TARGET DRAWDOWN SERIES UPSIDE/DOWNSIDE V. THE S&P 500

October 2018—February 2019

How Cabana Manages Risk:

Cabana numerically quantifies acceptable levels of risk by identifying a target drawdown percentage at the onset of the investment process and strives to stay within that range during adverse market conditions. Cabana's Target Drawdown Portfolios range from a 5-20% target drawdown. Drawdown is defined as the maximum amount an investment can be expected to fall from peak to trough.

Why This Works:

This strategy allows clients to remain fully invested at all times, with the primary goal of minimizing drawdown, while still actively participating in favorable market conditions. We believe that this combination is the key to long-term success for investors.

Why Upside/Downside Capture Matters:

Upside and downside capture ratios quantify what percentage an investment gains or loses in a falling or rising market, respectively. Protecting against losses in falling markets can have a large impact on the total return of investments. For example, a 50% loss requires a 100% gain on the remainder to break even. The ability to limit losses (or drawdown) can be essential to long-term investments.

The below statistics provide an example of our efforts to protect against the downside in stressed market conditions (Q3 2018) and participate in the upside as market conditions recover (Q1 2019).

Downside Capture v. the S&P 500 (Oct. 1—Dec. 31)	Upside Capture v. the S&P 500 (Jan. 1—Feb. 28)
Core Tactical 7: 37%	Core Tactical 7: 54%
Core Tactical 10: 58%	Core Tactical 10: 61%
Core Tactical 13: 74%	Core Tactical 13: 68%
Core Tactical 16: 95%	Core Tactical 16: 87%
Core Tactical 20: 92%	Core Tactical 20: 110%

* To determine the above calculations, Cabana's gross return for the time period noted is divided by that of the S&P 500. Cabana's income and tax-efficient portfolios do not apply here, as they run on a variation of Cabana's algorithm which manages drawdown differently and therefore they trade less frequently.

Key Takeaway:

Oftentimes, what matters most in overall return is not the amount of money made on the upside, but rather limiting losses on the downside.

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