Q1.2017 COMMENTARY

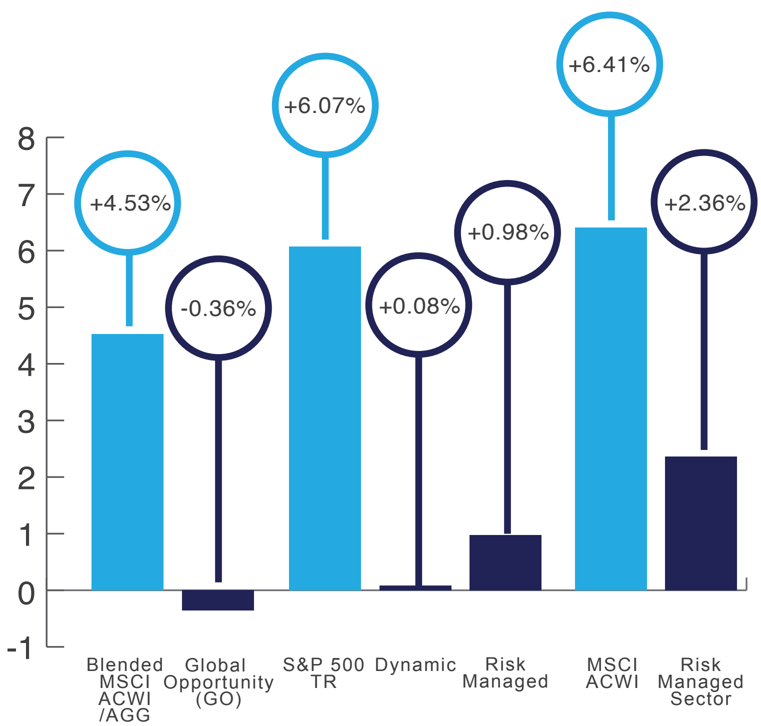
NIEMANN CAPITAL MANAGEMENT

AT A GLANCE

The US stock market continued to climb higher in the first quarter of 2017, but there were unfavorable rotations beneath the market's surface that produced short-term performance hurdles for Niemann's portfolios. The so-called "Trump trades" that led the market after the election underperformed in Q1. However, our analytics team has discovered a potential secular trend within the technology sector that could potentially outperform the market for long periods of time. We will discuss this opportunity in more detail in the next section.

FOUNDATION STRATEGIES

Q1.2017



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The dominant US sectors in the first quarter were technology, consumer discretionary, and healthcare. The SPDRs Technology ETF (XLK) produced significant alpha when it climbed 10.23% vs. 6.07% for the S&P 500 TR Index. At the market-cap and style levels, large-cap stocks led mid and small, and growth led value. The Russell 2000 small caps (IWM) gained a modest 1.52% in Q1 and the Russell 1000 large caps (IWB) gained 5.21%.

The broad market's vitals remained in bullish territory throughout the quarter. Volatility remained extremely low and several indexes printed new all-time highs in February, but there was some trend erosion. The percent of US stocks in an uptrend fell from 70% to 64%, and defensive areas such as utilities gained traction. Meanwhile, international markets significantly outperformed the US. Emerging markets were strong and frontier markets were even stronger. An impressive 89% of the country ETFs in Niemann's database were in uptrends at the end of the quarter. Given these developments, Niemann's global portfolios decreased exposure to US stocks and increased exposure to international and global stocks.

Give Alan Alpers a call or email to discuss your account if you have questions, he can be reached at 831-576-2415 and alan.alpers@ncm.net.

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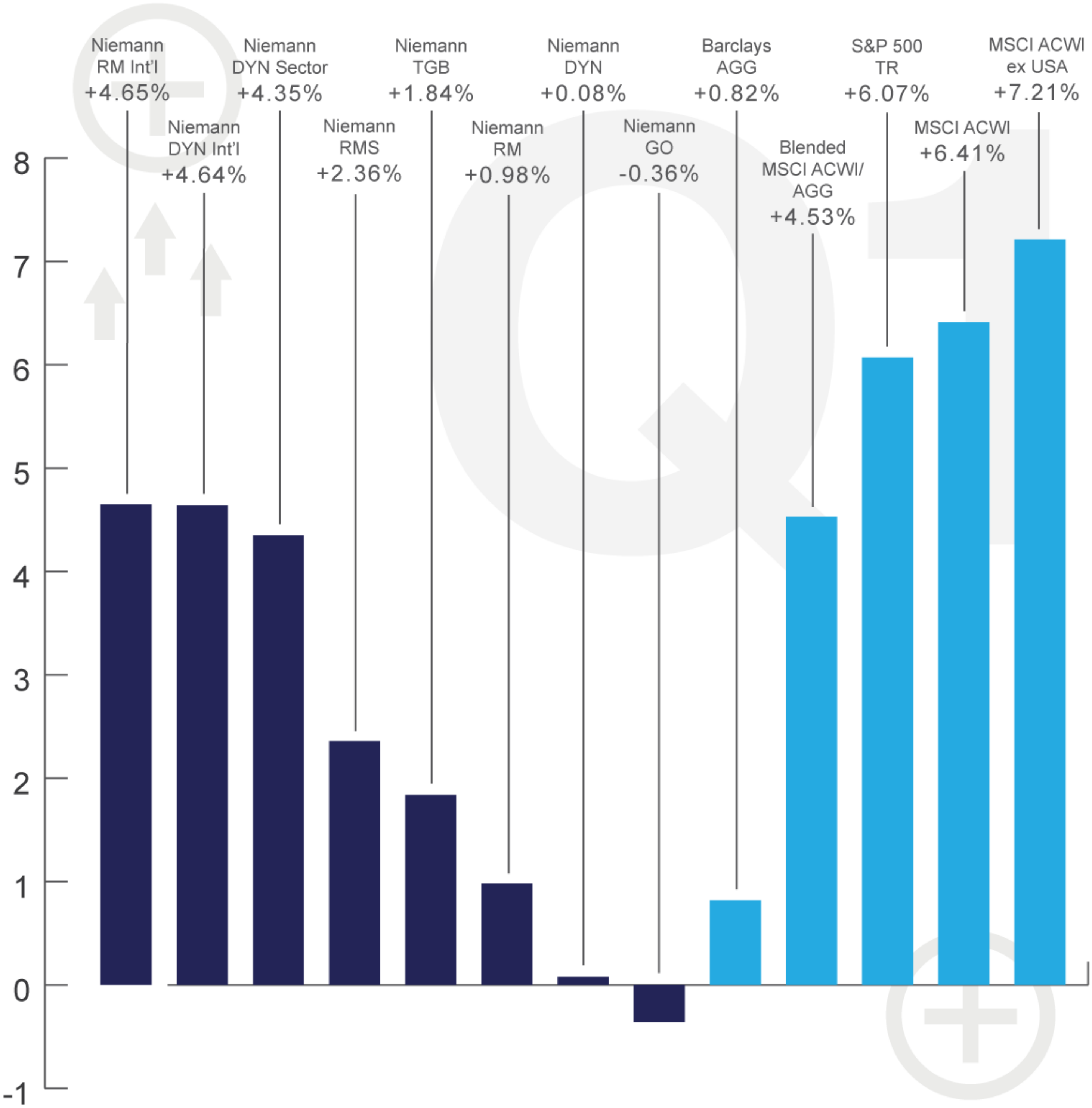
NCM QUARTERLY PERFORMANCE Q1.2017



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LOOKING *AHEAD*

Identifying secular trends is at the heart of Niemann's proprietary process. Our system was designed to find these alpha-producing trends. Secular trends are long-term trends that outperform the market for long periods of time. These trends attract big money flows and provide concentrated sources of alpha that can help a portfolio beat the market over full market cycles. The time frames we use to identify secular trends are intermediate in duration (several months). Intermediate time frames allow us to keep trading activity from being excessive, while still leaving a lot of meat on the bone for returns.

Secular trends often develop when there's a major industry breakthrough or big policy change in government. In the 1990s, the Genome Project opened the doors to a massive secular trend in the biotech industry that lasted for decades. More recently, oil fracking triggered a secular trend in the energy sector. Today, there is a potential secular trend in the semiconductor industry. Big demand for semiconductor chips in autonomous cars, artificial intelligence (AI) and the Internet of Things is powering this attractive trend. As a result, semiconductor stocks could outperform the market for years, since autonomous cars, AI and the IoT are in still in early stages. Of course, this potential secular trend could also fizzle. You never know for sure. Sometimes we invest in an attractive trend that fades out of favor, and then comes back later. In this scenario, we might buy the trend, sell it when it fades too far, and then buy it back again at a higher price. It's possible that this scenario could happen in one of the "Trump trade" sectors down the road, such as financials.

After the election, financial stocks soared on the hopes that Trump and the GOP would make business conditions easier by reducing regulations. Since certain financial stocks generated attractive RBO scores in our system, we invested in this sector. Unfortunately, their RBO scores faded too far after Trump's pro-growth agenda proved to be more challenging to get through Congress than many had hoped. As such, we had to eliminate exposure to financials and accept the short-term underperformance. But, financials could come back in favor again if Trump and the GOP start making things happen more quickly. Of course, an entirely different sector could produce a secular trend. That's why it's important to continually analyze and adjust.

If the market can produce two or three secular trends simultaneously, our portfolios could hit a Jetstream of positive performance. There are a few candidates on our radar, including the semiconductor sector we already identified. International markets could produce several secular trends. Many country ETFs produced double-digit returns during Q1. That could be a sign that some of these areas of the globe are poised to outperform longer term. Whatever the case, we will always stay disciplined to our methodology that has produced attractive long-term results for decades. Patience and discipline tends to pay off over the long haul. Give us a call if you have any questions. We look forward to speaking with you!

To review your portfolio call the Niemann team at 877.643.6222

Portfolio Managers

Don Niemann
Co-Founder
Chief Investment Officer
Over 25 years of experience

Alan Alpers, CFA
Senior Portfolio Manager
20 years of experience

To learn more about Niemann's strategies, contact our sales team at 877.643.6222 or sales@ncm.net. Visit us at www.ncm.net or blog.ncm.net

Benchmark Definitions

MSCI ACWI\Barclays U.S. Aggregate Bond Index - This blended benchmark consists of 2/3 MSCI All Cap World Index (ACWI) and 1/3 Barclays U.S. Aggregate Bond Index.

MSCI All Cap World Index (ACWI) - is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. (for a complete country listing go to www.MSCI.com)

Barclays U.S. Aggregate Bond Index (AGG) - covers the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. The Barclays U.S. Aggregate Bond Index and its sub-indices are widely used U.S. fixed income benchmarks.

The MSCI ACWI ex USA Index - is a free float-adjusted market capitalization-weighted index designed to measure the combined equity market performance of developed and emerging markets countries, excluding the United States.

S&P 500 TR Index - Assumes reinvested dividends: The S&P 500 Total Return Index is a cap weighted, unmanaged group of 500 stocks as selected by the Standard & Poor's Publishing Company. They are usually the 500 largest companies in terms of market capitalization and are chosen to represent the U.S. Equity Markets. The S&P 500 Total Return Index is used by many as a performance benchmark representing the "stock market" return.

Composite - Assumes reinvested dividends: The combined asset-weighted performance of all accounts within a given Niemann strategy. Each strategy has its own composite and does not contain any accounts from another strategy. Net composite performance numbers are net of all fees and expenses and are reported in arrears. Performance shown includes all actual, fee-paying, fully discretionary accounts managed by Niemann using the given Niemann strategy. A composite does not accurately present the performance of any specific account, which depends on investment timing and weighting, among other factors, that vary from account to account. Individual account performance may differ from the composite. Each account included in the composite is added after it has been under active management for at least one full month. A closed account is included through the last full calendar month that it was actively managed.

NCM believes that the comparison of a composite's performance to a particular market index is inappropriate. The portfolios generating a composite's performance are not nearly as diversified as the indices shown. Because of the differences between a composite's strategy and the composition of those indices, NCM believes that the indices are not comparable to the composite's investment strategy and it is not aware of any other index that is directly comparable.

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