

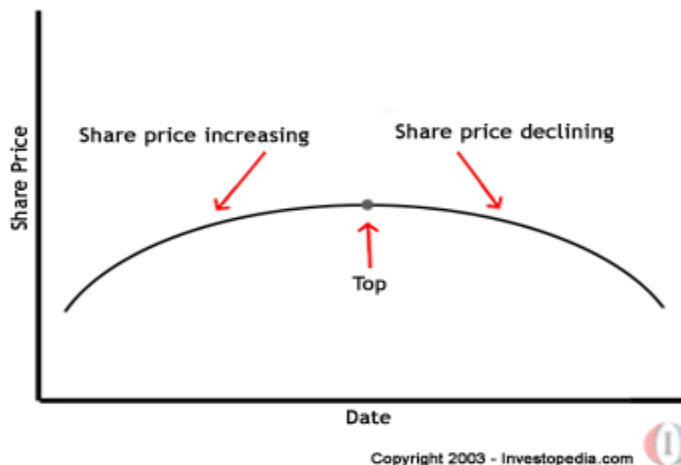


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“TECHNICALLY SPEAKING”
February 19, 2016

This special report is being provided as a supplement to our Blue Line Investment process to help clients and investors look at the market from a different technical point of view. We hope this information helps to illustrate how various technical formations, in this specific case a potential Inverse Saucer formation, may provide additional evidence in support of the defensive posture the Blue Line Investment process has been warning about over the past several months.

What is an Inverse Saucer? It is a technical chart formation that indicates a stock's price may have reached its high and that the upward trend has come to an end. An inverse saucer is characterized by a steady flattening of the uptrend to such a degree that the market at one moment enters a sideways range, but then slowly starts to fall and finally accelerates downward. This is considered a rare formation and provides no clear downside price target but usually implies quite a lot of potential since 50% or more retracement of the preceding uptrend can be expected. It is also known as "rounded top" (this has been illustrated using a red line marked with a #1 on the attached charts). Please see the following illustration:



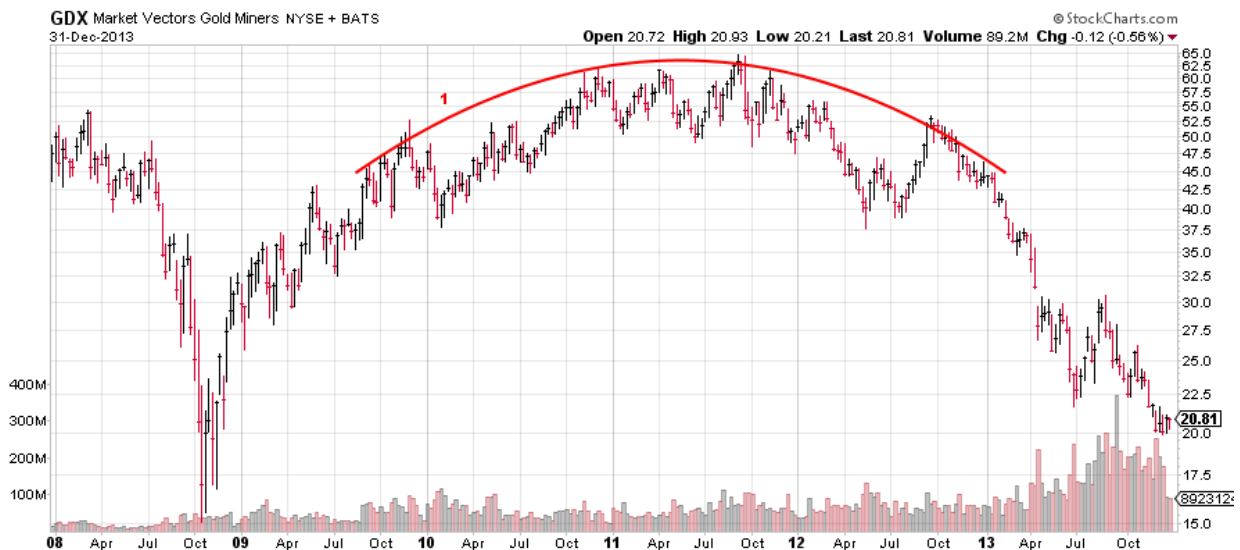
The following charts of the Switzerland iShares ETF³ (symbol: EWL), the Market Vectors Gold Miners ETF (symbol: GDX), and the S&P 500 Index (symbol: \$SPX) are being shown to illustrate what has happened in past instances with this formation and what may be in process of occurring with the S&P 500 Index at present.

Switzerland iShares ETF (2014)



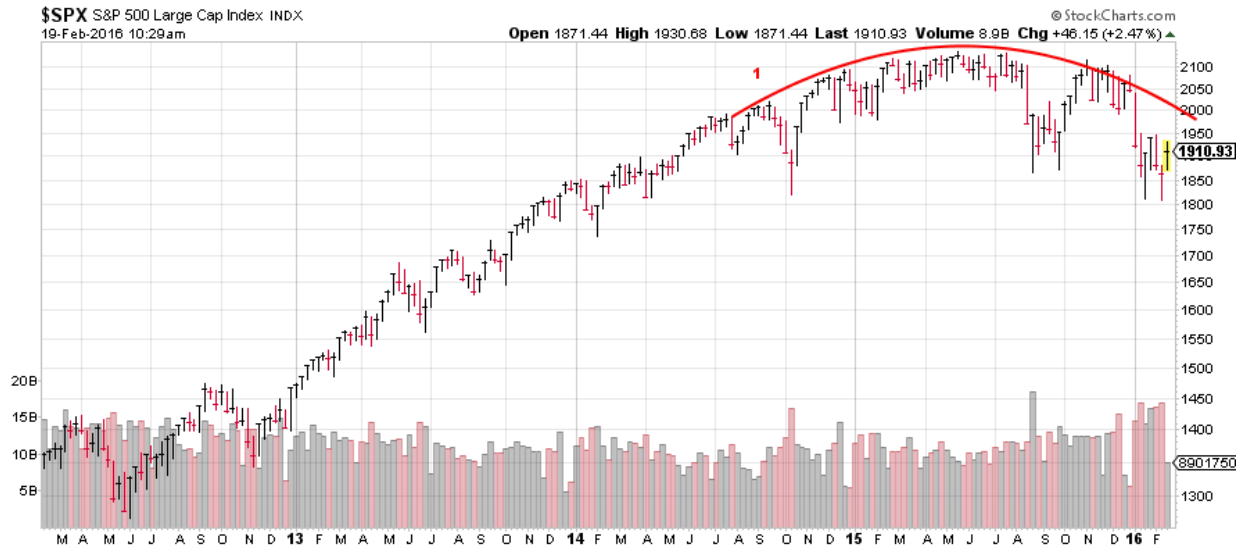
Comment: This is a daily chart and we can observe that once the pattern completed there was a sharp price decline that occurred going into October. The investment eventually recovered, but this is a daily chart which may be one factor to account for the relatively quick recovery in price.

Market Vectors Gold Miners ETF (2009-2013)



Comment: This is a weekly chart and we can observe that this pattern took over 3 years to form and complete. However, once it did, there was a sharp price decline that lasted for many months. Even now, a couple years later, the price of this investment is at \$18.56. So far this sector has not recovered.

S&P 500 Index (Present)



Comment: This is also a weekly chart of the S&P 500 Index. Like the Market Vectors Gold Miners ETF (GDX), this pattern has been developing for almost a year-and-a-half. Not as long in duration as GDX, but it is showing a very similar formation. IF this turns out to be a “rounded top” formation like the others, investors could expect prices to eventually decline at some point in the future.

¹ Blue Line Investing (BLI) is a disciplined investment process, based on technical analysis research. The process applies trend-following, along with observations of the moving averages of the market. Key to the process is the “blue line”, which is derived from comparing an investment’s price against its moving average. BLI monitors those activities over time in order to determine allocations within client accounts.

² The S&P 500 Index is one of the most commonly followed equity indices, and many consider it one of the best representations of the U.S. stock market, and a bellwether for the U.S. economy. It is comprised of 500 large companies having common stock listed on the NYSE or NASDAQ.

³ ETF stands for Exchange-Traded Fund. It is a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund. Unlike mutual funds, an ETF trades like a common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold.

Disclaimers:

Technical analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volumes. Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets may not always follow patterns.

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