USA FINANCIAL PORTFORMULAS

USA Financial Trending Report

January 15, 2014 **RAM® Score = +78.07** **Mapper Score™ = 0 of 10 increasing**

① RAM® Score is a patented "trending" tool that takes into account several dynamic U.S. market and economic indicators. It features a core baseline which allows for correlation between these multiple indicators so that they may be combined together for an overall RAM® Score. As a trending tool, we believe that a positive RAM® Score means odds are stacked in favor of equity investments while a negative RAM® Score means odds are stacked against equity investments. ② Scholar Series investment strategies use RAM® Score plus qualitative & quantitative qualification criteria to select targeted holdings across multiple indexes. ③ Mapper Score™ is a proprietary "trending" tool that takes into account several dynamic components of the underlying stocks represented within an index. It identifies certain strengths of individual stocks contained within an index and tracks how many meet minimum requirements. As a trending tool, we believe that the higher the percentage of qualifying stocks, the greater the strength of the overall index. ④ Freedom Series investment strategies use Mapper Score™ plus momentum & technical qualification criteria to select targeted holdings within a single index. ⑤ Portformulas® investment strategies & scoring mechanisms do not guarantee that the markets will increase when scores are strong or decrease when the scores are weak. But we believe the long term correlation may be valuable for investing… Combining the trending features of RAM® Score & Mapper Score™ with our intricate Scholar & Freedom Formulaic Investing™ Strategies results in a uniquely logical approach to investing that is exclusively available through Portformulas®.

The overall RAM® Score has increased from +73.23 to +78.07 this month… and the Mapper Score™ has done an about-face with 0 of 10 rising this month… Which is very interesting & I'll explain further on page 3 below.

2013 was a great year for investing… But it's now a new year… And time for an old (but wise) reminder…

"Beware of speculation and emotion (and/or emotional speculation) while investing!"

First, I'd like to lend a bit of perspective to that warning statement. It is quite commonplace for media outlets to birddog predictions and speculation as we venture into a new year. As humans, there is something emotionally magical about turning the calendar to a new year, but keep in mind that this act means absolutely nothing to your money or accounts (other than triggering a new tax year). However, the "January excuse" for predictions and speculations often peaks the curiosity of readers (viewers, listeners) and increases media consumption. And since media is a business, they obviously capitalize on this phenomenon and generally create anxiety and confusion for investors.

Here is just one example, of one day of journalism, from one high quality publication, referencing one well-known financial institution…

CONTRADICT ON SAME DAY

Article #1: January 13, 2014 – Business Insider
"Goldman Sounds The Alarm On Stocks"
The article reports, based on Goldman Sachs info, that "bulls should take heed" meaning you should reconsider if invested in equities.

Article #2: January 13, 2014 – Business Insider
"Here's the Advice Goldman Sachs is Giving Its Millionaire Clients"
The article reports Goldman Sachs' recommendation for clients to "stay fully invested at their strategic allocation to U.S. equities".

So which is it? Should you "take heed" if invested in equities? Or should you "stay fully invested" if invested in equities?

Same publication. Same day. Same institutional source of information. Hmmm (wrinkled forehead). Are you intrigued? Or maybe perplexed? Well three days earlier, this very same publication also ran this article…

FINALLY… TRUTH IN JOURNALISM

Article #3: January 10, 2014 – Business Insider (also published on MSN Money)
"No One Knows What The Market Will Do"
The article reports "even the smartest stock wizards in history have no clue, and when you accept that you'll be able to outperform other investors".

So Business Insider, in three days, has provided 3 opposing choices for advice to follow that include, #1 "take heed", #2 "stay invested" or #3 admit we all have "no clue". Hmmm (wrinkled forehead again). Not very comforting, is it? *(Note: This example is not intended to throw mud at Business Insider or Goldman Sachs. A similar example could be easily duplicated elsewhere. This is simply the volatile nature of predictions and speculations).*

The real question is, **"How do you overcome being perplexed by such conflicting messages?"**

Start with "Reality, Facts, Data, & Truth"… Which may then (and only then) be designed for beneficial "Execution".

1 **Reality:** For every prediction and speculation there is always a contrarian or opposing prediction and speculation.

2 **Facts:** The beauty of facts is that we can verify what has occurred in the past and where things stand today.

3 **Data:** Capturing data-flow allows us to apply formulas and criteria that may indicate the level of certain risks and/or where things are leading.

4 **Truth:** Article #3 (above) actually tells the truth. No one really knows what the market will do for sure. Predictions and speculation range from wild guesses to educated hunches. This is why we never make predictions at USA Financial Portformulas. We use facts and data to calculate whether we believe it is wise to be invested in the present. And as those calculations are reapplied throughout the year, things can and do change. I cannot tell you if you should "take heed" with your equities throughout 2014 or if should "stay invested" in your equities throughout 2014. No one can.

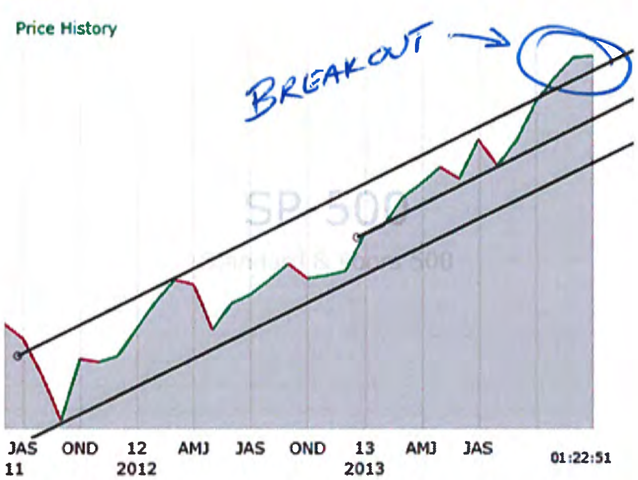
5 **Execution:** What I can tell you is that our tracking of the facts and data indicate that you should *currently* be invested in equities (see the graphic in the upper left corner of page 4). And that we will continually reapply our formulas and criteria each month to monitor and identify if the facts and data warrant a change in that status. ***This is what we do for a living.***

So let's provide perspective and take a close look at where things stand today:

Daily S&P 500 Chart

Weekly S&P 500 Chart

Monthly S&P 500 Chart



Trading Channels Illustrate a Story:

In previous months I have sometimes discussed trading channels, which I have again depicted on all three charts. Essentially, trading channels indicate the "support" and "resistance" levels. Meaning that the bottom line provides support (not to go below) and the top line provides resistance (not to go above). The price will tend to bounce within these boundaries until there is significant enough momentum to "breakout" (go below the support line or above the resistance line).

3 main things to notice on these charts…

1. The primary (larger) channel began late 2011.
2. The secondary (smaller) channel began early 2013.
3. We currently have a breakout above the resistance line.

Interestingly, when I applied the trading channel lines, I kept them in the exact same location as I ran the three different charts for daily, weekly and monthly. The purpose being that you could see the support and resistance lines being validated in each view, whether we look close-up at a daily view, or step all the back to look at the monthly view... In all three chart views the support and resistance lines hold up to visual scrutiny.

Furthermore, one can easily contend that a new (higher) support line established itself in early 2013. This was good news as it provided further support and underpinnings to the market performance we enjoyed last year.

But now (as we enter 2014) some new questions begin to arise...

NO ONE REALLY KNOWS...

1. Is it possible that the heightened support line from 2013, followed by the recent resistance breakout, may eventually reveal themselves as the precursors that ultimately result in a future heightened resistance line? (All of which could be very positive for the market.)
2. Or, does the resistance breakout represent a short term anomaly that will soon fall back in-line and continue onward within the established trading channel? (All of which is normal movement lending itself to the ebb and flow between the support and resistance lines as was experienced during the bouncy growth of 2013 – see the Daily S&P 500 Chart on page 2 above.)
3. Or, does this recent resistance breakout reveal a potential bubble, meaning the market is overpriced and is due for a correction in the not too distance future? (All of which could be negative for the market, depending upon the severity.)

To Over Simplify:

... SO WE APPLY CRITERIA & FORMULA RATHER THAN GUESS!

When the media exposes you to their next series of predictions and speculation, you now have a benchmark that reveals the beliefs of the various prognosticators.

- If the market prediction calls for highly favorable growth, then the prognosticator believes question #1 above to be true.
- If the market prediction calls for low to moderate growth, then the prognosticator believes question #2 above to be true and/or further believes that the primary trading channel may reestablish or overtake the newer secondary trading channel.
- If the market prediction calls for negative growth and/or a correction, then the prognosticator believes question #3 above to be true.

How is it that RAM Score can increase while 0 of 10 Mapper Scores increase?

The S&P 500 has been trending upward for the past four months. In order for that to occur, the seven subcomponents for RAM Score will generally be reporting favorably (as they have been – see page 4 for details). With December's market being up +2.36% for the month, this subcomponent strength was continuing, although at a very reasonable pace in comparison to the four month jump in market performance and returns. Essentially, I believe this illustrates the cautious balance of RAM Score (rather than being over jubilant as some people may become during a resistance breakout). Nonetheless, RAM Score has been rising throughout the 4th quarter of 2013 to date.

* As can often be the case during such a resistance breakout, the market has obviously been climbing upward, but it may be equally true that as the market reaches beyond its resistance, the stronger stocks prevail and carry the load, as the weaker stocks begin to wane a bit at the new heights. So, although at face value it may seem shocking that RAM Score is increasing while Mapper Scores are decreasing; it is not necessarily that unusual given the recent breakout occurrence. Furthermore, last month 10 of 10 Mapper Scores increased, which also seems unusual. But in fact, this is exactly the sort of thing that drives market breakouts – followed by the waning effect. One would assume that all 10 cannot keep climbing in unison as they represent varying indexes and the number of stocks showing strength within each index (see page 5 for details).

So, hindsight being 20/20, it's as if the stocks within the market indexes essentially stood-up-in-unison to push through the resistance line, creating the breakout, and then some needed a bit of a breather after that extra effort, while the stronger workhorse stocks kept on pushing. As a layman's explanation I hope that is a helpful analogy, but be sure to check out the details on pages 4 and 5.

For more information you can visit www.portformulas.net or speak with your Financial Advisor.

We much enjoyed the growth of 2013 and are eager for 2014 – Than you for entrusting us with your investment money!

Best of Investing in 2014,
Mike Walters, CEO

HAVE A GREAT 2014!!

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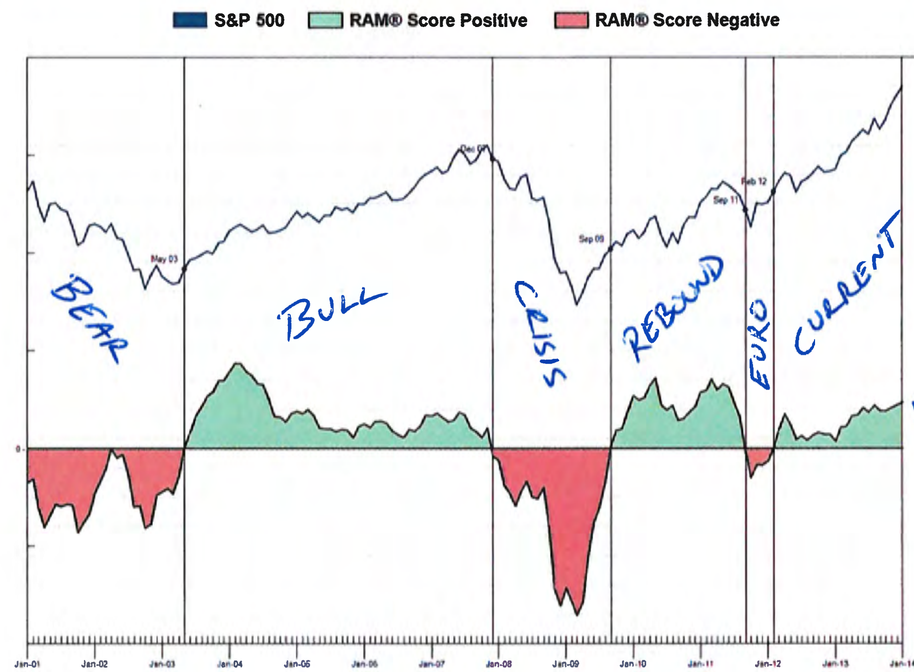
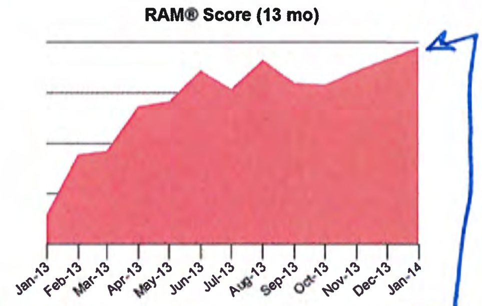
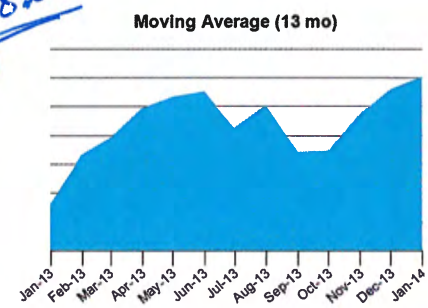
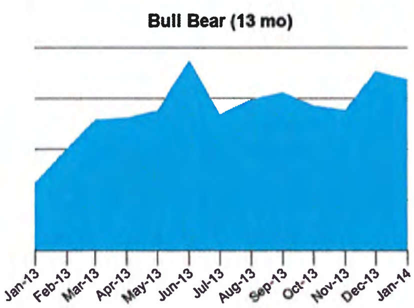
Investing Note... We believe there are significant seasonal trends that historically occur in the market. The **RAM® Score** identifies what we view as the trends or "changing seasons". And then the **Scholar Series** seeks to act upon such trends and only own the stocks that meet our qualification criteria.

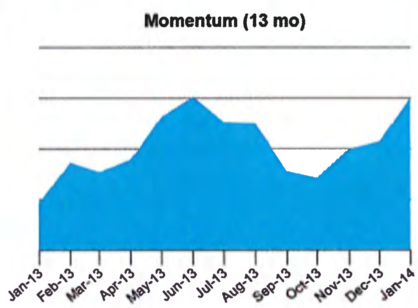


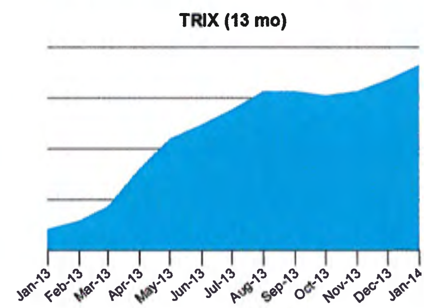


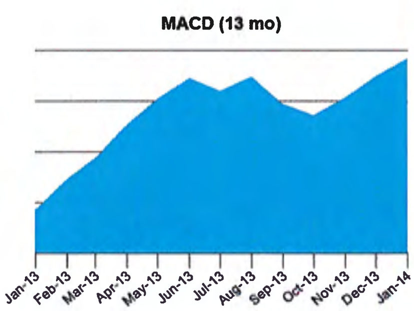
+78.07

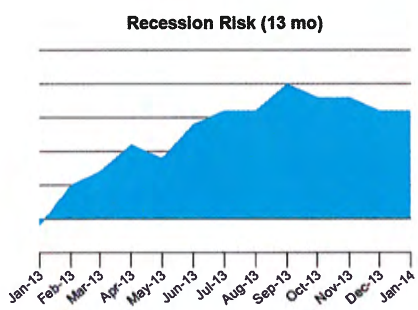


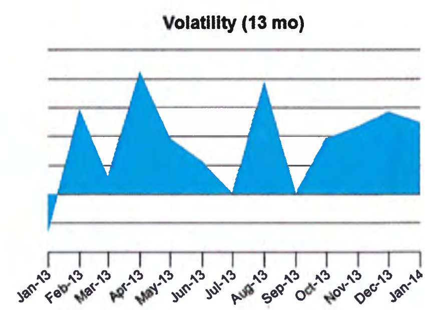












5 of 7 SUBCOMPONENTS RISING FOR MONTH.

ALL SUBCOMPONENTS ARE IN POSITIVE TERRITORY

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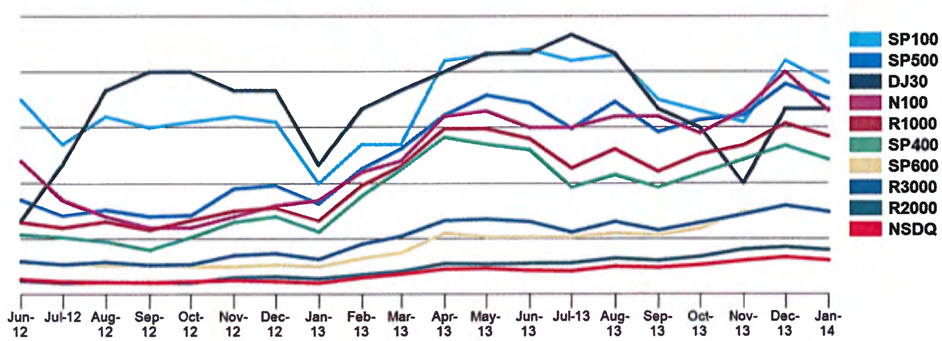
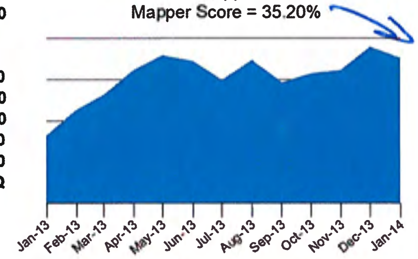
Investing Note... We do not believe that all stocks within an index are automatically worthy of ownership. The **Mapper Score™** illustrates how many stocks we view as "worthy of consideration" within each index. And then the **Freedom Series** seeks to only own the stocks that meet our qualification criteria.

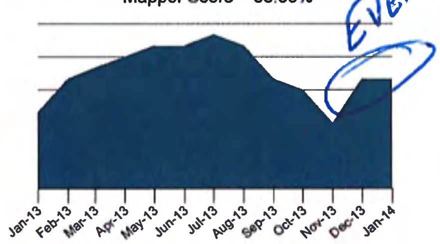


Mapper Score™ for S&P 500
Stocks Mapped = 176
Mapper Score = 35.20%

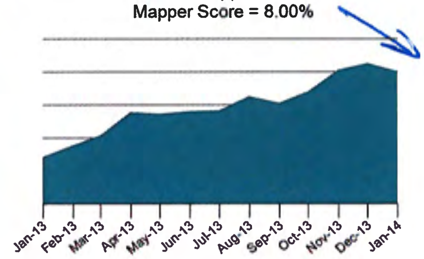


Mapper Score™ for Dow 30
Stocks Mapped = 10
Mapper Score = 33.33%

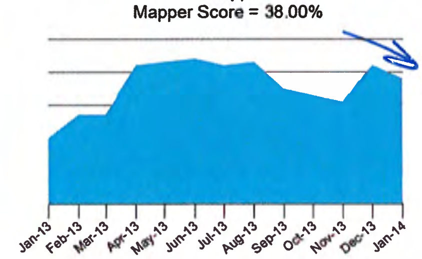
EVEN



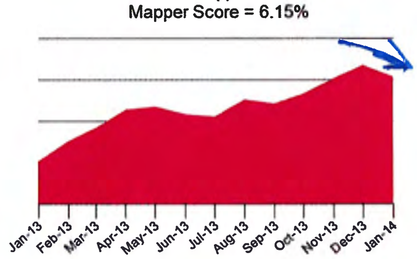
Mapper Score™ for Russell 2000
Stocks Mapped = 160
Mapper Score = 8.00%



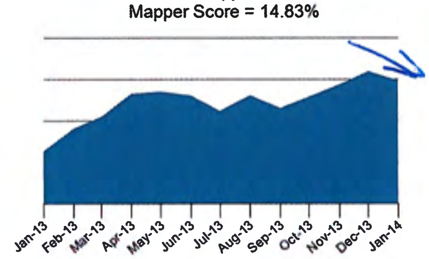
Mapper Score™ for S&P 100
Stocks Mapped = 38
Mapper Score = 38.00%



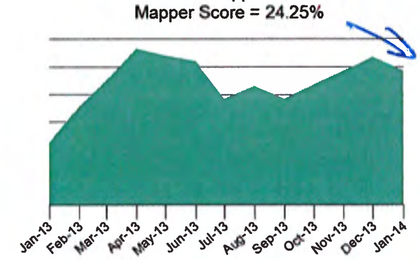
Mapper Score™ for NASDAQ
Stocks Mapped = 166
Mapper Score = 6.15%



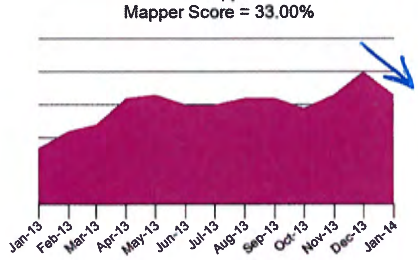
Mapper Score™ for Russell 3000
Stocks Mapped = 445
Mapper Score = 14.83%



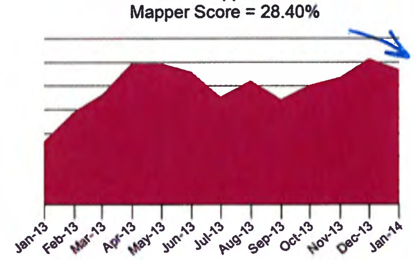
Mapper Score™ for S&P 400
Stocks Mapped = 97
Mapper Score = 24.25%



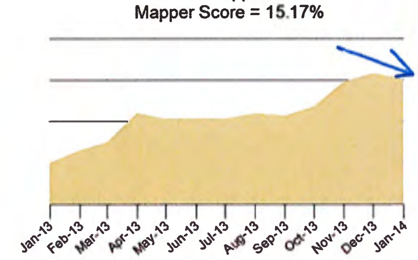
Mapper Score™ for NASDAQ 100
Stocks Mapped = 33
Mapper Score = 33.00%



Mapper Score™ for Russell 1000
Stocks Mapped = 284
Mapper Score = 28.40%



Mapper Score™ for S&P 600
Stocks Mapped = 91
Mapper Score = 15.17%



LAST MONTH
10 OF 10
INCREASING

THIS MONTH
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Please note that there are a number of important disclosures that must be considered before investing in Portformulas. Please read the information and disclosures contained in Portformulas' hypothetical carefully before investing. Any performance figures referenced herein are hypothetical and are not indicative of future results. Purchases and sales of securities within Portformulas' various strategies may be made without regard to how long you have been invested which could result in tax implications.

RAM Score and Mapper Score General Disclosures

The RAM Score and Mapper Score illustrations do not represent any particular Portformula strategy nor are they intended to recommend any Portformula strategy or the RAM Score feature. The information contained herein simply attempts to illustrate how our firm's RAM Score feature and Mapper Score operate. The RAM Score feature can be applied to many Portformula models at no additional cost. The Mapper Score is simply an analytical informational tool.

RAM Score was not developed until January 2010. Prior to January 2010, clients were utilizing RAM Score's predecessor, RAM. Clients utilizing RAM may have had different results than those reflected above. RAM Score movement prior to 2010 is hypothetical and based on retroactive application of RAM Score's indicators to market and economic conditions existing at the time. Portformulas was not managing assets prior to 2007.

It is important to understand that RAM Score is only a tool designed to assist our firm's management of your account. RAM Score does not guarantee any specific results or performance and even with RAM Score on your account, it is possible that your account will lose value. RAM Score moves assets into or out of the market based on various economic and market indicators. It is possible that the market will move positively while you are not invested or negatively while you are invested, resulting in losses. Any Portformula strategy may underperform or produce negative results.

Just because Portformulas maps a stock does not mean that the stock will be held in a model. Client accounts may hold fewer stocks than those referenced in the Mapper Score illustration. Mapper Score has no impact on performance.

The RAM Score illustration utilizes the S&P 500 index because it is a well-known index and provides a recognizable frame of reference. The Mapper Score analysis uses the referenced indices because they are relevant comparisons across certain Portformula models. The indices referenced herein are not publicly available investment vehicles and cannot be purchased. Furthermore, none of the indices referenced herein have endorsed Portformulas in any way.