A stylized logo consisting of a lowercase 'f' in a serif font, with a superscript '2' to its upper right. The background features a grid of curved lines that resemble a globe's latitude and longitude lines.

**F–Squared Investments, Inc.**

*Thought Leadership. Cost Leadership.™*

Custom Replication Solutions for  
Retirement Investors

# F-Squared Custom Replication benefits

## ***F-Squared 's proprietary Customized Replication provides Consultants and DC Plan investors:***

- ◆ Access to the performance of world class managers at below market minimums
  - Fully integrated, multi-manager portfolios
  - Open architecture platform
- ◆ Ability to add and change managers within a single portfolio allowing more flexibility to implementing updates and enhancing performance
  - Selection of a portfolio of any publicly listed domestic equity mutual fund (including funds closed to new investments)
  - Plan participants are not required to update and realign the portfolio.
  - Optimal diversification of process and managers allows for added downside protection
- ◆ Superior compliance and risk controls
  - Transparency of holdings
  - Internal control of operations including compliance, custody, trading and valuation
- ◆ Fees are well below industry averages; no layering of fees

# F-Squared Investments delivers non-traditional solutions designed to provide improved return reliability at a lower cost

- ◆ F-Squared is an investment management firm and a registered investment adviser
- ◆ Enabling technology, Portfolio Replication Technology (PoRT™), allows “cloning” of portfolios of virtually any equity mutual fund
  - Cloning process replicates securities within funds, not the expense ratio
- ◆ Innovative business model delivers three benefits not previously seen together in the industry
  - Low cost manufacturer for active investment solutions
  - Unlimited investment options
    - Multiple investment solutions, open architecture platform
    - Includes access to portfolios that may be currently restricted or closed
  - Customization capabilities – Low cost customization, short delivery cycles
- ◆ Applications include:
  - Replication of existing portfolio with reduced cost
  - Custom design of multi-manager, multi-asset class investment solutions
  - Downside risk management
  - Construction of portfolio for shorting or hedging
  - Sub-advisory

# F-Squared's product solutions address client needs within both the institutional and advisor-sold markets

## Portfolio Replication Solutions

### Pre-Packaged Options (AlphaCycle™ Strategies)<sup>1</sup>

#### **Large Cap:**

- ◆ Value, Core, Growth

#### **Mid Cap:**

- ◆ Value, Core, Growth

#### **Small Cap:**

- ◆ Value, Core, Growth

#### **Sector:**

- ◆ Financials, Health Care, Natural Resources, Real Estate, Technology and Utilities

### Custom Replication Solutions

- ◆ Client or consultant can custom design portfolio
  - ◆ Manager selection; asset class; weightings
- ◆ Unrestricted access to top rated managers
- ◆ No restrictions on buys or sells
- ◆ Complete transparency and operational control

## AlphaSector Solutions

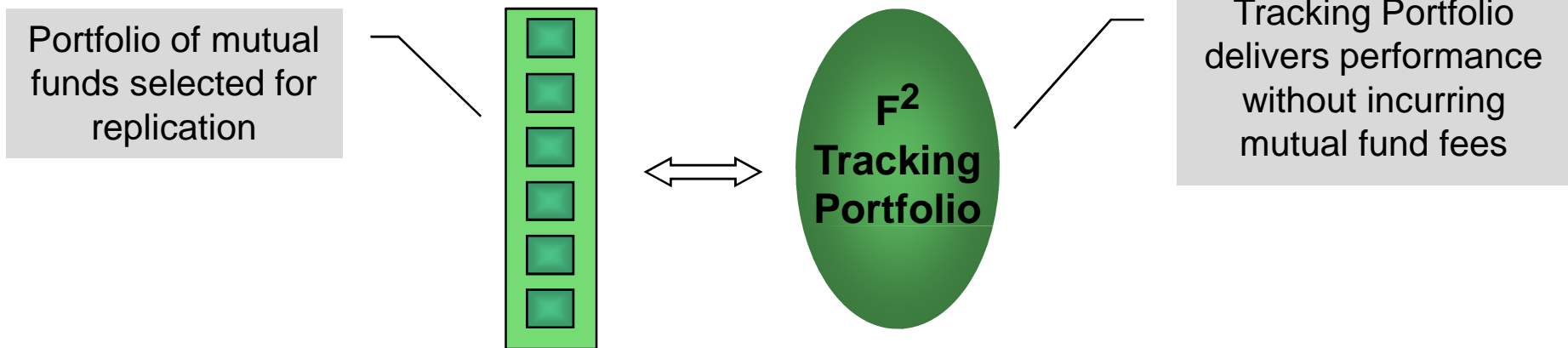
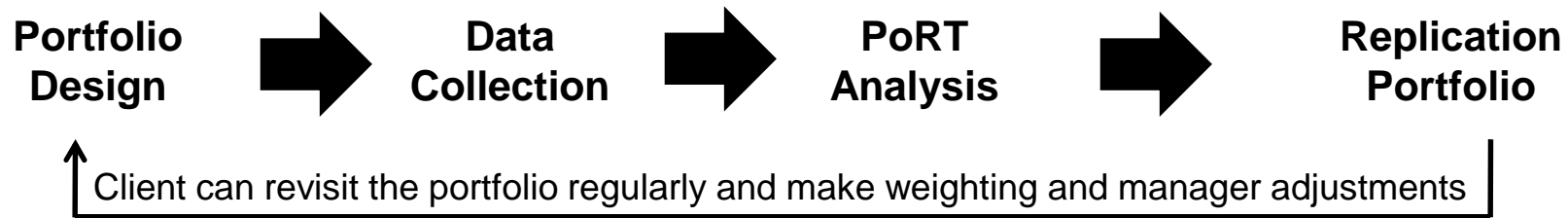
### AlphaSector™ (ASRX)<sup>2</sup> AlphaSector Premium

- ◆ Investments in ETFs tracking sectors of S&P500 plus short-term Treasuries
- ◆ Track record of high alpha, low beta, low R<sup>2</sup>
- ◆ Long only strategy; no leverage or derivatives
- ◆ ASRX rebalances monthly, Premium rebalances weekly

<sup>1</sup>ALPHACYCLE INDEXES ARE PUBLISHED BY NYSE ARCA

<sup>2</sup>ALPHASECTOR INDEXES ARE PUBLISHED BY NASDAQ OMX

# Customized Replication solutions: flexibility, custom design, low cost, and potential for improved persistency of alpha



## Portfolio Design

- ◆ Client or consultant can custom design portfolio
  - Manager selection (small portfolio of managers or indexes)
  - Asset class
  - Weightings
- ◆ Portfolios can be designed to meet various objectives
  - Alpha maximization
  - Downside risk
  - Persistency of performance

## PoRT Analysis/Replication

- ◆ Algorithm development began in 1999
- ◆ Generates a portfolio of holdings/weights that best explain the return patterns of the portfolio of funds selected
- ◆ Only uses publically available information
  - SEC filings
  - Mutual fund daily NAVs

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Some of the returns presented reflect hypothetical performance an investor would have obtained had it invested in the manner shown and does not represent returns that an investor actually attained. Hypothetical backtested performance has many inherent limitations. The hypothetical performance is adjusted to reflect the reinvestment of dividends. The fee schedule and anticipated expenses are included in the client agreement. F-Squared’s fees are available upon request and also may be found in Part II of its Form ADV. Past performance is no guarantee of future results.

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<sup>1</sup>Morningstar Direct, NASDAQ OMX, New York Stock Exchange ARCA, Standard and Poors, Inc.

<sup>2</sup>New York Stock Exchange ARCA, Morningstar Direct

<sup>3</sup>F-Squared Investments proprietary research and analysis

<sup>4</sup>“The Difficulty of Selecting Superior Mutual Fund Performance”, Thomas P. McGulgan, *Journal of Financial Planning*, 2/2006.