

Not All Diversifier Strategies Are Created Equal

At Counterpoint, we've been **championing diversifier strategies for a while now**—like the wise old friend who keeps reminding you to bring an umbrella *just in case*. These strategies have proven time and again that they can boost portfolio performance by bringing something fresh to the table—something different from your usual stock-and-bond duo.

If recent years were a rollercoaster, **2022 and 2023 were the loops** that made investors queasy, as **stocks and bonds decided to wobble together** right when we needed balance. Fast forward to 2025, and the market's mood swings have only turned up the volume. It's no surprise more investors are trading in their classic 60/40 mix for the sleeker, **more diversified 50/30/20 model**. Turns out, a little shake-up might be exactly what portfolios needed.

While investors may now have cracked the code that diversifiers are likely a must-have in their investment toolkit – now what? With a smorgasbord of options on the table, how do investors figure out which ones deserve an allocation on their portfolio's plate?

| Strategy Feature: | Private Equity | Private Credit | Crypto-currency | Art Funds | Real Estate | Rare Metals | Tactical/Trend-Following | Long-Short/Market Neutral |
|--------------------------------------|----------------------|----------------|-----------------|-----------|-------------|-------------|--------------------------|---------------------------|
| Accessibility ¹ | Limited | Varies | High | Varies | Varies | High | High to Varies | High to Varies |
| Liquidity ¹ | Very Low | Low | Varies | Low | Low | Varies | High | High to Varies |
| Transparency ¹ | Low | Low | Varies | Low | Low | Low | High | Varies |
| Low/Uncorrelated Return ¹ | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Valuation Frequency ¹ | Infreq. ¹ | Infreq. | Cont. | Infreq. | Varies. | Varies | Continuous | Continuous |
| Regulated ¹ | Light | Light | Loosely | Light | Mod. | Mod.-Light | Heavily | Heavily to Varies |
| Risk Profile ¹ | High | Mod. | High | High | Mod.-High | High | Variable | Variable |

The following indicates if a feature Supports, Needs Further Examination or is a Bad Fit as a diversifier strategy that can be used to rebalance against a traditional liquid stock & bond portfolio.

Interested in Private Equity or Private Credit?



Thinking about stepping off the Wall Street treadmill and into the private investment jungle? Welcome to the wild world of Private Equity and Private Credit, where the stakes are higher, the rides are bumpier, but the rewards can be juicier. These investments give you access to deals the public markets never see with less day-to-day drama than stocks (thanks infrequent valuation!) and the chance to earn fatter returns (hello, illiquidity premium!), it's a playground for those who like their portfolios a little more exclusive. Private equity and credit often specialize in industries, regions or types of deals leading to specialized expertise that can create competitive advantages and generate alpha.

But before you cannonball into the private pool, know that it's deep—and there's no shallow end. These investments can tie up your money for years, like a long-term relationship with no exit hatch. Transparency? Think foggy glasses, not crystal clear. You'll also need to pick your managers like you pick your brain surgeon—very carefully. So if you're game for a less liquid, more hands-on adventure with some serious due diligence and high fees, private markets might just be your next thrill ride.

¹ Definitions can be found on pages 4 and 5.

What About Cryptocurrency or Art Funds?

If you're looking to break up with boring old stocks and bonds, cryptocurrency and art funds might just be your exciting new fling. Crypto is the wild child of the investment world—digital, decentralized, and dancing to its own beat. It's got the thrill of volatility and the charm of potential high returns, plus it may act as a modern-day shield against inflation. On the flip side, art funds let you invest with your heart and your wallet. Imagine your money tied up in masterpieces instead of market indexes—it's part culture, part capital growth, and fully off the beaten path.



But every whirlwind romance has its red flags. Crypto, for all its buzz, can be a rollercoaster of price swings, regulation gray areas, and hacking horror stories. Art funds, meanwhile, may sound glamorous, but they can be as opaque² as a foggy Monet. (Art valuations can be highly subjective and influenced by trends, making price transparency and predictability more difficult than in traditional markets.) Pricing isn't always clear, getting your cash out can take time, and the fees can nibble at your returns like moths on a canvas. So if you're thinking about diving in, make sure you bring some curiosity, caution, and a solid safety net.

Maybe Private Real Estate or Precious Metals?



Diving into rare metals or real estate can add some serious spice to a plain old portfolio of stocks and bonds. Think of rare metals like lithium or gold as the cool, shiny assets with unique powers—whether it's powering electric cars or potentially acting like financial armor during inflation or global chaos. Real estate, on the other hand usually appreciates over time, and can even give you tax breaks. Plus, both tend to zig when the stock market zags, which can help smooth out the ride when markets get bumpy. Private real estate (direct property ownership) shows a very weak positive correlation (almost negligible) with the stock market, meaning their returns tend to be independent.

But don't jump in without reading the fine print. Rare metals can be moody—prices bounce around with global politics and demand swings, and they're not always easy to sell in a hurry. Real estate might sound stable, but it's a heavyweight commitment—big money down, ongoing upkeep, and it can drag if interest rates rise or local markets slump. So, while they can definitely boost your portfolio's personality, they come with quirks that not every investor may be ready for.

Tactical / Systematic Trend-Following Strategies?

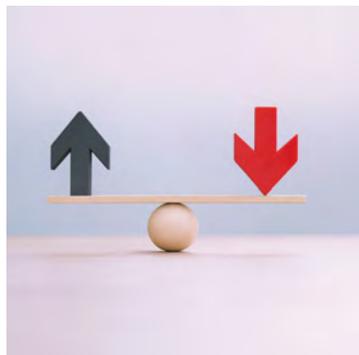
Trend-following strategies, like the [Counterpoint Tactical High Yield Fund \(CPITX\)](#), are like financial bloodhounds—they seek to hold riskier assets when prices are rising or stable, and move to safer havens when things start falling. Unlike stocks and bonds, which often stumble together during market turmoil, these strategies have [historically been shown to help investors reduce drawdowns](#), often thriving when everything else is in chaos like during equity drawdowns or [inflationary environments](#) when traditional assets often struggle. They hunt for trends across all sorts of markets and stick to a strict, no-emotion rulebook. The benefit of trading like a robot helps investors avoid injecting emotion into the trade, where the fear-of-missing-out (FOMO) or fear of losses can [adversely impact human behavior](#), plus holding tactical strategies designed to help manage risk can be a great sidekick when your traditional portfolio is feeling the heat.



² Opaque describes something that can't be seen through; is not transparent.

But trend-following isn't all smooth sailing. When markets get stuck in a rut or bounce around aimlessly, these strategies can end up spinning their wheels, racking up losses and transaction costs or trading water. Plus, you're basically handing the reins to an algorithm—so if you're the type who needs to understand every move your money makes, it might feel like trusting a GPS you've never met. The ride can be bumpy at times, but for those willing to hang on, **the destination might be worth it.**

Long Short or Market Neutral Mispricing Strategies?



Quantitative multi-factor long-short or market neutral mispricing strategies, like the **Counterpoint Tactical Equity Fund (CPIEX)**, are like the brainy kids of the investment world—they use artificial intelligence, math, data, and empirical evidence to spot which stocks may be undervalued (go long!) and which may be overpriced (go short!). Unlike traditional investments that ride the ups and downs of the market, these strategies **march to their own beat**, which can add some much-needed balance to portfolios when things get rocky. Plus, because everything is run through models and algorithms, there's often less room for gut feelings and human error—just cool, calculated decision-making.

But let's not pretend these strategies are all fun and games. They can be complex, a bit opaque, and sometimes finicky. Not all models are created equal, and if the data's bad or the market starts behaving weirdly, things can go sideways fast. And when too many managers chase the same signals, it can get crowded fast. Bottom line? These strategies can be powerful tools, but they're best handled by investors who know the risks and have reviewed the relevant prospectuses before investing in the world of quants.

Conclusion

At Counterpoint, we believe the best diversifier strategies for investor portfolios are:

- 1) **Systematic and follow a quantitative process that is consistent** and seeks long-term growth.
- 2) Designed to **provide meaningful diversification benefits** for portfolios by **offering low to uncorrelated return** to traditional fixed income and equity markets.
- 3) **Liquid so investors can potentially realize diversification benefits right away** and/or systematically rebalance their portfolio to reduce overall volatility and drive performance over the long run.

Systematic diversifier strategies composed of liquid assets can potentially act like the seatbelts and airbags of your portfolio when traditional assets crash. While they aren't likely to be flashy in a joyride bull market, they can make a big difference when the road gets bumpy. Sure, they might trail the pack when markets are zooming ahead, but their low to uncorrelated nature can make them a valuable asset to include in a traditional liquid stock and bond portfolio when volatility spikes and chaos calls. These strategies aim to smooth out the ride, minimize drawdowns, and free up managers to pounce when opportunity knocks—often when investor emotions are running high. Think of them as your financial sidekick that were created with a quantitative plan of attack when the market throws a tantrum.

Important information about the funds are available in their prospectuses, which can be obtained at counterpointmutualfunds.com or by calling 844-273-8637. The prospectuses should be read carefully before investing. Investors should carefully consider the investment objectives, risks, charges, and expenses of the funds managed by Counterpoint Funds. The Counterpoint Funds fund family is distributed by Northern Lights Distributors, LLC member FINRA/SIPC. Counterpoint Funds, LLC is not affiliated with Northern Lights Distributors, LLC member **FINRA/SIPC.**

Important Risk Information

Mutual Funds involve risk including the possible loss of principal. The use of leverage by the Fund or an Underlying Fund, such as borrowing money to purchase securities or the use of derivatives, will indirectly cause the Fund to incur additional expenses and magnify the Fund's gains or losses. Derivative instruments involve risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. There is a risk that issuers and counterparties will not make payments on securities and other investments held by the Fund, resulting in losses to the Fund. Past performance is no guarantee of future results. There is no assurance the Fund will meet their stated objectives.

Past performance is no guarantee of future results. There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses. The Adviser's reliance on its strategy and judgments about the attractiveness, value and potential appreciation of particular securities and the tactical allocation among investments may prove to be incorrect and may not produce the desired results. No level of diversification can ensure profits or guarantee against loss.

In general, the price of a fixed income security falls when interest rates rise. The Counterpoint Tactical Income Fund (CPITX) may invest in high yield securities, also known as "junk bonds." High yield securities provide greater income and opportunity for gain but entail greater risk of loss of principal. When the Fund invests in other investment companies, including ETFs, it will bear additional expenses based on its pro rata share of the other investment company's or ETF's operating expenses, including the potential duplication of management fees. The risk of owning an investment company generally reflects the risks of owning the underlying investments the investment company holds. The Fund will use model-based strategies that, while historically effective, may not be successful on an ongoing basis or could contain unknown errors. In addition, the data used in models may be inaccurate.

As with all mutual funds, there is the risk that you could lose money through your investment in the Counterpoint Tactical Equity Fund (CPIEX.) To the extent the Fund invests in stocks of foreign corporations, the Fund's investment in such stocks may also be in the form of depositary receipts or other securities convertible into securities of foreign issuers, including American Depositary Receipts ("ADRs"). The derivative instruments in which the Fund may invest either directly or through an underlying fund, may be more volatile than other instruments. The risks associated with investments in derivatives also include liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. The NAV of the Fund will fluctuate based on changes in the value of the U.S. and/or foreign equity securities held by the Fund. Equity prices can fall rapidly in response to developments affecting a specific company or industry, or to changing economic, political or market conditions. The Fund's use of futures involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments.

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Diversifier Strategy Definitions

Private Equity (PE) is a form of investment in companies that are not publicly traded. Private equity firms raise capital from institutional and accredited investors and use this capital to purchase equity in private companies, with the goal of increasing the company's value before selling the shares or the entire company at a profit.

Private Credit, also known as private debt or direct lending, refers to loans and other debt investments made by non-bank financial institutions directly to businesses, often those that are not publicly traded. These investments are not traded on public markets and are typically tailored to the borrower's specific needs.

Cryptocurrency investments refers to allocating capital, often in the form of real money, to virtual assets like Bitcoin and Ethereum, with the expectation of earning a profit through price appreciation. These investments are typically traded on blockchain technology and can be volatile, meaning they can fluctuate significantly in value.

Art Funds are investment vehicles that pool investors' resources to acquire and potentially sell artworks for profit. These funds are managed by professional art investment firms who handle the selection, storage, insurance, and other logistical aspects of owning and managing a portfolio of art.

Real Estate investing is the practice of buying and owning properties with the goal of generating income or increasing wealth through property appreciation. It involves purchasing, managing, renting, or selling real estate assets. This can include residential properties like homes or apartments, as well as commercial properties like offices, retail spaces, or industrial buildings.

Rare Metals refers to investing in precious metals (like gold, silver, platinum) and rare earth elements. These metals are valuable due to their rarity, industrial applications, and potential for long-term investment. Investing in rare metals can involve purchasing physical bullion or coins, investing in precious metals ETFs, or investing in mining and exploration companies that extract and produce these metals.

Tactical/Trend Following is an investment strategy where investors capitalize on market trends by buying assets when they are rising and selling them when they are falling. It's a systematic approach that relies on technical analysis and the belief that price movements tend to continue in a particular direction.

Market Neutral/Long-Short is an investment approach that aims to generate profits irrespective of the overall market direction, typically by taking long and short positions in related securities. The strategy aims to minimize exposure to market risk by balancing the impact of market movements on both long and short positions.

Definitions

Accessibility refers to how easily investors can enter or exit an investment, often influenced by minimum investment size, investor qualifications, or platform availability. Greater accessibility allows more investors to participate and diversify their portfolios without significant barriers.

Liquidity is the ease with which an asset can be quickly converted to cash without significantly affecting its price. High liquidity enables investors to quickly access their funds or react to market changes with minimal loss.

Transparency is the degree to which investors have clear, timely, and accurate information about an investment's holdings, risks, and performance. Transparency builds trust and helps investors make informed decisions based on clear data.

Low to Uncorrelated Return describes an investment whose returns have little or no correlation with broader markets, providing potential diversification benefits. Investments with low or uncorrelated returns can reduce overall portfolio volatility and improve risk-adjusted returns.

Continuous Valuation is the ability to determine the value of an investment at any time, typically through frequent or real-time pricing mechanisms. Continuous valuation provides up-to-date insight into investment performance, aiding timely decisions.

Regulated indicates that the investment or strategy operates under oversight by governmental or financial authorities to ensure compliance with laws and investor protections. Regulation enhances investor protection and reduces the likelihood of fraud or mismanagement.

Risk is the potential for an investment to lose value or for actual returns to differ from expected returns. Understanding and managing risk allows investors to align investments with their return goals and risk tolerance.

Illiquidity premium is the additional expected return investors demand for holding assets that cannot be easily sold or traded. The illiquidity premium compensates investors with higher potential returns for accepting less access to their capital.

Infrequent (Infreq.) refers to something that doesn't occur frequently such as quarterly statements etc.

Going Long refers to buying an asset with the expectation that its price will increase and then selling it later at a higher price to profit from the appreciation. Essentially, going long is a bullish strategy, where investors believe the asset's value will rise.

Going Short refers to profiting from a price decline. Essentially, going long is a bullish strategy, where investors believe the asset's value will rise. Essentially, going short is a bearish strategy, where investors believe the asset's value will fall.

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