

Howard Capital Management Funds Charge High Fees to Misuse Leveraged ETFs.

Howard Capital Management (“HCM”) is a SEC-registered RIA based in Roswell, GA.¹ In addition to advising individual accounts, it manages mutual funds and ETFs. It claims to use proprietary technical analysis, HCM-BuyLine®, to market-time the funds’ asset allocations.

Without any risk disclosure, HCM’s mutual funds buy and hold leveraged ETFs for much longer periods than is widely recognized to be appropriate. We provide some summary information of the HCM funds and examples of lengthy leveraged ETF holding periods.

Howard Capital Management (HCM) manages \$4 billion in net assets in 4 mutual funds and 3 ETFs. In addition, HCM manages individual accounts.

- HCM claims to use technical analysis to allocate portfolio assets to stocks and cash.
- HCM uses leveraged ETFs for a significant portion of its equity exposure.
- HCM inappropriately holds leveraged ETFs for at least 6 months and perhaps as long as two years. This conduct goes back to 2015 but appears to have gotten much worse since 2020.
- HCM does not disclose the Holding Period Risk or rebalancing risk which is an emphasized principal risk disclosed by the issuers of the leveraged ETFs which dominate HCM’s fund portfolios.

1. Leveraged ETFs

Leveraged ETFs produce returns equal to multiples (2X and 3X and -1X, -2X and -3X for inverse ETFs) of broad stock market indexes’ returns on a daily basis. Leveraged and inverse ETFs rebalance their derivative holdings after the close each trading day to reset their leveraged or short exposure to their target multiple. As a result of this daily rebalancing, the long-term returns from holding a leveraged or inverse ETF can differ significantly – and with a strong negative bias - from holding a leveraged or short position in the underlying index in a margin account.

¹ howardcm.com

Ten years ago, we contributed three papers to the significant literature on the returns to holding leveraged and inverse ETFs.²

Issuers identify the impact of daily portfolio rebalancing on the returns to holding leveraged and inverse ETFs for longer than a day as a key risk. For example, ProShares issues three significant HCM holdings – Ultra QQQ, Ultra S&P 500 and Ultra Technology. Each are 3X leveraged ETFs. The October 1, 2023 Prospectus sections for these three funds is attached as Appendix 1. ProShares lists “Holding Period Risk” second in the section “Principal Risks” and devotes 40% of the section to Holding Period Risk – 8 times as much space as it devotes to Leverage Risk.

HCM, on the other hand, doesn’t mention Holding Period Risk or daily rebalancing risk in its Prospectuses, annual reports or semi-annual reports despite leveraged ETFs making up approximately 50% of its portfolio holdings. Not only do HCM funds contain substantial holdings of leveraged ETFs, the HCM Funds maintain large untraded positions for at least six months.

The Securities and Exchange Commission, FINRA and state securities regulators have repeatedly identified length of holding period and daily rebalancing as significant risks in leveraged and inverse ETFs. See for example, FINRA Notice 09-31, *FINRA Reminds Firms of Sales Practice Obligations Relating to Leveraged and Inverse Exchange-Traded Funds* www.finra.org/rules-guidance/notices/09-31.

The SEC has charged brokers and advisors with investing clients in leveraged and inverse ETFs and holding the LETFs for longer than days or weeks.

- Dominic A. Tropiano, www.sec.gov/files/litigation/complaints/2020/comp24878.pdf
- Douglas Elstun, www.sec.gov/files/litigation/complaints/2021/comp25061.pdf
- Christopher Barone, www.sec.gov/files/litigation/admin/2020/33-10828.pdf

States have also barred advisors for investing clients’ money in buy and hold strategies using leveraged and inverse ETFs.

- *In the Matter of Timothy Fife*, Case No. 14-028, Before the Ohio Department of Commerce, Division of Securities.³

² See “Crooked Volatility Smiles: Evidence from Leveraged and Inverse ETF Options” with Geng Deng, Tim Dulaney and Mike Yan, *Journal of Derivatives and Hedge Funds*, (2013) 19, 278–294, “The Properties of Short Term Investing in Leveraged ETFs” with Geng Deng, *Journal of Financial Transformation*, October 2012 and “Leveraged ETFs, Holding Periods and Investment Shortfalls” with Ilan Guedj and Guohua Li, 2010, *Journal of Index Investing* Winter 2010 vol. 1, no. 3.

³ The Hearing Officer’s Report and Recommendation can be found here www.slcg.com/files/results/Ohio%20v%20Fife.pdf.

- *In the Matter of Nicholas Rowe, Focus Capital Wealth Management, State of New Hampshire, Bureau of Securities Regulation.*⁴

Coincidentally, Craig was involved as the expert witness on leveraged and inverse ETFs for the state in both cases. Also, in both cases, the Advisors falsely claimed that because they were using technical analysis to evaluate when to buy and sell leveraged ETFs, the strong caution against holding leveraged ETFs for more than days or weeks did not apply to them.

2. HCM Funds

HCM advises four mutual funds and three ETFs with \$4 billion in net assets as of June 30, 2023:

Table 1 HCM Funds

Name	Ticker	Inception	Net Assets (as of 6/30/23)
Mutual Funds			
HCM Tactical Growth	HCMGX, HCMDX, HCMIX	7/30/2014	\$1,271,074,158
HCM Dividend Sector Plus	HCMNX, HCMPX, HCMQX	3/11/2015	\$1,342,909,811
HCM Income Plus	HCMEX, HCMKX, HCMLX	11/9/2016	\$621,385,448
HCM Dynamic Income	HCMBX, HCMFX, HCMUX	7/1/2022	\$129,344,343
ETFs			
HCM Defender 100	QQH	10/10/2019	\$328,057,114
HCM Defender 500	LGH	10/10/2019	\$289,042,751
Direxion HCM Tactical Enhanced US*	HCMT	6/22/2023	
Total			\$3,981,813,625

*HCM serves as the sub-adviser to the Fund

a. HCM Dividend Sector Plus

From the November 1, 2023 Prospectus⁵:

Investment Objectives:

...

The Fund seeks long-term capital appreciation.

Principal Investment Strategies:

...

The Fund seeks to achieve its investment objective through investments in: (i) dividend paying equity securities of companies included in the S&P 500 TR Index; (ii) “plus” other investment

⁴ The Consent Order can be found here www.slcg.com/files/RoweNHOrder.pdf.

⁵ www.sec.gov/Archives/edgar/data/1537140/000158064223005910/hcmfunds497.htm, p. 20.

companies (mutual funds, closed-end funds and ETFs) sometimes referred to in this Prospectus as “Underlying Funds,” including investment companies that use leverage; and (iii) cash and cash equivalents and put and call options. Unlike typical dividend funds, the Fund may use leverage through investment companies that use leverage.

The Adviser uses the HCM – BuyLine® (“HCM-BuyLine®”), its proprietary quantitative investment model, to determine when the Fund should be in or out of the market. The HCM-BuyLine® uses trend analysis to help identify the broad trend in the equity market. When the trend is down, the Adviser reduces the Fund’s exposure to equities, and, when the trend is up, the Adviser increases the Fund’s exposure to equities. The Adviser uses its discretion to determine how much the Fund will be in or out of the market based on the strength of the trend identified by the HCM-BuyLine®. When the Fund is out of the market, it invests in cash and cash equivalents and/or put options to hedge the portfolio’s equity securities and to reduce volatility. Put options generally have an inverse relationship to the underlying security on which the option is held. When the Fund is in the market, it invests in equity securities and/or call options. Call options generally have a direct relationship to the underlying security on which the option is held. The Fund may be invested from 0-100% in cash and cash equivalents and/or put call options and 0-100% in equities and/or call options depending on the strength of the trend identified by the HCM-BuyLine®. The Fund is designed to maximize returns through investing in any combination of sectors, asset classes, and sub-sectors as determined by the HCM BuyLine®.

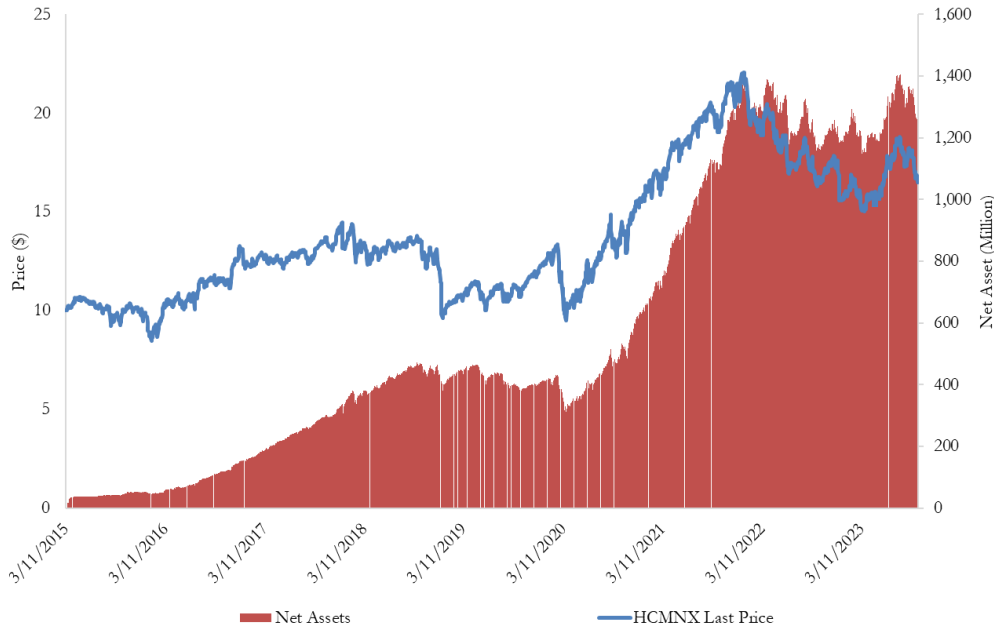
At year end June 30, 2022, HCM Dividend Sector Plus Fund held 40% in cash. Otherwise at each year end from 2015 to 2023, it was fully invested in equities. Initially this fund invested in individual common stocks but starting in the 2019 Fiscal Year purchased ETFs instead of individual stocks. See Table 2.

Table 2 HCM Dividend Sector Plus Fund’s Annual Portfolio Holdings Summary

HCM Dividend Sector Plus Fund	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Leveraged ETFs:									
Direxion Daily S&P 500 Bull 2X Shares									2.0%
ProShares Ultra QQQ					15.4%	24.2%	24.1%		27.8%
ProShares Ultra S&P500					15.3%	21.4%	23.2%	3.2%	22.0%
Leveraged ETFs Subtotal					30.7%	45.6%	47.3%	3.2%	51.7%
Other ETFs					44.9%	53.1%	45.9%	47.2%	35.2%
ETFs Total					75.6%	98.7%	93.2%	50.4%	87.0%
Common Stocks	99.3%	126.2%	123.2%	124.0%	23.6%		4.1%	9.1%	11.5%
Money Market Fund	4.3%	5.5%	2.4%	2.9%	1.0%	1.2%	0.0%		
Other Assets In Excess of Liabilities	-3.6%	-31.8%	-25.6%	-26.9%	-0.2%	0.1%	2.7%	40.5%	1.5%

Figure 1 plots HCM Dividend Sector Plus Fund’s NAV and Net Assets from inception to the present.

Figure 1 HCM Dividend Sector Plus Fund’s NAV and Net Assets



Howard Capital Management charged Dividend Sector Plus Fund investors \$86,356,777 including \$56,005,858 in advisory fees since 2015. \$43,736,510 or one-half of those fees have been charged in the past two years. See Table 3.

Table 3 HCM Dividend Sector Plus Fund Advisory Fees and Expenses Total \$86 million.

Fiscal Year	Advisory Fees	12b-1 Fees	Total Expenses	Net Assets	Expense Ratio
2015	128,811	25,762	240,787	36,931,859	0.65%
2016	658,433	148,057	1,174,133	79,633,254	1.47%
2017	1,945,985	489,596	3,758,438	243,045,938	1.55%
2018	4,161,663	1,074,517	8,719,419	419,183,240	2.08%
2019	5,488,250	1,481,357	10,009,580	429,330,567	2.33%
2020	4,881,203	1,425,347	7,054,478	400,510,125	1.76%
2021	8,157,368	2,589,416	11,663,432	978,054,231	1.19%
2022	15,343,354	4,948,398	21,964,439	1,207,039,573	1.82%
2023	15,240,791	5,181,021	21,772,071	1,342,909,811	1.62%
Total	56,005,858	17,363,471	86,356,777		

Table 4 excerpts Dividend Sector Plus Fund’s expense table for the November 1, 2023 Prospectus. HCM mutual funds are high-cost, broker-sold funds. 74% of HCM’s four mutual

fund outstanding shares are Class A shares which carry a 5.75% up front sales load and 24% are Investor Class shares which have an annual 1% 12b-1 fee.

Table 4 HCM Dividend Sector Plus Fund Expense Table.⁶

Shareholder Fees (fees paid directly from your investment)	Class A	Class A1	Class I	Investor Class
Maximum Sales Charge (Load) Imposed on Purchases (as a % of offering price)	5.75%	5.75%	None	None
Maximum Deferred Sales Charge (Load)	None	None	None	None
Redemption Fee (as a % of amount redeemed if held less than 30 days)	None	None	None	None
Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)				
Management Fees	1.25%	1.25%	1.25%	1.25%
Distribution and Service (12b-1) Fees	0.25%	0.40%	None	1.00%
Other Expenses	0.11%	0.11%	0.11%	0.11%
Acquired Fund Fees and Expenses ⁽¹⁾	0.27%	0.27%	0.27%	0.27%
Total Annual Fund Operating Expenses	1.88%	2.03%	1.63%	2.63%

(1) Acquired Fund Fees and Expenses are the indirect costs of investing in other investment companies. The operating expenses in this fee table will not correlate to the expense ratio in the Fund's financial highlights because the financial statements include only the direct operating expenses incurred by the Fund.

b. HCM Income Plus Fund

From the November 1, 2023 Prospectus⁷:

Investment Objectives:

...

The Fund seeks total return.

Principal Investment Strategies:

...

The Fund seeks to achieve its investment objective through investments in unaffiliated ETFs that invest in foreign (including emerging markets) and domestic: (i) equity securities of any market capitalization (ii) fixed income securities of any maturity, duration, and credit quality (including “junk bonds”), “plus” (iii) investment companies (mutual funds, closed-end funds and ETFs), sometimes referred to in this Prospectus as “Underlying Funds,” including investment companies that use leverage; and (iv) cash and cash equivalents and put and call options.

The Adviser uses the HCM-BuyLine®, its proprietary quantitative model, to assist in determining when and which asset classes are bought and sold. The HCM-BuyLine® mathematically attempts to keep the Fund in the strongest sector or sectors at any given time as measured by the model. The HCM-BuyLine® evaluates indicators relating to momentum and relative strength in determining the strongest sectors. If a sector weakens, the HCM-BuyLine® suggests a stronger sector into which the Fund should allocate its assets. The model's calculations are updated daily and evaluated weekly to determine whether the Fund's holdings require a reallocation. If a reallocation is required, weaker holdings are replaced with the stronger assets as determined by the model.

The Adviser uses HCM-BuyLine® to determine when the Fund should be in or out of the market. HCM-BuyLine® uses trend analysis to help identify the broad trend in the equity market. When

⁶ www.sec.gov/Archives/edgar/data/1537140/000158064223005910/hcmfunds497.htm, p.2.

⁷ www.sec.gov/Archives/edgar/data/1537140/000158064223005910/hcmfunds497.htm, p. 20-22.

the trend is down, the Adviser reduces the Fund’s exposure to equities, and, when the trend is up, the Adviser increases the Fund’s exposure to equities. The Adviser uses its discretion to determine how much the Fund will be in or out of the market based on the strength of the trend identified by HCM-BuyLine®. When the Fund is out of the market, it invests in cash and cash equivalents and/or put options to hedge the portfolio’s equity securities and to reduce volatility. Put options generally have an inverse relationship to the underlying security on which the option is held. When the Fund is in the market, it invests in equity securities and/or call options. Call options generally have a direct relationship to the underlying security on which the option is held. The Fund may be invested from 0-100% in cash and cash equivalents and/or put options and 0-100% in equities and/or call options depending on the strength of the trend identified by HCM-BuyLine®.

The Adviser maintains the ability to invest a large percentage of the Fund’s holdings in one asset class of the market. The overall asset allocation of the Fund is not fixed. It can and will change significantly over time as the Adviser decides to buy and sell any holding of the portfolio in response to changes in the model’s quantitative measures as a means to take advantage of changes in U.S. and global market trends. The Adviser may engage in frequent buying and selling of the portfolio securities to achieve the Fund’s investment objectives.

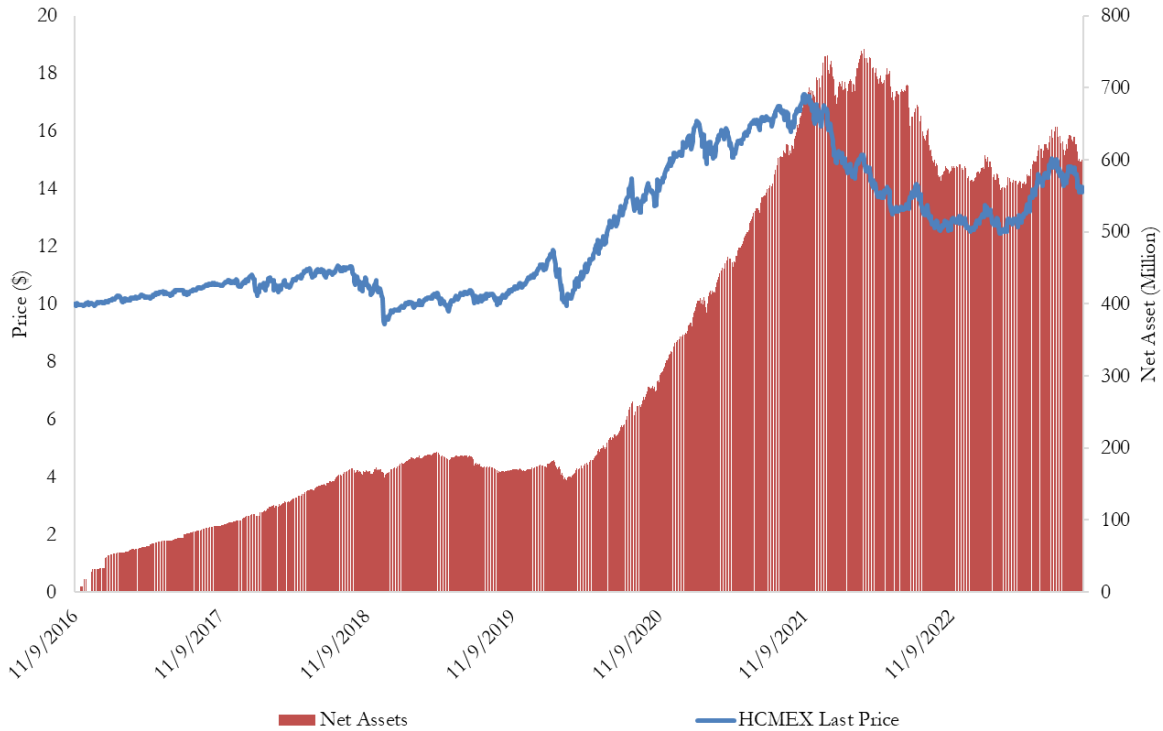
HCM Income Plus didn’t hold leveraged ETFs at any year end until June 30, 2023. See Table 5.

Table 5 HCM Income Plus Fund’s Annual Portfolio Holdings Summary
HCM Income Plus Fund

	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Leveraged ETFs							
ProShares Ultra QQQ							15.3%
ProShares Ultra S&P500							13.5%
Leveraged ETFs Subtotal							28.8%
Other ETFs	97.0%	91.9%	99.0%	96.6%	96.4%	26.4%	70.9%
ETFs Total	97.0%	91.9%	99.0%	96.6%	96.4%	26.4%	99.7%
Money Market Fund	2.9%	8.1%	1.4%	3.1%	0.0%		
Other Assets In Excess of Liabilities	0.1%	-0.1%	-0.3%	0.2%	3.6%	73.6%	0.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Figure 2 plots HCM Income Plus Fund’s NAV and Net Assets from inception to the present.

Figure 2 HCM Income Plus Fund’s NAV and Net Assets



Howard Capital Management has charged Income Plus Fund investors \$31,845,999 including \$19,938,175 in advisory fees since 2017. \$18,910,797 or sixty percent of those fees have been charged in the past two years. See Table 6.

Table 6 HCM Income Plus Fund Advisory Fees and Expenses Total \$32 million.

Fiscal Year	Advisory Fees	12b-1 Fees	Total Expenses	Net Assets	Expense Ratio
2017	290,502	81,473	512,358	71,527,758	0.72%
2018	983,172	321,778	1,640,112	141,829,540	1.16%
2019	1,638,578	576,093	2,669,721	188,200,701	1.42%
2020	1,662,906	630,264	2,782,741	204,560,357	1.36%
2021	3,317,656	1,380,042	5,330,270	520,296,338	1.02%
2022	6,344,202	2,536,627	9,872,648	689,769,509	1.43%
2023	5,701,159	2,413,898	9,038,149	621,385,448	1.45%
Total	19,938,175	7,940,175	31,845,999		

Table 7 excerpts Income Plus Fund’s expense table.⁸

Table 7 HCM Income Plus Fund Expense Table.

Shareholder Fees (fees paid directly from your investment)	Class A	Class I	Investor Class
Maximum Sales Charge (Load) Imposed on Purchases (as a % of offering price)	5.75%	None	None
Maximum Deferred Sales Charge (Load)	None	None	None
Redemption Fee (as a % of amount redeemed if held less than 30 days)	None	None	None
Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)			
Management Fees	0.95%	0.95%	0.95%
Distribution and Service (12b-1) Fees	0.25%	None	1.00%
Other Expenses	0.15%	0.15%	0.15%
Acquired Fund Fees and Expenses ⁽¹⁾	0.15%	0.15%	0.15%
Total Annual Fund Operating Expenses	1.50%	1.25%	2.25%

(1) Acquired Fund Fees and Expenses are the indirect costs of investing in other investment companies, including exchange traded funds (“ETFs”). The operating expenses in this fee table will not correlate to the expense ratio in the Fund’s financial highlights because the financial statements include only the direct operating expenses incurred by the Fund.

c. HCM Tactical Growth Fund

From the November 1, 2023 Prospectus⁹:

Investment Objectives:

...

The Fund seeks long-term capital appreciation.

Principal Investment Strategies:

...

The Fund seeks to achieve its investment objective through investments in: (i) domestic equity securities of any market capitalization; (ii) investment companies (mutual funds, closed-end funds and ETFs) sometimes referred to in this Prospectus as “Underlying Funds,” including investment companies that use leverage; and (iii) cash and cash equivalents and put and call options.

The Adviser uses HCM-BuyLine®, to determine when the Fund should be in or out of the market. HCM-BuyLine® uses trend analysis to help identify the broad trend in the equity market. When the trend is down, the Adviser reduces the Fund’s exposure to equities, and, when the trend is up, the Adviser increases the Fund’s exposure to equities. The Adviser uses its discretion to determine how much the Fund will be in or out of the market based on the strength of the trend identified by HCM-BuyLine®. When the Fund is out of the market, it invests in cash and cash equivalents and/or put options to hedge the portfolio’s equity securities and to reduce volatility. Put options generally have an inverse relationship to the underlying security on which the option is held. When the Fund is in the market, it invests in equity securities and/or call options. Call options generally have a direct relationship to the underlying security on which the option is held. When the Fund is in the market, it invests in equity securities. The Fund may be invested from 0-100% in cash and cash equivalents and/or put options and 0-100% in equities and/or call options depending on the strength of the trend identified by HCM-BuyLine®.

⁸ www.sec.gov/Archives/edgar/data/1537140/000158064223005910/hcmfunds497.htm, p.13.

⁹ www.sec.gov/Archives/edgar/data/1537140/000158064223005910/hcmfunds497.htm, p. 20, 21.

The Fund invests in equity securities of companies in sectors selected by the HCM-BuyLine®, which indicates which sectors are outperforming other sectors at any given time based on the Adviser’s proprietary strength criteria. The Fund is heavily growth oriented and designed to maximize returns through investing in any combination of sectors, asset classes, and sub-sectors as determined by the HCM-BuyLine®.

At year end June 30, 2022, HCM Tactical Growth Fund held 60% in cash. At each other year end from 2015 to 2023, the Fund was fully invested in equities, mostly equity ETFs and of those mostly leveraged ETFs. See Table 8.

Table 8 HCM Tactical Growth Fund’s Annual Portfolio Holdings Summary

HCM Tactical Growth Fund	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Leveraged ETFs/Mutual Funds:									
Direxion Daily S&P 500 Bull 2X Shares									2.1%
ProFunds Ultra NASDAQ-100 ProFund	26.5%								
ProFunds UltraMid-Cap ProFund	12.8%								
ProShares Ultra QQQ	3.7%	23.8%	21.4%	22.8%	15.2%	23.4%	24.0%	10.2%	26.2%
ProShares Ultra Russell 2000				9.4%					
ProShares Ultra S&P500		25.6%	23.0%	22.9%	23.2%	20.9%	22.8%		20.0%
ProShares Ultra Technology						6.8%	6.6%	3.3%	2.6%
Leveraged ETFs/Mutual Funds Subtotal	43.0%	49.4%	44.4%	55.0%	38.4%	51.1%	53.3%	13.5%	50.8%
Other Equity Funds	8.9%	5.9%	34.1%	32.6%	54.1%	45.8%	40.2%	24.2%	43.2%
ETFs and Mutual Funds Total	51.9%	55.3%	78.5%	87.7%	92.4%	96.9%	93.6%	37.7%	94.0%
Common Stocks	47.2%	45.1%	17.8%	3.6%			4.2%	2.1%	4.1%
Money Market Fund	4.8%		3.4%	8.7%	7.6%	3.0%	0.0%		
Other Assets In Excess of Liabilities	-3.9%	-0.4%	0.3%	0.0%	-0.1%	0.0%	2.2%	60.2%	1.9%

Figure 3 plots HCM Tactical Growth Fund’s NAV and Net Assets from inception.

Figure 3 HCM Tactical Growth Fund’s NAV and Net Assets

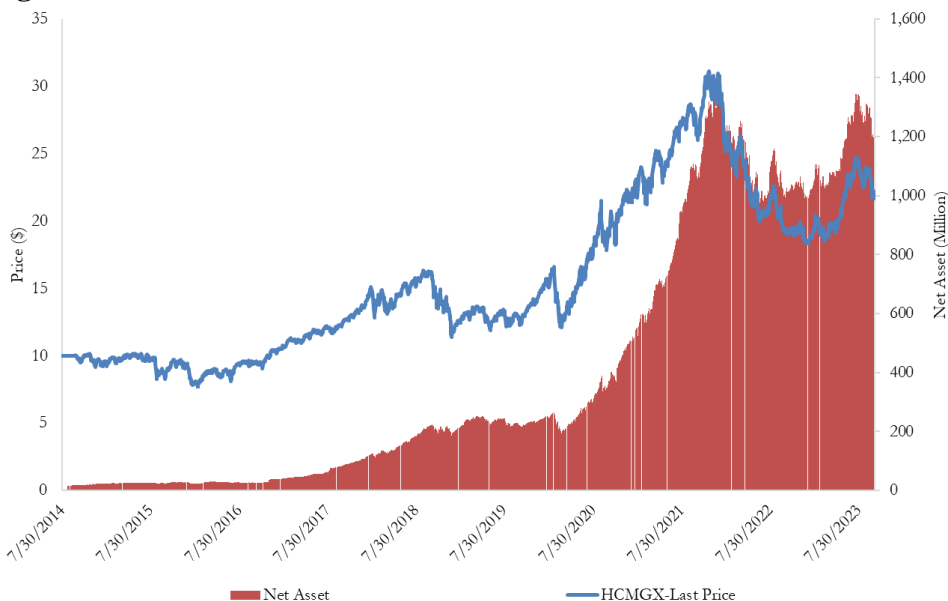


Table 9 excerpts Tactical Growth Fund’s expense table.

Table 9 HCM Tactical Growth Fund Expense Table.¹⁰

Shareholder Fees (fees paid directly from your investment)	Class A	Class I	Investor Class
Maximum Sales Charge (Load) Imposed on Purchases (as a % of offering price)	5.75%	None	None
Maximum Deferred Sales Charge (Load)	None	None	None
Redemption Fee (as a % of amount redeemed if held less than 30 days)	None	None	None
Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)			
Management Fees	1.25%	1.25%	1.25%
Distribution and Service (12b-1) Fees	0.25%	None	1.00%
Other Expenses	0.13%	0.12%	0.12%
Acquired Fund Fees and Expenses ⁽¹⁾	0.31%	0.31%	0.31%
Total Annual Fund Operating Expenses	1.94%	1.68%	2.68%

(1) Acquired Fund Fees and Expenses are the indirect costs of investing in other investment companies, including exchange traded funds (“ETFs”). The operating expenses in this fee table will not correlate to the expense ratio in the Fund’s financial highlights because the financial statements include only the direct operating expenses incurred by the Fund.

Howard Capital Management has charged Tactical Growth Fund investors \$60,518,481 million including \$41,711,770 in advisory fees since 2015. \$39,034,504 or two-thirds of those fees have been charged in the past two years. See Table 10.

Table 10 HCM Tactical Growth Fund Advisory Fees and Expenses Total \$60 million.

Fiscal Year	Advisory Fees	12b-1 Fees	Total Expenses	Net Assets	Expense Ratio
2015	231,249	46,250	465,304	24,317,692	1.91%
2016	323,141	67,237	586,024	26,083,676	2.25%
2017	464,307	103,073	775,408	56,180,409	1.38%
2018	1,357,485	375,356	2,063,879	164,631,685	1.25%
2019	2,703,192	812,360	4,014,958	237,896,771	1.69%
2020	2,923,149	923,525	4,344,459	278,848,172	1.56%
2021	6,360,611	2,110,257	9,233,945	814,571,986	1.13%
2022	14,085,337	4,449,120	20,092,399	976,407,340	2.06%
2023	13,263,299	4,334,332	18,942,105	1,271,074,158	1.49%
Total	41,711,770	13,221,510	60,518,481		

d. Summary of Three Funds

The three funds discussed above hold \$3.24 billion of the \$3.98 billion in net assets in the seven HCM Funds.

These Funds primarily hold equity funds, roughly half their holdings are leveraged ETFs.

¹⁰ www.sec.gov/Archives/edgar/data/1537140/000158064223005910/hcmfunds497.htm, p.7.

HCM has charged investors nearly \$190 million in fees and expenses excluding expenses of the underlying fund holdings since inception, more than half of these charges in the most recent two years.

3. Examples of Violative Leveraged ETF Holdings.

The HCM Funds' public SEC filings reflect quarterly holdings. We understand that additional, non-public SEC filings contain monthly holdings. Thus, the SEC will be able to more precisely identify holding periods. For now, we can offer two examples of long LETF holding periods in the HCM Funds.

a. Dividend Sector Plus Fund

The Dividend Sector Plus Fund held increasing quantities of both Ultra QQQ and Ultra S&P500 from May 29, 2020 through September 30, 2020 and beyond when its financials reflect no realized gains or losses and therefore no possibility that in-and-out trading throughout the quarter led to similar quarter-end holdings. In fact, it appears these large LETF holdings continued to be continuously held as late as May 2022. That is, these two LETFs, which account for roughly 50% of the Dividend Sector Plus Fund's holdings, were continuously held for between 5 months and 2 years. If they were not held continuously for 2 years, they were held for at least two 5-month periods.

Table 11 HCM Dividend Sector Plus Fund LETF Holding Period Examples

HCM Dividend Sector Plus Fund						
	4/29/2020	5/29/2020	6/30/2020	7/31/2020	8/31/2020	9/30/2020
Net Assets (million)	\$363.46	\$381.70	\$399.98	\$436.73	\$497.23	\$483.61
Monthly Net Realized Gain		0.00	0.00	0.00	0.00	0.00
Leveraged ETFs Holdings (Shares)						
ProShares Ultra QQQ		657,202	657,202	663,405	1,326,810	1,326,810
ProShares Ultra S&P500		669,180	684,159	736,040	1,472,080	1,530,525
Leveraged ETFs Holdings (Value)						
ProShares Ultra QQQ		\$86,402,347	\$97,062,163	\$112,566,560	\$138,200,530	\$121,602,136
ProShares Ultra S&P500		\$81,298,678	\$85,574,608	\$102,824,788	\$117,516,146	\$112,447,672
Total		\$167,701,025	\$182,636,771	\$215,391,348	\$255,716,676	\$234,049,808
% of Net Assets		44%	46%	49%	51%	48%

b. Tactical Growth Fund

The Tactical Growth Fund held increasing quantities of both Ultra QQQ and Ultra S&P500 from June 30, 2020 through at least December 31, 2020 when its financials reflect no realized gains or losses and therefore no possibility that in and out trading throughout the quarter led to similar quarter end holdings. As with the Dividend Sector Plus Fund, it appears these large

LETF holdings continued to be continuously held by the Tactical Growth Fund as late as May 2022. That is, these two LETFs which account for over 50% of the Tactical Growth Fund's holdings were continuously held for between 5 months and 2 years. If they were not held continuously for 2 years then they were held for at least two 5-month periods.

Table 12 HCM Tactical Growth Fund LETF Holding Period Examples

HCM Tactical Growth Fund	5/29/2020	6/30/2020	7/31/2020	8/31/2020	9/30/2020	10/30/2020	11/30/2020	12/31/2020
Net Assets (million)	\$254.55	\$278.44	\$311.85	\$371.54	\$363.12	\$364.27	\$458.86	\$509.01
Monthly Net Realized Gain		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Leveraged ETFs Holdings (Shares)								
ProShares Ultra QQQ	441,579	441,579	441,579	883,158	956,633	956,633	1,083,593	1,083,593
ProShares Ultra S&P500	444,345	466,813	526,157	1,127,502	1,127,502	1,194,635	1,283,583	1,396,707
ProShares Ultra Technology	101,250	101,250	101,250	405,000	405,000	405,000	505,842	505,842
Leveraged ETFs Holdings (Value)								
ProShares Ultra QQQ	\$58,054,391	\$65,216,803	\$74,927,125	\$91,989,737	\$87,675,414	\$81,792,122	\$113,571,382	\$124,732,390
ProShares Ultra S&P500	\$53,983,474	\$58,388,970	\$73,504,133	\$90,008,485	\$82,837,572	\$83,051,025	\$109,322,764	\$127,589,184
ProShares Ultra Technology	\$16,701,188	\$18,890,212	\$21,290,850	\$26,458,650	\$23,048,550	\$21,926,700	\$33,248,995	\$36,238,521
Total	\$128,739,053	\$142,495,985	\$169,722,108	\$208,456,872	\$193,561,536	\$186,769,847	\$256,143,141	\$288,560,095
% of Net Assets	51%	51%	54%	56%	53%	51%	56%	57%

4. Prospectus Disclosures

ProShares most recent Prospectus sections for Ultra QQQ, Ultra S&p 500 and Ultra Technology are attached. Proshares' Principal Risks disclosures are similar for the three funds which dominate the HCM Funds' holdings. ProShares QQQ disclosure for example reads:

Holding Period Risk — The performance of the Fund for periods longer than a single day will likely differ from the Daily Target. This difference may be significant. **If you are considering holding fund shares for longer than a day, it's important that you understand the impact of Index returns and Index volatility (how much the value of the Index moves up and down from day-to-day) on your holding period return.**

The table below uses hypothetical annualized Index volatility and Index returns to illustrate the impact of these two principal factors on Fund performance over a one-year period. It does not represent actual returns. Each row corresponds to the level of a hypothetical Index return for a one-year period. Each column corresponds to a level of hypothetical annualized Index volatility. For example, the Fund may mistakenly be expected to achieve a -40% return on a yearly basis if the annual Index return were -20%; however, as the table shows, with a one-year Index return of -20% and an annualized Index volatility of 50%, the Fund could be expected to return -50.2%.

Areas shaded darker represent those scenarios where the Fund can be expected to return less than the Daily Target.

Estimated Fund Returns						
Index Performance		One Year Volatility Rate				
One Year Index	Two times (2x) the One Year Index	10%	25%	50%	75%	100%
-60%	-120%	-84.2%	-85.0%	-87.5%	-90.9%	-
-50%	-100%	-75.2%	-76.5%	-80.5%	-85.8%	-
-40%	-80%	-64.4%	-66.2%	-72.0%	-79.5%	-
-30%	-60%	-51.5%	-54.0%	-61.8%	-72.1%	-
-20%	-40%	-36.6%	-39.9%	-50.2%	-63.5%	-
-10%	-20%	-19.8%	-23.9%	-36.9%	-53.8%	-
0%	0%	-1.0%	-6.1%	-22.1%	-43.0%	-
10%	20%	19.8%	13.7%	-5.8%	-31.1%	-
20%	40%	42.6%	35.3%	12.1%	-18.0%	-
30%	60%	67.3%	58.8%	31.6%	-3.7%	-
40%	80%	94.0%	84.1%	52.6%	11.7%	-
50%	100%	122.8%	111.4%	75.2%	28.2%	-
60%	120%	153.5%	140.5%	99.4%	45.9%	-5.8%

Assumes: (a) no dividends paid with respect to securities included in the Index; (b) no Fund expenses; and (c) borrowing/lending rates (to obtain leveraged exposure) of zero percent. If these were included the Fund's performance would be different from that shown.

As the table illustrates, your return will tend to be worse than the Daily Target when there are smaller Index gains or losses and higher Index volatility. During periods of higher Index volatility, the Index volatility may affect the Fund's return as much as or more than the return of the Index. Your return will tend to be better than the Daily Target when there are larger Index gains or losses and lower Index volatility. You may lose money when the Index return is flat (i.e., close to zero) and you may lose money when the Index rises.

The Index's annualized historical volatility rate for the five-year period ended May 31, 2023 was 26.53%. The Index's highest May to May volatility rate during the five-year period was 33.62% (May 29, 2020). The Index's annualized total return performance for the five-year period ended May 31, 2023 was 16.42%. Historical Index volatility and performance are not indications of what the Index volatility and performance will be in the future.

The table illustrates the impact of Index volatility and Index return on Fund returns for a hypothetical one-year period. However, these effects will impact your return for

any holding period other than a day. The longer you hold shares of the Fund, the more magnified these effects will be. As a result, you should consider monitoring your investments in the Fund in light of your individual investment goals and risk tolerances.

If you hold Fund shares for any period other than a day, it is important for you to understand the risks and long-term performance of a daily objective fund. For more information, including additional graphs and charts demonstrating the effects of Index volatility and Index return on the long-term performance of the Fund, see “Understanding the Risks and Long-Term Performance of a Daily Objective Fund” in the Fund’s Prospectus. **[emphasis in original]**¹¹

None of this Proshares’ Holding Period Risk disclosure - which is the most extensive and only highlighted disclosure in the ProShares’ Prospectus is made in the HCM Funds’ Prospectuses despite leveraged ETFs making up 50% or more of the HCM Funds’ portfolios and being held for long periods.

None of the four most recent HCM Prospectuses mentions investing in leveraged and inverse ETFs, holding period risk or daily rebalancing.¹² The four Prospectuses contain substantially the same language in the same format so my comments will use the most recent filing to illustrate the nondisclosure of material risks.

In the Prospectus at p.3 for the Dividend Sector Plus Fund, at p. 9 for the Tactical Growth Fund and at p.16 for the Income Plus Fund there is the following risk factor.

Leverage Risk: The Underlying Funds in which the Fund may invest may use leverage including through use of a line of credit through a bank. Using leverage can magnify a mutual fund’s potential for gain or loss and therefore, amplify the effects of market volatility on a mutual fund’s share price.

This disclosure doesn’t mention leveraged and inverse ETFs, holding period risk or daily rebalancing and is #6 of 13 for the Dividend Sector Plus, #5 of 12 for the Tactical Growth Fund and #10 of 17 for the Income Plus Fund. HCM’s disclosure is boilerplate language found in the prospectus for any fund that uses any leverage and doesn’t convey the well know risks which are unique to leveraged and inverse ETFs which dominate HCM Funds’ holdings.

The 2023 Prospectus contains a more lengthy entry on *Underlying Fund Risk*.¹³ As with the summary risks in the Prospectus, this more detailed description of risks related to underlying ETFs makes no mention of the principal risks (lengthy holding periods and daily rebalancing) which the leveraged and inverse ETF issuers treat most fully.

¹¹ www.sec.gov/Archives/edgar/data/1174610/000168386323006531/f36143d0.htm, p. 197

¹² These Prospectuses with SAIs attached can be downloaded at the following links.

2020: www.sec.gov/Archives/edgar/data/1537140/000158064220004247/hcmfunds497.htm

2021: www.sec.gov/Archives/edgar/data/1537140/000158064221005378/hcmfunds497.htm

2022: www.sec.gov/Archives/edgar/data/1537140/000158064222005751/hcmfunds_497.htm

2023: www.sec.gov/Archives/edgar/data/1537140/000158064223005910/hcmfunds497.htm

¹³ www.sec.gov/Archives/edgar/data/1537140/000158064223005910/hcmfunds497.htm, p 26.

Underlying Fund Risk: The Fund invests in investment companies (“Underlying Funds”). As a result, your cost of investing in the Fund will be higher than the cost of investing directly in investment companies and may be higher than other investment companies that invest directly in stocks and bonds. You will indirectly bear fees and expenses charged by the Underlying Funds in addition to the Fund’s direct fees and expenses. When the Fund invests in Underlying Funds that use margin, leverage, short sales and other forms of financial derivatives, such as options and futures, an investment in the Fund may be more volatile than investments in other mutual funds. Short sales are speculative investments and will cause the Fund to lose money if the value of a security sold short by the Underlying Fund in which the Fund invests, does not go down as the Underlying Fund manager expects. Additional risks of investing in investment companies are described below:

- *ETF Tracking Risk:* Investment in the Fund should be made with the understanding that the passive ETFs in which the Fund invests will not be able to replicate exactly the performance of the indices they track because the total return generated by the securities will be reduced by transaction costs incurred in adjusting the actual balance of the securities. In addition, the passive ETFs in which the Fund invests will incur expenses not incurred by their applicable indices. Certain securities comprising the indices tracked by the passive ETFs may, from time to time, temporarily be unavailable, which may further impede the passive ETFs’ abilities to track their applicable indices.
- *Expense Risk:* The Fund invests in Underlying Funds. As a result, your cost of investing in the Fund will be higher than the cost of investing directly in an investment company and may be higher than other mutual funds that invest directly in stocks and bonds. You will indirectly bear fees and expenses charged by the Underlying Funds in addition to the Fund’s direct fees and expenses.
- *Leveraging Risk:* The use of leverage by the Underlying Funds, such as borrowing money to purchase securities, engaging in reverse repurchase agreements, lending portfolio securities and engaging in forward commitment transactions, will magnify the Underlying Fund’s gains or losses. During periods in which an Underlying Fund is utilizing financial leverage, the fees that are payable to the Adviser as a percentage of the Underlying Fund’s assets may be higher than if the Underlying Fund did not use leverage, because the fees are calculated as a percentage of the Underlying Fund’s assets, including those purchased with leverage.
- *Management Risk:* When the Fund invests in Underlying Funds there is a risk that the investment advisers of those Underlying Funds may make investment decisions that are detrimental to the performance of the Fund.
- *Mutual Fund Risk (HCM Tactical Growth Fund & HCM Dividend Sector Plus Fund only):* The strategy of investing in Underlying Funds that are mutual funds could affect the timing, amount and character of distributions to you and therefore may increase the amount of taxes you pay. In addition, certain prohibitions on the acquisition of mutual fund shares by the Fund may prevent the Fund from allocating its investments in the manner the Adviser considers optimal. The Fund intends to purchase mutual funds that are either no-load or waive the sales load for purchases made by the Fund. The Fund will not purchase mutual funds that charge a sales load upon redemption. In the event that a mutual fund charges a redemption fee, then you will indirectly bear the expense by investing in the Fund. Mutual funds whose shares are purchased by the Fund will be obligated to redeem shares held by the Fund only in an amount up to 1% of the mutual fund’s outstanding shares during any period of less than 30 days. Shares held by the Fund in excess of 1% of a mutual fund’s outstanding shares therefore, may be considered not readily marketable securities, which together with other such securities, may not exceed 15% of the Fund’s total assets. When the Fund focuses its investments in certain mutual funds, the Fund’s portfolio will have a risk profile for such investments that will correspond to that of such mutual funds and Management Risk, described above, increases proportionately.
- *Net Asset Value and Market Price Risk:* The market value of the closed-end shares may differ from their net asset value. This difference in price may be due to the fact that the supply and demand in the market

for fund shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when shares trades at a premium or discount to net asset value.

- *Strategies Risk:* Each Underlying Fund is subject to specific risks, depending on the nature of the fund. These risks could include liquidity risk, sector risk, and foreign currency risk, as well as risks associated with fixed income securities and commodities.

5. Conclusion

Howard Capital Management (HCM) manages nearly \$4 billion in net assets in 4 mutual funds and 3 ETFs. In addition, HCM manages individual accounts.

HCM claims to use technical analysis to allocate portfolio assets to stocks and cash.

HCM uses leveraged ETFs for a significant portion of its equity exposure.

HCM inappropriately holds leveraged ETFs for at least 6 months and perhaps longer than a year. This conduct goes back to 2015 but appears to have gotten much worse since 2020.

HCM does not disclose the Holding Period Risk or daily rebalancing risk which is an emphasized principal risk disclosed by the issuers of the leveraged ETFs which dominate HCM's fund portfolios.