



Verity Alternative Strategies 2017

Verity Asset Management

About Verity Asset Management

Founded in 1996, Verity Asset Management is an SEC-Registered Investment Adviser that maintains corporate headquarters in Durham, North Carolina. Verity provides investment management services to individual investors, retirement plan sponsors, higher education clients, and institutional accounts through a national network of advisors.

Brad Corbett – Portfolio Manager

- 20 years of investment experience
- A Senior Portfolio Manager for Franklin Street Partners where he oversaw multiple investment strategies and helped grow the firm's assets to \$2.2 billion.
- Worked directly with the Chief Investment Officer and Treasurer of BlueCross BlueShield of North Carolina (BCBSNC) in diversifying its multi-asset \$3.5 billion portfolio.
- Began his career at Barclays Capital in New York, NY, where he held a variety of fixed income trading roles in MBS, ABS, and USTs.
- A BA from Gettysburg College and a MBA from the University of North Carolina-Chapel Hill with additional graduate work at Duke University.

Verity Alternative Investment Philosophy

Total return investment approach that seeks to adapt to evolving markets

The objective of the Verity Alternative Investment Strategies is to provide unique investment solutions for our clients in a transparent, cost-effective and liquid manner.

At Verity Asset Management, we recognize that managing the risk of our clients' invested capital is the cornerstone of a complete investment strategy. Through the development of our risk model, we have created risk-specific Alternative Strategies, which aim to insulate our clients' investments from dramatic market highs and lows.

The Verity Alternative Strategies use a forward-looking process that analyzes risks and global opportunities, aiming to provide you with steadier returns and less uncertainty. Target weights of each asset class are determined using a mathematical technique known as optimization, where expected returns are optimized for a given level of risk.

Traditional Approach:

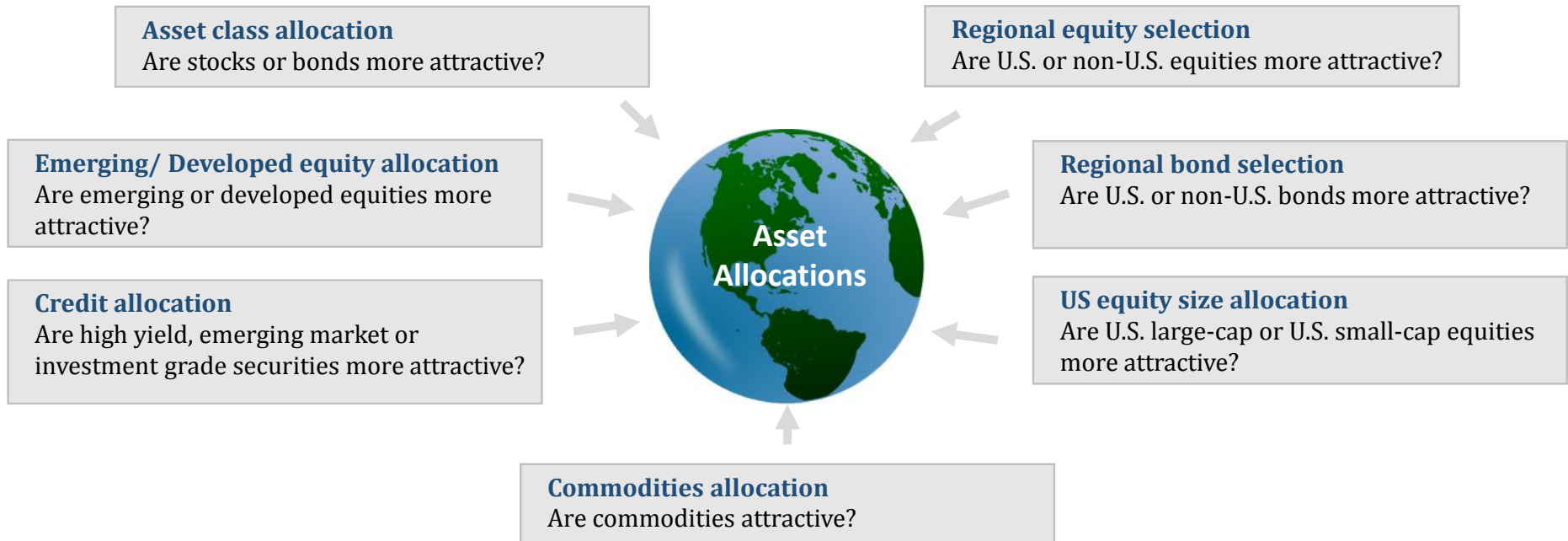
- Start with a limited set of asset classes
- Allocate a percentage of capital to those assets
- **Investment objective:** allocate capital to those assets with the highest expected return

Verity's Untraditional Approach:

- Seek out as many market exposures as possible
- Allocate a percentage of risk to selected market exposures
- **Investment objective:** build the most efficient portfolio for a given level of risk

Opportunistic Offense

Sourcing diversified return streams from alternative risk exposures

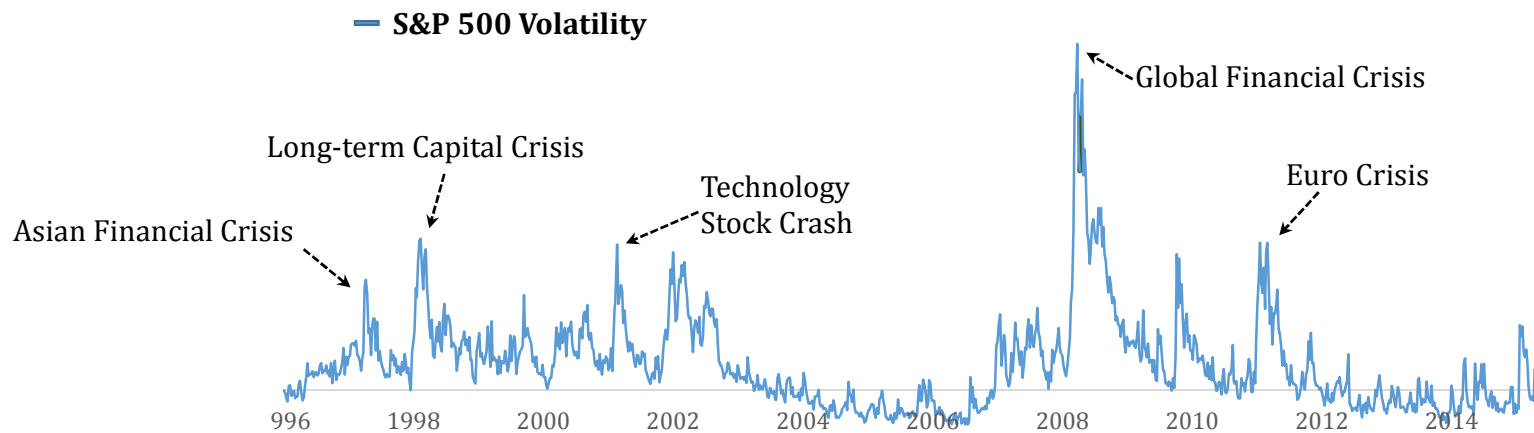


We seek to let the intentional risks we bear, deliver the returns we desire

Dynamic Defense

The importance of navigating around spikes in volatility

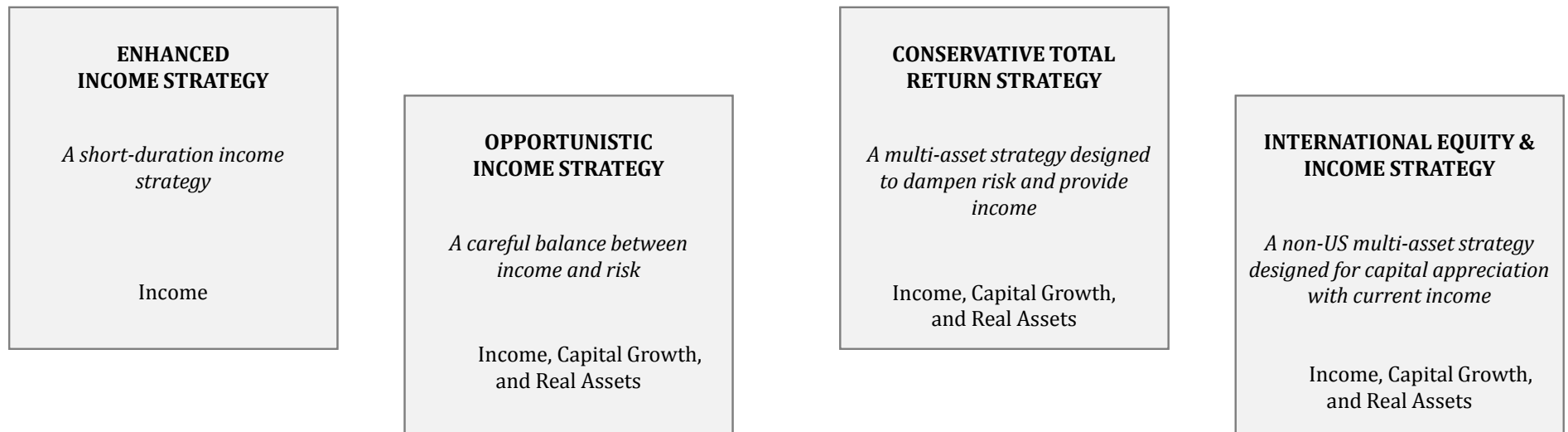
- During times of financial distress, when stock market volatility increases over a short period of time, the price of stocks tend to decline – and vice versa.
- An investment strategy that seeks to actively navigate around spikes in volatility may preserve capital and prevent investors from abandoning their investment strategy at the wrong time.



Verity Alternative Investment Strategies

Overview

Verity offers access to a broad spectrum of alternative investment strategies - including **Enhanced Income, Opportunistic Income, Conservative Total Return, and International Equity & Income**. Across all strategies, our investment approach remains the same: fundamental research and quantitative analysis coupled with rigorous portfolio construction and a sound risk management framework.



Verity Investment Process

3-Step Investment Process

1. | Establish Market Exposure

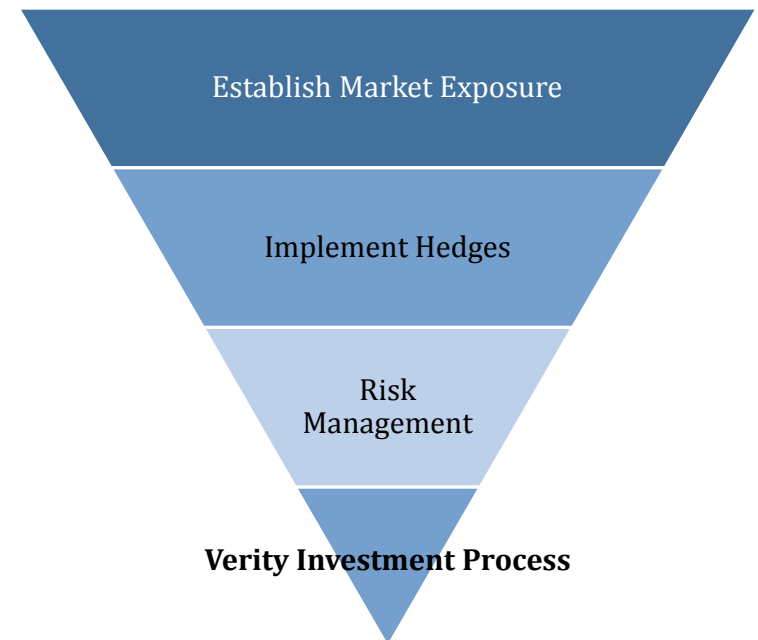
- *Idea Generation*: Establish an initial universe of eligible securities with well-defined risk and return characteristics
- *Optimization*: Measure each investment to provide a unique source of return and diversification
 - ✓ $Investment\ Selection = \frac{Return\ Potential}{Associated\ Risk}$

2. | Implement Hedges

- Attempt to protect investors from severe market declines and benefit investors in rising markets
- Investors forgo a portion of the upside in exchange for reduced downside risk

3. | Risk Management

- The disciplined investment process remains consistent regardless of the market environment
- The systematic approach avoids market timing, individual stock selection risk and return chasing



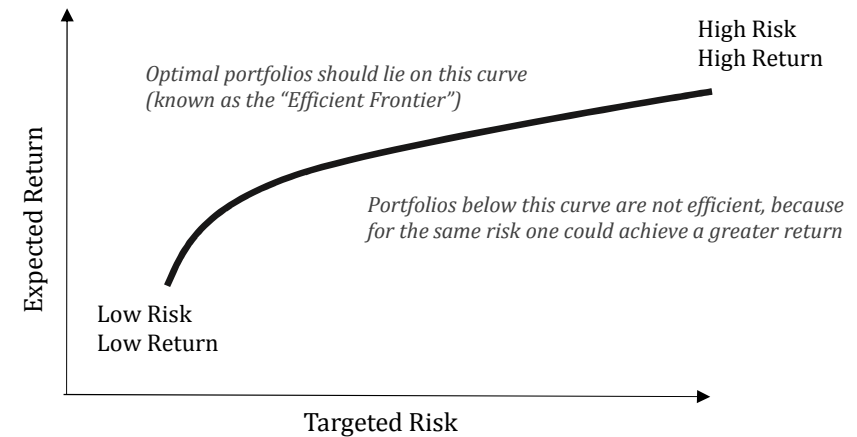
Investment Universe

Flexible mandate to invest across multiple global asset classes

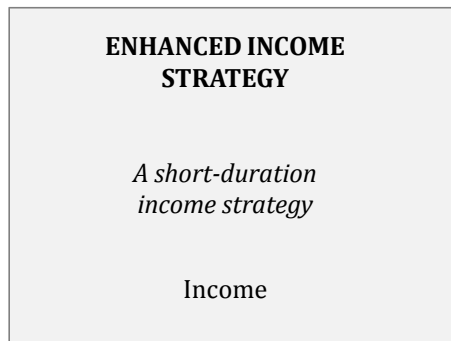
Our investment strategies focus on the major asset classes in the world's largest financial markets. Within these areas, we adapt and adjust to position our portfolios for what we deem to be the best opportunities to maximize total return while seeking to maintain a consistent level of risk.

Within each portfolio there may be allocations to:

- US STOCKS
- INTERNATIONAL STOCKS
- PREFERRED STOCKS
- REITS
- US GOVERNMENT BONDS
- CORPORATE BONDS
- HIGH YIELD BONDS
- INTERNATIONAL BONDS
- CASH



Enhanced Income Strategy

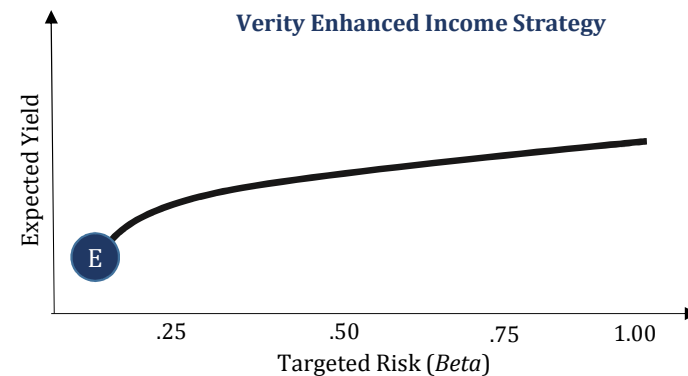


Strategy Details

Portfolio Manager:	Brad Corbett
Targeted Equity Exposure:	5%
Targeted Beta (vs. S&P500):	0.10
Targeted Yield:	3.50%
Contribution Period:	Daily
Lock-up Period:	None
Liquidity:	Daily

Key Considerations

- **Attractive Income Potential:** The Strategy offers investors the potential to optimize their current income through exposure to multiple income producing asset classes including: preferred securities, high-yield securities, corporate bonds, government bonds, and international bonds.
- **Low Duration:** The Strategy's low average duration, targeted at three years or less, may potentially make the fund less sensitive to interest rate changes than funds with higher average durations.
- **Experienced Team:** The investment team has a long history of managing risk with a focus on capital preservation, effectively navigating turbulent markets and compounding investor capital.



Opportunistic Income Strategy

OPPORTUNISTIC INCOME STRATEGY

A careful balance between income and risk

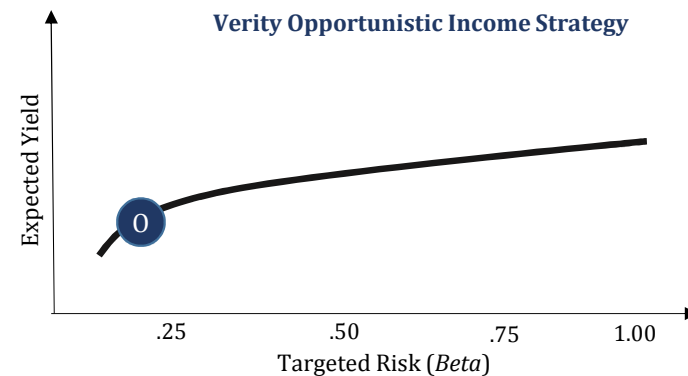
Income, Capital Growth and Real Assets

Strategy Details

Portfolio Manager:	Brad Corbett
Targeted Equity Exposure:	15%
Targeted Beta (vs. S&P500):	0.20
Targeted Yield:	6.00%
Contribution Period:	Daily
Lock-up Period:	None
Liquidity:	Daily

Key Considerations

- **Fixed Income Diversifier:** An alternative investment strategy designed to diversify fixed income allocations
- **Managed Interest Rate Risk:** Actively managing portfolio duration to potentially limit drawdowns caused by changing interest rates
- **Low Correlation:** Strategically balanced among debt, equity and other securities to provide enhanced diversification through low correlation
- **Experienced Team:** The investment team has a long history of managing risk with a focus on capital preservation, effectively navigating turbulent markets and compounding investor capital.



Conservative Total Return Strategy

CONSERVATIVE TOTAL RETURN STRATEGY

A multi-asset strategy designed to dampen risk and provide income

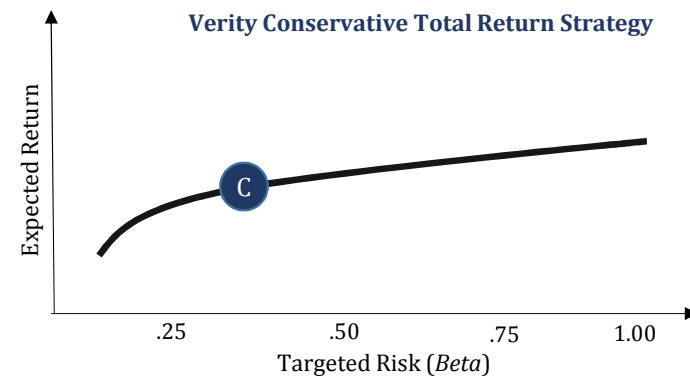
Income, Capital Growth
and Real Assets

Strategy Details

Portfolio Manager:	Brad Corbett
Targeted Equity Exposure:	35%
Targeted Beta (vs. S&P500):	0.35
Targeted Yield:	3.00%
Contribution Period:	Daily
Lock-up Period:	None
Liquidity:	Daily

Key Considerations

- **Equity Diversifier:** A disciplined investment process designed to mitigate equity market volatility
- **Limit Drawdowns:** Engineered to potentially limit losses during down market cycles
- **Systematic Approach:** Designed to potentially deliver superior risk adjusted returns
- **Experienced Team:** The investment team has a long history of managing risk with a focus on capital preservation, effectively navigating turbulent markets and compounding investor capital.



International Equity & Income Strategy

INTERNATIONAL EQUITY & INCOME STRATEGY

*A non-US multi-asset strategy
designed for capital appreciation
with current income*

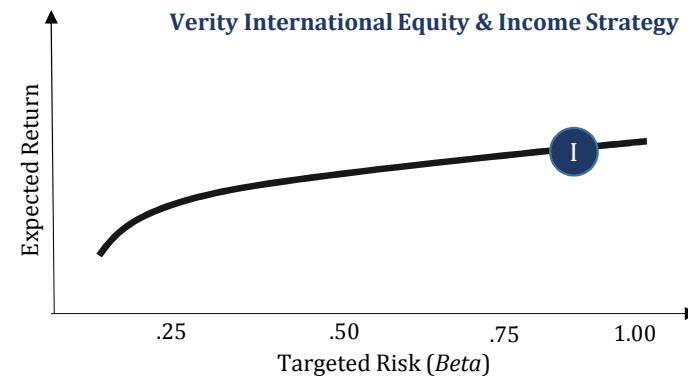
Income, Capital Growth
and Real Assets

Strategy Details

Portfolio Manager:	Brad Corbett
Targeted Equity Exposure:	85%
Targeted Beta (vs. S&P500):	0.90
Targeted Yield:	3.50%
Contribution Period:	Daily
Lock-up Period:	None
Liquidity:	Daily

Key Considerations

- **International Diversifier:** Tactically allocated across several regions and balanced among equity, debt and other securities to provide enhanced diversification through low correlation
- **Strong Risk Management:** Risk management is an integral part of the investment process with stringent risk limits at the market, sector, and portfolio level
- **Experienced Team:** The investment team has a long history of managing risk with a focus on capital preservation, effectively navigating turbulent markets and compounding investor capital.

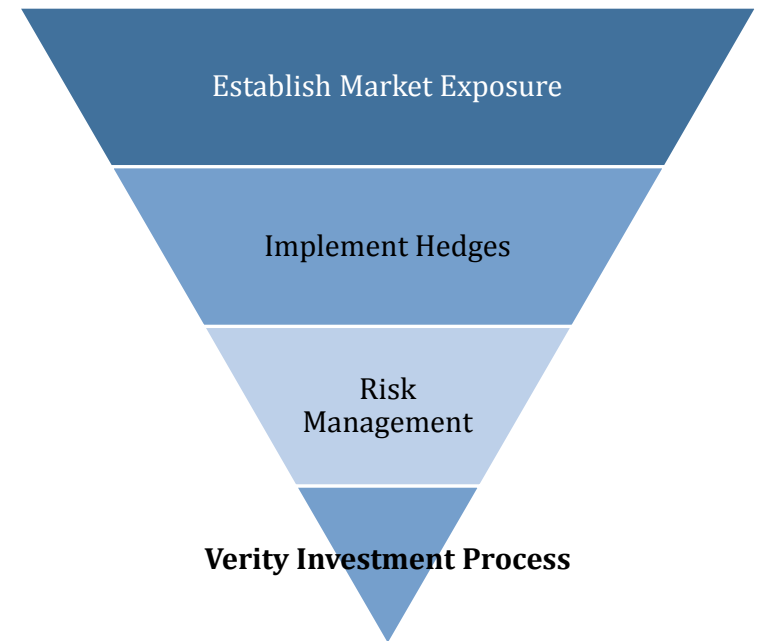


Final Portfolio

Bringing it all together

▪ Key Considerations:

- ✓ Repeatable, value-added process seeks to generate both outstanding, long-term thematic investments and advantageous, short-term trading opportunities
- ✓ Each Strategy explores high-quality return opportunities by actively allocating among asset classes, geographic regions and maturities
- ✓ Multi-disciplined team with experience in different market conditions, geographies and financial instruments
- ✓ Deep experience in effective portfolio management
- ✓ Confluence of top-down idea generation, bottom-up security analysis, and active risk management
- ✓ Extensive global network of contacts



Verity Alternative Investment Strategies

Important Disclosures

The Verity Strategies may be allocated at various times with direct exposure to domestic and foreign equity and debt, emerging markets equity and debt, commodities, real estate, foreign currency, and short equity and debt funds. Securities may be selected from open and closed-end mutual funds, exchange-traded funds (ETFs), individual equities and debt, and other exchange-traded securities. We do not use leverage or derivatives, but we may strategically invest in funds that use leverage or derivatives of certain types.

Certain asset classes, including, but not limited to emerging markets, commodities, and gold, carry greater risk and are frequently more volatile than broad domestic bond and equity markets. Fixed income securities will be subject to credit, liquidity, and interest rate risk. Investments in emerging markets may also involve risks such as social and political instability, exchange-rate fluctuations, lower liquidity and limited regulation. Because they may not correlate with certain other asset classes, their inclusion in combination with other asset classes may help reduce overall portfolio volatility, but there is no guarantee this will be achieved. Unlike Money Market Funds, the Verity Strategies are not designed to maintain a stable value and will fluctuate.

The S&P 500 is a commonly recognized, market-capitalization-weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance. The S&P 500 index does not include fixed income, preferred securities, or money market securities, whereas the Verity Strategies may include these as well as other non-equity securities. The S&P 500 Index has not been selected to represent the most appropriate or comparable benchmark index with which to compare the target Beta of the Verity Strategy but rather to allow for general comparison of the target Beta of the Verity Strategy with a well-known and widely recognized benchmark index for informational and illustrative purposes only. The securities held in the Verity Strategy will differ significantly from the securities included in the S&P 500 benchmark index, and the volatility of the strategy may differ significantly from that of the benchmark index.

This material may contain forward looking statements; there is no guarantee that these outcomes will be achieved. All investing involves risk of loss. Portfolio values will fluctuate with changing market conditions, and there is no guarantee that strategies that have been successful in the past will be similarly successful in the future.

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