# TACTICAL FLEX STRATEGY

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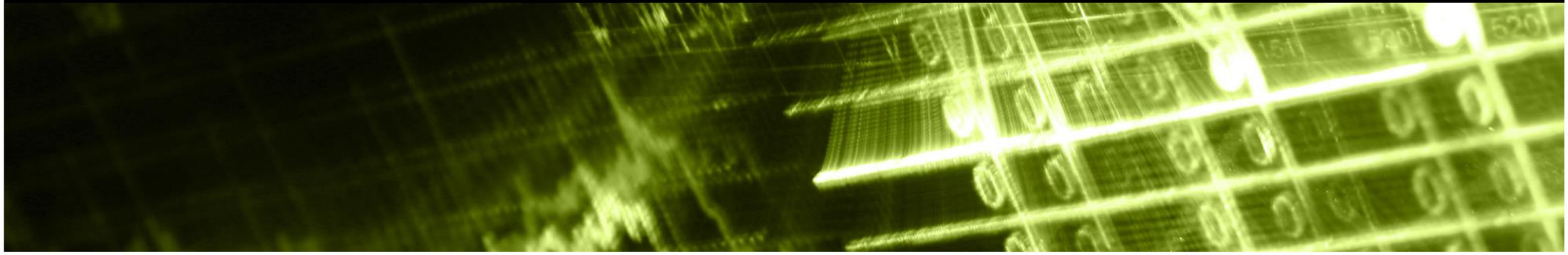

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P: 402-609-7567 | F: 877-836-5498 | info@armourwealth.com
210 Greentree Court | Gateway Suite 450 | Lincoln, NE 68505

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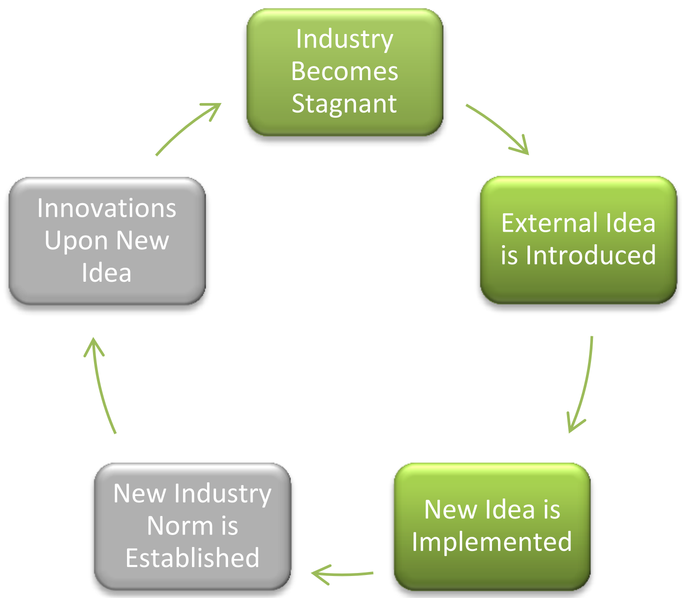
# A Better Way of Investment Management

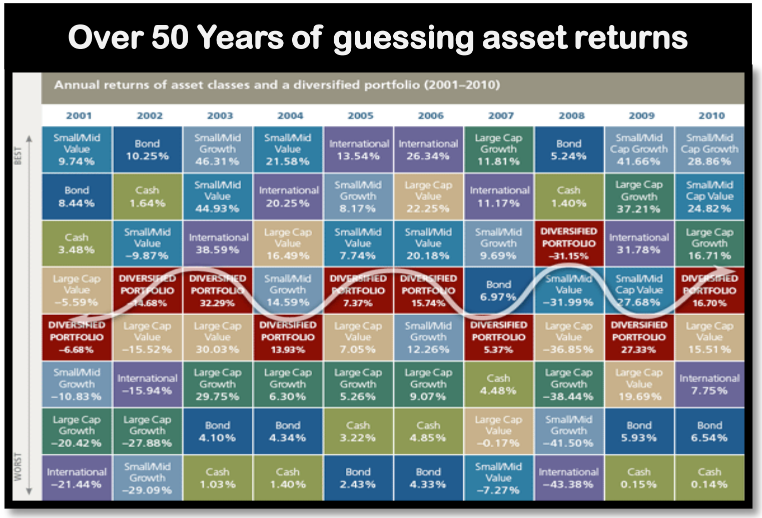



"Innovation distinguishes between a leader and a follower."
- Steve Jobs

# Innovation Never Stops…

## Diversification: Antiquated and Incomplete

- Modern Portfolio Theory was incepted in 1950 by Markowitz
- The foundation of this risk assessment theory is that it is too difficult to know which parts of the market will outperform. (As seen by the graph on the right.)
- Very little innovation has been implemented in the past 50 years from this founding strategy.



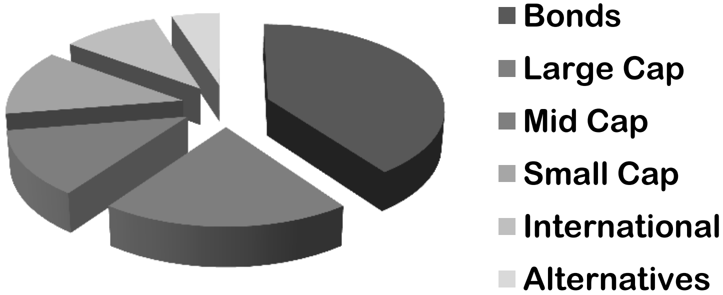
**Over 50 Years of guessing asset returns**

Annual returns of asset classes and a diversified portfolio (2001–2010)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| BEST | Small/Mid Value 9.74% | Bond 10.25% | Small/Mid Growth 46.31% | Small/Mid Value 21.58% | International 13.54% | International 26.34% | Large Cap Growth 11.81% | Bond 5.24% | Small/Mid Cap Growth 41.66% | Small/Mid Cap Growth 28.86% |
| | Bond 8.44% | Cash 1.64% | Small/Mid Value 44.93% | International 20.25% | Small/Mid Growth 8.17% | Large Cap Value 22.25% | International 11.17% | Cash 1.40% | Large Cap Growth 37.21% | Small/Mid Cap Value 24.82% |
| | Cash 3.48% | Small/Mid Value –9.87% | International 38.59% | Large Cap Value 16.49% | Small/Mid Value 7.74% | Small/Mid Value 20.18% | Small/Mid Growth 9.69% | DIVERSIFIED PORTFOLIO –31.15% | International 31.78% | Large Cap Growth 16.71% |
| | Large Cap Value –5.59% | DIVERSIFIED PORTFOLIO –14.68% | DIVERSIFIED PORTFOLIO 32.29% | Small/Mid Growth 14.59% | DIVERSIFIED PORTFOLIO 7.37% | DIVERSIFIED PORTFOLIO 15.74% | Bond 6.97% | Small/Mid Value –31.99% | Small/Mid Cap Value 27.68% | DIVERSIFIED PORTFOLIO 16.70% |
| | DIVERSIFIED PORTFOLIO –6.68% | Large Cap Value –15.52% | Large Cap Value 30.03% | DIVERSIFIED PORTFOLIO 13.93% | Large Cap Value 7.05% | Small/Mid Growth 12.26% | DIVERSIFIED PORTFOLIO 5.37% | Large Cap Value –36.85% | DIVERSIFIED PORTFOLIO 27.33% | Large Cap Value 15.51% |
| | Small/Mid Growth –10.83% | International –15.94% | Large Cap Growth 29.75% | Large Cap Growth 6.30% | Large Cap Growth 5.26% | Large Cap Growth 9.07% | Cash 4.48% | Large Cap Growth –38.44% | Large Cap Value 19.69% | International 7.75% |
| | Large Cap Growth –20.42% | Large Cap Growth –27.88% | Bond 4.10% | Bond 4.34% | Cash 3.22% | Cash 4.85% | Large Cap Value –0.17% | Small/Mid Growth –41.50% | Bond 5.93% | Bond 6.54% |
| WORST | International –21.44% | Small/Mid Growth –29.09% | Cash 1.03% | Cash 1.40% | Bond 2.43% | Bond 4.33% | Small/Mid Value –7.27% | International –43.38% | Cash 0.15% | Cash 0.14% |

*Source: John Hancock Annuities

**Diversification: Stagnant and Antiquated**

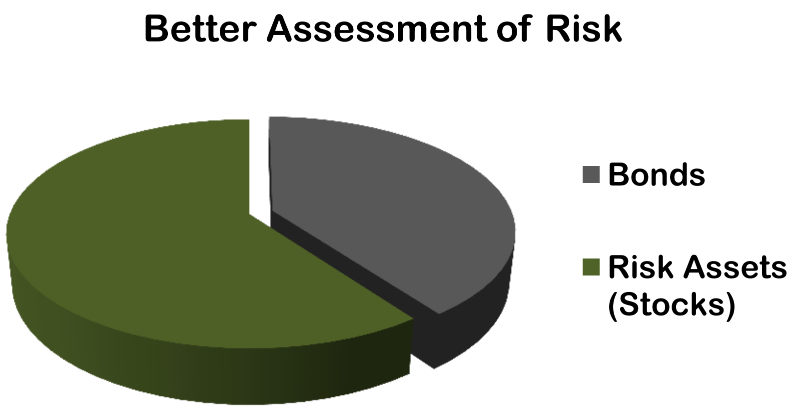



*Source: ArmourWealth, Inc.

> **Wide diversification is only necessary when investors do not know what they are doing. – Warren Buffett**

# Innovation Never Stops…
## Assessing Risk Like Never Before

- Due to the chaotic and volatile nature of markets presently, a more thorough evaluation is needed to truly outperform.
- By quantitatively assessing financial metrics (both macro and micro), non-financial metrics (events, news, mass-opinion, etc.) independently and the **PERCEPTION** of how the data is being acted upon in the markets is how ArmourWealth is better able to manage a position's return compared to your typical diversified allocation.
- Armour's proprietary analysis allows us to quickly move out of positions with negative perception, and in a reciprocal fashion, efficiently re-enter those positions when in favor.




*Source: ArmourWealth, Inc.

**"All our knowledge has its origins in our perceptions." – Leonardo Da Vinci**

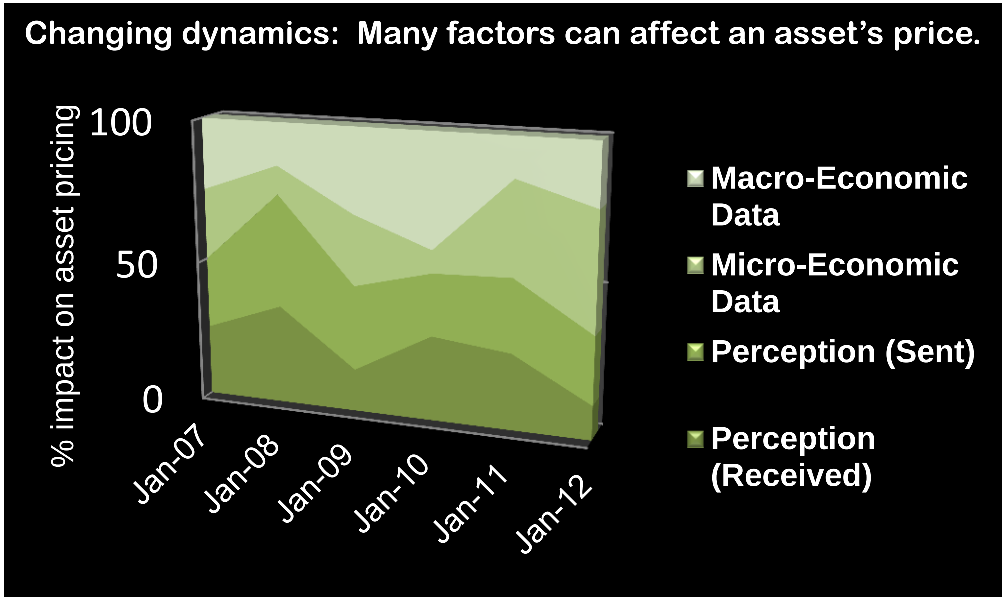
**"Constant development is the law of life, and a man who always tries to maintain his dogmas in order to appear consistent drives himself into a false position." – Mahatma Gandhi**

## Innovation Never Stops…

### Perception is Reality

- Almost all investment strategies on the market only assess financial data to make investment decisions.
- Market moves are based on the perception of the macro and micro conditions in the marketplace, not just the data itself.
- ArmourWealth takes into account these pieces to make a more thorough examination of investment risks and returns.

> "Science is nothing but perception." - Plato




*Source: ArmourWealth, Inc.

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# Innovation Never Stops…

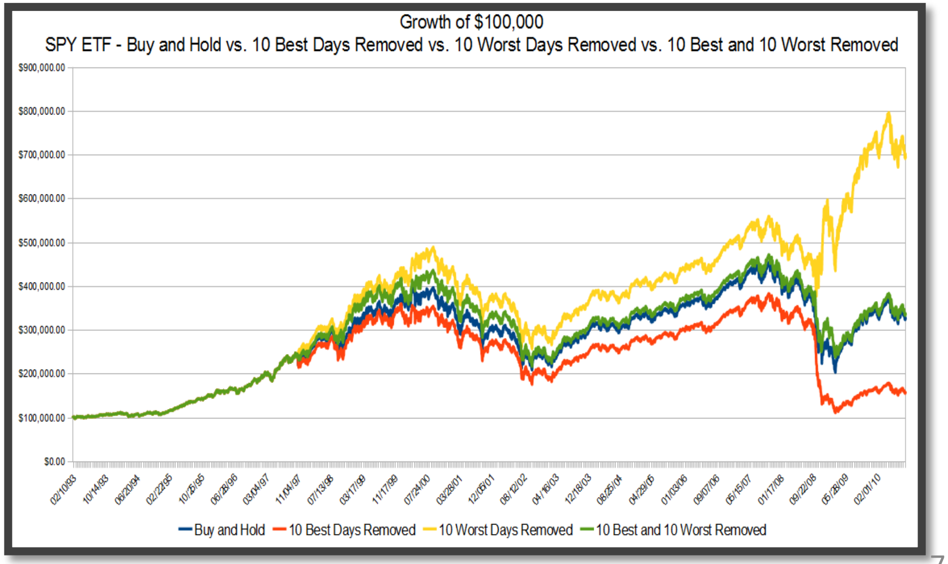
## Putting Truth to Myths, Lies, and Urban Legends

- The Biggest Investing Myth: "If you miss the 10 best performing days in the market, you will greatly under perform. One should stay invested at all times."

- Missing the 10 worst days is significantly more valuable than missing the 10 best days. It is also significantly better than being invested for all the best and worst days. (Buy and Hold)

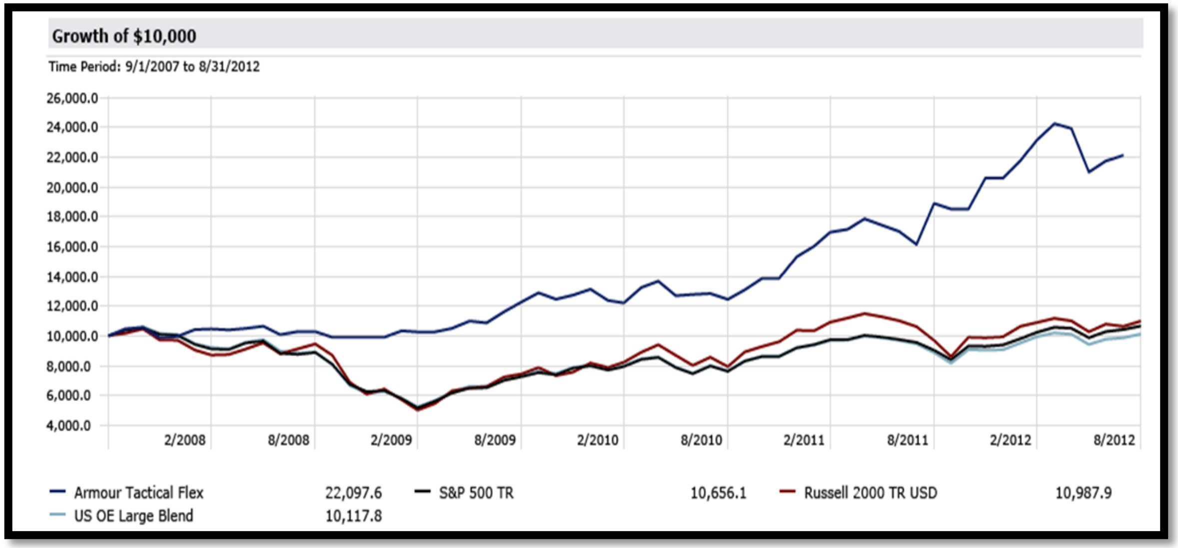
- So, we beg to ask:
  - **"Why are so many investors still invested all of the time?"**
  - **"Why do so many investment professionals not utilize a more tactical approach?"**

> "Insanity: doing the same thing over and over again and expecting a different result."
> Albert Einstein




*Source: www.thebigpicture.com

# The Armour Advantage




- **Armour Tactical Flex**
- **US OE Large Blend**
- **S&P 500 Index**
- **Russell 2000 Index**

*Source: Evestment Alliance

"If you want something new, you have to stop doing something old."
— Peter F. Druckerr

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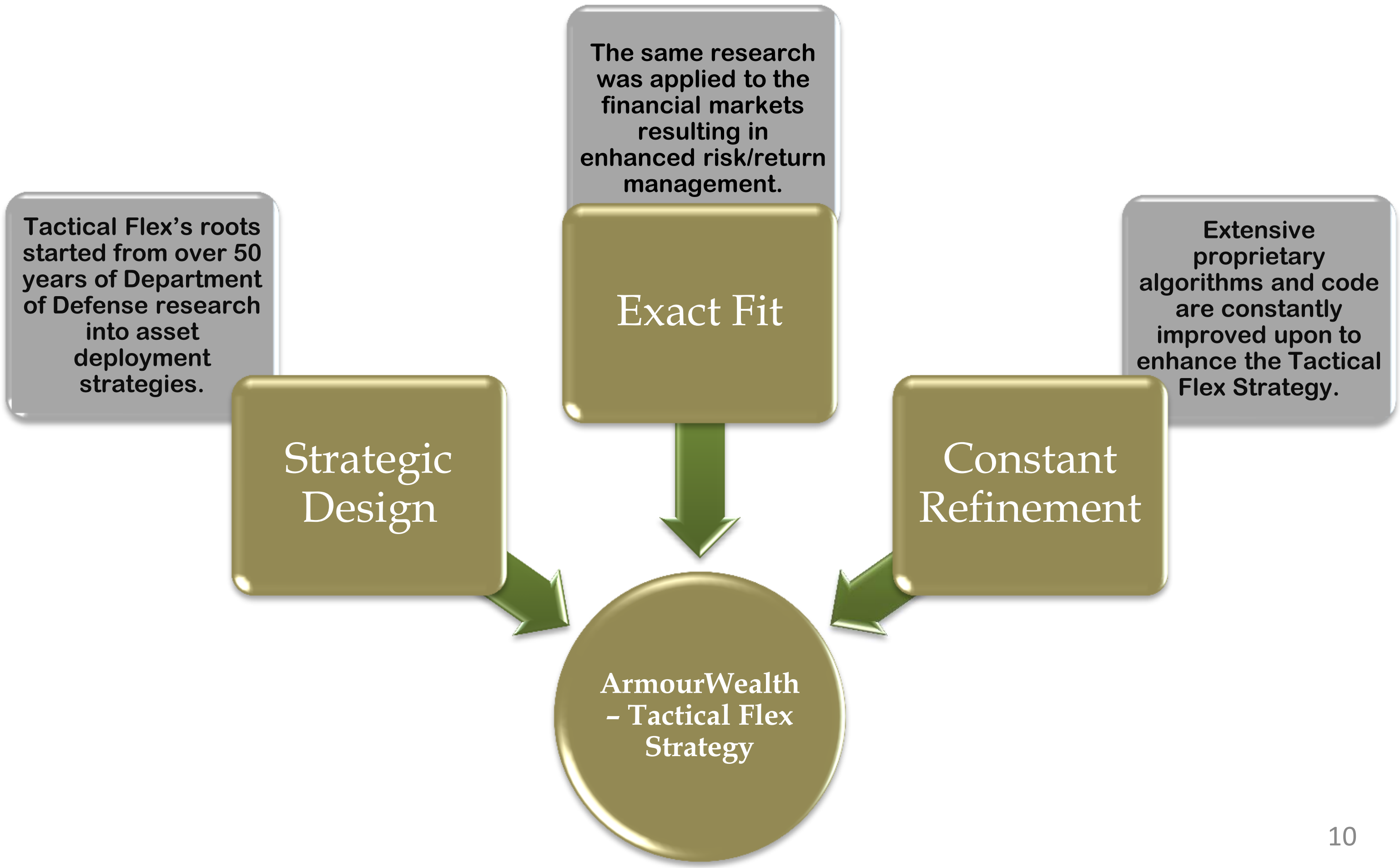
# Innovation never stops…External Introduction

## Over 50 years of research applied to investing

- All products shown are used each day by millions of people.
- Each was created either for a separate purpose or were accidentally discovered while trying to make a small improvement to other technology.
- Over 50 years of extensive research for asset valuation conducted by the US Military is the foundation of ArmourWealth's investment philosophy.
- By utilizing these alternative principles, Armour can track, assess, and act on more market effecting information in a more effective manner than most others in the industry.

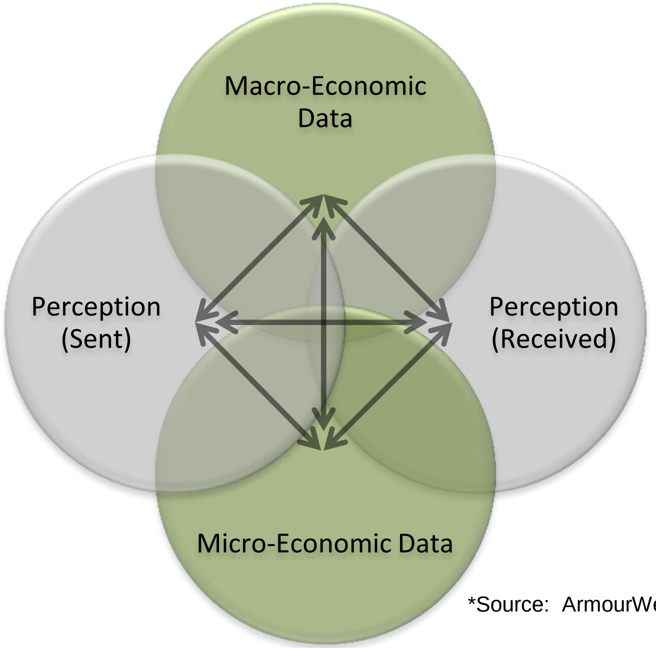

## The Armour Advantage

Seamless Implementation…



# The Armour Process

Finally improving upon antiquated analysis…




*Source: ArmourWealth, Inc.

"The rule is that financial operations do not lend themselves to innovation... The world of finance hails the invention of the wheel over and over again, often in a slightly more unstable version."

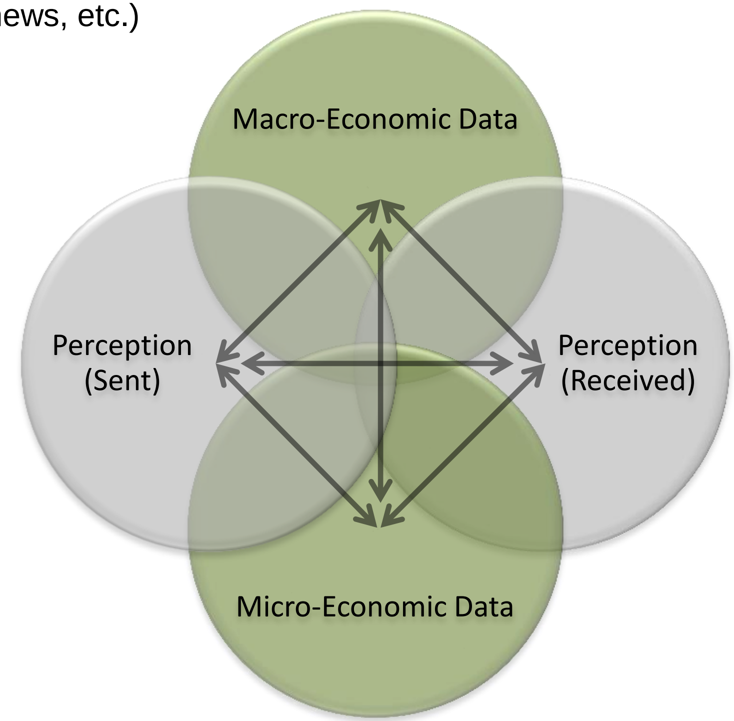
— John Kenneth Galbraith, economist.

# The Armour Process (cont.)

## Assessing more information for more accurate execution…

- ArmourWealth has implemented objective, proprietary geometric and algebraic algorithms to make better informed investment decisions by analyzing risk and return of both micro and macro economic data, and assessing how that information is being perceived or acted upon by the marketplace.

- Due to the complexity of what could affect investment pricing, many things affect returns other than just financial data. (i.e. perception of the effects of government debt, fiscal cliff, major weather events, breaking news, etc.)

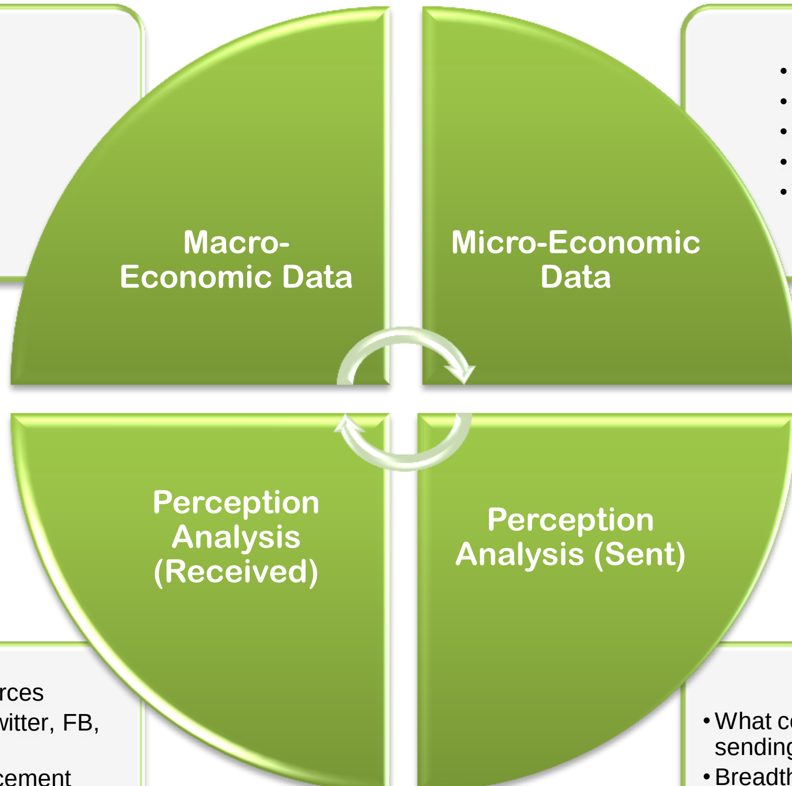


# The Armour Process (cont.)

## Assessing more information for more accurate execution…

- Currency/Trade Relationships
- Broad Market Data
- Sector Specific Data
- Investor Sentiment
- Global Metrics

- Fundamental Analysis
- Management Structures
- Capitalization
- Competitive Advantage
- Technical Metrics




- Mining of News Data Sources
- Social data mining (i.e. Twitter, FB, blogs, etc.)
- Keyword Search and Placement Analysis
- Volume and Frequency of information

- What communication centers are sending the information?
- Breadth of information distribution.
- What specifics are in the materials
- Volume and Frequency

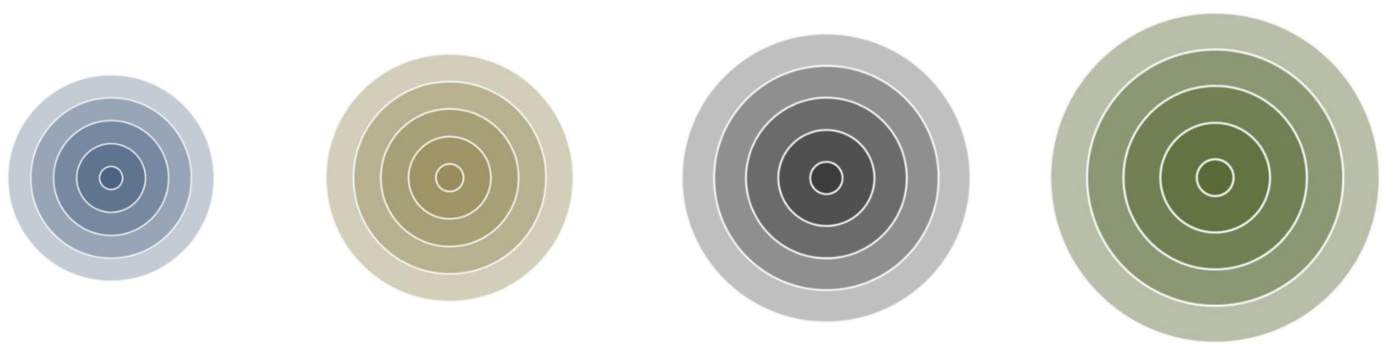
*Source: ArmourWealth, Inc.

# The Armour Process (cont.)

## Enhancing Risk and Return…

- **Step 1: Independently Assess and Quantify 4 main categories that could impact the risk or return in an investment:**
  - Macro Economic Data
  - Micro Economic Data
  - Sent Perception of Financial Data
  - Received Perception of Financial Data

- **ArmourWealth's proprietary approach more accurately assesses all categories based on:**
  - **Size** – At any given time, any of the four main variables (or a combination of any of the four) will be a key driver in asset risk/return levels.
  - **Shape** – By utilizing state-of-the-art geometric calculations, the underlying data collected for each category will dictate a geometrically quantifiable shape that will then be collided with all other categories.



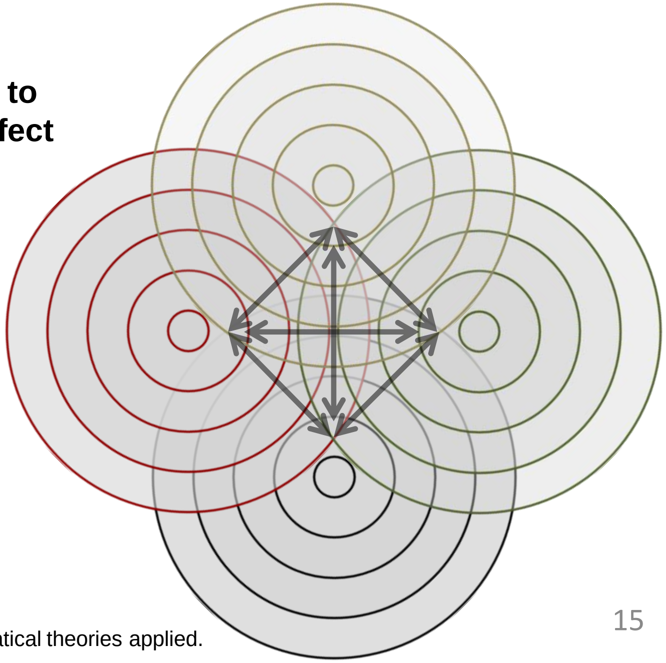
Micro Economic Data | Perception Analysis (Sent) | Macro Economic Data | Perception Analysis (Received)

# The Armour Process (cont.)

## Enhancing Risk and Return…

- **Step 2: After the size and geometric shape are determined, we analyze how all the category's interact using:**
  - **Angular Momentum** – Advanced algebraic and geometric mathematics such as *Euclidian Geometry, *Game Theory, and *Chaos Theory are applied to measure the force and speed that the collective categories intersect.
  - **Area Differential Measurements** – Due to the ever-changing geometric shapes of each classification, the area of overlap is measured using differential quantification.

- **Once the corresponding interactions occur, we are able to accurately value how the information collected could affect the pricing of an investment held.**



*Source: ArmourWealth, Inc.

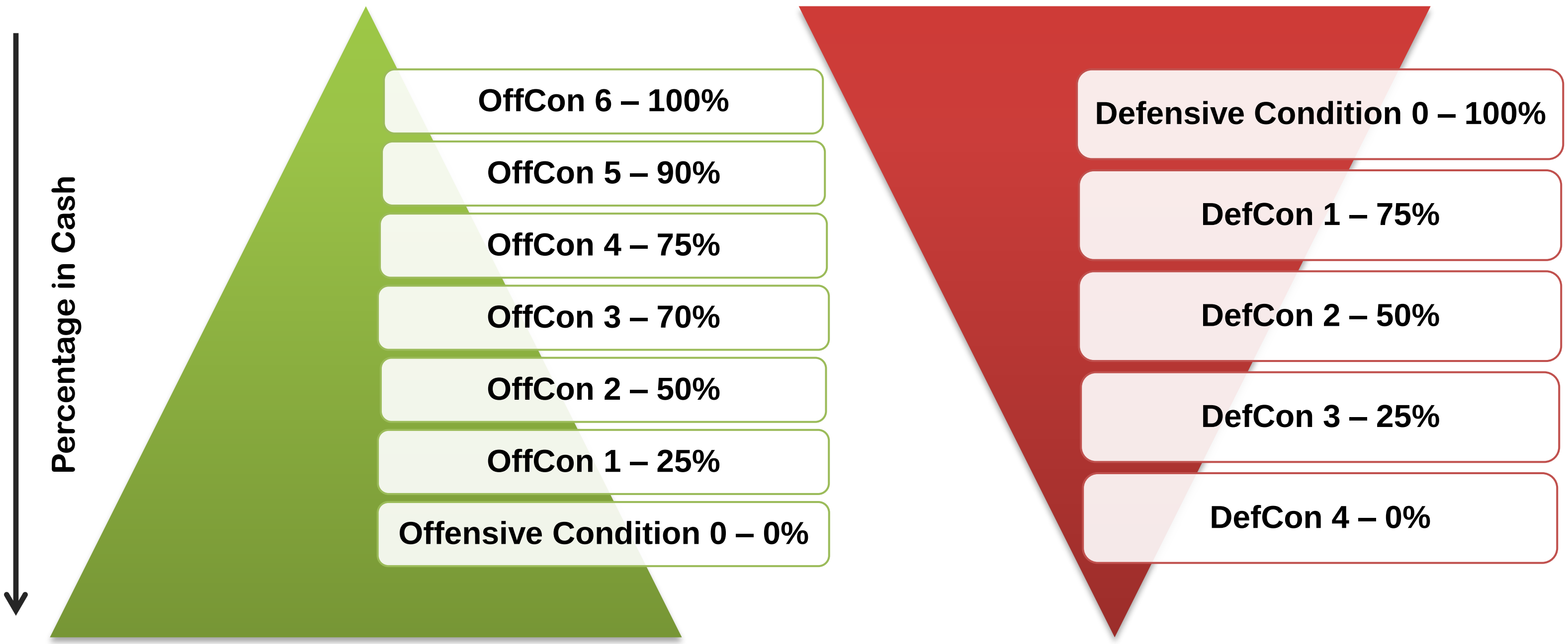
*See Disclosures or the Tactical Flex White Paper for more details regarding the mathematical theories applied.

# The Armour Process (cont.)

## Management of risk and return…

- **Step 3: Based on the angular momentum and area differential calculations, we then declare either an Offensive Condition (OffCon) or a Defensive Position (DefCon) for each individual investment.**

- **Quantitative assessments are done 4x each day to ensure we are constantly reviewing potential changes in our underlying investments.**



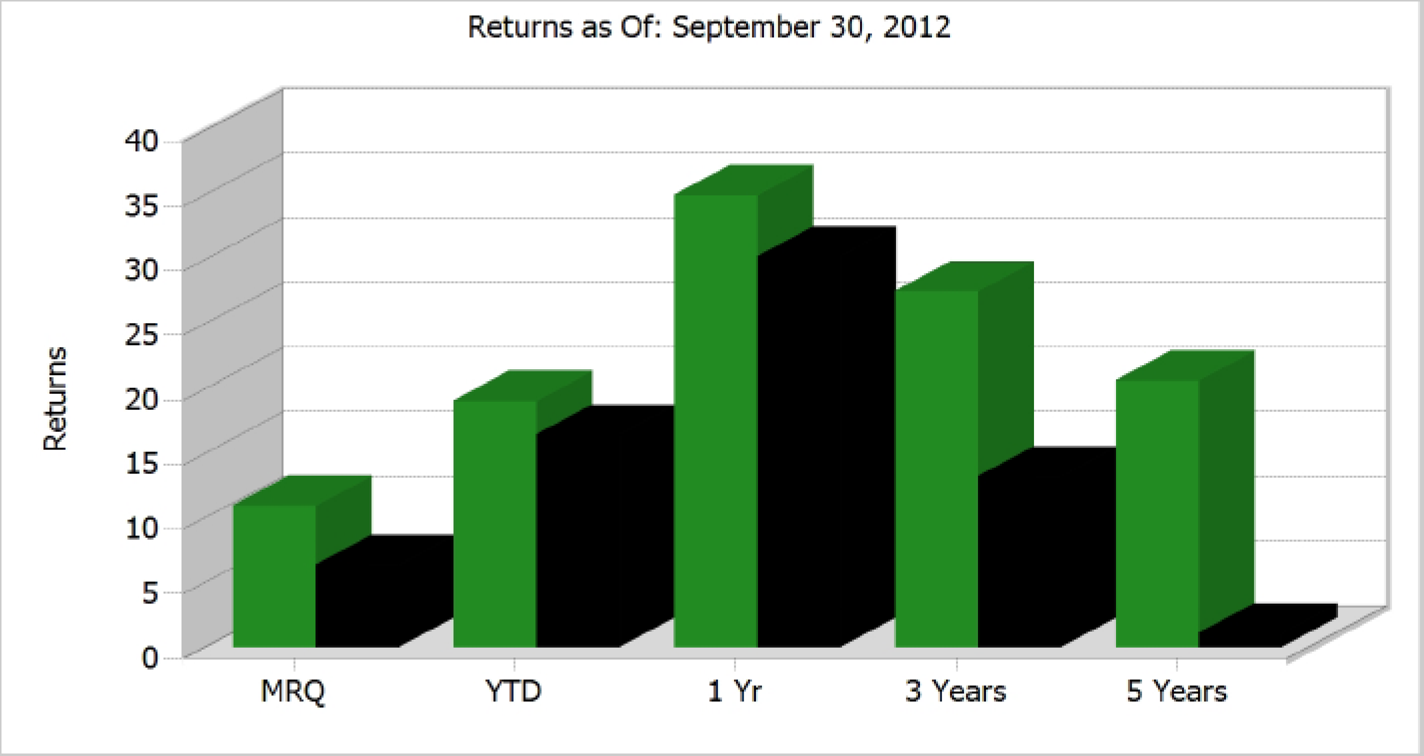

*Source: ArmourWealth, Inc.

# Tactical Flex Performance Data*

*Please reference the disclosures, definitions, and disclaimers starting on page #27 for additional information regarding the performance data presented.

# Tactical Flex Performance Data

Consistent Outperformance…




Source: Evestment Alliance

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mary 12/13/2012
Graphs/Charts/Tables: See page 18's comment

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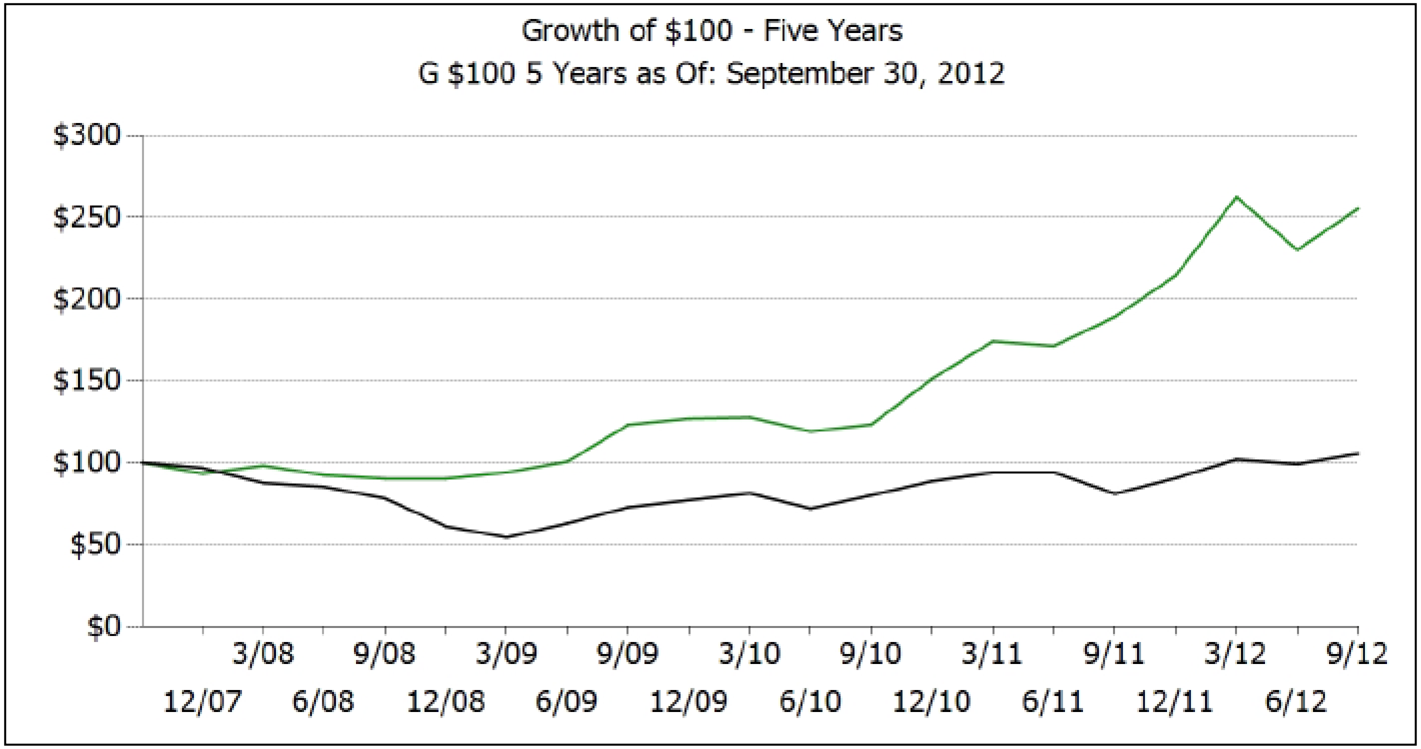
# Tactical Flex Performance Data

## Delivering in all market cycles…




Source: Evestment Alliance

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# Tactical Flex Performance Data

Risk and return made easy…

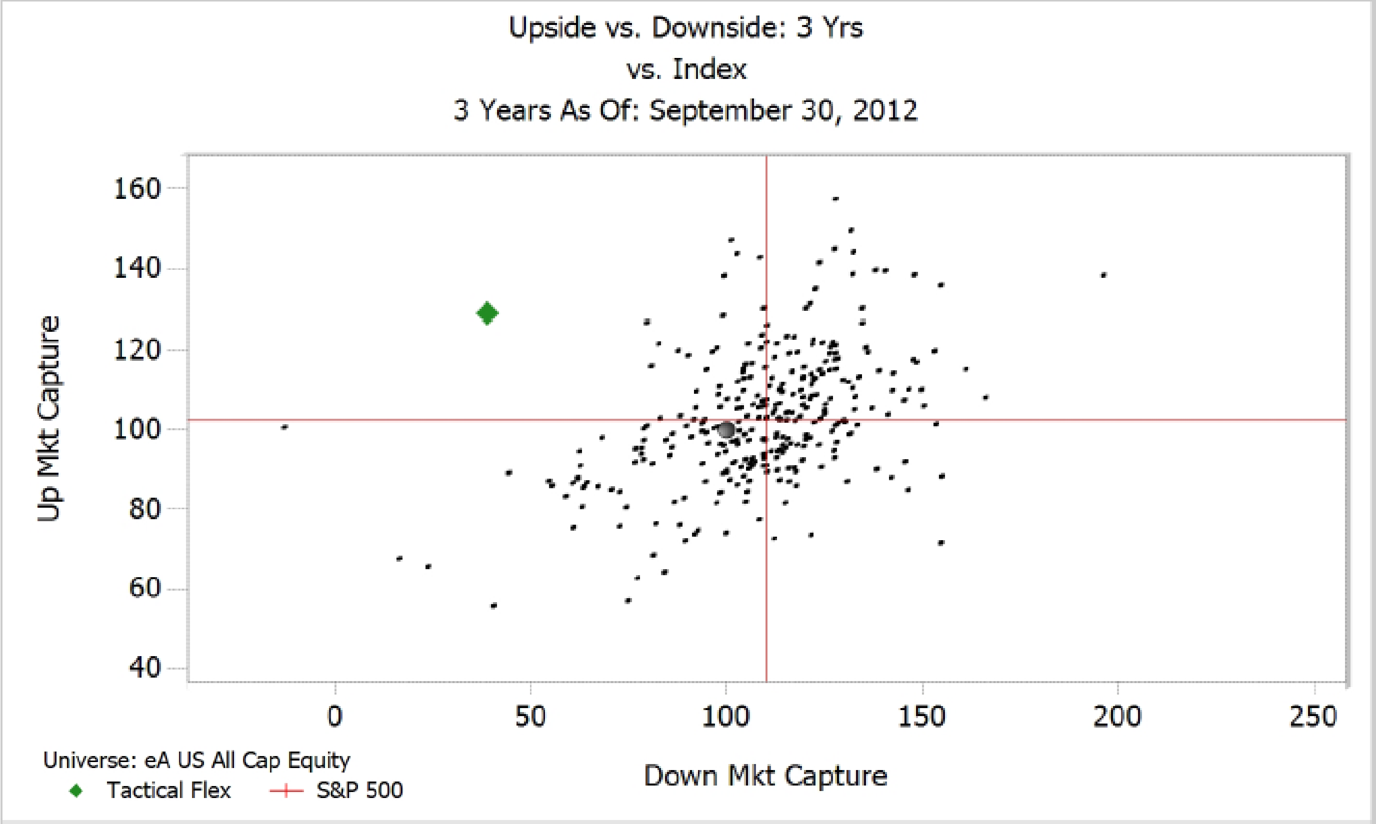
| Firm Name | ArmourWealth | Standard & Poors Index |
|---|---|---|
| **Product Name** | **Tactical Flex** | **S&P 500** |
| Account Type | SA | IX |
| Reporting Method | Gross | Index |
| Alpha 5 Years | 20.72 | 0.00 |
| Beta 5 Years | 0.53 | 1.00 |
| R2 5 Years | 0.32 | 1.00 |
| Max Drawdown 5 Years | 1.00 | 6.00 |
| Tracking Error 5 Years | 19.81 | 0.00 |
| Information Ratio 5 Years | 0.99 | --- |
| Sortino Ratio 5 Years | 2.55 | 0.03 |
| Sharpe Ratio 5 Years | 0.97 | 0.02 |
| Up-Market Capture 5 Years | 117.45 | 100.00 |
| Down-Market Capture 5 Years | 21.17 | 100.00 |
| Omega Ratio 5 Years | 7.48 | 14.21 |
| Average Returns 5 Years | 5.27 | 0.85 |

*Source: Evestment Alliance

*Please reference the disclosures, definitions, and disclaimers starting on page #27 for additional information regarding the performance data presented.

# Tactical Flex Performance Data

## More Upside Return, Less Downside Risk…

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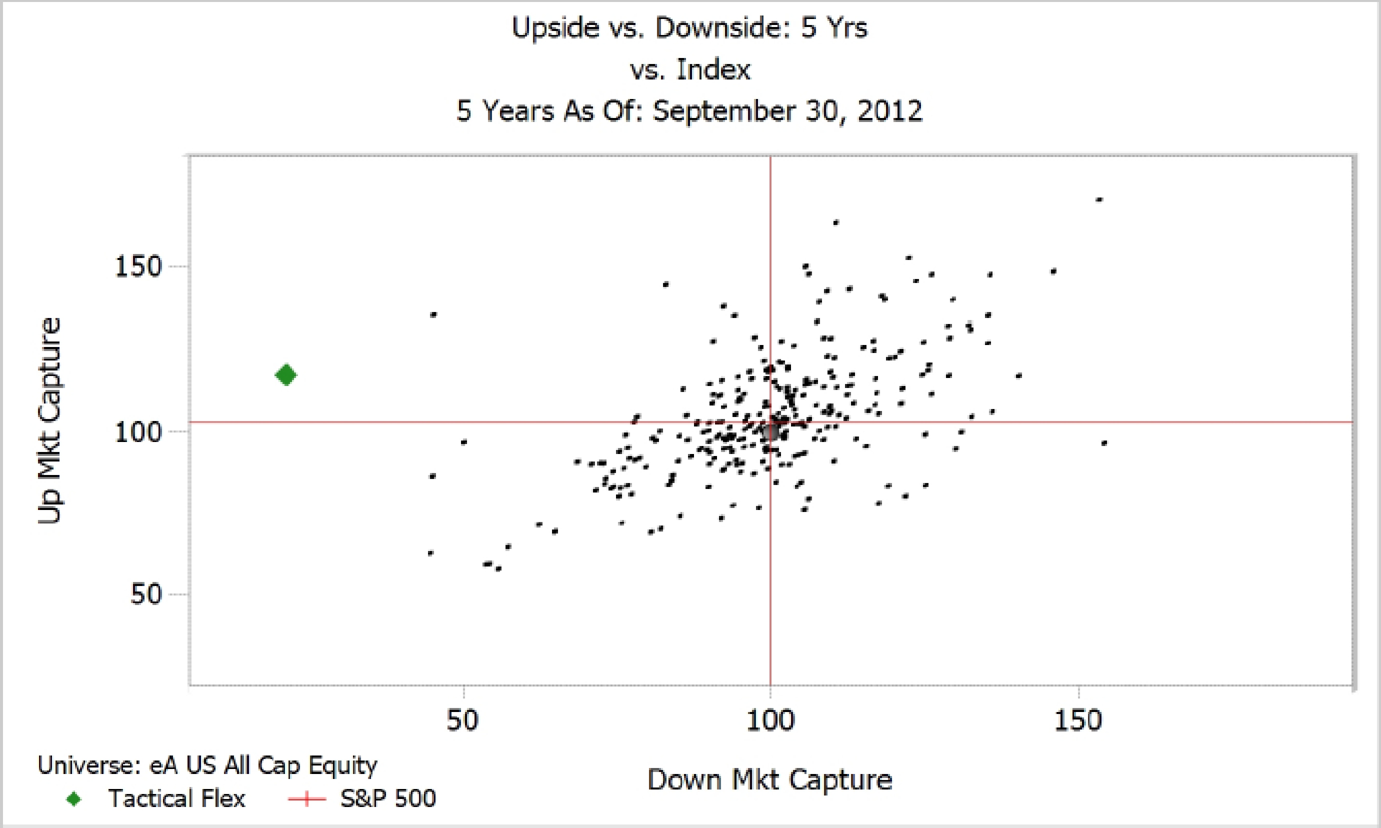
# Tactical Flex Performance Data

## More Upside Return, Less Downside Risk…




Source: Evestment Alliance

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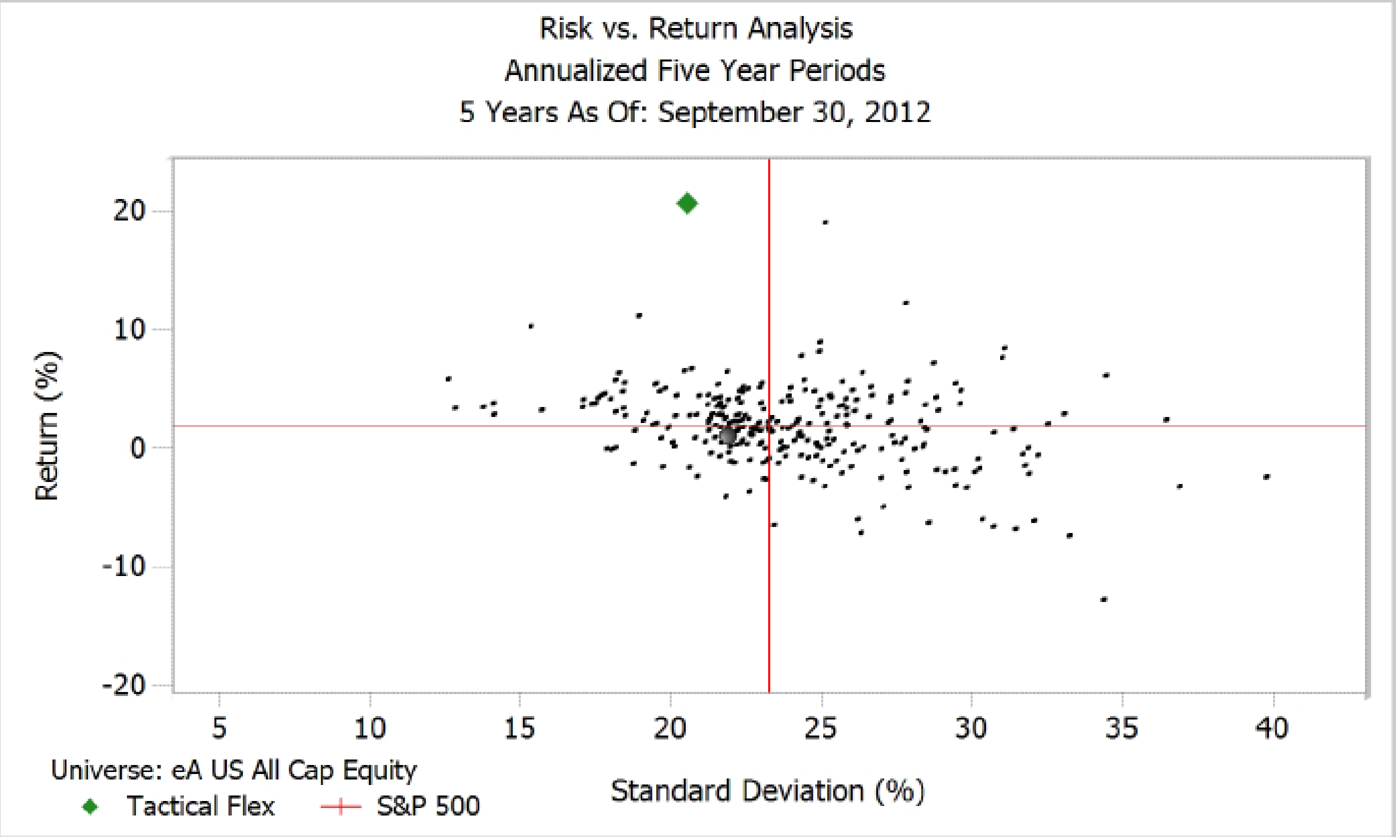
# Tactical Flex Performance Data

## Not Compromising Risk Management for Return…

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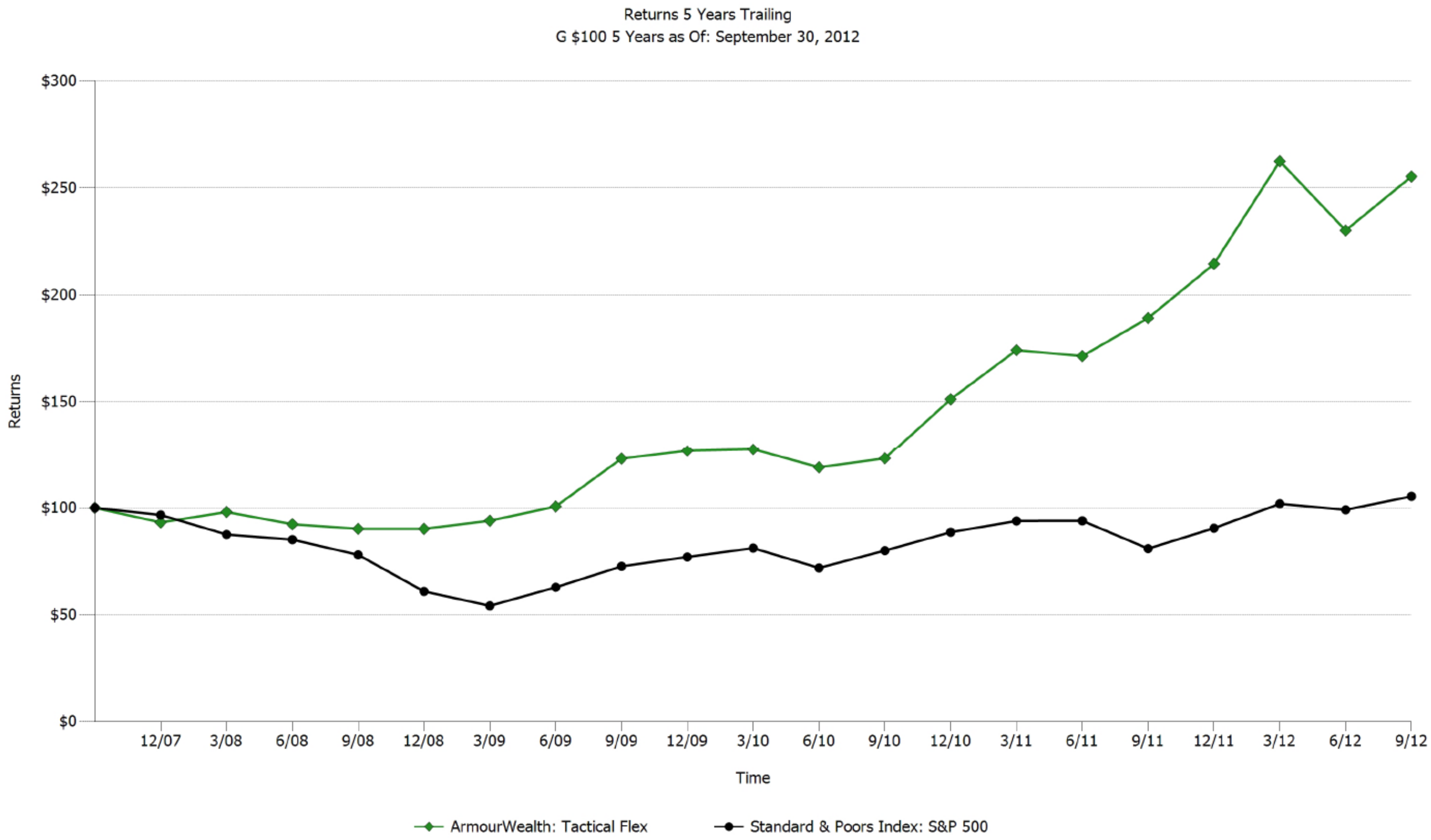
# Tactical Flex Performance Data

## Consistent Outperformance…

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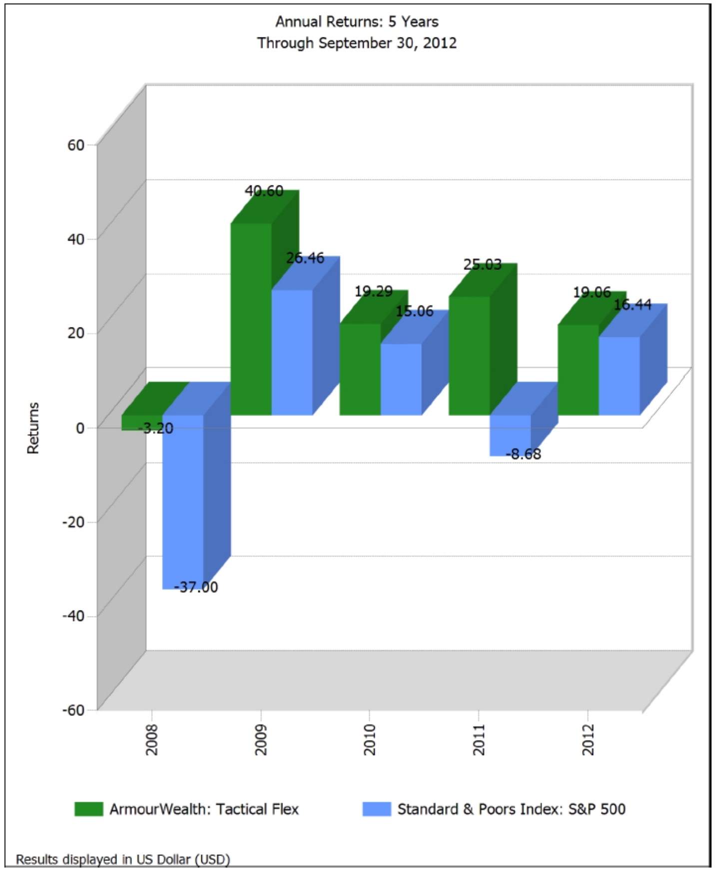
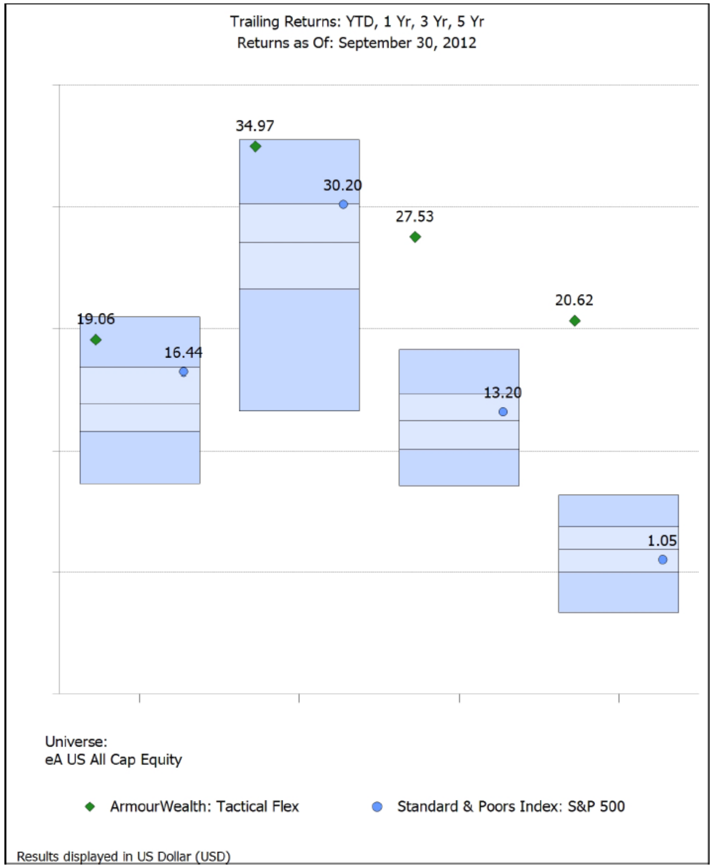
# Tactical Flex Performance Data

## Delivering Results…




Source: Evestment Alliance

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Different Thinking, Different Approach, Different Results …

**Period.**

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210 Greentree Court | Gateway Suite 450 | Lincoln, NE 68505

### Disclosures, Definitions, and Appendix

This material is for the exclusive use of the person to whom it has been delivered, is confidential, and may not be copied, distributed, or otherwise given or disclosed to any person other than your authorized representatives. This material was prepared exclusively for information and discussion purposes and to indicate, preliminarily, the feasibility of a possible investment opportunity. This material is not meant to be nor shall it be construed as an attempt to define all terms and conditions of any transaction or to contain all information that is or may be material to an investor. ArmourWealth, Inc. is not soliciting any action based upon this material, and this material is not meant to be nor shall it be construed as an offer or solicitation of an offer for the purchase or sale of any security or advisory or other service.

Standardized Returns for ETFs, the standardized returns reflect performance without adjusting for the effects of taxation or brokerage commissions. These returns are adjusted to reflect all ongoing ETF expenses and assume reinvestment of dividends and capital gains. If adjusted, the effects of taxation would reduce the performance quoted. Performance for closed-end and exchange-traded funds is calculated based on the fund's end of the day market prices as reported by the New York Stock Exchange.

For mutual funds, standardized return is total return adjusted for sales charges, if applicable, and reflects all ongoing fund expenses and assumes the reinvestment of dividends and capital gains. If adjusted, the effects of taxation would reduce the performance quoted.

Performance results for the Armour Tactical Flex Strategy are presented in U.S. dollars and are gross of management fees, gross of trading expenses and reflect the accumulation of dividends in cash and capital gains. The performance results described in this material are based on a blend of actual composite performance and model results of the Tactical Flex composite. Portfolios in the Tactical Flex Strategy composite utilize levered index products (i.e. leveraged mutual funds or leveraged ETFs).

No current or prospective client should assume future performance of any specific investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals may cause the performance results of your portfolio to differ materially from the reported composite performance. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. Historical performance results for market indices and/or categories, generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark.

This is an illustration of a simulated investment that assumes the portfolio holding(s) were purchased on the first day of the period indicated. This hypothetical reconstruction, based on past market data, illustrates what the performance of a particular account would have been had the adviser been managing the account using a particular investment strategy. The performance results presented herein, while generated with the live track records of each constituent, are purely hypothetical and do not reflect actual trading in clients' accounts. Hypothetical results have inherent limitations, particularly the fact that these results do not represent actual trading and may not reflect the impact that material economic and market factors might have placed on the adviser's decision-making if the adviser were actually managing the client's money. These results should not be viewed as indicative of the adviser's that were achieved adviser s skill and do not reflect the performance results by any particular client. Sales and tax charges, including those required in the event of transfers between assets, are not taken into account. The performance data represents past performance and is not indicative of future results. Principal value and investment returns will fluctuate, and an investor's shares/units/account value, when redeemed, may be worth more or less than the original investment.

The time period for this hypothetical illustration is constrained by the portfolio constituent with the shortest live track record. It is impossible to how this portfolio would have behaved had this portfolio been analyzed over a longer time frame.

The underlying holdings of the portfolio are not federally or FDIC-insured and are not deposits or obligations of, or guaranteed by, any financial institution. Investing in securities involves investment risks including possible loss of principal and fluctuation in value.

The investment returns do not reflect active trading and do not necessarily reflect the results that might have been achieved by active management of the account. The investment returns of other clients of the advisor may differ materially from the investment portrayed.

The investment returns depicted are gross of fees and expenses, does not deduct trading costs or custodial fees, and does not account for the reinvestment of dividends. Client investment returns may be reduced if additional fees are incurred. Reciprocally, investment returns may be increased if the reinvestment of dividends were applied to the model portfolio.

The investment returns may not reflect the deduction of transaction costs. Client investment returns may be reduced if additional fees are incurred.

The investment summary graphs plot the approximate market value of the security or portfolio over the investing horizon. It may also include the total investment assumed in the illustration and/or a benchmark. Taxes and transaction costs are not applied to the benchmark index. Note that direct investment in an index is not possible. Indexes are unmanaged portfolios representing different asset classes, with varying levels of associated risk. The benchmark index included in the graph may or may not represent an appropriate or accurate comparison with the security or portfolio illustrated.

The information contained in this report is from the most recent information available to Evestment Alliance and ArmourWealth, Inc. as of the release date, and may or may not be an accurate reflection of the current composition of the securities included in the portfolio. There is no assurance that the weightings, composition and ratios will remain the same.

Data Source: Evestment Alliance

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## Definitions

**Alpha** – Simply stated, alpha is often considered to represent the value that a portfolio manager adds to or subtracts from a fund's return on a risk-adjusted basis. A positive alpha of 1.0 means the fund has outperformed its benchmark index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%.

**Beta** – A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta is used in the capital asset pricing model (CAPM), a model that calculates the expected return of an asset based on its beta and expected market returns.

**Downside Capture Ratio** – A statistical measure of an investment manager's overall performance in down-markets. The down-market capture ratio is used to evaluate how well or poorly an investment manager performed relative to an index during periods when that index has dropped. The ratio is calculated by dividing the manager's returns by the returns of
the index during the down-market and multiplying that factor by 100.

**Excess Return** – Returns in excess of the risk-free rate or in excess of a market measure, such as an index fund.

**Information Ratio** – A ratio of portfolio returns above the returns of a benchmark (usually an index) to the volatility of those returns. The information ratio (IR) measures a portfolio manager's ability to generate excess returns relative to a benchmark, but also attempts to identify the consistency of the investor. This ratio will identify if a manager has beaten the benchmark by a lot in a few months or a little every month. The higher the IR the more consistent a manager is and consistency is an ideal trait.

**Rate of Return** – The gain or loss on an investment over a specified period, expressed as a percentage increase over the initial investment cost. Gains on investments are considered to be any income received from the security plus realized capital gains.

**R-Squared** – The values range from 0 to 100. An R-squared of 100 means that all movements of a security are completely explained by movements in the index. A high R-squared (between 85 and 100) indicates the fund's performance patterns have been in line with the index. A fund with a low R-squared (70 or less) doesn't act much like the index. A higher R-squared value will indicate a more useful beta figure. For example, if a fund has an R-squared value of close to 100 but has a beta below 1, it is most likely offering higher risk-adjusted returns. A low R-squared means you should ignore the beta.

**Sharpe Ratio** – The Sharpe ratio tells us whether a portfolio's returns are due to smart investment decisions or a result of excess risk. This measurement is very useful because although one portfolio or fund can reap higher returns than its peers, it is only a good investment if those higher returns do not come with too much additional risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been. A negative Sharpe ratio indicates that a risk-less asset would perform better than the security being analyzed.

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**Standard Deviation** – Standard deviation is a statistical measurement that sheds light on historical volatility. For example, a volatile stock will have a high standard deviation while the deviation of a stable blue chip stock will be lower. A large dispersion tells us how much the return on the fund is deviating from the expected normal returns.

**Tracking Error** – Tracking errors are reported as a "standard deviation percentage" difference. This measure reports the difference between the return an investor receives and that of the benchmark he or she was attempting to imitate.

**Upside Capture Ratio** – A statistical measure of an investment manager's overall performance in up-markets. The up-market capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen. The ratio is calculated by dividing the manager's returns by the returns of the index during the upmarket, and multiplying that factor by 100.

## Investment Risks

**Market Price Risk** – The market price of ETF's and HOLDRs traded on the secondary market is subject to the forces of supply and demand and thus independent of the NAV. This can result in the market price trading at a premium or discount to the NAV which will affect an investor's value.

**Market Risk** – The market prices of ETF's and HOLDRs can fluctuate as to the result of several factors such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

**International Emerging Markets –** The investor should note that in international accounts invest securities take on special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets normally accentuates these risks.

**Sector Funds/Subaccounts –** The investor should note that accounts that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

**Non-Diversified Funds/Subaccounts** – The investor should note that accounts that invest more of their assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

**Investment Risks (Cont.)**

**Small-Cap Risk** – The investor should note that accounts that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of price volatility than the overall market average.

**Mid-Cap Risk** – The investor should note that accounts that invest in companies with market capitalizations below $10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

**High-Yield Bonds** – The investor should note that accounts that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility and increased risk of default.

**Bonds** – Investors should note that that accounts that invest in bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio decline. Accounts that hold bonds are subject to declines and increases in value due to general changes in interest rates.

**Tax-Free Municipal Bonds** – The investor should note that the income from tax-free municipal bonds may be subject to state and local taxation and the Alternative Minimum Tax.

**Bank Loan/Senior Debt** – Accounts that contain bank loans and senior loans are impacted by risks associated with fixed income in general, including interest rate risk and default risk.  Because they often invest in non-investment grade issues, the risk of default is high. These securities are also relatively illiquid.

**Closed-End Funds** – Investors should note that that closed-end funds frequently trade at a market price that is below their net asset value. Leverage creates risks which may adversely affect return, including the likelihood of greater volatility of net asset value and market price of common shares, and fluctuations in distribution rates on any preferred shares.