

Objective: Avoiding Market Declines\*

**TOEWS**

**DYNAMIC HEDGING  
STRATEGY**

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\*There is no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses.

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## Disclosures

- The program invests in large, mid, small cap stocks, developing international equities, investment grade fixed income, and high yield bonds. Mid and small cap stocks tend to be more volatile and can be less liquid than other types of stocks. Mid and small cap companies may also have more limited product lines, markets, or financial resources and typically experience a higher risk of failure than large companies. Larger companies may have slower rates of growth than smaller companies. The value of investments in equity securities will fluctuate in response to general economic conditions and to changes in the prospects of particular companies and/or sectors in the economy. These factors can affect performance.
- Investments in foreign securities could subject the strategy to greater risks including, currency fluctuation, economic conditions, and different governmental and accounting standards. In addition to the risks generally associated with investing in securities of foreign companies, countries with emerging markets also may have relatively unstable governments, social and legal systems, economies based on only a few industries, and securities markets that trade a small number of issues. The strategy may invest in high yield securities, also known as "junk bonds." High yield securities provide greater income and opportunity for gain, but entail greater risk of loss of principal.

## Executive Summary

### Focused Objectives\*

- To limit the risk of significant loss in a down market
- To participate meaningfully in gains during up markets
- Through our asymmetric capture, reduce the beta to any particular index

### Time-Tested Strategy

- The Toews Corporation utilizes a price reactive algorithm to identify and execute investment entry, exit and re-entry points for a range of asset classes

### Proven Track Record

- Toews SMAs have individual GIPS verified track records of attempting to control risk while seeking to provide up capture spanning back to 1996
- In addition, our system has been back-tested to 1928 to develop and confirm the algorithm and identify outlier events

### Differentiated Approach

- Reliable system based on a single factor – price movements – and applied consistently

### Vigilant Risk Management

- Seeking risk management is the first priority
- The system was designed around the concept of mitigating the risk of significant loss for investors

\*There can be no assurance that objectives will be met. Please see glossary on page 19 for definition of Beta and GIPS.

## Distinguished Leadership and Management

### Phillip Toews: Decades of Experience in Dynamic Money Management and Long-Term Focus on Investor Needs

- Serves as the CEO of the Toews Corporation, which he founded in 1994
- Is known as a pioneer in the field of tactical asset management and hedging strategies
- Developed and ran the first generation of the Toews Dynamic Hedging Strategy system at a prior firm from 1990 to 1994
- Built new strategies of risk management based on two insights about conventional investing theory
  - Risk measures focusing on volatility would be ineffective at measuring potential risk of loss
  - Asset class diversification would break down during extreme crises
- Dedicated to creating “investor friendly” products and is an outspoken advocate of changing and improving investment vehicles to serve clients’ needs
- Has been the subject of articles in Barron’s, Investors Business Daily, CBS Market Watch, and Business Week, among others
- Received a B.S. in Business and Economics from Bethel College in Newton, KS, in 1986 and has been involved in money management ever since

## Investment Philosophy: Why Seeking Risk Management is Essential

Unlike traditional economics, which states that economies are systems that go out of balance periodically and then rebalance, we believe that the economy is a complex system.

Like nature, it is subject to exogenous, unpredictable shocks.

As a consequence, equity and debt markets are inherently vulnerable to erratic and debilitating losses.

Our research shows that virtually all stock market declines of significance are preceded by periods of moderate decreases.

Likewise, our research shows that rising markets are generally preceded by identifiable, more moderate moves higher.

These periods allow our system to attempt to exit markets in the early stage of declines, prior to significant moves lower or, in the case of rising markets, re-enter near the beginning of upswings.

Complexity economics can produce unstable markets

Diversification model of asset allocation has proven unreliable

**TOEWS**  
Core Beliefs

Acknowledge & act on trends rather than challenge or predict them

Investors need to diversify among strategies and investment assets classes

The Capital Asset Pricing Model is crippled by one flawed assumption: assets are negatively correlated during market crises.

We believe they aren't. History has shown that as the amplitude of crises increases, correlations across asset classes tighten and portfolio losses mount.

Therefore the primary risk control typically deployed by advisors is only effective during low turbulence markets and fails during market meltdowns.

Due to high asset class correlation during extreme markets, diversification among investment strategies can help ameliorate portfolio draw downs.

Our largest value add may occur when the markets enter significant declines and asset class diversification fails.

\*Please see glossary on page 19 for definition of drawdown and correlated.

## Potential Advantage

### System Reliability

- Distinct in our space for operating solely price reactive, single factor models attempting to control risk
- Multi-factor, complex, black box models attempt to predict market moves via underlying technical or fundamental data; as a result, they are prone to big meltdowns and decreased long term reliability
- Our system views the price direction of an asset class as the most reliable indicator; for advisors, that may mean minimal “black box risk”

### Significant Research that Supports the Models

- By examining data going back to 1928, the system is built with the goal of providing effective loss avoidance through a broad spectrum of investment markets, including hyper-volatile environments such as those during the Great Depression
- As some of our models were inceptioned in 1996, we have a track record that affirms our effectiveness during two stock market bubbles and a secular bear market

### Addresses Investor Behavioral Needs

- We focus on investor’s three basic behavioral needs:  
1) to minimize losses; 2) to participate in positive market performance; and 3) to lock in gains

### Market Up Capture Viewed As Critical

- While our system has proven to be particularly suited to protecting assets during extended declines, it also potentially provides a reliable way of participating in big upswings
- Unlike other systems which dampen performance in their pursuit of loss avoidance, our system is designed in an effort to recognize market upswings early and seeks to participate in the majority of large upside moves

### Consistently Applied

- Trading volatile markets with confidence requires discipline. Our system’s reliability stems from algorithm-determined trades and steadfast execution over decades



## Strategy and Approach

**Our system examines each asset class separately to determine exit and re-entry points:**

- Asset classes include: US Small Cap; US Mid-Cap; US Large Cap; Developing International Equities; Investment Grade Fixed Income; and High Yield Bonds

**Our system is binary. We are either fully invested or in cash instruments:**

- When fully invested, we aim to capture benchmark returns by investing in securities that replicate market indices
- As the market advances, our target exit level adjusts higher, potentially locking in gains
- If there is a downturn that meets our sale parameters, we scale out of an asset class over a 3 day period. When out of the market, we expect to track money market returns
- As the market continues to trend down, our target re-entry price adjusts lower, allowing us to potentially capitalize on market recoveries
- When the market reverses and crosses our target re-entry price, we scale back in over a period of 3 days

**We generally use Index Future Contracts for ease and cost-efficiency:**

- Typically lower bid/ask spreads than ETFs
- Offer greater volume and liquidity
- Better replication of appropriate index than ETFs
- Tax advantages versus trading ETFs or underlying securities

\*Please see glossary on page 19 for definition of bid/ask.



## Investment Process

Our system seeks to **capitalize on high return markets** while attempting to mitigate risk, avoiding losses and realizing gains.

GIVEN THESE MARKET CONDITIONS...	OUR SYSTEM IS LIKELY TO...	RESULTING IN...
Falling market with significant declines	Exit markets and remain in cash instruments	Potential outperformance due to loss avoidance
Falling market with a longer term reversal (>3 weeks)	Exit, then re-enter at a lower price	Moderate potential outperformance, due to loss avoidance
Rising market with no downturns	Remain invested	Seeks approximate Benchmark Returns
Declining market with short term reversal (<3 weeks)	Exit, then re-enter at a higher price	Slight possible underperformance, due to loss of a % of potential return

## Number of Dow Jones Draw Downs Per Decade

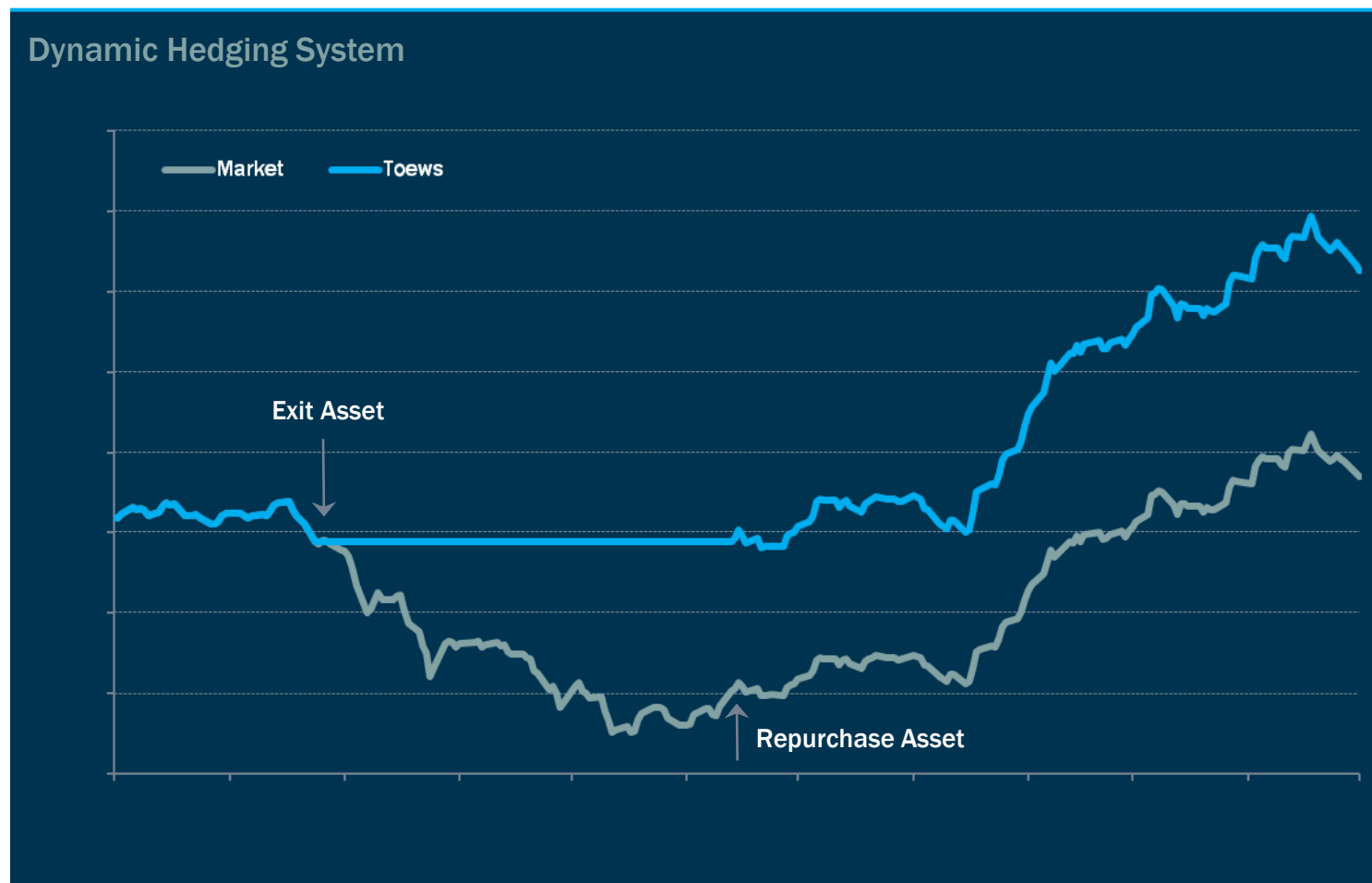
Significant declines are part of the fluctuation of the markets.

YEARS	NUMBER OF BEAR MARKETS	DJIA PERCENTAGE DECLINE
1900's	3	-49%, -46%, -33%
1910's	2	-47%, -40%
1920's	1	-89%
1930's	4	-52%, -37%, -23%, -23%
1940's	1	-24%
1950's	1	-19%
1960's	2	-37%, -27%
1970's	2	-45%, -27%
1980's	2	-36%, -24%
1990's	2	-21%, -19%
2000's	2	-54%, -38%,
<b>Average Bear Markets/Average Loss</b>	<b>2.0</b>	<b>-37%</b>

Past performance is not a guarantee of future results. Source- Stock Traders Almanac.com. See Glossary page for definition of the Dow Jones on page 19.

## Dynamic Hedging Strategy Methodology

Our **Dynamic Hedging System** attempts to exit an asset class during the preliminary phase of a decline, before large losses are realized.

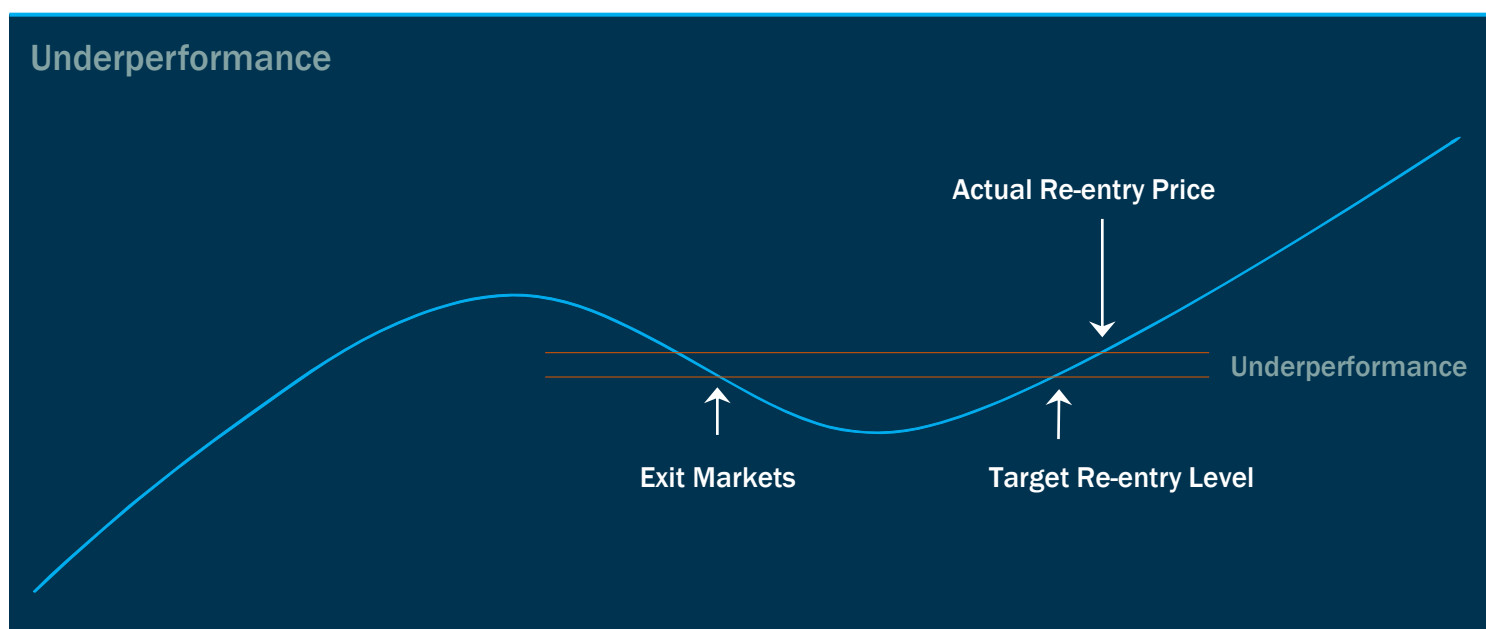


Graph is hypothetical for illustrative purposes only, and does not represent actual trades. There can be no assurance that objectives will be met.

## Possible Underperformance

### Underperformance Scenarios: Short-Term Exit and Reversal

- Dynamic hedging systems are an imperfect tool for attempting to control risk; we may under-perform markets during short term exit and reversals
- If we exit the markets and they reverse course and turn higher, we may re-enter the market at higher levels than those at which we sold, missing out on a portion of the index price increase
- Typically a sale and re-buy occurring within 3 weeks (or shorter) may result in a re-entry price higher than a sale price
- Our system maintains a careful balance; it was designed to exit early to potentially avoid participating in large declines, but was designed to limit frequent trading that can erode performance

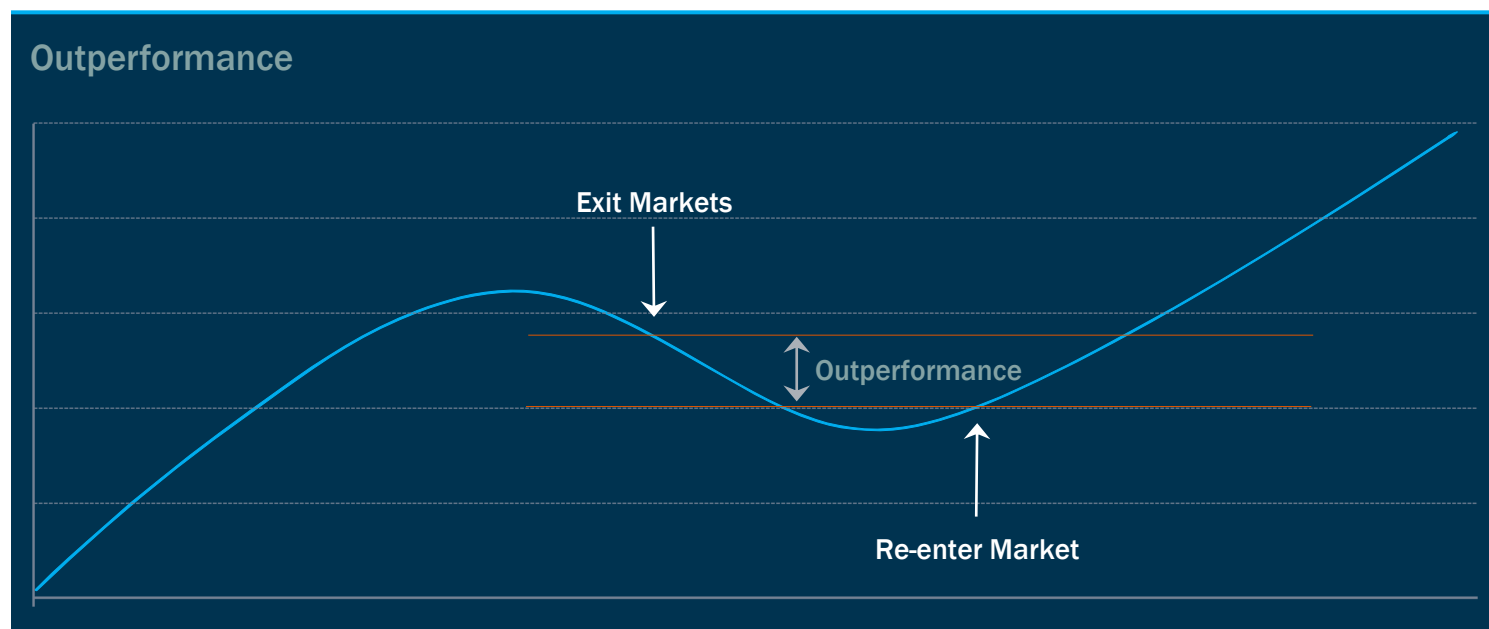


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## Possible Outperformance

### Outperformance Scenarios: Medium-Term Exit and Reversal

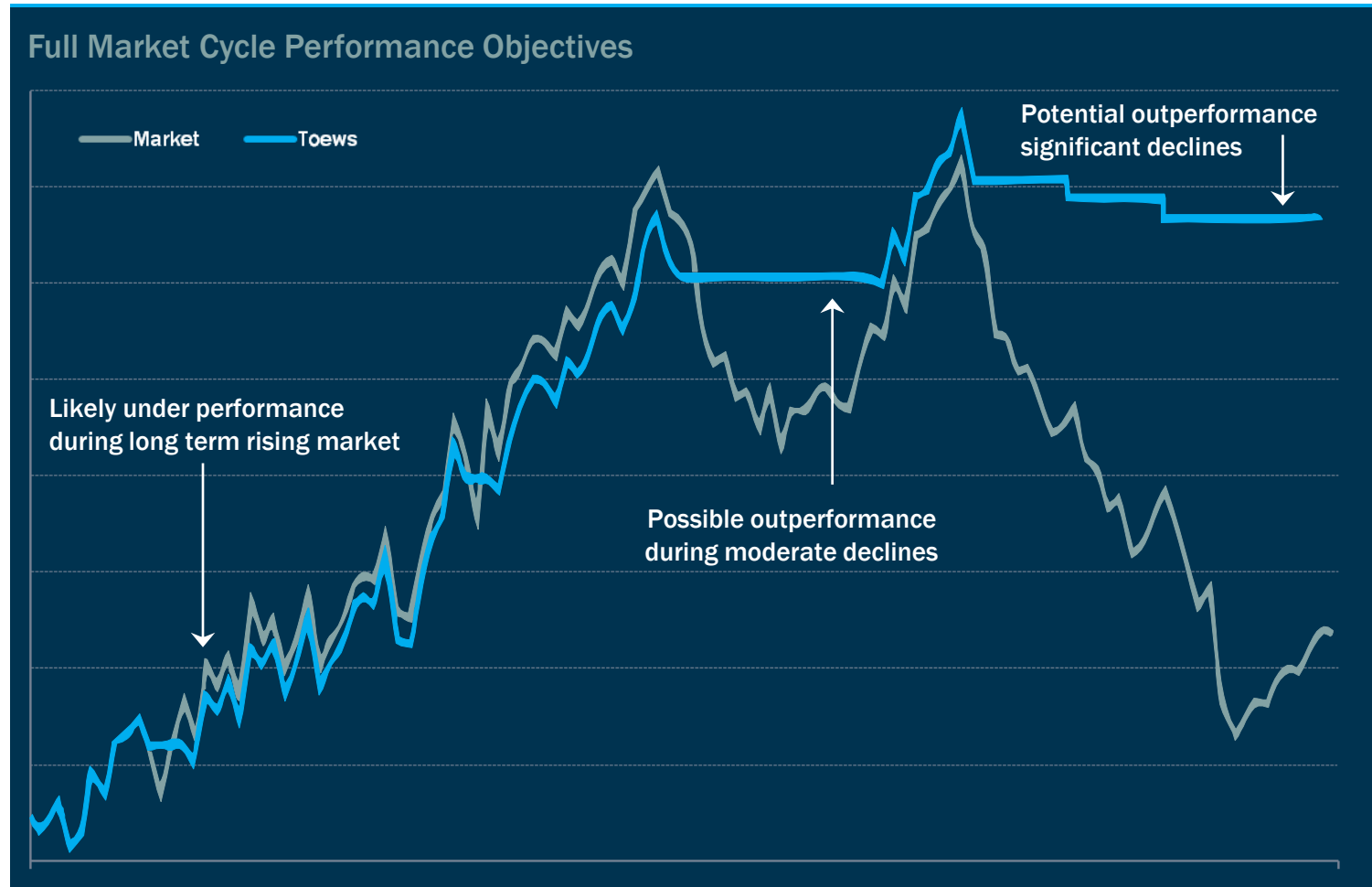
- We have witnessed a number of positive years, with mid-year declines
- During this period, once we exit, and if a decline lasts longer than three weeks, there is an increased chance our system will buy lower than the sale price
- When this occurs the system may out-perform, even if the index moves higher during the year
- Any out-performance is determined by the severity of the mid-year decline



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# Dynamic Hedging Strategy Methodology

## Full Market Cycle: Performance Objectives Across Rising and Declining Markets



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# Incorporating Toews into Strategic Portfolios

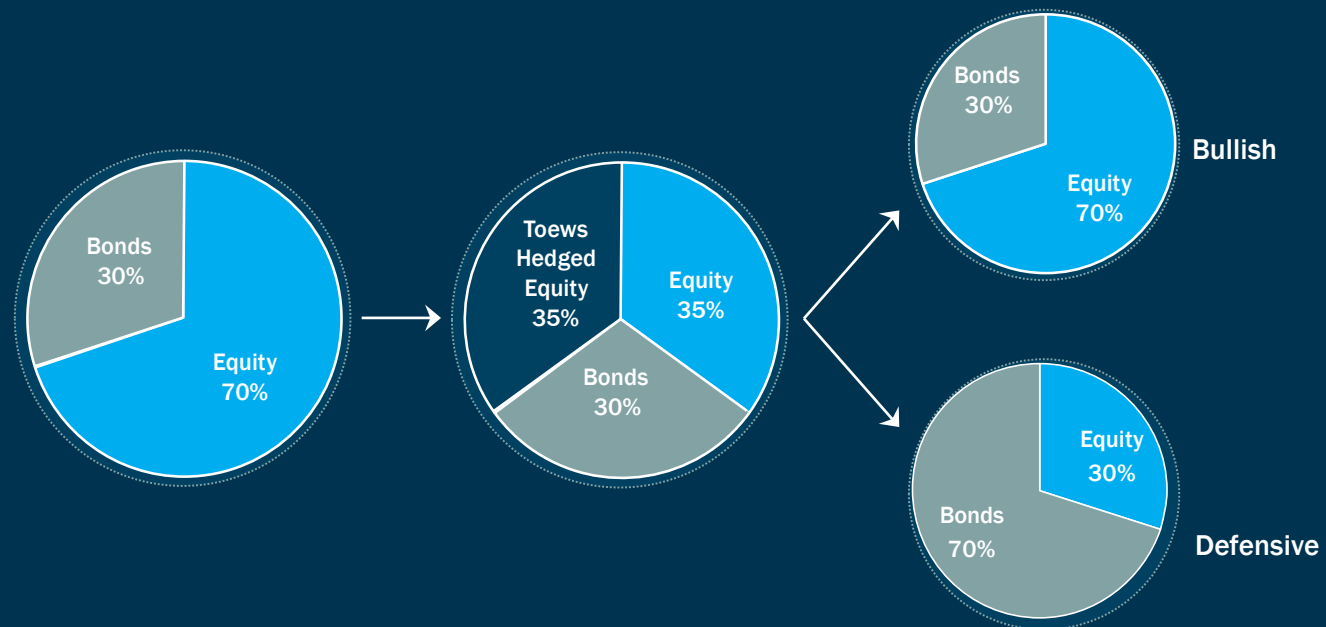
## Determine Strategic Allocation

- 30% Strategic Bond Allocation<sup>1</sup>
- 70% Strategic Equity Allocation<sup>1</sup>

## Determine Hedged Equity Allocation

- Replace 50% of the Equity Allocation with Toews Hedged Portfolios

### Impact of Toew's Strategy

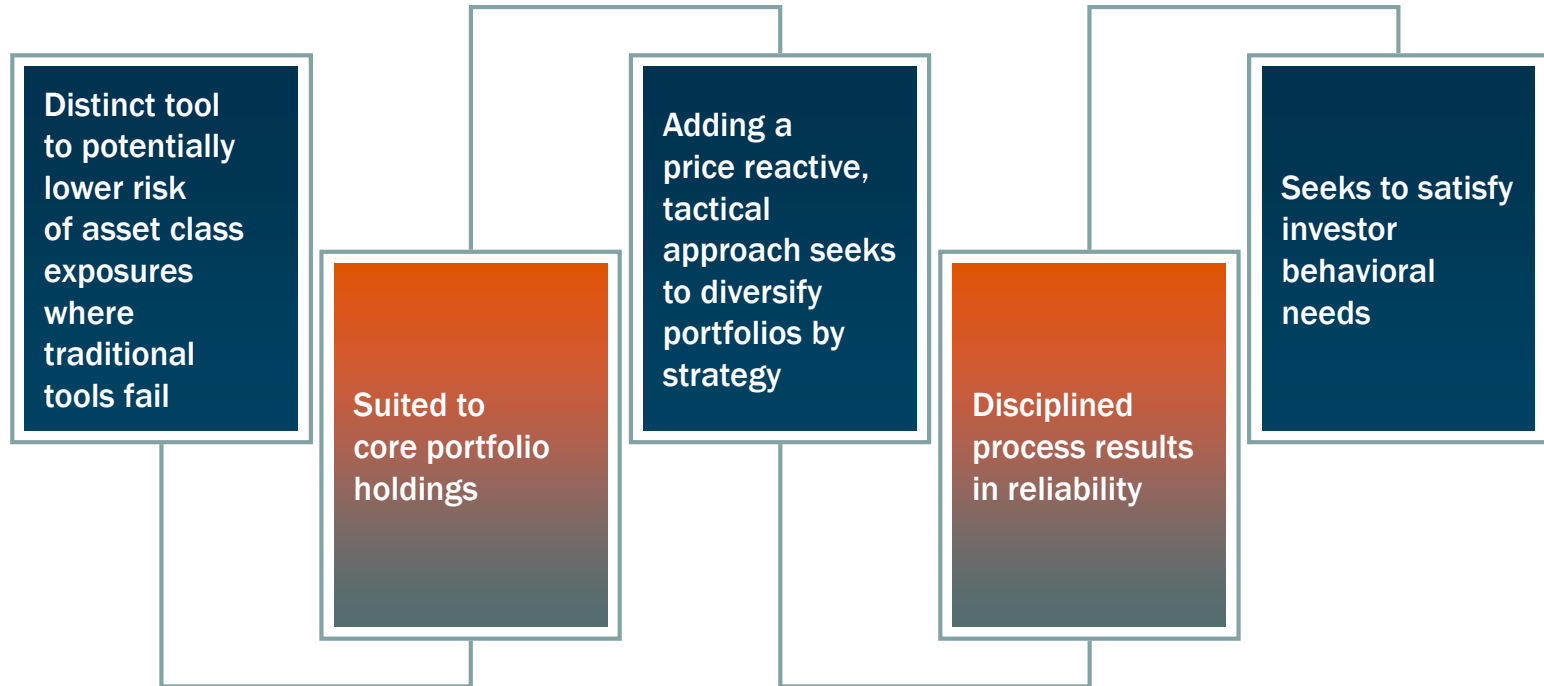


1. For illustrative purposes only.



## Why Invest in Toews?

To potentially maximize value add, we recommend using our **dynamic hedging strategy** as part of the core allocation of a portfolio.



## Biographies

### Phillip Toews

CEO, Portfolio  
Manager

Phillip Toews is the CEO and founder of Toews Corporation and a co-portfolio manager of the Toews Funds. He is a pioneer in the field of tactical asset management and hedging strategies. He is focused on creating “investor friendly” products and is an outspoken advocate of changing and improving investment vehicles to serve clients’ needs. He has been the subject of feature articles in Barron’s, Investor’s Business Daily, MarketWatch, and Business Week, among others. Mr. Toews received a B.S. in Business and Economics from Bethel College in Newton, KS, in 1986. In 1987 he joined IDS/American Express as a Financial Consultant. From 1989 through 1994 he ran the money management division at Dorset Financial Services, Corp., of Devon, PA. In 1994, he founded the Toews Corporation. He lives in New York.

### Randy Schroeder

COO–  
Portfolio Manager

Randall Schroeder is the COO of Toews Corporation and has been with the firm since March of 1998. Since beginning at Toews, he has been the primary overseer of the Toews analytic methodology. He is a co-portfolio manager of the Toews Funds and as part of the Toews Investment Committee he is focused on creating new products to suit investor needs. Mr. Schroeder received a B.A. from Bethel College in Newton, KS in 1988 and a Master’s from the State College of New York, Binghamton, New York in 1994. He lives in Somers Point, New Jersey.

### Eben Burr

Director of Marketing

Eben Burr is the Director of Sales and Marketing for the Toews Corporation. Eben facilitates communications between the investment management team at Toews and its producing advisors/brokers. He is also responsible for assisting in the production of marketing materials and website content. He holds the Series 7, 65, & 63 licenses. Prior to joining Toews, Eben was the principal of the Burr Tibbs Group, consulting for private equity and high net worth individuals on marketing and sales of New York City real estate. Mr. Burr graduated from Oberlin College in Ohio with a BA in history in 1995, attended architecture school in Paris at L’Ecole Bleue and received a Master’s Degree from Pratt in New York City in 1999. He lives in Manhattan with his wife and son.

### Jason Graffius

Head of Research  
Co-portfolio Manager

Jason began working with the Toews Corporation in October 2013. He oversees the day-to-day operations of and researches investment opportunities for the Toews mutual funds. Prior to this role, Jason was a Vice President at BlackRock Financial Management, Inc. where he worked on the Structured Finance Team, overseeing Collateralized Debt Obligations and various Hedge Funds and Government Mandated Projects. Jason has also previously worked at JPMorgan. Mr. Graffius received a B.S. in Accounting from Rutgers University in Camden, NJ in 2002 and holds a series 65 license. He lives in New Jersey.

## Biographies

### Jennifer Rodriguez

Chief Compliance Officer

Jennifer is an attorney who began working with Toews Corporation in December of 2009. She is the Chief Compliance Officer and assists in firm initiatives. Prior to working with Toews Corporation, she worked for the Superior Court of New Jersey as a law clerk to the Hon. John Rauh and at several law firms, including Dechert, LLP and White & Williams, LLP. She is licensed to practice law in the states of New Jersey and Pennsylvania. Jennifer received a B.A. in Economics from the University of Houston in 2003 and a J.D. from Temple University in Philadelphia, PA in 2008.

### Katie Rash

Sales and Marketing Strategist

Katie Rash is the Sales and Marketing Strategist of the Toews Corporation. She joined Toews in February 2015. Katie leads the strategic business development efforts for the group and provides support to the sales team. She also assists the Sales and Marketing Director in the production of print and digital marketing communications. Prior to joining Toews, Katie held positions at Aberdeen Asset Management and the Vanguard Group, working in London and Philadelphia. Ms. Rash received a B.S. in Finance from Salisbury University in Maryland and attended University College Dublin in Ireland. She holds the Series 65 License. She lives in New Jersey.

### Sandy Alkins

Trader/Senior Account Administrator

Sandy joined Toews in January of 2007. Prior to her employment at Toews Corp, she was a Trading and Operations Specialist at Rydex Investments in Rockville, Maryland. She has also held positions at the financial institutions of Legg Mason and DB Alex Brown, both in Baltimore, Maryland. She has passed the Series 7 & 63 and previously held her Life/Health License. Sandy received a B.S. in Education from Towson State University in Towson, Maryland in 1992.

### Cristina Miller

Senior Portfolio Administrator

Cristina Miller is the Head of Portfolio Administration for Toews Corporation. She has been with the firm since August of 1999. She supervises client reporting and oversees system trade confirmation and daily transaction audits. Her experience with portfolio management database software is extensive and she is currently working to seamlessly transition our iVest program to Orion portfolio and statement reporting software. Ms. Miller received a Certification in Computer Technical Support from Chubb Institute, Cherry Hill, NJ in 1999. She lives in Philadelphia, PA.

## Contact Information

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## Glossary

**Beta** – A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

**Dow Jones** - The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

**GIPS Verified** - GIPS (Global Investment Performance Standards) verification is an independent third party review of an investment management firm's performance processes and procedures.

**Drawdown** - The peak-to-trough decline during a specific record period of an investment, fund or commodity. A drawdown is usually quoted as the percentage between the peak and the trough.

**Correlated** - In the world of finance, a statistical measure of how two securities move in relation to each other.

**Bid/ask** - The amount by which the ask price exceeds the bid. This is essentially the difference in price between the highest price that a buyer is willing to pay for an asset and the lowest price for which a seller is willing to sell it.