

# Equity Opportunity Strategy



**INVESTMENT OBJECTIVE:** The Equity Opportunity Strategy seeks to provide attractive risk-adjusted total returns relative to the S&P 500 by utilizing an in-depth, fundamental analysis to invest in a diversified portfolio of individual stocks.

**INVESTMENT APPROACH:** Equity Opportunity is a diversified portfolio consisting of both growth and value stocks that are selected based on our conviction to hold the companies long term and their relative fundamental strength and market dominance in their respective sectors. The goal of this portfolio is to own the stocks of leading companies in different sectors that may provide long term growth with lower beta than the broad market. Many of the names pay dividends and are considered to be the bellwethers of the market. For those clients that are interested in potentially enhancing their returns via selling covered calls, this portfolio is positioned properly to potentially benefit from options premiums as well.



- Top down macro analysis, including looking at both global and domestic data along with commodities prices.
- Sectors are analyzed on their relative outperformance or underperformance with each other.
  - Weakest sectors will be excluded.
  - Out of the remaining sectors, the top stocks in each sector are analyzed.
    - Stocks are ranked based on fundamentals. Weights are assigned accordingly by quality of the stocks and their future outlook.
    - We look at a range of factors, such as P/E ratios, Beta, Profit Margins, Forward P/E, etc. to determine the strongest companies.
    - From these analyses a portfolio of typically 20 to 40 stocks are compiled.



- Investment committee meets regularly to discuss holdings.
  - Immediate meetings are conducted for breaking news or emergency events.
- For current holdings and sectors, the investment team analyzes to see if fundamentals have changed and if the portfolio should be rebalanced.
- The investment team will also discuss any potential new opportunities in eliminated sectors.
- Portfolio is rebalanced based on market environment and sector/holdings performance.
- Long term strategy with typically a multi-year investment horizon.
  - Rebalancing is not regularly scheduled and typically not frequent, which creates tax efficiencies for the investor.

- Portfolio typically consists of approximately 20-40 mid-to-mega cap equity positions. Smaller cap companies may also be selected opportunistically.
- The portfolio can be invested in the SPDR S&P 500 (SPY) and the ProShares Short S&P 500 (SH), which may serve as a hedge against market downturns. The long/short portion is traded according to our Tactical Long/Short algorithm and strategy.
- The portfolio consistently maintains a cash buffer in order to help mitigate volatility and give it the flexibility to invest opportunistically.
- Long only strategy except when the tactical hedging portion goes short.
- Consists of individual stocks and equity ETFs.

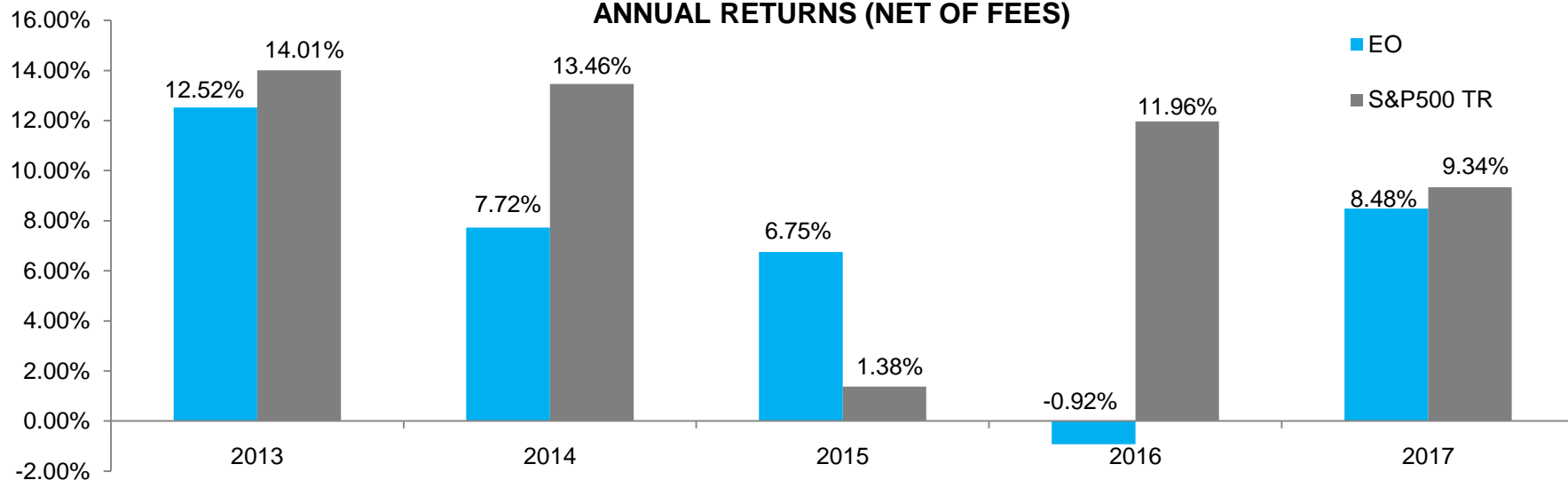
- Through our investment process, we strategically select attractive stocks that are held long term in order to reduce turnover and short term capital gains.
- Tactical approach: we may trade the SPDR S&P 500 (SPY) and the ProShares Short S&P 500 (SH) in the portfolio, which provides downside protection for the client.
- Potential to capture the upside in strong market environments while actively hedging the downside during periods of market volatility.
- Employs fundamental and technical analysis in portfolio construction.
- Weak sectors that pose high risk are filtered out.

- Riskiest sectors are monitored and excluded.
- The Tactical portion of the portfolio hedges against market downturns.
- Cash buffer that gives additional flexibility to invest in other holdings or to hold in cash to reduce equity exposure.
- Primarily invests in larger cap individual stocks and diversified ETFs.
- Any international exposure is in large cap companies or diversified ETFs/closed end funds.
- No leverage or margin used.
- Stock announcements and headline news are monitored closely.

# Equity Opportunity (EO) Strategy

| Year | Jan    | Feb    | Mar    | Apr    | May   | Jun    | Jul    | Aug    | Sep    | Oct    | Nov    | Dec    | YTD Net Returns |            |        |
|------|--------|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|--------|-----------------|------------|--------|
|      |        |        |        |        |       |        |        |        |        |        |        |        | EO              | S&P 500 TR |        |
| 2017 | 1.61%  | 3.16%  | 0.31%  | 1.16%  | 1.89% | 0.10%  |        |        |        |        |        |        |                 | 8.48%      | 9.34%  |
| 2016 | -4.33% | -1.55% | 2.62%  | -1.55% | 1.31% | 0.23%  | 2.51%  | -0.20% | 0.29%  | -1.04% | -0.15% | 1.14%  |                 | -0.92%     | 11.96% |
| 2015 | -1.35% | 4.10%  | -0.60% | -0.70% | 2.40% | -1.17% | 4.14%  | -6.54% | -2.44% | 8.89%  | 0.93%  | -0.28% |                 | 6.75%      | -0.73% |
| 2014 | -1.32% | 2.68%  | 0.87%  | 1.17%  | 1.15% | 1.30%  | -1.29% | 2.61%  | -0.47% | 0.08%  | 1.70%  | -0.91% |                 | 7.72%      | 11.39% |
| 2013 |        |        |        |        |       |        |        |        | 4.54%  | 3.99%  | 2.46%  | 1.02%  |                 | 12.52%     | 14.01% |

**ANNUAL RETURNS (NET OF FEES)**

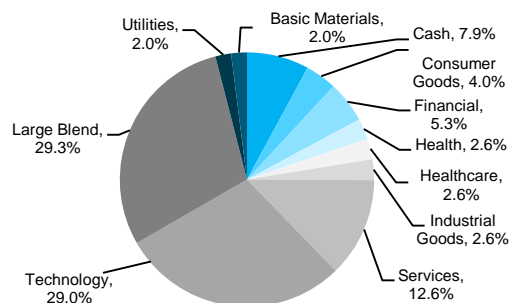


The performance shown is of a strategy consisting of all discretionary accounts using this investment strategy. There is a \$200,000 minimum account size required for inclusion in the strategy. New funds or accounts are added to the strategy upon the first full month of investment and closed funds or 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 commissions and expenses. 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.



# Equity Opportunity (EO) Strategy

## Sector Allocation



## Portfolio Composition

|                  |       |             |       |
|------------------|-------|-------------|-------|
| Basic Materials  | 2.0%  | Large Blend | 29.3% |
| Cash             | 7.9%  | Utilities   | 2.0%  |
| Consumer Goods   | 4.0%  | Technology  | 29.0% |
| Financial        | 5.3%  |             |       |
| Health           | 2.6%  |             |       |
| Healthcare       | 2.6%  |             |       |
| Industrial Goods | 2.6%  |             |       |
| Services         | 12.6% |             |       |

## Statistics (Net of Fees)

|                                    |       |                            |          |
|------------------------------------|-------|----------------------------|----------|
| Standard Deviation (Monthly):      | 2.47% | June Return:               | 0.10%    |
| Standard Deviation (Annualized):   | 8.57% | YTD Return:*               | 8.48%    |
| Downside Deviation (Monthly):**    | 1.45% | Average Monthly Return:    | 0.75%    |
| Downside Deviation (Annualized):** | 5.01% | Highest Month:             | 8.89%    |
| Sharpe Ratio (Monthly):**          | 0.20  | Lowest Month:              | -6.54%   |
| Sharpe Ratio (Annualized):**       | 0.70  | % of Positive Months:      | 63.04%   |
| Sortino Ratio (Monthly):**         | 0.33  | Maximum Drawdown:          | -8.82%   |
| Sortino Ratio (Annualized):**      | 1.13  | Longest Winning Streak:    | 7 Months |
| Alpha (Monthly):***                | 0.06% | Longest Losing Streak:     | 3 Months |
| Alpha (Annualized):***             | 0.70% |                            |          |
| Beta:***                           | 0.77  | Compounded Monthly Return: | 0.72%    |
| Correlation Coefficient:***        | 0.89  | Compounded Annual Return:  | 8.99%    |
| R-squared:***                      | 0.79  | Cumulative Return:         | 39.08%   |

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

From January 2014 to December 2014, the Equity Opportunity Strategy held a significant portion of the portfolio (34-60%) in cash in order to launch a mutual fund, which negatively affected overall performance. The performance shown is of a strategy consisting of all discretionary accounts using this investment strategy. There is a \$200,000 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 commissions and expenses. 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.

Elite's direct individual clients are charged 1% management fee only with no performance fee. White or private labeling fees are as follow:

## 1: Adhesion and Investnet/Placemark

Elite's fee schedule for White Labeled services where independent third party investment managers utilize intermediaries responsible for trading and allocations:

- Up to \$100M = 0.30% – 0.35% Annually
- Over \$100M = Breakpoints Negotiable

## 2: Interactive Brokers (IB)

Elite's fee schedule for White Labeled services where independent third party investment managers utilize Elite's investment platform/infrastructure through IB and Elite is responsible for trading and allocations:

- Up to \$100M = 0.60% Annually
- Next \$50M = 0.55% Annually
- Anything over \$150M = 0.50% Annually

## 3: Strategy Licensing Agreement—We provide trade signals to the RIA

- Up to \$100M = 0.40% Annually
- Next \$50M = 0.35% Annually
- Anything over \$150M = 0.30% Annually

**Fariba Ronnasi** - Ms. Fariba Ronnasi, president and founder of Elite Wealth Management, Inc. has headed the strategic management of numerous high net worth individuals. Prior to establishing the firm in October of 2004, Fariba worked as Managing Director for the Private Wealth Division of Columbia Management Company and was responsible for expanding the Private Portfolios Group on the West Coast.

Previously, Fariba was a Business Development Manager for Citicorp in its Private Banking Division. Prior to joining Citicorp, she worked as the Senior Private Banking Manager at Keycorp and established the Technology group for the Private Bank. She has 23 years of solid experience in the field of finance and investment management. Ms. Ronnasi has a BA and MBA in Finance with a minor in Economics from Seattle University and currently holds a Series 65 license.

**Yinmo Wang** - Yinmo Wang conducts financial analysis on the firm's trading strategies. He wrote the trading algorithm for several of the firm's strategies and implements their trading schema, including the continued evaluation of their efficacy. Mr. Wang previously designed in-house funds for clients and evaluated performance reporting for Financial Concepts Unlimited and prior to that, performed finance and accounting functions in support of the CFO at Systems Plus. Mr. Wang received a B.S. in International Finance from Fudan University in Shanghai; an MBA from Montreux Switzerland; a M.S. Finance (MSF) and a M.S. Engineering Management (MSEM) and Systems Engineering (MSSE) from the George Washington University. Yinmo Wang has over 20 years of experience in the industry and is a CFA charterholder.

**Kevin Lennil** - Kevin Lennil manages several portfolios for the firm and has 10+ years of experience in the investment industry and high volume trading in the options market. He managed his own RIA firm, Exagroup, from 2009-2013 before the firm was purchased by Elite Wealth Management and subsequently joined the Elite team in 2014 as a full time employee. Mr. Lennil developed the algorithm for the Tactical Long/Short strategy and currently holds Series 65 and Series 3 licenses.

Elite Wealth Management, LLC (“Elite Wealth Management”) is a registered investment adviser with the Securities and Exchange Commission. Registration with the SEC does not imply any level of skill or training. The firm is defined as Elite Wealth Management and includes assets managed as dual officers. Assets under management include assets managed by Elite Wealth Management officers as dual officers of Lattice Capital Management. Any client and account statistics presented include dual officer relationships.

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**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>.

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

**SEE IMPORTANT DISCLOSURE STATEMENT:** <http://elitewm.com/disclosures/>

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