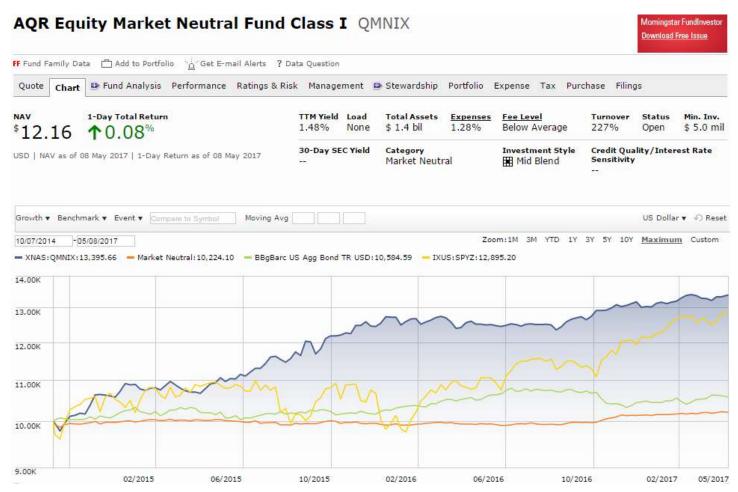
## QMNIX will Soft Close on June 30th

If you go shopping for a Registered Investment Advisor (RIA), one of your first questions should be whether any of their clients are invested in QMNIX. If not, cross them off your list. Take a close look at its chart. This OEF, which we have extensively written about in the past, is in Morningstar's Market Neutral Category with a Beta of 0, which matches its **Risk** ratio based on the average historical Maximum Drawdowns to S&P 500 declines greater than 10%. During the last correction, which ended on 2/11/16, QMNIX actually had a positive return. It achieves the results shown below (blue line) with a Long/Short portfolio based on 3 Factors: Value, Momentum and Quality, having outperformed the S&P 500 (yellow line) since inception. Its Peers (orange line) however have actually underperformed our Bond benchmark (green line) during this period. While we doubt it can sustain this level of outperformance, it remains our primary Fund for reducing client **Risk**.



As we have noted before, the "\$5.0 mil Min. Inv." shown above does not apply to clients of RIAs like Hughes Capital Management. AQR Capital Management is considered by many, including us, to be the preeminent Quantitative Fund provider. Morningstar: "AQR boasts a strong quantitative research culture, competitive fees, and high manager retention .... Quantitative research underpins all of the firm's strategies. ... The leadership team has close ties to academia. In fact, 11 of the firm's 26 principals have doctorate degrees, and five are current or former professors. ... Equity ownership and attractive compensation have promoted high manager retention (99% over the past five years)."

## From AQR's website:

The Fund seeks to deliver positive absolute returns by taking long and short positions in equity and equity-related instruments that, based on proprietary quantitative models, are deemed to be either undervalued (and likely to increase in price) or overvalued (and likely to decrease in price).

The Fund is designed to be market neutral, targeting a portfolio beta to equity markets of zero over a normal business cycle. We construct the portfolio based on our global security selection and asset allocation models, employing the following indicators:

*Value* indicators to identify investments that appear cheap based on fundamental measures, such as price-to-earnings and price-to-book ratios.

*Momentum* indicators, such as simple price momentum, to identify investments with strong short-term performance.

Quality indicators to identify stable companies in good business health, including those with strong profitability and stable earnings.

Applying these and other proprietary indicators, we take long or short positions in industries, sectors and companies that we believe are conditionally attractive or unattractive. The result is a portfolio that seeks positive absolute returns with close to zero equity market beta.

On 7/31/16 we wrote to a client: "We are also concerned that AQR may close the fund. It would likely start with a soft close ...." That concern has now become a reality. If your Risk Profile, a subject thoroughly reviewed on our website and where every investor should start, indicates that your portfolio should reduce **Risk**, QMNIX remains the best Fund we have found.