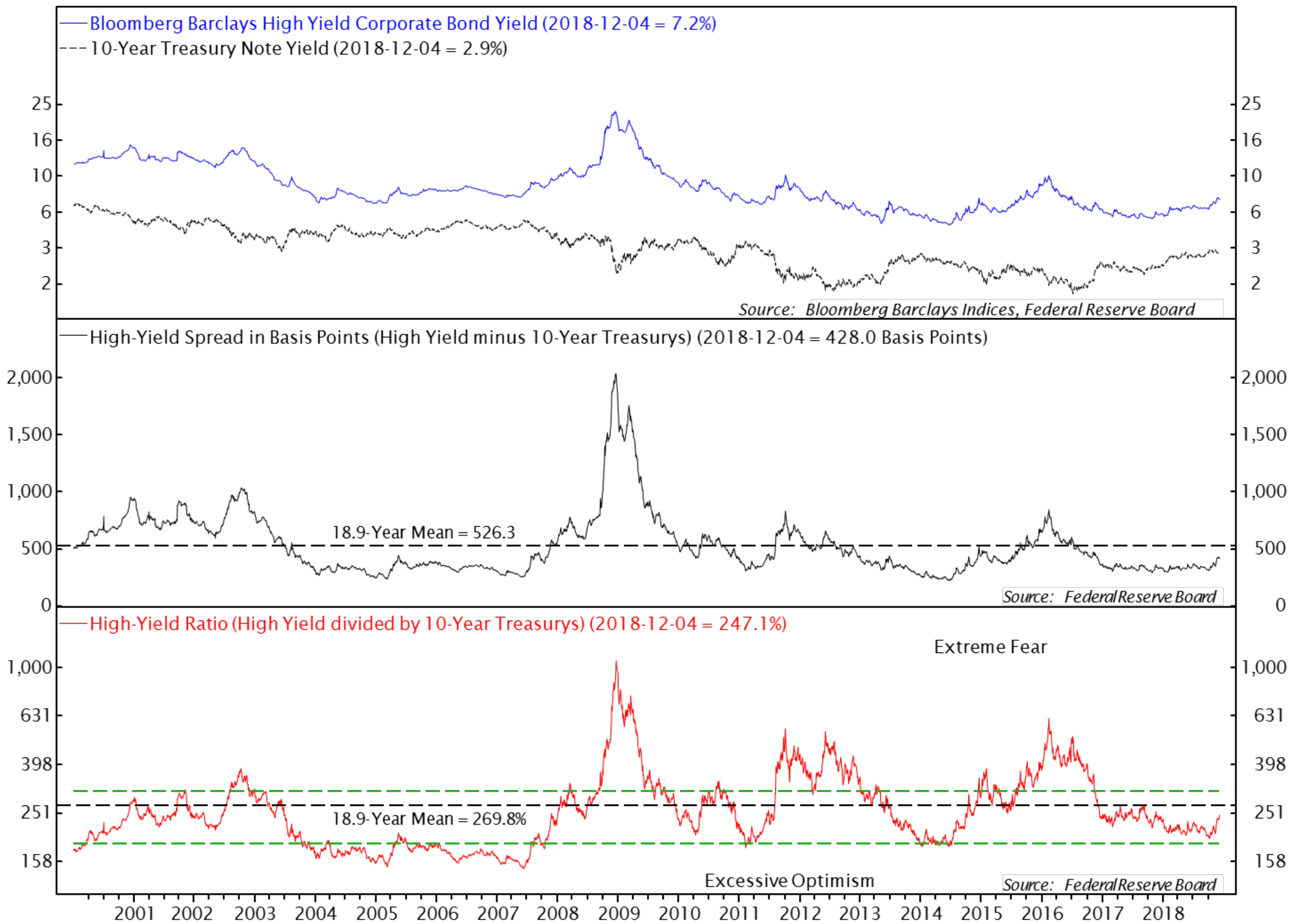
Model Change

DECEMBER 6, 2018

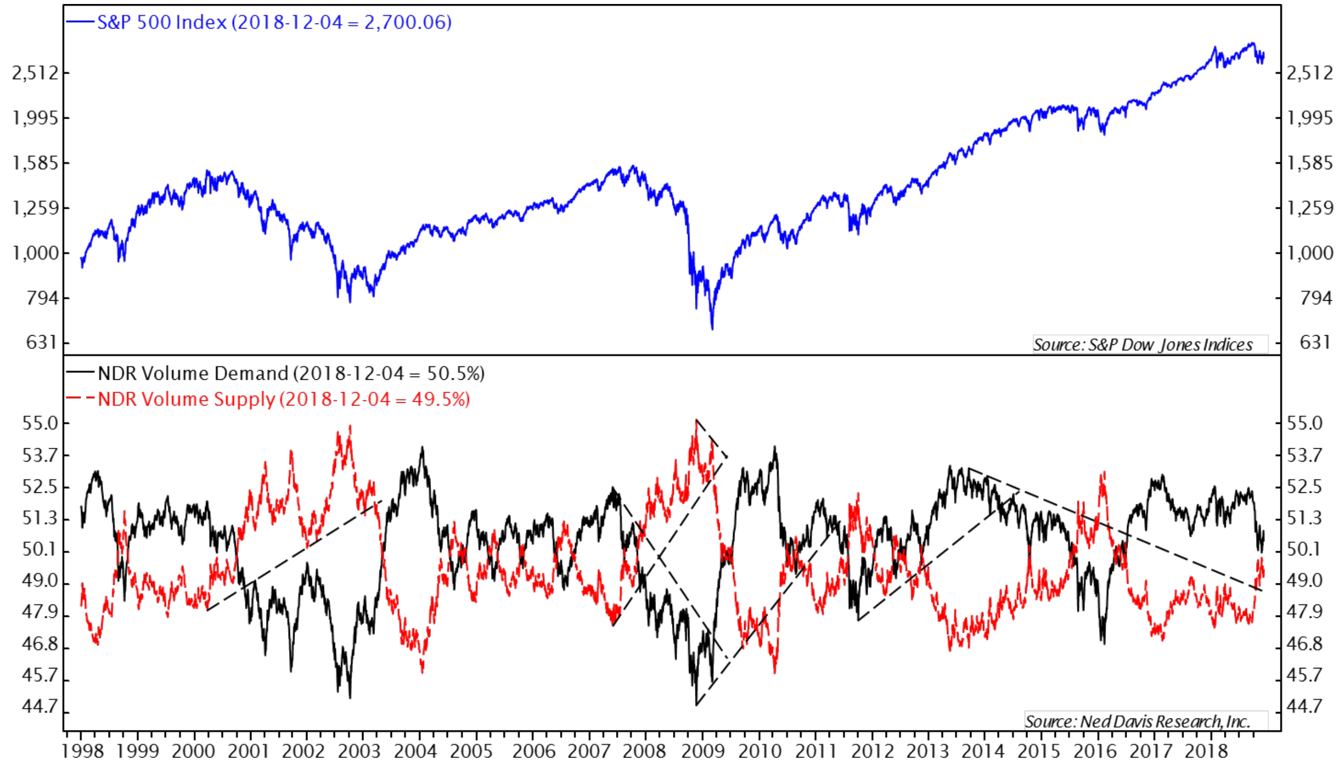
The portfolio manager decreased exposure to 15% by eliminating the 25% exposure in IWM (Russell 2000) and adding 7.5% exposure to SDS (ProShares UltraShort S&P500), which is a 2x short ETF. There has been a rapid rise in credit spreads and we believe our long-term volume-based momentum model will likely go negative this coming weekend with the previous trading day (this Tuesday) having seen nine-to-one downside volume over upside volume. The portfolio's model is currently (effectively) 15% exposed to the market: 30% SPY (S&P 500), 7.5% SDS, and 62.5% cash.

High-yield corporate spreads



Source: Ned Davis Research. Daily data 01/03/00 to 12/04/18. For illustrative purposes only. Past performance is not indicative of how the index will perform in the future. The index reflects the reinvestment of dividends and income and does not reflect deductions for fees, expenses or taxes. The index is unmanaged and is not available for direct investment.

S&P 500 Index vs. Ned Davis Research (NDR) supply and demand



S&P 500 Index Performance
1981-12-31 to 2018-12-04

NDR Volume Demand is	% Gain/ Annum	% of Time
Above NDR Volume Supply	11.29	79.26
Below NDR Volume Supply	-0.52	20.74

Buy/Hold = 8.73% Gain/Annum

S&P 500 Index Performance
Chart View: 1997-12-31 to 2018-12-04

NDR Volume Demand is	% Gain/ Annum	% of Time
Above NDR Volume Supply	9.89	68.15
Below NDR Volume Supply	-4.72	31.85

Buy/Hold = 5.01% Gain/Annum

Source: Ned Davis Research. Daily data 12/31/97 to 12/04/18. For illustrative purposes only. Past performance is not indicative of how the index will perform in the future. The index reflects the reinvestment of dividends and income and does not reflect deductions for fees, expenses or taxes. The index is unmanaged and is not available for direct investment.

Broadmark's Four Pillars

The portfolio management team takes a disciplined approach to their investment process that considers qualitative and quantitative factors, but provides them discretion regarding how to position the strategy. There are four pillars of the investment process. The first three pillars—valuation, monetary policy and credit conditions, and investor sentiment—are qualitative in nature and indicate extreme market conditions while the final pillar—momentum—is a quantitative assessment of volume- and breadth-based momentum and confirms that a change in the market direction has taken place. The models utilized within these pillars provide key determinates in assessing optimal stock market exposure, including: entry points, the amount of exposure, the type of exposure and exit points.

VALUATION

The team looks for extremes in valuations to signal when to be cautious and when to be more optimistic about future returns. Historically, at high points in the stock market cycle, valuation levels are elevated and at low points in the cycle, valuations are low. Equity valuations must be assessed within the prevailing economic and interest rate environment.

MONETARY POLICY AND CREDIT CONDITIONS

Monetary policy and credit conditions are among the key factors in the determination of the long-term direction of the U.S. stock market. When the U.S. Federal Reserve (Fed) is easing monetary policy and credit conditions are accommodative, it provides a healthy environment for equities. A tightening of Fed policy and deteriorating credit conditions eventually create a poor environment for equities. Indicators of the actions of global central banks that could affect U.S. policy and the U.S. stock market are also important in this analysis.

INVESTOR SENTIMENT

Investor sentiment is analyzed from a contrarian point of view. Most classes of investors are wrong at market extremes. Extreme investor sentiment levels are seen as signals that market reversals may occur. When investors are very optimistic, it is usually the time to be cautious; when investors are selling heavily, it is usually time to increase market exposure.

MOMENTUM

Healthy markets are distinguished by a high percentage of stocks participating in the advance. During these times, measures of volume and market breadth confirm new highs in the major market indexes. As the stock market and economic cycle near a peak, there are usually decreasing levels of participation in terms of both breadth and volume, which creates negative divergences. The long-term momentum model is used to position the portfolio offensively, defensively or neutral to the market.

Previous models:

Effective November 21, 2018: 55% exposed to the market: 30% SPY, 25% IWM (Russell 2000) and 45% cash.

Effective November 8, 2018: 55% exposed to the market: 30% SPY, 25% DIA (Dow Jones Industrial Average) and 45% cash.

Effective November 2, 2018: (effectively) 40% exposed to the market: 30% SPY, 7.5% SDS (ProShares UltraShort S&P500), 25% DIA and 37.5% cash.

Investing involves risk, including a possible loss of principal. Past performance does not guarantee future results. No investment strategy can guarantee performance results. Portfolio holdings are subject to change at any time. Forward Management LLC is a registered investment advisor. Forward was acquired by Salient in June 2015. Salient is the trade name for Salient Partners, LP, which together with its subsidiaries provides asset management and advisory services. The views expressed contain certain forward-looking statements. Salient believes these forward-looking statements to be reasonable, although they are forecasts and actual results may be meaningfully different. This material represents an assessment of the market at a particular time and is not a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any particular security.

Leveraged and/or inverse ETF have certain risks, including but not limited to tracking error from the stated objective due to the use of derivatives and leverage, especially during periods of market volatility.