

# Customized Portfolio Management (CPM)

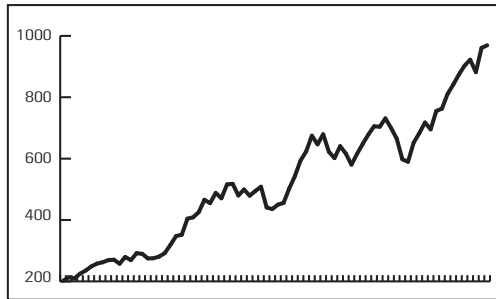


The Armstrong Family, Family of 3  
Mom is an Artist  
Dad is an Account Executive, Jack is a toddler  
Hobbies: Sewing for Mom, Running for Dad  
and Jack likes playing with his teddy bear  
Investment Objective: Watching Jack graduate  
with honors from Yale University

Investing can be simple during up markets. It can be difficult during down markets. But what about a sideways market?

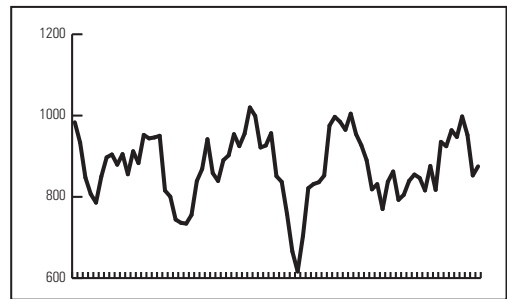
**Where do you invest when the markets continue to hover in a tight trading range with little if any positive return being reported?**

Dow Jones Industrial Average  
January 1950 - December 1965\*



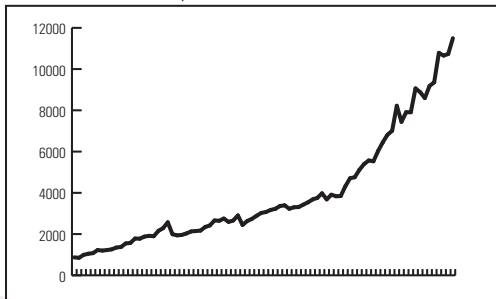
From 1950 - 1965 the US stock market was very strong.

Dow Jones Industrial Average  
January 1966 - December 1981\*



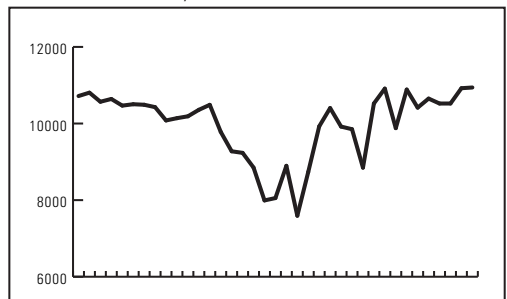
In 1965, we entered into a seventeen-year sideways market.

Dow Jones Industrial Average  
January 1982 - December 1999\*



Then in 1982, the market started one of the largest bull markets the US has ever seen. The run-up lasted until 2000.

Dow Jones Industrial Average  
January 2000 - December 2005\*



Although the US witnessed one of the worst bear markets in history from 2000 - 2003, we are currently in another sideways market.

Wouldn't it be nice to have a portfolio that can adapt to changing market conditions? That's where CLS Investment Firm, LLC fits in. CLS developed an innovative investment **strategy called CPM**. CPM's goal is to weather down markets, take advantage of up markets and find profitable industry segments in sideways markets.

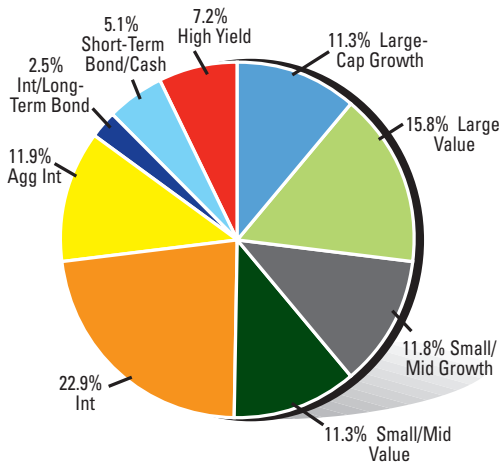
\*Source: Yahoo Historical Prices, <http://table.finance.yahoo.com>

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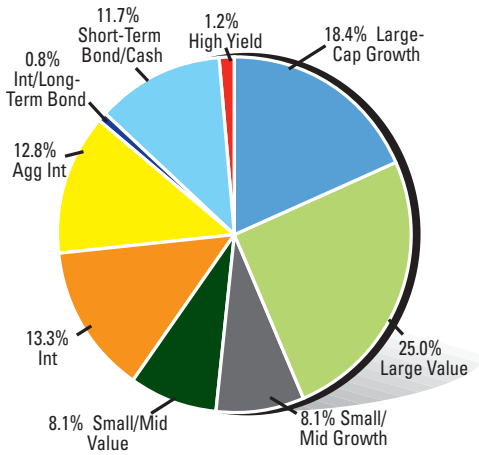


## CLS Portfolio Allocations

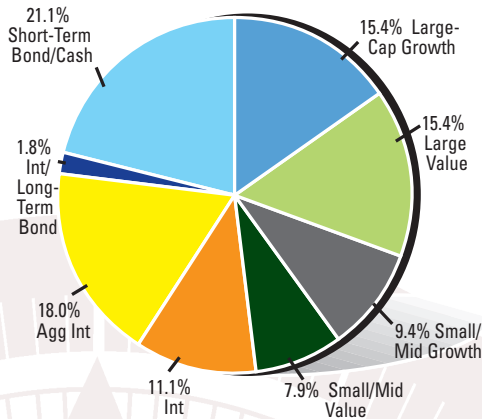
### January 2004



### January 2005



### January 2006



As market conditions change, some asset classes become more attractive and some show signs of increased risk. Based on your financial goals and our risk budgeting methodology, we will periodically change the holdings in your portfolio to take advantage of areas of growth and avoid areas of increased risk. The sample portfolios above are illustrations of allocation changes based on market conditions.

### CPM Methodology

CPM uses core and satellite methodology to capitalize on growing segments of the market during all market conditions - up, down or sideways. The core assets are managed within CLS' proprietary mutual funds. The satellite assets are invested in non-proprietary mutual funds. This unique combination of core and satellite mutual funds provides your portfolio with active asset allocation and risk management while enhancing the potential of outperforming the market with high-quality, specialized mutual funds.

### CLS offers a unique, disciplined, active investment strategy called Risk Budgeting.

We **BELIEVE** risk budgeting is a critical element in creating client portfolios. Your risk budget will be based on your individual financial goals, ability to handle risk and overall time horizon. Once a budget has been assigned, that risk cannot be over-spent nor can it be underused. Risk budgeting manages the level of risk within your portfolio.

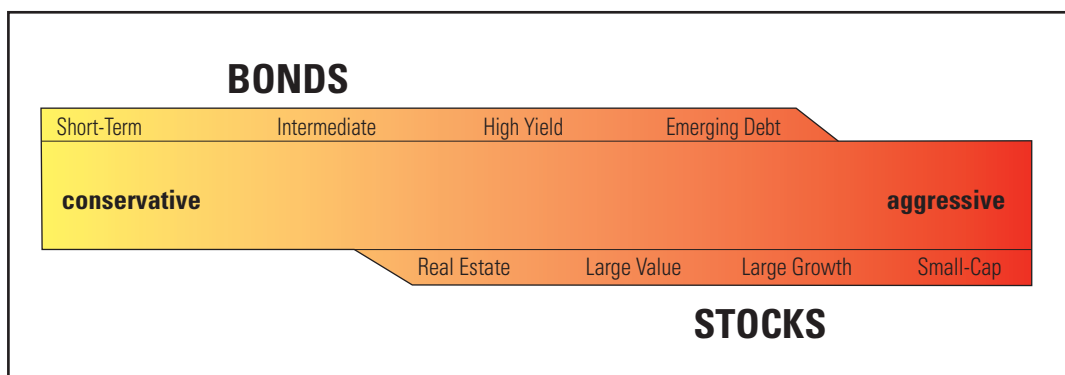
*Risk budgeting is like the thermostat in your house. Everyone has a temperature that is comfortable for them - some like the temperature at 68°, some at 73° and some households can't agree on one temperature. No matter what the weather is like outside, the thermostat adjusts to keep the temperature at a preset level. Risk budgeting is like a thermostat for your portfolio. As market conditions change and the risk associated with holdings in your account vary, CLS will make adjustments to your allocation to keep the risk level constant while seeking opportunities for outperformance in the market.*

We **DELIVER** risk budgeting to investors' portfolios through the CPM investment strategy.

We **PARTNER** with registered representatives and investors like you to provide the best possible portfolio management. We currently have partnerships with more than 27,000 individual investors and nearly 1,500 registered representatives.

### Why does risk budgeting work?

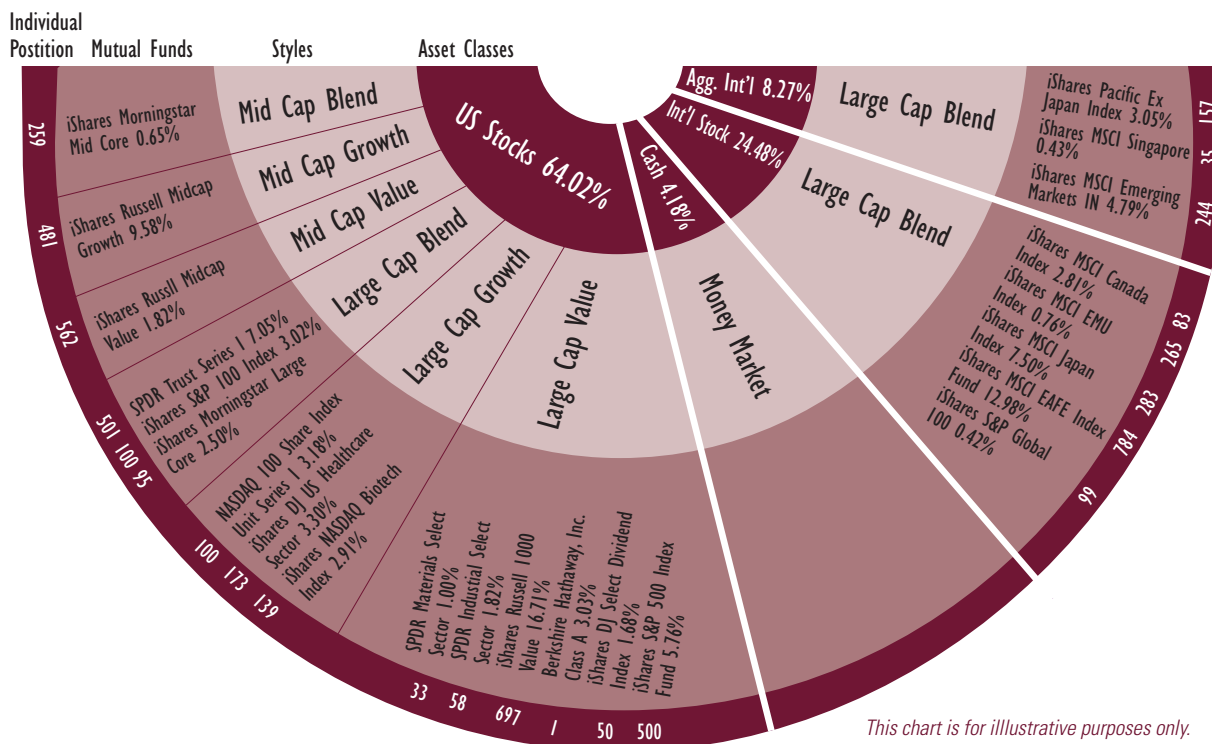
Many investors believe that bonds are less risky than stocks. However, through our risk budgeting methodology, we understand that risk actually appears on a continuum with some equities containing less risk than some bonds and vice versa. By maintaining a risk budget and making trades based on both asset class and investor risk, we are able to capitalize on areas of growth and underweight areas of risk.



### The CLS Integrated Risk Continuum

This chart illustrates the relative amount of risk associated with a variety of asset classes. Note the overlap areas where certain stocks assume lower risk than some bonds.

### Sample Portfolio Risk of 8.5\*



This chart is for illustrative purposes only.

Customized Portfolio Management (CPM) allocates clients' assets into multiple funds. Each fund within CPM holds a number of underlying securities. This adds to the diversification of each CPM client's portfolio. For example, this graph illustrates the number of asset classes, styles, funds and individual securities that may be held in one of the portfolio's core holdings. The sample holdings are presented as an example of the underlying securities that the portfolio may purchase and the diversity of areas in which the portfolio may invest. These holdings are not necessarily representative of the portfolio's current or future investments and should not be considered recommendations or investment advice. Individual client portfolios will vary based on stock-to-bond ratio, risk tolerance and asset size. Allocations are subject to change. Mutual Funds, when compared to other Mutual Funds, may contain similar investments. Because of this duplication the total number of positions may be less than stated. As the portfolio's funds are bought and sold, this number is subject to change. Holdings shown are shown for illustrative purposes and are not indicative of any actual client account.

\*Clients are assigned a risk profile number based on their response to our Investor Profile. Risk is measured on a scale of 1-10 with 10 representing the highest risk portfolio.

## Benefits of the CPM Investment Strategy

- Increased diversification by investing in multiple asset classes, fund families and market segments
- Control volatility/risk
- Potential to grow your principal investment regardless of the current market environment
- Access to a core and satellite portfolio

### Account Information

Fee Schedule<sup>1</sup>: Up to 1.50%

A percentage of the fee is paid to your representative or representative's broker/ dealer.

Minimum Account Size: \$50,000 per registration

Custodian/Platform: Constellation Trust Company, Jefferson National Monument Advisor Variable Annuity, Security Benefit Secure Designs Variable Annuity, Schwab, TD Waterhouse, Rydex Financial Services

Investment Vehicles: Actively Managed Mutual Funds

*1. The fee schedule does not reflect all fees, and other charges may apply such as sales charges, commissions, underlying expenses and fees. Please consult your prospectus and Broker Dealer for a complete list of all applicable fees and expenses.*

*There are risks associated with Bond Funds. These risks include, but are not limited to, the same interest rate, inflation and credit risks associated with the underlying bonds owned by the portfolio and your return of principal is not guaranteed. High Yield bonds may be subject to greater fluctuations in value and risk of loss of income and principal. Foreign securities may be subject to unstable international political and economic conditions, currency fluctuations, foreign controls on investment and currency exchange, withholding taxes, a lack of adequate company information, less liquid and more volatile markets and a lack of governmental regulation may subject foreign securities to risk. The fund borrows the security and is obligated to replace it by purchasing the security at the market price at the time of replacement. Small and medium capitalization companies may be more vulnerable than larger, more established organizations to adverse business or economic developments.*

*This information is prepared for general information only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this information. There is no guarantee that any investment program or account will be profitable or will not incur loss. Investors should note that investments may fluctuate and that price or value may rise or fall. Accordingly, investors may receive back more or less than originally invested.*

*The individuals shown in this brochure portray hypothetical profiles and situations. No similarly current and/or prospective client should infer his/her account performance will be profitable.*

**For more information on the CPM Investment Strategy,  
please contact either your financial advisor  
or CLS at 888-455-4244 option 1.**

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