

# HERMES

## ECONOMETRICS

ETF ENHANCEMENT PROGRAM



# Pursuing Growth and Protecting Principal

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## Capitalizing on Opportunities

Investment possibilities today are abundant. Global markets, vast amounts of information, new investment vehicles and emerging technology provide tremendous potential returns.

Long term success requires the ability to invest in areas with good growth prospects in a timely fashion. Its is equally important to face the challenge of managing risk.

**Management decisions must be thoughtful and responsive**

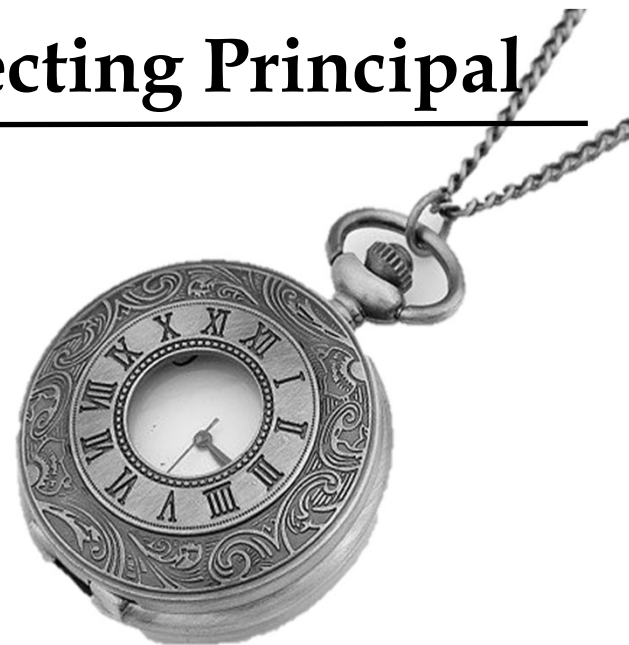


# Pursuing Growth and Protecting Principal

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## **The Power of Time - *Investing for Optimal Results***

Constant vigilance improves the likelihood of attaining potential profits and avoiding losses. Stated simply: When markets are strong or prices are low, it is rewarding to be invested. When markets are weak or prices are peaking, it is prudent to invest defensively until risk levels subside and a better environment for gains rises



**Hermes Econometrics** recognizes the powerful role time plays in investment results. The firm's approach to portfolio management is straightforward.

**Enhance ETF and equity investments through a disciplined methodology seeking the benefits of rising markets while protecting capital in declining markets.**



# Pursuing Growth and Protecting Principal

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## The Power of Time - *Investing for Optimal Results*

Historically, most stock and bond prices move in unison either upward or downward.

For this reason, unlike many portfolio managers, who cling to the importance of what you own, we believe that to achieve superior results:

**WHEN** you own is more important than **WHAT** you own.





# The Hermes Econometrics ETF Enhancement Program

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The Hermes Econometrics ETF Enhancement Program is designed for core assets.

It takes world-class portfolio of EFT's and equities and enhances them with the addition of an advanced risk management strategy

Thus, Hermes provides investors with a more secure approach to pursue today's exciting growth prospects.



## A Strategy For Core Assets



# At The Right Time In The Right Place

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## Econometric Modeling - Measuring Market Strength

*A statistical study of correlated variables.*

Price, trend, and momentum, specific aspects of broad and narrow market indicators, monetary factors, interest rates and bullish/bearish sentiment are all variables that can be consistently measured in relation to market prices.

Econometric models seek to capitalize on this information to accurately measure current strength or weakness in financial markets

**The Hermes Econometrics ETF Enhancement Program utilizes ETF's and equities.** These portfolios benefit from research and security selection by some of the brightest minds in the investment world. Thus, Hermes investors own stock in companies with some of the best growth prospects.

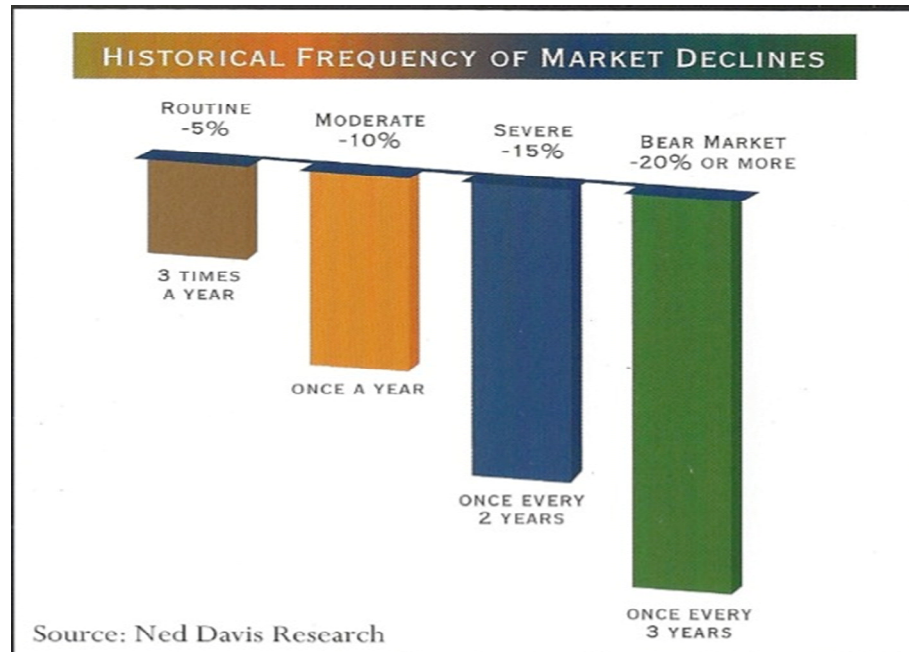




# The Value of Reducing Risk When Seeking Growth

## Market Declines Occur With Regularity

Market volatility and regular price drops or market turbulence leave many investors feeling uneasy. Often emotional discomfort prevents investors from fully participating in the potential gains of various investment markets.



Discomfort with volatility is understandable. Volatility is a recurring fact of investment life. The chart below indicates the historical frequency of various levels of decline in the S&P 500 between 1950 and 1998

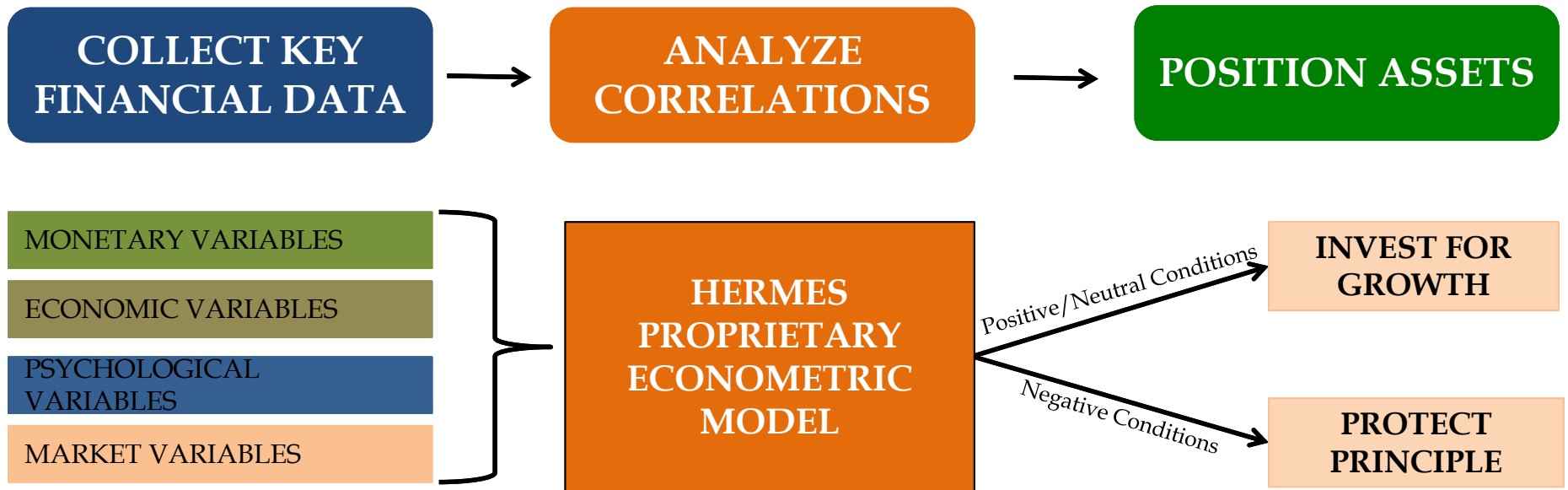
*This is for illustrative purposes only. This information should not be relied upon to make investment decisions. It is not meant to represent any Hermes Econometrics results. Past performance should not be used to predict future results.*



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# A Better Approach to Growth Investing

Financial markets are neutral to strong 70% to 80% of the time. At these times, it is advantageous to be fully invested. During periods when markets are weak or falling, it is wiser to avoid exposing assets to downside risk.



The Hermes Econometrics Investment Enhancement Program employs advanced measurements to identify periods of opportunity and potential risk. Portfolios are positioned in response to results determined by a tailored model.





# Hermes Econometrics

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