

# INVESTMENT SOLUTIONS



premier asset managers

individual investment strategies

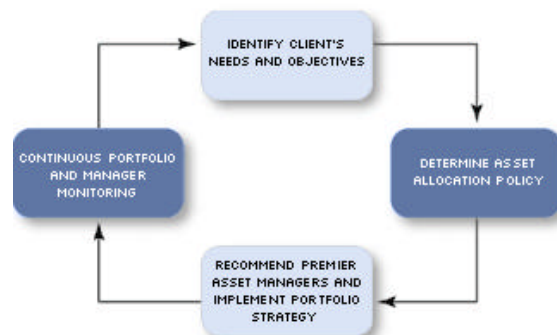
continuous portfolio monitoring

# An investment solution to meet your unique needs

**You have a vision of the future. We build customized investment solutions to help you achieve it.**

Through Atlantic Financial Inc., you can access portfolio solutions that tap into the experience, insight and reach of many of the best asset management firms in the United States. We provide an exclusive range of solutions engineered to meet your individual needs.

*Our investment approach provides a disciplined process that identifies your unique investment goals, and establishes a personalized investment plan to meet them. We employ a defined process for each critical step in the investment management cycle including goal setting and risk/return profiling, asset allocation modeling, investment manager selection, ongoing monitoring and comprehensive reporting.*



Atlantic Financial Inc., focuses on relationships, not products. Before we present ideas, we listen. We work with you to analyze your individual needs, goals, and investment challenges. Only after we have a full understanding of your financial picture do we begin to construct a customized portfolio solution that addresses your unique needs. We pride ourselves on an unwavering commitment to integrity, stability, and the highest standards of service and performance.

# STEP 1:

## Understanding the Goal

While institutions have followed a disciplined approach to investing, individuals have typically been less structured about achieving their goals. Our investment approach provides a disciplined process that identifies each client's unique investment goals, and establishes a personalized investment plan to meet them. We employ a defined process for each critical step in the investment management cycle including goal setting and risk/return profiling, asset allocation modeling, investment manager selection, ongoing monitoring and comprehensive reporting.

**Objectives:** What rate of return do you expect? Are you looking for a regular flow of income, generated, for example, by interest earnings on bonds? How are tax issues best taken into account in your investment strategy?

**Risk:** Your portfolio may be exposed to more or less fluctuations depending on the strategy you choose. These market movements can occasionally produce a negative return for a given year. It is crucial to discover what short-term or medium-term swings you can tolerate in order to achieve your investment goals. The higher the risk you are able to bear, the higher your targeted return will normally be.

**Time:** What proportion of your wealth should be invested for the short term, the medium term or the long term? The longer your time horizon, the less concerned you will need to be about price fluctuations. The greater your ability and willingness to opt for a long-term strategy, the greater the likelihood of higher returns over the longer term.

The profile we develop serves as the foundation for a long-range investment strategy designed to suit your specific needs and preferences.

Our starting point is the analysis of your requirements and goals. What are your basic investment objectives? What are your personal preferences with respect to risk-taking and yield? How does your overall financial situation present itself? The answers to these fundamental questions provide the main building blocks for professionally managing your assets.

**After analyzing your requirements, we work together with you to define an investment strategy that is tailored to your specific situation. This strategy may include separately managed accounts, actively managed mutual funds or a combination.**

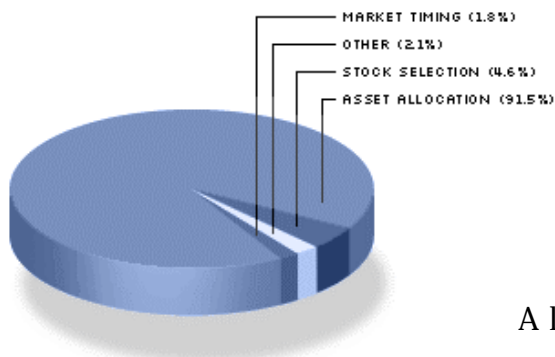


**Our investment approach does not begin with numbers and pie charts, but with a careful assessment of each client's individual needs and aspirations.**

## STEP 2: Building the Roadmap

The next step of our process is to build the appropriate strategy based on your individual needs. This requires an assessment of market conditions and long-term financial market trends. The rigorous framework within which our investment process operates allows us to determine an asset allocation strategy that forms the degree of weightings that should be given to the various investment vehicles in your portfolio.

The weighting of the various asset categories that make up a portfolio is one of the most important factors in the successful implementation of any investment strategy. Spreading risk among various asset classes and investment vehicles is a classic way of increasing the security of a portfolio. The rule of thumb is that the overall risk of a portfolio is reduced as the number of different securities held in different classes in a given market is increased. We also keenly manage to avoid over-diversification, as spreading too thin dilutes the value of diversification. Furthermore, diversification should not focus solely on holdings or managers that promise above-average potential gains; the stability of returns and the balanced nature of the portfolio are equally vital.



SOURCE: BRINSON, SINGER AND BEEBOWER (1991)

### **WHY IS ASSET ALLOCATION SO IMPORTANT?**

**The weighting of the various asset categories that make up a portfolio is a key component to the successful implementation of any investment strategy.**

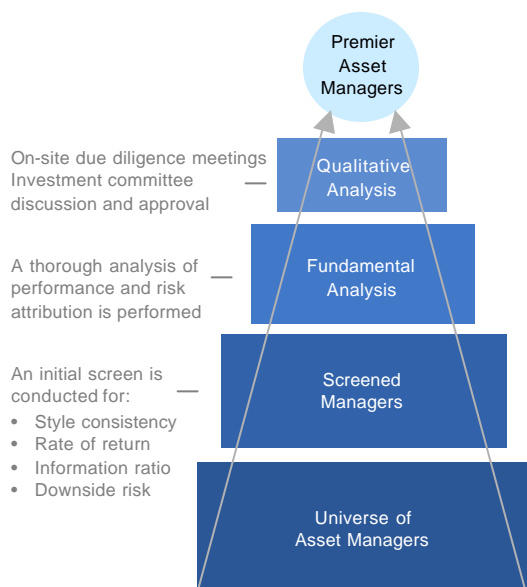
A landmark study published by Brinson, Singer and Beebower in 1991 (and expanded in 1993) determined that portfolio asset allocation is the most important long-term determinant of investment results. Past performance, stock selection and timing investments in and out of the market were far less influential in achieving long-term results.

## STEP 3: Executing the Strategy

Using the asset allocation strategy as a roadmap, the third step in our process is the careful selection and combination of the appropriate investment managers to implement your portfolio. Atlantic Financial Inc., offers separately managed accounts and actively managed mutual fund portfolios. Separately managed accounts and mutual funds represent two of the most popular investment programs used to create wealth. However, these two vehicles employ very different approaches to investing and, therefore, appeal to two distinct groups of investors.

### **Our Asset Managers Know the Markets**

We utilize a carefully selected platform of asset management firms and leading fund strategies that specialize in all aspects of the market. Together, these asset managers concentrate on the active management and monitoring of your assets within your established guidelines. With Atlantic Financial Inc., as your partner, your personal investment goals are embedded in a broad network of investment capabilities and expertise.



### **How Do We Select Asset Managers?**

Driven by a team of experienced analysts, our manager selection process has a broad scope, beginning with an investment performance evaluation of each potential manager. Managers that qualify from a performance standpoint are then examined to discover the degree of process they have in place for security selection and portfolio construction. The due diligence is concluded with

a qualitative, face-to-face examination of the management firm. It is a process that screens over 12,000 investment management firms down to a select few who are represented in the program. Our goal is to offer our clients premier investment managers who specialize in a broad range of asset classes.

# Selecting the Managers: Separately Managed Accounts

With a thorough assessment of your needs and with the asset allocation strategy in place, we carefully integrate asset managers that control risk while maximizing the potential for return. We attempt to spread out across styles and managers to create a blend that suits your needs. Based on the information gathered during the goal-setting phase, we may implement a strategy that emphasizes separately managed accounts, while often using mutual funds as supporting instruments.

## The Benefits of Managed Accounts

Direct ownership of securities rather than ownership of shares in a fund

Greater control as investors have the ability to customize portfolio to suit needs and objectives

Greater ability to manage for taxes since investors pay only on capital gains actually earned

Greater insight into the holdings of the portfolio. Investors always know what they own in the portfolio versus a mutual fund where holdings are published quarterly or semi-annually

Accessibility to money manager. Face-to-face meetings, and a dedicated, responsive team of investment professionals who can respond to requests and questions.

Greater confidence in investment decisions. Due diligence provides extensive on-going monitoring of manager to insure they are continuing to provide the type and quality of management they have in the past

Managed by globally prominent asset managers, separately managed accounts are structured so you actually *own* the underlying bonds or securities in the portfolio. This structure permits you, along with the guidance of your financial advisor, to customize the investment solution and manage the portfolio with far greater control. With the combination of our asset allocation process, the flexibility of separately managed accounts, and the leading expertise and focus of our premier asset managers, we present a portfolio that is thoroughly considered and well-constructed.



The blending of asset managers into a portfolio that maximizes return and minimizes risk through a thorough understanding of the unique attributes of each manager is the essence of portfolio management. Without this, the philosophy of active management is only partly achieved.

# Selecting the Managers: Mutual Fund Portfolios

For many investors, a portfolio comprised of carefully selected mutual funds is the best way to achieve investment success. Atlantic Financial Inc., designs mutual fund portfolios to address a wide range of investor goals and preferences.

## **Fund Selection**

Before a mutual fund is selected for your portfolio, we perform a rigorous due diligence process designed to identify funds that have delivered superior results in the past and are likely to do so in the future. We look for mutual funds whose managers consistently add value through security selection. The history and quality of each fund's management team and fees charged by the fund are also important considerations.

The fund selection process is designed with the goal of maximizing after-tax returns. We look for funds with low expected turnover ratios to minimize the amount of short-term gains realized in your portfolio and identify funds that use tax-efficient portfolio accounting methods.

## **Selecting Mutual Funds That Work Together**

Once we identify the right blend of managers, we screen each fund to insure its investment strategy is consistent with yours. In building your portfolio, we combine funds so their unique performance characteristics work together to achieve your investment objectives within acceptable levels of risk.

## **What sets our mutual fund platform apart from other platforms?**

### **ASSET ALLOCATION**

We practice "logical diversification" rather than "textbook" asset allocation, utilizing our portfolio management expertise to build upon asset allocation theory

### **MUTUAL FUND SELECTION**

We have a tremendous track record of adding value through mutual fund selection. Our portfolios have added positive alpha above benchmarks since inception.\*

### **PORTFOLIO MANAGEMENT**

Portfolios are not managed as models; each client receives personalized investment management. This allows us to be flexible with allocations, accommodate transfers and combine portfolios.

### **TAX MANAGEMENT**

Our clients have experienced little, if any, tax exposure since we instituted our tax management process. We achieve this through:

- Individual tax management on a portfolio level (not fund level)
- Tax loss swapping (continuous, year-round)
- Anticipation of yearend distributions

### **OBJECTIVE & UNBIASED APPROACH**

We are not bound by proprietary products, allowing us to deliver the *best* solutions to meet your *unique* needs.

\* Inception date = 1997

## STEP 4:

# Monitoring Your Portfolio

Whether you select separately managed accounts, mutual funds, or a combination, your portfolio will be continuously monitored to insure it remains on track to achieve the investment goals and objectives that you reviewed with your financial advisor. Market conditions, contributions to your account and other factors can cause the allocation of your assets to move outside the targets set for your portfolio. When this happens, we rebalance your portfolio to bring allocations back into the desired range.

We monitor all managers in your portfolio on an ongoing basis to make sure they continue to meet our rigorous standards and adhere to the investment philosophies for which they were originally selected.

## A Partnership Approach

Atlantic Financial Inc., works with you through every step of the process, and every step we take is determined by the investment strategy approved by you. It will always act as the guide-post when we implement your carefully crafted investment plan. We will also insure that you are regularly informed of the progress of your portfolio. Our quarterly statements give you a consolidated view of your holdings, allowing you the ability to track your progress toward your investment goals. You can access information on your portfolio, 24 hours a day, 7 days a week through our comprehensive web services.

For more information, please contact us at 800.559.2900. We look forward to working with you.

*Managed accounts may not be the appropriate investment vehicle for you. Please consult your investment advisor to evaluate your financial situation. With any investment, there is the possibility that assets will depreciate.*

## Atlantic Financial Inc. Confidential Investor Profile

Congratulations on taking the time to complete the Atlantic Financial Confidential Investor Profile and financial planning questionnaire. From this profile, your Financial Advisor will be able to provide you with a detailed set of financial recommendations.

**Step 1:** Print and complete the attached questionnaire, including the section titled Investment Objectives and Risk Tolerance

**Step 2:** Gather investment statements for all of your investment accounts, even those that you do not plan to make changes with and those Atlantic Financial is unable to manage (such as company 401k plans)

**Step 3:** Fax the completed Investor Profile and statements to Atlantic Financial's home office at

**Fax:** 508-366-5797

or mail to:

Atlantic Financial Inc.  
6 Colonial Drive  
Westboro MA 01581

You will receive a copy of your plan by mail or email, a representative will contact you and set up a time review your plan

Please contact us with any questions at 800-559-2900.

Visit our website at [www.atlanticfinancial.com](http://www.atlanticfinancial.com)



# Atlantic Financial Inc. Confidential Investor Profile

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## Type of Account(s) to Be Reviewed

Individual    Individual Retirement (IRA)    IRA Rollover    Trust    Joint    Other \_\_\_\_\_

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## Personal Information

Name:			E-Mail:	_____
Social Security #/Tax ID Number:			Date of Birth:	_____
Home Address:			Suite/Apt:	_____
City	State:	Zip:	Country:	_____
Home Number:	Business Number:		Fax Number:	_____
Choose a Login Name for Atlantic Financial's website:			Choose a Password:	_____
Employer:	Occupation:		_____	
Employer Address:			Suite/Apt:	_____
City:	State:	Zip:	Country:	_____
Spouse's Name:			E-Mail:	_____
Social Security #/Tax ID Number:			Date of Birth:	_____
Employer:	Occupation:		_____	
Employer Address:			Suite/Apt:	_____
City:	State:	Zip:	Country:	_____

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## Financial Profile

**Current Accounts:** *(Complete for each account being evaluated)*

1. Account Title: \_\_\_\_\_ Custodian: \_\_\_\_\_  
Type of Account:  Individual    Individual Retirement (IRA)    Joint  
 Trust    IRA Rollover    Other \_\_\_\_\_  
Account Value: \$ \_\_\_\_\_   Assets planned for allocation to Premier Asset Manager Program:  
 Entire Account    Other: \$ \_\_\_\_\_
2. Account Title: \_\_\_\_\_ Custodian: \_\_\_\_\_  
Type of Account:  Individual    Individual Retirement (IRA)    Joint  
 Trust    IRA Rollover    Other \_\_\_\_\_  
Account Value: \$ \_\_\_\_\_   Assets planned for allocation to Premier Asset Manager Program:  
 Entire Account    Other: \$ \_\_\_\_\_
3. Account Title: \_\_\_\_\_ Custodian: \_\_\_\_\_  
Type of Account:  Individual    Individual Retirement (IRA)    Joint  
 Trust    IRA Rollover    Other \_\_\_\_\_  
Account Value: \$ \_\_\_\_\_   Assets planned for allocation to Premier Asset Manager Program:  
 Entire Account    Other: \$ \_\_\_\_\_

4. Account Title: \_\_\_\_\_ Custodian: \_\_\_\_\_  
 Type of Account:  Individual  Individual Retirement (IRA)  Joint  
 Trust  IRA Rollover  Other \_\_\_\_\_  
 Account Value: \$ \_\_\_\_\_ Assets planned for allocation to Premier Asset Manager Program:  
 Entire Account  Other: \$ \_\_\_\_\_

5. Account Title: \_\_\_\_\_ Custodian: \_\_\_\_\_  
 Type of Account:  Individual  Individual Retirement (IRA)  Joint  
 Trust  IRA Rollover  Other \_\_\_\_\_  
 Account Value: \$ \_\_\_\_\_ Assets planned for allocation to Premier Asset Manager Program:  
 Entire Account  Other: \$ \_\_\_\_\_

**Current Investments:**

What is the amount of your total investable assets? \$ \_\_\_\_\_  
 Total assets planned for allocation to Premier Asset Manager Program: \$ \_\_\_\_\_

**Please indicate the approximate value of your current investments below:** *(Please attach statements)*

Asset Class	Taxable Personal Account(s)	Tax-Deferred Investments (including IRA, 401(k), etc.)
Domestic Equities:	_____	_____
International Equities:	_____	_____
Taxable Fixed Income:	_____	_____
Municipal Fixed Income:	_____	_____
REITs:	_____	_____
Cash and Cash Equivalents:	_____	_____
Other:	_____	_____
<b>Totals:</b>	\$ _____	\$ _____

Annual Household Income: \$ \_\_\_\_\_ Federal Tax Bracket: \_\_\_\_\_  
 Approximate Net Worth: \$ \_\_\_\_\_ State Tax Bracket: \_\_\_\_\_

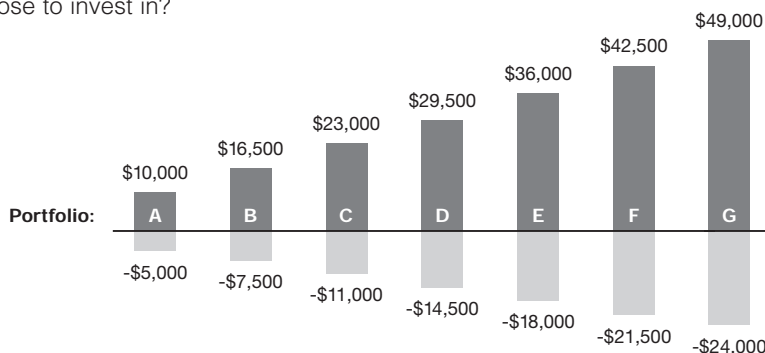
Are there any assets listed above which should not be liquidated? If so, please specify:  
 \_\_\_\_\_  
 \_\_\_\_\_

Do you have a will?  Yes  No      Have you created any trusts?  Yes  No  
 Do you have life insurance?  Yes  No

**Investment Objectives and Risk Tolerance**

1. This graph shows the potential range of gains or losses of a \$100,000 investment in each of seven hypothetical portfolios at the end of a 1-year period. The number above each bar shows the best potential gain for that portfolio, while the number below each bar shows the worst potential loss. In addition, a potential yield is shown for each portfolio. Given that this is the only information that you have on these seven hypothetical portfolios, which one would you choose to invest in?

- A: Portfolio A
- B: Portfolio B
- C: Portfolio C
- D: Portfolio D
- E: Portfolio E
- F: Portfolio F
- G: Portfolio G



2. Inflation (rising prices for goods and services) can have a significant effect on your investments by decreasing their potential purchasing power over time. Aggressive investments have historically outpaced inflation over the long run, have had more instances of short-term losses than more conservative investments. How do you feel about inflation and its impact on your investments?
- A:** I am satisfied with my investments keeping pace with inflation. Limiting the potential for short-term loss is my main goal, and I am willing to sacrifice the potential for higher returns.
- B:** I would like my investments to outpace inflation. I am willing to assume some potential for short-term loss in order to achieve that goal.
- C:** I prefer that my investments significantly outperform inflation. I am willing to assume a greater potential for short-term loss in order to achieve that goal.
3. Suppose that a substantial portion of your investment portfolio is invested in stocks. If the stock market were to experience a prolonged down market, losing 45 percent of its value over an 18 month period, what would you do (assuming your stocks behaved in a similar fashion)?
- A:** Sell all the stocks in your portfolio. You are afraid that the stock market is in a downturn and you cannot afford the decrease in value.
- B:** Sell half of the stocks in your portfolio. You think that the market may rebound, but you are not willing to leave all of your investment exposed to further loss.
- C:** Hold the stocks in your portfolio. You understand that your investment may be subject to short-term price swings and are comfortable 'weathering the storm'.
- D:** Buy more stocks for your portfolio to take advantage of their low price. You are comfortable with market fluctuations and assume that the stocks will regain their previous value or increase in value.
4. Once again, assume you have a substantial portion of your investment portfolio in stocks. If the stock market were to gradually decline at an average of 2 percent per month, eventually losing 22% of its value over a year, which of the following would you do?
- A:** Invest more now because stocks are selling for approximately 20% less than they were 12 months ago. You believe that the stocks will regain their value or possibly appreciate even higher over the long-term.
- B:** Sell the stocks in your portfolio and realize the 22% loss. You wish to avoid the risk of further loss.
- C:** Sell half of the stocks your portfolio. You are not willing to leave all of your investment at risk for further loss.
- D:** Do nothing. You are comfortable waiting for the stocks to regain their previous value or to increase in value.
5. Aggressive investments have historically provided higher returns while exhibiting greater short-term price fluctuations and potential for loss. How do you feel about fluctuations in the value of your portfolio?
- A:** I want to minimize the possibility of loss in the value of my portfolio. I understand that I am sacrificing higher long-term returns by holding investments that reduce the potential for short-term loss and price fluctuation.
- B:** I can tolerate moderate losses in order to achieve potentially favorable returns.
- C:** I can tolerate the risk of large losses in my portfolio in order to increase the potential of achieving high returns.
6. What is your time horizon for needing more than the yield on your portfolio?
- A:** Less than 3 years.     **B:** 3-5 years.     **C:** 6-9 years.     **D:** 10+ years.

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### Account Activity: Contributions and Withdrawals

7. Will you require distributions or withdrawals from your account assets?     Yes     No  
**If yes**, please indicate the expected amount as either: \_\_\_\_\_% per year, or \$\_\_\_\_\_ per year.  
Please indicate how you would like the distributions to be made:  
 Monthly     Quarterly     Semi-annually     Annually  
When do you anticipate these withdrawals to begin? \_\_\_\_\_
8. Will you make additional contributions/deposits to these assets?     Yes     No  
**If yes**, please indicate the expected amount as either: \_\_\_\_\_% per year, or \$\_\_\_\_\_ per year.  
When do you anticipate these deposits to begin? \_\_\_\_\_

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**Account Restrictions/Constraints and Preferences**

- 9. Are there any limitations to holding specific asset classes in the portfolio? (e.g., emerging markets)  Yes  No  
If yes, note below any maximum or minimum percentages on a particular asset class. (e.g., no more than 50% equities)

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- 10. Do you wish to prohibit investments in certain securities or industry groups?  
(e.g., XYZ Corp. stock; alcohol, tobacco or gaming industries)

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**Additional Information**

- 11. Is there any additional information you wish to provide us so that we can best address your investment needs?

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