

7Twelve™

A Multi-Asset Balanced Portfolio

www.7TwelvePortfolio.com

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The **7Twelve** Research Report is a 50+ page document that provides fund-specific construction guidelines and performance analysis for the **7Twelve** portfolio—a **multi-asset balanced portfolio**.

The “7” represents the suggested number of broad asset classes to be included. The “Twelve” represents the 12 separate mutual funds or exchange traded products to fully represent the 7 asset classes. The **7Twelve** portfolio has approximately a **65/35 allocation**: approximately 65% of the portfolio is invested in equity and diversifying assets and about 35% invested in bonds and cash.

Approximately 65% of the Portfolio Allocation in Equity and Diversifying Assets				Approximately 35% of the Portfolio Allocation in Bonds and Cash		
US Equity	Non-US Equity	Real Estate	Resources	US Bonds	Non-US Bonds	Cash
Large Companies	Developed Markets	Global Real Estate	Natural Resources	US Aggregate Bonds	International Bonds	US Money Market
Medium-sized Companies	Emerging Markets		Commodities	Inflation Protected Bonds		
Small Companies						

The research report provides extremely detailed analysis and outlines several versions of the **7Twelve** portfolio—complete with all fund names, tickers, and back-tested performance history. The research report represents a portfolio construction guide using the **7Twelve** design concepts as the blueprint. **The 7Twelve balanced portfolio is a Qualified Default Investment Alternative (QDIA) under the provisions of the Pension Protection Act of 2006.**

The Active **7Twelve** portfolio uses a variety of actively managed funds from various fund families (a “best of breed” approach). The Passive **7Twelve** portfolio uses only exchange traded funds (ETFs). Additional models utilize only Vanguard funds, or only T. Rowe Price funds, or only Fidelity funds. Additional portfolios are created and added periodically.

The **7Twelve** research report provides back-tested results for multi-asset portfolios from 1970-2009. There are numerous tables and figures with explanatory data. (See example table below).

Calendar Year Total % Return <i>(Assuming monthly rebalancing)</i>	Active 7Twelve Portfolio <i>(Using Actively Managed Funds)</i>	Passive 7Twelve Portfolio <i>(Using Index-based ETFs)</i>	Vanguard Balanced Fund (VBINX)	Vanguard 500 Index (VFINX)
2000	10.91	6.35	(2.04)	(9.06)
2001	3.21	(1.37)	(3.02)	(12.02)
2002	2.21	(1.06)	(9.52)	(22.15)
2003	28.28	26.70	19.87	28.50
2004	19.72	17.76	9.33	10.74
2005	12.93	12.13	4.65	4.78
2006	16.37	15.40	11.02	15.64
2007	13.33	10.80	6.16	5.39
2008	(29.84)	(25.70)	(22.21)	(37.01)
2009	32.13	25.24	20.06	26.50
10-Year Average Annualized % Return	9.51	7.52	2.64	(1.03)
10-Year Standard Deviation	11.96	11.83	10.01	16.13
10-Year Growth of \$10,000	24,812	20,655	12,978	9,019
Annual % Expense Ratio	0.72	0.30	0.25	0.18

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE. The 7Twelve research report does not contain investment advice, neither is it an investment solicitation. Implementation of the 7Twelve Portfolio is no guarantee of performance. Products mentioned by name in the 7Twelve research report (mutual funds, exchange traded funds, exchange traded notes) does not represent an endorsement or guarantee of future performance. Determining investment suitability of individual products, portfolio design, and asset allocation models is the sole responsibility of each investor and his/her financial advisor. Returns for the Active and Passive 7Twelve Portfolios assume monthly rebalancing, though rebalancing can take place quarterly, semi-annually, or annually.

Performance updates for the 7Twelve are available on www.7TwelvePortfolio.com.

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Craig L. Israelsen, Ph.D. is not an investment advisor. He is a researcher and consultant.

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* Initial purchase of **7Twelve** Research Report is \$350. Subsequent purchases of the annually updated **7Twelve** Research Report are \$150. (The Research Report is available by mid-January).

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