

Strategic World Equity

(target of 50% US equity and 50% non-US equity)

RAYLOR

Quarter ended December 31, 2011

A Raylor Investments portfolio report

Commentary

Global equity markets bounced back from an abysmal third quarter, with the MSCI World Index up 7.7% in the fourth. Despite this bounce, 2011 finished in negative territory (MSCI World -5%). European markets followed this lead, posting healthy quarterly gains (Europe ex-UK +3.5%, UK +9.1%) while closing out losing years (-14.5% and -2.5% respectively). Emerging markets continued a roller coaster ride, up 4.4% for the quarter but falling 18.2% for the year. Japan finished a forgettable 2011 down 14.2%. The US enjoyed strong returns with the S&P 500 gaining 11.8% for the quarter, eking out a +2.1% return for the year.

Insights - Proactive Contingency Planning

Our observations this year underscore highly visible deficits in our global community, both in tangible fiscal form and in less tangible shortfalls of trust, leadership and even hope. In order for investors and advisors to undertake a serious self evaluation in this unsettled context, they must have the courage to perform rigorous contingency planning. One inescapable question is "are we prepared for potentially severe socioeconomic turmoil given debt levels, deficits and demographic trends?" As much as we prefer not to acknowledge that economic and historical evidence suggests such a scenario is quite possible, the hard work of confronting traditional assumptions and recalibrating priorities is required like never before.

Investment approach

On a daily basis, we analyze over 1,000 ETFs, considering price, volatility, correlations, underlying turnover, fee reasonableness, liquidity and index construct. For each Strategic Series product, we establish a Guiding Portfolio that anchors the allocation process to desired asset categories, countries or regions. For *Strategic World Equity*, the Guiding Portfolio consists of approximately 50% US and 50% non-US equity exposures. We then construct the portfolio applying a process that dynamically evaluates return, volatility and correlations across a universe of qualified ETFs. The result is a Target Portfolio that is our best defensive expression of the Guiding Portfolio. The allocation is run quarterly for rebalancing.

Portfolio characteristics (as of December 31, 2011)*

Assets in this strategy	\$10,675,000
Assets in Strategic Series	\$30,503,000
Total Raylor assets	\$217,318,000
Portfolio holdings	15 ETFs
Rebalancing percentage	51.0%
Raylor annual management fee	0.30%

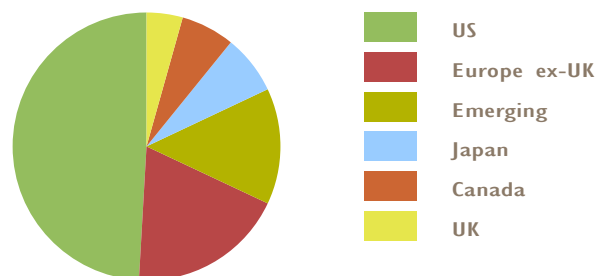
* Total assets include discretionary (Raylor) & non-discretionary (RayLign) assets under management; representative account is used to calculate (1) portfolio holdings, and (2) rebalancing percentage: larger of aggregate rebalancing purchases or sales over trailing 4 quarters, expressed as % of portfolio; accompanying pie charts based on assignments made for each ETF to country/region & sectors according to sources believed reliable; bar chart represents gross returns for portfolio holdings for time periods indicated.

Performance (percent return net of fees)

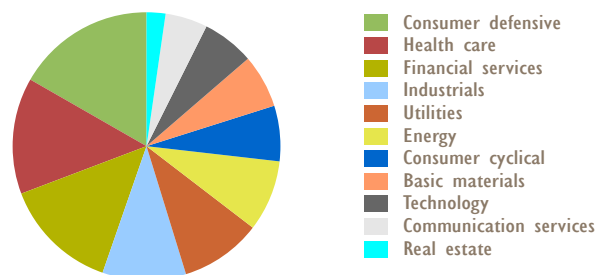
	Q4	1 yr	3 yr	5 yr	Life	10 yr
World Equity[†]	7.5	-3.8	10.9	-1.1	2.3	—
Indices						
MSCI World	7.7	-5.0	11.7	-1.8	1.6	4.2
S&P 500	11.8	2.1	14.1	-0.3	2.3	2.9
Russell 1000 Value	13.1	0.4	11.5	-2.6	1.1	3.9
Russell 1000 Growth	7.8	0.5	17.2	2.1	3.2	2.4
Russell 2000	15.5	-4.2	15.6	0.2	3.0	5.6
MSCI UK	9.1	-2.5	15.0	-3.2	1.8	4.8
MSCI Europe ex-UK	3.5	-14.5	5.5	-5.4	0.5	4.9
MSCI Japan	-3.9	-14.2	1.8	-6.4	-4.4	3.1
MSCI Emerg Mkts	4.4	-18.2	20.4	2.7	7.2	14.2
Barclays Bond Agg	1.1	7.9	5.8	5.9	5.7	5.5

[†] Portfolio performance information shown on pro forma net basis reflecting deduction of quarterly advisory fees calculated at .30% per annum. Performance information for Strategic World Equity portfolio based on: (i) invested portion of initial account for period January 1, 2006 to June 30, 2006; and (ii) composite of all fully invested portfolio accounts for period from and after July 1, 2006. "Life" refers to period from and after January 1, 2006 for all series. Returns annualized for periods longer than one year. Dividends/income builds cash holdings, used for ETF purchases during quarterly rebalancing; "fully invested" refers to accounts with at least 90% invested in accordance with applicable portfolio strategy.

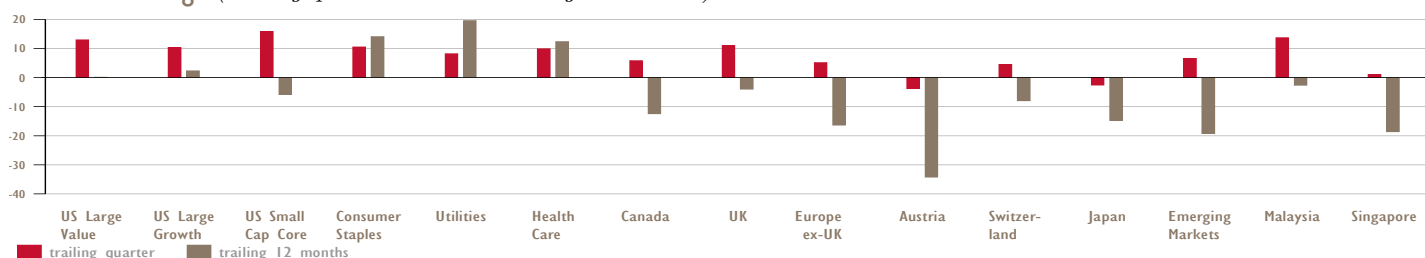
Holdings by Country/Region



Holdings by Sector



Portfolio holdings (trailing quarter and 12 months gross returns)



Strategic US Equity

(target of 100% US equity)

RAYLOR

Quarter ended December 31, 2011

A Raylor Investments portfolio report

Commentary

US equity markets reversed course from a fearsome third quarter, with the S&P 500 gaining 11.8% in the fourth. The gains pushed full year 2011 returns into positive territory (S&P 500 +2.1%), unlike most other developed markets. All 10 S&P sectors enjoyed a positive quarter, with Energy (+18.2%), Industrials (+16.5%) and Materials (+15.4%) all returning more than 15%. For the year, Utilities (+20.0%) and Consumer Staples (+14.0%) were clear leaders while Financials (-17.1%) and Materials (-9.8%) lagged. Small caps and value stocks enjoyed a stronger Q4, but larger caps and growth performed better over the course of the full year.

Insights - Proactive Contingency Planning

Our observations this year underscore highly visible deficits in our global community, both in tangible fiscal form and in less tangible shortfalls of trust, leadership and even hope. In order for investors and advisors to undertake a serious self evaluation in this unsettled context, they must have the courage to perform rigorous contingency planning. One inescapable question is "are we prepared for potentially severe socioeconomic turmoil given debt levels, deficits and demographic trends?" As much as we prefer not to acknowledge that economic and historical evidence suggests such a scenario is quite possible, the hard work of confronting traditional assumptions and recalibrating priorities is required like never before.

Investment approach

On a daily basis, we analyze over 1,000 ETFs, considering price, volatility, correlations, underlying turnover, fee reasonableness, liquidity and index construct. For each Strategic Series product, we establish a Guiding Portfolio that anchors the allocation process to desired asset categories, countries or regions. For Strategic US Equity, the Guiding Portfolio is based on a 100% US equity exposure. We then construct the portfolio applying a process that dynamically evaluates return, volatility and correlations across a universe of qualified ETFs. The result is a Target Portfolio that is our best defensive expression of the Guiding Portfolio. The allocation is run quarterly for rebalancing.

Portfolio characteristics (as of December 31, 2011)*

Assets in this strategy	\$781,000
Assets in Strategic Series	\$30,503,000
Total Raylor assets	\$217,318,000
Portfolio holdings	10 ETFs
Rebalancing percentage	5.9%
Raylor annual management fee	0.30%

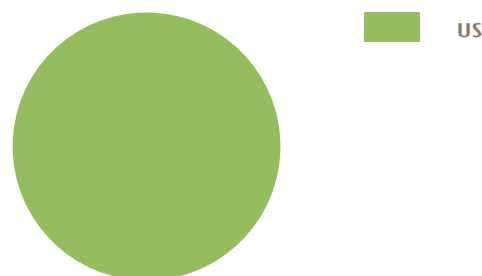
* Total assets include discretionary (Raylor) & non-discretionary (RayLign) assets under management; representative account is used to calculate (1) portfolio holdings, and (2) rebalancing percentage: larger of aggregate rebalancing purchases or sales over trailing 4 quarters, expressed as % of portfolio; accompanying pie charts based on assignments made for each ETF to country/region & sectors according to sources believed reliable; bar chart represents gross returns for portfolio holdings for time periods indicated.

Performance (percent return net of fees)

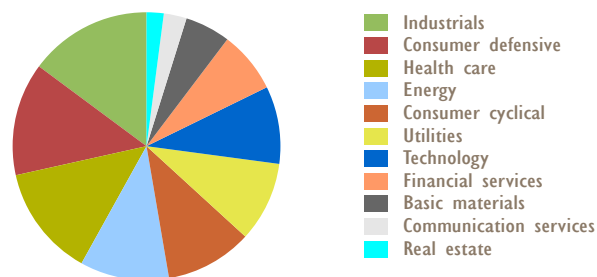
	Q4	1 yr	3 yr	5 yr	Life	10 yr
US Equity†	12.0	3.2	13.9	0.8	3.4	—
Indices						
S&P 500	11.8	2.1	14.1	-0.3	2.3	2.9
Russell 1000 Value	13.1	0.4	11.5	-2.6	1.1	3.9
Russell 1000 Growth	7.8	0.5	17.2	2.1	3.2	2.4
Russell 2000	15.5	-4.2	15.6	0.2	3.0	5.6
MSCI World	7.7	-5.0	11.7	-1.8	1.6	4.2
MSCI UK	9.1	-2.5	15.0	-3.2	1.8	4.8
MSCI Europe ex-UK	3.5	-14.5	5.5	-5.4	0.5	4.9
MSCI Japan	-3.9	-14.2	1.8	-6.4	-4.4	3.1
MSCI Emerg Mkts	4.4	-18.2	20.4	2.7	7.2	14.2
Barclays Bond Agg	1.1	7.9	5.8	5.9	5.7	5.5

† Portfolio performance information shown on pro forma net basis reflecting deduction of quarterly advisory fees calculated at .30% per annum. Performance information for Strategic US Equity portfolio based on: (i) invested portion of the initial account for period January 1, 2006 to June 30, 2006; and (ii) composite of all fully invested portfolio accounts, for period from and after July 1, 2006. "Life" refers to period from and after January 1, 2006 for all series. Returns annualized for periods longer than one year. Dividends/income builds cash holdings, used for ETF purchases during quarterly rebalancing; "fully invested" refers to accounts with at least 90% invested in accordance with applicable portfolio strategy.

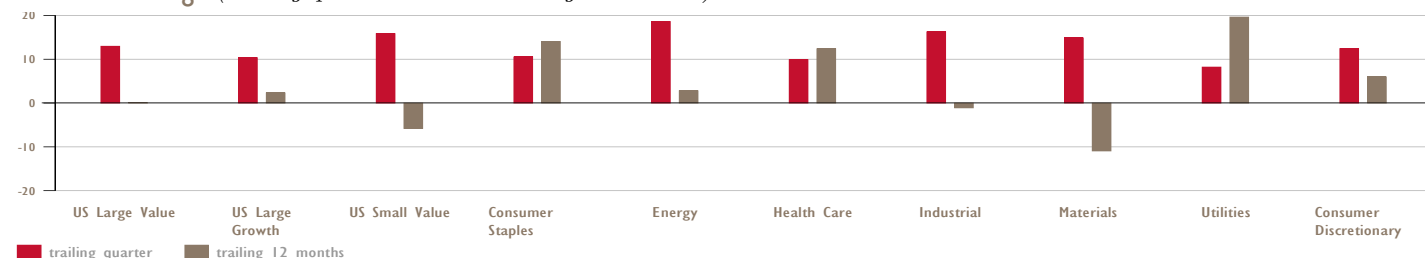
Holdings by Country/Region



Holdings by Sector



Portfolio holdings (trailing quarter and 12 months gross returns)



Strategic World Opportunity

RAYLOR

(target of 100% world equity with no country greater than 10%)

Quarter ended December 31, 2011

A Raylor Investments portfolio report

Commentary

Global equity markets bounced back from an abysmal third quarter, with the MSCI World Index up 7.7% in the fourth. Despite this bounce, 2011 finished in negative territory (MSCI World -5%). European markets followed this lead, posting healthy quarterly gains (Europe ex-UK +3.5%, UK +9.1%) while closing out losing years (-14.5% and -2.5% respectively). Emerging markets continued a roller coaster ride, up 4.4% for the quarter but falling 18.2% for the year. Japan finished a forgettable 2011 down 14.2%. The US enjoyed strong returns with the S&P 500 gaining 11.8% for the quarter, eking out a +2.1% return for the year.

Insights - Proactive Contingency Planning

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Investment approach

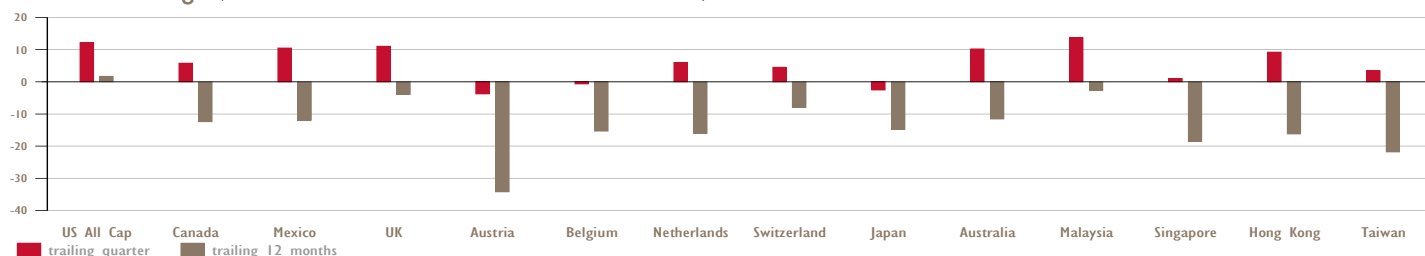
On a daily basis, we analyze over 1,000 ETFs, considering price, volatility, correlations, underlying turnover, fee reasonableness, liquidity and index construct. For each Strategic Series product, we establish a Guiding Portfolio that anchors the allocation process to desired asset categories, countries or regions. For Strategic World Opportunity, this entails a 100% world equity exposure, 10% max US allocation and volatility-referenced caps for other regions/countries. We then construct the portfolio applying a process that dynamically evaluates return, volatility and correlations across a universe of qualified ETFs. The result is a Target Portfolio that is our best defensive expression of the Guiding Portfolio. The allocation is run quarterly for rebalancing.

Portfolio characteristics (as of December 31, 2011)*

Assets in this strategy	\$5,255,000
Assets in Strategic Series	\$30,503,000
Total Raylor assets	\$217,318,000
Portfolio holdings	14 ETFs
Rebalancing percentage	20.3%
Raylor annual management fee	0.30%

* Total assets include discretionary (Raylor) & non-discretionary (RayLign) assets under management; representative account is used to calculate (1) portfolio holdings, and (2) rebalancing percentage: larger of aggregate rebalancing purchases or sales over trailing 4 quarters, expressed as % of portfolio; accompanying pie charts based on assignments made for each ETF to country/region & sectors according to sources believed reliable; bar chart represents gross returns for portfolio holdings for time periods indicated.

Portfolio holdings (trailing quarter and 12 months gross returns)



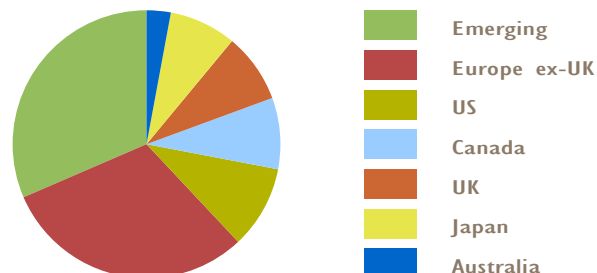
Performance (percent return net of fees)

	Q4	1 yr	3 yr	5 yr	Life	10 yr
World Opportunity†	5.1	-13.1	12.0	-1.0	-1.0	—
Indices						
90/10 Equity Blend‡	4.6	-11.8	11.5	-2.2	-2.2	6.4
MSCI All Country ex-US	3.8	-13.3	11.2	-2.5	-2.5	6.8
S&P 500	11.8	2.1	14.1	-0.3	-0.3	2.9
Russell 1000 Value	13.1	0.4	11.5	-2.6	-2.6	3.9
Russell 1000 Growth	7.8	0.5	17.2	2.1	2.1	2.4
Russell 2000	15.5	-4.2	15.6	0.2	0.2	5.6
MSCI UK	9.1	-2.5	15.0	-3.2	-3.2	4.8
MSCI Europe ex-UK	3.5	-14.5	5.5	-5.4	-5.4	4.9
MSCI Japan	-3.9	-14.2	1.8	-6.4	-6.4	3.1
MSCI Emerg Mkts	4.4	-18.2	20.4	2.7	2.7	14.2
Barclays Bond Agg	1.1	7.9	5.8	5.9	5.9	5.5

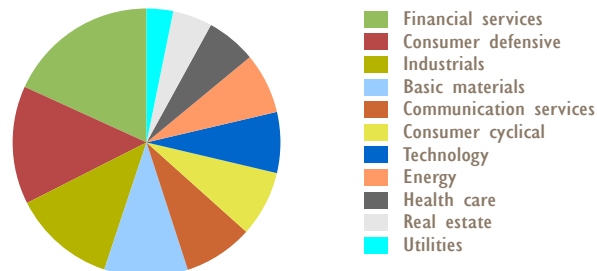
† Portfolio performance information shown on pro forma net basis reflecting deduction of quarterly advisory fees calculated at .30% per annum. Performance information for Strategic World Opportunity portfolio based on: (i) a single fully invested account for period January 1, 2007 to December 31, 2007; and (ii) composite of all fully invested portfolio accounts, for period from and after January 1, 2008. "Life" refers to period from and after January 1, 2007 for all series. Returns annualized for periods longer than one year. Dividends/income builds cash holdings, used for ETF purchases during quarterly rebalancing; "fully invested" refers to accounts with at least 90% invested in accordance with applicable portfolio strategy.

‡ 90/10 equity blend is a combination of 90% MSCI All Country ex US and 10% S&P 500

Holdings by Country/Region



Holdings by Sector



Strategic World Income

RAYLOR

(target of 60% income-oriented world equity and 40% US fixed income)

Quarter ended December 31, 2011

A Raylor Investments portfolio report

Commentary

Fixed income finished 2011 strongly, with most bond sectors up for the quarter. Investors reached for yield in Q4, led by High Yield (+6.5%). Additionally, TIPS (+2.7%), Barclays Aggregate (+1.1%) and Treasuries (+0.9%) all enjoyed a positive quarter. For the year, TIPS lead the way with a return of 13.6%, followed by Munis (+10.7%) and Treasuries (+9.8%). Global equities enjoyed a positive bounce after a dismal Q3. The US led the way, with the S&P 500 gaining 11.8% in Q4. Although broader developed markets rose on the quarter (MSCI World +7.7%), many ended 2011 in the red, with Europe ex-UK down 14.5% and emerging markets down 18.2%.

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Our observations this year underscore highly visible deficits in our global community, both in tangible fiscal form and in less tangible shortfalls of trust, leadership and even hope. In order for investors and advisors to undertake a serious self evaluation in this unsettled context, they must have the courage to perform rigorous contingency planning. One inescapable question is "are we prepared for potentially severe socioeconomic turmoil given debt levels, deficits and demographic trends?" As much as we prefer not to acknowledge that economic and historical evidence suggests such a scenario is quite possible, the hard work of confronting traditional assumptions and recalibrating priorities is required like never before.

Investment approach

On a daily basis, we analyze over 1,000 ETFs, considering price, volatility, correlations, underlying turnover, fee reasonableness, liquidity and index construct. For each Strategic Series product, we establish a Guiding Portfolio that anchors the allocation process to desired asset categories, countries or regions. For Strategic World Income, the Guiding Portfolio is based on approximately 60% world equity and 40% US fixed income exposures. We then construct the portfolio applying a process that dynamically evaluates return, volatility and correlations across a universe of qualified ETFs. The result is a Target Portfolio that is our best defensive expression of the Guiding Portfolio. The allocation is run quarterly for rebalancing.

Portfolio characteristics (as of December 31, 2011)*

Assets in this strategy	\$13,792,000
Assets in Strategic Series	\$30,503,000
Total Raylor assets	\$217,318,000
Portfolio holdings	15 ETFs
Rebalancing percentage	7.1%
Raylor annual management fee	0.30%

* Total assets include discretionary (Raylor) & non-discretionary (RayLign) assets under management; representative account is used to calculate (1) portfolio holdings, and (2) rebalancing percentage: larger of aggregate rebalancing purchases or sales over trailing 4 quarters, expressed as % of portfolio; accompanying pie charts based on assignments made for each ETF to country/region & sectors according to sources believed reliable; bar chart represents gross returns for portfolio holdings for time periods indicated.

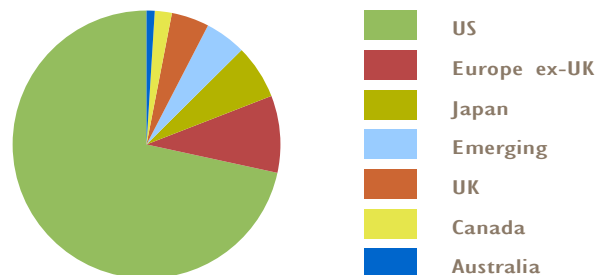
Performance (percent return net of fees)

	Q4	1 yr	3 yr	5 yr	Life	10 yr
World Income[†]	5.2	0.6	8.0	1.0	2.8	—
Indices						
60/40 Blend [‡]	5.1	0.6	10.0	1.9	3.3	5.2
MSCI World	7.7	-5.0	11.7	-1.8	0.5	4.2
S&P 500	11.8	2.1	14.1	-0.3	1.6	2.9
Russell 1000 Value	13.1	0.4	11.5	-2.6	0.2	3.9
Russell 1000 Growth	7.8	0.5	17.2	2.1	2.8	2.4
Russell 2000	15.5	-4.2	15.6	0.2	0.8	5.6
MSCI UK	9.1	-2.5	15.0	-3.2	0.5	4.8
MSCI Europe ex-UK	3.5	-14.5	5.5	-5.4	-1.4	4.9
MSCI Japan	-3.9	-14.2	1.8	-6.4	-5.7	3.1
MSCI Emerg Mkts	4.4	-18.2	20.4	2.7	5.4	14.2
Barclays Bond Agg	1.1	7.9	5.8	5.9	6.0	5.5

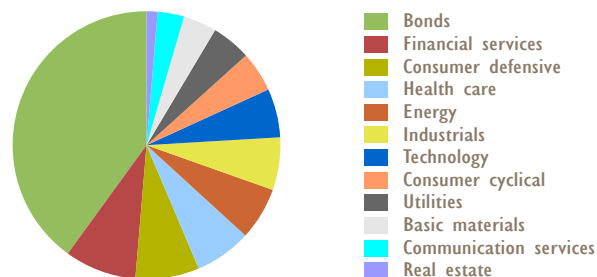
[†] Portfolio performance information shown on pro forma net basis reflecting deduction of quarterly advisory fees calculated at .30% per annum. Performance information for Strategic World Income portfolio based on: (i) a single fully invested account for period April 1, 2006 to June 30, 2006; and (ii) composite of fully invested portfolio accounts, for period from and after July 1, 2006. "Life" refers to period from and after April 1, 2006 for all series. Returns annualized for periods longer than one year. Dividends/income builds cash holdings, used for ETF purchases during quarterly rebalancing; "fully invested" refers to accounts with at least 90% invested in accordance with applicable portfolio strategy.

[‡] 60/40 blend is a combination of 60% MSCI World and 40% Barclays Aggregate Bond

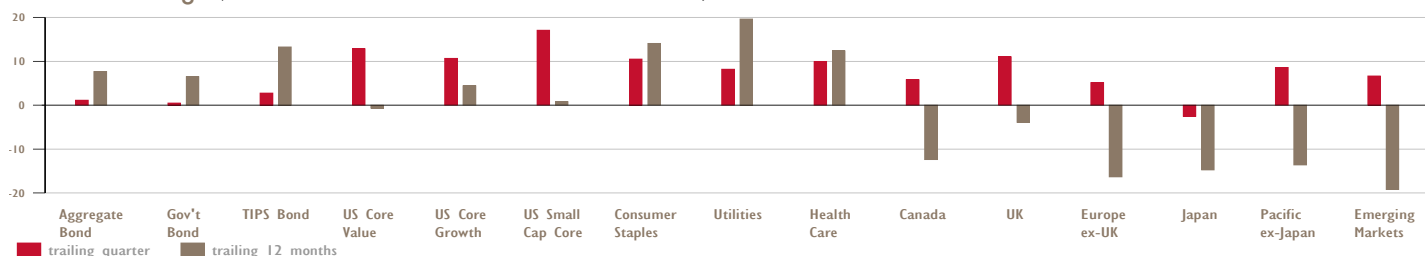
Holdings by Country/Region



Holdings by Sector



Portfolio holdings (trailing quarter and 12 months gross returns)



STRATEGIC SERIES

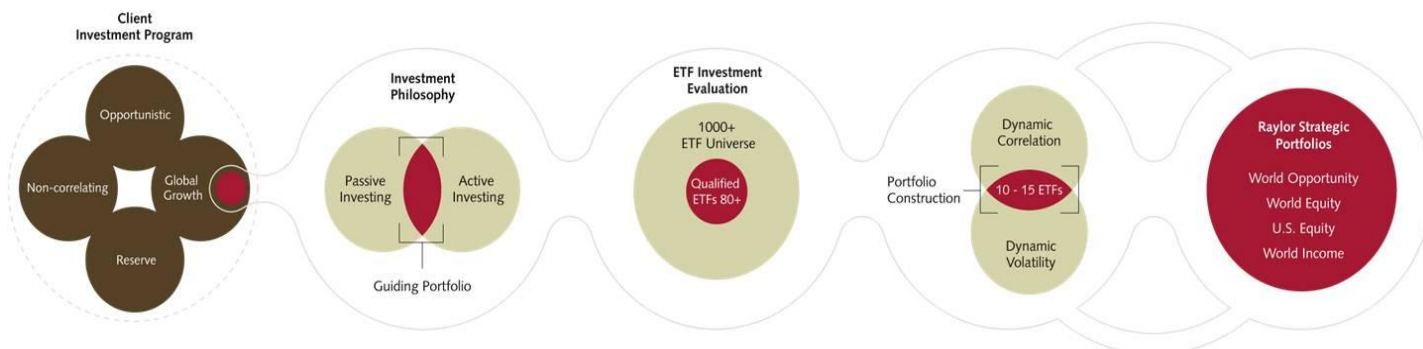
There are currently four portfolios in our Strategic Series — Strategic World Equity, Strategic World Income, Strategic US Equity and Strategic World Opportunity. Each portfolio is designed to produce long-term after-fee, after-tax results that compare to other passive and actively managed client alternatives. All our Strategic Series portfolios utilize exchange traded funds (ETFs) and emphasize low-cost, disciplined portfolio management that includes quarterly rebalancing to limit turnover and manage risk. Risk management enters every element of our approach from collecting and scrubbing daily prices and ETF characteristic data to building defensive portfolios, rebalancing security weightings, minimizing transaction costs, and settling and accounting trade activities.

Investment principles

- ▶ **Few active managers outperform** relevant benchmarks over extended time horizons
- ▶ **Portfolio costs** – fees, trading, market impact, taxes – have significant negative drag on portfolio results
- ▶ **It’s challenging to evaluate the true “skills”** of asset managers to anticipate when and if they will outperform
- ▶ **Emotions** can drive short-term tactical decisions for clients, detracting from long-term performance
- ▶ **Investors underestimate the costs** associated with investment program changes: liquidations, tactical shifts, asset manager changes
- ▶ **An equity biased global opportunity set** is preferred for the long term investor

Quarterly eLign update

We’re Reading **Easy Economics: A Visual Guide to What You Need to Know** by Leonard Wolfe (Greg Rogers uncle) with Lee Smith and Stephen Buckles. While “reading this book wont make you a candidate for a Nobel Prize,” it does provide an engaging guide on the subject of economics as well as a compilation of frequently asked questions and answers. The book cleverly combines illustrations with its text to create a consumable format for all audiences, promising to “make you more comfortable with many of the ideas that underlie todays important economic issues”.



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Strategic series (net % return as of December 31, 2011)

	Q4	1 yr	3 yr	5 yr	Life
Strategic World Equity	7.5	-3.8	10.9	-1.1	2.3
Strategic US Equity	12.0	3.2	13.9	0.8	3.4
Strategic World Opportunity	5.1	-13.1	12.9	-1.0	-1.0
Strategic World Income	5.2	0.6	8.0	1.0	2.8

Company highlights

Raylor Investments, an SEC registered investment advisor, is a wholly-owned subsidiary of Raylor Asset Management Group LLC, owned and managed by RayLign Advisory LLC (founded, owned and managed by Gregory T. Rogers), Damon L. Hart and John R. Annicelli.

Strategic relationships

- ▶ Custody options of Schwab Institutional, Envestnet, Fidelity IWS, TD Ameritrade, Pershing Advisory Services, FOLIOfn and Placemark platforms.
- ▶ Portfolio accounting and performance through AXYS
- ▶ Business accounting with Krauss Whiting LLC
- ▶ Legal Counsel Finn Dixon & Herling LLP

Legal notes and disclosures — Historical performance is not an indication or assurance of future results. No assurance that portfolios will necessarily achieve their investment objectives or that they will or are likely to achieve results comparable to those shown, or will make any profit, or will be able to avoid incurring losses. Historical performance information contained herein is as of date at top of front page, has been prepared by Raylor Investments LLC (Raylor), and has not been independently audited or verified. Portfolio performance information is shown on pro forma net basis reflecting deduction of quarterly advisory fees calculated at .30% per annum. Returns annualized for periods longer than one year. Performance information for the Strategic World Equity portfolio based on: (i) invested portion of the initial account for period January 1, 2006 to June 30, 2006; and (ii) composite of all fully invested portfolio accounts, for period from and after July 1, 2006. Performance information for Strategic World Income portfolio based on: (i) a single fully invested account for period April 1, 2006 to June 30, 2006; and (ii) composite of fully invested portfolio accounts, for period from and after July 1, 2006. Performance information for Strategic US Equity portfolio based on: (i) invested portion of the initial account, for period January 1, 2006 to June 30, 2006; and (ii) composite of all fully invested portfolio accounts, for period from and after July 1, 2006. Performance information for Strategic World Opportunity portfolio based on: (i) a single fully invested account for period January 1, 2007 to December 31, 2007; and (ii) composite of all fully invested portfolio accounts for period from and after January 1, 2008. Reference above to “fully invested” accounts means accounts with at least 90% of assets invested in accordance with the applicable portfolio strategy. Market index information shown herein is included to show relative market performance for periods indicated, not as standards for comparison, since referenced indices are unmanaged, broadly based and differ in numerous respects. Market index, Country/Region and Sector breakdown information compiled from sources Raylor believes reliable. Raylor makes no representations or guarantees hereby with respect to the accuracy or completeness of all such data. Copies of Raylor’s Form ADV Part II available upon request. This document does not constitute an offer, solicitation or recommendation to purchase any security. As of the date on this document, Raylor is registered with the SEC as an investment advisor.