THE MANAGEMENT OF RETURNS.”

— Benjamin Graham
THE DEAN OF WALL STREET



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Tony Roylance, Director of Research at Sherman Portfolios
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It's common practice for financial advisors to implement buy-and-hold strategies of some kind of equity/bond split such as 60/40 or 70/30. At Sherman Portfolios we believe they're missing one critical element: EXIT STRATEGIES.

During a Bull market, almost everyone is seeing healthy returns and clients are happy. However, when the markets turn—such as in 2000, 2008, 2018, 2020, and 2022, those returns are at risk for double-digit drawdowns.

Do you have a solution?
Have you planned your escape route?

In other words, you can keep your investment strategy but add layers of portfolio protection for your clients.

Using our patented research and market indicators, financial advisors can continue using their preferred portfolios with clients and implement some subtle but powerful

Keep your investment strategy **but add layers of portfolio protection for your clients.**

There's long been an unnecessary separation between the two main types of financial advisors: those that implement a buy & hold strategy and those engaging in some type of 'active' or 'tactical' investment style. The chasm between those two groups doesn't need to be so wide.

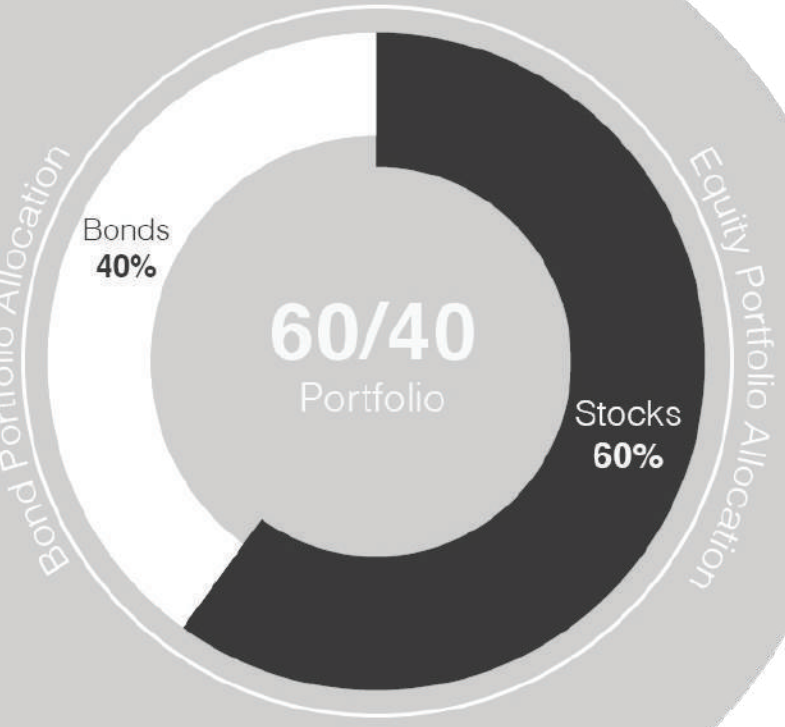
We think you should be able to invest the way you think is best for your clients, but have the ability to add a layer of protection that **minimizes risk to maximize returns.**

changes. By implementing an exit plan with signals built on patented indicators, advisors can safeguard their clients' assets and protect their portfolios..

In this paper, we'll explore an example of what implementing this type of strategy may look like using a common balanced 60/40 mutual fund.

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A 60/40 portfolio refers to a 60% allocation to stocks, and a 40% allocation to bonds.

The "risk management" is the 40% held in bonds, which are expected to act as a buffer to stocks during bear markets, since historically they've remained resilient in times of market distress.

This passive, fixed, unchanging method of risk management is called **'static risk management'.**

We don't think a static risk management is the best way to protect your clients portfolios.



IN A BEAR-MARKET WHEN RISK FROM LOSSES IS HIGH, THERE'S NOT ENOUGH PROTECTION FROM THE DOWNSIDE.

IN A BULL-MARKET WHEN RISK FROM LOSSES IS LOW, PORTFOLIO PERFORMANCE IS RESTRICTED ON THE UPSIDE.



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STATIC RISK MANAGEMENT IS
CONSTANT & UNCHANGING.
THAT'S LIKE TRYING
TO BE READY FOR
THE BEACH &
SPACE TRAVEL BUT
NEVER ACTUALLY
READY FOR EITHER ONE.
IF YOU'RE NOT DRESSED FOR THE OCCASION
YOU'RE AT RISK TO THE ELEMENTS.
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ADDING EXITS TO A 60/40.

Now let's look at the Vanguard Balanced Index Fund (VBINX) and then what happens when we apply both one and two of our patented exit strategies to the same fund.

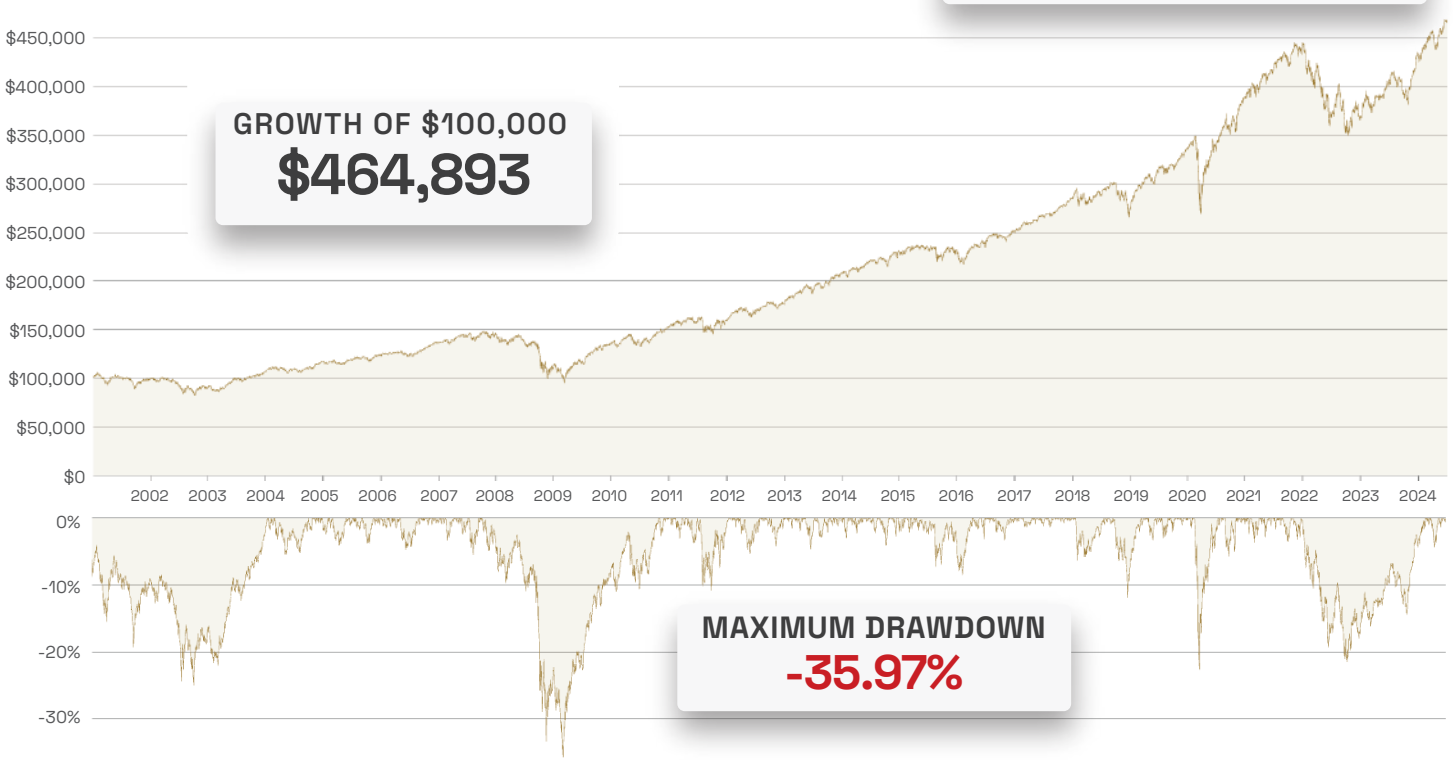
Vanguard Balanced Index Fund (VBINX)

PERFORMANCE PERIOD: **JAN 1, 2001 - JUN 30, 2024**

Over the past 23 years, an initial investment of $100,000 in the Vanguard Balanced Index Fund has grown to $464,893 with a CAGR of 6.68%.

The **maximum drawdown in that period was -35.97%** and the **VBINX suffered a total of 5 loss years**, most notably in **2008 with a single loss year of -22.21%.**

CAGR	6.68%
YTD	7.54%
1 YR	14.72%
3 YRS	3.49%
5 YRS	8.27%
10 YRS	7.77%



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	CAGR
-3.02	-9.52	19.87	9.33	4.65	11.02	6.16	-22.21	20.05	13.13	4.14	11.33	17.91	9.84	0.37	8.63	13.75	-2.97	21.67	16.26	13.63	-16.97	17.44	7.54	6.68

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PROTECT YOUR 60/40 BY
ADDING AN EXIT PLAN.

VBINX PLUS ONE EXIT.

First, we add the DELTA-V long term-indicator to VBINX to see when it would signal exits. When there's signal to exit, we sell and move to a cash position - T-Bills or a Money Market.

DELTA-V signals changes in market trajectory by assessing price action and supply & demand dynamics to signal long-term bull and bear trends.

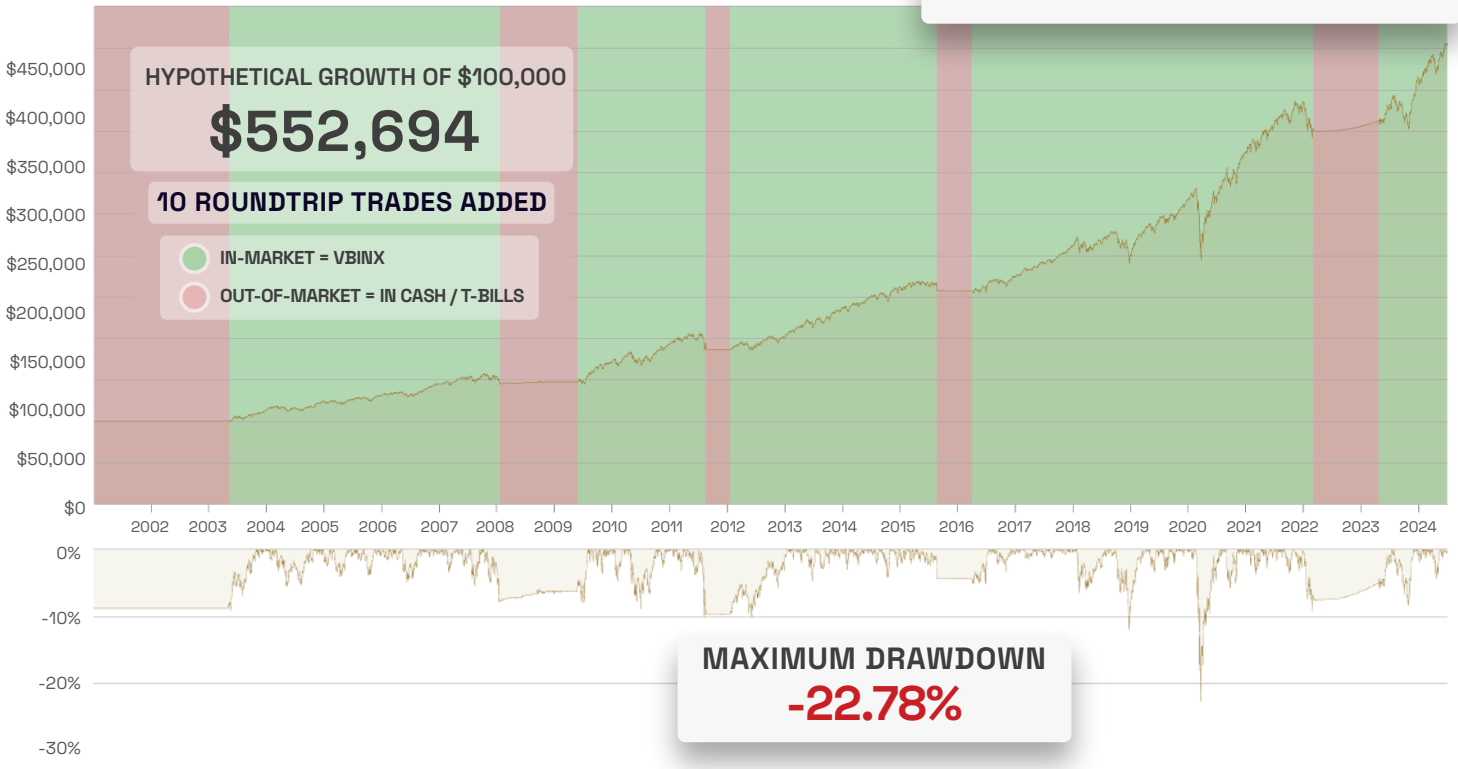
Vanguard Balanced Index Fund (VBINX) + THE DELTA-V EXIT

HYPOTHETICAL PERFORMANCE PERIOD: **JAN 1, 2001 - JUN 30, 2024**

With the addition of the DELTA-V exit strategy, the same initial investment of $100,000 in VBINX would have grown to $552,694 (+87,801) with an ITD of 7.55% (+0.87).

But now, the **maximum drawdown reduced significantly to -22.78 — a difference of 13.19%.** Additionally, the 2008 loss year was reduced to -4.03% from-22.21% (+18.18%).

	VBINX	VBINX w/DELTA-V	
ITD	6.68%	7.55%	+0.87%
YTD	7.54%	7.54%	0.00%
1 YR	14.72%	14.72%	0.00%
3 YRS	3.49%	6.41%	+2.92%
5 YRS	8.27%	10.09%	+1.82%
10 YRS	7.77%	8.25%	+0.48%



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	ITD
0	0	13.58	9.33	4.65	11.02	6.16	-4.03	16.08	13.13	-3.71	8.13	17.91	9.84	1.29	6.19	13.75	-2.97	21.67	16.26	13.63	-5.85	12.59	7.54	7.55

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PROTECT YOUR 60/40 BY
ADDING AN EXIT PLAN.

VBINX PLUS TWO EXITS.

Now we layer a second indicator - the STARPATH short-term indicator to VBINX+DELTA-V. Again, any signal to exit triggers a sell and move to a cash position - T-Bills or a Money Market.

STARPATH determines market strength by monitoring the moving average distance of US Equity market segments against a neutral market condition to signal short-term market trends.

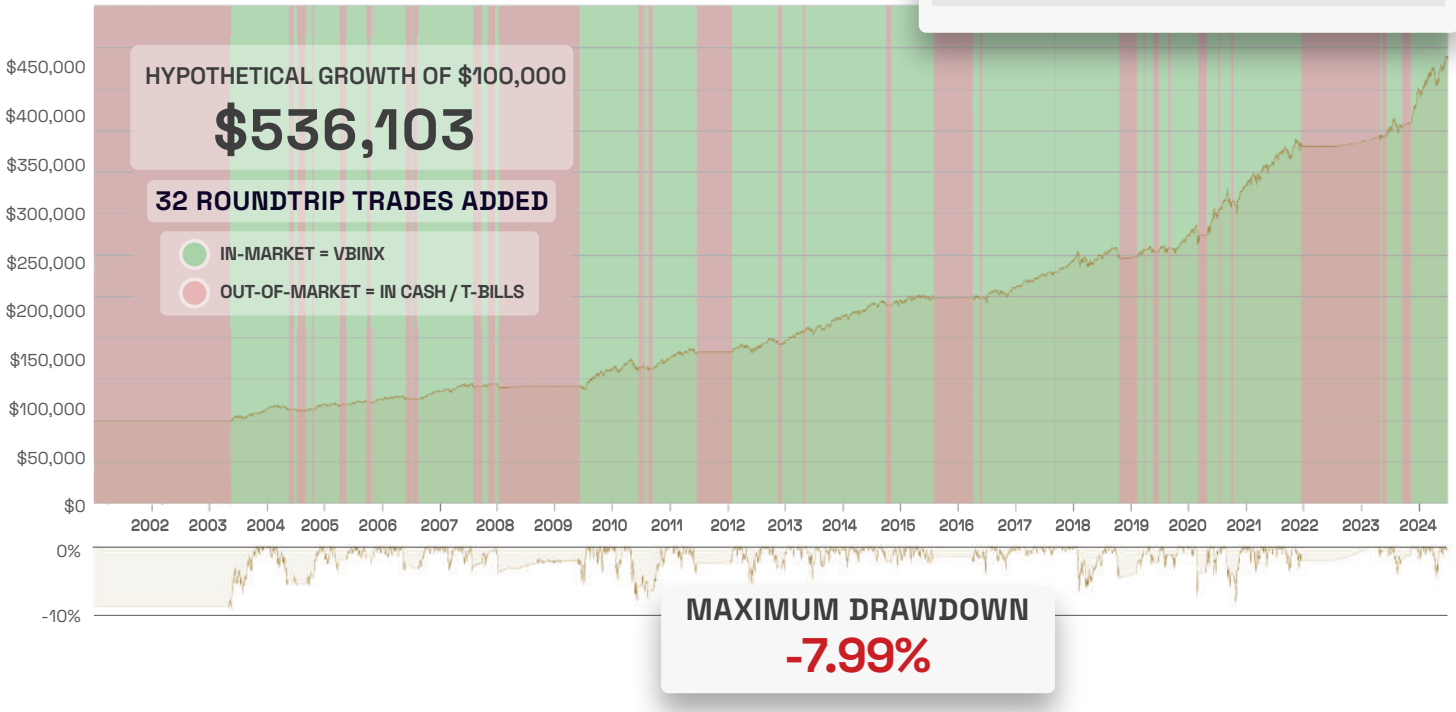
Vanguard Balanced Index Fund (VBINX) + THE DELTA-V & STARPATH EXITS

HYPOTHETICAL PERFORMANCE PERIOD: **JAN 1, 2001 - JUN 30, 2024**

By layering a second, short-term exit, the initial investment of would have grown less, to $536,103 with a lower ITD of 7.41%.

However, the **maximum drawdown was reduced by 27.98% to an MDD of 7.99%.** Plus, with two exits, there was **only one loss year** — 2008, and instead of -22.21% it **was reduced to -1.43%** (20.78% reduction).

	VBINX	VBINX w/DELTA-V+STARPATH	
ITD	6.68%	7.41%	+0.73%
YTD	7.54%	7.54%	0.00%
1 YR	14.72%	18.01%	+3.29%
3 YRS	3.49%	8.9%	+5.41%
5 YRS	8.27%	11.9%	+3.63%
10 YRS	7.77%	8.38%	+0.61%



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	ITD
0	0	13.58	5.5	3.83	8.48	6.05	-1.43	14.38	8.9	3.75	6.28	17.15	7.18	1.73	4.48	12.79	1.61	8.97	19.35	11.64	1.4	14.06	7.54	7.41

ONLY ONE LOSS YEAR
2008 -1.43%

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IN REVIEW.

As shown, by layering one or two exits, there is significant improvement to an existing buy and hold strategy that is intended to minimize risk and maximize returns.

Sherman Portfolios patented research and proprietary exit strategies take the guessing out of your investment plan. Our goal is to rely on demonstrated results from algorithmic indicator signals that remove emotion from the decision and generate real-time notifications when there's a shift in market momentum.

	CAGR	MDD	LOSS YEARS
VBINX 60/40 BUY & HOLD	6.68%	-35.97%	5
VBINX + 1 EXIT	7.55%	-22.78%	5
VBINX + 2 EXITS	7.41%	-7.99%	1

You can access these SPL exits, plus models for increased performance through our monthly subscription starting at $495/mo.

BE READY FOR MARKET DOWNTURN & PROTECT YOUR CLIENTS' PORTFOLIO.

BOOK 15-MIN DISCOVERY CALL

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Disclosures

Sherman Portfolios LLC ["SPL"] is an SEC registered investment advisor who offers one or more model portfolio strategies to its financial services firms' clients. Registration with the SEC does not imply a certain level of skill or expertise. The returns presented above are those of the model portfolio strategy and reflect back-tested results for each performance period presented. The returns do not reflect the results of the actual trading of any account or group of accounts and are thereby hypothetical in nature. All returns greater than one year are annualized. The returns reflect the reinvestment of dividends and interest. The model's returns were created by the application of an algorithm which creates hypothetical trades based upon the output from technical trading algorithms for the performance time periods presented. Such algorithms were applied with the benefit of hindsight and are not influenced by emotional or subjective reactions to extraneous market, economic, political and related factors. The risk of back-tested hypothetical performance is that an algorithm can be revised or adjusted to obtain favorable performance results during the relevant historical time periods. There is no assurance that back-tested results could, or would, have simulated actual client performance during the relevant time periods. The strategy underlying the back-tested results may be changed at any time with the benefit of hindsight in order to obtain and show more favorable performance results. The performance returns illustrated do not represent actual client accounts and do not incorporate cash inflows or outflows. Returns reflect since inception, one, five and ten-year periods, and are reflected in U.S. dollars and assume that dividends are reinvested. Model returns are calculated by the application of an algorithm over the applicable performance return period. In certain cases the performance may use "substitute" performance for investments that do not have a performance history over the report's entire period. For example, if a proposal includes an ETF that has been in existence for only five years in a report showing ten years of performance history, another ETF for the first five years may be substituted for purposes of approximating the performance throughout the entire period. Substituted performance is an additional layer of hypothetical information that will further reduce the accuracy of the results shown, and therefore substituted holdings should be considered approximations for illustrative purposes only.

The Vanguard Balanced Index Fund (VBINX) shows Compound Annual Growth Rate (CAGR) since it has an inception date reaching further back than the performance dates shown. Whereas, Inception to Date (ITD) is shown for the models incorporating SPL exit overlays since it's inception is January 1, 2001 and includes hypothetical performance data as of that date.

While SPL believes the models historical returns may be representative of future returns, future returns may be materially different for clients depending on a variety of factors including the prevailing market, economy, tax and political environment, cash flows and the timing of such cash flows, SPL's expectations, forecasts, and related factors. During the historical period, inflation, interest rates, and equity returns may be materially different relative to SPL's future expectations of performance.

The performance of accounts managed by Client Facing Adviser (CFA) that receives access to SPL models may differ from the performance shown for a variety of reasons, including the fees assessed by CFA and other third parties; CFA's decision to exercise its discretion to implement a given strategy in a way that differs from the model portfolio; the timing of CFA's implementation of strategy updates; investor-imposed investment restrictions; and the timing and nature of investor-initiated cash flow activity in the account. For all of the reasons described above, actual performance may differ substantially from the hypothetical results.

The strategies employed in managing this and other model portfolios may involve algorithmic techniques such as trend analysis, relative strength, moving averages, various momentum and related strategies. . There is no assurance that these strategies and techniques will yield positive outcomes or prevent losses. The performance for such model(s) is derived from a 3rd party portfolio performance provider utilizing a variety of technical trading strategies and techniques. Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models utilize mathematical algorithms to attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends and there is no assurance that the mathematical algorithms employed are designed properly, new data is accurately incorporated, or the software can accurately predict future market, industry and sector performance. To the extent a material change in the model portfolio performance strategy occurs please include a summary description of the change and the date such change occurred.

The performance above is intended to provide an overview of the model portfolios and the presented performance history is not intended to replicate the actual performance of the model portfolios. Rather the models are intended to provide a general framework to understand the concept, strategy and allocation structure employed by SPL in managing the model portfolios.

An investor's personal goals, risk tolerance, income needs, portfolio size, asset allocation and securities preferences, income tax and estate planning strategy should be reviewed before committing to a specific investment program. Please consult with your financial advisor to discuss the appropriateness of any particular strategy prior to investing. All investments involve risk. Principal is subject to loss and actual returns may be negative. Returns are not guaranteed in any way and may vary widely from year to year.