StrategicPoint
A FOCUS FINANCIAL PARTNER

Investment Management Services - Philosophy and Process

Fiduciary Commitment

StrategicPoint, as a Registered Investment Advisor, has a fiduciary duty to always put your financial interests above all else - even our own, and to disclose any conflicts of interest. At every step of the wealth management process, including investment management, we develop strategies and clearly articulate recommendations based on what is most advantageous for you.

StrategicPoint Investment Philosophy

Because investing is an emotional issue, it is imperative that management is executed and overseen by a dispassionate professional, who has the resources and expertise to do the job. Additionally, this professional should have a specific philosophy that is consistent with your needs.

The StrategicPoint investment outlook is guided by the notion that those who limit losses by executing a systematic approach to managing risk are more likely to achieve their longer-term goals. We do not aim to "beat the market"; rather our objective is to help you achieve the returns that are appropriate given your specific risk tolerance.

Portfolio management has duel goals – preserving your assets and growing your money. At first glance these goals might seem incompatible, as everyone wants to make a lot of money while never losing a penny. We all know this is virtually impossible. But there is a realistic balance that can be achieved between preservation and growth as long as the investor is willing to accept some tradeoffs. This is where your understanding of risk comes into play.

Risk is the chance that your portfolio will perform other than expected. Risk tolerance takes into consideration such factors as: how long until you need to spend your money, your feelings about volatility (the swings of the market), and your willingness to accept losses both on a short and long-term basis.

An often overlooked risk is living longer than your assets. It is not enough to seek safe investments if they cannot give you the growth you need to match your longevity. At the same time, you should understand that assuming more risk not only increases your chance of making more money, it also increases your chance of *losing* more money, a fact that is usually forgotten when markets are rising.

We are constantly thinking about the balance between growth and preservation.
We weigh the risks in the system and determine the allocation to match your stated risk tolerance levels and your longer term financial goals.

Tactical Asset Allocation

StrategicPoint employs a proactive, tactical asset allocation process that incorporates our analysis of macro global economic data and industry/sector trends. Tactical asset allocation does not mean "market timing," but it is fundamentally different than the "buy and hold" strategy or passive reallocation based on fixed formulas, both of which were prevalent during the 80's and 90's.

Tactical asset allocation requires the manager to establish ranges for the weighting of each asset class in the portfolio. StrategicPoint determines actual percentage allocations within the established ranges based on our economic and market analysis. While it is virtually impossible for anyone to know exactly when to move an entire portfolio in and out of the markets, it is possible to enhance the risk-reward ratio in a portfolio by making prudent and informed tactical asset allocation decisions.

Tactical asset allocation is an active investment strategy. It means daily review of data, markets and specific assets. That does not mean that we trade every day, but it means that we must be ready to trade every day.

StrategicPoint Portfolio Models

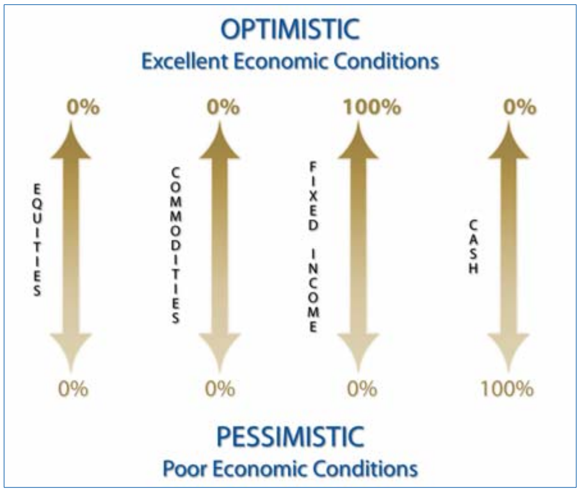
StrategicPoint offers six portfolio models, each with a range of investment risk. As a SPIA client, you are placed in a portfolio model based on measurements of your risk tolerance. Before selecting a portfolio model, we talk to you about your understanding of, and ability to accept, risk. The goal is to select a portfolio model where you can feel comfortable in both good times and bad.

Clients may change portfolio models. However, we encourage those changes only after careful discussion between you and your advisor to ensure that life events are driving the request and not emotional reactions to temporary market conditions.

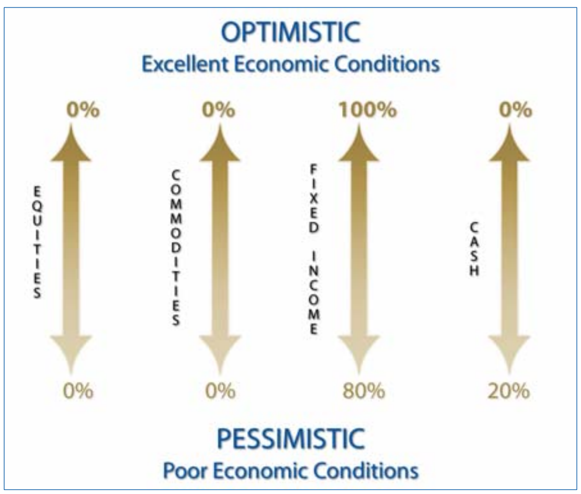
Portfolio Model Descriptions

Next to each model description below is a chart describing the range of holdings in each asset class. The chart reflects the maximum and minimum percentage allocation among equities or stocks, commodities, fixed income or bonds, and cash equivalents.

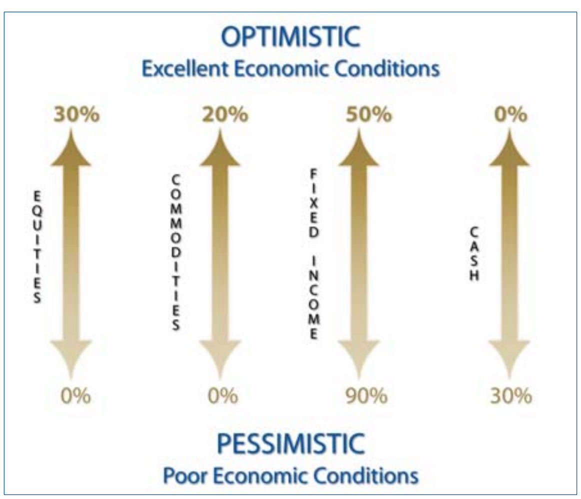
Because economic conditions vary, one allocation cannot fit all situations. When the economy is strong, some investors can have more money invested in equities and commodities, which carry more risk. However, when economic conditions are weak, investors are often better off with greater reserves in fixed income or cash equivalents.



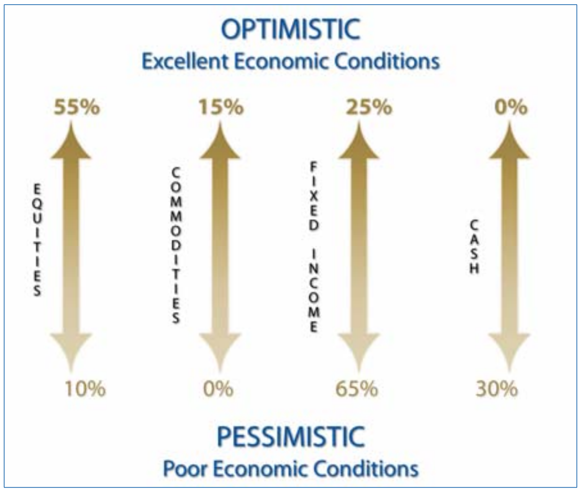
Principal Protection Model
Investors choosing the Principal Protection Model seek little or no fluctuation in principal. Growth of the portfolio is not a priority, although some income is desired.



Income Model
Income investors are not comfortable with large swings in market valuations, but can assume a small amount of risk. Risk exposure is often tied to interest rate and credit quality risk.

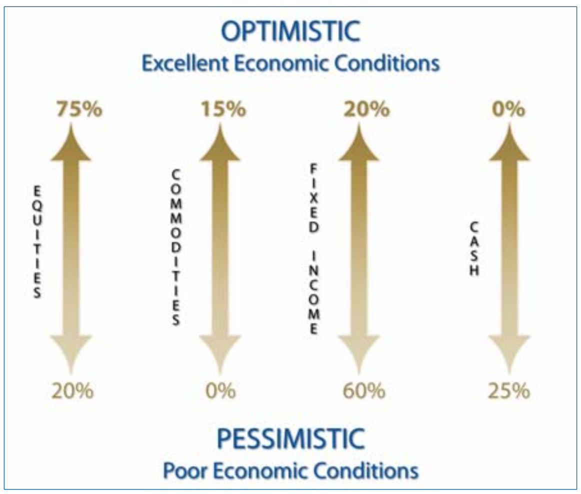


Conservative Model
Conservative investors weigh preservation of principal as a greater goal than growth of principal. They prefer modest exposure to riskier assets, such as equities or commodities, but are willing to assume a small amount of risk in these asset classes.



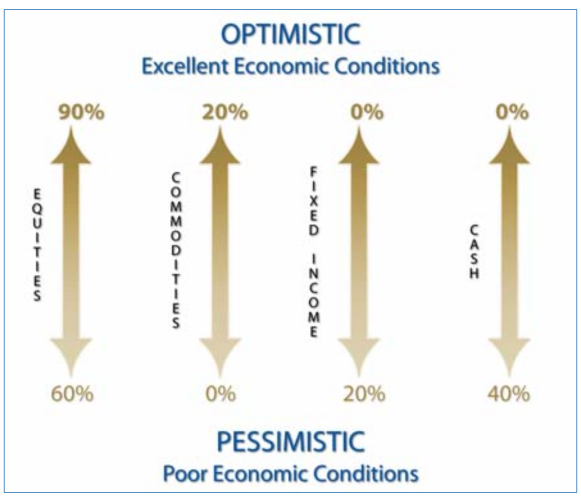
Balanced Model

Balanced investors are interested in growing their assets, but not at the expense of wild gyrations in their accounts. Instead, balanced investors would rather give up some potential for growth in the hopes of a smoother ride.



Growth Model

Growth investors want their portfolio to increase in value and are willing to accept greater risk to achieve that growth. The range of equities and commodities in this model is broad, reflecting the investor's secondary goal of moderate volatility.



Aggressive Growth

Aggressive investors usually do not need to access their money for at least ten years and are willing to assume the increased risks of owning a large percentage of equities and commodities.

Portfolio Construction

The following steps are used in the formation and management of our portfolios:

Establishing the macro economic trends

Our portfolios are constructed and monitored by our Portfolio Management Committee (PMC) which consists of key members of the StrategicPoint executive team. In building and reviewing our portfolios, the PMC first compiles the data necessary to formulate a thesis about where we believe we are in the business cycle. This "top-down" analysis includes such domestic and international data points such as: monetary policy, inflation, corporate profits, forward P/E, employment, GDP, business cycle trends, consumer sentiment and spending, productivity, mutual fund inflows, fiscal policy and geopolitical events, etc.

Practicing risk diversification.

Different asset classes work best with different risk scenarios. Unlike traditional diversification, which only requires investing in a variety of assets, StrategicPoint encourages risk diversification, whereby we place assets within different risk parameters and then emphasize or de-emphasize the holdings based on our macro economic view of the economy.

An example of how we might perceive the risk environment is given below. In this example, we have identified four key financial risks. Under each risk we list asset classes that could, but not necessarily would, do well under each of the economic conditions. Any one type of asset may do well in more than one risk environment. However, our goal is to ensure that we allow for holdings under each risk parameter that we have identified.

RISK DIVERSIFICATION

INFLATION	**DEFLATION OR FALLING RATES**
Precious Metals	Treasuries and Corporate Bonds
Select Equities	Global Bonds
Emerging Market Debt	Dividend Paying Stocks
TIPS	Cash
RISING INTEREST RATES	**GROWTH**
High Yield Bonds	Emerging Market Equities
Floating Rate Bonds	U.S. Equities – Small/Mid/Large cap
Unconstrained Bonds	Developed Market Equities
Short Term Bonds	Commodities

Selecting Timely Asset Allocation

Through our understanding of macro economic trends and risk diversification, the Portfolio Management Committee establishes or revises its overall asset allocation for each portfolio model with regards to equities, commodities, fixed income and cash.

The Committee then looks to purchase or sell individual holdings within each of the asset classes based on:

- *Identifying Sectors.* Tactical asset allocators believe that certain sectors of the economy and markets can outperform in different segments of the business cycle.

- *Balancing Income and Growth.* Our performance is based on total return, a combination of yield and appreciation. Our more conservative portfolios tend to hold more income producing assets while our more aggressive portfolios most often focus on appreciation over yield.

- *Determining Attractive Valuations:* It is not enough to identify a strong asset class in a particular market environment. We must also look at the asset's valuation to avoid the treachery of buying too high. Even the best holdings can tumble if their prices are elevated. And many out-of-favor assets can be attractive at some price point. This means that sometimes we must be patient for the right buying opportunity. At the same time, we should be willing to sell if profits increase our valuations above our desired allocation.

Maintaining a Dose of Humility
Portfolio investment is humbling. Even the best manager cannot predict all the factors that could influence a portfolio or how these factors can interact to change portfolio performance. We are very mindful that we cannot always create winners and that sometimes we have to say, "We don't know." This attitude helps us to avoid sudden decisions, to stay diversified and to keep your interests first and foremost in our minds.

Keeping You Informed
It is extremely important that you understand our overall investment philosophy. We don't expect you to second guess our investment moves, but we want you to feel comfortable with the approach we are taking in managing your money.

Through our weekly Monday e-mails we update you on the financial markets and inform you of changes we have made in your portfolios. We hold periodic conference calls to review our outlook for the economy and potential portfolio strategies we may pursue. And our advisors are always ready to keep you informed and answer your questions regarding your investments or any other financial concerns you might have.

The New Economy
Investment management is an ongoing process. Each day brings new economic data, with fresh insights into the global economy and its implications for our portfolios. We no longer live in a world where we believe "set and forget" is the formula for investment management. The new economic times require investment managers to be alert and flexible, ready to act and prepared to hold back. Having a systematic approach to creating and maintaining portfolios allows us to combine patience with opportunity, bringing you dispassionate decisions in a volatile world.