



KA MANAGED INCOME

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KENSINGTON ANALYTICS LLC

Kensington Analytics specializes in data-driven, powerful quantitative decision models that apply to the equity and fixed income markets. The Kensington name was adopted in 1984 and our investment management experience dates back even further. Our quantitative process eliminates discretionary biases when determining the best opportunities to allocate into higher yielding securities.

The underlying philosophy of relying on a quantitatively-driven investment decision process was shaped by the formative trading experience of Kensington's founder, Bruce DeLaurentis.

The hallmark of our demonstrated, time-tested quantitative methodology is not only the prospect of superior returns, but just as importantly, the peace of mind that comes with knowing that we strive to protect principal in adverse market conditions.

KENSINGTON ANALYTICS TEAM

Bruce P. DeLaurentis, Principal and Founder

Executive Team

Frank A. Barbera, Executive Vice President

William P. Stern, Managing Director - Operations

Research and Product Development

Ian Naismith, Research and Product Development

Marcus Hancock, Quantitative Analyst

Marketing and Distribution

Brian Kavanaugh, Business Development Consultant

Angelina Villano Stern, Marketing and Brand Consultant

IT Team

Edy Tang, IT Specialist

Operations

Ryan K. McDonald, Operations

Ashley Lopez, Executive Assistant

QUANTITATIVE APPROACH

We believe that the best way to generate steady, above-average positive returns is to employ an investment methodology that has the potential to recognize and measure consistent and repeating behavioral patterns in the financial markets.

With that goal in mind, we have developed clearly defined quantitative decision models that strive to minimize subjectivity in the decision making process.

QUANTITATIVE APPROACH

- **Recognition that investor psychology plays a major role in shaping the character of a market in determining how price action unfolds.**
- **Model components are purposely designed with either a buy or sell side bias.**
- **Signals are based upon a modular convergence of multiple combinations of set ups and triggers.**
- **Emphasis is placed on the need to avoid reliance on the standard and popular indicators in the lexicon of technical analysis in order to gain advantage over the universe of technically driven investment methods.**
- **Isolation of price events that repeat with sufficient frequency to warrant actionable responses, but are typically not obvious to the larger universe of investors.**

INVESTMENT PROCESS

Macro Overlay

Price trends of high-yield securities are influenced by both interest rate trends and the behavior of the stock market.

There are unique characteristics of the high-yield market that facilitate a more accurate quantitative approach than most other markets.

- **The Managed Income Model determines the overall buy/sell bias by looking at the following daily inputs:**
 - **NAV of U.S. High-Yield Bond Funds**
 - **Price of Long-term US Treasury Bond**
 - **NASDAQ Composite Index**
 - **Value Line Geometric Index**
 - **NYSE number of Advancing and Declining Stocks**
- **The prices of several open-end high-yield bond mutual funds are relied upon to measure the trend of the high-yield market.**
- **Because the price trend of high-yield bonds is influenced by the path of the stock market and the general trend of interest rates, inputs from those markets tend to enhance model accuracy.**
- **Our quantitative process eliminates discretionary biases when determining the best opportunities to allocate to high-yield securities.**
- **We constantly strive to improve the efficiency and effectiveness of the model in response to changing market environments.**

The model generates objective buy/sell signals that dictate a fully invested position in a diversified portfolio of high-yield securities during favorable market conditions.

When market conditions begin to deteriorate, the model will switch to a defensive posture, signaling that assets should be shifted out of high-yield securities into short-term money market instruments or government securities.

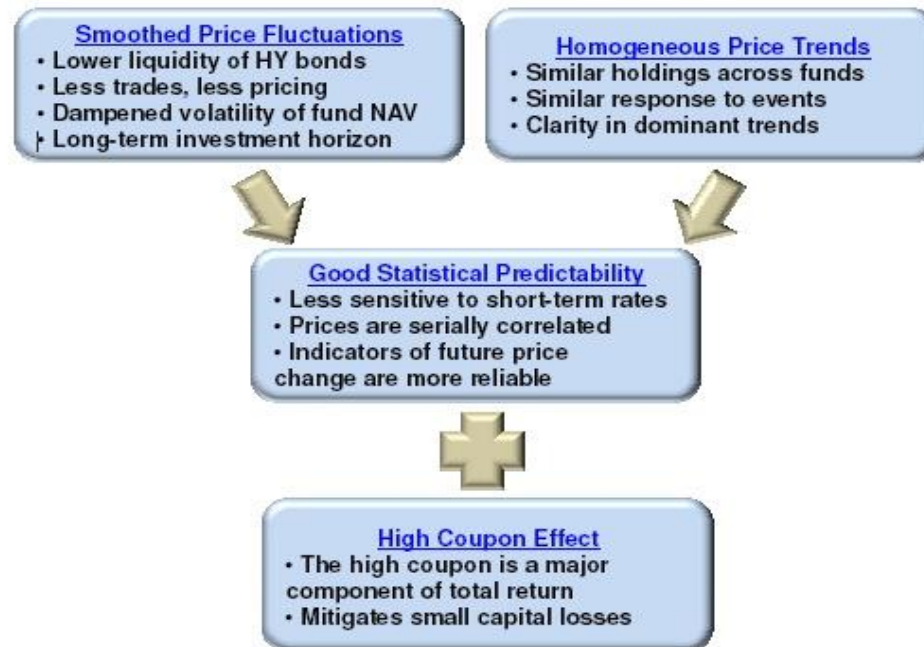
Buy / Sell Signals

- **Inputs are updated daily to the model.**
 - **Outputs are evaluated at the end of each trading day and will always generate a signal that identifies the overall directional bias.**
 - **Certain types of signals, along with supporting indicators, can sometimes provide insight as to the duration and/or magnitude of holding periods.**
 - **Turnover may be up to 4x annually, but is generally expected to be 1-2x.**
- Low turnover minimizes transaction costs**

A quantitative approach using high-yield corporate bond mutual funds can facilitate more accurate and repeatable results when compared to other asset classes.

26 years of high absolute returns should give confidence that our model can be relied upon to take advantage of the characteristics of this asset class.

High-yield bond mutual funds: A unique asset class



ACTUAL PERFORMANCE

Monthly and Annual Performance

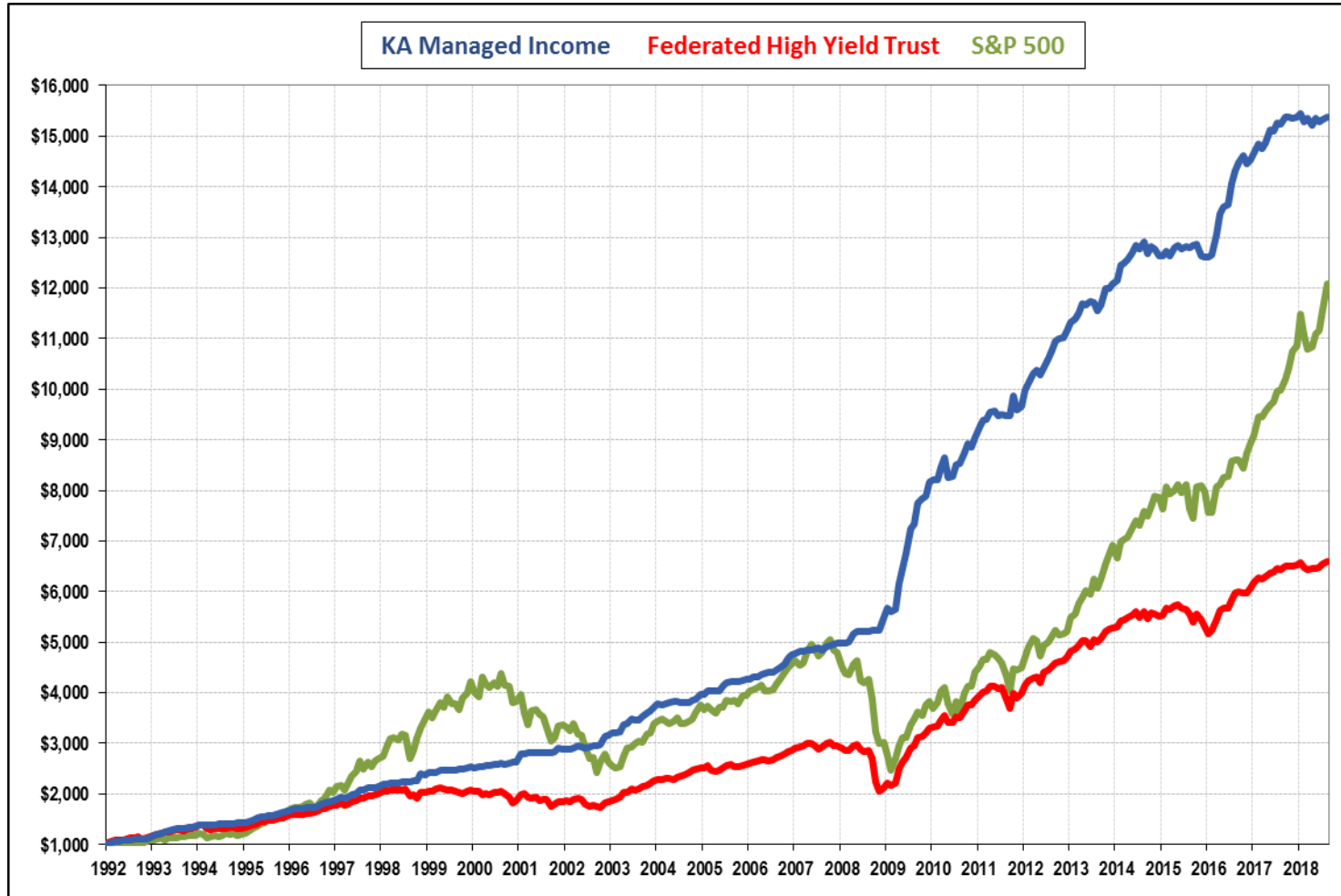
Monthly and annual performance returns for actual managed accounts using no leverage and before fees.

Performance may vary depending on the mutual funds in a portfolio.

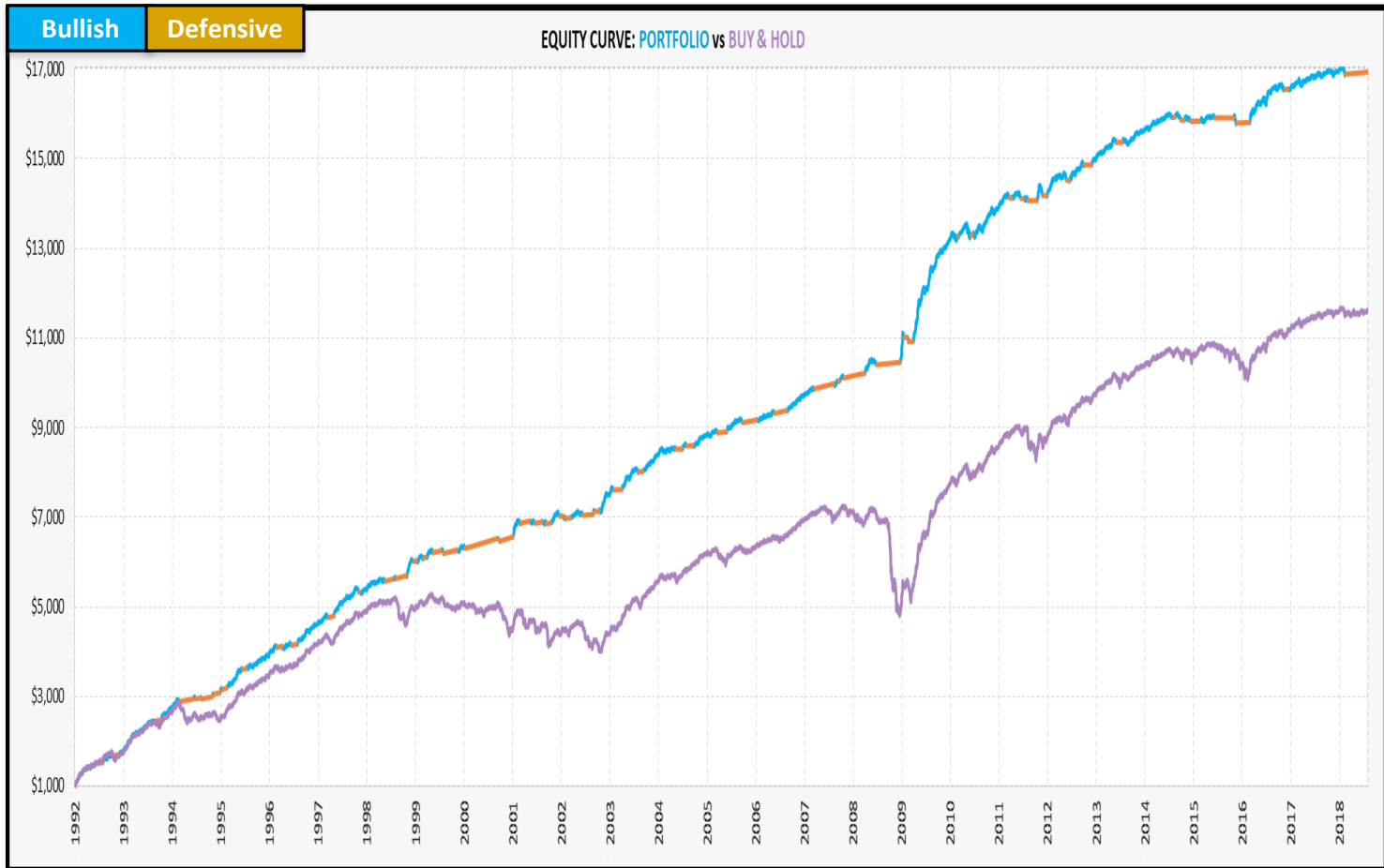
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	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUAL
2018	0.53%	-1.14%	0.44%	-0.86%	0.94%	-0.40%	0.27%	0.19%					-0.05%
2017	0.95%	1.22%	-0.59%	0.81%	1.68%	-0.07%	0.96%	-0.09%	0.96%	-0.09%	-0.09%	0.10%	5.87%
2016	0.00%	0.34%	3.16%	3.16%	0.95%	0.40%	2.95%	1.80%	1.13%	1.07%	-1.18%	0.46%	15.09%
2015	0.00%	0.87%	-0.85%	1.29%	0.40%	-0.45%	0.29%	-0.18%	0.29%	0.27%	-1.79%	-0.16%	-0.06%
2014	0.64%	2.47%	0.37%	0.46%	1.16%	1.10%	-0.54%	1.12%	-1.76%	0.94%	-0.34%	-1.12%	4.52%
2013	1.45%	0.65%	1.08%	1.54%	-0.16%	0.53%	-0.14%	-1.34%	0.92%	2.73%	0.08%	0.75%	8.33%
2012	3.45%	1.42%	1.65%	0.82%	-0.86%	1.34%	1.77%	1.53%	1.55%	0.50%	0.28%	1.09%	15.48%
2011	2.47%	1.44%	0.17%	1.54%	0.11%	-0.88%	0.13%	-0.10%	0.00%	4.19%	-2.78%	0.53%	6.87%
2010	0.63%	-0.08%	3.05%	2.21%	-4.59%	0.43%	2.66%	0.27%	2.55%	2.17%	-0.80%	1.93%	10.67%
2009	3.55%	-1.29%	0.78%	9.09%	4.81%	4.86%	6.90%	1.23%	5.90%	1.11%	0.58%	3.52%	49.00%
2008	0.16%	0.26%	0.17%	3.39%	0.80%	-0.14%	0.08%	0.17%	0.14%	0.17%	0.22%	4.46%	10.21%
2007	0.73%	0.95%	-0.10%	0.37%	0.33%	0.42%	0.33%	-1.02%	1.35%	0.61%	0.23%	0.46%	4.74%
2006	0.23%	0.94%	0.32%	1.12%	0.34%	0.28%	0.40%	0.87%	1.24%	1.56%	2.52%	1.14%	11.50%
2005	-0.02%	1.69%	-0.25%	0.07%	0.09%	1.98%	1.81%	0.62%	0.08%	0.20%	0.23%	0.39%	7.08%
2004	1.66%	-0.48%	0.83%	0.33%	0.51%	0.28%	-0.64%	0.04%	-0.26%	1.51%	0.77%	2.32%	7.04%
2003	1.90%	0.08%	0.08%	4.52%	0.68%	2.79%	-0.87%	0.06%	1.83%	2.03%	1.38%	2.03%	17.68%
2002	-0.37%	0.15%	0.88%	1.58%	-0.77%	-0.54%	0.13%	0.99%	-0.16%	0.76%	5.71%	0.63%	9.20%
2001	6.15%	0.13%	0.44%	0.39%	0.08%	-0.50%	0.32%	-0.03%	-0.35%	1.31%	2.56%	-0.99%	9.72%
2000	-0.45%	0.44%	0.47%	0.47%	0.50%	0.51%	0.53%	0.53%	-0.51%	0.53%	0.52%	0.53%	4.14%
1999	1.38%	-0.26%	0.74%	1.90%	-0.58%	0.37%	-0.42%	0.41%	0.41%	0.42%	0.49%	0.97%	5.96%
1998	1.95%	0.43%	0.90%	-0.02%	0.08%	0.43%	0.73%	-0.13%	0.43%	0.61%	5.72%	-0.31%	11.22%
1997	0.77%	2.06%	-0.55%	0.65%	2.75%	1.68%	2.55%	0.12%	2.32%	-0.15%	0.12%	1.31%	14.44%
1996	1.93%	0.96%	0.42%	0.37%	0.81%	-0.39%	0.39%	1.73%	2.59%	0.77%	1.77%	1.32%	13.39%
1995	0.44%	1.67%	0.80%	2.54%	2.41%	0.35%	1.02%	0.10%	1.36%	1.36%	0.67%	1.58%	15.24%
1994	1.89%	-0.14%	0.20%	0.27%	0.31%	0.79%	0.33%	0.02%	0.36%	0.38%	0.58%	0.89%	6.03%
1993	3.07%	2.00%	2.79%	1.50%	2.08%	2.10%	0.76%	0.50%	-0.07%	1.28%	0.77%	0.83%	19.04%
1992	2.67%	2.05%	1.19%	0.95%	1.58%	0.18%	0.59%	1.08%	0.91%	-0.47%	0.44%	1.78%	13.70%

Comparative Performance Before Fees vs. Federated High Yield Trust and S&P 500 Index



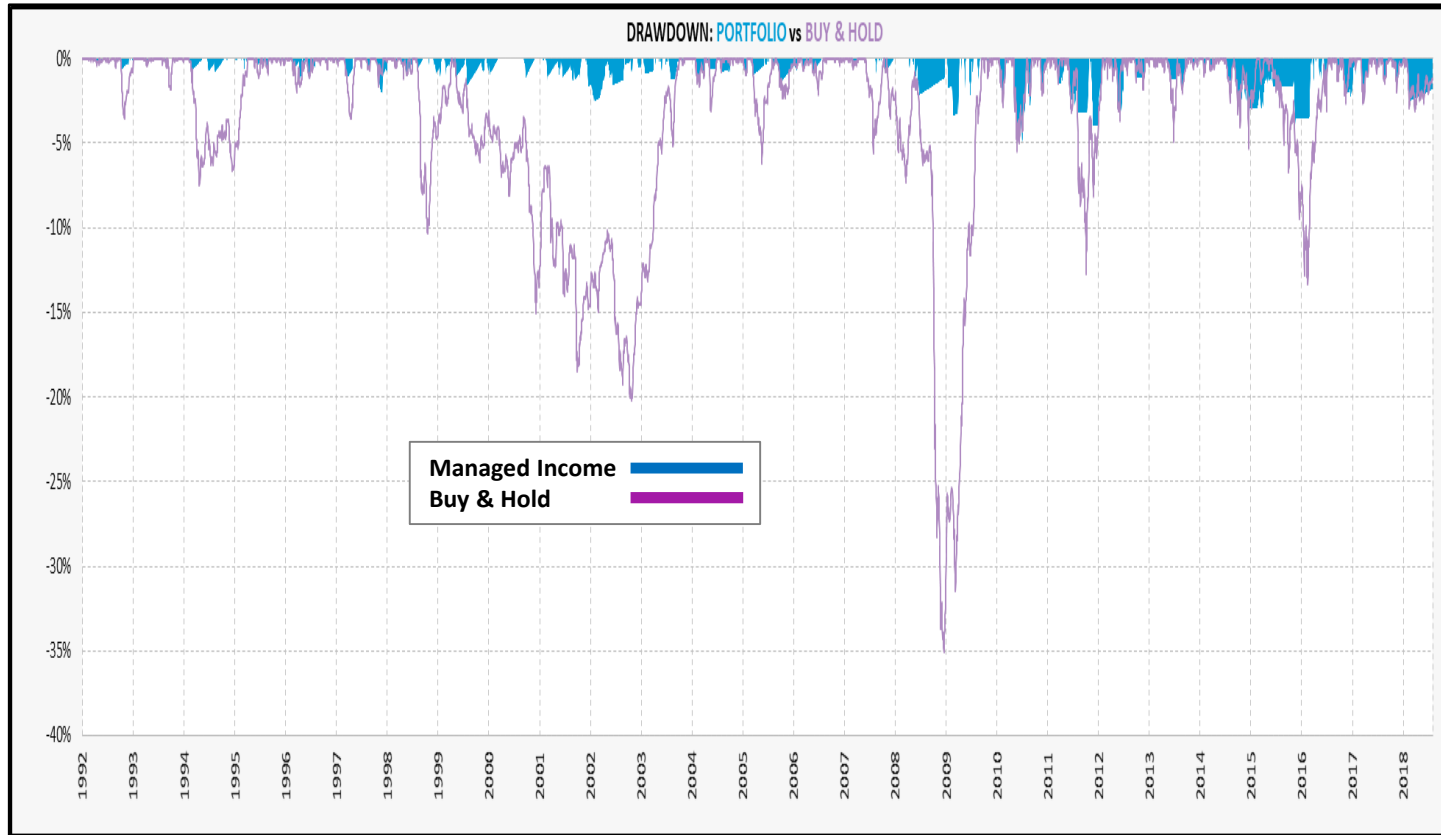
Actual KA Managed Income Strategy Buy/Sell Signals applied to a typical high-yield bond fund* vs. "Buy & Hold"



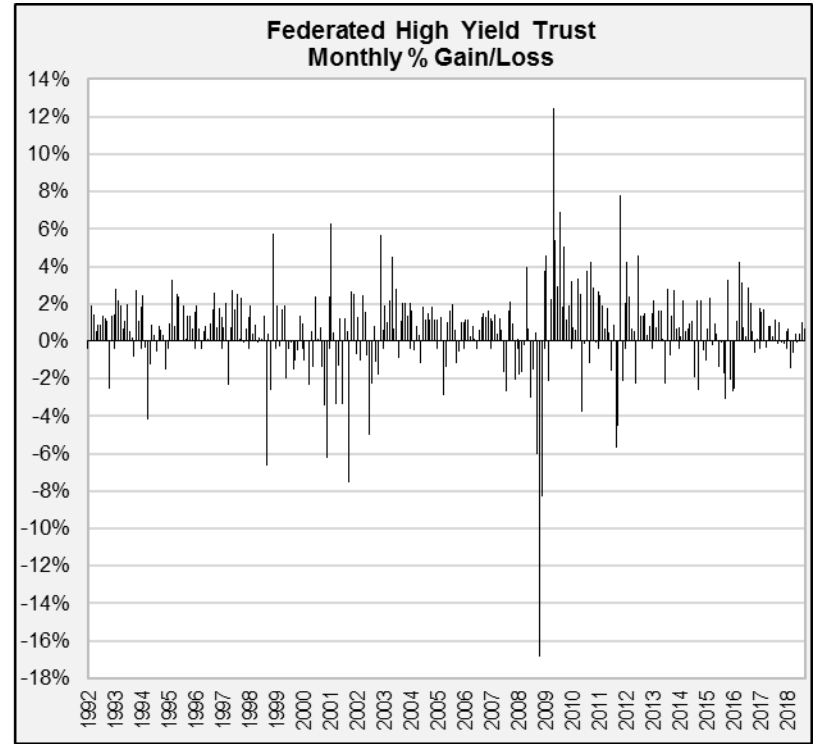
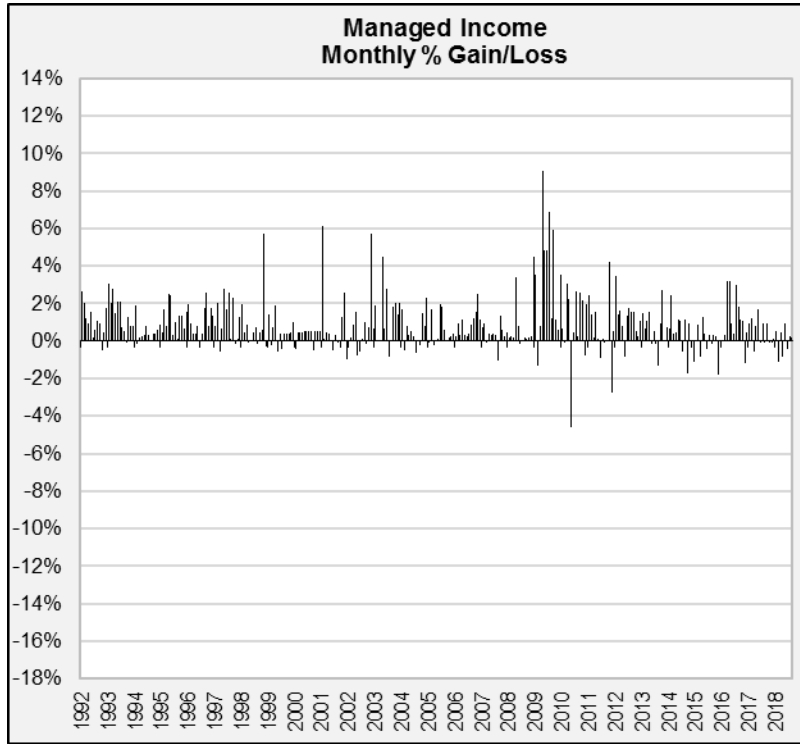
* Federated High Yield Trust (FHYTX)
There is no guarantee that future signals will be profitable or as accurate.

Low Drawdowns Attest To the Way Risk Is Contained

Compare KA Managed Income drawdown to “Buy & Hold” drawdown for Federated High Yield Trust



Monthly comparison of KA Managed Income to “Buy & Hold” for Federated High Yield Trust



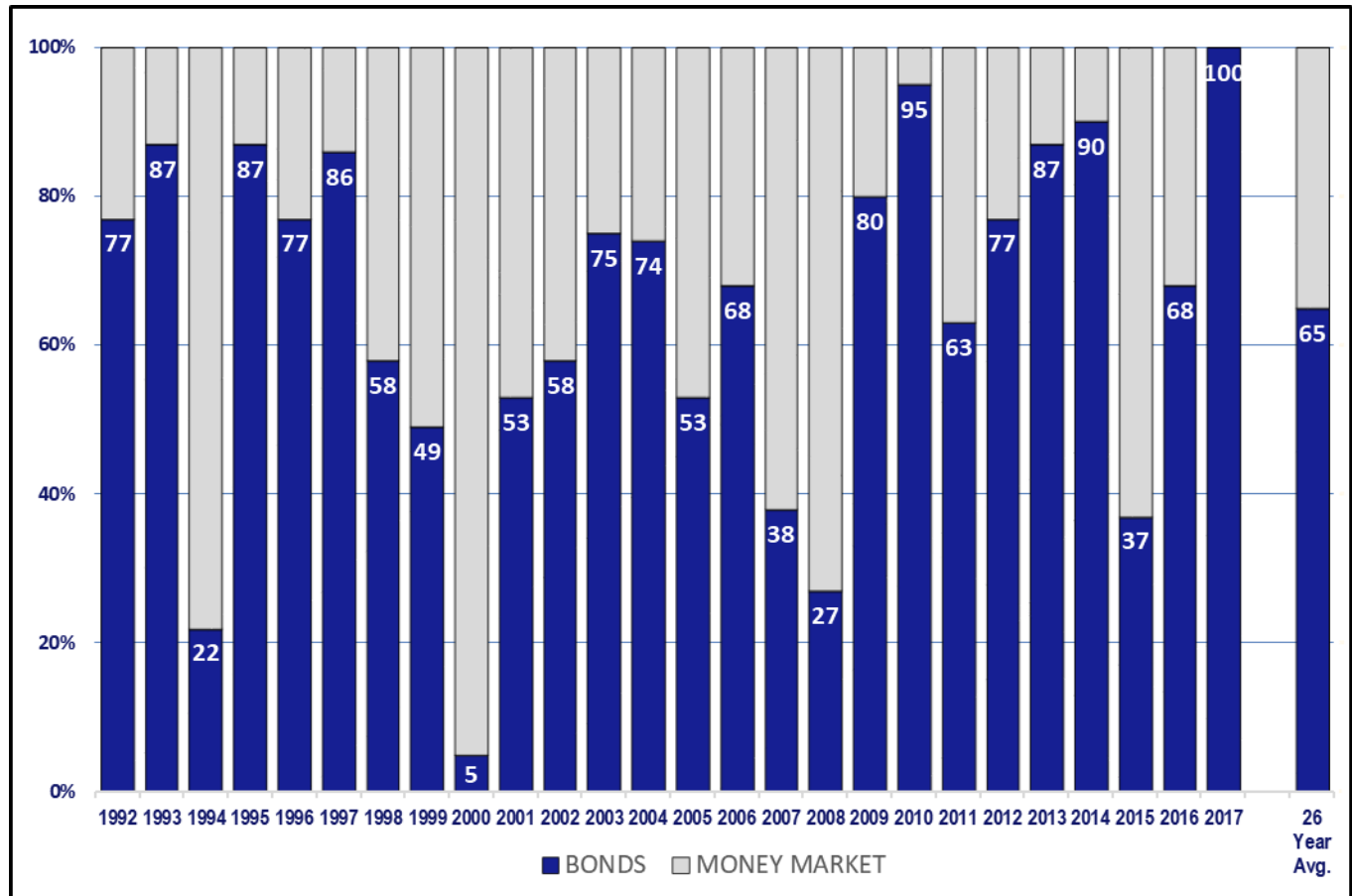
Reduced frequency and magnitude of down months instills client peace of mind

PERFORMANCE: % of Time Exposed to Market Risk

High Dividend Yielding Securities risk exposure:

Over the life of the program, the time exposed to higher dividend yielding securities has averaged only 65%.

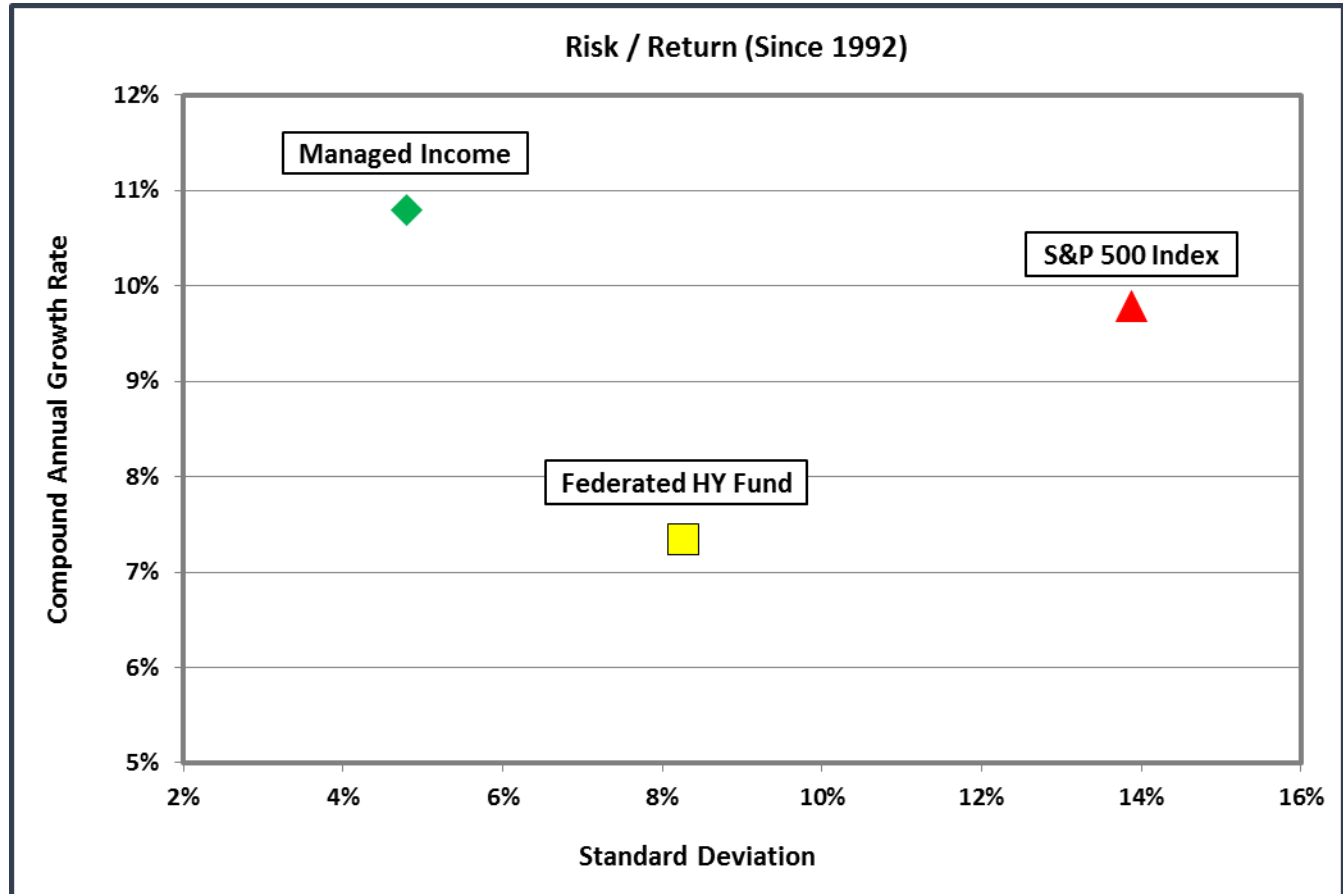
A hallmark of the strategy is the potential for above average returns with substantially less risk and volatility than a “buy and hold” strategy.



(Risk exposure calculations are based upon calendar days)

Risk/Return (Before Fees) vs. Comparison Benchmarks

KA Managed Income Strategy has beaten its comparison benchmarks based on both return and risk.



Performance Statistics for Actual Model Account

KA Managed
Income
performance
statistics before
fees since
inception.

	Managed Income	Federated High Yield Trust	S&P 500 Index
Average Annual Rolling Return	11.14%	7.75%	11.12%
Compound Annual Growth Rate	10.79%	7.33%	9.79%
Annual Standard Deviation	4.80%	8.28%	13.88%
Annual Sharpe Ratio	2.25	0.89	0.71
Maximum Drawdown	-4.59%	-32.07%	-50.95%
Percent of Positive Months	81.25%	72.19%	66.56%
Average Positive Monthly Return	1.22%	1.64%	3.05%
Average Negative Monthly Return	-0.61%	-2.00%	-3.49%

CONTACT INFORMATION

Additional information about the strategy or the adviser is available upon request.



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DISCLOSURE STATEMENT

**KA Managed Income was formerly referred to as High Yield Bond Strategy from inception date of 12/31/1991. The information in this document is subject to revision, updating, completion, verification and amendment. The performance data in this document is presented before fees. Performance for the years 1994 through 2012 has been examined by Rothstein Kass. Performance from 1992 through 1993 and 2013 to present is examined by Theta Research.*

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Past performance is not indicative of future returns and the value of investments and the income derived from them can go down as well as up. Future returns are not guaranteed and a loss of principal may occur. The risks associated with this strategy include general market risk, credit risk, interest rate risk or risk of the portfolio not performing as expected. The types of securities held by a comparison benchmark may be substantially different from the investment strategy. An investor should consider the investment objectives, risks, charges, and expenses of the investment and the strategy carefully before investing. The S&P 500 Total Return Index is an unmanaged index consisting of 500 common stocks with dividends reinvested and is provided as a representation of the US stock market for informational purposes.

Performance figures provided do not reflect the deduction of investment advisory and other fees. Your client's return will be reduced by advisory fees and other expenses charged in the management of the client's account. Your clients should carefully review applicable fees disclosed in Form ADV, Part 2. Clients should understand how ongoing advisory fees, compounded over a number of years reduce the value of their investment portfolio, as investment balances and potential gains on the investment balances are reduced by the fees.

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