Improve Portfolio Performance with an Absolute Return Strategy

Robert W. Colby Asset Management
www.ColbyAssetManagement.com
646-652-6879

Absolute Return Strategies

Topics for Discussion:

- Asset Allocation Methods
- Absolute Return Strategies
- Benefits of adding an Absolute Return Allocation to your portfolio

Asset Allocation Models

diversify a portfolio's funds into many asset classes at all times in an effort to minimize risk.

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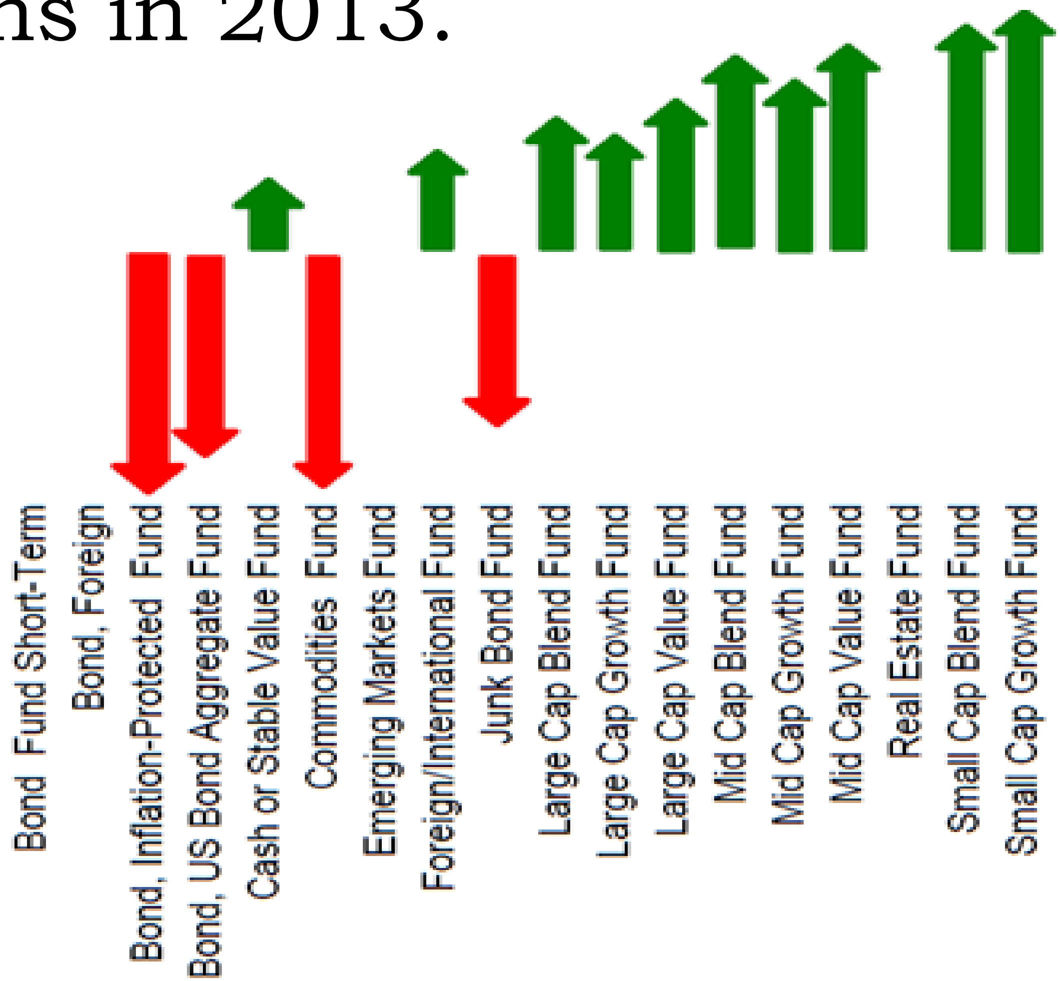
Advantages of Asset Allocation Models

- reduced risk
- easy to understand
- easy to implement
- easy to manage

Disadvantages of Asset Allocation Models

- dilution of returns
- mediocre returns in generally rising markets
- only partial risk protection in broad-based down markets

Example:
Bonds and Commodity Funds diluted returns in 2013.



The hard fact is that buying and holding *any* asset class can be extremely risky.

- Stock investors lost half of their net worth in 2000-2002 and 2007-2009.
- Bond investors lost more than half of their net worth from 1946 to 1981.
- Real estate investors lost big after 2007.

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The good news is that
there is a way to reduce
the probability of
large losses--

by adding an
additional layer of diversification
with an

Absolute Return Strategy.

Absolute Return Strategies

employ effective trading tactics used by the best and brightest investment managers to produce superior returns— regardless of the trends of the stock or bond markets.

Absolute Return Strategies

can adapt to actual market trends-- in contrast to passive, fixed strategies that do not even attempt to adapt to market trends.

Absolute Return Strategies Advantages

- increasing upside performance in bull markets
- reducing or eliminating losses in bear markets

Absolute Return Strategies

The world's smartest and most successful investment managers use Absolute Return Strategies.

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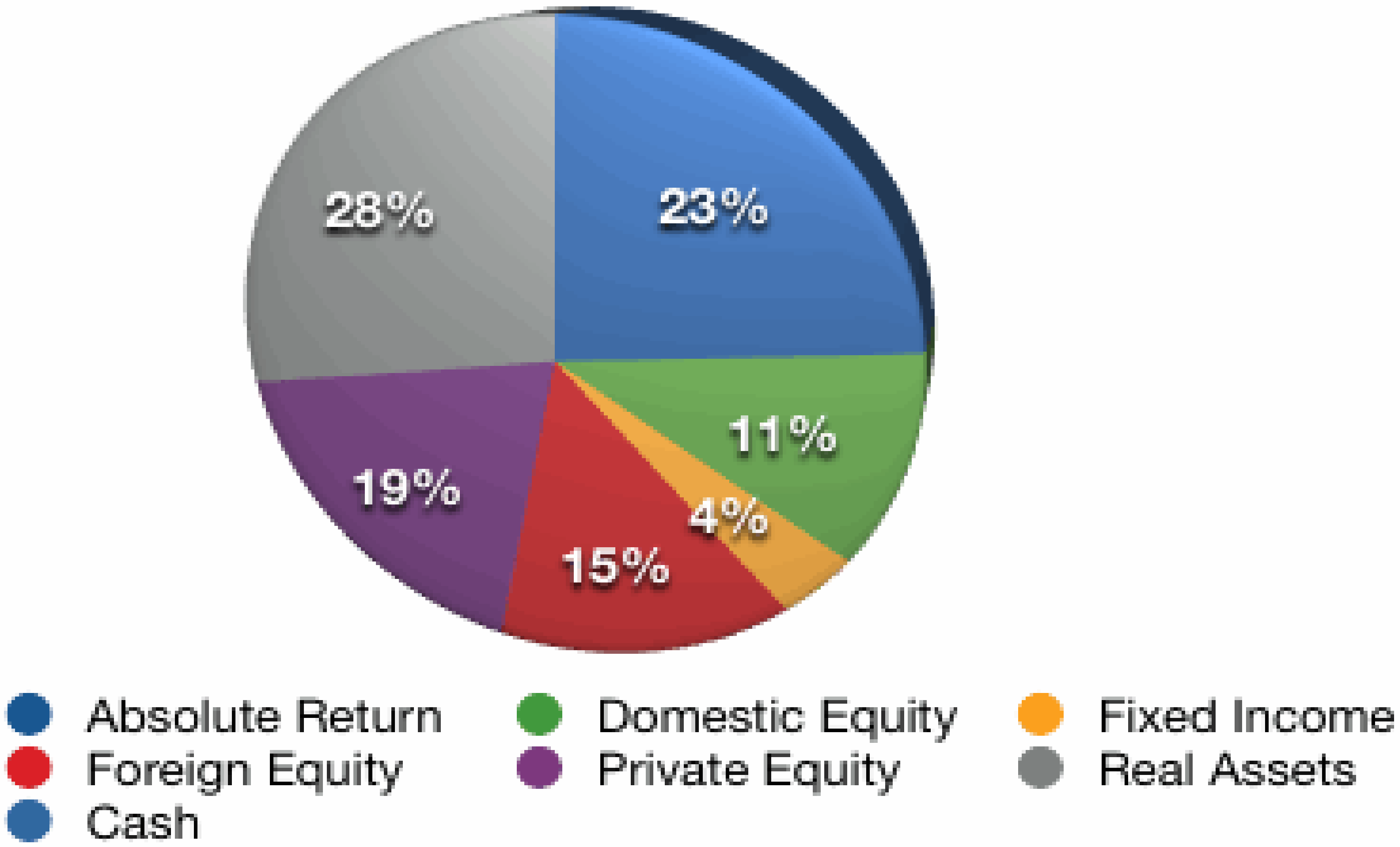
The investment firms that manage the
$21 Billion *Yale University Endowment*
and the
$32 Billion *Harvard University Endowment*
both employ Absolute Return Strategies.

In 2013, the
Absolute Return Allocation of the

Yale University Endowment was
23% of the total portfolio, and the

Harvard University Endowment was
15% of the total portfolio.

Chart: The Yale Model asset allocation



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Now, your portfolio can benefit from Absolute Return Strategies.

Robert W. Colby Asset Management offers Absolute Return Strategies that can

- improve overall returns, and
- reduce downside risk.

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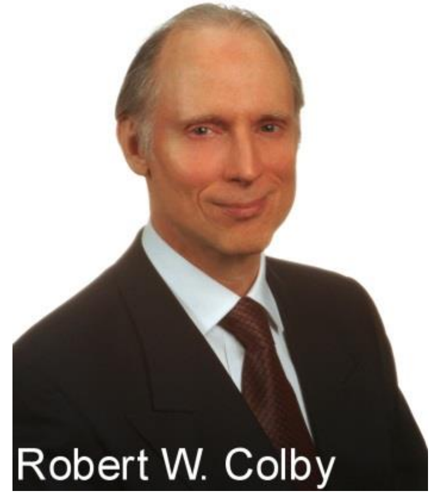
Robert W. Colby

- A world-recognized analyst and strategist with 45 years of experience in the investment field



- Developed methods that outgain the S&P 500 in bull markets
- Developed methods to identify trend changes in a timely manner so that defensive tactics can be employed to protect your Pension Plan from downside risk in bear markets

Q: How does Colby produce absolute returns?

A: He continuously measures and quantifies the changing strength of market trends, so that your portfolio can concentrate in areas of strength while avoiding areas of weakness.

He does this objectively, by the numbers.

Q: How would Colby's Absolute Return Strategies help in Bull Markets?

A: Assets would be invested in stocks or ETFs that are more likely to exceed the returns of the S&P 500.

The goal is higher returns for your portfolio by taking full advantage of favorable market trends.

Q: How would Colby's Absolute Return Strategies help in Bear Markets?

A: Assets would shift (automatically and objectively, according to a precise mathematical formula) into cash, bonds, inverse ETFs, or defensive stocks that tend to be relatively stable or even move up when the general stock market trends down.

This way, overall portfolio risk in a weak market can be reduced.

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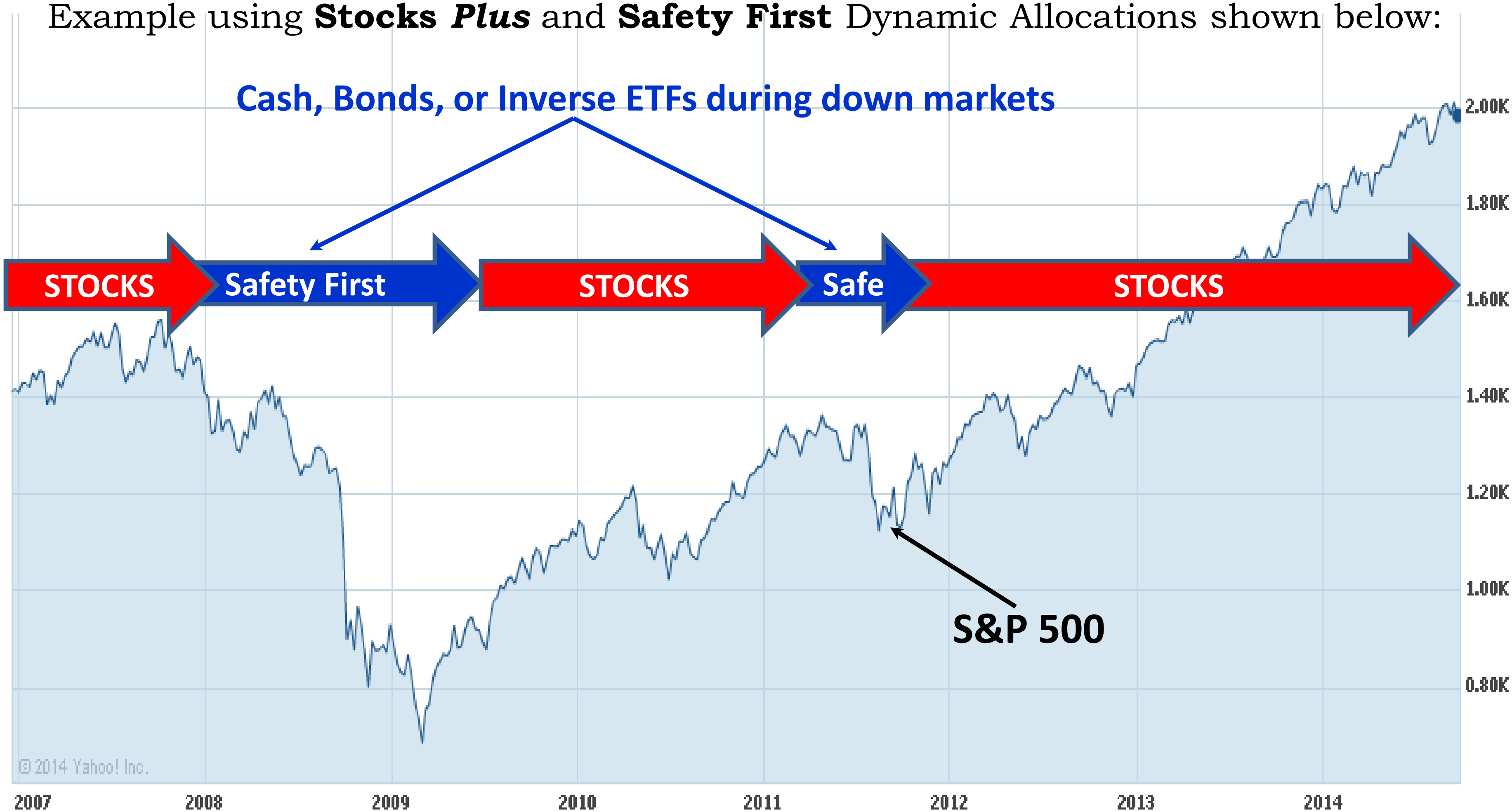
Dynamic Allocation Shift Example

from Robert W. Colby Asset Management

We move funds from one trading strategy to another ***automatically*** for you based on our 100% objective quantitative algorithm.

Example using **Stocks *Plus*** and **Safety First** Dynamic Allocations shown below:



For illustration only. Shifts between portfolios are generally incremental and gradual.

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Colby's Absolute Return Strategies

The objective is clear and simple:

- make more money when market conditions are favorable
- reduce risk to preserve capital when market conditions are unfavorable

Q: How would have Colby's Absolute Return Strategies grown and protected your portfolio in the past?

A: On the following slides, we compare the strategies over the past 7 years, including the 50% decline in the stock market from 2007 to 2009.

We compare Absolute Return to the passive S&P 500 index buy-and-hold strategy and to one of Colby's Relative Strength Portfolios.

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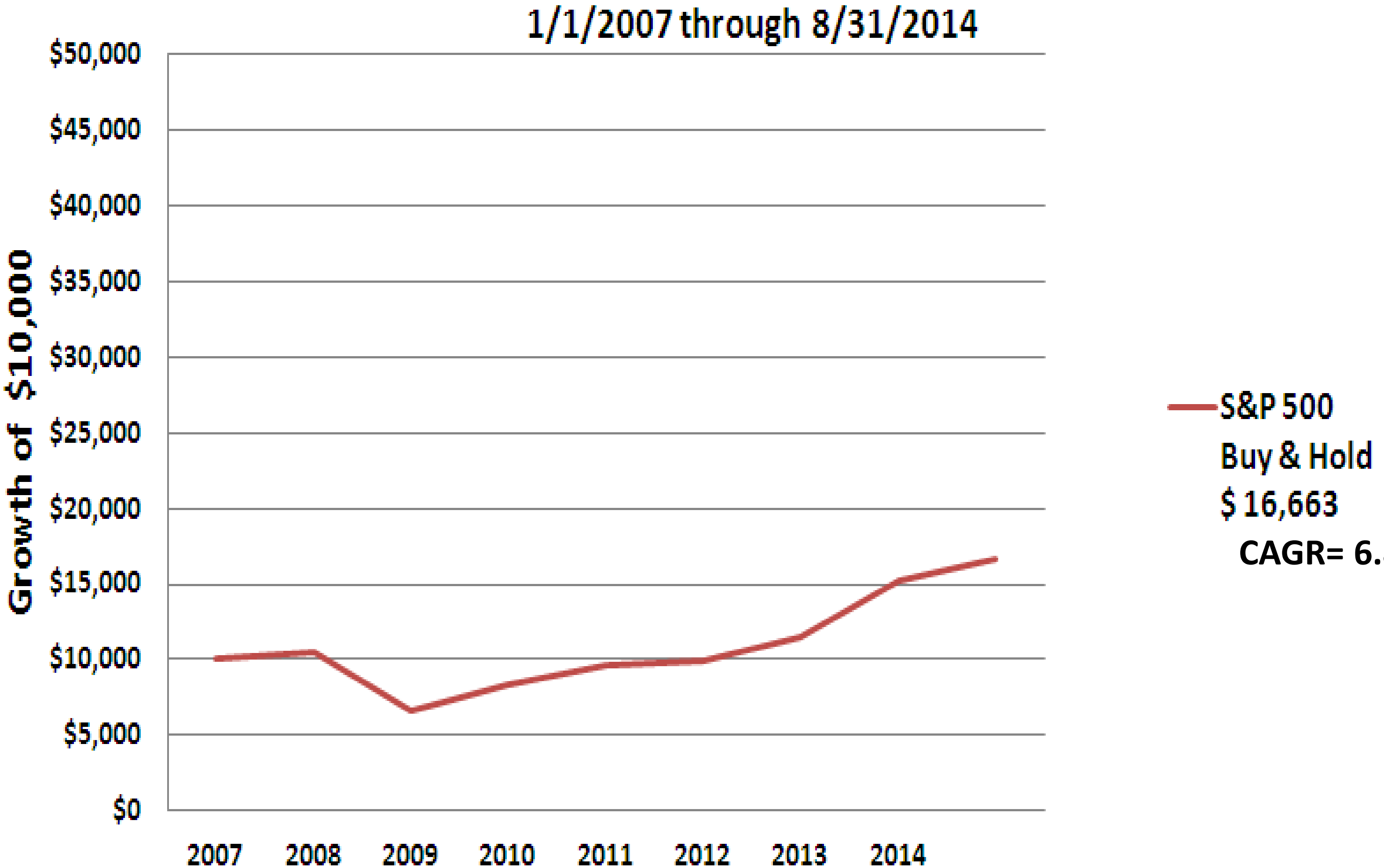
Passive S&P 500 Index Buy-and-Hold Strategy



CAGR= 6.88%

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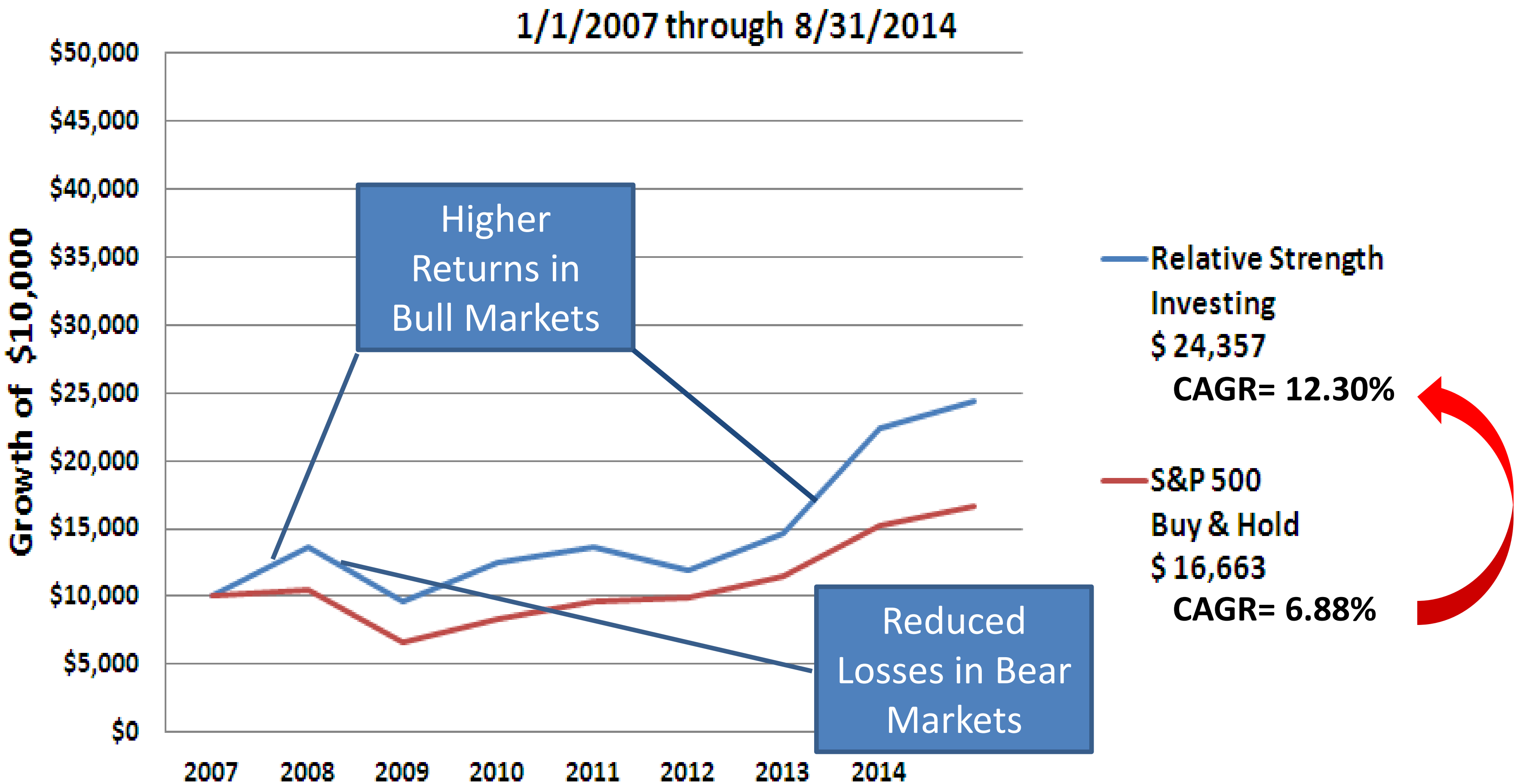
High Relative Strength Bull Market Strategy Compared to Buy-and-Hold



Performance data contains both actual trading and back testing of actual historical data. See our website for portfolio-specific trading data.

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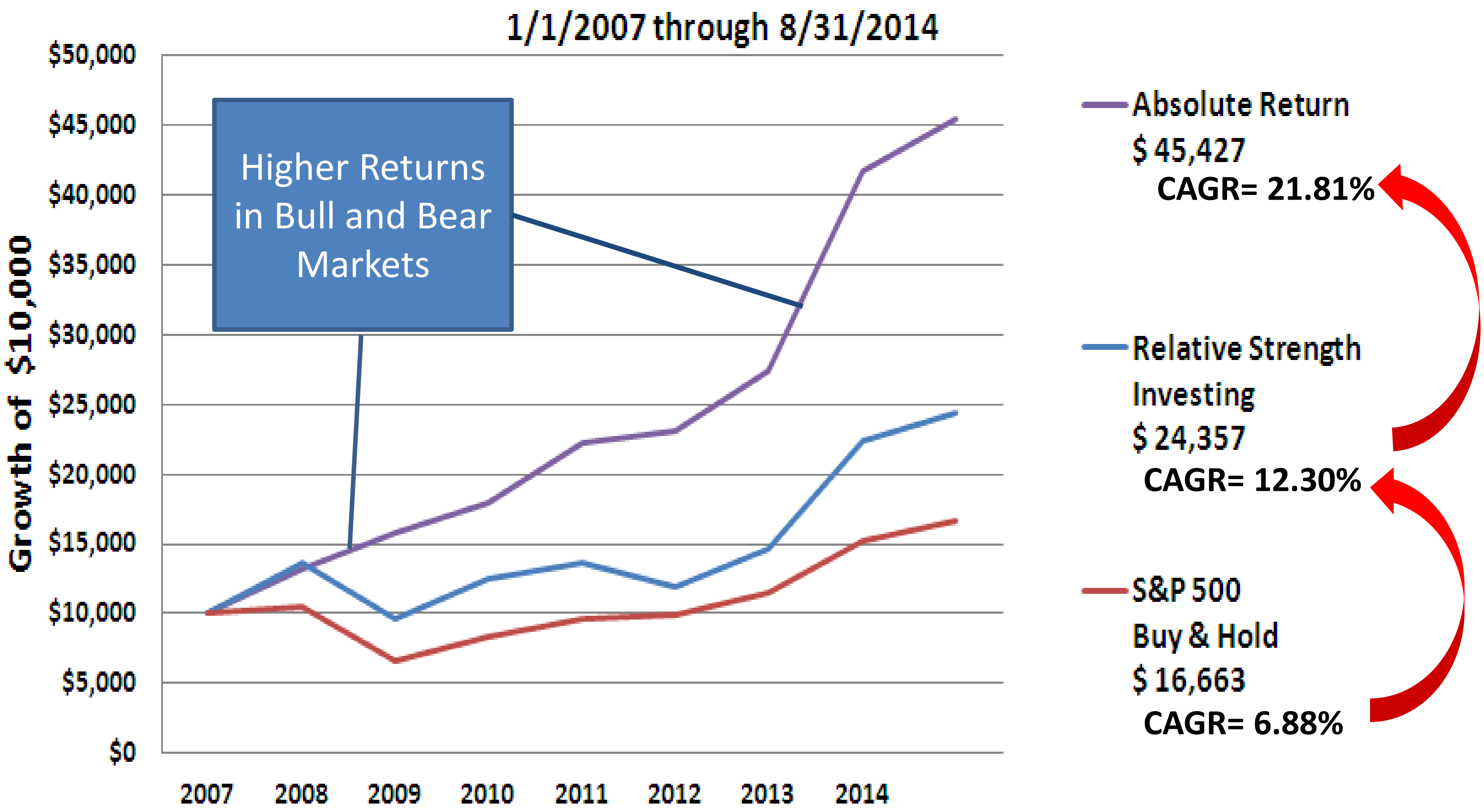
Absolute Return Strategy Compared to Buy-and-Hold



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Conclusion:

If we use Colby's Absolute Return Strategies to

- gain more in bull markets, and
- preserve capital or even add to gains in bear markets,

then we have a better opportunity to preserve and grow our wealth.

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Recommendation:

Consider moving 15-25% of your assets
into one of
Colby's Absolute Return Strategies
from
Robert W. Colby Asset Management.

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About Colby's Results

All data and measures are based on return data for the Colby Stocks *Plus* Portfolio and Stocks *Plus* Portfolio with Dynamic Allocation Shifting since inception, except where specifically stated on our website. All statements herein are intended to be accurate and complete and to disclose all material facts necessary to avoid any unwarranted inference. Any and all investment performance data shown reflect all accounts in our recommended investment program [at Folio Institutional]. (Some clients, at their own choosing, may hold securities that are not included in our recommended investment program, or they may choose to deviate from our program in some other way; therefore, their performance results may deviate from our recommended investment program, for better or worse, and are not included in our performance data.) Our performance data reflects the deduction of advisory fees, brokerage or other commissions and fees, and any other expenses that accounts have actually paid. Our performance data reflects the reinvestment of dividends, interest, and other earnings. Our investment strategies and all fees are explained on our website and in our disclosure documents and also are available on request. The industry standard benchmark for performance comparison is generally the S&P 500 Index, although that and all other price indexes have certain limitations in that they differ from our recommended investment program in volatility, asset mix, diversification/concentration, dividends, interest, trading costs, fees, and other factors. Unlike the S&P 500 Index, which passively reflects the price performance of 500 large-capitalization stocks, our recommended investment program is concentrated in relatively few securities and actively aims first for capital preservation and second for capital appreciation. We work continuously to achieve these goals. We try to anticipate and adapt to change. Regulators point out that there can never be any guarantees in investing; there is always risk and the possibility of loss; changing market conditions are beyond anyone's control; and past performance is not a guide to future performance.