

# PINNACLE SHERMAN FUNDS MODEL GUIDE



***pinnacle***  
Sherman Funds

Tactical. Quantitative. Unconstrained.

# SHERMAN SHEET MODELS

## Bull Calendar Model

### Bull-Bear Indicator

- Longer term indicator (Cyclical Trend: quarters to years)
- Indicator can change at any time
- Constructed from 7 supply-demand ratios measuring internal market strength
- Ratios measure market breadth (e.g. up volume, new 52 week highs, etc)
- Relative Strength ranking system
- Rebalanced Quarterly

### Bull Status

Model can invest in the following asset classes:

- Basic Materials
- Large Blend
- Large Value
- Large Growth
- Real Estate
- Developed International
- Emerging Markets
- Mid Blend
- Mid Value
- Mid Growth
- Small Blend
- Small Value
- Small Growth
- Dow Jones Industrial
- NASDAQ

Invested equally in asset classes that rank "Above Average"

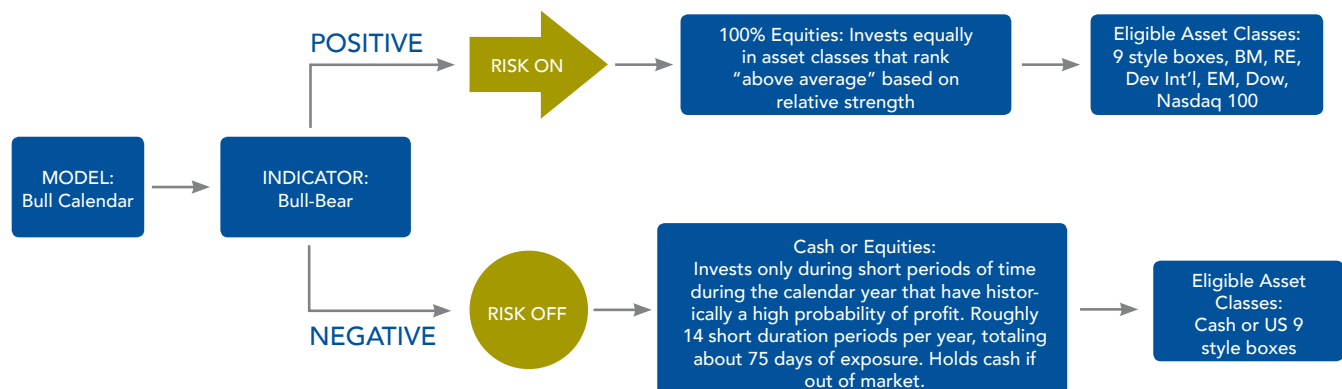
### Bear Status

Follows the Calendar Effects Model

- Short term model
- Invested only during short periods of time during the calendar year that have been shown historically to have a high probability of profit
- Approximately 14 of these short duration periods per year, totaling approximately 75 market days of exposure per year (e.g. 6/24/15 – 7/6/15; 7/27/15 – 8/4/15)
- Trade positions are determined based on asset class strength at the time of trade entry
- Number of positions generally varies between one and three

## Bull Calendar

Approximately 33% of the Pinnacle Sherman Multi Strategy Core Fund  
Approximately 20% of the Pinnacle Sherman Tactical Allocation Fund



## STAR Min Max 0-100 Model

### Quarterly Trend Indicator

- Longer term indicator (quarters to years)
- STAR = Simple Trend And Rank
- Indicator changes only happen quarterly
- Algorithmic model
- Domestic & International equity trends analyzed
- Relative Strength ranking system
- Rebalanced Quarterly

### Positive Status

Model can invest in the following asset classes:

- Basic Materials
- Large Blend
- Large Value
- Large Growth
- Real Estate
- Developed International
- Emerging Markets
- Mid Blend
- Mid Value
- Mid Growth
- Small Blend
- Small Value
- Small Growth
- Dow Jones Industrial
- NASDAQ

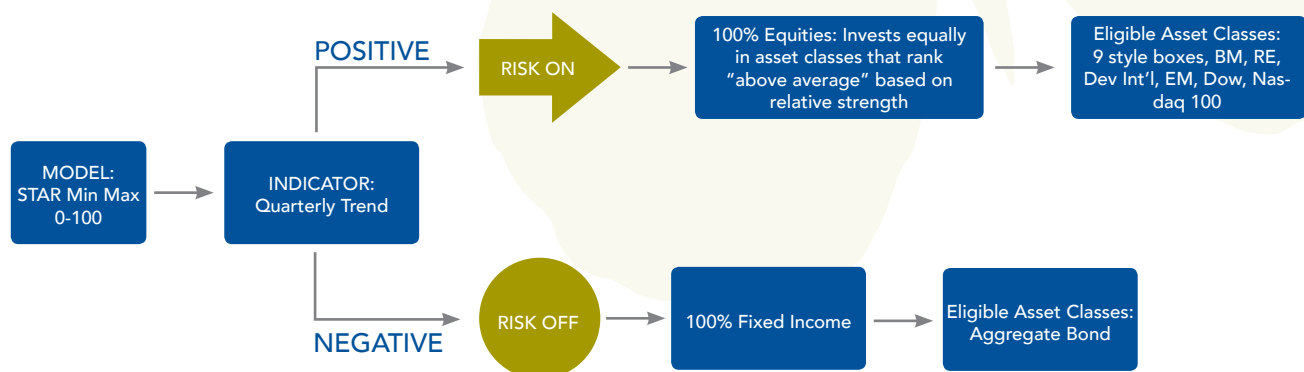
Invested equally in asset classes that rank "Above Average"

### Negative Status

Invests in aggregate bond ETF's.

## STAR Min Max 0-100

Approximately 33% of the Pinnacle Sherman Multi Strategy Core Fund



# SHERMAN SHEET MODELS

## Sector Long Cash Model

### Intermediate Term Indicator

- Weeks to Months indicator (Shermanator)
- Indicator can change at any time
- Constructed from 36 equity sub sectors
- Relative Strength ranking system

### Positive Status

Model can invest in the following:

#### SECTOR CASH

- Consumer Cyclical
- Consumer Non-Cyclical
- Utilities
- Telecom
- Healthcare
- Financial
- Technology
- Industrial
- Energy
- Basic Materials
- Fixed Income Sectors

#### LONG CASH

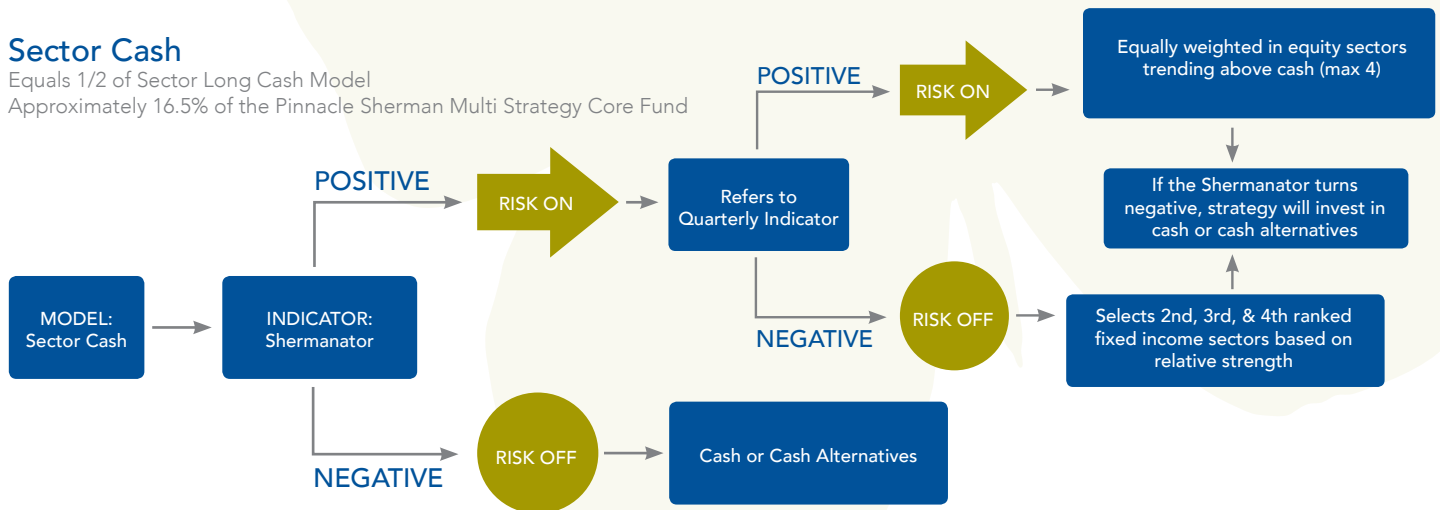
- Basic Materials
- Large Blend
- Large Value
- Large Growth
- Real Estate
- Developed International
- Emerging Markets
- Mid Blend
- Mid Value
- Mid Growth
- Small Blend
- Small Value
- Small Growth
- Dow Jones Industrial
- NASDAQ

### Negative Status

Cash or Cash Alternatives

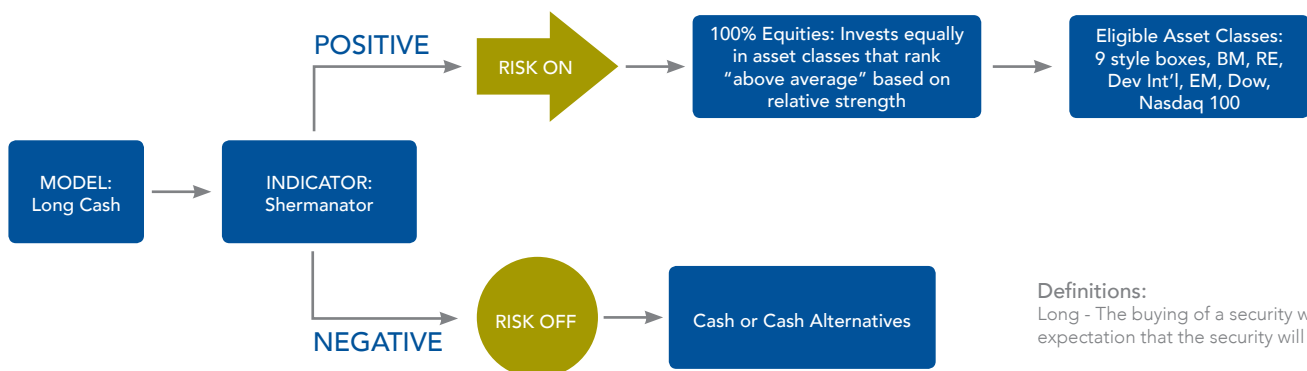
### Sector Cash

Equals 1/2 of Sector Long Cash Model  
Approximately 16.5% of the Pinnacle Sherman Multi Strategy Core Fund



### Long Cash

Equals 1/2 of Sector Long Cash Model  
Approximately 16.5% of the Pinnacle Sherman Multi Strategy Core Fund



#### Definitions:

Long - The buying of a security with the expectation that the security will rise in value.

# Sector Long Short Model

## Intermediate Term Indicator

- Weeks to Months indicator (Shermanator)
- Indicator can change at any time
- Constructed from 36 equity sub sectors
- Relative Strength ranking system

## Positive Status

Model can invest in the following:

### SECTOR SHORT

- Consumer Cyclical
- Consumer Non-Cyclical
- Utilities
- Telecom
- Healthcare
- Financial
- Technology
- Industrial
- Energy
- Basic Materials
- Fixed Income Sectors

### LONG SHORT

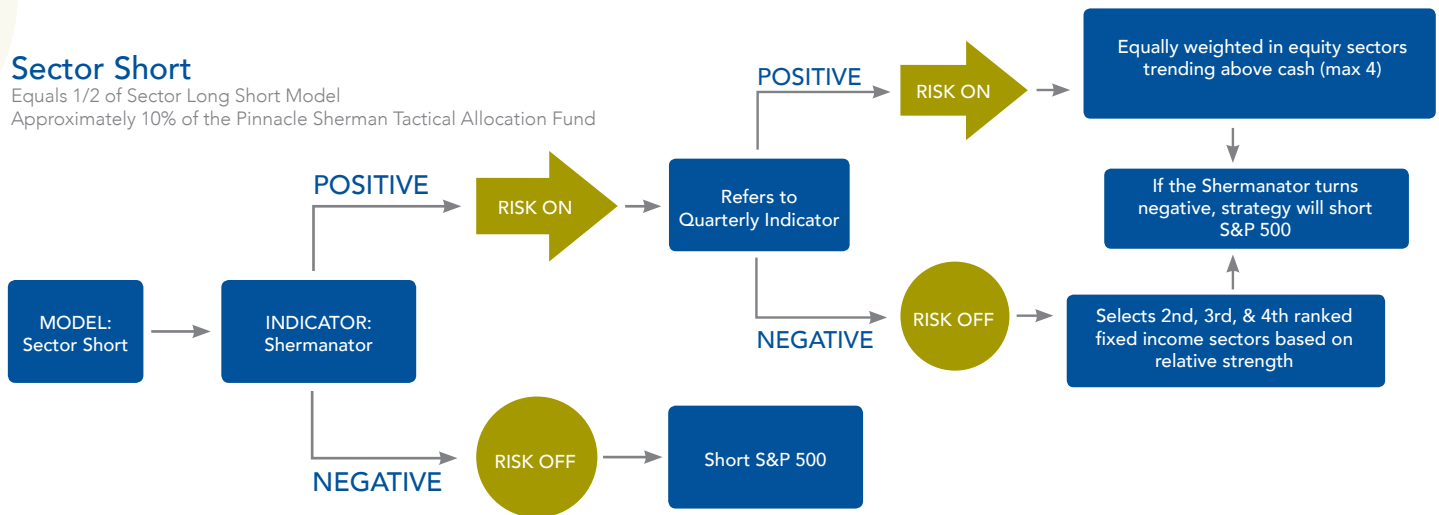
- Basic Materials
- Large Blend
- Large Value
- Large Growth
- Real Estate
- Developed International
- Emerging Markets
- Mid Blend
- Mid Value
- Mid Growth
- Small Blend
- Small Value
- Small Growth
- Dow Jones Industrial
- NASDAQ

## Negative Status

Model shorts the S&P 500

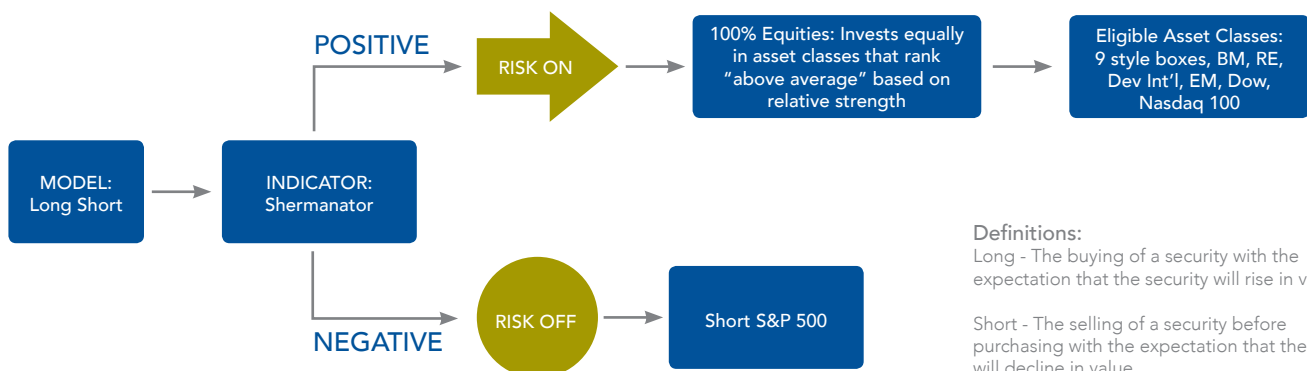
## Sector Short

Equals 1/2 of Sector Long Short Model  
Approximately 10% of the Pinnacle Sherman Tactical Allocation Fund



## Long Short

Equals 1/2 of Sector Long Short Model  
Approximately 10% of the Pinnacle Sherman Tactical Allocation Fund



### Definitions:

Long - The buying of a security with the expectation that the security will rise in value.

Short - The selling of a security before purchasing with the expectation that the security will decline in value.

# SHERMAN SHEET MODELS

## Policy Portfolio 5 Model

### Bull-Bear Indicator

- Separate Bull-Bear Indicator for Domestic Equities, Int'l Equities, Real Estate, Resources/Materials
- Longer term indicator (quarters to years)
- Indicator can change at any time
- Constructed from 7 supply-demand ratios measuring internal market strength
- Ratios measure market breadth (e.g. up volume, new 52 week highs, etc)

Each Bull-Bear Indicator dictates its specific asset class, independent of each other

### Bull Status

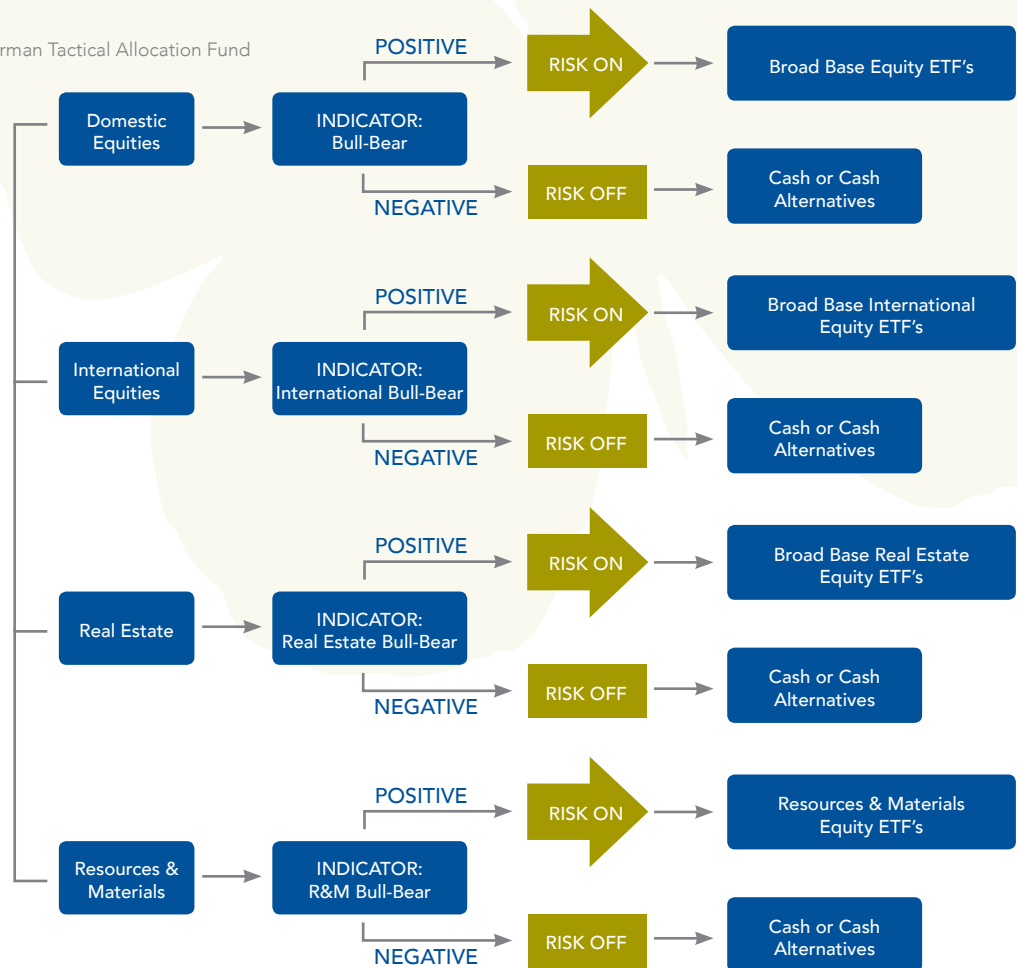
- Major asset class will be invested in a core and variable position
- Core position designed to provide coverage of the entire asset class
- Core position receives 50% of the allocation
- Variable position designed to provide overweighting to the highest performing subset of the asset class
- Variable position receives 50% of the allocation & is rebalanced quarterly

### Bear Status

Cash or Cash Alternatives

## Policy Portfolio 5

Approximately 20% of the Pinnacle Sherman Tactical Allocation Fund



NOTE: Within this model, each major asset class is equal weighted and is dictated by its own Bull Bear Indicator. When a major asset class is determined to be in Bear Status, the allocation to that asset class is redirected to cash instead. It is possible for all asset classes to be in Bear Status simultaneously, which would result in this model being 100% cash or cash alternatives.

## Multi-Sector Bond Model

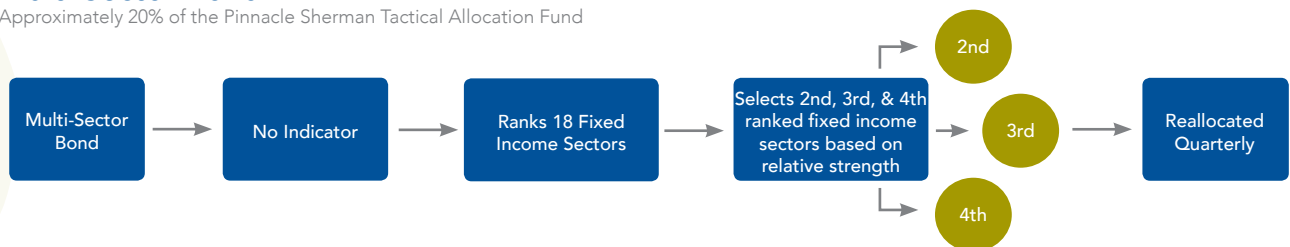
- Quarterly Ranking based on Relative Strength
- Invests equally in 2nd, 3rd, & 4th ranked sectors
- The top ranked sector is bypassed to avoid the mean reversion tendency of the top ranked fixed income sector

This model is reallocated quarterly using the following fixed income sectors:

- 1-3 Month T-Bill
- 1-3 Year Government
- 7-10 Year Government
- 20+ Year Government
- Aggregate Bond Index
- Convertible Bond
- Corporate Investment Grade
- Emerging Markets Government Debt
- Floating Rate/Bank Loan
- High Yield Corporate
- High Yield Municipal Bonds
- Inflation Protected Government
- International Government Debt
- Laddered Treasuries
- Mortgage Backed Bonds
- Municipal Bonds
- Preferred Securities
- Short Maturity

## Multi-Sector Bond

Approximately 20% of the Pinnacle Sherman Tactical Allocation Fund



## Risk Managed Gold Model

### Gold Trend Strength Indicator

- Longer term indicator (quarters to years)
- Based upon price and price persistence (frequency of counter-trend moves of 3% or more)
- Historically "Negative" 1/3 to 1/2 of the time
- Negative periods can last months to years

### Positive Status

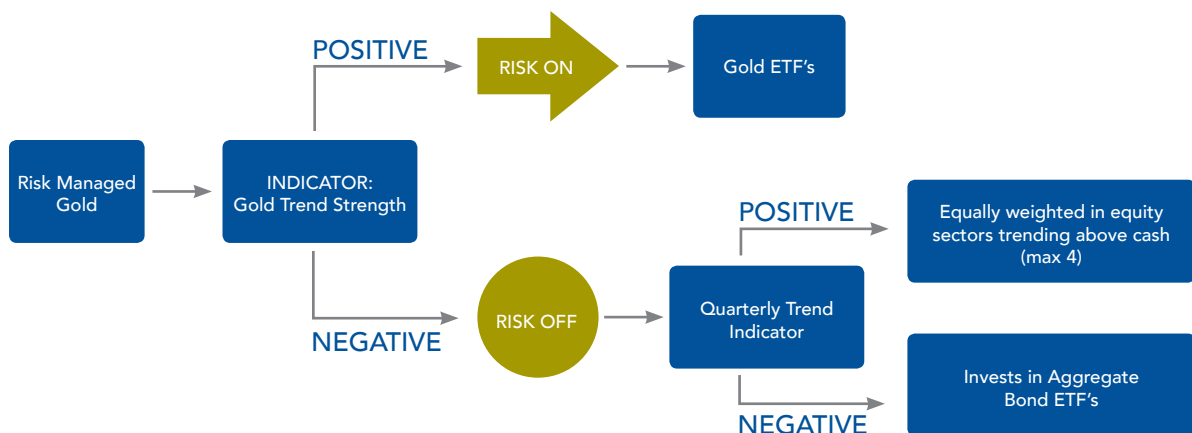
Invests in Gold ETF's

### Negative Status

Invests in equities or fixed income based upon the quarterly trend indicator

## Risk Managed Gold

Approximately 20% of the Pinnacle Sherman Tactical Allocation Fund



*Investors should carefully consider the investment objectives, risks, charges and expenses of the Pinnacle Sherman Funds. This and other important information about the funds are contained in each fund's prospectus, which can be obtained at [www.pinnacletacticalfunds.com](http://www.pinnacletacticalfunds.com) or by calling 888-985-9830. The prospectus should be read carefully before investing. The Pinnacle Sherman Funds are distributed by Northern Lights Distributors, LLC, member FINRA.*

*Mutual Funds involve risk including the possible loss of principal. ETF's are subject to specific risks, depending on the nature of the underlying strategy of the fund. These risks could include liquidity risk, sector risk, as well as risks associated with fixed income securities, real estate investments, and commodities, to name a few. In general, the price of a fixed income security falls when interest rates rise. The Funds may invest, directly or indirectly, in "junk bonds". Such securities are speculative investments that carry greater risks than higher quality debt securities. Investments in lesser-known, small and medium capitalization companies may be more vulnerable than larger, more established organizations. Investments in foreign securities could subject the Funds to greater risks including, currency fluctuation, economic conditions, and different governmental and accounting standards. Increased portfolio turnover may result in higher brokerage commissions, dealer mark-ups and other transaction costs and may result in taxable capital gains.*

*There is no guarantee that any investment strategy will achieve its objectives or avoid losses.*

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