

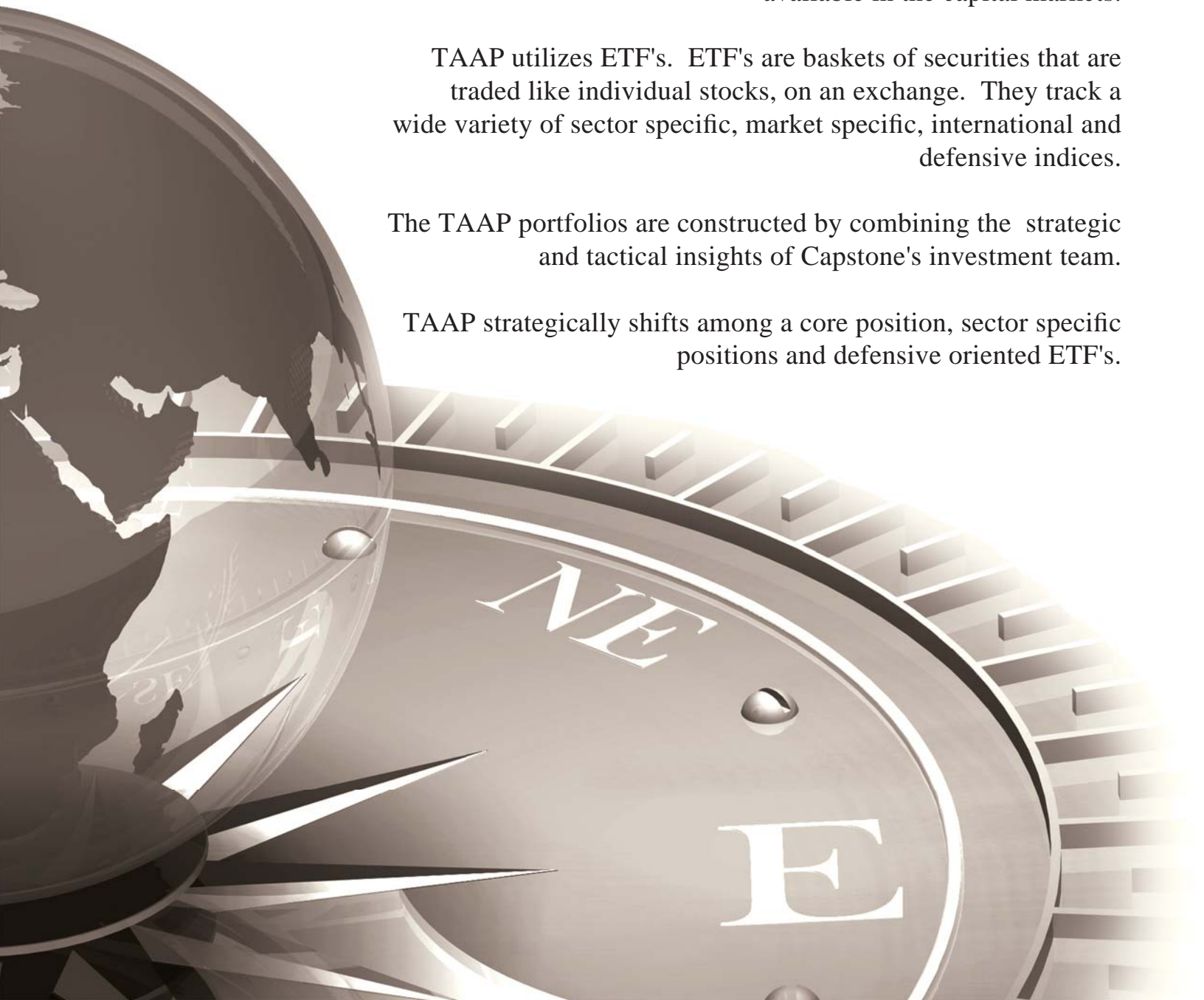
## TACTICAL ASSET ALLOCATION PORTFOLIO "TAAP"

Tactical Asset Allocation Portfolio (TAAP) seeks to enhance investment returns by opportunistically shifting the asset mix of a portfolio in response to the changing patterns of risk & reward available in the capital markets.

TAAP utilizes ETF's. ETF's are baskets of securities that are traded like individual stocks, on an exchange. They track a wide variety of sector specific, market specific, international and defensive indices.

The TAAP portfolios are constructed by combining the strategic and tactical insights of Capstone's investment team.

TAAP strategically shifts among a core position, sector specific positions and defensive oriented ETF's.



# TAAP GOAL AND PHILOSOPHY

The Goal of TAAP is to outperform the market over a market cycle while trying to minimize losses in market downturns.

Our Philosophy is predicated on the belief that superior long-term results can be achieved with less than market risk.

To obtain those results, we allocate our portfolios between equities and high quality income producing investment alternatives and add value through the selective rotation of asset categories and economic sectors within those categories.



## TAAP allocates investments in three areas:

- Core
  - » The Core allocation focuses investment in asset classes that represent global equity exposure. This Core allocation could represent as little as 20% of the portfolio or as much as 80% of the portfolio depending on our strategic position.
- Sector
  - » The Sector allocation focuses on investment in asset classes representing domestic economic industry sectors. This sector allocation could represent as little as 10% of the portfolio or as much as 50% of the portfolio depending on our strategic position.
- Opportunistic/Defensive
  - » The Opportunistic/Defensive allocation focuses on asset classes that provide defensive investments that compliment risk adjusted long term growth. This allocation could represent as little as 10% of the portfolio or as much as 50% of the portfolio depending on our strategic position.

# TAAP GOAL AND PHILOSOPHY

Capstone's Tactical Asset Allocation Portfolio incorporates both active and passive investment styles in constructing risk adjusted portfolios.

TAAP is a portfolio that uses a wide range of Exchange Traded Funds (ETF's) to establish positions in selected asset classes. Advantages include:

- Low Cost
- High Liquidity
- Diversification

A wide range of ETF's allow investment in very broad and well defined basket of securities that are each managed in a passive investment style. The TAAP investment process combines active investment decisions with passively managed ETF portfolios.

» Active

- The active component uses predetermined investment disciplines to formulate investment allocations in specific asset classes or industry sectors and actively reallocates as market and economic conditions change.

» Passive

- The passive component then invests in ETF's which replicate those specific asset classes or industry sectors. These indexes include major equity and fixed income indexes as well as sector and commodity indexes.

## The Importance of Asset Allocation

Markets and asset classes do not move in tandem. What's hot today may be cold tomorrow. Spreading your investment dollars among different types of asset classes and markets — stocks and bonds, domestic and foreign markets, commodities and cash — positions you to seize opportunities as the performance cycle shifts from one market or asset class to another.

*Recognizing the position of the economic cycle and implementing the correct strategy to capitalize on the opportunity is the job of our investment team.*

*TAAP incorporates ETF's that capture opportunities in various market segments.*

CAUSE:	EFFECT:
Economic Growth	Equities Outperform
Economic Slowdown/Deflation	Bonds Outperform
Inflation/Currency Devaluation/ Geopolitical Uncertainty	Commodities, TIPS, Real Estate, Gold Outperform
Credit Contraction	MMF, TIPS, Short-Term Bonds Outperform

# FIRM PROFILE



- Founded in 1987, Capstone is in its 25<sup>th</sup> year of providing investment management services.
- Capstone is an independent investment advisor headquartered in Houston, Texas.
- Capstone manages \$3.8 billion in equity, bond and balanced accounts with clients nationwide.
- Clients include:
  - Corporations
  - Foundations
  - Pension Plans
  - Unions
  - Individuals
  - Health Care Organizations
  - Public Funds
  - Insurance Companies
- Capstone provides a proven disciplined investment process that has been in place since inception.
- Capstone employs a team approach to management which results in consistency among client accounts.

## Why Capstone?

- Disciplined Investment Process
- Consistently Applied Investment Process
- Same Investment Team Since Inception
- Active Client Communications