

Nations[®] Better Beta[®] Bear

NATIONS[®]

INDEXES

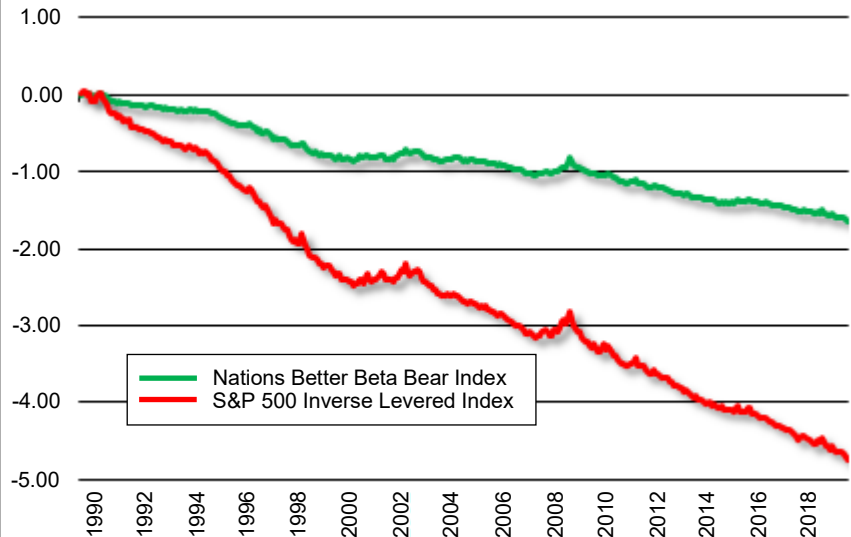
Index Description

The Nations[®] Large Cap Better Beta[®] Bear Index is a significantly improved methodology for achieving inverse levered returns. It measures the return of an inverse option levered strategy which seeks to generate approximately 200% of the inverse of any decline in the reference index with a cap on gains while returning only 100% of the inverse of any appreciation in the reference index. The Index accomplishes this by overlaying a 1x2 put option spread (long 1 at-the-money put, short 2 out-of-the-money puts) on a short position in the reference index.

The Index is a significant improvement over existing inverse levered indexes:

- The Nations Large Cap Better Beta[®] Bear Index generates superior risk-adjusted returns;
- The Nations Large Cap Better Beta[®] Bear Index levers gains with a cap but does not lever losses;
- Monthly¹ returns for the Nations Better Beta[®] Bear Indexes are not impacted by the effect of compounding, a significant problem for existing levered products. This compounding means the period returns for existing vehicles can differ significantly from expectations. Monthly¹ relative returns for the Nations Better Beta[®] Bear Indexes are knowable;
- The Nations Better Beta[®] Bear Index doesn't require daily re-balancing.

Comparative Historical Performance



	Nations Better Beta Bear	S&P 500 Inverse Levered ²	S&P 500 Total Return	Barclays Aggreg. Bond	30 Day T-Bill
Compound Annual Return					
2019	-25.673%	-48.221%	31.486%	8.717%	2.120%
3 Year	-15.105%	-31.710%	15.272%	4.029%	1.598%
5 Year	-10.094%	-26.349%	11.697%	3.048%	1.056%
10 Year	-13.032%	-28.530%	13.560%	3.746%	0.552%
Since Inception ³	-11.730%	-30.533%	9.963%	5.912%	2.708%
Average Annualized Standard Deviation of Monthly Returns					
2019	13.407%	24.785%	12.892%	3.425%	0.097%
3 Year	10.351%	20.678%	10.719%	2.687%	0.085%
5 Year	11.292%	21.307%	11.221%	2.940%	0.093%
10 Year	11.394%	22.496%	11.857%	2.746%	0.060%
Since Inception ³	12.564%	24.685%	12.889%	3.360%	0.101%
Average Annual Sharpe Ratio					
2019	-2.07	-2.03	2.28	1.93	-
3 Year	-2.03	-2.40	2.40	1.04	-
5 Year	-1.32	-1.78	1.69	0.77	-
10 Year	-1.37	-1.62	1.63	1.34	-
Since Inception ³	-1.46	-1.66	1.18	1.10	-

Better Ideas. Better Indexes.[®]

Effects of Compounding

The effect of compounding on an inverse levered fund is generally greater than twice the impact of compounding on an equivalent unlevered investment. As a result, the longer-term return of an inverse levered fund can differ significantly from the inverse of two times the return of its underlying index.

For example, an investor who began with \$100 in an inverse levered fund that loses 20% one day and gains 20% the next day would have \$96, or a 4% loss, while the unlevered inverse index would have experienced a 1% loss and inverse levered investors might expect a 2% loss. The fund would have experienced twice the loss investors might expect.

For the inverse levered benchmark, this annual effect has averaged 713 basis points from 1990 to 2019.

Option Data⁴

Frequency of Long Put Expiring In-the-Money	36.11%
Frequency of Short Puts Expiring In-the-Money	15.00%
Frequency of S&P Exceeding the Appreciation Cap	7.22%
ATM Put Option Distance From Market at Initiation	0.119%
OTM Put Option Distance From Market at Initiation	3.024%
Monthly Average Appreciation Cap	6.068%
Monthly Net Premium Generated as % of Portfolio	0.140%

¹ From option initiation to expiration

² As calculated by Nations Indexes

³ Inception, 12/31/1989

⁴ Monthly averages since inception

⁵ All as of 12/31/2019

Return Statistics

	Nations Better Beta Bear	S&P 500 Inverse Levered ²	S&P 500 Total Return	Barclays Aggreg. Bond	30 Day T-Bill
Avg. Annual Return ⁵ (1990-2019)	-10.809%	-27.306%	11.453%	6.017%	2.752%
Annualized Sortino Ratio	-1.674	-2.036	0.906	1.656	-
Annualized Stutzer Ratio	0.993	1.234	0.543	0.875	-
Value of \$1 Invested on 12/31/89	\$0.02	\$0.00	\$17.27	\$5.65	\$2.24
Beta	-0.87	-1.87	1.00	0.02	0.00
Alpha	-2.30%	-11.82%	-	5.74%	2.72%
Skew	0.755	0.689	-0.604	-0.175	0.330
Kurtosis	1.965	1.310	1.273	0.750	-1.068
R ² to S&P 500	81.24%	96.23%	-	0.71%	0.04%

Annual Results

	Nations Better Beta Bear Index		S&P Inverse Levered Index ²		S&P 500 Total Return Index	
	Return	Annualized STD	Return	Annualized STD	Return	Annualized STD
1990	-2.378%	18.873%	-20.544%	35.266%	-3.104%	18.405%
1991	-25.814%	12.568%	-53.630%	29.305%	30.466%	15.814%
1992	-5.003%	7.755%	-24.811%	14.896%	7.619%	7.611%
1993	-7.754%	6.725%	-26.521%	11.756%	10.079%	6.078%
1994	-0.998%	9.173%	-16.490%	20.963%	1.320%	10.553%
1995	-31.280%	5.141%	-56.333%	9.664%	35.578%	3.861%
1996	-18.602%	11.784%	-45.783%	20.101%	22.960%	10.882%
1997	-25.607%	16.013%	-56.473%	29.799%	33.363%	15.943%
1998	-28.344%	15.339%	-54.056%	45.562%	28.579%	21.497%
1999	-20.629%	12.725%	-46.334%	25.028%	21.042%	14.605%
2000	7.646%	18.563%	-12.679%	33.149%	-9.104%	17.155%
2001	-7.849%	17.938%	0.013%	40.294%	-11.886%	19.861%
2002	24.310%	21.646%	27.651%	42.305%	-22.101%	20.649%
2003	-21.937%	9.920%	-46.418%	20.449%	28.685%	11.394%
2004	-2.178%	9.917%	-24.406%	14.260%	10.882%	7.303%
2005	-4.792%	9.305%	-19.484%	15.095%	4.911%	7.919%
2006	-18.515%	5.122%	-37.017%	10.720%	15.795%	5.637%
2007	-13.055%	9.509%	-27.252%	18.235%	5.494%	9.654%
2008	-20.480%	14.635%	45.158%	34.261%	-36.998%	21.016%
2009	-15.914%	30.327%	-50.653%	44.478%	26.464%	22.279%
2010	-16.918%	14.641%	-31.742%	36.317%	15.063%	19.260%
2011	-11.066%	12.095%	-18.439%	28.597%	2.112%	15.940%
2012	-14.741%	11.963%	-29.360%	21.304%	16.003%	10.521%
2013	-22.525%	10.053%	-45.131%	16.093%	32.388%	8.482%
2014	-13.664%	8.726%	-25.637%	16.113%	13.689%	8.258%
2015	4.255%	14.911%	-9.533%	25.169%	1.384%	13.662%
2016	-7.915%	10.498%	-24.779%	19.334%	11.906%	10.287%
2017	-16.993%	4.673%	-35.206%	7.278%	21.832%	3.936%
2018	-0.829%	12.972%	-5.076%	29.971%	-4.384%	15.329%
2019	-25.673%	13.407%	-48.221%	24.785%	31.486%	12.892%

Performance of an index is not illustrative of any particular investment. Index returns quoted represent past performance which is no guarantee of future results.

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