

A NEW Approach to Investing

During cyclical (short-term) bull market periods investors can easily become overconfident that any strategy will work. However we must all remember that success is also important during market periods that are less favorable. It is during these periods that U.S. investors can be frustrated by the failure of traditional techniques to prevent losses and generate returns.

We have all seen new innovations and inventions bringing change to our society at a rapid pace. Building on past accomplishments, new ideas and creative thinking generally make things easier to use, more cost efficient and more effective. While welcoming advancements in other areas of their lives, we find many investors and financial advisors have neglected to modernize their investment approach.

In order to succeed in today's more complex investment environment, investors *must adapt* and move beyond outdated thinking and methods by adding industry leading capabilities to their investment process.



The Outdated Mode of Thinking

For the past 30 years, investment portfolios have largely been built on widely accepted research stating asset allocation will drive over 90% of an investor's experience. The idea being a properly diversified asset allocation will use the right mix of assets to generate the appropriate risk and return trade off. As a result, advisors and their clients have dedicated the bulk of their efforts to creating the appropriate asset allocation of stocks and bonds.



A New Reality

Looking back over the last two decades we find a very different result has occurred as investors often have not been compensated for taking on additional amounts of risk. According to a 2010 award-winning study by Roger Ibbotson & Associates, they discovered Market Movement, not asset allocation policy, had the most pronounced impact on portfolio results. This insight changes the way we design and build portfolios.

"The time has come for folklore to be replaced with reality. Asset allocation is very important, but nowhere near 90 percent of the variation in returns is caused by the specific allocation mix ... most time-series variation comes from general market movement ..."

Roger Ibbotson
Financial Analysts
Journal, March/April
2010, Volume 66. "The
Importance of Asset
Allocation."
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Research Emphasizes the Importance
of Market Movement on the Variance
of Portfolio Returns

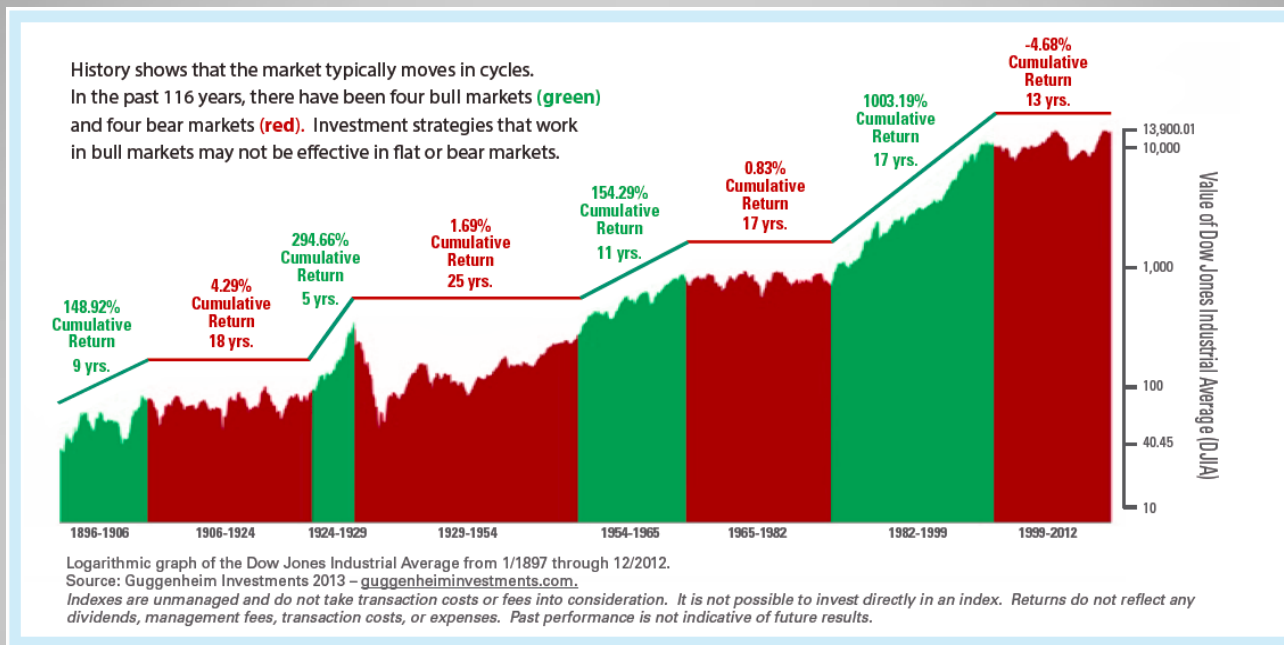


Financial Analysts Journal, March/April 2010, Volume 66. "The Importance of Asset Allocation." ©2010 CFA Institute



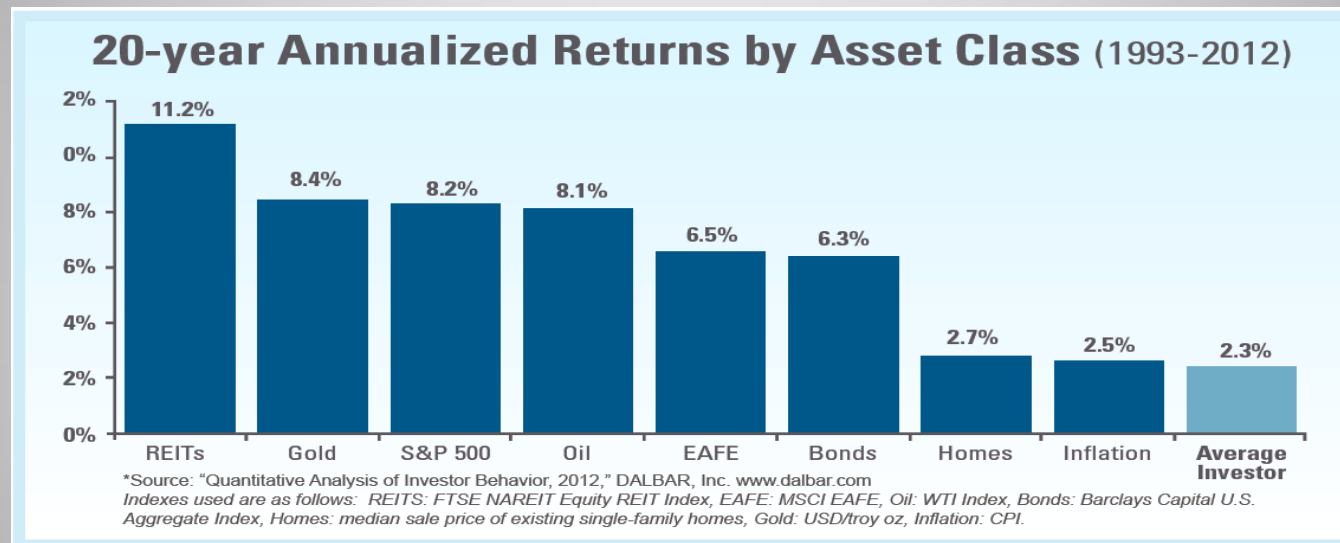
Market Movement

This is a clear illustration of Market Movement. Market Movement, the overall direction of stock and bond markets, is accountable for approximately 80% of an investors' experience.



Market Movement Impact on Your Returns

Many investor portfolios are primarily reliant on Market Movement for returns and therefore have experienced more volatility than expected. This has influenced them to make poorly timed decisions based more on emotion than discipline. As a result, research clearly shows investors often underperform the very asset classes in which they are invested.



Our Investor Profiling and Risk Management Process

Market Movement is the primary driver of an investor's experience. **Therefore, the single most important decision an investor will make is how much Market Movement to include in their portfolio.**

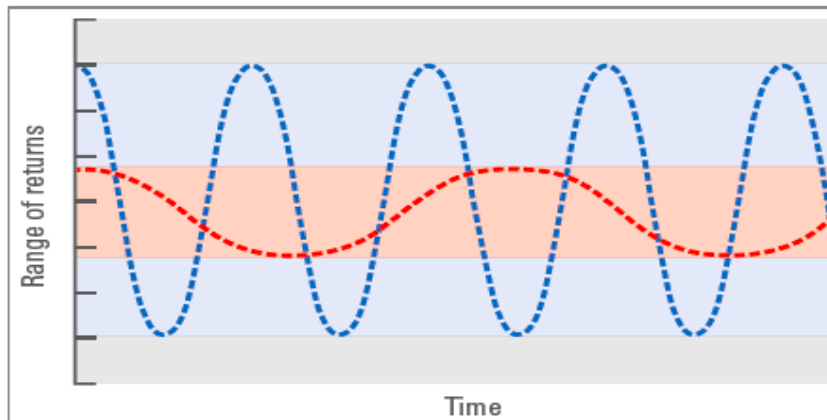
Traditional investor profiling methods have not been effective, leading to a one-size-fits-all solution, and potentially misaligned expectations. We have developed a unique client profiling process which mathematically aligns our client's risk tolerance with the appropriate level of Market Movement exposure. We help each client identify their personalized Market Movement Number™, assuring their portfolio is tailored to their needs and has a high probability of staying within their risk budget while still meeting their financial goals.

Rather than an asset mix dictating how much volatility an investor incurs without any bounds, our approach begins with determining an investor's Market Movement Number™ and an agreed upon acceptable range of volatility.



Our Investor Profiling and Risk Management Process

By tailoring the portfolio to each investor's unique Market Movement Number™, we have better control over the investor's experience and can set clear expectations. This paves the way for our clients to invest with clarity and confidence along their path toward investment success.



- A portfolio with a **higher Market Movement Number™** would potentially have more variability of returns
- A portfolio with a **lower Market Movement Number™** would potentially have less variability of returns



Diversification Mandates

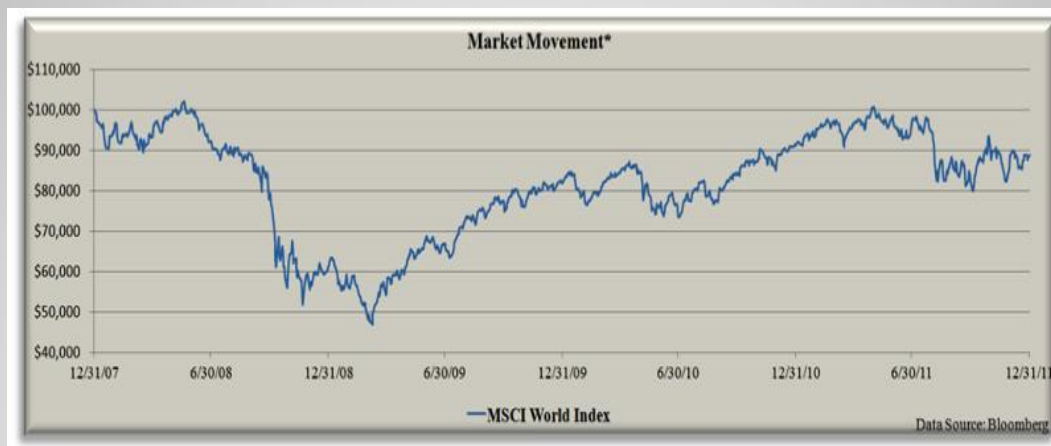
Each investor's unique Market Movement Number™ and associated risk budget dictates how much of their portfolio is dedicated to capturing Market Movement. The remainder of the portfolio is then used for controlling risk and creating returns independent of Market Movement. Each client's portfolio is implemented with assets in each of the three mandates: Market Movement, Tactical Market Movement, and Market Movement Diversifiers.



Market Movement Mandate

Objective of Strategies in this mandate:

- Passively, accurately and cost efficiently capture general movements of stock and bond markets
- Fully engage in markets, seeking pure and full participation
- Effectively manage longevity and inflation risks via consistent exposure
- Be implemented with index funds, ETF's, Equity and/or Bond Separate Accounts



***Market Movement** – The MSCI World Index, which is a capitalization weighted index that monitors the performance of global stocks, is shown to demonstrate the behavior of global stock market movement. This figure is for illustrative purposes only, and does not necessarily represent an investment portfolio or an index for an investment portfolio. It is not possible to invest directly in an index. Results may vary based on time periods. Past performance is not indicative of future results.



Tactical Market Movement Mandate

Objective of Strategies in this mandate:

- Utilize flexibility to actively adjust portfolios to changing global market conditions
- Adjust risk in portfolios while opportunistically allocating to attractive asset classes
- Pursue the maximum returns possible given the risk our client is willing to take
- Be implemented with ETF's and active mutual funds in traditional and alternative asset classes



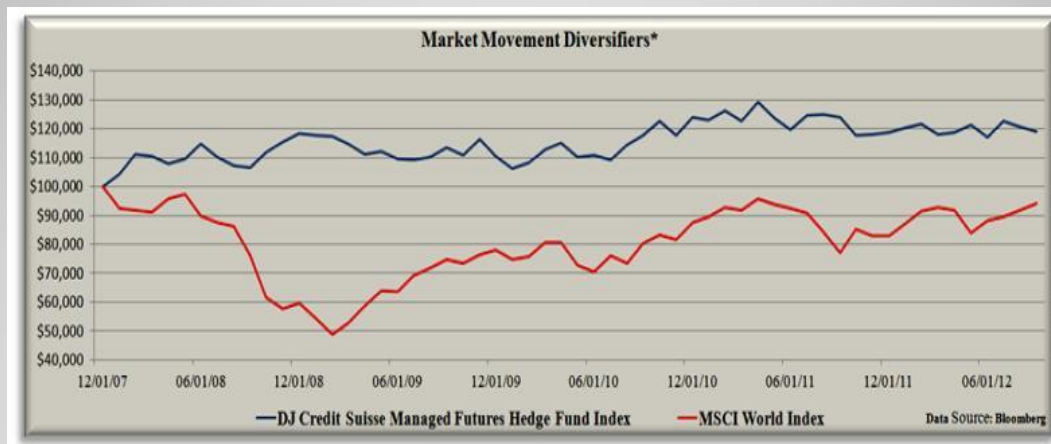
***Tactical Market Movement** – the exhibit above shows the Category Average of the Bloomberg Flexible Portfolio US Mutual Fund Universe A Shares Only (“Universe”) with inception dates of 12/31/2006 or earlier. The Universe includes 58 equally weighted funds and assumes a fixed equally weighted allocation to each fund. The exhibit is shown to demonstrate the average behavior of a universe of flexible or tactical asset allocation funds. The performance of the Universe is shown relative to the MSCI World Index, which is a capitalization weighted index that monitors the performance of global stocks. This figure is for illustrative purposes only, and does not necessarily represent an investment portfolio or an index for an investment portfolio. It is not possible to invest directly in an index. Results may vary based on time periods and allocations. Past performance is not indicative of future results.



Market Movement Diversifiers Mandate

Objective of Strategies in this mandate:

- Provide sources of return and risk that may have low correlation to other strategies in a portfolio
- Identify non-traditional risk and return opportunities with little dependence on market direction
- “De-link” from general market movements and introduce new sources of return and risk
- Provide a diversifying component to portfolio independent of two prior Mandates



Market Movement Diversifiers (Historical Simulation) –The Dow Jones Credit Suisse Managed Futures Hedge Fund Index is an asset weighted hedge fund index derived from a database of more than 5000 funds. The strategy invests in listed financial and commodity futures markets and currency markets around the world. Managed Futures strategies include a variety of risks, including but limited to volatility risk, liquidity risk, collateral risk, interest rate risk, commodity price risk, and loss of principal. This index is shown to demonstrate the behavior of one example of a Market Movement Diversifier strategy (as defined above). The performance of the composite is shown relative to the MSCI World Index, which is a capitalization weighted index that monitors the performance of global stocks. This figure is for illustrative purposes only, and does not necessarily represent an investment portfolio or an index for an investment portfolio. It is not possible to invest directly in an index. Results may vary based on time periods and allocations. Past performance is not indicative of future results.



Unified Managed Account Technology

Our advanced technology allows us to view and manage how each mandate is performing during different market cycles. Understanding the relationship between each mandate and the role they play in the overall portfolio is critical to making disciplined investment decisions.

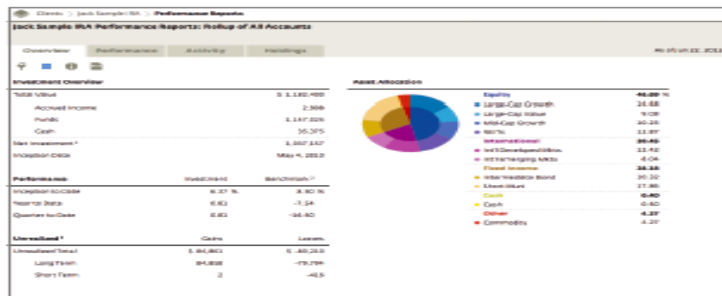
Our technology platform allows us to:

- Combine investment strategies across three mandates in ONE account
- Simplify tax reporting (receive only one 1099 form)
- Utilize more cost efficient investment vehicles (ETF's or Mutual Fund Institutional Class Shares)
- Streamline the account opening process.



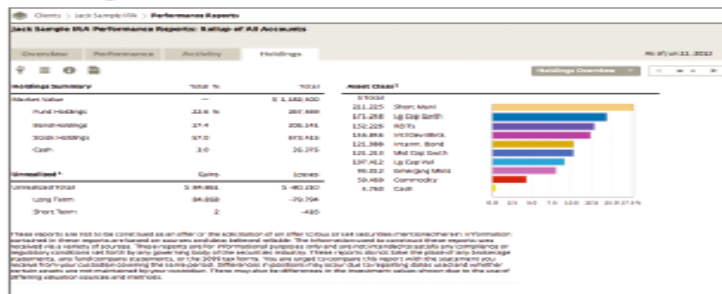
Unified Managed Account Technology

Account Overview

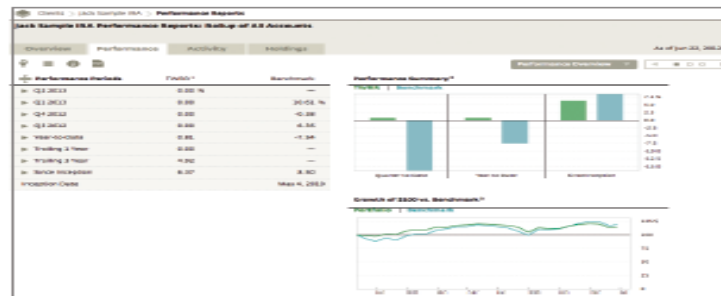


- Get an easy-to-read, daily updated summary of each individual account or grouping of accounts
- Reporting clearly shows your starting investment amount, current amount and all activity including unrealized gains/losses, contributions/withdrawals and dividends/interest
- Performance is shown both numerically and graphically for clarity and ease of understanding
- The composition of the account(s) is presented graphically to show how and where your assets are invested

Holdings Overview



Performance Overview



Activity Overview



Our Investment Process

Discovery:

Through our Discovery session we seek to understand the emotional and financial aspects of each client's life.

Determining Your Market Movement Number™:

By determining their personalized Market Movement Number™, we can develop a portfolio customized to meet their financial goals while managing to their tolerance for risk. Our Risk Budget Agreement provides the path to set clear expectations and set the stage for maintaining a disciplined approach through varying market cycles.

Three-Mandate Allocation:

Once your Market Movement Number™ is determined, we allocate portions of your risk budget across the three mandates. The goal is to capture the upside return potential of Market Movement while controlling the overall volatility through these potentially diversified sources of return and risk.

Strategist Selection:

Within each of the three mandates we have a wide variety of Strategists to utilize. Based on our client's situation and our outlook on the markets, we initially select, and, over time potentially adjust, the Strategists managing the portfolio.

Regular Review & Volatility Audit:

We are constantly monitoring your portfolio. On a regular basis we will schedule reviews with you to get updated on any changes in your life impacting your Market Movement Number™. We will review the portfolio's performance relative to your unique Market Movement Number™ and make adjustments as needed.

