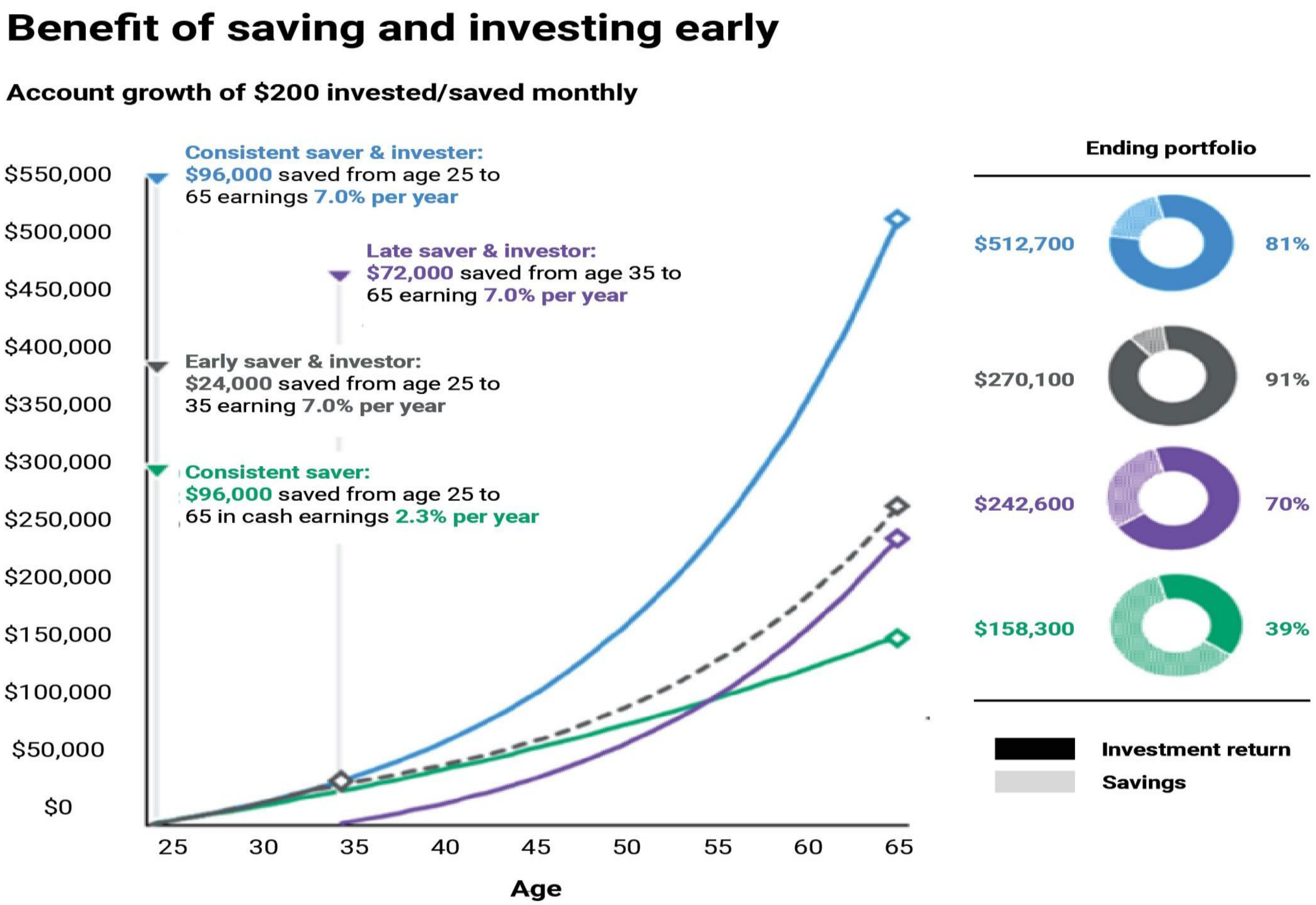
The Capital Saving Equation

The Advantage of Saving Early



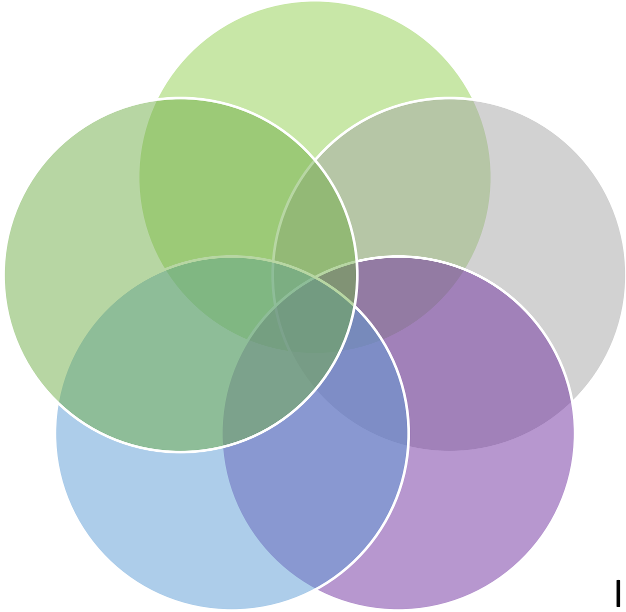
Savings Fundamentals

Saving early and often, and investing what you save, are some of the keys to a succesful retirement due to the power of long-term compounding.

The Client - Investor

Taxation Code

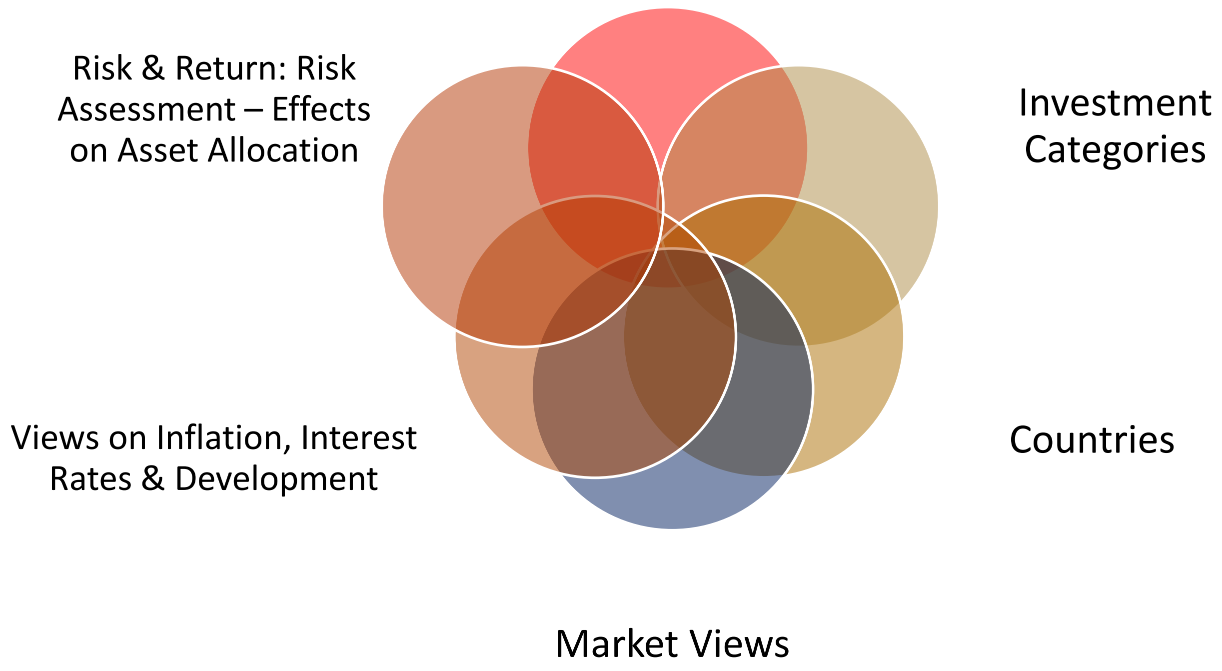
Risk Tollerance -
Avoidance



Taxation Status

Investment Horizon

Investments Allocation



Investment Returns Assessment

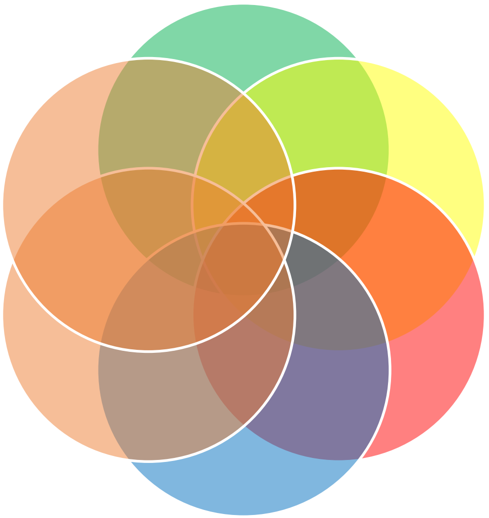
Risk Assumed by the Portfolio Manager

Risk Models

The CAPM – The APM

Capital Asset Pricing – Arbitrage Pricing Models

Return Achieved by the Portfolio Manager



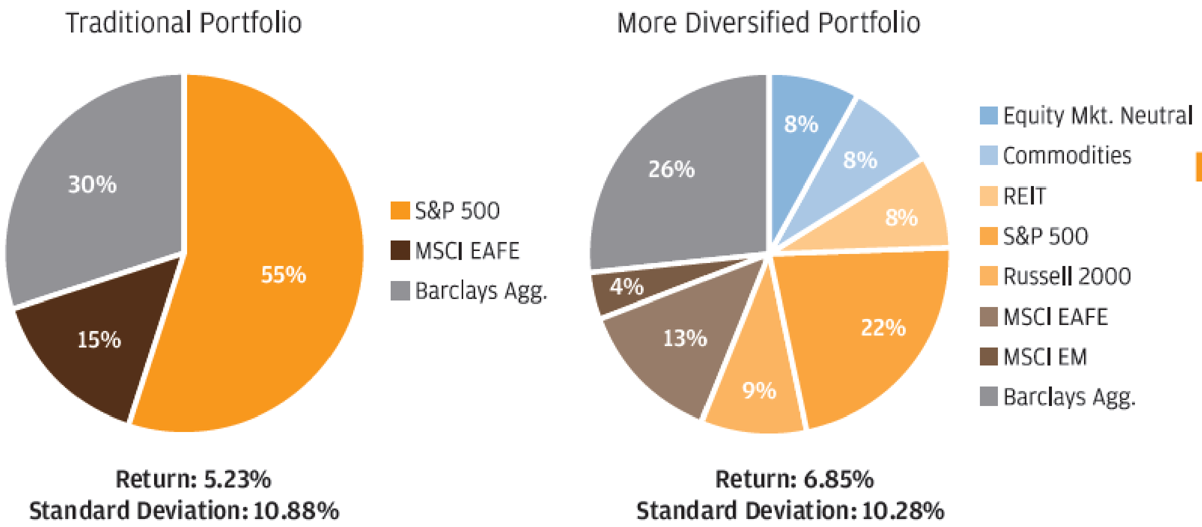
Market Timing

Return Achieved Above or Below Indices?

Stock Picking

Maximizing the Power of Diversification

Maximizing the power of diversification, 1999-2013



Mix it up wisely: Diversification may provide better returns with less risk.

Investing

Indexes and weights of the traditional portfolio are as follows: U.S. stocks: 55% S&P 500, U.S. bonds: 30% Barclays Capital Aggregate, International stocks: 15% MSCI EAFE. Portfolio with 25% in alternatives is as follows: U.S. stocks: 22.2% S&P 500, 8.8% Russell 2000; International Stocks: 4.4% MSCI EM, 13.2% MSCI EAFE; U.S. Bonds: 26.5% Barclays Capital Aggregate; Alternatives: 8.3% CS/Tremont Equity Market Neutral, 8.3% DJ/UBS Commodities, 8.3% NAREIT Equity REIT Index. Return and standard deviation calculated using Morningstar Direct.

Charts are shown for illustrative purposes only. Past returns are no guarantee of future results. Diversification does not guarantee investment returns and does not eliminate risk of loss. Data as of December 31, 2013.

The Importance of Diversification

MODERNIST FINANCIAL

The Effects of Diversification

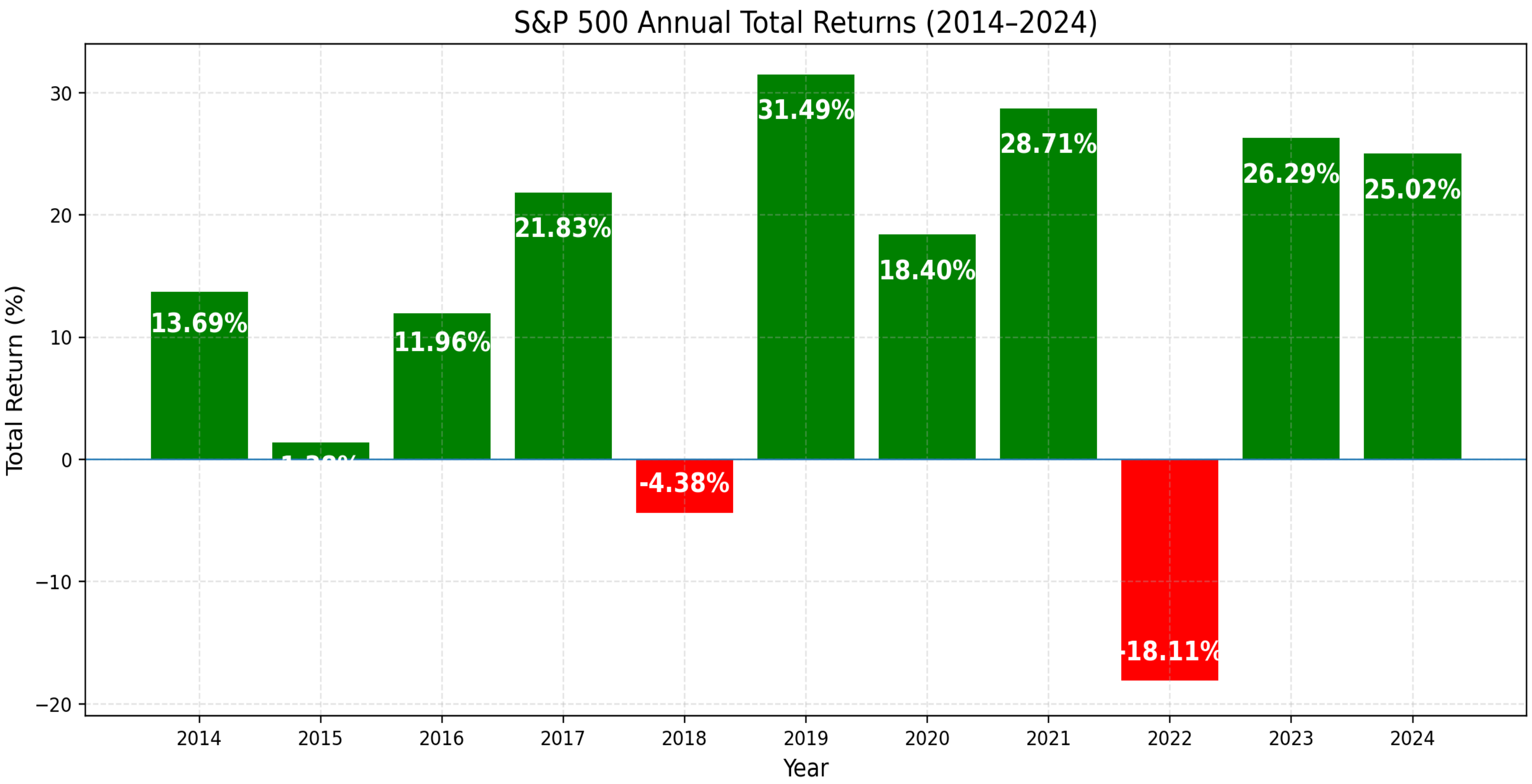
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
59.4%	33.6%	33.5%	36.0%	39.8%	10.4%	82.4%	28.1%	9.4%	19.5%	34.5%	32.0%	4.5%	31.7%	36.8%	2.1%	31.5%	18.4%	45.9%	1.5%
54.0%	33.2%	20.6%	31.7%	12.4%	6.6%	52.6%	24.5%	6.1%	18.7%	32.5%	13.7%	1.4%	17.3%	27.9%	1.9%	26.5%	18.4%	28.7%	-4.5%
46.0%	26.6%	14.5%	29.3%	8.5%	2.1%	36.7%	20.7%	2.3%	18.1%	32.4%	13.5%	1.2%	12.0%	24.2%	1.4%	23.1%	9.8%	28.3%	-5.6%
46.0%	24.5%	14.5%	27.4%	8.0%	-20.6%	33.7%	19.9%	2.1%	17.5%	27.7%	4.3%	1.1%	9.9%	21.8%	-4.2%	22.8%	7.6%	25.2%	-7.5%
39.4%	22.2%	13.8%	25.7%	6.9%	-28.9%	28.5%	15.5%	0.4%	17.3%	21.5%	4.2%	1.0%	7.9%	21.0%	-4.4%	22.5%	5.7%	13.3%	-7.7%
36.2%	20.4%	7.7%	23.5%	6.3%	-36.8%	26.5%	15.1%	0.1%	17.1%	21.0%	2.5%	0.1%	7.4%	14.3%	-5.1%	22.4%	4.6%	13.3%	-12.2%
30.0%	16.5%	7.1%	22.2%	5.5%	-37.0%	21.7%	10.9%	-1.7%	16.4%	15.7%	1.9%	-0.7%	7.4%	13.7%	-8.3%	17.7%	3.2%	12.6%	-14.0%
28.7%	11.7%	4.9%	15.8%	5.0%	-39.2%	20.6%	8.9%	-5.5%	16.0%	1.2%	0.0%	-3.0%	6.7%	7.8%	-12.9%	17.7%	2.8%	12.1%	-14.3%
23.7%	10.9%	4.7%	14.4%	2.0%	-43.6%	19.7%	5.0%	-11.7%	10.9%	0.6%	-1.8%	-3.8%	2.7%	3.8%	-14.1%	17.0%	2.6%	0.0%	-14.5%
2.3%	2.7%	3.1%	4.9%	-0.2%	-44.3%	2.3%	4.8%	-12.2%	2.1%	0.1%	-4.3%	-7.5%	1.5%	1.1%	-15.0%	5.2%	0.7%	-0.3%	-18.1%
1.9%	2.3%	3.1%	4.1%	-9.8%	-45.9%	0.2%	2.0%	-16.8%	1.7%	-1.2%	-5.4%	-7.7%	1.1%	1.1%	-15.1%	3.9%	-3.2%	-0.8%	-19.8%
1.1%	1.3%	1.7%	3.8%	-17.6%	-53.8%	-0.3%	0.1%	-19.5%	0.1%	-2.2%	-5.9%	-13.9%	0.3%	0.9%	-18.4%	2.3%	-11.2%	-1.7%	-26.0%

	20 Year Annualized Return	Best Year	Worst Year
S&P 500	9.8%	32.4%	-37.0%
U.S. Small Value Stocks	9.0%	46.0%	-28.9%
International Small Value Stocks	8.9%	59.4%	-45.9%
Emerging Markets Total Stock Market	8.8%	82.4%	-53.8%
U.S. Large Value Stocks	8.8%	32.5%	-36.8%
Real Estate	8.6%	45.9%	-39.2%
60-40 Index Mix	6.8%	23.7%	-20.6%
International Large Neutral Stocks	6.6%	39.4%	-43.6%
International Large Value Stocks	6.3%	46.0%	-44.3%
U.S. Intermediate Government Bonds	2.4%	10.4%	-7.7%
Global Short Bonds	2.1%	6.6%	-4.5%
Cash & Cash Alternatives	1.3%	5.0%	0.0%

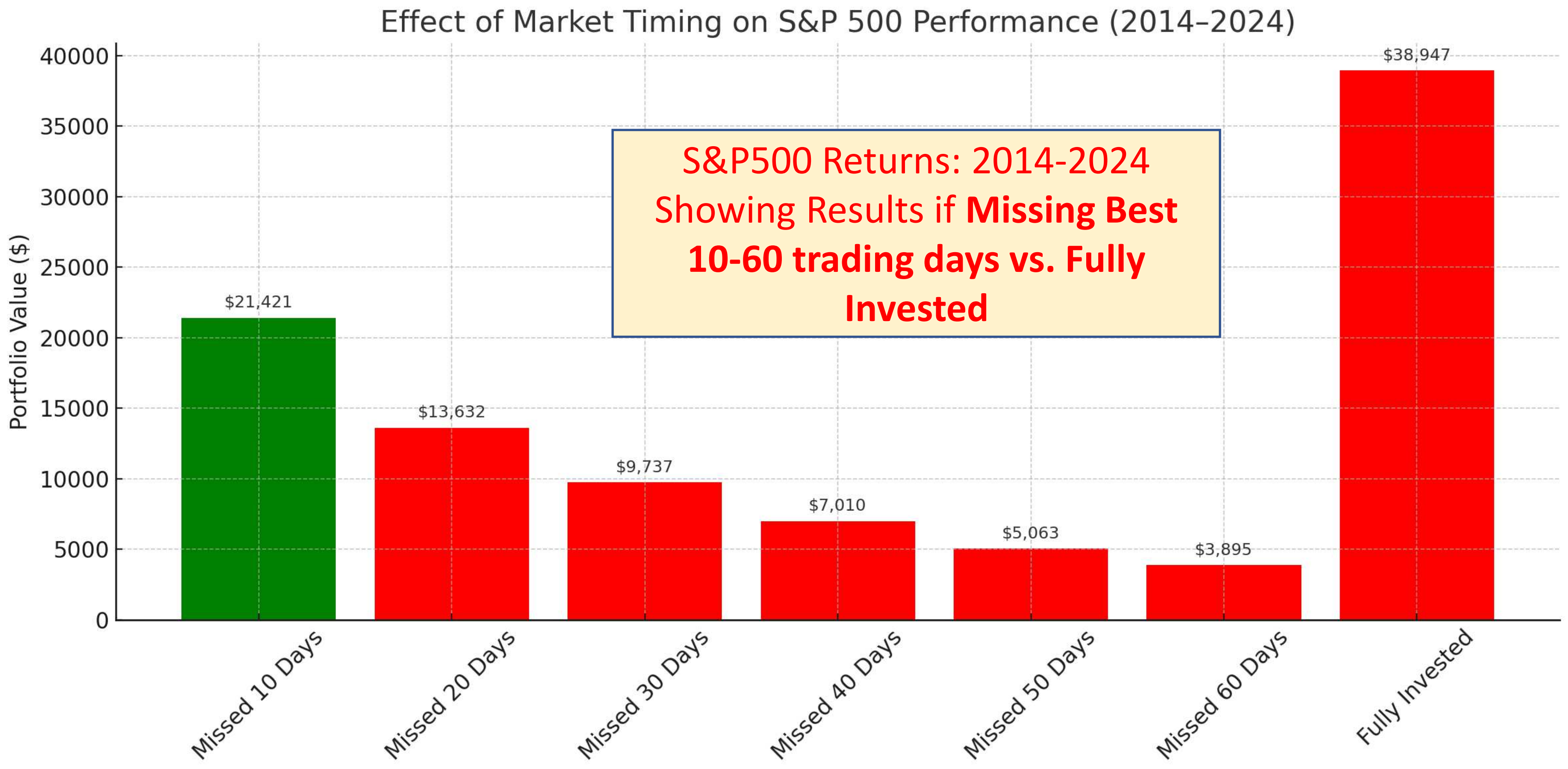
Source: Morningstar. Index representation as follows: S&P 500 (S&P 500), U.S. Large Value Stocks (Russell 1000 Value), U.S. Small Value Stocks (Russell 2000 Value), Emerging Markets Total Stock Market (MSCI Emerging Markets IMI NR), Real Estate (DJ US Select REIT), International Small Value Stocks (MSCI World Ex USA Small Value NR), International Large Neutral Stocks (MSCI World ex USA NR), U.S. Intermediate Government Bonds (Bloomberg Barclays US Government Intermediate Index), International Large Value Stocks (MSCI World Ex USA Value NR), Global Short Bonds (FTSE WGBI 1-5 Yr Hdg USD), Cash & Cash Alternatives (ICE BofAML US 3M Trsy Bill).

Indexes are unmanaged baskets of securities that are not available for direct investment by investors. Index performance does not reflect the expenses associated with the management of an actual portfolio. This information should not be considered as a demonstration of actual performance results or actual trading using client assets and should not be interpreted as such. The 60-40 Index Mix historical performance information is provided to demonstrate the methodology used in building portfolios using the investment strategy in this presentation and the potential benefits of diversification with distinct asset classes. This information should not be considered as a demonstration of actual performance results or actual trading using client assets and should not be interpreted as such. The historical index performance results are hypothetical and were derived by back testing of index data, not actual accounts or investment results. Back tested index performance does not reflect the impact that material economic and market factors may have had on an advisor's decision-making in managing actual client accounts. Past performance is not a guarantee of future results. All investments involve risk, including loss of principal. Foreign securities involve additional risks, including foreign currency changes, political risks, foreign taxes, and different methods of accounting and financial reporting. Fixed income investments are subject to interest rate and credit risk. Emerging markets involve additional risks, including, but not limited to, currency fluctuation, political instability, foreign taxes, and different methods of accounting and financial reporting. Real estate securities funds are subject to changes in economic conditions, credit risk and interest rate fluctuations. Charts are for illustrative purposes only and these are not representative of any client account. Time period was chosen to reflect a representative historical illustration of longer term effects of diversification.

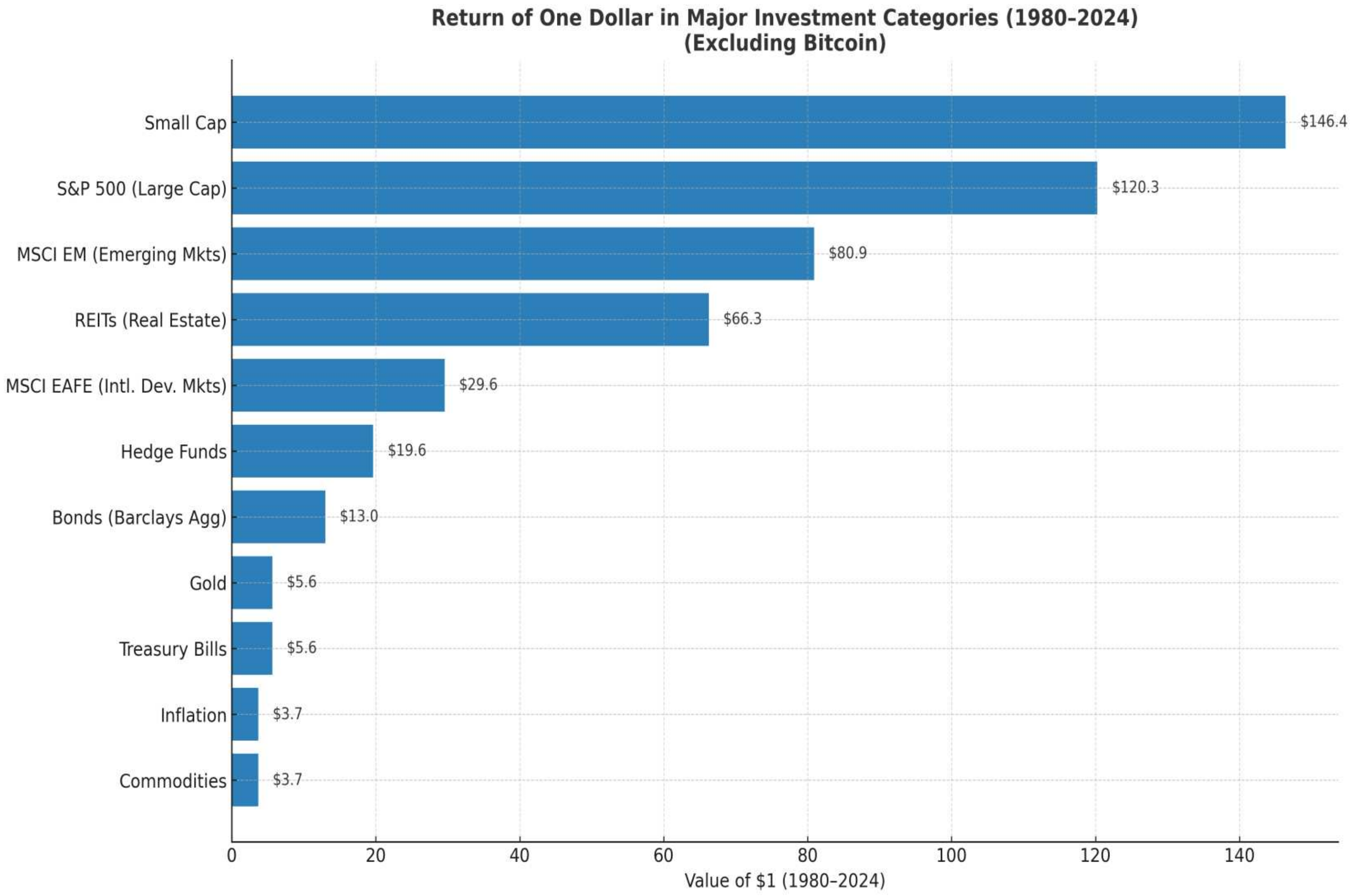
SP500 Performance at Inflection Points 2014-2024



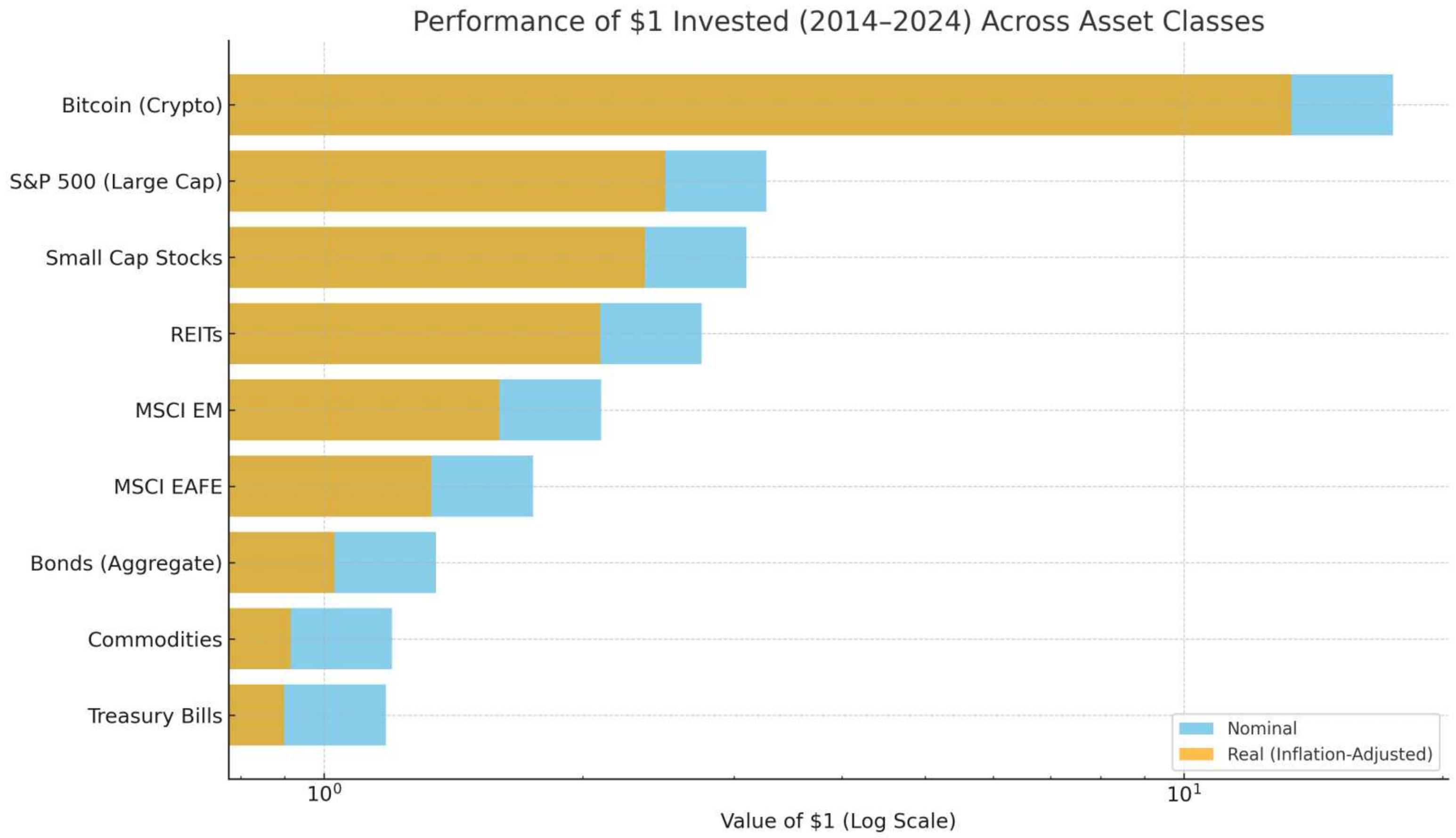
Market Timing Effects on S&P 500 Performance



Performance Return of $1 in Major Asset Classes: 1980 - 2024



Performance Return of $1 in Major Asset Classes: 1980 – 2024 (incl: Crypto)

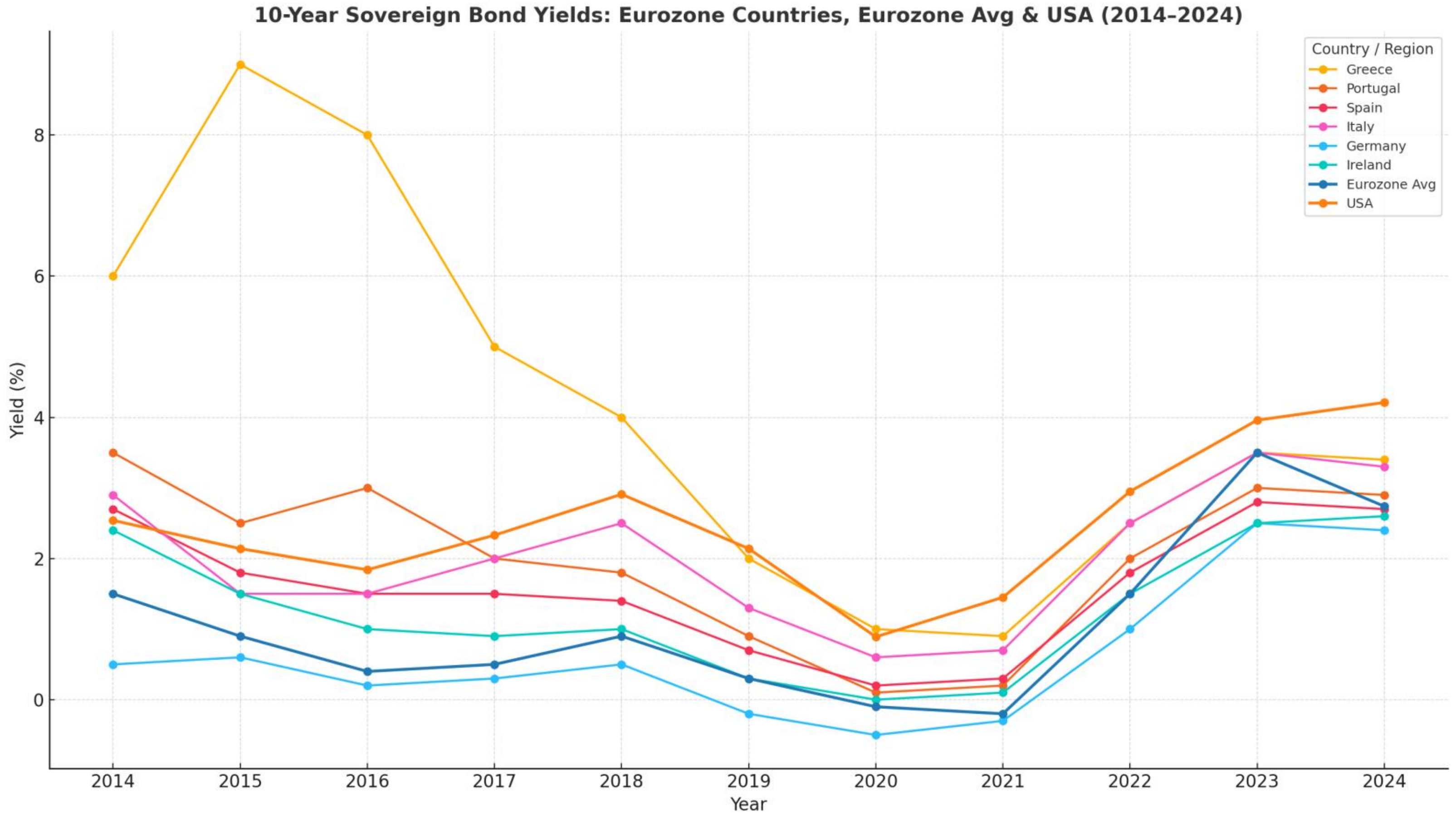


Asset Growth 2014–2024 (Starting from $1)

- **S&P 500 (Large Cap):** ~$1 → $3.27
- **MSCI EAFE (Intl. Dev. Mkts):** ~$1 → $1.75
- **MSCI EM (Emerging Mkts):** ~$1 → $2.10 (estimate)
- **Small Cap Stocks (Russell 2000):** ~$1 → $3.10 (estimate)
- **REITs:** ~$1 → $2.75 (estimate)
- **Commodities:** ~$1 → $1.20 (estimate)
- **Bonds (Barclays Agg):** ~$1 → $1.35 (actual cum yield)
- **Treasury Bills:** ~$1 → $1.18 (based on effective rates)
- **Bitcoin (Crypto):** ~$1 → $17.50 (actual cumulative return ~1,650%)

The10-year Sovereign Bond Yields

for the USA, Eurozone, Greece, Portugal, Spain, Italy, Germany and Ireland - 2014 to 2024



Correlations and Volatility per Main Asset Class