USA FINANCIAL PORTFORMULAS

USA Financial Trending Report:

February 14, 2014 **RAM® Score = +59.08** **Mapper Score™ = 0 of 10 increasing**

Simple yet profound Trading Channel accuracy… New Fed Reserve Chair jumpstarts market… Finally 'everyone' can understand the economy

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 decreased from +78.07 last month to +59.08 this month… and the Mapper Score™ has posted 0 of 10 increasing for the second month in a row, meaning 10 of 10 decreasing.

It is been highly interesting over the last 45-days in the stock market…

On January 1, 2014, the S&P 500 opened at 1,845. By mid-month, January 15, 2014, it had hit a new all-time high of 1,850. Then by February 3, 2014, the S&P 500 had dropped to 1,740. Now, at the time of this writing, it's back up to 1,820. (For reference, see the circled/oval area on the chart that I have included below.)

For now, if you're comparing against what I wrote last month (interestingly on January 15, at the point of the new all-time high), you will see that the market has actually performed within its most likely pattern – at least as depicted within its trading channel. You see, at the time of my last writing, we were basically looking at the market much like one might describe an over-stretched rubber band. Meaning that it was likely something would need to "give". In this case, the market constricted back within the current trading channel boundaries...

When you stop to think about it, this is a simple, yet powerfully profound concept, especially given all the complexities of the stock market.

Daily S&P 500 Chart:

Trading Channel Reminder (and/or in case you missed last month):

Last month I discussed trading channels, which I have again depicted on this chart to the left. Essentially, a trading channel indicates 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).

Things to notice on this chart…

1. The current trading channel began early 2013.
2. The recent breakout above the resistance line first occurred late 2013.
3. Approximately January 23-24, 2014, the market fell back within its trading channel.
4. Even at its low point, on February 3, 2014, the market remained above its support line.
5. The market has already rebounded back above the midpoint within its current trading channel.

Another influential event since last month's report is that the new Fed chairwoman Janet Yellen appeared before the House Financial Services Committee to deliver the Fed's semiannual monetary policy report. While there were not really any big surprises, there were three particular quotes that I think everyone should be paying close attention to.

Janet Yellen: **"Let me emphasize that I expect a great deal of continuity in the approach to monetary policy."**

Mike Walters: Meaning, Ms. Yellen will essentially pick-up where Ben Bernanke left off. Which should be a good thing, as like him or not, Bernanke did a spectacular job in a historically tough situation. We have low inflation, markets stabilized after the crisis, followed by strong market and economic growth. Now the Quantitative Easing (QE) bond purchase tapering continues to go well. This whole process has been one part economics, one part science and one part artistry. As I stated on a recent radio show, "It's akin to landing a jumbo airliner onto an aircraft carrier – it was never meant to happen in the first place, but all-things-considered it was a pretty good landing."

Janet Yellen: **"With ongoing improvement in labor market conditions and inflation moving back toward its longer-run objective, we will likely reduce the pace of asset purchases in further measured steps at future meetings."**

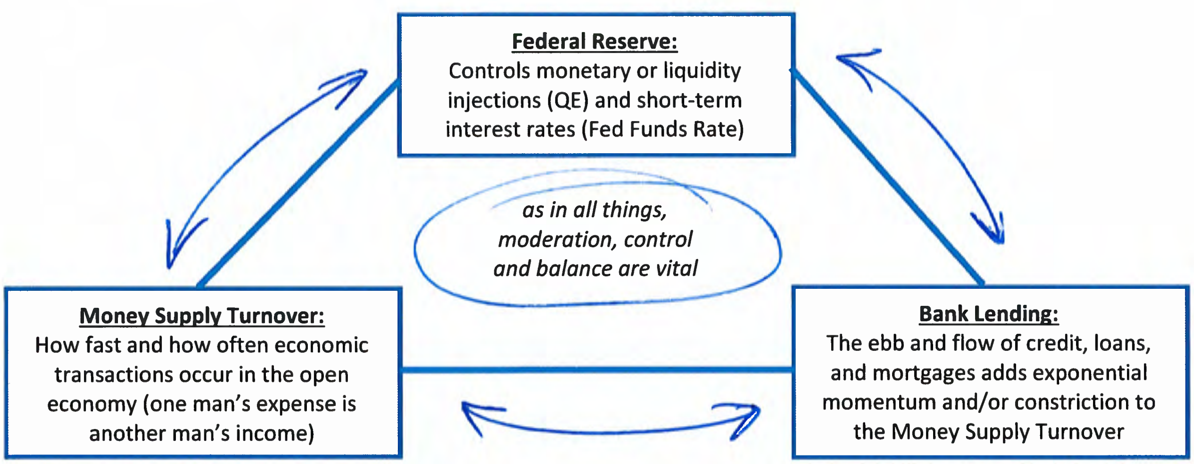
Mike Walters: This is a specific reference to the ongoing tapering of QE, as the Fed transitioned down from a clip of $85B per month to $75B per month and now is at $65B per month. One would assume we may see ongoing $10B reductions.

Janet Yellen: **"It likely will be appropriate to maintain the current target range for the federal funds rate well past the time that the unemployment rate declines below 6.5%, especially if projected inflation continues to run below the 2% goal."**

Mike Walters: Actually, this was probably the biggest surprise from her talk. If you recall, the generally held consensus had been that when unemployment hit 6.5% the federal funds rate would begin to ratchet up. In fact, when we broke below 7% unemployment the market grew very jittery because we were only a ½% away from anticipated rate movements. Now that we are at 6.6% unemployment (as of January 2014), this was good news – or a sigh of relief – that jumpstarted (at least short term) market growth again.

If you would like to learn more about how this affects the economy, the stock market, your paycheck, and your retirement income, go to our radio show website at www.usafinancialradio.com. Click on the "Listen to the Show" tab and play the podcast that will be listed under 2/15/20014. Most likely in the Part 3 section of the show I will describe in detail what I call the **Economic Triangle** and how it 3-corners intertwine and impact all things financial... Including your money!

Here is just a brief depiction, but the podcast will carry a deep discussion if you'd like to tune-in.



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

Thank you for entrusting us with your investment dollars!

Best of Investing,
Mike Walters, CEO

I ALSO PLACED A 30-MIN "FEATURE VIDEO" ON THE RADIO WEBSITE — IT DOES A GREAT JOB EXPLAINING THE WORKINGS OF THE ECONOMY — ENJOY!!

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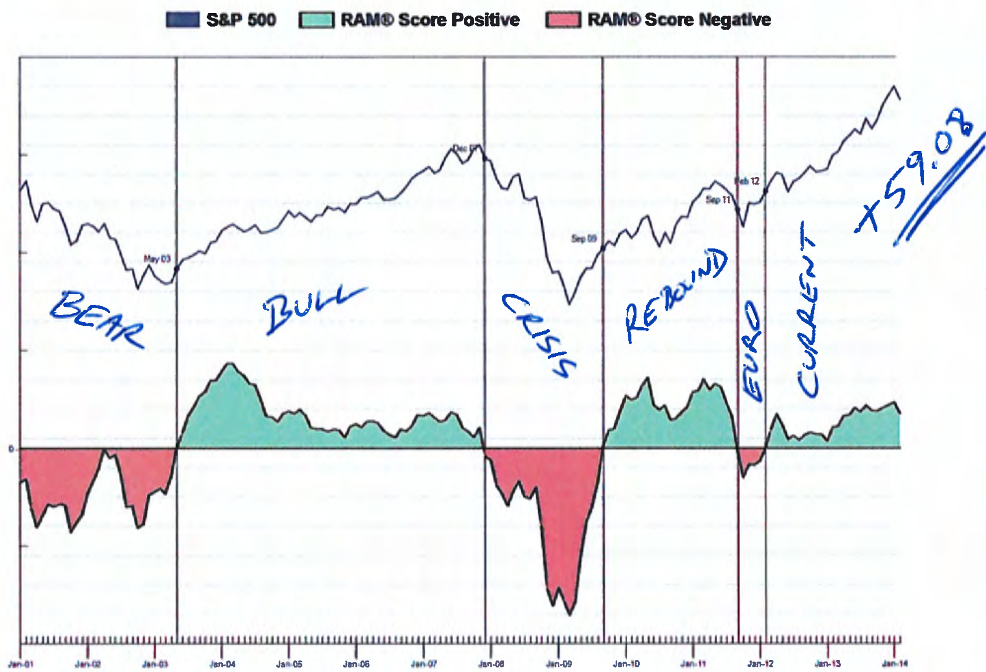
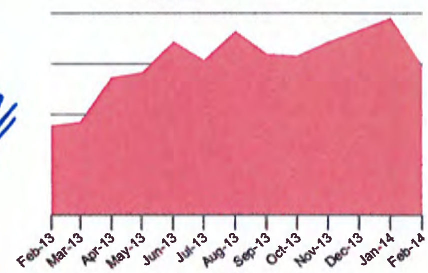
② Scholar Series investment strategies use RAM® Score plus qualitative & quantitative qualification criteria to select targeted holdings across multiple indexes.

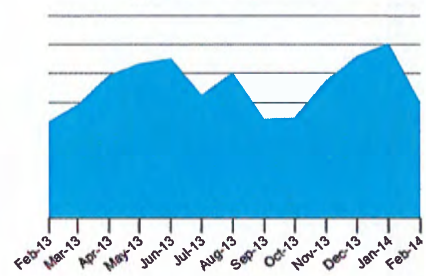
Investing Note... We believe there are significant seasonal trends that historically occur in the market. The **RAM® Score** identifies what we view as the trends or "changing seasons". And then the **Scholar Series** seeks to act upon such trends and only own the stocks that meet our qualification criteria.



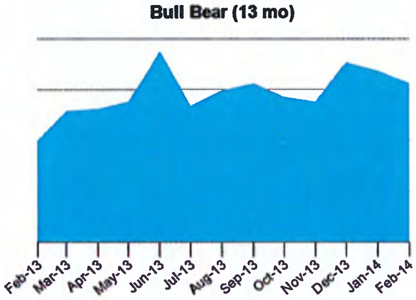
RAM® Score (13 mo)



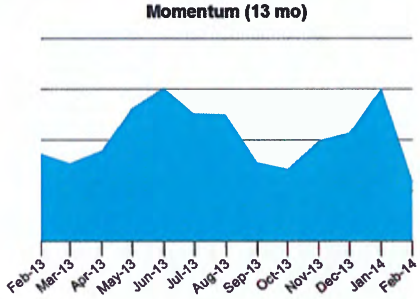
Moving Average (13 mo)



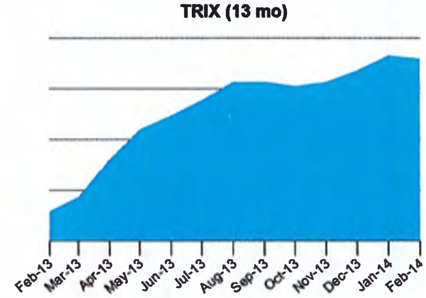
Bull Bear (13 mo)



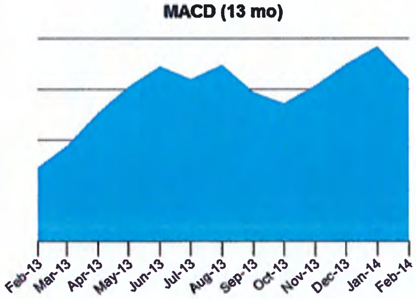
Momentum (13 mo)



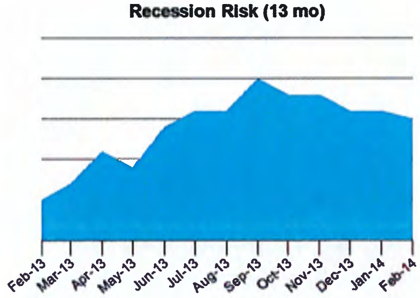
TRIX (13 mo)



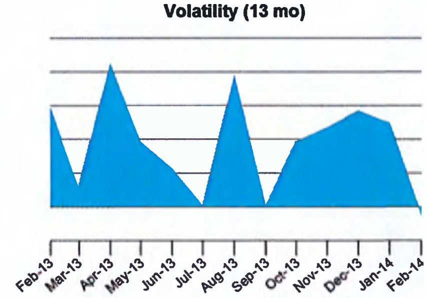
MACD (13 mo)



Recession Risk (13 mo)



Volatility (13 mo)

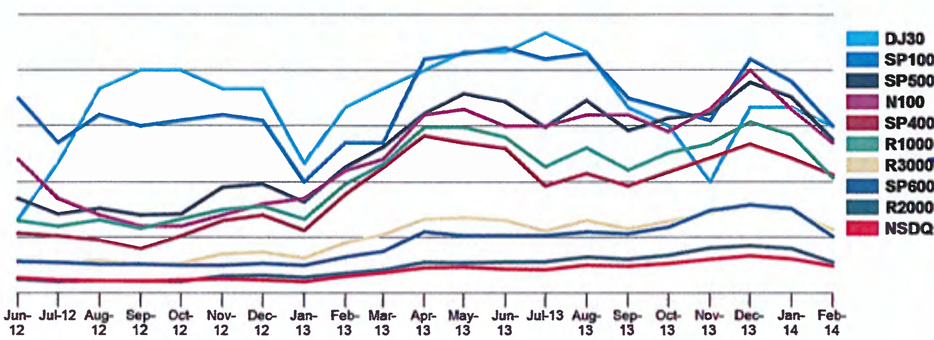


RAM SCORE = +59.08

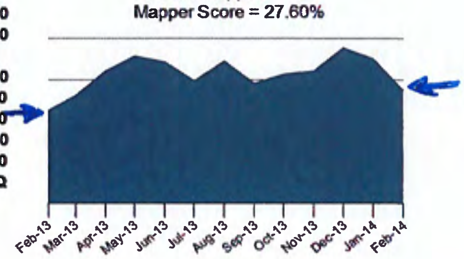
(7 OF 7 SUBCOMPONENTS DECLINING AFTER A "TOUGH" JANUARY)

❸ 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. ❹ Freedom Series investment strategies use Mapper Score™ plus momentum & technical qualification criteria to select targeted holdings within a single index.

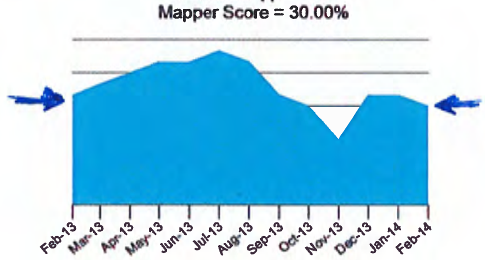
Investing Note… We do not believe that all stocks within an index are automatically worthy of ownership. The Mapper Score™ illustrates how many stocks we view as "worthy of consideration" within each index. And then the Freedom Series seeks to only own the stocks that meet our qualification criteria.



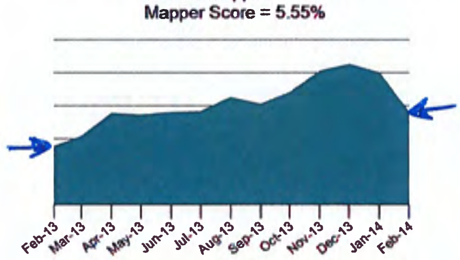
Mapper Score™ for S&P 500
Stocks Mapped = 138
Mapper Score = 27.60%



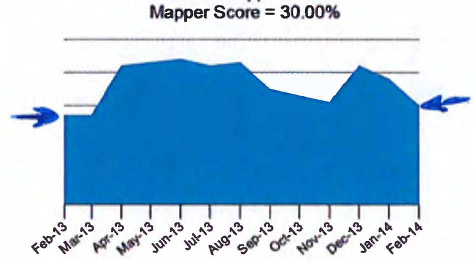
Mapper Score™ for Dow 30
Stocks Mapped = 9
Mapper Score = 30.00%



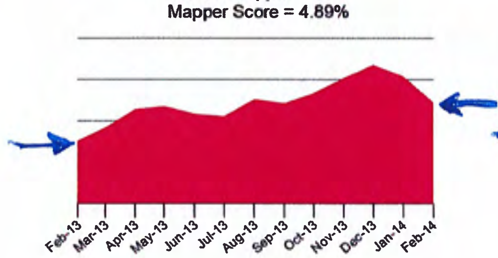
Mapper Score™ for Russell 2000
Stocks Mapped = 111
Mapper Score = 5.55%



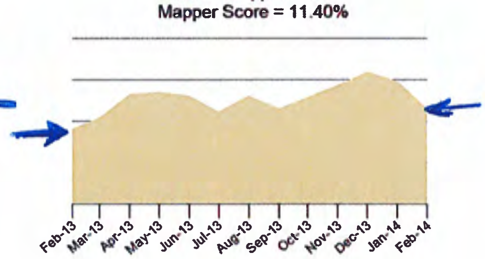
Mapper Score™ for S&P 100
Stocks Mapped = 30
Mapper Score = 30.00%



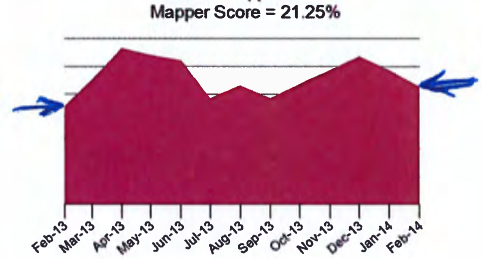
Mapper Score™ for NASDAQ
Stocks Mapped = 132
Mapper Score = 4.89%



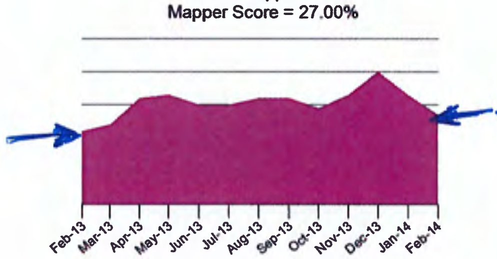
Mapper Score™ for Russell 3000
Stocks Mapped = 342
Mapper Score = 11.40%



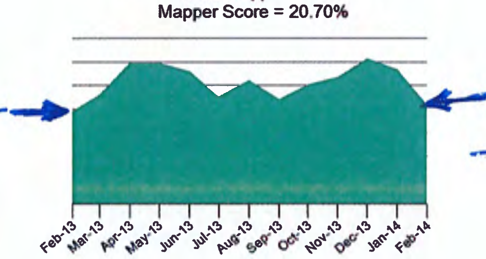
Mapper Score™ for S&P 400
Stocks Mapped = 85
Mapper Score = 21.25%



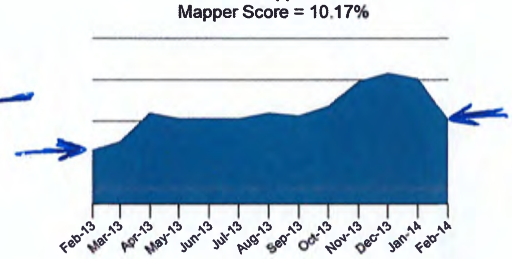
Mapper Score™ for NASDAQ 100
Stocks Mapped = 27
Mapper Score = 27.00%



Mapper Score™ for Russell 1000
Stocks Mapped = 207
Mapper Score = 20.70%



Mapper Score™ for S&P 600
Stocks Mapped = 61
Mapper Score = 10.17%



EVERY INDEX HAD LESS STOCKS CARRYING THE QUALIFYING STRENGTH

BUT OVERALL STILL STRONGER THAN 1-YEAR AGO (SEE ARROWS)

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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.