FAIRFAX
GLOBAL MARKETS

How To Protect Your Investments
From Dangerous & Volatile Stock Markets

Active Investment
Management Philosophy

Fairfax Global Markets, LLC

Fairfax Global Markets, LLC, is a global investment management firm, headed by CEO and Chief Investment Officer, Paul Dietrich, that manages investments for individuals, retirement funds and private institutions throughout the United States.

Fairfax Global's investment strategies are designed to build client wealth during bull markets, while simultaneously protecting client capital from losses during severe market downturns.

What Do Investors Need To Know To Protect Their Retirement Savings?

Since the near collapse of the global financial system in 2008, the global economy is still fragile and unpredictable.

While the stock market has climbed back from its 2008-2009 losses, many investors are confused and worried about how to invest their retirement savings in a way that can protect them from unpredictable events happening around the world that seem to negatively affect the stock market here in the U.S.
Investors Were Traumatized By Recent Stock Market Declines!

Investors have been traumatized by the stock market over the past 18 years. They saw the stock market's S&P 500 Index drop -49% in 2000 to 2002 and then drop -57% in 2008 & 2009.

The average investor doesn't have the psychological stamina to endure that kind of volatility affecting the money they have saved for their retirement. This money is their survival in old age and -49% and -57% drops in the stock market are simply unacceptable.

The Benefits of Active Investment Management

Fairfax Global believes that most investors in the United States have unfortunately created investment portfolios that only do well when the stock market is rising.

A major reason so many people lost money in 2000-2002 and again in 2008-2009 was investors built investment portfolios too dependent on only rising markets. Their strategies were based on the experiences of their lifetimes up to the year 2000.

Even today, many financial planners continue to set up client investment strategies that do well only when stocks and bonds are rising. This "mindset" among most financial planners and advisers has created havoc in many people's investment portfolios over the past two decades.

When investors were hit with losses after the stock market declines in 2000-2002 and 2008-2009, many investors pulled their money out of the stock market and corporate bonds and went to cash right when the stock markets started to recover—only to suffer again as times changed.

Fairfax Global Markets, LLC

Fairfax Global Market's Tactical Investment Strategies are "all weather" conservative strategies designed to (1) stay fully invested in the stock market during the good times of a Bull Market, and (2) to completely exit the equity markets in the bad times of a Recession/Bear Market and only invest in cash, money market funds, U.S. treasury bonds, gold and other defensive investments during long-term bear markets.

The Best Money An Investor Makes Is The Money They Don't Lose In A Bear Market!

Fairfax Global believes that risk management and the protection of capital from major declines in the stock market like in 2000 to 2002 and again in 2008 and 2009 are its primary goals.

Fairfax Global understands that all investors have the same investment objective—to make money on their investments and not to sustain any significant losses in the process.

1 The Fairfax Global Permanent Portfolio – A Bond Alternative Strategy:

The U.S. Federal Reserve has recently started to raise bond rates. Most analysts agree this will be the start of a long-term ***bear market*** in bonds. When bond yields are raised, the value of an investor's current or older bonds inversely go down in value. If they are sold before their maturity date, the invesor can lose principal.

For the past 30-years there has been a bull market in bonds. Few investors have experienced a period of sustained declines in the value of their bond portfolios. Now, investors will have to protect their bond investments from what could be a disaster for their portfolios over the next few years.

The Fairfax Global ***Permanent Portfolio Strategy*** may be a solution. This conservative bond alternative investment strategy was created to protect investors' portfolios and avoid significant losses.

The famous free market economist, Harry Browne, created the "Permanent Portfolio" investment strategy in the late 1970's.

The base core holdings of the Fairfax Global Permanent Portfolio are allocated as follows (approximately 25% each):

- Global stock Exchange Traded Funds (ETFs) – provide strong returns during bull markets and periods of prosperity.
- Long-term US Treasury bond ETFs – perform well during periods of prosperity and periods of deflation.
- Short-term (1 – 3 year) Treasury bond ETFs. Like cash, this allocation hedges against economic recession or depression and/or during times of high interest rates.
- Gold and precious metal ETFs – hedge against inflation.

Fairfax Global active risk management applied to the Permanent Portfolio. When any of these four asset classes declines below its 200-Day Moving Average, signaling a downturn in that asset class, the funds in that asset class are reduced or moved to cash, short-term U.S. Treasury bonds or a better performing asset class until the market in that asset class has turned back up.

This conservative investment strategy is designed to protect an investor's capital under any set of economic conditions. These non-correlated investment allocations are designed to work during bull and bear markets, and in periods of inflation, deflation, and in periods of recession and depression.

In Greek mythology, the Hydra is a serpent-like creature with numerous heads. Each time an opponent cuts off one of the heads, two new ones grow back. Harm is what it likes. The more harm it encounters the stronger it becomes.

There are so many things outside of an investor's control that can negatively impact the stock markets. There are politicians, Mother Nature, Middle East conflicts, civil wars, etc.—these events can all negatively impact global stock markets.

The Permanent Portfolio is a "Hydra-like Investment Strategy." Each of the 25% allocations is designed to thrive in a different stock market environment. This "Hydra-like Strategy" is focused on lowering volatility and providing some aspect of growth in all stock market environments.

2 Fairfax Global Trends ETF Investment Strategy

The Fairfax Global Trends ETF Strategy invests in global Exchange Traded Funds (ETFs), providing a globally diversified equity portfolio.

Active Tactical Risk Managment: Fairfax Global will move this ETF portfolio to cash, short-term treasury bonds and other defensive investments when Fairfax Global's Long-Term Trend Recognition Technology signals a long-term stock market decline or bear market/recession. This risk managment technology has served to protect Fairfax clients from outsized losses during the bear markets of 2000-2002 and 2008-2009.

3 Fairfax Global Value Stock Investment Strategy

4 Fairfax Global Balanced Value Stock Investment Strategy

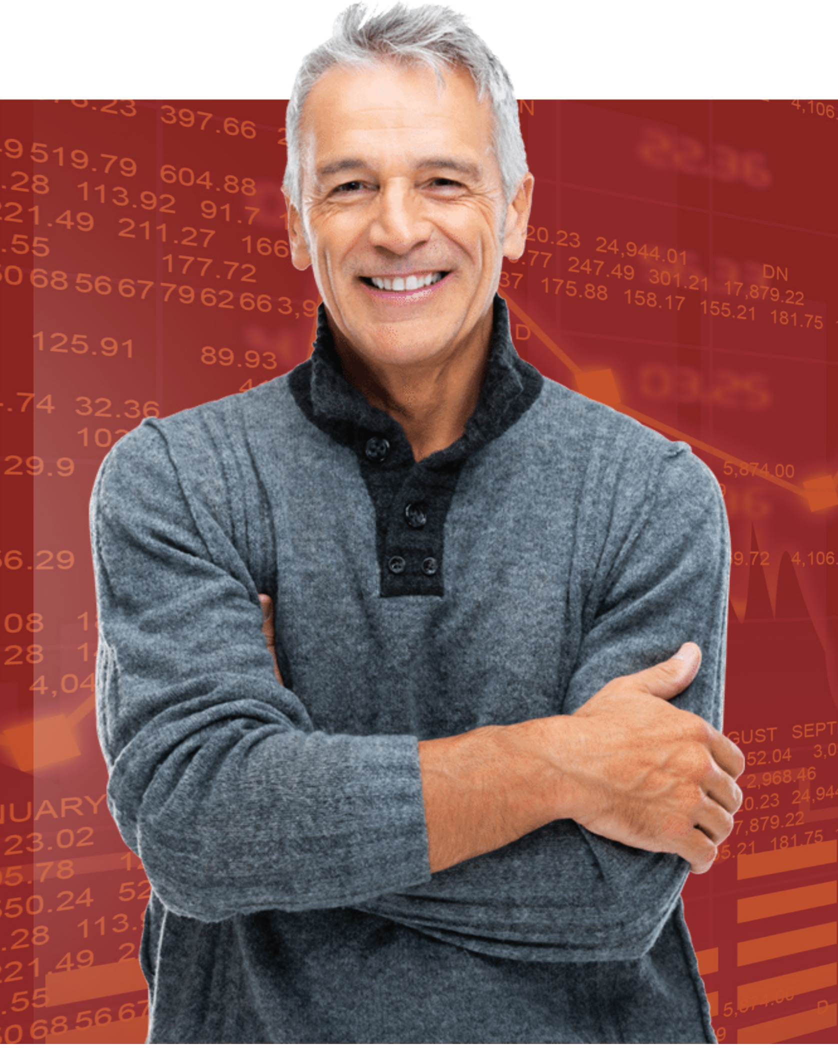
This "value stock" investment strategy takes more calculated risks and will have more volatility because of the stock market.

A significant number of academic studies have shown that over long time periods, "Value" investment strategies outperform "Growth" investment strategies. The Fairfax Global Value Stock Strategy and the Balanced Strategy primarily invests in stocks that are undervalued using screening criteria that many academic studies have found to be core "value investment criteria" for finding securities that have out-performed over long periods of time.

The core basic investment criteria used by Fairfax Global to screen for securities during long-term bull markets are (1) low price/earnings ratios or a low Enterprise Value to EBITDA (EV/EBITDA); (2) a high return on equity (ROE); (3) high free cash flow production, specifically known as Cash Return on Invested Capital; and (4) price momentum by buying securities that are outperforming the broad market and are close to their 52-week highs. The Balanced Strategy contains a significant asset allocation of bonds and other defensive investments.

Fairfax Global Tactical Risk Management Overlay: After a stock market downturn, Fairfax Global first determines whether the stock decline is a "correction" or a long-term "recession/bear market" based on a weekly disciplined analysis of leading economic data and indicators. If Fairfax Global (1) determines that the economy is heading into a recession/bear market, Fairfax global then uses (2) one technical indicator to identify long-term bear and bull markets. It is an index called the "Monthly S&P 100 Percent of Stocks Over Their 200-Day Moving Average." When the index drops below the 50% level, that triggers a long-term bear market signal and Fairfax Global will move the entire portfolio to cash, short-term U.S. Treasuries, bonds, gold or other defensive investments. As the index starts to move upward from below 50%, the process reverses.

(Note: The use of technical indicators does not ensure profit or guarantee against loss.)



Why Should An Investor Hire Fairfax Global Markets?

In addition to a track record of strong financial performance and a rigorous risk management process, personal client service sets Fairfax Global apart from other financial management firms.

Paul Dietrich, the CEO and Chief Investment Officer, takes a personal interest in each and every client. Clients have direct access to Mr. Dietrich, and they can count on Mr. Dietrich to answer questions directly and succinctly.

Investors may monitor their investments real-time online or via a smartphone app.

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When Does Fairfax Global Markets Pull Client Portfolios Out of the Stock Market?

Risk Management
Strategy

Risk Management Is Everything!

At Fairfax Global Markets, we consider ourselves first and foremost, risk managers.

Fairfax Global's overall investment strategy is to move clients' portfolios significantly into cash, U.S. treasury bonds, gold and other defensive investments when the stock markets are trending down into a **long-term recession/bear market**. However, Fairfax Global **does not** exit the stock market during short-term corrections.

Fairfax Global's goal is simple; we attempt to protect client's portfolio principal from the possibility of substantial potential losses during long-term recession/bear markets.

What is the difference between a "Correction" and a "Recession?"

A **correction** is technically a drop in the stock market of at least -10%. Corrections are generally temporary price declines that last just a few weeks or months within a larger bull market uptrend in the stock market. Corrections are often a part of an overall adjustment when the stock market becomes overvalued. A correction is always a shorter duration than a bear market or a recession, but it can be a precursor to either.

A **recession** is a significant decline in economic activity across the economy, lasting longer than a few months. In a recession, there is usually a real decline in industrial production, employment, real wages and income and corporate earnings. The technical definition of a recession is two consecutive quarters of negative economic growth as measured by U.S. gross domestic product (GDP). Recessions, while unpleasant, are a normal part of the larger economic and business cycle. A recession generally lasts from six to 18 months.

Most recessions are accompanied by a **bear market**. A bear stock market is usually declared when the ***S&P 500 Index*** or the ***Dow Jones Industrial Average*** decline by over 20% over a more than a two-month period. A "bear market" should not be confused with a "correction," which is a short-term trend that usually lasts less than two months.

Corrections are often a great place for value investors to buy stocks cheaply. But Fairfax Global believes that investors should generally exit the stock market and move to the sidelines during bear market/recessions, since bear market/recessions can last six to 18 months and the stock market can drop over 50% during that period.

As can be seen in the chart above, corrections and stock market pullbacks occur almost every year. Investors almost always make a serious mistake in selling out of the market during simple corrections or pullbacks, which take place within an overall up-trending bull market. The difference between a "correction" and a "pullback" is—a "correction" is a stock market drop of more than 10% and a "pullback" is a stock market drop less than 10%.

Return OF Your Principal, Not Just the Return ON Your Principal!

At Fairfax Global, our primary concern with highly volatile or downward trending markets in a recession/bear market is the return **OF** your principal, not just the return **ON** your principal.

Fairfax Global has always believed that the true measure of an investment manager is how high a priority they place on risk management and limiting client portfolio losses during a recession/bear market.

Warren Buffett's mentor and Columbia University professor, Benjamin Graham once wrote, "The essence of investment management is the management of ***RISKS***, not the management of ***RETURNS***." He said, "Well-managed portfolios start with this precept."

Fairfax Global has always believed that the best money a client can make in the stock market is the money they don't lose in a recession/bear market.

How Does an Investor Know If This Is A "Correction" or "Recession/Bear Market"?

There is no single leading economic or technical indicator to identify in advance a recession or bear market.

However, the definition of a recession is a significant decline in real economic activity across the economy and overall negative economic growth as measured by U.S. gross domestic product (GDP).
At Fairfax Global, this is where we start.

Fairfax Global has a two-step process to determine a recession/bear market. If this two-step process identifies the start of a recession/bear market, then Fairfax Global will immediately start moving client portfolios out of stocks and begin investing in higher concentrations of cash, money market funds, U.S. treasury bonds, gold and other defensive investments.

STEP 1: Is This a Recession?

There is an old adage, that in the short term, any crazy global incident can negatively impact the stock market, but in the long term, the stock market follows the underlying fundamentals of the U.S. economy. If the economy is trending up and expanding, the stock market will follow. In the history of economics, the U.S. has never experienced a bear market/recession while the underlying U.S. economy was expanding and trending upward.

The following "Dashboard" is reviewed by Fairfax Global Markets investment managers at the end of each week to determine the direction and trend of both the the (1) economy through the **U.S. Weekly Leading Economic Indicator Composite Index** and (2) the U.S. stock market through the **S&P 100 Monthly Percentage Of Stocks Above Their 200-Day Moving Average**.

U.S. Weekly Leading Economic Indicator Composite Index

Leading indicators are used to predict changes in the economy. A leading indicator is an economic factor that changes before the economy starts to follow a particular pattern or trend.

Leading indicators are used to gain some sense of which way the economy is headed. Investors use them to adjust their strategy to benefit from future market conditions. Leading indicators often change prior to large economic adjustments. That is why investment analysts watch these indicators closely. While in practice, leading indicators are not always accurate predictors of the future, when they are used in concert with other data, they can usually reveal certain trends which support the probability of changing economic conditions.

Investors watch many of the same leading indicators as economists, because the health of the economy directly impacts the direction of the stock market.

However, investors tend to track indicators that can more directly influence the stock market. For example, the number of jobless claims, which is reported weekly by the U.S. Department of Labor, provides one timely way to look at the health of the economy. When jobless claims rise, it is a sign of a weakening economy. When they fall, it is an indication that companies are more confident about their prospects for growth.

The **U.S. Weekly Leading Economic Indicator Composite Index** is comprised of many of the top leading economic indicators, including the U.S. stock market, manufacturing activity, inventory levels, retail sales, building permits, housing market, new business startups, etc.

The shadowed area of the following chart identifies the past two official U.S. recessions.

Step 1 Assessment: As of the date of this sample chart, May 4, 2018, the U.S. economy is **NOT** moving toward a recession. The US Weekly Leading Index is up +3.41% from one year ago. This chart indicates the economy is still expanding. Any downturn in the stock market is likely to be a common correction that will end within a few weeks or months.

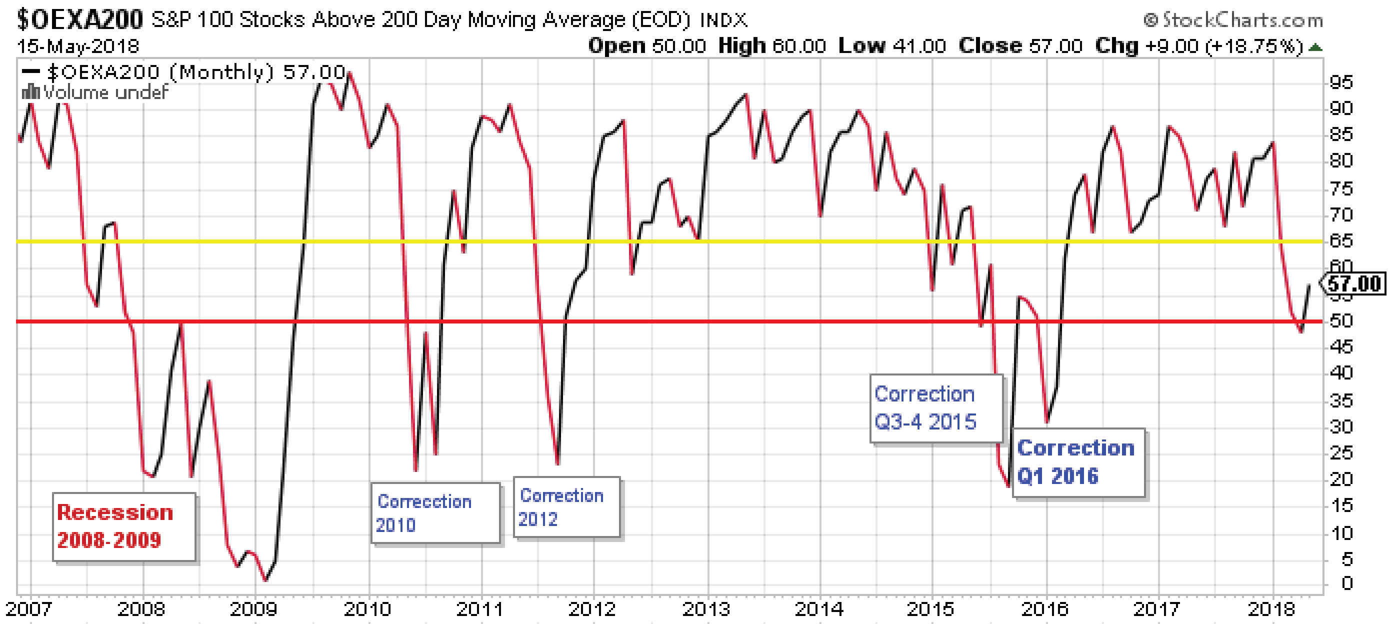
STEP 2: Stock Market Analysis:

Here is the current signal chart of our ***Fairfax Global Defensive Technical Indicator*** which is formally known as the "**S&P 100 Monthly Percentage Of Stocks Above Their 200-Day Moving Average.**"

STEP 1: ONLY if Fairfax Global determines there is likely going to be a recession or major economic downturn based on an analysis of the **U.S. Weekly Leading Economic Indicator Composite Index** then;

STEP 2: If the ***Leading Economic Indicators*** show the economy is starting to decline, then Fairfax Global analyzes the ***Fairfax Global Defensive Technical*** *Indicator* signal in the chart below. When this indicator drops below 65%, Fairfax Global will start moving out of stocks and investing in a higher concentrations of cash, money market funds, U.S. treasury bonds, gold, and other defensive investments

This S&P 100 Index indicator shows the percentage of the 100 largest corporations in the S&P 500 Index that are trading above their 200-day moving average.



The ***"200-day moving average"*** is a stock's long-term price trend over the past 10 months. When a stock's price dips below its 10-month long-term trend, analysts generally believe that stock is in a long-term, downward "bear trend."

The ***S&P 100 Index*** represents about 85% of the price movement of the broader S&P 500 Index, which largely represents the entire U.S. stock market. Most analysts believe that if a substantial percentage of the 100 largest stocks in America are trading below their 10-month price trend, then the stock market itself is also generally going down.

* For additional information, please refer to the Disclosures page.

Here Is How Fairfax Global Uses This Indicator

Green Light: If the chart above is trading above 65%, this usually indicates a bull market and Fairfax Global tries to keep client portfolios fully invested in a diversified stock market portfolio.

Yellow Caution Light: If the chart above is **below 65%**, this signals "caution" in the stock market and Fairfax Global will start increasing defensive holdings like cash and U.S. treasury bonds in client portfolios, if Fairfax Global has previously determined there is likely going to be a recession based on its analysis of the ***Fairfax Global Economic Risk Dashboard.***

Red Stop Light: If the chart above dips **below 50%**, that means that 50% of the 100 largest stocks in America are trading below their 10-month long-term price trend and this almost always signals a severe drop in the stock market. As you can see from the chart this happened in the "recession" of 2008-2009. Fairfax Global did not exit the stock market during the "corrections" in the summers of 2010, 2012 and 2015 because they had previously determined the declines in those years were "corrections" and not "recessions" based on their analysis of the **U.S. Weekly Leading Economic Indicator Composite Index**.

Why Is A Tactical Strategy That Moves Out Of Recessions/Bear Markets & Moves Back Into Bull Markets An Important Investment Strategy?

Most investors in the United States have created investment portfolios that only do well when the stock market is rising.

Fairfax Global believes this was a big reason so many people lost money in the 2000-2002 recession and again in the 2008-2009 recession because investors built investment portfolios too dependent on only rising markets. Their strategies were based on the experiences of their lifetimes up to the year 2000.

Even today, most financial planners continue to set up client investment strategies that do well only when stocks and bonds are rising. This "mindset" among many financial planners and advisers has created havoc in many people's investment portfolios over the past decade.

The problem is that when investors were hit with losses after the stock market declines in 2000-2002 and 2008-2009 recessions, many investors pulled their money out of the stock market and corporate bonds and went to cash right when the stock markets started to recover—only to suffer again as times changed.

An "All Weather" Conservative Investment Strategy

I believe the only solution to this on-going problem faced by many investors is to use a disciplined tactical risk management investment strategy like that implemented at Fairfax Global Markets.

The Fairfax Global Tactical Risk Management Investment Strategies are designed to be "all weather" strategies that are created to:

1. Stay fully invested in the stock market during the good times of a Bull Market; and to

2. exit the equity markets in the bad times of a Recession/Bear Market and only invest in cash, money market funds, U.S. treasury bonds, gold and other defensive investments.

It should be noted that this conservative investment approach means that Fairfax Global is always a little bit late getting out of a recession/bear market and always a little bit late getting back into a new bull market."

The history of these technical signals are that they usually take 3 to 4 months after a bull market high to signal the stock market is entering into a long-term recession/bear market and, conversely, they almost always take 3 to 4 months after a recession/bear market bottom to signal that a new long-term bull market is beginning. That is how the system has worked in the past.

Why Should An Investor Hire A Tactical Investment Manager?

The short answer is, risk management!

Many investors ask this question, especially when the stock market is shooting down, then up and then sideways—and no one is making any money.

In the long run, performance is very important. The goal of all investment managers is to increase a client's capital over any 5-to-10 year period. But during that process, an equally important task is to protect clients from "catastrophic losses" along the way. That is what risk management is all about.

Fairfax Global believes that risk management and the protection of capital from major drops in the stock market and recessions like 2000 to 2002 and again in 2008 and 2009 to be its primary goal.

Because of Fairfax Global's conservative, risk managed approach to investment management, they will, during certain years lag the overall stock market because client's often hold large amounts of cash during volatile recessions/bear markets.

But Fairfax Global does expect its risk managed investment strategies to protect clients, as they have in the past, from severe losses during long-term recession/bear markets and enhance performance during more volatile bull market periods.

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Paul Dietrich
Investment Manager

PAUL DIETRICH is CEO and Chief Investment Officer of Fairfax Global Markets LLC (Fairfax). He was previously CEO and Chief Investment Officer of Foxhall Capital Management Inc.

Fairfax currently manages investments for private investors, retirement funds and private institutions throughout the United States.

He is an international corporate attorney and was formerly associated with two Washington, DC law firms, Squire, Sanders & Dempsey (now Squire Patton Boggs), and Jones Day. As an attorney, he has been an advisor on privatization and economic development issues to the World Bank, as well as several governments in Asia, Eastern Europe and the former Soviet Union.

Before entering the practice of law, he served as Publisher and Editor in Chief of *Saturday Review*, one of the United States' oldest cultural magazines. He also served for four years as an elected State Representative (Republican from St. Louis County) in the Missouri General Assembly.

Mr. Dietrich is a frequent commentator on *CNBC, Fox Business News, CNN* and *Bloomberg TV*. He has also been a frequent contributor to the editorial pages of the *Wall Street Journal, the Washington Post*, the *London Times*, the *International Herald Tribune*, the *Singapore Times* and the *South China Morning Post*. From 1994 to 1997, he was editor of both the *Reuters Emerging Markets Guide* and the *Reuters Asian Stock Sourcebook*.

He is also President of the Institute for International Health and Development (founded in 1982 by Nobel Peace Prize Laureate, David Morse). He has served as a member of the Board of Trustees of the Catholic University of America in Washington, DC, was a member of the National Advisory Board of Harvard University's School of Public Health's AIDS Institute and a member of the Advisory Group on International Health Systems Assessment of the New York Academy of Sciences. He has been a member of the Advisory Board of the John Templeton Foundation. He has also served as a member of the Development Committee of the Pan American Health Organization (PAHO), and as a member of the Board of Directors of the U.S. Congressional Human Rights Foundation and the American-European Community Association. He is also the Editor of the award winning book, *A Guide to American Foreign Policy* (1982) and the author of the forthcoming book, *The Ultimate Baby Boomers Guide To Retirement Investing* (to be published in late 2019).

DISCLOSURES

Fairfax Global Markets LLC ("Fairfax") is an investment advisor registered with the United States Securities and Exchange Commission ("SEC"). For a detailed discussion of Fairfax and the investment management services described herein, please contact Paul Dietrich, Chief Investment Officer, at Dietrich@fairfax-global.com or 203-891-8377. Additional information regarding the firm's products and fees is available by accessing Form ADV Part 1 and 2A on file with the SEC at www.adviserinfo.sec.gov.

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The Fairfax Global Trends ETF Strategy is a globally diversified, tactical strategy that primarily invests in Exchange Traded Funds (ETFs). The base line asset allocation is 60% Global Developed Markets, 30% Asia and Global Emerging Markets and 10% Gold, Energy & Glob¬al Commodities; providing a Globally Diversified 100% equity portfolio. During long-term bear markets, larger amounts of treasury bonds are invested in the strategy.

The Fairfax Global Permanent Portfolio Strategy basically holds (1) 25% of the portfolio is stocks; (2) 25% in short-term treasuries; (3) 25% in long-term bonds; and (4) 25% in gold and precious metals. This conservative, "all-weather," broadly diversified asset allocation is designed to protect an investor's capital under any and all sets of economic conditions.

A complete list and description of all Fairfax strategies is available upon request.