



# afs' PORTFOLIO MANAGEMENT PROCESS

Advanced Financial Strategists, Inc. (AFS) is a "fee-only" registered investment advisor with the United States Securities and Exchange Commission. AFS' focuses on portfolio construction and on-going investment management. Portfolios are constructed using Modern Portfolio Theory and Efficient Frontier software. Periodically we overlay each client's portfolio with cash flow analysis to benchmark where they are on the path to a secure retirement.

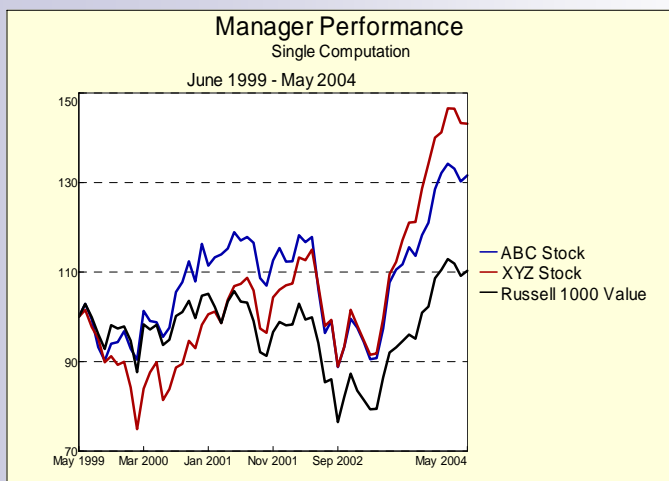
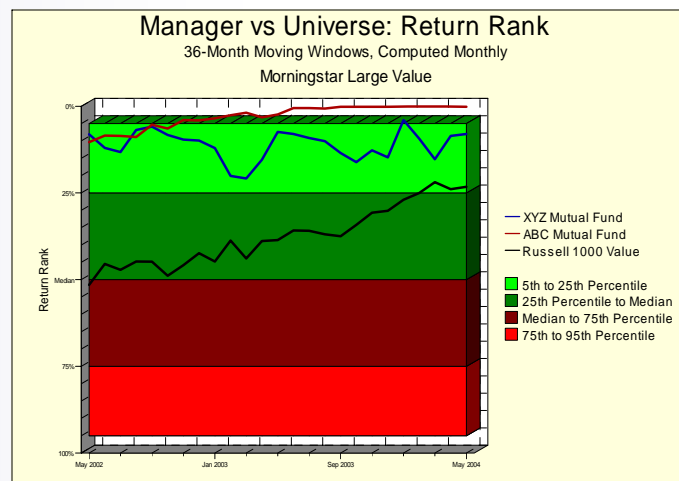
We monitor the performance of several hundred investment products including mutual funds, stocks, annuities, bonds, CDs and Exchange Traded Funds (ETFs). We concentrate on successful long-term risk/return characteristics typically through a "buy and hold" strategy.

On a quarterly basis AFS' investment professionals meet to review strategic model portfolios allocations. This top-down approach combined with specific client suitability creates individual portfolios that can be categorized by:

1. Broad exposure to equities (including large cap, mid cap, and small cap stocks, international, REIT, etc.). In addition we monitor style indices to determine if style should have any impact on our portfolio allocations.
2. Determining the appropriate sector weightings. In most cases we benchmark our client's equity portfolio weightings to the sector weightings in the S&P 500 Index®. We strive to add value (alpha) through individual security selection.
3. Macro economic indicators tend to support our decisions on fixed income investing. Fixed income is a very broad category but the major components of our portfolios tend to be CDs, money markets, treasuries, short or intermediate high quality bonds or bond funds, and in some instances high yield bonds or bond funds.

## MUTUAL FUND SELECTION AND SCREENING

With thousands of mutual funds available, finding the right funds to build a portfolio can seem more time-consuming and difficult than ever. At AFS we remove you from the difficult task of identifying top tier managers. To identify these funds we begin by analyzing the actively managed funds tracked by Morningstar. Using proprietary quantitative and qualitative screening criteria we identify funds that offer you the best combination of factors such as performance, risk and expense.

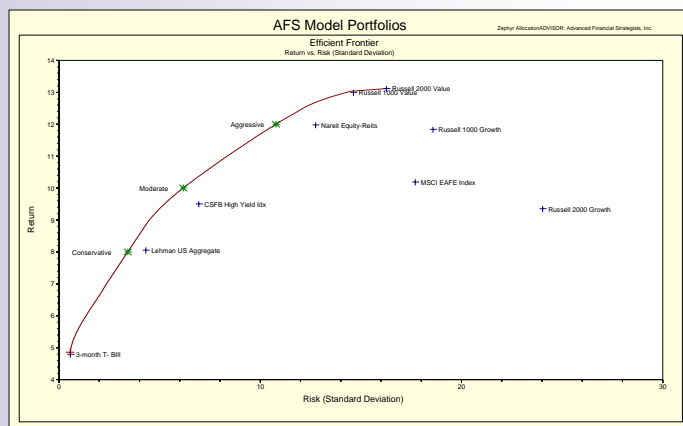


Individual stock investing can be an important part of the overall portfolio makeup. This can allow an advisor to better manage the tax implications of long-term investing. However individual stocks are not suitable for all investors. Investing in individual stock comes with more risk and can lead to heightened concern for the investor.

In our opinion there are three pillars that support our stock screening process: the financial health of the company, management's deployment of excess capital (free cash flow), and the growth prospects of the company or industry. However, no stock evaluation can be complete without encompassing all these factors with a valuation model. By this we mean that regardless of how good the underlying fundamentals look, a stock can still be overvalued if an investor must pay too much to own it (compared with the average cost of the stock's peer group or industry sector).

## STOCK SELECTION AND SCREENING

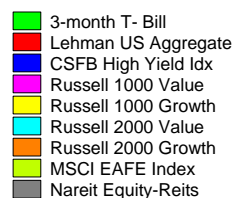
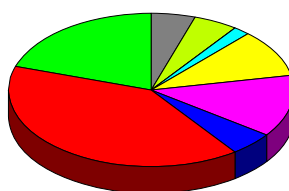
# MODEL PORTFOLIOS



**A**FS continually blends a group of major indices together to form Efficient Frontier portfolios. Starting with this as a basis we then apply additional Modern Portfolio Theories to accommodate each client's unique situation.

## Conservative Portfolio

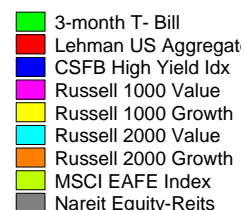
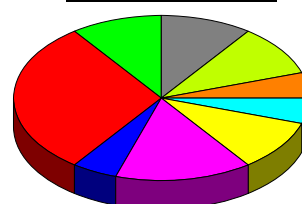
### Asset Allocations



**A**FS screens active managers based on extensive amounts of raw data using Morningstar Principia® in conjunction with Zephyr Associates® for style analysis. This helps ensure the identified managers represent the targeted index. In this way we can better predict the performance of the model and add value through active management. In certain cases, an index fund or ETF can be used to replicate the performance of the actual index in our model portfolios. The processes of generating portfolio weightings and the individual fund manager screening are performed on a quarterly basis. AFS has set tolerances for the portfolio weightings to allow for market fluctuation without generating taxable events for our clients based on short-term market movements.

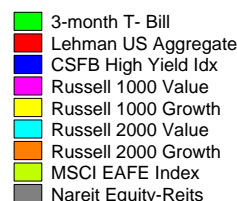
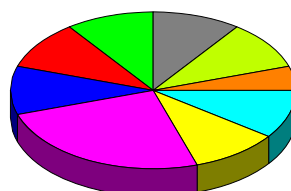
## Moderate Portfolio

### Asset Allocations



## Aggressive Portfolio

### Asset Allocations



## BIOS

### John D. Holden, CPA/PFS (left)

John received his BBA degree from Georgia State University. In the mid-seventies, he was a business analyst and marketing representative for Dun & Bradstreet, Inc. In 1979 he started his own accounting practice. John began to specialize in financial planning and investment management in 1985 and is currently President of Advanced Financial Strategists, Inc.

As a member of the American Institute of CPA's (AICPA), John holds the organization's Personal Financial Specialists (PFS) designation. John served on the PFS Committee of the PFP section of the AICPA. The committee's charge is to promote public awareness of the CPA/PFS and to encourage CPAs to obtain the PFS designation.

He is a past director of the Georgia Society of CPA's and is active on the GSCPA's Estate and Personal Financial Planning section. He is a past chair of the PFP committee and past president of the Gwinnett Chapter of the GSCPA.

John is past President of "The All-Star Financial Group", an organization of prominent financial advisors from around the country. He also is one of the seven founding board members of the Association of CPA Financial Planners, Inc - an organization of personal financial specialists (PFS).

John frequently speaks to CPA groups on retirement planning and investments. John is a strong advocate for the "Fee-Only" approach to financial planning, and encourages other CPAs to become involved in providing financial planning to their clients.

### Eric C. Loyd (center)

Prior to AFS, Mr. Loyd was employed by AMVESCAP Retirement, Inc. He started his career in the retirement industry in May of 1993 after relocating from Houston, Texas. He worked for two years as an Account Service Leader with a variety of AMVESCAP Retirement clients. From 1995 until 1999 Mr. Loyd worked as a Relationship Manager in the Mid-West and Southeastern regions. In 1999, Eric was promoted to Regional Manager - Client Services for the Southeastern region. In that role, Eric was responsible for the profitability of all clients in the Southeastern United States, which totaled over \$2.5 billion in assets. Eric also provided consulting services on all aspects of defined contribution account management. Mr. Loyd is currently a Principal at Advanced Financial Strategists, Inc., holds a BS in Accounting from Louisiana State University and the NASD Series 65 securities license. He is currently enrolled in the Accredited Investment Fiduciary (AIF®) program sponsored by the Center for Fiduciary Studies.



### B. Keith Sproles (right)

Mr. Sproles began his investment career with SunTrust Banks, Inc. in 1996 working within the Personal Trust Division as a Trust Associate. Primary duties there included estate planning and portfolio management for high net worth individuals and families.

He then joined AMVESCAP Retirement, Inc. as an Investment Analyst in October of 1999 and then went on to manage the Investment Services Group as Director of Investment Services. Primary duties while at AMVESCAP included managing the fund line-up creation and analysis process for prospective and existing clients. Additional responsibilities included meeting with Investment Committees on a periodic basis to discuss recent economic and market events as well as the behavior of a plan's existing investment line-up. He was directly involved with over \$2 billion in assets. Mr. Sproles is currently a Principal with Advanced Financial Strategists, Inc. and holds the NASD Series 65 securities license. He has a BBA in Finance from the University of Georgia and an MBA in Finance from Georgia State University. Keith is also enrolled in the CFS Program sponsored by the Institute of Business and Finance.

### Disclosure

This material should not be construed as an offer to buy or sell securities. The asset allocation model is not a mutual fund, but a model portfolio of underlying indices. The performance reported is a hypothetical illustration of how the model portfolio might have performed if it was available during the periods indicated. The reported performance of the model reflects the actual returns of the indices. It assumes that the portfolio was invested in these underlying indices according to the allocation(s) and rebalanced quarterly. Past performance is no guarantee of future results. Investment return and principal value fluctuate so that when redeemed, an investor's shares may be worth more or less than when originally purchased. You can not invest directly in an index.

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