
ASSET ALLOCATION

PREPARED FOR
LINDA MONTGOMERY

BUILD YOUR FINANCIAL SECURITY,
LLC – TEAM ONE

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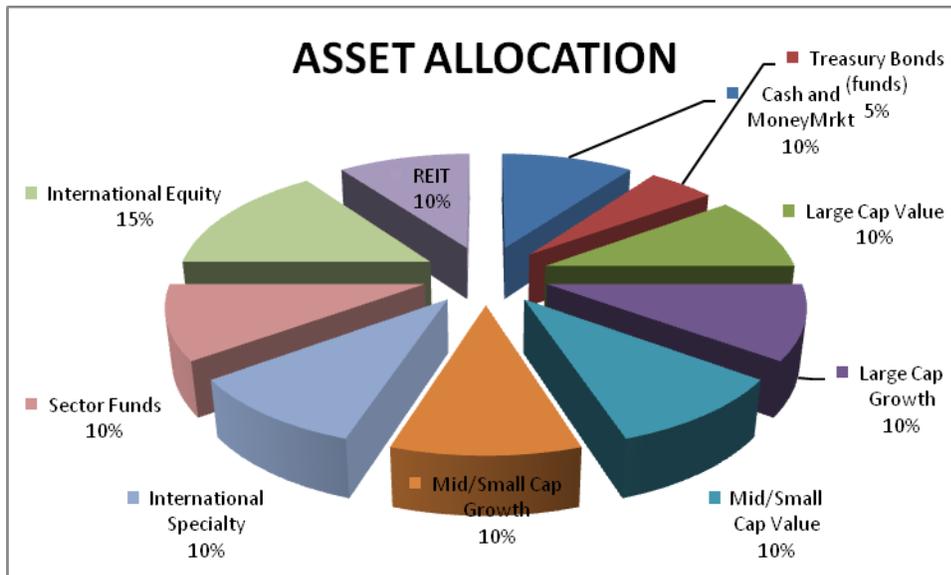
RISK TOLERANCE AND TIME HORIZON

Linda, as we discussed in our info gathering meeting, based on your answers to the Investor Profile Questionnaire, we determined that you fall under the “assertive” category regarding your investment style. You are willing to assume additional risk in order to achieve higher returns. We further determined that your time horizon is long term indicating that you are able to assume additional risk because you are a long term investor. You also expressed your firm belief in international growth and requested that your personalized portfolio allocation be over-weighted in this area. In order to minimize your risk exposure, we have included a healthy balance of Value stocks in your proposed portfolio.

ASSUMPTIONS

From our conversations, we have assumed that you have an adequate cash reserve set aside of 3 – 6 months of your living expenses. You expressed that you would like to have your money working harder for you and you do not feel that your current portfolio of \$100,000 consisting of 20% Money Market and 80% Certificate of Deposit is enabling you to keep up with inflation and meet your future financial needs. Therefore, we assumed that the entire \$100,000 is available for repositioning. Based on this information, we have put together the following personalized portfolio that best fits your needs.

RECOMMENDED PORTFOLIO¹



Fixed Income:

Cash and MoneyMkt	10%	1-3 year	SHY
Treasury Bonds (funds)	5%	TIP	TIP
Corporate Bonds (funds)			
International Bonds			

Subtotal

Equity

Balanced Fund			
Equity Index Fund			
Large Cap Value	10%	MCI EMU Dow Jones US	EZU
Large Cap Growth	10%	Total	IYY
Mid/Small Cap Value	10%	Russell Mid-Cap	IWR
Mid/Small Cap Growth	10%	SmallCap 600	IJT
International Specialty	10%	Pacific ex-Japan	EPP
Sector Funds	10%	Natural Resource	IGE
International Equity	15%	EAFE	EFA

Subtotal

Real Estate

REITs (funds)			
<i>Subtotal</i>	10%	Cohn and Stern	ICF

Commodities/Metals

Precious Metal (fund)

Subtotal

Total Investment 100%

¹ PLEASE SEE APPENDIX FOR A COMPLETE BREAKDOWN OF ASSET ALLOCATION

RATIONALE BEHIND RECOMMENDATIONS

Linda, with you being an assertive investor and over-weighted in international investments, we felt it was prudent to ensure that your portfolio is well diversified. Therefore, we wanted to balance your need for growth with value. Please note that your recommended portfolio does not adhere to the traditional rule of thumb that we discussed of 20% bonds and 80% equity. Because of your long term investment horizon, and our belief the market conditions will hold stable or continue to improve, we have chosen a mix of 15% bonds and 85% equity. Please note that your recommended portfolio has little overlap, which reduces your risk exposure. Although the recommended portfolio does include several underlying stocks shared by two separate ETF holdings, most underlying issues are held by only one of the ten funds. In the case of the largest overlap player, Exxon/Mobile Corporation, only 1.02% of the entire portfolio is involved. We consider the net overlap of the entire recommended portfolio to be insignificant.

Even though the last CPI index came in as expected, there is still the risk of the Fed raising interest rates, which will lower bond prices. So we felt it was appropriate to include shorter term bonds as well as bonds that have some inflation growth to minimize the potential for interest rate risk. Also, our choice to include value equities is due to the market being at an all time high. It is our position that this is a good time to include some defensive measures and still achieve a nice rate of return. Value has a lower correlation to the S&P 500 than regular growth. It has been noted that large value has provided more diversification benefits than large growth, and large value has usually outperformed both the index and large growth in down markets. Large growth's consistently strong relationship to the S&P 500 raises a question of whether it is helpful to combine large growth with the index because the diversification benefits have been low.

We have included a percentage of your portfolio to be allocated to natural resources because this sector has a low correlation to the market and positive gains in down markets. The connection between natural resources and the S&P 500 was 0.49 or less for all 5-year periods, was negative in 17 of the past 35 years, and the 35-year correlation was 0.01. Also, in six of the past eight years that the S&P 500 declined, natural resources earned positive returns. Even though we believe that the market will continue to rise, we do not know when it may take a downturn and we want to ensure that your portfolio remains well balanced at all times.

Our investment expert on the team chose your investment choices through the following methodology: First, he looked at all the investments in a given sector or asset allocation such as Large Cap Growth. Next, he looked at past returns. The historical rate of return was not as important as how volatile the investment has been in the past. If an investment has gone from the top fund one year to the worst the next and then top the next and so forth, then it was excluded. Consistent performance outweighed past returns as we want to avoid any investment choice that has the “yo-yo effect.” Finally, he looked at the risk ratios. He researched each investment to ensure that it has a low standard deviation; a high Sharpe ratio, preferably, 1.5 or higher; a positive and high Alpha, preferably 1 or higher. He then looked at the beta and the r^2 . The r^2 is a statistical measure of how much of a security's movement is explained by the benchmark index. Therefore, the closer the r^2 is to 100, the better.

We have also analyzed your suggested portfolio via Morningstar², and the analysis returned the following feedback: *“1) Your portfolio is aggressive. An asset mix such as yours normally generates high long-term returns but can be very volatile. Financial planners typically recommend these types of mixes for investors who have investment horizons longer than 10 years, need high returns, and are comfortable with a high level of risk.”*

² Analysis taken from Morningstar.com based on current information as of June 16, 2007.

Cash: 1.83%

US Stocks: 47.28%

Foreign: 37.4%

Bonds: 13.35%

Other: 0.14%

2) Your portfolio's stock exposure is spread evenly across the market and includes a good mix of small, medium, and large companies, as well as a fairly even mix of conservatively priced value stocks and high-flying growth stocks. For most investors, maintaining such broad-based market exposure is a prudent way to invest.

Large cap Value: 35.75%

Large Cap Growth: 29.47%

Mid/Small Value: 14.5%

Mid/Small Growth: 20.26%

3) The mutual funds in your portfolio tend to have below average expense ratios, which is good because expense ratios have been shown to be a major factor in mutual-fund performance over the long term.

Portfolio Exp Ratio: 0.33%

Hypothetical Portfolio avg: 0.35%

4) You have a fairly healthy stake in foreign stocks."

Primarily invested in developed markets in Europe and the Pacific Rim.

SUMMARY

- Linda, we consider the recommended portfolio to be an excellent way to achieve your long-term goals.
- Your answers to the questionnaire demonstrate a long term investment horizon. Further, your responses indicate that you have a greater tolerance for risk, a level which is appropriate for a long term perspective. This portfolio addresses your specific profile.
- The bond-equity allocation provides an assertive approach to long-term growth while dampening volatility with short-term debt and inflation-protecting securities.
- Your portfolio's stock exposure is spread evenly across the market and includes a good mix of small, medium, and large companies, as well as a fairly even mix of conservatively priced value stocks and high-flying growth stocks.
- International growth is important to you and such exposure can add a multiplicative benefit to the overall performance. The recommended portfolio is over-weighted in international funds.
- Diversification is maximized through minimal overlap of underlying securities.

Our team will continue to monitor your portfolio and we will revisit the fund selection quarterly the first year, and then annually to ensure that we make appropriate adjustments based upon our long term view and adjust accordingly as fluctuations in the economy and markets occur.

Linda, thank you again for placing your confidence in *Build Your Financial Security, LLC – Team One*.

APPENDIX



Portfolio

View how a set of holdings can work together as a portfolio. Just enter the investments you are interested in, and we will display a report that reveals the underlying details of your portfolio.

How to Print this page

Portfolio X-Ray™

Views: **- X-Ray Overview**



Click the button to go back and edit your holdings.

Asset Allocation | Holding Details >>

	Portfolio
Cash	1.83
U.S. Stocks	47.28
Foreign Stocks	37.40
Bonds	13.35
Other	0.14
Not Classified	0.00



Stock Style Diversification | Holding Details >>

Valuation

Value Core Growth

	Value	Core	Growth	Size Large Med Small
Large	25	22	19	
Med	5	12	8	
Small	1	4	4	

Not Classified

0.00%

Interest Rate Sensitivity

Short Interm Long

	Short	Interm	Long	Credit Quality High Med Low
High	63	0	37	
Med	0	0	0	
Low	0	0	0	

Not Classified

0.00%

Stock Sector | Holding Details >>

	Portfolio (% of Stocks)	S&P 500 (%)
Information	10.70	20.30
Software	1.89	3.78
Hardware	3.98	9.22
Media	1.49	3.79
Telecommunication	3.34	3.51
<hr/>		
Service	49.89	45.90
Healthcare	6.29	12.06
Consumer Services	5.81	7.65
Business Services	5.21	3.92
Financial Services	32.59	22.27
<hr/>		
Manufacturing	39.41	33.79
Consumer Goods	6.98	8.55
Industrial Materials	13.20	11.94
Energy	15.59	9.80
Utilities	3.65	3.50
Not Classified	0.00	0.00

Stock Type | Holding Details >>

	Portfolio (% of Domestic Stocks)	S&P 500 (%)
High Yield	1.48	10.54
Distressed	0.71	0.28
Hard Asset	42.99	11.12
Cyclical	14.37	11.47
Slow Growth	7.07	11.51
Classic Growth	18.73	42.32
Aggressive Growth	11.37	9.28
Speculative Growth	3.08	2.32
Not Classified	0.19	1.16

Fees & Expenses | Holding Details >>

Average Mutual Fund Expense Ratio (%)	0.33
Expense Ratio of Similarly Weighted Hypothetical Portfolio (%)	0.35
Estimated Mutual Fund Expenses (\$)	331.85
Total Sales Charges Paid (\$)	0.00



Total Exposure
(% of Stocks)

U.S. & Canada	49.20
Europe	21.11
Japan	3.23
Latin America	0.16
Pacific Rim	11.34
Other	0.02
Not Classified	14.95

Stock Stats | Holding Details >>

	Your Portfolio	Relative to S&P 500	Your Portfolio	Relative to S&P 500
Price/Earning Forward	16.77	1.05	Projected EPS Growth - 5 yr %	11.32 0.99
Price/Book Ratio	2.47	0.91	Yield %	2.13 1.37
Return on Asset (ROA)	7.28	0.66	Average Market Cap \$mil	16,817.25 0.32
Return on Equity (ROE)	19.38	0.98		

Top 10 Holdings | Holding Details >>

Risk Tolerance Profiles and Asset Allocation**

Assets / Investment
Horizon

New Portfolio

Asset Allocations:

	%	Name	Symbol	\$ Amnt of	Current \$	# of	Actual
				Total Port.	6/14/07	Shares	Total \$ Amnt
<u>Fixed Income:</u>							
Cash and MoneyMkt	10%	1-3 year	SHY	\$10,000.00	\$79.70	125	\$ 9,962.50
Treasury Bonds (funds)	5%	TIP	TIP	\$5,000.00	\$97.75	51	\$ 4,985.25
Corporate Bonds (funds)							
International Bonds							
<i>Subtotal</i>				\$15,000.00			\$ 14,947.75
<u>Equity</u>							
Balanced Fund							
Equity Index Fund							
Large Cap Value	10%	MSCI EMU	EZU	\$10,000.00	\$116.78	86	\$ 10,043.08
Large Cap Growth	10%	Dow Jones US Total	IYY	\$10,000.00	\$74.64	134	\$ 10,001.76
Mid/Small Cap Value	10%	Russell Mid-Cap	IWR	\$10,000.00	\$110.90	90	\$ 9,981.00
Mid/Small Cap Growth	10%	SmallCap 600	IJT	\$10,000.00	\$142.10	70	\$ 9,947.00
International Specialty	10%	Pacific ex-Japan	EPP	\$10,000.00	\$145.37	69	\$ 10,030.53
Sector Funds	10%	Natural Resource	IGE	\$10,000.00	\$122.37	82	\$ 10,034.34
International Equity	15%	EAFE	EFA	\$15,000.00	\$80.14	187	\$ 14,986.18
<i>Subtotal</i>				\$75,000.00			\$ 75,023.89
<u>Real Estate</u>							
REITs (funds)							
<i>Subtotal</i>	10%	Cohn and Steers	ICF	\$10,000.00	\$95.49	105	\$ 10,026.45
<u>Commodities/Metals</u>							
Precious Metal (fund)							
<i>Subtotal</i>							
Total Investment	100%			\$100,000.00			\$ 99,998.09

There are no international small /mid cap value or growth ETF

Compare to:

Morningstar Large Cap



Trailing 12 Months

Annual Return History	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<input checked="" type="checkbox"/> Total Return	—	—	—	—	—	—	—	14.78	8.41	16.62
<input type="checkbox"/> Index Return	—	50.31	42.12	-33.53	-29.24	-33.46	29.72	-0.47	2.74	4.92

****Please see the accompanying Correlation Analysis on your portfolio.****

