Beaumont Capital Management (BCM)

An Active Combination: Collective Investment Funds

Finding the appropriate retirement plan can be a challenging and complicated process. From investment professionals to end investors and those in between, each role should have a clear understanding of the solutions they are implementing and the guidelines currently in place. Thus, one should first understand the concept of a Collective Investment Fund (CIF) and how it relates to a qualified retirement plan.

A CIF is an institutional investment vehicle sponsored by banks or trust companies that pool retirement plan assets into a single portfolio. This includes possible investments in a wide range of vehicles like mutual funds, Exchanged Traded Funds (ETFs) and asset classes like equities and fixed income. CIFs have been in existence since 1927 and are regulated by the Office of the Comptroller of the Currency. They are also compliant with the Employee Retirement Income Security Act (ERISA) and the Department of Labor (DOL) requirements. With their own strategy, philosophy and objectives, CIFs seek to provide other characteristics not found in investment vehicles like mutual funds. These qualities, like transparency, become important benefits to evaluate in a CIF when recommending a retirement solution.

Managing Retirement with CIFs

Lower and Fewer Costs

CIFs do not require registration with the Securities Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA)* and therefore do not issue prospectuses, proxies or statements of additional information. Instead, the Declaration of Trust, under which the CIF is formed, contains requirements for operations, investment strategy and any other provisions necessary. More importantly, this exemption from Regulatory reporting can result in lower compliance, administrative, advertising and marketing costs compared to a mutual fund with a similar investment strategy. As a result, reduced fees are passed directly to plan participants in a defined contribution plan.

Exclusively for Qualified Retirement Plans Only

CIFs are only accessible to certain types of retirement plans, such as qualified investment, defined contribution plans and other plans eligible under Code 401(a). This creates a focus on plan participants and their retirement needs, rather than to the general public. CIFs therefore are not available to individual or retail investors and are not advertised to the public. They are exclusively for retirement plans, which helps to minimize questions and concerns from participants.

Reduced Cash Flow Volatility and Balances

CIFs generally keep lower cash balances than mutual funds because participants in defined contribution retirement plans usually invest with longer time horizons than retail clients. Typically, this causes inflows to be more predictable due to periodic contributions. Since withdrawals are typically made only in retirement, there is much less cash flow volatility if no early distributions are taken. This allows the portfolio to be managed more efficiently and helps keep more funds active in the markets rather than in the cash reserve.

Greater Fee Flexibility

A CIF offers different opportunities to structure fees based on plan needs. With that said, operating and management expenses can differ by share class. This creates flexibility within the CIF to have one or more share classes account for certain expenses, or none at all. Greater flexibility also gives the advisor the opportunity to find a fund class that meets the needs and objectives specific to each plan participant and the sponsoring business.

*If a CIF is marketed by a broker-dealer, the broker-dealer must comply with FINRA rules. The CIFs are not mutual funds. Their shares are not deposits of Hand Benefits & Trust Company, a BPAS company, or Beaumont Capital Management (BCM), and are not insured by the Federal Deposit Insurance Corporation or any other agency. The CIF is a security which has not been registered under the Securities Act of 1933 and is exempt from investment company registration under the Investment Act of 1940. The BCM DynamicBelay QDIAs are new and do not have actual performance data to report. Diversification may not protect against market risk or guarantee against a loss. There are risks involved with investing, including possible loss of principal. Before investing in any investment portfolio, the client and the financial professional should carefully consider client investment objectives, time horizon, risk tolerance, and fees. Participants and beneficiaries on whose behalf assets are invested in a QDIA have the right to direct the investment to any other investment alternative under the plan, subject to any fees or limitations that may apply to such transfer under the plan.

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ETFs as an Investment Solution to CIFs

Over the past decade, Exchange Traded Funds (ETFs) have quickly become many investors' go-to choice for index-like exposure. By purchasing the index in aggregate through an ETF, investors can receive their desired exposure with just one trade and one position. When including ETFs into a CIF, an investor will benefit from several factors that many mutual funds or Target Date Funds may not have. These factors are identified below.

Characteristic	ETFs	Mutual Fund
Liquidity	• ETF investors buy and sell shares continuously throughout day. They capture the precise movement of market at time of purchase and or sale. • Many of the large ETFs update fund holdings daily and the listing exchange of each ETF is required to publish an intraday net asset value (NAV) every 15 seconds.	• Mutual funds are priced once a day at the end of the trading day. • Shareholders purchase and redeem shares at the closing value of the fund at NAV.
Minimum Investment	• There is no minimum investment requirement. An investor can purchase as few as one ETF share. • Many 401k plans now allow fractional share purchases for participants.	• Mutual funds may require investment minimums of $2,500 or more.
Fees and Expenses	• ETFs historically have had an average expense ratio of roughly 0.51%.[1] • The average expense ratio for ETFs is lower than that of traditional mutual funds. • BCM DynamicBelay™ QDIA's range from 16-20 bps based on the underlying ETFs the funds use and have a management fee of 40 bps.	• Mutual funds historically have higher average expense ratios, recently at 0.64%.[2] • The expense ratio excludes trading costs and they come out of the total returns. The more your funds trade, the more you pay.[3] • Other hidden fees exist like front-end loads, redemption fees, and 12(b)1 service fees.[4]

BCM DynamicBelay™ QDIAs are designed specifically for qualified retirement plans so you can trust they are appropriate for almost any participant. They are simple, straightforward and transparent, helping to minimize questions from participants. For more information on our strategies, contact you regional consultant at salessupport@investbcm.com or 844-401-7699.

1. Morningstar Direct 2014. Average Prospectus Net Expense Ratio for ETFs and open end Index mutual funds as defined by Morningstar 2. Morningstar 2015 Fee Study: Investors Are Driving Expense Ratios Down. 3. Morningstar. Your Fund's Hidden Costs. Emily Hall. June, 23, 2004. 4. About Money: 5 Mutual Fund Fees to Ask about, Dana Anspach, December 27, 2014. The BCM DynamicBelay Funds are collective investment funds (CIFs) created by the Hand Composite Employee Benefit Trust and sponsored by Hand Benefits & Trust Company, a BPAS company, that invest in the strategies of Beaumont Capital Management which serves as the sub-advisor to the CIFs. An Exchange Traded Fund (ETF) is a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange. ETFs typically are not actively managed. They trade like stocks and are subject to investment volatility and the principal amounts invested in ETFs are not protected, guaranteed or insured. As with all investments including the ETFs and CIFs, there are associated inherent risks, including principal risk. An investor may have a gain or loss when shares are sold. ETFs may have additional volatility because they may be comprised significantly of assets in securities of a small number of individual issuers. Beaumont Capital Management is a separate division of Beaumont Financial Partners, LLC. 250 1st Avenue, Needham, MA 02494. 844-401-7699

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