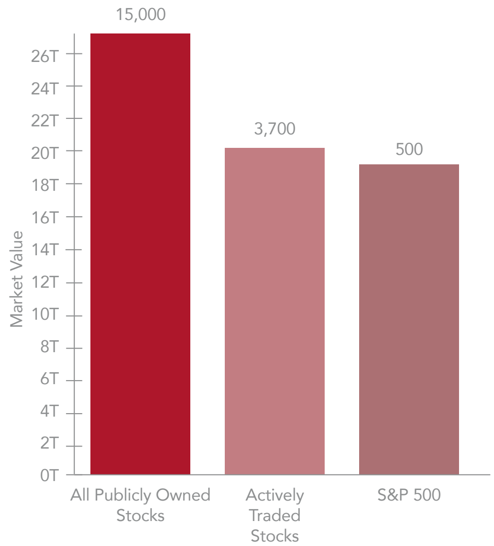
Real Diversification

At the TS Prosperity Group, Fixed Income (Bonds) and Alternative Investments are used as a way of reducing a client's overall investment risk through greater diversification of risk, as well as reducing overall exposure to 'market risk' that comes with being invested in the more liquid/public markets (i.e. stock market). Diversification away from the public markets is of value to provide exposure to markets less sensitive to market timing and volatility in the markets.



The chart shows how approximately two-thirds of the total stock market's value is found within only 3% (500) of all the publicly traded companies/stocks. This chart shares the story of how investors, if they are mostly invested in the public stock markets, are not properly diversified for risk when it comes to their investment portfolio. This is because many mutual funds have a high correlation for risk, and this is partially because many funds have a large overlap in the stocks they are invested in, which is because two-thirds of the market's value is in only 3% of all the stocks.

For clients to be properly diversified from market risk, they need to be invested in fixed income and alternative investments.

The term Alternative Investment is used broadly and refers to many different types of asset classes, as an Alternative Investment is an investment in an asset class that is not one of the traditional investment types, such as stocks, bonds, and cash. Examples of the asset classes most commonly used, by the TS Prosperity Group, that are defined as Alternative Investments, are as follows:

- RE Investment Trusts [REIT]
- Private Real Estate
- Private Equity Business
- Precious Metals Funds
- Managed Futures
- Options Income Funds
- Market Neutral Funds
- Bear Short Funds

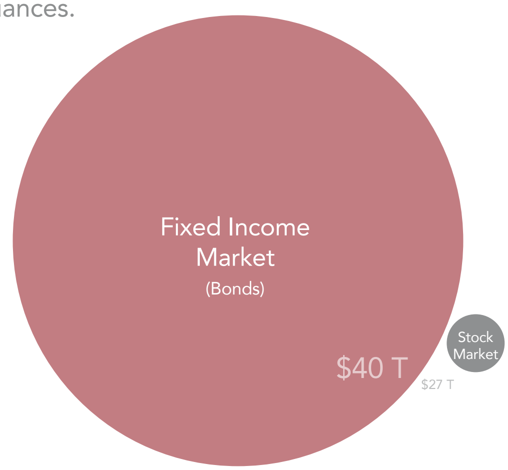
Why Alternative Investments?

Many of the characteristics of Alternative Investments can be labeled a characteristic of risk, but are often what provide the opportunity for improved returns, and with effort the risks can be mitigated or managed. Some of these characteristics of alternative investments may include:

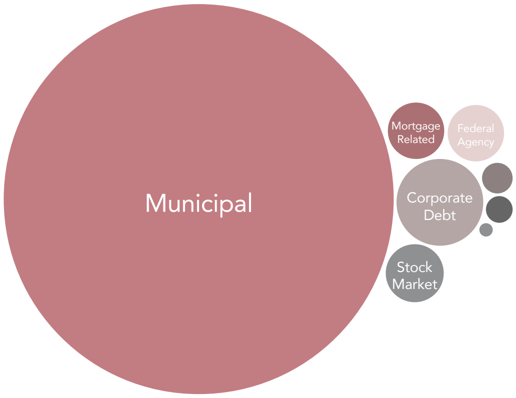
- Low correlation with traditional financial investments such as stocks and bonds
- It may be difficult to determine the current 'market' value of the asset
- Alternative investments may be relatively illiquid
- Costs of purchase and sale may be relatively high
- There may be limited historical risk and return data
- A high degree of investment analysis may be required before buying

Bonds, not Stocks, is THE MARKET!

Most investor's think of the market as 'the stock market', but as can be seen illustratively in these charts, the fixed income (bond) market is multiple times bigger in dollars and number (diversity) of issuances.



Number of Issuers



Number of Issuers

TS Prosperity Group's philosophy, when it comes to achieving out-performance in the fixed income markets, centers around the following concepts:

Counting dollars (Total Return), not yield. Conventional wisdom is that a fixed income instrument (bond) is only about yield. What is wrong with yield?

> *"Yield is not a reliable predictor of future fund returns, or even of how much income a fund will deliever, new research by Morning Inc. shows. There were very few years when yield said much about the total return or the income return that investors would experience," according to Bradley Sweeney, Morningstar analyst.*
>
> **When Judging Bond Funds, Consider More than the Yield**
> By Karen Damato of THE WALL STREET JOURNAL - April 4th, 2003

Yield is an inferior investment measure as it only attempts to capture the return side of the equation, ignoring the risk side. Because bonds have differing variables (maturities, callability or cashflow volatility, and reinvestment rates) that are usually modeled inaccurately, yield does not even capture the return side accurately. Thus, if one uses yield as their primary tool to compare risk and return across bonds, then one will make the wrong decision.

Playing off the limitations of conventional wisdom of others. Because of the heavy focus on yield in the fixed income markets, along with antiquated policy or procedural limitations on certain investor segments, allows the contrarian investor to take advantage of over and undervalued sectors in the market.

Using the value of rolling the curve & time. These two variables can help turn "fixed income" yields into a "total return" strategy.

The Power of Combinations. The right combination of bonds can often outperform a single bond or portfolio trying to find bonds that will do "OK" in every scenario puts you on the road to mediocrity.