



# The WESPAC Moderate Portfolio

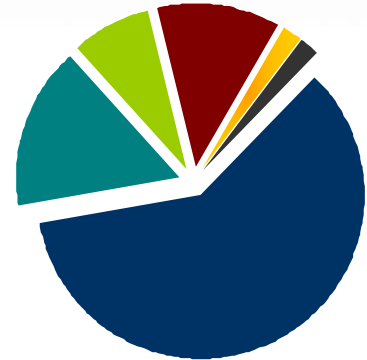
## 40% Equity / 60% Fixed Income



**Objective:** The portfolio seeks to provide current income with the opportunity for capital appreciation through modest participation in the equity market, all while managing risk on the equity side.

**Who should invest?** Investors with a modestly long-term investment horizon (3-5 years).

The makeup of the equity portion of the portfolio relies on the sub-managers, each responding to the market. While the managers employ various risk management techniques, it is not diversified across all equity asset sub-classes, meaning that the portfolio will not at any time consist of a US large cap component, US small cap component, foreign stock component, etc. Therefore, the percentage in foreign vs. domestic or large cap vs. small cap depends on the relative strength of the asset class, as the portfolio combines several investment strategies creating a diversified, pooled investment vehicle designed for investors seeking intelligent, nimble, and responsive solutions for long-term capital appreciation and protection. During normal market conditions, when equity markets trend upwards, the portfolio targets a strategic allocation of 40% equity and 60% fixed income. While the portfolio will never invest more than 40% into equities, the managers have the latitude to raise cash during weak markets to preserve capital.



### 40% The equity portion of the portfolio consists of two segments – 1.) Core Holdings and 2.) Market-Timed

1.) **Core Holdings**, comprising 60% of the overall equity portion of the portfolio, is broken down into thirds, with two-thirds invested a Sector Rotation Strategy and the remaining one-third into the American Independence Fusion fund (AFFSX).

#### AFFSX

Under the guidance of an experienced management team, the Fusion fund blends a proprietary quantitative model with in house research and a 50/50 long-short equity strategy to produce a balanced portfolio of predominantly mid and large cap stocks that should perform well in a variety of market conditions. The Fusion portfolio is highly concentrated, with holdings typically comprised of around 20 of the team's best long ideas offset by their approximately 20 top short picks. Through monthly rebalancing of the fund and real time monitoring of performance the portfolio managers ensure Fusion's holdings are appropriate for the current market environment and carefully manage risk exposure. With roots in the hedge fund and distressed spaces, the portfolio management team brings their unique alternative experience to the mutual fund world via the Fusion Fund.

#### SECTOR ROTATION STRATEGY

The Sector Rotation Strategy equally weights across those sectors exhibiting the most relative strength versus the broad market. This portion pinpoints outperforming areas of the market, giving the entire portfolio more freedom to manage risk or engage in opportunities.

2.) **Market-Timed** makes up the remaining 40% of the equity portion of the portfolio.

#### CORE EQUITY

When the Core Equity model is on "buy" signal, it will use technical analysis to identify the strongest sectors in market. The manager then uses fundamental and technical analysis to select those 15 stocks combining the most attractive valuation/financial metrics and the strongest price action. During "sell" signals, the model liquidates the entire portfolio and holds assets in cash during unfavorable market times. Only a "buy" signal reinvests the portfolio assets into equities.

#### SPECIAL SITUATIONS

"Special situations," would generally, but not exclusively, be defined as opportunities in the currency or commodity sector. The manager may use exchange traded funds (ETF's) to gain exposure in these areas.

#### CASH

Lastly, roughly 5% of the equity portion of the portfolio will be maintained in cash for liquidity purposes and to dampen volatility.

### 60% Fixed Income

#### TREASURY BILLS, NOTES, BONDS

The fixed income portion will remain at a static 60% of the overall portfolio. Currently, the portfolio consists entirely of an active treasury management strategy through American Independent Financial Services. The portfolio is comprised primarily of cash, U.S Treasury Bills, Notes, and Bonds. The manager utilizes a quantitative, proprietary model to assess the economy and its impacts on U.S. Treasury rates on a monthly basis. In addition to this assessment, the manager takes into account inflationary expectations and investor psychology to forecast an interest rate outlook, which then becomes the basis for positioning the overall duration\* of the portfolio. Exclusively trading securities guaranteed by the US Treasury allows this portfolio to operate with a very low risk factor.



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Fund Expense: 1.11%

CUSIP: 410230802

Share Class: R2

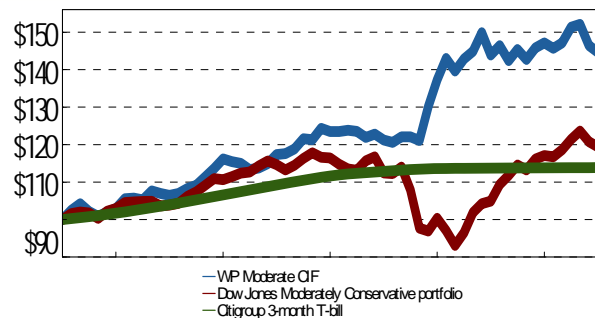
**Investment Summary:** For many years, the financial services community has recognized that investors often do better in “managed portfolio” solutions rather than being left to their own devices to build a portfolio of mutual funds. While this is true, one of the weaknesses of these managed products is that for the most part, all of them engage in a fundamental, “buy and hold” investment strategy ignores possible broad economic or financial market weakness that can severely damage share prices. Indeed, one of the biggest challenges for investors in growing a nest egg is how to make up large capital losses, especially for those closer to retirement.

Technical analysis is a broad term that refers to various ways of measuring and quantifying supply and demand for securities in the financial markets. Like other forms of investment strategy and analysis, it is not full proof, but it does introduce an element into the WESPAC investment methodology that most firms do not use. By design, the WESPAC Moderate Portfolio incorporates a number of technical screens into its investment process for the expressed purpose of identifying the strongest opportunities while avoiding market weakness to the extent possible. While there will always be a segment of the equity portion of the portfolio that will remain fully invested, the managers retain the flexibility to have up to 60% of the equity portion in cash as a defensive measure to preserve capital in weak or unfavorable markets.

## WESPAC Moderate Portfolio Historical Returns

As of Jun 30, 2010	YTD	1yr	3yr	5yr
WP Moderate	-1.72	0.50	7.21	7.66
DJ Mod Cons Portfolio	1.97	13.77	1.36	3.60
Citi T-Bill 3 Month	0.05	0.12	1.40	2.63

## Hypothetical Growth of \$100



*The WESPAC Portfolios are Collective Investment Funds (CIF's) created by the Hand Composite Employee Benefit Trust and administered by Hand Benefits & Trust Company, the trustee. Fusion Asset Management, LLC is the advisor to the fund. The CIF is not a mutual fund. Its shares are not deposits of Hand Benefits & Trust Company or Fusion Asset Management, LLC, and are not insured by the Federal Deposit Insurance Corporation or any other agency. The CIF is a security which has not been registered under the Securities Act of 1933 and is exempt from investment company registration under the Investment Act of 1940. Actual performance data for the WESPAC Portfolios only dates back to June 1, 2009. Performance data quoted prior to that represents back-tested performance of an investment model built by Fusion Asset Management, LLC. These models were designed with the benefit of hindsight and their returns do not represent the results of actual trading. The performance figures may not reflect the impact that material economic and market factors might have had on Fusion's decision-making if Fusion had actually managed clients' money during the time periods shown. The performance quoted here does not guarantee future results. As market conditions fluctuate, the investment return and principal value of any investment will change. Diversification may not protect against market risk. There are risks involved with investing, including possible loss of principal. Before investing in any investment portfolio, the client and the financial professional should carefully consider client investment objectives, time horizon, risk tolerance, and fees.*