

STOP-LOSS

A UNIQUE FEATURE THAT PROTECTS PERFORMANCE IN VARIOUS
INTEREST RATE ENVIRONMENTS.

NASDAQ GENERATIONS 5 INCLUDES A UNIQUE STOP-LOSS FEATURE THAT CAN
POWER THE INDEX TO OUTPERFORM IN A RISING INTEREST RATE ENVIRONMENT.

WHY DOES A STOP-LOSS MATTER?

Every volatility-controlled index uses a non-equity component to dampen volatility. This component is often bonds but can also include cash, commodities, etc. When the component is bonds, then bond performance is based on bond prices.

DECREASING RATE ENVIRONMENT

If interest rates fall, then bond prices tend to increase – leading to a gain on bonds. This gain combined with equity performance can be a recipe for success. In this situation, allocation to bonds can pair well with the equity component of the index.

INCREASING RATE ENVIRONMENT

If interest rates rise, then bond prices tend to decrease – leading to a loss on bonds. This loss puts a drag on index performance. In this situation, it would be better to not have the index allocate to bonds.

What if an index could be smart enough to allocate to bonds when it makes sense and move away from bonds during a rising rate environment?

This is where Nasdaq Generations 5's stop-loss methodology comes into play.

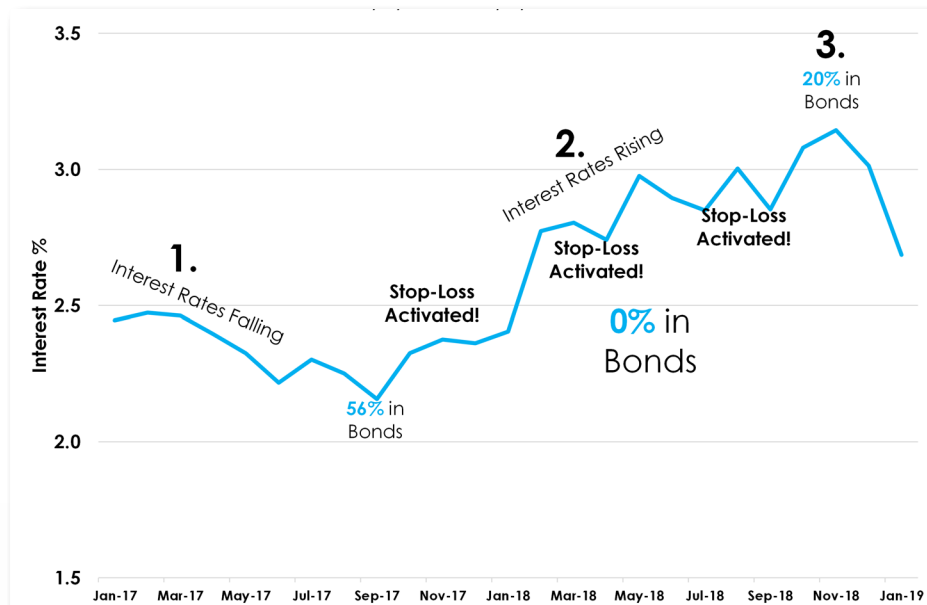
HOW DOES IT WORK?

The stop-loss is quite simple. If bond prices fall below their 200-day moving average, then the index will not allocate to bonds – instead it allocates to cash.

LET'S SEE THE STOP-LOSS IN ACTION

A rising rate environment occurred September 2017 through November 2018.
Nasdaq Generations 5's stop-loss responded well to this environment.

Ten-Year Treasury Rate
1/1/2017 - 1/1/2019



1. As interest rates fell, **Nasdaq Generations 5** had 56% allocated to the 10-year Treasury.
2. The 10-year Treasury rate began to increase. The stop-loss was triggered on 11/29/2017, and the index no longer allocated to bonds.
3. Once interest rates began to decrease consistently in December of 2018, the index allocated to bonds once again.

Few indexes had positive performance during the rising rate environment of 12/31/2017 – 12/31/2018. Since **Nasdaq Generation 5's** stop-loss was activated, the index's performance was not dragged down by poor bond performance. While most indexes suffered losses, **Nasdaq Generations 5** had a gain of **2.86%**.

WHAT ABOUT TODAY?

Interest rates have been rising during 2021 and 2022. The **Nasdaq Generations 5's** stop-loss has been activated since 10/11/2021, ensuring that the index performance does not have drag from bond performance.



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