



#### AECOS has a story to tell.

#### THE AECOS PROGRAM

Use the AECOS program to customize your portfolio using both Traditional and Alternative investments.

Create your own portfolio, based on your own investment preferences, expectations for return and tolerance for risk.

The result is greater flexibility, diversification, reduced risk, stable long term performance.

✓ Accounts are set up at the bank in your own name, with daily liquidity, and daily web- based access to your account information.

Create your portiolio											
E	quity Portfolios										
Major Market Stocks %	0	Max 100%	[Tip]								
Emerging Market Stocks (including ETFs) %	0	Max 100%	[Tip]								
Alte	rnative Portfolios										
Bonds %	0	Max 100%	[Tip]								
Currencies %	0	Max 100%	[Tip]								
Metals (precious and industrial) %	0	Max 100%	[Tip]								
Energies %	0	Max 100%	[Tip]								
Total Portfolio Allocation %			[Tip]								
	Fees										
Management Fee %	2	e.g. 2%	[Tip]								
Performance Fee %	20	e.g. 20%	[Tip]								





The AECOS program can do the following for investors:

Gives accurate return estimates of the separate component parts of the Aegis investment programs. These include:

A) Stocks

- 1. Traditional Major Markets High Cap Stocks---US, Japan and Europe
- 2. Emerging Markets Stocks—15 of the most important global regional stock markets—focus on Asia, Latin America and Eastern Europe
- B) Alternative Investments
- 1. Bonds—major global bonds—US, Japan and Europe
- 2. Major Currencies-USD, Euro, Yen, Canadian Dollar, Australian Dollar
- 3. Metals—Precious and Industrial Metals
- 4. Energies—Crude Oil, Gasoline and Heating Oil





What the AECOS program does for investors:

Gives accurate return estimates of the separate component parts of the Aegis investment programs.

Adjusts returns for all fees—all results are calculated AFTER management, performance fees and brokerage commissions are deducted

Provides a good estimate of the kinds of risks investors can expect in order to obtain their return objectives.





What this program does NOT do for investors

Does *not* predict future returns—the program can only provide an accurate assessment of past results, adjusted for fees.

Does *not* recommend to the investor which sectors he should trade. Investors determine this for themselves.

Does *not* give investors recommendations for their own risk/ return desires. Investors determine this for themselves





The Golden Rule for Managing a Portfolio:

Diversify. "Spread your eggs into more than one basket." Stocks are NOT the only game in town.

Let's run 3 sample portfolios.



p a h

0



#### A. A standard "Stocks Only" Portfolio

The portfolio contains ONLY stocks—50% major markets and 50% emerging markets.

#### THE AECOS PROGRAM

Use the AECOS program to customize your portfolio using both Traditional and Alternative investments.

Create your own portfolio, based on your own investment preferences, expectations for return and tolerance for risk. The result is greater flexibility, diversification, reduced risk, stable long term performance.

Accounts are set up at the bank in your own name, with daily liquidity, and daily web-based access to your account information.

To test this portfolio,	Create your portfolio									
please complete the	Equity Portfolios									
application as shown	Major Market Stocks %	C	50	Max 100%	[Tip]					
on Submit button	Emerging Market Stocks (including ETFs) %	C	50	Max 100%	[Tip]					
	Alternative Portfolios									
	Bonds %		0	Max 100%	[Tip]					
	Currencies %		0	Max 100%	[Tip]					
	Metals (precious and industrial) %		0	Max 100%	[Tip]					
	Energies %		0	Max 100%	[Tip]					
	Total Portfolio Allocation %				[Tip]					
		Fe	es							
	Management Fee %		2	e.g. 2%	[Tip]					
	Performance Fee %	Sul	<del>20</del> hmit	e.g. 20%	[Tip]					
					_					





Create your portfolio											
Equity Portfolios											
Major Market Stocks %	50		Max 100%	[Tip]							
Emerging Market Stocks (including ETFs) %	50		Max 100%	[Tip]							
Alter	native Port	folios									
Bonds %	0		Max 100%	[Tip]							
Currencies %	0		Max 100%	[Tip]							
Metals (precious and industrial) %	0		Max 100%	[Tip]							
Energies %	0		Max 100%	[Tip]							
Total Portfolio Allocation %		100		[Tip]							
	Fees										
Management Fee %	2		e.g. 2%	[Tip]							
Performance Fee %	20		e.g. 20%	[Tip]							
	Submit										

We see the total Portfolio is 100% of capital. All money is invested in stocks.





This portfolio contains ONLY stocks—50% major markets and 50% emerging markets







Let's analyze the several important characteristics of these returns.

Portfolio 1			Draw	downs: [Tip]	39.50%	20.36%	14.84%			
Beginning Value:	\$ 1,00	Aecos Allocation	Startin	ng Date:	198709	200003	199807	100,000 Aecos Retu	m	
Ending Value:	\$ 12,57	4	Ending	g Date:	198808	200304	199808	1,000	<u> </u>	
Number of Years:	2	tocks(50.0%)-	Month	is to Recovery [Tip]	11	37	1	198212 198905 199510 2	00203 200808	
Average Return:	11.407							Em Mkts S	locks	
Compounded Return:	10.239		Stan	Standard Deviation: [Tip] 16.0			16.03	3 Blend		
			Shar	pe Ratio: [Tip]			0.40			
			Aver	age of Drawdowns: [Tip]			24.90%			
Submitted portfolio:	M	ajor Market Stocks	50%	Bonds		0%	Curren	cies	0%	
	Er	nerging Market Stocks	50%	Metals		0%	Energie	s	0%	

The compounded return is an annual 10.23% AFTER all fees, which is a respectable return over many years





Let's analyze the characteristics of these returns.

Portfolio 1	$\sim$		Drawd	owns: [Tip]	39.50%	20.36%	14.84%	
Beginning Value:	\$ 1,000	Aecos Allocation	Starting	g Date:	198709	200003	199807	100,000 Aecos Return
Ending Value:	\$ 12,574		Ending	Date:	198808	200304	199808	1,000
Number of Years:	26	tocks(50.0%)-	Months	s to Recovery [Tip]	11	37	1	198212 198905 199510 200203 200808
Average Return:	11.40%							Em Mkts Stocks
Compounded Return:	10.23%		Stand	Standard Deviation: [Tip]			16.03	Blend
			Sharp	e Ratio: [Tip]			0.40	
			Avera	age of Drawdowns: [Tip]			24.90%	
Submitted portfolio:	Ma	ajor Market Stocks	50%	Bonds		0%	Curren	icies 0%
	En	nerging Market Stocks	50%	Metals		0%	Energie	es 0%

We see a \$1,000 investment 26 years ago, becomes \$12,574 .... BUT...





Let's analyze the characteristics of these returns.

					$\frown$	$\frown$	$\frown$	
Portfolio 1			Drawdo	owns: [Tip]	39.50%	20.36%	14.84%	) 
Beginning Value:	\$ 1,000	Aecos Allocation	Starting	Date:	198709	200003	199807	100,000
Ending Value:	\$ 12,574		Ending	Date:	198808	200304	199808	1,000
Number of Years:	26	tocks(50.0%)-	Months	to Recovery [Tip]	11	37	1	198212 198905 199510 200203 20080
Average Return:	11.40%							Em Mkts Stocks
Compounded Return:	10.23%		Standa	ard Deviation: [Tip]			16.03	Blend
			Sharp	e Ratio: [Tip]			0.40	
			Avera	ge of Drawdowns: [Tip]			24.90%	
Submitted portfolio:	Majo	or Market Stocks	50%	Bonds		0%	Curren	cies 0%
	Eme	rging Market Stocks	50%	Metals		0%	Energie	es 0%

...in order to achieve this return, this investor suffered 3 large losses during the life cycle of his investment





Let's analyze the characteristics of these returns.

Portfolio 1			Drawd	lowns: [Tip]	39.50%	20.36%	14.84%		
Beginning Value:	\$ 1,000	Aecos Allocation	Startin	g Date:	198709	200003	199807	100,000 Aecos R	eturn
Ending Value:	\$ 12,574		Ending	g Date:	198808	200304	199808	1,000	
Number of Years:	26	tocks(50.0%)-Stoc	Month	s to Recovery [Tip]	( 11	37	1	198212 198905 1995	10 200203 200808
Average Return:	11.40%							Em Mk	ts Stocks
Compounded Return:	10.23%		Stand	dard Deviation: [Tip]			16.03	Blend	
			Shar	pe Ratio: [Tip]			0.40		
			Aven	age of Drawdowns: [Tip]			24.90%		
Submitted portfolio:	Maj	or Market Stocks	50%	Bonds		0%	Curren	cies	0%
	Em	erging Market Stocks	50%	Metals		0%	Energie	s	0%

The largest 2 losses took 11 and 37 months to recover from





Let's analyze the characteristics of these returns.

Portfolio 1			Drawdo	Drawdowns: [Tip]		20.36%	14.84%	6	
Beginning Value:	\$ 1,000	Aecos Allocation	Starting	) Date:	198709	200003	199807	100,000 Aecos R	eturn
Ending Value:	\$ 12,574		Ending	Date:	198808	200304	199808	1,000	
Number of Years:	26	tocks(50.0%)-Stoc	Months	to Recovery [Tip]	11	37	1	198212 198905 19951	0 200203 200808
Average Return:	11.40%							Em Mk	ts Stocks
Compounded Return:	10.23%		Standa	ard Deviation: [Tip]			16.03	Blend	
			Sharp	e Ratio: [Tip]			0.40		
			Avera	ge of Drawdowns: [Tip]			24.90%		
Submitted portfolio:	Maj	or Market Stocks	50%	Bonds		0%	Curren	icies	0%
	Eme	erging Market Stocks	50%	Metals		0%	Energi	es	0%

The statistics show that volatility (as measured by standard deviation) was high, and the investor's return above a risk-less portfolio (like cash or T-bills) was lower than 1, which means the portfolio tended to perform less than a portfolio of bonds





We now run a second portfolio—again at 100% of capital—but this time reducing the allocation to stocks and spread the portfolio by adding "Alternative" investments to the portfolio. The total looks like this: 20% Traditional Stocks, 20% Emerging Market Stocks, 20% bonds, 20% currencies, 10% metals, 10% energies

#### THE AECOS PROGRAM

Use the AECOS program to customize your portfolio using both Traditional and Alternative investments.
Create your own portfolio, based on your own investment preferences, expectations for return and tolerance for risk.
The result is greater flexibility, diversification, reduced risk, stable long term performance.
Accounts are set up at the bank in your own name, with daily liquidity, and daily web- based access to your account information.

Create your portfolio											
Equity Portfolios											
Major Market Stocks %	20	Max 100%	[Tip]								
Emerging Market Stocks (including ETFs) %	20	Max 100%	[Tip]								
Ali	ternative Portfolios										
Bonds %	20	Max 100%	[Tip]								
Currencies %	20	Max 100%	[Tip]								
Metals (precious and industrial) %	10	Max 100%	[Tip]								
Energies %	10	Max 100%	[Tip]								
Total Portfolio Allocation %	100		[Tip]								
	Fees										
Management Fee %	2	e.g. 2%	[Tip]								
Performance Fee %	20	e.g. 20%	[Tip]								
	Submit										





Create your portfolio											
Equity F	Portfolios										
Major Market Stocks %	20	Max 100%	[Tip]								
Emerging Market Stocks (including ETFs) %	20	Max 100%	[Tip]								
Alternative	e Portfolios										
Bonds %	20	Max 100%	[Tip]								
Currencies %	20	Max 100%	[Tip]								
Metals (precious and industrial) %	10	Max 100%	[Tip]								
Energies %	10	Max 100%	[Tip]								
Total Portfolio Allocation %	100		[Tip]								
Fe	ees										
Management Fee %	2	e.g. 2%	[Tip]								
Performance Fee %	20	e.g. 20%	[Tip]								
Su	bmit										

# Again, the total Portfolio is 100% of total capital invested











Let's analyze the characteristics of these returns.

Portfolio 1			Drawdo	Drawdowns: [Tip]		8.00%	7.01%	Auron Batarra	
Beginning Value:	\$ 1,000	Aecos Allocation	Starting	g Date:	198709	200403	199605	100,000 10,000	teturn
Ending Value:	\$ 22,862	0.0%)~	Ending	Date:	198710	200408	199607	1,000	199812 200404
Number of Years:	20	0.0%) Stocks(20.0	Months	to Recovery [Tip]	1	5	2	- Stocks	- Metals
Average Return:	13.099	0.0%)/ Em Mikts St						Em Mkts Stock	s — Energies Blend
Compounded Return:	12.79%	0 70)*	Standard Deviation: [Tip]		8.1		8.16	Currencies	
			Sharp	e Ratio: [Tip]			1.00		
			Avera	ge of Drawdowns: [Tip]			8.34%		
Submitted portfolio:	Ma	ijor Market Stocks	20%	Bonds		20%	Curren	icies	20%
	En	erging Market Stocks	20%	Metals		10%	Energie	es	10%

The compounded return has risen to an annual 12.79% AFTER all fees, which is a better return





Let's analyze the characteristics of these returns.

Portfolio 1			Drawdov	wns: [Tip]	10.01%	8.00%	7.01%		-
Beginning Value:	\$ 1,000	Aecos Allocation	Starting	Date:	198709	200403	199605	100,000 10,000	eturn
Ending Value:	\$ 22,862	2 0.0%)~	Ending D	Date:	198710	200408	199607	1,000	99812 200404
Number of Years:	26	0.0%) Stocks(20.0	Months t	to Recovery [Tip]	1	5	2	Stocks	- Metals
Average Return:	13.09%	0.0%)/ Em Mkts St						Em Mkts Stock	s — Energies Blend
Compounded Return:	12.79%	0.070)*	Standa	rd Deviation: [Tip]		8.16		- Currencies	
			Sharpe	Ratio: [Tip]			1.00		
			Averag	e of Drawdowns: [Tip]			8.34%		
Submitted portfolio:	Ma	ajor Market Stocks	20%	Bonds		20%	Curren	icies	20%
	En	nerging Market Stocks	20%	Metals		10%	Energie	es	10%

A \$1,000 investment 26 years ago, has become \$22,862





Let's analyze the characteristics of these returns.

Portfolio 1			Drawd	lowns: [Tip]	10.01%	8.00%	7.01%		
Beginning Value:	\$ 1,000	Aecos Allocation	Startin	g Date:	198709	200403	199605	100,000 Aecos R 10,000	eturn
Ending Value:	\$ 22,862	0.0%)-	Ending	) Date:	198710	200408	199607	1,000	199812 200404
Number of Years:	26	0.0%) Stocks(20.0	Month	s to Recovery [Tip]	1	5	2	Stocks	Metals
Average Return:	13.09%	0.0%)/ Em Mikts Si				Em Mkts Stock	s — Energies Blend		
Compounded Return:	12.79%	0.078)*	Stand	dard Deviation: [Tip]			8.16	- Currencies	
			Sharp	pe Ratio: [Tip]			1.00		
			Avera	age of Drawdowns: [Tip]			8.34%		
Submitted portfolio:	Majo	or Market Stocks	20%	Bonds		20%	Curren	cies	20%
	Eme	erging Market Stocks	20%	Metals		10%	Energie	IS	10%

... in order to achieve this return, the 3 largest losses during the life cycle of the investment were much lower than in the first portfolio.





Let's analyze the characteristics of these returns.

Portfolio 1			Drawdo	owns: [Tip]	10.01%	8.00%	7.01%			
Beginning Value:	\$ 1,000	Aecos Allocation	Starting	) Date:	198709	200403	199605	100,000	keturn	
Ending Value:	\$ 22,862	0.0%)-	Ending	Date:	198710	200408	199607	1,000	199812 200404	
Number of Years:	26	0.0%) Stocks(20.0	Months	Months to Recovery [Tip]				5 2 —Stocks —Me		
Average Return:	13.09%	0.0%) Em Mikts St				Em Mkts Stor	ks — Energies Blend			
Compounded Return:	12.79%	0.076)*	Standa	Standard Deviation: [Tip]				Currencies		
			Sharp	e Ratio: [Tip]			1.00			
			Avera	ge of Drawdowns: [Tip]			8.34%			
Submitted portfolio:	Maj	or Market Stocks	20%	Bonds		20%	Curren	icies	20%	
	Eme	erging Market Stocks	20%	Metals		10%	Energie	es	10%	

NOW, instead of the top 2 losses taking 11 and 37 months to recover, the recovery period drops to 1 and 5 months





Let's analyze the characteristics of these returns.

Portfolio 1		Drawdo	Drawdowns: [Tip] 10.01% 8.		8.00%	7.01%	at une			
Beginning Value:	\$ 1,000	Aecos Allocation	Starting	Starting Date:		200403	199605	100,000 10,000	eturn	
Ending Value:	\$ 22,862	2 0.0%)~	Ending Date:		198710	200408	199607	1,000	199812 200404	
Number of Years:	26	0.0%) Stocks(20.0	Months	s to Recovery [Tip]	1	5	2	-Stocks	- Metals	
Average Return:	13.09%	0.0%)						Em Mkts Stocks Energies Bonds Blend		
Compounded Return:	12.79%	0.0%)*	Stand	Standard Deviation: [Tip]			8.16	- Currencies		
			Sharp	pe Ratio: [Tip]			1.00			
			Avera	age of Drawdowns: [Tip]			8.34%			
Submitted portfolio:	Ma	ajor Market Stocks	20%	Bonds		20%	Current	cies	20%	
	En	nerging Market Stocks	20%	Metals		10%	Energie	S	10%	

The statistics show that volatility has dropped by *half* from the stock only portfolio AND the return above a risk-less portfolio (like cash or T-bills) is 1, which is much better than with the portfolio of all stocks.





## Conclusions

a. Portfolio returns increase as a result of portfolio diversification

## A. "Stocks Only" Portfolio

Portfolio 1				Portfolio 1			
Beginning Value:	\$ 1,000	Aecos Allocation		Beginning Value:	\$1	000	Aecos Allocation
Ending Value:	\$ 12,574			Ending Value:	\$ 22,	,862	0.0%)~
Number of Years:	26	tocks(50.0%)-Stoc		Number of Years:		26	0.0%) Stocks(20
Average Return:	11.40%			Average Return:	13.(	09%	0.0%) Em Mkts :
Compounded Return:	10.23%			Compounded Return:	12.7	79%	0.0%)*
	$\smile$						
Submitted portfolio: Maj		or Market Stocks		Submitted portfolio:		Major Market Stocks	
	Eme	rging Market Stocks				Eme	rging Market Stocks





## Conclusions

# b. Risk is lower by diversifying the portfolio.

## A. "Stocks Only" Portfolio

		$\frown$			
Drawdowns	: [Tip]	39.50%	20.3	6%	14.84%
Starting Dat	e:	198709	200	003	199807
Ending Date	198808	200304		199808	
Months to R	11		37	1	
Standard E	Deviation: [Tip]				16.03
Sharpe Ra	tio: [Tip]				0.40
Average of	Drawdowns: [Tip]			:	24.90%
50%	Bonds		0%		Curren
50%	Metals		0%		Energie

Drawdowns:	[Tip]	10.01%	8.0	0%	7.01%
Starting Date:	:	198709	200403		199605
Ending Date:	198710	200408		199607	
Months to Re	Months to Recovery [Tip]				2
Standard De	eviation: [Tip]				8.16
Sharpe Ratio	o: <b>[Tip]</b>				1.00
Average of [	Drawdowns: [Tip]				8.34%
20%	Bonds		20%		Currer
20%	Metals		10%		Energi





## Conclusions

## c. Portfolio volatility drops dramatically through diversification

## A. "Stocks Only" Portfolio

Dra	wdowns	[Tip]	39.50%	20.3	6%	14.84%
Star	ting Date	e:	198709	200	003	199807
End	ing Date	198808	200	304	199808	
Mor	ths to R	11		37	1	
						$\frown$
Sta	Standard Deviation: [Tip]					16.03
Sh	arpe Rat	io: [Tip]				0.40
Av	erage of	Drawdowns: [Tip]			:	24.90%
50	9%	Bonds		0%	•	Currer
50	9%	Metals		0%	•	Energi
50 50	)% )%	Bonds Metals		0%	•	Ci

Drawd	owns: [Tip]	10.01%	8.00%	7.01%				
Startin	g Date:	198709	200403	199605				
Ending	Date:	198710	200408	199607				
Month	s to Recovery [Tip]	1	5	2				
Standard Deviation: [Tip] 8.16								
Shar	pe Ratio: [Tip]			1.00				
Avera	age of Drawdowns: [Tip]			8.34%				
20%	Bonds		20%	Currer				
20%	Metals		10%	Energi				





## Conclusions

- d. The rate of increase over a risk-less benchmark like T-bills is much greater than with the stock only portfolio.
- A. "Stocks Only" Portfolio

Drawdowns: [Tip]				50%	20.	36%	14	.84%	5
Starting Date:					200003		19	99807	7
Ending Date:				808	200304		19	9808	3
Month		11		37		1			
Stand	lard D	eviation: [Tip]					1	0.03	
Sharp	oe Rat	io: <b>[Tip]</b>						0.40	
Avera	age of	Drawdowns: [Tip]					24.	90%	
50%		Bonds			09	6	•	Curre	n
50%		Metals			09	6		Energ	jie

Drawdov	vns: [Tip]	10.	01%	8.0	0%	7.01%	
Starting [	Starting Date:				403	199605	
Ending D	198	710	200408		199607		
Months t	o Recovery [Tip]		1		5	2	
Standard Deviation: [Tip] *   Sharpe Ratio: [Tip] 1.   Average of Drawdowns: [Tip] 8.34							
20%	Bonds			20%		Currer	
20%	Metals			10%		Energi	





In addition, the following results now appear with this new investment strategy:

The investor now has:

More options than just buying stocks

- •A better chance of profiting in more investment sectors
- •A better long term success strategy because of...

 ...much less of a chance of "blowing up" the portfolio through investments in single sectors or high leverage

NOW, with less risk in the portfolio because of greater diversification, investors can add responsible leverage to the portfolio to achieve much higher returns. Still, investors need to check that they are comfortable with the risk they will have to endure for a given rate of return.





This third portfolio shows the potential for higher returns using responsible portfolio diversification. We run this portfolio using the same allocation to stocks as in Portfolio B—20% in Major Markets and 20% in Emerging Markets stocks. But we *double* the allocations for each of the "alternative" sectors. 40% bonds, 40% currencies, 20% metals and 20% metals.

#### THE AECOS PROGRAM

✓ Use the AECOS program to customize your portfolio using both Traditional and Alternative investments.
✓ Create your own portfolio, based on your own investment preferences, expectations for return and tolerance for risk.
✓ The result is greater flexibility, diversification, reduced risk, stable long term performance.
✓ Accounts are set up at the bank in your own name, with daily liquidity, and daily web- based access to your account information.

Create your portfolio									
	Equity Portfolios								
Major Market Stocks %	20	Max 100%	[Tip]						
Emerging Market Stocks (including ETFs) %	20	Max 100%	[Tip]						
Alternative Portfolios									
Bonds %	40	Max 100%	[Tip]						
Currencies %	40	Max 100%	[Tip]						
Metals (precious and industrial) %	20	Max 100%	[Tip]						
Energies %	20	Max 100%	[Tip]						
Total Portfolio Allocation %	160		[Tip]						
	Fees								
Management Fee %	2	e.g. 2%	[Tip]						
Performance Fee %	20	e.g. 20%	[Tip]						
	Submit								





Create yo	our portfolio								
Equity	Portfolios								
Major Market Stocks %	20	Max 100% [T	[ip]						
Emerging Market Stocks (including ETFs) %	20	Max 100% [T	[ip]						
Alternative Portfolios									
Bonds %	40	Max 100% [T	[ip]						
Currencies %	40	Max 100% [T	[ip]						
Metals (precious and industrial) %	20	Max 100%	[ip]						
Energies %	20	Max 100% [T	[ip]						
Total Portfolio Allocation %	160	רו	[ip]						
F	ees								
Management Fee %	2	e.g. 2% [T	[ip]						
Performance Fee %	20	e.g. 20% [T	[ip]						
Su	bmit								

Total Portfolio is now 160% of total capital invested











Let's analyze the characteristics of these returns.

Portfolio 1			Drawd	owns: [Tip]	11.17%	10.70%	8.25%	Anna	a de com
Beginning Value:	\$ 1,0	0 Aecos Allocation	Startin	g Date:	200403	199605	198604	100,000	Keturn
Ending Value:	\$ 206,32	5 0.0%)- Stocks(20.0	Ending	Date:	200408	199607	198605	1,000	199909 200504
Number of Years:	:	6 0.0%)	Month	s to Recovery [Tip]	5	2	1	Stocks	Metals
Average Return:	20.00	0.0%) Bonds(40.0						Em Mkts Stoc Bonds	ks — Energies Blend
Compounded Return:	22.75	6	Stand	lard Deviation: [Tip]			13.75	- Currencies	
			Shar	pe Ratio: [Tip]			1.35		
			Avera	age of Drawdowns: [Tip]			10.04%		
Submitted portfolio:	Ν	ajor Market Stocks	20%	Bonds		40%	Curren	cies	40%
	E	merging Market Stocks	20%	Metals		20%	Energie	es	20%

The compounded return has now risen dramatically, almost twice as high as Portfolio B, to an annual return of 22.75% AFTER all fees





Let's analyze the characteristics of these returns.

Portfolio 1			Drawd	lowns: [Tip]	11.17%	10.70%	8.25%	Access Boltum
Beginning Value:	\$ 1,000	Aecos Allocation	Startin	g Date:	200403	199605	198604	100,000
Ending Value:	\$ 206,325	0.0%)- Stocks(20.)	Ending	) Date:	200408	199607	198605	1,000
Number of Years:	26	0.0%)-Em Mkts S	Month	s to Recovery [Tip]	5	2	1	
Average Return:	23.53%	0.0%) Bonds(40.0						Em Mkts Stocks Energies Bonds Blend
Compounded Return:	22.75%		Stand	dard Deviation: [Tip]			13.75	Currencies
			Sharp	pe Ratio: [Tip]			1.35	
			Avera	age of Drawdowns: [Tip]			10.04%	
Submitted portfolio:	Ma	jor Market Stocks	20%	Bonds		40%	Curren	cies 40%
	Em	erging Market Stocks	20%	Metals		20%	Energie	es 20%

A \$1,000 investment 26 years ago, has become \$206,.325 ...increasing *nearly 10 times* from the previous portfolio!





Let's analyze the characteristics of these returns.

Portfolio 1			Drawdo	owns: [Tip]	11.17%	10.70%	8.25%	
Beginning Value:	\$ 1,000	Aecos Allocation	Starting	g Date:	200403	199605	198604	100,000
Ending Value:	\$ 206,325	0.0%)~Stocks(20.)	Ending	Date:	200408	199607	198605	1,000
Number of Years:	26	0.0%) Em Mkts S	t Months	to Recovery [Tip]	5	2	1	- Stocks - Metals
Average Return:	23.53%	0.0%) Bonds(40.0						Em Mkts Stocks Energies Bonds Blend
Compounded Return:	22.75%		Stand	ard Deviation: [Tip]			13.75	Currencies
			Sharp	e Ratio: [Tip]			1.35	
			Avera	ige of Drawdowns: [Tip]			10.04%	
Submitted portfolio:	Majo	or Market Stocks	20%	Bonds		40%	Currenc	ies 40%
	Eme	rging Market Stocks	20%	Metals		20%	Energie	s 20%

YET, in order to achieve this high return, the 3 largest losses this portfolio suffered during the life cycle of the investment are <u>almost the same</u> as the previous portfolio.





Let's analyze the characteristics of these returns.

Portfolio 1			Drawdo	owns: [Tip]	11.17%	10.70%	8.25%	Access	lature
Beginning Value:	\$ 1,000	Aecos Allocation	Starting	Date:	200403	199605	198604	100,000	letum
Ending Value:	\$ 206,325	0.0%)Stocks(20)	Ending	Date:	200408	199607	198605	1,000	199909 200504
Number of Years:	26	0.0%)	t Months	to Recovery [Tip]	5	2	1	Stocks	- Metals
Average Return:	23.53%	0.0%) Bonds(40.0	c					Em Mkts Stock	s — Energies Blend
Compounded Return:	22.75%		Standa	ard Deviation: [Tip]			13.75	Currencies	
			Sharp	e Ratio: [Tip]			1.35		
			Avera	ge of Drawdowns: [Tip]			10.04%		
Submitted portfolio:	Maj	or Market Stocks	20%	Bonds		40%	Currenc	zies	40%
	Eme	erging Market Stocks	20%	Metals		20%	Energie	S	20%

The recover time from losses is almost the same as Portfolio B. Instead of the top 2 losses taking 1 and 5 months to recover, the recovery period is now 5 and 2 months respectively





Let's analyze the characteristics of these returns.

Portfolio 1			Drawdo	owns: [Tip]	11.17%	10.70%	8.25%	Access Boltum
Beginning Value:	\$ 1,000	Aecos Allocation	Starting	g Date:	200403	199605	198604	100,000
Ending Value:	\$ 206,325	0.0%)- Stocks/201	Ending	Date:	200408	199607	198605	1,000
Number of Years:	26	0.0%)	t Months	to Recovery [Tip]	5	2	1	
Average Return:	23.53%	0.0%) Bonds(40.0						Em Mkts Stocks Energies Bonds Blend
Compounded Return:	22.75%		Stand	ard Deviation: [Tip]			13.75	Currencies
			Sharp	e Ratio: [Tip]			1.35	
			Avera	ge of Drawdowns: [Tip]			10.04%	
Submitted portfolio:	Majo	or Market Stocks	20%	Bonds		40%	Current	cies 40%
	Eme	rging Market Stocks	20%	Metals		20%	Energie	s 20%

The statistics show that volatility has risen slightly, but the return above a riskless portfolio like T-bills has risen dramatically to 13.75, which is a figure normally very difficult to achieve with such low risk, and more than 3 times higher than a portfolio of stocks alone!





# C. Diversified PLUS Leverage Portfolio Conclusions

 Diversification among many low-correlated sectors is a portfolio's best friend.
Diversification into different trading strategies is a secondary form of diversification, and can help when market conditions change.
Thinking long term is the best way to invest

4) A well thought out strategy is better than being driven by fear or greed.





## Portfolio Comparisons.

## A. "Stocks Only" Portfolio

Portfolio 1		
Beginning Value:	\$ 1,000	Aecos Allocation
Ending Value:	\$ 12,574	
Number of Years:	26	tocks(50.0%)- Stoc
Average Return:	11.40%	
Compounded Return:	10.23%	
	Ŭ	
Submitted portfolio:	Majo	or Market Stocks
	Eme	erging Market Stocks

## C. Diversified PLUS Leverage Portfolio

Portfolio 1		
Beginning Value:	\$ 1,000	Aecos Allocation
Ending Value:	\$ 206,325	0.0%)- Stocks/20.0
Number of Years:	26	0.0%)
Average Return:	23.53%	0.0%) Bonds(40.0
Compounded Return:	22.75%	
	$\smile$	
Submitted portfolio:	Majo	or Market Stocks
	Eme	rging Market Stocks

## B. Diversified Portfolio.

Portfolio 1		
Beginning Value:	\$ 1 000	Aecos Allocation
Ending Value:	\$ 22,86	0.0%)~
Number of Years:	26	0.0%) Stocks(20.0
Average Return:	13.09%	0.0%) - Em Mkts St
Compounded Return:	12.79%	0.076)*
Submitted portfolio:	Maj	or Market Stocks
	Eme	erging Market Stocks

## Ending Value Compounded Return



50%

Metals



## Portfolio Comparisons.

## A. "Stocks Only" Portfolio

Drawd	owns:	[Tip]	39.	50%	20.	36%	14.849	6
Startin	g Date	e:	19	8709	200	0003	19980	7
Ending	Date	:	19	8808	200	0304	19980	в
Month	s to R	ecovery [Tip]		11		37		1
Stand	lard D	eviation: [Tip]					16.03	
Shar	oe Rat	io: <b>[Tip]</b>					0.40	
Avera	age of	Drawdowns: [Tip]				:	24.90%	
50%		Bonds			09	6	Curre	en
						_		

## C. Diversified PLUS Leverage Portfolio

0%

Energie

			$\frown$			
Drawd	lowns	[Tip]	11.17%	10.	70%	8.25%
Startin	g Date	e:	200403	19	9605	198604
Ending	) Date	:	200408	19	9607	198605
Month	s to R	ecovery [Tip]	5		2	1
Stand	dard D	eviation: [Tip]				13.75
Shar	pe Rat	io: <b>[Tip]</b>				1.35
Avera	age of	Drawdowns: [Tip]				10.04%
20%		Bonds		409	6	Curre
20%		Metals		209	6	Energ

## B. Diversified Portfolio.

s: [Tip]	10.01%	8.009	6 7.01%			
te:	198709	20040	3 199605			
e:	198710	20040	8 199607			
Recovery [Tip]	1		5 2			
Deviation: [Tip]			8.16			
atio: [Tip]			1.00			
f Drawdowns: [Tip]			8.34%			
Bonds		20%	Currer			
Metals		10%	Energi			
	:: [Tip] te: : Recovery [Tip] Deviation: [Tip] atio: [Tip] f Drawdowns: [Tip] Bonds Metals	E: [Tip]   10.01%     te:   198709     e:   198710     Recovery [Tip]   1     Deviation: [Tip]   1     dio: [Tip]   1     Bonds   Metals	E: [Tip]   10.01%   8.009     te:   198709   20040     e:   198710   20040     Recovery [Tip]   1   1     Deviation: [Tip]   1   1     atio: [Tip]   1   1     Bonds   20%   10%			

Drawdowns



#### AECOS AEGIS COMPONENT SYSTEM

## Portfolio Comparisons.

#### A. "Stocks Only" Portfolio

Drawd	owns: [Tip]	39.50%	20.36%	14.84%
Startin	g Date:	198709	200003	199807
Ending	Date:	198808	200304	199808
Month	s to Recovery [Tip]	11	37	) 1
		$\sim$		
Stand	ard Deviation: [Tip]			16.03
Sharp	pe Ratio: [Tip]			0.40
Avera	age of Drawdowns: [Tip]			24.90%
50%	Bonds		0%	Curren
50%	Metals		0%	Energi

## C. Diversified PLUS Leverage Portfolio

Drawd	owns: [Tip]	11.	.17% 10	.70%	8.25%		
Starting Date:			0403 19	99605 1986			
Ending Date:			0408 19	99607 19860			
Monthe	2	1					
Standard Deviation: [Tip] 13.7							
Sharpe Ratio: [Tip]					1.35		
Average of Drawdowns: [Tip]					.04%		
20%	Bonds		409	%	Curre		
20%	Metals		209	6	Energ		

## B. Diversified Portfolio.

Drawdowns:	[Tip]	10.01%	8.00	0%	7.01%		
Starting Date	198709	2004	03	199605			
Ending Date:	198710	2004	.08	199607			
Months to Re	Months to Recovery [Tip]						
		$\sim$					
Standard Deviation: [Tip]					8.16		
Sharpe Ratio: [Tip]					1.00		
Average of Drawdowns: [Tip]					8.34%		
20%	Bonds		20%		Currer		
20%	Metals		10%	9% Ener			

Months to recovery



#### AECOS AEGIS COMPONENT SYSTEM

## Portfolio Comparisons.

#### A. "Stocks Only" Portfolio

Drawd	owns: [Tip]	39.50%	20.36%	14.84%		
Starting	g Date:	198709	200003	199807		
Ending	Date:	198808	200304	199808		
Months	s to Recovery [Tip]	11	37	1		
Standard Deviation: [Tip]   16.03     Sharpe Ratio: [Tip]   0.40     Average of Drawdowns: [Tip]   24.90%						
50%	Bonds		0%	Curren		
50%	Metals		0% Ene			

## C. Diversified PLUS Leverage Portfolio

Drawdowns: [Tip]				17%	10.	70%	8.	25%
Starting Date:			200	0403	199	199605		8604
Ending Date:			200	0408	199607		19860	
Months to Recovery [Tip]				5	2			1
Standard Deviation: [Tip] 13.75						.75		
Sharpe Ratio: [Tip]								.35
Average of Drawdowns: [Tip]							10.0	4%
20%		Bonds			409	6	С	urre
20%		Metals		20%			E	nerg

## B. Diversified Portfolio.

Drawdowns:	10.01%	8.00	% 7.01%				
Starting Date	198709	20040	3 199605				
Ending Date	:	198710	20040	8 199607			
Months to R	ecovery [Tip]	1		5 2			
Standard D	eviation: [Tip]			8.16			
Sharpe Rat	io: [Tip]			1.00			
Average of Drawdowns: [Tip]				8.34%			
20%	Bonds		20%	Currer			
20%	Metals		10%	Energi			

Standard Deviation Sharpe Ratio





#### Final Analysis

The AECOS program allows investors to test different portfolio strategies to determine the best mix of sectors, and the proper leverage to apply. Results for each sector are from the Aegis investment programs. Past results cannot predict future returns, but the AECOS program is designed primarily to show viewers the dramatic benefits of increasing portfolio diversification using time honored rules that are basic and common to our industry. As recent events in the global markets illustrate, investors who ignore these rules can pay a dear price.

We recommend viewers use the AECOS system to locate a suitable combination of sectors and leverage to meet their investment objectives. Results will vary for each investor.

www.aegisfund.com/AECOS