Improve Investor Outcomes with Tactical Allocation

MEEDER

About Meeder

TACTICAL

Focused on tactical asset allocation and a pioneer of defensive investing

TIME TESTED

1974

Managing client assets for nearly five decades with a seasoned team of investment professionals

MODEL DRIVEN

Committed to a quantitative investment process incorporating multiple models and factors

It begins with diversification

Diversification is an important investment concept. It can help you mitigate risk and manage a portion of your portfolio regardless of what the market is doing. Being diversified between stocks, bonds and cash may not be enough. Today, investors also need to diversify by investment style and across sectors, geographies, industries and securities as well.

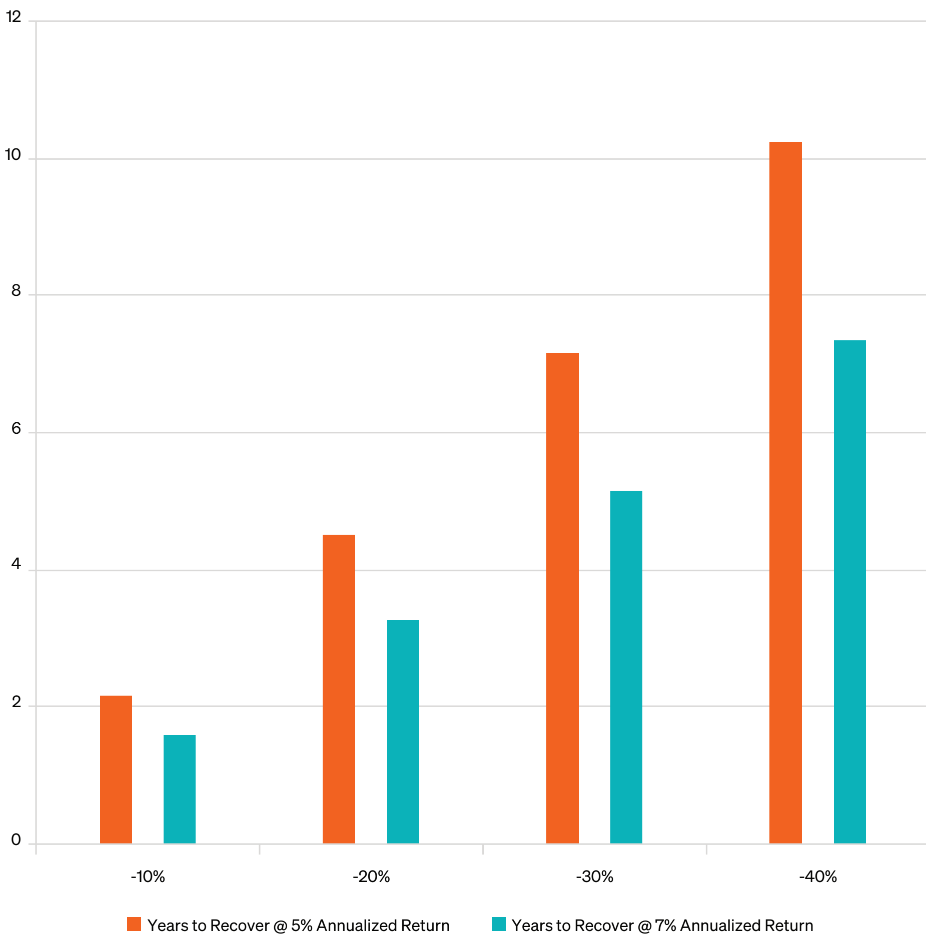
One style you may be less familiar with—but offers numerous benefits—is tactical asset allocation. We believe that tactical managers can provide downside protection, lower volatility, and offer more complete diversification. And when used as a complement to strategic asset allocation offerings—typically “buy and hold” strategies with pre-determined target allocations—we believe tactical managers provide the potential for better outcomes.

The importance of downside protection and lower volatility

Volatility may actually be more important to your portfolio's value than average annual returns. That's why downside protection is critical to helping investors stay on track. You already know that volatility is a natural part of investing, but did you know that too much volatility can reduce your overall portfolio value?

HOW LONG DOES IT TAKE TO BREAK EVEN?

Years to Recover, Hypothetical Market Declines



Volatility costs you time

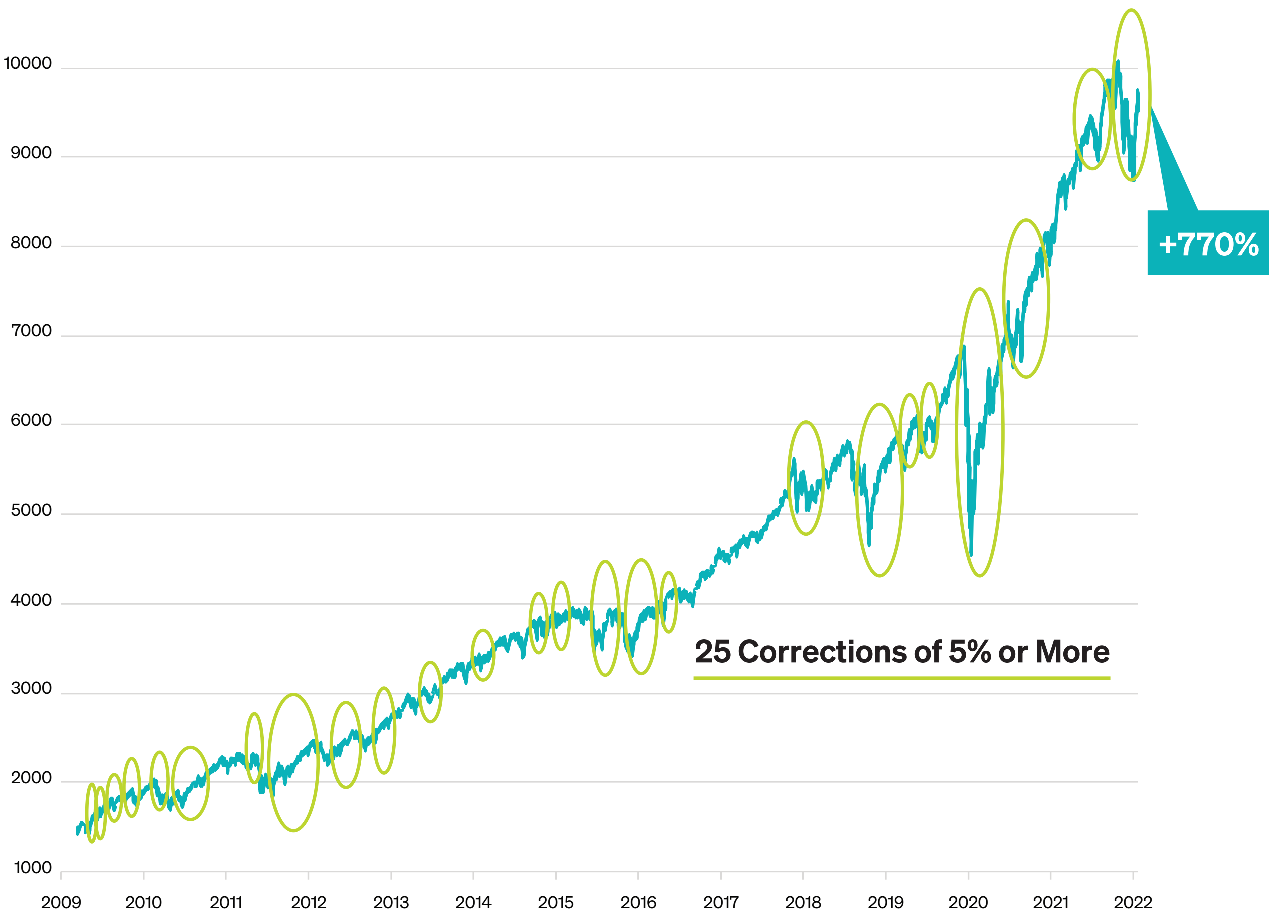
Volatility can cost you more than money—it can cost you time as well. That's where downside protection comes in. A portfolio that loses 50%, for example, has to return 100% before it can break even, and that can take more time. If you're in or near retirement, you may not have the time to spare. A portfolio that loses 40% and then averages 5% per year, for example, could take more than 10 years to break even, while that same portfolio averaging 7% per year would be back to even in seven years.

Volatility is a reality

While volatility can cost investors time and money, it is also the new normal and a reality when it comes to investing. Several factors can positively and negatively impact markets, such as political turmoil overseas, war or the threat of war, terrorism, and global economic crises. In the U.S., we saw market volatility as a result of the 2016 Presidential Election, where the stock market dropped in the hours after the election only to rally upward through the end of the year. As you can see in the chart, while this current bull market is still charging upward, pullbacks of 5% or more have occurred many times.

MARKET DECLINES OF 5% OR MORE

S&P 500 Index, March 9, 2009–March 31, 2022



Source: Bloomberg. Includes dividends. Each correction is identified from a peak to trough following a new high for the time period being examined.

Tactical asset allocation defined

So, what exactly is tactical asset allocation? Let's take a quick look.

Tactical asset allocation was born out of the Bear Market of 1973–74, when investors experienced significant losses and were searching for money managers that could minimize market impacts on their hard-earned money.

Tactical strategies are typically driven by data, rather than emotions. They tend to use mathematical models designed to continually analyze vast amounts of economic and market data in real time.

They also have the flexibility to determine the best potential course of action, given the data, and to execute trades very quickly—which gives tactical managers the ability to identify and avoid risks or to uncover and capitalize on potential opportunities.

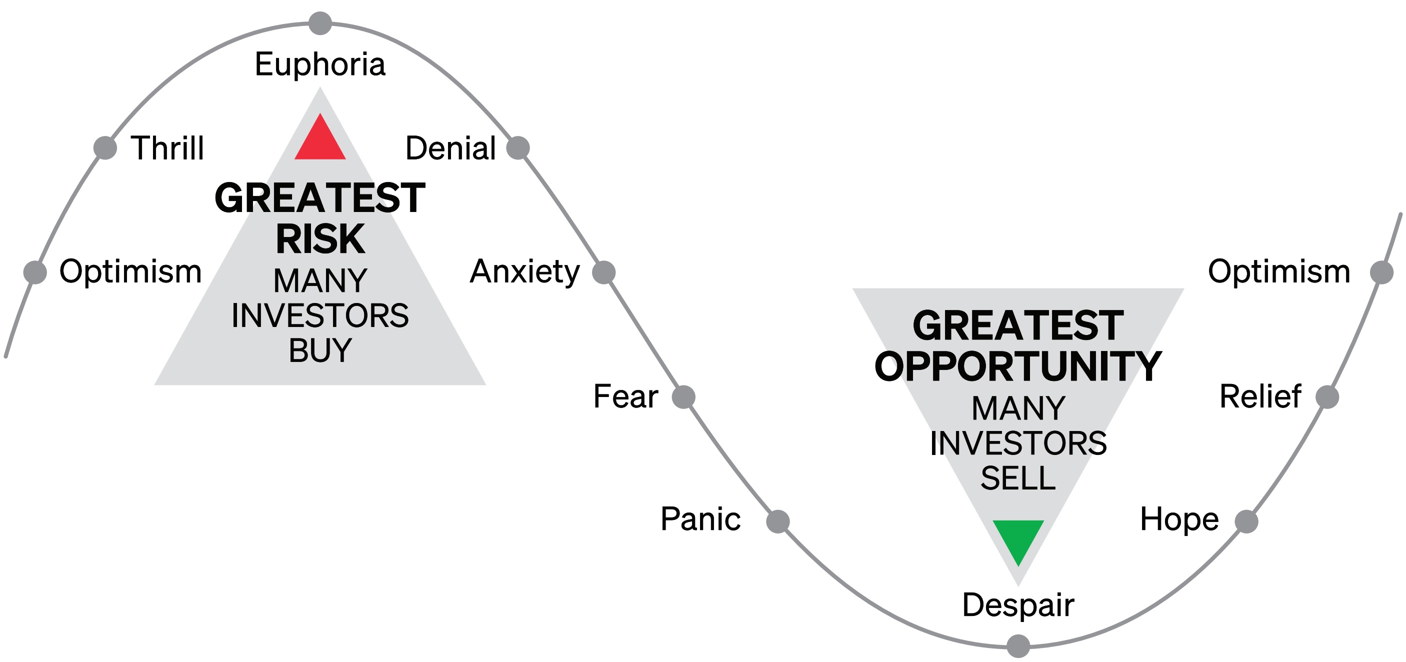
COMPARING ACTIVE MANAGEMENT: STRATEGIC AND TACTICAL

	STRATEGIC	TACTICAL
Style box constrained	Yes	No
Flexibility to switch asset classes, sectors, geographies, and securities to avoid risks and capitalize on opportunities	No	Yes
Decision-making process	Portfolio manager makes final investment decision based on quantitative and qualitative assessment	Primarily driven by output of quantitative models to determine investment decisions
Portfolio turnover	Typically lower	Typically higher
Ability to reduce equity exposure under certain market conditions	No	Yes

Quantitative-driven approaches avoid emotional responses

Investment wisdom tells us to buy low and sell high. But emotions often lead us to do the exact opposite—buying high and selling low. Tactical management and a sound risk management strategy can reduce the emotional aspect of investing with data and quantitative models guiding investment decisions, which may lead to better outcomes.

CYCLE OF MARKET EMOTIONS



The tactical allocation advantage

Tactical strategies can provide an extra layer of diversification, as their active and flexible natures help to reduce volatility and provide downside protection. When they are added alongside strategic or indexed offerings in an investment portfolio, tactical strategies can improve outcomes over the long term. That's why we believe they deserve a place in every investor's portfolio.

Tactical managers offer unique benefits

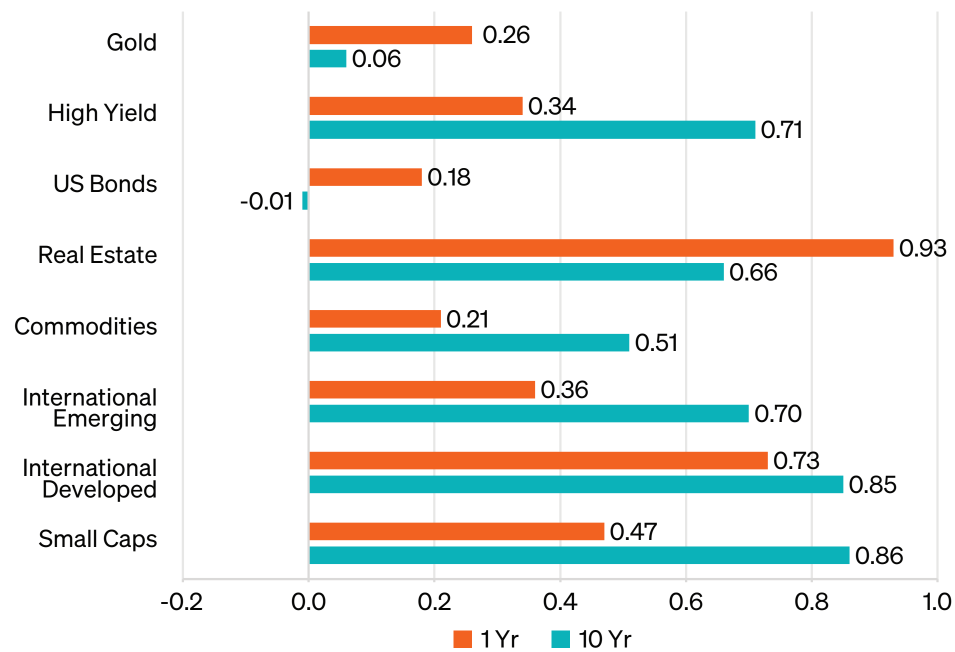
Tactical managers have the flexibility to move in or out of securities, asset classes, sectors and regions, and potentially the equity market as a whole, based on quantitative models. They can be nimble and change their investment approach in order to avoid perceived risks or to capitalize on evolving opportunities. While this may sound like it is par for the course, it is this flexibility that we believe makes tactical managers an ideal complement to other money managers constrained to benchmarks and indexes. So, why does it matter?

Correlation plays a role

One of the drivers behind the concept of diversification is the idea of correlation— which measures how linked the returns of one investment are to another. What many investors don't realize is that correlations among asset classes can increase and decrease substantially over time. As an example, the 1-year period ending in December 31, 2021, there was virtually no correlation of commodities to the S&P 500 Index, while the 10-year period held a modest correlation.

CORRELATIONS TO THE S&P 500 INDEX

Periods ending December 31, 2021



Gold is represented by the S&P GSCI Gold Index, High Yield is represented by the Bloomberg US High Yield 1-5 Year TR USD are represented by Bloomberg Barclays U.S. Aggregate Bond Index, Real Estate is represented by FTSE Nareit All REIT Index, Commodities are represented by S&P GSCI Index, International Emerging is represented by MSCI EM Index, International Developed is represented by MSCI EAFE Index, and Small Caps are represented by the Russell 2000 Index. Source: Zephyr StyleAdvisor using data supplied by Morningstar, Inc.

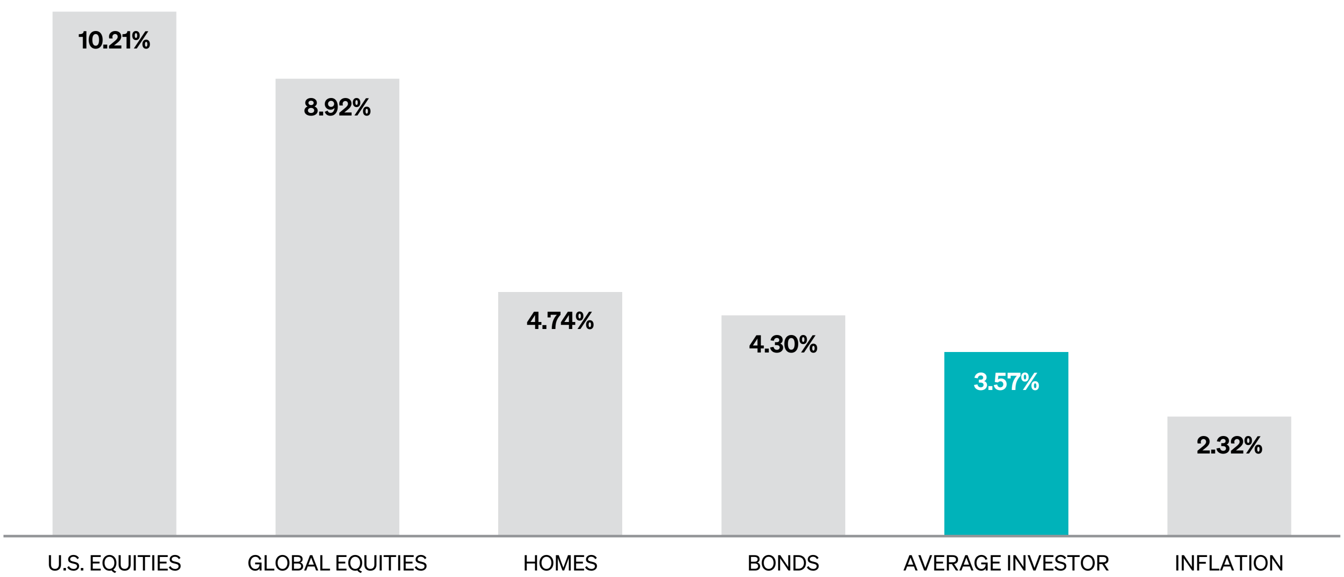
This is an illustration of why tactical managers are key to helping actively manage these correlations. Strategic managers tend to maintain their allocations over time, especially when tied to an index, which could expose investors to additional volatility. Tactical managers are able to reduce equity exposure and increase cash positions as a "safe harbor" in a storm or as a defensive play if they need to, providing the downside protection investors need.

The proof is in the performance

When compared to the returns of major asset classes, the average investor doesn't fare so well, primarily as a result of being led by emotions. In fact, over the 20 years from 2002–2021, the average asset allocation investor had returns of 3.57%—barely keeping pace with inflation. The Morningstar Tactical Allocation Category, on the other hand, which is comprised of tactical managers, outperformed the average investor. Why? Because of their quantitative approach to investing, tactical managers make decisions based on data and what their quantitative models are indicating, and remove the emotion from the decision-making process. The goal is to help investors stay invested through a full market cycle.

DIVERSIFICATION WITH TACTICAL

20-Year Annualized Returns by Asset Class 2002–2021



Source: Morningstar Direct; Bloomberg; Informa Investment Solutions; Dalbar. Past performance is no guarantee of future results. It is not possible to directly invest in an index. U.S. Equities are represented by the S&P 500 Index TR. Global Equities are represented by the MSCI ACWI Index. Bonds are represented by the Bloomberg Barclays Aggregate Bond Index. Homes is represented by S&P CoreLogic Case-Shiller US National Home Price Index. Average Investor is represented by Dalbar's average asset allocation investor return, which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/21 to match Dalbar's most recent analysis. Inflation is represented by the Consumer Price Index NSA.

The Meeder difference

At Meeder, our process begins with risk management. We take a comprehensive, flexible and active approach to tactical allocation that enables us to become more defensive when markets are volatile and more opportunistic when they're not.

A comprehensive approach

We believe it is important to consider a range of investment disciplines when developing a sound investment process. So, rather than selecting one investment discipline, our quantitative investment models consider all of the following.

Top-down / Macro

Assess the health of the overall economy, taking a macro-view, and then review the details around which sectors and investments could benefit from current conditions.

Bottom-up / Fundamentals

Consider absolute and relative measures of equity valuations in order to gauge the return potential of the stock market.

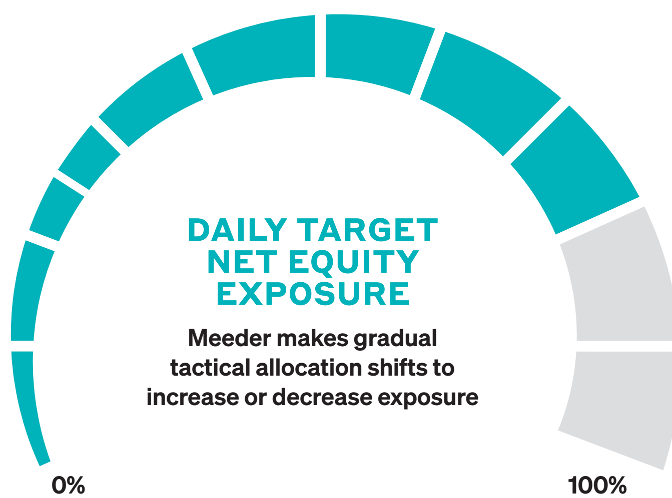
Trends / Technicals / Momentum

Review market indicators to identify pricing trends, investor sentiment, and market participation.

INTRODUCING:

Meeder Investment Positioning System (IPS)

We developed quantitative models to analyze data to make fact-based decisions when allocating our defensive equity portfolios. These models attempt to identify the risk/reward relationship of the market and reduce equity exposure when that relationship is deemed unfavorable, ultimately attempting to reduce participation in more severe market declines.



Our mission is to improve investor outcomes

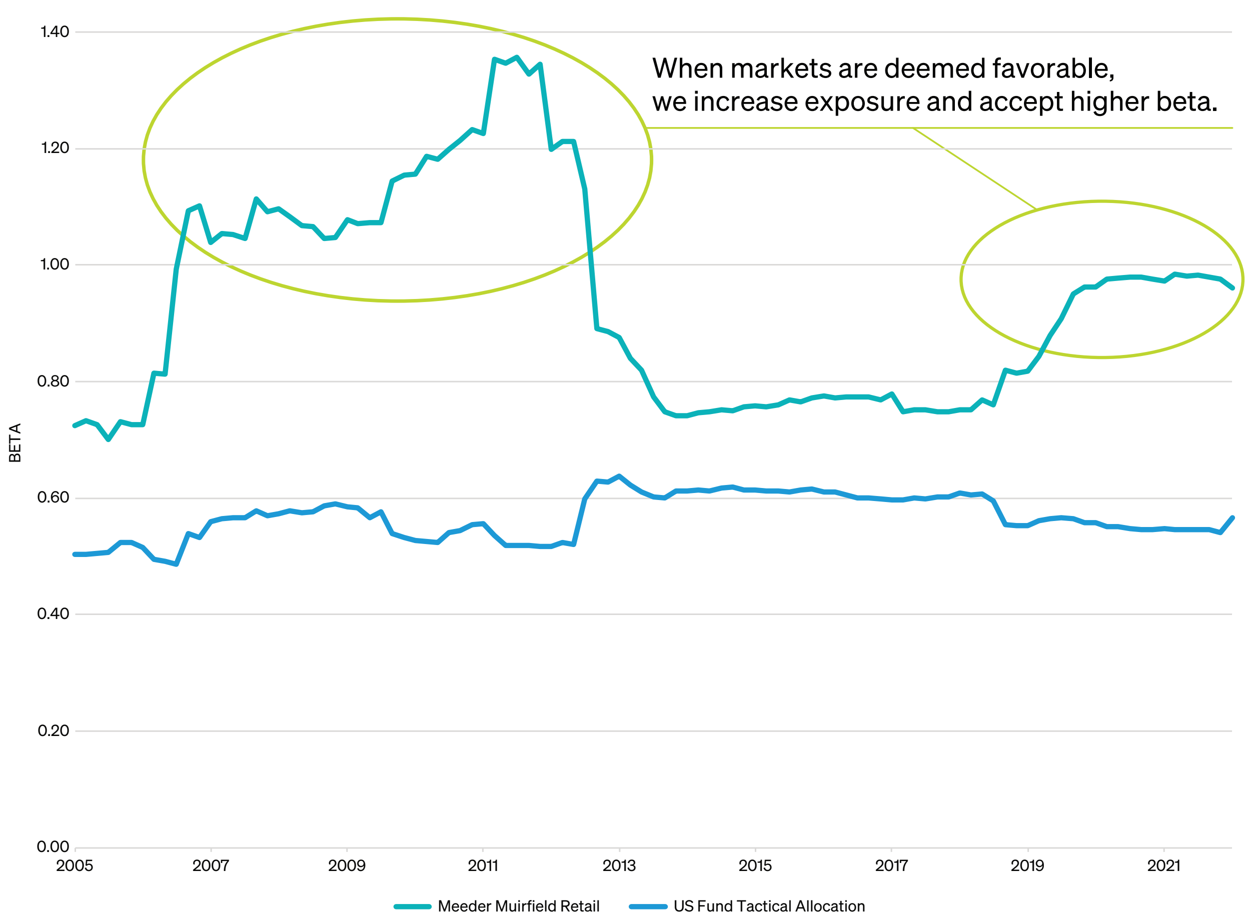
Tactical asset allocation and defensive equity strategies are the hallmark of our firm. These strategies rely on our active allocation approach to managing risk and provide downside protection or opportunistic exposure as the markets evolve.

Active asset allocation

At Meeder, we believe in active asset allocation. Our quantitative models assess multiple factors to determine whether we increase our equity exposure in lower risk environments or if we take a defensive approach in higher risk environments. As you can see below, when our models determine markets are favorable, we have tended to be more active than other managers within the Morningstar Tactical Allocation Category.

HOW ACTIVE IS YOUR TACTICAL MANAGER?

Beta vs. Market Benchmark / Time
January 2005–December 2021 (Comparison of Fund Volatility Over 36-Month Moving Windows, Computed Monthly)



Beta calculated monthly using the S&P 500. Active trading strategies also carry high rates of portfolio turnover which increase transactions costs and may adversely affect fund performance over time.

Source: Zephyr StyleAdvisor using data supplied by Morningstar, Inc.

Improve your outcomes

Diversification and asset allocation were designed to help investors achieve better results. But, with more volatile markets and increased correlations, traditional strategic allocation approaches may not be enough for today's investors.

At Meeder, we believe that tactical allocation paired with strategic and indexed offerings provides the best of both worlds for investors. Tactical allocation strategies are flexible enough to invest in almost any asset class in any market, nimble enough to make changes at any time, and disciplined enough to take the emotion out of investing. We believe all portfolios can benefit from tactical allocation—helping you achieve more complete diversification and potentially better outcomes over the long term.

MEEDER

1.866.633.3371 | 6125 Memorial Drive, Dublin, Ohio 43017 | meederinvestment.com

The performance data shown represents past performance, which does not guarantee future results. The investment return and principal value of an investment 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 data quoted.

Tactical asset allocation and diversification do not assure a profit or protect against loss. Investors are advised to consider carefully the investment objectives, risks, charges and expenses of the fund before investing. The prospectus contains this and other information about the funds. Contact us at the address above to request a free copy of the prospectus. Please read the prospectus carefully before investing.

Meeder Funds are distributed by Adviser Dealer Services, Inc., an affiliate of Meeder Investment Management. An affiliated registered investment adviser, Meeder Asset Management, Inc., serves as the investment adviser to Meeder Funds and is paid a fee for its services.

TABRO–4/25/22–5830