PATTON EDGE STRATEGY

A Long/Short U.S. Equity Strategy for Managed Accounts
Designed to
Both Reduce Total Portfolio Risk and Enhance Returns

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NOTICE REGARDING INVESTMENT PERFORMANCE STATISTICS

The investment discipline used by the strategy is entirely quantitative and model driven. Mark Patton began managing money in 1993. The performance results in this Presentation are hypothetical back-test results through January 2010 and do not represent the results of actual trading using client assets for that period. Actual performance results begin February 2010 representing one client's account. Patton has managed money using a very similar long/short investment disciplines since June 2003 and long-only disciplines since April 2001.

The hypothetical back-test results were achieved by means of a model that was designed with the benefit of hindsight. The trades during the back-test were not actually executed – they were simulations. These simulations cannot reflect all of the complexities of actual investing and there are many material factors that would have affected actual results, including those relating to the markets in general, the impact of fees and expenses, liquidity activity and other factors, any or all of which may have adversely affected actual performance. The back-test results in this Presentation are not indicative of the skill of the Manager or its affiliates. Patton's clients actually had investment results that were materially different from those portrayed herein.

The historical back-test performance results in this Presentation reflect the deduction of management fees payable to the Manager and estimates for brokerage fees, margin expenses, and other fees and expenses, based on the Manager's experience of utilizing other similar strategies since 2003 and the fee structure for this strategy.

This Presentation includes information regarding the historical performance of various indices, including the S&P 500 Index. An index is an unmanaged, broad-based market index and investing in the Patton Edge Strategy is not similar to investing in an index. An index is not available for direct investment, and the securities in the index will not match the Strategy's holdings. In addition, unlike an index, the Strategy's performance will be affected by fees and expenses.

Past performance is not an indication of future results. Other performance calculation methods may produce different results, and the performance results may vary for different periods.

Finally, this Presentation contains forward-looking statements. These represent the subjective views of the Manager and their validity may be affected by events and conditions not now contemplated and by other factors, many of which may be beyond the Manager's control. Actual results may vary and such variations may be material, and no representation or warranty is made regarding any forward-looking information contained herein.

Portfolio Comparison Analysis Assumptions

These Model Portfolios have been developed based on historical performance of the described indexes. Since these are Model Portfolios (hypothetical), there can be no assurance that an investor would have achieved similar rates of return over the time frame. In addition, since the time period in question is a historical one, there can be no assurance that future results achieved by investors will in any way resemble those represented by the Model Portfolios. Model Portfolios are rebalanced monthly. All performance data is total returns which includes interest and dividends. The calculations are net of the estimated fees.

Although we have done our best to present this information fairly, hypothetical performance is still potentially misleading. Hypothetical data does not represent actual performance and should not be interpreted as an indication of actual performance. This data is based on transactions that were not made. Instead, the trades were simulated, based on knowledge that was available only after the fact and thus with the benefit of hindsight. Results do not include the impact of taxes, if any. Past Returns are not indicative of future results.

These materials are subject to change without notice and, due to the rapidly changing nature of the security markets, may quickly become outdated. All materials presented are compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This information is distributed for education purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, product, or service.

Asset Class Representations

- Large Cap Stocks is S&P 500 iShare IVV
- Small Cap Stocks is Russell 2000 iShare IWN
- International Stocks is MSCI EAFE iShare EFA
- Bonds is Mid-term U.S. Government Bond iShare IEF

Additional Assumptions

- For periods prior to iShare history being available, the appropriate market index was used.
- Asset Class Fees = the fees of the representative Exchange Traded Fund, generally iShares sponsored by BlackRock.
- Advisory Fees = 0.25% annually
- Rebalancing Frequency – Monthly

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EXECUTIVE SUMMARY

The Patton Edge Strategy is a long/short U.S. stock hedging strategy available to investors in separately managed accounts. The Strategy is designed to be an alternative to bonds in a diversified portfolio with expectations of better protection in bear markets and improved long-term returns. The goal is to reduce the risk of a total portfolio without having to sacrifice long-term gains. This is the first time the Manager has offered a hedging strategy for separately managed accounts and it is intended that the number of investors will be limited.

The Strategy invests both long and short, in U.S. traded equity securities of public companies. Only S&P 500 stock components are considered for the long positions in the Strategy. Short positions are selected from a list of approximately 500 stocks that generally rank among the larger market cap, higher priced, and most liquid in the market. Approximately 125 positions exist at all times in the Strategy. The Strategy is purely quantitative and designed to exploit pricing inefficiencies in individual stocks. Investors pay the Manager a management fee of 2.0% per annum on the first $500,000, 1.5% on the next $500,000, and 1.0% on every additional dollar invested. Unlike many hedge funds, investors do NOT pay an incentive fee to the Manager.

The investment objective of the Strategy is to generate positive absolute returns that exhibit low correlations with both equity and fixed-income returns resulting in reduced risk in an investor's total portfolio. Mr. Patton's research indicates the Strategy would have produced average annualized returns, net of all estimated fees and expenses, of 15.9% from July 1963 through December 2010[1] compared to 6.8% for Long-Term U.S. Government Bonds[2] ("Bonds") and 9.2% for the S&P 500. Furthermore, returns were positive during both extended bull AND BEAR markets. The Strategy's risk is controlled through diversification, an unwavering adherence to the investment disciplines, and a consistent allocation to both long and short positions. The Strategy is ideally suited as a diversifying component within an otherwise traditional portfolio. Based upon back-testing, it is superior to bonds, as a diversifier, in that it has shown lower correlation with equity returns while offering superior returns.

The Strategy and its investment disciplines were developed entirely by Mr. Patton. The disciplines have been utilized in long-only separately managed accounts for six years. Furthermore, the combined long and short disciplines have been utilized in a fund since 2003.

While the Strategy was designed and developed entirely by Mr. Patton, the underlying principles are reflected in the emerging academic field of *Behavioral Finance*, or what practitioners often call *investor psychology*. Behavioral Finance research has

[1] The Strategy's results for the period July 1963 through January 2010 were generated from back-testing with historical data. The back-testing procedure will be discussed later in detail.
[2] U.S. Long-Term Government Bonds is represented by Ibbotson's data through June 2006 and Barclay's iShares Lehman 20+ Year Treasury Bond Exchange Traded Fund symbol TLT thereafter.

shown that investors tend to repeat particular cognitive errors when making decisions about stock transactions. In other words, investors' decisions are often more a product of emotion than reason. These cognitive errors result in sources of inefficiency that, by their very nature, tend to persist over time, although never in the same stocks indefinitely. Research by Mr. Patton shows that behavioral-based inefficiencies in the pricing of individual stocks are exploitable during windows of opportunity, while the pricing of the affected stocks generally becomes more efficient in the long term. Mr. Patton's research also shows that these inefficiencies can be exploited, for profit, with the Strategy's quantitative, rule-based model that excludes human emotion.

Although Behavioral Finance has become widely accepted as an important school of thought on the stock market, it offers no obvious recipe for trading profits. Instead, Behavioral Finance can be thought of as a general framework for understanding sources of stock market inefficiency. Mr. Patton utilized his experience in managing publicly traded equities, together with his study of Behavioral Finance and his knowledge of statistical modeling to create the Strategy's purely quantitative strategy. To accomplish this, Mr. Patton spent four years testing behavioral indicators to determine precisely what has worked as well as what is likely to continue to work. Historical back-testing is especially relevant for evaluating this Strategy because the sources of the behavioral-based pricing inefficiencies are likely to persist into the future. His research utilized the most comprehensive and reliable data available, including both the University of Chicago's CRSP U.S. Stock Database and Standard and Poor's Compustat database. These two sources were merged into one proprietary database covering mid-1962 through today.

Portfolio Comparisons

July 1963 - December 2010

	Traditional Portfolio	Difference in Allocations	Patton Diversified	Difference in Performance
Allocations				
Patton Edge Strategy	0%	+ 20%	20%	
Large Cap Stocks	45%	-10%	35%	
Small Cap Stocks	15%	none	15%	
International Stocks	10%	none	10%	
Bonds	30%	-10%	20%	
Performance				
Annual Compounded Return	9.0%		10.8%	20%
Risk Measurements				
Annualized Standard Deviation	10.9%		10.5%	-4%
% Down Months	36.5%		34.4%	-6%
Average Down Month	-2.4%		-2.2%	-8%
Worst Month	-15.3%		-13.2%	-14%
Down Years	10		10	0%
Average Down Year	-9.7%		-8.0%	-18%
Worst Year	-23.8%		-20.5%	-14%
Maximum Drawdown	-37.3%		-33.4%	-10%
Longest Peak-to-Peak (Months)	41		40	-2%

The accompanying table illustrates the diversification benefits of the Patton Edge Strategy when combined with a traditional portfolio of stocks and bonds. The statistics comparing the two portfolios clearly highlight the improvement in the risk profile of the Patton Diversified Portfolio with its 20% allocation to the Patton Edge Strategy as compared to the Traditional Portfolio.

Patton Fund Management, Inc., managed by Mark Patton, serves as the manager of the Strategy. Mr. Patton founded his investment management firm in 1992, offering separate account, long only, U.S. equity portfolio management services to both individual and institutional investors. A board of advisors, representing his investors, provides business oversight to Patton Fund Management, Inc.

INVESTMENT CHARACTERISTICS

Pure, Strict, Quantitative Investment Disciplines: The Strategy utilizes strict adherence to these six disciplines: 1) identifying the potential candidate stocks for the portfolio, 2) entering positions in stocks that are mispriced based on the quantitative model, 3) closing positions that are negatively impacting performance, 4) holding positions that continue to produce gains, 5) diversification, and 6) hedging. Mr. Patton's research indicates that unwavering compliance with these six disciplines offers positive absolute returns over all market conditions with comparable risk to the S&P 500.

The Strategy's quantitative model defines disciplines 1 through 4 in purely quantitative terms. The model's lack of human emotion positions the Strategy to avoid the systematic cognitive errors that have been defined through the study of Behavioral Finance such as:

- the disposition effect (investors are overly reluctant to accept losses)
- anchoring (investor tendency to overweight initial beliefs and underweight the relevance of new information).

Seeking to Produce Positive, Absolute Returns: The investment disciplines, including diversification across stocks and the hedging that results from holding long and short positions at all times, position the Strategy to produce positive annual returns, regardless of the performance of the equity markets.

Low Correlation and Reduced Total Portfolio Volatility: The Strategy is expected to produce returns that have low correlations with both equity and fixed-income indices, thus offering superior diversification benefits.

Investment Disciplines and Strategy Supported by Experience and Research: The Manager's disciplines are purely quantitative and have been back-tested from July 1963 utilizing a proprietary model simulating every investment decision on a daily basis. Furthermore, the disciplines have been utilized in long-only separately managed accounts since April 2001 and in a long/short fund since June 2003.

Unwavering Implementation: The investment disciplines utilized by the Strategy are strictly adhered to, without exception. There are no perfect investment strategies that outperform in all market conditions, but the Manager's research shows that the Strategy would have produced positive returns, on average, in all market conditions. Thus, regardless of market conditions and despite any short-term negative results, the investment disciplines of the Strategy will be consistently implemented.

PRINCIPLES OF THE STRATEGY

There is nothing new about the notion that market psychology can result in stock market inefficiencies. Most professional investors have suspected it for years. What is new, however, is that the notion has gained credibility with serious academic researchers, even those who have been ardent supporters of the *Efficient Markets Theory* (*EMT*).[3] The *EMT* holds that investors respond quickly and rationally to news so that stock prices are efficient estimates of fundamental value and past returns are of no use in predicting future returns. But the *EMT* has come under increasing scrutiny in recent years from Behavioral Finance, an emerging school of thought based on psychological research finding that individuals tend to make systematic *cognitive errors* when making decisions under uncertainty or when forming expectations about the future. In the context of financial markets, Behavioral Finance holds that investors tend to repeat certain types of errors systematically, resulting in persistent sources of inefficiency that come and go in different stocks over time.

The cognitive errors, also called *psychological traps*, at the basis of Behavioral Finance have two main sources, prospect theory and heuristically-based decision making. Prospect theory, developed in 1979 by Daniel Kahneman and Amos Tversky,[4] holds that investors are overly averse to losses in wealth, whereas similar gains in wealth provide comparatively little utility. One example of how prospect theory manifests itself in investor behavior is the *disposition effect*, which describes Terrance Odean's 1998 observation that investors tend to be overly reluctant to accept losses and move on.[5] Instead, many investors tend to compound past errors by *doubling down* in losing positions. While some may view this doubling down as admirable determination, Odean's work shows that this behavior is largely due to an unwillingness to acknowledge past mistakes, or accept *sunk costs*.

When making complex decisions under uncertainty, individuals often reduce the decision process to easily managed "rules of thumb" known as heuristics. Yet, Kahneman and Tversky have shown that heuristically-based decision processes lead to systematic errors. One such error that can explain *overreaction* in stock prices is the *representative heuristic*, which holds that individuals attempt to identify trends in data to assess future uncertainties. This tends to lead to *myopia*, the mistaken belief that future patterns will resemble those of the recent past. On the other hand, momentum in stock returns may be explained by *anchoring*, the tendency to overweight initial beliefs and underweight the relevance of new information. It follows that momentum observed over intermediate horizons is extrapolated over longer time horizons until *overreaction*

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[3] See, for example, Jon E. Hilsenrath, "As Two Economists Debate Markets, The Tide Shifts: Belief in Efficient Valuation Yields Ground to Role of Irrational Investors, Mr. Thaler Takes on Mr. Fama," *The Wall Street Journal* (October 18, 2004), p.1.

[4] Daniel Kahneman and Amos Tversky, "Prospect Theory: An Analysis of Decision under Risk," *Econemetrica* (March 1979), pp. 263-292.

[5] Terrance Odean, "Are Investors Reluctant to Realize their Losses?", *Journal of Finance* (October 1998), pp. 1775-1798.

develops. This does not, however, imply any *easily* exploitable trading strategy since the point where momentum stops and overreaction starts is never obvious, and for that matter, one does not necessarily follow from the other.

Some detractors of Behavioral Finance have argued that widespread knowledge of investors' cognitive errors will work to restore market efficiency, as learning reduces the systematic nature of the errors and more rational investors exploit the opportunities these errors present. The counter argument is that avoidance of these errors requires as much discipline as it does learning, and most investors will fail at the former. It is also argued that new investors are unlikely to learn as a result of anything other than their own mistakes; thus, a fresh supply of errors is always on hand. In addition, Andrei Shleifer and Robert Vishny[6] have shown that behavioral inefficiencies will tend to persist because the active trading designed to exploit them requires patience and a high risk tolerance in the presence of less-rational investors, sometimes referred to as *noise traders*. For example, how should one have responded during the bubble in internet-based stocks of the late 1990s? Most all of these stocks were difficult to short sell, and even if it was possible, a well-informed, rational short seller faced the risk that less-rational *noise traders* would move prices further away from fundamentals. Thus, the stock market will not necessarily correct as soon as rational arbitragers recognize inefficiency. Instead, the correction may come only after the inefficiency becomes so serious that the *noise traders* lose confidence in the trend or when enough rational traders are compelled to act. In the last few years, a preponderance of academic evidence has shown that many of these opportunities tend to reside on the short side of the market, perhaps not surprisingly, since short selling is a costly and mysterious activity for many investors.[7]

So is it possible to take advantage of inefficiencies that result from investors' cognitive errors without taking on excessive risk? The Manager's research indicates that the answer is *yes.* And how does the Strategy accomplish it? First, by understanding the nature of these cognitive errors and exploiting them with a quantitative, rule-based model designed to take the emotion out of the process. Such a model not only avoids the psychological traps, it profits from them, because their common allure is the temptation to give in to human emotion about uncertainty. Second, the Strategy utilizes diversification and hedging to provide additional downside protection. Diversification comes from the approximately 125 positions generally held and hedging results from the partially offsetting long and short positions. The long/short positions are particularly important because they sharply reduce the strategy's exposure to systematic market risk. Thus, the Strategy focuses on pricing inefficiencies at the firm level and in the Manager's back-testing dramatically reduces longer term downside risk. In a word, *discipline* is the key.

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[6] Andrei Shleifer and Robert W. Vishny, "The Limits to Arbitrage," *Journal of Finance* (March 1997), pp. 35-35.

[7] Steven L. Jones and Glen Larsen, "The Information Content of Short Sales," in Frank J. Fabozzi (ed.), *Short Selling: Strategies, Risks and Rewards* (Hoboken, New Jersey: John Wiley & Sons Inc., 2004).

STRATEGY OVERVIEW

The Strategy has the following key elements:

- Style: Long/Short Equity
- Discipline: Purely Quantitative
- Diversification: Generally 50-80 Long and 50-90 Short Positions
- Position Liquidity: Very High

Underlying Premise: The Strategy is based on the premise that behavioral-based market inefficiencies are exploitable at the firm level during windows of opportunity, while the pricing of the affected stocks generally becomes more efficient in the long term, subsequent to the initial mispricing. Since the magnitude of these inefficiencies is believed to vary through time, the strategy attempts to enter and exit positions when the pricing is most advantageous. Note that the Strategy *does not* attempt to exploit inefficiencies at the level of the aggregate market.

Portfolio Composition: Another premise of the Strategy is to invest only in highly liquid U.S. traded stocks. Under normal conditions, the portfolio consists of 50-80 long positions and 50-90 short positions. There are no sector controls.

Pure Quantitative Discipline: Both long and short positions in the Strategy are selected based on a quantitative, rule-based model designed to detect when a stock is over or underpriced due to the systematic cognitive errors of investors. These particular cognitive errors result from the tendency of investors to trade based on simple heuristics, or "rules of thumb," which are susceptible to human emotion. Unwavering adherence to the model, regardless of market conditions, is critical because avoiding the temptation of human emotion is the key to profiting from, rather than falling victim to, these cognitive errors.

The quantitative discipline for closing long positions also operates on the underlying premise that the pricing of the affected stocks tends to move toward greater efficiency in the long term. That is, a stock will not remain mispriced indefinitely. A key characteristic of the exit discipline is its focus on positions that negatively impact the performance of the Strategy. This discipline exploits the behavior-based disposition effect, the human tendency to be overly reluctant to accept losses, and it also avoids the human temptation to "double down" on losers that might otherwise appear to be underpriced. The result is that winning positions are allowed to run while losers are culled out generally before they damage overall portfolio performance materially. Again, the key is a disciplined adherence to the quantitative, rule-based model.

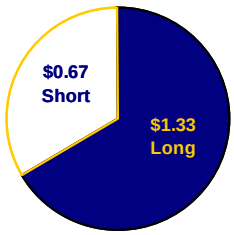
Portfolio Construction: Market Seasonality and Leverage: History clearly demonstrates that the long-term trend of the equity market has been upward. Furthermore, the Manager's research on market behavior within each calendar year since July 1963 suggests that, on average, most stock market gains occurred during the months of November through May. It follows that the months of June through October tend to be the months when the market periodically experienced its larger losses. As further confirmation, research by Bouman and Jacobsen found this seasonal pattern in U.S. equity markets to be robust, statistically significant, and persistent since 1802.[8] Thus, this seasonal pattern is incorporated into the Strategy to enhance long-term return and reduce downside risk.

At all times, the Strategy maintains approximately $2 of positions for each $1 invested. Based upon the research just described above, the allocation of dollars committed to longs and shorts changes seasonally as illustrated below.

$2 of Positions for Each $1 Invested

June – October

November – May

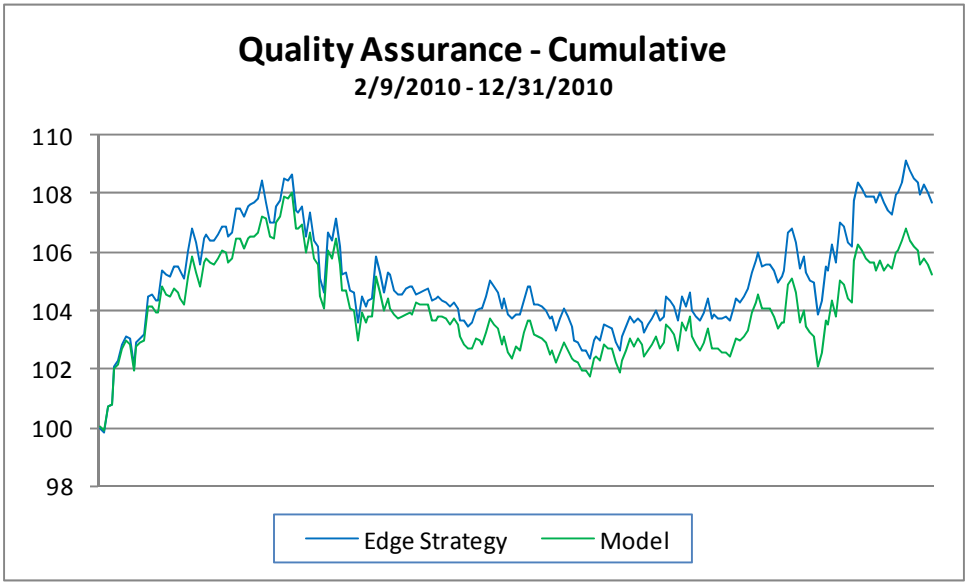


During the months of June through October the Strategy is dollar neutral with approximately equal amounts of capital in both longs and shorts. This is intended to significantly reduce downside risk during the time period when the larger losses in the market tend to occur. During the months of November through May the Strategy's positions are allocated to create a long bias with approximately $1.33 in long positions and $0.67 in short positions for each $1 invested. This creates the opportunity to capture more of the gains the market tends to produce during these months. This construction is consistent with the Manager's research on market seasonality.

[8] Sven Bouman and Ben Jacobsen, "The Halloween Indicator, Sell in May and Go Away: Another Puzzle," *The American Economic Review* (December 2002), pp. 1618-1635.

Disciplined and Proven Implementation: A strategy is clearly of little or no value if it cannot be implemented in real time. The Manager has proven that the investment disciplines utilized in Strategy can be implemented in real time with real money.

As an illustration, the graph below represents the "quality assurance" monitoring performed by the Manager on the Patton Edge Strategy. This monitoring was initiated February 2010.[9] The blue line represents the actual performance of the Patton Edge Strategy in a representative managed account while the green line represents the results generated by the quantitative model behind the implementation of the Strategy. The graph proves that the Manager has successfully implemented the investment disciplines in real time.



[9] By "quality assurance" we mean the Manager's efforts to control the extent to which real money performance deviates from the performance that the model would predict. The graph shows an index starting at 100 for both the Strategy and the computer model being implemented for the Strategy.

INVESTMENT DISCIPLINES

Disciplined implementation of the investment strategy is the key to profiting from the psychological traps of Behavioral Finance. To that end, the Strategy specifies the following disciplines: 1) identifying the potential candidate stocks for the portfolio, 2) entering positions based on the quantitative model, 3) eliminating positions that are negatively impacting performance, 4) holding positions that continue to produce profits, 5) diversification, and 6) hedging.

Discipline #1: Identifying Candidates for the Portfolio: The first discipline is to identify the list of potential candidates for the portfolio. The long candidates are the 500 stocks in the S&P 500. As the statistics below illustrate, these stocks are generally larger-cap, highly liquid, and well diversified across several industry sectors, attractive characteristics for candidates in a long portfolio.

LONG CANDIDATES: S&P 500 Stock Components ONLY

Statistic Characteristics
as of November 2010

	S&P 500	All U.S. Stocks
# Stocks	500	9040
Median Market Cap	$10.3 bil	$171.3 mil
Median Daily Liquidity	3.661 mil shares	0.083 mil shares

There are also 500 stocks on the list of candidates for potential short selling. This list of stocks is determined by a filtering process based on market cap, price, and liquidity. The result is 500 stocks that are generally larger-cap, higher priced, and very liquid. These characteristics reduce many of the risks inherent in short selling while still providing a broad enough list to include stocks of potentially lesser quality.

SHORT CANDIDATES: 500 Larger-Cap, Liquid Stocks

Step #1: Eliminate Micro-Cap Stocks

Step #2: Eliminate Stocks < $10 per share

Step #3: 500 Most Liquid

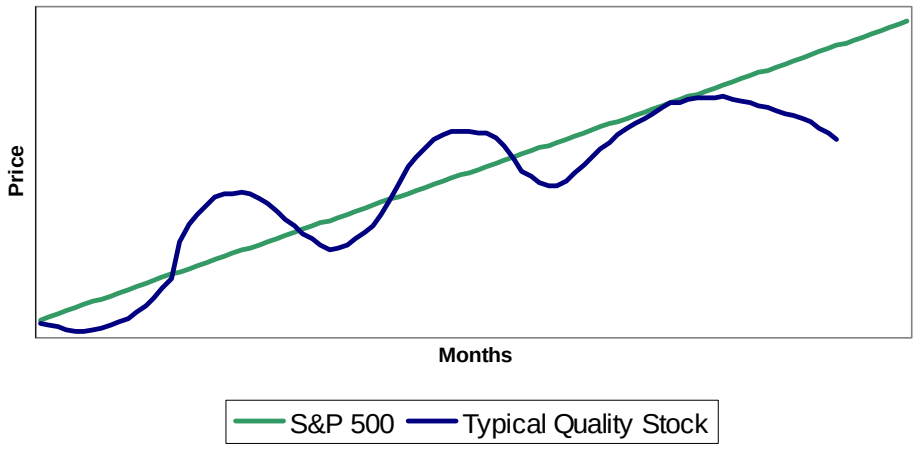
Discipline #2: Entering a Position: The Manager's buy discipline is determined by the quantitative model's rule for identifying stocks that are underpriced. The model relies on several statistical indicators that are calculated daily on the 500 stocks in the S&P 500, the only candidates for long positions. The purpose of these indicators is to identify stocks that are underpriced due to the cognitive errors of investors trading based on simple heuristics or "rules of thumb," which are susceptible to human emotion. The exact point of entry is triggered during a short period when the performance of the prospective stock is weak relative to the rest of the market.

The discipline for entering a short position is the mirror image of that utilized for long positions. Statistical indicators are calculated daily on the 500 candidates for the short portfolio. The goal now is to identify stocks that are overpriced due to investors' cognitive errors. A quantitative scoring system is utilized to identify the candidates with the highest probability of experiencing a price correction and thus producing profits. The exact point of entry is triggered during a short period when the performance of the prospective stock is strong relative to the rest of the market.

Discipline #3: Closing a Position: Of course, some losing positions will occur and some profitable positions will deteriorate. The goal is to identify individual positions that are underperforming and close them rather than let them run in the misplaced hope of recovery. The discipline for closing a position, like that for entry, is entirely quantitative. This removes the emotion from the decision and thereby exploits the disposition effect, the tendency of investors to resist taking losses. Thus, losses are accepted, as unpleasant as they may be, so that capital may be redeployed where it is more likely to be profitable.

Long Positions Sell Discipline Theory

Long-Term Upward Trending Market and Individual Stock



The graph on the previous page illustrates the sell discipline for long positions. Stocks trending with the overall market, at some point, inevitably have extended periods of underperformance. At the point that a long position has underperformed the S&P 500 for an extended period of time and meets the Manager's strict quantitative discipline, the stock is then sold.

The goal for closing short positions is much the same. However, because short selling naturally calls for a much shorter time horizon, a quantitative scoring system is used to continually identify the best short selling opportunities. The result is that existing positions that the quantitative scoring system has identified as less likely to earn a profit are replaced with short positions that are more likely to earn a profit.

Discipline #4: Holding a Profitable Position: The result of the quantitative discipline for closing long positions is that winning positions are allowed to run. This discipline reflects the quantitative model's underlying premise that the pricing of stocks tends to move toward greater efficiency in the long term. Thus, the temptation to book profits is avoided. The quantitative scoring system for short positions eliminates positions that are less likely to earn a profit and replaces those with positions more likely to do so.

Discipline #5: Diversification: The Strategy generally employs 50 to 80 long positions and 50 to 90 short positions. This offers a high degree of diversification against downside risk resulting from individual positions.

Discipline #6: Hedging: The fact that the Strategy invests approximately equal dollar amounts in long and short positions from June through October means that systematic market risk is almost entirely absent from the resulting overall returns during those months. The long-bias employed from November through May, to exploit the market's historical tendency to outperform during those months, does expose the returns to moderate levels of systematic market risk. The result is that the strategy offers extremely desirable diversification benefits to investors who may wish to combine the Patton Edge Strategy into a larger portfolio that also employs conventional asset allocations.

The superior diversification benefits of the Patton Edge Strategy will be presented in detail after the next few pages. First, we will explain the process the Manager used to research and test the Strategy.

TESTING THE INVESTMENT STRATEGY

The Manager's back-testing of the Strategy sets it apart from most other long/short strategies. Testing of daily data over more than four decades demonstrates that the Patton Edge would have produced consistently positive, market-beating returns over the period with reduced downside risk.

Back-testing is the process of saying "(1) had I been utilizing these investment disciplines (2) at this particular time (3) under these types of market conditions (4) with these stocks as candidates for my portfolio, (5) what would have been the results." Clearly, only purely quantitative, rule-based strategies that are devoid of human discretion, such as the Patton Edge, can be tested in this manner.

The Manager's Testing Process: The testing process requires resources, knowledge, and time. Successful testing that produces reliable results requires all three.

Data Resources - Accurate, comprehensive, unbiased data are the backbone of the back-testing process. The University of Chicago's CRSP U.S. Stock Database is arguably the best source of historical data on U.S. stocks. This database contains daily data, including price, volume, market cap, industry, and dozens more, on virtually every stock from July 1962.

The Standard & Poor's Compustat database contains hundreds of data items on virtually every U.S. stock. The Standard & Poor's data are updated daily. The Manager merged these two data sources creating a continuous stream of data on all U.S. stocks.

Technology Resources - Data, unorganized, are of little value. The Manager designed and created a proprietary, sophisticated computer software system to manipulate the billions of bits of data. This software system is specifically designed for both back-testing and for execution of the disciplines on a daily basis in the Strategy. This software system allowed the Manager to run hundreds of scenarios spanning the entire four decades of data to confirm that the investment disciplines produced successful results regardless of minor modifications to the exact formula.

The same model that was used for back-testing is also the system that is used for implementation going forward. Using this same system allows the Manager to implement the exact same investment disciplines in the Strategy as those that were tested.

The Manager spent more than four years conducting research. The combination of the best available data and a sophisticated computer software system were the tools used to rigorously test, refine, and ultimately, clearly and explicitly define the investment disciplines implemented today.

Key Principles to Successful Back-Testing: There are five key principles to successfully back-test an investment strategy. A description of each follows.

1) Maintain a Static Discipline - The investment disciplines utilized by the Manager are both quantitative and static. It is only disciplines such as this that can be reliably back-tested.

2) Test a Long Period of Time - One of the most common mistakes made by investors is to base future expectations on results from short periods of time. Many investors during the late '90s thought stock prices would continue higher by 25% and more in the future. Many of these same investors thought stock prices would suffer indefinitely during the bear market that followed. At both times expectations were based on recent short-term periods of time and were flawed.

The same problems occur in the research process. Often back-testing is performed on short periods of time resulting in false expectations of future behavior and performance. The investment disciplines of the Strategy have been back-tested over more than four decades of data from 1963 – 2009. Several market cycles and a vast variety of conditions occurred during this time.

3) Eliminate Survivor Bias - This challenge is only overcome with comprehensive and quality data. Many data sources used when conducting research only include data on those stocks that are being actively traded today. Those stocks that no longer trade for a variety of reasons (ex: bankruptcy, mergers and acquisitions, leveraged buyouts) are not included in many databases. Research utilizing such data produces false expectations of future behavior and performance, a problem the Manager avoided.

The Manager's research utilized the best, most comprehensive and accurate data sources available. The University of Chicago's CRSP U.S. Stock Database was the primary data source for this research and includes complete data on virtually all stocks that have traded on the U.S. exchanges. Survivor bias was eliminated in the Manager's research.

4) Avoid Data Mining – Data mining may involve searching the data for a formula that provides a "best fit" and then using the data to justify the formula, or it may involve selectively searching data until support for a particular formula is detected. In contrast, the goal of the Manager's research was to select investment disciplines (i.e., a formula) that were likely to generate superior performance going forward based on the principles of Behavioral Finance.

The Manager did NOT develop the Strategy through data mining.

5) Ability to Implement - Research and investment disciplines that cannot be implemented in real time with real money are of no value. The Manager's quality assurance process for the Patton 45 Investment Strategy and the Manager's long/short funds demonstrate the proven implementation of the Strategy's investment disciplines

with real money. This process includes a comparison of actual results to the performance of the model. Important to this process is that an estimate of all fees and expected transaction slippage has been incorporated in the model. This quality assurance process shows only a marginal difference since its implementation. This real money experience clearly demonstrates that the Manager's static and quantitative investment disciplines can be implemented efficiently in real time with real money.

FEE STRUCTURE

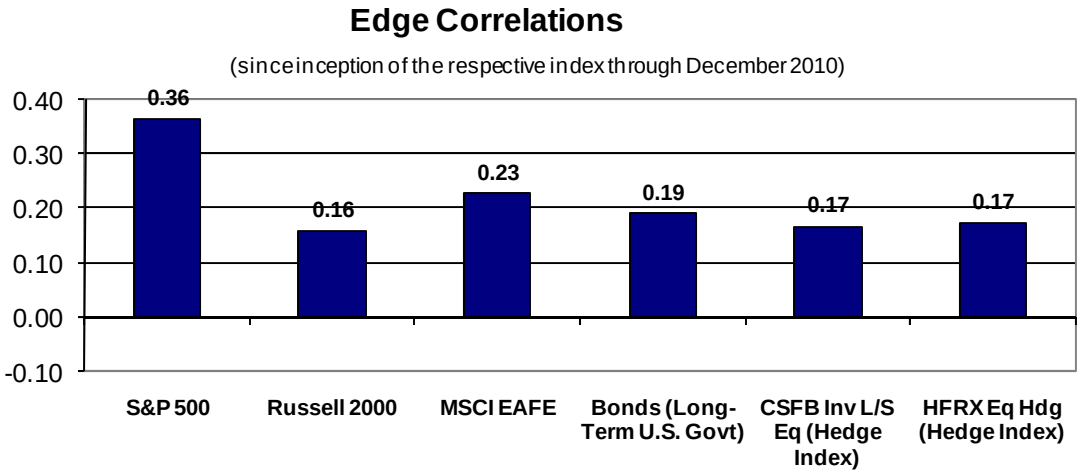
Management Fee: The annual management fee is 2.0% of assets under management on the first $500,000, 1.5% on assets under management of $500,001 to $1,000,000, and 1.0% on every dollar thereafter. The Manager receives no additional compensation for its services. The investor will have brokerage and related fees for the separately managed account. These will vary by brokerage firm, account size, and amount of turnover in the Strategy. The Manager has estimated these fees at 1.50% of assets annual. Furthermore, it is estimated that the execution price of securities transactions in the Strategy will be 0.10% worse than the desired price in the quantitative model. The annual management fee of 2.0%, estimated brokerage fees, and the 0.10% budget for execution quality on every transaction have been included in the Manager's back-tested model. All of the performance results in the brochure are net of these estimates. Minor adjustments may be made to the strategy to reduce turnover and expenses for smaller accounts and/or during periods of heightened volatility.

PERFORMANCE RESULTS

Here we consider the back-tested performance of the Patton Edge Strategy and illustrate its desirable diversification benefits. The statistics are computed for the period covering July 1963 through December 2010.

Compounded Annual Return: The compounded annual return of the Strategy was 15.9% compared to Long-Term U.S. Government Bonds at 6.8% and the S&P 500's 9.2% during the period July 1963 – December 2010.

Risk/Return Statistics: The Strategy's goal is to reduce the risk of a total portfolio without having to sacrifice long-term gains. The goal of reducing the risk of a total portfolio is accomplished by producing returns that are highly uncorrelated with both the equity and fixed income markets and thereby reducing volatility and risk in a conventional portfolio. Consistent with this goal, the correlation coefficient between the monthly returns to the strategy and the S&P 500 is 0.364 over the entire July 1963 through December 2010 period. Furthermore, the Strategy's correlation to other popular market indices is very low as illustrated in the below graph[10]. Thus, the Strategy's portfolio diversification properties are highly desirable, as will be illustrated shortly. To a large extent, the low correlation is attributable to the macro-level hedging that occurs within the Strategy as a result of maintaining both long and short positions.



Performance statistics for the Patton Edge Strategy over the entire period are presented in the table on the following page. The Strategy's overall average monthly return of 1.30% per month exceeds the average monthly return of 0.59% for Bonds, over

[10] Starting date for correlation calculations by index: S&P 500 on 7/1/1963; Russell 2000 on 10/1/1987; MSCI EAFE on 1/1/1970; Bonds (Long-Term U.S Govt) on 7/1/1963; CSFB Investable Long/Short Equity on 1/1/2000; HFRX Equity Hedge on 1/1/1998.

the same period, by 0.71% per month. The Strategy's monthly standard deviation of 3.58% is approximately 17% higher than the 3.06% for Bonds.

Statistics measuring the risk/return are attractive for the Patton Edge Strategy. This is evident from the Sharpe Ratio, which measures the average return in excess of the risk-free rate over the standard deviation. The Strategy's monthly Sharpe Ratio of 0.24 is nearly 5 times that of Bonds, indicating that the Strategy's excess return per unit of volatility is very attractive relative to the bond index. The annualized Sharpe Ratio of 0.83 is also reported since some readers may be more familiar with seeing Sharpe Ratios computed from annualized returns.

Edge Key Statistical Measures
July 1963 - December 2010

Statistic	Edge	LT Gov Bd	S&P 500
Average Monthly Return	1.30%	0.59%	0.83%
Monthly Standard Deviation	3.58%	3.06%	4.37%
Average Risk-Free Rate (monthly)	0.44%	0.44%	0.44%
Average Return in Excess of Risk-Free Rate	0.86%	0.15%	0.39%
Sharpe Ratio (monthly)	0.24	0.05	0.09
Sharpe Ratio (annualized)	0.83	0.17	0.31
M-Squared (monthly)	0.66%	-0.18%	0.00%
Beta (= 1.0 for S&P 500 by definition)	0.44	0.24	1.00
Alpha	0.69%	0.06%	0.00%
Correlation to S&P 500	0.364	0.168	1
R-Squared	13.24%	2.81%	100.00%
Skewness	0.18	0.38	-0.42
Kurtosis	2.18	3.00	1.90
Maximum Drawdown	-19.5%	-25.0%	-51.0%
Longest Recovery (months)	30	49	73

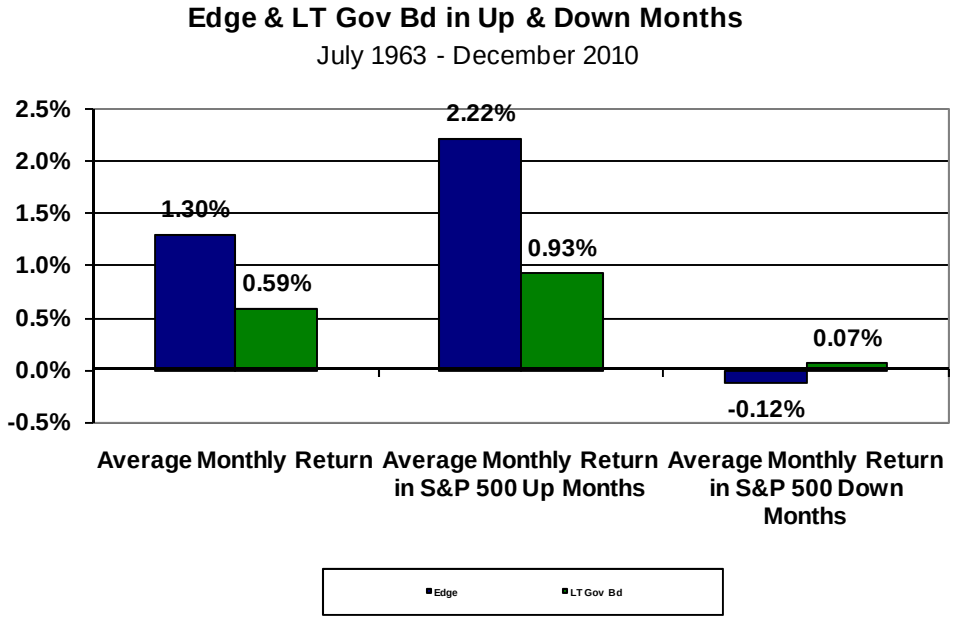
A criticism of the Sharpe Ratio is that it can be difficult to interpret. In this regard, a useful complement to the Sharpe Ratio is the M-Squared statistic, which is effectively a benchmarked Sharpe Ratio reported as a percent return. Its value for Patton Edge Strategy of 0.66% (per month) is calculated simply by taking the ratio of the Sharpe Ratio for the strategy over that of the S&P 500 and then converting the ratio into an excess return measure.[11] The result is a statistic that equalizes the standard deviations of

[11] The following shows the calculation of the monthly M^2 measure for the Patton Edge Strategy for the interval July 1963 through December 2010. The calculation is as follows:
M-Squared = R(RF) + [R(Patton) – R(RF)]*[SD(S&P)/SD(Patton)] – R(S&P), where
R(RF): Average Risk-Free Rate (on T-bill) = 0.44% per month
R(Patton): Average Return on Patton Edge Strategy = 1.30% per month
R(S&P): Average Return on S&P 500 = 0.83% per month
SD(Patton): Standard Deviation of Patton Edge Strategy = 3.58% per month

Footnote continued on next page.

the alternative investments, the Patton Edge Strategy in this case, so that the returns can be directly compared, holding volatility constant. Thus, the reported M-Squared value indicates that when the volatility of the strategy is set to that of the S&P 500, the strategy outperformed the S&P 500 by 0.66% per month. This compares to Bonds having an M-Squared of -0.18% per month suggesting that the return on Bonds does not adequately compensate for their volatility.

Market Conditions Performance: The Strategy's ability to reduce risk in a total portfolio brings up the issue of how the Strategy performs during various market conditions. The simplest condition of interest to consider is up versus down-markets; that is, whether the monthly return for the S&P 500 was positive or negative. We see, from the graph below, that the Strategy produced positive average returns in both up and down-markets over the entire time period. Clearly, the strategy outperforms overall, lags behind on average during months when the S&P 500 is higher, but maintains a significant positive average monthly return during months when the S&P 500 is down.



The three tables on the following page further illustrate this point. The first table illustrates the compounded annual return for the Strategy during each of the major bull markets since July 1963 as compared to the S&P 500. The second table is each major bear market. And the third is various full cycles or the combination of a back-to-back bull and bear market.

SD(S&P): Standard Deviation of S&P 500 Index = 4.37% per month
=> *M-Squared* = 0.44% + (1.30% - 0.44%) * (4.37% / 3.58%) - 0.83% = 0.66%
Effectively, the ratio within M-Squared of SD(S&P)/SD(Patton), equal to 4.37% / 3.59% = 1.22, inflates the excess return on the Patton Edge Strategy to compensate for its higher level of volatility.

Bull Markets

	COMPOUNDED Annual Return				
	Edge	LT Gov Bd	Difference	S&P 500	Difference
Jun '63 - Apr '65	17.0%	3.1%	13.9%	14.6%	2.3%
Sep '66 - Nov '68	24.6%	-0.6%	25.2%	17.4%	7.2%
Jun '70 - Dec '72	33.2%	12.2%	21.0%	25.3%	7.9%
Sep '74 - Dec '76	24.3%	16.1%	8.2%	31.8%	-7.5%
Feb '78 - Nov '80	23.4%	-3.3%	26.7%	25.6%	-2.2%
Aug '82 - Aug '87	24.9%	15.5%	9.4%	27.6%	-2.7%
Nov '87 - May '90	19.0%	10.7%	8.4%	24.1%	-5.1%
Oct '90 - Jan '94	21.0%	16.8%	4.2%	18.8%	2.2%
Nov '94 - Mar '00	29.7%	10.7%	19.0%	27.4%	2.3%
Mar '03 - Oct '07	12.1%	3.5%	8.6%	16.1%	-4.1%

Bear Markets

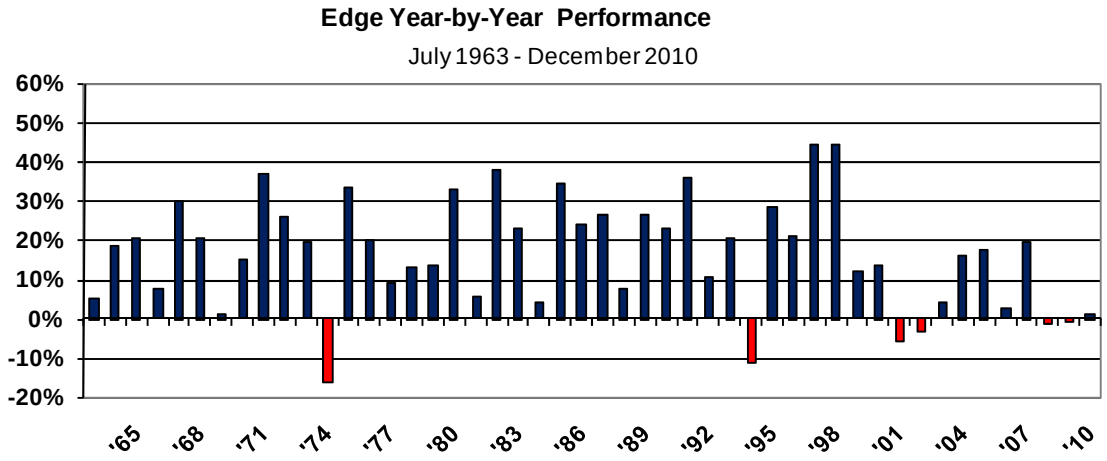
	TOTAL Returns				
	Edge	LT Gov Bd	Difference	S&P 500	Difference
Jan '66 - Sep '66	2.1%	-0.2%	2.2%	-17.6%	19.6%
Nov '68 - Jun '70	-5.6%	-8.0%	2.4%	-31.8%	26.2%
Dec '72 - Sep '74	-0.9%	-6.1%	5.1%	-42.7%	41.7%
Dec '76 - Feb '78	6.9%	-1.5%	8.4%	-14.3%	21.2%
Nov '80 - Jul '82	27.3%	17.9%	9.4%	-16.5%	43.8%
Aug '87 - Nov '87	-4.6%	2.7%	-7.3%	-29.6%	25.0%
May '90 - Oct '90	17.7%	2.4%	15.3%	-14.7%	32.4%
Mar '00 - Sep '02	9.4%	35.4%	-26.0%	-43.7%	53.2%
Oct '07 - Feb '09	-5.6%	13.2%	-18.8%	-51.0%	45.4%

Full Cycles (Bull + Bear Market)

	COMPOUNDED Annual Return				
	Edge	LT Gov Bd	Difference	S&P 500	Difference
Jan '66 - Nov '68	19.2%	-0.6%	19.7%	5.6%	13.6%
Nov '68 - Dec '72	17.5%	5.1%	12.4%	4.5%	13.0%
Jun '70 - Sep '74	18.1%	5.5%	12.6%	0.2%	17.9%
Dec '72 - Dec '76	12.8%	7.1%	5.7%	1.6%	11.1%
Feb '78 - Jul '82	20.4%	1.7%	18.7%	10.6%	9.8%
Nov '80 - Aug '87	22.2%	15.3%	6.9%	18.6%	3.6%
Aug '87 - May '90	15.2%	10.7%	4.5%	7.1%	8.1%
Nov '87 - Oct '90	22.8%	10.0%	12.8%	13.9%	8.8%
May '90 - Jan '94	23.7%	15.5%	8.2%	11.5%	12.2%
Nov '94 - Sep '02	20.8%	11.4%	9.4%	9.6%	11.2%
Mar '00 - Oct '07	6.3%	6.5%	-0.2%	2.1%	4.2%

The above tables clearly illustrate the Patton Edge Strategy's performance characteristics. During extended periods of stock market gains, represented in the Bull Markets table, the Strategy produces positive returns that outpace the returns of Bonds the majority of time. The Strategy's hedging benefits is clearly illustrated by the returns during Bear Markets.

Year-by-Year Performance: Below is a graph and table illustrating the Strategy's year-by-year performance from the back-testing. The compounded annual return for the entire period July 1963 – December 2010 was 15.9% as compared to Long-Term U.S. Government Bonds's 6.8% and the S&P 500's 9.2% during the same period. The year-by-year performance shows that a positive return was generated in all but 6 of the 47 calendar years. This compares to Long-Term U.S. Government Bonds producing a negative return in 14 of the 47 calendar years.



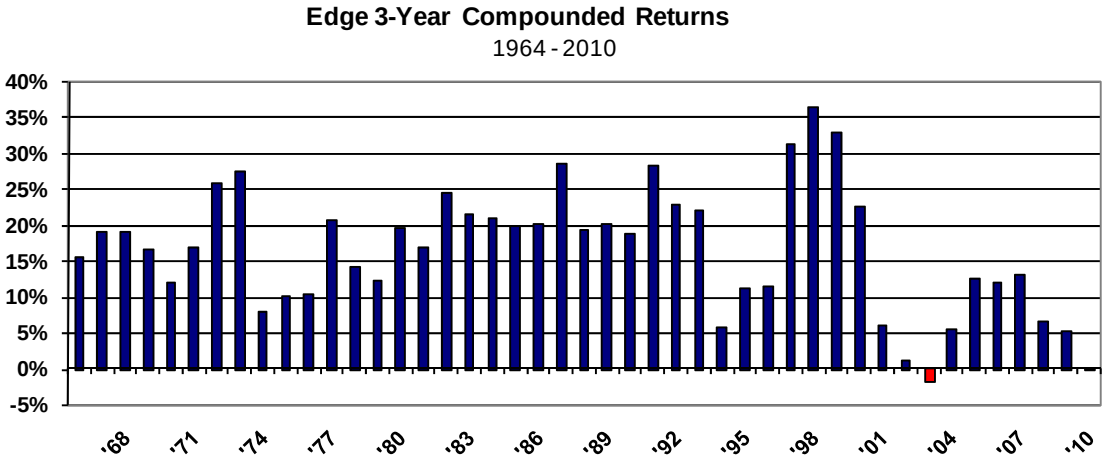
Year-by-Year Performance

	Edge	LT Gov Bd	S&P 500		Edge	LT Gov Bd	S&P 500
'63*	5.5%	0.8%	N/A	'87	26.8%	-2.7%	5.2%
'64	18.5%	3.5%	13.0%	'88	7.9%	9.7%	16.6%
'65	20.8%	0.7%	9.1%	'89	26.6%	18.1%	31.7%
'66	7.7%	3.6%	-13.1%	'90	23.0%	6.2%	-3.1%
'67	30.0%	-9.2%	20.1%	'91	36.0%	19.3%	30.5%
'68	20.9%	-0.3%	7.7%	'92	10.8%	8.1%	7.6%
'69	1.2%	-5.1%	-11.4%	'93	20.7%	18.2%	10.1%
'70	15.1%	12.1%	3.6%	'94	-11.5%	-7.8%	1.3%
'71	37.4%	13.2%	14.3%	'95	28.9%	31.7%	37.6%
'72	26.0%	5.7%	19.0%	'96	21.5%	-0.9%	23.0%
'73	19.6%	-1.1%	-14.7%	'97	44.6%	15.9%	33.4%
'74	-16.2%	4.3%	-26.5%	'98	44.8%	13.1%	28.6%
'75	33.8%	9.2%	37.2%	'99	12.2%	-9.0%	21.0%
'76	20.5%	16.8%	23.9%	'00	13.7%	21.5%	-9.1%
'77	9.5%	-0.7%	-7.2%	'01	-6.0%	3.7%	-11.9%
'78	13.5%	-1.2%	6.6%	'02	-3.2%	17.8%	-22.1%
'79	13.8%	-1.3%	18.6%	'03	4.1%	1.4%	28.7%
'80	33.1%	-4.0%	32.5%	'04	16.4%	8.7%	10.9%
'81	5.6%	1.9%	-4.9%	'05	17.8%	6.8%	4.9%
'82	38.0%	40.4%	21.6%	'06	2.8%	-1.5%	15.8%
'83	23.2%	0.7%	22.5%	'07	19.6%	5.2%	5.5%
'84	4.0%	15.5%	6.3%	'08	-1.5%	28.3%	-37.0%
'85	34.7%	31.0%	31.7%	'09	-1.0%	-24.7%	26.4%
'86	24.3%	24.5%	18.7%	'10**	1.5%	4.7%	15.1%

*July 1963 - December 1963

**Year-to-date through December 2010

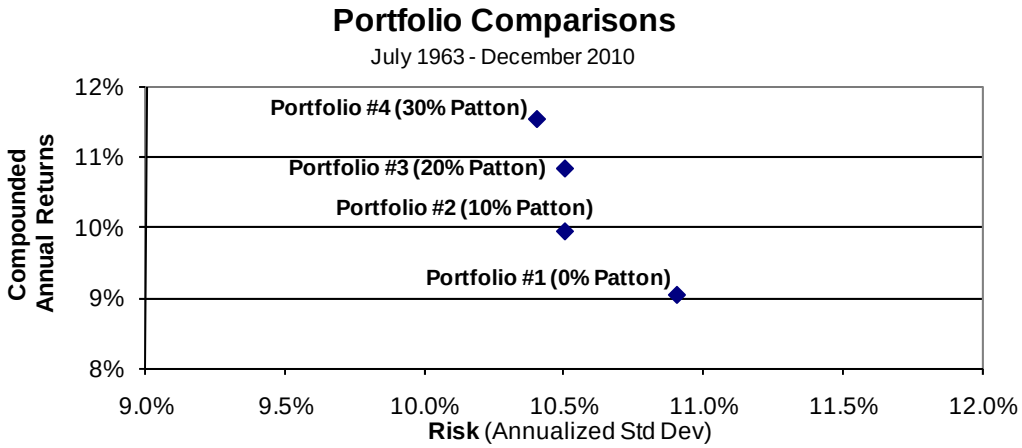
3-Year Rolling Returns: Below is a graph and table illustrating the Strategy's 3-year compounded annual rolling returns. This provides a perspective on performance over somewhat longer periods of time. As the data illustrates, in each 3-year calendar period the Strategy produced a positive return as compared to Bonds that did not.



3-Year Rolling Compounded Annual Returns

3-Years Ending	Edge	LT Gov Bd	Difference	3-Years Ending	Edge	LT Gov Bd	Difference
1966	15.5%	2.6%	12.9%	1989	20.1%	8.0%	12.1%
1967	19.2%	-1.8%	20.9%	1990	18.9%	11.2%	7.7%
1968	19.2%	-2.1%	21.3%	1991	28.4%	14.4%	14.1%
1969	16.7%	-4.9%	21.6%	1992	22.8%	11.0%	11.8%
1970	12.1%	2.0%	10.1%	1993	22.0%	15.1%	7.0%
1971	17.0%	6.4%	10.6%	1994	5.8%	5.6%	0.1%
1972	25.8%	10.3%	15.5%	1995	11.2%	12.8%	-1.6%
1973	27.4%	5.8%	21.6%	1996	11.5%	6.3%	5.1%
1974	8.1%	2.9%	5.2%	1997	31.3%	14.7%	16.5%
1975	10.3%	4.1%	6.2%	1998	36.4%	9.1%	27.4%
1976	10.6%	10.0%	0.6%	1999	32.9%	6.0%	26.9%
1977	20.8%	8.2%	12.7%	2000	22.6%	7.7%	14.9%
1978	14.4%	4.6%	9.7%	2001	6.2%	4.7%	1.6%
1979	12.2%	-1.0%	13.3%	2002	1.2%	14.1%	-12.9%
1980	19.8%	-2.1%	21.9%	2003	-1.8%	7.4%	-9.2%
1981	16.9%	-1.1%	18.1%	2004	5.5%	9.1%	-3.7%
1982	24.7%	11.1%	13.5%	2004	12.6%	5.6%	7.0%
1983	21.5%	12.9%	8.7%	2006	12.1%	4.6%	7.5%
1984	20.9%	17.7%	3.2%	2007	13.1%	3.4%	9.7%
1985	20.0%	15.0%	4.9%	2008	6.6%	9.9%	-3.4%
1986	20.3%	23.5%	-3.2%	2009	5.3%	0.5%	4.7%
1987	28.5%	16.6%	11.9%	2010	-0.3%	0.4%	-0.7%
1988	19.4%	9.9%	9.5%				

Portfolio Impact: The following table and graph present the diversification properties of the Patton Edge Strategy in combination with a conventionally-diversified portfolio. Four portfolios with differing allocations are illustrated[12]. It is apparent that as the allocation to the Patton Edge Strategy increases, both volatility is *decreased* and return is *increased*. For example, a 20% allocation to the Patton Edge Strategy, Portfolio #3, has a portfolio volatility that is 4% *lower* than the conventionally-diversified portfolio, Portfolio #1, while the return is 20% *higher*.



The following tables further illustrate the Strategy's diversification properties on a conventionally-diversified portfolio. The performance results are for various periods of time that are characterized as 1) bulls markets, 2) bear markets, or 3) full market cycles (combined back-to-back bull and bear market). The four portfolio asset allocations are the same as those illustrated on the previous page.

[12] See Notice Regarding Investment Performance Statistics.

Bull Markets

	COMPOUNDED Annual Return			
	Portfolios			
	#1	**#2**	**#3**	**#4**
Jun '63 - Apr '65	12.2%	13.1%	13.8%	14.7%
Sep '66 - Nov '68	21.5%	22.8%	24.4%	26.1%
Jun '70 - Dec '72	19.3%	21.2%	22.8%	24.4%
Sep '74 - Dec '76	25.0%	25.0%	25.8%	25.7%
Feb '78 - Nov '80	21.4%	22.4%	23.3%	24.2%
Aug '82 - Aug '87	23.7%	24.2%	24.6%	25.1%
Nov '87 - May '90	16.6%	17.0%	17.7%	17.6%
Oct '90 - Jan '94	17.0%	17.5%	18.1%	18.7%
Nov '94 - Mar '00	18.1%	19.4%	20.8%	21.8%
Mar '03 - Oct '07	13.3%	13.9%	14.4%	14.4%

Bear Markets

	TOTAL Returns			
	Portfolios			
	#1	**#2**	**#3**	**#4**
Jan '66 - Sep '66	-11.6%	-10.2%	-9.4%	-8.2%
Nov '68 - Jun '70	-26.0%	-24.9%	-23.8%	-22.0%
Dec '72 - Sep '74	-30.7%	-28.7%	-27.0%	-25.0%
Dec '76 - Feb '78	1.3%	2.6%	4.1%	5.0%
Nov '80 - Jul '82	-5.7%	-3.2%	-0.6%	1.8%
Aug '87 - Nov '87	-20.1%	-19.0%	-18.3%	-16.7%
May '90 - Oct '90	-10.9%	-8.2%	-6.1%	-3.3%
Mar '00 - Sep '02	-24.7%	-21.9%	-20.0%	-17.2%
Oct '07 - Feb '09	-37.3%	-34.7%	-33.4%	-32.1%

Full Cycles (Bull + Bear Market)

	COMPOUNDED Annual Return			
	Portfolios			
	#1	**#2**	**#3**	**#4**
Jan '66 - Nov '68	11.1%	12.6%	14.1%	15.9%
Nov '68 - Dec '72	3.5%	4.9%	6.1%	7.6%
Jun '70 - Sep '74	1.8%	3.4%	4.8%	6.3%
Dec '72 - Dec '76	3.5%	4.2%	5.2%	5.8%
Feb '78 - Jul '82	11.4%	12.6%	13.8%	14.9%
Nov '80 - Aug '87	17.2%	17.9%	18.5%	19.1%
Aug '87 - May '90	6.0%	6.8%	7.8%	8.4%
Nov '87 - Oct '90	9.7%	11.1%	12.6%	13.6%
May '90 - Jan '94	11.3%	12.7%	13.9%	15.3%
Nov '94 - Sep '02	8.0%	9.3%	10.5%	11.7%
Mar '00 - Oct '07	4.2%	4.8%	5.1%	5.2%

Investment Drawdowns: The following table lists all of the performance drawdowns for the Patton Edge Strategy. The performance for Long-Term U.S. Government Bonds is shown for the same corresponding time period. This data further illustrates the Strategy's potential to reduce risk in a conventionally-diversified portfolio.

Edge Drawdowns

			Performance from Peak to Trough				
Peak	Trough	Months from Peak to Trough	Edge	LT Gov Bd	Edge vs. S&P 500	Months to Recover	Months from Peak to Recovery
Sep-63	Sep-63	1	-0.3%	-1.1%	0.8%	1	2
Aug-64	Aug-64	1	-0.2%	-1.6%	1.4%	1	2
Dec-64	Dec-64	1	-0.8%	0.4%	-1.2%	1	2
Mar-65	Mar-65	1	-0.5%	-1.5%	1.0%	1	2
Jun-65	Jun-65	1	-0.8%	-4.9%	4.1%	1	2
Dec-65	Dec-65	1	-1.3%	0.9%	-2.2%	1	2
Mar-66	Mar-66	1	-0.8%	-2.2%	1.4%	1	2
May-66	Dec-66	8	-3.1%	-11.8%	8.7%	1	9
May-67	May-67	1	-1.6%	-5.3%	3.6%	1	2
Jul-67	Sep-67	3	-1.7%	6.7%	-8.4%	2	5
Mar-68	Mar-68	1	-0.7%	1.0%	-1.7%	1	2
Sep-68	May-70	21	-11.1%	-21.6%	10.5%	5	26
Aug-70	Sep-70	2	-6.2%	8.6%	-14.8%	1	3
May-71	May-71	1	-1.5%	-3.9%	2.4%	1	2
Aug-72	Sep-72	2	-2.0%	3.4%	-5.4%	3	5
Nov-72	Nov-72	1	-0.4%	4.8%	-5.2%	1	2
Feb-73	Feb-73	1	-2.8%	-3.5%	0.7%	3	4
Apr-73	Apr-73	1	-1.3%	-3.8%	2.5%	1	2
Jul-73	Sep-73	3	-5.8%	4.8%	-10.6%	1	4
Nov-73	Nov-73	1	-0.5%	-11.1%	10.6%	1	2
Jan-74	Sep-74	9	-17.1%	-32.8%	15.6%	7	16
Nov-74	Nov-74	1	-3.1%	-4.9%	1.8%	2	3
Jun-75	Jun-75	1	-0.5%	4.8%	-5.3%	1	2
Dec-75	Dec-75	1	-1.4%	-0.8%	-0.6%	1	2
May-76	Nov-76	7	-3.0%	2.9%	-5.8%	1	8
Jan-77	Feb-77	2	-2.4%	-6.5%	4.1%	2	4
May-77	May-77	1	-1.0%	-2.0%	0.9%	1	2
Aug-77	Aug-77	1	-1.3%	-1.4%	0.1%	1	2
Dec-77	Jan-78	2	-4.1%	-5.0%	0.9%	3	5
Oct-78	Nov-78	2	-2.0%	-6.8%	4.7%	1	3
Feb-79	Feb-79	1	-3.5%	-3.2%	-0.3%	1	2
Apr-79	May-79	2	-2.8%	-1.6%	-1.3%	4	6
Jul-79	Aug-79	2	-0.3%	7.2%	-7.5%	1	3
Mar-80	Mar-80	1	-9.6%	-9.7%	0.1%	6	7
Dec-80	Jan-81	2	-6.5%	-7.1%	0.6%	3	5
Jun-81	Aug-81	3	-8.9%	-6.2%	-2.7%	2	5
Dec-81	Dec-81	1	-3.4%	-2.6%	-0.8%	3	4
May-82	May-82	1	-1.8%	-3.4%	1.6%	1	2
Dec-82	Jan-83	2	-4.1%	5.7%	-9.8%	1	3
May-83	May-83	1	-0.4%	-0.9%	0.5%	1	2
Aug-83	Aug-83	1	-0.9%	1.5%	-2.4%	1	2
Dec-83	Feb-84	3	-9.6%	-4.6%	-5.0%	9	12
Apr-84	May-84	2	-4.1%	-4.6%	0.6%	5	7
Aug-84	Aug-84	1	-2.2%	11.1%	-13.3%	2	3
Jun-85	Jul-85	2	-3.5%	1.4%	-4.9%	1	3
Apr-86	Apr-86	1	-5.5%	-1.1%	-4.4%	1	2

Edge Drawdowns

			Performance from Peak to Trough				
Peak	Trough	Months from Peak to Trough	Patton	S&P 500	Edge vs. S&P 500	Months to Recover	Months from Peak to Recovery
Aug-86	Sep-86	2	-13.2%	-1.5%	-11.7%	5	7
Dec-86	Dec-86	1	-2.2%	-2.6%	0.4%	1	2
Aug-87	Aug-87	1	-0.4%	3.7%	-4.1%	1	2
Nov-87	Nov-87	1	-6.6%	-8.2%	1.7%	3	4
Jan-88	Jan-88	1	0.0%	4.2%	-4.2%	1	2
Aug-88	Aug-88	1	-1.2%	-3.4%	2.2%	1	2
Nov-88	Nov-88	1	-1.7%	-1.4%	-0.2%	2	3
Aug-89	Aug-89	1	-0.5%	2.0%	-2.5%	1	2
Dec-89	Feb-90	3	-5.8%	-3.2%	-2.5%	3	6
Apr-90	Apr-90	1	-0.5%	-2.5%	2.0%	1	2
Nov-90	Dec-90	2	-2.1%	9.4%	-11.6%	1	3
Apr-91	Apr-91	1	-1.1%	0.2%	-1.3%	1	2
Aug-91	Aug-91	1	-1.8%	2.4%	-4.1%	2	3
Nov-91	Nov-91	1	-3.0%	-4.0%	1.1%	1	2
Jan-92	Jan-92	1	-6.7%	-1.9%	-4.8%	8	9
Mar-92	Mar-92	1	-1.6%	-1.9%	0.4%	1	2
May-92	May-92	1	-1.4%	0.5%	-1.9%	1	2
Jul-92	Aug-92	2	-2.0%	2.0%	-4.0%	1	3
Apr-93	Apr-93	1	-1.1%	-2.4%	1.3%	1	2
Oct-93	Jan-95	16	-17.2%	6.4%	-23.6%	9	25
Jul-95	Jul-95	1	-1.4%	3.3%	-4.7%	1	2
Apr-96	Apr-96	1	-4.5%	1.5%	-5.9%	2	3
Aug-96	Aug-96	1	-1.4%	2.1%	-3.5%	1	2
Dec-96	Dec-96	1	-4.2%	-2.0%	-2.2%	1	2
Aug-97	Aug-97	1	-6.3%	-5.6%	-0.7%	2	3
Apr-98	Apr-98	1	-1.9%	1.0%	-2.9%	1	2
Aug-98	Oct-98	3	-8.5%	-1.6%	-7.0%	2	5
Feb-99	Jun-99	5	-10.9%	7.9%	-18.8%	6	11
Sep-99	Sep-99	1	-1.1%	-2.7%	1.7%	1	2
Nov-99	Nov-99	1	-0.9%	2.0%	-2.9%	1	2
Jan-00	Jan-00	1	-1.9%	-5.0%	3.1%	1	2
Mar-00	May-00	3	-5.0%	4.3%	-9.3%	4	7
Oct-00	Nov-00	2	-1.4%	-8.3%	6.9%	1	3
Jan-01	Jan-01	1	-11.7%	3.6%	-15.2%	13	14
Apr-01	Apr-01	1	-0.5%	7.8%	-8.3%	1	2
Jun-01	Jun-01	1	-0.0%	-2.4%	2.4%	1	2
Oct-01	Nov-01	2	-6.3%	9.7%	-16.0%	3	5
Mar-02	Mar-02	1	-0.9%	3.8%	-4.6%	1	2
Jul-02	Jan-03	7	-19.5%	-12.7%	-6.8%	22	29
Jun-03	Jul-03	2	-2.7%	3.1%	-5.8%	4	6
Dec-03	Dec-03	1	-0.7%	5.2%	-5.9%	1	2
Apr-04	Apr-04	1	-1.3%	-1.6%	0.3%	2	3
Dec-04	Jan-05	2	-1.4%	0.9%	-2.3%	1	3
Apr-05	Apr-05	1	-1.9%	-1.9%	0.0%	2	3
Oct-05	Oct-05	1	-1.9%	-1.7%	-0.2%	2	3
Feb-06	Feb-07	13	-7.0%	12.3%	-19.3%	6	19
Jun-07	Jul-07	2	-0.9%	-4.7%	3.8%	1	3
Jan-08	Jan-08	1	-12.4%	-6.0%	-6.4%	4	5
Jul-08	Feb-09	8	-19.2%	-41.5%	22.2%	23	31
May-09	May-09	1	-0.4%	5.6%	-6.0%	1	2
Aug-09	Oct-09	3	-2.0%	5.5%	-7.5%	1	4
Jan-10	Jan-10	1	-6.2%	-3.6%	-2.6%	2	3
May-10	Aug-10	4	-3.7%	-10.9%	7.2%	4	8

STAFF BIOGRAPHIES

Mark Patton: Mark Patton is President of Patton Fund Management, Inc. Patton Investment Management was established in 1992 to manage separate portfolio accounts for both institutions and individuals. Utilizing his 18 years of experience in stock analysis and portfolio management, in 2002, Mr. Patton formed Patton Fund Management, Inc. for the purpose of offering alternative investment services. The two firms were merged in 2004.

Prior to the founding of these two firms, Mr. Patton was employed by Melvin Simon & Associates, where he was responsible for the design and implementation of the company's property tax management system. Subsequently, at First Union National Bank in Charlotte, NC he created economic and statistical models of commercial real estate markets for use in the property appraisal process.

Mr. Patton studied finance at Indiana University. He was recognized by the *Indianapolis Business Journal* in their Forty Under Forty list of "up and coming" young businesspersons.

Michele Wilson: Michele Wilson is the Chief Financial Officer and Chief Compliance Officer for Patton Fund Management, Inc. She began working with the firm in 2002 and is responsible for compliance as well as all aspects of the Manager's financial operations and human resources.

Michele is a certified public accountant and holds a B.S. in Accounting from Indiana University and was previously employed by an Indianapolis accounting firm. She is a member of the American Institute of Certified Public Accountants and the Indiana CPA Society.

Patrica Onorato: Patricia Onorato is the Account Operations Specialist for Patton Fund Management, Inc. She began working for the firm in July 2006 and is responsible for trade execution and account administration. She ensures that all trades are properly executed, reconciles all accounts, and assists clients with new investment documentation.

Patricia holds a B.S. in Finance from Northern Illinois University. Prior to joining the firm, she was a Treasury Analyst for Porsche Business Services and Arthur Andersen LLP.

RISK FACTORS

An investment in the Strategy involves a number of risks. Prospective investors should carefully consider the following risks, together with the other information contained in this Brochure.

INVESTMENT RISKS

An investment in the Strategy involves the risk of loss of capital. The Strategy primarily invests in U.S. publicly traded equity securities. Investments in publicly traded equity securities are subject to all of the risks associated with the purchase and sale of securities including, among others, economic, political, interest rate and other risks (including accounting fraud and terrorism), any of which could result in an adverse change in the market price, and the difficulty of accurately predicting price movements in particular securities or the market as a whole. In addition, the issuers of these securities will be subject to the risks associated with the businesses in which they are engaged, including market conditions, changes in regulatory requirements, interest rate fluctuations, general economic downturns and other factors.

INVESTMENT STRATEGY RISKS

There can be no assurance that the Strategy will achieve its investment objective. All investments made in the Strategy risk the loss of capital, and no guarantee or representation is made that the Strategy will be successful. Although the Strategy benchmarks its performance against the S&P 500 index, there can be no assurance that the Strategy will outperform that index over any particular period. Moreover, the use of the S&P 500 index as a benchmark should not be construed to mean that investing in the Strategy is similar to investing in that index. An index is not available for direct investment, and the securities in the index will not match the Strategy's holdings. In addition, unlike the index, the Strategy's performance will be affected by Management and Brokerage Fees. Among other things, the Strategy will differ from the index in the number and size of holdings, their relative sector and industry weightings, the market capitalization of individual securities and other factors.

LIMITED OPERATING HISTORY

The Strategy was first offered to investors January 2009. The past investment performance of the Manager or any of its affiliates should not be construed as an indication of the future results of an investment in this Strategy. The Strategy's investment program should be evaluated on the basis that there can be no assurance that the Manager's assessments of the short-term or long-term prospects of investments will prove accurate or that the Strategy will achieve its investment objective.

SHORT SALES

Short selling involves selling securities which typically are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in securities values. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

RISKS OF BORROWING AND LEVERAGE

It is intended that accounts utilizing the Strategy will borrow for the purpose of investing in portfolio securities. Borrowing for investment and other "leverage" can take the form of loans for borrowed money and trading on margin and other forms of direct and indirect borrowings. Leverage can substantially increase the volatility and risk of the Strategy's portfolio and the adverse impact to which it is subject. The level of interest rates generally, and the rates at which the investor can borrow in particular, will affect its performance results. Moreover, the portfolio securities may be pledged to secure its borrowings, and losses in the value of these securities may subject the investor to "margin calls" and claims on the assets of the account. These claims can result in forfeiture of assets if the investor is unable to maintain or achieve the cash necessary to meet its margin obligations.

CONFLICTS OF INTEREST

The Manager and its affiliates, including Mark A. Patton, provide investment management and investment advisory services to a significant number of individual and institutional clients, including hedge funds existing or to be formed in the future which may be similar or dissimilar to the Strategy. In the ordinary course of their business, the Manager and its affiliates engage in activities where their interests or the interests of their clients may conflict with the interests of investors utilizing the Strategy. See "Conflicts of Interest" below.

PRIVACY POLICY

The Manager and its affiliates may obtain nonpublic information about investors utilizing the Strategy, including information received on the Investment Advisory Agreement or other forms, correspondence or conversations, including, without limitation, an investor's name, address, phone number, social security or tax identification number, assets, income and date of birth, as well as information about transactions with the Strategy and its affiliates including, without limitation, account numbers, account balances, capital accounts, cost basis and other tax information and other financial information.

The Manager and its affiliates will not disclose any nonpublic personal information about any current or former investor utilizing the Strategy to nonaffiliated third parties, except with the investor's consent or as permitted or required by law. For example, the Manager may be permitted by law to disclose any information to a custodian, transfer agent or financial institution to process a transaction for an investor (such as a wire transfer). Further, internally, the Manager and its affiliates will restrict access to nonpublic personal information about investors utilizing the Strategy to those persons who require such information to provide services to the investor or who have agreed to maintain the confidentiality of such information. The Manager and its affiliates maintain physical, electronic and procedural safeguards to guard such nonpublic personal information.

In the event that any investor holds securities in the name of any financial intermediary, including any broker-dealer, bank, trustee or trust company, the privacy policy of that intermediary would govern how the investor's nonpublic information would be shared with nonaffiliated third parties.