



REDWOOD'S TACTICAL EQUITY DIVIDEND STRATEGY

Strategy

The attractive risk-return profiles of factor based equity strategies combined with the growing proliferation of smart beta strategies have led advisors to seek Redwood's advice and feedback regarding how and when to utilize these strategies. As a result of these inquiries, Redwood developed the Redwood Tactical Equity Dividend Strategy to provide an alternative to tracking the W.E. Donoghue's Power Dividend Total Return Index (the "Power Dividend Index"). Like the Power Dividend Index, the Redwood Tactical Equity Dividend Strategy uses an exponential moving average cross to identify when risk exposure should be turned on or off for investing in a portfolio that matches the S-Network Sector Dividend Dogs Index's ("Sector Dividend Dogs") members. The resulting back-test run using Redwood's technicals matches the risk-on, risk-off nature of the Power Dividend Index with little to no tracking error (see excel file labeled "Tactical Equity Dividend Comparison.xlsx" for detailed day-to-day attribution).

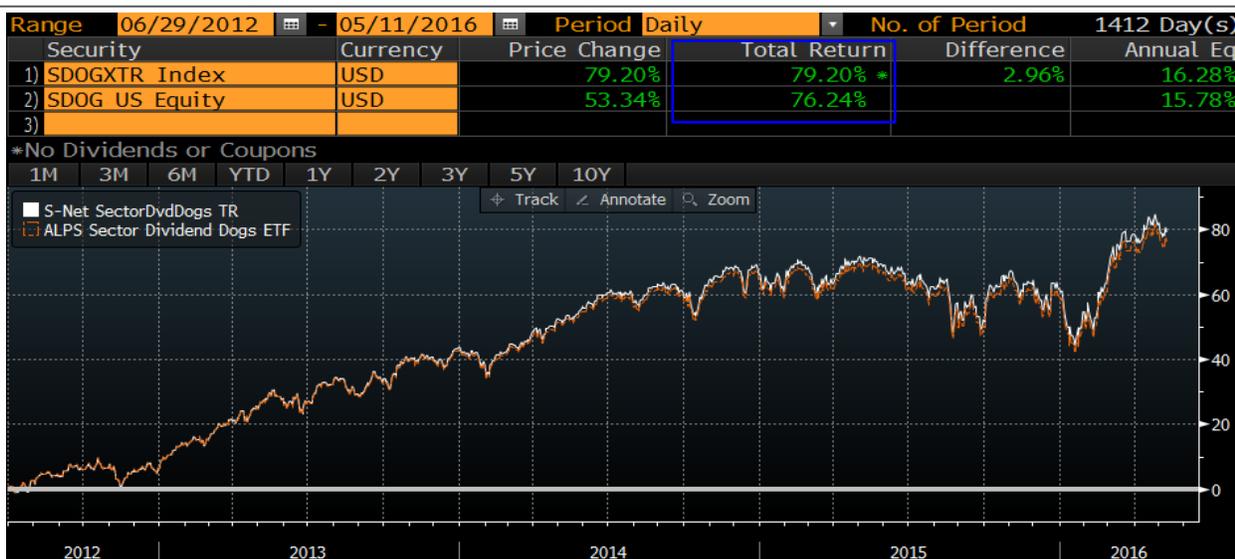
Exposure and Stock Selection

During risk-on environments, the Redwood Tactical Equity Dividend Strategy seeks to invest in the same constituents as the Sector Dividend Dogs. The methodology of selection can be achieved through Bloomberg filters. In short, the Sector Dividend Dogs chooses the stocks with the highest dividends in each sector.

Unfortunately for many accounts, investing in a basket of 50 securities can be challenging - especially when trying to allocate to a strategy at the sleeve level. For these accounts, an exchange traded fund (ETF) that tracks the Sector Dividend Dogs, such as SDOG, can serve as a viable option during risk-on signals. Illustrated below, over the last several years, the SDOG historically had minimal tracking error to the Sector Dividend Dogs.

The Redwood Tactical Equity Dividend Strategy can be applied to either a basket of 50 stocks, or a single ETF to suit the advisor's needs.

S-Network Sector Dividend Dogs Index (White) vs. SDOG (Orange)



Source: Bloomberg. Dates from 6/29/12 to 5/11/16. For illustration purposes only. Past performance is not a guarantee of future results. An Investor cannot invest directly in an index. A complete list of all buy and sell recommendations over the last 12 months will be provided upon request. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended for advisory clients, and it should not be assumed that investments in the securities identified and discussed were or will be profitable. Holdings are subject to change. Redwood or one or more of its officers, may have a position in the securities discussed herein and may purchase or sell such securities from time to time. Please see important disclosures on last page.

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The Tactical Strategy Overlay

The strategy uses a technical exponential moving average cross. These strategies are trend following in nature, only selling into a defensive position when prices are going down, and purchasing back in when prices are going up. Technicals are applied directly onto the Sector Dividend Dogs.

Back-test with strategy risk-on, risk-off signals applied to the S-Network Sector Dividend Dogs Index



Sources: Bloomberg, Redwood. Dates from 12/31/99 to 5/12/16. For illustration purposes only. Past performance is not a guarantee of future results. Performance for the bottom graph in the chart above is hypothetical. An investor cannot invest directly in an index. A complete list of all buy and sell recommendations over the last 12 months will be provided upon request. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended for advisory clients, and it should not be assumed that investments in the securities identified and discussed were or will be profitable. Holdings are subject to change. Redwood or one or more of its officers, may have a position in the securities discussed herein and may purchase or sell such securities from time to time. Please see important disclosures below.

For more information on this strategy, or any other Redwood products, please contact us.

GENERAL DEFINITIONS AND DISCLOSURE:

The S-Network Dividend Dogs Index (SDOGXTR) uses a methodology that selects the five stocks in each of the 10 sectors that make up the S&P 500 Index, which offer the highest dividend yields. The ALPS Sector Dividend Dogs ETF (SDOG) is an exchange-traded fund that tracks the performance of the SDOGXTR. W.E. Donoghue's Power Dividend Index uses the total return variation of the SDOGXTR to signal investment into and out of the SDOGXTR. An investor cannot invest directly in an index.

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