



MODEL INVESTING

STRATEGY MADE SIMPLE

An Innovative Approach for
Earning Higher Returns With Less Risk



Model Investing Research Team

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Dear Investor,

Thank you for downloading this special report. In a few moments you'll discover how investors just like you are taking control of their retirement accounts and enjoying higher, safer, and more consistent returns – all in just 15 minutes per month.

The new investment service offered by Model Investing is being labeled as one of the most significant developments in the financial industry. For the first time, individual investors can harness the power of predictive analytics inside their own retirement accounts.

Access to better decision support tools is changing the face of investing. It's allowing non-professional investors to benefit from the latest developments in computer automation and statistical analysis. We're proud to be on the leading edge of this shift in investment philosophy.

To fully grasp the benefits of Model Investing, you'll need to understand what drives financial markets, why certain patterns lurk beneath the surface, and what behavioral psychology has to do with all of this.

Ready to go?

Let's dive right in ...

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INVESTMENTS AND RETIREMENT PLANNING



“If you work hard and invest wisely, you can afford to turn 65 on your 80th birthday.”

A Word from Our Chief Investment Strategist

Greetings,

In the following pages, you're going to learn about an innovative approach to investing that is changing how Americans plan and save for retirement.

The strategy that you're about to uncover is unlike any other, and its implications for the safety and security of your wealth should not be underestimated.

However, before we get into the details, I'd like to tell you a little about myself.

I've spent years in the investment business, and have worked with some of the top minds in the industry. As a sought after speaker and writer, I've had the opportunity to work with industry bigwigs from Richard Russell "The Godfather of Newsletters" to Robert Kiyosaki (*Rich Dad, Poor Dad*).

I've been featured in numerous publications including Barron's, CNN Money, MarketWatch and Kitco, among others.

I've also spent time in the corporate world, developing algorithms for billion-dollar companies to forecast economic conditions and optimize decision making.

But if there's one thing I've learned during my many years in the business, it's that most people are going about investing all wrong.

They're following an *outdated approach* that top investors said goodbye to many years ago.

If that sounds presumptuous, I ask that you suspend your disbelief for just a moment. In the following pages we'll unveil why most Americans are not achieving their retirement goals, and identify the root cause of their underperformance.

Then you can decide for yourself if you want to continue along your current path, or explore other options for improving your investment returns. Either way, you're going to come away a more informed investor simply from reading this report.

I hope you enjoy, and if you have any questions about what you read, or our service, you can always reach me directly at matt@modelinvesting.com or by calling 858-529-5392.



MATTHEW KERKHOFF

Chief Investment Strategist

Matt holds degrees in Management Science and Psychology from the University of California, San Diego, and an MBA from the University of San Diego.

He is a life-long, self-taught investment expert who made a name for himself through his innovative work in computer modeling.

The New Era of Financial Markets

According to Andrew Lo, Professor of Finance at MIT and Director of MIT's Laboratory for Financial Engineering (LFE), "Buy-and-hold doesn't work anymore."

He offers the following explanation:

The volatility is too significant. Almost any asset can suddenly become much more risky. Buying into a mutual fund and holding it for 10 years is no longer going to deliver the same kind of expected return that we saw over the course of the last seven decades, simply because of the nature of financial markets and how complex it's gotten.

Dr. Lo is not alone in his assessment of the current financial environment.

Mohamed El-Erian, former CEO and co-chief investment officer of PIMCO, and former manager of the Harvard endowment, recently said this about diversification:

Diversification alone is no longer sufficient to temper risk. You need something more to manage risk well.

Why Times Have Changed

At the heart of both of these arguments is the simple fact that modern day financial markets show little resemblance to their earlier forms. Technology and globalization have rewritten how financial markets operate, and the pace at which they move.

Two developments are particularly problematic for investors. First, financial markets have become increasingly integrated and correlated. Assets that previously moved independent of one another now exhibit tendencies to move in harmony, especially during periods of market turmoil.

This is precisely why Mr. El-Erian points out that the benefits of traditional diversification have diminished.

The central idea behind diversification is that by including non-correlated assets in a portfolio, returns can be enhanced while volatility (risk) is dampened. While still an integral part of any investment strategy, changes in how different assets move in relation to one another have forced investors to rethink the role of diversification in their portfolios.

If used incorrectly, diversification can actually worsen the risk-return trade-off of a portfolio. In his book, "One Up Wall Street," famed investor Peter Lynch, who for a period of time ran the best performing mutual fund in the world, referred to this as "diworsification."

The second development affecting today's investors involves risk. While asset classes such as stocks were thought to have a fairly stable level of risk over time, new research has proven

otherwise. Stocks, bonds, and even real estate (as we saw during the housing bubble) go through periods where they become dramatically riskier than others.

A prime example of this was the recent financial crisis. From 2007-2008 the risk level of the stock market increased substantially. Any portfolio with a constant allocation to stocks over this period became much riskier, and ultimately lost a lot of value.

This concept of changing risk levels has far reaching implications regarding how investors approach asset allocation. We'll dive into this further in the next section, but for now, suffice it to say that investing the same way, regardless of market conditions or risk, simply does not make sense.

“The Height of Irresponsibility”

Speaking to the board of CALPERS, California's gigantic public pension, Dr. Lo emphasized this point by saying, “When the environment becomes unstable, then it's the height of irresponsibility to keep a static portfolio.” He continued, “This notion of tactical risk management is going to become more important than ever before.”

These two major developments in the behavior of financial markets have created the need for a shift in how investors construct and manage their portfolios.

The good news is that in recent years, a variety of quantitative tools have been developed that are enabling investors to manage risk better than ever before. But while this conceptual approach to risk management is now becoming standard practice in institutional portfolios, it's generally a new concept to financial advisors and individual investors.

It's time for that to change.

Those who are unable to adapt to today's fast paced and volatile markets will find it increasingly difficult to meet their retirement objectives, and will find themselves continually falling further and further behind.

What we need now is a new investment approach that dynamically adjusts to market risks and keeps our portfolios safe from the hazards of today's highly volatile markets. We need a way to earn superior long-term returns while limiting our downside exposure.

The rest of this report details how individual investors can make that goal a reality.

How the Cards Are Stacked Against You

As you probably know, growing your portfolio year after year can be a difficult task. Many of us enjoy periods of solid growth, only to get caught in some type of market downturn that sets us back considerably.

At times it can feel like the cards are stacked against us, and in many ways they are.

You may not realize it, but there are a variety of reasons why individual investors like yourself are having trouble earning safe and consistent returns.

We've found these reasons generally fall into three broad categories:

1. Using an outdated approach to asset allocation
2. Not keeping your investments in sync with changing market conditions
3. Allowing natural mental processes to work against you

Let's examine these individually to understand how they may be holding you back from earning optimal returns.

Problem #1 – Using an Outdated Approach to Asset Allocation

In case you're not familiar with the term, asset allocation refers to how your investments are split across the three main asset classes: Stocks (also called equities), Bonds (also called fixed income), and Cash.

Each of these asset classes exhibit different levels of risk and return, and each behave differently over time. Knowing when to invest in each asset class, and perhaps more importantly, when NOT to invest in each asset class, is the key to achieving consistently high returns.

Unfortunately, the dominant theory out there today regarding asset allocation suggests that investors make this important decision based on age alone.

This approach, called *Strategic Asset Allocation*, recommends that investors keep the majority of their investments in stocks while young, and slowly transition their portfolio to bonds as they age.

Originally, this approach was adopted because of its congruence with academic theories such as Modern Portfolio Theory (MPT) and the Efficient Market Hypothesis (EMH). These theories were groundbreaking for their time, but have since been thoroughly disproven in the real world.

Real World vs. “Theory”

The empirical evidence regarding the validity of these theories is both overwhelming and stark. Yet this approach to asset allocation has become so ingrained in our society that few people think to question it.

To give you an idea of just how prevalent it has become, consider that specific types of funds have been created to handle this process automatically. These so called “target date” or “lifecycle” funds use a retirement date in the future to determine how a portfolio should be positioned today.

Chances are your money is in one of these types of funds right now (they typically have names that end in a year such as “2050”).

Perhaps even more frightening, nearly all financial planning software is designed along this same premise. If you’re working with a financial advisor, it’s almost a certainty that your money is being managed in this way.

The #1 Reason Why Investors Lose Money

Sadly, most people accept this approach without thinking twice. But this can be a grave mistake, and it’s one of the primary reasons why millions of investors are unhappy with their investment returns.

The problem with this approach stems from one key fact: *Your exposure to each asset class remains fixed, regardless of performance or market conditions.*

This may sound rhetorical, but does it make sense to remain heavily invested in stocks during a market crash? What about maintaining heavy exposure to bonds when bond prices are falling?

Hopefully you said no. In which case, doesn’t it seem odd that the entire financial planning industry would recommend an asset allocation approach that *completely ignores the current and expected performance* of each asset class?

Part of the issue here goes back to the notion of changing risk levels that we discussed earlier. Before it was understood that risk levels for certain asset classes change based on market conditions, this approach made sense.

But now that we have a much more dynamic understanding of risk, investors are abandoning this one-size-fits-all approach to asset allocation.

What are they turning to?

As Dr. Andrew Lo hinted at in the last section, they're turning to a new approach called *tactical asset allocation*. This differs from strategic asset allocation in that a portfolio is now built around risk and performance considerations, rather than age.

If that sounds like a smarter way to approach investing, keep reading. We'll go into more detail in a moment.

Problem #2 – Not Staying in Sync with Changing Market Conditions

How often do you monitor and update your investments? Once per month? Once per year? Never?

If you're like most investors, the answer to that question is probably closer to never. And that's a problem.

Earlier in this report we discussed how quickly financial conditions change in today's environment. To help illustrate this, consider that the stock market lost over half its value on two separate occasions just since 2000.

The first time this occurred, during the dot-com collapse, the drop in stock prices took two and a half years to play out. The second time around, during the financial crises, stocks lost half their value in less than a year.

Losses Take Years to Recover

Anyone who did not recognize the deteriorating conditions during these periods and adjust their portfolio took a major hit to their wealth. For some people, the losses set them back years in terms of reaching their retirement goals.

What about you? Were you able to move your portfolio to the safety of bonds and cash during those tumultuous periods? Or did you "ride it out" along with everyone else?

Chances are you rode it out. And no one can blame you for that, because that's what we've all been taught to do.

Ultimately, this problem stems in large part from the issue that we just talked about ... an outdated approach to asset allocation. If you're making your investment decisions based on age alone, then you wouldn't change them very frequently because ... well, you don't age that fast.

But as you're hopefully starting to see, age has nothing to do with the performance of different asset classes and should not be a primary factor in your investment strategy. How stocks and bonds perform at any given time is based on prevailing economic and market conditions, and that's it.

This issue is not just related to the stock market either. Many people, especially younger generations, do not recognize the potential dangers of being invested in bonds during certain times.

Bonds have performed well over the past 30 years, but they are not always safe investments. For example, bond markets in both the U.S. and U.K. have seen price declines in excess of 60%. That's not a typo.

In addition, bonds in the U.S. experienced a 41-year period (1940 to 1981) in which total real returns were negative.

Got 50 Years to Break Even?

Can you imagine that? Some investors who bought bonds in the early 1940's had to wait almost 50 years just to break even! How would you like to have been a retiree following the advice to keep most of your money in bonds during that time period?

The takeaway here is that both stock and bond markets go through cyclical periods of rising and falling prices. Failing to keep your portfolio in tune with changing conditions means you're destined to suffer major setbacks along the way.

While the primary issue here tends to be adherence to an outdated investment philosophy, this problem goes far beyond a simple asset allocation strategy. Even if you knew that keeping your investments in sync with changing market conditions was a requirement for success, do you think you could do it effectively?

The answer for most people is a resounding no. They simply do not have the time, wherewithal, or knowledge to accomplish this successfully.

But don't let that discourage you. All this means is that you need to find someone you can rely on to provide the data and analysis that you need. In a few moments, we'll show you an innovative and simple solution to this problem that you can put to use today.

Problem #3 – Allowing Natural Mental Processes to Work Against You

Over the last decade, the field of behavioral finance has made stunning discoveries into how our minds contemplate and make decisions. As it turns out, we're all subject to a host of so called "behavioral biases" that cloud our judgement and cause us to make irrational decisions.

Researchers have found that when it comes to decisions about money, these tendencies toward irrational behavior become magnified. This means that just when you need clarity the most, your mind is working against you.

To give you an idea of just what we're talking about, consider the concept of *loss aversion*.

The “Coin Toss” Mentality

If you were offered the choice between \$100, or a coin flip to determine whether you will receive \$200 or nothing, which would you choose?

Now, let’s reverse the scenario. If you were faced with the choice between a loss of \$100, or a coin flip to determine whether you will lose \$200 or nothing, which option would you take?

If you’re like most people, you took the sure bet on the first question, but decided on the coin toss for the second.

From a purely financial standpoint, your answers to both these questions should be the same, because in either scenario the outcome is identical. But interestingly, people tend to view the possibility of recouping a loss as more valuable than the opportunity for a greater gain.

Said differently, losing \$100 hurts more than winning \$100 feels good.

This biased view towards gains and losses plays out on a massive scale in the financial markets. Many investors find themselves unwilling to sell losing positions because it would solidify a loss, but they’re happy to sell their winning positions to lock in small gains.

This type of behavior is very unproductive from an investment perspective, because over time it results in a portfolio that is slanted towards underperforming assets. It also negates the effect of momentum, one of the most powerful forces in the market, which we’ll discuss shortly.

Here’s another example to get you thinking about how your mind is working against you. The following thought experiment was created by Daniel Kahneman, a Noble Prize winning researcher and pioneer in the field of behavioral finance.

As you consider the next question, please assume that Steve was selected at random from a representative sample.

An individual has been described by a neighbor as follows: “Steve is very shy and withdrawn, invariably helpful but with little interest in people or in the world of reality. A meek and tidy soul, he has a need for order and structure, and a passion for detail.”

Is Steve more likely to be a librarian or a farmer?

The resemblance of Steve’s description to that of a librarian is immediately apparent, leading most people to make that choice. But ... and here is the lesson: equally relevant statistical considerations are almost always ignored.

As Kahneman asks, “Did it occur to you that there are more than 20 male farmers for each male librarian in the U.S.?” Better yet, did it occur to you to even ASK that question?

The Key Reason We Make BAD Decisions

This is a classic example of what’s known as the availability heuristic. When faced with subjective decisions, we often form our opinions based on the information at hand, without taking into account other equally (or perhaps more important) considerations.

In this exercise, the information presented to you was of very little relevance to the question being asked. Did you recognize that? Or are you human like the rest of us?

Can you think of any investment decisions you’ve made where perhaps your attention was focused on the wrong information? We certainly can.

These are just two examples of the dozens of behavioral biases that are constantly influencing us to make suboptimal decisions (see table to right). Left unchecked, they have the ability to destroy investment portfolios over time. What’s worse, there’s really no escaping their influence. Learning about them can certainly help offset their effect, but these biases are hardwired into our mental framework.

Don’t let that discourage you however, because as we’ll uncover later in this report, these natural tendencies for people to make irrational decisions can actually be exploited for financial gain.

In fact, the systematic and predictable way in which groups of people make irrational decisions can actually provide a tremendous advantage when it comes to investing. More on this in the next section.

Common Behavioral Biases that Affect Investors:

- Anchoring
- Attentional Bias
- Availability Heuristic
- Bandwagon Effect
- Base Rate Fallacy
- Confirmation Bias
- Disposition Effect
- Endowment Effect
- Framing
- Gambler’s Fallacy
- Hyperbolic Discounting
- Illusion of Control Bias
- Illusory Correlation
- Loss Aversion
- Mental Accounting
- Money Illusion
- Negativity Bias
- Normalcy Bias
- Recency Bias
- Risk Compensation
- Authority Bias
- Self-Serving Bias
- Status-Quo Bias

Overview of Our Investment Approach

Hopefully by now you're beginning to understand why so many investors suffer from subpar investment performance. Aside from using an outdated asset allocation approach and never monitoring or adjusting our portfolios, our own minds are quite literally working against us.

Is it any wonder that we have trouble generating safe and consistent returns year after year?

What's the Solution?

Now that we've discussed the primary pitfalls investors face in growing their wealth, it's time to talk about solutions.

The next few pages will introduce you to an entirely new way to invest. But ... while this may be new to you, it's standard procedure for nearly all of today's top investors.

They've been investing differently for years, based on the findings of decades of academic research. By the time you finish this section, you'll know exactly what to do to kick your investment performance into high gear.

Introduction to Performance Based Investing

If you've made it this far, then you should be questioning the effectiveness of basing your entire investment strategy on some arbitrary variable such as age. But that leaves the question, how should you determine the composition of your portfolio?

Simple. Your investment selections at any given time should *always* reflect the future expected performance of each asset class.

You shouldn't be in stocks simply because you're young, nor bonds just because you're old. Your decision to be invested in either stocks or bonds (or cash) should be entirely based on how those asset classes are likely to perform in the months ahead.

And as conditions change, you must remain nimble, ready to adjust your portfolio to accommodate new developments.

This is the core of what we call **Performance Based Investing (PBI)**. It changes the primary dependency for investment selection to *expected future performance*, rather than age.

This approach can also be referred to as *tactical asset allocation*, as Dr. Andrew Lo mentioned earlier in this report.

The benefits of this strategy should be self-evident, but putting it into practice on your own can prove difficult for regular investors.

If you're not familiar with how the economy and business cycles work, how changes in key variables such as exchange rates and interest rates affect the value of different types of assets, this can quickly become overwhelming.

But just because something is difficult does not mean it should be avoided. Until now, this form of investing was restricted to investors with access to large research teams.

Thankfully, that's all changed.

One Word: "Quantum"

Now, in our modern and digitalized world, computer algorithms can be harnessed to do much of the heavy lifting for us. In fact, anyone not using computer driven analysis to supplement their decision making is missing out on a tremendous advantage.

Remember the Kahneman thought experiment we discussed earlier? These days, computers are providing us with answers to questions that *we didn't even know to ask*. The result is enhanced decision making that delivers greater returns with less overall risk.

But just doing lots of analysis is not enough. In order for any analysis to be helpful, it must be targeted and capable of providing an edge in today's markets.

Harnessing Momentum: The Premier Market Anomaly

It should come as little surprise that an inordinate amount of research has been done on the topic of investing. But what is surprising, is how few individuals leverage this research to their advantage.

For decades, academic researchers have sought to identify so called "market anomalies."

What's a market anomaly? For those sci-fi fans, it's like a glitch in the matrix. It's a pattern in markets that shouldn't otherwise exist.

Over the years, dozens of market anomalies have been identified. The problem? They all eventually fade, or are only prevalent during certain times, making exploitation nearly impossible.

But there is one market anomaly that remains in existence today, and has been around since markets first began trading. It's called momentum.

Momentum?

The concept of momentum originated with regard to classical mechanics, in which it refers to the tendency of a moving object to keep moving along its direction of travel. In finance, and especially with regard to investing, we talk in terms of *price momentum*.

For decades, researchers have begrudgingly admitted that this market phenomenon exists (it flies in the face of the efficient market hypothesis), but until just recently, they've been unable to pinpoint why.

Enter the field of behavioral finance.

Are Humans Predictable?

Remember earlier how we talked about natural mental processes that work against us, causing us to make irrational investment decisions? Well, it turns out that as a group, our irrational behavior actually plays out in *systematic and predictable ways*.

Using modern day analytics, and an understanding of behavioral psychology, we can identify trends in the financial markets that are likely to continue. When combined with a thorough assessment of the economic landscape, this information offers exceptional insight into the future performance of various investments.

It's a rather interesting paradox, but the very same behavioral biases that work against us individually, can be harnessed and used to our advantage in the financial markets.

This begs the million-dollar question: How do we eliminate behavioral biases from our own investment decisions while simultaneously taking advantage of other people's suboptimal decision making to earn excess investment returns? The answer may surprise you.

Eliminating the Human Component

When you or I make any decision, especially one regarding money, our thoughts are colored by emotions such as fear and greed, our past experiences, and our desire to be seen positively by others.

Without realizing it, these forces distract us from making optimal decisions. Add to this the fact that we quickly reach "information overload" and it's no wonder that so many of us are unable to make consistently profitable investment decisions.

The solution? *Remove the decision making responsibility from the individual.*

In the 1950's, Cognitive psychologist George A. Miller, of Princeton University, worked to identify the limits of one-dimensional absolute judgements and short-term memory.

He wrote one of the most highly cited papers in psychology ever called, “The Magical Number Seven, Plus or Minus Two: Some Limits on Our Capacity for Processing Information.”

The takeaway from Miller’s work is that the number of objects or ideas the average human mind can hold in working memory is 7, plus or minus 2. Ever wondered why phone numbers are seven digits long?

Now let me ask you this: When making investment decisions such as how to best allocate your portfolio for the current financial climate, do you think there are more than 7 variables in play?

I hope you said yes, because that was a rhetorical question. At any given point, for any given investment decision, there are hundreds, if not thousands of variables that will impact the optimal decision.

If the human mind is stuck at 7 (plus or minus 2), what are the chances that you’ll logically consider all pertinent information and make the best choice?

Thus the dilemma facing investors: Continue to make your own investment decisions (or rely on those made by your investment manager – who is also human by the way)? Or outsource the decision making to computer algorithms that can analyze immense amounts of data with no emotional attachment to the outcome?

Opinion vs. Facts

I don’t know about you, but I’ll trust the results of advanced statistical analysis before I’ll trust the “opinion” of any investment manager.

If you’re inclined to agree, then keep reading as this is where we cross into the world of mathematical, computer-driven investing.

You’re probably not aware of this, but top investors have been relying on computer algorithms to supplement their decision making for many years now.

They’ve long understood that computers can provide more accurate and thorough analysis than we humans can, with our limited capacity brains and tendencies to deviate from rational judgement.

As a result, they rely heavily on *predictive analytics* – a variety of statistical techniques that enable better insight into future events.

It is this new emphasis on data analysis that is now separating top investors from the rest of the pack.

Are you ready to explore this new approach to investing?

In the next section we’ll tell you a little more about our company, and about how you can start benefiting from this exciting new way to analyze and predict market movements.

About Our Service

Model investing was founded in 2015 as an alternative investment approach designed to solve the major problems associated with traditional portfolio management.

We believe that everyone, regardless of net worth or influence, deserves the right to a secure and comfortable retirement. We also recognize that many of the investment strategies in use today are inadequate in managing the volatility and risk in today's markets.



As a result, our firm was founded with one simple mission:

To help individual investors make smarter investment decisions.

We accomplish this in two ways:

The first is through education. Our free newsletter contains articles on a wide range of investment related topics. We discuss everything from basic investment principles to advanced asset allocation techniques, to nuances of behavioral finance. Our team has a wealth of knowledge and we aim to spread as much of it as possible.

The second is by providing clients with access to our proprietary, rules-based investment models. We've combed through decades of academic research and done extensive work to identify and refine an investment approach that provide investors with an edge in today's markets.

Optimize Your Results with Scientific Precision

Using predictive analytics, our investment models assess current market conditions and develop *optimal portfolio allocation recommendations*. These are provided to our clients at the beginning of every month, enabling them to keep their portfolios in sync with changing financial conditions.

Our investment models offer an innovative new way to make smarter investment decisions. They address each of the aforementioned problems, and provide a complete portfolio management solution that you can adopt and use in your own accounts.

This approach puts tremendous insight right at your fingertips, but still keeps **you** in control of your money, and your future.

The following page contains a list of the investment models we currently offer.

Investment Models

Our proprietary investment models provide rules-based recommendations on where and how to achieve the best risk-adjusted returns. We've developed a variety of models to suit the needs of varying investors. Whether you invest through your 401(k), the TSP, or personal retirement accounts, we have an investment model designed just for you.



Asset Rotation Model (ARM)

The ARM selects between stocks, bonds, and cash to keep you on the right side of any market.



Sector Rotation Model (SRM)

The SRM utilizes nine sector funds to keep you in the top performing sector of the market.



401(k) Allocation Model (401)

The 401 Model provides 401(k) investors with recommended allocations that change dynamically based on market conditions.



TSP Allocation Model (TSP)

The TSP Model provides Thrift Savings Plan (TSP) investors with recommended allocations that change dynamically based on market conditions.



Gold Rotation Model (GRM)

The GRM provides recommendations on when to invest in gold.

Implementing Our Investment Model Recommendations

Using our investment models couldn't be easier. It takes just 15 minutes of your time, once per month, and requires zero knowledge of investing.

Here's how it works:

- ❖ Our investment models are continually analyzing all relevant economic and financial data, and provide an *optimal portfolio allocation* at the beginning of each month.
- ❖ When the latest recommendations are available, we send an email out to all of our clients.
- ❖ Simply log into your investment account(s), update your allocations to match our investment models, and you're all set.

It's that simple.

Not only will this ensure your portfolio is always positioned to maximize growth, it'll save you the agony of being caught in the next market downturn.

If you've never updated the allocations in your 401(k) or TSP account before, don't worry, it's a lot easier than you think. We'll walk you through the process and after you've done it once or twice, it will only take you a few minutes each month.

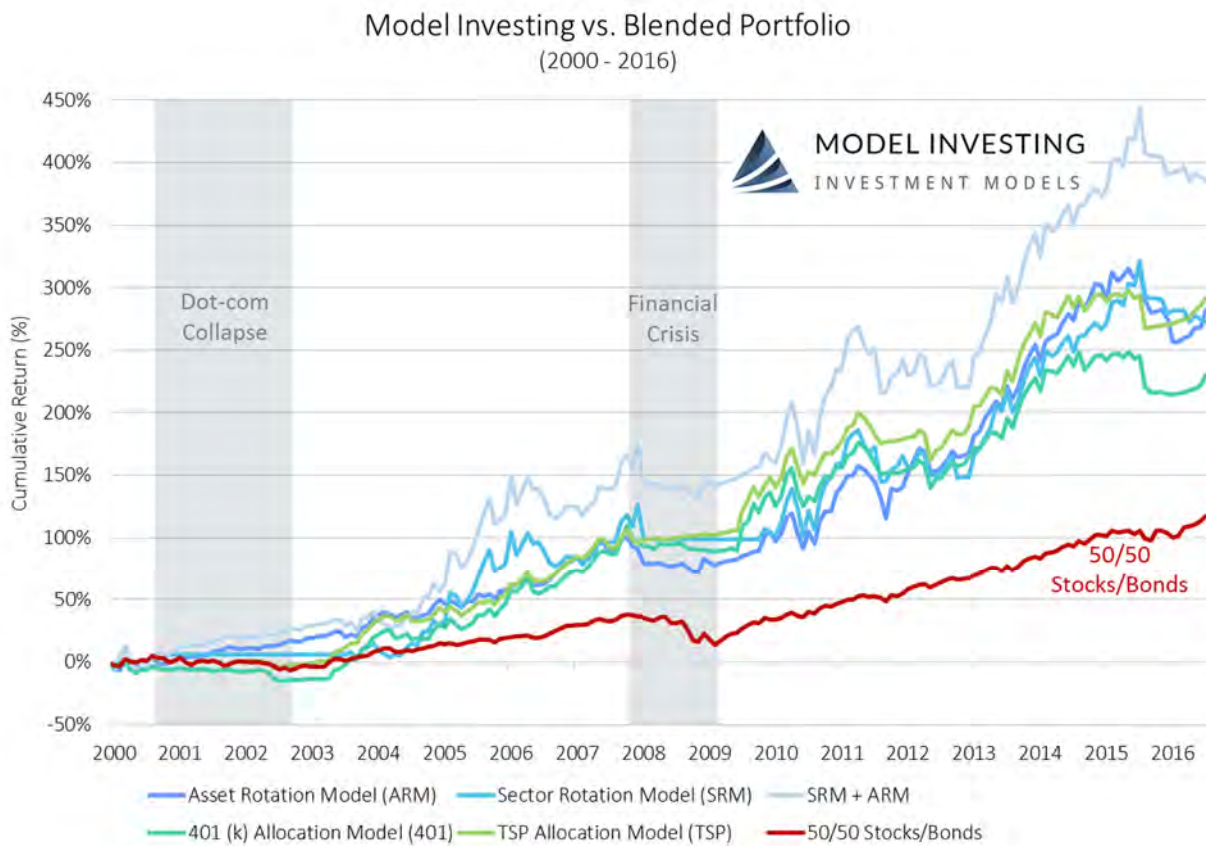
And if you don't have an employer sponsored retirement account, then we recommend you use our Asset Rotation Model (ARM) as the backbone of your portfolio. It will provide a diversified, low-cost foundation that takes advantage of the power of momentum while minimizing overall trading costs.

Historical Performance

To understand why you would want to follow our investment models, all you have to do is take a look at our historical performance. Compared to traditional investment approaches, our investment models deliver exceptional, market-beating returns.

We won't go into a lot of detail here, because an in depth analysis of each of our investment models is available on our website. Nevertheless, the following chart will give you an idea of what our investment models are capable of.

This chart shows the performance of our investment models from 2000 to the present. During that time, each of our investment models has more than doubled the returns of a standard portfolio made up of 50% stocks and 50% bonds.



How are we able to achieve such outperformance?

In addition to the advantages provided by momentum and performance based investing discussed earlier, each of our investment models has a *built-in mechanism* for exiting the market ahead of treacherous market declines.

This is one of the most valuable benefits of our models. You can learn more on our website.

Conclusion

Quickly evolving financial markets have left investors scrambling to keep pace. Once reliable strategies, such as buy-and-hold, have become outdated, and new investment approaches are taking their place.

Being successful in today's environment requires that investors challenge their old assumptions, remain agile with their investments, and embrace technology to make better informed decisions.

Major Shift Now Underway

We're at the beginning of a massive shift in investment philosophy, one that will redistribute wealth to those who are able to adapt the fastest.

By embracing a data driven approach to investing, and using the latest in predictive analytics, you can start earning higher, safer, and more consistent returns TODAY.

Key Takeaways:

- The traditional approach of determining asset allocation based on age only is a dangerous and unsophisticated way to invest.
- Failing to keep your portfolio in tune with changing conditions means you're destined to suffer major setbacks along the way to retirement.
- Behavioral biases influence us subconsciously, resulting in suboptimal investment decisions that reduce overall returns.
- Momentum is the only remaining "market anomaly" that can provide an edge in today's markets.
- Improved data mining and analysis techniques are allowing investors more insight into the state and direction of financial markets.
- Model Investing provides comprehensive investment models that allow you to earn higher, safer, and more consistent returns, in less than 15 minutes per month.

If you think your investment performance may be suffering as a result of some of the issues addressed in this report, we would encourage you to learn more about our service.

Our investment models will help you make better informed investment decisions, while still keeping you in control.

Learn more by visiting us on our website at modelinvesting.com or calling us at 858-529-5392.

Thanks for reading!