



RiskFile Portfolio Composer User's Menu

RISKFILE CONSULTING CO.

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[Refer to important disclaimer on page 11]

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RISKFILE

PROCESS

Front Page

RiskFile
Optimized
Portfolio

Prepared By: David Advisor
Prepared for: Joe Investor

Content
Investment philosophy
Risk preference
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History performance
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Disclaimer

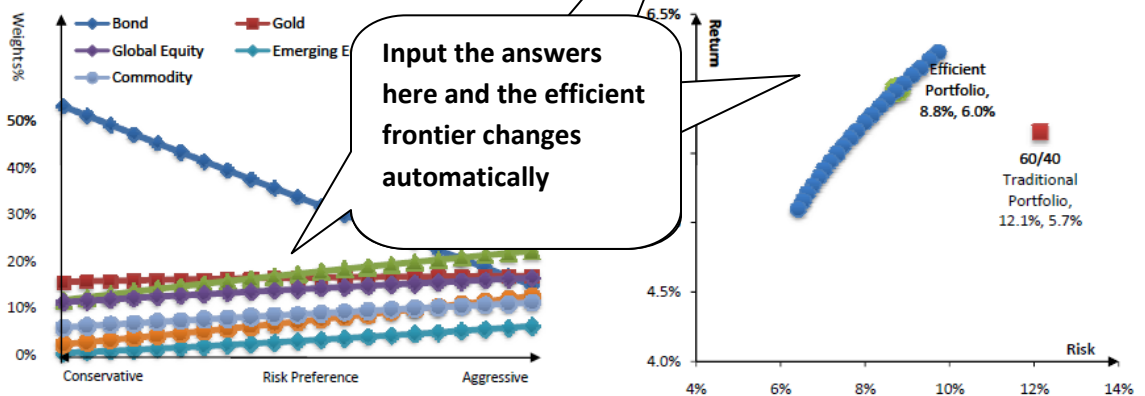
Date: 2009-10-2

Preference Page

Question	Answer	Notes
Q1. Portfolio Size	Size of the portfolio	\$2,500,000
Q2. Expected Return	Choose from 1~10: prefer high return/high volatility	6
Q3. Risk Tolerance	Choose from 1~10: prefer capital safety/low return	6
Q4. Macro Mgmt	Choose from 1~10: responds to macro situation	5
Q5. Tactical Mgmt	Choose from 1~10: responds to tactical situation	1
Q6. Active Mgmt	Choose from 0~4: active exposure in bond, sector and country	3

Based on investment preference, efficient portfolio is changing accordingly, as shown below:

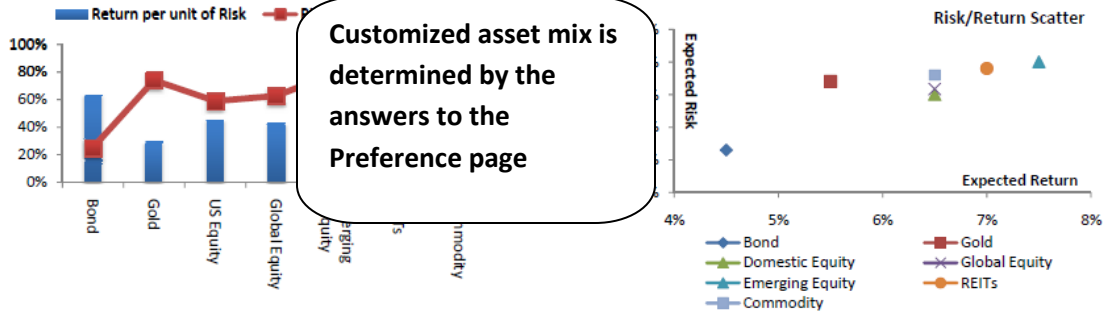
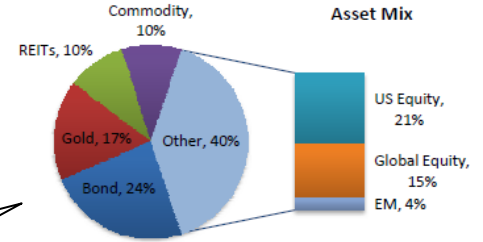
*: Inputs updated on: September-09



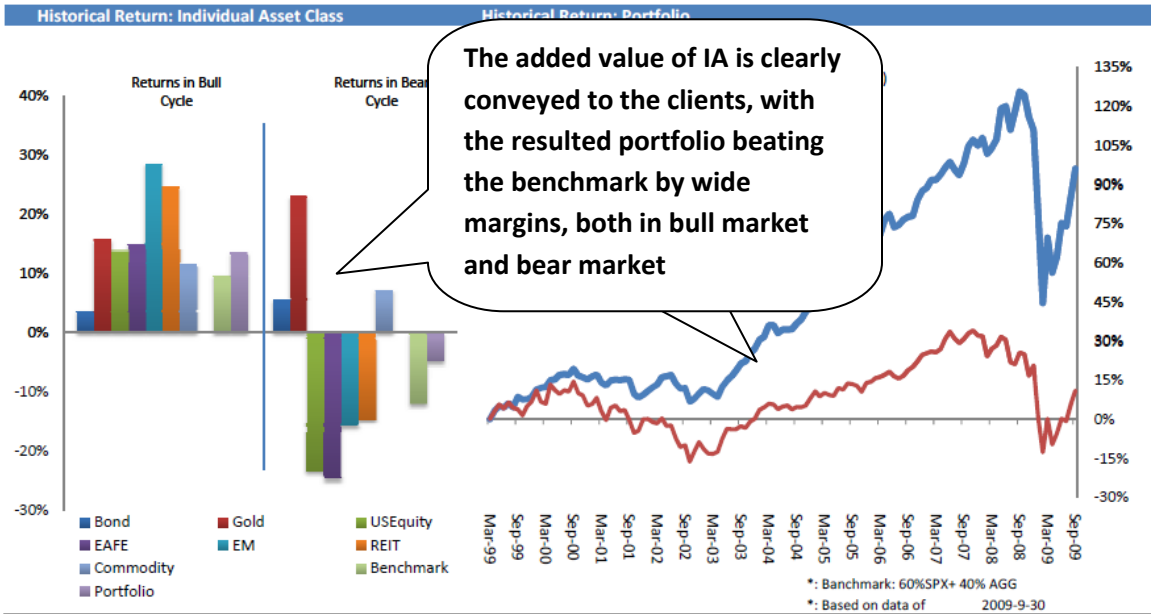
Allocation

The output asset allocation based on information provided:

Asset	Fund Class	Percent	Percent
Bond	Bond	24%	24%
Gold	Gold	17%	17%
Real Estate	REITs	10%	10%
Commodity	Commodity	10%	10%
Equity	US Equity	21%	40%
	Global Equity	15%	
	EM	4%	
Sum		100%	100%



Performance



Portfolio

Asset Class	ETF	Name	%	Shares
Bond	BND	Vanguard total Bond	14.2%	4,610
	HYG	iBoxx \$ High Yield	3.1%	1,010
	MUB	S&P National Muni	3.1%	790
	BWX	S&P Intl Treasury	3.1%	1,460
Gold	GDXX	MKT VECT GOLD MNRS	8.4%	5,480
	GLD	SPDR GOLD SHARES		
US Equity	SPY	SPDR S&P 500		
	XLF	SPDR-Financial		
	XLE	SPDR-Energy		
	XLY	SPDR-Consumer Disc		
	XLK	SPDR-Technology	0.8%	1,150
	XLV	SPDR-Health Care	0.5%	450
	XLB	SPDR-Materials	0.2%	150
	XLI	SPDR-Industrial	0.5%	530
	XLP	SPDR-Consumer Staples	0.4%	480
	XLU	SPDR-Utilities		
Global Equity	EFA	MSCI EAFE		
	EWD	iShare MSCI SWEDEN		
	EWL	iShare MSCI SWITZRLD		
	EWA	iShares MCSI AUSTRAL		
Emerging Market	EEM	MSCI Emerging Market		
REITs	IYR	iShare US REITs		
Commodity	DBC	PowerShares Commod		
	DBB	PowerShares Base Met		

Asset Class	ETF	Name	%	Shares
Commodity	OIL	IPATH CRUDE OIL	1.5%	1550

Portfolio Characteristics			
15	Avg MER	0.36%	
8%	Avg Yield	3.3%	
	EFA	NR	GDXX
	12.3%	9.9%	8.4%

Performance	Bull/Bear Cycle Avg	Bull%	Bear%	3 Mon%	1 Yr%	3 Yr%	5 Yr%	10 Yr%	Risk	Chance to Loss\$
Benchmark	-1.2%	9.7%	-12.1%	10.8%	-11.6%	-2.7%	1.2%	0.7%	13.4%	48%
Portfolio	4.4%	13.7%	-5.0%	11.8%	-13.2%	5.8%	9.8%	6.1%	13.7%	33%

Detail portfolio is listed here

MER is much lower than that of mutual fund portfolio

The risk of the portfolio is also lower, leading to less chance to loss money in any given year



HOW TO USE

Objective

RiskFile ETF Composer is designed for investment professionals to execute portfolio construction for their clients.

- It's not to substitute financial planning, but to enhance financial planning
- It's not to substitute return object and risk tolerance level assessment and other clients information collecting process
- It should be used together with other financial planning software or services

Input

The Composer should be used after IAs have accomplished the process of information collection and investment object/risk preference assessment. Based on the information acquired and the communication between the IAs and the investors, following questions should be answered:

- What's the size of the planned portfolio?
- What's the investment return object of the investor?
- Related to the question above, what's the risk tolerance level (also considering the time horizon issue) of the investor?
 - By changing the answers to the two questions above, the shape of the efficient frontier would not change while the optimal portfolio would move alone the curve of the frontier.
- IAs and investors can decide whether they would like to have the portfolio managed the way that's adaptive to the macro environment.
 - If the answer is no, then the portfolio will be a static one, exhibiting little changes in a time horizon of one years.



- The model to support this static portfolio is based on the return expectation of various asset classes of next five years. The optimal re-balance frequency would be once a year.
- If the answer is yes, they can choose to what extent they would like to have the portfolio responding to the changing macro environment.
 - The higher level they choose, the more the portfolio adaptive to the return expectations of the various asset classes in the next 12 months.
 - The optimal re-balance frequency would be once a quarter.
- IAs and investors can further decide whether they would like to have the portfolio managed the way that's adaptive to the tactical situation.
 - If the answer is no, the cyclical movements of the capital markets would not counts in.
 - If the answer is yes, they can choose to what extent they would like to have the portfolio responding to the cyclical movements of the capital markets.
 - The higher level they choose, the more the portfolio adaptive to the cyclical movements of the capital markets.
 - The cyclical movements of the capital markets typically last for several months.
 - The optimal re-balance frequency of the portfolio which responds to the tactical situation would be bi-monthly or monthly.
 - Change answers to question 4 and 5 would change the shape of the efficient frontier.
- IAs and investors can further decide whether they would like to participate into active management of bond, sector and country exposure and selection.
 - If their answer is no, the portfolio would only constitutes of basic ETFs.



- If their answer is yes, they can choose to what extent they would like to active manage the exposure in bond, sector and country.
 - The higher level they choose, the more positions the portfolio would hold and the more the portfolio involves into active selection of the individual positions.

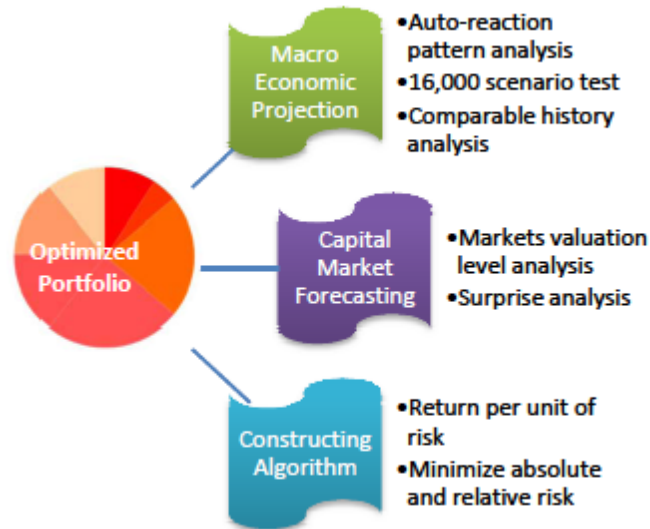
Output

Asset Class	ETF	Name	%	Shares
Bond	BND	Vanguard total Bond	21.6%	7,040
	HYG	iBoxx \$ High Yield	4.8%	1,540
	MUB	S&P National Muni	4.8%	1,210
	BWX	S&P Intl Treasury	4.8%	2,230
Gold	GDX	MKT VECT GOLD MNRS	14.9%	9,710
	GLD	SPDR GOLD SHARES	5.0%	1,350
US Equity	SPY	SPDR S&P 500	7.6%	2,080
	XLF	SPDR-Financial	0.3%	610
	XLE	SPDR-Energy	0.3%	140
	XLY	SPDR-Consumer Disc	0.2%	180
	XLK	SPDR-Technology	0.4%	530
	XLV	SPDR-Health Care	0.2%	210
	XLB	SPDR-Materials	0.1%	70
	XLI	SPDR-Industrial	0.2%	250
	XLP	SPDR-Consumer Staples	0.2%	220
	XLU	SPDR-Utilities	0.1%	60
Global Equity	EFA	MSCI EAFE	7.1%	3,790
	EWQ	iShare MSCI FRANCE	0.9%	1,120
	EWI	iShare MSCI ITALY	0.9%	1,450
	EWD	iShare MSCI SWEDEN	0.9%	1,300
	EWL	iShare MSCI SWITZRLD	0.9%	1,330
	EWA	iShares MCSI AUSTRALIA	0.9%	1,410
Emerging Market	EEM	MSCI Emerging Market	5.4%	4,290
	EWZ	iShare MSCI BRAZIL	0.7%	340

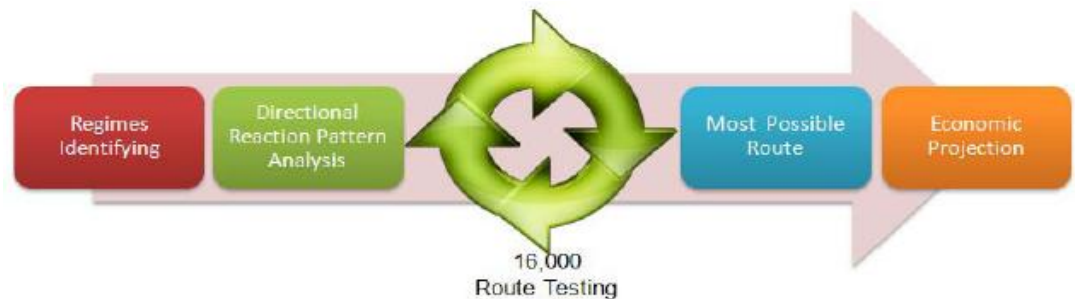
IAs and investors can use the results shown on page “Portfolio” directly, utilizing ETFs as the investment vehicle, or they can use it as a model portfolio to instruct a portfolio of traditional mutual funds.



INVESTMENT PROCESS

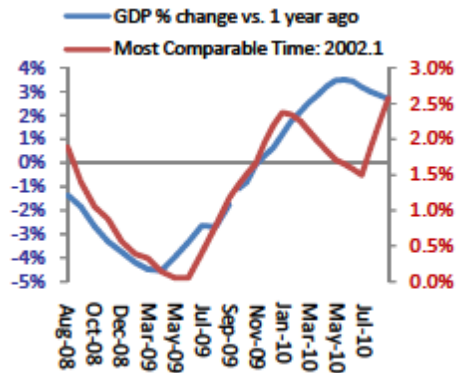


Macro model



RiskFile proprietary macro model studies the directional reaction pattern among 28 key factors, i.e., inflation, interest rate, risk premium, GDP, industrial production, etc. The model uses the monthly data since 1962 to run directional regression. This enables the model to compare current macro situation to those of the most comparable historical times. Directional projections are made accordingly, on which the macro level predictions are based.





(Example of RiskFile macro projection: Real GDP 2009.08)

Capital market projection

Returns and risks of various asset classes for the next 12 months are assessed based on the macro projection. It's updated monthly.

Optimal portfolio construction

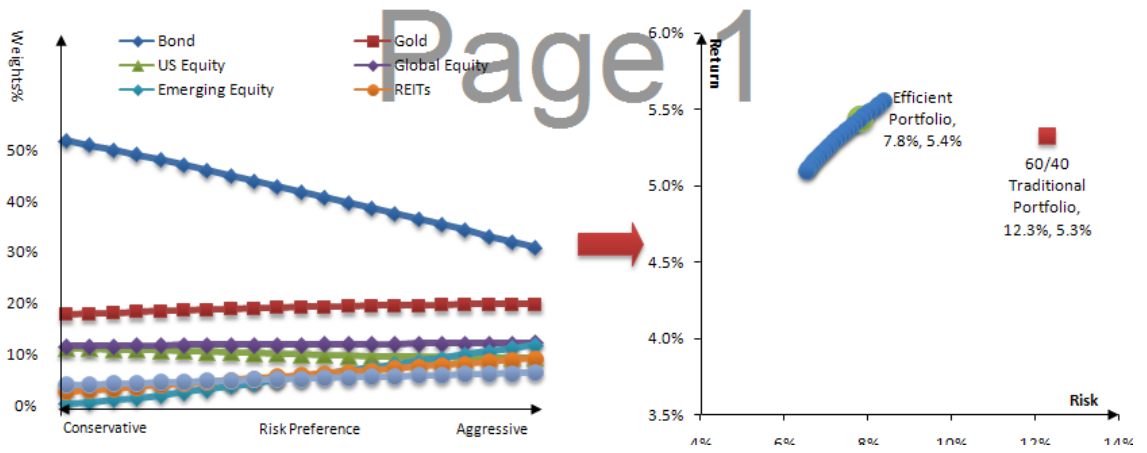
RiskFile introduces the optimal asset allocation algorithm as a major breakthrough in the industry.

- There is basically no progress in past 40 years regarding optimal portfolio algorithm. Mean-Variance algorithm does not work because of its over-sensitivity to assumptions and unrealistic results.
- New techniques like Black-Litterman algorithm don't improve much.

Our innovative algorithm is based on profound academic research and complicated mathematic techniques:

- It's designed to minimize the chance of absolute loss and relative loss by considering the interactive impacts among various asset classes to achieve highest returns with one unit of risk taken.
- Compared to the other traditional algorithms, ours is much more robust, realistic and prompt in responding to changes in the economic and investment environment.





(Example of RiskFile optimal portfolio construction)



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Subscription fee

First month free, \$499 flat monthly after the free trial ends. Subscribers can cancel the subscription anytime in and after the free trial period.

Working flow



Go to RiskFile’s website to click on the “Subscribe” button, users will be forwarded to paypal to complete the subscription process , after which users will be required to supply a user name and password. The user name and password will be required to access to the service of RiskFile every time when using the RiskFile Composer, which can be downloaded from RiskFile’s website.

For more information, please refer to company website: www.riskfile.com



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