

*"It is the cry of a thousand sentinels, the echo from a thousand labyrinths; it is the lighthouse which cannot be hidden. It is the best evidence we can have of our dignity."*

---

E. M. Forster



**CIFG**FUNDS

BUILDING MORE EFFICIENT PORTFOLIOS



# A Lighthouse for Investors

**Why do you invest?** *At CIFG, we believe investing has one purpose — to help provide you with the financial ability to achieve your goals. But along with the gains that can be made from investing come hazards that can destroy dreams and lives. The lighthouse, that ancient sign of warning and of service to the seagoing traveler, represents the goal of CIFG Funds — to help investors navigate the voyage to prosperity regardless of market conditions.*

## **Investing needs to be active.**

There's an important difference between CIFG Funds and the majority of mutual funds you will encounter. The managers of our funds have the flexibility and the directive to seek out opportunities for profit in all markets regardless of asset class and to manage risk in difficult markets. The ability to adapt investment positions to the market is one surprisingly few mutual funds enjoy.

For years, individuals have been told that the path to investment success is a diversified portfolio of index funds held faithfully through the ups and downs of the market. Then came the lost decade of 2000-2009. Two back-to-back bear markets left the typical diversified portfolio without long-term gains for 10 years. For many investors, it was time to rethink the buy-and-hold approach.

As investors and the media looked around at what did and did not work during the 2000 decade, a number of investment advisers stood out. Client portfolios under their watch had continued to prosper. The decade had been one of growth and profitability. Among those advisors was Capstone Investment Financial Group, whose application of technical analysis investment strategies had minimized drawdowns and provided opportunities for profit.

**This active approach is the underlying strength of CIFG Funds.**

*“The CIFG difference is an active approach to investing. We don't count on the market eventually turning up and bailing us out of losing positions. Instead, client assets are actively invested based on where we see opportunities for profit. When an investment turns against us, it is sold to reduce risk.”*

---

Ted Schwartz, CIFG Portfolio Manager

# Building a More Efficient Mutual Fund

**1** The first step in building a CIFG fund is to adopt a wider playing field. To enhance performance and reduce risk, we want the ability to diversify across asset classes. Our funds are given the ability to invest in:

- Domestic Stocks— Small, Medium, Large
- International Stocks — Developed, Emerging
- US Bonds — TIPS, Bonds
- Non-US Bonds
- Currency
- Real Estate
- Natural Resources
- Commodities

Diversification within the funds goes beyond traditional assets to include different strategies which have the potential to increase returns while lowering risk.

**2** Next, we enhance the managers' toolbox by adding Market Neutral/Absolute Return investments. The performance of most investments is relative to the overall market's performance or the performance of an index. A market neutral or absolute return investment's performance is unrelated to the overall market or an unmanaged index. These positions have low correlation to stocks and bonds and may have higher returns than bond funds. They may also benefit the fund by lowering volatility through diversification.

## Mathematics of Gains and Losses

- It's harder to make up losses than most investors realize.
- Historically, the market has spent  $\frac{2}{3}$  of its time either in a declining market or making up losses.

If the <b>DECLINE</b> is	It takes the following <b>GAIN</b> to break even
-10%	+11%
-20%	+25%
-30%	+43%
-50%	+100%
-75%	+300%
-90%	+900%

**3** A blend of strategies are used to select individual investments within each portfolio. Among the tools we use are earnings momentum, value to price, total value and equity income. By using a quantitative and disciplined system, the investment focus is not on predicting the equity's future value but assessing current performance within the context of the market.

*"Unless you're tolerant, you can't have an open mind. If you don't have an open mind, you can't be a good investor. You've got to let everything in and be willing to digest it."*

Global investor and emerging markets fund manager—  
Mark Mobius

**4** Every position has a sell stop or hedge point to limit potential losses. This sell point is adjusted upwards on a monthly basis. If the price of an asset drops below its 10-month moving average, it will be sold or hedged. By using this very disciplined approach, CIFG Funds seeks to reduce volatility and control drawdowns should an investment fail to perform as anticipated.

Minimizing losses is more important than many investors realize. Making up 40% loss requires a 67% gain. The less a portfolio loses to a market downturn, the more real growth can be achieved in the account as the market recovers.



# CIFG Funds are designed as a core holding

**The CIFG Funds' investment approach** has shown in academic research that it has the potential to produce consistent gains. In November 2009, the New York University Stern School of Business released a study finding that “fund managers who invest based on macroeconomic trends — and are willing to adjust their portfolios as those trends change — are the managers most likely to add value for investors.”<sup>1</sup>

Perhaps the greatest strength of CIFG Funds is our belief that investment approaches and portfolios must adapt to market and economic conditions. While we believe our process will provide superior risk adjusted returns through a full market cycle, events are always lurking out there to disprove strategies that have worked historically. What matters to us is effectively preserving assets and compounding shareholder

returns over long periods of time. Adapting to change is essential. Arrogance has no place in investing. There is always room to improve and refine our methods as we go forward.

<sup>1</sup> “Market timing trumps buy-and-hold strategies during market swings, says NYU study,” by David Hoffman, *InvestmentNews*, November 10, 2009

*“Those investors who cling now to cash are betting they can efficiently time their move away from it later. In waiting for the comfort of good news, they are ignoring Wayne Gretzky’s advice: ‘I skate to where the puck is going to be, not to where it has been.’”*

Warren Buffett



## CIFG FUNDS

615 North Nevada Avenue  
Colorado Springs, CO 80903

719-477-9883  
1-877-362-2434

[www.cifgfunds.com](http://www.cifgfunds.com)

## CIFGFUNDS

*Mutual Funds involve risk, including possible loss of principal. Investing in the commodities markets through commodity-linked ETFs, ETNs and mutual funds will subject the Fund to potentially greater volatility than traditional securities. Derivative instruments involve risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. ETNs are subject to credit risk and their value will be influenced by time to maturity, supply and demand, volatility and lack of liquidity in underlying commodities markets, changes in interest rates, changes in the issuer's credit rating, and economic, legal, or political events. In general, the price of a fixed income security falls when interest rates rise. Foreign common stocks and currency strategies will subject the Fund to currency trading risks that include market risk, credit risk and country risk. Investments in foreign securities could subject the Fund to greater risks including, currency fluctuation, economic conditions, and different governmental and accounting standards. The Fund's exposure to companies primarily engaged in the natural resource markets may subject the Fund to greater volatility than investments in a wider variety of industries. Real estate values rise and fall in*

*response to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. Investments in underlying funds that own small and mid-capitalization companies may be more vulnerable than larger, more established organizations. The cost of investing in the Fund will be higher than the cost of investing directly in Underlying Funds and may be higher than other mutual funds that invest directly in stocks and bonds.*

**Investors should carefully consider the investment objectives, risks, charges and expenses of the CIFG All Weather Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 719-477-9883. The prospectus should be read carefully before investing. The CIFG All Weather Fund is distributed by Northern Lights Distributors, LLC member FINRA.**

Capstone Investment Financial Group is not affiliated with Northern Lights Distributors, LLC.