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Best Q1 for S&P 500 since 1998; Stratified LargeCap fared even better

Total Return (%) As of 3.31.2019	2019 Q1 Stratified LargeCap	2019 Q1 S&P 500	Previous 12 Months Stratified LargeCap	Previous 12 Months S&P 500
Total	**14.7**	**13.6**	**8.6**	**9.5**
Financials	13.7	10.1	-2.2	-1.9
Energy	15.0	14.2	11.9	7.3
Industrials	17.0	16.4	4.6	3.9
Info. Tools	21.9	19.4	17.6	16.9
Information	13.0	15.7	6.0	11.7
Consumer	16.8	14.5	7.9	12.4
Food	13.5	12.2	15.5	10.0
Healthcare	8.4	5.9	9.0	15.0

Performance does not reflect fees or implementation costs as an investor cannot directly invest in an index.

The S&P 500 had its best first quarter performance in 20 years, with the cap weighted index returning 13.6%. In spite of this strong performance, better diversification was rewarded this quarter: the Stratified LargeCap Index returned 14.7%, outperforming the S&P 500 by 103 bps, driven by outperformance in 7 out of 8 sectors. The “banner” quarter was largely driven by a stunning reversal in the hawkish tone from the Fed, which had triggered the market sell-off in Q4 2018. Equities rallied in all large and mid-cap domestic sectors as well as internationally.

Reversal from Q4 2018 consistent with previous market-wide sell-offs

The equity market sell-off in Q4 2018 was driven by discount rate expectations from the Fed (rather than specific earnings trends) and hence affected the entire market. As we mentioned in our last quarterly review, such market-wide sell offs are often followed by a market-wide recovery, where Stratified Indices have historically outperformed their Cap-weighted counterparts (e.g. March 2003 or March 2009). Q1 2019 followed such a pattern - the Stratified LargeCap rose 14.7% (following a -13.2% sell-off in Q4 2018).

Total Return (%)		Stratified LargeCap Index	S&P 500 Index	Premium
Mar 02 - Mar 03	Market sell-off	-22.5	-24.8	2.3
Mar 03 - Mar 04	Recovery	52.1	35.1	17.0
Mar 08 - Mar 09	Market sell-off	-36.8	-38.1	1.3
Mar 09 - Mar 10	Recovery	70.1	49.8	20.3
Q4 2018	Market sell-off	-13.2	-13.5	0.3
Q1 2019	Recovery	14.9	13.6	1.3

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As the recoveries are not concentrated in the largest companies, diversifying across different types of businesses has led to higher upside capture. Moreover, in the two previous market-wide sell-offs (2002 & 2008), the Stratified Weight rebound was stronger than the sell-off; so even though Stratified Weight has recovered its Q4 2018 losses, it is not necessarily the end of the rally.

Stratified MidCap significantly outperformed S&P 400 over past year, across sectors

Q1 2019 was even more positive for the MidCap universe, with the S&P MidCap 400 returning 14.5%, outperforming the S&P 500 by 85bps, while the Stratified MidCap returned 14.4%. This quarter's strong performance demonstrates the benefits of maintaining exposure to the mid cap universe as well as the large cap universe. The Stratified MidCap Index provides this exposure without the related business concentrations of the cap weight.

Total Return (%) As of 3.31.2019	2019 Q1		Previous 12 Months	
	Stratified MidCap	S&P MidCap 400	Stratified LargeCap	S&P MidCap 400
Total	**14.4**	**14.5**	**5.9**	**2.6**
Financials	10.8	12.1	3.0	-1.0
Energy	16.5	14.0	12.8	7.2
Industrials	18.2	17.8	1.7	1.7
Info. Tools	16.5	14.7	5.9	5.6
Information	16.1	17.6	8.4	3.1
Consumer	10.7	10.9	-7.9	-9.1
Food	14.4	10.9	19.7	18.9
Healthcare	15.4	13.4	6.2	2.6

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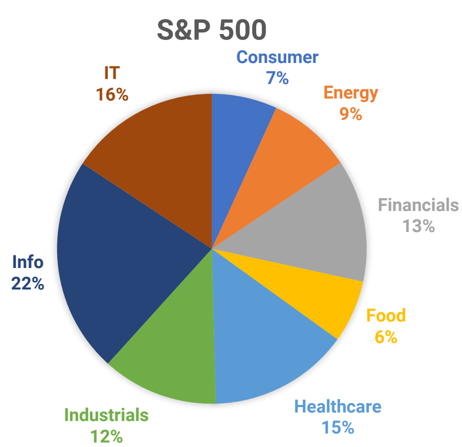
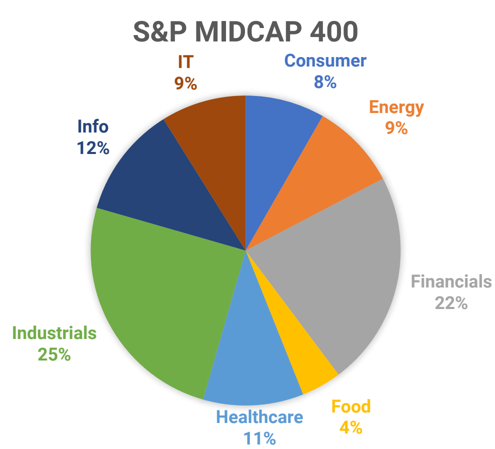
Over the past 12 months, the Stratified MidCap index (+5.9%) outperformed the S&P MidCap 400 index by 3.3%, delivering over twice the performance of the cap-weighted index (2.6%).

No consistency in cap weighted sector allocations: S&P 500 and S&P 400 have very different sector biases.

While Q1 saw strong performance across the board, there were notable differences in the performance of groupings in the Large Cap and MidCap universes. This highlights the

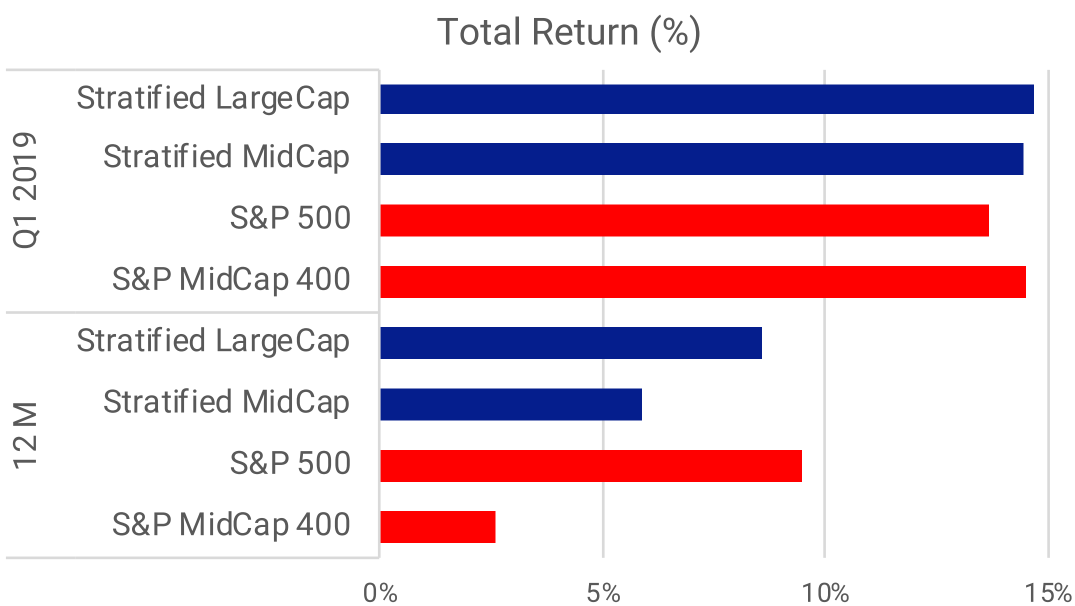




differences between the universes and the need for a diversified index to best capture the exposure to each.

In contrast, Stratified Indices have an equal business risk weighting and exhibit far more consistent returns across different universes. This was seen in Q1 2019 returns as the Stratified LargeCap and Stratified MidCap returned 14.7% and 14.4% respectively (vs. 13.6% and 14.5% for cap weighted 500 & 400 universes).

The effect was even more pronounced for 12 month returns. Stratified returns were relatively consistent at 8.6% and 5.9% for LargeCap and MidCap, respectively, whereas cap weighted S&P 500 and S&P MidCap 400 had very different 12 month returns at 9.5% and 2.6% respectively.



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International markets also recovered in Q1

Total Return (%) As of 3.31.2019	2019 Q1 SEADM	 MSCI EAFE	Previous 12 Months SEADM	 MSCI EAFE
Total	**9.2**	**10.1**	**-2.1**	**-3.2**
Real Estate	11.2	13.9	-0.3	-1.9
Financials	5.6	6.4	-11.8	-12.6
Energy	11.0	9.7	6.8	6.6
Industrials	9.4	11.6	-9.5	-0.4
Info. Tools	13.8	11.7	-3.5	-3.7
Information	18.6	7.8	-3.2	-4.8
Consumer	9.1	9.0	-6.0	-5.5
Food	9.3	13.5	5.3	2.0
Healthcare	8.2	10.0	2.7	6.1

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The strong performance in domestic equities was mirrored in international markets. The Stratified Europe & Asia Developed Markets (SEADM), the Stratified Weight version of the MSCI EAFE universe, rose 9.2% in Q1 2019, slightly underperforming MSCI EAFE (+10.1%). All stratified and cap weight sectors had positive returns over the most recent quarter. Over the past year, SEADM outperformed MSCI EAFE by 1.1%, weathering the global volatility better than cap weight due to its superior diversification of business risk.

The planned US tariff increase on Chinese goods was postponed from 1st March, which eased tensions. Trade talks continue, the most recent round of talks finished on Friday 29th March and were described as “constructive”; however, a deal is yet to be struck. Given this uncertainty, a diversified international exposure may be preferable to investors.

Cap-weighted Financials underperform as yield curve flattens (+10.1%), but Stratified Financials (+13.7%) outperform S&P 500 market (+13.6%)

Concerns that rising short rates could spark a recession saw longer-term bond yields fall dramatically (e.g. 10 and 5 year) and the yield curve inverted (briefly for 10yr vs 3m, though 5yr vs 3m remains inverted). A negative yield curve is usually bad news for the banking sector as net interest margins become squeezed.

The cap-weighted Financials sector underperformed the market by over 3% (+10.1%), but Stratified Financials (+13.7%) outperformed the S&P 500 market (+13.6%) given its superior diversification.

Few pockets of negative returns in Q1

In the large cap and mid cap universes all sectors delivered strong returns. Even at the lowest level groupings performance was almost universally positive: only 3 of 128 bottom-level risk groups in the Stratified Large Cap were negative in Q1 2019, and in the Stratified MidCap only 1 of 94 bottom-level risk groups was negative.

- Negative Large Cap buckets:
    - Drugstores (8C3.1A): -12.0%
    - Healthcare Insurance (8C2.1A): -4.1%
    - Financial Exchanges (5A2.2A): -1.37%
- Negative MidCap buckets:
    - Specialty Implantable Devices (8B3.3A): -1.33%

Only 43 securities in the LargeCap universe, and 46 securities in the MidCap universe, had negative returns over the quarter.

Disclaimers

Past performance is no guarantee of future results. All performance presented prior to the index inception date is back-tested performance. Back-tested performance is not actual performance, but is hypothetical. The inception date of the Syntax Stratified LargeCap Index and Syntax Stratified Sector Indices was December 27, 2016. The inception date of the Syntax Stratified Europe & Asia Developed Markets Index was January 1, 2016. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. However, back-tested data may reflect the application of the index methodology with the benefit of hindsight, and the historic calculations of an index may change from month to month based on revisions to the underlying economic data used in the calculation of the index. Charts and graphs are provided for illustrative purposes only.

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The S&P 500® Index is an unmanaged index considered representative of the US mid- and large-cap stock market. The MSCI EAFE Index is an unmanaged index considered representative of the European, Australian, and East Asian large-cap stock market. Benchmark data for the S&P 500 and S&P MidCap 400 Indices are provided by S&P Dow Jones through FactSet®. Benchmark data for the MSCI EAFE index is provided by MSCI through FactSet.

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