

Merlyn.AI Launches SNUG: A Paradigm Shift in Conservative ETF Design



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Merlyn.AI Corporation

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PALO ALTO, Calif., Feb. 24, 2020/PRNewswire/ – Merlyn.AI Corporation (MAI), a Palo Alto-based provider of exchange traded funds, launches [SNUG](#), its Tactical Growth & Income ETF, on the NASDAQ stock exchange. The Index employs advanced signal processing, adaptive momentum filters, and integrated bear market strategies that enable SNUG to automatically adjust to the ever-changing character of the markets.

“Most investors want some of their portfolio in a conservative instrument that improves returns in both bull and bear markets,” says David Epstein, MAI CEO and Co-founder. “SNUG seeks to do just that.”

Each month, the MAI Tactical Growth and Income Index, (which SNUG exclusively tracks) evaluates more than 400 U.S. ETFs across broad and divergent markets and selects a portfolio of eight diverse ETFs. During bull markets, SNUG targets a conservative portfolio’s allocation of 30% equities and 70% bonds. During bear markets, SNUG automatically moves to defensive positions, holding up to 100% in treasuries, bonds, gold, and other defensive ETFs.

“SNUG is a paradigm shift in ETF design,” says Sue Guzman, MAI COO. “Its index seeks to provide an automated, self-contained tactical portfolio management system in a tax-efficient ETF wrapper that is designed to deliver the five things investors want most.”

Those five things are:

1. A portfolio of momentum leaders in bull markets;
2. A portfolio of defensive leaders in bear markets;
3. An expert automatic method for switching between bull and bear portfolios;
4. The benefits of tactical trading without abandoning tax-efficiency;
5. And, perhaps most importantly, automating important investment decisions so investors can focus on enjoying life.

SNUG’s integrated design may enable ordinary taxable accounts to enjoy the benefit of tactical trading without abandoning tax-efficiency. Like many ETFs, it employs the IRS ‘in-kind exchange’ rule [Section 852(b)(6) of the tax code] to make most trading within its ETF wrapper a non-taxable event.

"Investing well requires simultaneously solving multiple problems. While the industry remains focused on neural networks and the belief that one AI tool can solve everything, SNUG takes a divide-and-conquer approach by using the best tool for each job," says Scott Juds, MAI Co-founder and Chief Science Officer. "SNUG employs multiple AI tools that seek to: eliminate hindsight bias, analyze multiple market indicators and seek to assess the market's bull vs. bear status, and genetically evolve its underlying strategies as it learns market behavior."

Risk is not a one-dimensional problem cured by a single dose of diversification. According to Juds, traditional diversification's passive risk reduction is only just a start. SNUG's index additionally seeks to avoid bear market losses by assessing U.S. markets across key metrics including price-trend, market momentum, and value sentiment. When a bear market is indicated, SNUG's index automatically switches to a portfolio of defensive leaders that seek to avoid bear market losses.

The MAI Tactical Growth & Income Index is the result of more than 30 years of research and development by Mr. Juds, who discovered trends in market data using advanced signal processing in early 1992. Juds has been refining his system through many bull and bear markets ever since. This new approach, branded Temporal Portfolio Theory, has been fueling the success of Juds' SumGrowth Strategies LLC in Seattle, WA, which for more than a decade has had strong subscription support from both individual investors and financial professionals around the country. To improve investing simplicity and provide tax efficiency, Merlyn.AI Corporation was formed to commercialize indexes using this approach as ETFs.

[SNUG](#) joins [WIZ](#), an 80/20 growth allocation ETF of similar design, launched by the company in October 2019. Together, SNUG and WIZ provide the means to target an allocation blend anywhere along the spectrum, from conservative to growth, and better serve an investor's specific needs. For example:

	(Conservative)			(Moderate)		(Growth)
Target Allocation	30/70	40/60	50/50	60/40	70/30	80/20
SNUG Allocation	100%	80%	60%	40%	20%	0%
WIZ Allocation	0%	20%	40%	60%	80%	100%

About Merlyn.AI Merlyn.AI Corporation (MAI) is a Palo Alto-based exchange traded fund provider launched in January 2019 by two long-time friends, David Epstein and Scott Juds. MAI is exclusively licensed to create and market ETFs based on the Merlyn AI technology developed by Seattle-based SumGrowth Strategies, LLC. The SNUG ETF investment advisor is Empowered Funds LLC, dba Alpha Architect. The SNUG ETF is distributed by *Quasar Distributors* LLC, a member of FINRA, SIPC. Neither Merlyn.AI nor SumGrowth Strategies LLC is affiliated with Quasar Distributors LLC. MAI funds are not sponsored, endorsed, issued, sold or promoted by its indexing agent, Solactive AG, nor does Solactive AG make any representations regarding the advisability of investing in SNUG. MAI, Quasar Distributors, and SumGrowth Strategies are not affiliated with Solactive AG. For more information, please visit the www.Merlyn.AI website.

Disclosures:

Before investing one should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information can be found in the fund's summary or full prospectus, which may be obtained by visiting www.MerlynETFs.com. Please read the prospectus carefully before investing.

An investment in the ETFs is subject to investment risk, including the possible loss of principal. ETF shares may be bought and sold through a brokerage account. Brokerage commissions and ETF expenses will reduce investment returns. There can be no assurance that an active trading market for ETF shares will be developed or maintained. There is no guarantee the ETFs' strategy will be successful. Because they invest primarily in other ETFs, the WIZ and SNUG ETFs' investment performance largely depends on the investment performance of those underlying ETFs. An investor will indirectly bear the principal risks and its share of the fees and expenses of the underlying ETFs. The risks associated with these ETFs are detailed in the prospectus and could include factors such as concentration risk, foreign and emerging markets risk, equity market risk, momentum investing risk, value investing risk, fixed income risk, dividend investing risk, gold risk, high portfolio turnover risk and bull index bond risks. Maintaining investments regardless of market conditions or the performance of an individual investment could cause the ETFs' returns to be lower than if the ETFs employed an active strategy. The performance of the ETFs and their Indexes may differ due to tracking error. The Indexes uses a form of (AI) artificial intelligence. Investments utilizing quantitative methods may perform differently than the market as a whole. Momentum investing can turn quickly and cause significant variation from other types of investments. There may be periods when the momentum style is out of favor, and during which the investment performance of an ETFs using a momentum strategy may suffer. The ETFs are non-diversified and may be more sensitive to economic, business, political or other changes affecting individual issuers or investments than a diversified fund, which may result in greater fluctuation in the value of the ETFs' Shares and greater risk of loss.

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The Index is based on a proprietary methodology developed by SumGrowth Strategies, LLC, and licensed to Merlyn.AI Corporation, the Fund's sponsor, and sublicensed to Empowered Funds, LLC, the Fund's investment advisor. The WIZ and SNUG ETFs are distributed by Quasar Distributors LLC.
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