

MidCap Model Portfolio

Each quarter Capital Markets Evaluation Tools updates its structured stock portfolios. For institutional investors structured stock portfolios can be purchased under an index license, and for individual investors several model portfolios are published quarterly in the Capital Market Observer (see subscriptions). Our model portfolios which are designed to offer a performance advantage relative to the Standard & Poor's 500 stock index (S&P 500). These high performance portfolios are created using the Five Star Ranking System discussed in "Achieving Exceptional Performance".

Investors should consider allocating a portion of their portfolio to mid cap stocks. The S&P Midcap 400 stock index has achieved an impressive performance record against the S&P 500 stock index. Over the past decade there were many factors that contributed to the MidCap 400's performance including; smaller companies often are in faster growing innovative industries, over the last decade an expanding junk bond market made it easier for smaller companies to finance growth, investors reaching for performance among mid cap companies pushed up multiples (lowering risk premiums), and the strong corporate acquisition market made mid cap companies takeover targets.

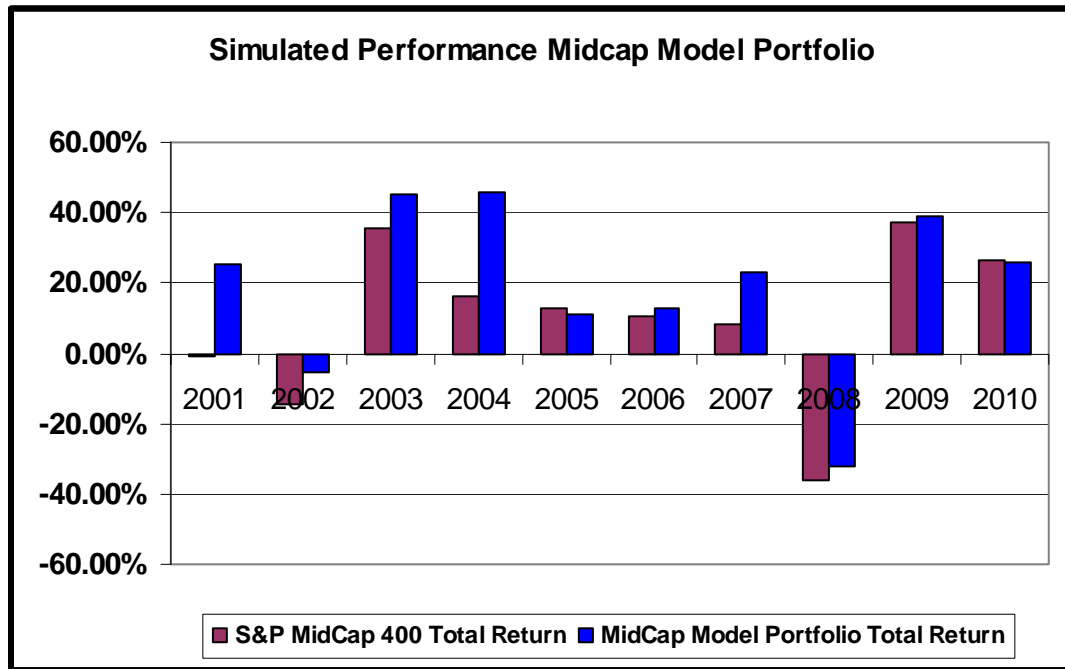
The Midcap Model Portfolio was developed by selecting a small diversified sample of companies from the S&P Midcap 400 index that are estimated to offer strong performance characteristics and not overlap the companies in the larger capitalization PrimePlus Portfolio. The simulated performance table assumes that the portfolio of stocks was bought at the beginning of the calendar year and held without adjustment for twelve months.

Model portfolios are designed for sophisticated investors who manage their own investments. Investing in model portfolios is pretty simple. A portfolio can be bought by placing market orders from the "portfolio list" published quarterly in Capital Market Observer. Model portfolios require little maintenance. Therefore, the portfolios can be bought and held for one year before any adjustments are required. At the end of one year the strategy must be rebalanced and depending on the investors tax status this may result in recognition of long-term capital gains income.

Sample portfolios are constructed with an equally weighted investment amount for each stock. Portfolios hold only one company for each industry selected. Each portfolio is a "structured portfolio" designed to offer investors a consistent performance advantage (or alpha). Structured portfolios fill a critical void between inconsistent active strategies and consistent but unexciting passive strategies (indexing) or exchange traded funds.

All results are simulated before transaction costs and taxes and also after assumed transaction costs. With each stock portfolio's simulated results are estimates for turnover and gain recognition. With the data presented investors can estimate expenses and taxes base on their own particular situation.

There are no guarantees of performance for any investment strategy and historic results whether simulated or actual provide no guarantee that future investment conditions can generate similar results. See: Investing in Model Portfolios, Risks, Disclosures



Model MidCap Portfolio Simulated Results

	S&P MidCap 400	Model Portfolio Before Cost	Model Portfolio After Costs		Estimated Turnover
Year	Return	Return	Return	Stocks Held	Annual Turnover
2001	-0.60%	25.42%	25.02%	10	100.00%
2002	-14.51%	-5.29%	-5.69%	17	100.00%
2003	35.62%	44.95%	44.55%	17	100.00%
2004	16.48%	45.83%	45.43%	12	100.00%
2005	12.56%	10.82%	10.42%	14	100.00%
2006	10.32%	12.83%	12.43%	16	100.00%
2007	7.98%	22.97%	22.57%	18	100.00%
2008	-36.23%	-31.85%	-32.25%	15	100.00%
2009	37.38%	38.69%	38.29%	17	100.00%
2010	26.64%	25.85%	25.45%	12	100.00%
Compound Value	1.997	4.592	4.433		
Compound Annual Return	7.16%	16.47%	16.06%		