Dynamic Asset Management

Low Risk Asset Growth for All

Developed by

Beiderman Investment Research

Barry Beiderman, Principal

BBInvestmentResearch@hotmail.com

Dynamic Asset Management Normalized

Overview and Procedure Summary

Dynamic Asset Management Normalized (DAMN) is a low risk, low maintenance plan for long-term investing.   It is based on the principles of asset allocation, diversification, and an effective market timing strategy. Funds are invested in asset classes that historically have been poorly-correlated; several investments within each asset class provide diversification; and buy and sell signals are determined through technical analysis of the market which results in enhanced growth by reducing losses during market downturns.

Financial resources are invested in equal amounts in the five asset classes noted below (these are followed by descriptions and the currently recommended investments). Exchange traded funds or mutual funds are used, the choice of which may vary depending on an assessment of economic conditions and the availability of suitable funds.

1. Fixed Income (Bonds, other Debt instruments, Cash and Cash Equivalents) – [AGG]
2. Domestic Equities (Stocks of U.S. companies) - [SPY]
3. Emerging Markets Equities and/or Debt Instruments – [EEM]
4. Hedges (Gold) –[GLD]
5. Real Estate (REITs) - [IYR]

Note that after allocating 20% of the total stake to each of the five asset classes, manual rebalancing according to a preset timetable to achieve predetermined target percentages is not required because the portfolio automatically self-adjusts and optimizes returns while limiting losses.

Buy/sell/hold determinations utilize a simple two-moving-average strategy involving a "fast" moving average and a "slow" moving average: Invest in a particular class/fund when and only when its fast moving average is greater than its slow moving average, sell a fund when its fast moving average is less than its slow moving average, and keep the proceeds of closed positions in cash until a buying opportunity is signaled for that particular asset class. One of the beauties of this system is that *decisions are not required,* you don't have to worry about when to be in the market or when to be out, you just trade when the strategy so indicates. Although each asset class is treated separately with respect to when to buy, hold, or sell, the proceeds from the sale of all investments are comingled in the same brokerage account (which is also used for all purchases). The moving averages employed are 30day (fast) and 90day (slow) simple moving averages of the securities' daily closing price.

A central element of this strategy is that portfolio evaluation is made only once every month and typically requires only about ten to fifteen minutes to complete. Very little time, therefore, has to be devoted to program maintenance; you don't have to be watching the portfolio during the month which reduces stress, and the infrequent trades (the system signals approximately five trades per year on average) results in increased portfolio value.

Please read the cautionary notes and disclaimer on the last page of this document. If you would like to learn more about this approach feel free to contact me at the email address below.

Barry Beiderman
March 18, 2013

Asset Evaluation using Two Moving Averages

$SPX S&P 500 Large Cap Index INDX
7-Feb-2013 **Open** 1512.12 **High** 1512.90 **Low** 1498.49 **Close** 1509.39 **Volume** 2.7B **Chg** -2.73 (-0.18%)

- $SPX (Daily) 1509.39
- MA(1) 1509.39
- MA(30) 1476.55
- MA(90) 1438.25

S&P 500
Sell
30 day MA
90 day MA
Moving Average Cross
Buy

DAMN Portfolio Positions / Asset Class Status

Asset Class	Security	DAMN-B		DAMN-E	
		Feb-2013	Mar-2013	Feb-2013	Mar-2013
U.S. Bonds and Fixed Income	AGG	out	out	in	in
U.S. Equities	SPY	in	in	in	in
Foreign Equities/Emerging Markets	EEM	in	in	in	in
Hedges	GLD	out	out	out	out
R.E. (REITs, MLPs, etc.)	IYR	in	in	in	in

"in" = invested (holding the indicated ETF) in this asset class

**"out" = not invested; this portion of assets in cash**

BBInvestmentResearch@hotmail.com

DAMN vs. Comparitors

Metric (based on trailing 10 year data through 2012-12-31)	DAMN-B	DAMN-E	VBINX*	S&P500
Growth of $10,000 over trailing 10 years	$25,416	$34,622	$18,790	$17,051
% Gain: Total Compounded over 10 years	154%	246%	87.9%	71.0%
Compound Annual Growth Rate (CAGR)	9.78%	13.2%	6.51%	5.48%
Five Year Rolling Evaluation: Mean Gain	57%	89%	not done	7.4%
Maximum Drawdown (trailing 10yr) **	14%	6.5%	33%	57%
Drawdown during Crash of 2008	11%	6.2%	33%	57%
Risk-Adjusted-Returns (Total Gain / Max Drawdown, i.e. a modified CALMAR ratio) ***	12.8	37.8	2.7	1.25
Number of Declines (Draw Downs) greater than 5%	4	2	2	9
Recovery Time after Maximum Drawdown (in <u>months</u>)	22	14	37	63

*VBINX is a Vanguard mutual fund that invests 60% in U.S. Equities and 40% in U.S. Bonds.

** Maximum Drawdown: DAMN-B and S&P500, daily data; DAMN-E and VBINX, monthly data.

*** Risk Adjusted Returns: S&P500, daily data; DAMN-B, DAMN-E and VBINX, monthly data.

Growth of $10,000
10 Year Returns 2003 through 2012

BBInvestmentResearch@hotmail.com
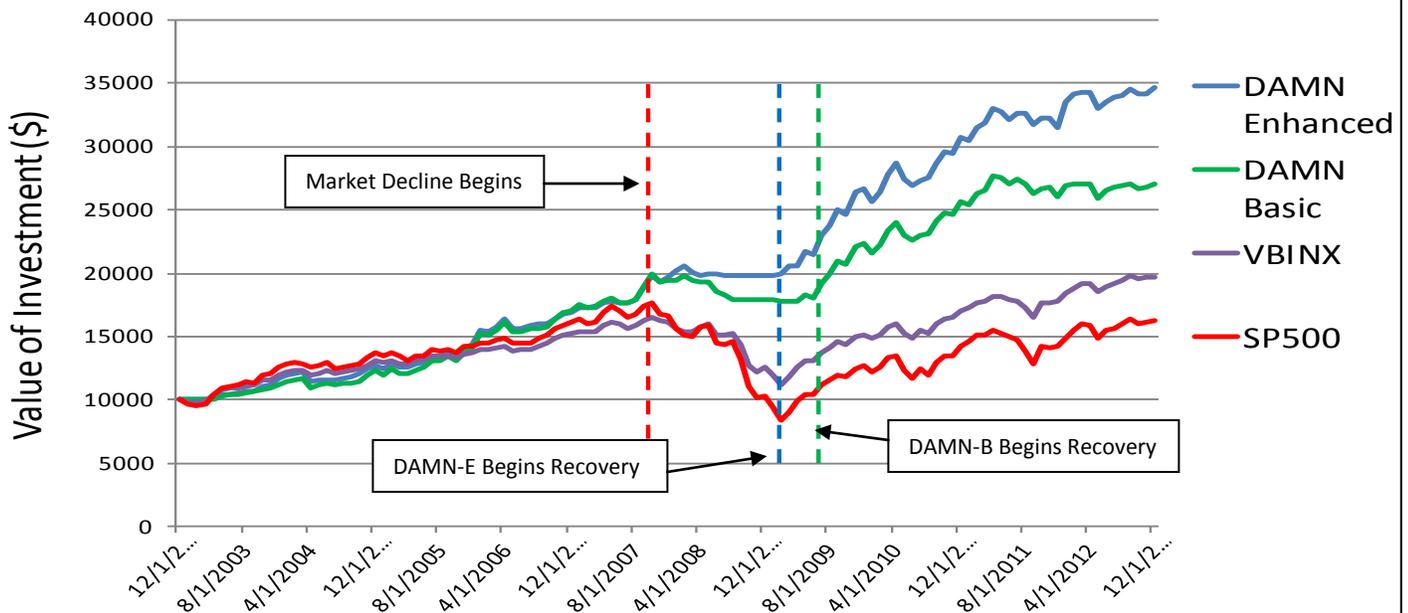
Dynamic Asset Management Normalized: Two Levels of Risk and Return

Dynamic Asset Management Normalized (DAMN) is currently available in two levels of risk and return: DAMN Basic (DAMN-B) and DAMN Enhanced (DAMN-E).

DAMN-B is the basic strategy that is explained in the preceding plan summary and results. DAMN-B has been used successfully in the market by several investors for periods of from one to three and one half years.

DAMN-E differs from DAMN-B in that the moving averages that determine trade signals have been tailored for each asset class i.e. rather than all five investment types using the same pair of moving averages as in DAMN-B, each investment type uses a unique pair of moving averages to generate trade signals. The tailored MAs are:

Bonds: 52d and 252d	US Equities: 25d and 215d	Emerg. Mkts: 52d and 85d
Gold ETFs: 42d and 145d	REITs: 6d and 186d	

Note that these, and all moving averages presented in this document are trading days, not calendar days. The process by which these MAs have been determined will be explained during the live presentation.   Historical evaluations, i.e. backtesting, suggest that this will result in greater gains without an apparent increase in risk. However, this strategy has not yet been tested in the market; therefore actual trade data, and evaluation of its degree of success, are unavailable.

Quick Start Guide

The following applies to both DAMN-Basic and DAMN-Enhanced.

1) Open a brokerage account dedicated to the program; a separate account facilitates record keeping. It can be either a regular brokerage account or a tax-deferred account (IRA, 401k, etc.); I strongly recommend consulting a trusted advisor to determine which account type would be appropriate for your situation.
2) Deposit monies into the account.
3) Dedicate 20% of your total to each of the five asset classes but do not purchase anything yet.
4) Note that each of the five asset classes, and the investments (ETFs) that may fill them, can be in one of two states in DAMN. They are either "in" or "out"; "in" means that the moving averages for the investment(s) in question indicate that the investment(s) should be bought and held in the portfolio; "out" means that the investment(s) in question should not be in the portfolio at that time, i.e. sold if in the portfolio or not purchased if not in the portfolio. In other words, the monies dedicated to asset classes that are "out" are held in cash in the brokerage account.
5) For each asset class/ETF indicating "in", buy the full 20% allotted to that asset class.
6) Do not buy an asset that is in the "out" state at this time.
7) Follow the moving averages for each asset on a monthly basis and trade as per the strategy.
8) When an asset class/ETF (or multiple asset classes/ETFs) are "out" and then signals that it should be bought, the proportion of cash to use for each asset/ETF is calculated by using the expression 1/n where n = the number of asset classes that are "out" i.e. that are in cash. For example, if two asset classes are "out" and one signals a "buy", the expression becomes ½ so you use 50% of the available cash in the account to purchase that ETF. Whereas if three asset classes are "out" and one signals a "buy", the expression becomes 1/3 indicating that 33% of the available cash should be used to purchase that ETF.
9) If the strategy indicates that one or more asset classes/ETFs should be sold and one or more of the other ETFs should be bought at the same time, the order of trades should be to sell first and then to buy.
10) THAT'S IT! Your DAMN portfolio is up and running.

*BB*InvestmentResearch@hotmail.com

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Cautionary Notes and Disclaimer

My hope is that the information contained in this document and/or disseminated by me as principal of Beiderman Investment Research (BBIR) through other media has been interesting and that all investors will be successful. To this end I would be happy to provide additional information and answer any questions you may have with respect to this approach.

Please note that although historical evaluations looking at time periods of at least five years indicate that both DAMN-Basic and DAMN-Enhanced would have gained more than the market with less volatility and with fewer losing episodes, they have at times trailed the market and have had some losing years. Furthermore, although DAMN-Basic has been used by several investors successfully, DAMN-Enhanced is quite new and consequently has not yet been tested in the marketplace.

And to be clear, my background is in research methods and experimental design; I am not, nor is BBIR, a registered investment adviser or a broker/dealer. Readers are advised that the forgoing information is the result of my research and is provided solely for educational and informational purposes. The analyses and opinions included herein are based on my research and evaluations and are written in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness, or correctness. Neither I nor BBIR shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or any delay or interruptions in the transmission thereof to the users. All investment information contained herein should be independently verified.

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*BB*InvestmentResearch@hotmail.com