# 8-Secrets Money Managers Pray You Never Discover… Yet Are Hiding-In-Plain-Sight!

Do you remember Y2K?

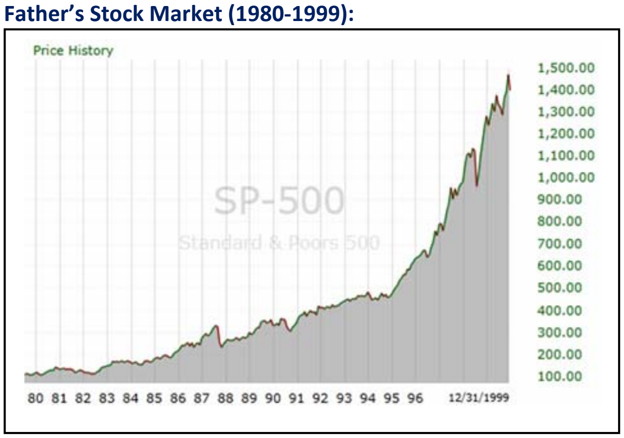
Everyone was hording food, water, essentials, even weapons in anticipation and fear. We were told that the power grids would fail and technology of every sort would literally implode, being rendered useless. People were concerned that civilization as we knew it was soon to erupt, leading to looting, chaos and lawlessness.

On that New Year's Eve night, most elected to stay within the safety of their own homes… Just in case. As the clock struck midnight, we gathered close and braced ourselves for the worst… Would the house go dark as "the ball" reached the bottom in Times Square? Candles were lit in preparation with flashlights nearby. As we watched in wonder, the most unexpected thing happened… We were entirely unfazed. Technology plodded forward and never missed a beat. The earth just continued to spin on its axis as if Y2K was just another year. Or so it seemed…

**Money Management Secret #1… The stock market has permanently changed and was rocked to its very core.**

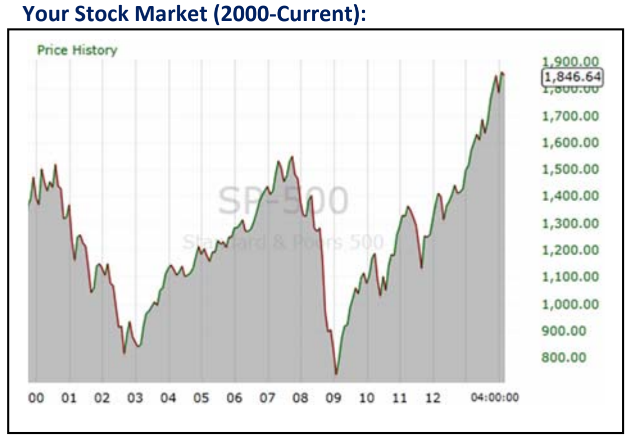
But in reality something did change. Something almost unbelievable occurred. It altered lives and futures. It crushed fortunes. It killed the status quo of investing. Strategies that had once been thought profitable and predictable were now responsible for devastation inside portfolios. The stock markets permanently and radically changed in the year 2000. And as I've now become quasi-famously quoted as saying… ***"This is no longer your father's stock market – everything has changed!"***

**Father's Stock Market (1980-1999):**




**VS.**

**Your Stock Market (2000-Current):**




**<u>Father's Stock Market…</u>**

- Your father's stock market rewarded Buy & Hold strategies.
- Your father's stock market thinks Black Monday 1987 was devastating.
- Your father's stock market gained +2.03% the Black Monday year 1987.
- Your father's stock market brought no-load index funds to relevancy.
- Your father's stock market had time on its side.
- Your father's stock market was easy to predict.
- Your father's stock market had 1 trend in 20 years.
- Your father's stock market was a continual-buying-opportunity.
- Your father's stock market made accumulation ski-jump-easy.
- Your father's stock market made retirement simple.

**<u>Your Stock Market…</u>**

- Your stock market penalizes Buy & Hold strategies.
- Your stock market thinks Black Monday was cute & cuddly.
- Your stock market lost -38.49% the Financial Crisis year 2008.
- Your stock market makes no-load index funds irrelevant.
- Your stock market lost over a decade.
- Your stock market is entirely unpredictable.
- Your stock market has already had 4 trends in under 10 years.
- Your stock market has times-to-plant and times-to-harvest.
- Your stock market makes accumulation roller-coaster-complex.
- Your stock market makes retirement treacherous.

**Money Management Secret #2… Buy & Hold is Dead & Gone, as that strategy becomes unbelievably dangerous.**

Now let's look at the impact this radical stock market change has had on buy & hold investors especially…


It doesn't take much imagination to realize how devastating this has been for many, many investors. It also doesn't take much imagination to reflect upon all the investor complaints that were spurred by such outdated buy & hold strategies against advisors who simply had been preaching the same buy & hold philosophies that worked so very well in a pre-Y2K stock market.

The buy & hold strategy literally came of age during your father's stock market as did the no-load mutual fund, eventually leading to the ETF. And it's not that no-load mutual funds or ETFs are inherently bad, they are just another tool available to us within the financial tool box… But when such tools are marketed to investors as though they are best used to simply reduce investing costs to the lowest fee denominator – as if the best strategy is to buy & hold then hang-on and hope for the best during the rollercoaster ride… Well, that is just ludicrous. As a matter of fact, many would contend it's akin to financial malpractice!

**Money Management Secret #3… Allocation and risk management are NOT the same thing.**

If the majority of investors were always correct, and proper allocation was the only key, then the vast majority of investors would be stress-free, accumulating riches, and happy with their portfolios. But obviously that is not the case.

So what is one to do? Is there a better way? USA Financial Portformulas believes there is!

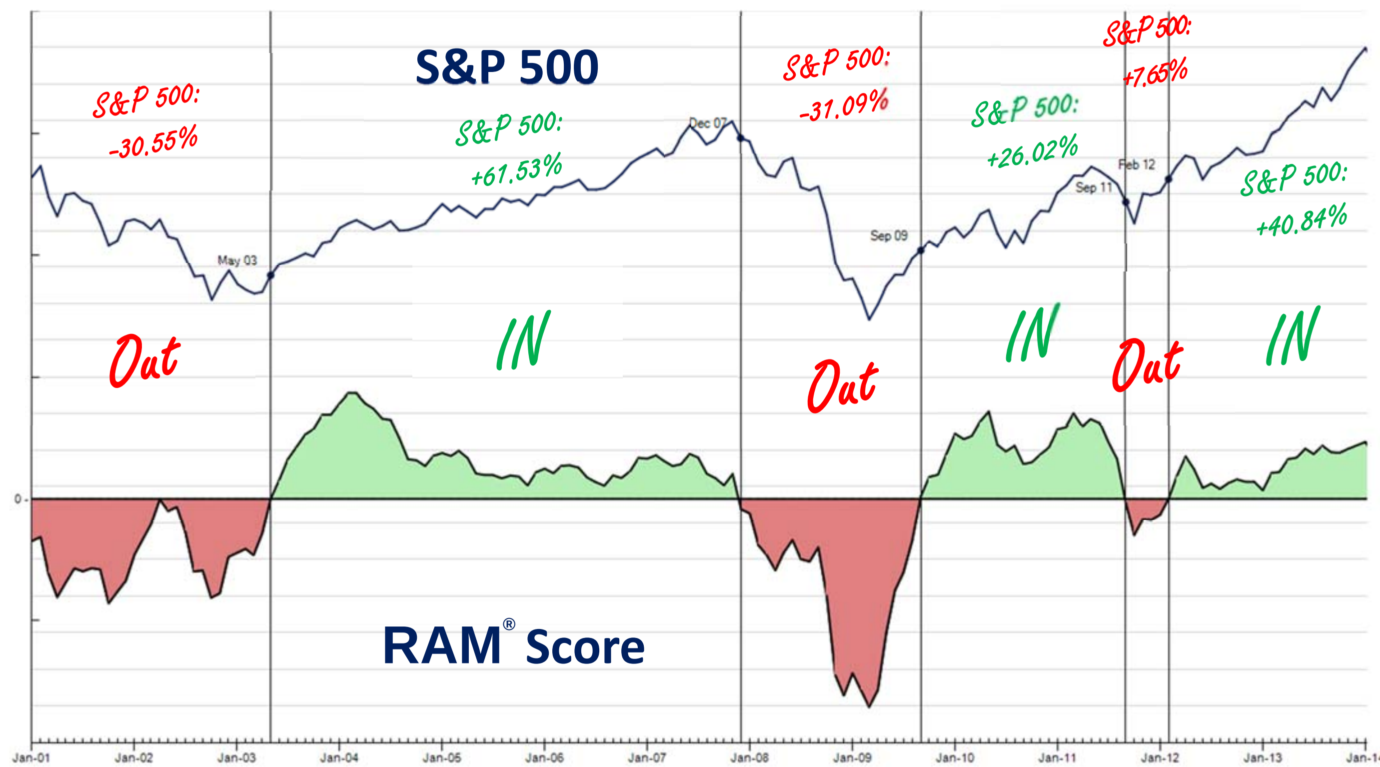
We believe “there is a time to plant and a time to harvest”. We believe there are times when it is wise to be invested in equities and times when it is unwise to be invested in equities. This resulted in our patented RAM® Score formulaic trending tool.

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.

Each month we calculate RAM® Score, utilizing seven subcomponents compiled from various market and economic data:

1. Moving Average
2. Bull Bear
3. Momentum
4. TRIX
5. MACD
6. Recession Risk
7. Volatility

Below you can see a visual display of how RAM Score correlates with the S&P 500.



As you can probably already glean, the risk management benefits of RAM Score are visually significant (and enlightening). Now let's look at applying this to real investment models from Portformulas…

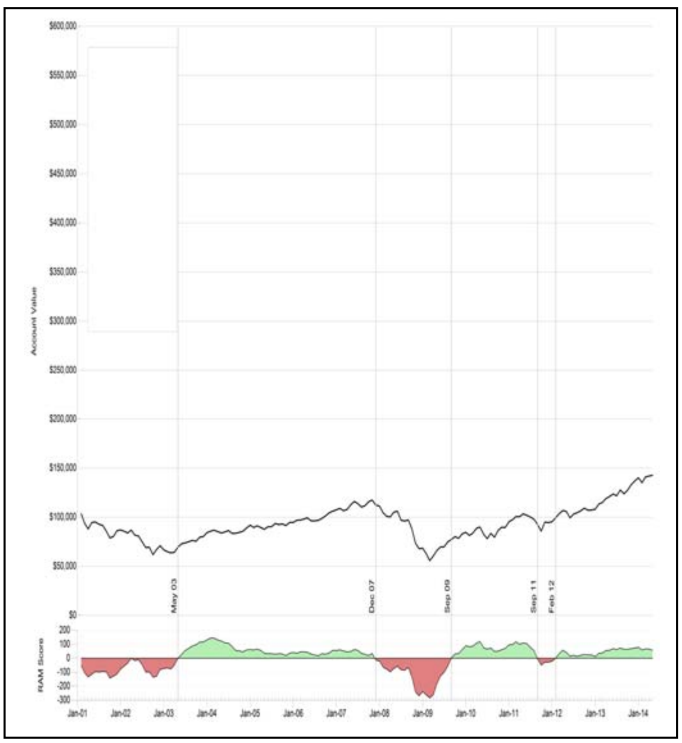
**Money Management Secret #4… Long-Term investing does NOT mean Buy & Hold investing.**

It is vitally important you understand the difference between being a buy & hold investor and a long-term investor. Many believe these terms are interchangeable… Yet the reality is that they are anything but interchangeable… In fact, thinking that they are interchangeable may result in a costly mistake for you. You see, you can be a long-term investor without being a buy & hold investor, but you cannot be a buy & hold investor without being a long-term investor.

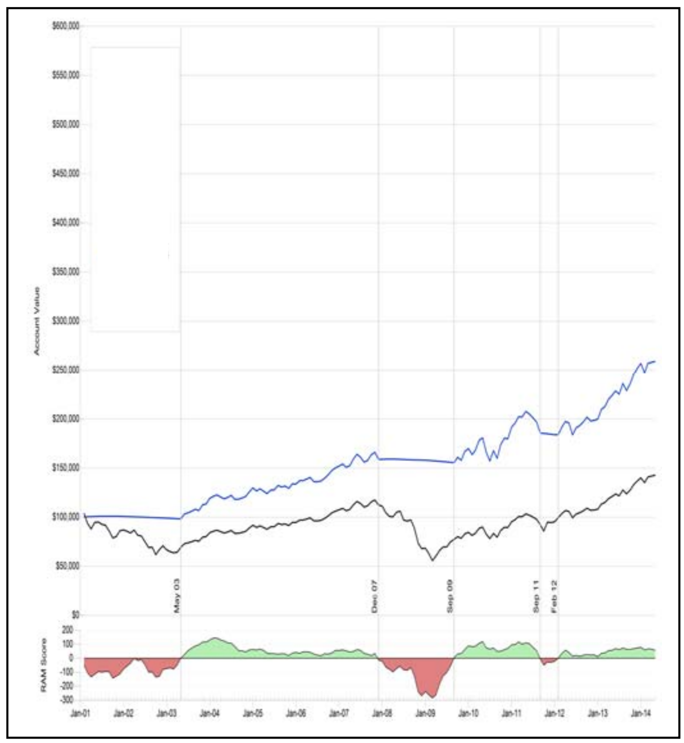
Risk management and the importance of keeping your "head above water" (sidestepping negative return years whenever possible) may be the most important quality for any investor with an eye toward retirement. However, many financial industry talking-heads will waste your time by focusing on "who posted the greatest returns" in any given year. Unfortunately, this often leads many investors astray – especially once they nervously panic and then begin "chasing returns" by seeking out those that "won" last year in anticipation that they will again "win" this year or next year.

To understand this completely let's begin by looking at some investment returns. Let's start generically with the simple process of applying Portformulas patented RAM Score to the S&P 500. It is important to note that one cannot invest directly in the S&P 500 index (as listed in the charts below), but may invest in an S&P 500 no-load mutual fund or ETF. I know this may seem rudimentary, but to begin I just want you to grasp the idea of "acknowledging the trends" and simply repositioning into a Money Market (out of the S&P 500) when indicated by RAM Score. Portformulas takes this process much further (as you'll soon see) but even with this basic application you will see tremendous horsepower from the risk management results.

**#1) RAM Score in correlation to the S&P 500:**




**#2) Repositioning to Money Market when RAM Score posts negative (RED):**



## Money Management Secret #5… Human emotion clouds smart & profitable investment decisions.

The essence of Portformulas is "Formulaic Trending" and so far, I've been focusing the discussion on the "trending" side of things. Now let's turn an eye toward the "formulaic" component and how we apply that concept to investing…

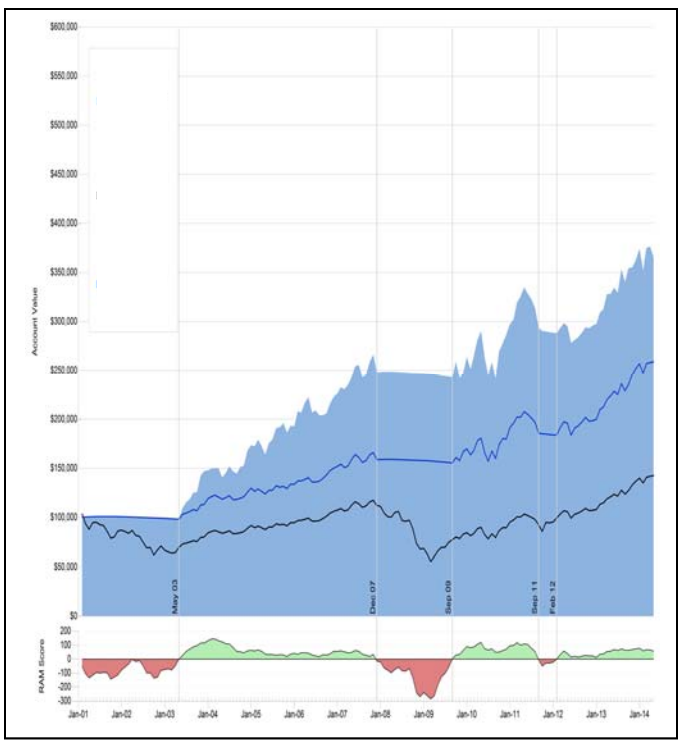
Portformulas provides Formulaic Trending Money Manager® investment solutions, which are quantitative and/or tactical mechanical methodologies and models for investors. Portformulas manages portfolios based upon a collection of one or more specific, step-by-step investment strategy qualification criteria and account rebalancing, as indicated and selected by each investor. This proprietary system is referred to as Portformula® Investment Strategies.

We provide transparency of the automated, step-by-step investment strategy qualification criteria to completely eliminate human emotion from the investment selection process. Thanks to the qualification criteria, each Portformulas strategy will ultimately identify which holdings to own, how long to own them, and when to sell them. You can always identify the specific holdings you own inside your Portformulas Investment Strategy, unlike many traditional money management portfolios

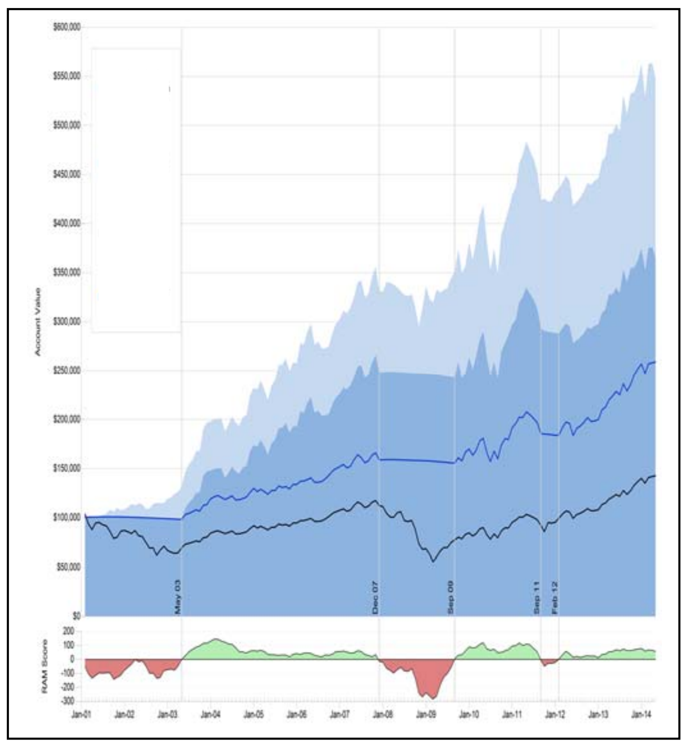
Now for the really exciting stuff… It's time we combine our RAM Score risk management with our Portformulas formulaic money management to give you the full picture.

To eliminate any annual performance bias, the "Portformulas Portfolio" (listed in the charts below) represents an equal-weighting of all our Portformulas Scholar Series w/RAM Score (representing a total of 6 models – please see the attached sample portfolio page for all the proper disclosure and a full detailed description).

**#3) Portformulas formulaic models plus repositioning to a Money Market when RAM Score posts negative (RED)…**
***Sample Portfolio w/RAM Score Park***




**#4) Portformulas formulaic models plus repositioning to a Bond Model when RAM Score posts negative (RED)…**
***Sample Portfolio w/RAM Score Fusion***



In graph #4 above, as you can see, the performance is unusually strong as we apply this logical, business-like and unemotional approach to investing. At this point, most money managers would stop right here… Beat their chest… And then point to their performance charts (over and over again)… Trying to convince you to utilize their money management investment services.

…But I am going to tell you something very different.

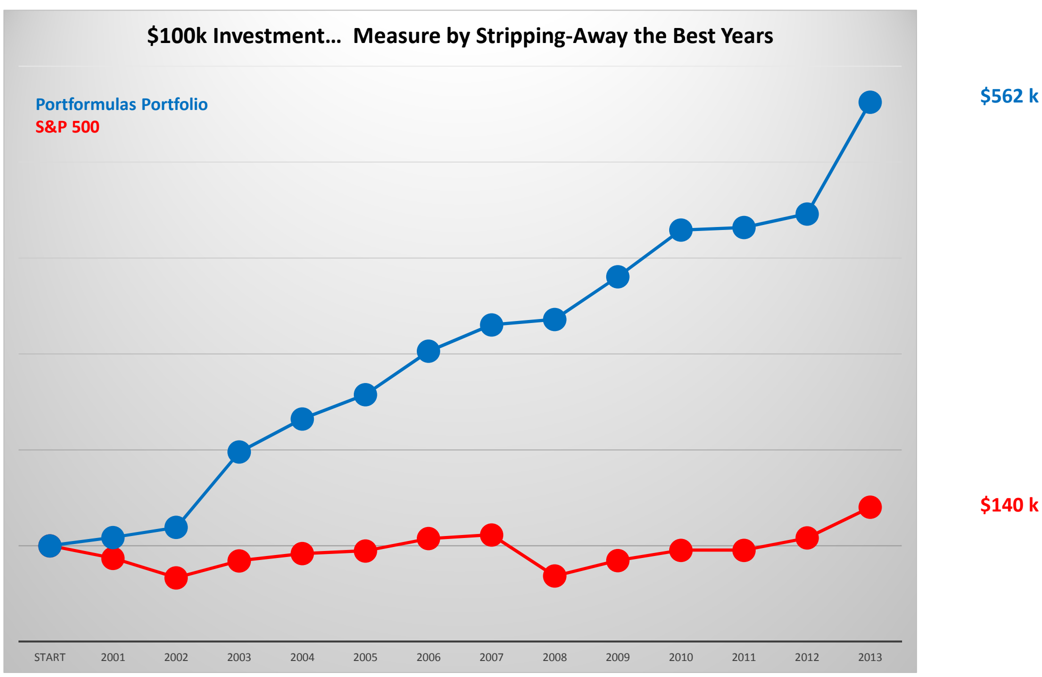
**Money Management Secret #6… Taking away the "best" performance years is the MOST revealing measurement.**

I am going to stop and redirect the conversation away from top-end performance. In fact, I'll go so far as to tell you that I have not yet revealed the most important analysis. The thing that you should do to measure against any and all other investment opportunities. The real way to identify if risk management is just lip service or if it is really delivering true benefit to investors.

Although the charts above are visually helpful, let's now focus on just the annual investment returns. Again, to eliminate any annual performance bias, the "Portformulas Portfolio" (listed in the table below) represents the same equal-weighting of all our Portformulas Scholar Series w/RAM Score Fusion – Labeled as "Portformulas full Performance" (representing a total of 6 models – please see the attached sample portfolio page for all the proper disclosure and a full detailed description).

| $100 k Investment | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | End Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **S&P 500** | -13.03% | -23.37% | 26.39% | 9.00% | 3.01% | 13.65% | 3.55% | -38.50% | 23.45% | 12.78% | 0.00% | 13.41% | 29.60% | $140 k |
| **Portformulas full Portfolio** | 8.51% | 9.75% | 66.12% | 17.37% | 10.93% | 17.55% | 9.11% | 1.68% | 13.27% | 12.77% | 0.64% | 3.27% | 26.12% | $562 k |

Now to create an annual return visual, we plot the annual returns for the S&P 500 benchmark plus the "full performance" of the ***Sample Portfolio w/RAM Score Fusion***. In doing so, the table data (from above) becomes easily depicted in the following chart…



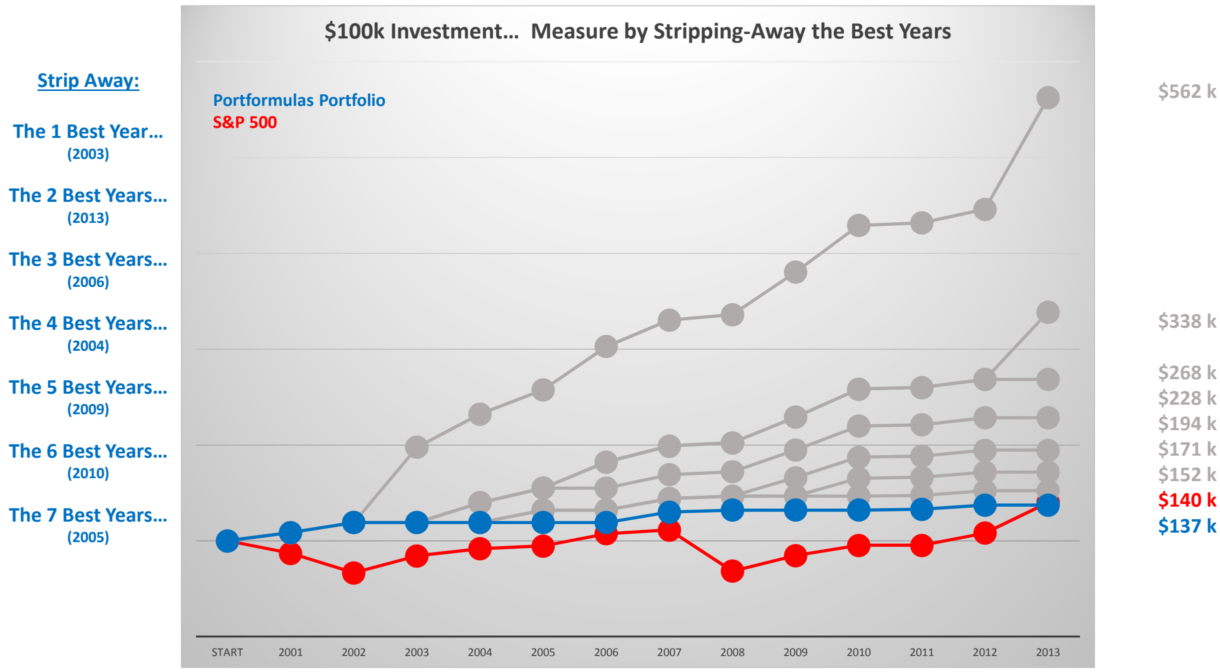
Now the "test" begins…

You see, as I've already said, most money managers will want to beat-their-chest, point to certain top performing years within their overall performance charts – Hoping you won't notice their poor performing years – Then lay claim to why you should engage their services.

And yet I say that the exact opposite is true!

The real challenge for quality risk management investing is to strip-away-the-very-best performance years one-by-one and then see how the remaining lack-luster years fare against the S&P 500 (or whatever their benchmark). Imagine how many money managers, mutual funds, ETFs, hedge funds and various other investments could not withstand that challenge for more than just a year or two!?!?

Time to put Portformulas to the test…




As you can see, from the shaded "stripped-away lines", you would need to strip-away the seven (7) best years out of the last thirteen (13) years in order to diminish or draw-down the Portformulas portfolio to within range of the S&P 500.

Think about that…

You need to remove the 7 best years (not the 7 worst years) and even then I'm sure most investors would choose the "remaining" **BLUE** performance line of Portformulas over the **RED** performance line of the S&P 500.

Now that is true risk management – when you can give up your top 50% performance years and still keep pace with the benchmark!

**Money Management Secret #7… It's not the best years that matter the most, it's the WORST years that cost you the most.**

It's quite telling to illustrate that one would need to strip-away the 7-best performing Portformulas years (in a 13-year timeframe) in order for the S&P 500 to meet or beat the value of our formulaic trending. That's the equivalent of removing the top 50% return years from the hypothetical portfolio just to come within spitting-distance of the S&P 500 over those most recent 13 years!

You see, it's not the best years that matter the most… It's the worst years that cost you the most!

Think of the math behind the graph above. I stripped-away the best 7-years of performance returns and ended up virtually in-line with the S&P 500 performance over the same timeframe. Stop and think how compelling that truly is…

The financial media and financial industry try to get you to focus on their best years and ignore their worst years. Yet I just walked you through the exact opposite exercise. Instead, I cut-away the best years and retained the worst years. Then I asked you to compare the results to the S&P 500.

In fact, here is the actual math behind the previous graph. Notice the yellow-highlights as I strip away each of the corresponding year's performance. Notice the green-highlights as the dollar end values adjust accordingly.

| $100 k Investment | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | End Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **S&P 500** | -13.03% | -23.37% | 26.39% | 9.00% | 3.01% | 13.65% | 3.55% | -38.50% | 23.45% | 12.78% | 0.00% | 13.41% | 29.60% | $140 k |
| **Portformulas full Portfolio** | 8.51% | 9.75% | 66.12% | 17.37% | 10.93% | 17.55% | 9.11% | 1.68% | 13.27% | 12.77% | 0.64% | 3.27% | 26.12% | $562 k |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Portformulas -1 Best Year** | 8.51% | 9.75% | 0.00% | 17.37% | 10.93% | 17.55% | 9.11% | 1.68% | 13.27% | 12.77% | 0.64% | 3.27% | 26.12% | $338 k |
| **Portformulas -2 Best Years** | 8.51% | 9.75% | 0.00% | 17.37% | 10.93% | 17.55% | 9.11% | 1.68% | 13.27% | 12.77% | 0.64% | 3.27% | 0.00% | $268 k |
| **Portformulas -3 Best Years** | 8.51% | 9.75% | 0.00% | 17.37% | 10.93% | 0.00% | 9.11% | 1.68% | 13.27% | 12.77% | 0.64% | 3.27% | 0.00% | $228 k |
| **Portformulas -4 Best Years** | 8.51% | 9.75% | 0.00% | 0.00% | 10.93% | 0.00% | 9.11% | 1.68% | 13.27% | 12.77% | 0.64% | 3.27% | 0.00% | $194 k |
| **Portformulas -5 Best Years** | 8.51% | 9.75% | 0.00% | 0.00% | 10.93% | 0.00% | 9.11% | 1.68% | 0.00% | 12.77% | 0.64% | 3.27% | 0.00% | $171 k |
| **Portformulas -6 Best Years** | 8.51% | 9.75% | 0.00% | 0.00% | 10.93% | 0.00% | 9.11% | 1.68% | 0.00% | 0.00% | 0.64% | 3.27% | 0.00% | $152 k |
| **Portformulas -7 Best Years** | 8.51% | 9.75% | 0.00% | 0.00% | 0.00% | 0.00% | 9.11% | 1.68% | 0.00% | 0.00% | 0.64% | 3.27% | 0.00% | $137 k |

Now look even closer at the last row above titled, "Portformulas less 7-Best Years". What do you notice?

1. Do you notice that there are more years stripped-away and zeroed-out then there are remaining?
2. Do you notice that none of the remaining "worst" years are negative?
3. Do you notice that it only takes the 6 worst Portformulas years to essentially equal the S&P 500 over 13 years?
4. Do you notice that all of the remaining years are single-digit performance, yet they still essentially equaled the S&P 500?
5. Do you notice the most powerful Portformulas year may be 2008, at +1.68% (compared to -38.50% on the S&P 500)?
6. Do you notice that winning or losing to the S&P 500 in any given single year has no bearing on long-term success?
7. Do you notice the danger for investors who chase returns, rather than holding-tight onto risk management done right?
8. Do you notice the modern market's danger when it comes to old-school buy & hold strategies?
9. Do you notice that being a long-term trending investor makes more sense than being a long-term buy & hold investor?
10. Do you notice that you have been waiting far too long without Portformulas in your arsenal of financial tools?

11. Do you notice that you wish you had come across Portformulas years ago?
12. Do you notice that NOW is the time for you to fill-that-gaping-void in your product offerings with Portformulas?

Let that all sink in for a minute… Now doesn't that all just make you go hmmm…?

Couldn't you just be pushed over with a feather right now?

Don't worry almost everyone goes through the exact same realization. My guess is that you have never before contemplated whether you really wish to be a buy & hold advisor vs. a trending advisor. And yet now that you have the data, it's a pretty easy decision – isn't it?

Essentially, a Portformulas advisor is just that. A long-term trending advisor rather than a long-term buy & hold advisor. At the surface it doesn't sound like such a dramatic difference. But once you walk through the mathematics, it becomes hard to argue with the logic (at least that's what I think).

**Money Management Secret #8… Delivering unique value affords you higher fees and more profitable client relationships.**

Did I forget to tell you that all the calculations, returns and performance numbers I shared with you are already "net of all fees"?

And did I forget to tell you that your fee revenue in these calculations was already factored in assuming a full 1.44% annually (one-twelfth monthly) being paid to you as the soliciting advisor? Seriously, reducing yourself to the lowest possible fee simply positions you as another "me-too" commodity that can only compete by working for the least amount of money. That business model doesn't work successfully in any other advice-driven profession and the same holds true for financial services.

People do not want the least paid attorney. They do not want the least paid doctor. Why do some in our industry think the solution to success is to skinny down fees and inadvertently belittle what you deliver as a professional financial advisor?

Well, belittling your professionalism is wrong! And Portformulas is well positioned to fix that problem for you too. Now you will have something that people desperately want and are happy to see you compensated for delivering… Remember, all of my calculations throughout this report were already run less (or net) all fees… Problem solved!

So what is the next step?

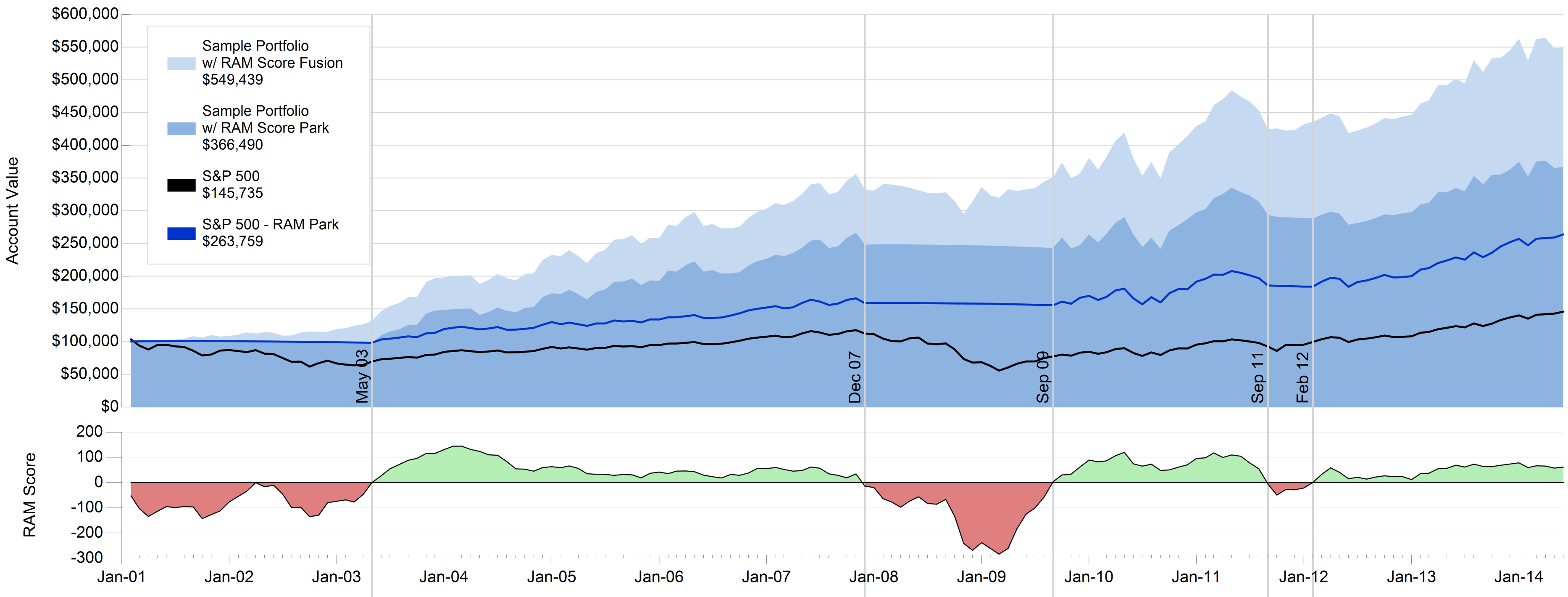
1) Call and speak with one of our Business Development VPs at 888.444.0125 and they will answer any remaining questions and get you heading in the right direction to work with USA Financial Portformulas.
2) Make a reservation for an upcoming Discovery Day… If you qualify, and we have availability, we will treat you to an executive-level visit for an action-packed 1-day event in our facilities. You will learn from our executive and business development teams who will reveal intriguing, proprietary, trademarked and patented programs well beyond what I have shared in this report. It will be a day that many already consider to be a turning point in their careers and businesses.
3) Still not sure? Then visit www.FormulaicTrending.com and use the passcode "secret" to gain full access and snoop around the site with my compliments. And of course you can always visit our main site at www.USAFinancial.net.

That's it. No ridiculous amount of hoops to jump through. No buy-in, or monthly subscription or kit to purchase. Just pick up the phone and let us know you are serious about building your business. Call us now at 888.444.0125.

*Godspeed,*
*Michael D. Walters*
*CEO*

# Value of Formulaic Trending
# 100% Equity Sample

Entire Scholar Series
Equally Weighted
(includes 6 models)




The information above is for illustrative purposes only, including model-blend percentages.

Portformulas was not managing money prior to 2007. Performance calculations for the period 2001 – 2009 are based on model performance, which is the retroactive application of a Portformula's selection criteria to all available stocks during a given time period. Model results do not reflect actual trading, do not reflect Portformulas' monthly, maximum .0045 cent per share buy/sell transaction charge, and assume that no additions or withdrawals have been made since the model's inception. Withdrawals and additions in your account, as well as transaction charges, will result in your performance being different that the performance figures referenced.

In 2010, Portformulas began utilizing time-weighted returns on any model in existence from the beginning of a calendar year. Because Portformulas publishes time-weighted returns, all advertised performance data reflects performance after advisory fees have been deducted. Return data through December 2009 represents price-returns, not total returns. Price returns do not reflect the reinvestment of dividends, interest rate received, or realized capital gains.

RAM Score Fusion did not exist prior to 2011 – RAM Score Fusion's predecessor was RAM Score Drive. The 2010 illustrated performance figures utilize time-weighted returns and because RAM Score Fusion was not available in 2010, in order to provide relevant performance data, we have illustrated RAM Score Drive returns for each strategy. Since the RAM Score tool was not triggered in 2010, each strategy was invested in the market and the underlying holdings were identical, regardless of whether an account elected RAM Score Drive, RAM Score Park, or RAM Score Fusion. We selected RAM Score Drive's performance numbers because both RAM Score Drive and RAM Score Fusion invest in bond holdings or bond portfolios when the strategies are not invested in the market. If RAM Score Fusion or RAM Score Drive had triggered, the holdings and returns for each respective portfolio would have differed. RAM Score Fusion's time-weighted returns began in 2011 – the first full year RAM Score Fusion was in existence.

RAM Score Drive was the precursor to RAM Score Fusion. RAM Score Drive was discontinued beginning September 1, 2011 and is no longer an available feature. Past performance cannot predict future results, and RAM Score Fusion may perform differently than RAM Score Drive. Additionally, due to market volatility, current performance may be higher or lower than the performance shown.

RAM Score Fusion and RAM Score Drive are management tools that utilize Portformulas' patent-pending scoring system. The RAM Score Fusion and RAM Score Drive systems track market and economic indicators and assign a "score" that indicates the likelihood of a downward market trend and when to take a defensive position. If the score is negative, investors' assets are moved out of equities and into a bond fund position.

The blended, sample portfolios invest in both equities and bond positions. Therefore, Portformulas is providing a stock-based index and a corporate-bond index for comparison. Past performance does not guarantee future results and the potential for loss does exist.

**Portformula® Investment Strategy - Exclusively from Portformulas®**