



**HALBERT WEALTH  
MANAGEMENT**  
CHALLENGING WALL STREET'S CONVENTIONAL WISDOM

## Potomac Fund Management Guardian Program

### Advisor Profile

**Minimum Initial Investment:** \$50,000

**5 YR Average Return:\*** 2.4%

**10 YR Average Return:\*** 4.7%

**Maximum Drawdown:\*** -16.9%

**Risk Category:** Moderate

**Custodian:** Fidelity Investments

**Advisor Managed Assets:** \$180 million

**Performance as of:** July 31, 2010

### Background

Potomac Fund Management, Inc., is a SEC Registered Investment Advisor located in historic Easton, Maryland, near Washington, D.C. Founded in 1987, the firm has since grown to manage over \$180 million for hundreds of investors and employs a growing number of investment professionals and administrative staff.

Potomac's investment approach is technical and has evolved over time as continuing research has suggested improvements. There are two components: first, research dictates what sector to be invested in or whether cash is preferred. Then, further analysis determines which funds are best suited for the current market environment. Potomac continually monitors its investments and will make adjustments to clients' portfolios as necessary.

While the technical systems are the driving force, at certain times Potomac's investment staff will use its years of investment experience to assist in the portfolio decisions. **This brings Potomac clients a combination of the discipline of a technical system, and the flexibility of seasoned professional judgment.**

### The Guardian Program

The goal of Potomac's **Guardian** Program is to deliver consistent positive returns with an emphasis on reducing volatility. Potomac seeks to maximize risk-adjusted returns by employing an active management strategy that is longer-term than most. The trading model seeks to allocate investments across many sectors and/or asset classes, overweighting those Potomac deems to have the best risk-to-reward ratio. Potomac may include both domestic and international stock and bond mutual funds, as well as funds designed to track a variety of market indexes.

If the trading model forecasts a severe and long-lasting market downturn, **Guardian** will move fully or partially to cash, though 100% cash allocations are rare. **Guardian** attempts to further control risk through its mutual fund selection process. Potomac screens the entire universe of funds looking for those with a history of strong performance during both bull and bear market periods. Thus, if the trading model hasn't already signaled to move to cash, Potomac's strategy is to be in funds that it believes are less likely to be hurt in a down market.

With this focus on potential risk-adjusted returns, Potomac finds it unnecessary to frequently move in and out of the market. This is beneficial in that it reduces the chances of being "whipsawed" by frequent short-term changes in the market's direction. It is also an advantage in light of the fact that many mutual funds are charging "early redemption" fees if funds are not held for a minimum period of time.

\* Past performance does not guarantee future results. See important performance disclosures on Page 4 of this Profile.

In situations where **Guardian** signals a move to cash prior to the expiration of the minimum holding period, Potomac may use funds designed to "short" the stock market to hedge long positions rather than liquidating them and incurring the early redemption fee.

### Performance Evaluation

A risk-managed investment program isn't usually expected to deliver big profits. Of course, we all want as much as we can get; but many investors are more interested in making sure they don't *lose* a lot of money in the process. **Consequently, they willingly give up some of their potential returns.**

Over long periods of time, stock market investments have generally produced 10% to 11% compound annualized returns. However, over the last 10 years or so, stock market returns have been less impressive. In fact, there have been rolling 10-year windows of time during which the major stock market indexes actually had negative annualized returns. Many investors who trusted in buy-and-hold strategies have seen the value of their assets languish for a decade or more.

**Potomac Guardian seems to have defied these principles in the past by delivering positive annualized returns after all fees and expenses, without the kind of volatility some other stock market investments have shown.**

This is a rare accomplishment. Will it stay that way? Time will tell. Realistically, we don't necessarily expect a risk managed program to "beat the market," especially during very bullish periods. The real objective, as noted above, is to deliver good returns with lower risk.

Why is this so important? **Studies have shown that many investors don't reach their goals because they get uncomfortable during losing periods and give up.** Frequently they find investors often have sold at or near the bottom - and may have bought another investment at or near its top. Such investors may be better off in something that doesn't subject them to such a wild ride, even if the returns are somewhat lower.

We believe Potomac **Guardian** fits this common need very well. So far, the program's losing periods have never exceeded 17% over its 13 + year history. This compares very favorably to the S&P 500 Index's drawdown of over 50% during the

recent bear market.

### Administration and Reporting

Accounts are held in the custody of **Fidelity Brokerage**. Investors receive monthly statements and annual tax information from Fidelity. The potential for frequent trading by the Potomac Guardian Program may result in a significant amount of activity in your account. Gains or losses are likely to be short-term in nature so be sure to consult with your tax advisor before making a decision to invest.

The minimum account size for the Potomac Guardian Program is \$50,000. Fidelity charges no separate fee for its custodial services. Potomac's management fees are billed quarterly in arrears, based on the following annual percentages for various assets under management:

First \$100,000	2.50%
Next \$400,000	2.00%
Next \$500,000	1.75%
Next \$1 million	1.25%
Over \$2 million	Negotiable

Mutual funds used in the Guardian Program have their own expenses not reflected in the fee schedule above. Please see each fund's prospectus for more details regarding these fees and expenses.

### Conclusion

The Potomac **Guardian** program may be suitable for investors who are concerned about losing money in the stock market, but need more potential upside than cash and bond funds can provide. Potomac **Guardian** has in the past been tame enough for even some of the more nervous investors.

Whatever your situation, Potomac **Guardian** may deserve a look. It is not risk-free by any means, but we don't often run across such an impressive combination of attractive returns and controlled risk.

The following page has detailed performance statistics for the Potomac **Guardian** Program.

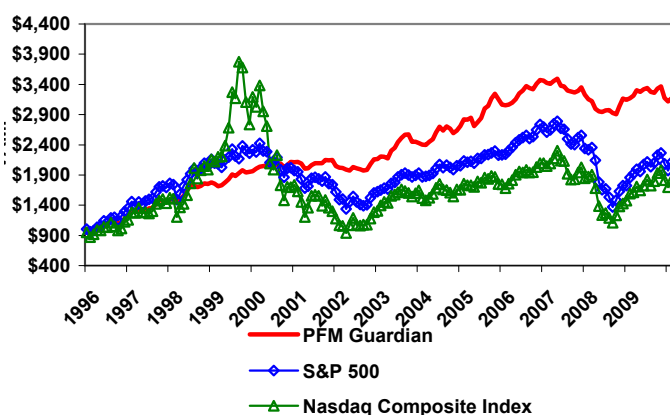
Questions? Call HWM at **1-800-348-3601**. One of our Investment Consultants will be glad to help you.

\* Past performance does not guarantee future results. See important performance disclosures on Page 4 of this Profile.

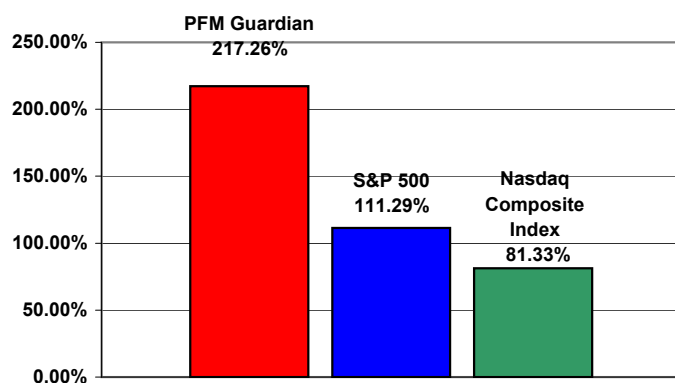
## Summary

	PFM Guardian	S&P 500	Nasdaq Composite Index
Beginning Month	Jun-96	Jun-96	Jun-96
Ending Month	Jul-10	Jul-10	Jul-10
Total Return	217.3%	111.3%	81.3%
Annualized Return	8.5%	5.4%	4.3%
Five Year Avg Return	2.4%	(0.2%)	0.6%
Ten Year Avg Return	4.7%	(0.8%)	(5.0%)
Worst Drawdown	(16.9%)	(50.9%)	(75.0%)
Current Losing Streak	(9.3%)	(24.3%)	(52.0%)
Standard Deviation	8.4%	16.5%	26.9%
Alpha (Annualized)		6.4%	7.3%
Beta		0.35	0.18
R-Squared		0.46	0.34
Sharpe (3.00%)	0.66	0.22	0.18
Semi Deviation	8.0%	19.2%	28.5%

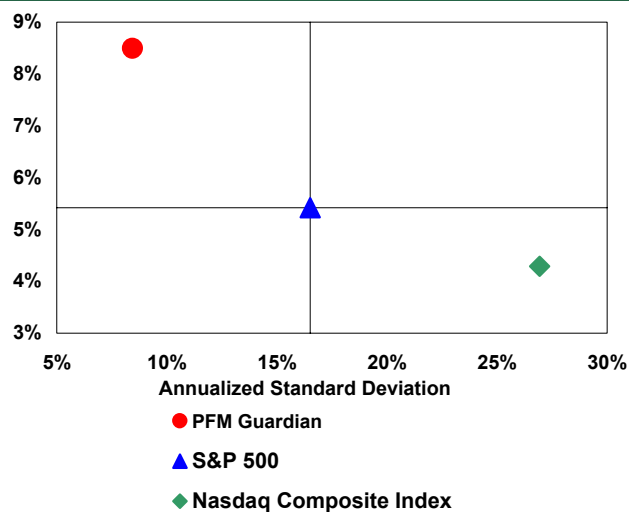
## Growth of \$1000 Investment



## Total Returns Since Inception



## Risk vs. Return Scatterplot Since Inception



## Annual Performance Net of Fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2010	(1.90)%	(0.52)%	2.13%	1.05%	(5.71)%	(1.74)%	1.72%						(5.07)%
2009	0.03%	(1.48)%	(0.75)%	4.51%	4.17%	(0.61)%	0.74%	1.42%	2.73%	(0.71)%	1.27%	0.66%	12.46%
2008	(1.97)%	(0.54)%	(0.42)%	0.76%	1.75%	(3.57)%	(2.28)%	(1.01)%	(4.18)%	(1.39)%	(0.26)%	0.93%	(11.66)%
2007	2.23%	(0.99)%	(0.58)%	2.65%	1.87%	(0.34)%	(1.06)%	(0.37)%	1.34%	1.14%	(3.38)%	(0.41)%	1.97%
2006	5.60%	1.44%	4.04%	2.48%	(2.68)%	(2.96)%	(0.37)%	0.35%	1.04%	1.98%	2.93%	1.54%	16.16%
2005	(2.23)%	2.61%	(1.41)%	(2.78)%	1.70%	2.80%	4.07%	(0.31)%	1.14%	(4.79)%	2.31%	2.45%	5.29%
2004	2.83%	2.06%	0.16%	(4.83)%	0.17%	(0.88)%	(1.11)%	(0.21)%	2.09%	1.81%	4.51%	3.51%	10.23%
2003	(0.68)%	(1.09)%	0.59%	4.68%	3.76%	0.43%	1.90%	(0.24)%	(1.15)%	5.79%	2.01%	4.15%	21.77%
2002	(0.07)%	(0.09)%	2.58%	(0.26)%	0.35%	(4.82)%	(1.10)%	(0.43)%	(1.16)%	(0.84)%	2.96%	(1.14)%	(4.13)%
2001	1.40%	0.65%	(2.73)%	1.67%	2.55%	(0.31)%	0.09%	(1.16)%	(4.10)%	0.44%	2.45%	1.65%	2.42%
2000	(1.44)%	2.76%	2.43%	(2.01)%	0.62%	0.56%	2.09%	1.55%	0.51%	0.51%	(0.27)%	(0.22)%	7.22%
1999	0.00%	(1.73)%	1.49%	2.22%	(0.57)%	1.50%	(0.98)%	(2.53)%	0.83%	2.79%	2.93%	4.41%	10.63%

**PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**  
Please see Important Notes on Page 4

## Important Notes

Halbert Wealth Management, Inc. (HWM) and Potomac Fund Management (PFM) are Investment Advisors registered with the SEC and/or their respective states. Some Advisors are not available in all states, and this report does not constitute a solicitation to residents of such states. Information in this report is taken from sources believed reliable but its accuracy cannot be guaranteed. Any opinions stated are intended as general observations, not specific or personal investment advice. Please consult a competent professional and the appropriate disclosure documents before making any investment decisions. HWM receives compensation from PFM in exchange for introducing client accounts. For more information on HWM or PFM, please consult the appropriate Form ADV Part II. The PFM Annual GIPS Disclosure Presentation 2007, which contains GIPS compliant performance numbers starting in 2002, is available upon request. Officers, employees, and affiliates of HWM may have investments managed by the Advisors discussed herein or others.

As benchmarks for comparison, the Standard & Poor's 500 Stock Index (which includes dividends) and the NASDAQ Composite Index represent unmanaged, passive buy-and-hold approaches. The volatility and investment characteristics of the S&P 500 or the NASDAQ Composite may differ materially (more or less) from that of the Potomac Guardian trading program since they are unmanaged Indexes which cannot be invested in directly. The performance of the S & P 500 Stock Index and the NASDAQ Composite is not meant to imply that investors should consider an investment in the Potomac Guardian trading program, which is actively managed, as comparable to an investment in the "blue chip" stocks that comprise the S&P 500 Stock Index or the stocks listed on The NASDAQ Stock Market that comprise the NASDAQ Composite. Potomac's performance results are based on the Model Portfolio. The Model Portfolio is an actual account that is considered representative of the majority of client accounts with similar investment objectives. Returns for the Model Portfolio are time-weighted, total returns that reflect the reinvestment of dividends and capital gain distributions. These performance numbers have not been verified by HWM, and therefore HWM is not responsible for their accuracy. The Guardian strategy is actively allocated across many sectors and/or asset classes, overweighting those exhibiting the best risk-to-reward ratio. Statistics for "Worst Drawdown" are calculated as of month-end. Drawdowns within a month may have been greater. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Any investment in a mutual fund carries the risk of loss. Mutual funds carry their own expenses which are outlined in the fund's prospectus. An account with any Advisor is not a bank account and is not guaranteed by FDIC or any other governmental agency.

When reviewing past performance records, it is important to note that different accounts, even though they are traded pursuant to the same strategy, can have varying results. The reasons for this include: i) the period of time in which the accounts are active; ii) the timing of contributions and withdrawals; iii) the account size; iv) the minimum investment requirements and/or withdrawal restrictions; and v) the rate of brokerage commissions and transaction fees charged to an account. There can be no assurance that an account opened by any person will achieve performance returns similar to those provided herein for accounts traded pursuant to the Potomac Guardian's trading program.

In addition, you should be aware that (i) the Potomac Guardian's trading program is speculative and involves a moderate degree of risk; (ii) the Potomac Guardian's trading program's performance may be volatile; (iii) an investor could lose all or a substantial amount of his or her investment in the program; (iv) PFM will have trading authority over an investor's account and the use of a single advisor could mean lack of diversification and consequently higher risk; and (v) the Potomac Guardian's trading program's fees and expenses (if any) will reduce an investor's trading profits, or increase any trading losses.

Returns illustrated are net of the maximum management fees, custodial fees, underlying mutual fund management fees, and other fund expenses such as 12b-1 fees. They do not include the effect of annual IRA fees or mutual fund sales charges, if applicable. No adjustment has been made for income tax liability. Consult with your tax advisor for more detailed information. Money market funds are not bank accounts, do not carry deposit insurance, and do involve risk of loss. "Annualized" returns take into account compounding of earnings over the course of an investment's actual track record. The results shown are for a limited time period and may not be representative of the results that would be achieved over a full market cycle or in different economic and market environments.

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