Brinker Capital

Broad Asset Class Diversification

There is more than one way to be successful in investing. In fact, there are at least six.

We help protect and build wealth through a broadly diversified approach, using a strategy typically employed by endowments seeking to grow their investments over the long term.

The Foundation ■ Our Approach ■ Portfolio Construction

THE FOUNDATION

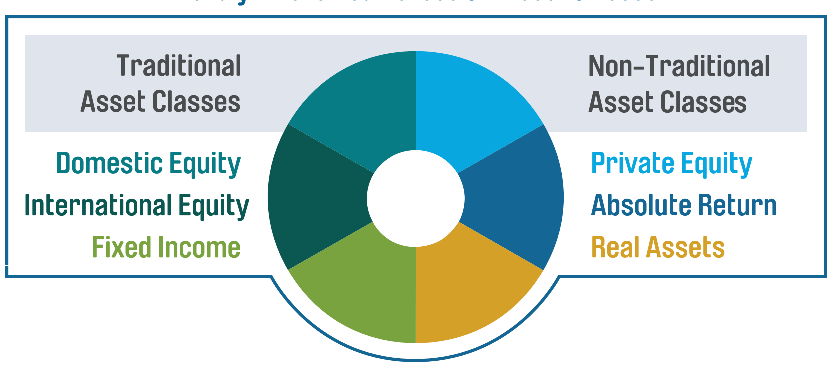
At Brinker Capital we have been studying and testing institutional investment principles and processes for over 20 years. The Brinker Capital Investment Management Group creates asset allocation strategies based on an investor's time horizon and risk/return objectives. We believe that a portfolio constructed from both traditional and non-traditional asset classes will provide downside protection and superior risk-adjusted returns, both of which are critical for long-term investment success. Our approach to asset allocation is highly disciplined. Asset allocation recommendations serve as the foundation for constructing multiple-manager, multiple-style portfolios to meet the specific goals and objectives of each investor. We then use our hands-on experience to analyze portfolios on a qualitative basis based on our knowledge of each investment firm and their specific approach to investing.

Our Foundation for Providing Excellence in Investment Management

OUR APPROACH

Our portfolio construction process is a disciplined art and a science that we have carefully developed since the firm's inception. We view our investment opportunity set in two distinct segments comprised of six major asset classes. Traditional asset classes include those that are most familiar to investors - domestic equity, international equity and fixed income.

Broadly Diversified Across Six Asset Classes



PORTFOLIO CONSTRUCTION

Non-traditional asset classes, which include three distinct strategies, are also known as alternatives – absolute return, real assets and private equity. We continuously evaluate opportunities and seek the best in class managers within the six major asset classes and various sub-asset classes, and make use of them strategically as investment opportunities arise.

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Certain alternative investments are only available to qualified or accredited investors.

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Domestic Equity

Domestic equities represent ownership of a piece of a U.S.- based corporation; however, stakeholders reside at the bottom of the capital structure, below all debt holders. In general, domestic equities are a large, liquid and rather efficient asset class that is heavily researched by third parties. The expected return characteristics of domestic equities generally match nicely with the need to generate substantial portfolio growth over time.

The domestic equity asset class can be accessed via passive or active management strategies. Passive strategies are a cost effective way to access the asset class and take advantage of its efficiency. However, superior stock selection provides the most consistent and reliable opportunity for generating excess returns.

Domestic equity strategies are generally categorized by their focus on both market capitalization (large, mid, small) and style (value, core, growth).

International Equity

International equity strategies can target either developed economies (Western Europe, Japan, Australia, Canada) or emerging economies (China, Latin America, Eastern Europe). Strategies targeting international developed markets typically provide similar expected returns as domestic equity investments; however, they provide portfolio diversification. Developed economies are comparable to the U.S. in terms of economic infrastructure and they have common drivers of economic performance; however, markets in different regions can respond to different economic forces, causing differentiated returns.

Emerging-market equities can provide higher expected returns than international developed equities, but with higher levels of risk. However, emerging market countries are becoming more global than ever before and are housing a number of world-class companies.

Fixed Income

Fixed income securities can generate stable cash flows for investors. Bond prices and interest rates have an inverse relationship – when interest rates fall, bond prices rise, and when interest rates rise, bond prices fall. Duration is a measure of the price sensitivity of a bond to changing interest rates. Longer duration bonds exhibit greater price sensitivity to interest rate moves than shorter duration bonds. There are two main categories of fixed income that accommodate both taxable and tax-exempt investors. Investors with portfolios that are not subject to taxes (qualified portfolios) will typically invest in the following taxable bonds:

- U.S. Treasuries
- Mortgage-backed securities
- Emerging Market Debt
- TIPS
- U.S. Agencies
- High Yield
- Non-Dollar Debt
- Investment Grade Corporate Bonds

Taxable investors will primarily own municipal bonds, debt securities issued by a state, municipality or county, to finance its capital expenditures. Municipal bonds are exempt from federal taxes and from most state and local taxes if you live in the state where the bond was issued.

Absolute Return Strategies

Absolute return strategies seek to deliver attractive returns that are wholly or partially independent of overall market moves. These actively managed strategies seek to exploit market inefficiencies to generate attractive risk-adjusted returns. Strategies in the absolute return category may have little or no beta* to traditional asset classes as a whole (market neutral, merger arbitrage), or may simply have a key driver of performance that is independent of the traditional markets (closed-end fund discount management). In the latter case, the strategy as a whole will likely have some degree of beta to traditional asset classes. Types of absolute return strategies:

- Equity market neutral
- Merger arbitrage
- Relative value arbitrage
- Managed futures
- Multi-strategy
- Equity long/short
- Convertible arbitrage
- Global macro
- Closed-end fund arbitrage
- Distressed securities

Absolute return strategies had historically been offered only in limited partnership vehicles; however, we are seeing more and more managers offering their absolute return strategies within 1940-Act registered mutual funds. We typically access absolute return strategies via mutual funds because of the attractiveness of daily liquidity and daily pricing.

Real Assets

Real assets consist of ownership interests in investment vehicles that exhibit a high correlation to inflation and provide high levels of current cash flow. Real assets, which typically include real estate, commodities, timber, and oil and gas interests, play an important role in portfolios, especially when investors seek to protect against rising inflation. Real estate investments provide exposure to the benefits and risks of owning office properties, apartment complexes, industrial warehouses and retail establishments. Real estate returns and risks fall between those of bonds and equities as real estate exhibits both bond-like and equity-like characteristics.

Commodities are basic goods of value, of uniform quality, produced in large numbers by many different producers. Commodities also provide significant diversification benefits as they have historically had low or negative correlations to traditional asset classes. Other strategies within real assets include oil and gas partnerships, which can be privately held or available to the public via Master Limited Partnership vehicles (MLPs). In addition, because of their inflation protection characteristics, Treasury Inflation Protection Securities (TIPS) can also be considered a real asset.

Private Equity

Private equity investments seek to generate higher returns relative to other equity alternatives, but with greater levels of risk. Private equity investors must maintain a long-term time horizon. Private equity is seen as less of a diversifier and more as a way to enhance overall portfolio returns. Manager selection is extremely important in private equity, with top tier managers gaining better access to deal flow, entrepreneurs and capital markets. Private equity can be accessed through limited partnership vehicles available only to qualified investors, as well as through public companies that have underlying private equity investments but are listed on the major exchanges. Private equity strategies include leveraged buyouts, venture capital, special situations and secondaries.

Next Steps

Talk to your Financial Advisor to find out how you can take a more diversified approach to investing

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Beta: A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.