MERSBERGER FINANCIAL GROUP

BENCHMARK

MSCI World MicroCap Index &
MSCI World SmallCap Value Index

OBJECTIVE

To produce superior risk-adjusted returns over a full business cycle, and to offer valuable diversification benefits as a portion of a client's overall portfolio.

MANAGED INVESTMENT MODEL

John Adams Global (JAG) Portfolio

Investment Strategy

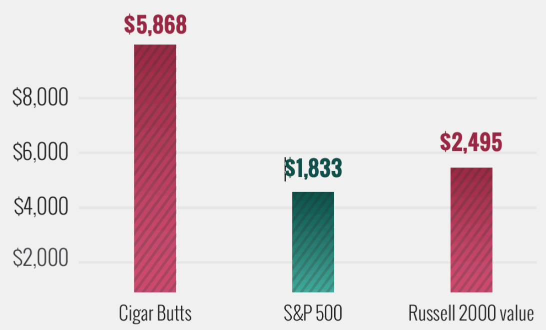
The JAG strategy is an actively managed portfolio of international and domestic stocks under the direction of our Portfolio Manger, Jon Dudzinski, CFA® based on the "Cigar Butt Investing" methodology and studies conducted over the past 50 years.

METHODOLOGY

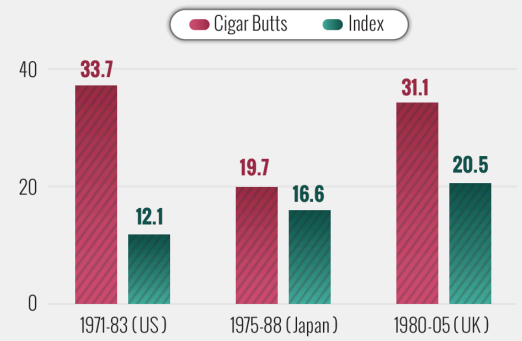
The JAG portfolio utilizes the "Cigar Butt Investing" method. The method, originally developed by Warren Buffett, essentially involves buying two types of stocks:

- Companies that have valuable assets not properly reflected in their share prices
- Businesses that earn exceptional rates of return on invested capital but are priced like ordinary (or worse) companies

There have been over 20 studies conducted over the past 50 years, included one by Jon Dudzinski CFA®, that have demonstrated this approach has the potential to outperform the market. The stocks identified by these quantitative screening tools are then subjected to in-depth qualitative analysis centered around the Porter's Five Forces framework originally developed at Harvard Business School.



Growth of $1,000 Invested in US Cigar Butts vs. Indexes (04/03 - 03/11)



Annualized Return Performance of Cigar Butts vs Index for Various Periods & Countries

Graph 1 - From April 2003 to March 2011, which covers the Great Recession, US Cigar Butts produced an annualized return of 28.9% vs. 9.12% for the S&P 500 and 17.6% for the Russell 2000 Value Index.[1]
Graph 2 - Multiple independent researchers have concluded that the Cigar Butt methodology has outperformed across distinct time periods and countries.[2,3,4]

*For illustrative purposes only. View additional chart disclosures on the next page.**

Suitability and Best Interest

RISK MEASURE

This portfolio is measured on the Sortino Ratio. This ratio compares returns against the incidence and magnitude of negative returns.

PORTFOLIO STRUCTURE

This portfolio has accounts managed separately. It is open to both retirement and non-retirement accounts.

INVESTMENT AMOUNT

This portfolio investment has a target size of $50,000 or greater.

LIQUIDITY

This portfolio has no lockup periods; money can be withdrawn at any time.

Risk Management

Like all investments, this portfolio carries risk outlined below:

PERFORMANCE EXPECTATIONS

While Buffett's Cigar Butt strategy has been shown to outperform the market for decades it did not do so consistently. In fact, it produced almost as many underperforming years as outperforming years and had periods of underperformance that stretched on for over five years. While we have no expectation of consistent outperformance, we are confident this strategy can outperform over a full business cycle and provide valuable diversification benefits for a clients' overall portfolio.

VALUABLE DIVERSIFIER

Due to the atypical holdings within the strategy, JAG is expected to have a low correlation with a client's overall portfolio. By doing well when the rest of the portfolio is not, and vice versa, the strategy should reduce the volatility of a client's aggregate returns.

"NICHE" STRATEGY

Over 20 studies have concluded that Buffett's Cigar Butt Strategy has the potential to outperform the market. These studies have also concluded that the stocks that meet the strict investment criteria are too small and too illiquid to be a practical strategy for large institutional investors. This "catch" means that only a highly skilled portfolio manager who is managing less than approximately $300 Million can effectively execute the strategy. At Mersberger Financial Group, Jon Dudzinski CFA® offers their clients this goldilocks scenario.

** Chart is for illustrative purposes only. Performance quoted is past performance and is no guarantee of future results. Investment returns and principal value will fluctuate, so shares, when sold, may be worth more or less than original cost. Current performance may be higher or lower than returns shown. The returns shown are gross of fees, do include reinvestment of dividends, and do not include additional fees that are related to investing.*

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 2000 Growth Index is an unmanaged index comprised of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Sources:

1. *Ben Graham's NCAV (Net Current Asset Value) Technique in the 21st Century, Jonathan Dudzinski, Robert A. Kunkel; The Journal of Investing Feb 2014, 23 (1) 17-26; DOI: 10.3905/joi.2014.23.1.017*
2. *Testing Benjamin Graham's Net Current Asset Value Strategy in London, Ying Xiao, Glen C Arnold; The Journal of Investing Nov 2008, 17 (4) 11-19; DOI: 10.3905/JOI.2008.17.4.011*
3. *The Performance of Japanese Common Stocks in Relation to Their Net Current Asset Values. Bildersee, John; Cheh, John; Ajay, Zutshi (September 1993). Japan and the World Economy. 5 (3): 197–215. doi:10.1016/0922-1425(93)90011-R.*
4. *Ben Graham's Net Current Asset Values: A Performance Update. Oppenheimer, H.R. (1986). Financial Analysts Journal. 42 (6): 40–47. doi:10.2469/faj.v42.n6.40.*

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