



LongPoint Financial Planning's Model Asset Allocation Portfolio Service

We structure three different asset allocation portfolios representing the distinct investment goals representative of the vast majority of investors – income-seeking, middle-of-the-road, and capital appreciation.

Our objective is to structure portfolios that are comprehensive in scope, diversified and cost-efficient, while fully reflecting our most current capital market outlook. Most importantly, these portfolios are designed to meet the goals and needs of three distinct types of investors.

Our overall capital market predictions drive our broad asset allocation recommendations within each of the three goal-based portfolio construction requirements. Quarterly changes to our asset allocation recommendations will be deliberately kept to a minimum unless changes in our capital market outlook dictate drastic measures. We believe in actively managing the asset allocation mix, but under most conditions changes will be gradually implemented.

Our three goal-based portfolios are:

- **INCOME SEEKING** – suitable for people near or in retirement in need of an income stream derived from their investment assets. This portfolio will typically carry a higher allocation to bonds. Capital preservation is paramount to this group of investors. The actual income generation potential of the portfolio will change over time with interest rates fluctuations and the dividend payment policies of companies.
- **MIDDLE OF THE ROAD** – suitable for people 40 to 55 years old with a diverse number of goals such as retirement, children education, second-home purchase, etc. Typically these investors can take some short-term loss of principal, but are still cognizant of risk and seek to minimize large multi-year losses.
- **CAPITAL APPRECIATION** – suitable for individuals funding goals 25 to 30 years out in the future. Time is working in their favor and the typical investor recognizes that in order to achieve higher portfolio returns they must be willing to take on additional short-term risk. Loss of principal is to be expected over short-periods of time, but the long-term rewards to taking on additional risk are substantial. This portfolio will typically consist of equities only.

1st Quarter 2006 Model Portfolio Target Allocations – Broad Asset Classes

TARGET ALLOCATION:	INCOME SEEKING	MIDDLE OF THE ROAD	CAPITAL APPRECIATION
US EQUITIES	40%	60%	60%
INTERNATIONAL EQUITIES	10%	20%	40%
FIXED INCOME	35%	15%	0%
REAL ESTATE	5%	0%	0%
CASH	10%	5%	0%

Further Refinement of Major Asset Allocation Percentages

As a subscriber to this model portfolio service, the broad asset class allocations outlined above will be further broken down into more specific asset class categories.

For example, the recommended overall allocation to US Equities will be further broken down between large-cap economic sectors, mid-cap and small cap, as well as dividend growth opportunities. International Equities will be further sub-divided between the developed and emerging overseas markets. Lastly, Fixed Income will be more finely delineated amongst the various maturity lengths.

ASSET CLASS CATEGORY	INCOME SEEKING	MIDDLE OF THE ROAD	CAPITAL APPRECIATION
	TARGET WEIGHTS %	TARGET WEIGHTS %	TARGET WEIGHTS %
DOMESTIC EQUITIES			
LARGE CAP US EQUITY	0*	0*	0*
MID CAP US EQUITY	x%	x%	x%
SMALL CAP US EQUITY	x%	x%	x%
LARGE CAP ECONOMIC SECTORS			
UTILITIES	x	x	x
TECHNOLOGY	x	x	x
ENERGY	x	x	x
MATERIALS	x	x	x
FINANCIAL	x	x	x
HEALTH CARE	x	x	x
STAPLES	x	x	x
INDUSTRIALS	x	x	x
CONSUMER DISCRETIONARY	x	x	x
SPECIALTY EQUITY			
DIVIDEND GROWTH	x	x	x
COMMODITIES	x	x	x
INTERNATIONAL			
INTERNATIONAL EQUITY	x	x	x
EMERGING MARKET EQUITY	x	x	x
INTERNATIONAL FIXED INCOME	x	x	x
DOMESTIC FIXED INCOME			
SHORT TERM GOV'T (1-3 yrs)	x	x	x
INTERMEDIATE GOV'T (3-xx yrs)	x	x	x
CORPORATE/MORT/TREASURIES	x	x	x
LONG TERM GOV'T (>15yrs)	x	x	x
INFLATION-PROTECTED BONDS		x	x
REAL ESTATE			
REAL ESTATE	5	0	0
CASH			
CASH	10	5	0

* Large Cap US Equity asset class is allocated amongst the various economic sectors to allow for tilting the exposure in this category towards those sectors currently being rewarded in the marketplace.

For a complete picture of our specific model portfolio recommendations, please contact us.

Implementation Choices:

Investment Vehicle Options Within Each of the Asset Class Categories

The proper implementation of the asset allocation recommendations for the three goal-based portfolios will depend on a range of issues: the size of the investment portfolio, tax treatment, frequency of inflows and outflows, the sensitivity to costs, as well as other factors.

In addition, while most of the performance of these model portfolios will be driven by the recommended broad asset allocation mixes, additional sources of return may be achievable by choosing actively-managed investments within the recommended asset allocation categories.

Therefore, our three goal-based portfolios can be implemented using a variety of vehicles. LongPoint Financial Planning provides three different implementation recommendations with our model portfolio service to help guide you in your portfolio design :

1. Exchange-Traded Funds
2. Index Funds (where available in any specific asset class category)
3. A set of actively managed, low-cost mutual funds (where available)

Our selection criteria for ETFs and Index Funds are primarily driven by our desire to invest in vehicles with low costs and ample liquidity.

In terms of the recommended actively managed mutual funds, we expand our selection criteria beyond low cost and liquidity to also include the following:

1. At minimum Morningstar rating of four stars
2. A minimum manager tenure of four years
3. No-load funds only
4. A desire to recommend a mix of well-known funds with lesser-known, high quality funds offered by smaller, privately-held mutual fund companies.

An Example of Specific Investment Vehicle Options For Each Asset Class Category

ASSET CLASS CATEGORY	Exchange-Traded Funds	Passive Index Funds	Actively-Managed Mutual Funds
DOMESTIC EQUITIES			
LARGE CAP US EQUITY	SDPR 500 (SPY)	Vanguard 500 (VFINX)	Bridgeway Large-Cap (BRLGX)
MID CAP US EQUITY	SPDR MIDCAP (MDY)	Vanguard Mid-Cap (VIMSX)	Ariel Appreciation (CAAPX)