The 7 Twelve™ Strategy

7Twelve Advisors, LLC | Nashville, TN | 615-341-0712
amartin@7Twelveadvisors.com | www.7Twelveadvisors.com

A RECIPE FOR BUILDING A WISE PORTFOLIO

7Twelve Advisors

What is 7Twelve?

7Twelve is an equally-weighted diversified index-based balanced strategy.

7Twelve is a blueprint to build a well-diversified investment strategy with a single investment. Unlike a traditional two-asset 60-40 balanced fund, the 7Twelve balanced strategy uses multiple asset classes in an effort to enhance performance and/or reduce risk.

Our balanced strategy provides access to non-traditional assets such as real estate, commodities, and emerging markets.

Each asset class adds an important dimension to the strategy because of the low correlation and behavior between them.

7 Asset Classes | Twelve Underlying

Why Diversified Index-Based?

Why index-based? Active managers may not always outperform their index-based benchmarks. (See page 15.)

More importantly, most investors are under-diversified. For example, they do not own commodities or real estate despite that these two asset classes make up over 53% of all global investable assets.* Holding these together with stocks, bonds, and cash in one inseparable portfolio helps make the world safe for non-traditional assets.

Professors Brad Barber and Terrance Odean wrote, "Some investors fail to take advantage of the full benefits of diversification. Under-diversified investors might over-invest in company stock, local stocks, familiar stocks, and domestic companies. Doing so may make them feel safe, but it leaves them exposed to increased volatility in their investment returns."**

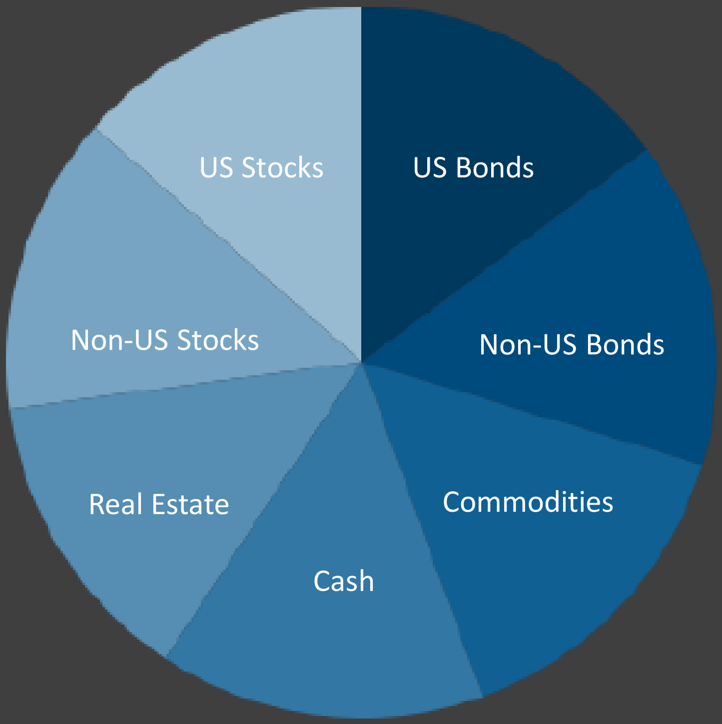
The 7Twelve strategy seeks to provide breadth across 7 core asset classes, and Twelve sub-categories.

*Stocks: https://focus.world-exchanges.org/issue/march-2022/dashboard 03/22, Bonds: https://www.sifma.org/resources/research/fact-book/ 12/20, Cash: https://www.ici.org/research/stats/mmf 08/21, Real Estate: https://www.moore-global.com/MediaLibsAndFiles/media/MooreStephens2020/Documents/Tokenisation-White-Paper.pdf 02/21, Commodities: https://www.marketresearch.com/QYResearch-Group-v3531/Global-Commodity-Services-Size-Status-13664679/, All figures approximate. Andy Martin, *DollarlogicCharts.*

**Handbook of the Economics of Finance, 2013.

The 7 Asset Classes

Why 7 Asset Classes?



The 7Twelve strategy uses multiple asset classes to seek to enhance performance and reduce risk.

The traditional equation of two asset classes – U.S. stocks and U.S. bonds – may not add up to greater returns and less volatility.

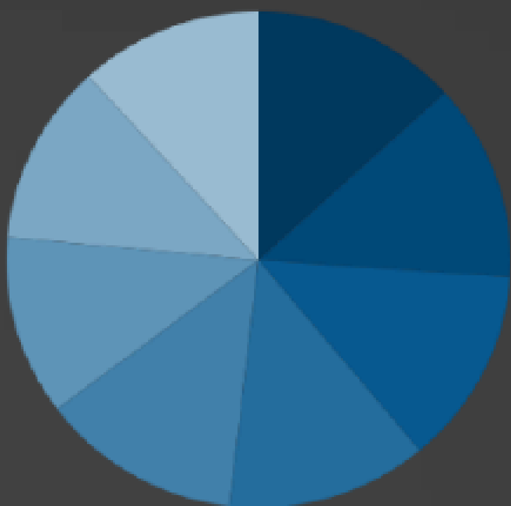
The long-term success of the 7Twelve strategy may be the result of genuine diversification across these 7 core asset classes.

7Twelve is a diversification tool for the under-diversified.

Photography: © Lois Greenfield

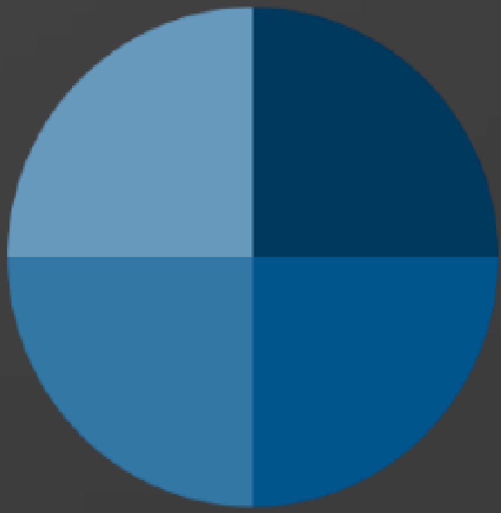
The Twelve Underlying Assets

The 7Twelve strategy uses multiple asset classes: equities, fixed-income, traditional assets, and non-traditional assets. The strategy invests approximately 8.3% in each asset class.



EQUITIES - 65%

U.S. STOCKS
Large Companies
Medium Companies
Small Companies
NON U.S. STOCKS
Developed Markets
Emerging Markets
REAL ESTATE
REITS
COMMODITIES
Natural Resources Commodities



FIXED INCOME AND CASH - 35%

U.S. BONDS
TIPS
Aggregate Bonds
NON-U.S. BONDS
International Bonds
CASH
U.S. Money Markets

There are two ways to invest: predict the market, or equally-weight. Equal-weighting is the reality that we cannot effectively pick winners consistently.

The 7Twelve Strategy is an Equally-Weighted Portfolio Model

Why Equally-Weight a Portfolio?

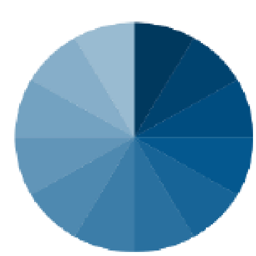
If you could effectively pick winners consistently it would be settled that market-cap weighted portfolios outperform equally-weighted portfolios. Why? Because picking the biggest companies would be a winning strategy.

The components of a market-cap weighted index are weighted according to their market capitalization: larger components carry larger percentage weighting. In an equally-weighted portfolio, each security is owned in equal amounts. Market capitalization is the total dollar market value of a company's outstanding shares.

Equal-weighting puts one important decision for you on auto-pilot and frees up your time for the decisions over which you actually have control.

"An equally-weighted portfolio may be effective in today's turbulent times. Equal weighting's prospects improve when forecasting is difficult, when there are lots of investment choices and when the historical learning sample is limited. That more or less describes the profile of the capital markets." *

"The diversification benefits are a primary reason why investors favor equal-weighting over market cap-weighted strategies ... History shows that equal weight also tends to outperform."**



*Financial Advisor Magazine, "Model Free Investing," December 2, 2011,
**A Guide to the Benefits of Equal Weight Funds, Elle Caruso Oct 11, 2022, ETFdb.com.

Building Better Balance

An Alpha Generation Tool?

CAN A WIDELY DIVERSE STRATEGY GENERATE ALPHA?

7Twelve may be a natural alpha generator.

How might you add alpha to a portfolio of large cap U.S. stocks? Answer: add small cap U.S. stocks. From 03/31/03 - 03/31/23, the average annual total returns were 10.54% for U.S. small cap stocks, vs. 10.36% for U.S. large cap stocks.

How might you add alpha to non-U.S. bonds? Add U.S. bonds: 5.21% vs. 4.58% average annual returns respectively from 03/31/90 - 03/31/23.

Or you could add real estate, which was second only to U.S. large cap stocks for the same period.

Or, add TIPS to aggregate bonds. From 03/31/20 - 03/31/23, when the Federal Funds rate rose by 4.75%, TIPS outperformed U.S. aggregate bonds by 4.52%.

Or, add commodities, which outperformed U.S. stocks by 8.7% annualized for ten-years through 2008.

This is how you might generate alpha with a ***beta*** fund. This is also why we do not “fire” an asset just because it had a bad year.

Example: the commodities sector was a poor performer for the 7Twelve strategy in 2014 and 2015 - but good performer for 2021 and 2022.

“A wise chef follows a good recipe. Likewise, investors should have a good recipe when building a portfolio. The 7Twelve strategy may be that recipe.”
-Craig Israelsen

A Risk Management Tool

THE SECRET OF 7TWELVE? LOW CORRELATION

The 7Twelve strategy may be used as a risk management tool, as measured by low correlation. The lower the correlation, the more diversified the portfolio: the 10-year correlation as of 02/28/23 of the twelve indexes in 7Twelve strategy was only 0.41. (source: Morningstar, Inc.)

Correlation Matrix 10 Year

	1	2	3	4	5	6	7	8	9	10	11	12
1												
2	0.75											
3	0.69	0.82										
4	0.40	0.48	0.58									
5	0.46	0.33	0.44	0.64								
6	0.24	0.17	0.32	0.73	0.79							
7	0.41	0.23	0.37	0.46	0.73	0.60						
8	0.34	0.30	0.42	0.72	0.86	0.88	0.62					
9	0.10	-0.16	0.07	0.25	0.48	0.53	0.49	0.41				
10	0.29	0.24	0.38	0.73	0.82	0.98	0.61	0.93	0.48			
11	0.22	0.04	0.26	0.50	0.68	0.82	0.59	0.71	0.68	0.77		
12	0.07	0.09	-0.01	-0.11	-0.02	-0.15	0.00	-0.12	-0.13	-0.12	-0.14	

Investment Key

1. Bloomberg Global Treasury Ex US TR USD (USD)
2. Bloomberg US Agg Bond TR USD (USD)
3. Bloomberg US Treasury US TIPS TR USD (USD)
4. DJ US Select REIT TR USD (USD)
5. MSCI EAFE NR USD (USD)
6. MSCI USA Small Value NR USD (USD)
7. Morningstar MSCI Emerging Markets (USD)
8. S&P 500 TR USD (USD)
9. S&P GSCI TR USD (USD)
10. S&P MidCap 400 TR (USD)
11. S&P North American Natural Resources PR (USD)
12. Bloomberg US Treasury Bill 1-3 M TR USD (USD)

Degree of Correlation

High	Moderate	None	Moderately Negative	Highly Negative
0.70 to 1.00	0.11 to 0.69	0.10 to -0.10	-0.11 to -0.69	-0.70 to -1.00

Past performance is no guarantee of future results. When two assets are perfectly correlated, they have a correlation of 1.00, meaning their price movements react similarly to market forces. A perfectly negative correlation is -1.00, when prices move in opposite directions in response to those same forces.


A Tool For
Indexed
Management

Indexed?

WHY INDEXED MANAGEMENT?

Most fund managers underperform their benchmarks, as seen below.

Our investment style is to equally-weight indexed-based assets with scheduled re-balances in an attempt to be positioned well in any market environment.

This type of indexed-based model may offer confidence, stability, and accountability.

Percentage of U.S. Equity Funds Underperforming Their Benchmarks

Fund category	1-Year %	3-Year %	5-Year %	10-Year %	20-Year %
All Large-Cap Funds	51.1	74.3	86.5	91.4	94.8
All Mid-Cap Funds	62.6	77.9	64.8	81.5	94.0
All Small-Cap Funds	56.9	66.9	70.5	89.1	93.7

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2022. Returns shown are annualized. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

A Balance of Risk and Reward

Photography: © John Davis, styled by Fabio Immediato

A Tool for Higher Potential Reward with Less Risk?

WHAT IS YOUR REWARD DIFFERENTIAL?

This table shows what we call the reward differential (risk - return) of five major investment categories for the 52 years ended 2022.

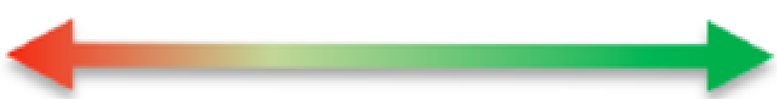
How did the 7 assets do?

With an average annual total return of 8.61% vs. a risk measurement of 8.69%, the net difference was the least negative. (No guarantee that this will continue)

Reward Differential 1970 - 2022

Average Annual Total Returns - Risk Taken to Achieve Returns

	US Stocks	Non-US Bonds	60/40	US Bonds	7 Assets Equally-Weighted
Return	10.43%	6.83%	9.23%	6.56%	8.61%
- Risk	17.24%	10.94%	11.41%	7.03%	8.69%
= Reward Differential	-6.81%	-4.10%	-2.19%	-0.47%	-0.09%



Reward Differential is the marginal return or loss generated by an equal amount of added risk. We believe, long-term investors should seek to maximize their reward differential.

"In baseball, winning is better than losing. In investing, not losing is better than winning."

-Andy Martin

"The 7Twelve strategy integrates investment asset classes that may seem exotic. It is the diversity of the ingredients that makes the salsa taste great."

-Craig Israelsen

AN INNOVATIVE PORTFOLIO

Can a fixed portfolio of twelve assets be improved?

Yes. At 7Twelve Advisors, LLC we are constantly monitoring each of the twelve asset classes and their underlying for good governance, liquidity, low internal expenses, low tracking error to the index, tight spreads between bid and ask, low correlation, optimal returns, risk management, and other criteria.

We make changes accordingly after an exhaustive review process.

Even strategic managers have an obligation to carefully select and manage the underlying assets.

Therefore, our job does not end with simply identifying twelve assets.

About Us

7Twelve Advisors, LLC, founded in 2008 -- celebrating our 15-year anniversary!

Our mission is to create fully diversified strategies based on the multi-asset, index-based, equally weighted, global strategies of Craig Israelsen, PhD, Andy Martin and 7Twelve Advisors, LLC.

Andy Martin is co-founder, and president. Mr. Martin is the author of ***Dollarlogic: A Six-Day Plan to Achieving Higher Returns by Conquering Risk*** (foreword by Arthur B Laffer, Ph.D.) He earned a BBA (Economics) from Belmont University and an MLAS from Vanderbilt University. Mr. Martin is a member of the Investment Management Consultants Association, and sits on the Investment Company Institute (ICI), Small Funds Committee.

Craig Israelsen, co-founder of 7Twelve Advisors, LLC, and creator of the 7Twelve strategy, is an Executive-in-Residence in the Financial Planning Program at Utah Valley University in Orem, Utah. Dr. Israelsen is the author of ***7Twelve: A Diversified Investment Portfolio With a Plan***. He holds a Ph.D. from Brigham Young University. Dr. Israelsen is also a contributing writer and thought leader for ***Financial Planning*** magazine. Primary among his research interests is the nature of asset classes and the design of investment strategies.

Notes

The value of small or medium capitalization company stocks may be subject to more abrupt or erratic market movements than those of larger, established companies or the market averages in general. Real estate values rise and fall in response to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. The value of the strategy’s investments in bonds and other fixed income securities will fluctuate with changes in interest rates. Security issuers might not make payments on debt securities held by the strategy, resulting in losses.

Foreign investing involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards. Countries with emerging markets also may have relatively unstable governments, social and legal systems that do not protect shareholders, economies based on only a few industries, and securities markets that trade a small number of issues.

Investing in the commodities markets will subject the strategy to potentially greater volatility than traditional securities. Commodity prices are influenced by unfavorable weather, animal and plant disease, geologic and environmental factors as well as changes in government regulation such as tariffs, embargoes or production restrictions. The strategy’s exposure to companies primarily engaged in the natural resource markets may subject the strategy to greater volatility than the securities market as a whole.

Increases in real interest rates can cause the price of inflation-protected debt securities to decrease. Interest payments on inflation-protected debt securities can be unpredictable. The cost of investing in the strategy may be higher than the cost of investing directly in ETFs or mutual funds that invest directly in stocks and bonds.

Page 11 and 17 -- US STOCKS: 1970-2022, S&P 500 TR, NON-US STOCKS: 1970-2022, MSCI EAFE Index, US BONDS: 1970-1975, US Treasury 10-year bond, Fed Res of St. Louis, Aswath Damodaran, PhD; 1976-2022, Bbg Barc US Agg., NON-US BONDS; 1970-1980, R. G. Ibbotson, R. C. Carr and A. W. Robinson, Financial Analysts Journal Vol. 38, No. 4 (Jul. - Aug., 1982), 1981-1985, Citigroup World Govt Bond-US, 1986-2022, JPM GBI Global Ex US TR., REAL ESTATE: 1970-1971, Craig L. Israelsen, Ph.D., 1972-2022, FTSE Nareit U.S. Real Estate Index or Dow Jones US RE Index, COMMODITIES: 1970-2022, S&P GSCI TR, CASH: 1970-2022, 3-Month Treasury Bill, 60/40 BALANCED: 1970-2022, 60% S&P 500 / 40% Bloomberg US AGG Bonds. 7 Assets Equally weighted: US and non US stocks and bonds, real estate, commodities, and cash.

“The 7Twelve Strategy” is back-tested by equal-weighting Twelve underlying indexes which represent the asset classes. In as much as TIPS were first traded as a security in 1998 (first full year), the only way one can model the strategy longer term (back to 1970, for example) is to compare with the *7 Asset strategy* which is composed of US and non US Bonds and Stocks, Real Estate (REITS), Commodities, and Cash indexes. There has been a high correlation between the returns of the 7Twelve strategy and the 7 asset strategy, but there is no guarantee that this will continue. Indexes are not investable. No fund or securities product returns are mentioned or implied when hypothetical investment returns are presented.

Past performance does not guarantee future returns.

For More Information

7Twelve Advisors, LLC
10 Burton Hills Blvd., Suite 400
Nashville, TN 37215

Andy Martin, President
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amartin@7Twelveadvisors.com
www.7Twelveadvisors.com