Flexible Plan Investments, Ltd.
Your partner in active wealth management

Top Financial Advisers 2015
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The Flexible Investor

RETIREMENT NEWSLETTER

I hate "active management"

By Jerry C. Wagner
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Yes, you got the headline right. "Fifty-year practitioner gives up on 'active management'!"

The phrase "active management" no longer conveys what was originally intended. Once it was contrasted with the "buy-and-hope investing strategy." Today, "active management," as used in the financial media, conveys a brand of investing practiced by traditional mutual funds. It is contrasted with passive investing. Yet, in reality, there is little difference. The two have blended to the point where you cannot discern which is which.

Active vs. passive: Is there really a difference?

Traditional mutual fund investing is governed by an investment committee that usually follows a bottom-up approach to investing. They may actively search for candidates for their buys and sells, but once they buy, it's often a long time before they sell. And what they buy is constrained by the limitations of their strictly defined prospectus.

In the same way, a passive investing approach usually follows the strict confines of a predefined index. But it doesn't buy and hold that either. Each year or so, changes are made to the index when an investment management committee deems it wise. Sound familiar?

It's pretty much the same approach, isn't it? Yet one is called "active" and the other "passive."

There are two differences. The first is the holding period of the buys of each. The so-called active approach can sell at any time, although most of these so-called active firms turn their collective noses up at market timing or active trading! The passive indexed approach only sells on a predetermined rebalancing date. This

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leads to greater turnover in the "active" approach but often a lower downside when the market goes down.

And that takes us to the other difference: cost. With less trading, less monitoring, and—let's just say it—less effort and work, the passive approach can reduce the cost of the end product.

To top it off, the passive investing crowd has pulled off a bit of legerdemain, or sleight of hand. They now index active manager methodologies and then call them passive because they follow a set of predefined rules! Despite the fact that these are active management rules, the ETF providers marketing them call them "passive."

Of course, there are now "active" ETFs. How are they managed? Since most come from mutual fund managers, they mirror their "actively managed" mutual funds.

If this all sounds a bit circular, like the great snake consuming its own tail, it's because that's the state of the industry.

So I've had it. I don't want to be, or be called, an active manager anymore!

There is a better way: Dynamic risk management

I **dynamically risk manage** my client portfolios. So that makes me a **dynamic risk manager** instead.

I manage "dynamically." That means that I'm not tied to a calendar when it comes to trading. I can be responsive to the markets. I believe in market timing. I can change my whole approach to trading on a dime because the applicable economic regime has changed, or the market technicals have weakened. We eschew the "buy-and-hope approach."

Further, I don't have to buy all of the stocks in an index. I can avoid the laggards and hold the leaders. I can carefully monitor and groom my portfolios rather than sticking with a holding just because it came with an index.

And I'm also unconstrained by a restrictive prospectus. In my separately managed accounts, I seek out opportunities wherever I may find them. In the six mutual funds Flexible Plan subadvises, restrictions are limited.

In addition to being dynamic, I am also a "risk manager." In contrast with traditional mutual funds, and certainly the passive indexers, my first instinct is to control risk.

Why? We've all witnessed it. When the markets tumble, the indexes and traditional mutual funds all seem to fall as well. When the train is on the track and barreling straight for them, they make no effort to get out of the way. Their modus operandi is to sustain the loss, clear the wreckage, and hold fast.

A risk manager should do more. He or she should monitor and select investment strategies with a view to their volatility, in addition to their return. Cost is a factor, but the stated returns that all investment advisors must show are already net of those costs.

Yes, the risk manager is doing a great deal more than the passive indexer, for which they should be paid, but the real differentiator is not cost. It's how well the strategy works at achieving the investor's goals. If the return is higher, the drawdown lower, or the fit is better to the client's return and risk appetite, then, since the expense ratio and the trading costs are already accounted for in the performance shown, these should not be the only factors considered when choosing an investment strategy.

Flexible Plan: Your dynamic risk manager

In contrast to both an active manager and a passive indexer, a risk manager should provide at least two services. First, each strategy or portfolio should be tailored to the risk profile of its investor/user. Second, the manager should employ risk-management techniques in trading the strategy or portfolio.

Flexible Plan does both. Each of our many core strategies has three to five suitability levels available for different investor risk profiles. Our popular QFC strategies offer core strategies at a low cost—approaching those of passive funds—and they are each tailored for five different risk profiles.

At the same time, the core strategies employ different risk-management techniques within them, such as hedging;

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leadership rotation; or tactical defensive moves to cash, bonds, and/or gold. In fact, all nine of our QFC strategies provide two levels of risk management: (1) the dynamic management techniques used ***within*** each of the Quantified Funds, and (2) the reallocation and rebalancing ***among*** the Quantified Funds used in each strategy.

We apply this **dynamic risk-management** approach to all of our separately managed strategies, whether they use mutual funds or ETFs as the trading vehicles. We do this regardless of what trust company or broker-dealer platform they are on or if they are provided by a variable annuity, 401(k), or 403(b) plan.

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Yes, we're telling the world: "Flexible Plan Investments does not believe in active management!"

We do, however, believe in **dynamic risk management** for our clients. Now, if I could just get my Marketing team to leave the words "active management" out of future marketing materials, the message would be clear to everyone.

All the best,

Jerry

Jerry C. Wagner

Jerry C. Wagner
President

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SECOND-QUARTER RECAP

The second quarter of 2018 brought a bit of a recovery from the first quarter's volatility, and our OnTarget results for the quarter reflect the improvement. About 72% of OnTarget Monitors for the quarter were "in the yellow" or better (an improvement over the 68% last quarter), with 56% "OnTarget" ("in the green") or better ("in the blue"). Similarly, 16 of our strategies beat the S&P 500 for the quarter, and more than 60% of our strategies were profitable.

Small-cap companies led the way upward, while the S&P 500 rose 2.94%. The move upward was fairly stable until the last week of June, when markets fell slightly. The rise in equities applied only to domestic markets. Emerging markets fell nearly 10% for the quarter, while international developed stocks fell about 2%.

General indicators for domestic economic growth were largely positive. The U.S. continues to post encouraging GDP and employment numbers despite significant geopolitical concerns regarding tariffs and a potential global trade war. In the future, these items may cause significant headwinds to the U.S. market. For the time being, however, the market is shrugging off these concerns as the economy continues forward with strong upward momentum.

Bond yields rose during the quarter, though at a slower pace than in the first quarter. The largest gains for the quarter were in the 2-to-3-year range. Long-term yields hardly moved. This suggests that the economy may improve over the intermediate term, but a continual flattening of the yield curve could indicate a future slowdown. The rising yields pressured most bond index returns for the quarter.

Cyclical sectors were once again the best performers. Energy led the way, up more than 13% for the quarter aided by rising oil prices. Consumer Discretionary rose 8.2%, and Growth and Technology stocks were up 5.2% and 6.6%, respectively. Industrials (-3.2%) were the worst performers, followed by Financials (-3.1%) and Consumer Staples (-1.3%). While the overall distribution of sector returns paints a fairly rosy picture of the market, the underperformance of Industrials and Financials is somewhat concerning. Banks, in particular, have had a hard time growing their core products in 2018.

Safe-haven assets continued to fall. Gold sank 5.68% as rising interest rates pushed the U.S. dollar ever higher. Bonds had no significant gains during the quarter. Long-term Treasurys rose only 0.52%, which, annualized, is below the current risk-free interest rate, suggesting that these assets are not currently highly desirable. The takeaway from traditional safe-haven analysis is that it was a "risk-on" quarter, meaning investors were rewarded for taking risks. This is in contrast to the first quarter, which was definitely "risk-off."

Performance for many of our strategies was up for the quarter due to the recent market recovery. Because of the smooth upward climb of equity markets during the quarter, momentum-based equity strategies performed the best. Momentum-based bond strategies struggled due to a fairly choppy bond market.

2nd Quarter Retirement Account Performance

Aggressive	5.25% to 0.17%
Growth	4.79% to 0.09%
Balanced	4.68% to -0.34%
Moderate	3.33% to -0.38%
Conservative	1.94% to -1.16%

Strategy returns are shown after the maximum 1.75% annual advisory fee.

Important Disclosures

Please remember to contact your primary investment professional and Flexible Plan Investments, Ltd., in writing, if there are any changes in your personal/financial situation or investment objectives or for the purpose of reviewing the ongoing suitability of your current investment strategy/program, or if you want to impose, add, or modify any reasonable restrictions to our investment advisory services. Please Note: Unless you advise, in writing, to the contrary, we will assume that there are no restrictions on our services, other than to manage the account in accordance with your current designated investment strategy/program.

Volatility Barometer: The S&P500 and NASDAQ Indexes, as well as the Investor Profile, reference points are the annualized monthly standard deviation of the percentage change of the total return of those Indexes and the total return net of your advisory fees based on our hypothetical research on a portfolio of FPI strategies held in the same dollar proportion as those held in your account(s) at the end of the quarter. The standard deviation is calculated for a rolling three-year period to the end of the quarter, regardless of the time you have been invested in the strategies. The standard deviation for the actual period of your portfolio may differ, as may its relationship to that of the S&P500 and NASDAQ Indexes. Standard Deviation is a statistical measurement of the variability of the return of a portfolio from the mean average. It is a measure of volatility. When a fund has a high Standard Deviation, the predicted range of returns is wide, implying a greater volatility, and, therefore, a greater level of risk. Investors are cautioned, however, that in calculating risk, high positive returns are treated the same as high negative returns. Thus, strategies with above average returns often exhibit high Standard Deviation. See "Risk Considerations" in FPI's Brochure Form ADV Part 2A.

Risk Target: Utilizing the same return stream described in the Volatility Barometer description, FPI determines on a monthly basis the greatest drawdown or loss, before advisory fees, that would have been achieved from a portfolio or index high point to a low point without an intervening new high. The maximum loss shown is for the period commencing at the latest start date of your portfolio's component strategies (in no event less than five years) to the present, regardless of the time you have been invested in the strategies. The loss for the actual period of your portfolio may differ, as may its relationship to that of the Indexes. Some strategies may actually target a higher risk and exposure to risk than the S&P500. See strategy descriptions in FPI's Brochure Form ADV, Part 2A.

Market Commentary: Adjustments and allocations discussed as occurring within your portfolio are derived from the most significant percentage holdings and changes from the first pie chart to the last shown on the accompanying statement page. Cash or money market positions referenced are derived from our trade records and do not reflect those resulting from contributions to or withdrawals from your account or strategies.

OnTarget Monitor: The black line denoting your portfolio account value is derived from the actual month-to-month percent change of your portfolio, after advisory fees. The quarter end account value reflects past fees paid. The scale of the chart is logarithmic so that all changes are represented proportionately. We base the time period on the investment time horizon provided in your suitability questionnaire response. For comparison purposes the period may have been rounded up to the next five-year period and the maximum period shown is twenty years. Twenty years is also the period used if no time horizon was provided. The green pathway reflects the result of hundreds of Monte Carlo simulations utilizing the monthly returns, net of your advisory fees based on our hypothetical research for the period from the latest start date of your portfolio's component strategies (in no event less than five years) to the end of the quarter of a portfolio of strategies held in the same dollar proportion as those held in your account(s) at the end of the quarter. Based on these simulations, the upper-most line and targeted amount (represented with a blue field) was reached or exceeded in 20% of the simulation outcomes, the second line and target (the bottom line of the green field) was matched or bettered in 80% of the outcomes, while the lowest line (the top of the red field) was reached or exceeded in 90% of the outcomes. The circled target amount reflects the minimum value attained, after advisory fees, in 60% of the outcomes. A greater or lesser number of simulations may generate different results. The chart and the values utilized and set forth therein are for illustrative purposes only. **Additions, withdrawals, extension or maintenance of the Time Horizon or strategy changes within a quarter will cause the chart to be redrawn and/or new targets and outcomes established.**

The results of Monte Carlo analysis rely on many assumptions, such as expected returns, volatility, and correlation that cannot be forecast with certainty. Because Monte Carlo simulations create randomly generated scenarios, results will vary with each use over time. It is also impossible to foresee all possible situations, including some that may negatively impact a client's portfolio. Projections and other information generated by Monte Carlo simulations regarding the likelihood of investment incomes are hypothetical in nature and do not reflect actual investment results, and are not guarantees of future results. Despite the limitations, Monte Carlo analysis is still a very powerful tool to test the probability, though not the certainty, of investment success.

Extension or maintenance of the Time Horizon or strategy changes within a quarter will cause the chart to be redrawn and/or new targets and outcomes established.

NO GUARANTEE OF PROJECTED OUTCOME IS EXPRESSED OR IMPLIED

Portfolio Returns Utilized: Unless otherwise noted, the strategy returns utilized in creating your portfolio returns as described above are HYPOTHETICAL returns drawn from our research reports. These results were achieved by means of retroactive application of a computer model and may not represent the results of actual trading. Annual returns are compounded monthly and are inclusive of the last full trading week of the year, but may not necessarily include the last trading day of the year. Research report results are NOT represented as actual trading or client experience nor do they reflect the impact on decision making of economic or market factors experienced during actual management of funds. Where returns or risk of your portfolio are referenced the returns are your actual account's risk and return, gross of your advisory fees.

"Net of your advisory fees" means the advisory fees and Quanitified Funds ("Affiliated Funds") credits reflected in your account in the first period shown on your OnTarget Monitor chart. Other fees may apply, as well. All expenses are required to be disclosed in each investment's prospectus, available from your financial representative and the product provider. Various minimum-holding periods for each fund may be utilized to comply with trading restrictions. Fund or Advisor may change these periods. Actual investment performance of any trading strategy may frequently be materially different than the results shown.

"Model Accounts," where referenced, reflect actual accounts. Accounts used are based on the account longevity and its activity. The returns of the Affiliated Funds, sub-advised by Flexible Plan, reflect the actual price changes. The Affiliated Fund returns, while believed representative of actual results, may not necessarily represent the actual experience of any client.

If single strategy account histories are unavailable, statistics applicable to such accounts are derived from the exchange history files of each strategy used. Actual buy-sell trading signals and pricing are used in conjunction with such files to create the applicable statistics for each model account. These exchange history derived returns are believed representative of each strategy's actual results, but the results do not represent the actual experience of any client during the period. Therefore, these results may not reflect the impact that material economic and market factors might have had on the results. Nor do they reflect any problems of execution or pricing that may have been encountered in the actual implementation of the buy and sell signals shown in the exchange history files, the effect of which has not been determined, and may be indeterminable.

Enhancements have been made in our methodologies, which are believed to have had a positive effect on returns. The amount is not precisely quantifiable, but as actual price history is used, the effect of these enhancements is reflected. Continued development efforts may result in further changes.

Utilizing performance between selected dates may not be indicative of overall performance. Inquiry for total results is always advised. Return examples given will vary based upon their volatility as they relate to the indices shown. Other accounts, investments and indices may materially outperform or under perform. Various investments used may no longer be available due to the result of periodic review, consolidations and/or exchange conditions imposed.

Maximum investment management fees are 1.75% annually and are deducted not less frequently than quarterly and in arrears. Use of the Affiliated Funds will generate an annual maximum credit of 0.65%. As a result, actual fees may vary. Unless otherwise noted, if after fee Fund returns are referenced, they will be shown net of fee basis and will be between 1.10% and 1.25% fee, depending on platform, which assumes 100% usage of the Affiliated Funds. Smaller percentage usage will result in a proportionate reduction of the credit. Otherwise, if after fee Affiliated Fund returns are referenced, the maximum fee is applied. All mutual fund fees and expenses are included to the extent they are reflected in net asset value and not offset against management fees. As tax rates vary and reports reference tax deferred retirement accounts, taxes have not been considered.

Affiliated Funds investment return and principal value will fluctuate; an investor's account may be worth more or less than its original cost; and is subject to a number of risks that could affect its value. Investments in mutual funds are subject to market risk, including the potential loss of principal invested. Investing in the Affiliated Funds may be more volatile than investing in broadly diversified funds. Current performance may be lower or higher than the performance quoted. Returns and portfolio values are provided for information purposes only and should not be used or construed as an indicator of future performance, an offer to sell, a solicitation of an offer to buy, or a recommendation for any security. Flexible Plan Investments, Ltd. cannot guarantee the suitability or potential value of any particular investment.

Prior to August, 2013, "Proprietary Funds" meant Evolution Managed Funds ("EMF") as to which Rafferty Asset Management, LLC (see below) served as investment adviser and Flexible Plan Investments served as sub-adviser to the EMF. The credit generated from 100% investment in EMF ranged between approximately forty-five (45) and sixty (60) basis points per annum. **From and after August, 2013**, "Proprietary Funds" means The Quantified Funds and the Gold Bullion Strategy Fund (collectively 'sub-advised funds' or 'SAF') as to which Advisors Preferred LLC (see below) serves as investment adviser and Flexible Plan Investments serves as sub-adviser to the SAF. The credit generated from 100% investment in SAF ranges between approximately fifty (50) and sixty-five (65) basis points per annum.

Advisors Preferred, LLC serves as the Quantified Funds' Investment Adviser and Flexible Plan Investments, Ltd., serves as the sub-adviser. Read the Quantified Funds' Prospectus and Flexible Plan Investments' Brochure Form ADV Part 2A carefully before investing. You should carefully consider the investment objectives, risks and the charges and expenses of the Quantified Funds before investing. The Quantified Funds' SAI and Prospectus contain information regarding the above considerations and more. You may obtain a Prospectus by calling Advisors Preferred LLC at (888) 572-8868 or writing Advisors Preferred, LLC 1445 Research Boulevard, Ste. 530, Rockville, MD 20850 or download the PDF from: www.goldbullionstrategyfund.com or www.quantifiedfunds.com.

Returns and portfolio values are provided for information purposes only and should not be used or construed as an indicator of future performance, an offer to sell, a solicitation of an offer to buy, or a recommendation for any security. Flexible Plan Investments, Ltd. cannot guarantee the suitability or potential value of any particular investment.

ADDITIONAL DISCLOSURES

Because Flexible Plan strategies make use of publically traded mutual funds and exchange traded funds, investors should consider carefully information contained in the prospectus of these investments, including investment objectives, risks, charges and expenses. You can request a prospectus from your financial advisor. Please read the prospectus carefully before investing. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than the original cost.

Important Risks: Flexible Plan's strategies are actively managed and their characteristics will vary among strategies. As a manager utilizing publically traded mutual funds and exchange traded funds, the strategy is subject to the risks associated with the funds in which it invests. Mutual fund and exchange traded fund values fluctuate in price so the value of your investment can go down depending on market conditions. International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation, and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are often heightened for investments in emerging/developing markets or smaller capital markets. The two main risks related to fixed income investing are interest-rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Asset allocation strategies do not assure profit and do not protect against loss. Non-diversification of investments means that more assets are potentially invested in fewer securities than if investments were diversified, so risk is increased because each investment has a greater effect on performance and there may be more correlation of the fewer investments used. Investing in leveraged or inverse funds entail specific risks relating to liquidity, leverage and credit of the derivatives invested in by such funds, which may reduce returns and/or increase volatility.

Active investment management may involve more frequent buying and selling of assets. The majority of FPI's strategies utilize no load mutual funds with no transaction charge. Best efforts are employed to avoid short-term redemption charges, however, active managed strategies can still result in charges, especially when entering or exiting a strategy. Additionally, any commissioned investments will reflect the impact of more frequent buying and/or selling of assets. If investing within a non-tax-deferred investment, Investors should consider the tax consequences of moving positions more frequently. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification cannot protect against all market risk.

Reference to popular market indexes are included to demonstrate the market environment during the period shown and are not intended as 'benchmarks.' Index returns are after dividends. Since Index dividends are posted after the end of each month, they are retroactively prorated on a daily basis (which tends to understate returns if the end date range is inclusive of the current partial month). The Dow Jones Corporate Bond Index includes fixed rate debt issues rated investment grade or higher by national rating services. Investments by bond funds utilized in generating the above returns may not be similarly rated. The investment program for the accounts included in the profiles includes trading and investment in securities in addition to those that may be included in the S&P 500. Such indexes may not be comparable to the identified investment strategies due to the differences between the indexes' and the strategies' objectives, diversification, represented industries, number and type of component investments, their volatility and the weight ascribed to them. No index is a directly tradable investment.

ASSET CLASS RISK CONSIDERATIONS

US and Global Bonds: All investments involve risk. Special risks associated with investing in bonds include fluctuations in interest rates, inflation, declining markets, duration, call and credit risk. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size and lesser liquidity. **Commodities:** Concentrating investments in natural resources industries can be affected significantly by events relating to those industries, such as variations in the commodities markets, weather, disease, embargoes, international, political and economic developments, the success of exploration projects, tax and other government regulations and other factors. **US and Global Real Estate:** Investments in Real Estate are subject to changes in economic conditions, credit risk and interest rate fluctuations **Global Currencies**: Foreign currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by supply and demand in the foreign exchange markets and relative merits of investments in different countries, actual or perceived changes in interest rates, and other complex factors. Currency exchange rates also can be affected unpredictably by intervention (or the failure to intervene) by U.S. or foreign governments or central banks, or by currency controls or political developments. **Long / Short Directional:** Portfolio may invest in derivative investments such as futures, contracts, options, swaps, and forward currency exchange contracts that may be illiquid or increase losses due to the use of leveraged positions. **US and Global Equities:** In addition to the foreign investment risks noted above, the principal risks associated with equities include market, portfolio management, and sector risks.

Historical performance information should not be relied upon as representative of investment performance of any strategy to the current date nor be extrapolated into expectations for the future. Inquiry for current results is advised.

Privacy Notice: The following notice is furnished to Clients and prospective Clients in compliance with SEC Regulation S-P:

Flexible Plan Investments, Ltd. collects nonpublic personal information about Client or prospective clients from the following sources: (1) information we receive from Client on applications, contracts or other forms; (2) information about Client account transactions with us or others; (3) personal data provided when using our websites.

We do not disclose any nonpublic personal information about Client to anyone, except to Client's agents or as permitted by law. (We may disclose information in order to cooperate with legal authorities or to protect our rights and interest). If Client decides to close accounts or otherwise become an inactive Client, we will adhere to the privacy policies and practices as described in this notice. Flexible Plan Investments, Ltd. restricts access to Client personal and account information to those employees who need to know that information to provide products or services to Client. Flexible Plan Investments, Ltd. maintains physical, electronic and procedural safeguards to guard Client nonpublic personal information. However, in this age where perfect cyber-security is impossible, Flexible Plan Investments, Ltd. cannot guarantee that the substantial safeguards taken will protect such information from all possible attempts to secure such information.

Flexible Plan Investments, Ltd. does not currently respond or otherwise take any action with regard to Do Not Track requests.

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

Inherent in any investment is the potential for loss as well as profit. A list of all recommendations made within the immediately preceding twelve months is available upon written request. Information used and cited is from sources believed to be reliable but Flexible Plan cannot guarantee its accuracy.

A copy of Brochure Form ADV Part 2A is available upon request.

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