Truth Investments, L.L.C.

Fixed Income Blend Plus
Product Summary

Description	
Name	Fixed Income Blend Plus
Risk Level	Moderately Low
Benchmark Index	Barclays U.S. Aggregate
Annual Expense	0.35%
Load/Other Fees	None
Average Annual Turnover[1]	31%
Average Number of Holdings	1-10
Assets Under Management	$10,409
Inception Date	26-Dec-12
Report Date As Of:	31-Dec-20

Holdings	Weight
Genworth Holdings	60.7%
Telephone & Data Pfd.	28.6%
Cash	10.6%
Total	100.0%

Sector Exposure	Weight
Corporate Bonds	60.7%
Preferred Stock	28.6%
Cash	10.6%
Total	100.0%

Country Exposure	Weight
United States	89.4%
Cash	10.6%
Total	100.0%

Historical Returns (Gross)

	2013	2014	2015	2016	2017	2018	2019	2020
Composite	6.19%	7.29%	-18.85%	17.63%	1.35%	-3.09%	15.58%	-25.12%
Benchmark	-2.02%	6.01%	0.52%	2.66%	3.54%	0.01%	8.34%	7.51%

Comments

Note: Historical performance is not a guarantee of future results.

1 Turnover is a measurement of trading activity. It is calculated by taking the lesser of buys and sells divided by the average market value of the model portfolio (3yrs).
Historical returns are calculated from the product of monthly returns in the period. The composite represents returns of all portfolios exclude fees but include trading costs.
Holdings, sector, and country exposure represent the model portfolio.

SUMMARY

The Fixed Income Blend Plus strategy has the objective of achieving positive returns regardless of the market environment. While we don't expect to succeed every year, we certainly expect to achieve our goal in most years. We aim to do so by investing in securities that pay fixed amounts on a predetermined, periodic basis. Such securities include certificate of deposits (CDs), Treasury securities, preferred equity, and US bonds including: corporate, mortgage-related, and asset-backed securities. In rare cases, municipalities and foreign bonds may also be purchased.

It is recommended that investors have at least a five-year time horizon when investing in this product. The market value of most negotiable CDs traded in the secondary market (as well as other forms of fixed income) will decrease incrementally in lieu of purchase until maturity. This adjustment mainly occurs because new buyers might not be able to redeem coupon payments that were already paid by the CD issuer. Consequently, buyers can expect to pay a discount to the par value of a CD if there is a relatively short time until maturity. CDs purchased at a premium price are eligible for coupons that likely offer a higher rate than prevailing market interest rates. However, when such CDs are purchased the market value will adjust downward afterward to reflect a combination of factors like: liquidity, par value, coupon rates, and time to maturity.

Because many fixed income securities adjust downward after purchase, it's important to hold them until maturity. Most of the securities we purchase mature within 3-10 years, so if necessary, the investor will likely be able to liquidate his or her account at full value before this time period has passed. We maximize yield-to-maturity as a means of optimizing coupon rates and maturity dates. Therefore, the investor should communicate with his or her Truth Investments advisor if there are short-term needs for the amount invested. Nevertheless, there is no penalty fee for withdrawing monies inside of a one year, although, investment gains should be higher over longer holding-periods.

RISK LEVEL

The Fixed Income Blend Plus strategy is classified as having moderately low risk. Fixed Income holders essentially lend money to a borrower. The borrower is called an issuer of debt. Although debt instruments are considered low risk because the issuer (i.e. pool of individuals, companies, governments, etc.) is obligated to service the debt, there is always the risk that an issuer can default. Other sources or risk exist including: marketability, liquidity, and market effects caused by economic and regulatory changes (a.k.a. interest rate risk). Lastly, this strategy allows for the purchase of preferred stock, which introduces an element of price volatility; albeit at much smaller degree than common stock. Despite such risks, this strategy is considered moderately low because returns are expected to be positive on an annual basis. However, over long periods of time, returns are not expected to exceed our higher risk products.

INVESTMENT PROCESS

Security Selection

We take a conservative approach when identifying Fixed Income Blend Plus securities. For example, when purchasing corporate bonds, we'll limit our universe to highly-rated, investment grade issues. We take a *ladder* approach by holding securities with diversified lengths of maturities in an effort to minimize interest rate risk. We treat fixed income securities like stock in that we'll research the debt issuer with regard to financial stability. Such research includes the analysis of financial statements and an assessment of economic and business fundamentals. We also take care in analyzing indentures to understand the issuer's intentions for borrowed funds and plans for servicing loan commitments.

Marketability of securities is also important. We primarily seek securities that can be sold in a reasonable amount of time in a fair, open market. For example, we shy away from non-negotiable CDs. Moreover, size of market and the number of outstanding issues helps to determine liquidity. We will generally not sacrifice low risk for tax advantage.

MANAGEMENT/MONITORING OF SEPARATE CLIENT PORTFOLIOS

The utilization of a model portfolio provides consistency in portfolio construction and management. In this framework, we set a goal for all client portfolios to resemble our model in terms of yield-to-maturity and position weights. Differences are typically the result of any client guidelines and/or the timing and amount of cash flows. We will also 'eyeball' each client portfolio as a check to ensure the portfolio represents the strategy implemented. Nonetheless, client portfolios can differ significantly from our Fixed Income Blend Plus model portfolio when compared to other products because some fixed income securities require minimum trade amounts that certain clients can not satisfy. However, we aim to maintain common risk/return characteristics for all portfolios.

TRADING

We aim to keep trading costs at a minimum by utilizing brokers who charge low commissions relative to industry standards. We would only pay higher commissions if there were additional services rendered by the broker besides trade execution that would be beneficial to clients. We also keep trading costs low via sound management of client cash flows. The timing and amount of client funds requires judgment on our part in balancing the speed of becoming fully invested with trading costs. For example, if a client opens an account at a time that's not suitable to invest in certain holdings in our model portfolio, we may have to forgo purchase of certain investments until other opportunities present themselves. We may purchase other investments with similar characteristics, but are more suitable considering the timing of investments. Suitability is largely a function of size, price entry points, time to expiration, availability of securities, etc. Whenever such optimization is necessary, we will still take proper risk control with regard to diversification.

All client portfolios are traded simultaneously to ensure fairness of security prices achieved. This is done electronically with a model-based trading platform. Each trade requires one order through the broker's platform, at which point, shares will be bought or sold for each client designated to the model's respective product group. Shares will be traded and/or allocated on a pro-rata basis so that each client's portfolio obtains the same percentage. For client portfolios in which optimization or some other customization is necessary, trading will be made subsequent to the model portfolio's trades. If for some reason this directed-order service becomes unavailable by the broker, we will use same price limit orders when trading identical securities for separate accounts.