Q3.2016 COMMENTARY AT A GLANCE

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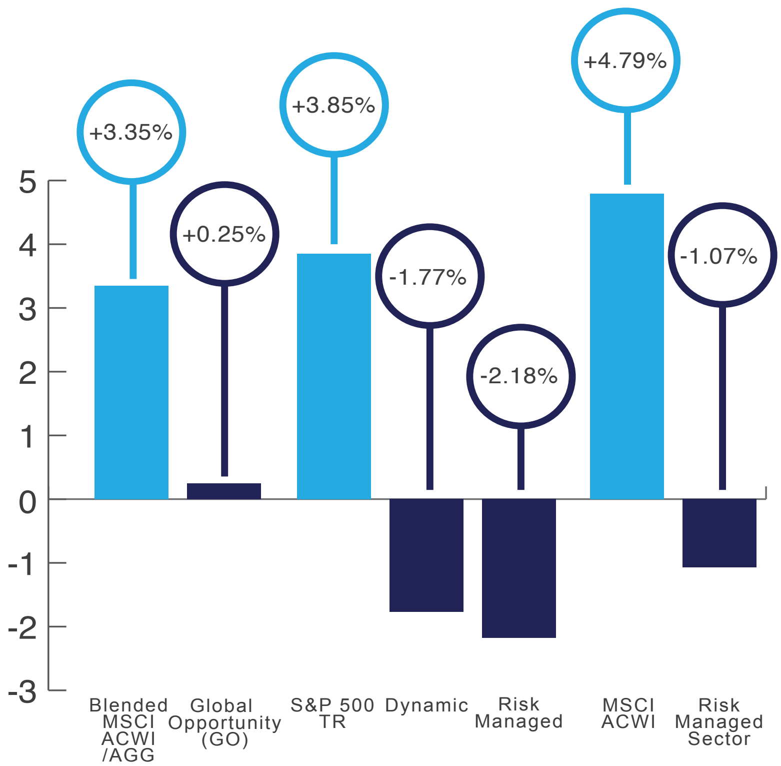
Stocks around the world continued an impressive leadership rotation during the third quarter of 2016. Emerging markets outperformed developed markets, small caps outperformed large caps and growth stocks overpowered defensive stocks. Notably, the best-performing US stocks in the third quarter happened to be the worst performers in the first half of 2016, and vice versa. In other words, leadership flipped in Q3. As a result, Risk-Balanced Opportunity™ scores were impacted significantly in some sectors. A few defensive sectors in our domestic and global strategies were replaced with growth sectors that attained more attractive RBO scores.

FOUNDATION STRATEGIES

Q3.2016



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When leadership rotates like it did in Q3, Niemann typically underperforms in the short term while our portfolios make adjustments. This happens from time to time, but it's not a big-picture problem. Our model was not designed to identify short-term turning points or to buy/sell ETFs at bottoms/tops. Instead, we target intermediate-term trends with attractive risk/reward characteristics. We are looking for trends that can ultimately turn into long-term secular trends. That's where the lion's share of returns is generated. While intermediate trends often fizzle, it is part of the normal process when searching for potential secular trends.

Looking at our Q3 results, you can see that the market's rotation negatively impacted our performance in our domestic equity and global sector strategies, due to their previously overweight exposure to US defensive sectors. Our results were much better in our international, global multi-asset and global bond strategies, which benefitted from exposure to emerging markets. Many EMs outperformed the US rather significantly.

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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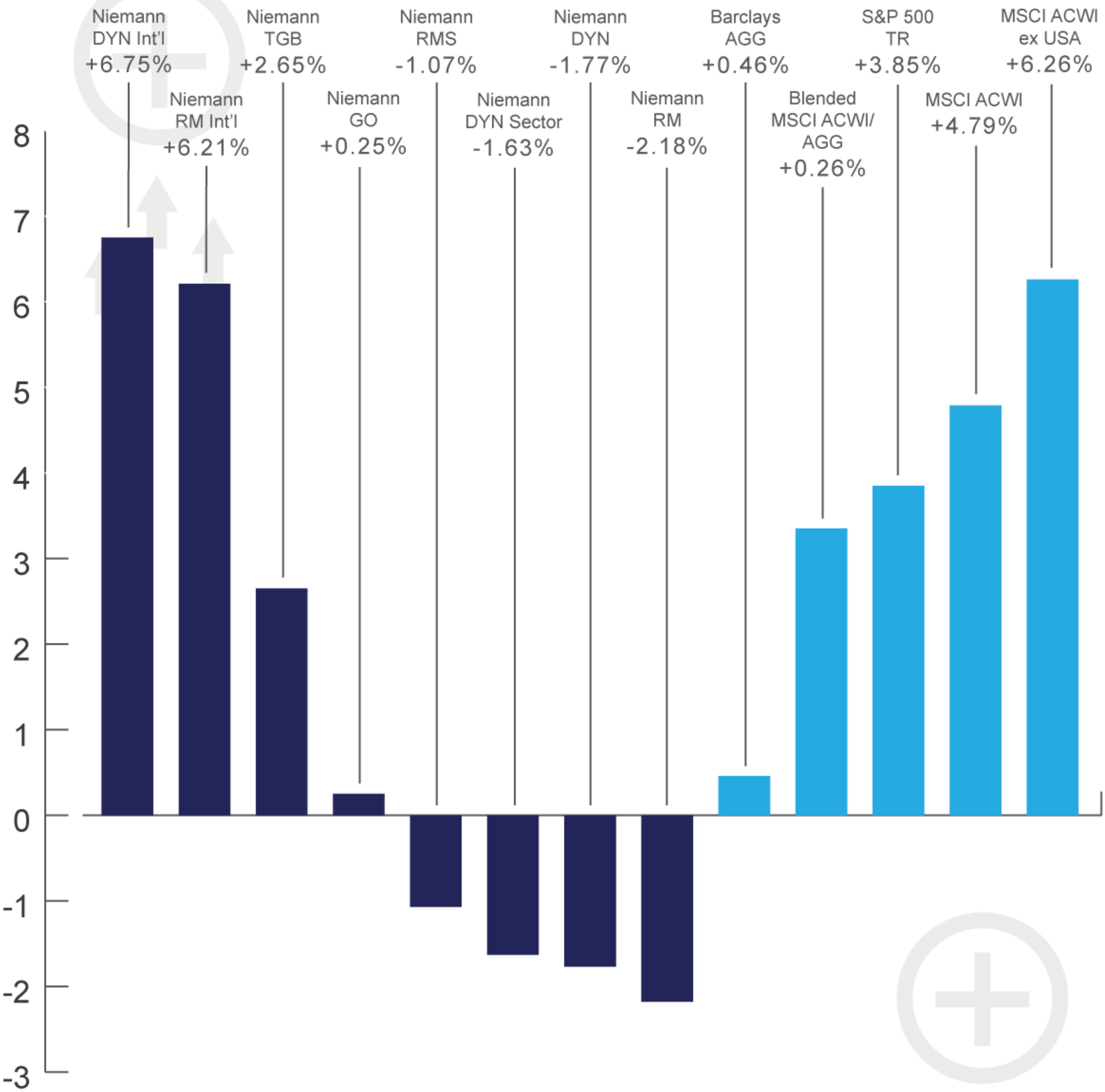
NCM QUARTERLY PERFORMANCE Q3.2016



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LOOKING *AHEAD*

Despite the underperformance in a few of our portfolios this quarter, we are encouraged that the market has repaired itself a lot from earlier this year and appears to be moving to a more normal environment. The US market's internals were solid throughout Q3. The percent of stocks in an uptrend stayed above 70% all quarter, cumulative advance/decline measures made new all-time highs and volatility was muted. Perhaps more importantly, money was not leaving US equities during the rotation. It was migrating to growth sectors. As a result, the market appears to be positioning itself for higher highs, just in time for the seasonally strong time of year.

Nonetheless, there are still significant risks as we enter October. Q3 earnings announcement season, election anxiety and concerns about rising interest rates are likely to cause an increase in volatility. October is notorious for volatility, and this year has plenty of reasons to be volatile.

US stocks have been expensive for the past few quarters as earnings and revenue growth rates have fallen. During third-quarter earnings season, analysts are expecting corporate earnings and revenues to trough, and begin a new phase of growth. That could help stock valuations become less expensive. If earnings guidance improves during earnings season, US stocks could get more traction in Q4.

On the election front, anxiety is running very high. It's difficult to think of a past election that had two candidates as conflicted as Clinton and Trump. This is causing a sharp divide between the American people. It's also a big reason why there are many crosscurrents beneath the market's surface. Investors are trying to determine which sectors will benefit after the next president is elected. At the moment, many polls are predicting a Clinton victory, but polls are not the most reliable gauge. Brexit proved that elections can go the other way. Either way, stocks have a history of appreciating when either party is in the White House. What's exciting from a Niemann analytics standpoint is secular trends often take root after presidential elections. It will be fascinating to see which sectors move away from the pack after November 8.

As usual, the Fed is a source of uncertainty, which typically causes short-term return issues. Fed governors have become slightly more hawkish in recent weeks, despite uninspiring economic data (although employment data have been fairly solid). A 25-basis point rate hike in December is expected, but the tone of the Fed's statements between now and December will be a major factor. It will be interesting to see how the Fed adjusts its language after the election.

Looking at Niemann's domestic portfolios at the end of Q3, you will see a mix of defense and growth, with slightly more growth. In our international and global portfolios you will see exposure to emerging markets. 83% of the country ETFs in our database were in uptrends at the end of Q3. A lot of that success has to do with the dollar stabilizing during the quarter. If you are considering adding more international exposure to your portfolio, give us a call. We are happy to discuss our research and we look forward to hearing from 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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Past performance does not guarantee future results. It should not be assumed that investors will experience returns, if any, comparable to those shown here. Any stock market transaction can result in either profit or loss. Additionally, the performance of Niemann's portfolios should also be viewed in the context of the broad market and general economic conditions prevailing during the periods covered by the performance information. Market and economic conditions could change in the future, producing materially different returns. Investment strategies may be subject to various types of risk of loss including, but not limited to, market risk, credit risk, interest rate risk and inflation risk. In addition, strategies with international capabilities are subject to risks including, but not limited to, currency fluctuations, economic instability and political instability. The foregoing data were prepared by NCM and have not been compiled, reviewed or audited by an independent accountant. Through March 31, 2010, Niemann portfolios included only mutual funds. After that date, they included ETFs and beginning in 2011, have included primarily ETFs. Performance after the foregoing dates differs materially from, is not comparable to, performance before those dates and is shown only to demonstrate NCM's experience in managing portfolios. Further, the results do not reflect performance in all economic cycles. Please visit us online at www.ncm.net or call 1-800-622-1626 for current performance information or for a complete list and description of Niemann's composites.

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