


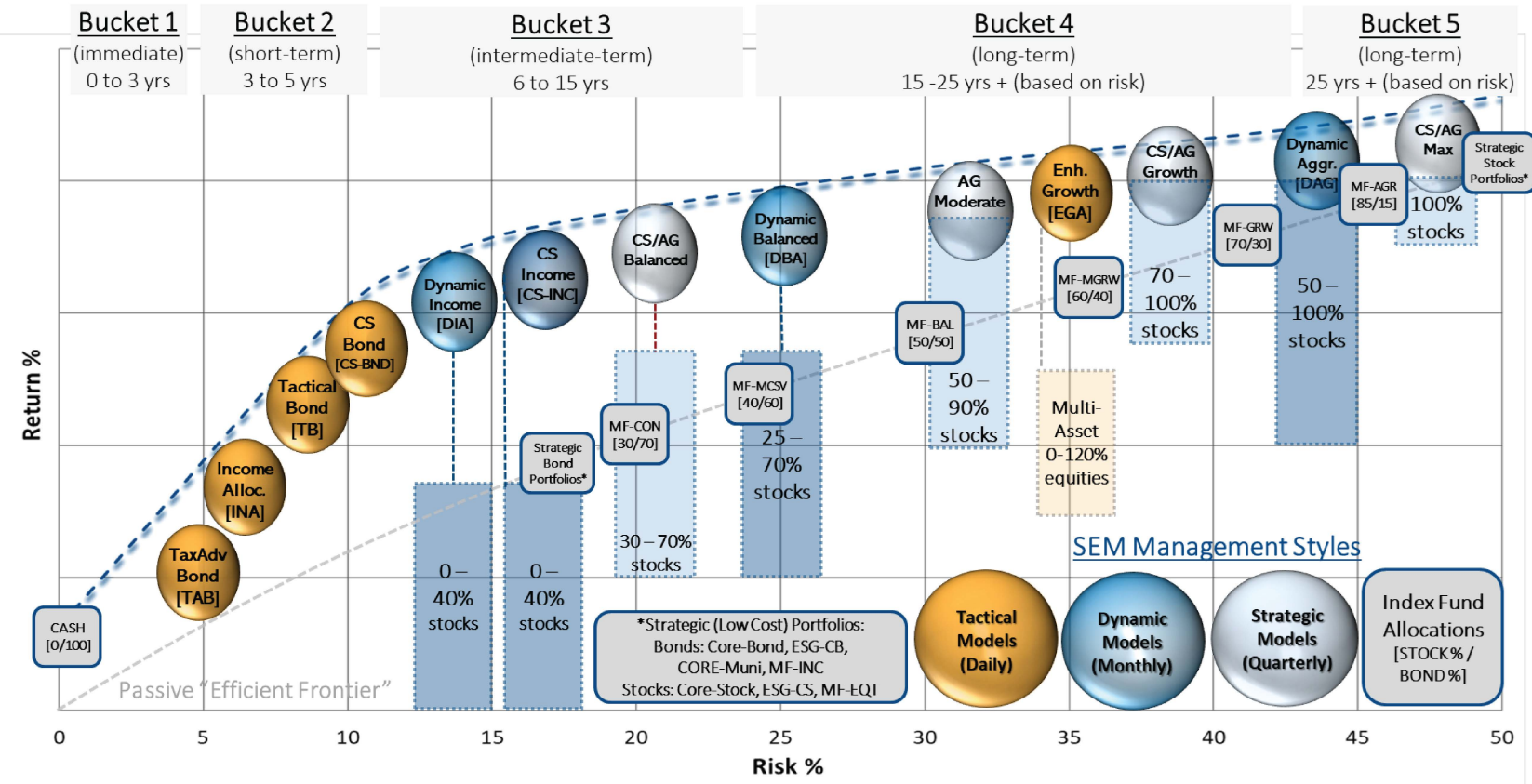
Model Owner's Manual



SEM's Portfolio Building Blocks

Scan for Performance Snapshot 

SEM works with financial advisors to create customized portfolios based around the financial plan, cash flow strategy, and investment personality of each client. We have 10 building blocks to choose from across three distinct investment management styles (tactical, dynamic, & strategic.) Each model has its own risk/return profile which can be blended with other models to create the customized portfolio.



Tactical Management

Tactical programs are monitored **DAILY** and study the trends in the market with a primary focus on moving to lower risk asset classes when risks are high. Due to their focus on risk management, tactical programs will not participate as much in rising markets.

Dynamic Allocation

Dynamic Allocation programs are monitored **MONTHLY**. These programs start with a core asset allocation and then increase/decrease exposure based on SEM's Economic Models.

Strategic Allocation

Strategic Allocation programs are monitored **QUARTERLY**. AmeriGuard seeks to allocate to the strongest American Funds and Vanguard funds, while Cornerstone seeks to allocate to the strongest Biblically Responsible funds.

SEM's Investment Models & Their Role in Your Portfolio

Tactical Models

Primary role is to *lower the overall risk* in your portfolio

- *Will do well* in trending markets, especially during prolonged downturns
- *Will struggle* in markets with frequent fluctuations
- *Will underperform* in the early stages of a market shift (beginning of a bull or bear market)

Income Allocator (INA): Lowest risk program which invests primarily in Bond funds. Lower fluctuations with the goal of out pacing inflation makes this program suitable for risk averse investors and accounts where withdrawals may be needed within 4 to 7 years.

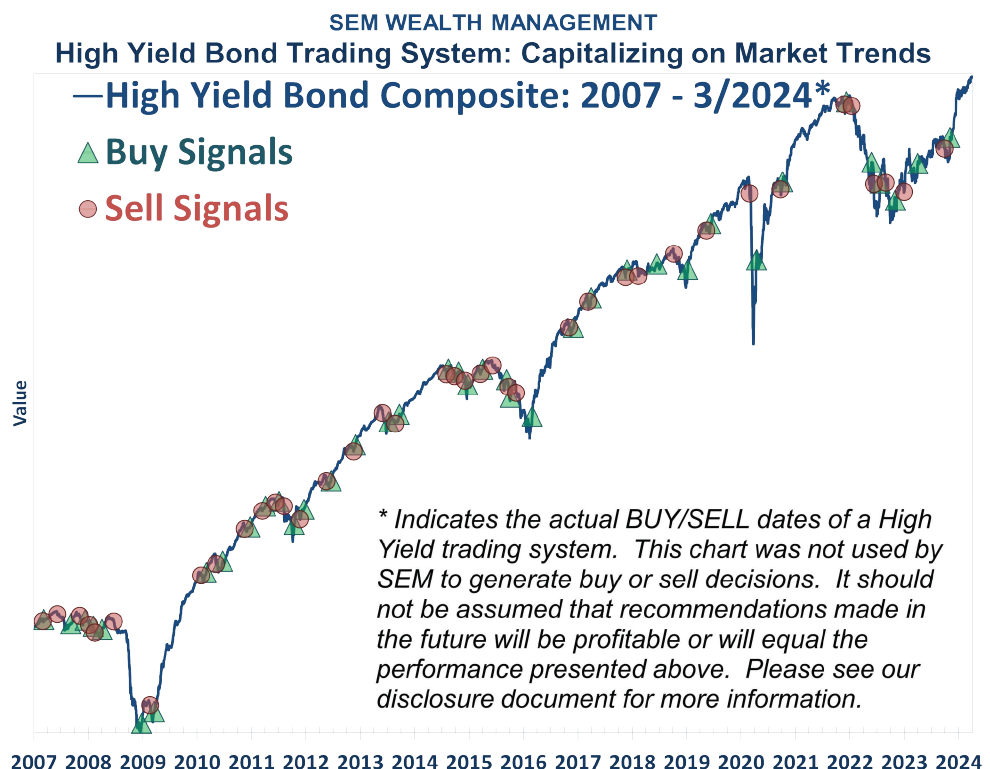
Tactical Bond (TB): Conservative investment program seeking lower fluctuations in value and a rate of return equal to or higher than a passive allocation of 50% High Yield Bond and 50% Short Term Government Bond mutual funds.

Tax Advantaged Bond (TAB): For taxable accounts only, seeks to provide lower fluctuations with rate of return equal to or better than a passive municipal bond allocation. Suitable for accounts with a two-year or greater time horizon.

Enhanced Growth Allocator (EGA): A moderate growth program with a heavier focus on offense than SEM's other tactical models. Primarily a stock program combining core rotation and active satellite strategies. Suitable for long-term investors that can handle greater short-term fluctuations.

EXAMPLE OF A TACTICAL SYSTEM

Tactical trading systems follow the trends in a specific market. This chart is an example of a tactical system. Note (with hindsight) the buy & sell signals will often seem excessive. The goal of tactical systems is to reduce losses by selling when it appears the markets are shifting. This means in the early stages of a major shift there could be frequent signals until the trend is more clear. SEM utilizes multiple tactical systems in each investment model.



Dynamic Models

Primary role is to *provide common-sense market exposure*

- *Will do well* during times of economic expansion
- *Will struggle* if there are temporary disruptions in economic growth
- *Will underperform* in the early stages of an economic shift (beginning of an expansion or recession)

Dynamic Income Allocation (DIA):

An alternative to our other income models. DIA seeks to actively manage exposure to a wide range of income generating assets, from inverse government bonds, to high yield bonds, to dividend growth stocks. Deploys dynamic portfolio management to adjust the allocations based on the overall risk level in the economy and bond market.

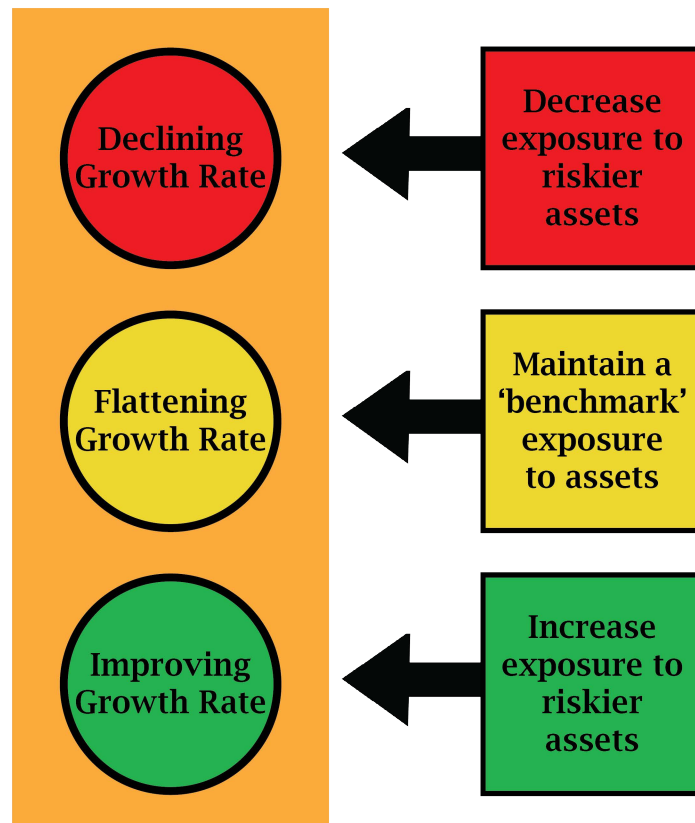
Dynamic Balanced Allocation (DBA):

A 50/50 blend of Dynamic Income Allocation (DIA) & Dynamic Aggressive Growth (DAG) designed to give clients a “moderate” or “balanced” allocation of stocks & bonds utilizing dynamic portfolio management.

Dynamic Aggressive Growth (DAG):

A unique investment model that seeks to actively manage exposure to the Morningstar Aggressive Allocation portfolio. Deploys dynamic portfolio management which increases or decreases allocations to specific assets based on economic growth expectations.

Economic Signal



Strategic Models

Primary role is *long-term market participation*

- *Will do well* during rising markets
- *Will struggle* during falling markets
- *Will underperform* in the early stages of a market rebound

AmeriGuard:

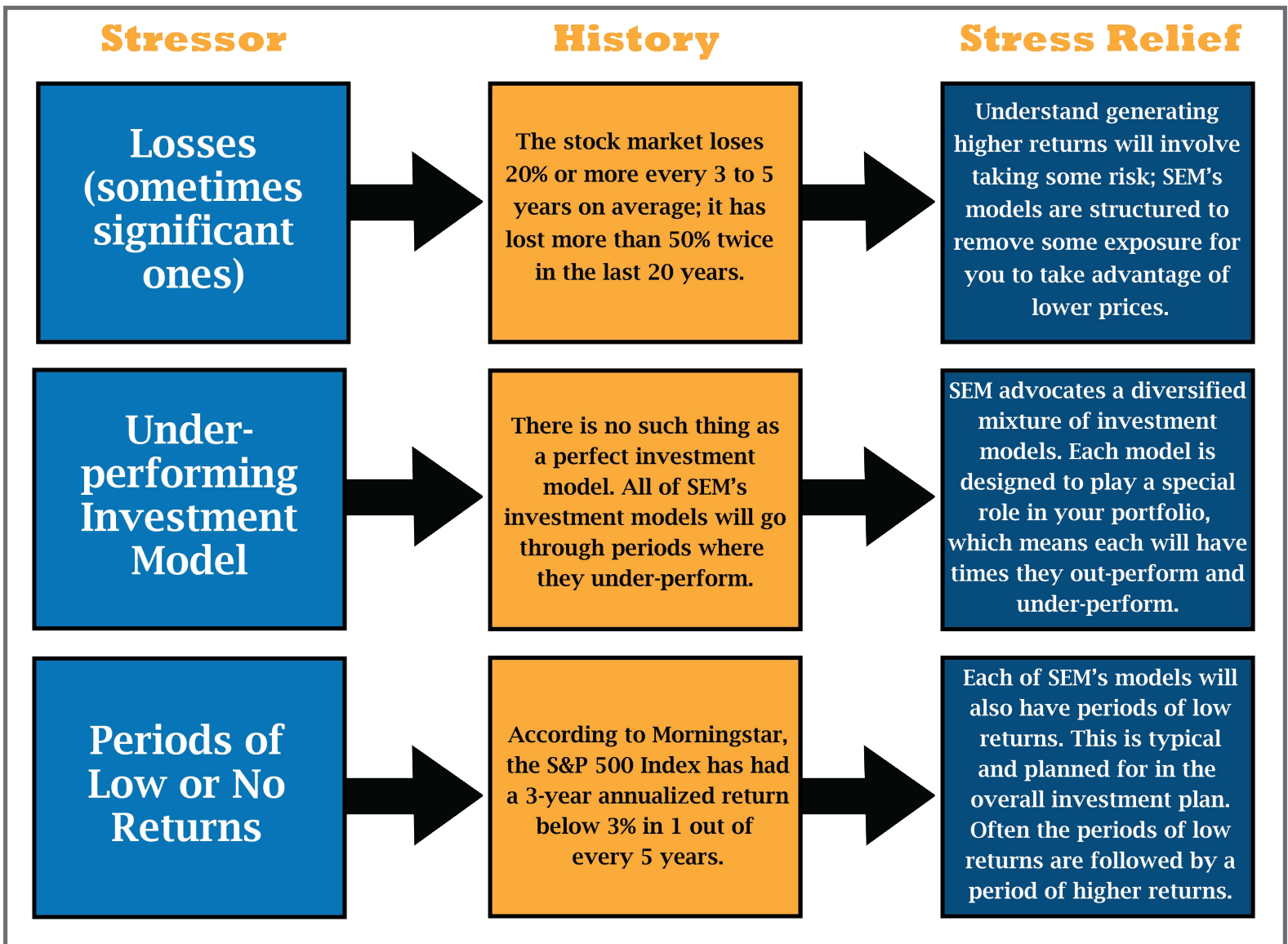
A blend of “strategic” & “dynamic” management models that utilize the funds available at American Funds & Vanguard, two of the top fund managers in the country. *(For more see our AmeriGuard brochure)*

Cornerstone:

A blend of “strategic” & “dynamic” management models that utilize the Biblically Responsible Investment funds and ETFs. *(For more see our Cornerstone brochure)*

Your Role in Your Investment Portfolio

The investor plays a vital role in the investment portfolio. While each customized portfolio is designed to fit your financial plan, cash flow strategy, and investment personality, there will be times throughout the investment cycle where you will want to override your investment plan. Understanding when each of the investment models will do well and when they will not is the first step, but you also need to know what to expect from the investment markets in general.



Portfolio Check-up Notes

You should review your investment portfolio periodically with your financial advisor. Here are some things you should consider:

- 1.) Has anything changed in my overall financial picture or in my life? If so, have I informed my financial advisor?
- 2.) Is the overall portfolio capturing the upside we expected?
- 3.) Is the overall risk (drawdown) of the portfolio still in line with your willingness and ability to take on risk?
- 4.) Is there something you are concerned about in the market or economy? If so, is your portfolio set-up to address those issues?
- 5.) Is the reason we started using the model allocation still valid?
- 6.) Are we still on track to meet your financial goals?