Q2.2016

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CAPITAL MANAGEMENT

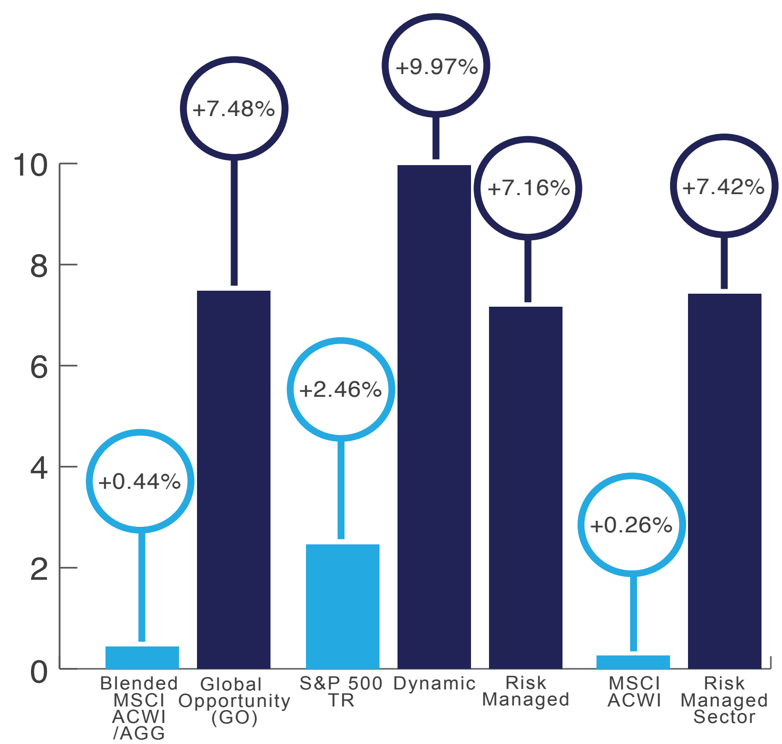
COMMENTARY

AT A GLANCE

The second quarter of 2016 was an impressive quarter for Niemann Capital Management portfolios. As you know, the market experienced another shock in Q2, due to the Brexit vote. However, your assets were well positioned before, during and after the disruption. Niemann's *Risk-Balanced Opportunity™* scoring process discovered strength in utilities, consumer staples, mining and dividend ETFs, well before the vote.

FOUNDATION STRATEGIES

Q2.2016



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These specific areas of the market produced attractive returns for Q2, and they experienced minimal drawdowns on June 24, the day the S&P 500 fell -3.6% after the Brexit vote. In fact, our second-largest position, a gold-miners ETF, was up 6% on June 24, and up 38% for the quarter. Our largest allocation in a small-cap utilities ETF was down 0.45% on June 24th, but up 9.89% for the quarter.

The market's internal readings were bullish during Q2. The percent of US stocks in an uptrend (a key gauge) was particularly solid. 70% were in an uptrend at the end of April, 70% remained in an uptrend by the end of May, and 67% were still in an uptrend by the end of June. Volatility did spike on June 24, but it quickly settled back down to low levels.

Dynamic (US equity ETFs) led our main strategies with a 9.97% gain for the quarter vs. 2.46% for the S&P 500 TR. Global Opportunity (global multi-asset class), Risk Managed Sector (global sector ETFs) and Risk Managed (US equity ETFs, cash) returned 7.48%, 7.42% and 7.16%, respectively.

Our Tactical Global Bond strategy had a solid quarter, too. TGB had exposure to some of the leading areas of the U.S. Treasury market. Long duration Treasuries did particularly well. Adding some Tactical Global Bond could reduce your portfolio risk while enhancing returns.

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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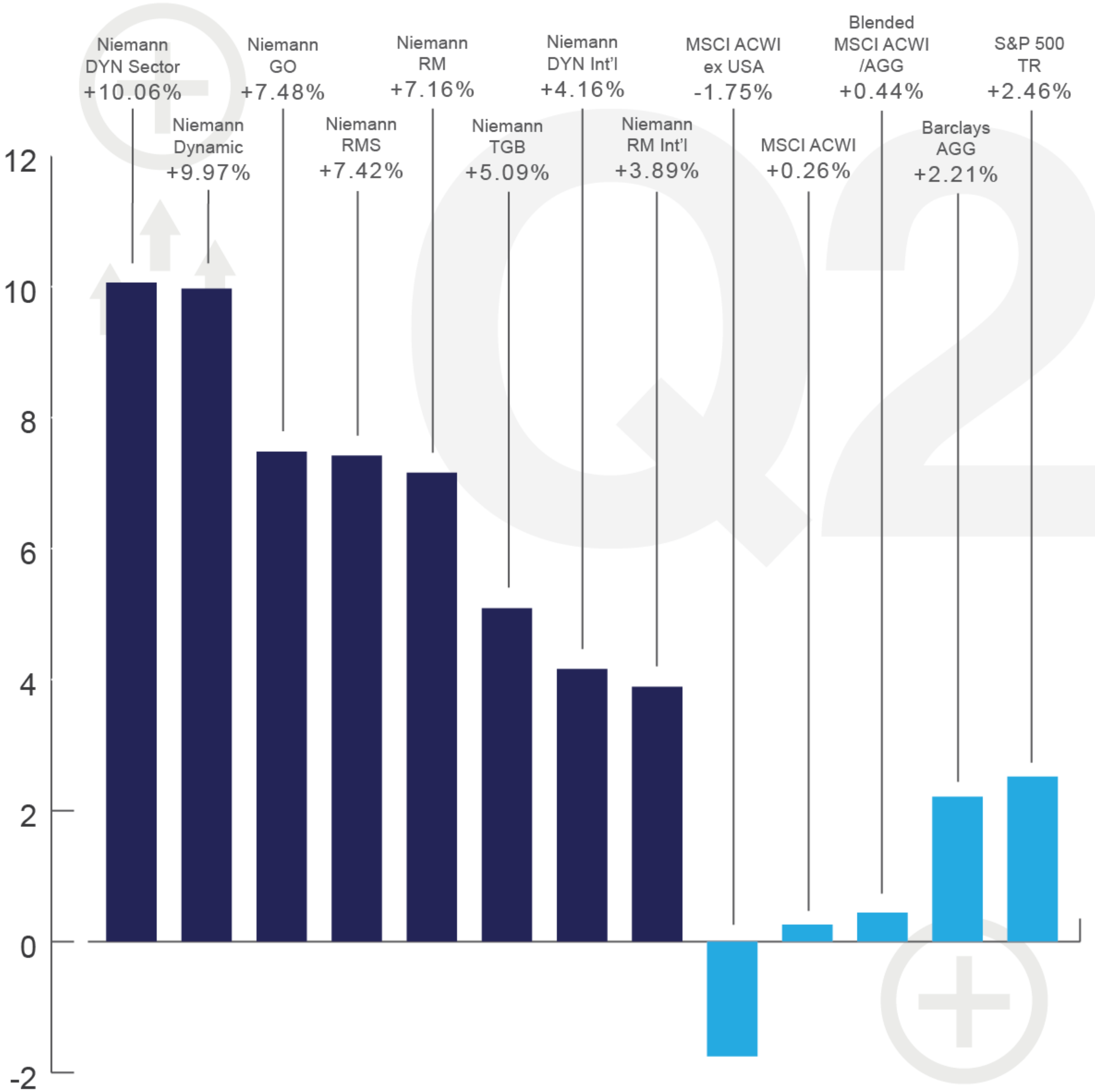
NCM QUARTERLY PERFORMANCE Q2.2016



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LOOKING *AHEAD*

Concerns about negative interest rates, deflation and recessions have been weighing on investors' minds around the world. Valuation headwinds have been prevalent, too, as the decline in corporate earnings has made US stocks more expensive. As a result, there has been a lot of mean reversion occurring at the sector and industry levels. That's why our models have gravitated towards utilities, consumer staples, mining and high yield.

But despite the earnings slowdown, some key economic indicators have been improving. There have been 68-consecutive months of job growth, and Jobless claims are near multi-decade lows. Perhaps more tellingly, US stocks are generating gains in 2016, and the market achieved these gains in a very disruptive environment.

Stocks have suffered three significant drawdowns since August 2015. That's almost one major disruption per quarter. However, there have also been three powerful v-shaped recoveries. The third one, after the Brexit vote, recovered sharply and continued rallying to new all-time highs in the early part of Q3.

What's notable is small cap stocks have been leading in many parts of the world. It's notable because small caps tend to underperform when bull markets are peaking. US small caps did have a rough start this year, but they have rebounded massively since then. The iShares Russell 2000 ETF (IWM) was up more than 21% from the Feb 11 low to June 30, and up 3.93% for Q2. The S&P 500 TR was up 15.72% and 2.46% during those time frames, respectively.

Niemann's US and global strategies have exposure to small-cap utilities and small-cap consumer staples. Our international strategies have exposure to Australian, Canadian and Russian small caps. These countries have been benefitting from the rebound in commodity prices and currency improvements.

It's important to keep a close eye on small caps because they often have an impact on the overall market's tone and direction. If the bull market rises to higher highs, we would expect to see new leadership. In other words, we wouldn't expect the defensive areas to continue to lead, if the market breaks out.

To trigger new leadership, the market needs a catalyst. Q2 earnings season in July could provide that. If earnings results are stronger than expected and future estimates increase, that would certainly help to reduce the market valuation headwinds. The US presidential election could also provide a major catalyst. If Q2 and Q3 earnings rebound, heading into the election in November, stocks could have a strong tailwind in Q4, and beyond.

Of course, risk could come back in short order and the defensive areas we have exposure to could continue to lead. We never know for sure. That's why we always have to stay disciplined and focused on the analytics. The trends will reveal themselves in due time. In the meantime, feel free to contact us if you would like to discuss your portfolios in more detail. We look forward to speaking with you.

To review your portfolio call the Niemann team at 877.643.6222

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Portfolio Managers

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

Alan Alpers, CFA
Senior Portfolio Manager
20 years of experience

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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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Net Performance results are presented net of transaction costs and Niemann's actual management fees. They reflect the reinvestment of dividends, interest and other earnings and the deduction of NCM's annual management fees, which may vary from 1% to 2.3%, depending on the amount of assets in an account. Performance results also reflect the deduction of brokerage and custodial fees and other costs. Such other costs include fees charged by the managers of the funds in which the portfolios comprising the composite were invested, which fees are disclosed in those funds' prospectuses and are paid by NCM clients in addition to NCM's advisory fees. See NCM's Form ADV Part 2 for more information about such costs.

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