



Sophisticated Asset Allocation, Actively Managed

ETF Select is a dynamic asset allocation system that takes the core diversification tenets of Modern Portfolio Theory to the next level through comprehensive risk analysis, proprietary, quantitative techniques and tactical portfolio adjustments.

The portfolio management philosophy of ETF Select was developed by Advanced Equities Asset Management (AEAM) as an overlay technique to mitigate some of the short- and intermediate-term volatility of investing with a focus on attempting to control downside risk. AEAM's portfolio management team strategically rebalances client portfolios based on fluctuating market conditions, rather than relying on static asset allocations. ETF Select portfolios are designed as single, professionally managed investment vehicles that provide diversification across major asset classes through the use of Exchange Traded Funds (ETFs).



AEAM San Diego
655 West Broadway
Suite 1050
San Diego, CA 92101
(866) 299-4864



AEAM Scottsdale
14614 North Kierland Blvd.
Suite N200
Scottsdale, AZ 85254
(866) 299-4864

Securities offered through First Allied Securities, Inc., a registered broker/dealer. Member: FINRA/SIPC

An investor should carefully consider investment objectives, risks, charges and expense before investing in an Exchange Traded Fund. This information and more complete information, including potential risks, is included in each Exchange Traded Fund prospectus, which can be obtained from Advanced Equities Asset Management by calling (866) 299-4864. Read the prospectus carefully before investing. There is no certainty that any investment or strategy will be profitable or successful in achieving investment objectives.

Exchange traded funds are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares when redeemed may be worth more or less than their original cost. Past performance is no guarantee of future results. There are unique potential risks associated with the specific asset classes that each ETF represents. 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. Commodities markets have historically been extremely volatile. Inverse funds should lose money when their benchmark indexes rise—a result that is opposite from traditional mutual funds. Inverse funds also entail certain risks, including inverse correlation, leverage, market price variance and short sales 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 risk related to the same factors as well as increased volatility and lower trading volume.

ETF SELECT Core Asset Classes

EQUITIES

- Large Cap
- Mid Cap
- Small Cap
- Growth Equity
- Value Equity
- Equity Income
- Emerging Markets
- International

FIXED INCOME

- Government
- Corporate
- High Yield
- Asset Backed
- International Bond

ALTERNATIVE ASSETS

- Commodity
- Real Estate
- Currency
- Bear Strategies

Smart Portfolio Design: Static Core Component

We believe that no one can perfectly time the market. In addition, science and practice appear to confirm that the notion of diversification does work. Modern Portfolio Theory teaches that an efficient portfolio consists of a mixture of multiple, unrelated assets. Fortunately, advancements over the past several years have enabled us to give our clients access to many additional, uncorrelated asset classes that were previously only available to institutional investors. This includes emerging markets, commodities, and currencies in addition to more conventional asset classes like equities and bonds. As a result, our portfolios start with a core combination of more than 15 unique asset classes that seek to provide the optimal return for each level of risk.

Moreover, AEAM's approach to portfolio design systematically identifies and continuously monitors the historical and anticipated risk, return and covariance relationships among asset classes. As a result, a portion of ETF Select portfolios (at least 50%, depending on objectives) is left in an optimal static allocation to provide clients with consistent exposure to a core asset mix of stocks, bonds and alternative assets.

Dynamic Adjustments: Active Component

AEAM portfolio managers employ a variety of sophisticated tools to strategically rebalance a portion of client assets based on fluctuating market conditions, seeking to identify and capitalize on bullish, bearish and range-bound market trading environments while also accounting for inflationary and deflationary forces. These tools attempt to provide our portfolio management team with the big-picture view of the general health and long-term trends of various markets, and break down the anticipated returns for each asset class within clearly defined market cycles. Since assets generally perform differently in each market condition, client holdings are adjusted by analyzing the optimal mix for the current market environment. Leveraging this systematic process as a foundation, our portfolio management team then applies strategic insight and expertise to fine tune the portfolio allocation. Where appropriate, a final portion of the portfolio is tactically deployed to our best opportunistic ideas in an attempt to further enhance returns.

Portfolio Options: Risk & Reward Characteristics



Benefits of Exchange Traded Funds

- ASSET ALLOCATION PRECISION**
Provides exposure to specific asset classes such as large or small cap stocks and corporate or municipal bonds
- POTENTIAL FOR BUY-AND-HOLD TAX EFFICIENCY**
Capital gains are generally only realized when the ETF is sold within a separately managed account, rather than the sale of individual securities within the ETF
- HIGHLY TRANSPARENT**
Holdings and position weights are fully disclosed at all times
- LIQUIDITY**
Can be bought and sold at intraday prices at any time during exchange hours
- NO STYLE DRIFT**
Low turnover, passive index instruments with consistent strategy
- INCOME POSSIBILITIES**
Holders are entitled to proportionate share of any income produced

Investment Team

- Craig Columbus
President
Co-Portfolio Manager
- Jeff Mindlin, CFA
Managing Director
Co-Portfolio Manager
- Tom Samuelson, CFA, CMT
Chief Investment Officer
Co-Portfolio Manager
- Brian Wright
Head Trader
Co-Portfolio Manager
- Lon Gerber
Co-Portfolio Manager

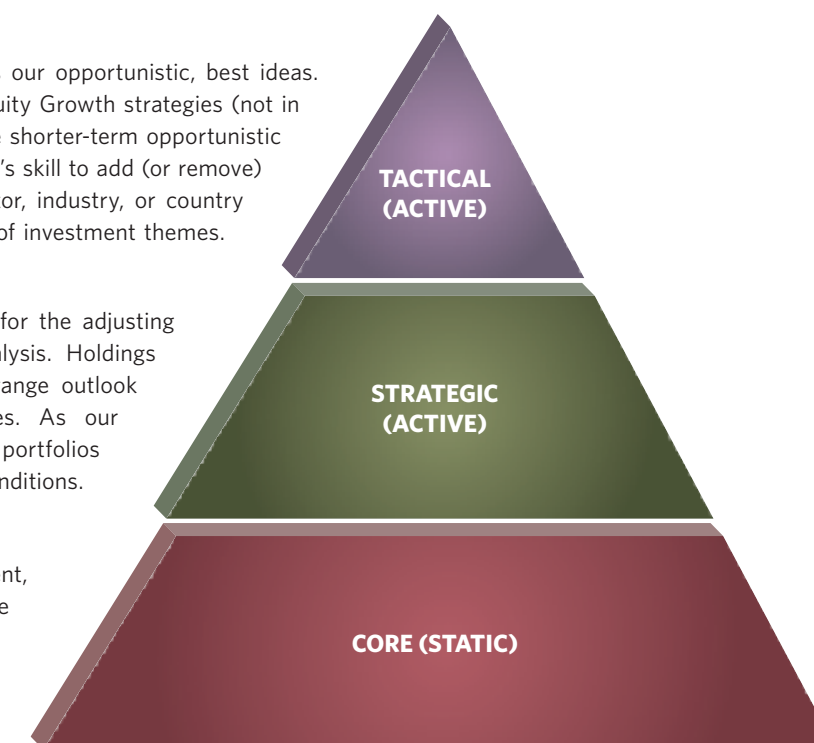
Portfolio Construction

An ETF Select account is constructed with three complimentary components, each utilizing Exchange Traded Funds (ETFs). The static core ensures clients maintain a diverse framework consisting of more than 15 asset classes. The manager then uses the active strategic allocation to rebalance accounts as our market outlook changes. Finally, the active tactical portion allows the manager to incorporate our best ideas to attempt to enhance return. The relative sizes of the active and static components are determined by a client's tax-sensitivity. Clients with low tax-sensitivity have a greater allocation to the active components, while those with higher tax-sensitivity have a greater allocation to the static core piece.

Tactical (Active): The Tactical component represents our opportunistic, best ideas. It is only offered in the Moderate Growth, Growth and Equity Growth strategies (not in the most conservative Growth & Income discipline). These shorter-term opportunistic ideas attempt to enhance return by relying on the manager's skill to add (or remove) exposure from major asset classes or more granular sector, industry, or country groups based on third-party and our proprietary research of investment themes.

Strategic (Active): The Strategic component allows for the adjusting of holdings based on our market cycle and phase analysis. Holdings are optimized to reflect our bullish, bearish, or trading-range outlook while accounting for inflationary or deflationary forces. As our market outlook changes, we attempt to rebalance portfolios to an optimal allocation for the current market conditions.

Core (Static): The Core component provides a consistent, optimized, diversified base of stock, bond, and alternative asset holdings. Clients select from a Growth & Income, Moderate Growth, Growth or Equity Growth strategy based upon their objectives and risk tolerance.



Structure

Each client's portfolio is established in a separately managed individual account, adopting a Growth & Income, Moderate Growth, Growth or Equity Growth approach. ETF Select requires a minimum investment of \$50,000. The wrap fee of this separately managed account is inclusive of all fees, including commission costs. Within this separately managed account, a client can also specify the tax sensitivity he or she desires, and the subsequent tax gains/losses generated are his or hers alone. This type of account structure contrasts with mutual funds, which pool dollars together from a broad group of investors, equally assign capital gains to all fund shareholders (regardless of investor's time in fund) and can trigger tax consequences caused by exiting shareholders.

Risk Factors

No simulated trading record can completely account for the impact of financial risk in actual trading. Actual results and past performance may vary from simulated performance. Because the asset allocation relies on a dynamic market model to make periodic adjustments among different asset classes, performance may diverge from the results of various indices. This adjustment process is not intended to act as a precise market timing tool and does not eliminate market risk. In addition, AEAM's analysis of various market phases and conditions may, in fact, prove incorrect.