Global Consumerism: The $44 Trillion Investment Opportunity

If Consumption is the Core of Every Economy, Shouldn’t the Most Relevant Brands be the Core Driver of your Portfolio?
The $44 Trillion Investment Opportunity

Billions of People. Trillions in Spending.

Household consumption accounts for roughly 60% of the roughly $74 trillion in global GDP.

The U.S. economy is the largest consumer-driven economy in the world with an estimated $14 trillion in yearly consumption capacity ($20 trillion economy, 70% consumption in 2018).

Source: Mckinsey report, Urban World: The global consumers to watch, April 2016

Map Source: GDP statistics & consumption as a percent of GDP data – Worldbank.org. *Europe includes: Germany, UK, France, Italy, Spain, Netherlands, Turkey, Switzerland. Sweden **The $44 trillion consumption opportunity was created by Accuvest Global Advisors using Worldbank.org data with the following formula: Multiply each major country’s 2015 GDP estimate by the estimated percentage of the GDP that is derived by consumption and add the results together to get to the $44 trillion opportunity.
ALPHA BRANDS Consumer Spending Index
The Investment Universe for the Rational Dynamic Brands Fund

Index Methodology

1. Largest, most liquid 1,000 stocks: U.S. and Ex-U.S.
2. Remove non-consumer-focused sub-industries
3. Rank constituents by Iconic brand score
4. Select # of top ranked brands from each industry, 180 U.S., 20 Int’l total
5. Top 200 Brands: Equal weighted, re-constituted yearly

INVESTMENT COMMITTEE DRIVEN

- Consumer-direct industries
- Consumption supply chain industries
- Top B2C & B2B brands
- Market cap
- 3 year total sales
- 3 year sales growth
- Multi-factor composite rankings

Index Details

- 200 highly relevant and powerful brands
- Serving American and/or global consumers
- ~70 sub-industries and 10 sectors
- Includes top B2B brands deemed vital to the consumption supply chain
- Top B2B brands enable brands to extend their competitive MOATS
- 180 U.S. brands, 20 top international brands
- An analytical approach to selecting the most important consumer spending industries and brands
- Updated each December to reflect consumer spending trends
- Tracking a lifetime of spending via the leading brands across sectors

A Proprietary Approach to Identifying the Top Brands from Key Consumer-focused Industries
The illustration above is an example of the traditional consumer-focused industries tracked by the Alpha Brands Consumer Spending Index including those vital to the consumption supply chain. The Index is re-constituted each December to reflect any changes in consumption habits detected by the Investment Committee. Over time, the consumption-focused industries tracked by the Investment Committee can be expected to change as the S&P 500 sub-industries change and/or as private, consumer-focused companies enter the public markets.
A Rational Investment Process for Irrational Markets

Dynamic Allocation Strategies Seek to Provide Risk Management When it Matters Most

DYNAMIC BRANDS
Powered by Fundamentals, Guided by Technicals, Risk Managed for Prudence

OUR PROCESS

1. The investment universe: 200 leading brands from the Alpha Brands Consumer Spending Index

2. Style factor analysis:
   - Identify what is driving markets
   - S&P 500 Benchmark Analysis: Sector weights, style bias, revenue makeup
   - Size: Mega/Large Cap vs Mid/Small Cap
   - Style: Growth (Revenue Growth/EPS Growth) vs Value (High FCF Yield, Low P/E, P/S, P/B)
   - High Beta or Low Vol (Defensives)
   - Rate Sensitivity: High Dividends vs Dividend Growth
   - Dollar Sensitivity: Domestic Revenues vs International Revenues
   - Secular Themes: Demographic shifts, changing consumption habits, the shift to digital & automation

3. Rank brands 200 index by factor and brand relevance

4. Mega brands -70 of the fund
   - Market leaders
   - Global franchises
   - Demographic & global opportunities

5. Emerging mega brands
   - Innovators from new consumer trends
   - Disruptors of industries
   - Secular growth themes

6. Tactical trading opportunities
   - Laggards at inflection points
   - Short term technical opportunities
   - Catalyst-driven opportunities

7. Set weights between equities, cash and “protective ETFs” based on Proprietary Risk Dashboard monitoring:
   - Primary equity trend
   - Economic growth via ISM data
   - Equity valuations
   - Federal reserve policy
   - Interest rate & dollar trends
   - Equity volatility trends
   - Credit spreads

DYNAMIC BRANDS

There is no assurance that the Fund will achieve its investment objective. The Investment Committee (IC), through rigorous fundamental & technical research, identifies and chooses the Top 25-50 Brands for the Dynamic Brands strategy. Portfolio holdings are a sub-segment of the 200 Brands contained in the Alpha Brands Consumer Spending Index, Bloomberg symbol, BRANDS.

The Index is re-constituted every December and tracks the leading B2C and B2B Brands serving U.S. and global consumers. The Investment committee creates a “best of the best” portfolio of the most attractively priced Brands based on its proprietary 7-step investment process. The long-term portfolio goal is to generate attractive returns each calendar year regardless of the economic environment. To accomplish this, the Investment Committee manages the portfolio with maximum flexibility and allows itself the ability to quickly adapt to changing market conditions. The portfolio will own what the IC believes are the most technically attractive Brands from within the Alpha Brands Consumer Spending Index. The portfolio can be fully invested in top brands, hold cash, and/or utilize protective ETF’s in times of high market stress. Allocation decisions are based on: current macro data, investor sentiment, equity technicals, interest rate movements & U.S. dollar trends.

Dynamic Allocation Strategies Seek to Provide Risk Management When it Matters Most
DYNAMIC BRANDS Summary
A Fresh, Updated Approach to Managing Equities

1. Powered by the 200 brands contained in the Alpha Brands Consumer Spending Index

2. A CORE Large-cap equity allocation

3. Agnostic to value and growth

4. Unconstrained and opportunistic across sectors and industries

5. A Core + Tactical stock selection process

6. A “best of the best” portfolio (25-50 stocks)

7. Max weight of any one position: 5% at time of purchase

8. Dynamic, risk management (can hold up to 40% cash when prudent)

9. Can deploy defensive and protective ETF’s in times of high market stress

10. Managed with a tax-aware approach
Managing Downside Risk Happens in Stages

Stock Selection Goal:
Owning the Leading Brands Helps Capture Alpha (excess return)

Risk Management Goal:
Dynamically Adjusting Risk Exposure Helps Smooth the Ride and Protect Capital

- Fully invested <5% cash
- A focus on market leaders from key secular growth themes
- Offense favored over defense
- Consider raising cash weight into euphoric sentiment
- Tactical cash allocation increases
- Defensive business models considered
- Portfolio upgrades on weakness occur
- Utilize tax harvests during portfolio upgrades
- Higher cash position for longer periods is possible
- A primary focus on defensive business models
- Potential use of bonds and/or other protective ETF’s
- Be ready to get fully engaged once panic wash-outs occur

High Probability of Deep Recession
- Bull Market Correction
- Bull Market Participation

Disclosure: The risk management process stated above is an illustration of the market environments and factors that could warrant the Investment Committee to de-risk the portfolio. The degree of de-risking that could occur is not determined by using a rules-based approach but is driven by the facts and economic data-points available at the time as analyzed by the Committee. The above are guidelines and examples of the type of scenarios that might occur that could warrant a decision to reduce exposure to equities. Of course, there can be no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses.
Important Risk Information

FUND HOLDINGS ARE SUBJECT TO CHANGE AND SHOULD NOT BE CONSIDERED INVESTMENT ADVICE.

Past performance is not a guarantee of future results.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Rational Funds. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling (800) 253-0412 or at www.RationalMF.com. The prospectus should be read carefully before investing. The Rational Funds are distributed by Northern Lights Distributors, LLC member FINRA/SIPC. Rational Advisors, Inc. is not affiliated with Northern Lights Distributors, LLC.

Investing in the Fund carries certain risks. The value of the Fund may decrease in response to the activities and financial prospects of an individual security in the Fund’s portfolio. These factors may affect the value of your investment. Investments in international markets present special risks including currency fluctuation, the potential for diplomatic and political instability, regulatory and liquidity risks, foreign taxations and differences in auditing and other financial standards. Risks of foreign investing are generally intensified for investment in emerging markets. Emerging market securities tend to be more volatile and less liquid than securities traded in developed countries.

Accuvest Global Advisors (“Accuvest”) is a registered investment adviser with the Securities and Exchange Commission. Accuvest and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with Accuvest of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties. The information provided by Accuvest (or any portion thereof) may not be copied or distributed without Accuvest’s prior written approval. All statements are current as of the date written and do not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it would be unlawful to make such offer or solicitation. This information was produced by and the opinions expressed are those of Accuvest as of the date of writing and are subject to change. Any research is based on proprietary research and analysis of global markets and investing.

Research/Outlook Disclosure:
This information was produced by and the opinions expressed are those of Accuvest as of the date of writing and are subject to change. Any research is based on Accuvest proprietary research and analysis of global markets and investing. The information and/or analysis presented have been compiled or arrived at from sources believed to be reliable, however Accuvest does not make any representation as their accuracy or completeness and does not accept liability for any loss arising from the use hereof. Some internally generated information may be considered theoretical in nature and is subject to inherent limitations associated therein. There are no material changes to the conditions, objectives or investment strategies of the model portfolios for the period portrayed. Any sectors or allocations referenced may or may not be represented in portfolios of clients of Accuvest, and do not represent all of the securities purchased, sold or recommended for client accounts.

The reader should not assume that any investments in sectors and markets identified or described were or will be profitable. Investing entails risks, including possible loss of principal. The use of tools cannot guarantee performance. Past performance is no guarantee of future results. The information provided may contain projections or other forward-looking statements regarding future events, targets or expectations, and is only current as of the date indicated. There is no assurance that such events or targets will be achieved, and may be significantly different than that shown here. The information presented, including statements concerning financial market trends, is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons.

The charts depicted within this presentation are for illustrative purposes only and are not indicative of future performance. The data do not reflect the material differences between stocks, bonds, bills and inflation, such as fees (including sales and management fees), expenses or tax consequences. Common stocks generally provide an opportunity for more capital appreciation than fixed income investments but are also subject to greater market fluctuations. To the extent the investments discussed herein represent international securities, you should be aware that there may be additional risks associated with international investing involving foreign economic, political, monetary and/or legal factors. International investing may not be for everyone.

Market indexes are included in this report only as context reflecting general market results during the period. Accuvest may trade in securities that are not represented by such market indexes and may have concentrations in a number of securities and in asset classes not included in such indexes. Accordingly, no representations are made that the performance or volatility of the model allocations will track or reflect any particular index. Market index performance calculations are gross of management and performance incentive fees. The Standard & Poor’s 500 Index is a market capitalization-weighted index of 500 widely held common stocks. Investors cannot directly invest in an index. Actual results may vary based on an investor’s investment objectives and portfolio holdings. Investors may need to seek guidance from their legal and/or tax advisor before investing. 4288-NLD-3/17/2020