



Investment Process



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Securities and Advisory Services offered through First Allied Securities, Inc.
Member FINRA/SIPC



The following pages include a detailed analysis of InterGen Advisors investment strategies. This analysis provides detailed information that will allow us to show the mechanics of our investment process. In addition we will illustrate a customized search, illustrate the results, & how we monitor investments going forward.

By evaluating such institutional statistics such as Modern Portfolio Theory statistics, style-specificity, expenses, fund holdings and a universe of sophisticated data, we strive to make better informed choices for our clients. The time frame for each analysis may differ by asset category as a result of varying inception dates of the securities monitored.

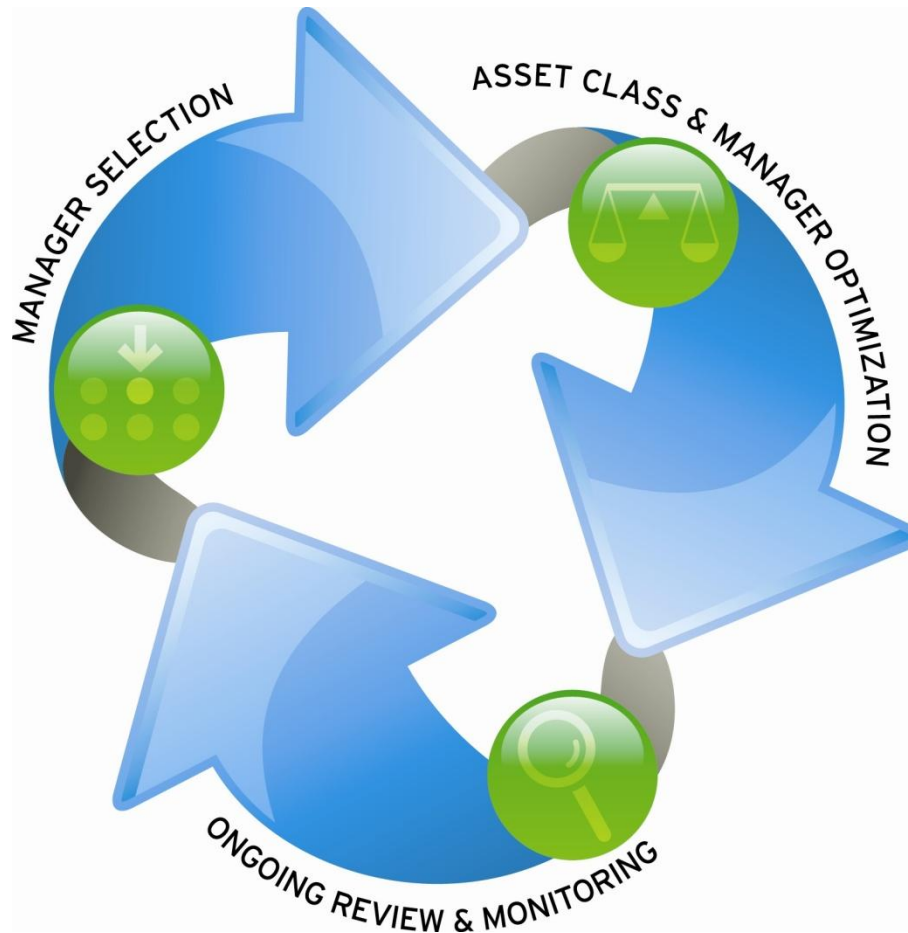
Reviewing both holdings-based and performance-based statistics enables us to gain a better picture of the securities being utilized. Our information has been extracted from Morningstar data fields and deciphered through the institutionally based system, Zephyr Style ADVISOR. Please Note that Morningstar utilizes a holdings-based approach to viewing the investments (characteristics of the funds/sub account's actual holdings to determine investment style), whereas Zephyr Style ADVISOR relies strictly on performance as it's measure of analysis. This is defined as Returns-Based Analysis. Each security analyzed in this system is positioned relative to the appropriate index with respect to style, risk/return and performance.

Please understand that this information is for comparison purposes and is not intended to serve as investment advice nor is it a recommendation of any of the investments reported in this material. It is suggested that this analysis be used in addition to other tools you might already be using. As always past performance does not imply the future performance of any investment used through our analytical process.

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There is no certainty that any investment or strategy will be profitable or successful in achieving your financial goals.

Three Steps to our In-Depth Investment Process



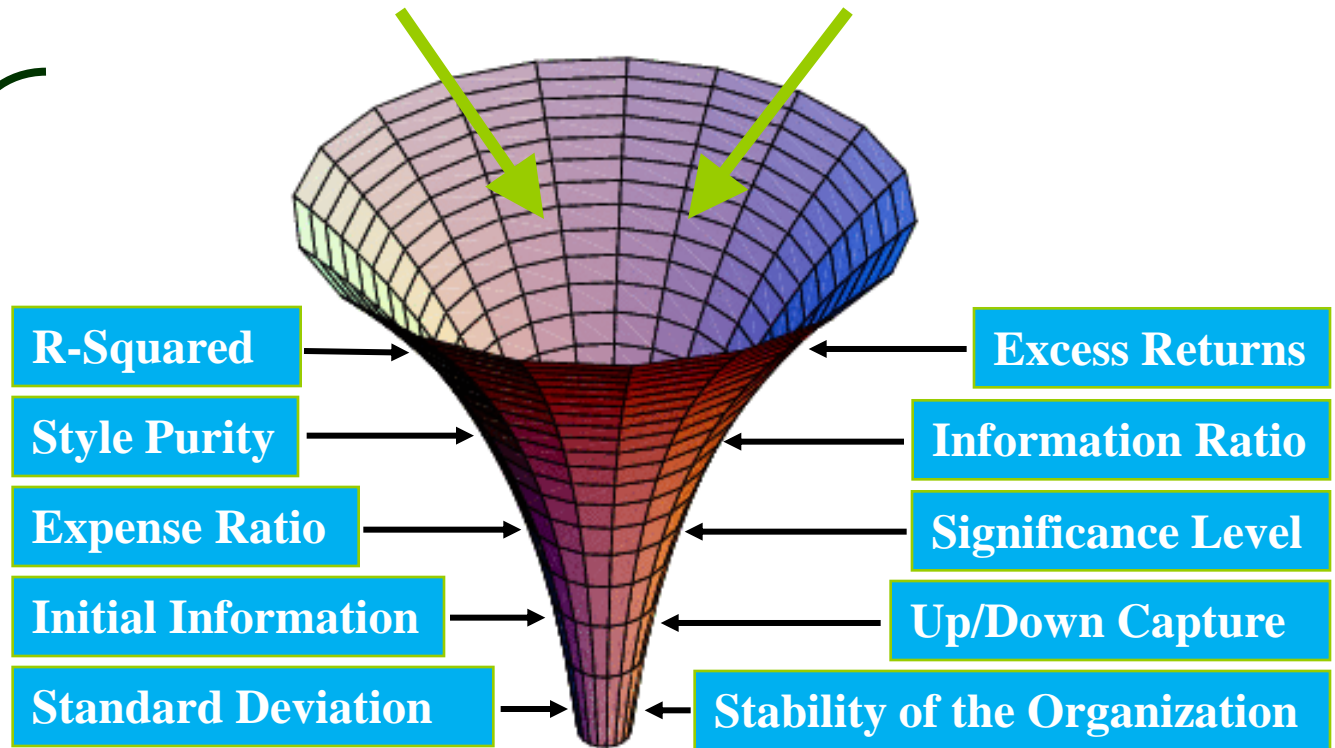
Manager Selection



Step One: Manager Selection

Pour all available investment vehicles

**Use 30 Strict
Filters to
Screen the
Managers**





Filtering for the Best Allocation

We conduct further in-depth analysis using these criteria:

- **Style Analysis**
- **Trailing Returns**
- **Calendar Year Returns**
- **Risk/Return Analysis**
- **Due Diligence Compliance**
- **Up/Down Capture**
- **Excess Return Features**
- **Manager vs. Universe**



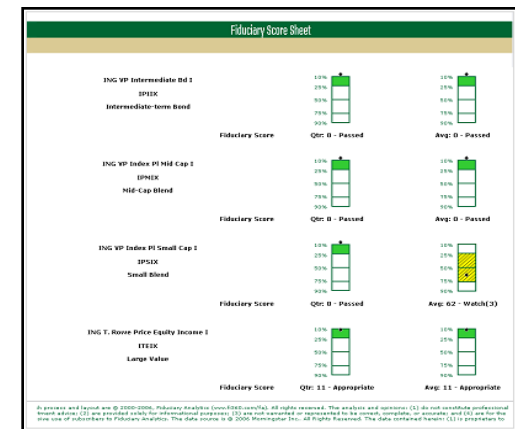


Due Diligence Process

We demand that every investment vehicle we recommend are in compliance with all regulatory agencies and are conducting managerial services in compliance with their prospectus.

Our Criteria Include:

1. Regulatory oversight
2. Minimum track record
3. Assets in the product
4. Expense ratios/fees
5. Stability of the organization





Selected Investment Characteristics

- Ability to provide excess returns above their designated benchmark.¹
- Relatively low Tracking Error- the standard deviation of excess returns are low.
- High Significance Level- a confidence level that the manager will continue to provide excess returns.
- The manager is providing Style Consistency.
- The manager is a top performer among its peer Group.
- The fund manager has complied with all due-diligence criteria.

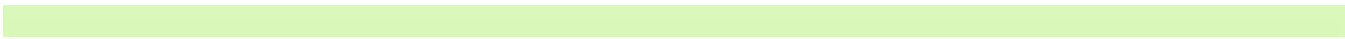
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1. Indexes are generally used as benchmarks. An index is a portfolio of specific securities, the performance of which is often used in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index.





Asset Class & Manager Optimization



Step Two: Asset Class & Manager Optimization



Best Funds



Allocation ADVISOR
Program

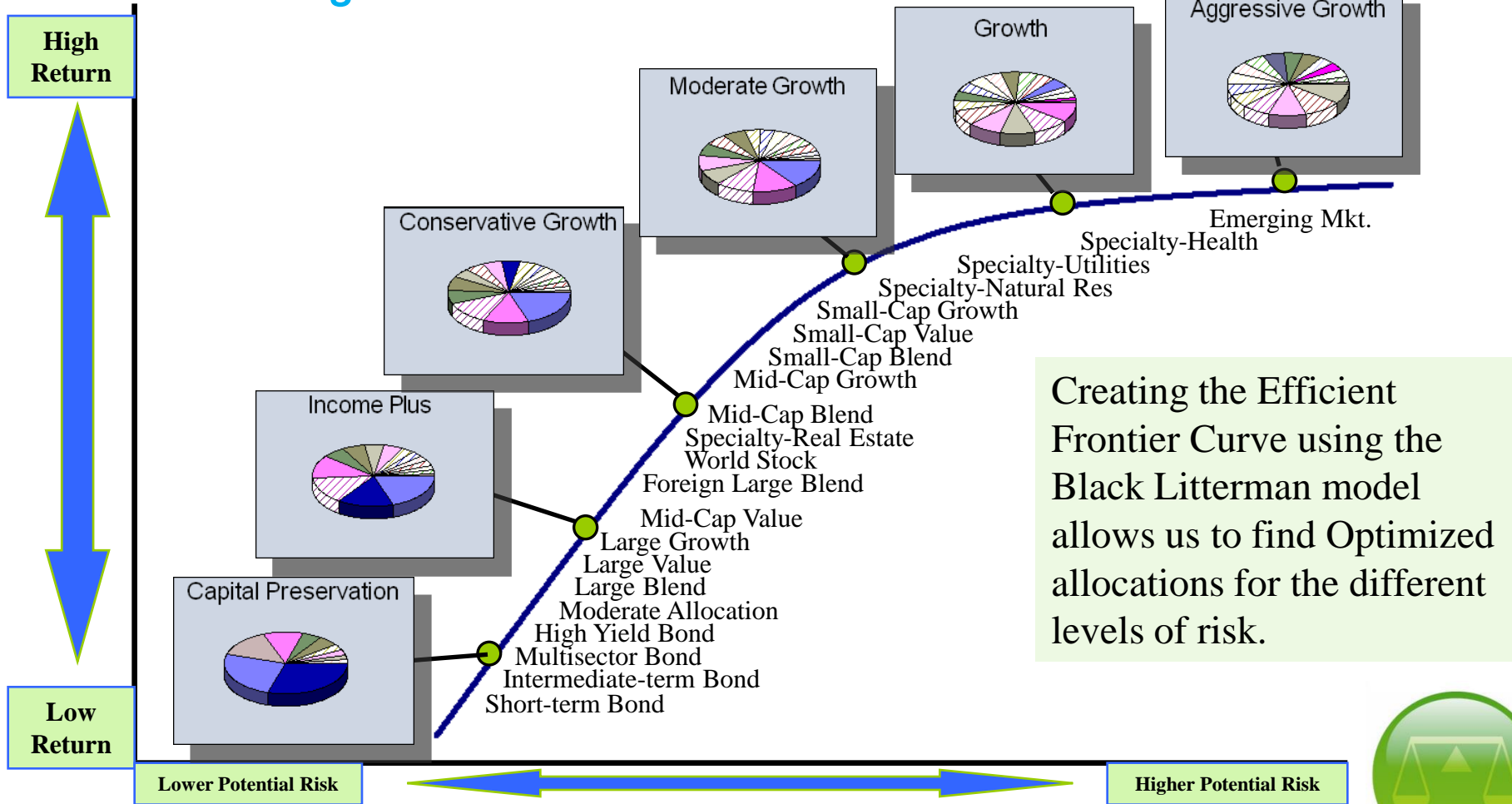
Markowitz' Nobel Prize
Model: Mean Variance
Optimization

Black-Litterman
Model

Produces a more intuitive model based on relative future performance and asset classes that are expected to outperform the market by creating six model portfolios for our investor clients to use for their investments.



Allocations Along the Efficient Frontier



Creating the Efficient Frontier Curve using the Black Litterman model allows us to find Optimized allocations for the different levels of risk.





On-Going Review and Monitoring





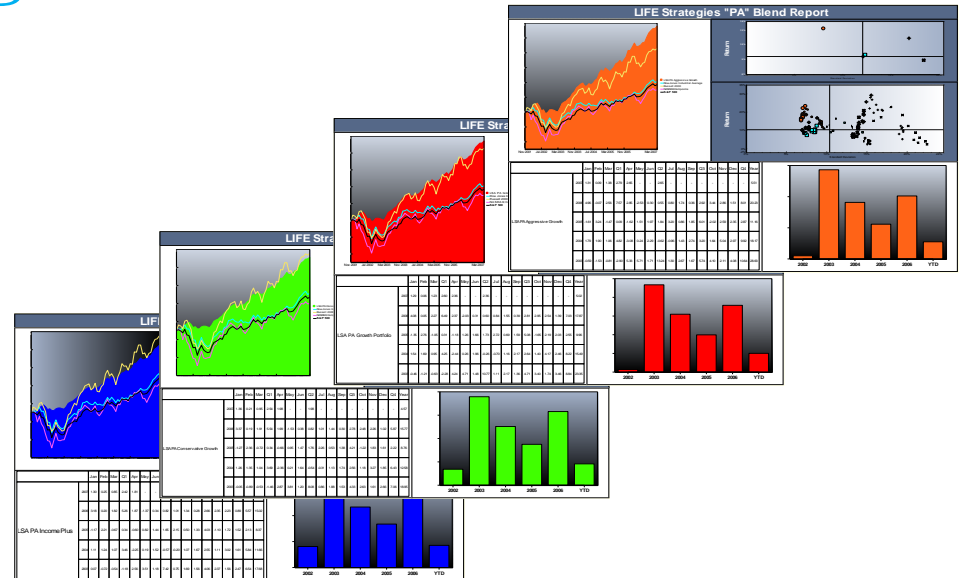
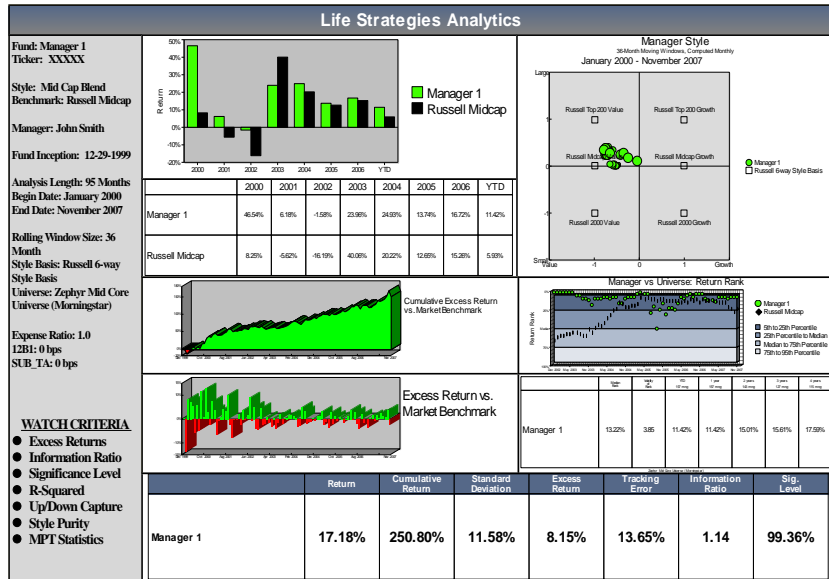
Step Three: On-Going Review and Monitoring

Continuing to monitor the investments is essential in keeping the portfolios in compliance with each client's risk/return thresholds.

We track each investment on a regular basis. Our normal course of action is to make changes quarterly, but we will certainly react more quickly should that be necessary.



Reports and Monitoring



We offer quarterly reporting to ensure that each investment is in compliance with our risk/return expectations. The search process will be conducted quarterly as well to find backup investments for any investment failing to meet the goals of our portfolio. Above is a copy of a one page fact sheet which is updated monthly by our company and presented quarterly to each Client invested in one or more of our strategies.



DISCLOSURES

R-Squared - The percentage of a fund's movements that result from movements in the index ranging from 0 to 100. A fund with an R2 of 100 means that 100 percent of the funds movement can completely be explained by movements in the fund's external index benchmark.

Style Analysis - StyleADVISOR implements returns based style analysis as set forth by Stanford professor and Nobel Prize winner William F. Sharpe. Returns based style analysis calculates a Style Benchmark for a manager from the manager's return series and the return series of the indices that are to be used in the Style Benchmark. Thus, we are given: • a sequence $M = m_1, m_2, \dots, m_t$ of manager returns over t periods, and N sequences of index returns over t periods: $C_1 = c_{11}, c_{12}, \dots, c_{1t}$, $C_2 = c_{21}, c_{22}, \dots, c_{2t}$, $C_N = c_{N1}, c_{N2}, \dots, c_{Nt}$, The goal of style analysis is to determine weights x_1, x_2, \dots, x_N such that the composite series $S = x_1C_1 + x_2C_2 + \dots + x_NC_N$ becomes a best fit, or Style Benchmark, for the manager series M . The crucial question is which of the many possible mathematical definitions of best fit is to be chosen. William F. Sharpe proposed as the criterion for best fit to minimize the variance of excess return, i.e., one should determine the weights x_1, x_2, \dots, x_N so as to minimize the expression $\text{Var}(M - x_1C_1 + x_2C_2 + \dots + x_NC_N)$ From the definition of variance, it is clear that the above expression is quadratic in the unknown weights x_1, x_2, \dots, x_N . Hence, determining the weights to minimize the expression requires a quadratic optimization. This is a very complex algorithm whose details are beyond this documentation. If you wish to verify StyleADVISOR's calculation independently, you may want to use the "Solver" add-in that is provided with Microsoft Excel. As a plausibility condition on the weights, the StyleADVISOR program always enforces the constraint that the weights added up to 1, i.e., the quadratic optimization is performed subject to the constraint $x_1 + x_2 + \dots + x_N = 1$ By default, StyleADVISOR also constrains the weights to be between 0 and 1. However, this default can be changed in the Constraints group on the Parameters tab in the Analysis Parameters dialog to allow the optimizer to go short on some or all indices.

References:

Hardy, Steve. *Returns Based Style Analysis*.

The Handbook of Equity Style Management, 1995, Chapter 3.

Sharpe, William F., *Determining a fund's effective asset mix*, Investment Management Review, December 1988, pp. 59-69.

Sharpe, William F., *Asset allocation: Management style and performance measurement*, The Journal of Portfolio Management, Volume 18, Winter 1992, pp. 7-19.

Expense Ratio - The ratio between investment's operating expenses for the year and the average value of its net assets.

Information Ratio - The Information Ratio of a manager series vs. a benchmark series is the quotient of the annualized excess return and the annualized standard deviation of excess return. $\text{Information Ratio} = (\text{AnnRtn}(r_1, \dots, r_n) - \text{AnnRtn}(s_1, \dots, s_n)) / \text{AnnStdDev}(e_1, \dots, e_n)$ where: r_1, \dots, r_n = manager return series, s_1, \dots, s_n = benchmark return series, $e_1, \dots, e_n = r_1 - s_1, \dots, r_n - s_n$
The Information Ratio measures the consistency with which a manager beats a benchmark.

Standard deviation - A statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.

Significance Level - The significance level of a manager series vs. a benchmark series indicates the level of confidence with which the statement "the manager's annualized excess return over the benchmark is positive" or "the manager's annualized excess return over the benchmark is negative," as the case may be, holds true. The significance level is calculated from the T-Statistic using a numerical approximation known as the incomplete beta function.

Up and Down Capture - The up and down capture is a measure of how well a manager was able to replicate or improve on phases of positive benchmark returns, and how badly the manager was affected by phases of negative benchmark returns. To calculate the up capture, we first form new series from the manager and benchmark series by dropping all time periods where the benchmark return is zero or negative. The up capture is then the quotient of the annualized return of the resulting manager series, divided by the annualized return of the resulting benchmark series. The down capture is calculated analogously.

International Funds/Emerging Market Investments:

The investor should note that investments in international securities involve special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Specialty Investments:

The investor should note that investments exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Non-Diversified :

The investor should note that investments reinvest more of their assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

Small-Cap Stocks:

The investor should note that investments in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Stocks:

The investor should note that investments in companies with market capitalization below \$10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

High-Yield Bond Stocks:

The investor should note that investments in lower-rated debt securities (commonly referred as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

Tax-Free Municipal Bond :

The investor should note that the income from tax-free municipal bonds may be subject to state and local taxation and the Alternative Minimum Tax.

Bank loan/senior debt :

Funds that contain bank loans and senior loans are impacted by risks associated with fixed income in general, including interest rate risk and default risk. Because they often invest in non-investment grade issues, the risk of default is high. These securities are also relatively illiquid. Funds that invest in bank loans/senior debt are often highly leveraged, producing a high level of volatility.

Long-Short:

Due to the strategies used by long-short investments, which may include but are not limited to leverage, short selling, short-term trading, and investing in derivatives, These investments may have greater risk, volatility, and expenses than those focusing on traditional investment strategies.

Fees and Expenses:

Gross Expense Ratios reflects the annual percentage of assets paid out in expenses. Expenses may include management, 12B-1, transfer agent and all other asset-based fees associated with the daily operations and distribution, with the exception of brokerage commissions. It does not reflect expenses that have been reimbursed by the investment advisor, reductions from brokerage service arrangements or other expense offset arrangements. Net Expense Ratio reflects actual expenses paid as well as any voluntary waivers, reductions from brokerage service arrangements and any other expense offset arrangements.