

Empowering Investors to
Achieve More

PORTFOLIO
RESEARCH

Navigation for Unpredictable Markets

Who is Portfolio Research?



- Our goal is to help investors:
 - Plan Intelligently
 - Minimize Risk
 - Increase Wealth
 - Reduce Fees
 - Reduce Taxes



Motivated by a Difference in Investing Styles



THE ULTRA WEALTHY

- Builds strategy based on academic and industry research
- Top down strategy driven approach
- Looking for ways to mitigate risk and increase long-term growth
- Quantitative/ model driven approach

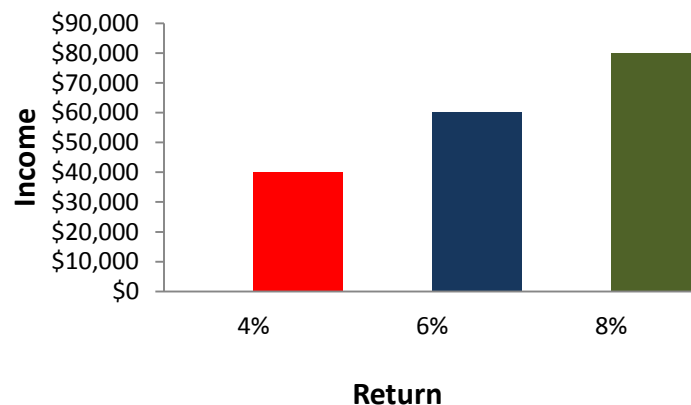
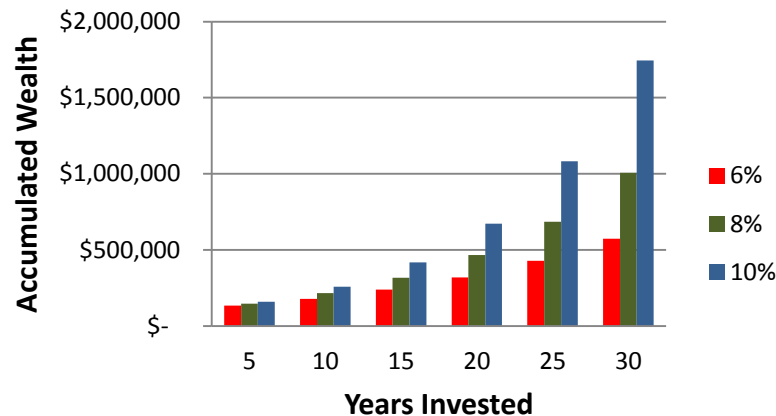
RETAIL INVESTORS

- Yahoo finance, Money, Forbes, listens to Cramer, etc..
- Bottom up approach
- Don't rebalance
- What are the best stocks to hold for 2010?
- Market Timing

Shoot for a Small Increase in Return



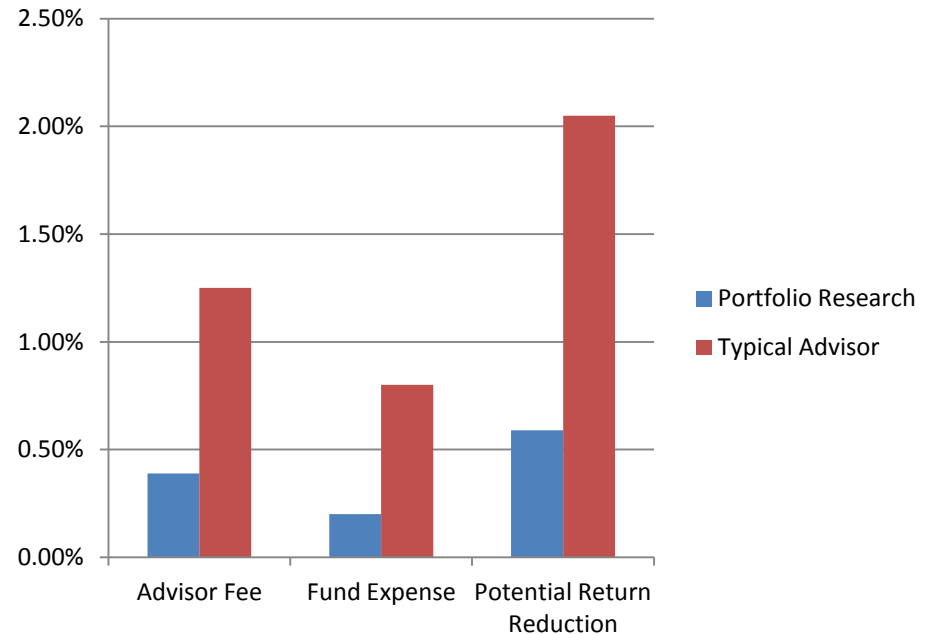
- Small return differences lead to large changes in:
 - Wealth Accumulation
 - Withdrawal Income
- Factors that materially change returns
 - Fees
 - Fund expense
 - Advising
 - Portfolio Efficiency
 - Risk return composition
 - Event risk and volatility



Reduce Fees



- Hands down, fees are the easiest way to increase returns.
- If you reduce advising fees and fund expense fees you increase your return.
- The average active manager performs identical to the index before fees!!!

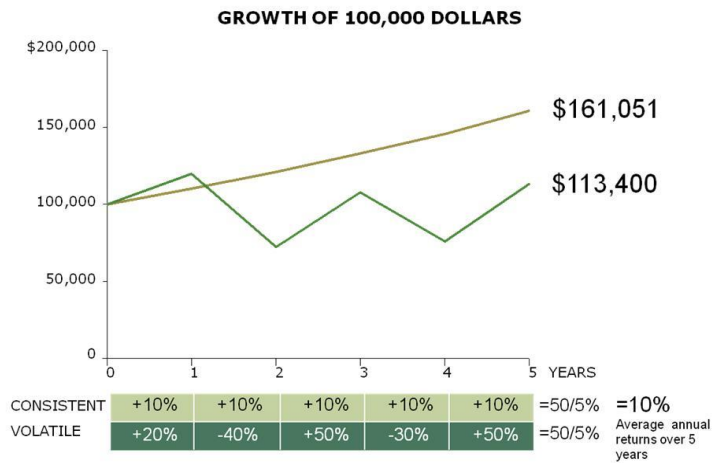


Shown for \$100K portfolio

Make your Portfolio more Efficient



Volatility Drag



Based on an initial investment of \$100,000 with earnings compounded annually, and assumes no taxes, fees or other costs of investing. This is a hypothetical example, not an investment in any mutual fund. SOURCE: Accessor Capital Management, 1999

Recent example

		Initial	2008	2009	Total
More Return	Return	0	-45%	55%	5.0%
	Wealth	100	55	85.25	85.25
	Growth Rate				-7.7%
More Wealth	Return	0	-33%	36%	1.5%
	Wealth	100	67	91.12	91.12
	Growth Rate				-4.5%

Downside performance is more important than upside performance!!!

Portfolio Construction



Measure Capital Markets

- Risk
- Return
- Correlations

Optimize

- Modified Mean - Variance
- Determine Efficient Frontier

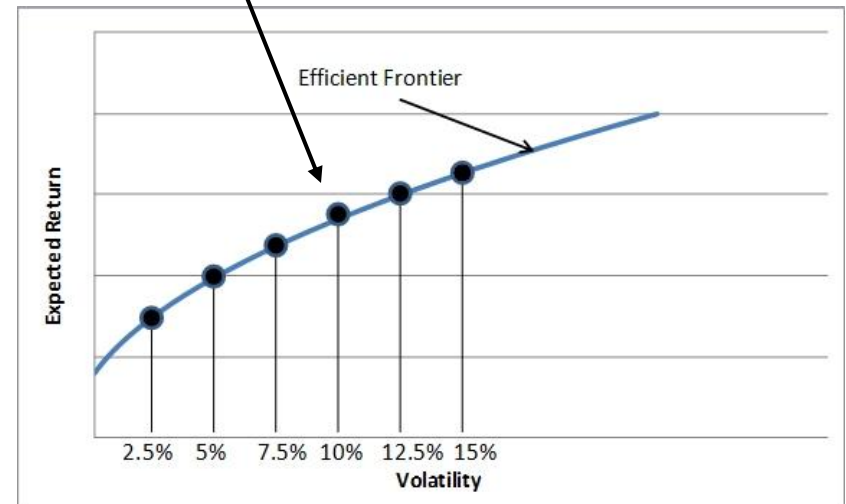
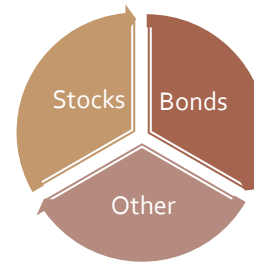
Determine Asset Class Exposures

- 6 Portfolios
- Address different risk levels

Achieving Growth while Controlling Risk



- 11 Asset Classes
 - US Large Cap Equity
 - US Mid Cap Equity
 - US Small Cap Equity
 - International Developed Equity
 - International Emerging Equity
 - US Bonds
 - International Bonds
 - TIPS
 - US REIT
 - Commodities
 - Cash Equivalents



Example Case



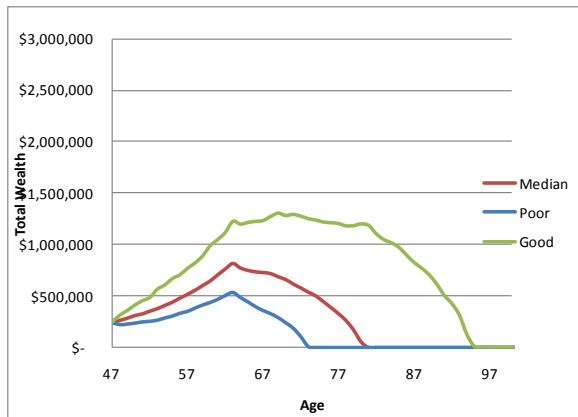
- Steve and Jackie Johnson
- Ages: 47 and 45
- Two kids 12 and 14 years old.
- Steve
 - Income \$83,000/ year
 - Saves 7%, \$5810/ year
 - Estimated annual pension: \$6,000/ year
- Current portfolio: \$243,00
- Uses Vanguard
- Goal: Retire at 62
- \$85,000/ year retirement salary
- Can they make it?
- How?

Step 1: Plan Ahead

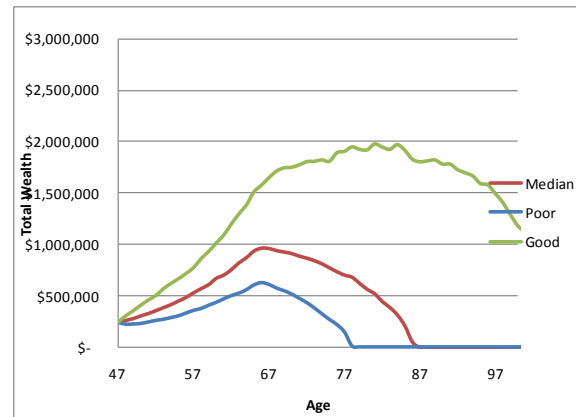


- Use retirement planner to:
- Determine the right risk and return trajectory through time.
 - The retirement planner recommends Strategy RT 15 today.
- Evaluate alternative plans.

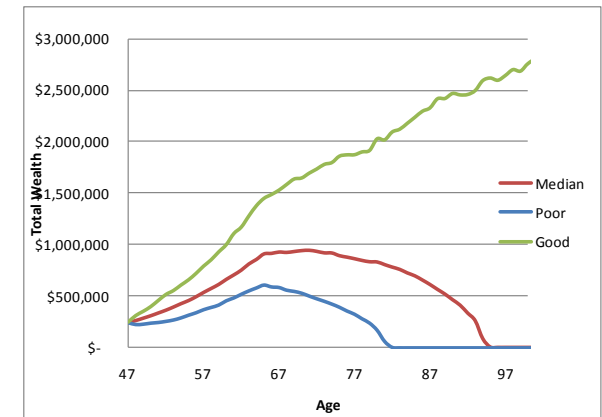
Current Situation



Retire at 65 instead



Retire at 64 adjust
Retirement salary to \$75k/
year



Step 2: Set up a Portfolio



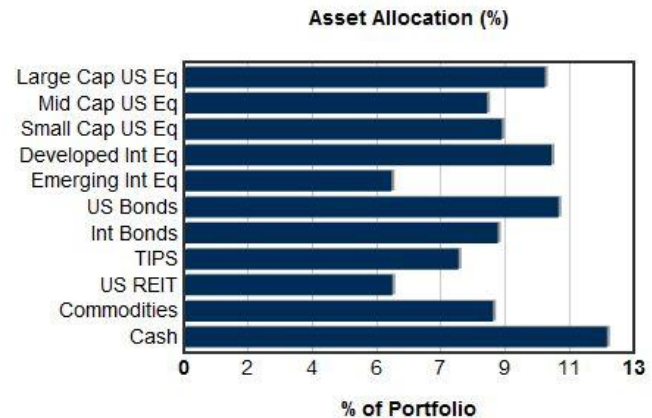
- Jackie manages the portfolio.
- She goes to Vanguard and replicates the RT-15
- She buys the following Index funds and ETFs because they are low cost.

Asset Class	Fund	Amount
US Large Cap	VV	\$ 25,272.00
US Mid Cap	VO	\$ 21,385.00
US Small Cap	VB	\$ 22,356.00
Dev Int	VEA	\$ 25,758.00
EM Int	VWO	\$ 14,580.00
US REIT	VNQ	\$ 14,580.00
Commodities	GSG	\$ 21,627.00
US Bonds	BND	\$ 26,244.00
TIPS	VIPSX	\$ 19,197.00
Int Bonds	BWX	\$ 22,113.00
Cash	MM	\$ 29,646.00

Step 3: Stay Tuned to Market Conditions

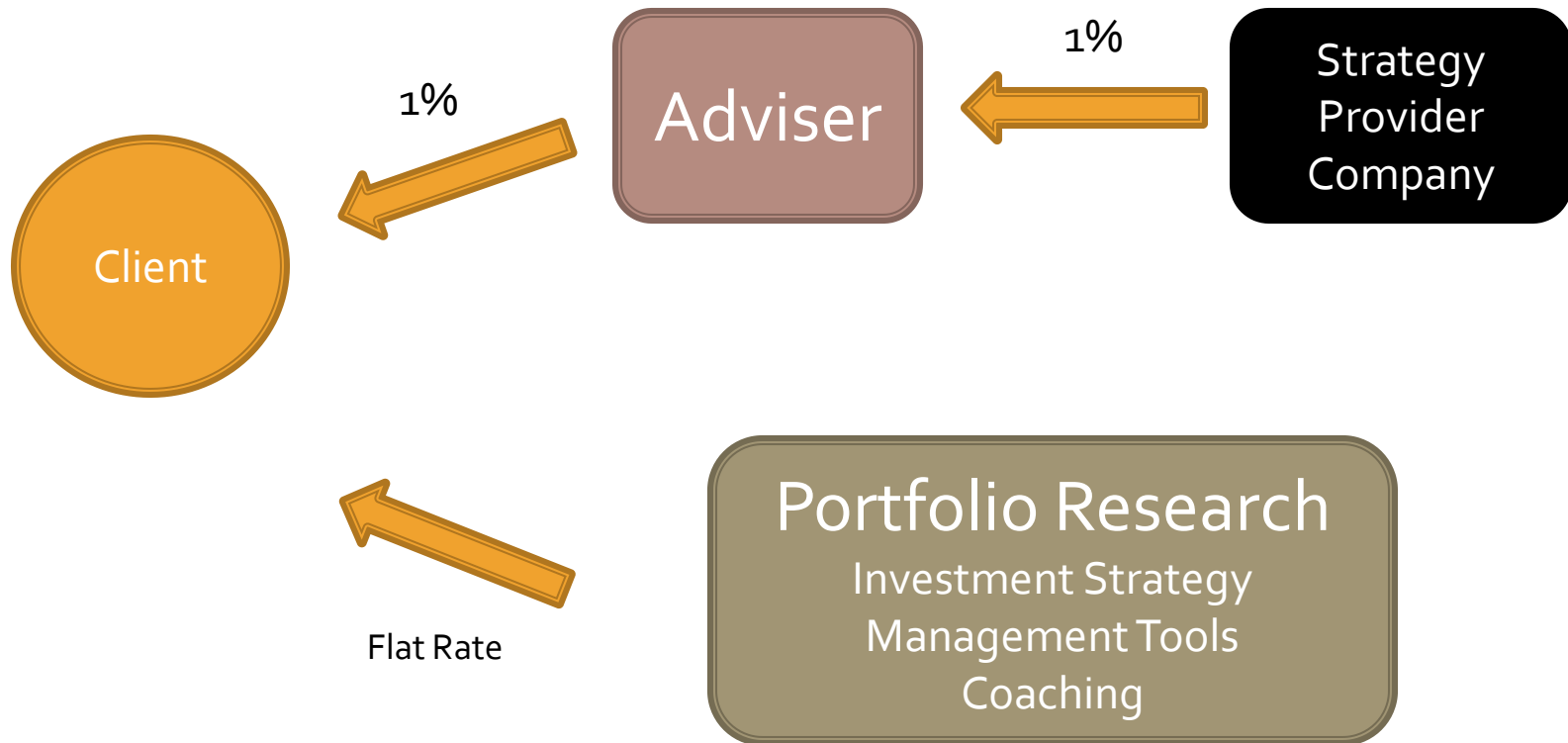


- Each month Jackie checks Portfolio Research's site.
- She gets a trade ticket if her portfolio is out of balance



	Recommended Holding	Recommended Buys	Recommended Sales
Large Cap US Eq	\$31,535.00	\$0.00	\$9,237.00
Mid Cap US Eq	\$22,000.00	\$0.00	\$0.00
Small Cap US Eq	\$22,333.00	\$10,696.00	\$0.00
Dev Int Eq	\$31,873.00	\$0.00	\$13,127.00
EM Int Eq	\$14,556.00	\$6,320.00	\$0.00
US Bonds	\$26,158.00	\$0.00	\$0.00
Int Bonds	\$14,000.00	\$0.00	\$0.00
TIPS	\$19,000.00	\$0.00	\$0.00
US REIT	\$18,116.00	\$0.00	\$12,884.00
Com	\$14,000.00	\$0.00	\$0.00
Cash	\$29,518.00	\$18,232.00	\$0.00

Business Model Comparison



Conclusion



- Empower investors to manage their own wealth using our models.
- Achieve the small differences in return, resulting in more wealth.
 - Keep portfolio tuned to current market conditions
 - Flat fee model. You keep more money.
- Control Risk