The Blueprint for Core Investing

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EQUITY COMPASS STRATEGIES

Investment Advisory Services

The Blueprint for Core Investing

"What's needed [to invest successfully over a lifetime] is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework."

Preface by Warren Buffett
The Intelligent Investor
by Benjamin Graham

The recent bear market has spawned a profound change in investment thinking. Wary of Wall Street and the frailty of major financial institutions, investors have experienced acute risk aversion. The buy and hold approach has fallen short, and the notion that best of breed money managers can mitigate volatile financial markets has been discredited.

Complacency has been swept away. Now investors must look ahead and find an acceptable strategy to meet their future financial objectives despite the frustrations and disappointments of the past. Some would have us believe that successful investing takes only Wall Street savvy, or that it is a right-brain gift of intuitiveness or creative thinking. Not likely — there is very little empirical evidence to suggest these qualities predict consistent success. The facts point as much to random luck as they do to distinguished bouts of manager outperformance.

Some "free rein" managers continue to bet on their ability to forecast the economy, identify superior asset class performers, and entry and exit to the stock market. These endeavors are difficult at best and at their worst hook investors to the rollercoaster of financial markets. Investing is not an art and portfolio managers are not artists. On the contrary: successful investing is mostly a left-brain function of mathematical calculation, we submit, and disciplined decision-making to control right-brain biases.

What the investor is seeking is an approach to investing that is successful, explainable, and has a high likelihood of repeating. An approach that would help them withstand the urge to submit to the emotional risk of investing that overwhelms rational thinking. Staying invested when confidence is low. Resisting the urge to take on more risk when confidence is high. Investors concede these are fundamental tenets to success, if only they knew how to follow them with a decent level of certainty.

The Blueprint for Core Investing is the EquityCompass approach to these investment challenges. Relying on objective criteria, sound investment principles, and consistent application, we believe the methodology presented in this report provides a reliable path for achieving successful investment results.

Executive Summary

- The emotional or psychological risk in investing is a significant hurdle to achieving successful results. A core/satellite investment framework provides a flexible and practical approach to segregate risk for allocating investment assets. The core portfolio, comprised of traditional stocks and bonds, is the foundation for building and protecting long-term wealth.

- The EquityCompass approach to constructing a core portfolio has four components: **(1) Strategic Asset Allocation** provides the long-term perspective to allocate between stocks and bonds, **(2) Tactical Asset Allocation** delivers the risk mitigation or opportunistic strategies that adjust the strategic allocation to intermediate and near-term market conditions, **(3) Portfolio Construction** gives the specific guidelines for portfolio and security selection, and **(4) Portfolio Management** administers the rebalancing, risk monitoring, and maintenance of portfolio positions to remain consistent with investment principles.

- Time horizon is the critical element for allocating investment assets. Time lines that are too short or too long can overemphasize the expected risk and reward of investing in stocks and bonds. Historically, an allocation of 60% stocks and 40% bonds has been the optimal risk-adjusted allocation for investors with a time horizon of five years. The 60/40 mix is the base allocation for the EC Core Portfolio.

- Financial markets that have extended performances above or below their historic norms should anticipate a period of mean reversion. These abnormal performance periods are reflected with a tactical adjustment to increase or decrease the allocation to stocks from their 60/40 mix. The tactical model for the EC Core Portfolio increased the allocation to 70/30 in January of this year to reflect the five-year trailing returns of stocks that was more than two standard deviations below their average.

- While strategic and tactical allocation decisions are based on historical performances, they do not necessarily reduce the emotional risk reacting to nearer-term market conditions. The understanding that an investment plan can provide some protection against a prolonged market decline better enables investors to stay invested during periods of market turbulence. The EC Core Portfolio incorporates a risk-management overlay using fundamental and technical indicators to further adjust the exposure to equities.

- The equity allocation of the EC Core Portfolio is comprised of active and passive strategies investing in domestic and international stocks. The active portion follows the EquityCompass U.S. All-Cap Blend Model portfolio that seeks to outperform with a strategy designed to neutralize biases to investment style, market-cap segment, and sector representation.

- The fixed-income strategy of the EC Core Portfolio emphasizes credit quality and capital stability. The strategy does not engage in active management such as interest rate anticipation, sector swaps, yield curve spreads, or quality spreads. The portfolio will not own high-yield or foreign bonds.

- Using a benchmark annually rebalanced to 60% S&P 500 and 40% Barclays U.S. Aggregate Bond Index, we simulate the comprehensive decision-making criteria of the EC Core Portfolio. In the 115 month study period, the core strategy provided significantly lower volatility and excess return to the benchmark. We attribute excess return to multiple sources, which we believe is a major positive and illustrative of combining focused and incremental decision-making to produce successful overall investment results.

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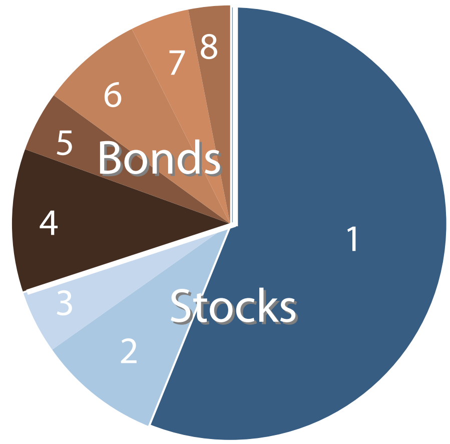
EC Core Portfolio

as of 30 Jun 2009

Stocks	70.0%
1 U.S. Equities	56.0%
2 Intl. Equity - Developed Markets	9.2%
3 Intl. Equity - Emerging Markets	4.8%
Bonds	**30.0%**
4 U.S. Corporate	10.5%
5 U.S. Treasuries - Long Term	4.5%
6 U.S. Treasuries - Short Term	7.5%
7 U.S. Treasuries - Inflation Protected	4.5%
8 Cash	3.0%

Chart 1



Core/Satellite Investment Approach

Core/Satellite is an approach to asset allocation incorporating sound theory and the practical realities of investing.

As investors accumulate wealth, their needs progress from safety and liquidity to creating and protecting wealth consistent with longer-term financial objectives. An investment approach that provides the flexibility and focus to accommodate a lifetime of investing is known as core/satellite. This approach incorporates accepted asset allocation theory with the practical realities of investing.

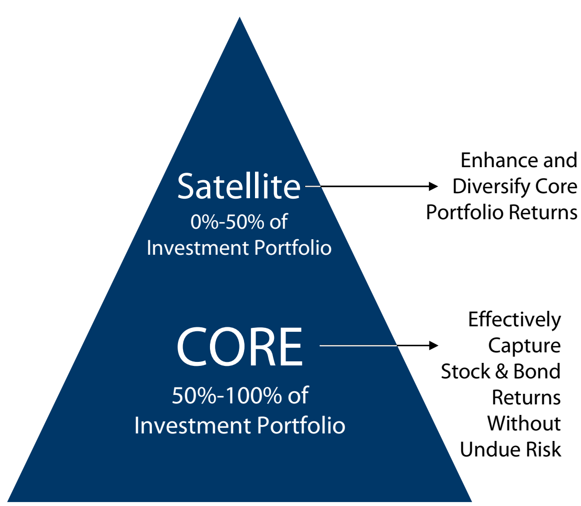
Core

The foundation of this approach is a core investment strategy. The objective of the core portfolio is to reliably and effectively capture market returns. A broadly diversified stock and bond portfolio is designed to accomplish this objective. A key consideration of core investing is the time horizon for allocating between stocks and bonds and among major stock/bond sub-classes. For most investors, the core portfolio should represent the majority of their investment and the foundation for supporting the use of more dynamic investments in the satellite category.

Satellite

Satellite investment strategies, on the other hand, are designed for the flexibility to pursue a range of objectives to augment core investments. While the core seeks to capture market returns, the satellite portfolio seeks to enhance them. The satellite portfolio may include Alpha strategies to enhance core portfolio returns without non-core constraints such as overweighting sectors or stocks, use of leverage, and short selling. Alternative strategies diversify core portfolios with other asset classes such as high yield bonds, real estate, commodities, and absolute return strategies. Strategic satellite strategies are specific to the unique needs, opportunities, and desires of an investor.

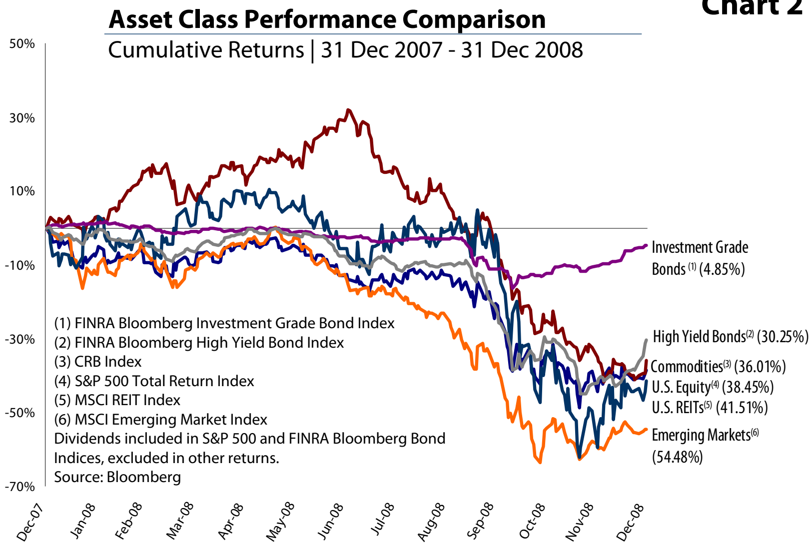
Illustration 1



Core/Satellite Advantages

The core/satellite approach segregates assets within the hierarchy from lower risk with ready liquidity, to investments with higher risk and less liquidity. For example, the expectations for core strategies are broad market stock and bond returns that, when combined, offer the potential for a higher return than bonds but with lower volatility than stocks.

Chart 2



Satellite strategies are more narrowly focused and should be evaluated by their relevant risk and return factors that are greater than, or different from, a broader core portfolio.

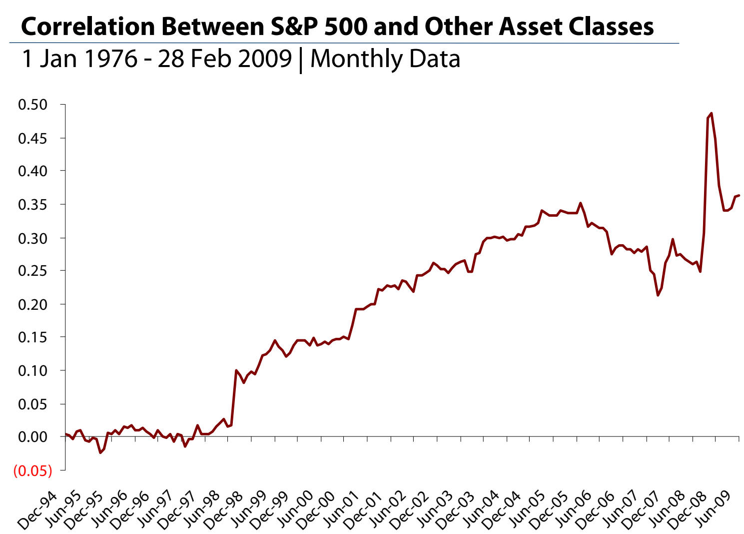
MPT's diversification benefit was reduced in 2008 as asset classes became highly correlated.

Core/Satellite vs. Conventional Allocation Approaches

Conventional asset allocation theories use historical risk/return correlation of asset classes to identify an optimal portfolio mix. Known as Modern Portfolio Theory (MPT), this approach provides a logical framework to diversifying assets. However, the bear market in 2008 undermined the MPT's effectiveness as asset classes became highly correlated, and as expected, reduced the benefit of diversification (**Charts 2** and **3**).

This bear market highlighted certain other weaknesses of MPT. First, the assumption that investors will maintain their same level of risk tolerance throughout an investment cycle is unrealistic. Investors' perception of risk in 2009 is no doubt very different from an asset allocation implemented in 2007. Second, asset classes are becoming commoditized, due to the increased securitization and globalization of financial markets. This is likely increasing correlations from their historical past. In other words, the optimal mix of asset classes is difficult to identify because the historical correlations are a less reliable proxy for future correlations.

Chart 3



(1) Average of the 60-month correlation of the monthly changes in S&P 500 with that of MSCI EAFE, MSCI Emerging Market Index, CRB Index, SpotGold, Copper Perpetual Futures, Treasuries (10-Year and 3-Month), and EURO

Source: Ned Davis Research

Core/satellite incorporates aspects of MPT as a sound construct for asset allocation, and builds upon it to create a pragmatic and flexible approach to investing.

The EquityCompass Approach to Constructing a Core Portfolio

EquityCompass believes that a core portfolio should seek to effectively capture market returns while minimizing the risk of underperformance. Like index funds, it should offer broad diversification and track relevant benchmarks; and like traditional funds, it should offer active management and superior stock selection to potentially outperform.

We have adopted a four-step investment process to building our version of the core portfolio ("EC Core Portfolio" or the "Portfolio"). The important consideration of a core strategy is the investment process that guides decision-making.

There are four components:

I) **Strategic Asset Allocation** provides the long-term perspective anchoring the allocation between stocks and bonds to achieve expected financial returns

II) **Tactical Asset Allocation** delivers the risk mitigation or opportunistic strategies that adjust the strategic asset allocation to intermediate and near-term market conditions

III) **Portfolio Construction** gives specific guidelines for portfolio and security selection

IV) **Portfolio Management** administers the rebalancing, risk monitoring, and maintenance of portfolio positions to remain consistent with investment principles

In each of these components, *Blueprint* presents specific decision-making criteria that we believe incrementally add value and when combined, provide a fully synchronized approach to successful investing.

Like index funds, a core portfolio should offer broad diversification and track relevant benchmarks; and like traditional funds, it should offer active management and superior stock selection to potentially outperform.

I. Strategic Asset Allocation

The variability of returns is greatest in the short-term, and time horizon is an important determinant of expected return. For core portfolios, the investment horizon needs to be long enough to garner the benefits from stock and bond investing but not so long that it obscures the risks that are likely to occur along the way. For example, a 20-year investment horizon minimizes the emotional risk of investing during periodic bull and bear cycles. Alternatively, a one-year time horizon makes stocks look very risky and minimizes the superior rewards stocks have provided versus other asset classes over time. EC Core Portfolio utilizes a five-year time horizon in allocating between stocks and bonds. Using historical returns and measures of volatility assuming five-year holding periods, the best risk/reward tradeoff has been an allocation of 60% stocks and 40% bonds, which is the baseline allocation of the Portfolio (**Table 1**).

Table 1

Baseline Stock/Bond Allocation

Annualized Rolling 5-Yr Buy & Hold Returns |1 Jan 1947 - 31 Dec 2008

Asset Mix		Standard	Annualized	Reward/
Stocks (1)	Bonds (2)	Deviation	Return	Risk (3)
0.0%	100.0%	5.1%	5.9%	1.16%
10.0	90.0	4.8	6.6	1.37
20.0	80.0	4.6	7.2	1.58
30.0	70.0	4.5	7.9	1.75
40.0	60.0	4.5	8.5	1.87
50.0	50.0	4.7	9.1	1.94
60.0	**40.0**	**5.0**	**9.7**	**1.94**
70.0	30.0	5.4	10.3	1.91
80.0	20.0	5.9	10.8	1.85
90.0	10.0	6.4	11.4	1.77
100.0	0.0	7.0	11.9	1.69

(1) S&P 500 Total Return Index
(2) S&P Long-Term Government Bond Index
(3) Reward/Risk is equal to Annualized Return *divided by* Standard Deviation
Source: Ned Davis Research

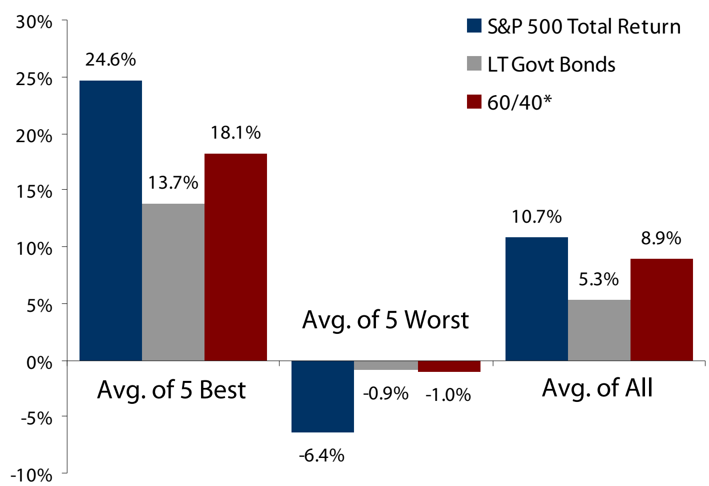
The baseline strategic allocation for the EC Core Portfolio is 60% stocks and 40% bonds. This allocation captured 75% of the gain in stocks while minimizing losses in declining market periods.

Chart 4 shows historical performance for rolling five-year buy and hold periods assuming an annually rebalanced 60/40 stock/bond portfolio. The average for all periods has produced an attractive return lower than a riskier all-stock portfolio (S&P 500) but well-above a lower return bond portfolio. The average of the five worst 60/40 periods significantly mitigated the losses of an all-stock portfolio while still capturing 75% of the gain in the five best all-stock periods. As such, the major advantage of a 60/40 strategic allocation is the substantial reduction in volatility of investment returns by diversifying between the two asset classes. Volatility is a source of psychological risk and is a significant factor in an investor's wherewithal to stay committed to an investment plan. Historically, the five-year 60/40 mix has experienced volatility that is 30% less than the S&P 500 and about the same as an all-bond portfolio, which has produced superior risk-adjusted performance for the stock/bond allocation.

Chart 4

Case for 60/40 Investing

Annualized Rolling 5-Year Buy & Hold Returns | 1 Jan 1933 - 31 Dec 2008



(*) Annually rebalanced
Stock returns are represented by the S&P 500 total Return Index
Bond total returns are represented by the Ibbotson Long-Term Government Bond Index (1933-1973) and Barclays Government Bond Index (1974-2008)
Dividends included
Source: Ned Davis Research, EquityCompass Strategies

II. Tactical Asset Allocation

The EC Core Portfolio can dynamically adjust the base strategic allocation to respond to new sources of risk or to take advantages of the opportunities presented by the changing conditions in the global markets while maintaining the Portfolio's original risk/reward profile over time. The Portfolio achieves this via the annual strategic rebalancing and by incorporating the Equity Risk Management Strategy, both of which are based on pre-defined rules and implemented using proprietary portfolio construction models. The annual strategic rebalancing adjusts the stock/bond allocation depending on the current market conditions in relation to historical long-term performance. The Equity Risk Management Strategy is an all-equity strategy that dynamically manages the Portfolio's exposure to the equity markets — providing protection from equity market downside risks and volatility control while still maintaining the portfolio's ability to participate in enduring market advances.

Annual Rebalancing to Alter the Base Stock/Bond Mix

Strategic asset allocation is a long-term perspective for investing and not a short-term market forecast. Under normal circumstances, an annual realignment of the stock/bond allocation is sufficient to maintain the strategic risk and reward objective. In the intermediate term, there are times when it is prudent to position the investor for wealth creation after a lengthy bear market or to protect wealth after a prolonged bull market. The early 1980s experienced trailing five-year stock returns far below their historical average on the eve of an extended bull market. The opposite situation occurred at the end of 1999, when five-year returns were well above their historical average prior to a major bear market. During these abnormal periods, we make changes to the strategic allocation to counter the investment return anomalies and better optimize expected portfolio performance.

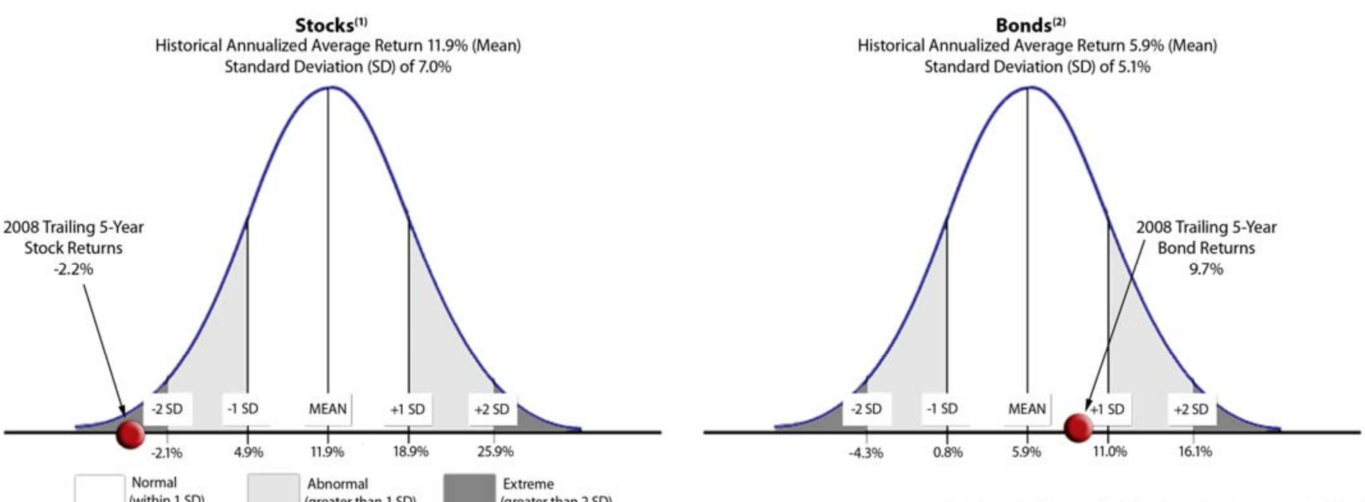
Tactical asset allocation addresses unusual periods of risk and opportunity to alter the strategic 60/40 mix.

The methodology to over-/underweight stocks from the 60/40 allocation is illustrated in **Illustration 2**. The bell curves represent the average (mean) five-year annualized return and standard deviation for stocks and bonds. Standard deviation (SD) quantifies the volatility of past investment returns. Historical results within 1 standard deviation occurred 68% of the time and are considered in the normal range. Annualized returns greater than 1 standard deviation are abnormal, occurring between 68% and 96% of the time and extreme when the standard deviation is greater than 2. The five-year return of stocks by the end of 2008 was more than two standard deviations below its historical average. Bonds, on the other hand, are within their normal deviation range.

Illustration 2

5-Year Annualized Buy & Hold Returns and Standard Deviations (SD) for Stocks and Bonds

31 Jan 1947 - 31 Dec 2008



(1) S&P 500 Total Return Index; (2) S&P Long-Term Government Bond Index
Source: Ned Davis Research

The theory that stock returns are mean reverting over time is a compelling observation of historical performance analysis. To incorporate an expectation that extended periods of abnormal or extreme stock returns are likely to be followed by normalizing performances, we adjust the strategic allocation using **Table 3**. The allocation adjustment corresponds to the determination that trailing five-year returns of stocks and bonds are abnormally or extremely above or below their average returns as shown in **Illustration 2**. The likely scenario or normal range will make no adjustment to the 60/40 strategic allocation. Vectoring the extremely below performance of stocks in the last five years at the end of 2008 and normal range for bonds, the strategic allocation is adjusted to 70/30 for 2009.

Table 3

Strategic Stock/Bond Allocation Adjustment

Equity Allocation

Bonds \ Stocks	Extreme Below (>-2 SD)	Abnormal Below (>-1 SD)	Normal (Within 1SD Range)	Abnormal Above (> +1 SD)	Extreme Above (> +2 SD)
Extreme Above (>+2 SD)	80 / 20	75 / 25	70 / 30	65 / 35	60 / 40
Abnormal Above (>+1 SD)	75 / 25	70 / 30	65 / 35	60 / 40	55 / 45
Normal (Within 1SD Range)	**70 / 30 (Allocation for 2009)**	65 / 35	**60 / 40 (Base Allocation)**	55 / 45	50 / 50
Abnormal Below (>-1 SD)	65 / 35	60 / 40	55 / 45	50 / 50	45 / 55
Extreme Below (>-2 SD)	60 / 40	55 / 45	50 / 50	45 / 55	40 / 60

Extended periods of above or below average performance of stocks and bonds are reasons to alter strategic allocation.

Performance Simulation of Tactical Allocation Adjustments

The performance simulation of the strategic and tactical allocation methodology is shown in **Table 4**. This time period of 19 years experienced three bear markets (shaded area in **Table 4**) and two major bull markets, which is roughly representative of the market cycles in the last 100 years. The tactical rules shifted to underweight stocks from the long-run 60/40 allocation in the later stages of the bull market in 1998–2000. The strategic allocation was overweight stocks in 1993 to 1994 and in the bull recovery from 2003 to 2006. In the bear market of 2008, the tactical and strategic allocations were at the historical 60/40 mix, which did not inflect extra pain by being overweight to stocks.

Table 4

EquityCompass Strategic Allocation Simulation (Stock/Bond)

1 Jan 1990 - 1 Jun 2009

	Strategic Allocation	Allocation to Equity	Performance Comparison: S&P 500	Barclays Agg. Bond Index	Strategic Allocation
1990	60 / 40	Normal	-3.3%	9.0%	**1.6%**
1991	60 / 40	Normal	30.5	16.0	**24.7**
1992	60 / 40	Normal	7.6	7.4	**7.5**
1993	65 / 35	Overweight	10.1	9.8	**10.0**
1994	65 / 35	Overweight	1.2	-2.9	**-0.2**
1995	60 / 40	Normal	37.5	18.5	**29.9**
1996	60 / 40	Normal	22.9	3.6	**15.2**
1997	60 / 40	Normal	33.3	9.7	**23.8**
1998	55 / 45	Underweight	28.5	8.7	**19.6**
1999	55 / 45	Underweight	21.0	-0.8	**11.2**
2000	50 / 50	Underweight	-9.1	11.6	**1.3**
2001	60 / 40	Normal	-11.9	8.4	**-3.7**
2002	60 / 40	Normal	-22.1	10.3	**-9.2**
2003	70 / 30	Overweight	28.5	4.1	**21.2**
2004	65 / 35	Overweight	10.8	4.3	**8.5**
2005	70 / 30	Overweight	4.8	2.4	**4.1**
2006	65 / 35	Overweight	15.7	4.3	**11.7**
2007	60 / 40	Normal	5.4	7.0	**6.0**
2008	60 / 40	Normal	-37.0	5.2	**-20.1**
2009	70 / 30	Overweight	3.2	1.9	**2.8**
Annualized Return			7.3	4.8	**7.9**
Annualized Std. Dev.			15.1	4.0	**8.9**
Upside Capture (1)			100.0	19.0	**69.4**
Downside Capture (1)			100.0	-13.0	**64.7**

Indicates Bear Markets

Dividends included in performance calculations
(1) With Respect to the S&P 500 Index
Source: EquityCompass Strategies, Ned Davis Research

The simulated cumulative returns for the strategic allocation in **Table 4** are unique in that they are higher than the cumulative results of stocks and bonds by themselves. This is a vivid demonstration of diversification and the discipline of rebalancing. Stocks, in particular, have underperformed in the simulation period from their historical average. While the relative return from bonds versus stocks is above average, the absolute return from bonds is close to their historic norm. Also not to be minimized is the substantial reduction in portfolio volatility that is the major countermeasure to the emotional risk of investing.

EquityCompass Equity Risk Manager — Dynamically Manage the Exposure to Equity Markets

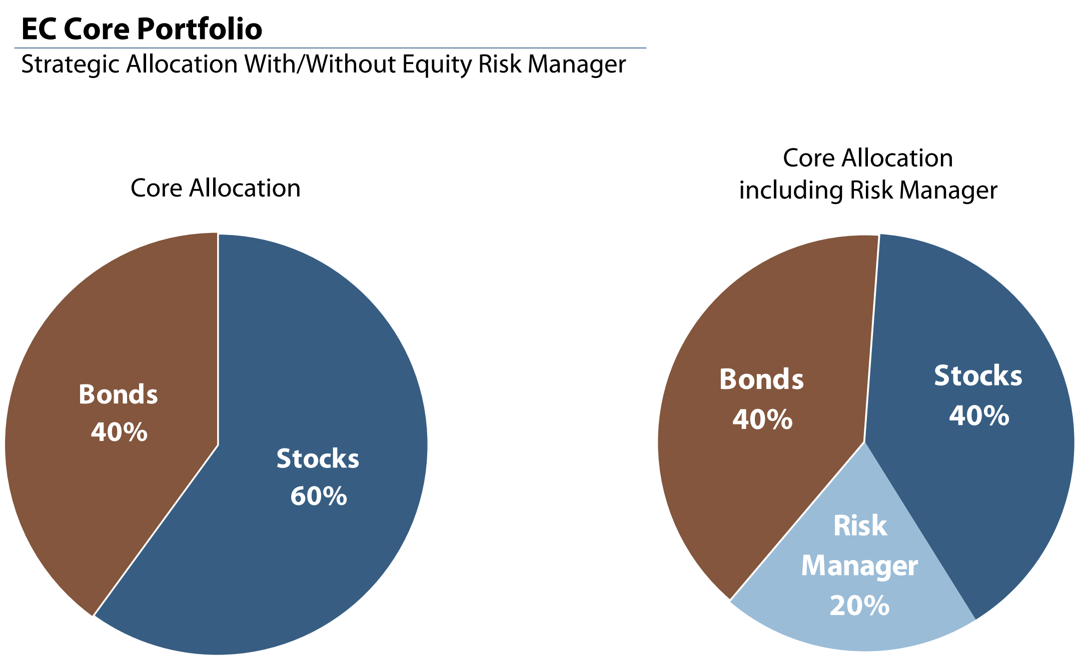
While strategic and tactical allocation decisions are based on many years of historical performance, they do not necessarily reduce the risk of reacting emotionally to near-term market conditions. Understanding that an investment plan can provide some protection against a prolonged market decline better enables investors to stay invested during periods of market turbulence. EC Core Investing incorporates a risk-management overlay strategy known as the Equity Risk Manager "Risk Manager," which uses fundamental and technical indicators to adjust the exposure to equities.

The Equity Risk Manager does not engage in strategies to enhance return—but rather, seeks to reduce the risks of full equity exposure from an extended market decline. For example, persistent declines of expected earnings are a negative condition for stock performance. This overlay strategy will reduce the exposure to stocks in the overall portfolio.

The Equity Risk Manager uses fundamental and technical indicators to adjust equity exposure, seeking to reduce risk from an extended market decline.

Risk Manager is the strategy to manage the equity exposure of the EC Core Portfolio. For example, if the strategic and tactical allocation is 60% stocks and 40% bonds, Risk Manager would represent a portion of the portfolio allocated to stocks (**Chart 5**). It is important to emphasize that Risk Manager is not a substitute for a dedicated, long-term equity portfolio. When market conditions are favorable, such as rising earnings expectations, the Risk Manager is fully invested and investors are exposed to the intended strategic allocation to stocks (i.e., 60%). If earnings fundamentals and technical indicators are negative, Risk Manager will reduce the equity exposure to about half the amount of the intended strategic allocation. Please refer to **Appendix II** for more specific details on the strategy.

Chart 5



Performance Simulation of Risk Manager

Table 5 shows a simulated portfolio that is strategically and tactically allocated and incorporates the Risk Manager for 33% of the stock allocation (**Chart 5** with Risk Manager). Losses were substantially mitigated in the two largest negative years (2002 and 2008) by having the Risk Manager in the simulation. Conversely, there are periods in which the Risk Manager held back or reduced market gains (1991 and 2003). The indicators used for the Risk Manager are generally lagging when stocks bottom from a bear market and begin recovering. Risk Manager reflected the returns of the equity market in most years except transition periods. The Risk Manager provided protection from an extended bear market and lowered the volatility of the overall portfolio.

Table 5

EquityCompass Strategic and Tactical Allocation Simulation (with Risk Manager)

1 Jan 1990 - 1 Jun 2009

			Performance Comparison			
	Strategic Allocation	Allocation to Equity	S&P 500	Barclays Agg. Bond Index	Strategic Allocation	Strategic Allocation with Risk Mgr.
1990	60 / 40	Normal	-3.3%	9.0%	**1.6%**	**1.4%**
1991	60 / 40	Normal	30.5	16.0	**24.7**	**20.9**
1992	60 / 40	Normal	7.6	7.4	**7.5**	**7.3**
1993	65 / 35	Overweight	10.1	9.8	**10.0**	**10.0**
1994	65 / 35	Overweight	1.2	-2.9	**-0.2**	**-0.2**
1995	60 / 40	Normal	37.5	18.5	**29.9**	**29.9**
1996	60 / 40	Normal	22.9	3.6	**15.2**	**15.2**
1997	60 / 40	Normal	33.3	9.7	**23.8**	**23.4**
1998	55 / 45	Underweight	28.5	8.7	**19.6**	**18.3**
1999	55 / 45	Underweight	21.0	-0.8	**11.2**	**11.2**
2000	50 / 50	Underweight	-9.1	11.6	**1.3**	**0.6**
2001	60 / 40	Normal	-11.9	8.4	**-3.7**	**-4.1**
2002	60 / 40	Normal	-22.1	10.3	**-9.2**	**-0.1**
2003	70 / 30	Overweight	28.5	4.1	**21.2**	**17.6**
2004	65 / 35	Overweight	10.8	4.3	**8.5**	**8.3**
2005	70 / 30	Overweight	4.8	2.4	**4.1**	**4.0**
2006	65 / 35	Overweight	15.7	4.3	**11.7**	**11.7**
2007	60 / 40	Normal	5.4	7.0	**6.0**	**6.0**
2008	60 / 40	Normal	-37.0	5.2	**-20.1**	**-6.2**
2009	70 / 30	Overweight	3.2	1.9	**2.8**	**0.7**
Annualized Return			7.3	4.8	**7.9**	**8.5**
Annualized Std. Dev.			15.1	4.0	**8.9**	**7.5**
Upside Capture (1)			100.0	19.0	**69.4**	**57.0**
Downside Capture (1)			100.0	-13.0	**64.7**	**43.8**

Indicates Bear Markets

Dividends included in performance calculations
(1) With Respect to the S&P 500 Index
Source: EquityCompass Strategies, Ned Davis Research

By offsetting losses in large negative years, Risk Manager was able to reduce portfolio volatility.

III. Portfolio Construction

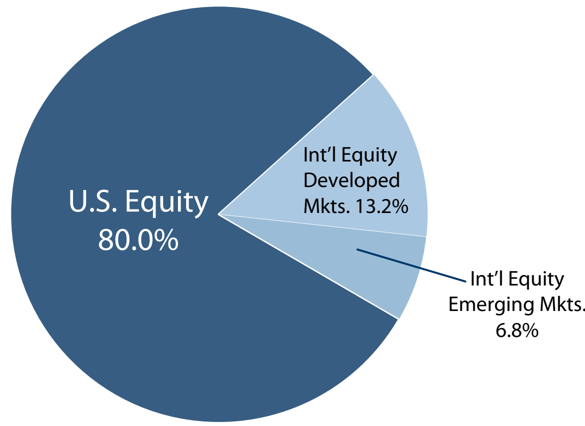
EC Core Portfolio is a mix of actively and passively managed portfolios consistent with the allocation strategy. Passive strategies, utilizing Exchange-Traded Funds (ETFs), are used where it is difficult to add superior risk-adjusted performance to the market return. Active strategies are used where a combination of portfolio construction tactics and security selection provide the potential for risk-adjusted performances superior to the market return. This approach provides a reliable capture of market or index returns and potential for excess return where we believe exploitable opportunities exist.

Another focus of portfolio construction is efficient implementation and sensitivity to turnover considerations. The EC Core Portfolio is designed as a moderate to low turnover strategy.

Chart 6

EC Core Portfolio

Equity Allocation



Equity Allocation

The equity component of the EC Core Portfolio invests in U.S. and international stocks. The allocation between domestic and international is determined from analysis of historic five-year reward/risk performances (**Table 6**). The allocation at the end of 2008 was 80% domestic and 20% international. As shown in **Table 7**, with the exception of 2008, international stocks have outperformed U.S. stocks since 2002. In the last five years, emerging markets have tripled the performance of U.S. stocks. As a result, international stocks have become a growing component of equity investing and there is considerable interest in emerging markets such as China, Brazil, and India and their growth potential. Given their growing prominence, emerging markets account for one-third of the international allocation with the remaining two-thirds allocated to developed international markets. However, we have kept the allocation to these international markets consistent with historical figures since they remain very volatile and are still highly correlated to the U.S. markets. Also, their risk-adjusted performance is below the S&P 500 in the 20-year study period (**Table 7**).

U.S. Equity Portfolio

The actively-managed EquityCompass U.S. All-Cap Blend Model Portfolio (the "All-Cap Blend") represents the allocation to domestic equity. The All-Cap Blend seeks to outperform the S&P 500 by following a disciplined stock selection process and a portfolio construction process that maximizes expected returns by controlling the portfolio volatility.

Table 6

U.S./International Stock Allocation

Annualized Rolling 5-Yr Buy & Hold Returns |1 Jan 1975 – 31 Dec 2008

U.S Stocks[1]	Intl. Stocks[2]	Standard Deviation	Annualized Return	Reward/ Risk[3]
0.0%	100.0%	10.5%	11.2%	1.07%
10.0	90.0	9.9	11.3	1.15
20.0	80.0	9.3	11.5	1.23
30.0	70.0	8.8	11.6	1.31
40.0	60.0	8.4	11.7	1.39
50.0	50.0	8.0	11.7	1.46
60.0	40.0	7.8	11.8	1.52
70.0	30.0	7.6	11.8	1.56
80.0	**20.0**	**7.5**	**11.8**	**1.58**
90.0	10.0	7.5	11.8	1.57
100.0	0.0	7.7	11.8	1.54

(1) S&P 500 Total Return Index
(2) MSCI EAFE Total Return Index
(3) Reward/Risk is equal to Annualized Return *divided by* Standard Deviation
Source: Ned Davis Research

The equity allocation consists of an actively managed U.S. equity portion using the EquityCompass U.S. All-Cap Blend Model Portfolio and passive exposure to international markets using exchange-traded funds.

Table 7

U.S. and International Equity Markets

Historical Performances | 1 Jan 1989 – 30 Jun 2009

	U.S.	International Markets	
	Markets[1]	Developed[2]	Emerging[3]
1989	31.7%	10.8%	68.8%
1990	(3.1)	(23.2)	(17.5)
1991	30.5	12.5	9.9
1992	7.6	(11.8)	18.9
1993	10.1	32.9	99.8
1994	1.3	8.1	(14.4)
1995	37.6	11.6	(5.7)
1996	23.0	6.4	2.9
1997	33.4	2.1	(48.2)
1998	28.6	20.3	(11.0)
1999	21.0	27.4	69.6
2000	(9.1)	(14.0)	(41.8)
2001	(11.9)	(21.2)	6.2
2002	(22.1)	(15.7)	(4.7)
2003	28.7	39.2	51.0
2004	10.9	20.7	15.3
2005	4.9	14.0	27.5
2006	15.8	26.9	33.2
2007	5.5	11.6	41.6
2008	(37.0)	(43.1)	(52.8)
2009	3.2	8.4	36.2
Ann. Returns	**8.54%**	**4.76%**	**7.37%**
Std. Dev.	**14.8**	**17.5**	**25.9**

(1) S&P 500 Total Return Index
(2) MSCI EAFE (Europe, Asia and Far East) Index
(3) MSCI Emerging Markets (Asia) Index
Dividends included
Source: Bloomberg

The Stock Selection Process

EquityCompass employs a disciplined stock-selection process that combines traditional fundamental analysis with comprehensive quantitative modeling. EquityCompass has a coverage universe of 3,000 domestic stocks and relies on in-house data that is published monthly as part of its research service. Individual stock opinions are derived from investment insights that demonstrate a statistically significant potential to contribute excess returns.

The four cornerstones of stock analysis:

Valuation :
Ranks stocks relative to the broader universe based on company fundamentals

Momentum :
Ranks stocks based on long-term relative price momentum

Over-/Underreaction :
Identifies significant misalignments between stock price and fundamental expectations

Quality :
Ranks stocks relative to the broader universe based on factors that create long-term shareholder value

Stocks with the most favorable of these attributes are assigned a "Buy" rating and the least favorable are "Sell." Specifically for the All-Cap Blend, the Buy-rated stocks are further refined by criteria such as minimum price ($7.50) and minimum daily trading volume (200K), and are then ranked based on fundamental analyst opinion (consensus estimates). Incorporating analyst opinion is a reality check that helps minimize stock selection that is favorable on quantitative criteria but undesirable from a qualitative analysis.

EquityCompass employs a disciplined stock selection process focusing on valuation, momentum, quality and investor over-/ underreaction.

Chart 7

EquityCompass Consensus Analyst Opinion Index
Annualized Returns | 29 Jun 2002 – 30 Jun 2009 | Monthly Data

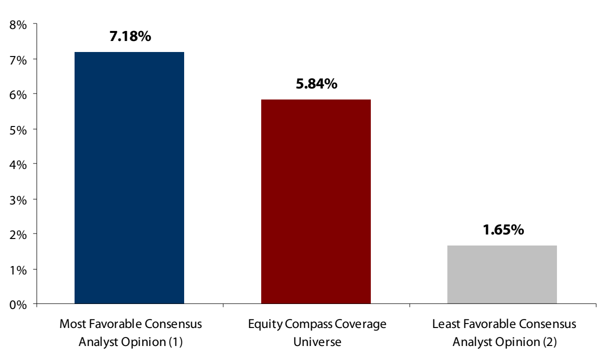
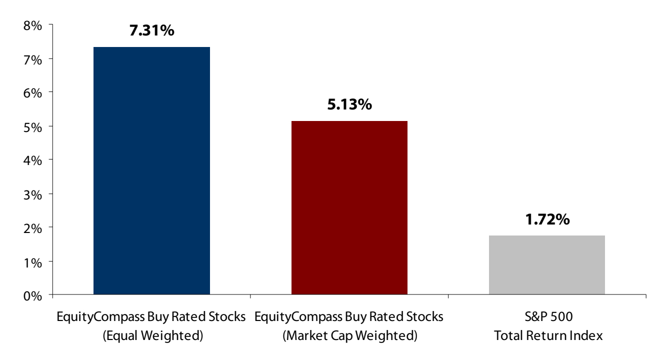


Chart 8

EquityCompass Buy Rated Stocks
Annualized Returns | 29 Jun 2002 – 30 Jun 2009 | Monthly Data



(1) Based on the EquityCompass **Mega** Analyst Ratings Index (50 stocks within the EquityCompass coverage universe with the most favorable composite of analysts' buy-hold-sell opinions).
(2) Based on the EquityCompass **Micro** Analyst Ratings Index (50 stocks within the EquityCompass coverage universe with the least favorable composite of analysts' buy-hold-sell opinions).
Assumes equally weighted positions rebalanced monthly
Dividends included
Source: EquityCompass Strategies, First Call

Past performance is no guarantee of future results.

Portfolio Construction

The All-Cap Blend utilizes the insights for stock selection along with portfolio construction tactics that we believe will contribute to superior risk-adjusted performance. Our analyses show that a portfolio that features equal weighting of stock positions, equal weighting among the 10 S&P market sectors, equal weighting (on average) to growth and value investment styles, and maintaining equal representation in all market-cap segments (large-, mid-, and small-cap) exhibits the most efficient risk/return profile. While each of these attributes do have their periods of excess return, their occurrence is random. Balancing the portfolio attributes reduces the performance vulnerability when they are out of favor and thus improves risk-adjusted performance (**Charts 9** & **10**).

The All-Cap Blend portfolio has 50 equally weighted, sector-balanced stock positions that provide effective diversification. **Appendix I** shows the portfolio constituents as of June 2009 and a valuation snapshot of the portfolio is shown in **Table 8** compared to the Russell 1000 index. Perusal of portfolio constituents and valuation measures demonstrate the balancing of investment style, market-cap segments, and sector exposure that has been purposely constructed in the All-Cap Blend portfolio.

Chart 9

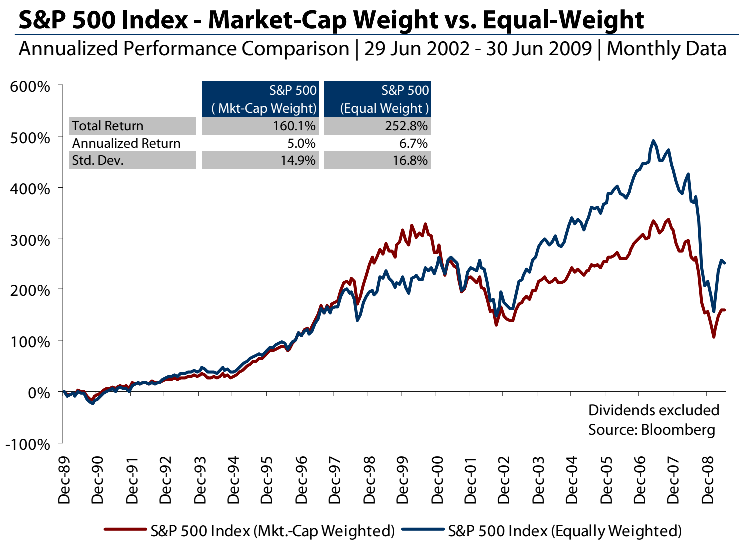
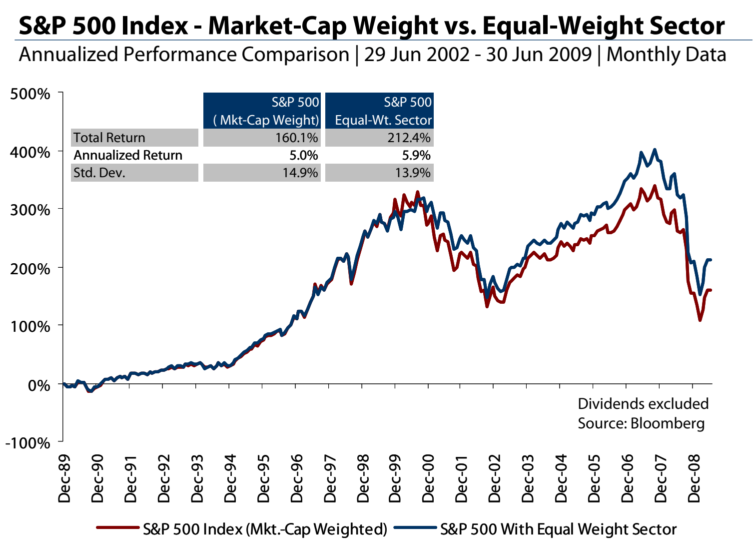


Chart 10



The All-Cap Blend equal-weights stock positions and sector exposure, as well as diversification of value/growth and market-cap segments to reduce performance vulnerability when a particular sector or investment style is out of favor.

Table 8

EquityCompass U.S. All-Cap Blend Portfolio

Portfolio Profile | As of Jun 2009

	Avg. # Monthly Changes	Est. Annual Turnover	Avg. Ind. Dvd. Yld. (%)	Median Mkt.-Cap ($Mil)	Avg. Beta	Ent. Val. / EBITDA (NTM Est.)	Price / Earnings (NTM Est.)	Price / Cash Flow (NTM Est.)	Price / Sales (NTM Est.)	Price / Book Val. (MRQ)	Earnings Growth (5-Yr Est.)	PEG Ratio (NTM Est.)
EC All-Cap Blend	2.5	60%	2.15	$2,709	0.91	6.49	13.49	8.17	1.12	2.24	12.33	1.09
Russell 1000 Index	--	--	1.87	$3,220	1.16	9.49	14.64	8.25	0.90	1.75	10.56	1.39

Source: EquityCompass Strategies, Bloomberg

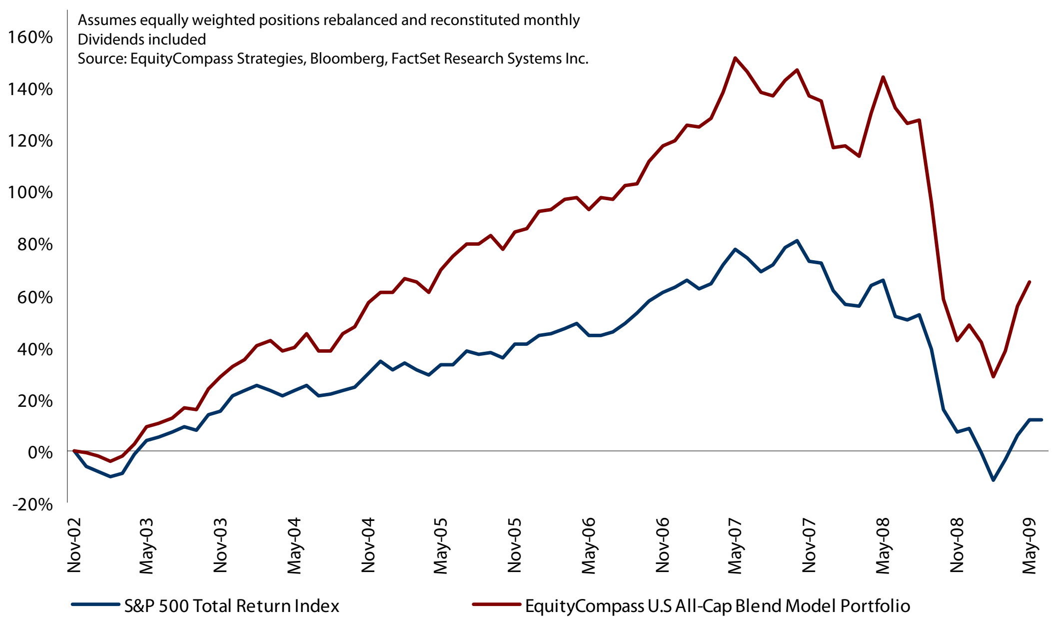
Performance Simulation of the All-Cap Blend Model Portfolio

The cumulative performance of the All-Cap Blend Model Portfolio is shown in **Chart 11** and calendar year performance is shown **Table 9**. The All-Cap Blend outperformed the S&P 500 in each of the calendar years of the simulation. In terms of risk-adjusted performance, the All-Cap Blend showed slightly higher volatility than the S&P 500 **due mostly to the higher returns over the period**. The Sharpe Ratio, indicative of risk-adjusted performance, was substantially higher and the portfolio beta as of June 30, 2009 was 0.91.

Chart 11

EquityCompass U.S. All-Cap Blend Model Portfolio

Cumulative Performance Simulation | 29 Nov 2002 - 30 Jun 2009 | Monthly Data



The All-Cap Blend outperformed the S&P 500 in each of the calendar years of the simulation.

Table 9

U.S. All-Cap Blend Model Portfolio

Simulation Statistics | 29 Nov 2002 - 30 Jun 2009 | Monthly Data

	EquityCompass All-Cap Blend	S&P 500 Total Return Index
Total Return	65.1%	11.6%
Annualized Return	7.9%	1.7%
Standard Deviation	16.2%	14.5%
Sharpe Ratio	0.33	-0.06
Best Month	12.6%	9.6%
Worst Month	-19.1%	-16.8%
Best 12-Months	46.4%	38.5%
Worst 12-Months	-41.0%	-43.3%

	EquityCompass All-Cap Blend	S&P 500 Total Return Index
Year-to-Date	11.2%	3.2%
1-Month	-0.1%	0.2%
6-Month	11.2%	3.2%
1-Year	-29.0%	-26.2%
2-Year	-18.2%	-19.9%
3-Year	-5.8%	-8.2%
5-Year	2.6%	-2.2%
2003	33.2%	28.7%
2004	21.5%	10.9%
2005	15.4%	4.9%
2006	18.3%	15.8%
2007	6.9%	5.5%
2008	-36.9%	-37.0%

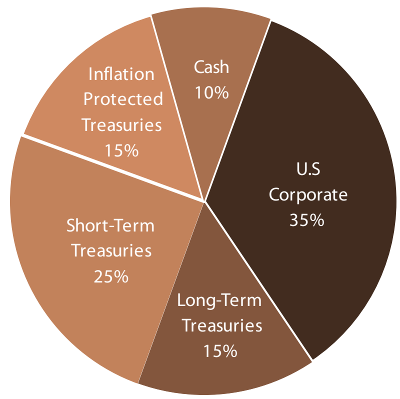
Assumes equally weighted positions rebalanced and reconstituted monthly
Dividends included
Source: EquityCompass Strategies, Bloomberg, FactSet Research Systems Inc.

Fixed Income Allocation

The fixed income strategy of the Core Portfolio emphasizes credit quality and capital stability for the portfolio. The strategy does not engage in active management such as interest rate anticipation, sector swaps, yield curve spreads, or quality spreads. Recent analysis by Standard & Poor's indicates that more than 75% of fixed income managers pursuing these types of active strategies have not outperformed passive benchmarks. The EC Core Portfolio will utilize ETFs that track various passive fixed income indices.

Chart 12

EC Core Portfolio
Fixed Income Allocation



The investment strategy of core investing is to balance interest rate and credit risk by equalizing allocations to bond maturities and by owning U.S. government and investment grade bonds. The Portfolio will not allocate to High Yield or foreign bonds. An example of balancing interest rate risk is having 15% of the portfolio allocated to long-dated U.S. Government bonds that are usually the most sensitive to higher interest rates in response to higher inflation. The inflation risk is balanced by allocating 15% of the portfolio to Treasury Inflation Protected Securities (TIPS). This 30% of the portfolio allocated to long maturities is balanced against 35% of the portfolio that is allocated to cash and short-term Treasuries. Investment grade bonds, representing 35% of the portfolio, provide the highest current yield in the fixed income allocation; the increased credit risk is offset by the remaining 65% of the portfolio that is in U.S. Government securities.

The fixed income strategy emphasizes credit quality and capital stability while employing tactics to manage interest rate and inflation risk.

As of June 30, 2009, the duration of the fixed income portfolio was 5.7 years with a weighted average maturity of 10 years and 53% of the portfolio has maturities of five years or less. The weighted average coupon yield of the portfolio was 4.1%.

Table 10

EC Core Portfolio – Fixed Income Allocation
Portfolio Profile

By Rating

	Fixed Income Allocation	Barclays Aggregate
U.S. Gov't/Agency	53.6%	34.6%
AAA	12.0	41.0
AA+	1.7	1.0
AA	2.5	0.8
AA-	3.3	0.8
A+	6.1	3.8
A	8.2	6.3
A-	2.2	1.9
BBB+	3.1	3.3
BBB	4.8	2.5
BBB-	1.4	2.6
BB+	0.0	0.0
BB	0.0	0.1
Not Rated	1.3	1.4

By Maturity

Maturity (years)	Fixed Income Allocation	Barclays Aggregate
0-1	12.3%	36.8%
1-5	40.5	32.0
5-10	17.8	15.2
10-15	0.0	3.5
15-20	4.1	2.1
20-25	3.9	3.7
> 25	20.1	5.4

	Fixed Income Allocation	Barclays Aggregate
Wt. Avg. Maturity (Years)	10.1	6.0
Effective Duration (Years)	5.7	4.2
Wt.Avg. Coupon (%)	4.1%	3.7%

Source: EquityCompass Strategies, Bloomberg

IV. Portfolio Management

Portfolio management is the ongoing implementation, maintenance, and performance measurement of the investment strategy. There are three steps in the EC Core Portfolio management process:

1) Coordinated and disciplined implementation of the decision-making rules developed from the guiding investment philosophy, dynamic allocation strategies, and portfolio selections.

2) Active rebalancing, risk monitoring, and periodic review of asset allocation and portfolio construction guidelines.

3) Continuous performance and risk measurement and analysis.

The permanent aspect of the EquityCompass portfolio management process is the strict adherence to the investment philosophy and investment decisions that guide decision-making. The EC Core Portfolio is designed to be the foundation of an investment portfolio and adheres to the core/satellite approach for portfolio construction. Strategic allocation between stocks and bonds forms the foundation of the portfolio, while tactical asset allocation and a stock selection process that rely on statistically derived rules rather than economic or market forecasting opinions provide it the ability to generate superior risk-adjusted returns.

EC Core Portfolio is dynamically managed and disciplined to stay focused on achieving its investment objective.

The dynamically managed aspects of the Portfolio are the tactical strategies and active risk management techniques that periodically review and revise strategic asset allocation, the degree of exposure to individual markets, portfolio selections in the stock and bond sub-classes, and overall weighting optimization. The active equity component of the EC Core Portfolio is monitored continuously for opinion changes that would potentially impact portfolio composition.

The EC Core Portfolio aims to effectively capture market returns without assuming additional risks. The performance benchmark for the Portfolio is the blended annual return of 60% S&P 500 Total Return Index (inclusive of dividends) and 40% Barclay's Capital Aggregate Bond Total Return Index. EquityCompass constantly monitors the Portfolio's performance and the risk assumed in the process to ensure adherence to pre-defined objectives.

Performance Simulation of EC Core Portfolio

The full performance simulation of the EC Core Portfolio starting November 2002 is shown in **Table 11**. The benchmark for performance comparison should be a mix of 60% S&P 500 Total Return Index and 40% Barclays Aggregate Bond Index (the "60/40 benchmark" or the "Benchmark"). The EC Core Portfolio outperformed the 60/40 benchmark, cumulatively and in each of the calendar years in the study period. Importantly, portfolio volatility (annualized standard deviation) was less than the Benchmark and produced significantly higher risk-adjusted performance (Sharpe Ratio). Using the S&P 500 as the benchmark, the EC Core Portfolio captured 69% of the market upside, while successfully limiting it to 38% on the downside.

Table 11

EC Core Portfolio Performance Simulation

29 Nov 2002 - 30 Jun 2009 | Monthly Data

		Equity Allocation Components				Fixed Income Allocation Components					Core Portfolios		Benchmarks		
				Intl. Equity				Treasuries							
	Stock/ Bond Allocation (%)	U.S. Equity[1]	Equity Risk Manager	Developed Markets[2]	Emerging Markets[3]	Cash[4]	U.S. Corporate[5]	Short -Term	Inflation Protected	Long-Term	With Risk Manager	Without Risk Manager	60/40 Stock/ Bond	S&P 500 Total Return	Barclays Agg. Bond Index
2002	60/40	-0.6%	0.0%	-3.4%	-3.3%	0.1%	3.2%	1.0%	2.5%	4.3%	**0.5%**	**0.3%**	-2.7%	-5.9%	2.1%
2003	70/30	33.2%	12.6%	38.6%	55.8%	1.0%	7.3%	1.9%	9.3%	1.8%	**20.9%**	**26.2%**	18.9%	28.7%	4.1%
2004	65/35	21.5%	9.9%	20.2%	25.6%	1.3%	5.7%	0.9%	8.7%	9.0%	**13.3%**	**15.8%**	8.3%	10.9%	4.3%
2005	70/30	15.4%	4.6%	13.5%	34.0%	3.0%	0.8%	1.6%	2.7%	8.6%	**9.5%**	**12.3%**	3.9%	4.9%	2.4%
2006	65/35	18.3%	15.8%	26.3%	32.2%	4.7%	4.0%	3.9%	0.5%	0.9%	**13.3%**	**14.3%**	11.2%	15.8%	4.3%
2007	60/40	6.9%	5.5%	11.2%	39.4%	4.4%	4.0%	7.3%	11.8%	10.2%	**7.7%**	**8.6%**	6.1%	5.5%	7.0%
2008	60/40	-36.9%	26.7%	-43.4%	-53.3%	1.3%	1.0%	6.7%	-1.7%	33.7%	**-7.4%**	**-20.5%**	-20.1%	-37.0%	5.2%
2009	70/30	11.2%	-5.8%	8.0%	36.0%	0.1%	3.6%	0.0%	5.3%	-19.3%	**4.2%**	**8.4%**	2.7%	3.2%	1.9%
Cumulative Return		64.9%	88.7%	57.0%	196.3%	16.9%	33.5%	25.6%	45.4%	50.9%	**77.5%**	**76.0%**	25.9%	11.9%	35.9%
Annualized Return		7.9%	10.1%	7.1%	17.9%	2.4%	4.5%	3.5%	5.8%	6.4%	**9.1%**	**9.0%**	3.6%	1.7%	4.8%
Ann. Std. Deviation		16.4%	10.8%	18.2%	25.4%	0.5%	8.3%	1.7%	7.5%	13.6%	**7.0%**	**11.0%**	8.9%	14.7%	4.0%
Sharpe Ratio		0.5	0.9	0.4	0.7	5.0	0.5	2.1	0.8	0.5	**1.3**	**0.8**	0.4	0.1	1.2
Upside Capture [6]		129%	40%	131%	224%	7%	23%	6%	17%	8%	**69%**	**91%**	63%	100%	13%
Downside Capture[6]		95%	-8%	100%	113%	-5%	4%	-15%	-15%	-35%	**38%**	**61%**	59%	100%	-13%

(1) EC All-Cap Blend Model Portfolio
(2) MSCI EAFE Index
(3) MSCI Emerging Markets Index
(4) Three-month Treasury Constant Maturity Rate
(5) iBoxx Liquid Inv Grade Bond Index
(6) With Respect to the S&P 500 Index
Source: EquityCompass Strategies, iShares, Ned Davis Research, Bloomberg

A Note on EquityCompass Performance Simulation

The performance simulation begins in 2002, the year in which the complete EquityCompass stock ratings were first published. All criteria used for the initial construction of the portfolio constituents, as well as all subsequent changes, are based on out-of-sample data as of the most recent month-end at the time that the ratings were derived. Many of the historical members in this portfolio do not exist today for various reasons including acquisition, delisting, merger, bankruptcy, etc. If a company was covered at the time of each monthly evaluation, then it was considered to have been eligible for inclusion in the portfolio at each simulated interval. All portfolio rules are assessed monthly corresponding to the ratings date on all EquityCompass covered stocks.

EC Core Portfolio Excess Return Attribution Analysis

An analysis of the sources of excess return in the portfolio simulation of the EC Core Portfolio versus the 60/40 Benchmark portfolio is provided in **Chart 13** (the EC Core Portfolio generated an annualized return 5.4% more than the 60/40 Benchmark). The largest contributor of excess return during the study period was the actively managed U.S. stock portfolio (All-Cap Blend), which accounted for 46% of the outperformance. The risk management overlay, Risk Manager, was the second largest contributor — 35% of the excess return. As noted in **Table 11**, the EC Core Portfolio simulated returns with and without the Risk Manager were similar over the study period except for the significant reduction in the portfolio volatility when the Risk Manager was included. The allocation to international stocks (13%) and the tactical asset allocation (9%) were the other contributors to the total excess return of 5.4%. The only negative contributor to the outperformance was the fixed income component (-4.0%), which was essentially due to a higher allocation to cash when compared to the benchmark.

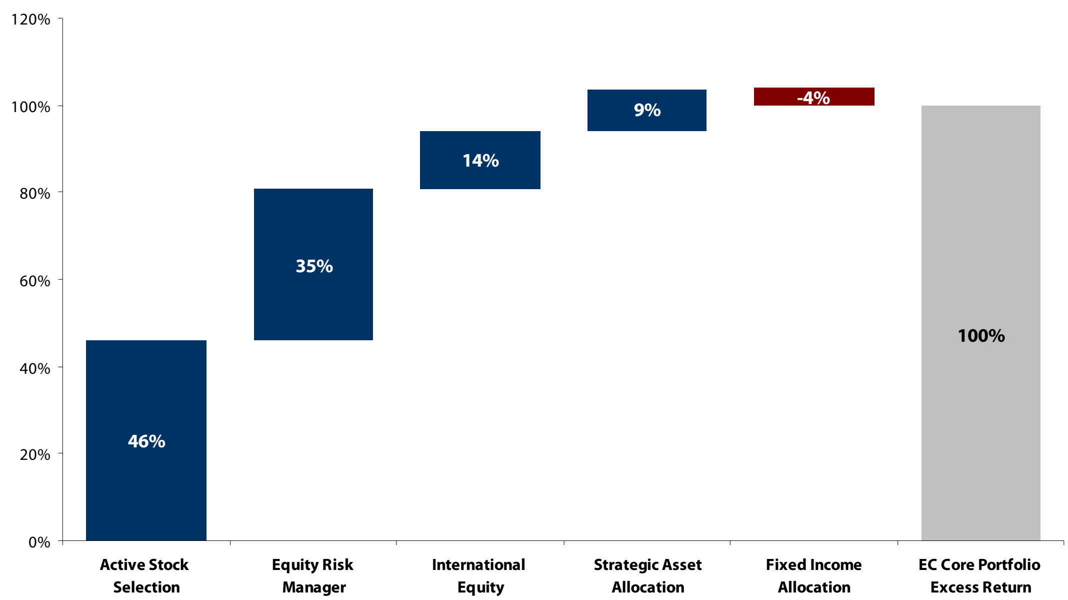
We believe a major benefit of EC Core Portfolio is that it adds value from various sources. In other words, there is no single driver of excess returns and as the annual-return analysis demonstrates, the contribution of the attribution elements can and will change from year to year. For example, while the Risk Manager proved to be a major contributor to the 2008 excess returns, it was a negative drag to results in 2003. These variable sources of potential return are also a major factor in smoothing the volatility of the portfolio.

The performance simulation of the EC Core Portfolio demonstrated superior returns versus the S&P 500, bonds, and a 60/40 stock/bond mix on an absolute and risk adjusted basis. Incorporating the Risk Manager greatly reduced downside market capture and portfolio volatility.

Chart 13

EC Core Portfolio Excess Return Attribution Analysis (1)

29 Nov 2002 - 30 Jun 2009 | Monthly Data



Dividends included

(1) EC Core Portfolio outperformed the benchmark (60% S&P 500 and 40% Barclays Agg. Bond Index by 5.4% in performance simulations. Please refer to Table 11 for the full performance simulation results.

Summary

As investors evaluate an investment strategy, there are three important questions to consider:

1) Does the investment strategy offer an advantage versus a passive alternative?

2) Are the investment results explainable and acceptable to capital market theory, investment principles, and realistic practices?

3) Can past performance be repeated in the future?

The first two questions can be answered by analyzing the investment process to understand portfolio decision-making. This report has provided a detailed description of core investing to specifically address the first two questions. There is no claim of superior forecasting, market timing expertise, or exceptional stock-picking ability. There are no vague references to proprietary models to explain how investment results are generated. Instead, the EC Core Portfolio demonstrates how sound investment principles are transparently used for decision-making to manage a comprehensive portfolio. Past performance is no guarantee of future results. We believe by disclosing decision-making, investors have the information to better anticipate how the investment process may perform in the future. While this analytical approach may lack the shortcuts provided by marketing slogans, we strongly believe it is an important basis for answering the all-important third question.

Investors should assess the likelihood that an investment process can be successful in the future rather than merely extrapolating past results.

Appendix I

EquityCompass U.S. All-Cap Blend Portfolio

Model Portfolio Constituents | As of 30 Jun 2009

Symbol	Company Name	Price 6/30/09	52-Week High	52-Week Low	Dividend Yield (%)	EC Rating	Sector	Sub Industry	Market Cap (Mil)	Date Added
LEG	Leggett & Platt Inc.	$15.23	$24.60	$10.03	6.57	**Buy**	Cons. Disc.	Home Furnishings	$2,387	1/30/2009
MW	Men's Wearhouse Inc.	$19.18	$26.43	$8.33	1.46	**Buy**	Cons. Disc.	Apparel Retail	$999	3/30/2007
OMC	Omnicom Group Inc.	$31.58	$45.06	$20.09	1.90	**Buy**	Cons. Disc.	Advertising	$9,708	2/29/2008
SNA	Snap-On Inc.	$28.74	$60.32	$20.51	4.18	**Buy**	Cons. Disc.	Household Appliances	$1,656	7/31/2007
SHOO	Steven Madden Ltd.	$25.31	$30.40	$13.37	--	**Buy**	Cons. Disc.	Footwear	$454	9/30/2008
MO	Altria Group Inc.	$16.39	$21.86	$14.34	7.81	**Buy**	Cons. Staples	Tobacco	$33,883	9/30/2003
CVS	CVS Caremark Corp.	$31.87	$40.14	$23.19	0.96	**Buy**	Cons. Staples	Drug Retail	$46,446	8/31/2007
FLO	Flowers Foods Inc.	$21.84	$32.68	$20.40	3.21	**Buy**	Cons. Staples	Packaged Foods & Meats	$2,015	6/29/2007
GMCR	Green Mtn. Coffee Roasters Inc.	$59.12	$63.69	$15.34	--	**Buy**	Cons. Staples	Packaged Foods & Meats	$2,212	12/31/2008
WAG	Walgreen Co.	$29.40	$37.85	$21.28	1.53	**Buy**	Cons. Staples	Drug Retail	$29,156	11/30/2005
ALJ	Alon USA Energy Inc.	$10.35	$17.00	$6.19	1.55	**Buy**	Energy	Oil & Gas Refining & Mktg.	$485	4/30/2009
ARD	Arena Resources Inc.	$31.85	$56.59	$17.63	--	**Buy**	Energy	Oil & Gas Exploration & Prod.	$1,217	12/31/2008
NE	Noble Corp.	$30.25	$67.12	$19.23	0.53	**Buy**	Energy	Oil & Gas Drilling	$7,903	9/29/2006
HK	Petrohawk Energy Corp.	$22.30	$54.49	$8.50	--	**Buy**	Energy	Oil & Gas Exploration & Prod.	$6,145	2/27/2009
RRC	Range Resources Corp.	$41.41	$72.98	$23.77	0.39	**Buy**	Energy	Oil & Gas Exploration & Prod.	$6,471	12/31/2008
ACE	ACE Ltd.	$44.23	$68.00	$30.92	2.49	**Buy**	Financials	Property & Casualty Ins.	$14,856	4/30/2008
ACGL	Arch Capital Group Ltd.	$58.58	$80.47	$44.68	--	**Buy**	Financials	ReIns.	$3,546	9/30/2008
HCC	HCC Insurance Holdings Inc.	$24.01	$30.00	$14.48	2.08	**Buy**	Financials	Multi-line Ins.	$2,691	5/31/2007
PRA	ProAssurance Corp.	$46.21	$65.00	$37.24	--	**Buy**	Financials	Property & Casualty Ins.	$1,529	1/31/2008
PSEC	Prospect Capital Corp.	$9.20	$14.59	$5.73	17.66	**Buy**	Financials	Asset Mgmt. & Custody Bks.	$288	1/30/2009
XRAY	Dentsply International Inc.	$30.57	$42.05	$21.80	0.65	**Buy**	Health Care	Health Care Supplies	$4,540	2/27/2009
IVC	Invacare Corp.	$17.65	$26.58	$13.30	0.28	**Buy**	Health Care	Health Care Equip.	$567	4/30/2009
TECH	Techne Corp.	$63.81	$82.92	$45.38	1.57	**Buy**	Health Care	Life Sciences Tools & Svcs.	$2,379	3/31/2009
UTHR	United Therapeutics Corp.	$83.33	$117.82	$47.63	--	**Buy**	Health Care	Biotechnology	$2,204	1/31/2008
UHS	Universal Health Svcs. Inc. (Cl B)	$48.85	$69.25	$30.43	0.66	**Buy**	Health Care	Health Care Facilities	$2,399	11/29/2002
BEAV	BE Aerospace Inc.	$14.36	$28.70	$5.37	--	**Neutral**	Industrials	Aerospace & Defense	$1,450	9/28/2007
FWLT	Foster Wheeler Ltd.	$23.75	$75.00	$12.73	--	**Neutral**	Industrials	Construction & Engineering	$3,002	8/29/2008
FCN	FTI Consulting Inc.	$50.72	$80.00	$36.14	--	**Buy**	Industrials	Research & Consulting Svcs.	$2,603	5/29/2009
HSC	Harsco Corp.	$28.30	$56.32	$16.90	2.83	**Neutral**	Industrials	Industrial Machinery	$2,272	12/29/2006
TGI	Triumph Group Inc.	$40.00	$58.87	$26.89	0.40	**Neutral**	Industrials	Aerospace & Defense	$664	6/30/2008
ANSS	Ansys Inc.	$31.16	$49.56	$18.00	--	**Neutral**	Info. Tech.	Application Software	$2,727	11/30/2007
BBBB	Blackboard Inc.	$28.86	$45.00	$19.36	--	**Buy**	Info. Tech.	Application Software	$913	9/30/2008
FLIR	Flir Systems Inc.	$22.56	$45.49	$18.81	--	**Neutral**	Info. Tech.	Electronic Equip. Manuf.	$3,396	9/30/2008
GOOG	Google Inc. (Cl A)	$421.59	$555.68	$247.30	--	**Buy**	Info. Tech.	Internet Software & Svcs.	$133,122	10/31/2006
HRS	Harris Corp.	$28.36	$51.96	$25.72	2.82	**Buy**	Info. Tech.	Communications Equip.	$3,725	2/27/2009
CCC	Calgon Carbon Corp.	$13.89	$23.03	$9.11	--	**Buy**	Materials	Commodity Chem.	$753	2/27/2009
CCK	Crown Holdings Inc.	$24.14	$29.60	$13.37	--	**Buy**	Materials	Metal & Glass Containers	$3,862	3/30/2007
FMC	FMC Corp.	$47.30	$78.70	$28.53	1.06	**Buy**	Materials	Div. Chem.	$3,438	3/31/2008
GEF	Greif Inc. (Cl A)	$44.22	$73.45	$25.65	3.44	**Buy**	Materials	Metal & Glass Containers	$2,071	11/30/2007
PX	Praxair Inc.	$71.07	$96.71	$47.40	2.25	**Buy**	Materials	Industrial Gases	$21,852	11/29/2002
AMT	American Tower Corp.	$31.53	$43.43	$19.35	--	**Buy**	Telecom.	Wireless Telecom. Svcs.	$12,538	6/30/2005
CTL	CenturyTel Inc.	$30.70	$40.35	$20.45	9.12	**Buy**	Telecom.	Integrated Telecom. Svcs.	$3,088	12/31/2008
NTLS	NTELOS Holdings Corp.	$18.42	$32.10	$13.90	5.65	**Buy**	Telecom.	Integrated Telecom. Svcs.	$780	3/31/2008
RCI	Rogers Communications Inc. (Cl B)	$25.75	$40.30	$19.59	3.73	**Buy**	Telecom.	Wireless Telecom. Svcs.	$16,375	6/29/2007
VZ	Verizon Communications Inc.	$30.73	$36.34	$23.07	5.99	**Buy**	Telecom.	Integrated Telecom. Svcs.	$87,291	12/30/2005
CWT	California Water Service Group	$36.84	$48.28	$27.68	3.20	**Buy**	Utilities	Water Utilities	$763	6/30/2009
EGN	Energen Corp.	$39.90	$79.33	$23.00	1.25	**Neutral**	Utilities	Gas Utilities	$2,855	11/30/2005
MDU	MDU Resources Group Inc.	$18.97	$35.34	$12.79	3.27	**Neutral**	Utilities	Multi-Utilities	$3,490	11/28/2003
NFG	National Fuel Gas Co.	$36.08	$60.36	$26.67	3.71	**Neutral**	Utilities	Gas Utilities	$2,869	11/30/2005
NJR	New Jersey Resources Corp.	$37.04	$42.37	$24.59	3.35	**Buy**	Utilities	Gas Utilities	$1,567	9/30/2008

Source: EquityCompass Strategies, FactSet Research Systems Inc.

Appendix I

EquityCompass U.S. All-Cap Blend Model Portfolio Constituent Additions / Deletions

29 Nov 2002 – 30 Jun 2009

Date Added	Symbol	Name (AD)	Price	Date Removed
11/29/2002	JILL	J Jill Group Inc	$23.25	12/31/2002
11/29/2002	PII	Polaris Inds.	$64.83	12/31/2007
11/29/2002	CLE	Claire's Stores	$25.96	3/30/2007
11/29/2002	LEN	Lennar Corp.	$53.02	4/30/2003
11/29/2002	PIR	Pier 1 Imports	$19.51	2/28/2005
11/29/2002	DF	Dean Foods	$37.15	8/29/2003
11/29/2002	COT	Cott Corp.	$17.69	8/31/2004
11/29/2002	PFGC	Performance Food	$35.20	1/31/2003
11/29/2002	PG	Procter & Gamble	$84.53	6/30/2003
11/29/2002	ACV	Alberto Culver 'B'	$49.55	8/29/2003
11/29/2002	OEI	Ocean Energy	$18.84	4/30/2003
11/29/2002	XTO	XTO Energy	$23.95	12/29/2006
11/29/2002	APA	Apache Corp.	$53.88	4/30/2009
11/29/2002	DVN	Devon Energy	$45.79	12/31/2003
11/29/2002	NFX	Newfield Exploration	$36.17	2/28/2006
11/29/2002	FRE	Freddie Mac	$57.64	11/28/2003
11/29/2002	FNM	Fannie Mae	$63.05	12/31/2004
11/29/2002	DDR	Developers Diversified Rlty	$22.03	12/31/2002
11/29/2002	GGP	General Growth Pptys New	$49.40	12/31/2002
11/29/2002	WFC	Wells Fargo	$46.21	2/27/2004
11/29/2002	VAR	Varian Medical Sys.	$46.69	8/31/2004
11/29/2002	HCA	HCA Inc.	$40.18	11/30/2006
11/29/2002	CMX	Caremark RX	$17.66	5/31/2006
11/29/2002	UNH	UnitedHealth Group	$81.45	3/31/2009
11/29/2002	UHS	Universal Health Sv. 'B'	$44.75	--
11/29/2002	DHR	Danaher Corp.	$62.84	7/31/2003
11/29/2002	PNR	Pentair Inc.	$35.76	8/31/2005
11/29/2002	CPS	ChoicePoint Inc.	$37.58	2/28/2003
11/29/2002	SRCL	Stericycle Inc.	$33.32	1/30/2004
11/29/2002	RGS	Regis Corp.	$26.01	12/31/2002
11/29/2002	FLIR	FLIR Systems Inc.	$43.50	9/30/2003
11/29/2002	MSFT	Microsoft Corp.	$57.68	2/27/2004
11/29/2002	ACS	Affil Computer Svcs 'A'	$50.00	4/30/2003
11/29/2002	DBD	Diebold Inc.	$39.63	3/31/2004
11/29/2002	THQI	THQ Inc.	$17.87	2/28/2003
11/29/2002	RPM	RPM Int'l	$15.37	5/31/2006
11/29/2002	ARG	Airgas Inc.	$16.81	6/30/2003
11/29/2002	SSCC	Smurfit-Stone Cont.	$14.58	5/30/2003
11/29/2002	GG	Goldcorp Inc.	$9.95	4/30/2003
11/29/2002	PX	Praxair Inc.	$59.00	--
11/29/2002	CTL	CenturyTel Inc.	$30.88	3/31/2008
11/29/2002	FTR	Citizens Communic.	$9.86	2/27/2004
11/29/2002	BCE	BCE Inc.	$18.32	4/30/2003
11/29/2002	NXTL	Nextel Communic. 'A'	$13.75	8/31/2005
11/29/2002	AT	ALLTEL Corp.	$55.08	5/28/2004
11/29/2002	KMP	Kinder Morgan Energy	$35.12	5/28/2004
11/29/2002	EQT	Equitable Resources	$35.27	5/31/2006
11/29/2002	PSD	Puget Energy Inc.	$21.56	8/29/2003
11/29/2002	FE	FirstEnergy Corp.	$31.68	8/29/2003
11/29/2002	KSE	KeySpan Corp.	$35.29	3/31/2003
12/31/2002	RGS	Regis Corp.	$25.99	4/30/2003
12/31/2002	CFC	Countrywide Financial	$51.65	1/31/2008
12/31/2002	BNK	Banknorth Group	$22.60	5/31/2005
12/31/2002	COCO	Corinthian Colleges	$37.86	5/28/2004
1/31/2003	NTY	NBTY Inc.	$18.21	4/30/2003
2/28/2003	DNB	Dun & Bradstreet	$35.90	7/31/2006
2/28/2003	CTSH	Cognizant Technology	$70.20	4/30/2003
3/31/2003	PPL	PPL Corp.	$35.61	12/31/2003
4/30/2003	RT	Ruby Tuesday Inc	$19.70	7/30/2004
4/30/2003	MOVIQ	Movie Gallery Inc	$18.63	11/28/2003
4/30/2003	AITP	Amer Italian Pasta Co -Cl A	$44.10	11/28/2003
4/30/2003	VLO	Valero Energy Corp	$36.75	10/31/2003
4/30/2003	AVID	Avid Technology Inc	$27.47	3/31/2004
4/30/2003	NATI	National Instruments Corp	$32.14	8/31/2004
4/30/2003	BTU	Peabody Energy Corp	$28.10	5/31/2005
4/30/2003	VZ	Verizon Communications	$37.38	7/31/2003
5/30/2003	PDG	Placer Dome	$10.93	5/28/2004
6/30/2003	BG	Bunge Ltd.	$28.93	9/30/2003
6/30/2003	FCX	Freep't-McMoRan C&G	$24.05	5/28/2004
7/31/2003	UOPX	Apollo Grp Univ Phoenix	$57.62	8/31/2004
7/31/2003	AWE	At&T Wireless Services Inc	$8.53	7/30/2004
8/29/2003	SFD	Smithfield Foods	$20.25	2/27/2004
8/29/2003	HAIN	Hain Celestial Group	$19.60	5/28/2004
8/29/2003	OKE	ONEOK Inc.	$20.99	11/30/2005
8/29/2003	WTR	Phila. Suburban	$23.65	11/28/2003
9/30/2003	MO	Altria Group	$43.80	--
9/30/2003	CDWC	CDW Corp.	$57.60	10/29/2004
10/31/2003	HAL	Halliburton Co.	$23.88	12/31/2003
11/28/2003	FO	Fortune Brands	$68.32	11/30/2005
11/28/2003	NTY	NBTY Inc.	$25.40	11/30/2005
11/28/2003	ORI	Old Republic	$37.06	9/29/2006
11/28/2003	MDU	MDU Resources	$23.68	--
12/31/2003	PXD	Pioneer Natural Res.	$31.93	3/31/2006
12/31/2003	VLO	Valero Energy	$46.34	9/29/2006
12/31/2003	EXC	Exelon Corp.	$66.36	6/30/2009
1/30/2004	MSM	MSC Industrial Direct	$28.25	3/31/2005
2/27/2004	UNFI	United Natural Foods	$46.13	10/31/2005
2/27/2004	RE	Everest Re Group Ltd.	$87.39	4/28/2006
2/27/2004	EFII	Electrncs For Imging	$25.33	7/30/2004
2/27/2004	WWCA	Western Wireless 'A'	$24.09	6/30/2005
3/31/2004	FIC	Fair Isaac	$36.08	5/28/2004
3/31/2004	SSTI	Silicon Storage	$12.94	12/31/2004
5/28/2004	SFD	Smithfield Foods	$28.99	11/30/2004
5/28/2004	TYC	Tyco Int'l Ltd.	$30.79	9/28/2007
5/28/2004	EPIC	Epicor Software Cp	$13.35	7/30/2004
5/28/2004	ARG	Airgas Inc.	$21.78	9/29/2006
5/28/2004	SEE	Sealed Air	$50.27	9/30/2005
5/28/2004	CCI	Crown Castle Int'l	$14.73	12/29/2006
5/28/2004	WR	Westar Energy	$19.72	11/30/2005
7/30/2004	JILL	J Jill Group Inc	$18.57	3/31/2005
7/30/2004	COGN	Cognos Inc.	$33.68	5/31/2005
7/30/2004	ACN	Accenture Ltd.	$24.63	5/31/2005
7/30/2004	VZ	Verizon Communic.	$38.54	1/31/2005
8/31/2004	BG	Bunge Ltd.	$39.89	9/30/2005
8/31/2004	XRAY	Dentsply Int'l	$50.95	9/30/2005
8/31/2004	RRD	Donnelley (R.R) & Sons	$30.73	12/30/2005
8/31/2004	DBD	Diebold Inc.	$48.89	11/30/2004
10/29/2004	TRMB	Trimble Nav. Ltd.	$28.69	10/31/2005
11/30/2004	STZ	Constellation Brands	$44.70	9/30/2005
11/30/2004	JCOM	J2 Global Communications	$34.85	2/28/2005
12/31/2004	KRB	MBNA Corp.	$28.19	6/30/2005
12/31/2004	RSYS	RadiSys Corp	$19.54	10/31/2006
1/31/2005	S	Sprint Corp.	$23.83	7/29/2005
2/28/2005	CKR	CKE Restaurants	$15.44	9/30/2005
2/28/2005	EMC	EMC Corp.	$12.66	1/31/2006
3/31/2005	TSCO	Tractor Supply	$43.65	7/31/2006
3/31/2005	ROP	Roper Inds.	$65.50	5/31/2006
5/31/2005	AIG	Amer. Int'l Group	$55.55	11/30/2006
5/31/2005	AXE	Anixter Int'l	$37.81	1/31/2007
5/31/2005	AVID	Avid Technology	$58.64	10/31/2005
5/31/2005	DD	Du Pont	$46.51	10/31/2005
6/30/2005	JNC	Nuveen Investments Inc	$37.62	7/31/2006
6/30/2005	AMT	Amer. Tower 'A'	$21.02	--
7/29/2005	WWCA	Western Wireless 'A'	$44.67	8/31/2005
8/31/2005	ORB	Orbital Sci Corp	$11.98	4/30/2007
8/31/2005	S	Sprint Nextel	$25.93	12/30/2005
8/31/2005	AT	ALLTEL Corp.	$61.99	1/31/2006
9/30/2005	EDMC	Education Mgmt.	$32.24	6/30/2006

Appendix I

EquityCompass U.S. All-Cap Blend Model Portfolio Constituent Additions / Deletions

29 Nov 2002 – 30 Jun 2009

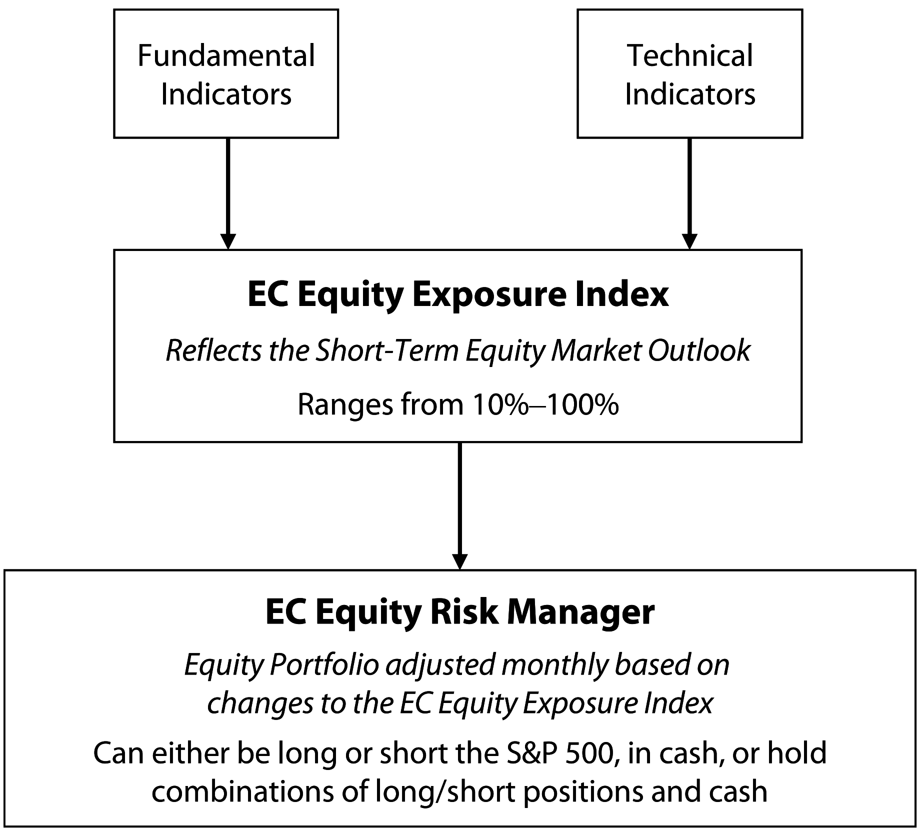
Date Added	Symbol	Name (AD)	Price	Date Removed
9/30/2005	PEP	PepsiCo Inc.	$56.71	1/31/2007
9/30/2005	DF	Dean Foods	$38.86	7/31/2006
9/30/2005	AET	Aetna Inc.	$86.14	6/30/2008
9/30/2005	CCK	Crown Holdings	$15.94	4/28/2006
10/31/2005	CVS	CVS Corp.	$24.41	11/30/2005
10/31/2005	JCOM	J2 Global Communications	$44.15	6/30/2006
10/31/2005	CMVT	Comverse Technology	$25.10	3/31/2006
10/31/2005	VMC	Vulcan Materials	$65.00	3/31/2008
11/30/2005	MIK	Michaels Stores	$37.40	8/31/2006
11/30/2005	FLO	Flowers Foods	$25.92	9/29/2006
11/30/2005	WAG	Walgreen Co.	$45.68	--
11/30/2005	NFG	National Fuel Gas	$32.25	--
11/30/2005	EGN	Energen Corp.	$36.70	--
12/30/2005	JLG	JLG Industries	$45.66	12/29/2006
12/30/2005	VZ	Verizon Communic.	$30.12	--
1/31/2006	CGNX	Cognex Corp	$29.18	5/31/2006
1/31/2006	BCE	B C E Ind.	$24.21	6/29/2007
2/28/2006	OII	Oceaneering Int'l.	$55.14	10/31/2006
3/31/2006	TTI	Tetra Tech. Inc.	$47.04	1/31/2008
3/31/2006	CTSH	Cognizant Tech	$59.49	5/31/2007
4/28/2006	PLD	Prologis	$50.22	5/31/2007
4/28/2006	HPC	Hercules Inc.	$14.21	5/31/2007
5/31/2006	PSTI	PerSe Tech	$24.92	7/31/2006
5/31/2006	MDR	McDermott Int'l	$43.74	5/29/2009
5/31/2006	JBL	Jabil Circuits	$34.82	9/30/2008
5/31/2006	MLM	Martin Marietta	$91.51	11/30/2007
5/31/2006	AES	A E S Corp.	$18.40	7/31/2007
6/30/2006	BID	Sotheby's Holdings A	$26.25	1/30/2009
6/30/2006	ARRS	Arris Group	$13.12	10/31/2006
7/31/2006	IFSIA	Interface	$12.27	7/31/2007
7/31/2006	CVS	C V S Corp.	$32.72	12/29/2006
7/31/2006	MER	Merrill Lynch	$72.82	1/31/2008
7/31/2006	ARTC	Arthocare	$44.04	10/31/2006
7/31/2006	GDI	Gardner Denver	$34.65	12/29/2006
8/31/2006	GSIL	GSI Commerce	$13.12	9/29/2006
9/29/2006	LAMR	Lamar Advertising	$53.41	5/31/2007
9/29/2006	LDG	Long's Drug	$46.01	4/30/2008
9/29/2006	NE	Noble Corp.	$64.18	--
9/29/2006	CORS	Corus Bankshares	$22.36	8/31/2007
9/29/2006	NEM	Newmont Mining	$42.75	3/30/2007
10/31/2006	FRO	Frontline Ltd.	$37.83	11/30/2006
10/31/2006	CELG	Celgene	$53.44	1/31/2008
10/31/2006	EDS	E D S Corp.	$25.33	11/30/2006
10/31/2006	GOOG	Google	$476.39	--
11/30/2006	BRS	Bristow Group Inc.	$35.57	9/30/2008
11/30/2006	SKT	Tanger Factory Outlet Ctrs	$39.42	6/29/2007
11/30/2006	NOVN	Noven Pharmaceuticals Inc.	$23.66	4/30/2007
11/30/2006	AKAM	Akamai Technologies Inc.	$48.87	5/31/2007
12/29/2006	HAIN	Hain Celestial Group Inc.	$31.21	6/29/2007
12/29/2006	UCO	Univ. Compression Hldgs	$62.11	8/31/2007
12/29/2006	TNB	Thomas & Betts Corp.	$47.28	4/30/2007
12/29/2006	HSC	Harsco Corp.	$76.10	--
12/29/2006	NIHD	NII Holdings Inc.	$64.44	12/31/2008
1/31/2007	PG	Procter & Gamble Co.	$64.87	8/31/2007
1/31/2007	MCRS	Micros Systems Inc.	$56.30	2/27/2009
3/30/2007	MW	Men's Wearhouse Inc.	$47.05	--
3/30/2007	CCK	Crown Holdings Inc.	$24.46	--
4/30/2007	ERES	eResearch Technology Inc.	$8.67	2/27/2009
4/30/2007	BEAV	BE Aerospace Inc.	$36.65	6/29/2007
4/30/2007	WAB	Wabtec	$37.15	1/31/2008
5/31/2007	CKR	CKE Restaurants Inc.	$21.79	9/30/2008
5/31/2007	HCC	HCC Insurance Holdings	$32.91	--
5/31/2007	AXE	Anixter International Inc.	$73.86	11/30/2007
5/31/2007	CTV	CommScope Inc.	$54.73	9/30/2008
5/31/2007	BW	Brush Engineered Materials	$53.65	2/27/2009
6/29/2007	FLO	Flowers Foods Inc.	$33.36	--
6/29/2007	CBG	CB Richard Ellis Grp (Cl A)	$36.50	9/30/2008
6/29/2007	KFRC	Kforce Inc.	$15.98	9/28/2007
6/29/2007	RCI	Rogers Commun (Cl B)	$42.49	--
7/31/2007	SNA	Snap-On Inc.	$52.33	--
7/31/2007	AYE	Allegheny Energy Inc.	$52.23	9/30/2008
8/31/2007	CVS	CVS Caremark Corp.	$37.82	--
8/31/2007	PVA	Penn Virginia Corp.	$39.91	1/30/2009
8/31/2007	BER	W.R. Berkley Corp.	$29.89	1/30/2009
9/28/2007	BEAV	BE Aerospace Inc.	$41.53	7/31/2009
9/28/2007	WLT	Walter Industries Inc.	$26.90	8/29/2008
11/30/2007	ANSS	Ansys Inc.	$38.86	--
11/30/2007	GEF	Greif Bros. Corp. (Cl A)	$59.07	--
12/31/2007	CHB	Champion Enterprises Inc.	$9.42	2/29/2008
1/31/2008	GLNG	Golar LNG Ltd.	$20.65	12/31/2008
1/31/2008	DLLR	Dollar Financial Corp.	$25.18	4/30/2008
1/31/2008	PRA	ProAssurance Corp.	$57.70	--
1/31/2008	UTHR	United Therapeutics Corp.	$83.98	--
1/31/2008	GEO	Geo Group Inc.	$23.92	6/30/2008
2/29/2008	OMC	Omnicom Group Inc.	$44.67	--
3/31/2008	FMC	FMC Corp.	$55.49	--
3/31/2008	NTLS	NTELOS Holdings Corp.	$24.20	--
4/30/2008	TAP	Molson Coors Brew. (Cl B)	$54.84	12/31/2008
4/30/2008	ACE	ACE Ltd.	$60.29	--
6/30/2008	CRY	CryoLife Inc.	$11.44	4/30/2009
6/30/2008	TGI	Triumph Group Inc.	$47.10	--
8/29/2008	FWLT	Foster Wheeler Ltd.	$49.69	--
9/30/2008	SHOO	Steven Madden Ltd.	$24.78	--
9/30/2008	MTRX	Matrix Service Co.	$19.10	10/31/2008
9/30/2008	ACGL	Arch Capital Group Ltd.	$73.03	--
9/30/2008	BBBB	Blackboard Inc.	$40.29	--
9/30/2008	FLIR	Flir Systems Inc.	$38.42	--
9/30/2008	NJR	New Jersey Resources Cp.	$35.89	--
10/31/2008	WLT	Walter Industries Inc.	$38.75	12/31/2008
12/31/2008	GMCR	Green Mountain Coffee	$38.70	--
12/31/2008	ARD	Arena Resources Inc.	$28.09	--
12/31/2008	RRC	Range Resources Corp.	$34.39	--
12/31/2008	CTL	CenturyTel Inc.	$27.33	--
1/30/2009	LEG	Leggett & Platt Inc.	$12.49	--
1/30/2009	GMXR	GMX Resources Inc.	$22.67	2/27/2009
1/30/2009	PSEC	Prospect Capital Corp.	$10.83	--
2/27/2009	HRS	Harris Corp.	$37.28	--
2/27/2009	XRAY	Dentsply International Inc.	$23.12	--
2/27/2009	CCC	Calgon Carbon Corp.	$14.65	--
2/27/2009	HK	Petrohawk Energy Corp.	$17.02	--
3/31/2009	TECH	Techne Corp.	$54.71	--
4/30/2009	ALJ	Alon USA Energy Inc.	$12.70	--
4/30/2009	IVC	Invacare Corp.	$15.39	--
5/29/2009	FCN	FTI Consulting Inc.	$50.22	--
6/30/2009	CWT	California Water Svc. Grp	$36.84	--
7/31/2009	GEOY	GeoEye Inc.	$24.80	--

Appendix II

EquityCompass Equity Risk Management Strategy

The EquityCompass Equity Risk Management Strategy ("ERMS" or the "Strategy" or "EC Equity Risk Manager") is an adaptable approach addressing investor uncertainty on market direction. Based on fundamental and technical indicators, the Strategy seeks to manage an investment portfolio's exposure to the equity markets thus mitigating the risk of an extended market decline while also seeking to participate in enduring market advances. The ERMS is designed to integrate within a strategic allocation to stocks without the use of leverage or complex derivative instruments. Importantly, the Strategy allows the investor to make objective investment decisions rather than reacting to emotional pressures that usually prevail in volatile market conditions.

Diagram 1



Source: EquityCompass Strategies

Appendix II (continued…)

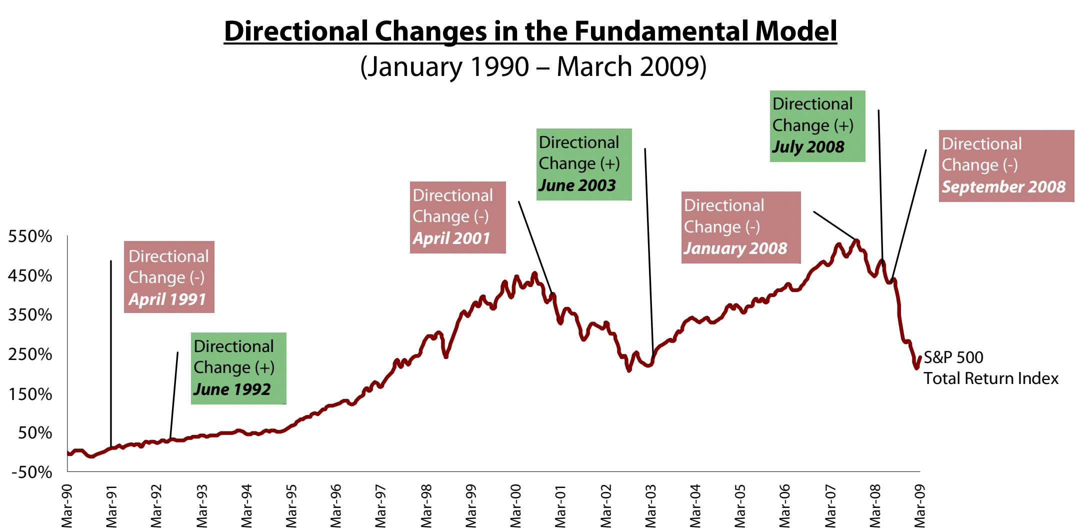
EC Equity Exposure Index

The EC Equity Exposure Index (the "Index") is a quantitatively derived score that ranges from 10% to 100% and reflects the current favorability towards investing in stocks. A higher percentage reflects favorable conditions for investing while lower percentages are unfavorable. The Index is updated monthly by EquityCompass Strategies based on scores generated from two models — one looks forward and tracks the fundamental indicators and the other relies on historical probabilities to analyze technical indicators. The fundamental model scores range from 0% (unfavorable) to 100% (favorable) and the technical model scores range from 20% (unfavorable) to 100% (favorable). Each model score is given a weight of 50% to produce the EC Equity Exposure Index.

Fundamental Model

The fundamental model measures changes in consensus analyst estimates for the S&P 500 in the next 12 months. Two consecutive months of rising earnings expectations generate the positive signal that turns the model favorable toward stock investment. The model stays favorable until two consecutive months of decreasing expectations reverse the signal to negative. Analyst estimates are generally consistent with the market direction except in periods of major directional change, when they have been seen to lag. Since 1989 there have been seven directional changes with the most recent being a negative reversal that occurred in July 2008 **(Chart 14).**

Chart 14



Source: EquityCompass Strategies, Bloomberg

Appendix II (continued…)

The Technical Model

The technical model is based on the historical (1916–2008) DJIA performance. The matrix shown in **Table 12** was constructed using the variables of the then DJIA relative to its all-time high and subsequent low. The matrix was then optimized to generate scores that range from 20% to 100% to indicate the desired degree of equity market exposure that produced the best possible returns over the period. This model tries to avoid the overt bias to price momentum or mean reversion tendencies from which many technical models suffer. Since 1989 there have been 28 month-end index exposure changes of greater than 20%.

Table 12

Relationship Between the Current Level and the Recent Low

Relationship Between the Current Level and All-Time High	Less than or equal to 10%	Greater than 10% but less than or equal to 20%	Greater than 20% but less than or equal to 30%	Greater than 30% but less than or equal to 40%	Greater than 40%
Less than or equal to 10%	100%	100%	100%	70%	100%
Greater than 10% but less than or equal to 20%	20%	50%	30%	80%	100%
Greater than 20% but less than or equal to 30%	20%	20%	100%	100%	90%
Greater than 30% but less than or equal to 40%	100%	100%	100%	20%	100%
Greater than 40%	20%	100%	20%	80%	100%

Source: EquityCompass Strategies

Appendix II (continued…)

EC Equity Risk Management Strategy

The EC Equity Exposure Index forms the basis for the Equity Risk Management Strategy, a tactical strategy that can be employed to systematically reduce the risk of extended market declines while adjusting to capture enduring market advances. The ERMS expands the portfolio flexibility to inverse, or short, the S&P 500 when the EC Equity Exposure Index is unfavorable for owning stocks. As such, the ERMS will have a portfolio that is a combination of either long the S&P 500, short the S&P 500, or cash. Using the monthly EC Equity Exposure Index as a basis, **Table 13** shows the matrix determining the allocation to the various components of the ERMS portfolio. For example, when the composite equity allocation is 80%, the ERMS will allocate 20% to cash and 80% to the S&P 500. When the recommended equity exposure is only 20%, the ERMS will have 20% in cash and 80% inverse, or short, the S&P 500. The ERMS is updated monthly based on changes to the EC Equity Exposure Index.

Table 13 **EC Equity Risk Manager Component Allocation**

80% Recommended equity allocation will produce a 20% cash and 80% long S&P 500 allocation in EC Equity Risk Manager

20% Recommended equity allocation will produce a 20% cash and 80% inverse S&P 500 (short) allocation in EC Equity Risk Manager

	EC Equity Risk Manager Component Allocation		
EC Equity Exposure Index	Cash	Long S&P 500	Short S&P 500
100%	0%	100%	0%
95%	5%	95%	0%
90%	10%	90%	0%
85%	15%	85%	0%
80%	20%	80%	0%
75%	25%	75%	0%
70%	30%	70%	0%
65%	35%	65%	0%
60%	40%	60%	0%
55%	45%	55%	0%
50%	100%	0%	0%
45%	45%	0%	55%
40%	40%	0%	60%
35%	35%	0%	65%
30%	30%	0%	70%
25%	25%	0%	75%
20%	20%	0%	80%
15%	15%	0%	85%
10%	10%	0%	90%

Source: EquityCompass Strategies

ERMS Portfolio Simulation

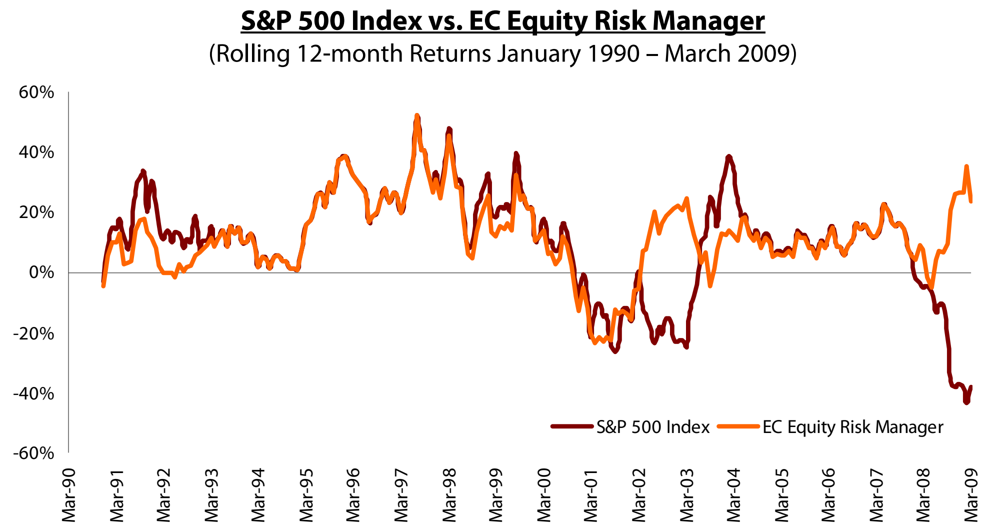
We performed a portfolio simulation for the ERMS covering the same study period as was used for the EC Equity Exposure Index (12/31/89–3/31/09). The cumulative results of the simulation are shown in **Chart 15** and period returns are shown in **Tables 14** and **15**. The study period includes a decade of well above average performance (1990–1999) and what is shaping up as one of the worst (2000–2009), providing stress conditions to test how well the ERMS was able to capture enduring market advances as well as avoid the ravages of extended market declines. Buy and hold strategies became popular in the 1990s as the fully invested S&P 500 outperformed the vast majority of active portfolio managers.

Appendix II (continued…)

However, the ERMS still captured the majority of the market gains with an annualized return of 16.1% versus 18.2% for the S&P 500. As far as returns since 2000, the ERMS simulated an annualized return of 4.1% versus -2.0% for the S&P 500.

The flexibility of the ERMS to position inverse, or short the S&P 500 is best demonstrated by performances in 2008. With the EC Equity Exposure Index indicating very unfavorable conditions for owning stocks, the ERMS was either in cash, or short the S&P 500 most of the year. Perhaps one of the most useful statistics from the performance simulation is the upside/downside capture ratio. The ERMS was able to capture 68.5% of the gain when the S&P 500 was rising while capturing 28.5% when it was declining.

Chart 15



Dividends included
Assumes risk-free rate of 2.25% and 0% return for cash allocation
Source: EquityCompass Strategies, Bloomberg

Table 14

	S&P 500 Index	EC Equity Risk Manager
Cumulative Returns		
Jan 1990 - Mar 2009	240.8%	655.7%
Jan 1990 - Mar 2009 (Excl. 2008)	440.9%	496.6%
Jan 1990 - Dec 1999	432.8%	314.0%
Jan 2000 - Mar 2009	-32.3%	93.3%
Annualized Return 1990 - 2009	6.6%	11.1%
Standard Deviation	14.9%	12.5%
Sharpe Ratio	0.29	0.71
Upside Market Capture	100.0%	68.5%
Downside Market Capture	100.0%	28.5%
Period Returns		
1-Month	8.8%	-8.9%
3-Month	-11.0%	-0.1%
6-Month	-30.5%	12.0%
1-Year	-38.1%	23.4%
3-Year (CAGR)	-13.1%	14.1%
5-Year (CAGR)	-4.8%	11.8%
10-Year (CAGR)	-3.0%	7.7%

Table 15

	S&P 500 Index	EC Equity Risk Manager
Annual Returns		
1990	-3.1%	-4.4%
1991	30.5%	11.4%
1992	7.6%	6.7%
1993	10.1%	10.1%
1994	1.3%	1.3%
1995	37.6%	37.6%
1996	23.0%	23.0%
1997	33.4%	31.0%
1998	28.6%	21.7%
1999	21.0%	21.0%
2000	-9.1%	-12.8%
2001	-11.9%	-13.7%
2002	-22.1%	21.1%
2003	28.7%	12.6%
2004	10.9%	9.9%
2005	4.9%	4.6%
2006	15.8%	15.8%
2007	5.5%	5.5%
2008	-37.0%	26.7%
2009 (through 3/31/09)	-11.0%	-0.1%

Dividends included
Assumes risk-free rate of 2.25% and 0% return for cash allocation
Source: EquityCompass Strategies, Bloomberg

Important Disclosures

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When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains. High-yield bonds have greater credit risk than higher quality bonds. Corporate bonds are considered higher risk than government bonds. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and different accounting standards. Currencies and futures are generally volatile and may not be suitable for all investors. Investment in foreign exchange related products is subject to many factors which contribute to or increase volatility, such as national debt levels and trade deficits, changes in domestic and foreign interest rates, and investors' expectations concerning interest rates and global or regional political, economic or financial events and situations. The funds will be successful only if significant losses are avoided. Please review the prospectus regarding specific break-even figures for the funds. Exchange Traded Funds (ETFs) represent a share of all of the stocks in their respective index held in a trust. Therefore, ETFs are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs trade like stocks, and there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. Investors should consider an ETF's investment objective, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, is available from your Financial Advisor and should be read carefully before investing. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Investing in low-priced securities carries a high degree of risk and may not be suitable for all investors. When investing in real estate, it is important to note that property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Past performance is no guarantee of future results. Buy-Sell-Hold and other research ratings utilized by EquityCompass Strategies are provided by an outside entity that may rely on information created by the Stifel Nicolaus Research Department.

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