

## DAILY REPORT

Date	2016-01-11
Time (Eastern)	03:50 PM
Next Refit in	10 days
Last Refit Date	2015-12-24

## MODEL INDICATORS

Variables in Order of Frequency of Inclusion	Value <sup>1</sup>
Proprietary Variable X	-0.29
Variance Risk Premium (VRP)	-0.49
PCA of Price Indicators (PCA.price)	0.3
Default Spread (DEF) *	-0.77
New Orders/Shipments (NOS)	0.14
Baltic Dry Index (BDI)	-1.07
Implied Correlation (IC) *	0.41
Proprietary Variable Y *	-1.86
Short Interest (SI) *	-0.3
Consumption vs Wealth and Income (CAY)	-0.89
Moving Average (MA)	0

## EQUITY RISK PREMIUM CALCULATION (ANNUALIZED)

	Estimate	Historical <sup>2</sup>
Total Return	0.55%	10.96%
3-Month Treasury Bill Rate	0.18%	4.64%
Equity Risk Premium	0.36%	6.32%

## MODEL CONCLUSIONS

Optimal Long Term Exposure:	-13%
Short Term Adjustment:	-4%
Current Optimal Equity Exposure:	-17%

The long term model looks out at a 6 month time horizon for trend directionality. A short term adjustment has been introduced on 11 November 2015. This model will continue to evolve with additional short term and intermediate term models.

<sup>1</sup>Bullish indicators are denoted by positive signs and bearish indicators by negative signs. Variables marked with \* are currently not in the model.

<sup>2</sup>Calculated using S&P 500 and 3-Month Treasury Bill Rate between 1954 and present.