

Strategies that Combine Model Portfolios and Options

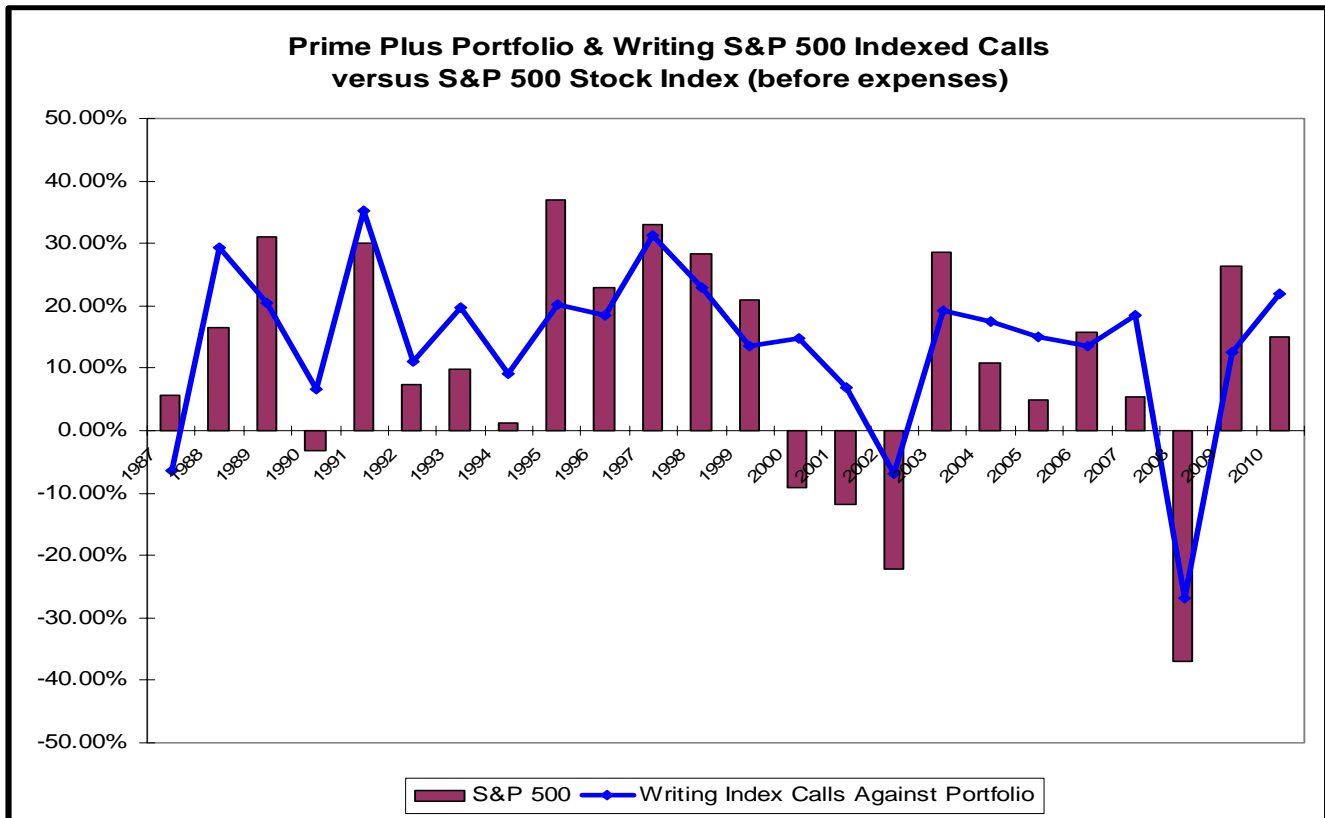
For investors who are comfortable using stock index options and understand the risks associated with selling options, three simulated option arbitrage strategies are presented that offer attractive risk adjusted total returns;

- **Call writing strategy combines the Prime Plus Performance Portfolio (PPP+) with the sale of 90 Day Call Options on the S&P 500 Index.** The option component of this strategy has a net effect of stabilizing annual returns by adding taxable current income and reducing potential annual appreciation. See page 2,
- **A risk controlled arbitrage strategy combines the Prime Plus Performance Portfolio with the Sale of 90 Day Call Options on the S&P 500 Index & the Purchase of 180 Day Put Options on the S&P 500 Index.** The Controlled Risk Arbitrage strategy offers unique performance characteristics including; uncorrelated performance to stocks or bonds, volatility similar to intermediate US Treasury notes, relatively low risk of an annual loss, and it achieves long term returns similar to the S&P 500. See page 3,
- **Put protected stock portfolio reduces the risk of falling share prices by combining the Prime Plus Performance Portfolio (PPP+) with the purchase of 180 Day Put Options on the S&P 500 Index.** This strategy uses put options to reduce the risk of loss. The net impact of the strategy is to sacrifice a portion of the stock portfolio's performance advantage to pay for the puts that provide protection against a net loss. See page 4.

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.

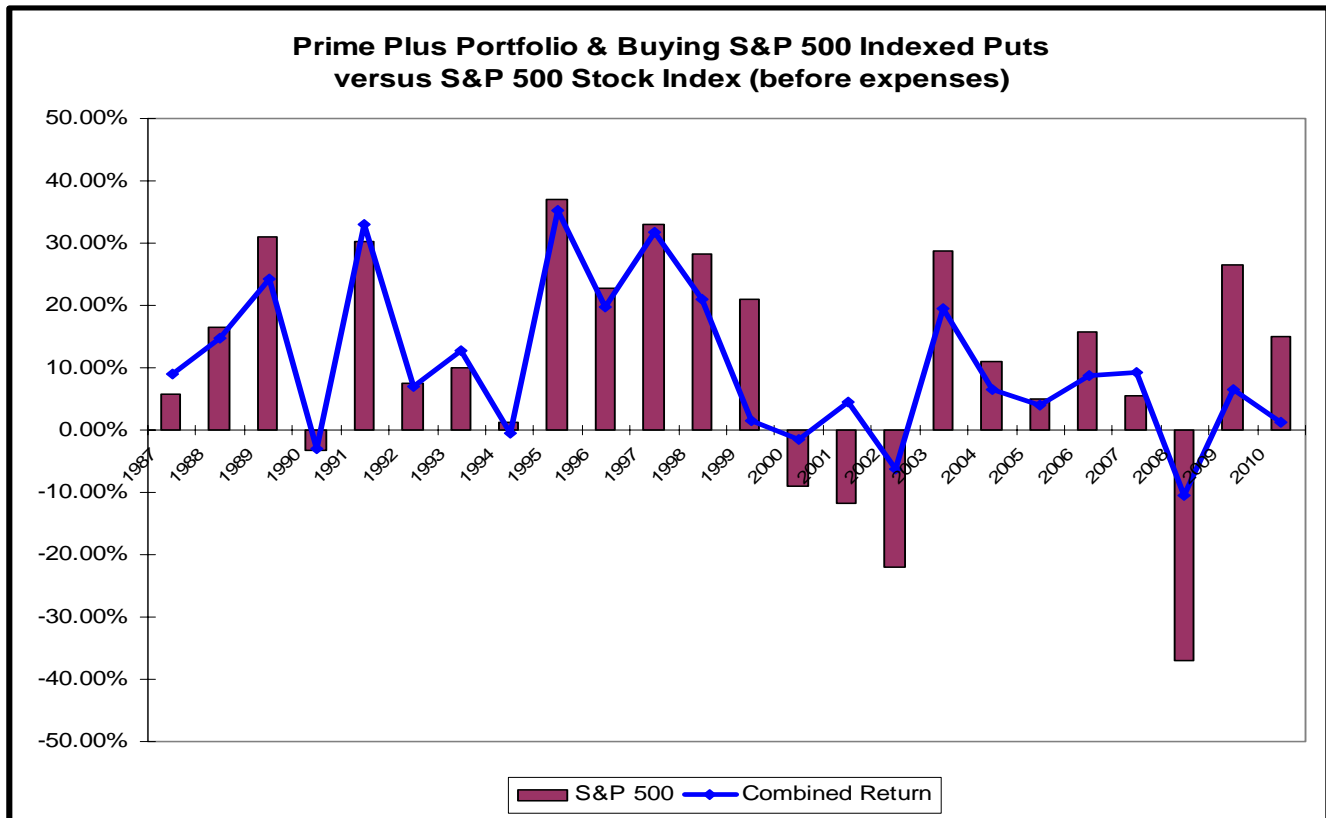
See: Investing in Model Portfolios, Risks, & Disclosures

Sample Portfolio Simulated Results: Combining Structured Portfolios with the Sale of 90 Day Call Options on the S&P 500 Index



Year	S&P 500 Total Return	Prime Plus Total Return	Sell Index Calls	Combined Return	Above Index	Option Contracts Per \$ million	PrimePlus Total Return After Expenses	Sell Index Calls After Expenses	Combined Return After Expenses
1987	5.67%	9.48%	-15.87%	-6.39%	No	139.7	9.25%	-15.87%	-6.63%
1988	16.57%	27.99%	1.33%	29.32%	Yes	155.2	27.73%	1.33%	29.06%
1989	31.10%	28.61%	-8.25%	20.36%	No	128.5	28.36%	-8.25%	20.11%
1990	-3.20%	-1.79%	8.50%	6.71%	Yes	116.1	-2.04%	8.50%	6.47%
1991	30.13%	38.29%	-2.96%	35.33%	No	107.9	38.17%	-2.96%	35.20%
1992	7.49%	11.68%	-0.47%	11.21%	Yes	98.6	11.43%	-0.47%	10.96%
1993	9.89%	17.56%	2.18%	19.74%	Yes	88.9	17.43%	2.18%	19.62%
1994	1.28%	3.68%	5.37%	9.05%	Yes	85.9	3.46%	5.37%	8.83%
1995	37.02%	39.52%	-19.35%	20.17%	No	78.7	38.16%	-19.35%	18.82%
1996	22.80%	23.87%	-5.44%	18.43%	No	61.2	23.65%	-5.44%	18.21%
1997	33.12%	37.33%	-6.00%	31.33%	No	48.0	37.11%	-6.00%	31.11%
1998	28.35%	29.24%	-6.34%	22.90%	No	38.2	29.03%	-6.34%	22.69%
1999	20.89%	11.27%	2.21%	13.48%	No	38.6	11.06%	2.21%	13.27%
2000	-9.04%	2.77%	11.94%	14.71%	Yes	27.6	2.55%	11.94%	14.49%
2001	-11.86%	-3.60%	10.44%	6.85%	Yes	32.2	-3.73%	10.44%	6.71%
2002	-22.10%	-21.75%	14.87%	-6.88%	Yes	37.6	-22.04%	14.87%	-7.17%
2003	28.69%	29.05%	-9.80%	19.26%	No	43.2	28.76%	-9.80%	18.97%
2004	10.88%	13.03%	4.48%	17.51%	Yes	35.0	12.81%	4.48%	17.29%
2005	4.91%	10.74%	4.17%	14.91%	Yes	32.4	10.61%	4.17%	14.78%
2006	15.79%	14.50%	-0.88%	13.61%	No	30.9	14.38%	-0.88%	13.49%
2007	5.49%	12.77%	5.77%	18.54%	Yes	27.3	12.66%	5.77%	18.43%
2008	-37.00%	-39.57%	12.79%	-26.79%	Yes	29.6	-39.68%	12.79%	-26.89%
2009	26.46%	27.70%	-15.19%	12.51%	No	44.5	27.51%	-15.19%	12.32%
2010	15.06%	17.08%	4.82%	21.90%	Yes	35.6	16.89%	4.82%	21.71%
Compound Value	8.854	16.611	0.888	19.796	54.17%		15.781	0.888	18.790
Compound Return	9.512%	12.422%	-0.496%	13.246%			12.182%	-0.496%	13.000%
Spread		2.909%		3.734%					

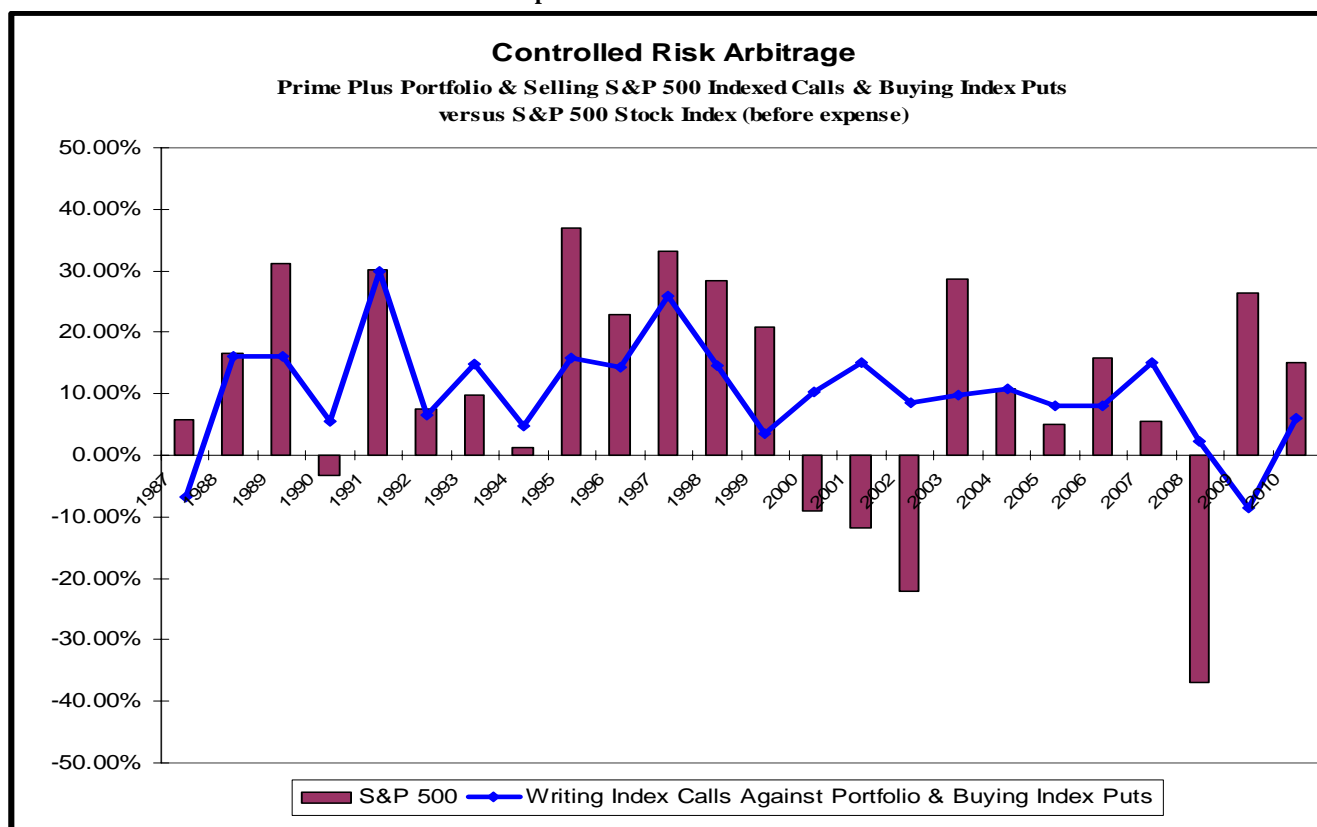
Sample Portfolio Simulated Results: Combining Structured Portfolios with the Purchase of 90 Day Put Options on the S&P 500 Index



Year	S&P 500 Return	Prime Plus Return	Buying Index Puts	Combined Return	Above Index	Option Contracts Per \$ million	PrimePlus Total Return After Expenses	Combined Return After Expenses
1987	5.67%	9.48%	-0.51%	8.97%	Yes	83.4	9.25%	8.73%
1988	16.57%	27.99%	-13.14%	14.86%	No	83.4	27.73%	14.59%
1989	31.10%	28.61%	-4.26%	24.35%	No	72.8	28.36%	24.10%
1990	-3.20%	-1.79%	-1.23%	-3.02%	Yes	57.2	-2.04%	-3.26%
1991	30.13%	38.29%	-5.32%	32.97%	Yes	62.6	38.17%	32.84%
1992	7.49%	11.68%	-4.76%	6.92%	No	53.4	11.43%	6.68%
1993	9.89%	17.56%	-4.92%	12.64%	Yes	47.0	17.43%	12.52%
1994	1.28%	3.68%	-4.18%	-0.50%	No	44.4	3.46%	-0.73%
1995	37.02%	39.52%	-4.28%	35.24%	No	44.4	38.16%	33.89%
1996	22.80%	23.87%	-4.05%	19.82%	No	32.6	23.65%	19.60%
1997	33.12%	37.33%	-5.49%	31.84%	No	27.0	37.11%	31.62%
1998	28.35%	29.24%	-8.32%	20.92%	No	20.6	29.03%	20.71%
1999	20.89%	11.27%	-9.86%	1.41%	No	17.4	11.06%	1.20%
2000	-9.04%	2.77%	-4.36%	-1.59%	Yes	14.2	2.55%	-1.81%
2001	-11.86%	-3.60%	8.12%	4.52%	Yes	14.8	-3.73%	4.39%
2002	-22.10%	-21.75%	15.44%	-6.31%	Yes	17.8	-22.04%	-6.60%
2003	-28.69%	29.05%	-9.51%	19.55%	No	24.2	28.76%	19.26%
2004	10.88%	13.03%	-6.59%	6.44%	No	18.2	12.81%	6.22%
2005	4.91%	10.74%	-6.78%	3.96%	No	16.6	10.61%	3.82%
2006	15.79%	14.50%	-5.69%	8.80%	No	16.2	14.38%	8.69%
2007	5.49%	12.77%	-3.56%	9.21%	Yes	13.8	12.66%	9.09%
2008	-37.00%	-39.57%	29.17%	-10.41%	Yes	14.3	-39.68%	-10.51%
2009	26.46%	27.70%	-21.10%	6.60%	No	22.0	27.51%	6.41%
2010	15.06%	17.08%	-15.88%	1.20%	No	18.4	16.89%	1.01%
Compound Value	8.854	16.611	0.353	9.224	40.91%		15.781	8.753
Compound Return	9.512%	12.422%	-4.244%	9.700%			12.182%	9.460%
Spread		2.909%		0.187%				

Sample Portfolio Simulated Results: Controlled Risk Arbitrage

Combining Structured Portfolios with the Sale of 90 Day Call Options on the S&P 500 Index & the Purchase of 180 Day Put Options on the S&P 500 Index



	S&P 500	Prime Plus	Sell	Buy	Combined	Above	Option Contracts	PrimePlus Total Return	Combined Return
Year	Return	Return	Index Calls	Index Puts	Return	Index	Per \$ million	After Expenses	After Expenses
1987	5.67%	9.48%	-15.87%	-0.51%	-6.90%	No	221.1	9.25%	-7.14%
1988	16.57%	27.99%	1.33%	-13.14%	16.19%	Yes	238.6	27.73%	15.92%
1989	31.10%	28.61%	-8.25%	-4.26%	16.11%	No	201.3	28.36%	15.85%
1990	-3.20%	-1.79%	8.50%	-1.23%	5.48%	Yes	173.3	-2.04%	5.24%
1991	30.13%	38.29%	-2.96%	-5.32%	30.01%	No	170.5	38.17%	29.88%
1992	7.49%	11.68%	-0.47%	-4.76%	6.45%	Yes	152.0	11.43%	6.20%
1993	9.89%	17.56%	2.18%	-4.92%	14.82%	Yes	135.9	17.43%	14.70%
1994	1.28%	3.68%	5.37%	-4.18%	4.87%	Yes	130.3	3.46%	4.65%
1995	37.02%	39.52%	-19.35%	-4.28%	15.90%	No	123.1	38.16%	14.54%
1996	22.80%	23.87%	-5.44%	-4.05%	14.38%	No	93.8	23.65%	14.16%
1997	33.12%	37.33%	-6.00%	-5.49%	25.84%	No	75.0	37.11%	25.62%
1998	28.35%	29.24%	-6.34%	-8.32%	14.58%	No	58.8	29.03%	14.37%
1999	20.89%	11.27%	2.21%	-9.86%	3.62%	No	56.0	11.06%	3.41%
2000	-9.04%	2.77%	11.94%	-4.36%	10.35%	Yes	41.8	2.55%	10.13%
2001	-11.86%	-3.60%	10.44%	8.12%	14.96%	Yes	47.0	-3.73%	14.83%
2002	-22.10%	-21.75%	14.87%	15.44%	8.56%	Yes	55.4	-22.04%	8.27%
2003	28.69%	29.05%	-9.80%	-9.51%	9.75%	No	67.4	28.76%	9.46%
2004	10.88%	13.03%	4.48%	-6.59%	10.92%	Yes	53.2	12.81%	10.70%
2005	4.91%	10.74%	4.17%	-6.78%	8.13%	Yes	49.0	10.61%	7.99%
2006	15.79%	14.50%	-0.88%	-5.69%	7.92%	No	47.1	14.38%	7.80%
2007	5.49%	12.77%	5.77%	-3.56%	14.98%	Yes	41.1	12.66%	14.87%
2008	-37.00%	-39.57%	12.79%	29.17%	2.38%	Yes	43.9	-39.68%	2.27%
2009	26.46%	27.70%	-15.19%	-21.10%	-8.59%	No	66.5	27.51%	-8.78%
2010	15.06%	17.08%	4.82%	-15.88%	6.02%		54.0	16.89%	5.83%
Compound Value	8.854	16.611	0.888	0.353	9.758	54.55%		15.781	9.246
Compound Return	9.512%	12.422%	-0.496%	-4.244%	9.957%			12.182%	9.711%
Spread		2.909%			0.445%				