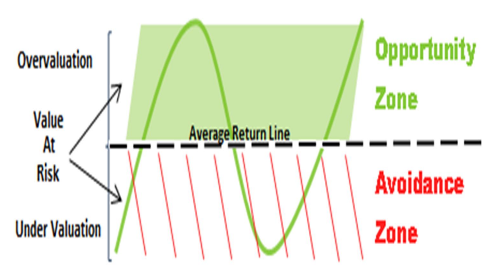
ProActive Advisors LLC
"Who's Watching Your Money?"

Why Consider ProActive Advisors as Your Investment Advisor?

The answer to this important question is centered in our philosophy that a financial manager is responsible for taking care of a client's money, compounding and protecting it. Comparing how we manage money to the alternatives provides assurance our investment methodology is well conceived and preferable to other options. For example, most Advisory approaches utilize a mean / variance approach based upon the assumption above-average, "risk-adjusted" returns are produced by setting a fixed, target asset allocation (ex. 60/40 stocks/bonds) based upon a client's psychological *Risk Tolerance* profile. The client's portfolio is broadly diversified to hold a little bit of everything and periodically "*Rebalanced*" to reset the portfolio mix back its original target weights when holdings become over or underweighted. This methodology fails to consider valuations, market trends, timeliness and the all-important risk/reward challenge. It places Risk Management on *auto-pilot* rendering it a passive activity. Moreover, employing fixed asset allocations and routinely rebalancing back to a predefined mix causes portfolios to underperform in good markets and suffer debilitating losses during protracted downturns. Firms get clients to agree to a defined asset allocation because doing so and then maintaining the mix provides cover for under-performance which is inevitable with such a methodology over the long term.

Looking Where Opportunity Pays



By contrast, ProActive's investment methodology first assesses the current *health of the market* evaluating macroeconomic factors like interest rates, stock valuations, commodity prices and various socio-economic indicators. Client asset allocations are set to align client investment goals and financial need by the manager. Security selections are made by quantifying the "*Reward for Risk*" opportunities considering expected returns on securities in the market "*Opportunity Zone*." Risk management is active and dynamic. As the health of the market changes with valuations, portfolio asset allocations are altered to lower or raise client risk exposures. For example, during that eighteen month market correction in 2008-2009, ProActive reduced portfolio risk; we did not buy more of what was losing value to maintain a target weighting of stocks. We continued to lower risk exposure only increasing exposure to equities after the stock market began its rebound and comparative asset valuations became compelling. Being pro-active in managing portfolios and harvesting gains we strive to deliver above-average "total returns" which distinguishes us from hold a 'little bit of everything' firms. We are investment managers, not brokers and our focus is upon compounding. Inherent in that goal is the mandate to protect principle and produce positive returns—which coincidentally also requires us to keep client investment costs low.

To illustrate one example of our decision analysis, say there is a 75% probability a company will make its earnings because channel checks show its shipping lots of product. Let's speculate its stock price should rise by an additional 2 - 3% when earnings are released based on previous company price activity. But since good earnings expectations are anticipated and priced into the company shares, if it misses analyst's expectations the price could fall by 15%. The mathematical *Expected Value* of this investment proposition then is:

Event	Probability	Gain/Loss	Value G/L
Makes or Beats Earnings	**75%**	**+ 2.0%**	**+ 1.5%**
Misses Earnings	25%	-15.0%	- 3.75%
Decision Expected Value =			**- 2.25%**

In this case the most probable outcome is that the company makes its earnings and the stock price rises. But the *Expected Value* is negative. We could harvest profits and buy something else, hedge our exposure because of the unfavorable return proposition, or simply hold. If the company valuation based on expected earnings are not excessive, and other market factors haven't increased market uncertainty, we would continue to hold. If we like the forward prospects of the company but uncertainties were present we would hedge. The importance of quantifying investment opportunity becomes more important when political & economic policy decisions become market catalysts because they often push prices sharply upward and downward. Since ProActive's objective is to keep money compounding, our process weighs relevant micro & macro-economic variables to make assessments of the *value at risk* from these events.

Our investment approach is not that of the "Value" manager per se however. We seek opportunity where there is value, but for us an "opportunity" is one which is miss-priced and under-valued, but also one which is timely because money is starting to flow into it. This distinction is important because measurement of 'Value' is only one part of the multi-step security selection process. Yes we want to buy low, but we are ever aware of the '*time value of money*'. We don't want to 'buy low and hold having to wait through the average two year restructuring or turn-around period. Nor do we want to assume the risk we will own any of the 40% plus failing companies that never recover! We want to buy 'Value' but do so only when company management has demonstrated turn-around results are in process and sustainable. In short, we want to buy when the price is favorable and when we can find good compounding opportunities in the *Opportunity Zone.*

Another distinguishing characteristic is that ProActive Advisors is not a bank or brokerage firm, acting as an Agent, selling investments. We're a professional Advisory firm acting as a Principal, constructing portfolios in which "*Better Results are Built-in*." Our 360Portfolios Adapted Total Return approach utilizes real time data. We adapt portfolios to changes in the markets. Our methodology is proprietary and market-tested. It was formulated to work in good and bad financial markets and has proven to be a more reliable and beneficial way to invest.

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Five Star Management

360Portfolios Better Results are Built-in

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