



# KL Allocation Fund

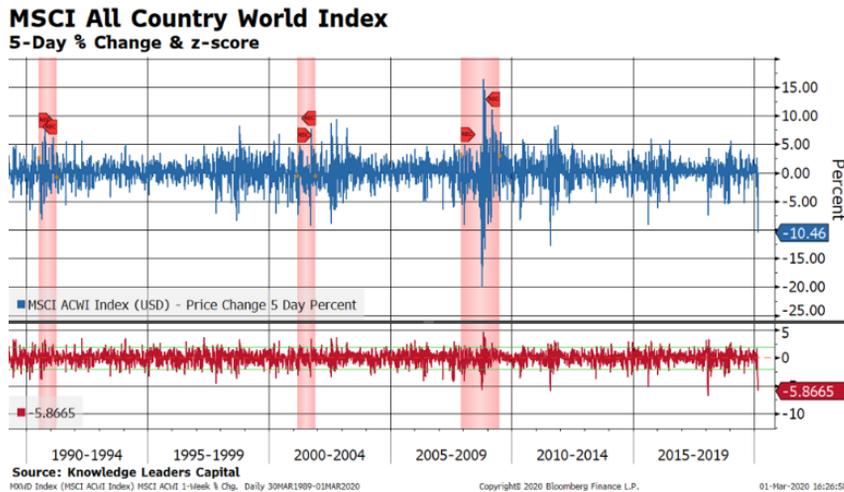
March 2, 2020

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## Catastrophe Avoided: Fund Performance in Recent Drawdown

By Steven Vannelli, CFA, and Bryce Coward, CFA

Global stocks experienced a rapid sell-off last week. The MSCI All Country World Index (USD) fell -10.46%, posting one of its worst weeks in history, as of 2/28/20. In fact, this past week was the second worst week the index ever posted outside of a recession, eclipsed only by the week ending August 12, 2011. Last week the index was down more than any week in the 1990-91 or 2001 recession. Looking at the last 250 days of trading, last week's decline was a 5.86 standard deviation event. For general reference, the odds of a 6 standard deviation event occurring is 1 in 506,797,346.



Z-score measures a value's standard deviation from the mean.

For the **KL Allocation Fund** the week was much less exciting, with the fund posting a relatively small -1.82% loss, as of 2/28/20. This doesn't even rank in the worst 10 weeks in the fund's history, and based on the last 250 trading days, last week was only a 1.67 standard deviation event. For general reference, the odds of a 2 standard deviation weekly event happening is 1 in 22.

**As of 12/31/2019, the 1-year, 5-year and since inception annualized total returns for the KL Allocation Fund Advisor Class were 13.24%, 4.15% and 6.66% and Institutional Class were 13.60%, 4.42% and 6.95%, respectively. The MSCI All Country World Index's 1-year, 5-year and since inception annualized total return as of 12/31/2019 were 26.60%, 8.41% and 9.11%. The total annual operating expenses of the Fund are 1.49% and 1.24% for the Advisor and Institutional Classes, respectively. The inception date for the KL Allocation Fund is 09/30/10.**

**The performance data quoted here represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain performance information current to the most recent month-end please call 888.998.9890 or visit our website at [www.KnowledgeLeadersFunds.com](http://www.KnowledgeLeadersFunds.com).**

The Advisor has contractually agreed to waive its fees and/or pay for operating expenses of the Fund to ensure that the total annual fund operating expenses (excluding any taxes, leverage interest, brokerage commissions, dividend and interest expenses on short sales, acquired fund fees and expenses (as determined in accordance with Form N-1A), expenses incurred in connection with any merger or reorganization, and extraordinary expenses such as litigation expenses) do not exceed 1.50% and 1.25% of the average daily net assets of Advisory Class and Institutional Class shares of the Fund, respectively. This agreement is in effect until December 31, 2020, and it may be terminated before that date only by the Trust's Board of Trustees.

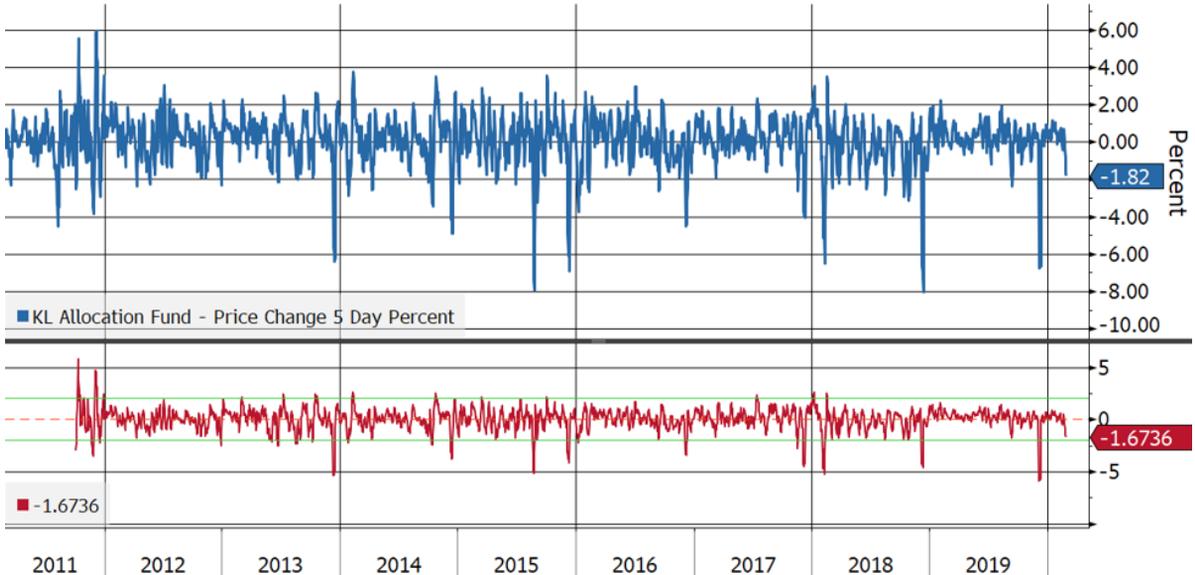


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## KL Allocation Fund (GAVIX) 5-Day % Change & z-score



Source: Knowledge Leaders Capital  
GAVIX US Equity (KL Allocation Fund) GAVIX 1-Week % Chg. Daily 27FEB2011-01MAR2 Copyright© 2020 Bloomberg Finance L.P. 01-Mar-2020 16:27:54

*Z-score measures a value's standard deviation from the mean.*

The relative performance of US stocks to longer-dated bonds peaked in October 3, 2018 and has been declining since then, so last week's sell-off should be seen in the longer perspective. Since October 2018, the S&P 500 Index has underperformed the Bloomberg 10-Year+ US Treasury Index by -28.35%, as of 2/28/20. For us, this is an important observation.

*"That is about all I have learned—to study general conditions, to take a position and stick to it."  
-- Edwin Lefèvre, Reminiscences of a Stock Operator*

In our study of "general conditions," the relative performance of stocks vs. bonds is at the heart of our asset allocation decisions. When bonds are outperforming stocks, we believe it is the market voting that assets leveraged to economic growth are NOT the place be allocated. As such, since the fourth quarter of 2018, in the KL Allocation Fund, we reduced exposure to equities.



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## S&P 500 Index Performance Relative to Bloomberg UST 10Y+ Index



Source: Knowledge Leaders Capital

.SPREL10 F Index (S&P 500 Relative to 10Y UST) S&P 500 Rel. BB UST 10Y+ Daily 0

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In the tables below, we identify every 5%+ drawdown the MSCI All Country World Index has endured since inception of the KL Allocation Fund in September 2010. On average, since inception, the fund has mitigated 67.7% of drawdowns, as of 2/28/20.

Aggregate Drawdown Stats			
	MSCI ACWI Index	KL Allocation Fund (GAVIX)	Difference
Number of 5% Drawdowns	17	4	13
Average Drawdown	-10.05%	-3.20%	-6.85%
Median Drawdown	-8.26%	-3.30%	-4.96%
Average Drawdown Avoided	0.00%	67.72%	67.72%
Median Drawdown Avoided	0.00%	62.05%	62.05%

Source: Morningstar and Knowledge Leaders Capital, as of 2/28/20. Past performance does not guarantee future performance, please refer to page 1 for the fund's standard performance.

Due to our more hedged position in the portfolio (see [Q42019 fund commentary](#)) and cautious investment stance, we mitigated over 100% of each drawdown in 2019. In the most recent drawdown, so far, we have mitigated 88.7% of the drawdown, falling only -1.32% since the market peak on February 12, 2020, as of 2/28/20. In comparison, the MSCI ACWI was down -11.65% as of 2/28/20.

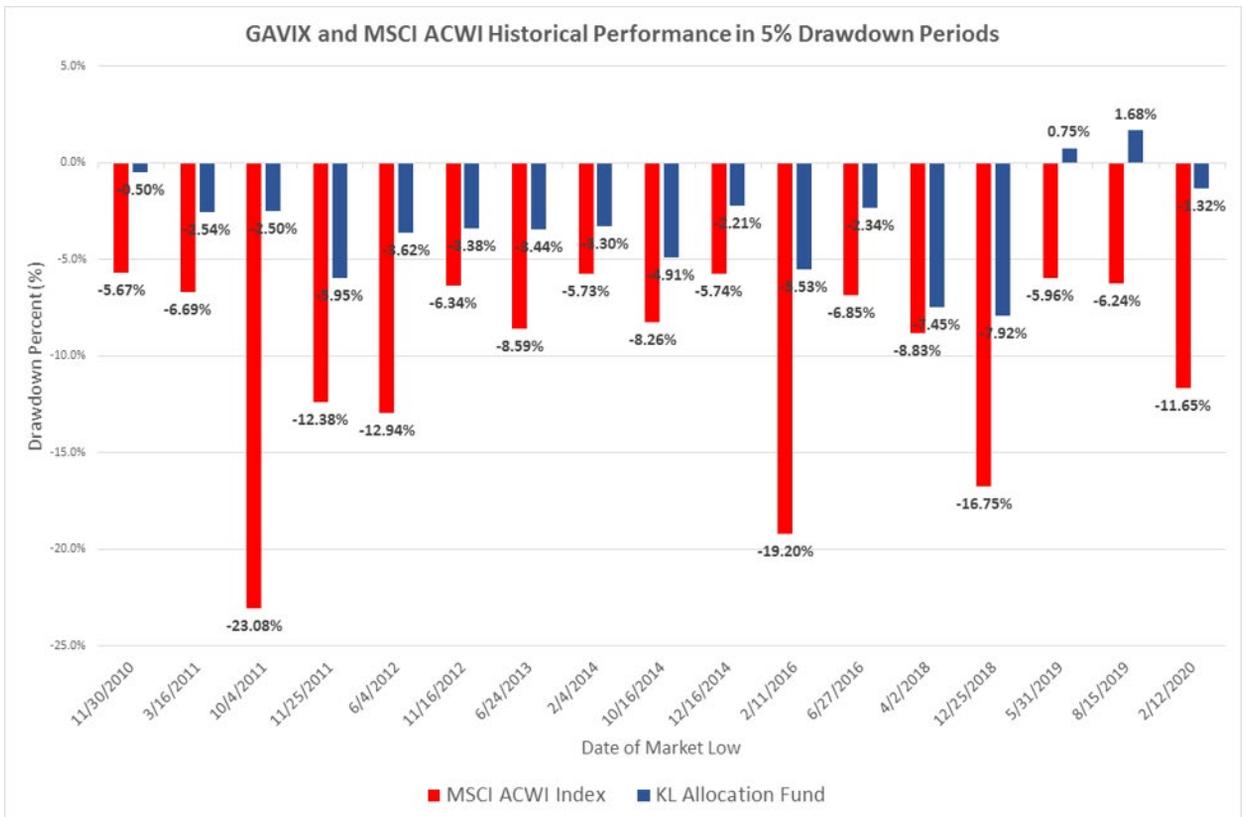


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Individual Drawdown Episodes						
High Date	Low Date	MSCI ACWI Index	KL Allocation Fund (GAVIX)	Difference	% Drawdown Avoided	
11/5/2010	11/30/2010	-5.67%	-0.50%	5.18%	91.21%	
2/18/2011	3/16/2011	-6.69%	-2.54%	4.15%	62.05%	
5/2/2011	10/4/2011	-23.08%	-2.50%	20.59%	89.18%	
10/28/2011	11/25/2011	-12.38%	-5.95%	6.43%	51.91%	
3/19/2012	6/4/2012	-12.94%	-3.62%	9.33%	72.05%	
9/14/2012	11/16/2012	-6.34%	-3.38%	2.96%	46.67%	
5/21/2013	6/24/2013	-8.59%	-3.44%	5.15%	59.93%	
12/31/2013	2/4/2014	-5.73%	-3.30%	2.43%	42.46%	
9/9/2014	10/16/2014	-8.26%	-4.91%	3.35%	40.55%	
11/26/2014	12/16/2014	-5.74%	-2.21%	3.54%	61.56%	
5/21/2015	2/11/2016	-19.20%	-5.53%	13.67%	71.22%	
6/23/2016	6/27/2016	-6.85%	-2.34%	4.51%	65.87%	
1/26/2018	4/2/2018	-8.83%	-7.45%	1.38%	15.66%	
9/21/2018	12/25/2018	-16.75%	-7.92%	8.83%	52.72%	
5/3/2019	5/31/2019	-5.96%	0.75%	6.72%	112.64%	
7/24/2019	8/15/2019	-6.24%	1.68%	7.92%	126.83%	
2/12/2020	2/28/2020	-11.65%	-1.32%	10.33%	88.68%	



Both tables on this page source: Morningstar and Knowledge Leaders Capital as of 2/28/20.

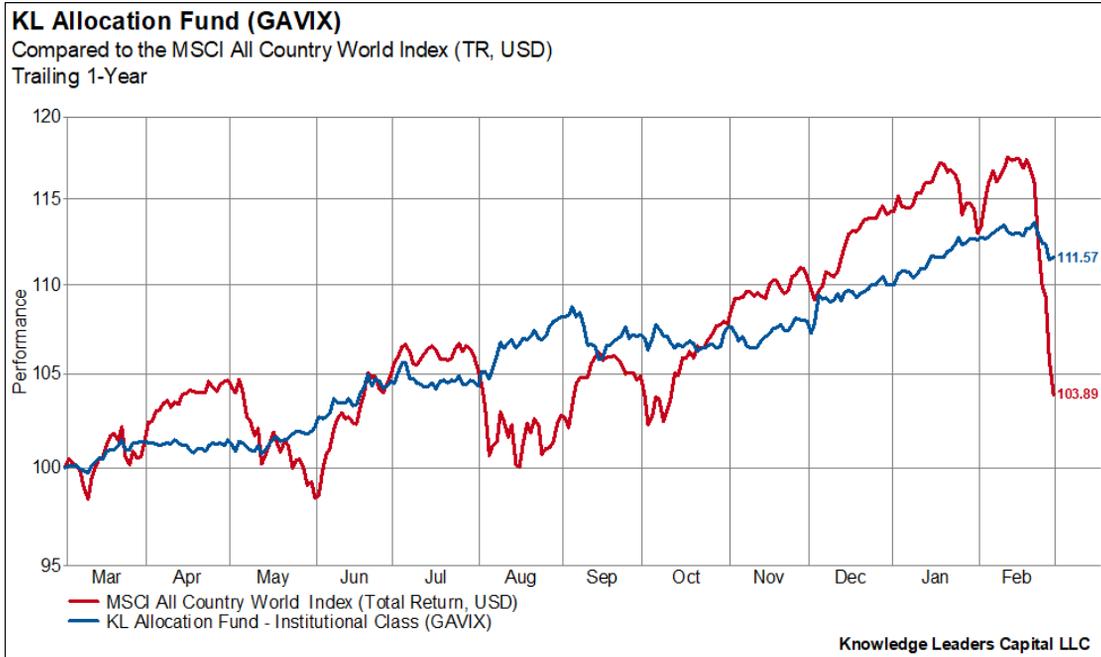


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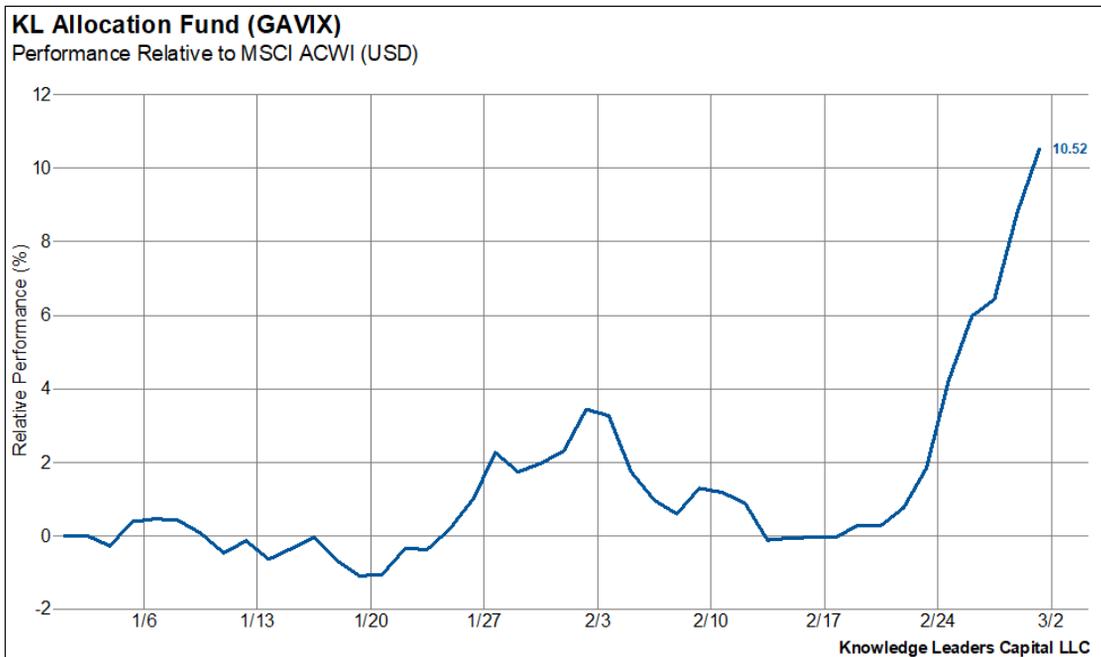
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It is this focus on risk control and seeking capital preservation that has led the KL Allocation Fund to deliver outstanding risk-adjusted performance metrics since inception of the fund. Over the last year, the KL Allocation Fund was up +11.57% compared to the MSCI ACWI's gain of +3.89% as of 2/28/20. Much of this outperformance can be attributed to completely mitigating the May and August 2019 drawdowns ... and of course avoiding almost 90% of the recent decline.



Year-to-date the KL Allocation Fund has outperformed the MSCI ACWI by +10.52% as of 2/28/20.



Both charts on this page as of 2/28/20.

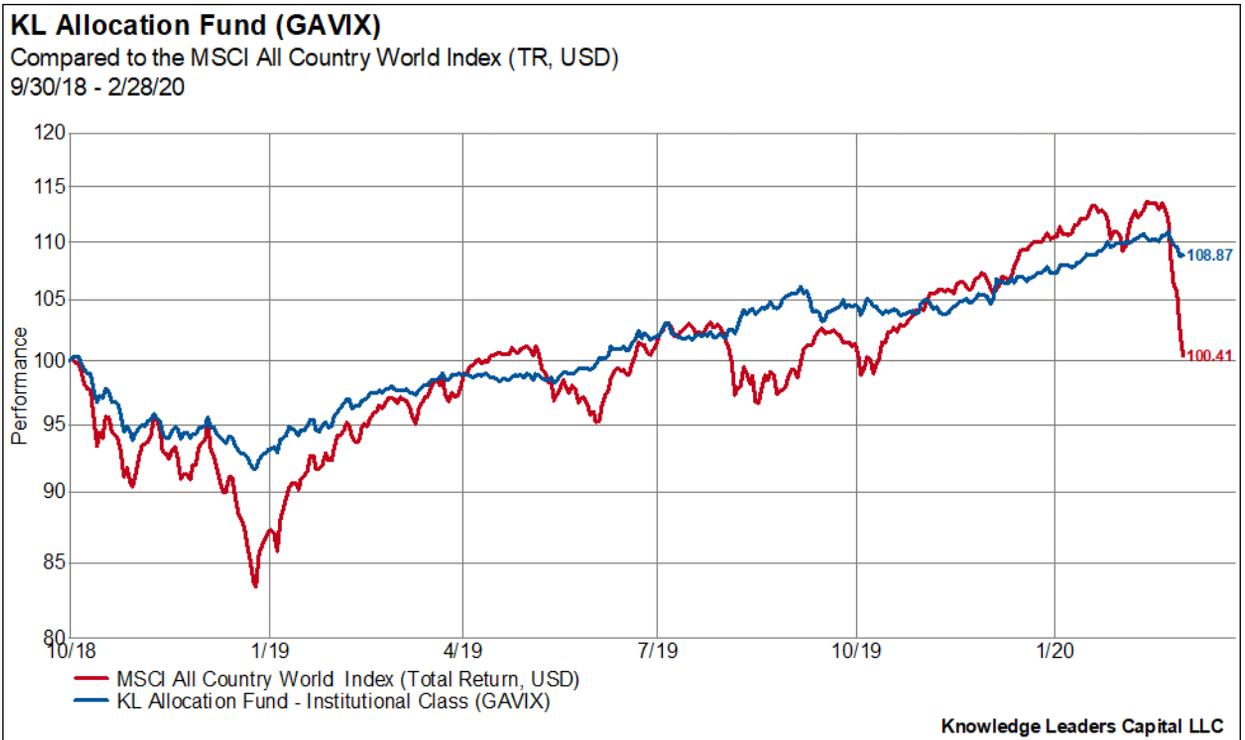


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If we go back to September 30, 2018, when stocks peaked vs. bonds, the KL Allocation Fund outperformed by +8.46% as of 2/28/20. While the MSCI ACWI was up +41bps over the last 17 months, the KL Allocation Fund notched a +8.87% gain as of 2/28/20.



*“Another lesson I learned early is that there is nothing new in Wall Street. There can't be because speculation is as old as the hills. Whatever happens in the stock market today has happened before and will happen again. I've never forgotten that. I suppose I really manage to remember when and how it happened. The fact that I remember that way is my way of capitalizing experience.”*

*-- Edwin Lefèvre, Reminiscences of a Stock Operator*



## Important Information and Risks

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**Short-term performance is not an indicator of future performance or returns. Short-term performance should not be relied upon as the sole basis in deciding to invest in the KL Allocation Fund or any investment product.**

**Please consider the Fund's investment objectives, risks, charges and expenses before investing. The prospectus or summary prospectus that contains this and other information about the Fund, is available by calling 888.998.9890 and should be read carefully.**

**The KL Allocation Fund is distributed by IMST Distributors, LLC.** The value of the securities held by the Fund will change due to general market and economic conditions and industry perceptions. Investments in non-US issuers may involve unique risks. Currency fluctuation, adverse political, economic or social developments could undermine the value of the Fund's investments. The securities of mid-cap companies may be subject to more abrupt or erratic market movements and may have lower trading volumes. Many of the risks with respect to foreign investments are more pronounced for investments in issuers in developing or emerging market countries. An investment in a fund that is less diversified across countries or geographic regions is generally riskier than an investment in a more geographically diversified fund.

There is no guarantee the fund's investment strategy will be successful.

Allocation weights are subject to change.

An investor cannot invest directly in an index.

The **MSCI All Country World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance in 46 developed and emerging markets.

**Standard deviation** is a calculation used to measure variability of a portfolio's performance. A 5.86 **standard deviation event** is 5.68 standard deviations from the norm (or average) and shows how much variance a particular data item is from the average. In this case, the odds of a 6 standard deviation event occurring is 1 in 506,797,346.

**Z-score** is a numerical measurement used in statistics of a value's relationship to the mean of a group of values, measured in terms of standard deviation from the mean and can be put to use in determining market volatility.

*Reminiscences of a Stock Operator* by Edwin Lefèvre was published in 1923.