

# *AdvisorLink*®

*"The Smart Way To Invest"*

A SERVICE OF HALBERT WEALTH MANAGEMENT, INC.

---

## **Frequently Asked Questions**

### **Background**

This introduction is designed to answer the first question you may have: **'Exactly what IS AdvisorLink®?'** We're glad you asked! The Halbert Wealth Management ("HWM") *AdvisorLink*® Program is a collection of professionally managed investment strategies allowing our clients to participate in risk-managed investment alternatives. Each recommended Advisor has undergone an extensive due diligence review by HWM staff, usually including an on-site examination.

**At its heart, *AdvisorLink*® is a collection of independent, third party Investment Advisors who use active management strategies toward the common goal of maximizing your potential investment returns while attempting to minimize losses.**

Our recommended Advisors seek to manage risk by employing "active management strategies," which are trading techniques designed to proactively address market risks. They do this by sometimes shifting away from investments with a high risk of loss in favor of cash, other sectors of the market, or even short positions to attempt to capitalize on market downturns. In some cases, active managers will also hedge long positions in an effort to minimize downside risk.

If this all sounds familiar, that's probably because the hedge fund industry has used these same sophisticated risk-management techniques for many years to provide potential "absolute returns" to their wealthy clients. **Absolute returns** are defined as those that are consistently positive, even in periods of down markets. While no money manager can guarantee positive returns, some of those recommended in the *AdvisorLink*® Program do have the distinction of having navigated a variety of difficult market environments in the past with admirable results.

Even if an Advisor has been successful in the past, it is important to closely monitor the Advisor's trading on an ongoing basis. That's where HWM's ongoing monitoring comes in. We review the performance and trading activity of every recommended Advisor on a daily basis to attempt to verify that the Advisor's trades are consistent with its published strategy. While we find and recommend the Advisors in the *AdvisorLink*® Program, our allegiance is to you, our client, and what is in your best interests. If an Advisor falls out of favor for whatever reason, or if your investment objectives change, we may recommend that you withdraw from one Advisor in favor of another whose program may be more suitable.

The questions and answers that follow are all based on typical questions that our Investment Consultants field every day from interested clients and prospective clients. Our hope is that you will be able to review this information at your convenience, and come away with a better understanding of how actively managed investment programs work, and why *AdvisorLink*® is your key to accessing these programs for your own portfolio.

## Frequently Asked Questions About "Active Management"

**Q:** *You have defined "active management," but how does it compare to "passive management"?*

**A:** Perhaps the best way to answer this question is to say that active and passive management are on opposite sides of the money management spectrum. A passively managed investment program is essentially on autopilot. There is no discretion in regard to whether to be in or out of the market. Index funds are good examples of passive management, since these funds simply imitate the holdings of a particular stock or bond index, and are always fully invested.

Active management, on the other hand, describes an investment program where there is discretion (within the program's policies) as to what assets to purchase, when to buy and sell these assets, or whether to go to cash in bear markets or major market corrections. All of the **AdvisorLink**® Advisors have developed proprietary systems to generate active trading signals. Some signals are frequent, meaning managers execute several trades per month, while other managers may average only a few trades per year. Some active managers will even "short" the market in an effort to profit during periods of down markets.

**Q:** *Why is active management important to my portfolio?*

**A:** The ultimate goal of most actively managed investment programs is to produce reasonable returns with less market risk. Thus, active management is important to your portfolio because it seeks to reduce the frequency and severity of investment losses (also known as "drawdowns"). If your account declines by 44%, as the S&P 500 Index did during the 2000 - 2002 bear market, it would take cumulative gains of over 78% just to get back to break-even.

An investment strategy that seeks to minimize losses (drawdowns) can help to smooth your journey toward your financial goals. While the recommended **AdvisorLink**® Advisors have historical records showing they have mitigated the impact of potential losses, it is important to note that there is no guarantee that they will continue to do so in the future.

**Q:** *How do "Absolute Returns" differ from "Relative Returns"?*

**A:** As discussed earlier, "Absolute Returns" are generally defined as consistent positive returns even during periods of down markets. "Relative Returns," on the other hand, are returns compared to a specific index or set of indices. The difference between these concepts is huge. While an absolute return strategy seeks consistent positive gains, a relative return strategy can consider itself successful if it merely loses less than its benchmark. So, next time you see a mutual fund bragging about "beating the market," you'll know to dig a little deeper.

A good example is the above discussion about the S&P 500 Index's loss of 44% during the recent bear market. A relative return strategy could lose 22% and still brag that it outperformed its benchmark index by 50%. We believe the best way to meet your future financial goals is to keep losses to a minimum along the way. All of the Advisors recommended in the **AdvisorLink**® Program have strategies with the potential to do just that. Of course, there is no guarantee that these strategies will continue to be successful in the future.

**Q:** *My broker told me active management doesn't work. Is he right?*

**A:** We hear from lots of investors who have been told by their brokers or the financial media that active management doesn't work, and that they should avoid these strategies. This is obviously self-serving advice, since many brokers either don't understand or have no way to recommend active management strategies, so they talk down anything they can't sell.

Your broker may also be familiar with an active management strategy that failed to produce favorable results, and so all such programs are painted with the same brush. Just because an Advisor uses active management strategies doesn't mean he or she will be successful. There are many money managers

who present themselves as "active managers," but their performance remains highly correlated to the overall stock market. There are others who engage in active trading, and even move to cash when they think market risk is high, but cannot do so successfully over a long period of time. Just as in many other fields of human endeavor, the lion's share of money managers produce only mediocre results.

However, there are those money managers whose strategies have stood the test of time, even in unstable market environments. They are not always easy to find, but HWM is constantly on the lookout for these successful money managers. We search high and low, and only add an Advisor to our list of recommended money managers once they pass our due diligence process. And because an Advisor's past performance cannot predict future success, we continue to monitor each Advisor's performance on a daily basis.

Here's a way to handle your broker. Show him the actual track records for the *AdvisorLink*® programs offered by HWM. These performance numbers are net of all fees and expenses, and have been reviewed by HWM. Tell your broker that you'll be happy to invest in any program he or she has with similar actual performance results, including both average annual returns AND drawdown analysis. (Watch out for track records that contain "back tested" numbers, since these are sometimes little more than fantasy.)

### **Frequently Asked Questions About The *AdvisorLink*® Program**

**Q:** *Why do most *AdvisorLink*® Advisors use mutual funds instead of individual securities?*

**A:** Good question! There are several advantages an Advisor gains by using mutual funds. First, the Advisor is able to gain diversification among a wide variety of companies and industries because the mutual fund holds many different stocks or bonds in its portfolio. This "automatic" diversification feature of mutual funds also allows the Advisor to accept a lower minimum investment than if individual securities were used. (Specific program minimums are discussed below.)

While many Advisors use index mutual funds, those whose strategy incorporates traditional mutual funds gain the benefit of the management expertise of the fund manager. In this way, the Advisor can leverage his or her own knowledge of market cycles with the fund manager's knowledge of individual company stocks. For Advisors seeking exposure to certain market sectors, sector mutual funds offer access to a portfolio of pre-screened companies within specific sectors by choosing an appropriate sector mutual fund.

Another benefit of using mutual funds is that they are traded on a number of different platforms, many offering load funds at Net Asset Value for clients of Investment Advisors. Since most mutual funds are traded only once per day, the Advisor can utilize the custodian's bulk trading capability to execute trades in literally hundreds of accounts with a single trading instruction.

**Q:** *What is the minimum investment required to participate in the *AdvisorLink*® Program?*

**A:** Minimum investments vary by Advisor, and currently range from \$25,000 to \$200,000. As noted above, most Advisors use mutual funds that allow them to accept lower minimum investments, but we also have one Advisor that invests in individual convertible bonds. As you might expect, the convertible bond program has the highest minimum investment requirement. See the enclosed Advisor Profiles for specific minimum investment requirements for each Advisor.

If you are just starting out or have a small IRA or other special account that must be kept separate, HWM has developed several **Absolute Return Portfolios** at a minimum investment of only \$15,000. Call one of our Investment Consultants for more information on this program.

**Q:** *Must I place all my investments with HWM to participate in AdvisorLink®?*

**A:** No. While some clients feel comfortable placing virtually all of their investable assets in a portfolio of *AdvisorLink®* programs, others feel that actively managed programs need only be a portion of their overall portfolio. The extent to which actively managed investment programs may be suitable for you will depend upon your unique individual financial situation. A HWM Investment Consultant will be happy to review your financial situation with you and make a recommendation as to what program or programs may be most appropriate for you.

We often find that investors who are new to the idea of active management will open up accounts at just the minimum investment levels to test these strategies first. That's fine with us, as it is perfectly natural for you to want to "kick the tires" on these new strategies before allocating a major portion of your portfolio to them. We have found that many of our clients tend to add to these programs once they see how they work.

**Q:** *How do I select the most suitable Advisors for my portfolio?*

**A:** If you are unsure which AdvisorLink Advisor(s) might be a good fit, there are two different ways we can help you.

First, you can use the enclosed *Advisor Selection Worksheet*. Simply answer the questions on the worksheet, total up your score, and then review the choices on the enclosed *Request for Advisor Information* form. Based on your score, it will show you which Advisors might be appropriate for you. Then, simply check the boxes of the Advisors you are interested in, and return the *Request for Advisor Information* form in the enclosed postage-paid envelope. We'll then send you applications, paperwork and important disclosures for the Advisor(s) you are interested in learning more about.

Or, if you would like more personal help in selecting which Advisor(s) might be a good fit, you can complete the enclosed *Confidential Investor Profile*. This form provides more detailed information about your current financial situation. Once you complete it, simply return it to us in the enclosed postage-paid envelope. One of our Investment Consultants will review the information, and will then call you to discuss which Advisor(s) may be a good match for you.

**Special Note: HWM will never sell, rent or otherwise share your personal information with any other entity or organization. We never have and we never will.**

**Q:** *What level of fees will I pay for active management of my investments?*

**A:** Each *AdvisorLink®* Advisor may charge a different level of fees. Generally, the fees range from 1.75% to 2.5% per year. These fees are in addition to any brokerage transaction fees and/or mutual fund expense ratios applicable to your account, and are usually deducted quarterly.

Some investors who have been indoctrinated by those offering low-cost index mutual funds may think these fees are excessive. We agree that investors should be fee conscious, and that it is true that actively managed programs are more expensive when compared to inexpensive index funds. However, it is also important to remember the following when evaluating the fees charged for *AdvisorLink®* investment programs:

1. All performance numbers are quoted **net of all fees and expenses**. You may find investments with lower fees, but they will not likely include active management strategies designed to reduce the risks of being in the market. Low fees did not help the index fund investors who rode the S&P 500 down over 40% during the 2000-2002 bear market. It took until September 2007 just to get back to breakeven. Did their low fees justify the risk they took? We don't think so.
2. HWM does not add any fees for its selection, due diligence and monitoring services. Instead, each Advisor pays us a portion of the fees they charge for managing your account. We receive a portion of the fees for bringing the account to them, and for working with you to set up your account.
3. All HWM Investment Consultants are salaried, and receive no commissions. Therefore, there is no incentive for them to sell you an investment that may not be in your best interest.

We believe judging an investment program by fees alone is as faulty as judging performance without netting out the fees. There are investment managers who have historically delivered performance over and above their fees, a quality known as adding "Alpha." Most of the financial media and even Morningstar focus primarily on fees, **not because there are no money managers who do add Alpha, but because they know it is very hard for the average investor to find them**. Thus, rather than bother with all of the steps you would have to take to find these managers, it's just easier for the media to tell you to look for low fees.

However, the HWM *AdvisorLink*® Program is your key to finding active money managers that have the potential to generate Alpha and/or reduce market risks. We've done the research, and offer you only those programs that have met our due diligence criteria.

The bottom line is, we feel that a program with the potential to provide superior returns and/or risk management is worth the money. After all, at the end of the day the important thing is whether you have accumulated enough money to meet your financial goals, not what you paid in fees.

**Q:** *Why can't I find and invest with these Advisors on my own?*

**A:** The simple answer is that you might be able to, but why would you want to? Not all of the Advisors we recommend can or will accept direct business, and those that do service retail clients often charge the same level of fees whether or a not a solicitor is involved. Thus, going direct to an Advisor may give you access to an Advisor's strategy, but you would not have the benefit of HWM's ongoing services. Plus, even with the wealth of information found on the Internet, it's still not easy to find successful money managers. First off, there are literally thousands of them from which to choose, and many have slick marketing approaches designed to convince you to invest in their strategy. Then you have to evaluate their strategies, performance records, administrative capabilities, regulatory history, etc., etc.

We analyze performance data using our sophisticated software, obtain a mountain of information through detailed questionnaires, and insist on having the basics of the strategy explained to us by the Advisor. In this way, we can determine if there is a real system in place, or the Advisor is just flipping a coin in the back room.

We generally insist on an on-site due diligence evaluation where we not only determine administrative capacity through interviews and procedural reviews, but also examine track records by referencing account statements or other third-party sources. Only after we are comfortable that an Advisor's approach to the market provides a potential for gains over and above the level of fees and expenses charged do we include them in our *AdvisorLink*® Program.

**Q:** *After making my investment, how soon will the Advisors put my money to work?*

**A:** All of our Advisors have their own procedures for placing new money into their programs. Generally speaking, if the Advisor's strategy is still generating a strong "buy" signal, new money will likely be invested within a short time of receipt. If market conditions are weakening and it looks like the trade may be exited soon, your investment may be retained in a money market fund until the next trading signal is generated.

**Q:** *Who holds my money while invested with an Advisor?*

**A:** Your money will be held at a custodian selected by the Advisor. Custodial arrangements currently used by Advisors include brokerage accounts with major brokerage firms, custodial accounts at a trust company, and placing funds directly at the mutual fund company. Your funds will be held in an account under your name and will not be commingled with any other client funds or accounts.

**While the Advisor will have trading authority over your account, neither the Advisor nor HWM will ever have the right to use the money in your account other than as needed to satisfy fees.**

Custodians are responsible for the safekeeping of your funds, and for periodic reporting. The frequency of periodic reports will vary, but all custodians provide statements at least quarterly. In addition, many custodians now provide for Internet access to account information. Each year, many custodians will also provide information necessary to help you complete the investment gains and losses on your income tax return.

**Q:** *How liquid is my AdvisorLink® investment?*

**A:** Since most of the AdvisorLink investment programs use mutual funds, the process required to liquidate your account can begin at any time upon receipt of your proper and timely notification. You should be aware, however, that processing time, time zone differences and trade cutoff deadlines may result in trades being executed after the date upon which they are received, and mail delivery may cause the receipt of proceeds to occur a week or more after the liquidation request.

In the one *AdvisorLink*® program that uses individual convertible bonds, liquidating these assets may lead to unnecessary losses. For this reason, a margin account is established for each client to help address short-term liquidity needs. For investors wishing to completely close out a convertible bond account, the Advisor will coordinate with the investor in an effort to liquidate positions on the most favorable basis.

**Q:** *What are the likely tax consequences of these programs?*

**A:** Most of our programs seek to generate short-term capital gains, so they are nicely suited for a tax-deferred account such as an IRA or qualified retirement plan. However, tax treatment should be just one factor when considering active management strategies. Index investing, while generally deemed to be tax efficient, has obvious risks in the form of higher potential volatility. Our view is that short-term gains are better than long-term losses any day.

As noted above, most custodians prepare documentation necessary to assist you in the preparation of your annual income tax return.

**Q:** *I'm interested! How should I proceed?*

**A:** There are actually two ways you can proceed. If you are a do-it-yourself investor, you can complete the *AdvisorLink*® **Advisor Selection Worksheet** found in the *AdvisorLink*® Investor Kit. This worksheet is designed to help you determine your own risk tolerance and select an Advisor that may be most suitable for you. This can be especially effective if you are only searching for one Advisor. If you do not have an Advisor Selection worksheet, just give one of our Investment Consultants a call and ask that one be sent to you.

Just complete and score your answers to the worksheet, and then follow the instructions on the worksheet and the accompanying **Request For Advisor Information** to identify the Advisors whose programs might fall within your risk tolerance. Then return the request form to HWM in the envelope provided, or give us a call and ask for an Investor's Kit for the Advisor or Advisors you feel would be most suitable. Even if you choose to select your own Advisor, our friendly staff is always willing to help you out by providing additional information and answering your questions.

If you would like HWM to help you find the Advisor or combination of Advisors who may be most suitable for you, please find the **Confidential Investor Profile** questionnaire in the *AdvisorLink*® Investor Kit and answer the questions as completely as possible. If you have any question about how to answer any of the items, call one of our Investment Consultants at **800-348-3601** to walk through the questionnaire with you. Remember that the more complete your information, the better our recommendation will likely be.

Return the Profile questionnaire to us in the postage-paid envelope provided, or fax it to us at **(512) 263-3459**. Upon receipt, one of our Investment Consultants will review your answers and also enter your data into our risk analysis software. If any information on the questionnaire is incomplete, or if answers conflict with one another, our Investment Consultant will give you a call to discuss these items.

Once the HWM Investment Consultant has reviewed your submitted information, he will develop a proposal including one or more of the *AdvisorLink*® investment programs. This proposal may be presented in a written format, or communicated to you over the phone, depending upon your preference.

Once you agree to a recommended *AdvisorLink*® portfolio, appropriate paperwork will be forwarded to you containing all necessary forms to establish your accounts. Detailed instructions will also be provided to assist you in completing the paperwork. However, always remember that help is just a phone call away at **800-348-3601**.

We encourage you to get started on the Confidential Investor Profile at your earliest convenience, so that you, too, can discover why we call *AdvisorLink*®...

## *"The Smart Way To Invest"*

**Past results are not necessarily indicative of future results. All investments have the potential for loss as well as gains. Please read Important Notes for each program before deciding to invest.**

## About Halbert Wealth Management, Inc.

HWM's investment philosophy is to help clients meet their financial goals by offering professionally managed investment programs, many of which are designed to generate absolute returns while also managing the risks of being in the market. Rather than engage directly in money management, HWM attempts to achieve this goal by searching out third-party Registered Investment Advisors whose programs offer the potential for favorable risk-managed returns. Our knowledgeable and experienced staff make customer service and client satisfaction their number one priority.

HWM is an Investment Adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. HWM was established in 1995 and is located in Austin, Texas. HWM is wholly owned by Gary D. Halbert and Debi B. Halbert, who also own **ProFutures Financial Group, Inc.**, an affiliated FINRA broker/dealer and **ProFutures, Inc.**, a commodity pool operator.

## Important Disclosures

Halbert Wealth Management, Inc. (HWM) is an Investment Advisor registered with the SEC. This report does not constitute a solicitation to residents of any jurisdiction where the programs mentioned may not be available. Information in this report is taken from sources believed to be reliable, but its accuracy cannot be guaranteed. Any opinions stated are intended as general observations, not specific or personal advice. This publication is not intended to provide any individual investment, financial, legal, regulatory, accounting or tax advice and nothing herein should be construed as a recommendation, by HWM, its affiliates or any third party, to acquire or dispose of any investment or security, or to engage in any investment strategy or transaction. You should consult your own investment, legal and/or tax professionals regarding your specific situation and the appropriate disclosure documents before making any investment decisions.

There is no foolproof way of selecting an Investment Advisor. Investments mentioned involve risk, and not all investments mentioned herein are appropriate for all investors. HWM receives compensation from the Advisors in exchange for introducing client accounts. For more information on HWM, please consult its Form ADV Part II, which is available at no charge upon request. Officers, employees and affiliates of HWM may have investments managed by Advisors discussed herein and others.

Securities trading is speculative and involves a substantial risk of loss. Past performance is not indicative of future results. Comparison to the performance of the S&P 500 Stock Index (with dividends reinvested) is not meant to imply that investors should consider an investment in the AdvisorLink Program as comparable to an investment in the "blue chip" stocks that comprise the S&P 500 Stock Index. No representation is made that any investor will obtain positive or guaranteed results. All investments in the **AdvisorLink®** Program have varying degrees of risk. Potential investors should carefully review the appropriate disclosures for each investment program before making a decision to invest.

Copyright © 2008 Halbert Wealth Management, Inc. All rights reserved.  
**AdvisorLink®** is a registered trademark of Halbert Wealth Management, Inc.

**ADVISORLINK® is a service of  
HALBERT WEALTH MANAGEMENT, INC.**  
11719 Bee Cave Road, Suite 200, Austin, Texas 78738  
(512) 263-3800 (512) 263-3459 Fax  
Toll Free (800) 348-3601  
E-mail: [info@halbertwealth.com](mailto:info@halbertwealth.com)  
[www.halbertwealth.com](http://www.halbertwealth.com)