

**Part 2A Appendix 1 of Form ADV: *Wrap Fee Program Brochure*****Eqis Capital Management, Inc.**

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**Eqis Capital Wrap Fee**

5/31/2011

This wrap fee program brochure provides information about the qualifications and business practices of Eqis Capital Management, Inc.. If you have any questions about the contents of this brochure, please contact us at 800-949-9936 or [support@eqiscapital.com](mailto:support@eqiscapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Eqis Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 126052.

## Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Wrap Fee Brochure, dated 03/31/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. Although the format of this document is similar in many respects to prior Schedule H wrap fee program brochures, it does contain additional new information that was not previously required.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Currently our Brochure may be requested in the following manners:

- Via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any person(s) affiliated with Equis Capital who are registered, or are required to be registered, as investment representatives of Equis Capital.
- Download from within our portal.
- You may also send an email to [compliance@eqiscapital.com](mailto:compliance@eqiscapital.com)

5.31.2011:

Added Portfolios: Winward RAAM and Equis Buy/Write Blend

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## Item 4 Service Fees and Compensation

### SERVICES

Eqis Capital Management, Inc. is a SEC-registered investment adviser with our principal place of business located in California. Eqis Capital Management, Inc. began conducting business in 2003.

We sponsor the Eqis Capital Wrap Fee (the "Program"), a wrap fee program. A wrap fee program is an advisory program under which a specified fee or fees not based directly on transactions in the client's account is charged for advisory services, which may include portfolio management or advice concerning the selection of other investment advisers, and the execution of client transactions.

In addition to sponsoring this wrap fee program, we sponsor the following additional wrap fee programs:

- Eqis Capital Wrap Fee – Sponsored

You may obtain a copy of the Wrap Fee Program Brochure(s) for any additional program via the following methods:

- Via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any person(s) affiliated with Eqis Capital who are registered, or are required to be registered, as investment representatives of Eqis Capital.
- Download from within our portal.
- You may also send an email to [compliance@eqiscapital.com](mailto:compliance@eqiscapital.com)

You must have a Authorized Financial Professional / FP or representative that is authorized to introduce and serve as your intermediary while you participate in the Eqis Capital Wrap Fee Program. This is very important in that the Authorized Financial Professional / FP helps you establish your Program Account and provides important ongoing services in connection with your Program Account. Please refer the Eqis Capital's Wrap Fee Brochure for specific details regarding the Program.

### DESCRIPTION

Eqis is the sponsor of the Eqis Capital Wrap-Fee Program (hereinafter the "Program"). A "wrap-fee" program is one that provides the client with advisory services and access to institutional money managers and investment products, exclusive of brokerage, execution, and custodial services. Eqis actively solicits advisory clients for the Program through its independent contractor relationships with financial advisors, financial planners, stock brokers, and other designees (hereinafter "Authorized Financial Professional(s) or FP") that are duly licensed to offer fee based financial products. Eqis will not accept a client into the program that isn't introduced by a FP. FPs are responsible for introducing clients to Eqis, gathering and communicating the client's financial information, acting as a liaison between Eqis and the client, staying in contact with the client and informing Eqis of any material changes in the client's financial picture, and various other clerical or administrative duties. FPs may also assist in the determination of the client's asset allocation and the Model Manager selection process (pursuant to the Eqis "Approved Model Managers" list). All investment advisory decisions with regard to securities, types of investments, timing of buys and sells, etc. will be made by Eqis and/or sub-managers contracted by Eqis (hereinafter "Contracted Model Managers"). Eqis is also responsible for the marketing of the Program. The Program is offered to individuals, retirement accounts and other business entities. With respect to retirement accounts that are regulated by ERISA, Eqis will only market the Program to such accounts in compliance with applicable Prohibited Transaction rules.

The Program is designed to continuously manage the client's Program Account based on the individual needs of the client through the use of professional Model Money Manager(s) that are either employed by Eqis and/or contracted by Eqis. The Program distinguishes between portfolios managed by Eqis (hereinafter "Eqis Managed Portfolios") and portfolios managed by Model Managers that Eqis has contracted

with to sub-advise all or a portion of certain advisory accounts ("Contracted Model Managers") The Program defines a Portfolio as a group of investments managed by an individual manager or team with a specific criteria, e.g., Large Cap Growth US Equities.

At the time of clients' initial investments in the program, Eqis (in conjunction with the client's FP) will assist the client in determining the client's current financial situation, financial goals and attitudes towards risk. Clients' information will be collected and analyzed through the use of Eqis's proprietary proposal generation system, which in turn will allow Eqis and the client's Financial Professional to review the client's situation and determine an appropriate asset allocation. With regard to the Program account, asset allocation refers to the combining of individually Managed Portfolios to create diversification across asset classes, equity styles, foreign markets, etc. With respect to Benefit Plan Clients, the plan fiduciaries will be provided with predefined asset allocations, along with adequate descriptions of strategies and each strategy's associated level of risk. The plan fiduciaries will be responsible for choosing the allocation for inclusion in their plan. The client will maintain all ownership rights to all securities held within the Program account.

Once an appropriate asset allocation is determined with a client, and the Contracted Model Managers (if any) have been selected to fulfill the asset allocation, the individual portfolios will be managed by Eqis and the Contracted Model Managers on a discretionary basis. All Eqis Managed and Multi-Manger SMA Program accounts may consist of up to ten separately managed portfolios. ETF and UMA program accounts (accounts composed entirely of exchanged traded funds and accounts able to contain both exchange traded funds and separately managed accounts) have up to 20 portfolios in ETF Program accounts and up to 25 portfolios in the UMA Program accounts. These are combined to create an asset allocation that is appropriate for the client's needs, risk preferences and/or desires. Within an individual Program account all ten portfolios may be managed by Eqis (hereinafter "All Eqis Managed Account"); or all ten portfolios may be managed by Contracted Model Managers (hereinafter "Multi-Manager Managed Account"). In the alternative, a program account may contain a combination of Eqis managed portfolios and Contracted Model Manager portfolios. In regard to the Program, any asset allocation that contains a Model Portfolio that is managed by a Contracted Model Manager is considered a Multi-Manager Managed Account. The appropriate mix of Model Managers will be determined by the client in conjunction with guidance from the client's FP. Model Portfolios (and thus clients accounts) can be invested in a wide variety of securities and other assets such as (but not limited to) stocks, American Depository Receipts (ADR's), exchange traded funds (ETF's), target term trusts, U.S. Government bonds, money market funds and mutual funds. Eqis and/or Eqis Contracted Model Managers will make changes on a discretionary basis with respect to a client's account based on market, economic and political circumstances, and the individual characteristics of securities. Eqis and/or Eqis Contracted Model Managers will typically utilize a long term buy and hold approach, although other strategies may be used where appropriate for a client's circumstances. Clients should refer to the Contracted Model Manager(s) information in Exhibit 1 herein for information regarding the methods of analysis, sources of information and investment strategies used by the independent registered Model Manager in servicing client accounts. Upon request, a client may shift between Program Types and will be charged the subsequent fee associated with that Program Type.

Eqis charges an annual "Wrap-Fee" for participation in the Program. The Wrap-Fee is made up of two separate and distinctive parts, but charged to the client as one fee. The two parts are as follows: Part 1 the Eqis Program Fee, and Part 2 the Financial Professional Fee ("FP" fee). Both parts are detailed in **Table 1**. The Wrap-Fee will be charged as a percentage of assets under management on a blended fee schedule. Clients will be invoiced and fees will be directly debited from

client accounts after the end of each calendar month. When there is not enough cash or funds in an account to pay a fee, the account will be rebalanced so as to generate a sufficient level of cash or funds to meet this expense. As part of this agreement you authorize the Clearing Firm (FolioFn) to deduct the Wrap-Fees from your account as directed by Equis. The fee calculation will be based on the average closing market value of the assets in the client's Program account over the previous calendar month. Value is calculated as the market value, or fair market value in the absence of market value, plus any credit balance or minus any debit balance. Each client Program Account is mutually exclusive for purposes of determining the declining fee schedule. Your Equis account may contain investments that charge a separate fee not included within the Wrap-Fee.

In addition to the Wrap-Fee charged by Equis, clients may also be charged, at the Financial Professional's discretion, an additional Initial Consulting Fee ("IC" fee) of up to 1% of the initial investment, and of any subsequent investments. The Initial Consulting Fee compensates the FP for gathering and communicating clients' financial information, as well as assisting in the Model Manager selection process from the Equis Contracted Model Manager list. The Initial Consulting Fee of up to 1% will be deducted upon the deposit of cash, securities or any instrument of value into the client's Program Account at the end of the month in which the deposits were received, and will be paid in full to the FP's firm. The Initial Consulting Fee will not be assessed until the program account has been established for five days. The Initial Consulting Fee may be reduced or waived at the FP's discretion. The Initial Consulting Fee will be considered fully earned upon deduction of the Initial Consulting Fee from the client's Program Account. See [Table 2](#).

#### **BREAKDOWN OF WRAP-FEE**

#### **Part 1, Program Fee**

The Equis Program Fee will be charged as a percentage of assets under management on a blended fee schedule. There are four options that determine the Program Fee. Option 1 (All Equis) includes an account comprised of Model Portfolios managed solely by Equis. Option 2 (Multi Manager) includes Model Managers other than Equis (i.e., Model Managers contracted by Equis), but not excluding Equis. Option 3 (Managed ETF) includes only exchange traded funds (ETF's) and no individual stocks or contracted Model Managers. Option 4 (Unified Managed Account) can include Model Portfolios managed by Equis, Model Portfolios managed by firms contracted by Equis and exchange traded funds. It will be up to the client and their FP to determine whether Option 1, Option 2, Option 3, or Option 4 is best for the client's particular circumstances. See [Table 3](#).

#### **Part 2, Financial Professional Fee**

The Financial Professional Fee is the portion of the overall Wrap Fee that is used to compensate the FP. The services that the FP will be compensated for include: introducing clients to Equis, gathering and communicating clients' financial information, assisting in the Model Manager selection process from the Equis approved Model Manager list, acting as a liaison between Equis and clients, staying in contact with clients and informing Equis of any material changes in clients' financial picture, and other various clerical or administrative duties. The Financial Professional Fee is negotiated between the client, the Financial Professional and Equis. The Financial Professional Fees shall under no circumstances exceed 1.5% per annum. The client may be able to negotiate a higher or lower Financial Professional Fee based on the individual Financial Professional that introduces the client to the program.

## Fee Schedule Tables

**Table 1**

The maximum Wrap-Fee (inclusive of parts 1 and 2) charged to clients is as follows:

<u>Assets Under Management</u>	<u>MAXIMUM Annual Fee (%)</u>
First \$100,000	Up to 2.30%*
Next \$150,000	Up to 2.20%*
Next \$250,000	Up to 2.10%*
Next \$2,000,000	Up to 2.00%*
Amounts Over \$2,500,000	Up to 1.90%*

\* The actual Wrap-Fee charged to each client will depend in part on the negotiated "Financial Professionals" Fee, as detailed in Part 2 below. The exact Financial Professional fee charged to you will be specified in section #9 (Financial Professional's Report) of this Account Application. Similar advisory services may be available from other registered investment advisers for similar or lower fees.

**Table 2**

The Maximum combined Wrap-Fee and IC-Fee during the first year of program participation is as follows:

<u>Assets Under Management</u>	<u>MAXIMUM First Year Fee (%)</u>
First \$100,000	Up to 3.30%*
Next \$150,000	Up to 3.20%*
Next \$250,000	Up to 3.10%*
Next \$2,000,000	Up to 3.00%*
Amounts Over \$2,500,000	Up to 2.90%*

\* The actual First year Fee charged to each client will depend in part on the negotiated "Financial Professionals" Fee, as detailed in Part 2 below, as well as the Initial Consulting Fee charged by the Financial Professional. The exact Financial Professional fee and Initial Consultation Fee charged to you will be specified in section #9 (Financial Professional's Report) of this Account Application. Similar advisory services may be available from other registered investment advisers for similar or lower fees.

**Table 3**

*If client invests in an All Equis Managed account, the Program Fee will be:*

<u>Assets Under Management</u>	<u>MAXIMUM Annual Fee (%)</u>
First \$250,000	Up to 0.55%*
Next \$250,000	Up to 0.45%*
Next \$1,500,000	Up to 0.35%*
Next \$3,000,000	Up to 0.25%*
Amounts Over \$5,000,000	Up to 0.15%*

*If client invests in a Multi Manager Managed account, the Program Fee will be:*

<u>Assets Under Management</u>	<u>MAXIMUM Annual Fee (%)</u>
First \$100,000	Up to 0.75%*
Next \$150,000	Up to 0.65%*
Next \$250,000	Up to 0.55%*
Next \$2,000,000	Up to 0.45%*
Amounts Over \$2,500,000	Up to 0.35%*

*If client invests in a Managed ETF account, the Program Fee will be:*

<u>Assets Under Management</u>	<u>MAXIMUM Annual Fee (%)</u>
First \$250,000	Up to 0.55%*
Next \$250,000	Up to 0.45%*
Next \$1,500,000	Up to 0.35%*
Next \$3,000,000	Up to 0.25%*
Amounts Over \$5,000,000	Up to 0.15%*

*If client invests in a Managed UMA account, the Program Fee will be:*

<u>Assets Under Management</u>	<u>MAXIMUM Annual Fee (%)</u>
First \$250,000	Up to 0.80%*
Next \$250,000	Up to 0.70%*
Next \$1,500,000	Up to 0.60%*
Next \$3,000,000	Up to 0.50%*
Amounts Over \$5,000,000	Up to 0.40%*

Note: Custodian charges a separate fee for brokerage, execution and custodial services (this fee is exclusive of the Equis Wrap Fee Program fee.) The current negotiated rate for FolioFN is 20 basis points, charged monthly pro rata. This fee is charge separate from the Equis Wrap Program fee and subject to change.

### What services are covered by the Program fees?

The Equis Capital Wrap-Fee includes the Equis Program Fee that covers all advisory fees, online performance reporting costs, separate account money manager fees and any fees that Equis pays to a third party in conjunction with marketing the program (i.e. internal or external wholesalers or platform inclusion fees). In addition, the Wrap-Fee is inclusive of the investment advisory fees of the independent advisers fees (Authorized Financial Professional), which may be charged as part of a wrap fee arrangement.

### What services are not covered by the Program fees?

Except as described, Program advisory fees do NOT include brokerage commissions or securities transaction fees that may be charged by Client's custodian, which custodian must be a "qualified custodian" (as required by applicable regulatory requirements) and/or broker/dealer. This fee is charge separate from the Equis Program fee and subject to change by the custodian. In evaluating such an arrangement, the client should also consider that, depending upon the level of the fee charged by the custodian / broker-dealer, the amount of portfolio activity in the client's account, and other factors, the fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

In addition, The Wrap-Fee does not include certain administrative fees; for example, wire transfers, annual charges for qualified accounts, or certificate issues.

**Other Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). This may include, but is not limited to: IRA custodial fees, safekeeping fees, wire transfer fees, interest charges on margin loans, exchange fees, and fees for transfers of securities.

### Additional Information about Program Fees:

Equis Capital Management, Inc. does not receive any soft-dollar benefits.

As our firm does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct Equis Capital Management, Inc. as to the broker-dealer to be used.

Equis Capital Management, Inc. *requires* that clients direct us to place trades through **FOLIOfn Investments, Inc. (the "Broker")**. Equis Capital Management, Inc. has evaluated FOLIOfn and believes that it will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker other than **BROKER** if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account. In directing the use of **BROKER**, it should be understood that Equis Capital Management, Inc. will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of another broker).

Clients should note, while Equis Capital Management, Inc. has a reasonable belief that **BROKER** is able to obtain best execution and competitive prices, our firm will not be independently seeking best execution price capability through other brokers. Not all advisers require clients to direct it to use a particular broker-dealer. Clients should consider whether or not the appointment of **BROKER** as the sole broker may or may not result in certain costs or advantages or

disadvantages to the client as a result of possibly more or less favorable executions. The client should consider that, depending upon the level of the wrap-fee charged by Equis, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap-fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if Equis were to negotiate commissions and seek best price for and execution of transactions for the client's account. Clients may be charged (by the custodian) for liquidating each security transferred to the clients' accounts to be managed under an Equis program.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we may recommend the use of one of several brokers (including, but not limited to **FOLIOfn Investments, Inc.**), provided that such recommendation is consistent with our firm's fiduciary duty to the client. Our clients must evaluate these brokers before opening an account. The factors considered by Equis Capital Management, Inc. when making these recommendations are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, the broker's quality of execution services and costs of such services, among other factors. Clients are not under any obligation to effect trades through any recommended broker.

### Aggregation.

As a matter of general policy and practice, Equis Capital will aggregate transactions for Clients when possible and advantageous for Advisory clients. Aggregating transactions allows the trading of aggregate blocks of securities of assets from multiple Client accounts. Generally, aggregating Client transactions allows advisers to execute transactions in a more timely, efficient and equitable manner and to seek best execution and/or to reduce commission charges for Clients.

When and where possible, Equis Capital will aggregate transactions for all Clients. Client transactions may not be aggregated with other non-directed Client transactions where a Client has directed Adviser to use a particular firm for its portfolio transactions. However, Equis Capital will generally aggregate Client transactions in directed brokerage arrangements when clients have directed Adviser to use the same firm.

This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

### GENERAL INFORMATION

#### Termination of the Advisory Relationship:

A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement. Thereafter, either Equis or Client may terminate this Agreement upon fifteen days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees for any unbilled portion of a month will be collected prior to disbursement of funds.

#### Mutual Fund Fees:

All fees paid to Equis Capital Management, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total



amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### **Exchange-Traded Funds.**

Shares of ETFs held in client accounts are bought and sold on an exchange and not, like mutual funds, directly from the fund itself. The price of ETF shares fluctuates in accordance with changes in the net asset value (NAV) per share, as well as in response to market supply and demand. Accordingly, ETF shares may trade at a price which differs from NAV per share of the ETF.

#### **Grandfathering of Minimum Account Requirements:**

Pre-existing advisory clients are subject to Equis Capital Management, Inc.'s minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

#### **ERISA Accounts:**

Equis Capital Management, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Equis Capital Management, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Equis Capital Management, Inc.'s advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

#### **Conflicts of Interest:**

Equis utilizes FolioFn for all brokerage and custodial services. For this reason, the decision by any client to authorize Equis to place a trade is the functional equivalent of directing Equis to execute the trade through FolioFn. Certain associated individuals of Equis are also licensed insurance agents. As such, these individuals can sell insurance products to advisory clients and the licensed agent may receive separate yet typical insurance-based compensation and/or commissions. While these individuals endeavor at all times to put the interest of Equis's advisory clients first as part of Equis's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making advisory/investment recommendations.

Equis or individuals associated with Equis may buy or sell securities identical to, or different from those recommended to clients for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of Equis that no person employed by Equis may purchase or sell any security immediately prior to a transaction(s) being implemented for an advisory account, and therefore, prevents such employees from benefiting from transactions placed on behalf of advisory accounts.

If the Financial Professional (FP)/solicitor meets certain business related qualifications, Equis may provide up to 5 basis points of the fee paid by the client as an incentive to the client's FP/solicitor for the purpose of marketing and servicing new and existing clients. In order to participate in the incentive provided by Equis, the FP/solicitor needs to maintain certain asset levels and achieve certain new asset levels. The level of incentive increases based upon the previously mentioned criteria. This incentive creates a potential conflict of interest for the FP/solicitor because the FP/solicitor receives compensation that

increases based on the level of assets managed through the program. This compensation does not impact the level of fees that clients pay and clients are under no obligation to follow the recommendations of their FP/solicitor regarding using the program.

As these situations represent a conflict of interest, Equis has established the following restrictions in order to ensure its fiduciary responsibilities:

- A Director, officer or employee of Equis shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of Equis shall prefer his or her own interest to that of the advisory client.
- Equis maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer of Equis.
- All clients are fully informed that certain individuals may receive separate compensation when effecting transactions outside of the wrap fee Portfolio Management service.
- Equis requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to termination.

Equis will not aggregate trades for its associated persons with client trades.

#### **COMPENSATION**

We enter into marketing arrangements with independent investment adviser and/or broker-dealer firms pursuant to which representatives of their firms ("Solicitors") offer our services, including participation in this Program, to the public. Through these arrangements, we pay a cash referral fee to the Solicitor and/or their firm based upon a percentage of our advisory fee. The payment of referrals fees will not increase the amount of the fees paid by program participants. However, clients should be aware that the receipt of this compensation may create an incentive for the individual to recommend participation in this Program over others for which no such compensation may be received.

As required by applicable law, the details of the solicitation arrangement, including the compensation payable to the solicitor, will be described to the client in a separate document provided to the client at the time of the referral.

Please see Client Referrals and Other Compensation in this Brochure for more information.

Equis does not accept soft dollars or any other additional compensation above the fees paid by the client to Equis outlined in the Fee Schedule. Nevertheless, Equis may receive research reports from FolioFn. The receipt of such reports is not related to any commitment with FolioFn for transaction levels in exchange for any services or products from FolioFn, but does create a possible conflict of interest of which clients should be aware in assessing Equis's brokerage recommendation.

Financial Professionals may receive incentive awards for the recommendation or introduction of investment products to advisory clients. The receipt of this compensation may affect a representative's judgment in recommending products to clients.



## Item 5 Account Requirements and Types of Clients

### MINIMUM ACCOUNT REQUIREMENTS

Participation in this program is subject to certain minimum account requirements. For a more detailed understanding of these requirements, please review the disclosures provided in the preceding section.

A minimum of **\$25,000** of assets under management is required to participate in this program. This account size may be negotiable under certain circumstances. Clients may also make subsequent investments of \$100 or more, although any subsequent investment may be invested in a money market security within the program account until such time where there is a minimum of \$1,000 to reallocate into the designated asset allocation within the program account.

Egis Capital Wrap Fee Program clients must direct Egis Capital Management, Inc. as to the broker dealer/custodian to be used in managing their account. As a condition for Program Participation, clients are required to direct us to custody their assets with and to place trades through FOLIOfn Investments, Inc.. FOLIOfn Investments,

Inc. is an unaffiliated FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. As such, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker dealer/custodian other than FOLIOfn Investments, Inc.. Please refer to the "Other Financial Industry Activities and Affiliations" section of Item 9 for additional information.

### TYPES OF CLIENTS

Egis Capital Management, Inc. provides advisory services in the Egis Capital Wrap Fee Program, where appropriate, to:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Investment companies(including mutual funds)
- Pension and profit sharing plans(other than plan participants)
- Corporations or other businesses not listed above
- Other

## Item 6 Portfolio Manager Selection and Evaluation

### PORTFOLIO MANAGER SELECTION

#### How We Select Managers

The Asset Management Team, headed by Dr. William Nelson, which manages the Model Portfolios, is the sole portfolio manager available with respect to the Egis Capital Wrap Fee Program. Our Asset Management Team is ultimately responsible for approving, removing, and the general oversight of Model Managers participating in the Program. These individuals on The Asset Management Team must possess, minimally, a college degree and/or appropriate business experience and all required licenses.

The Model Managers contracted by Egis assist the Asset Management Group with respect to its management of the Model Portfolios. Our Asset Management Team conducts a rigorous review and due diligence process of Model Managers prior to their recommendation for inclusion in the Program.

Managers consistent with our asset allocation methodology are selected according to their track record, risk controls, and investment methodology. We hire managers who we believe (inclusive of price) will provide the best risk adjusted return for all asset class and/or equity styles that comprise clients' asset allocations.

We select and monitor the performance of the Model Managers / Portfolios in the Egis Program to make certain they are adhering to their respective strategy and maintaining an appropriate investment discipline. This is very important because each Model Manager was chosen to perform a pivotal role in terms of the Model Manager and investment configuration of our strategies.

#### How we Monitor Model Managers

Performance of the Contracted Managers is monitored by Egis. Contracted Model Managers who under-perform, relative to their asset class and/or equity style will, pursuant to the discretion of Egis, likely be replaced. Egis practices careful judgment and discretion when determining whether to hire and retain each Contracted Model Manager. When hiring Contracted Model Managers, we do not independently verify their returns, but rather rely of the returns presented by the contracted firm and/or third party sources.

#### Changing Model Managers / Portfolios

The Contracted Manager or managers assigned to a particular portion of clients' asset allocations may be changed at the discretion of Egis.

Such changes would typically be made when a Contracted Manager is underperforming relative to its peers. When the Contracted Model Manager of a portfolio is fired, Egis will, for all clients tracking that Model Portfolio, select an alternative portfolio to fill that portion of clients' asset allocations.

If a client or his Authorized Professional / FP desire to switch between Model Managers / Portfolios they may do so for no charge. (Note: Some Model Managers are only available under the UMA Program. See Service Fees and Compensation Item for more information.) The Program is not designed for investors who plan to change Model Managers / Portfolios frequently and reasonable limits to the number of Model Manager / Portfolio changes allowed may be applied. For this purpose, Egis typically places an annual limit of 7 Model Manager / Portfolio changes per year. Egis may provide relief from this limit at its discretion.

There may be an occasion where we determine that a Model Manager is no longer appropriate for inclusion in your asset allocation. In such situations, we may replace a Model Manager / Portfolio for any of a variety of reasons including, but not limited to, a change in the investment style or processes employed by the Model Manager, a change in the Model Manager's key personnel, and/or inferior performance as compared to applicable investment benchmarks and peer portfolio managers and investment advisors with comparable investment styles. If we replace a Model Manager included in your Model Portfolio, we will notify you of such replacement.

As the overall amount of assets under management grow in the Program, we may hire additional Model Managers that have the same or competing investment strategies in offering differing allocation strategies to our clients. Accordingly, there will be differences in the holdings and results of client Model Portfolios having principally the same allocation strategies but different Model Managers.

Additional information about the Model Managers is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). as well as downloadable from our Resources tab within the Portal or by request from your Authorized Financial Professional / FP.

#### How we Use Outside Model Managers

Egis hires Model Managers, who are not employees or affiliates of Egis, to manage client assets within the Program. Clients' assets are managed by tracking each account's asset allocation to one or more model portfolios. Clients' Model Portfolios are divided among these

Model Portfolios based on the client's asset allocation. Clients' assets track the securities holdings of Model Portfolios. Strictly speaking, Model Portfolios do not in fact contain any assets, but rather clients' accounts track Model Portfolios which determine what assets will be purchased and sold within clients' accounts. Clients' assets are held in their own accounts and are not commingled with the assets of other clients.

Information provided by clients and their Authorized Financial Professionals / FPs is critical for the selection of the asset allocation and thus the appropriate Model Managers. Changes in clients' priorities must be communicated to Equis so that Equis, the client's Authorized Financial Professional / FP and the client can coordinate and adjust the allocation among Model Portfolios and Model Managers accordingly. Initially, the selection of Model Managers is determined by each client and the client's Authorized Financial Professionals / FP. The client and associated FP may also choose to have Equis manage all assets thereby using no Model Managers.

Model Managers have no information about individual clients, but rather are charged with managing one or more Model Portfolios appropriate for the asset classes to which the Model Portfolios are assigned.

#### **The Use of Contracted Model Managers**

Adverse price movements and thus less favorable prices might be caused by Model Managers' outside activities (activities in accounts other than the Model Portfolio) or due to the large orders created based on changes in the Model Portfolio. Orders for clients' Equis accounts may be initiated at the same time or a different time than when the change in Model Portfolio is made by the Model Portfolio's Manager. Equis does not typically evaluate changes made to Model Portfolios by their Model Managers. Rather, Equis typically limits our oversight to the results provided by a Model Manager, and all investment decisions made in a particular Model Manager's Model Portfolio are made at the discretion of the Model Manager.

Some Model Managers may be paid more for sub-advisory management services than others. For Multi-Manager Account clients, the wrap fee charged by Equis to clients does not vary based on the Model Managers selected by Equis for a Multi-Manager Account. (See Service Fees and Compensation Item for more information.)

#### **Contracted Model Manager Disclosures**

Model Managers have discretion over what assets are selected within the Portfolio Model(s) they manage. A Model Manager might have outside business or personal relationships that provide an incentive for the Model Manager to include certain assets rather than others. A Model Manager is not contractually obligated to include in Model Portfolio(s) any securities included in outside portfolios. Similarly, a Model Manager may include assets in Model Portfolios that are not included in portfolios managed outside of the Equis Program.

#### **Assets that Can be Contained in Clients Accounts**

Model Portfolios (and thus clients accounts) can be invested in a wide variety of securities and other assets such as (but not limited to) stocks, American Depositary Receipts (ADR's), exchange traded funds (ETF's), target term trusts, mutual funds, and FDIC cash deposits and U.S. Government securities..

#### **Equis Capital Provides Asset Management, But Does Not Provide Tax Advice.**

Buying and selling specific securities as part of a tax planning strategy is available to clients of Equis, but tax related decisions or counseling is not provided by Equis. If a client and the associated FP desire to buy and/or sell specific securities within an account, then specific orders should be emailed to us and we will make the requested transactions. Management of Model Portfolios might not be coordinated, and accordingly it is possible for wash sales to occur.

#### **Dispersion**

The performance of a Model Portfolio and a client's actual performance within that Model can vary. There can also be dispersion between the performance of a client's assets that are allocated to a Model Portfolio and the actual Model Portfolio (managed outside the Equis Program) that the client's allocation is managed to match. This dispersion can cause a client's actual return for the portion of the client's account allocated to a particular Model Portfolio to be either greater than, equal to or less than the performance of the actual Model Portfolio (or the portfolio managed outside of the Equis Program that the Model Portfolio is managed to track, if any). In addition, dispersion can account for slightly different holdings or percentage holdings in a client program account versus the Model Portfolio.

Model Managers may manage portfolios outside of the Equis Program and there may be dispersion between the performance reported by these services and those received by Equis clients. Finally, there may be dispersion between the returns earned by different clients whose investments are tracking the same Model Portfolio(s).

Dispersion among clients' accounts is common because of the combination of each client's assets being held directly in their own account and the differences between the timing of trade execution, size of accounts, client additions or withdrawals, and client imposed restrictions among other factors.

#### **PORTFOLIO PERFORMANCE REPORTING**

Performance of the Model Managers is monitored by Equis. Contracted Model Managers who under-perform, relative to their asset class and/or equity style will, pursuant to the discretion of Equis, likely be replaced. Equis practices careful judgment and discretion when determining whether to hire and retain each Contracted Model Manager. When hiring Contracted Model Managers, we do not independently verify their returns, but rather rely of the returns presented by the contracted firm and/or third party sources.

#### **AFFILIATED PORTFOLIO MANAGERS**

##### **Selection of Affiliated Portfolio Managers.**

In addition to utilizing Model Portfolio Managers unaffiliated with our firm, participating asset Model Managers in this Program include Model Portfolio Managers of firms affiliated with Equis Capital Management, Inc. through common ownership or control of our firms (hereinafter referred to as "Affiliated Managers").

Accordingly, clients' assets within this Program may be managed by affiliated and/or non-affiliated Model Portfolio Managers. It should be noted that certain of our affiliated Model Managers providing Model Portfolio management services may not have experience (or as extensive experience) in Model Portfolio management, thus may not have a history of performance to match against other individuals and management firms. Thus, our portfolio Model Managers are not subject to the same selection and review process that would occur if third-party managers were being evaluated.

Some of the available Model Portfolios are managed by Equis Capital, meaning that the fee that would otherwise be paid to a Model Manager is retained by Equis. Moreover, certain clients or Financial FPs may choose for Equis to manage all assets without Model Managers. A lower Program fee is charged for accounts entirely managed by Equis Capital with no Model Managers.

We recognize the inherent conflicts of interest when assessing Affiliated Managers and assisting clients in selecting investment managers, because Equis Capital Management, Inc. and/or our affiliates may receive more aggregate fees if clients select an investment manager that is affiliated with our firm. We seek to mitigate some of the associated conflicts of interest by applying these uniform standards to ensure that clients' assets are managed in a fair and equitable manner.

Based on the fee structures outlined in Item 3, Equis stands to save operating costs (and thereby increase profit) if its own Model Portfolios (or low-cost Model Manager portfolios) are selected by clients and FPs rather than higher-priced Model Managers' portfolios. Equis, therefore, has an incentive to offer its own portfolios and lower-cost Model

Managers as part of the Program. This is a conflict of interest that may affect the Model Managers and Model Portfolios selected by Equis for inclusion in the Program. Nevertheless, Equis has a significant interest in making sure that its clients and their FPs are happy with all aspects of the Program. Toward this end, Equis will endeavor to select Model Managers and Model Portfolios we believe will provide the best risk adjusted return for clients.

Dr. William R. Nelson is the Chief Financial Strategist of Equis and the primary Portfolio Manager and team leader for The Asset Management Team for Model Portfolios managed by Equis for the Program. Dr. Nelson performs the day to day management of the Model Portfolios managed by Equis. In addition Dr. Nelson designs asset allocation models for the Program that are based on the needs and risk preferences of clients. These models are used within Equis's proprietary proposal generation system. The core of Equis's management philosophy is distilled into the Equis System that employs an augmented version of the Porter Five Forces Model in conjunction with the implications of modern portfolio theory and recent empirical evidence. The processes employed by Equis are continuously updated to provide what Equis and Dr. Nelson believe to be the best possible money management for Equis clients. Additional insights into the market are provided by Equis's distinguished business advisory board. Fortunately, advanced technology allows Dr. Nelson to act as the Model Portfolio Manager for all clients in the Program that are invested in an Equis Managed Portfolio.

Dr. Nelson is not personally available to address clients' questions and concerns. Rather, questions should be sent through clients' FP(s), who will forward the questions to Equis should the FP be unable to respond. Equis will provide the answer to the FP(s), who will relay the answer to the client.

Dr. Nelson's performance information is not reviewed by the sponsor or a third party, nor calculated on a uniform and consistent basis.

#### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

#### Other:

Equis manages several separate model portfolios that provide diversification across the spectrum of domestic and international equity styles and fixed income. Portfolios typically consist of one or more of the following: individual equities, ADR's, ETF's, mutual funds, FDIC cash deposits and U.S. Government securities. Each client of Equis will be assigned an asset allocation comprised of up to ten of the Equis model portfolios. The assignment of an asset allocation will be based on the clients need, risk preferences and desires.

Registrant utilizes various methods of analysis depending on the advisory service. Registrant's primary method of analysis, information and investment strategy for the Equis Program is to employ an internet

based structured asset allocation strategy in order to develop and maintain the appropriate asset allocation model for each particular client of an introducing Financial Professional, based upon each particular client's investment goals, time horizons and risk tolerances. Assets for each client are allocated among up to 10 separately managed model portfolios all managed to represent a particular equity style both domestic and foreign; and fixed income. The managers within the program are periodically monitored by Equis Capital to make certain they are investing within their respective disciplines. Equis Capital researches investment managers and their security analysis methods for a different classes and investment styles. Equis Capital's other sources of information for evaluating investments and Model Managers are the qualitative and quantitative materials prepared by in-house analysts; publicly available information contained in the financial press and other sources; information, research and statistical materials prepared by others; computer readable financial databases containing business and financial statistics, both current and historical. Equis Capital may also employ outside consultants to support the ongoing evaluation process of investment.

Equis may use FDIC cash deposits to "sweep" unused cash balances until they can be appropriately invested.

Equis utilizes a number of sources of financial information in the firm's analysis of securities including financial newspapers and magazines, research materials and reports, corporate rating services, annual reports, prospectuses, SEC filings and company press releases. Research services are received in various forms, which may include written reports, or information obtained on the World Wide Web. Equis utilizes several data resources in gathering historical information, as well as annual and quarterly reports. Using fundamental analysis, securities are actively monitored and evaluated relative to market and industry conditions.

The above types of investments, methods of analysis, sources of information and investment strategies utilized by Equis are only applicable to portfolios managed directly by Equis. With respect to outside money managers, clients are requested to view the Equis Capital Wrap Fee Brochure: and refer to the description of Contracted Managers portfolios for more information on that manager's investment strategies, methods of analysis, and other pertinent investment information.

#### INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Individual equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Equis proprietary model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation, which influences the five forces. When selecting individual equities, Equis also takes the industry into consideration in the interest of maintaining diversification to maximize risk adjusted returns. ETF's or mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. Clients

will retain individual ownership of all securities.

#### **Long-term purchases.**

We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very

quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Risk of Loss.** Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

#### **VOTING CLIENT SECURITIES**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

### **Item 7 Client Information Provided to Portfolio Managers**

The 3rd party Authorized Professional / FP responsible for referring a client to the Program will typically consult with the Program Participants to assess their financial situation and identify their investment objectives in order to implement appropriate strategy(ies) designed to meet the Program Participant's financial needs. This may include, but is not necessarily limited to: introducing you to the Program; gathering and communicating your financial profile information to us using the Proposal Generation System where applicable, completing an account evaluation questionnaire for each newly opened managed account, acting as the liaison between you and us with regard to the delivery of certain forms and information; meeting with you on a regular or periodic basis to confirm that your financial information on file with us remains accurate; and the performance of other intermediary services related to your participation in the Program. Answers are formed through in-depth conversations with clients. Questions are specific and relate to such items as Annual Income, Net Worth, Liquidity Requirements, Portfolio Strategy, Portfolio Objectives, Risk Tolerance, Performance Horizon,

Income Requirements, Dividend Requirements and Preferences to Maturities, among other things.

The relevant information is submitted to Equis Capital Management, Inc. and a determination is made as to whether participation in this program is appropriate for the client. On an ongoing basis, the participating client's Authorized Professional / FP is responsible for obtaining and communicating to us any changes in the client's financial circumstances and/or objectives, including modifications to any client-imposed restrictions, if applicable.

Equis Capital Management, Inc. requests that the client's Authorized Professional / FP review the questionnaire annually and confirm with the client that there are no changes in the client's investment objectives to ensure the selected investment strategy(ies) remain appropriate for the client's circumstances and consistent with the client's investment objectives.

### **Item 8 Client Contact With Portfolio Managers**

Clients utilizing third portfolio managers for management of their assets generally do not come in contact with their portfolio managers. In this program, Equis Capital Management, Inc.'s representatives typically serve as the communication conduit between the client and

the independent manager. Clients are required to contact their Authorized Professional / FP with any questions they may have regarding their account(s).

### **Item 9 Additional Information**

#### **Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

#### **Other Financial Industry Activities and Affiliations**

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

As previously disclosed, clients are required to direct us to custody their assets with and to place trades through FOLIOfn Investments,

Inc. as a condition for participation in the Equis Capital Wrap Fee program. FOLIOfn Investments, Inc. is an unaffiliated, FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. Our firm has evaluated FOLIOfn Investments, Inc. and believes that it will provide our clients with a blend of execution services, commission costs, and professionalism that will assist us in meeting our fiduciary obligations to clients.

In evaluating such an arrangement, the client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by Equis Capital Management, Inc. on a trade-by-trade basis, and best execution may not be achieved. In addition, as noted above in Item 4, transactions in the client's account are effected "net" (i.e., without separate commission charge to the



client). Not all advisers require clients to direct it to use a particular broker dealer, though the sponsors of wrap fee programs typically do.

#### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Egis Capital Management, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Egis Capital Management, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [compliance@eqiscapital.com](mailto:compliance@eqiscapital.com), or by calling us at 800.949-9936.

Egis Capital Management, Inc. and individuals associated with our firm are prohibited from engaging in principal transactions.

Egis Capital Management, Inc. and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

#### **Review of Accounts**

##### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

#### **REVIEWS:**

All client accounts are typically reconciled with their respective custodian valuations on a daily basis. If there are discrepancies noted, they will be discussed with the custodian. While the underlying securities within the Program accounts are actively monitored, except as noted, all Program accounts, at a minimum, are reviewed by the Asset Management Team (final review will be conducted by Dr. William Nelson) for rebalancing at least once during a running twelve month period. However, this review is generally done quarterly.

The review process considers factors relevant to the determination of whether or not the assets held by the account and the investment strategy employed are consistent with each client's investment objectives. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. The review will be conducted to determine if the current investment holdings of the account are consistent with the client's investment objectives as outlined at the inception of the advisory relationship. Model Portfolios that are deemed to be consistent with the client's objectives and asset allocation will not be rebalanced and will not be reviewed again until the next selected interval.

More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, drift from the model portfolio weighting, and economic environment. Your asset allocation may also be rebalanced as a result of our initiating a change in Model Managers / Portfolios, your use of our tax harvesting feature, a change in your selection of social exclusion categories or restriction of securities, or a request to change the allocation of your Model Portfolio.

Our Asset Management Team will review the performance of your Program account to make certain that it remains aligned with your subscribed asset allocation, Model Portfolios and investment restrictions, all applicable rules and regulations and to determine if you would like to update and/or modify your account. Egis may rebalance the asset weightings within your Model Portfolios to minimize dispersion and realign your asset allocation.

Egis or a designee (typically the Authorized Financial Professional / FP) will contact the client on at least an annual basis to discern changes to the client's financial circumstances or investment objectives. However, should there be any material change in the client's personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision of the client's investment profile is warranted.

#### **REPORTS:**

All clients receive account statements from their custodian on at least a quarterly basis. Additionally, we provide clients with periodic performance measurement summary reports, usually on a monthly basis. The reports we provide may summarize the following:

Clients in the Program will receive, at a minimum, a quarterly brokerage statement, and in addition have access to online real time performance reporting through their BROKER. Depending on the information requested by the client, these reports and statements may include the following information: 1) description of the assets held, 2) the quantity and market value for each position, 3) the market value of the account, 4) a transaction history, 5) interest and expense items and 6) fee calculations. In addition to the above, from time to time upon the request of the client, if there is a significant change in the investment environment or a significant change in the client's results (triggering events), the Registrant may provide a client with additional supplemental information.

There may be significant dispersion between the holdings and performance of the Model Portfolios and the Program Accounts that are managed by Registrant using the Model Portfolios. Account dispersion may be due to differences in recommendations made by a Model Manager as well as differences in account size, cash flow, the timing and terms of execution of trades by Registrant and the Model Manager, individual client-imposed restrictions, account rebalancing schedules, certain trading and system limitations, and other factors. Accordingly, Registrant will undertake reasonable efforts to mitigate the effects of significant dispersion by: (i) periodically reviewing and monitoring Program Accounts to identify significant dispersion, and (ii) where appropriate, executing trades or account rebalances to minimize dispersion. Any performance dispersion Registrant deems significant between the Model Manager's performance and the actual client

account performance is reviewed periodically by Registrant to determine if any action is necessary to address performance dispersion.

We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

#### **All Documents Are Delivered Electronically:**

We believe we are one of the most advanced registered investment advisory firm in terms of providing account information to our customers electronically. Our opening and maintaining your account is conditioned on your agreement to receive all notices, documents, and other information related to your account and investments electronically. This may be done through an online posting on our Web site, email, Adobe Acrobat's portable document format (PDF), hypertext mark-up language (HTML), or other electronic media to which you consent. Your consent to electronic delivery extends to all information required to be provided by us, the issuers of the securities in which you invest, and other third parties. Program clients will receive account statements and confirmations of transactions directly from the custodian. Fees are calculated by Equis and invoices are made available to the client before fees are debited from clients' accounts. All clients should verify the accuracy of fee calculations. The above mentioned client reports will be made available to clients through electronic mail and the Internet. They are stored and available for viewing or printing from your filing cabinet or elsewhere on our Web site. You agree that when we send these email notices to you that they constitute delivery to you of the information mentioned in the email even if you do not actually access the information on our Web site. You may revoke this consent to electronic delivery at any time by providing written notice to us. However, since we have priced our services based on the considerable savings of electronic delivery, we reserve the right to terminate your account or, in certain instances, charge you an extra fee if you ask for paper documents. Clients participating in the program who choose to receive reports in hard copy will be assessed up to an additional \$100 annual administrative fee per account. You agree to keep a working email address and other current contact information and will update your account information immediately if your email address or other contact information changes. If you do not maintain an e-mail address that is working and accessible to us, and we believe we are required to provide you paper notice or documents of particular matters or actions, and we do so, we may charge you an additional annual administrative fee of up to \$100 per account. You acknowledge that you may incur costs (such as online service provider charges or printing costs) associated with the electronic delivery of information to you. To view PDF files, you will need to download the Adobe Acrobat Reader, which is provided for free. If your email address or other contact information changes at any time, you need to update your account information.

#### **SELECTION and MONITORING of CONTRACTED MODEL MONEY MANAGERS REVIEWS:**

These client accounts should refer to the Model Manager Selection and Evaluation Item in the Wrap Fee Brochure for information regarding the nature and frequency of reviews provided by that Model Manager.

Equis does not typically evaluate changes made to Model Portfolios by their Model Managers. Rather, Equis typically limits our oversight to the results provided by a Model Manager, and all investment decisions made in a particular Model Manager's Model Portfolio are made at the discretion of the Model Manager.

Equis Capital Management, Inc. will provide reviews as contracted for at the inception of the advisory relationship.

These accounts are reviewed by: The Asset Management Team, led by Dr. William R. Nelson.

#### **REPORTS:**

All clients receive account statements from their custodian on at least a

quarterly basis. Additionally, we provide clients with periodic performance measurement summary reports, usually on monthly basis. The reports we provide may summarize the following:

Clients in the Program will receive, at a minimum, a quarterly brokerage statement, and in addition have access to online real time performance reporting through their BROKER. Depending on the information requested by the client, these reports and statements may include the following information: 1) description of the assets held, 2) the quantity and market value for each position, 3) the market value of the account, 4) a transaction history, 5) interest and expense items and 6) fee calculations. In addition to the above, from time to time upon the request of the client, if there is a significant change in the investment environment or a significant change in the client's results (triggering events), the Registrant may provide a client with additional supplemental information.

There may be significant dispersion between the holdings and performance of the Model Portfolios and the Program Accounts that are managed by Registrant using the Model Portfolios. Account dispersion may be due to differences in recommendations made by a Model Manager as well as differences in account size, cash flow, the timing and terms of execution of trades by Registrant and the Model Manager, individual client-imposed restrictions, account rebalancing schedules, certain trading and system limitations, and other factors. Accordingly, Registrant will undertake reasonable efforts to mitigate the effects of significant dispersion by: (i) periodically reviewing and monitoring Program Accounts to identify significant dispersion, and (ii) where appropriate, executing trades or account rebalances to minimize dispersion. Any performance dispersion Registrant deems significant between the Model Manager's performance and the actual client account performance is reviewed periodically by Registrant to determine if any action is necessary to address performance dispersion.

We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

#### **All Documents Are Delivered Electronically:**

Please see above description for electronic delivery.

### **Client Referrals and Other Compensation**

#### **CLIENT REFERRALS**

Equis Capital Management, Inc. receives client referrals for participation in the Program ("Program Participant") through representatives of **unaffiliated** broker-dealer firms and investment adviser firms (these firms are referred to in this brochure as "Soliciting Firm(s)" and their representatives are referred to as the "Authorized Professional(s)/FP").

The 3rd party Authorized Professional / FP responsible for referring a client to the Program will typically consult with the Program Participants to assess their financial situation and identify their investment objectives in order to implement appropriate strategy(ies) designed to meet the Program Participant's financial needs. This may include, but is not necessarily limited to: introducing you to the Program; gathering and communicating your financial profile information to us using the Proposal Generation System where applicable, completing an account evaluation questionnaire for each newly opened managed account, acting as the liaison between you and us with regard to the delivery of certain forms and information; meeting with you on a regular or periodic basis to confirm that your financial information on file with us remains accurate; and the performance of other intermediary services related to your participation in the Program. Answers are formed through in-depth conversations with clients. Questions are specific and relate to such items as Annual Income, Net Worth, Liquidity Requirements, Portfolio Strategy, Portfolio Objectives, Risk Tolerance, Performance Horizon, Income Requirements, Dividend Requirements and Preferences to Maturities, among other things.



The amount of the FP Fee is negotiated with your Authorized Professional / FP at the time you establish your Program Account. You understand and acknowledge that the FP Fee charged to your Program Account may be less favorable than the fees charged to clients of other Authorized Professionals / FP or fees charged to other clients of your FP. You further understand that your and other FPs may waive the FP Fee at their sole discretion. Please see Service Fees and Compensation section of this Brochure for further information on Fees.

Financial Advisory Firms, which are registered as investment advisers and/or broker-dealers or exempt from such registration, receive fees for their services and compensation from Equis Capital Management, Inc. for referrals of Program Participants. The amount of compensation earned for these referrals may be greater than the compensation that would otherwise be received if the services were provided separately. Accordingly, there may be a greater incentive for these individuals to recommend participation in this program.

Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

Authorized Financial Professionals may receive incentive awards for the recommendation or introduction of investment products to advisory clients. The receipt of this compensation may affect a representative's

judgment in recommending products to clients. If the Financial Professional (FP)/solicitor meets certain business related qualifications, Equis may provide up to 5 basis points of the fee paid by the client as an incentive to the client's FP/solicitor for the purpose of marketing and servicing new and existing clients. In order to participate in the incentive provided by Equis, the FP/solicitor needs to maintain certain asset levels and achieve certain new asset levels. The level of incentive increases based upon the previously mentioned criteria. This incentive creates a potential conflict of interest for the FP/solicitor because the FP/solicitor receives compensation that increases based on the level of assets managed through the program. This compensation does not impact the level of fees that clients pay and clients are under no obligation to follow the recommendations of their FP/solicitor regarding using the program.

It is Equis Capital Management, Inc.'s policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### **Financial Information**

As an advisory firm that maintains discretionary authority for client accounts we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Equis Capital Management, Inc. has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Equis Capital Management, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

## Exhibit 1

### MODEL PORTFOLIO DESCRIPTIONS

Egis provides access to model portfolios that provide diversification across the spectrum of domestic and international equity styles and fixed income. Each client of Egis will be assigned an asset allocation comprised of up to ten of the model portfolios. The assignment of an asset allocation will be based solely on the client's needs and risk preferences. Some of the model portfolios are managed in house by Egis; others are managed by independent, contracted managers. Below is a brief description of model portfolios arranged by asset class and equity style.

#### Large Cap Growth Model Portfolios-Benchmarked to the Russell 1000 Growth Index

##### **Advisor Partners / AP Tax Managed Index LCG**

The U.S. Equity Large Cap Tax Managed Index Strategy seeks to maximize after-tax returns while maintaining risk characteristics similar to the broad U.S. equity market through a managed portfolio of individual securities. The portfolio's benefits include diversification across sectors combined with tax efficiency. Tax efficiency is achieved by selecting tax efficient vehicles and/or through active tax management. The sectors with the greatest representations within the portfolio tend towards finance, information technology, and healthcare. Advisor Partners is an investment management firm specializing in providing customized, tax-managed, index-based investment solutions for advisors and their clients. The average tenure of the principals exceeds two decades and contributes to their depth of investment judgment and expertise. They are privately owned and managed by the principals.

##### **Egis Capital Management / Egis Large Cap Growth**

Egis Large Cap Growth is managed to provide clients diversification, primarily among U.S. large capitalization companies oriented towards growth. Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Egis proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Egis places an emphasis on a long-term buy and hold approach. When selecting individual equities Egis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

##### **Financial Trust Asset Management / American Disciplined LCG**

The American Disciplined Equity Strategy Invests in the highest rated stock within each of the 12 industry sectors of the Standard & Poor's 500. Stocks within each sector are ranked according to FTAM's proprietary rating system which compares the companies in 3 broad areas. Their Earnings Momentum index ranking compares each company's revenue and net income growth in each of the last 3 years. The profitability + quality index ranking compares profitability and quality factors such as return on equity, return on assets, profit margin, and financial leverage. Their Value Momentum index ranking compares valuation and momentum, rating each stock by low price to sales ratio and high 1 year, 3 month, and 1 month momentum factors. The scores are then combined to come up with an overall rating. The ADE portfolio is invested on an equally weighed basis in the top 20% of the stocks in each industry sector with industry weights that are kept equal to the S&P 500. On a quarterly basis the portfolio is rebalanced.

##### **Hanseatic Management Services, Inc /Hanseatic LCG**

Managers use a multi-time dimensional system that identifies large-cap stocks whose emergent price trends have better than normal probability of persisting into the 6-36 month target holding period with positive alpha. Lower time dimension patterns are then used to identify shorter term entry and exit points. Research has shown that time parameters in the relevant time dimensions, monthly and weekly in particular, also play an important role. It is the intersection of multi-time dimensional trend measurement and time boundaries that is the foundation of the buy-sell disciplines. The portfolio typically contains at least 100 stocks providing for diversification. Another interesting characteristic of the portfolio is its relatively low correlation with indexes in its asset class. Since 1991 Hanseatic has applied proprietary quantitative buy and sell disciplines to manage equity portfolios' returns, risk, and structure. Their buy disciplines provide a consistent stock selection process that is adaptable to varying market environments.

##### **Laidlaw Group / Laidlaw Group LCG**

The Laidlaw Group's Large Cap Value portfolio focuses investments in companies with the following characteristics: high cash flow to market value ratio, high asset to debt ratio, profitability, and growth potential. Close attention is also paid to the sectors in which firms operate. The management may overweigh or underweigh sectors based on their analysis of economic trends. The Laidlaw Group is a family business founded by Robert Laidlaw and his son David. Robert, the current Chairman, is an industry veteran who began his career on the floor of the New York Stock Exchange in 1958 after graduating from Yale, with a degree in philosophy. His nearly 50 years of industry experience provide the foundation from which the Laidlaw Group excels.

##### **Martin Investment Management, LLC / Martin Quality Growth**

Martin Investment Management, LLC of Evanston, Illinois is an employee-owned, SEC- registered equity investment adviser and the winner of numerous industry distinctions including "Equity Manager of the Year" at Opal's 2008 Emerging Manager Conference and was a finalist for the same award in 2009, "Notable Outperformer" in a study entitled "Women Owned Firms" by Altura Capital in February 2009, Top Ten Performer in the Informa Investment Solutions' PSN Investment Manager Database for the eighth time in the last fourteen quarters ending December 31, 2009.

Our "Best Ideas" Long Term Growth strategy typically contains 20-30 of 2,000 stocks that are screened for high returns on invested capital, projected long-term growth, strong cash flow and capital structure. Stocks selected for portfolios should ideally have understandable business, distinct strategies, products, and services, growing earnings and sales, and strong competitive positions. Turnover has averaged about 20% annually. A stock is sold if the company's fundamentals decline, the valuation becomes excessive, the position becomes too large, or more attractive ideas are found.

Patrick Martin is the founder, a managing director, and the primary portfolio manager. His educational accomplishments include an A.B. in economics from Dartmouth College in 1972 and an M.B.A. from Dartmouth's Amos Tuck School in 1974. He holds the professional designations of Chartered Financial Analyst (CFA) and Certified Public Accountant (CPA). Mr. Martin is a member of the CFA Society of Chicago and the CFA Institute.

Sandra Martin and Mary Ellen Zellerbach assist in managing the firm's strategy. Ms. Martin has been a Managing Director since 2003. She holds an A.B. from St. Xavier College, an A.M. from the University of Illinois and an M.B.A. from Loyola University of Chicago. Ms. Zellerbach joined Martin Investment Management, LLC in 2003 after founding Mellon Capital Management. She earned an A.B. in Economics from Wellesley College and an M.B.A. from the Graduate School of Business at Stanford University.

### Navellier / Global Large Cap

Navellier implements its investment philosophy through a combination of quantitative and fundamental analysis. The initial portfolio universe includes foreign listed equities and American Depositary Receipts (ADRs) with market capitalizations equal to or greater than \$1 billion and domestic stocks with market capitalizations equal to or greater than \$5 billion. Stocks must have ample liquidity in both the domestic listed market and their home market. The process begins with a computer driven analysis based on Modern Portfolio Theory. The firm calculates reward (alpha) and risk (standard deviation) characteristics for the initial universe of stocks. Trailing 52-week "alphas" are divided by trailing 52-week "standard deviations" to create a "reward/risk" ratio for each stock. These stocks are then reviewed on a fundamental basis. The fundamentals reviewed and measured are based on Navellier's proprietary analysis of what is currently "in favor" on Wall Street and the Accounting and Governance Risk rating (AGR). Stocks are ranked on both the quantitative and fundamental analyses, and the final step is the portfolio construction process, which combines country allocation, weighting of stocks, and portfolio formation. Country allocation is determined by three factors: (1) the direction of interest rates relative to other economies; (2) the level of the average reward/risk ratio for all companies in a given country relative to other countries; and (3) the country's weight in the relevant index. The portfolio is adjusted monthly based on market conditions.

James O'Leary, CFA is the lead Portfolio Manager for the Navellier Asia, Navellier Europe, and Navellier Latin America, Global Small Cap, and Global Growth strategies. He joined Navellier in 1996 and has thirty-five years of experience in the securities industry. Prior to joining Navellier, Mr. O'Leary was Managing Director at Lexington Management Corporation and a Director at Federated Investment Counseling. His B.S. in business administration is from Bowling Green State University and his M.B.A. is from the University of Cincinnati.

### Sawgrass Asset Management / Sawgrass LCG Best Ideas

Sawgrass Asset Management, L.L.C. is a 100 percent employee-owned, SEC-registered investment advisor. The firm provides innovative growth equity investment management services to institutional and high net worth investors. The firm was founded on January 15, 1998 in Jacksonville, Florida, by principals Andrew Cantor, Dean McQuiddy and Brian Monroe. The firm consists of a core group of key investment professionals who have worked together for more than 20 years. The core investment team of portfolio managers, equity traders, and client service professionals came to Sawgrass from Barnett Capital Advisors, Inc. and have been with the firm since its inception.

### Windward Capital Management Co / CapApp

Windward Capital Management Co., based in Los Angeles, California, offers several large cap growth strategies. It has emerged as a top-rated money manager and continues to produce superior risk-adjusted performance. The firm is 100% employee-owned.

The investment process incorporates a top-down thematic approach combined with a disciplined, fundamental, bottom-up research. Thematic investing involves the initial determination of a number of compelling cyclical and secular investment themes. After these themes are identified, rigorous financial analysis of those companies is conducted at the individual company level.

Our portfolios display the following fundamental characteristics:

**Quality:** Dominant companies displaying financial strength within their economic sector. These are leading companies with best-in-class managements, high incremental returns on invested capital, and business models with sustainable competitive advantages.

**Growth:** Companies with predictable and sustainable above-average growth in revenue, earnings, and free cash flow.

**Value:** Companies that are undervalued on either an absolute or relative basis, based upon our projections of future cash flow and earnings.

Robert Nichols, Ph.D. is the founder, Chief Executive Officer, and Portfolio Manager of Windward Capital Management Co. For the twenty-one years prior to founding Windward (1971 to 1992), he was President of the Roley, Nichols Capital Group, Inc., in Los Angeles. While at the firm, he was President of RNC Capital Management

where he managed more than \$1.25 billion in portfolios of taxable, municipal, corporate and multi-employer retirement plans and foundation clients. In addition to his corporate responsibilities, he was a senior member of the Investment Policy Committee and Research Committee. In 1990, he and his partners sold the firm to an Austrian bank. His academic degrees include a Ph.D. in Management from the Claremont Graduate School's Drucker School of Business.

Donald Bessler, CPA, Chief Investment Officer and Portfolio Manager, came to Windward Capital Management Co. from First American Capital Management where he was a Senior Portfolio Manager/Senior Vice President. Prior to First American Capital Management, he was a Principal and the Director of Research at Roxbury Capital Management LLC, a \$14 billion asset management firm in Los Angeles. As Director of Research and a voting member of the Investment Committee, he supervised a team of six Equity Research Analysts in addition to personally managing more than \$1 billion in client assets. He was also responsible for managing the Roxbury Special Situations Portfolio and the Special Situations Hedge Fund. Mr. Bessler began his career as a Certified Public Accountant and attained the level of Audit Manager with the accounting firm Price Waterhouse. Mr. Bessler graduated *summa cum laude* from Lehigh University with a B.S. in Finance, a B.S. in Accounting, and a B.A. in Psychology.

### Windward Capital Management Co / Windward RAAM

Windward Capital Management Co., based in Los Angeles, California, offers several large cap growth strategies. The firm is 100% employee-owned.

The investment process incorporates a top-down thematic approach combined with a disciplined, fundamental, bottom-up research. Thematic investing involves the initial determination of a number of compelling cyclical and secular investment themes. After these themes are identified, rigorous financial analysis of those companies is conducted at the individual company level.

The RAAM portfolio is a Large Cap Blend strategy that has an emphasis on risk containment. The strategy focuses on a combination of growth and less-volatile relative growth equities designed to mitigate the overall portfolio volatility. While portfolio performance continues to be our primary goal, we seek to control inherent portfolio volatility by altering both the economic sector and individual equity position weightings throughout the stock market cycle. The resulting portfolios are likely to pay a higher level of dividend income than our pure growth portfolios.

Robert Nichols, Ph.D. is the founder, Chief Executive Officer, and Portfolio Manager of Windward Capital Management Co. For the twenty-one years prior to founding Windward (1971 to 1992), he was President of the Roley, Nichols Capital Group, Inc., in Los Angeles. While at the firm, he was President of RNC Capital Management where he managed more than \$1.25 billion in portfolios of taxable, municipal, corporate and multi-employer retirement plans and foundation clients. In addition to his corporate responsibilities, he was a senior member of the Investment Policy Committee and Research Committee. In 1990, he and his partners sold the firm to an Austrian bank. His academic degrees include a Ph.D. in Management from the Claremont Graduate School's Drucker School of Business. Donald Bessler, CPA, Chief Investment Officer and Portfolio Manager, came to Windward Capital Management Co. from First American Capital Management where he was a Senior Portfolio Manager/Senior Vice President. Prior to First American Capital Management, he was a Principal and the Director of Research at Roxbury Capital Management LLC, a \$14 billion asset management firm in Los Angeles. As Director of Research and a voting member of the Investment Committee, he supervised a team of six Equity Research Analysts in addition to personally managing more than \$1 billion in client assets. He was also responsible for managing the Roxbury Special Situations Portfolio and the Special Situations Hedge Fund. Mr. Bessler began his career as a Certified Public Accountant and attained the level of Audit Manager with the accounting firm Price Waterhouse. Mr. Bessler graduated *summa cum laude* from Lehigh University with a B.S. in Finance, a B.S. in Accounting, and a B.A. in Psychology.

## **Large Cap Value Model Portfolios-Benchmarked to the Russell 1000 Value Index**

### **Advisor Partners / AP US High Dividend Yield LCV**

The U.S. Equity High Dividend Tax Managed Index Strategy seeks to maximize after-tax returns while maintaining risk characteristics similar to the broad U.S. equity market through a managed portfolio of individual securities. The portfolio's benefits include diversification across sectors combined with tax efficiency. Tax efficiency is achieved by selecting tax efficient vehicles and/or through active tax management. The sectors with the greatest representations within the portfolio tend towards finance, information technology, and industrials. Advisor Partners is an investment management firm specializing in providing customized, tax-managed, index-based investment solutions for advisors and their clients. The average industry tenure of the principals exceeds two decades and contributes to their depth of investment judgment and expertise. They are privately owned and managed by the principals.

### **Egis Capital Management / Egis Large Cap Value**

Egis Large Cap Value is managed to provide clients diversification primarily among U.S. large capitalization companies oriented toward value. This portfolio often features investments in consumer staples, financial, or manufacturing sectors. Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Egis Proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long-term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Egis places an emphasis on a long term buy and hold approach. When selecting individual equities Egis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

### **Golub Group LLC / Golub Group Equity**

The Golub Group of San Mateo, California has managed the wealth of high-net-worth individuals and institutions since 2003. The six investment professionals and 12 client service and operations professionals own 100% of the Golub Group that managed approximately \$600 million in total assets as of December 31, 2009.

The large cap value portfolio typically invests in 30-35 companies with strong cash flows, solid balance sheets, histories of consistent profitability, high returns on equity, successful and proven management teams, the capacity to pay and raise dividends, and honest reporting of financial results. Securities are purchased when we think they are temporarily undervalued relative to their intrinsic values. Estimated intrinsic values are triangulated using several valuation techniques, including discounted cash flow models, dividend discount models, net asset value models, sum-of-the-parts models and comparing standard multiples, such as P/E, P/B, EV/EBITDA, etc., to peer companies and historical trends. The average market capitalization of our equity holdings is approximately \$100 billion. Typical portfolio turnover is low, averaging between 20-25% annually. Golub Group Equity Composite has outperformed the S&P 500 in seven of the past eight years and achieved a Morningstar™ Overall 5-Star rating.

The six-person Investment Committee has decades of cumulative experience. Michael Golub, the firm's founder, leads the Investment Committee and has over 40 years' investing experience. Colin Higgins, President and Director of Research, has 13 years' experience as a portfolio manager and research analyst. In addition, the team consists of Kurt Hoefer, CFA (19 years' experience), Tim Rich, CFA (11 years' experience), John Dowling, CFA (11 years' experience) and Dave Ogburn (12 years' experience). There has been no turnover in the Investment Committee since the firm's inception.

### **Loudon Investment Management, LLC / LIM Equity Income**

Since its founding in 2003, Loudon Investment Management (LIM) has implemented its thorough and unique investment process that contains three overlays: statistical, fundamental and thematic.

**Objective Statistical analysis** – All stocks considered for purchase must pass several tests, the most important of which is that at the time of purchase, the current dividend yield for every stock must exceed the market yield and be considerably higher than its average yield of the past 4-5 years. Thus, we do not just buy high-yielding stocks but only those whose yields are historically high because either the dividends have risen faster than the stock price or the stock price has declined to a level that substantially increases the current yield relative to its own history.

**Subjective fundamental analysis** is oriented toward the long term. It specifically concentrates on the potential growth and health of the business over a full market cycle. We are primarily high-quality, large company investors.

**Subjective thematic analysis** of macro industry trends may lead to substantial over or under weightings of sectors relative to the general stock market, but security and company specific hurdle must still be met.

The application of the above principles currently results in portfolios with equity income yields of about 4.0% characterized by "unbalanced" diversification and below-average equity volatility. Investments are long term in nature with an average turnover rate of around 20%. The investment horizon is open-ended, but if the price of an individual stock moves up at a rate well ahead of its fundamental progress as measured by cash flow and a declining income yield, we are perfectly willing to realize the gain. The process is repeated by buying another high-quality depressed issue producing current income above both the general stock market and also what we have sold. Over time, this discipline ratchets up the growth in current income production and the investment performance versus what it would have been were we just buy and hold investors.

LIM's equity income style was founded by Douglas M. Loudon. Mr. Loudon began his investment career at Scudder Stevens & Clark in New York in 1971. He was named a General Partner in 1982 and became a Managing Director when the firm incorporated in 1985. In 1986, he was named Investment Director for the American Association of Retired Persons' (AARP) Investment Program. This program consisted of a group of mutual funds concentrating on producing competitive investment returns with below-average investment risk, the same approach that is employed by LIM today. Early in 2003, Mr. Loudon formed LIM to more fully implement the approach he had developed over many years. Mr. Loudon holds a B.A. in Economics from the University of North Carolina and an M.B.A. in Financial Management from Pace University and is a Chartered Financial Analyst.

### **Texas First Investment Management Company / Texas First LCV**

Texas First Investment Management Company has provided significant equity returns with relatively low risk by combining a long term, conservative, and value-oriented approach with an unparalleled expertise acquired by investing solely in Texas-based publicly-held companies. The stock selection criteria include, but are not limited to, value measures of sustainable earnings, sustainable cash flow, and adjusted book value. Potential catalysts to unleash value are also critical considerations. Holdings are carefully diversified among industries. Money Manager Review rated the Large Cap Value portfolio as the top performing large cap value portfolio in the country, for the 5 year period 2001 – 2005. It has outperformed the S&P 500 for seven consecutive years, with below-average risk. During no calendar year has the portfolio ever lost money.

### **Tom Johnson Investment Management, Inc. / TJIM LCV**

The goal of the TJIM Core/Relative Value Stock Portfolio is to maximize total return over a business cycle. We believe in creating a prudent, well-diversified, high-quality portfolio that addresses capital preservation and risk. The focus is on purchasing common stock of companies that have valuations lower than their peer group in industries and sectors that provide the best opportunity in the foreseeable future. Historically, this portfolio has a blend of equity



issues that match "value" and "growth" descriptions. Some consultants classify our style as core with a value bias. The portfolio will under normal circumstances contain 30 to 50 securities and is diversified across most sectors. Tax efficiency is addressed by focusing on turnover and realizing gains and losses when in general they provide the most benefit to clients under the U.S. tax code. TJIM was established in 1983 to provide independent investment management services for high net worth individuals and families, public funds, corporations, foundations, endowments, and unions throughout the United States. TJIM's conservative investment philosophy has always maintained that a quality, well-diversified portfolio that addresses both capital appreciation and capital preservation is the most prudent and consistent way to achieve clients' investment goals. In all our efforts, we seek to provide above average returns in good markets while preserving our clients' wealth when down markets occur.

#### **Mid Cap Growth Model Portfolios-Benchmarked to the Russell Mid Cap Growth Index**

##### **Egis Capital Management / Egis Mid Cap Growth**

Egis Mid Cap Growth is managed to provide clients diversification among U.S. mid capitalization companies primarily oriented towards growth. Many of these stocks are found in the volatile technology, health-care, and services sectors. Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Egis Proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long-term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Egis places an emphasis on a long-term buy and hold approach. When selecting individual equities, Egis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

##### **Gaineswood Investment Management, Inc. / Gaineswood Standard**

Gaineswood Investment Management, Inc. began in 1995 as a publisher of small and mid cap equity research for the institutional investment marketplace. The firm has 10 employees, 5 of whom are analysts whose work is utilized by the firm's portfolio manager and founder, William Baker, CFA. The analysts and manager have a fundamental investment process known as "Persistent Growth Investing," which stresses long-term growth drivers and competitive advantages when selecting stocks. Meticulous investigative research and modeling is used to gain a complete understanding of investments. Institutions, family offices, registered investment advisors, and high-net-worth individuals benefit from Gaineswood's expertise and independence as a private, founder-owned corporation that is not affiliated with a major investment broker or advisor. The affiliates of Gaineswood Investment Management, Inc. are its research broker-dealer, GARP Research & Securities Co. (founded 2003) and the general partner of its private limited partnership, GARP Capital LLC (founded in late 1999). GARP Research & Securities Co. serves the professional money management sector.

The portfolios within the Standard composite seek investment in companies capable of substantial earnings growth over multiple years. Turnover of positions is limited and very long-term. Gaineswood's Standard composite of portfolios contains 30-50 common stocks, generally with a market cap between \$500 million and \$10 billion. Position sizes are usually between 2% and 3%, with some at 5%. The broadly-defined medical and technology sectors are habitually well-represented, but others can be significant depending upon fundamentals. Cash can be 10% but is usually lower. Derivatives are not used in this strategy.

Before founding Gaineswood, William Baker, CFA previously managed in excess of \$100 million for nine years at Oppenheimer Mutual Funds, and earlier was an analyst at what is now Van Kampen Investments.

Mr. Baker received an M.B.A. from the Amos Tuck School (Dartmouth College) in 1980 and a B.A. from the University of Pennsylvania in 1978.

##### **Hanseatic Management Services, Inc. / Hanseatic MCG**

Managers use a multi-time dimensional system that identifies mid-cap stocks whose emergent price trends have better than normal probability of persisting into the 6-36 month target holding period with positive alpha. Lower time dimension patterns are then used to identify shorter term entry and exit points. Research has shown that time parameters in the relevant time dimensions, monthly and weekly in particular, also play an important role. It is the intersection of multi-time dimensional trend measurement and time boundaries that is the foundation of the buy-sell disciplines. The portfolio typically contains at least 100 stocks providing for diversification. Another interesting characteristic of the portfolio is its relatively low correlation with indexes in its asset class. Since 1991 Hanseatic has applied proprietary quantitative buy and sell disciplines to manage equity portfolios' returns, risk, and structure. Their buy disciplines provide a consistent stock selection process that is adaptable to varying market environments. Returns displayed are based on a backtest of this methodology and are hypothetical. No assets were actually invested using this methodology during the backtest period.

##### **StoneRidge Investment Partners, LLC / StoneRidge Mid Cap Growth**

The StoneRidge Small to Mid (SMID) Cap Growth Equity Portfolio seeks to outperform the Russell 2500 Growth Index. StoneRidge believes in a blend of fundamental research, quantitative tools, and qualitative judgments are required to consistently add value in equity investment management. The investment process employed by StoneRidge is built upon a team of six sector specialists performing intensive fundamental equity research. This bottom-up, fundamental investment process is supported by a proprietary, multi-factor screening tool, the purpose of which is to narrow the scope of the investment universe to the most attractive candidates, upon which to perform detailed fundamental analysis. This quantitative tool also provides an ongoing objective analysis of StoneRidge's existing portfolio. The SMID investment universe is comprised of stocks with market capitalizations between \$500 million and \$10 billion as well as those stocks which are constituents of the Russell 2500 Growth Index. The proprietary, quantitative tool screens and then ranks this universe of over 2400 U.S. stocks. The goal of the screening tool is to narrow opportunities to a focused list of stocks that possess the characteristics most likely to lead to superior investment performance. StoneRidge's screening tool is constructed around five broad factors which are critical to predicting future stock performance: earnings momentum, valuation, technical condition, accounting/financials, and insider activity. Each stock is ranked relative to the entire SMID universe; the result is a list of companies with the most attractive combination of attributes. These stocks are then subjected to in-depth fundamental research by our team of sector specialists.

##### **Tributary Capital Management /Tributary MCG**

An average earnings growth rate for the previous five years that exceeds the benchmark is a primary criterion for equity selection into the Tributary Mid Cap Growth portfolio. All fundamental factors play a role in the valuing of a company for investment, but the price-to-earnings ratio provides the most visible, universally applied metric. Our approach avoids absolute concentrations in individual industry sectors, attempting on an absolute basis to keep allocations to individual industries and economic sectors as low as possible. Some of the fundamental factors include revenue, cash flow, and earnings growth. Tributary Capital Management seeks to maximize long-term total return with appropriate diversification into market sectors to reduce risk. Our style of equity investing emphasizes growth companies in a broad range of industries and does not believe in sector speculation. Stocks are selected using a "bottom-up" process rather than relying entirely on information that Wall Street has developed. This fundamental research predominantly defines a universe of medium sized companies (approximately \$1 to \$15 billion in market cap) from which portfolios are constructed. Our approach

takes into consideration intrinsic value, profitability, current valuation, and growth potential. Intrinsic value measures include cash flow, growth in revenue, and gains in market share among others. Active portfolio management, based on intensive, original research, can add value by limiting risk and increasing investment returns.

#### **Mid Cap Value Model Portfolios-Benchmarked to the Russell Mid Cap Value Index**

##### **Ativo Capital Management / Ativo Mid**

Ativo's goal is to recognize Mid Cap firms that earn significantly more than their cost of capital as it is these earnings that drive growth in shareholder value and stock price. Firms that don't earn their cost of capital destroy shareholder value. An accurate residual income model is key to implementing this approach. Our model incorporates discounted cash flow return on investment, cost of capital, and growth and life cycle theory. Each week Ativo converts 13,000 stocks GAAP financial statements to cash based statements. More than 50 adjustments are made in this process. Correction for pension liabilities, option values, and lease capitalizations are just a few. Cost of capital is calculated using a company's size, risk, industry, and other factors. Ativo is a Portuguese word that means both "active" and "assets" - together they illustrate their approach to the management of equity portfolios. Ativo develops portfolios based on a history of quantitative securities research covering nearly four decades that is the basis for a stable and consistent investment philosophy. They start with sound financial theory. Then this theory is applied to real-time experiments in actual markets to develop investment rules that transcend specific market conditions. Consistently applied, these rules pick the stocks for our portfolios. Ativo combine cutting-edge financial theory and clear objectives that are integrated into quantitative models that drive portfolio composition. The results are impressive and are consistent over time.

##### **Cloud Neff / CNM Quant Value**

The CN Quantitative value fund equally targets income generation and long term growth by screening stocks according to proprietary valuation measures. This "deep value portfolio" provides a very high dividend by purchasing equities in any industry, though holdings are often concentrated in energy, financial, utility, and real estate. The portfolio tends to have a low tracking correlation with its peer group and benchmark index, due to both its deep value approach and industry concentration. Typically, about 70 stocks are owned and turnover is approximately 70% per annum.

##### **Egis Capital Management / Egis Mid Cap Value**

Egis Mid Cap Value is managed to provide clients diversification primarily among U.S. mid capitalization companies oriented toward value. Many of their holdings come from financial and industrial sectors. Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Egis Proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long-term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Egis places an emphasis on a long-term buy and hold approach. When selecting individual equities Egis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

##### **Financial Trust Asset Management / ValueMomentum Leaders MCV**

The Value Momentum Leaders Strategy invests in the top 50 stocks that comprise the Value Momentum index. The Value Momentum index rates stocks according to three factors: low Price/Sales ratio, 1-month relative strength, and 1-week relative strength. In addition, the stocks must have a price to sales ratio that is at least 10% less than the average price to sales of the S&P 500. Companies must also have

current quarterly earnings that are higher than the same quarter in the previous year. The portfolio is equally weighed among the top 50 stocks. The portfolio is reweighted and rebalanced on a monthly basis. Quantitative research underlies the impressive performance of Financial Trust Asset Management.

##### **Fraser Management Associates / Fraser Contrarian SMA**

Fraser Management Associates applies a unique contrarian discipline to produce superior long-term investment results for institutions and private clients. Their unique headquarters in Burlington, Vermont is consistent with their independent thinking. Since their founding in 1969, investment management has been their sole focus and passion. The team has been tempered by sixty-eight years of combined investment management experience. Client value is created by identifying overlooked and under-appreciated trends. Human behavior, market psychology, global trends, and industry dynamics are studied to identify securities poised to profit. Some of the themes guiding current investments are long-term climate change, water scarcity, Hispanic migration, and consolidation within the financial services industry. After theme or trends are identified, the focus narrows to select the specific securities best positioned to capitalize on them. The top down methodology, from general trend to specific security, tends to concentrate the portfolio in a few sectors. Largely due to this concentration, the portfolio has a very low correlation with other money managers and the stock market indexes. The portfolio typically contains 30 to 35 value type stocks with a Median market capitalization of \$2 billion. Historically, turnover has been a low 25% annually, meaning on average securities are held about four years.

##### **Retirement Wealth Advisors / Mid Cap Formula**

RWA (Retirement Wealth Advisors) Mid Cap FormulaFolio is a quantitatively managed portfolio of individual equities and cash equivalents. RWA, Inc.'s proprietary step-by-step mechanical approach to selecting positions eliminates emotional trading and is designed to only select above average positions based on both fundamental and macro economic indicators. The portfolio is an individual equity portfolio that uses top-down fundamental analysis to choose only positions that currently and continuously rank highly using a quantitative model developed by RWA. In addition to the fundamental analysis, there is also a macro economic model used to determine the overall percentage of equities in the portfolio to minimize short-term risk and enhance long-term returns.

Due to risk management processes contained within the quantitative models, the portfolio may not be fully invested at all times.

Mr. Wenk's firm, Retirement Wealth Advisors, Inc. is currently the #1 Ranked Private Asset Management firm in the State of Michigan and #8 in the United States by Money Manager Review\*. The ranking; based on return, risk and risk adjusted return, is compared to industry giants such as Goldman Sachs, Alliance Bernstein, Oppenheimer Investments, Baird Asset Management, T. Rowe Price and a number of high profile West Michigan managers. Mr. Wenk has been featured in The Grand Rapids Press, numerous industry specific magazines and has been invited as guest speaker to area colleges. In addition, he has taught educational seminars to over 2,500 investors in West Michigan. In 2007 and 2008 Reuters listed Mr. Wenk as one of the United States' top 500 financial advisors (with only one other advisor from West Michigan on the list) and in 2008 was named by Reuters as one of the Top Advisors Under 40 as well as one of the Top Advisors with Retirement Focus. Retirement Wealth Advisors, Inc. is headquartered in West Michigan (offices in Grand Rapids and Spring Lake) and is an SEC Registered Investment Advisory Firm.

#### **Small Cap Growth Model Portfolios-Benchmarked to the Russell 2000 Growth Index**

##### **Egis Capital Management / Egis Small Cap Growth**

Egis Small Cap Growth is managed to provide clients diversification primarily Egis Small Cap Growth is managed to provide clients diversification primarily among U.S. small capitalization companies oriented towards growth. Many of these stocks are in the technology, health-care, and services sectors. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile, but



often can provide for some of the most explosive returns. Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Equis Proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long-term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Equis places an emphasis on a long-term buy and hold approach. When selecting individual equities Equis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

#### **Hanseatic Management Services, Inc. / Hanseatic SCG**

Managers use a multi-time dimensional system that identifies small-cap stocks whose emergent price trends have better than normal probability of persisting into the 6-36 month target holding period with positive alpha. Lower time dimension patterns are then used to identify shorter term entry and exit points. Research has shown that time parameters in the relevant time dimensions, monthly and weekly in particular, also play an important role. It is the intersection of multi-time dimensional trend measurement and time boundaries that is the foundation of the buy-sell disciplines. The portfolio typically contains at least 100 stocks providing for diversification. Another interesting characteristic of the portfolio is its relatively low correlation with indexes in its asset class. Since 1991 Hanseatic has applied proprietary quantitative buy and sell disciplines to manage equity portfolios' returns, risk, and structure. Their buy disciplines provide a consistent stock selection process that is adaptable to varying market environments.

#### **Laidlaw Group / Laidlaw Group SCG**

The Laidlaw Group's, Small Cap Value portfolio focuses investments in companies with the following characteristics: high cash flow to market value ratio, high asset to debt ratio, profitability, and growth potential. Close attention is also paid to the sectors in which firms operate. The management may overweigh or underweigh sectors based on their analysis of economic trends. The Laidlaw Group is a family business founded by Robert Laidlaw and his son David. Robert, the current Chairman, is an industry veteran who began his career on the floor of the New York Stock Exchange in 1958 after graduating from Yale, with a degree in philosophy. His nearly 50 years of industry experience provide the foundation from which the Laidlaw Group excels.

#### **LanderNorth Asset Management, LLC / LanderNorth Small Cap**

LanderNorth Asset Management, LLC is a Registered Investment Advisor founded in 2003 and based in suburban Cleveland, Ohio. As an affiliated successor RIA, the principals of LanderNorth have been managing client assets since 1997. The firm provides asset management services to a variety of clients including trusts, foundations and endowments, Taft-Hartley plans, municipalities, and high-net-worth investors.

The firm was formed as a division of a private equity organization with invested assets in excess of \$400 million. LanderNorth utilizes its background in private equity to invest in small and micro cap public stocks using a proprietary discipline similar to that used in private equity investing. The principals of the firm have over seventy-five years of collective asset management experience and rely on a combination of external and internal research in the construction of client portfolios. LanderNorth applies private equity-like due diligence to small public companies that are substantially overlooked and undervalued by institutional investors. The investment team employs a bottom-up fundamental approach to valuation and a proprietary screening methodology in tandem with external research in identifying the most attractive investment opportunities.

Understanding a company's core business is critical to the investment decision. LanderNorth puts a high level of focus on making both a qualitative and quantitative decision on companies prior to any investment. As in private equity investing, the portfolio team meets regularly with the senior management group of companies being

considered for investment and uses additional external analytical resources to identify those companies with the greatest potential for growth. LanderNorth incorporates a GARP style of investing and will not override core valuation modeling in favor of momentum.

LanderNorth's process begins with a universe of 4,000 small cap companies with market cap between less than \$200 million and \$2 billion. Applying a series of proprietary screens, fundamental analysis is performed resulting in a focus list of 100 to 125 names, all of which are attractive relative to earnings and revenue growth, debt ratios, and return on equity.

Qualitative reviews are conducted by the team with a focus on the company's business and the quality of its management team. LanderNorth does not invest in startups or turnarounds; rather, only companies that are industry leaders with proven performance records are considered for investment. The result of this qualitative analysis is a short list of 50 to 70 names suitable for inclusion in the portfolio.

Finally, a proprietary valuation model is used to determine price targets based on a series of metrics. Companies are added to the portfolio only if the management team determines the current price to be attractive relative to these valuations. Valuations are not ignored in favor of sector diversification.

In order to control risks, LanderNorth adheres to a well-defined sell discipline. There is no hesitation to lock in gains as appropriate given certain valuation triggers. Changes in business fundamentals, industry, or company management can result in a sale based on the investment team's on-going due diligence.

Michael J. Finn, the President & Chief Investment Officer, founded LanderNorth Asset Management in 2003 with 30+ years' experience in Private Equity and Small Cap public investing. He is the former Director of Alternative Investment, State of Michigan Treasury and earned a B.S. and M.S. in Economics from Michigan State University.

#### **Navellier / Global Small Cap**

Navellier implements its investment philosophy through a combination of quantitative and fundamental analysis. The initial portfolio universe includes foreign listed equities and American Depositary Receipts (ADRs) with market capitalizations equal to or less than \$5 billion and domestic stocks with market capitalizations between \$200 million and \$2 billion. Stocks must have ample liquidity in both the domestic listed market and their home market. The process begins with a computer driven analysis based on Modern Portfolio Theory. The firm calculates reward (alpha) and risk (standard deviation) characteristics for the initial universe of stocks. Trailing 52-week "alphas" are divided by trailing 52-week "standard deviations" to create a "reward/risk" ratio for each stock. These stocks are then reviewed on a fundamental basis. The fundamentals reviewed and measured are based on Navellier's proprietary analysis of what is currently "in favor" on Wall Street and the Accounting and Governance Risk rating (AGR). Stocks are ranked on both the quantitative and fundamental analyses, and the final step is the portfolio construction process, which combines country allocation, weighting of stocks, and portfolio formation. Country allocation is determined by three factors: (1) the direction of interest rates relative to other economies; (2) the level of the average reward/risk ratio for all companies in a given country relative to other countries; and (3) the country's weight in the relevant index. The portfolio is adjusted monthly based on market conditions.

James O'Leary, CFA is the lead Portfolio Manager for the Navellier Asia, Navellier Europe, and Navellier Latin America, Global Small Cap, and Global Growth strategies. He joined Navellier in 1996 and has thirty-five years of experience in the securities industry. Prior to joining Navellier, Mr. O'Leary was Managing Director at Lexington Management Corporation and a Director at Federated Investment Counseling. His B.S. in business administration is from Bowling Green State University and his M.B.A. is from the University of Cincinnati.

#### **Sawgrass Asset Management / Sawgrass SCG Best Ideas**

Sawgrass Asset Management, L.L.C. is a 100 percent employee-owned, SEC-registered investment advisor. The firm provides innovative growth equity investment management services to institutional and high net worth investors. The firm was founded on January 15, 1998 in Jacksonville, Florida, by principals Andrew Cantor,

Dean McQuiddy and Brian Monroe. The firm consists of a core group of key investment professionals who have worked together for more than 20 years. The core investment team of portfolio managers, equity traders, and client service professionals came to Sawgrass from Barnett Capital Advisors, Inc. and have been with the firm since its inception.

#### **Small Cap Value Model Portfolios-Benchmarked to the Russell 2000 Value Index**

##### **Advisor Partners / Small Cap Value**

The Advisor partners' U.S. Equity Small Cap Value Index Strategy mimics the returns of the small cap U.S. equity market as represented by the S&P Small Cap 600 Value index. The Strategy captures the index's risk characteristics and sector diversification using a managed portfolio of individual securities. The sectors with the greatest representations within the portfolio tend towards Financials, Industrials, Consumer Discretionary and Information Technology. Advisor Partners is an investment management firm specializing in providing customized, tax-managed, index-based investment solutions for advisors and their clients. The average industry tenure of the principals exceeds two decades and contributes to their depth of investment judgment and expertise.

Andrew Rudd, the Chairman, and Jim Blachman, the Chief Investment Officer are members of Advisor Partners' Investment Management Committee. Dr. Rudd, a finance industry veteran, holds a Ph.D. from UC Berkeley and co-founded BARRA Inc. Jim Blachman holds a master's degree in economics from UC Berkeley. His investment career spans 20 years. He is a CFA charterholder.

##### **Ativo Capital Management / Ativo Small Dynamic Select SCV**

Ativo's goal is to recognize Small Cap firms that earn significantly more than their cost of capital since it is these earnings that drive growth in shareholder value and stock price. Firms that don't earn their cost of capital destroy shareholder value. An accurate residual income model is key to implementing this approach. Our model incorporates discounted cash flow return on investment, cost of capital, and growth and life cycle theory. Each week Ativo converts 13,000 stocks GAAP financial statements to cash based statements. More than 50 adjustments are made in this process. Correction for pension liabilities, option values, and lease capitalizations are just a few. Cost of capital is calculated using a company's size, risk, industry, and other factors. Ativo is a Portuguese word that means both "active" and "assets" - together they illustrate their approach to the management of equity portfolios. Ativo develops portfolios based on a history of quantitative securities research covering nearly four decades that is the basis for a stable and consistent investment philosophy. They start with sound financial theory. Then this theory is applied to real-time experiments in actual markets to develop investment rules that transcend specific market conditions. Consistently applied, these rules pick the stocks for our portfolios. Ativo combine cutting-edge financial theory and clear objectives that are integrated into quantitative models that drive portfolio composition. The results are impressive and are consistent over time.

##### **Bird Rock Asset Management, LP / BirdRock Small Cap Value**

BirdRock Asset Management is a value-oriented, independent registered investment advisor. As a fee-only firm, our interests are closely aligned with those of our clients. We begin with the premise that trust, integrity and objective financial advice are the hallmarks of a successful financial relationship. Our mission is to help our clients achieve their goals through vigilant financial research, disciplined planning and continuous review. Our portfolio management team has combined investment experience of over 22 years, and an outstanding performance track record.

Our investment philosophy for the BirdRock Small Cap Value portfolio is based on the theory that value investing (buying companies trading at what we believe to be a discount to their future value) provides investors with long-term rewards as well as risk mitigation during times of market turbulence. While we believe that the market is fairly efficient at discounting current information, this is not always the case, especially with regard to smaller market cap securities. To exploit

these inefficiencies and add value through active management, we believe one must take a contrarian approach to information that may be interpreted differently and perhaps incorrectly by other interested parties.

As we begin our search for the underappreciated, misunderstood, or simply overlooked securities, our approach is to dig deep by using quantitative, qualitative, and empirical data to help us add alpha for our clients. The essence of BirdRock Asset Management's value investment style is to buy stocks at less than their intrinsic value. Our extensive research process evaluates a company's intrinsic value through cash flow and book value comparison, financial statements, financial health, competitive advantages, management, and market competition.

Steve Levy is the lead portfolio manager for the BirdRock Small Cap Value and serves as President of BirdRock Asset Management. He is responsible for overseeing the Small Cap Value and Large Cap Value portfolios and is a member of the Investment Committee. Mr. Levy began his career as a reinsurance analyst with The JI Companies in Austin, Texas before joining Janus Capital in 1999. He served on the Investment Committee of Slaughter & Associates for five years and has managed the Small Cap Value portfolio since its inception in January of 2004.

Mr. Levy has an undergraduate degree in Political Science and Spanish with an emphasis in International Relations from San Diego State University, and studied emerging markets, economics and U.S. Foreign Policy in Latin America at the Universidad Colegio Anahuac in Guadalajara, Mexico in 1986-87. Mr. Levy holds an Accredited Wealth Management Advisor (AWMA) designation from the College for Financial Planning.

##### **Egis Capital Management / Egis Small Cap Value**

Egis Small Cap Value is managed to provide clients diversification primarily among U.S. small capitalization companies oriented toward value. Investments tend towards the manufacturing and financial sectors. Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Egis Proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Egis places an emphasis on a long-term buy and hold approach. When selecting individual equities Egis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

##### **Texas First Investment Management Company / Texas First SCV**

Texas First Investment Management Company has provided significant equity returns with relatively low risk by combining a long term, conservative, and value-oriented approach with an unparalleled expertise acquired by investing solely in Texas-based publicly-held companies. The stock selection criteria include, but are not limited to, value measures of sustainable earnings, sustainable cash flow, and adjusted book value. Potential catalysts to unleash value are also critical considerations. Holdings are carefully diversified among industries. The Small Cap Value portfolio ranked among the top ten in the country over the 5 year period 2001 – 2005. It has outperformed the Russell 2000 small-cap index for six of the previous seven years, with below-average risk.

#### **Egis Utilities Model Portfolio- Benchmarked to the Dow Jones USA (US) (Dev) Utilities (7000) Broad US dollar Index**

##### **Egis Capital Management/ Egis Utilities Model Portfolio**

Egis Utilities is managed to provide clients diversification primarily among US utilities stocks of all capitalizations. Utility stocks are usually some combination of U.S. power, telecommunications, and water companies. These stocks usually represent a more stable investment with less emphasis placed on growth and more on

dividends. Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Equis proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Equis places an emphasis on a long term buy and hold approach. When selecting individual equities Equis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

#### **Asian Model Portfolio-Benchmarked to the Dow Asia Pacific (P1) Aggregate Index Broad US Dollar Index**

##### **Equis Capital Management / Equis Asia**

Equis Asia is managed to provide clients diversification primarily among Asian stocks of all capitalizations through investing in ADR's. Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Equis Proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long-term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Equis places an emphasis on a long-term buy and hold approach. When selecting individual equities Equis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

##### **Financial Trust Asset Management / Asia ValueMomentum**

The Asia Value Momentum Strategy invests in the top 20 stocks that comprise the Asia Value Momentum index. The Asia Value Momentum index rates stocks according to three factors: low Price/Sales ratio, 1-month relative strength, and 1-week relative strength. The Asia Value Momentum strategy invests only in ADR's (American Depositary Receipts) of Asian companies that trade on U.S. exchanges. Companies must also have current quarterly earnings which are higher than the same quarter in the previous year. The portfolio is equally weighed among the top 20 stocks. The portfolio is rebalanced on a monthly basis. Returns displayed are based on a backtest of this methodology and are hypothetical. No assets were actually invested using this methodology during the backtest period.

##### **Hanseatic Management Services, Inc / Hanseatic Asia**

Managers use a multi-time dimensional system designed to identify domestically traded Asian stocks whose emergent price trends have better than normal probability of persisting into the 6-36 month target holding period with positive alpha. Lower time dimension patterns are then used to identify shorter term entry and exit points. Research has shown that time parameters in the relevant time dimensions, monthly and weekly in particular, also play an important role. It is the intersection of multi-time dimensional trend measurement and time boundaries that is the foundation of the buy-sell disciplines. Initial position size in the portfolio is 2-3% of capital. The manager's objective is to maintain a portfolio structure that provides good diversification relative to the available universe of liquidity-screened stocks. Since 1991 Hanseatic has applied proprietary quantitative buy and sell disciplines to manage equity portfolios' returns, risk, and structure. Their buy disciplines provide a consistent stock selection process that is adaptable to varying market environments.

Ed Meihaus, (BSME, University of Louisville; MBA, University of Memphis), joined Hanseatic in 1985. Since then, he has continued to develop quantitative model-based investment applications, primarily

the set of disciplines which underlie the company's equity portfolios. He currently serves as the Chief Investment Officer.

##### **Navellier / Navellier Asia**

Navellier implements its investment philosophy through a combination of quantitative and fundamental analysis. The initial portfolio universe includes Asian foreign listed equities and American Depositary Receipts (ADRs) with market capitalizations equal to or greater than \$500 million. Stocks must have ample liquidity in both the listed market and their home market.

The process begins with a computer driven analysis based on Modern Portfolio Theory. The firm calculates reward (alpha) and risk (standard deviation) characteristics for the initial universe of stocks. Trailing 52-week "alphas" are divided by trailing 52-week "standard deviations" to create a "reward/risk" ratio for each stock. These stocks are then reviewed on a fundamental basis. The fundamentals reviewed and measured are based on Navellier's proprietary analysis of what is currently "in favor" on Wall Street and the Accounting and Governance Risk rating (AGR).

Stocks are ranked on both the quantitative and fundamental analyses, and the final step is the portfolio construction process, which combines country allocation, weighting of stocks, and portfolio formation. Country allocation is determined by three factors (1) the direction of interest rates relative to other economies (2) the level of the average reward/risk ratio for all companies in a given country relative to other countries (3) the country's weight in the relevant index. The portfolio is adjusted to reflect changes on a monthly basis.

Mr. O'Leary CFA is the lead Portfolio Manager for the Navellier Asia, Navellier Europe, and Navellier Latin America strategies. He joined Navellier in 1996 and has thirty-four years of experience in the securities industry. Prior to joining Navellier, Mr. O'Leary was Managing Director at Lexington Management Corporation and a Director at Federated Investment Counseling. His B.S. in business administration is from Bowling Green State University and his M.B.A. is from the University of Cincinnati.

Mr. Mitteldorf, Portfolio Manager, joined Navellier in 1995 and has thirteen years of experience in the securities industry. After becoming an essential member of several investment teams, Navellier promoted him to Research Analyst and then Portfolio Manager. Mr. Mitteldorf received a B.S. in physiological psychology from the University of California, Santa Barbara and an M.B.A. in finance and marketing from the University of Nevada, Reno.

##### **Navellier / Navellier Asia Ex-Japan**

Navellier implements its investment philosophy through a combination of quantitative and fundamental analysis. The initial portfolio universe includes Asian Ex-Japan foreign listed equities and American Depositary Receipts (ADRs) with market capitalizations equal to or greater than \$500 million. Stocks must have ample liquidity in both the listed market and their home market. The process begins with a computer driven analysis based on Modern Portfolio Theory. The firm calculates reward (alpha) and risk (standard deviation) characteristics for the initial universe of stocks. Trailing 52-week "alphas" are divided by trailing 52-week "standard deviations" to create a "reward/risk" ratio for each stock. These stocks are then reviewed on a fundamental basis. The fundamentals reviewed and measured are based on Navellier's proprietary analysis of what is currently "in favor" on Wall Street and the Accounting and Governance Risk rating (AGR). Stocks are ranked on both the quantitative and fundamental analyses, and the final step is the portfolio construction process, which combines country allocation, weighting of stocks, and portfolio formation. Country allocation is determined by three factors (1) the direction of interest rates relative to other economies (2) the level of the average reward/risk ratio for all companies in a given country relative to other countries (3) the country's weight in the relevant index. The portfolio is adjusted to reflect changes on a monthly basis.

Mr. O'Leary CFA is the lead Portfolio Manager for the Navellier Asia, Navellier Europe, and Navellier Latin America strategies. He joined Navellier in 1996 and has thirty-four years of experience in the securities industry. Prior to joining Navellier, Mr. O'Leary was Managing Director at Lexington Management Corporation and a Director at Federated Investment Counseling. His B.S. in business



administration is from Bowling Green State University and his M.B.A. is from the University of Cincinnati.

#### **European Model Portfolio- Benchmarked to the Dow Jones Western Europe (E1) Aggregate Index Broad US dollar Index.**

##### **Egis Capital Management / Egis Europe**

Egis Europe is managed to provide clients diversification primarily among European stocks of all capitalizations through investing in ADR's. Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Egis Proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long-term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Egis places an emphasis on a long-term buy and hold approach. When selecting individual equities, Egis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

##### **Financial Trust Asset Management / Europe ValueMomentum**

The Europe Value Momentum Strategy invests in the top 20 stocks that comprise the Europe Value Momentum index. The Europe Value Momentum index rates stocks according to three factors: low Price/Sales ratio, 1-month relative strength, and 1-week relative strength. The Europe Value Momentum strategy invests only in ADR's (American Depositary Receipts) of European companies that trade on U.S. exchanges. Companies must also have current quarterly earnings which are higher than the same quarter in the previous year. The portfolio is equally weighed among the top 20 stocks. The portfolio is rebalanced on a monthly basis. Returns displayed are based on a backtest of this methodology and are hypothetical. No assets were actually invested using this methodology during the backtest period.

##### **Hanseatic Management Services, Inc / Hanseatic Europe**

Managers use a multi-time dimensional system designed to identify domestically traded European stocks whose emergent price trends have better than normal probability of persisting into the 6-36 month target holding period with positive alpha. Lower time dimension patterns are then used to identify shorter term entry and exit points. Research has shown that time parameters in the relevant time dimensions, monthly and weekly in particular, also play an important role. It is the intersection of multi-time dimensional trend measurement and time boundaries that is the foundation of the buy-sell disciplines. Initial position size in the portfolio is 2-3% of capital. The manager's objective is to maintain a portfolio structure that provides good diversification relative to the available universe of liquidity-screened stocks. Since 1991 Hanseatic has applied proprietary quantitative buy and sell disciplines to manage equity portfolios' returns, risk, and structure. Their buy disciplines provide a consistent stock selection process that is adaptable to varying market environments.

Ed Meihaus, (BSME, University of Louisville; MBA, University of Memphis), joined Hanseatic in 1985. Since then, he has continued to develop quantitative model-based investment applications, primarily the set of disciplines which underlie the company's equity portfolios. He currently serves as the Chief Investment Officer.

##### **Navellier / Navellier Europe**

Navellier implements its investment philosophy through a combination of quantitative and fundamental analysis. The initial portfolio universe includes European foreign listed equities and American Depositary Receipts (ADRs) with market capitalizations equal to or greater than \$500 million. Stocks must have ample liquidity in both the listed market and their home market.

The process begins with a computer driven analysis based on Modern Portfolio Theory. The firm calculates reward (alpha) and risk (standard deviation) characteristics for the initial universe of stocks. Trailing 52-week "alphas" are divided by trailing 52-week "standard deviations" to

create a "reward/risk" ratio for each stock. These stocks are then reviewed on a fundamental basis. The fundamentals reviewed and measured are based on Navellier's proprietary analysis of what is currently "in favor" on Wall Street and the Accounting and Governance Risk rating (AGR).

Stocks are ranked on both the quantitative and fundamental analyses, and the final step is the portfolio construction process, which combines country allocation, weighting of stocks, and portfolio formation. Country allocation is determined by three factors (1) the direction of interest rates relative to other economies (2) the level of the average reward/risk ratio for all companies in a given country relative to other countries (3) the country's weight in the relevant index. The portfolio is adjusted to reflect changes on a monthly basis.

Mr. O'Leary CFA is the lead Portfolio Manager for the Navellier Asia, Navellier Europe, and Navellier Latin America strategies. He joined Navellier in 1996 and has thirty-four years of experience in the securities industry. Prior to joining Navellier, Mr. O'Leary was Managing Director at Lexington Management Corporation and a Director at Federated Investment Counseling. His B.S. in business administration is from Bowling Green State University and his M.B.A. is from the University of Cincinnati.

Mr. Mitteldorf, Portfolio Manager, joined Navellier in 1995 and has thirteen years of experience in the securities industry. After becoming an essential member of several investment teams, Navellier promoted him to Research Analyst and then Portfolio Manager. Mr. Mitteldorf received a B.S. in physiological psychology from the University of California, Santa Barbara and an M.B.A. in finance and marketing from the University of Nevada, Reno.

#### **Latin American Model Portfolio- Benchmarked to the Dow Jones Latin American (A3) Aggregate Index Broad US dollar Index**

##### **Egis Capital Management / Latin America**

Egis Latin is managed to provide clients diversification primarily among Latin American stocks of all capitalizations through investing in ADR's. Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Egis Proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long-term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Egis places an emphasis on a long-term buy and hold approach. When selecting individual equities, Egis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

##### **Financial Trust Asset Management / Latin ValueMomentum**

The Latin Value Momentum Strategy invests in the top 20 stocks that comprise the Latin Value Momentum index. The Latin Value Momentum index rates stocks according to three factors: low Price/Sales ratio, 1-month relative strength, and 1-week relative strength. The Latin Value Momentum strategy invests only in ADR's (American Depositary Receipts) of Latin companies that trade on U.S. exchanges. Companies must also have current quarterly earnings which are higher than the same quarter in the previous year. The portfolio is equally weighed among the top 20 stocks. The portfolio is rebalanced on a monthly basis. Returns displayed are based on a backtest of this methodology and are hypothetical. No assets were actually invested using this methodology during the backtest period.

##### **Hanseatic Management Services, Inc / Hanseatic Latin America**

Managers use a multi-time dimensional system designed to identify domestically traded Latin American stocks whose emergent price trends have better than normal probability of persisting into the 6-36 month target holding period with positive alpha. Lower time dimension patterns are then used to identify shorter term entry and exit points. Research has shown that time parameters in the relevant time dimensions, monthly and weekly in particular, also play an important

role. It is the intersection of multi-time dimensional trend measurement and time boundaries that is the foundation of the buy-sell disciplines. Initial position size in the portfolio is 2-3% of capital. The manager's objective is to maintain a portfolio structure that provides good diversification relative to the available universe of liquidity-screened stocks. Since 1991 Hanseatic has applied proprietary quantitative buy and sell disciplines to manage equity portfolios' returns, risk, and structure. Their buy disciplines provide a consistent stock selection process that is adaptable to varying market environments.

Ed Meihaus, (BSME, University of Louisville; MBA, University of Memphis), joined Hanseatic in 1985. Since then, he has continued to develop quantitative model-based investment applications, primarily the set of disciplines which underlie the company's equity portfolios. He currently serves as the Chief Investment Officer.

#### **Navellier / Navellier Latin America**

Navellier implements its investment philosophy through a combination of quantitative and fundamental analysis. The initial portfolio universe includes Latin American foreign listed equities and American Depositary Receipts (ADRs) with market capitalizations equal to or greater than \$500 million. Stocks must have ample liquidity in both the listed market and their home market.

The process begins with a computer driven analysis based on Modern Portfolio Theory. The firm calculates reward (alpha) and risk (standard deviation) characteristics for the initial universe of stocks. Trailing 52-week "alphas" are divided by trailing 52-week "standard deviations" to create a "reward/risk" ratio for each stock. These stocks are then reviewed on a fundamental basis. The fundamentals reviewed and measured are based on Navellier's proprietary analysis of what is currently "in favor" on Wall Street and the Accounting and Governance Risk rating (AGR).

Stocks are ranked on both the quantitative and fundamental analyses, and the final step is the portfolio construction process, which combines country allocation, weighting of stocks, and portfolio formation. Country allocation is determined by three factors (1) the direction of interest rates relative to other economies (2) the level of the average reward/risk ratio for all companies in a given country relative to other countries (3) the country's weight in the relevant index. The portfolio is adjusted to reflect changes on a monthly basis.

Mr. O'Leary CFA is the lead Portfolio Manager for the Navellier Asia, Navellier Europe, and Navellier Latin America strategies. He joined Navellier in 1996 and has thirty-four years of experience in the securities industry. Prior to joining Navellier, Mr. O'Leary was Managing Director at Lexington Management Corporation and a Director at Federated Investment Counseling. His B.S. in business administration is from Bowling Green State University and his M.B.A. is from the University of Cincinnati.

Mr. Mitteldorf, Portfolio Manager, joined Navellier in 1995 and has thirteen years of experience in the securities industry. After becoming an essential member of several investment teams, Navellier promoted him to Research Analyst and then Portfolio Manager. Mr. Mitteldorf received a B.S. in physiological psychology from the University of California, Santa Barbara and an M.B.A. in finance and marketing from the University of Nevada, Reno.

#### **Alternative Strategies (Alt. Strat) Model Portfolios –**

##### **Hedge:**

#### **Egis Capital Management / Egis BuyWrite Blend**

The portfolios primary investment objective is to provide exposure to covered call and other equity, bond and option strategies that aim to provide current income and current gains, with a secondary objective of long-term capital appreciation. Typically several exchange traded funds (ETFs) and mutual funds will comprise to portfolio.

Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Egis Proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long-term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher

prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Egis places an emphasis on a long-term buy and hold approach. When selecting individual equities, Egis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

##### **Inflation Fighters:**

#### **iSectors, LLC / iSectors® Inflation Protection Allocation**

iSectors® Inflation Protection Allocation: With a diversified core strategic portfolio of commodities, precious metals, inflation-protected bonds, and other investments that historically have been resistant to inflationary pressures, the iSectors® Inflation Protection Allocation offers investors a tool with which to prepare their portfolios for the possibility of inflation.

iSectors believes that the empirical evidence strongly suggests that asset allocation is the predominant factor behind the returns of any investment approach. As such, many of the iSectors models are Strategic in nature, utilizing an indexing approach within the asset allocation models. Vehicles utilized to execute the allocation process within the models are primarily low-cost, primarily index-based ETFs.

Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors / iSectors® Precious Metals Allocation**

This allocation model invests in exchange-traded funds (ETFs) that hold portfolios of gold, silver, platinum or palladium bullion. The iSectors Precious Metals Allocation provides for ease of purchase, cost savings, and liquidity when compared to directly acquiring and holding physical precious metals bullion.

Precious metals are considered an inflation hedge, but have also done well in periods of low interest rates and in periods of recession/depression. In recent years, increased federal deficits and rising government debt have heightened economic uncertainty, intensifying the appeal of precious metals among U.S. investors. Growing industrial and investment demand coming from China and India have also been suggested as reasons for increasing prices for precious metals.

Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

##### **Other:**

#### **iSectors, LLC / iSectors® Liquid Alternatives**

iSectors® Liquid Alternatives Allocation has been constructed with the objective of achieving returns in excess of a 50-50 stock-bond simple benchmark (comprised of 50% S&P 500 Index and 50% of the Barclays Aggregate Bond Index) over a complete market cycle, while maintaining a similar or better risk profile. This portfolio embraces the philosophy pursued by the managers of endowment portfolios at institutions such as Yale and Harvard, which have been aggressively allocating to "alternative investments" such as hedge funds, private equity, hard assets and real estate for decades. While the Liquid Alternatives Allocation does invest in alternative investments, it does not invest in private partnerships, which are illiquid and only available to accredited investors (investors with a net worth exceeding one million dollars). These unique advantages are achieved by using alternative investments that are available either through an Exchange-Traded Fund (ETF), Exchange-Traded Note (ETN), mutual

fund, closed-end fund, or an SEC registered private fund. This model is intended for long-term investors with a moderate risk utility.

iSectors believes that the empirical evidence strongly suggests that asset allocation is the predominant factor behind the returns of any investment approach. As such, many of the iSectors models are Strategic in nature, utilizing an indexing approach within the asset allocation models. Vehicles utilized to execute the allocation process within the models are primarily low-cost, primarily index-based ETFs.

Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### Strategic:

#### **iSectors, LLC / iSectors® Domestic 60-40 Allocation**

iSectors® Domestic models are strategic asset allocation models that employ a Modern Portfolio Theory (MPT) -based approach to asset allocation. The equity portion of the models is allocated using a diversified basket of domestic, low-cost, equity index-based ETFs. The fixed income portion of the allocations is invested in diversified, low-cost ETFs that hold baskets of investment-grade domestic, government and corporate bonds of various maturities. The models, with respect to their use of ETFs and an annual rebalance process, are designed to be tax-sensitive. Moderate asset allocation strategy consists of approximately 60% domestic (U.S.-only) equities and 40% domestic fixed-income securities.

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Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC / iSectors® Domestic Equity Allocation**

iSectors® Domestic models are strategic asset allocation models that employ a Modern Portfolio Theory (MPT) -based approach to asset allocation. The equity portion of the models is allocated using a diversified basket of domestic, low-cost, equity index-based ETFs. The fixed income portion of the allocations is invested in diversified, low-cost ETFs that hold baskets of investment-grade domestic, government and corporate bonds of various maturities. The models, with respect to their use of ETFs and an annual rebalance process, are designed to be tax-sensitive. Aggressive Growth asset allocation strategy consists of approximately 100% domestic (U.S.-only) equities.

iSectors believes that the empirical evidence strongly suggests that asset allocation is the predominant factor behind the returns of any investment approach. As such, many of the iSectors models are Strategic in nature, utilizing an indexing approach within the asset allocation models. Vehicles utilized to execute the allocation process within the models are primarily low-cost, primarily index-based ETFs.

Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC / iSectors® Institutional 40-60 Allocation**

iSectors® Institutional models employ a Modern Portfolio Theory (MPT)-based approach, with a review of Resampling, Black Litterman and Monte Carlo Simulation to optimally allocate the model portfolios. The equity portion of the models is allocated across a number of domestic, international and emerging markets index-based exchange traded funds. Fundamentally-weighted index ETFs are included in the model in an effort to enhance return and reduce volatility. The fixed income portion of each model is invested in diversified, low-cost ETFs that hold baskets of domestic, international and emerging market government and corporate bonds of various maturities. The models, with respect to their use of ETFs and an annual rebalance process, are designed to be tax-sensitive. Conservative Moderate allocation strategy is intended to consist of approximately 40% equity and 60% fixed-income investments.

iSectors believes that the empirical evidence strongly suggests that asset allocation is the predominant factor behind the returns of any investment approach. As such, many of the iSectors models are Strategic in nature, utilizing an indexing approach within the asset allocation models. Vehicles utilized to execute the allocation process within the models are primarily low-cost, primarily index-based ETFs.

Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC / iSectors® Institutional 60-40 Allocation**

iSectors® Institutional models employ a Modern Portfolio Theory (MPT)-based approach, with a review of Resampling, Black Litterman and Monte Carlo Simulation to optimally allocate the model portfolios. The equity portion of the models is allocated across a number of domestic, international and emerging markets index-based exchange traded funds. Fundamentally-weighted index ETFs are included in the model in an effort to enhance return and reduce volatility. The fixed income portion of each model is invested in diversified, low-cost ETFs that hold baskets of domestic, international and emerging market government and corporate bonds of various maturities. The models, with respect to their use of ETFs and an annual rebalance process, are designed to be tax-sensitive. Moderate asset allocation strategy consists of approximately 60% equities and 40% fixed-income securities.

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Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC / iSectors® Institutional 80-20 Allocation**

iSectors® Institutional models employ a Modern Portfolio Theory (MPT)-based approach, with a review of Resampling, Black Litterman and Monte Carlo Simulation to optimally allocate the model portfolios. The equity portion of the models is allocated across a number of domestic, international and emerging markets index-based exchange traded funds. Fundamentally-weighted index ETFs are included in the model in an effort to enhance return and reduce volatility. The fixed income portion of each model is invested in diversified, low-cost ETFs that hold baskets of domestic, international and emerging market government and corporate bonds of various maturities. The models,



with respect to their use of ETFs and an annual rebalance process, are designed to be tax-sensitive. Growth asset allocation strategy consists of approximately 80% equities and 20% fixed-income securities.

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Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC / iSectors® Institutional Equity Allocation**

iSectors® Institutional models employ a Modern Portfolio Theory (MPT)-based approach, with a review of Resampling, Black Litterman and Monte Carlo Simulation to optimally allocate the model portfolios. The equity portion of the models is allocated across a number of domestic, international and emerging markets index-based exchange traded funds. Fundamentally-weighted index ETFs are included in the model in an effort to enhance return and reduce volatility. The fixed income portion of each model is invested in diversified, low-cost ETFs that hold baskets of domestic, international and emerging market government and corporate bonds of various maturities. The models, with respect to their use of ETFs and an annual rebalance process, are designed to be tax-sensitive. Aggressive Growth asset allocation strategy consists of approximately 100% equities.

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Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC s / iSectors® Endowment 20-80 Allocation**

iSectors Endowment models embrace the philosophy pursued by the managers of Endowment portfolios at institutions like Yale and Harvard, which have been aggressively allocating to "alternative investments" such as hedge funds, private equity and real assets for decades. Not only has this enabled their longer-term performance to be superior to their peer group, but also at a reduced risk level. While iSectors Endowment models are not designed to mirror the Yale asset allocation to the fullest extent, but significant allocations are made to "alternative investments" in each model of the Endowment Series. iSectors Endowment models offer investors substantial diversification to more than 50, primarily index-based securities, a significant allocation to liquid alternative asset classes, as well as traditional domestic and international equity and fixed income asset classes. Conservative allocation strategy is designed with the objective of achieving returns in excess of a simple 20-80 Equity/Fixed Income portfolio (as measured by a composite portfolio of 20% S&P 500 Index and 80% Barclays Aggregate Bond Index) over a complete market cycle, while maintaining a similar or better risk profile. This comprehensive, strategic model is enhanced by diversification into alternative asset classes and is intended to be utilized as long-term core holding.

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Strategic in nature, utilizing an indexing approach within the asset allocation models. Vehicles utilized to execute the allocation process within the models are primarily low-cost, primarily index-based ETFs.

Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC s / iSectors® Endowment 40-60 Allocation**

iSectors Endowment models embrace the philosophy pursued by the managers of Endowment portfolios at institutions like Yale and Harvard, which have been aggressively allocating to "alternative investments" such as hedge funds, private equity and real assets for decades. Not only has this enabled their longer-term performance to be superior to their peer group, but also at a reduced risk level. While iSectors Endowment models are not designed to mirror the Yale asset allocation to the fullest extent, but significant allocations are made to "alternative investments" in each model of the Endowment Series. iSectors Endowment models offer investors substantial diversification to more than 50, primarily index-based securities, a significant allocation to liquid alternative asset classes, as well as traditional domestic and international equity and fixed income asset classes. Conservative-Moderate allocation strategy is designed with the objective of achieving returns in excess of a simple 40-60 Equity/Fixed Income portfolio (as measured by a composite portfolio of 40% S&P 500 Index and 60% Barclays Aggregate Bond Index) over a complete market cycle, while maintaining a similar or better risk profile. This comprehensive, strategic model is enhanced by diversification into alternative asset classes and is intended to be utilized as long-term core holding.

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Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC / iSectors® Endowment 60-40 Allocation**

iSectors Endowment models embrace the philosophy pursued by the managers of Endowment portfolios at institutions like Yale and Harvard, which have been aggressively allocating to "alternative investments" such as hedge funds, private equity and real assets for decades. Not only has this enabled their longer-term performance to be superior to their peer group, but also at a reduced risk level. While iSectors Endowment models are not designed to mirror the Yale asset allocation to the fullest extent, but significant allocations are made to "alternative investments" in each model of the Endowment Series. iSectors Endowment models offer investors substantial diversification to more than 50, primarily index-based securities, a significant allocation to liquid alternative asset classes, as well as traditional domestic and international equity and fixed income asset classes. Moderate allocation strategy is designed with the objective of achieving returns in excess of a simple 60-40 Equity/Fixed Income portfolio (as measured by a composite portfolio of 60% S&P 500 Index and 40% Barclays Aggregate Bond Index) over a complete market cycle, while maintaining a similar or better risk profile. This comprehensive, strategic model is enhanced by diversification into alternative asset classes and is intended to be utilized as long-term core holding.

iSectors believes that the empirical evidence strongly suggests that asset allocation is the predominant factor behind the returns of any

investment approach. As such, many of the iSectors models are Strategic in nature, utilizing an indexing approach within the asset allocation models. Vehicles utilized to execute the allocation process within the models are primarily low-cost, primarily index-based ETFs. Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC / iSectors® Endowment 80-20 Allocation**

iSectors Endowment models embrace the philosophy pursued by the managers of Endowment portfolios at institutions like Yale and Harvard, which have been aggressively allocating to "alternative investments" such as hedge funds, private equity and real assets for decades. Not only has this enabled their longer-term performance to be superior to their peer group, but also at a reduced risk level. While iSectors Endowment models are not designed to mirror the Yale asset allocation to the fullest extent, but significant allocations are made to "alternative investments" in each model of the Endowment Series. iSectors Endowment models offer investors substantial diversification to more than 50, primarily index-based securities, a significant allocation to liquid alternative asset classes, as well as traditional domestic and international equity and fixed income asset classes. Growth allocation strategy is designed with the objective of achieving returns in excess of a simple 80-20 Equity/Fixed Income portfolio (as measured by a composite portfolio of 80% S&P 500 Index and 20% Barclays Aggregate Bond Index) over a complete market cycle, while maintaining a similar or better risk profile. This comprehensive, strategic model is enhanced by diversification into alternative asset classes and is intended to be utilized as long-term core holding.

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#### **iSectors, LLC / iSectors® Endowment 100-0 Allocation**

iSectors Endowment models embrace the philosophy pursued by the managers of Endowment portfolios at institutions like Yale and Harvard, which have been aggressively allocating to "alternative investments" such as hedge funds, private equity and real assets for decades. Not only has this enabled their longer-term performance to be superior to their peer group, but also at a reduced risk level. While iSectors Endowment models are not designed to mirror the Yale asset allocation to the fullest extent, but significant allocations are made to "alternative investments" in each model of the Endowment Series. iSectors Endowment models offer investors substantial diversification to more than 50, primarily index-based securities, a significant allocation to liquid alternative asset classes, as well as traditional domestic and international equity and fixed income asset classes. Aggressive Growth asset allocation strategy designed with the objective of achieving returns in excess of a simple 100% Equity portfolio (as measured by the S&P 500 Index over a complete market cycle, while maintaining a similar or better risk profile. This comprehensive, strategic model is enhanced by diversification into alternative asset classes and is intended to be utilized as long-term core holding. iSectors believes that the empirical evidence strongly suggests that asset allocation is the predominant factor behind the returns of any

investment approach. As such, many of the iSectors models are Strategic in nature, utilizing an indexing approach within the asset allocation models. Vehicles utilized to execute the allocation process within the models are primarily low-cost, primarily index-based ETFs. Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **Tactical:**

#### **Avatar Associates, LLC / Avatar Aggressive Portfolio**

Avatar Associates is an independent asset allocator, specializing in risk reduction investment strategies. Since 1970, institutional and private clients have entrusted Avatar with their assets to help them participate in market advances and protect them against market losses.

The Avatar Aggressive Portfolio (the "Portfolio") seeks to provide capital appreciation with no expectations for current income. The Portfolio is an all-equity portfolio and is designed for investors with a long amount of time until retirement and/or a high tolerance for risk. With no fixed income exposure, this portfolio is expected to be the most aggressive implementation of the eight Portfolios currently managed by Avatar. The Fund seeks to outperform its designated benchmark by raising and lowering asset class exposures, industry sector exposures, and international country exposures to anticipate relative price movements. The total weighting of indirect stock holdings in ETFs consist of a larger percentage of large-capitalization U.S. stocks and some mid- and small-capitalization U.S. stocks. This Fund also has the largest exposure to international stocks in the Avatar Portfolio Series. The Portfolio may invest in cash, cash equivalents or various short-term money market instruments.

#### **Portfolio Benchmark: 80% S&P 500 and 20% MSCI EAFE**

As Chairman and Chief Investment Officer, Ted Theodore manages the firm's asset allocation models. Previously, Mr. Theodore served as Strategist/Portfolio Manager at Morgan Stanley Asset Management, and as Director of Equity Strategy at Citibank, N.A. Mr. Theodore earned his M.B.A. in Finance and B.A. in Economics from the University of Michigan.

Larry Seibert is Vice Chairman and Head of Security Selection. Previously, he has served at Goldman Sachs and KPMG Peat Marwick. Larry received his B.A. in Economics from Columbia University, and an M.B.A. in Finance from New York University.

#### **Avatar Associates, LLC / Avatar Capital Preservation Portfolio**

Avatar Associates is an independent asset allocator, specializing in risk reduction investment strategies. Since 1970, institutional and private clients have entrusted Avatar with their assets to help them participate in market advances and protect them against market losses.

The Avatar Capital Preservation Portfolio (the "Portfolio") seeks to provide current income with limited capital appreciation and is designed for investors with a short amount of time until retirement and/or a low tolerance for risk. This portfolio is the most conservative implementation of the seven portfolios currently managed by Avatar. The Portfolio seeks to outperform its designated benchmark by raising and lowering asset class exposures, industry sector exposures, and international country exposures in anticipation of relative price movements. To this end, the Portfolio utilizes equity ETFs, international ETFs and fixed income ETFs to adjust exposures where appropriate. Small portions of U.S. and international equities are used. The majority of the portfolio is invested in U.S. Treasury and corporate bond ETFs. Cash, cash equivalents or various short-term money market instruments may also be used.

#### **Portfolio Benchmark: 15% S&P 500, 5% MSCI EAFE, and 80% BarCap Aggregate Bond**

As Chairman and Chief Investment Officer, Ted Theodore manages the firm's asset allocation models. Previously, Mr. Theodore served as

Strategist/Portfolio Manager at Morgan Stanley Asset Management, and as Director of Equity Strategy at Citibank, N.A. Mr. Theodore earned his M.B.A. in Finance and B.A. in Economics from the University of Michigan.

Larry Seibert is Vice Chairman and Head of Security Selection. Previously, he has served at Goldman Sachs and KPMG Peat Marwick. Larry received his B.A. in Economics from Columbia University, and an M.B.A. in Finance from New York University.

#### **Avatar Associates, LLC / Avatar Conservative Portfolio**

Avatar Associates is an independent asset allocator, specializing in risk reduction investment strategies. Since 1970, institutional and private clients have entrusted Avatar with their assets to help them participate in market advances and protect them against market losses.

The Avatar Conservative Portfolio (the "Portfolio") seeks to provide current income with capital appreciation and is designed for investors with a reasonably short amount of time until retirement and/or a relatively low tolerance for risk. The Portfolio seeks to outperform its designated benchmark by raising and lowering asset class exposures, industry sector exposures, and international country exposures in anticipation of relative price movements. The total weighting of indirect stock holdings in ETFs consist of a moderate percentage of large-capitalization U.S. stocks and small allocation to mid- and small-capitalization U.S. stocks. This Portfolio also has a small exposure to international stocks. The larger weighting of indirect bond holdings in ETFs are a diversified mix of intermediate- and long-term investment grade, taxable U.S. government, U.S. agency and corporate bonds. The Portfolio may invest in cash, cash equivalents or various short-term money market instruments.

**Portfolio Benchmark:** 35% S&P 500, 5% MSCI EAFE, and 60% BarCap Aggregate Bond

As Chairman and Chief Investment Officer, Ted Theodore manages the firm's asset allocation models. Previously, Mr. Theodore served as Strategist/Portfolio Manager at Morgan Stanley Asset Management, and as Director of Equity Strategy at Citibank, N.A. Mr. Theodore earned his M.B.A. in Finance and B.A. in Economics from the University of Michigan.

Larry Seibert is Vice Chairman and Head of Security Selection. Previously, he has served at Goldman Sachs and KPMG Peat Marwick. Larry received his B.A. in Economics from Columbia University, and an M.B.A. in Finance from New York University.

#### **Avatar Associates, LLC / Avatar Conservative Growth Portfolio**

Avatar Associates is an independent asset allocator, specializing in risk reduction investment strategies. Since 1970, institutional and private clients have entrusted Avatar with their assets to help them participate in market advances and protect them against market losses.

The Avatar Conservative Growth Portfolio (the "Portfolio") seeks to provide current income with capital appreciation consistent with its allocation. The Portfolio is designed for investors with a reasonably short amount of time until retirement and/or a relatively low tolerance for risk. The Portfolio seeks to outperform its designated benchmark by raising and lowering asset class exposures, industry sector exposures, and international country exposures to anticipate relative price movements. The total weighting of indirect stock holdings in ETFs consist of a moderate percentage of large-capitalization U.S. stocks and small allocation to mid- and small-capitalization U.S. stocks. This Portfolio also has a small exposure to international stocks. The larger weighting of indirect bond holdings in ETFs are a diversified mix of intermediate- and long-term investment grade, taxable U.S. government, U.S. agency and corporate bonds. The Portfolio may invest in cash, cash equivalents or various short-term money market instruments.

**Portfolio Benchmark:** 50% S&P 500, 10% MSCI EAFE, and 40% BarCap Aggregate Bond As Chairman and Chief Investment Officer, Ted Theodore manages the firm's asset allocation models. Previously, Mr. Theodore served as Strategist/Portfolio Manager at Morgan Stanley Asset Management, and as Director of Equity Strategy at Citibank, N.A. Mr. Theodore earned his M.B.A. in Finance and B.A. in Economics from the University of Michigan.

Larry Seibert is Vice Chairman and Head of Security Selection. Previously, he has served at Goldman Sachs and KPMG Peat Marwick. Larry received his B.A. in Economics from Columbia University, and an M.B.A. in Finance from New York University.

#### **Avatar Associates, LLC / Avatar Fixed Income Plus Portfolio**

Avatar Associates is an independent asset allocator, specializing in risk reduction investment strategies. Since 1970, institutional and private clients have entrusted Avatar with their assets to help them participate in market advances and protect them against market losses.

The Avatar Fixed Income Plus Portfolio (the "Portfolio") seeks to provide a modest positive return over time through active fixed income and inflationary asset class management. The strategy has a focus on protection of capital. The model is a tactically managed all-ETF strategy that is unconstrained in its ability to utilize non-fixed income ETFs to help protect against inflation. The Portfolio is designed for investors with a short amount of time until retirement and/or a low tolerance for risk. The Portfolio seeks to outperform its designated benchmark by raising and lowering asset class exposures, credit exposures, duration, and industry sector exposures to anticipate relative price movements. Cash, cash equivalents or various short-term money market instruments may also be used.

**Portfolio Benchmark:** 100% BarCap Aggregate Bond

As Chairman and Chief Investment Officer, Ted Theodore manages the firm's asset allocation models. Previously, Mr. Theodore served as Strategist/Portfolio Manager at Morgan Stanley Asset Management, and as Director of Equity Strategy at Citibank, N.A. Mr. Theodore earned his M.B.A. in Finance and B.A. in Economics from the University of Michigan.

Larry Seibert is Vice Chairman and Head of Security Selection. Previously, he has served at Goldman Sachs and KPMG Peat Marwick. Larry received his B.A. in Economics from Columbia University, and an M.B.A. in Finance from New York University.

#### **Avatar Associates, LLC / Avatar Growth Portfolio**

Avatar Associates is an independent asset allocator, specializing in risk reduction investment strategies. Since 1970, institutional and private clients have entrusted Avatar with their assets to help them participate in market advances and protect them against market losses.

The Avatar Growth Portfolio (the "Portfolio") seeks to provide capital appreciation with no expectations for current income. The Portfolio is designed for investors with a long amount of time until retirement and/or a high tolerance for risk. This Portfolio is a very aggressive implementation with a small fixed income allocation when compared to the other Avatar Portfolios. The Portfolio seeks to outperform its designated benchmark by raising and lowering asset class exposures, industry sector exposures, and international country exposures to anticipate relative price movements. The total weighting of indirect stock holdings in ETFs consist of a larger percentage of large-capitalization U.S. stocks and some mid- and small-capitalization U.S. stocks. The much smaller weighting of indirect bond holdings in ETFs are a diversified mix of intermediate- and long-term investment grade, taxable U.S. government, U.S. agency and corporate bonds. This Portfolio also has a strong exposure to international stocks. The Portfolio may invest in cash, cash equivalents or various short-term money market instruments.

**Portfolio Benchmark:** 80% S&P 500, 15% MSCI EAFE, and 5% BarCap Aggregate Bond

As Chairman and Chief Investment Officer, Ted Theodore manages the firm's asset allocation models. Previously, Mr. Theodore served as Strategist/Portfolio Manager at Morgan Stanley Asset Management, and as Director of Equity Strategy at Citibank, N.A. Mr. Theodore earned his M.B.A. in Finance and B.A. in Economics from the University of Michigan.

Larry Seibert is Vice Chairman and Head of Security Selection. Previously, he has served at Goldman Sachs and KPMG Peat Marwick. Larry received his B.A. in Economics from Columbia University, and an M.B.A. in Finance from New York University.

#### **Avatar Associates, LLC / Avatar Moderate Portfolio**



Avatar Associates is an independent asset allocator, specializing in risk reduction investment strategies. Since 1970, institutional and private clients have entrusted Avatar with their assets to help them participate in market advances and protect them against market losses.

The Avatar Moderate Portfolio (the "Portfolio") seeks to provide moderate capital appreciation with current income. The Portfolio is designed for investors with a reasonably long amount of time until retirement and/or a moderate tolerance for risk. This portfolio is expected to be an all-round portfolio for the average investor. The Portfolio seeks to outperform its designated benchmark by raising and lowering asset class exposures, industry sector exposures, and international country exposures to anticipate relative price movements. The total weighting of indirect stock holdings in ETFs consist of a larger percentage of large-capitalization U.S. stocks and some mid- and small-capitalization U.S. stocks. This Portfolio also has a moderate exposure to international stocks. The moderate weighting of indirect bond holdings in ETFs are a diversified mix of intermediate- and long-term investment grade, taxable U.S. government, U.S. agency and corporate bonds. The Portfolio may invest in cash, cash equivalents or various short-term money market instruments.

**Portfolio Benchmark:** 60% S&P 500, 10% MSCI EAFE, and 30% BarCap Aggregate Bond

As Chairman and Chief Investment Officer, Ted Theodore manages the firm's asset allocation models. Previously, Mr. Theodore served as Strategist/Portfolio Manager at Morgan Stanley Asset Management, and as Director of Equity Strategy at Citibank, N.A. Mr. Theodore earned his M.B.A. in Finance and B.A. in Economics from the University of Michigan.

Larry Seibert is Vice Chairman and Head of Security Selection. Previously, he has served at Goldman Sachs and KPMG Peat Marwick. Larry received his B.A. in Economics from Columbia University, and an M.B.A. in Finance from New York University.

#### **Avatar Associates, LLC / Avatar Moderate Growth Portfolio**

Avatar Associates is an independent asset allocator, specializing in risk reduction investment strategies. Since 1970, institutional and private clients have entrusted Avatar with their assets to help them participate in market advances and protect them against market losses.

The Avatar Moderate Growth Portfolio (the "Portfolio") seeks to provide capital appreciation with some to moderate current income. The Portfolio is designed for investors with a reasonably long amount of time until retirement and/or a moderately high tolerance for risk. This portfolio is expected to be the third least aggressive implementation of the seven Portfolios currently managed by Avatar. The Portfolio seeks to outperform its designated benchmark by raising and lowering asset class exposures, industry sector exposures, and international country exposures to anticipate relative price movements. The total weighting of indirect stock holdings in ETFs consist of a large percentage of large-capitalization U.S. stocks and some mid- and small-capitalization U.S. stocks. This Portfolio also has a moderate exposure to international stocks. The relatively smaller weighting of indirect bond holdings in ETFs are a diversified mix of intermediate- and long-term investment grade, taxable U.S. government, U.S. agency and corporate bonds. The Portfolio may invest in cash, cash equivalents or various short-term money market instruments.

**Portfolio Benchmark:** 70% S&P 500, 15% MSCI EAFE, and 15% BarCap Aggregate Bond

As Chairman and Chief Investment Officer, Ted Theodore manages the firm's asset allocation models. Previously, Mr. Theodore served as Strategist/Portfolio Manager at Morgan Stanley Asset Management, and as Director of Equity Strategy at Citibank, N.A. Mr. Theodore earned his M.B.A. in Finance and B.A. in Economics from the University of Michigan.

Larry Seibert is Vice Chairman and Head of Security Selection. Previously, he has served at Goldman Sachs and KPMG Peat Marwick. Larry received his B.A. in Economics from Columbia University, and an M.B.A. in Finance from New York University.

#### **Day Hagan Asset Management / Day Hagan Asset Management**

Day Hagan Asset Management developed mathematical models conjunction with Ned Davis Research. The models quantitatively evaluate business conditions, fundamentals, price-trends, sentiment, economic trends, and valuation to identify when a confluence of evidence indicate opportunity. ETF portfolios are updated monthly to include the most attractive asset classes. Advantages of following a model based approach include the flexibility to respond to market opportunities while controlling the irrationality and temptations imposed by human emotions.

Day Hagan Asset Management's philosophy of investing is founded upon the following tenets: make decisions based on an objective and model-based framework, utilize only time-tested and robust financial market indicators, allocate based on a "weight-of-the-evidence" approach, stay on the right side of major trends using trend-following indicators, and remain disciplined and un-emotional at all times.

Don Hagan, CFA, began his career in 1988 at Ned Davis Research and rose to Chief Sector Analyst where he developed decision-based asset allocation and individual stock and sector buy/sell programs at the institutional level for over 20 years. He was Director of Research and Lead Portfolio Manager for SCI Capital Management's SCI Traditional Value Equity, Blue Chip Bellwether Growth, Industry Select and Tactical Balanced investment strategies. After acquisition of SCI by Wells Fargo, Don was Senior Vice-President and Senior Portfolio Manager for Wells Fargo Bank's Private Client Services and concurrently served on Wells Fargo's National Asset Allocation Committee and National Investment Policy Committees. He has been quoted in several financial publications including the Wall Street Journal (for the first time in April, 1993), Barron's, Atlanta Constitution, and USA Today and is a frequent speaker at conferences and on radio. Don has a B.A. and CFA and is a member of the Association for Investment Management Research and the Investment Management Consultants Association.

#### **Emerald Allocation Strategies / Emerald Concentrated Equity Discipline**

All of our strategies have specific risk-control measures within them, in addition to the general risk reduction achieved by a diversified portfolio. Our firm's style and accomplishments have been highlighted in many national media outlets including Bloomberg, The Wall Street Transcript, Investment News, Registered Rep and Wealth Manager Magazine. We have presented our expertise and views at various industry conferences, and our Chief Investment Officer has been recognized as one of Worth Magazine's "Top 100 US Wealth Advisors" from 2005 – 2007 and one of Worth Magazine's "Top 250 US Wealth Advisors" in 2008.

Concentrated Equity seeks to generate investment "alpha" (excess return versus stock market benchmarks) through the purchase of a carefully selected group of equity mutual funds, whose managers each confine their portfolios to a very limited number of holdings (typically under 30 stocks) and generate those returns using distinctly different methods. The combination of these funds seeks to combat the tendency for traditional "style-box" equity approaches (investing by growth vs. value, large cap vs. small cap) that often produce mediocre or negative levels of alpha over longer periods of time. We may also buy dedicated short funds as a portfolio hedge in perceived periods of high market risk.

Mr. Isbits co-founded Emerald in 1998, chairs the firm's Investment Committee, and is the creator of Emerald's proprietary investment approach. He is a 20+ year veteran of the investment business, holding portfolio management positions at firms such as Fuji Bank & Trust, Morgan Stanley and DLJ. Mr. Isbits has published over 100 investment articles and commentaries in publications including Wealth Manager, Registered Rep, Financial Planning, and Investment News. In 2006, he published "Wall Street's Bull and How to Bear It." Education includes an undergraduate degree from the State University of New York at Albany, an MBA in Finance is from Rutgers University.

#### **Emerald Allocation Strategies / Emerald Global Cycle Discipline:**

All of our strategies have specific risk-control measures within them, in addition to the general risk reduction achieved by a diversified portfolio. Our firm's style and accomplishments have been highlighted in many national media outlets including Bloomberg, The Wall Street

Transcript, Investment News, Registered Rep and Wealth Manager Magazine. We have presented our expertise and views at various industry conferences, and our Chief Investment Officer has been recognized as one of Worth Magazine's "Top 100 US Wealth Advisors" from 2005 – 2007 and one of Worth Magazine's "Top 250 US Wealth Advisors" in 2008.

Global Cycle is a true long-term approach to growing capital. It involves the research and identification of global investment themes that are in the midst of a long, positive business cycle. (e.g. – alternative energy, potable water, India equity, China equity, etc). Some of these themes may take place, in our opinion, over many years, even decades. Others may start and finish in periods as short as three years. This is a long-term strategy, and often involves investing in areas of the markets that exhibit high short-term volatility in their returns. Patience is required to be successful. We may also buy dedicated short funds as a portfolio hedge in perceived periods of high market risk or as a way to capture alpha in a certain sector that we feel may be in decline.

Mr. Isbitts co-founded Emerald in 1998, chairs the firm's Investment Committee, and is the creator of Emerald's proprietary investment approach. He is a 20+ year veteran of the investment business, holding portfolio management positions at firms such as Fuji Bank & Trust, Morgan Stanley and DLJ. Mr. Isbitts has published over 100 investment articles and commentaries in publications including Wealth Manager, Registered Rep, Financial Planning, and Investment News. In 2006, he published "Wall Street's Bull and How to Bear It." Education includes an undergraduate degree from the State University of New York at Albany, an MBA in Finance is from Rutgers University.

#### **Emerald Allocation Strategies / Emerald Hybrid Discipline:**

All of our strategies have specific risk-control measures within them, in addition to the general risk reduction achieved by a diversified portfolio. Our firm's style and accomplishments have been highlighted in many national media outlets including Bloomberg, The Wall Street Transcript, Investment News, Registered Rep and Wealth Manager Magazine. We have presented our expertise and views at various industry conferences, and our Chief Investment Officer has been recognized as one of Worth Magazine's "Top 100 US Wealth Advisors" from 2005 – 2007 and one of Worth Magazine's "Top 250 US Wealth Advisors" in 2008.

Hybrid's objective is to achieve real, absolute returns (positive net of inflation) over any three-year period, regardless of market conditions, without resorting to the use of high-quality bond funds (which, despite their reputation as conservative investments, can produce large losses in periods of rising interest rates and inflation). Our Hybrid holdings typically come from the 11 sub-sectors/styles we have defined in the alternative mutual fund universe through our own research (such as equity long-short, market-neutral, arbitrage, commodities, high-yield and bond hedge). As a result, Hybrid investing is similar to the approach employed by low volatility hedge fund-of-funds managers but without all the unfavorable characteristics of hedge funds, such as lock-up periods, illiquidity, lack of transparency, excessive leverage, high fees, high investment minimums, and tax inefficiency.

Mr. Isbitts co-founded Emerald in 1998, chairs the firm's Investment Committee, and is the creator of Emerald's proprietary investment approach. He is a 20+ year veteran of the investment business, holding portfolio management positions at firms such as Fuji Bank & Trust, Morgan Stanley and DLJ. Mr. Isbitts has published over 100 investment articles and commentaries in publications including Wealth Manager, Registered Rep, Financial Planning, and Investment News. In 2006, he published "Wall Street's Bull and How to Bear It." Education includes an undergraduate degree from the State University of New York at Albany, an MBA in Finance is from Rutgers University.

#### **Heritage Capital LLC / Diversified Growth Program**

Heritage Capital, LLC, located in Woodbridge, CT, is a boutique, alternative investment management firm. Heritage employs a top down, quantitative and technical investment management philosophy for all managed ETF, mutual fund, and variable annuity portfolios. Its client base includes individuals, trusts, corporations, family offices and institutions

Heritage Capital's investment management philosophy is focused on capital preservation as well as appreciation through the use of strict risk management strategies designed to protect client assets.

This is a top down, quantitative and technical, risk managed index strategy devoted to going long (buying) and occasionally short (using negative correlation securities) the S&P 500 (SPY), S&P 400 (MDY), Russell 2000 (IWM) and NASDAQ 100 (QQQQ) or Rydex index funds that track the various indices and their growth and value components. Two distinct and independent models are used in this strategy; one that focuses on the long-term, while the other looks at the intermediate-term. Both models have trend following as well as mean reversion rules to account for the different market environments.

The strongest performance periods occur when both models are in agreement and weakness is bought or strength is sold. Positions are typically held from a few weeks to several months.

Paul Schatz, Founder and President of Heritage Capital, is best known for his sector and index trading and models. Paul is a recognized pioneer and expert in the exchange traded fund (ETF) field, having employed them in his work since 1994.

While running Heritage Capital, Paul was also one of the portfolio managers for the TRI Liquid Strategies Fund LP from 2006 to 2008, where he ran Heritage's Sector, Diversified Growth, Global Asset Allocation, Developed Markets, Emerging Markets and High Yield Bond strategies. Prior to founding Heritage Capital in 2003, Paul served as Chief Investment Officer for a regional firm from 1993 to 2002, specializing in equity model development and implementation. From 1991 to 1993, he worked at Cowen & Co. From 1989 to 1991, Paul was employed by Shearson Lehman Brothers.

Paul is responsible for writing and publishing the firm's bi-weekly e-letter, Street\$mart, which is read by thousands of top financial advisers and members of the media, and has been reprinted in Barrons. Paul is a regular guest on CNBC's Worldwide Exchange, Squawk Box, Squawk on the Street and The Call, and offers frequent market analysis for other outlets such as USA Network, PBS, Bloomberg TV, WTNH and FOX 61. He has been quoted in the market commentary sections of the Wall Street Journal, Investor's Business Daily, USA Today, Connecticut Post, Hartford Courant, New Haven Register, Financial Planning, Registered Representative and Investment News Weekly.

He has been a director, Secretary, Vice President and President of the Alumni Council Board of Directors for The Hopkins School, his alma mater. Additionally, Paul is on the Executive Board of Directors at Congregation B'nai Jacob in Woodbridge as Vice President, as well as a former Endowment Trustee for the synagogue's endowment fund. Paul graduated from the University of Rochester in 1988 with a Bachelors Degree in Political Science and a minor in Economics.

#### **Heritage Capital LLC / Relative Strength Sector Program**

Heritage Capital, LLC, located in Woodbridge, CT, is a boutique, alternative investment management firm. Heritage employs a top down, quantitative and technical investment management philosophy for all managed ETF, mutual fund, and variable annuity portfolios. Its client base includes individuals, trusts, corporations, family offices and institutions

Heritage Capital's investment management philosophy is focused on capital preservation as well as appreciation through the use of strict risk management strategies designed to protect client assets.

Each week from a large universe, Heritage Capital's proprietary computer models select one to four top performing U.S. market sectors, including cash, that indicators predict offer the highest potential reward. This top down, actively managed strategy is then implemented using exchange traded sector funds and the Rydex sector funds as well as sector funds within variable annuities from Jefferson National.

Positions are modified and rebalanced as often as weekly to meet our goal of investing assets in the top performing sectors. Although this is a trend-following strategy, the risk management component uses mean reversion looking at the overall market and begins to impact investment decisions when any two of our three market models go negative. Capital appreciation far outweighs preservation in this approach.

Paul Schatz, Founder and President of Heritage Capital, is best known for his sector and index trading and models. Paul is a recognized pioneer and expert in the exchange traded fund (ETF) field, having employed them in his work since 1994.

While running Heritage Capital, Paul was also one of the portfolio managers for the TRI Liquid Strategies Fund LP from 2006 to 2008, where he ran Heritage's Sector, Diversified Growth, Global Asset Allocation, Developed Markets, Emerging Markets and High Yield Bond strategies. Prior to founding Heritage Capital in 2003, Paul served as Chief Investment Officer for a regional firm from 1993 to 2002, specializing in equity model development and implementation. From 1991 to 1993, he worked at Cowen & Co. From 1989 to 1991, Paul was employed by Shearson Lehman Brothers.

Paul is responsible for writing and publishing the firm's bi-weekly e-letter, *StreetSmarts*, which is read by thousands of top financial advisers and members of the media, and has been reprinted in *Barrons*. Paul is a regular guest on CNBC's *Worldwide Exchange*, *Squawk Box*, *Squawk on the Street* and *The Call*, and offers frequent market analysis for other outlets such as USA Network, PBS, Bloomberg TV, WTNH and FOX 61. He has been quoted in the market commentary sections of the *Wall Street Journal*, *Investor's Business Daily*, *USA Today*, *Connecticut Post*, *Hartford Courant*, *New Haven Register*, *Financial Planning*, *Registered Representative* and *Investment News Weekly*.

He has been a director, Secretary, Vice President and President of the Alumni Council Board of Directors for The Hopkins School, his alma mater. Additionally, Paul is on the Executive Board of Directors at Congregation B'nai Jacob in Woodbridge as Vice President, as well as a former Endowment Trustee for the synagogue's endowment fund. Paul graduated from the University of Rochester in 1988 with a Bachelors Degree in Political Science and a minor in Economics.

#### **Horizon Investments, LLC / Horizon Investments Balanced Portfolio**

Horizon follows a 6 step process in developing asset allocations for Equis Clients.

(1) Compute Style Indices, meaning the categories under which assets are categorized; such as, very large value, mid growth, and international. (2) Compute Fundamental Factor Overweight Score using a regression analysis involving eighty different financial ratios to calculate the expected return for the indexes in each asset category. (3) Compute Market Sentiment Factor Overweight Score to determine which asset categories should be overweighted or under-weighted. (4) Compute the Base Portfolio using the "Returns Based Attribution" technique. (5) Set Portfolio Allocations for the four risk profiles that vary according to the percentage of equity typically in the portfolio.. (6) Choose specific investments using a Linear Optimizer to solve for the combinations of investments (typically ETFs and mutual funds) that provide the best match to the desired asset allocation. The balanced portfolio seeks the potential for growth with equity investments that have historically delivered higher, but more variable, long term returns. The strategy also seeks to balance the variability of stock market investments with investments in less volatile assets, such as core fixed income securities.

Dr. Jeffrey Roach is Chairman of the Investment Committee and the Chief Economist of Horizon Investments. Prior to joining Horizon Investments LLC in 2006, he was Senior Economist at Bank of America. Dr. Roach earned a B.S. in Mathematics from Bob Jones University, an M.A. in Economics from Clemson University, and a Ph.D. in Economics from Clemson University.

Dr. William Breen is Senior Investment Strategist for Horizon Investments. He is also Emeritus Professor of Finance at the Kellogg Graduate School of Management at Northwestern University. Dr. Breen has published more than 40 articles and scholarly papers and co-authored three books on investment strategy, corporate finance, asset pricing, and econometric theory. In addition, he served or serves as a director of the LaSalle Trust Company, Barton-Ashmann, X10ion Inc., and the Evanston Community Foundation. He earned a Ph.D. in Econometrics from Cornell University, was an Associate Professor of Economics at Purdue University, and Associate Professor and Professor of Finance at the Kellogg Graduate School.

#### **Horizon Investments, LLC / Horizon Investments Focused Portfolio**

Horizon follows a 6 step process in developing asset allocations for Equis Clients.

(1) Compute Style Indices, meaning the categories under which assets are categorized; such as, very large value, mid growth, and international. (2) Compute Fundamental Factor Overweight Score using a regression analysis involving eighty different financial ratios to calculate the expected return for the indexes in each asset category. (3) Compute Market Sentiment Factor Overweight Score to determine which asset categories should be overweighted or under-weighted. (4) Compute the Base Portfolio using the "Returns Based Attribution" technique. (5) Set Portfolio Allocations for the four risk profiles that vary according to the percentage of equity typically in the portfolio.. (6) Choose specific investments using a Linear Optimizer to solve for the combinations of investments (typically ETFs and mutual funds) that provide the best match to the desired asset allocation. The Focused portfolio seeks capital appreciation in any market cycle. This diversified portfolio utilizes a variety of equity strategies for the aggressive investor.

Dr. Jeffrey Roach is Chairman of the Investment Committee and the Chief Economist of Horizon Investments. Prior to joining Horizon Investments LLC in 2006, he was Senior Economist at Bank of America. Dr. Roach earned a B.S. in Mathematics from Bob Jones University, an M.A. in Economics from Clemson University, and a Ph.D. in Economics from Clemson University.

Dr. William Breen is Senior Investment Strategist for Horizon Investments. He is also Emeritus Professor of Finance at the Kellogg Graduate School of Management at Northwestern University. Dr. Breen has published more than 40 articles and scholarly papers and co-authored three books on investment strategy, corporate finance, asset pricing, and econometric theory. In addition, he served or serves as a director of the LaSalle Trust Company, Barton-Ashmann, X10ion Inc., and the Evanston Community Foundation. He earned a Ph.D. in Econometrics from Cornell University, was an Associate Professor of Economics at Purdue University, and Associate Professor and Professor of Finance at the Kellogg Graduate School.

#### **Horizon Investments, LLC / Horizon Investments Growth Portfolio**

Horizon follows a 6 step process in developing asset allocations for Equis Clients.

(1) Compute Style Indices, meaning the categories under which assets are categorized; such as, very large value, mid growth, and international. (2) Compute Fundamental Factor Overweight Score using a regression analysis involving eighty different financial ratios to calculate the expected return for the indexes in each asset category. (3) Compute Market Sentiment Factor Overweight Score to determine which asset categories should be overweighted or under-weighted. (4) Compute the Base Portfolio using the "Returns Based Attribution" technique. (5) Set Portfolio Allocations for the four risk profiles that vary according to the percentage of equity typically in the portfolio.. (6) Choose specific investments using a Linear Optimizer to solve for the combinations of investments (typically ETFs and mutual funds) that provide the best match to the desired asset allocation. The Growth portfolio seeks growth over a market cycle. This diversified portfolio seeks to achieve its stated goal through overweighting market leaders during sustained periods of market growth.

Dr. Jeffrey Roach is Chairman of the Investment Committee and the Chief Economist of Horizon Investments. Prior to joining Horizon Investments LLC in 2006, he was Senior Economist at Bank of America. Dr. Roach earned a B.S. in Mathematics from Bob Jones University, an M.A. in Economics from Clemson University, and a Ph.D. in Economics from Clemson University.

Dr. William Breen is Senior Investment Strategist for Horizon Investments. He is also Emeritus Professor of Finance at the Kellogg Graduate School of Management at Northwestern University. Dr. Breen has published more than 40 articles and scholarly papers and co-authored three books on investment strategy, corporate finance, asset pricing, and econometric theory. In addition, he served or serves as a director of the LaSalle Trust Company, Barton-Ashmann, X10ion Inc., and the Evanston Community Foundation. He earned a Ph.D. in Econometrics from Cornell University, was an Associate Professor of



Economics at Purdue University, and Associate Professor and Professor of Finance at the Kellogg Graduate School.

#### **Horizon Investments, LLC / Horizon Investments Moderate Portfolio**

Horizon follows a 6 step process in developing asset allocations for Equis Clients.

(1) Compute Style Indices, meaning the categories under which assets are categorized; such as, very large value, mid growth, and international. (2) Compute Fundamental Factor Overweight Score using a regression analysis involving eighty different financial ratios to calculate the expected return for the indexes in each asset category. (3) Compute Market Sentiment Factor Overweight Score to determine which asset categories should be overweighted or under-weighted. (4) Compute the Base Portfolio using the "Returns Based Attribution" technique. (5) Set Portfolio Allocations for the four risk profiles that vary according to the percentage of equity typically in the portfolio. (6) Choose specific investments using a Linear Optimizer to solve for the combinations of investments (typically ETFs and mutual funds) that provide the best match to the desired asset allocation. The Moderate portfolio seeks growth and income over a market cycle. This diversified portfolio seeks to achieve its goal through consistent holdings in debt and equity funds.

Dr. Jeffrey Roach is Chairman of the Investment Committee and the Chief Economist of Horizon Investments. Prior to joining Horizon Investments LLC in 2006, he was Senior Economist at Bank of America. Dr. Roach earned a B.S. in Mathematics from Bob Jones University, an M.A. in Economics from Clemson University, and a Ph.D. in Economics from Clemson University.

Dr. William Breen is Senior Investment Strategist for Horizon Investments. He is also Emeritus Professor of Finance at the Kellogg Graduate School of Management at Northwestern University. Dr. Breen has published more than 40 articles and scholarly papers and co-authored three books on investment strategy, corporate finance, asset pricing, and econometric theory. In addition, he served or serves as a director of the LaSalle Trust Company, Barton-Ashmann, X10ion Inc., and the Evanston Community Foundation. He earned a Ph.D. in Econometrics from Cornell University, was an Associate Professor of Economics at Purdue University, and Associate Professor and Professor of Finance at the Kellogg Graduate School.

#### **HS Dent Investment Management, LLC / HS Dent Investment Management**

The Dent Portfolio investment approach identifies broad sectors of the US economy, economic sub-sectors, or even geographic regions of the world that appear to be poised for growth over a short horizon. These results are assessed according to a relative strength/momentum model that tells which ETFs to purchase and when to purchase them. In more detail, a pool of possible investment areas (including the money market) is ranked according to HS Dent's proprietary methods. To warrant investment a security must rank above the money market and show strong relative strength. If no security is above money market, or not enough securities to create an entire portfolio, then all or part of the portfolio may be invested in cash or cash equivalents. If we are 100% invested, we are considered to be in an "offensive" position. If any portion of our portfolio is in cash due to not enough securities ranking highly enough to complete the portfolio, then we are in a "defensive" position. We have used this methodology since May 1, 2008, through the worst of the current economic crisis. We have been either mostly defensive or completely defensive four times since then - November and December of 2008, and February and March of 2009. The portfolio typically holds relatively few positions and does have significant turnover.

Harry S. Dent, Jr. is the Founder, Managing Member and majority owner. For two decades Mr. Dent has been principally engaged, as the Managing Member of HS Dent Publishing, LLC., in authoring books, special reports, and a newsletter on the topic of economic change and how to estimate economic change by analyzing demographics, predictable consumer spending patterns, and technological innovation. Mr. Dent earned a bachelor's degree from University of South Carolina and an MBA from Harvard University.

Rodney G. Johnson is the President and Chief Compliance Officer as well as a minority owner. Mr. Johnson began working directly with Mr. Dent in 1997 to develop investment approaches based on the demographic research of Mr. Dent. Mr. Johnson earned a bachelor's degree from Georgetown University and an MBA from Southern Methodist University.

#### **iSectors, LLC / iSectors® Post-MPT Growth Allocation**

iSectors® Post-MPT Allocations utilize advancements in Modern Portfolio Theory (MPT) to allocate the portfolio among up to 9 unique, uncorrelated asset classes. In addition, iSectors also utilizes advanced, more pragmatic approaches for applying these principles of MPT. The objective of the iSectors® Post-MPT Growth Allocation is to achieve investment returns that outperform the S&P500 stock market index with lower downside risk over a complete market cycle. The portfolio manager objectively allocates and rebalances the portfolio among up to 9 specific, low-correlated asset classes. The mathematical process is guided by a series of economic and capital market factors. Portfolios may be invested up to 30% at any one time into any single asset class, with the exception of government bonds, to which the model may allocate up to 50%. The iSectors Post-MPT Growth Allocation may utilize leveraged ETFs up to a maximum of 33%. However, because iSectors does not use borrowed money in its strategy, the service is available for retirement and non-profit accounts.

iSectors believes that the empirical evidence strongly suggests that asset allocation is the predominant factor behind the returns of any investment approach. As such, many of the iSectors models are Strategic in nature, utilizing an indexing approach within the asset allocation models. Vehicles utilized to execute the allocation process within the models are primarily low-cost, primarily index-based ETFs.

Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC / iSectors® Post-MPT Moderate Allocation**

iSectors® Post-MPT Allocations utilize advancements in Modern Portfolio Theory (MPT) to allocate the portfolio among up to 9 unique, uncorrelated asset classes. In addition, iSectors also utilizes advanced, more pragmatic approaches for applying these principles of MPT. The objective of the iSectors® Post-MPT Moderate Allocation is to achieve investment returns that outperform a 60/40 stock/bond index (as measured by the S&P500 stock market index + Lehman Aggregate Bond Index) with lower downside risk over a complete market cycle. The portfolio manager objectively allocates and rebalances the portfolio among up to 9 specific, low-correlated asset classes. The mathematical process is guided by a series of economic and capital market factors. Portfolios may be invested up to 30% at any one time into any single asset class, with the exception of government bonds, to which the model may allocate up to 50%. The iSectors® Post-MPT Moderate Allocation does not use borrowed money in its strategy and remains 100% invested at all times.

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#### **iSectors, LLC / iSectors® Tactical Global Balanced Allocation**

iSectors® Tactical Global Balanced Allocation offers a comprehensive investment approach diversified across major global asset classes, including Domestic Equities, International and Emerging Market Equities, Bonds, Commodities, Gold and Real Estate. The model actively manages the investments within the portfolio, utilizing a trend following methodology to allocate among the model's targeted asset classes and to cash. This model's objective is to be in cash during prolonged declines in individual asset classes to reduce overall portfolio draw down. The iSectors® Tactical Global Balanced model seeks to invest in exchange-traded funds (ETFs) to achieve its objectives.

iSectors believes that the empirical evidence strongly suggests that asset allocation is the predominant factor behind the returns of any investment approach. Vehicles utilized within the models are primarily low-cost, primarily index-based ETFs. For its dynamic and tactical models, iSectors utilizes objective, quantitative-based models in an active-passive approach. Quite simply, quantitative-based algorithms utilizing updated data are consistently and systematically applied.

Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

#### **iSectors, LLC / iSectors® Tactical International Allocation**

iSectors® Tactical International Allocation is designed to help investors diversify their portfolios into international markets and participate in worldwide economic growth. Although international and emerging markets can be volatile, iSectors believes these markets move in identifiable trends based upon the respective countries' trade, fiscal, and monetary policies. The proprietary momentum-based algorithm is designed to position the model to profit from these trends. In an effort to reduce volatility and increase returns, the algorithm will allocate up to 100% to cash during periods when securities do not meet the momentum-based investment criteria. The model will allocate up to 10% of the overall portfolio to any single country, regional, or diversified international exchange-traded fund (ETF) at any given time, subject to a maximum of 10 securities, at which point the model will be 100% invested (subject to a 2% cash position for liquidity purposes). The algorithm is applied with updated data and the model rebalanced accordingly on a monthly basis.

iSectors believes that the empirical evidence strongly suggests that asset allocation is the predominant factor behind the returns of any investment approach. Vehicles utilized within the models are primarily low-cost, primarily index-based ETFs. For its dynamic and tactical models, iSectors utilizes objective, quantitative-based models in an active-passive approach. Quite simply, quantitative-based algorithms utilizing updated data are consistently and systematically applied.

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#### **Mench Financial Inc. / International Sector Enhanced**

Mench Financial, Inc. has managed assets for individual and institutional clients since 1994. Mench strives to deliver superior performance to a national clientele by decreasing volatility and protecting assets during down markets. The key to our success is an econometric investment process and the use of exchange traded funds (ETFs) to participate in major changes in market trends. A composite of indicators triggers portfolio purchases and sales in a highly-disciplined manner. We believe 75% of our ability to outperform the market comes from this process of asset allocation. During weekly Investment Policy Committee meetings, current portfolio, market, sector and industry allocations are determined. These allocations allow us to decrease the volatility in a portfolio by pinpointing the markets or sectors of a market which we believe have the greatest

potential for outperforming the general market. In turn, assets are moved away from sectors that we think have a high probability of under-performing. Once we have identified the industries poised to do well in the coming economic environment, we use fundamental and correlation analysis, combined with broad diversification, to shift the risk/reward ratio in our clients' favor.

The exchange traded funds (ETFs) we invest in represent ownership in an index of country- and region-specific common stocks intended to closely track the price performance and dividend yield of that specific country or region. These highly-liquid securities provide clients with a diversified portfolio at lower costs and allow for more consistent returns over a market cycle.

With over 35 years' experience in the investment industry, Mr. Mench, with the assistance of his family, has created a firm in which to implement the strategy he developed back in 1977. He earned a B.A. in Business from Butler University.

#### **Retirement Wealth Advisors / Retirement Wealth Advisors Market Rotator**

RWA (Retirement Wealth Advisors) Market Rotator is a quantitatively managed portfolio of exchange traded funds and cash equivalents. RWA, Inc's proprietary step-by-step mechanical approach to selecting positions eliminates emotional trading and is designed to only select above average positions based on both fundamental and technical indicators. The investment strategy utilizes 13 separate ETFs. Using no outside leverage or margin, the strategy seeks to identify the most probable direction of major US equity markets as well as the most statistically probable global asset classes for generating maximum total investor returns. Exchange traded funds are used exclusively to take advantage of these probabilities. Due to risk management processes contained within the quantitative models, the portfolio may not be fully invested at all times.

Mr. Wenk's firm, Retirement Wealth Advisors, Inc. is currently the #1 Ranked Private Asset Management firm in the State of Michigan and #8 in the United States by Money Manager Review\*. The ranking; based on return, risk and risk adjusted return, is compared to industry giants such as Goldman Sachs, Alliance Bernstein, Oppenheimer Investments, Baird Asset Management, T. Rowe Price and a number of high profile West Michigan managers. Mr. Wenk has been featured in The Grand Rapids Press, numerous industry specific magazines and has been invited as guest speaker to area colleges. In addition, he has taught educational seminars to over 2,500 investors in West Michigan. In 2007 and 2008 Reuters listed Mr. Wenk as one of the United States' top 500 financial advisors (with only one other advisor from West Michigan on the list) and in 2008 was named by Reuters as one of the Top Advisors Under 40 as well as one of the Top Advisors with Retirement Focus. Retirement Wealth Advisors, Inc. is headquartered in West Michigan (offices in Grand Rapids and Spring Lake) and is an SEC Registered Investment Advisory Firm.

#### **Robbins Capital Management Inc. / Large Cap Core Flex**

Robbins Capital Management of Atlanta, Georgia has managed assets for high-net-worth individuals and institutions since 2004.

Robbins Capital Management focuses on sector strength and diligent risk management. The strongest among 500 subgroups and sectors are identified as locations for screening of specific securities. Both fundamental and technical momentum and trend analyses are used to isolate the strongest 2%. Stocks demonstrating weakness over a three-month period are progressively sold. The sell discipline results in the portfolio maintaining an average of about 25% in cash/money market-type investments. Diversification is maintained by not investing more than 25% of the portfolio in any one sector and not allowing any one sector to appreciate to over 40% of the portfolio value. Typically, 25-50 stocks each represent less than 5% of the portfolio, yet some can occasionally increase to 7.5%.

Robert Robbins is both the firm's founder and its Chief Investment Officer who makes all substantive investment decisions. Confidence is inspired by his academic pedigree, military experience, and extensive tenure in research and portfolio management for large institutions.

An early interest in investing motivated Bob to earn a B.A. in economics from Dartmouth College. Following his undergraduate studies, Bob was a United States Army officer, rising to the rank of

First Lieutenant. His pursuit of excellence continued upon returning to Dartmouth where he earned his M.B.A. from the Amos Tuck School of Business Administration in 1973. Between 1973 and 2002, Citibank, Bankers Trust, Thomson McKinnon, and Suntrust employed Bob's investment expertise in a variety of research and portfolio management positions. Investors can be certain that Bob's decisions are carefully considered because the majority of his personal assets are invested in the same companies as his clients'.

#### **SignalPoint Asset Management, LLC / SignalPoint 10 Portfolio**

Everyone understands the basic principle of investing: buy low and sell high. It is extremely difficult, if not impossible, to consistently predict the market tops and bottoms, but this is the objective of most tactical managers. SignalPoint conversely seeks to sell high and buy low. At least a little cash is held at all times and the amount increases with risk of each sector as calculated with our Risk Assessment Model. Cash is then redeployed the calculated risk in each sector declines, thus creating a tax-friendly continuous dollar-cost averaging. Our Risk Assessment Model constantly evaluates real time indicators including: speculation, relative valuation, divergence, and even IPO zeal. Disciplined adherence to our quantitative process removes emotion from investment decisions. During the last two years, our cash position has moved from a high of 48.5% in October 2007 when the market peaked, to a low of 1% in both November of 2008 and March of 2009. We manage only long positions and do not use levered or inverse ETFs. SignalPoint domestic and global portfolio betas range from .50-.72. Clients who seek reduced volatility, but want to maintain market exposure, will find our portfolios to be exactly what they are looking for. The ten business sectors included in the S&P 500 are represented by individual ETFs and managed both individually and collectively. A money market component is also included and used as an active part of the portfolios management. The performance objective is to reduce risk in contrast to the overall market and outperform the S&P 500 benchmark, while reducing some of the emotional stress of the client.

Thomas M. Veale's responsibilities include management of portfolios, investment strategy, research, and trading. Mr. Veale is also the Chair of Investment Committee and provides general input into firm operations and management. For more than 20 years, Tom has helped a range of clients increase their wealth by guiding the growth of their portfolios. He also devised investment strategies for trusts, foundations and charities.

#### **SignalPoint Asset Management, LLC / SignalPoint Balanced Point**

Everyone understands the basic principle of investing: buy low and sell high. It is extremely difficult, if not impossible, to consistently predict the market tops and bottoms, but this is the objective of most tactical managers. SignalPoint conversely seeks to sell high and buy low. At least a little cash is held at all times and the amount increases with risk of each sector as calculated with our Risk Assessment Model. Cash is then redeployed the calculated risk in each sector declines, thus creating a tax-friendly continuous dollar-cost averaging. Our Risk Assessment Model constantly evaluates real time indicators including: speculation, relative valuation, divergence, and even IPO zeal. Disciplined adherence to our quantitative process removes emotion from investment decisions. During the last two years, our cash position has moved from a high of 48.5% in October 2007 when the market peaked, to a low of 1% in both November of 2008 and March of 2009. We manage only long positions and do not use levered or inverse ETFs. SignalPoint domestic and global portfolio betas range from .50-.72. Clients who seek reduced volatility, but want to maintain market exposure, will find our portfolios to be exactly what they are looking for. This portfolio is a blend of the Signal10 and Stable Income Portfolios. It is designed for investors seeking a moderate portfolio that has exposure to both the equity and income elements of the market. While there may be principal fluctuation because this portfolio provides exposure to numerous types of equities through ETF's and income oriented sectors including REITs, treasuries, high yield debt, convertible securities and income producing equities. The goal of the portfolio is to offer exposure to the equities market and some income generation all within one portfolio.

Thomas M. Veale's responsibilities include management of portfolios, investment strategy, research, and trading. Mr. Veale is also the Chair

of Investment Committee and provides general input into firm operations and management. For more than 20 years, Tom has helped a range of clients increase their wealth by guiding the growth of their portfolios. He also devised investment strategies for trusts, foundations and charities.

#### **SignalPoint Asset Management, LLC / SignalPoint Domestic**

Everyone understands the basic principle of investing: buy low and sell high. It is extremely difficult, if not impossible, to consistently predict the market tops and bottoms, but this is the objective of most tactical managers. SignalPoint conversely seeks to sell high and buy low. At least a little cash is held at all times and the amount increases with risk of each sector as calculated with our Risk Assessment Model. Cash is then redeployed the calculated risk in each sector declines, thus creating a tax-friendly continuous dollar-cost averaging. Our Risk Assessment Model constantly evaluates real time indicators including: speculation, relative valuation, divergence, and even IPO zeal. Disciplined adherence to our quantitative process removes emotion from investment decisions. During the last two years, our cash position has moved from a high of 48.5% in October 2007 when the market peaked, to a low of 1% in both November of 2008 and March of 2009. We manage only long positions and do not use levered or inverse ETFs. SignalPoint domestic and global portfolio betas range from .50-.72. Clients who seek reduced volatility, but want to maintain market exposure, will find our portfolios to be exactly what they are looking for. This portfolio is comprised of 13 ETFs, plus a money market fund, and is broadly diversified. Nearly 2700 companies are represented in Domestic Signal and provide exposure to Large, Mid and a portion of the Small Capitalized areas of the market. Each ETF is managed individually and the group managed collectively. The money market component is used as an active element of portfolio management. The performance objective is to reduce risk in contrast to the overall market and outperform the S&P 500 benchmark, while reducing some of the emotional stress of the client.

Thomas M. Veale's responsibilities include management of portfolios, investment strategy, research, and trading. Mr. Veale is also the Chair of Investment Committee and provides general input into firm operations and management. For more than 20 years, Tom has helped a range of clients increase their wealth by guiding the growth of their portfolios. He also devised investment strategies for trusts, foundations and charities.

#### **SignalPoint Asset Management, LLC / SignalPoint Global**

Everyone understands the basic principle of investing: buy low and sell high. It is extremely difficult, if not impossible, to consistently predict the market tops and bottoms, but this is the objective of most tactical managers. SignalPoint conversely seeks to sell high and buy low. At least a little cash is held at all times and the amount increases with risk of each sector as calculated with our Risk Assessment Model. Cash is then redeployed the calculated risk in each sector declines, thus creating a tax-friendly continuous dollar-cost averaging. Our Risk Assessment Model constantly evaluates real time indicators including: speculation, relative valuation, divergence, and even IPO zeal. Disciplined adherence to our quantitative process removes emotion from investment decisions. During the last two years, our cash position has moved from a high of 48.5% in October 2007 when the market peaked, to a low of 1% in both November of 2008 and March of 2009. We manage only long positions and do not use levered or inverse ETFs. SignalPoint domestic and global portfolio betas range from .50-.72. Clients who seek reduced volatility, but want to maintain market exposure, will find our portfolios to be exactly what they are looking for. A collection of 17 ETFs represents the major industries of the U.S., the major geographic and economic areas outside the U.S., and a money market fund. Each ETF is managed individually and the group is managed collectively. The money market component is used as an active element of portfolio management. The performance objective is to reduce risk in contrast to the overall market and outperform the blended benchmark (60% S&P 500 & 40% EAFE), while reducing some of the emotional stress of the client.

Thomas M. Veale's responsibilities include management of portfolios, investment strategy, research, and trading. Mr. Veale is also the Chair of Investment Committee and provides general input into firm



operations and management. For more than 20 years, Tom has helped a range of clients increase their wealth by guiding the growth of their portfolios. He also devised investment strategies for trusts, foundations and charities.

#### **SignalPoint Asset Management, LLC / SignalPoint International**

Everyone understands the basic principle of investing: buy low and sell high. It is extremely difficult, if not impossible, to consistently predict the market tops and bottoms, but this is the objective of most tactical managers. SignalPoint conversely seeks to sell high and buy low. At least a little cash is held at all times and the amount increases with risk of each sector as calculated with our Risk Assessment Model. Cash is then redeployed the calculated risk in each sector declines, thus creating a tax-friendly continuous dollar-cost averaging. Our Risk Assessment Model constantly evaluates real time indicators including: speculation, relative valuation, divergence, and even IPO zeal. Disciplined adherence to our quantitative process removes emotion from investment decisions. During the last two years, our cash position has moved from a high of 48.5% in October 2007 when the market peaked, to a low of 1% in both November of 2008 and March of 2009. We manage only long positions and do not use levered or inverse ETFs. SignalPoint domestic and global portfolio betas range from .50-.72. Clients who seek reduced volatility, but want to maintain market exposure, will find our portfolios to be exactly what they are looking for. This portfolio is comprised of 10 ETFs representing over 1500 international companies across the major industrial categories including: Consumer Discretionary, Consumer Staples, Industrials, Financials, Energy, Healthcare, Utilities, Information Technology, Telecommunications and Basic Materials. Also included is a money market position. Each ETF is managed individually and the group is managed collectively. The money market component is used as an active part of portfolio management. The performance objective is to reduce risk versus the overall market, outperform the EAFE benchmark, while reducing some of the emotional stress of the client.

Thomas M. Veale's responsibilities include management of portfolios, investment strategy, research, and trading. Mr. Veale is also the Chair of Investment Committee and provides general input into firm operations and management. For more than 20 years, Tom has helped a range of clients increase their wealth by guiding the growth of their portfolios. He also devised investment strategies for trusts, foundations and charities.

#### **SignalPoint Asset Management, LLC / SignalPoint Moderate Income Point**

Moderate Income Point™ portfolio was developed to produce income with the intent of moderate Net Asset Value (NAV) fluctuations predominately because of its broad diversification. There are typically a total of 17 different positions with allocations to treasuries, investment grade bonds, REITs, high yield debt, convertible bonds, and dividend paying equities, in addition to the cash reserves. The exposure includes both domestic and international debt securities and is designed to offer a dynamic allocation to maintain a consistent balance throughout a market cycle. The asset categories included are:

REITs (Domestic/International), Treasury Inflation Protection (TIPS), High Yield Bonds (Domestic/International), Treasuries (Short, Intermediate, Long), Investment Grade Corporate Bonds, Dividend Paying Equities, Convertible Bonds (Domestic/International), US Government & Agency Securities, and Cash Reserves.

The primary goal is to produce a moderate level of income, while reducing portfolio risk and maintaining broad exposure to numerous income producing positions.

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#### **SignalPoint Asset Management, LLC / SignalPoint Stable Income Point**

Everyone understands the basic principle of investing: buy low and sell high. It is extremely difficult, if not impossible, to consistently predict the market tops and bottoms, but this is the objective of most tactical managers. SignalPoint conversely seeks to sell high and buy low. At least a little cash is held at all times and the amount increases with risk of each sector as calculated with our Risk Assessment Model. Cash is then redeployed the calculated risk in each sector declines, thus creating a tax-friendly continuous dollar-cost averaging. Our Risk Assessment Model constantly evaluates real time indicators including: speculation, relative valuation, divergence, and even IPO zeal. Disciplined adherence to our quantitative process removes emotion from investment decisions. During the last two years, our cash position has moved from a high of 48.5% in October 2007 when the market peaked, to a low of 1% in both November of 2008 and March of 2009. We manage only long positions and do not use levered or inverse ETFs. SignalPoint domestic and global portfolio betas range from .50-.72. Clients who seek reduced volatility, but want to maintain market exposure, will find our portfolios to be exactly what they are looking for. This portfolio is comprised of 9 select ETFs, and a money market position. The portfolio provides exposure to higher quality fixed income securities, such as treasuries and investment grade corporate bonds. Limited exposure to REITs and high yield debt is also provided to enhance yield. The portfolio is designed for more conservative investors due to the portfolio's goal of achieving a relatively flat deviation curve and relatively stable Net Asset Value (NAV).

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#### **Strategic Capital Alternatives / SCA Moderate Growth**

STRATEGIC CAPITAL ALTERNATIVES, of Gig Harbor, Washington is a privately-held firm of 22 employees.

##### **INVESTMENT PROCESS**

SCA believes that active managers can and do add value to a portfolio.

To identify the stock most likely to outperform in each category, we screen the universe of money managers and hire the best for each specialty. Each money manager supplies SCA with the 10-15 stocks in which they have the most confidence, allowing us to capture the highest conviction positions out of each manager's portfolio, typically between 30-50. As a result, SCA clients benefit from a portfolio that leverages the combined wisdom of top money managers covering each equity sub-category. Alternative asset classes designed to have returns less correlated with the equity and bond markets are provided through hedge funds via a fund of fund approach. In the fixed income space a core / satellite EFT strategy is used. The Core is built around the broad base aggregate index, 50% - 75% of the overall allocation, while the satellite positions will be dictated by current market opportunities and will include, high yield, floating rate, inflation protected, corporate credit and mortgage backed securities

##### **INVESTMENT PHILOSOPHY**

SCA believes investment risk can be controlled by maintaining a non-traditional asset allocation across three dimensions:

1. Equity market exposure correlated with the S&P 500 Index
2. Fixed Income exposure correlated with the BCAG Index
3. Alternative asset exposure typically less correlated with the equity market (S&P 500 Index) and bond market (BCAG Index)

Based upon a SECULAR market outlook created by our Investment Committee, the three dimensions are weighted based upon client risk tolerance with the goal of achieving a sufficient return with minimum risk.

##### **INVESTMENT STRATEGY**

The strategy is designed to offer downside protection during times of receding value while eliminating the need to specifically time the sharp swings of equity performance. The three-dimensional approach is accomplished by utilizing "traditional" as well as "non-traditional" asset classes historically employed by institutional investors. In short, the relative performance of long equities is balanced with investment vehicles that are designed to produce a stable, absolute return.



## INVESTMENT COMMITTEE

**Gary Price – Managing Director** Mr. Price has over 18 years of investment experience. Mr. Price is the CEO of Genesis Capital, the manager of a family of hedge fund of funds as well as a Managing Director at Strategic Capital Alternatives. Mr. Price was a member of the advisory board that developed Russell Investments separate account manager platform. Mr. Price holds a finance degree from the University of Pennsylvania's Wharton School of Business.

**Ron Robertson – Managing Director** Mr. Robertson has over 13 years of investment experience and is a founder of Strategic Capital Group which manages or advises on just under \$1 billion for foundations and individuals. Mr. Robertson is the President of Genesis Capital, the manager of a family of hedge fund of funds as well as a Managing Director at Strategic Capital Alternatives. Mr. Robertson holds a B.S. from Western Washington University. He formally served as a member of the Frank Russell Company Alternative Investment Advisory Board and as President of the Strategic Leadership Foundation.

**Michael Dubinsky, CFA – Chief Financial Officer** Mr. Dubinsky has over 18 years' experience in finance and accounting for hedge funds, venture capital funds and investment management firms. Prior to joining Strategic Capital Alternatives, Mr. Dubinsky spent four years working for the Russell Investment Group, where he managed the operations of hedge funds, private equity funds and domestic and international mutual funds. Mr. Dubinsky also spent four years working for Deloitte & Touche LLP, where he served clients within the hedge fund, venture capital and financial service industries. Mr. Dubinsky holds a Business Administration degree from the University of Washington and is a CFA charterholder.

## Strategic Capital Alternatives / SCA Opportunistic Growth

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## Strategic Capital Alternatives / SCA Optimal Balanced

STRATEGIC CAPITAL ALTERNATIVES, of Gig Harbor, Washington is a privately-held firm of 22 employees.

### INVESTMENT PROCESS

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To identify the stock most likely to outperform in each category, we screen the universe of money managers and hire the best for each specialty. Each money manager supplies SCA with the 10-15 stocks in which they have the most confidence, allowing us to capture the highest conviction positions out of each manager's portfolio, typically between 30-50. As a result, SCA clients benefit from a portfolio that leverages the combined wisdom of top money managers covering each equity sub-category. Alternative asset classes designed to have returns less correlated with the equity and bond markets are provided through hedge funds via a fund of fund approach. In the fixed income space a core / satellite EFT strategy is used. The Core is built around the broad base aggregate index, 50% - 75% of the overall allocation, while the satellite positions will be dictated by current market opportunities and will include, high yield, floating rate, inflation protected, corporate credit and mortgage backed securities

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### INVESTMENT COMMITTEE

**Gary Price – Managing Director** Mr. Price has over 18 years of investment experience. Mr. Price is the CEO of Genesis Capital, the manager of a family of hedge fund of funds as well as a Managing Director at Strategic Capital Alternatives. Mr. Price was a member of the advisory board that developed Russell Investments separate

account manager platform. Mr. Price holds a finance degree from the University of Pennsylvania's Wharton School of Business.

Ron Robertson – Managing Director Mr. Robertson has over 13 years of investment experience and is a founder of Strategic Capital Group which manages or advises on just under \$1 billion for foundations and individuals. Mr. Robertson is the President of Genesis Capital, the manager of a family of hedge fund of funds as well as a Managing Director at Strategic Capital Alternatives. Mr. Robertson holds a B.S. from Western Washington University. He formally served as a member of the Frank Russell Company Alternative Investment Advisory Board and as President of the Strategic Leadership Foundation.

Michael Dubinsky, CFA – Chief Financial Officer Mr. Dubinsky has over 18 years' experience in finance and accounting for hedge funds, venture capital funds and investment management firms. Prior to joining Strategic Capital Alternatives, Mr. Dubinsky spent four years working for the Russell Investment Group, where he managed the operations of hedge funds, private equity funds and domestic and international mutual funds. Mr. Dubinsky also spent four years working for Deloitte & Touche LLP, where he served clients within the hedge fund, venture capital and financial service industries. Mr. Dubinsky holds a Business Administration degree from the University of Washington and is a CFA charterholder.

### **Strategic Capital Alternatives / SCA Preservation**

STRATEGIC CAPITAL ALTERNATIVES, of Gig Harbor, Washington is a privately-held firm of 22 employees.

#### **INVESTMENT PROCESS**

SCA believes that active managers can and do add value to a portfolio.

To identify the stock most likely to outperform in each category, we screen the universe of money managers and hire the best for each specialty. Each money manager supplies SCA with the 10-15 stocks in which they have the most confidence, allowing us to capture the highest conviction positions out of each manager's portfolio, typically between 30-50. As a result, SCA clients benefit from a portfolio that leverages the combined wisdom of top money managers covering each equity sub-category. Alternative asset classes designed to have returns less correlated with the equity and bond markets are provided through hedge funds via a fund of fund approach. In the fixed income space a core / satellite EFT strategy is used. The Core is built around the broad base aggregate index, 50% - 75% of the overall allocation, while the satellite positions will be dictated by current market opportunities and will include, high yield, floating rate, inflation protected, corporate credit and mortgage backed securities

#### **INVESTMENT PHILOSOPHY**

SCA believes investment risk can be controlled by maintaining a non-traditional asset allocation across three dimensions:

1. Equity market exposure correlated with the S&P 500 Index
2. Fixed Income exposure correlated with the BCAG Index
3. Alternative asset exposure typically less correlated with the equity market (S&P 500 Index) and bond market (BCAG Index)

Based upon a SECULAR market outlook created by our Investment Committee, the three dimensions are weighted based upon client risk tolerance with the goal of achieving a sufficient return with minimum risk.

#### **INVESTMENT STRATEGY**

The strategy is designed to offer downside protection during times of receding value while eliminating the need to specifically time the sharp swings of equity performance. The three-dimensional approach is accomplished by utilizing "traditional" as well as "non-traditional" asset classes historically employed by institutional investors. In short, the relative performance of long equities is balanced with investment vehicles that are designed to produce a stable, absolute return.

#### **INVESTMENT COMMITTEE**

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### **Wentworth, Hauser and Violich / WHV International Mutual Fund**

Wentworth, Hauser and Violich (WHV) is one of the oldest and most respected investment management firms on the West Coast. Founded in San Francisco in 1937. The firm serves individuals, foundations, endowments, and institutions. WHV currently has more than \$11.6 billion in assets under management. The investment philosophy of the WHV International Equity Fund is grounded in the belief that investing in the most attractive global economic sectors can generate superior investment performance. Particular attention is devoted to the identification of investment "Supercycles." These are defined as supply and demand imbalances that are likely to persist over time. WHV believes that the world's investment landscape has evolved from being influenced by regional or country-specific events to an environment defined primarily by two dominant global forces: 1) globalization by economic sectors and 2) categorization of stocks by sectors rather than by country. The WHV International Equity strategy is designed to take advantage of this environment through a top-down sector allocation investment process. The Fund utilizes a five-step, top-down investment process. First, the relative attractiveness of 10 global economic sectors is analyzed. Second, the potential of 67 industry groups is examined. Third, the attractiveness of 51 countries is analyzed. Fourth, a universe of 1,500 foreign equity securities is researched. Lastly, a portfolio of 30 to 60 stocks is constructed representing economic sectors that have the potential for long-term earnings growth.

Mr. Hirayama developed the WHV International Equity Strategy in 1995 and the WHV Global Equity Strategy in 2005. In 2008, Mr. Hirayama, along with WHV, founded Hirayama Investments, LLC, an affiliated investment adviser. Mr. Hirayama was a Computer Research Analyst with the Bank of America Trust Department and BA Investment Management from 1969 to 1982. He became a Security Analyst and Portfolio Manager at BAIMCO in 1983 and at Associated Capital Investors in 1988. He joined Wentworth, Hauser and Violich in 1990. Ms. Stankard joined Wentworth, Hauser and Violich in 1998 as a Portfolio Accountant and was promoted to Operations Officer in 2000. In 2001 she joined the International Equity Team as an International Security Analyst and was promoted to Portfolio Manager in 2008. In 2009, Ms. Stankard became a Member of Hirayama Investments, LLC, WHV's affiliated investment adviser. Ms. Goodson, Associate Portfolio Manager and International Security Analyst, joined Wentworth, Hauser and Violich in 2008 upon receiving her MBA from the Wharton School.

#### **Tactical Commodity:**

### **Heritage Capital LLC / Short-Term Gold Program**

Heritage Capital, LLC, located in Woodbridge, CT, is a boutique, alternative investment management firm. Heritage employs a top down, quantitative and technical investment management philosophy for all managed ETF, mutual fund, and variable annuity portfolios. Its

client base includes individuals, trusts, corporations, family offices and institutions

Heritage Capital's investment management philosophy is focused on capital preservation as well as appreciation through the use of strict risk management strategies designed to protect client assets.

Heritage Capital's Short-Term Gold Program is a concentrated, risk managed sector program designed to participate in the short and intermediate-term rallies in the PHLX Gold/Silver Index (XAU) using the Gold Miners ETF and Rydex Precious Metals Fund. When intermediate-term price declines occur, our objective is to position client assets in the safety of money market funds. Capital preservation and appreciation have similar weights in this actively managed strategy, but volatility and drawdowns are significantly below historical levels through the use of tight and stringent stop losses on all positions.

This program is non-correlated to the U.S. stock market. Through its focus on short and intermediate-term moves, it has the potential to produce gains regardless of the longer-term market direction for the S&P 500 and precious metals mining companies.

Paul Schatz, Founder and President of Heritage Capital, is best known for his sector and index trading and models. Paul is a recognized pioneer and expert in the exchange traded fund (ETF) field, having employed them in his work since 1994.

While running Heritage Capital, Paul was also one of the portfolio managers for the TRI Liquid Strategies Fund LP from 2006 to 2008, where he ran Heritage's Sector, Diversified Growth, Global Asset Allocation, Developed Markets, Emerging Markets and High Yield Bond strategies. Prior to founding Heritage Capital in 2003, Paul served as Chief Investment Officer for a regional firm from 1993 to 2002, specializing in equity model development and implementation. From 1991 to 1993, he worked at Cowen & Co. From 1989 to 1991, Paul was employed by Shearson Lehman Brothers.

Paul is responsible for writing and publishing the firm's bi-weekly e-letter, Street\$mart, which is read by thousands of top financial advisers and members of the media, and has been reprinted in Barrons. Paul is a regular guest on CNBC's Worldwide Exchange, Squawk Box, Squawk on the Street and The Call, and offers frequent market analysis for other outlets such as USA Network, PBS, Bloomberg TV, WTNH and FOX 61. He has been quoted in the market commentary sections of the Wall Street Journal, Investor's Business Daily, USA Today, Connecticut Post, Hartford Courant, New Haven Register, Financial Planning, Registered Representative and Investment News Weekly.

He has been a director, Secretary, Vice President and President of the Alumni Council Board of Directors for The Hopkins School, his alma mater. Additionally, Paul is on the Executive Board of Directors at Congregation B'nai Jacob in Woodbridge as Vice President, as well as a former Endowment Trustee for the synagogue's endowment fund. Paul graduated from the University of Rochester in 1988 with a Bachelors Degree in Political Science and a minor in Economics.

#### **Municipal Fixed Income Model Portfolio**

##### **Egis Capital Management / Egis Municipal Fixed Income**

The Egis Fixed Income Municipal Portfolio is managed to provide clients with diversification among mostly municipal debt securities through investing in bond ETF's and bond mutual funds. The Egis Municipal Fixed Income Portfolio is utilized within a client's asset allocation to add diversification and reduce volatility. The duration of investments are managed based on anticipated interest rates and the yield curve.

#### **Taxable Fixed Income Model Portfolio**

##### **Egis Capital Management / Egis 5 yr TTT Ladder**

Egis manages a target term trust portfolio to provide investors the security provided by definition (knowing they will get the face value of bonds upon maturity) with duration diversification as provided by combining term dates into a single portfolio.

Each target term trust seeks to replicate, before the fees and expenses, the performance of the BulletShares USD Corporate Bond Index for a different year. The fund normally invests at least 80% of its

total assets in component securities that comprise each year's index. In the last year of operation, when the bonds held by the fund mature, the fund's portfolio will transition to cash and cash equivalents. It is non-diversified. When management perceives it to be most advantageous the shortest term trust is liquidated and the funds are reinvested into one with a longer duration so that the overall duration of portfolio typically remains between 2 and 5 years.

Equities are selected partially through a proprietary screening mechanism utilizing an augmented version of the Porter Five Forces Model. The Egis Proprietary Model explains how market structures determine the intensity of competition. We invest in firms that face less competition and thus have prospects for greater long-term profits. The Porter Five Forces Model considers five sources of competition: customers demanding lower prices, suppliers demanding higher prices, substitute products providing alternatives, direct competitors cutting prices and increasing quality, and potential entrants increasing direct competition. An additional consideration is technological innovation which influences the five forces. Egis places an emphasis on a long-term buy and hold approach. When selecting individual equities, Egis also takes into consideration the industry in the interest of maintaining diversification to maximize risk adjusted returns.

##### **Egis Capital Management / Egis Taxable Fixed Income**

The Egis Taxable Fixed Income Portfolio is managed to provide clients with diversification among mostly Treasury and corporate debt securities through investing in bond ETF's and bond mutual funds. The Egis Taxable Fixed Income Portfolio is utilized within a client's asset allocation to add diversification and reduce volatility. The duration of investments are managed based on anticipated interest rates and the yield curve.

##### **iSectors / iSectors® Capital Preservation Allocation**

iSectors® Capital Preservation Allocation has been constructed for investors with a desire for principal stability by creating a portfolio of investments with relatively low volatility. Nominal portfolio yield is a secondary goal of the model. The model holds fixed income Exchange-Traded Funds (ETFs), primarily those that invest in short-term, AAA-rated or investment-grade debt instruments. A smaller portion of the assets may be placed in ETFs holding short-term international instruments. The model will generally target ETFs holding bond portfolios with a duration of approximately 3 years or less. While stability of principal is the primary goal of this portfolio, an investment in the iSectors® Capital Preservation Allocation is not guaranteed and will fluctuate in value.

iSectors believes that the empirical evidence strongly suggests that asset allocation is the predominant factor behind the returns of any investment approach. As such, many of the iSectors models are Strategic in nature, utilizing an indexing approach within the asset allocation models. Vehicles utilized to execute the allocation process within the models are primarily low-cost, primarily index-based ETFs.

Management of iSectors Asset Allocation strategies is overseen by an investment committee of four professionals, each with significant investment, business and accounting experience along and multiple professional designations, including Prateek Mehrotra, MBA, CFA, CAIA as their Chief Investment Officer and Timothy J. Landolt, MBA as their Strategies Manager. Mr. Mehrotra holds a MBA in Finance from Lehigh University and Mr. Landolt holds a MBA from Loyola Marymount University.

##### **Strategic Capital Group / SCA Fixed income**

Strategic Capital Alternatives' Fixed Income strategy starts with a core and satellite approach utilizing ETF's to capture our market exposures. The Core is built on the broad base aggregate index with a range of 50-75% of the portfolio allocation in the BC Aggregate. The Satellite positions will be dictated by current market opportunities and will include high yield, floating rate, inflation protection, corporate credit, and mortgage backed securities. The strategy is dynamic and can change as the market environment for fixed income changes. The goal of the strategy is to capture the long term, low volatility, single digit returns of the broad bond market net of fees.

Investment Committee:

Gary Price – Managing Director Mr. Price has over 18 years of investment experience. Mr. Price is the CEO of Genesis Capital, the



manager of a family of hedge fund of funds as well as a Managing Director at Strategic Capital Alternatives. Mr. Price was a member of the advisory board that developed Russell Investments separate account manager platform. Mr. Price holds a finance degree from the University of Pennsylvania's Wharton School of Business.

Ron Robertson--Managing Director: He has over 13 years of investment experience, is a founder of Strategic Capital Group, is the President of Genesis Capital, and is a Managing Director at Strategic Capital Alternatives. Mr. Robertson holds a B.S. from Western Washington University.

#### **Municipal/Taxable Fixed Income Model Portfolio**

##### **Egis Capital Management / Egis Municipal/Taxable Fixed Income**

The Egis Fixed Income Municipal/Taxable Portfolio is managed to provide clients with diversification among municipal and taxable debt securities through investing in ETF's and mutual funds. The Egis Municipal/Taxable Fixed Income Portfolio is utilized within a client's asset allocation to add diversification and reduce volatility. The duration of investments are managed based on anticipated interest rates and the yield curve.

##### **iSectors, LLC / iSectors® Domestic Fixed Income Allocation**

iSectors® Domestic models are strategic asset allocation models that employ a Modern Portfolio Theory (MPT) -based approach to asset allocation. The equity portion of the models is allocated using a diversified basket of domestic, low-cost, equity index-based ETFs. The fixed income portion of the allocations is invested in diversified, low-cost ETFs that hold baskets of investment-grade domestic, government and corporate bonds of various maturities. The models, with respect to their use of ETFs and an annual rebalance process, are designed to be tax-sensitive. Conservative allocation strategy is intended to consist of approximately 100% domestic (U.S. Only) fixed-income investments.

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##### **iSectors, LLC / iSectors® Institutional Fixed Income Allocation**

iSectors® Institutional models employ a Modern Portfolio Theory (MPT)-based approach, with a review of Resampling, Black Litterman and Monte Carlo Simulation to optimally allocate the model portfolios. The equity portion of the models is allocated across a number of domestic, international and emerging markets index-based exchange traded funds. Fundamentally-weighted index ETFs are included in the model in an effort to enhance return and reduce volatility. The fixed income portion of each model is invested in diversified, low-cost ETFs that hold baskets of domestic, international and emerging market government and corporate bonds of various maturities. The models, with respect to their use of ETFs and an annual rebalance process, are designed to be tax-sensitive. Conservative allocation strategy is intended to consist of approximately 100% domestic (U.S. Only) fixed-income investments.

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#### **ETF PORTFOLIO DESCRIPTIONS**

##### **Large Cap Value**

The Large Cap Value managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Large Cap Value asset class.

##### **Large Cap Growth**

The Large Cap Growth managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Large Cap Growth asset class.

##### **Mid Cap Value**

The Mid Cap Value managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Mid Cap Value asset class.

##### **Mid Cap Growth**

The Mid Cap Growth managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Mid Cap Growth asset class.

##### **Small Cap Value**

The Small Cap Value managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Small Cap Value asset class.

##### **Small Cap Growth**

The Small Cap Growth managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Small Cap Growth asset class.

##### **Asia**

The Asia managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Asia asset class.

##### **Europe**

The Europe managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Europe asset class.

##### **Latin America**

The Latin America managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Latin America asset class.

##### **Domestic Real Estate**

The Domestic Real Estate managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Domestic Real Estate asset class.



**Foreign Real Estate**

The Foreign Real Estate managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Foreign Real Estate asset class.

**Energy/Utilities/Infrastructure**

The Energy/Utilities/Infrastructure managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Energy/Utilities/Infrastructure asset class.

**Commodities**

The Commodities managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Commodities asset class.

**Precious Metals**

The Precious Metals managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Precious Metals asset class.

**Preferred Stock**

The Preferred Stock managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Preferred Stock asset class.

**High Yield Debt**

The High Yield Debt managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the High Yield Debt asset class.

**Emerging Market Debt**

The Emerging Market Debt managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Emerging Market Debt asset class.

**Foreign Fixed Income**

The Foreign Fixed Income managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the Foreign Fixed Income asset class.

**U.S. Fixed Income**

The U.S. Fixed Income managed ETF portfolio is managed by William Robert Nelson Jr. with the objective of providing cost effective, diversified, low turnover exposure to the U.S. Fixed Income asset class.

## Exhibit 2

### PRIVACY DISCLOSURE DOCUMENT

As part of Equis Capital Management's long tradition of trust, the confidentiality of personal information is paramount. We maintain high standards to safeguard your personal information. We will remain vigilant and professional in protecting that information and in using it in a fair and lawful manner. As part of this commitment to fulfilling your trust we have formulated this Privacy Policy.

#### **Safeguarding Customer Information and Documents**

To conduct regular business, we may collect nonpublic personal information from sources such as:

To conduct regular business we collect non-public customer data in checklists, forms, in written notations, and in documentation provided to us by our customers for evaluation, registration, licensing or related consulting services. We also create internal lists of such data.

Equis Capital Management will internally safeguard your nonpublic personal information by restricting access to only those employees who provide products or services to you or those who need access to your information to service your account. In addition, we will maintain physical, electronic and procedural safeguards that meet federal and/or state standards to guard your nonpublic personal information. Failure to observe Equis Capital Management's procedures regarding customer and consumer privacy will result in discipline and may lead to termination.

#### **Sharing Nonpublic Personal and Financial Information**

As the Firm shares nonpublic information solely to service our client accounts, we do not disclose any nonpublic personal information about our customers or former Customers to anyone, except as permitted by law or otherwise disclosed herein.

Equis Capital Management is committed to the privacy and protection of our customers' personal and financial information. We will not share any such information with any affiliated or nonaffiliated third party except:

- When necessary to complete transactions in a customer account, such as clearing firm.
- When required to service and/or maintain your account
- In order to resolve a customer dispute or inquiry
- With persons acting in a fiduciary or representative capacity on behalf of the customer
- With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm
- In connection with any sale and / or merger of Equis Capital Management's business.
- To prevent or protect against actual or potential fraud, identity theft, unauthorized transactions, claims or other liability.
- To comply with all federal, state or local laws, rules, statutes and other applicable legal requirements.
- In connection with a written agreement to provide advisory services or investment management when the information is released solely for the purpose of providing products or services covered by pursuant to the Equis Capital Wrap Fee Program.
- Upon the customer's specific instruction, consent or request
- Pursuant to any other exceptions enumerated in the California Information Privacy Act

Note: When we share your nonpublic information with any third party for the reasons stated above, we make certain that there are written restrictions in place regarding the use and/or disclosure of said information.

#### **Opt-Out Provisions**

It is not a policy of Equis Capital Management to share nonpublic personal and financial information with affiliated or unaffiliated third parties except under the circumstances noted above. Since sharing under the circumstances noted above is necessary to service customer accounts or is mandated by law, there are no allowances made for clients to opt out.

## Exhibit 3

### CUSTOMER IDENTIFICATION PROGRAM

#### **Important Information You Need to Know About Opening a New Account**

To help the government fight the funding of terrorism and money laundering activities, federal law requires financial institutions to obtain, verify, and record information that identifies each person who opens an account.

This Notice answers some questions about Equis Capital Management's Customer Identification Program.

What types of information will I need to provide?

When you open an account, Equis Capital Management is required to collect information such as the following from you:

- Your name
- Date of birth
- Address
- Identification number:
- U.S. Citizen: taxpayer identification number (social security number or employer identification number)
- Non-U.S. Citizen: taxpayer identification number, passport number, and country of issuance, alien identification card number, or government-issued identification showing nationality, residence, and a photograph of you

You may also need to show your driver's license or other identifying documents.

A corporation, partnership, trust or other legal entity may need to provide other information, such as its principal place of business, local office, employer identification number, certified articles of incorporation, government-issued business license, a partnership agreement, or a trust agreement.

U.S. Department of the Treasury, Securities and Exchange Commission, FINRA, and New York Stock Exchange rules already require you to provide most of this information. These rules also may require you to provide additional information, such as your net worth, annual income, occupation, employment information, investment experience and objectives, and risk tolerance.

What happens if I don't provide the information requested or my identity can't be verified?

Equis Capital Management may not be able to open an account or carry out transactions for you. If Equis Capital Management has already opened an account for you, we may have to close it.

*We thank you for your patience and hope that you will support the financial industry's efforts to deny terrorists and money launderers access to America's financial system.*

## Exhibit 4

### **Business Continuity Plan (BCP) - Summary and Disclosure**

Securities industry regulations require that brokerage and investment advisor firms inform their clients of their plans to address the possibility of a business disruption that potentially results from a power outage, natural disaster, or other event. Equis Capital Management has a comprehensive business continuity program in place, which we review, update and test on a regular basis. This plan provides for continuation of client services in the event of various types of interruptions, such as those at our facilities as well as the services we provide. Although we obviously we cannot plan for or guarantee against all contingencies, we have developed this plan in an effort to stem off and / or prepare for most contingencies.

To conform with regulatory expectations, Equis Capital Management's strategy is designed so that we can meet our present obligations to our clients in the event of an unplanned interruption in business, such as in an emergency or a Significant Business Disruption (SBD). In order to facilitate this, we make strive to respond to significant business disruptions by safeguarding employees' lives and firm assets, making a financial and operational assessment, safely and swiftly recovering and resuming operations, protecting all of our books and records, and ensuring that our customers can continue to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities (if applicable).

Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire or power outage in our building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, earthquake, or a wide-scale, regional disruption. Our response to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of our clearing firm.

Key points to our plan include:

- Operational assessments
- Provisions for rapid resumption of mission critical systems
- Back-up arrangements for material relationships with business constituents, banks and appraisals of counter-party impact

- Back up system for recovery of data (both hard copy and electronic data)
- Alternate means for communications for use between employees and the firm, as well as between customers and the firm
- Instructions for communications with regulators and regulatory reporting requirements in the event of a disaster
- Description of the alternate physical locations of employees and/or certain departments
- Assurance for customers' prompt access to their funds and securities in the event the firm determines it is unable to continue its business
- Provisions for updating the plan
- Provisions for periodic testing of the plan
- Notification of relevant provisions of the plan to customers of the firm

No contingency plan can eliminate all risk of service interruption or temporarily impeded account access. Nevertheless, we assess and update our plans to mitigate risks to the extent reasonable. In creating our BCP, certain assumptions have been made such as alternative facilities being accessible, sufficient personnel being available, and external organizations including securities markets and government agencies being operational. If these assumptions are not valid under particular circumstances, we will evaluate possibilities for minimizing the disruption to services as feasible at that time and will promptly provide clients with information about how to access their funds and securities. In an effort to provide support and updated information, clients may contact us through our website at [www.eqiscapital.com](http://www.eqiscapital.com) or via phone at 800-949-9936. In addition, for alternative access they may contact the Custodians(s) directly to access their funds in the event of an emergency at [www.foliofn.com](http://www.foliofn.com) or 888-485-3456. We will review, update and test our BCP as needed in the event of changes to our business processes, technology and staff at a minimum annually. We will continue to post updated information on our website. You may also obtain our current BCP summary by submitting a written request to: Equis Capital Management, Inc. ATTN: Business Continuity Plan, 1299 4<sup>th</sup> St., Ste 502, San Rafael, CA 94901 or via email sent to [support@eqiscapital.com](mailto:support@eqiscapital.com).

Making sure that any type of disruption does not unduly impact our clients is extremely important to us, and our BCP is designed to allow us to continue to provide the high quality service you have come to expect from Equis Capital.