DOW WEALTH MANAGEMENT LLC
Sound advice for generations

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STRATEGIC INVESTMENT PRINCIPLES TO MAXIMIZE PORTFOLIO RETURN

TYPICAL PORTFOLIO ASSET ALLOCATION

DEBT
60%
Cash
Bank CDs
Bonds
Bond Mutual Funds
Bond Variable Annuities

EQUITY
40%
Stocks
Equity Mutual Funds
Equity Variable Annuities

OPPORTUNITIES TO IMPROVE PORTFOLIO POTENTIAL RETURN → DOW WEALTH MANAGEMENT APPROACH

1 Risk of an Irrecoverable Portfolio Loss
The types of securities owned expose the portfolio to a risk of an *irrecoverable* loss of principal and/or erosion of its purchasing power.

→ **Portfolio Safety**
- Minimize the risk of a permanent loss of principal by owning predominantly *high-quality* securities.
- Hedge against inflation with equity holdings and short-term, fixed-income assets.

2 Unfavorable Asset Class Allocation
Total return potential is limited by a large weighting in low-return asset classes.

→ **Portfolio Asset Class Optimization**
By reducing the risk of an *irrecoverable* portfolio loss through portfolio strategy and security selection, a greater allocation to the potentially higher return equity asset class may be achievable.

3 Poor Security Performance
The securities held within each asset class have limited return potential.

→ **Total Return Investing**
Dow uses an academically-based investment approach to identify *high-quality, growth-oriented* companies.

4 Inefficient Portfolio Design
The use of investment products (such as mutual funds and variable annuities) and certain portfolio strategies result in high operating costs and unnecessary taxes.

→ **Own Securities Directly**
Avoid the market inefficiencies of product investing and potentially reduce tax liabilities by using private separately-managed accounts.

DOW WEALTH MANAGEMENT STRATEGY

DEBT
High-Quality, Short-Term Fixed-Income Securities

Significantly increased allocation to equity:

EQUITY
Direct Investments
in
High-Quality Stocks
of
Growth Companies

INTENDED RESULTS • Protect the portfolio against an irrecoverable loss of principal • Protect its purchasing power with a hedge against inflation • Improve the portfolio's total potential return by careful selection of the underlying assets owned • Be operationally- and tax-efficient

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EXAMPLE: $500,000 INVESTED 1993-2012

TYPICAL PORTFOLIO ASSET ALLOCATION	CURRENT INVESTMENT VEHICLE	EXPECTED RATE OF RETURN	EXPECTED TOTAL RETURN ON $500k OVER 20 YEARS
DEBT 60%	Bonds—Directly-Owned	6.34%	$1.5m
	Mutual Funds—Bonds	5.12%	$1.1m
	Variable Annuities—Bonds	4.01%	$823k
EQUITY 40%	Variable Annuities—Stocks	6.19%	$823k
	Mutual Funds—Stocks	6.98%	$1.1m
	Stocks—Directly-Owned	8.22%	$1.5m

By concentrating on *High-Quality* Securities

HIGH-QUALITY DIRECT EQUITY STRATEGY

EQUITY 100%

$2,700,000

RATE OF RETURN SOURCES:

Bonds—Directly-Owned: *Barclays US Aggregate Bond Index*
Mutual Funds—Bonds: *Thomson Reuters: Thomson US All Fixed Income—Mutual Funds*
Variable Annuities—Bonds: *Thomson Reuters: Thomson US All Fixed Income—Variable Annuities*

Variable Annuities—Stocks: *Thomson Reuters: Thomson US All Equity—Variable Annuities*
Mutual Funds—Stocks: *Thomson Reuters: Thomson US All Equity—Mutual Funds*
Stocks—Directly Owned: *Standard & Poor's 500 Composite Total Return Index*

High-Quality Stocks: *Dow Jones Industrial Total Return Index. Average compound annual return: 9.64% (1993–2012)*

20-year (ended 12/31/2012) compound annual returns

It is not possible to invest directly in an index. Barclays U.S. Aggregate Index is an index comprised of approximately 6,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds with an average maturity of approximately 10 years. The S&P 500 Index is a broad market index of 500 stocks and is a proxy for a portfolio of average quality stocks. The Dow Jones Industrial Average is an index of 30 stocks and is a proxy for high-quality stocks.

Allocations are for illustrative purposes only. Past investment performance is not indicative of future results.

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