THE UNIVERSITY OF CHICAGO Department of Mathematics Financial Mathematics

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Project Lab Team,
MS in Financial Mathematics,
Department of Mathematics,
The University of Chicago,
5727 S University Ave
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Enhanced Investment Partners, LLC
30 S Wacker, Suite 2200
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Dear Mr. Robert Rowe,

The Financial Mathematics program's Project Lab team at The University of Chicago has been assigned to perform back testing studies to verify and validate the investment returns of an equity rotation program developed by Enhanced Investment Partners, LLC.

The study period is comprised of about 15 years (2001 Q3 – 2016 Q1) and is built upon previous studies of the Enhanced Equity Investment Rotation program. This study utilizes data from eVestment Alliance database, an independent institutional investment data provider, along with data provided by Mr. Ivory Day and formulas and algorithms defined as the Enhanced Equity Investment Rotation program. This study uses S&P, Wilshere and Russell indices for complete analysis of Enhanced Equity Investment Rotation methodology and we use S&P style index to report the summary statistics in this letter against the S&P500 as benchmark.

This letter is a statement of our findings, as they relate to the Enhanced Equity Investment Rotation program. A more detailed report providing the quarterly and annual results follow under separate cover, discussing our findings, the algorithms and our full and complete analysis, thereby completing our assignment.

For purposes of our study the following are defined:

The Enhanced Equity Investment Rotation program is utilized to allocate equity portfolios to equity styles. Enhanced Equity Investment Rotation program was designed to identify the most favored and least favored investment style and allocate an equity portfolio accordingly. This method allocates across investment styles (value and growth) and capitalization sizes (small and large).

Super Optimum method: This method is based on foresight, in that the equity portfolio is allocated to the favored (most productive) equity style at the exact time it comes into favor.

Optimum method: This method is based on foresight, in that the equity portfolio is allocated to the favored (most productive) equity style three months after it comes into favor.

Lag method: This is the level of performance achieved by the Enhanced Equity Investment Program using indices. This method assumes that the equity portfolio is allocated to the favored (most productive) equity style six months after it comes into favor, as defined by the Enhanced Equity Investment Program.

Our study utilized the methods and processes of the Enhanced Equity Investment Rotation program and calculated the resulting performance statistics reported in this letter. Returns reported are excess returns calculated by subtracting the risk-free rate data obtained from Kenneth French's website.

The summary of our findings for the composite 15-year study are as follows:

1. Annualized rate of return utilizing the super optimum method was 11.36%
   Annualized rate of return utilizing the optimum method was 10.11%
   Annualized rate of return utilizing the best lag method was 8.76%
   versus the Standard and Poor's 500 return of 6.98%

2. Annualized volatility with the super optimum method was 0.1953
   Annualized volatility with the optimum method was 0.1970
   Annualized volatility with the best lag method was 0.1994
   versus the Standard and Poor's 500 volatility of 0.1673

3. Annualized Sharpe Ratio with the super optimum method was 0.76
   Annualized Sharpe Ratio with the optimum method was 0.66
   Annualized Sharpe Ratio with the best lag method was 0.53
   versus the Standard and Poor's 500 Sharpe Ratio of 0.39

For the entire 15-year period, 44 of the 59 quarters using Enhanced super optimum method had positive returns. 43 of the 59 quarters using Enhanced optimum method had positive returns. 42 of the 59 quarters using Enhanced best lag method had positive returns. 15 of the 59 quarters using Enhanced super optimum method had negative returns. 16 of the 59 quarters using Enhanced optimum method had negative returns. 17 of the 59 quarters using Enhanced best lag method had negative returns. These findings and analysis are shown in greater detail in the complete analysis report.

These conclusions and findings are not intended to render an investment recommendation. The study was conducted to verify and validate the Enhanced Equity Investment Rotation methods, and to report our findings. The University of Chicago's Financial Mathematics program does not issue investment advice.

Sincerely,

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