

About FormulaFolios

FormulaFolios are privately managed investment accounts powered by multi-factor quantitative investment models. By using a rules based, process-driven model, emotions are removed from the investment process thus increasing the statistical probability of success.

There are 12 separate and unique investment methodologies used in the composition of FormulaFolios, which reduces the possibility of model failure and increases the stability of expected returns. The ultimate goal of FormulaFolios is to substantially outperform market averages on a risk adjusted return basis.

FormulaFolio Model Performance Summary

From 11/2004 to Latest Month End	2004	2005	2006	2007	2008	2009	2010
Aggressive	10.03%	24.04%	24.43%	22.48%	-13.86%	2.32%	-0.45%
Moderate Aggressive	8.38%	21.90%	21.97%	21.42%	-13.18%	7.21%	0.22%
Moderate	6.74%	19.75%	19.49%	20.25%	-12.70%	12.26%	0.86%
Moderate Conservative	5.10%	17.60%	17.00%	18.96%	-12.42%	17.46%	1.46%
Conservative	3.46%	15.44%	14.50%	17.57%	-12.34%	22.82%	2.04%
Income 50	1.83%	13.27%	11.99%	16.08%	-12.46%	28.32%	2.58%
Income 30	0.96%	8.45%	8.71%	12.43%	-8.84%	20.22%	2.68%
S&P 500	4.33%	2.99%	13.62%	3.52%	-38.48%	23.67%	-7.58%
Barclay's Aggregate Bond	0.06%	2.26%	3.90%	6.16%	4.99%	2.28%	5.20%

Risk/Reward Metrics

	Average Annual Return	Standard Deviation	Sharpe Ratio	Average Month	Highest Month	Lowest Month
Aggressive	10.81%	16.46	0.41	1.16%	11.45%	-17.18%
Moderate Aggressive	10.88%	13.52	0.51	1.17%	9.79%	-14.46%
Moderate	10.85%	10.96	0.63	1.17%	8.14%	-11.73%
Moderate Conservative	10.71%	9.09	0.74	1.15%	6.49%	-9.01%
Conservative	10.61%	8.40	0.79	1.13%	4.83%	-6.29%
Income 50	10.10%	9.15	0.67	1.07%	6.59%	-5.07%
Income 30	7.47%	6.54	0.53	0.74%	4.34%	-3.73%
S&P 500	-2.06%	20.73	-0.29	-0.16%	9.39%	-16.94%
Barclay's Aggregate Bond	4.38%	5.76	0.07	0.40%	6.66%	-2.34%

Please review performance disclosures on page 2 of this document.

Disclosures

The performance information disclosed in this report is model performance. Model results do not reflect actual trading. Published model returns assume a minimum account size of \$100,000, maximum account fees, and are net of a 2.5% annual investment advisory fee. Model returns are calculated using the most recent month-end closing price for each security within the quantitative model. Actual performance for your FormulaFolios account is available online and can be accessed 24 hours a day, seven days a week. Client fees vary based upon the size of a client account and actual advisory fees may be less than highest fee from FormulaFolios.

Please note that FormulaFolios utilizes back-testing. These means that back-tested performance results DO NOT represent the results of actual trading using client assets but were achieved by means of the retroactive application of a financial model to historical data. All of the back-testing from FormulaFolios are calculated using the model-return method referenced above. It is possible that some components of FormulaFolio Investment Models did not exist during a given time period and published results were derived from back-testing. Past performance figures are hypothetical and are not indicative of future results. This report should not be construed as a recommendation to invest in accordance with a particular FormulaFolio Investment Strategy or to purchase or sell any particular securities. Market conditions can vary widely over time and can result in loss of portfolio value.

Benchmarks or indexes are used to track current and historical market performance by specific market segment (large/small capitalization) or investment style (growth/value). For the purpose of this report, we used the S&P 500 and Barclays Aggregate Bond Indices because they are well-known, prevalent indices. The S&P 500 and Barclays Aggregate Bond Indices are not publicly available investment vehicles and are not available for purchase. FormulaFolios are simply attempting to use a formulaic approach to choose holdings that meet certain qualification criteria in an effort to meet a particular FormulaFolio investment strategy. The S&P 500 and Barclays Aggregate Bond Indices have not endorsed FormulaFolio Investing in any way.

Due to market volatility, current performance may be higher or lower than the performance shown. FormulaFolio return data provided represents total return, including the reinvestment of dividends; interest received and realized capital gains.

It is important to note that any strategy may underperform and may produce negative results. Purchases and sales of securities may be made without regard to how long you have owned the securities. Any tax ramifications are not taken into consideration. The ongoing trading and turnover of holdings may create significant short term capital gains and/or long term capital gains in addition to interest and dividends creating income tax liability. Your attorney and accountant should be consulted regarding legal and tax implications.