INVESTMENT PHILOSOPHY & APPROACH

Allgen

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INVESTMENT PHILOSOPHY

We seek long-term capital appreciation and asset protection in down markets.

RISK MANAGEMENT

We **manage risk first** in order to avoid any major loss. The primary enemy of a portfolio's success is excessive losses. Heavy portfolio downswings will wipe out the strongest of positive returns. For example, if you gain 100% in one year and then lose 60% the following year, you are actually down 20% for the two years.

SUPERIOR RETURNS

We seek to outperform your risk profile benchmark over an entire market cycle (Bull and Bear Market) net of fees.

DYNAMIC INVESTMENT MANAGEMENT

Economies go through various cycles, particularly times of expansion (growth) and times of stagnation (consolidation). History has shown that there is not one type of portfolio composition that performs well in all economic conditions (i.e. expansion, contraction, rising or falling interest rates, inflation, deflation, rising or falling unemployment, etc). As such, we manage portfolios proactively considering:

1. Economic and market environments
2. Required performance
3. Time horizon
4. Risk profile

Such considerations require constant adjustment in order to ensure optimized holdings for given economic factors.

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Our approach to Investment Management is advantageous in regards to our **Superior Investment Selection Process**, **Asset Allocation**, and **Strategic Rebalancing**.

A. SUPERIOR INVESTMENT SELECTION PROCESS

Allgen puts thousands of hours a year into investment research. We attempt to invest in equities (both stock and bond) that historically have the highest long-term net return with lowest amount of risk or volatility. Below are some of the main bullet points of our screening criteria—we use additional criteria, but we aren't going to give away all of our secrets:

MUTUAL FUNDS

- Start with a database of over 15,000 mutual funds
- Screen 18 stock categories and 17 bond categories
- Low Beta, High Alpha (low volatility, steady returns)
- Experienced fund managers with proven record of managing risk during tough times (bear markets), but still do well during bull markets
- Reasonable management fee
- Consistent proven strategies

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STOCKS

CORE HOLDINGS

- Strong balance sheet, leader in their field, serviceable debt ratios and able to survive the bad times
- High integrity, competent, shareholder-oriented management team that owns significant amounts of stock in company
- Consistently improving cash flow
- Consistent history of increasing dividends
- Strong returns on invested capital (reinvest in business, buy back stock and synergistic/accretive acquisitions)

CYCLICAL / SPECULATIVE HOLDINGS

- Emerging areas of growth
- Contrarian turn-around stories, usually have a beaten down stock price
- Improving fundamentals
- Strong balance sheet, serviceable debt ratios and able to survive the bad time

B. ASSET ALLOCATION

Allgen has the ability to buy mutual funds, stocks, bonds, Exchange Traded Funds (ETF's) and Close End Funds (CEF's). We invest in both **domestic** and **foreign** equity securities and debt securities. We can buy companies of any size market capitalization. Literally, the investment universe is available to us.

We use a Core and Explore strategy to gain consistent long-term returns while managing risk.

CORE & EXPLORE APPROACH

CORE (BULK OF THE PORTFOLIO)

Well-diversified holdings of all major asset classes. Percentage of stocks and bonds would depend on the client's risk profile.

STOCKS

- Large, mid, small, size companies both domestic and international
- Value, Core and Growth

BONDS

- Short, intermediate and long term durations of U.S. government, corporate, mortgage, asset-backed, international, emerging, muni, etc.

EXPLORE (SMALL PORTION OF PORTFOLIO)

Attempts to add to returns in a strong market and protect account during weak market.

STRONG MARKET

Focuses on strongest sectors to gain extra returns

WEAK MARKET

Focuses on safe havens in order to preserve wealth

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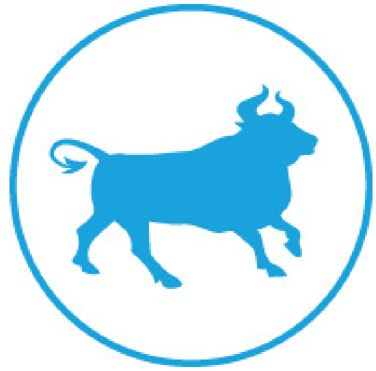
C. STRATEGIC REBALANCE

We periodically rebalance your portfolios to keep them in line with your risk profile and investment objective.

STRONG MARKET



Your stock holdings usually go up greater than your bond holdings. In this scenario we would sell off some of the stocks and use the proceeds to buy into the bond funds therefore lowering the risk of the overall portfolio.

WEAK MARKET

Your stock holdings usually go down greater than your bond holdings. In this scenario we would sell off some of the bonds and use the proceeds to buy into the stock funds. This usually results in selling a portion of the bonds when their price is high and buying a portion of stocks when they are low.

SECTOR & COMPANY SIZE REBALANCING

Over time certain stock sectors, market caps and types of bonds will outperform and underperform. Rebalancing overtime helps you to sell a portion of the outperforming areas that are high and buy into the underperforming areas that are low. Effectively this helps you to buy low and sell high in the long run.

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