



THE SUMMIT MULTI-TRIGGER OVERLAY

A UNIQUE MATHEMATICAL APPROACH TO MINIMIZING LOSS.



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Investment Advisory services offered through Summit Capital Solutions, an SEC registered investment advisor.



The Summit Multi-Trigger Overlay Strategy Overview

In 2020 the S&P 500 index experienced the fastest 30% sell-off ever, exceeding the pace of declines during the 2008 Crisis and even the Great Depression. It took the S&P 500 only 22 trading days to fall 30% from its record high on Feb. 19, **making it the fastest drop of this magnitude in history**, according to data from Bank of America Securities. The second, third and fourth fastest 30% declines all occurred back during the Great Depression era, 1929 through 1934 respectively.

2020 also marked the fastest market recovery in history. On August 18th the S&P 500 index recorded a record close **making it the quickest recovery from bear-market territory in its history**, according to Dow Jones Market Data.

During this historical decline and recovery were your clients invested in strategies designed to help automatically mitigate large market losses without having to contact you about making a change in your investments? During a major market correction, many investors don't sell their equity investments soon enough, thereby suffering losses. And as the market recovers, they often times wait too long to re-invest back into the market, and miss out on opportunities for gains.

Most of us have insurance to provide protection for our cars, our homes, our health, our lives and other valuables, the goal of insurance is to reduce the risk of large losses. Most investors are unaware they can attempt to invest in a way to try to limit market volatility and large losses.

Summit Capital Solutions (SCS) labels this investment approach as “Tactical Investing”. While there are numerous ways to implement a tactical investment approach, the basic objective is to participate as much as possible in market appreciation during bull markets while attempting to mitigate the impact of major losses during prolonged bear markets.

Many tactical strategies employ the use of stock options to attempt this objective while other tactical strategies utilize a more technical risk-on/risk-off approach. SCS has many different tactical strategies available to investors including options and technical solutions to choose from.

Introducing the Summit Multi-Trigger Tactical Overlay

The Summit Multi-Trigger Overlay is a mathematical approach which employs a **proprietary** multi-facet methodology to tactically mitigate downside risk. The strategy employs three algorithmic technical indicators or “triggers” that independently dictate either a risk-on posture (invested in equities) or risk-off posture (invested in high quality bonds). These three triggers are the SCS Stop Loss, SCS Tactical Overlay and SCS Market Trend Indicator.



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TRIGGER #1 – SCS Stop Loss:

The Stop Loss trigger is equipped with both a stop-loss and market buy-back feature. If the S&P 500 closes down by 12% or more from its most recent peak value, the Stop Loss will trigger a flight to safety, selling all equities in the portfolio, and re-investing them into bonds. If the S&P 500 experiences a decline of less than 30% from peak to trough the market buy-back feature will trigger when the S&P 500 recovers by 50% or more from its low, re-investing back into equities. If the S&P 500 experiences a decline of more than 30% from peak to trough the market buy-back feature will trigger much quicker after it reaches its low, re-investing back into equities.

TRIGGER #2 - SCS Tactical Overlay:

The Mathematics – Simple Moving Average (SMA) & Exponential Moving Average (EMA).
 Simple Moving Average (SMA) are the most common type of averages used by technical analysts because they are straightforward calculations of a stock average price (usually its closing price) over a set number of days.

For example, a **10-day Simple Moving Average (SMA)** can be calculated by adding up the stocks last 10 closing prices together and divide that number by 10. Since this is a moving average, as each trading day passes, the oldest day's closing price drops off and the newest trading days closing value is added to the 10-day average.

O C T O B E R									
1	+	2	+	3	+	4	+	5	
6	+	7	+	8	+	9	+	10	

SMA is a backward-looking indicator because it gives just as much equal weighting to the closing price 10 days ago as it does yesterday's closing price. As a result, SMA may not react as quickly to more recent changes in the stock's price.



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This is where Exponential Moving Averages (EMA) come in. EMA attempts to correct for lag time of a SMA by giving more weight to recent price moves than older ones.

Since EMAs place a higher weighting on recent data more than older data, they are more reactive to the latest price changes than SMAs are, this makes the results from EMAs timelier and explains why the EMA is the preferred average among many traders.

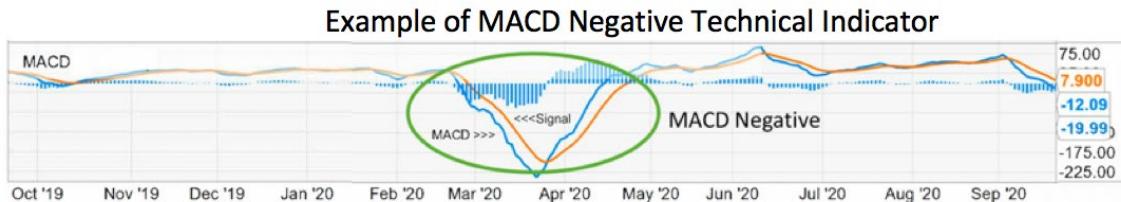


Primary Technical Indicators – The Summit Tactical Overlay measures two proprietary EMA's of the S&P 500 closing prices to determine inflection points. When these two moving averages cross, the trend indicators signal a risk-on or risk-off position accordingly. Multiple market scenarios were tested utilizing a long time period to determine the optimal technical indicators. We observed that this methodology provides advantageous trigger points that can avoid material downside losses while participating in a portion of upside gains.

Example of EMA Crossover Negative Technical Indicator



Moving Average Convergence Divergence or “Mac-D” (MACD) The MACD serves to confirm each new risk-on and risk-off position the Primary Technical Indicators make, by validating both a trend and its momentum. The MACD accomplishes this by turning a “long” EMA and a “short” EMA into a momentum oscillator by subtracting the price of the longer EMA from the shorter one. This price difference is then plotted as a single line against an even shorter EMA which acts as a Signal to identify turns. This MACD-to-Signal comparison allows the MACD to consistently confirm the direction of the Primary Technical Indicators in a meaningful way. An important point to remember is that all short-term and long-term technical signals must validate a sustained downward trend for the Summit Tactical Overlay to deploy a risk-off position



TRIGGER #3 - Summit Market Trend Indicator:

The Summit Market Trend Indicator is an intermediate trend-following algorithm utilizing the 200-day moving average as a primary signal coupled with a secondary proprietary algorithm which helps confirm whether the market is trending upward or downward. It essentially tracks the 200-day moving average of the S&P 500 combined with a proprietary band above and below it, which seeks to help validate the market trend more precisely and help avoid whipsaws. When the price of the S&P 500 falls below the proprietary band, this tranche will exit the market, and conversely when the price of the S&P 500 breaks above the band, the tranche will re-enter the market.

There are two versions of the **Summit Multi-Trigger Overlay Strategies**. One version **The Summit Multi-Trigger “Tactical” Overlay Strategies** allows 100% of Equities to potentially move into 100% “risk off” (i.e. Bonds). The second version **The Summit Multi-Trigger “Dynamic” Overlay Strategies (25-75)** maintains 25% invested in Equities at all times, while the remaining 75% can potentially move into Bonds. Maintaining 25% in Equities at all times carries more inherent risk, but also the potential for more gains over a full market cycle.





THE SUMMIT MULTI-TRIGGER “TACTICAL” OVERLAY

Fully Tactical, can be invested 100% Risk-off

Tactically moves in phases/tranches from 100% Risk-On up to 100% Risk-Off and vice versa

Utilizes (3) tactical components:

- 33% to Summit Stop Loss
- 33% to Summit Tactical Overlay
- 33% to Summit Market Trend Indicator

THE SUMMIT MULTI-TRIGGER “DYNAMIC” OVERLAY (25-75)

Predominantly Tactical, can be invested up to 75% Risk-off

Dynamically moves in phases or tranches from 100% Risk-On up to 75% Risk-Off

Utilizes (1) strategic Component:

- 25% will always remain invested in Risk-On (Equities)

Utilizes (3) tactical components:

- 25% to Summit Stop Loss
- 25% to Summit Tactical Overlay
- 25% to Summit Market Trend Indicator

Unlike a traditional light switch which is either “on” or “off”, you can think of the Summit Multi-Trigger Overlay like a dimmer switch, which can “dial up or down” risk based on the severity and type of market condition at any given time. Having three different independent tactical indicators provides risk-on/risk-off diversification with the goal to help navigate varying market conditions. While no strategy works perfectly in every market environment, attempting to minimize large losses during prolonged bear markets can dramatically help preserve and increase wealth over time.

History has shown that recovery from catastrophic loss can take years, time some investors don’t have. If Summit’s Capital’s Multi-Trigger Overlay can save your investments even once from a major catastrophic loss, it may prove well worth it.



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Moving Average Convergence Divergence (MACD) - <https://www.investopedia.com/terms/m/macd.asp>

Exponential Moving Average (EMA) - <https://www.investopedia.com/terms/e/ema.asp>

Investment advisory services offered through Summit Capital Solutions (SCS), a registered investment advisor. For a complete description of investment risks, fees and services, review the Summit Capital Solutions firm brochure (ADV Part 2A) which is available from your Investment Advisor Representative or by contacting SCS. Strategies do not take into account your particular investment objectives, financial situation or risk tolerance and may not be suitable for all investors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. It is not available for direct investment. Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance. Please be advised that investing involves risk and that no particular investment strategy can guarantee against losses. In particular, stop loss/buy orders do not guarantee securities will be sold/bought at a particular price. Stop loss/buy orders are generally converted to market orders at the specified price and may be executed at a lower/ higher price due to liquidity and current demand for the security. In addition, stop loss/buy orders may increase trading cost which could lower the portfolio's rate of return. The cash position may be more or less than 3% in the future which would have an impact on returns. All market timing strategies that are employed are designed to be reactive indicators. Investors should fully read and understand the prospectus for AGG before investing in the SCS Multi-Trigger Overlay Models.



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