Fund Allocator

Sophistication and Dynamic Management to Address your Specific Needs

first allied

How Do You Measure Success?

We believe success is best measured by your ability to reach your goals. That is why we believe in investment management solutions that are guided exclusively by your specific objectives and based on real expectations.

Your aspirations, your risk tolerance and your investment horizon represent unique circumstances that provide your financial advisor the tools to select the most appropriate approach for you. And while this approach can take on many forms, today's successful advisors have learned to leverage the specific skill sets of seasoned money managers to address their clients' varied needs in light of increasing market volatility.

Advanced Equities Asset Management is an independent money management team, employing a risk-managed approach that combines multi-disciplinary specialties such as global macro expertise with technical, hard-asset, forensic accounting, and quantitative proficiencies.

Fund Allocator was designed to provide your financial advisor with the expertise and sophistication to address the growing complexity of today's financial markets. It is a highly diversified and actively managed investment strategy that relies on proprietary market models created in coordination with Advanced Equities Asset Management that allow your advisor to create a portfolio that is appropriate for your objectives.

Fund Allocator provides you with a professionally managed mutual fund investment program in a single portfolio that strives to bring you:

Diversification across multiple asset classes, funds, and investment styles, each of which is composed of many securities spread across a wide range of industries

Strategic asset allocation featuring five different investment styles that attempt to provide long-term, risk-adjusted returns corresponding to where you find yourself on the risk-reward spectrum taking into account current capital market assumptions

Ongoing monitoring of funds and their managers to ensure they remain aligned with investment strategies and your objectives

Risk management focus that systematically identifies and monitors historical and anticipated risk, return and covariance relationships among asset classes

Systematic, dynamic rebalancing that adjusts allocations to adapt to the manager's outlook and evolving market conditions in order to attempt to keep the portfolio in line with your long-term objectives

Tax efficiency made possible by tax-aware implementation that factors asset class and fund tax sensitivity with rebalancing strategies to take advantage of active separate account management

Before selecting an investment strategy, take the time to examine its underlying investment principles and understand how it fits your needs:

- Does the strategy match your risk preference?
- Does the strategy provide an effective way to help you reach your goals?
- Are the sources of return and risk well diversified and appropriately quantified?
- Does the manager have a core DNA, or philosophy, that matches your disposition?

Building A Portfolio

In building a Fund Allocator portfolio to match your objectives, your financial advisor will leverage the expertise and sophistication of a portfolio management team whose philosophy is deeply rooted in quantifying and guarding against downside risk, while actively managing your account to navigate the specter of increasing market volatility.

Asset class allocation is universally accepted as a key determinant of a portfolio's return. Leadership in asset class performance changes frequently, and as illustrated in the following table, a strategy that simply follows performance (as is typical by many retail investors), is subject to constant rotations of preference.

	1999	2000	2001	2002	2003	2004	2005
Highest Return	**Emer. Mkts** *MSCI Emerging Markets* 66%	**Commodity** *Reuters/ Jefferies CRB* 32%	**REIT** *DJ US Wilshire REIT* 12%	**Commodity** *Reuters/ Jefferies CRB* 34%	**Emer. Mkts** *MSCI Emerging Markets* 56%	**REIT** *DJ US Willshire REIT* 33%	**Emer. Mkts** *MSCI Emerging Markets* 35%
	Large Growth *Russell 1000 Growth* 33%	**REIT** *DJ US Willshire REIT* 31%	**Fixed Income** *Barclay's US Aggregate Bond* 8%	**Fixed Income** *Barclay's US Aggregate Bond* 10%	**Small Cap** *Russell 2000* 47%	**Emer. Mkts** *MSCI Emerging Markets* 26%	**Commodity** *Reuters/ Jefferies CRB* 23%
	Commodity *Reuters/ Jefferies CRB* 32%	**Mid Cap** *S&P Midcap 400* 18%	**Cash** *3-Month US T-Bill* 4%	**REIT** *DJ US Wilshire REIT* 4%	**Int'l Develop** *MSCI EAFE* 39%	**Int'l Develop** *MSCI EAFE* 21%	**Int'l Develop** *MSCI EAFE* 14%
	Int'l Develop *MSCI EAFE* 27%	**Fixed Income** *Barclay's US Aggregate Bond* 12%	**Small Cap** *Russell 2000* 2%	**Cash** *3-Month US T-Bill* 2%	**REIT** *DJ US Willshire REIT* 36%	**Small Cap** *Russell 2000* 18%	**REIT** *DJ US Willshire REIT* 14%
	Small Cap *Russell 2000* 21%	**Large Value** *Russell 1000 Value* 7%	**Mid Cap** *S&P Midcap 400* -1%	**Emer. Mkts** *MSCI Emerging Markets* -6%	**Mid Cap** *S&P Midcap 400* 36%	**Commodity** *Reuters/ Jefferies CRB* 18%	**Mid Cap** *S&P Midcap 400* 13%
	Mid Cap *S&P Midcap 400* 15%	**Cash** *3-Month US T-Bill* 6%	**Emer. Mkts** *MSCI Emerging Markets* -2%	**Mid Cap** *S&P Midcap 400* -15%	**Large Value** *Russell 1000 Growth* 30%	**Mid Cap** *S&P Midcap 400* 16%	**Large Value** *Russell 1000 Growth* 7%
	Large Value *Russell 1000 Growth* 7%	**Small Cap** *Russell 2000* -3%	**Large Value** *Russell 1000 Growth* -6%	**Large Value** *Russell 1000 Growth* -16%	**Large Growth** *Russell 1000 Growth* 30%	**Large Value** *Russell 1000 Growth* 16%	**Large Growth** *Russell 1000 Growth* 5%
	Cash *3-Month US T-Bill* 5%	**Int'l Develop** *MSCI EAFE* -14%	**Large Growth** *Russell 1000 Growth* -20%	**Int'l Develop** *MSCI EAFE* -16%	**Commodity** *Reuters/ Jefferies CRB* 24%	**Large Growth** *Russell 1000 Growth* 6%	**Small Cap** *Russell 2000* 5%
	Fixed Income *Barclay's US Aggregate Bond* -1%	**Large Growth** *Russell 1000 Growth* -22%	**Int'l Develop** *MSCI EAFE* -21%	**Small Cap** *Russell 2000* -20%	**Fixed Income** *Barclay's US Aggregate Bond* 4%	**Fixed Income** *Barclay's US Aggregate Bond* 4%	**Cash** *3-Month US T-Bill* 3%
Lowest Return	**REIT** *DJ US Willshire REIT* -3%	**Emer. Mkts** *MSCI Emerging Markets* -31%	**Commodity** *Reuters/ Jefferies CRB* -22%	**Large Growth** *Russell 1000 Growth* -28%	**Cash** *3-Month US T-Bill* 1%	**Cash** *3-Month US T-Bill* 1%	**Fixed Income** *Barclay's US Aggregate Bond* 2%

	2006	2007	2008	2009	2010
Highest Return	**REIT** *DJ US Willshire REIT* 36%	**Emer. Mkts** *MSCI Emerging Markets* 40%	**Fixed Income** *Barclay's US Aggregate Bond* 5%	**Emer. Mkts** *MSCI Emerging Markets* 79.02%	**Commodity** *Reuters/ Jefferies CRB* 17.60%
	Emer. Mkts *MSCI Emerging Markets* 33%	**Commodity** *Reuters/ Jefferies CRB* 22%	**Cash** *3-Month US T-Bill* 2%	**Mid Cap** *S&P Midcap 400* 37.38%	**REIT** *DJ US Willshire REIT* 28.60%
	Int'l Develop *MSCI EAFE* 27%	**Large Growth** *Russell 1000 Growth* 12%	**Small Cap** *Russell 2000* -34%	**Large Growth** *Russell 1000 Growth* 37.21%	**Small Cap** *Russell 2000* 26.85%
	Large Value *Russell 1000 Growth* 22%	**Int'l Develop** *MSCI EAFE* 12%	**Commodity** *Reuters/ Jefferies CRB* -35%	**Int'l Develop** *MSCI EAFE* 32.47%	**Fixed Income** *Lehman US Aggregate Bond* 6.54%
	Small Cap *Russell 2000* 18%	**Mid Cap** *S&P Midcap 400* 8%	**Mid Cap** *S&P Midcap 400* -36%	**REIT** *DJ US Willshire REIT* 28.61%	**Int'l Develop** *MSCI EAFE* 8.21%
	Mid Cap *S&P Midcap 400* 10%	**Fixed Income** *Barclay's US Aggregate Bond* 7%	**Large Value** *Russell 1000 Growth* -37%	**Small Cap** *Russell 2000* 27.17%	**Emer. Mkts** *MSCI Emerging Markets* 19.20%
	Large Growth *Russell 1000 Growth* 9%	**Cash** *3-Month US T-Bill* 5%	**Large Growth** *Russell 1000 Growth* -38%	**Commodity** *Reuters/ Jefferies CRB* 23.65%	**Cash** *3-Month US T-Bill* 0.17%
	Cash *3-Month US T-Bill* 5%	**Large Value** *Russell 1000 Growth* 0%	**REIT** *DJ US Willshire REIT* -39%	**Large Value** *Russell 1000 Value* 19.69%	**Large Value** *Russell 1000 Growth* 15.51%
	Fixed Income *Barclay's US Aggregate Bond* 4%	**Small Cap** *Russell 2000* -2%	**Int'l Develop** *MSCI EAFE* -43%	**Fixed Income** *Barclay's US Aggregate Bond* 5.93%	**Large Growth** *Russell 1000 Growth* 16.71%
Lowest Return	**Commodity** *Reuters/ Jefferies CRB* -3%	**REIT** *DJ US Willshire REIT* -18%	**Emer. Mkts** *MSCI Emerging Markets* -53%	**Cash** *3-Month US T-Bill* 0.15%	**Mid Cap** *S&P Midcap 400* 26.64%

Source: Pertrac, Logical Information Machines. For more information on the indices used in this table, please see the disclosures page at the end of this document.

Fund Allocator takes diversification and asset allocation a step further, employing dynamic management to combat market volatility, which has recently fueled the increased correlation between previously uncorrelated asset classes. Volatility has eroded the ability of some managers to effectively diversify allocations into the appropriate asset classes at the right points in time. In simpler terms, a static asset allocation or one that rebalances on a pre-determined schedule often fails to account for periods when asset classes move in correlation to one another, such as when many asset classes underperform at the same time.

Fund Allocator leverages AEAM's expertise and proprietary modeling to take diversification and asset class allocation to the next level in an effort to provide long-term, risk-adjusted returns. The inherent value in Fund Allocator is driven by four key components:

- Sophistication and procedural rigor in the creation of models that set allocations to a wide variety of asset classes
- Vetting and extensive due diligence in mutual fund selection that results in funds deemed capable of potentially beating their benchmarks and/or managing downside risk
- Careful attention to the portfolio construction process to try to select funds and managers that interact with each other in a complementary manner in seeking to mitigate risk in the portfolio as a whole
- Active management of portfolios based on complex allocation targets and market outlooks

More specifically, to combat market volatility and asset class correlation you require a nimble strategy that can adapt to continually evolving market conditions. Fund Allocator employs a systematic rebalancing process driven by models that seek to effectively adjust allocations to respond to the portfolio management team's outlooks. To accomplish this, the manager can expand or contract baseline allocations within specific ranges and predetermined parameters, always conforming to minimum and maximum thresholds. The goal is a portfolio that adheres to your long-term objectives while benefitting from the flexibility afforded by dynamic allocation management.

Fund Selection & Monitoring

Asset Class Representation – The science behind our asset allocation and proprietary market models relies on selecting funds that accurately represent their intended styles. Once funds are selected, analysis continues to ensure that the funds do not begin to experience style drift.

Performance – Funds are selected on the basis of their ability to consistently outperform their benchmark as well as their peers. Attribution analysis is important to determine the sources of return. Once in the portfolio, performance is monitored across multiple time horizons for signs of weakening.

Risk Management – A fund's ability to manage risk, both on the upside and downside, is paramount. The characteristics of portfolio holdings are evaluated relative to the manager's stated investment process to further gauge intended and unintended risk exposures.

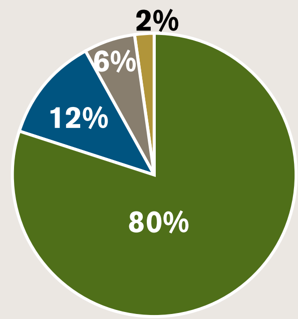
Fund Interaction – While important, performance and risk analysis are only the preliminary steps in the fund selection and monitoring process. Just like asset classes, mutual funds interact differently with one another. By combining complementary funds, the goal is to enhance the power of diversification to mitigate volatility and control draw-downs.

Investment Styles and Asset Allocations

Fund Allocator features five unique investment styles, listed below in order from most conservative to least conservative objectives. In addition, clients are able to select a low or high tax sensitive discipline depending on the tax status of their accounts.

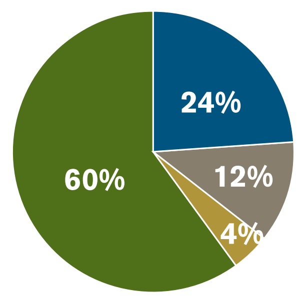
Income

This objective seeks moderate income as the portfolio's overall goal, prioritizing the need for capital preservation and income over the opportunity for capital appreciation. Though the precise allocation is intended to adjust with the manager's strategic outlook, the Income portfolio is allocated to approximately 20% Equity/80% Fixed Income. The portfolio includes a consistent allocation to domestic and foreign stocks, bonds, and alternative assets. This objective is most appropriate for investors with low risk tolerance or a short-term investment horizon. The portfolio is designed for investors who can accept limited levels of principal volatility and primarily produces income.



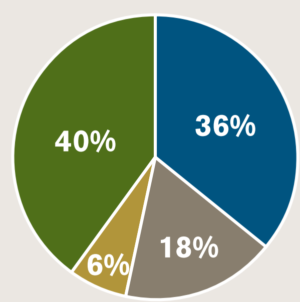
Growth & Income

This objective seeks moderate growth as the portfolio's overall goal, prioritizing the opportunity for capital appreciation and income over the need for preservation. Though the precise allocation is intended to adjust with the manager's strategic outlook, the Moderate Growth portfolio is allocated to approximately 40% Equity / 60% Fixed Income. The portfolio includes a consistent allocation to domestic and foreign stocks, bonds, and alternative assets. This objective is most appropriate for investors with a moderate risk tolerance or a short to intermediate-term investment horizon. The portfolio is designed for investors who can accept moderate levels of principal volatility and produces some income.



Moderate Growth

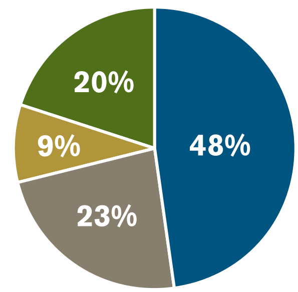
This objective seeks to balance growth and income as the portfolio's overall goal, weighing the opportunity for capital appreciation and income with the need for preservation. Though the precise allocation is intended to adjust with the manager's strategic outlook, the Growth & Income portfolio is allocated to approximately 60% Equity / 40% Fixed Income. The portfolio includes a consistent allocation to domestic and foreign stocks, bonds, and alternative assets. This objective is most appropriate for investors with moderate risk tolerance or an intermediate-term investment horizon. The portfolio is designed for investors who can accept moderate to high levels of principal volatility and produces some income.



Equities
International Equities
Alternatives
Fixed Income

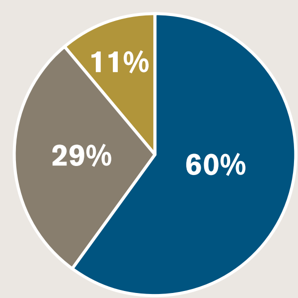
Growth

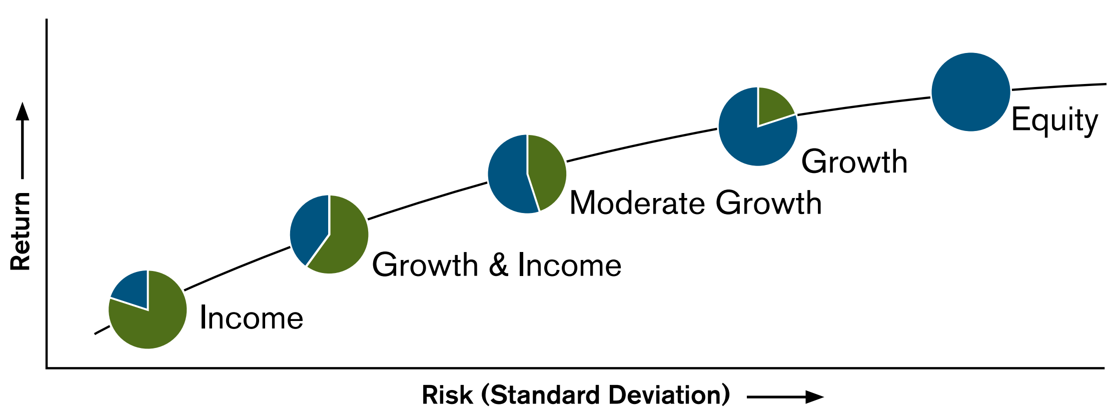
This objective seeks growth as the portfolio's overall goal, prioritizing the opportunity for capital appreciation over the need for preservation and income. Though the precise allocation is intended to adjust with the manager's strategic outlook, the Growth portfolio is allocated to approximately 80% Equity/20% Fixed Income. The portfolio includes a consistent allocation to domestic and foreign stocks, bonds, and alternative assets. This objective is most appropriate for investors with moderate/high risk tolerance or a long-term investment horizon. The portfolio is designed for investors who can accept high levels of principal volatility and produces minimal income.



Equity Growth

This objective seeks maximum growth as the portfolio's overall goal, prioritizing the opportunity for capital appreciation over the need for preservation and income. Though the precise allocation is intended to adjust with the manager's strategic outlook, the Growth portfolio is allocated to approximately 100% equity securities. The portfolio includes a consistent allocation to domestic and foreign stocks and alternative assets. This objective is most appropriate for investors with high risk tolerance or a long-term investment horizon. The portfolio is designed for investors who can accept high levels of principal volatility and produces minimal income.





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Disclosures

An investor should carefully consider investment objectives, risks, charges and expenses before investing in a mutual fund. This information and more complete information, including potential risks, is included in each mutual fund prospectus, which can be obtained from First Allied Securities, Inc. by calling 800.499.5489. Read prospectus carefully before investing.

Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Mutual funds may have investment objectives other than matching a particular market index and are subject to risks similar to those of stocks. There is no certainty that any investment or strategy will be profitable or successful in achieving investment objectives. For current performance information, including performance to the most recent month-end, please visit the fund at the internet address indicated above or contact First Allied Securities, Inc.

Many asset classes are subject to unique potential risks. Investments in foreign investments may incur greater risks than domestic investments. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller companies typically exhibit higher volatility in addition to the normal risks associated with investing. Narrowly focused investments typically exhibit higher volatility. REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations. Bonds and bond funds will decrease in value as interest rates rise. High yield bonds involve additional risks because of the lower credit quality of the securities and are susceptible to a higher level of volatility and increased risk of default. Income from tax-free bonds may be subject to state and local taxation and the Alternative Minimum Tax. Commodities markets have historically been extremely volatile.

Mutual funds are subject to various administrative fees, which are explained in detail in the prospectus. These fees are incurred in addition to any fees paid for portfolio management. Contact your advisor or review your contract for details on this management fee. A portion of these fees may be paid to your adviser, the asset manager, and/or the custodian.

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The S&P MidCap 400 Index tracks a diverse basket of medium-sized U.S. firms. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of 22 emerging markets. The Reuters/Jefferies CRB Index is designed to provide timely and accurate representation of a long-only, broadly diversified investment in commodities. The 3-Month U.S. Treasury Bill index provides the return of a short-term debt obligation backed by the U.S. government with a maturity of three months. The Barclay's U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market including bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors. The Dow Jones U.S. Wilshire REIT Index measures the return of U.S. publicly traded Real Estate Investment Trusts.

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- AE Asset Management, a registered investment advisor
- Advanced Equities, Inc., a registered broker/dealer and investment advisor
- First Allied Advisory Services, Inc., a registered investment advisor
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