



# ELITE WEALTH MANAGEMENT

## Core Strategy

July 2017

**INVESTMENT OBJECTIVE:** The Core Strategy seeks to deliver the best opportunity for risk adjusted returns with a goal of capital appreciation and income.

**INVESTMENT APPROACH:** Employs a disciplined approach of allocating capital among the major asset groups. The strategy balances exposure primarily between typically 10-15 mega-cap equities with attractive valuations, income generating securities or ETFs, and/or cash. May opportunistically also invest in small-to-large cap companies. A portion of the portfolio may be invested in alternative assets, such as commodities, real estate, precious metals or energy, using ETFs. We may also tactically trade the SPDR S&P 500 (SPY) and the ProShares Short S&P 500 (SH) within the portfolio. The approach is designed to mitigate volatility. This strategy is intended for those who seek long-term capital appreciation and current income through a diversified mix of investments.

### STRATEGY STRENGTHS

- Allocation can include equities, fixed income, and alternatives.
- Balanced Approach: a disciplined process with rebalancing or turnover in fundamentally weak and underperforming names.
- Liquidity: take advantage of flight to quality in bear markets with equity concentration in the largest capitalization stocks without sacrificing upside potential in the equity markets.
- Employs both fundamental and technical analysis in portfolio construction.

### MONTHLY PERFORMANCE (NET OF FEES)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD		
													Core	S&P 500 TR	
2017	1.95%	3.37%	-0.24%	0.83%	1.93%	-0.08%	5.26%							13.64%	11.59%
2016	-3.58%	-1.57%	2.51%	-2.38%	2.53%	0.15%	2.65%	-0.08%	0.33%	-1.30%	-0.20%	1.75%		0.58%	11.96%
2015	-2.17%	4.04%	-1.50%	-0.82%	0.77%	-0.68%	0.19%	-5.38%	-3.15%	7.66%	0.71%	-1.47%		-2.39%	1.38%
2014	-2.72%	3.03%	2.39%	-0.88%	0.43%	0.85%	-1.46%	3.05%	-0.20%	1.83%	1.98%	0.06%		8.49%	13.69%
2013						-0.51%	2.54%	-1.60%	1.94%	0.99%	2.23%	1.84%		7.59%	14.75%

### CORE PERFORMANCE STATISTICS (NET OF FEES)

Standard Deviation (Monthly):	2.34%	July Return:	5.26%
Standard Deviation (Annualized):	8.10%	YTD Return:*	13.64%
Downside Deviation (Monthly):**	1.43%	Average Monthly Return:	0.56%
Downside Deviation (Annualized):**	4.96%	Highest Month:	7.66%
Sharpe Ratio (Monthly):**	0.13	Lowest Month:	-5.38%
Sharpe Ratio (Annualized):**	0.46	% of Positive Months:	58.00%
Sortino Ratio (Monthly):**	0.20	Maximum Drawdown:	-10.23%
Sortino Ratio (Annualized):**	0.68	Longest Winning Streak:	4 Months
Alpha (Monthly):***	-0.06%	Longest Losing Streak:	3 Months
Alpha (Annualized):***	-0.72%	Compounded Monthly Return:	0.53%
Beta:***	0.70	Compounded Annual Return:	6.55%
Correlation Coefficient:***	0.87	Cumulative Return:	30.24%
R-squared:***	0.76		

\*YTD Through July 2017 \*\*Based on Risk Free Rate (RFR) at 3.0% \*\*\*Calculated Against S&P 500

Past performance is not indicative of future results. Please refer to the Disclosure section for additional information.

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The performance shown is of a strategy consisting of all discretionary accounts using this investment strategy. From January 2014 to September 2014, the Core Strategy held a significant portion of the portfolio (35-38%) in cash in order to launch a mutual fund, which negatively affected overall performance. There is a \$50,000 minimum account size required for inclusion in the strategy. New funds or accounts are added to the strategy upon the first full month of investment and closed funds or accounts are removed from the composite upon the last full month of investment.

**Past performance is no guarantee of future results.** Performance returns for periods of less than one year are not annualized. The performance figures contained herein are provided net of 1% management fees basis, reflecting the deduction of investment management fees, as well as brokerage or other commissions and costs. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses and is not based on actual advisory client assets. Index performance does include the reinvestment of dividends and other distributions. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in US dollars.

**Risk Disclosure Statement:** All investments include a risk of loss that clients should be prepared to bear. The principal risks of the Elite Wealth Management strategies are disclosed in the publicly available Form ADV Part 2A. Exchange Traded Funds (ETFs) are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs trade like a stock, and there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. ETFs may trade for less than their net asset value. Statistics Definitions can be viewed at <http://elitewm.com/analytics>.

**Equity and Market Risk:** The equity markets are volatile, and the value of securities, swaps, futures and other instruments correlated with the equity markets may fluctuate dramatically from day-to-day. Equity markets are subject to corporate, political, regulatory, market and economic developments, as well as developments that impact specific economic sectors, industries or segments of the market. Further, stocks in the S&P 500 Index may underperform other equity investments. Volatility in the markets and/or market developments may cause the value of an investment in an ETF to decrease. The value of investments in ETFs seeking investment results that correspond to the inverse (-1x) of the S&P 500 Index will generally decrease when market conditions cause the level of the S&P 500 Index to rise. While certain ETFs are intended to track the performance of the S&P 500 Index as closely as possible (i.e., to achieve a high degree of correlation with the S&P 500 Index), an ETF's returns may not match or achieve a high degree of correlation with the return of the S&P 500 Index due to expenses and transaction costs incurred in managing an ETF. In addition, it is possible that an ETF may not always fully replicate the performance of the S&P 500 Index due to the unavailability of certain Index securities in the secondary market or due to other extraordinary circumstances (e.g., if trading in a security has been halted).

**Short Sales:** Short selling transactions entail the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit, which could result in an inability to cover the short position and a theoretically unlimited loss. There is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the borrower might be compelled, at the least advantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier. Further, purchasing securities on the open market to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Sources:** Yahoo Finance, Hedge Connection, Chicago Board of Exchange.

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