KIELY WEALTH ADVISORY GROUP, INC.

From Left To Right: Joe Kiely, Scott Below, Katie Burr, Brownie Cordell, and Kellie Kiely

BEHIND THE SCENES

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OPENING THOUGHTS

The allocation between stocks and bonds in a diversified portfolio has always been a tenuous balance. Over longer periods of time, we know stocks outperform bonds nearly 100% of the time, which seemingly implies we should have most—if not all—of our investments in stocks. However, over shorter periods of time, financial markets can be volatile and anything is possible, which is why keeping money invested in safer assets like bonds is a prudent approach. For example, we know that on average the stock market will experience a 10-15% dip every year, so if we have part of our money invested in bonds, it not only makes our portfolios less volatile, but we can use the money allocated to bonds as ammunition to take advantage of the stock market dips that will inevitably occur. Why is this important? Over the past eight months, we have seen a significant rally in stocks, which only raises the probability of experiencing a normal 10-15% dip sometime in the near future.

In addition to the reduction in volatility that bonds provide, many investors have monthly cash flow needs and therefore need some low volatility assets in their portfolios so they are not forced into selling higher risk assets following a sharp decline. Since bond values are more stable and often negatively correlated with stocks, it makes them an invaluable asset class for investors who need to generate monthly cash flows from their portfolios. Finally, because bonds and bond funds reduce overall portfolio volatility - which acts as a hidden tax on our portfolios over time - the use of proper diversification allows investors to keep more of what they earn in the long run.

The bottom line is bonds and bond funds continue to play an important role in all client's portfolios - even those that are positioned more aggressively.

Misconceptions

One of the biggest misconceptions about bonds is that they are all created equally. Many people believe that all bonds are adversely affected by rising domestic interest rates, which is not necessarily the case. In fact, the bond market is twice as big as the stock market, meaning there are a variety of ways to create income - and security - while still minimizing the potential adverse effects of rising interest rates. For example, our

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NEW AND UPCOMING
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bond fund managers are currently using a variety of tactics to minimize interest rate risk in their portfolios, including the purchase of international bonds, emerging market bonds, discounted bonds, convertible bonds, variable-rate bank loans, high yield bonds, and short duration bonds. Each of these bond asset classes are different, which offers valuable diversification, and low or near-zero exposure to domestic interest rates. This doesn't mean they are risk free, of course, it simply means they are used to help circumvent the biggest concern we have concerning our fixed income portfolios at this point in time – rising interest rates.

Fortunately, we don't believe rates are going to increase very much over the remainder of the year. In fact, we believe interest rates are actually more likely to decline in the short term, with domestic rates likely finishing the year below where they ended the second quarter. There are a number of reasons why we feel this way and we will discuss them in detail later in this newsletter. However, if we are correct, the recent trend of rising interest rates could be expected to reverse itself, and bonds and bond funds would be the beneficiaries. Of course, nothing is certain in the financial markets over the short term, which is why proper asset allocation is paramount at all times.

Over the past year, the domestic stock market (as measured by the S&P500) is up more than 28%, with most of the gain coming in the last eight months (or since November 15, 2012). As we have been saying for several months now, run-ups of this magnitude are often followed by significant-yet-healthy market pullbacks. When you factor in a less than robust economic recovery, a potentially less accommodative Federal Reserve, and relatively slower-than-expected global growth, we believe the biggest risk to our portfolios - at least at this point - is a sell-off in stocks. This does not mean we don't like stocks, because we still like them a lot over the long term. It just means we believe the biggest risk to our portfolios over the short term is actually stocks - not bonds.

Fear and Greed

Of course, this seems counter intuitive to many investors, who seem to like purchasing assets when they are overpriced versus underpriced. Over the last eight months stocks have rallied significantly, while bonds and bond funds have regressed. Logic would tell you it's a good time to purchase bonds and bond funds while they are relatively priced on sale. In fact, not only would logic tell you it's a good time to rebalance, but history would suggest it's a good time to rebalance away from stocks and into bonds as well. Yet, that won't stop many investors from trying to "time the market". It's just too tempting for the undisciplined investor who seems destined to buy high and sell low.

It's short-term periods like the present that make investing difficult for the average investor who loses sight of the bigger picture. History has shown us (many times) that financial markets – and impatient investors - tend to over-react in the short run. This is why it's important to choose an asset allocation mix during less volatile times. It forces you to make the right long-term investment decisions, even though it may seem to be at odds with what's happening in the short term.

Of course, it's also important to point out that no one knows what the stock or bond market will do over the short term. We could certainly see stock prices continue to rise unabated through year-end…or even beyond. It's definitely possible. However, keep in mind, investing is a game of probabilities not certainties, so while the probabilities appear to favor a pullback, we certainly don't want to discount the possibility that the recent rally will continue to gain momentum for some time to come.

Our Point

As we have frequently stressed in the past, investors are best served by holding a well-diversified stock portfolios designed for the long-run. We define the long-run as at least five years, but prefer to think in terms of ten years or longer. In addition, we recommend our clients maintain an allocation between their stock and bond holdings based on their investment needs and level of risk tolerance. Any short-term market dips – which we know are a common occurrence and to be expected – should be used to *rebalance* between stocks and bonds in order to get back to their original target asset allocation.

For example, let's assume an investor starts out with a 50% stock/50% bond portfolio, with the bond allocation primarily intended to provide for monthly cash flow needs. If stocks should increase significantly in value relative to bonds, the weight of stocks in the overall portfolio will rise above the 50% target weight they've established. In this case, the investor should either rebalance away from stocks (i.e. selling some of their stock holdings and using the proceeds to buy bonds) or if income is needed, sell stocks in order to meet their monthly income needs.

Conversely, if stocks were to experience the sort of dip we alluded to earlier, they would become underweighted in the portfolio and the investor should rebalance back to their target allocation by either selling bonds and using the proceeds to buy stocks, or by selling bonds and using the

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proceeds to meet their current income needs. In either case, they would be moving back toward their original 50%stocks/50% bonds target allocation, which is the key.

It is important to point out that by sticking to a predetermined target asset allocation strategy and rebalancing as market conditions change, investors are being forced to buy stocks when they're down (on sale) and sell them after a major run-up. Which is just the opposite of what studies show the average investor—driven by their emotions—actually does. Sticking to a predetermined asset allocation and rebalancing as needed forces investors to follow a buy-low/sell-high approach, which is a point we believe is worth reinforcing frequently.

THE STOCK MARKET

The current bull market rally is now entering its fifty-third month. From the bottom, which occurred on March 9, 2009, the stock market as measured by the S&P 500 index (large company stocks) has increased more than 140%, while the Russell 2000 index (small company stocks) has increased more than 160%. This has been an amazing run to be sure, but it has not come without significant and much-needed (and totally expected) pullbacks—in 2009, 2010 and 2011. In 2012, we experienced two smaller magnitude pullbacks (each under 10%) during the summer and fall, but nothing we would classify as significant. So far this year we have experienced steadily rising stock prices with very little volatility, which has made us somewhat more cautious due to the historical data showing that such periods can often be followed by more substantial pullbacks.

The Style Index Numbers

We have frequently written about the "size" and "value" premiums that have historically existed in stocks over the long term. Unfortunately, most investors have failed to capitalize on these well-known anomalies, even though they're extremely well documented in the financial literature. In the case of individual investors it may be because they (or their advisors) are unaware of the academic literature, which is regrettable.

By the end of the second quarter (June 30, 2013), ALL nine Russell style indexes had achieved double digit gains, with the size and value premiums both quite evident. Consistent with the size premium, small and mid-cap stocks generally outperformed their large cap brethren. Similarly, the value premium was also apparent, with the value indexes generally beating their growth counterparts across large and mid-cap stocks. In terms of the individual indexes, small growth led the way over the first half of the year, followed by mid-cap value.

Russell Style Index Performance YTD through 06/30/2013

Value	Blend	Growth	
15.90%	13.91%	11.80%	Large
16.10%	15.45%	14.70%	Mid
14.39%	15.86%	17.44%	Small

Examining the style box performance over the previous 12 months, a similar pattern emerges, with small and mid-cap stocks generally outperforming large caps and value beating growth across every size category. Of course, the rebound we've seen in stocks of all sizes and styles has been nothing short of remarkable and is a testament to the innovative nature and resiliency of all American corporations.

1-Year Russell Style Index Performance Ending 06/30/2013

Value	Blend	Growth	
25.32%	21.24%	17.07%	Large
27.65%	25.41%	22.88%	Mid
24.77%	24.21%	23.67%	Small

If we go back even farther and look at the previous 10 years, small and midcap stocks averaged a combined 10.0% annually, while large cap stocks averaged just 7.6%. To illustrate the cost of ignoring small and mid-cap stocks in the portfolio, if we compound an original $100,000 investment at 7.6% annually (the 10-year average return on large caps) over 10 years, we wind up with a final portfolio value of $208,028. Not bad, especially considering the less-than-desirable economic environment throughout much of the decade. In contrast, however, the same $100,000 initial investment compounded at 10.0% (the 10-year average return on small and mid-caps) over 10 years would have

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resulted in a final portfolio value of $259,374. That's more than a $50,000 advantage to small and mid-caps on the same initial $100,000 investment over just 10 years!

10-Year. Annualized Russell Style Index Performance ending 03/31/2013

	Value	Blend	Growth
Large	7.79%	7.67%	7.40%
Mid	10.92%	10.65%	9.94%
Small	9.30%	9.53%	9.62%

It's hard to make a better argument for diversifying into small and mid-cap stocks than the results provided in the previous tables. Over the last 10 years, small and mid-caps have outperformed large caps by a significant amount and it should be pointed out that this is NOT a random event. Evidence of the "size premium" and "value premium" has been around for decades and the data and large number of research papers confirming this is easily accessible via the internet for everyone to examine! Yet most investors' portfolios are still constructed using predominantly large-cap stocks with a considerable tilt toward large growth. In fact, many of the portfolios we come across contain little or no small or mid-cap stock exposure at all. We remain at a loss to explain this, and can only conclude investors are unaware of both the size and value premiums or fail to recognize the significant wealth affects diversifying into smaller stocks and value stocks can have on their portfolios over time.

THE CHALLENGES IN FIXED INCOME INVESTING

For several years now, we've been saying that the period we're in now is as challenging as it's ever been for fixed income investors. We've stressed that this doesn't mean investors should abandon bond and bond funds in their portfolios, primarily because they play such an important role in managing risk, creating short-term cash flows and reducing longer-term volatility. To us, the biggest issue – particularly given our bond managers nice performances over the last few years – is investor's expectations. Given the real-world constraints we presently confront, investors need to moderate their return expectations, but not at the expense of eliminating fixed income altogether. History is littered with destroyed portfolios when investors became too fearful or greedy and thus ignore an important part of the asset allocation process.

Recent Volatility

As both bond and stock investors saw in late June, talk is cheap unless your name is Ben Bernanke. On June 19, the Fed Chairman laid out his plan to begin tapering off the controversial bond buying program - also known as Quantitative Easing, which the Federal Reserve embarked on during the depths of the recession. His remarks were nearly identical to what Fed watchers and investors had been expecting all along, yet the financial markets recoiled and convulsed as if Mr. Bernanke delivered dire news that was a complete surprise to all. Yet, nothing could be further from the truth, as his comments simply reiterated what the Fed has been signaling for years now. Even more surprising was the fact that Mr. Bernanke's comments were nearly identical to those made by John Williams, the Head of the San Francisco Federal Reserve, a month earlier—and Mr. Williams' comments were met with absolutely no market reaction whatsoever.

What makes the late June bond selloff even more confusing, is the fact that the Federal Reserve's message stressed that their decision to begin tapering their bond buying program would be data driven, meaning it would occur only if the economy continued to demonstrate the requisite strength to handle tapering. Mr. Bernanke even went so far as to state that "the only reason the Fed was considering this was because they believed the downside risks to the economy had dramatically diminished since the fall". Hmmm…does that sound like the sort of news that should spark an across-the-board selloff in bonds?

Economic Lessons

The lesson we can take from all of this is that sometimes markets ignore the context of the message and hear only what they want to hear. Certainly nothing Mr. Bernanke said was the sort of news that should have sent both the bond and stock markets into a tailspin. While Mr. Bernanke said they intend to begin tapering the scale of their bond buying program later this year, he also pointed out that the Fed doesn't plan to cease buying bonds altogether until the middle of 2014, at the earliest. Additionally, the only reason they are currently contemplating these actions is because they believe the economy is strong enough to continue growing without

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the added stimulus, which should have been good news for investors…and fixed income markets.

Instead, as the Federal Reserve laid out their plan to gradually wean the economy off of the artificially low interest rates that have been in place for several years now, investors reacted like an infant being weaned off a bottle. Instead of recognizing this for what it is—a positive sign that the economy is finally returning to some semblance of normalcy—they proceeded to throw what can best be described as a temper tantrum. As any parent knows, the best way to deal with temper tantrums is to ignore them and that's exactly what we think rational investors should do in this case.

To reiterate, none of what the Fed signaled in June was unexpected. Everyone knew from the beginning that the Fed would begin to gradually taper quantitative easing once they believed the economy had regained sufficient strength. Everyone also knew this would push interest rates a bit higher and bond prices lower, so a modest selloff in bonds was to be expected. What wasn't expected was the magnitude of the short term reaction (or overreaction) on the part of investors, as a minor bout of panic selling pushed bond prices sharply lower, catching most everyone by surprise. During the last few trading days of June, we began to see the prices of both stocks and bonds recover somewhat and during the first few weeks of July, the markets have basically reversed themselves and then some. In fact, our convertible bond (ANNPX) fund has increased 6%, our discounted bond fund (NEFZX) is up more than 2%, and our floating rate bond fund (OOSYX) continues its slow grind higher over the last few weeks. We would not be surprised to see this recovery continue into August and beyond.

Our Bond Managers

Of course, our bond fund managers have known all along that interest rates would eventually begin to rise and they have positioned their portfolios accordingly. Basically, all of our managers are trying to help minimize the negative impact that rising interest rates have on bond prices. Immunizing a portfolio against rising interest rates can be accomplished a variety of ways, but the primary approach is to either shorten the average maturity (or duration) of the bonds in the portfolio or buy bonds which are not affected by interest rates increases. The challenge for bond fund managers is that they are unable to shorten the maturity of their portfolios to zero (by essentially going to a 100% cash position) because yields on ultra-short maturity instruments are also essentially zero. So bond fund managers try to strike a happy medium between shorter maturities and higher yields, which means that if rates spike rapidly like we saw in June, bond prices will fall and, at least in the short run, the price decline can exceed the yield earned on the underlying bonds.

If you're a long-time reader of our newsletters you know that we began talking about the dangers of rising interest rates several years ago in 2011, but until last month had yet to see any meaningful upward momentum in rates. **The key thing to recognize about interest rates is that everyone knows they will eventually go up…but no one knows when.** This uncertainty in the timing of rate changes causes difficulty for investors and bond fund managers alike over the short run. As we saw in mid June, even short-maturity bonds lose some value when interest rates rise. The good news is that they don't lose much (nothing close to the loss potential on longer-term bonds or stocks) and over the course of a year or two are virtually guaranteed to outperform cash.

The Numbers

In fact, had our fund managers been holding cash over the last several years in anticipation of rising interest rates they would have earned next to nothing on their portfolio of investments. Instead, they held different types of short term debt and fared much better, as the average yearly return data on our four largest bond fund holdings over the last several years clearly shows in the table below. As you can see, the short-term tradeoff of incurring slightly higher volatility versus holding cash, has been well worth it, which is why it's important to look beyond just two or three months to a slightly longer holding period two or three years as shown in the table below.

Average Annual Returns through 6/30/2013			
Fund Name	**Ticker**	**2 Yrs.**	**3 Yrs.**
DoubleLine Total Return Bond I	DBLTX	6.65%	8.71%
Vanguard GNMA Inv	VFIIX	1.83%	2.80%
Loomis Sayles Strategic Income	NEFZX	6.39%	9.81%
PIMCO Total Return Instl	PTTRX	4.04%	4.67%

Just as our bond fund managers have been making changes in their portfolios in response to their expectation of rising rates, we (at KWAG) have also been altering our bond portfolios over the last several years. We've done this in several ways, including lightning up on or totally eliminating bond funds with less flexibility to react to rising rates in favor of funds with more flexibility. We have also added some alternative types of fixed income funds to the mix (where appropriate for the client's risk tolerance and cash needs) including floating-rate funds, convertible bond

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funds, and master limited partnerships. We have long argued that diversification in bond investing is just as important as in stock investing, and the previous quarter made for a perfect example of why we feel this way. Even though a few of our bond funds ended the quarter in negative territory year-to-date, others remained in the black, as did our overall core bond portfolio.

The Silver Lining

If the recent bout of volatility taught us anything about our bond portfolios, it's this: **Patience, Diversification and Portfolio Management matter.** When you examine the big picture within the context of what happened over the last few months, our biggest take away is we have an excellent mix of funds and fund managers, that should be able to weather any future interest rate spikes extremely well. In contrast, the Barclay's U.S. Long-Term Treasury Bond Index was down 9.44% year-to-date through the end of the quarter, illustrating how important it is to immunize bond portfolios against interest-rate risk when rates are expected to rise.

The Economy Today

In our opinion, we believe both the bond and stock markets overreacted to Mr. Bernanke's June press conference and we expect much of this overreaction will be corrected in the coming quarter. In fact, as we write this, much of the correction has already occurred. The truth is we don't believe the overall economy is as strong as the Federal Reserve estimates make it appear, and we believe there is a fairly good chance the Fed will be forced to postpone tapering until early next year, thereby acting to keep rates stable and perhaps even falling through year-end. While we do expect the economy to continue growing, there are a variety of economic headwinds at present to confront, including continued weakness in the European economies, slowing growth in China, and the ongoing sequester in Washington. We think these could potentially slow the economy more than what the Federal Reserve currently expects and force them to maintain a more accommodative stance for a longer period of time. (Note: Bernanke admitted as much during a July 11th Q&A session at an economic forecasting conference.) If this occurs, interest rates could actually be expected to fall from current levels through year-end, causing bond prices to recover most if not all of what they lost in June. The bottom line is that we continue to believe bonds play an important role in virtually everyone's portfolios and that another interest rates spike like we saw in June is unlikely, at least through year-end.

When we talk amongst ourselves at KWAG, we find it paradoxical that when the Fed began their quantitative easing program a few years back, it was met with much fear and trepidation among market pundits over how it would all work. Many market pundits wondered whether this might be a case of the cure being worse than the disease. Now, as we look back over the last few years, we know quantitative easing worked pretty much exactly as the Federal Reserve intended it to - by helping the economy dig out of the deep hole we had dug ourselves prior to the Great Recession. Of course, market pundits are at it again, which is kind of ironic. Because quantitative easing has worked so well, the Fed is now contemplating winding it down, only to be met with another bout of fear and trepidation, only this time over the program going in the opposite direction.

Perhaps the best lesson from this is that fear and trepidation are ubiquitous on Wall Street and a good rule of thumb for investors is to only become concerned when the market appears to be unconcerned. In other words, if you get caught up in all the hype and emotion and find yourself running with the herd, you're setting yourself up to get trampled. Instead, savvy investors should recognize market emotions for what they are, and look past the short-term hysterics to the underlying economic fundamentals, since over longer periods of time it is fundamentals that drive markets, not emotions.

The good news is all of the fundamentals that we have discussed in previous newsletters (like low interest rates, low inflation, a productive workforce, relatively cheap or inexpensive labor, improving technology, reduced trade barriers and a growing middle class) all remain in place. Thus, fundamentally, we still believe well-diversified portfolios that are pro-actively managed make the most sense for the vast majority of investors.

Kiely Wealth Advisory Group

We have always made a concerted effort to focus all of our energies on our current clients, the service we provide them, and their financial well-being. When the financial markets experienced significant volatility in 1998 and 1999, we decided it was paramount that we be there for our clients. In fact, we held back on doing educational seminars and any type of active marketing so we could concentrate 100% of our energies on creating greater service efficiencies and more productive portfolios. We wanted to be sure we were doing everything we could to

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meet our current clients needs both when it came to service (internal) and portfolio performance (external). We believe we have achieved both over the last four years. In fact, the feedback from our clients regarding our prompt service to their needs - and - our portfolio's performance over the last four years, reinforces our decision to focus on these items.

The truth is we have appreciated all the constructive feedback we have received and we have used a number of our client's suggestions to become more efficient and productive in all area's of our business. If we've learned anything, it's that we can always improve, so we will continue to innovate our practice internally by keeping up to date with new software and client management system developments. We will remain open-minded externally, by employing the forecasting and asset allocation techniques we outlined in last quarters newsletter. As my father used to say, "Nobody has a monopoly on great ideas." Thus, you have my word as the owner of KWAG that we will continue to use "best of breed" practices to improve our practice…as needed.

Your Feedback

Over the last year or two, we have had a number of clients tell us they missed our educational seminars and workshops. We have some great news on that front. We will be holding a number of educational seminars this fall in a number of different cities. On Page 8, we highlight a few of these seminars in more depth.

For those of you who are in Asheville and Sunset Beach, you will begin to see a number of marketing efforts in those communities soon. We would appreciate your help spreading the word about these educational seminars and you are obviously welcome to attend any of our seminars at no charge.

Another area of concern regarded our promise to write an educational investments book and to provide an educational web-based video's. Well, we recently signed a contract with an editor and publisher to write a book, and are now fully engaged in that process. We have written a number of chapters and hope to have the book done this fall. We are shooting for an 2013 release. Yes, we will be giving them away at our year-end dinners. We have also started the process of identifying a professional videographer who will help us shoot, edit and post our educational videos on-line. If you know of anyone who has this skillset, please let us know, as we are still interviewing different candidates.

New Associate

We are pleased to announce that we are expanding the KWAG presence in the Northeast. Dick Cauchon (Syracuse, NY) has joined KWAG as a licensed Investment Adviser Representative. Dick joins KWAG after having met the formal testing requirements established by our industry (and the government). It's referred to as the Uniform Investment Adviser Law Examination .. Series 65. He also holds a Master of Science Degree in System Technology (and an undergraduate degree in Mathematics). Dick is a career Navy man (Submarine force). After his time in the Navy he served in industry primarily in Business Development and most recently served as a federal lobbyist.

He has already made a significant impact on our firm in a number of ways. First, as a client, he routinely asked a number of tough questions about our investment process and our strategies. (As an FYI, many of you may not realize this little fact, but we have a number of clients - like Dick - who like to hold us thoroughly accountable. We love those types of clients, as they have made us a better firm and it has benefited all of our clients. Thanks.) Second, Dick has provided a candid view of our firm from a client's perspective. This has been very helpful. Finally, Dick reads everything we write - very thoroughly - and he challenges us to prove and back up our assertions. Again, this has been very helpful, since Scott and I sometimes assume that a number of investment "facts" are common knowledge. Obviously, this is not always the case…

As you can tell, we are very excited to add Dick to our KWAG team and we look forward to him working with us for years to come!

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A Final Note

Thank You

As usual, if you have any questions about this update, our newsletter, your accounts or our managers, please feel free to call or e-mail us at anytime. The recent referrals are much appreciated and we thank you for your continued confidence in our firm and our services. As we go forward, we remain committed to continuing to refine and improve our proactive strategies and portfolios. As always, our goal is to provide each of our clients with the best possible mix of assets given their particular situation. If you need anything or your goals or time horizons have changed, please do not hesitate to call or drop an e-mail to set up an appointment. We are here to serve your financial needs, whatever they may be.

Enjoy the remainder of the summer and try to stay dry...

~ Joe and The Gang at KWAG

Kiely Group Educational Seminar Schedule Fall 2013

Syracuse, NY | Thursday, September 5th | One-day Educational Seminar

Ithaca, NY | Friday, September 6th | One-day Educational Seminar

Asheville, NC | September 10th, 17th, 24th & Oct 1st | Four-week Comprehensive Seminar

Sunset Beach, NC | Sunday, September 29th | One-night Educational Seminar

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The Gang at Kiely Wealth Advisory Group

Left to Right: Brownie Cordell; Katie Burr; Joe Kiely; Kellie Kiely; and Scott Below

****IMPORTANT DISCLOSURE INFORMATION***

Performance results *represent results reported by each reflected mutual fund during the corresponding time period. Kiely Wealth Advisory Group, Inc. ("KWAG") currently utilizes these mutual funds in managing actual client portfolios. However, the individual mutual fund performance results* ***do not*** *reflect the results of any specific KWAG client portfolio or any KWAG composite.*

Past performance *may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, or equal either the performance results reflected or any corresponding historical index. The historical index performance results are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a specific investment meets, or continues to meet, investment objective(s). It* ***should not*** *be assumed that any account holdings will correspond directly to any comparative index. The performance results do not reflect the impact of taxes.*

Please Note*: the individual depicted mutual fund results* ***do not*** *reflect the results of any specific KWAG client portfolio or any KWAG composite.* ***For reasons including*** *variances in portfolio account holdings, market fluctuation, and any account contributions or withdrawals, the performance of a specific client's account may have varied substantially from the indicated reported mutual fund results. In addition, the above results only reflect the results as reported by each respective mutual fund company. Portfolios managed by KWAG would also incur a KWAG advisory fee, the deduction of which would result in decreasing the reported performance results.* ***For example:*** *a KWAG advisory fee of 1% compounded over a 10 year period would reduce a 10% return to an 8.9% annual return).*

Please Remember: *In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise KWAG immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by KWAG) will be either suitable or profitable for a client's or prospective client's portfolio.* ***In addition****, the mutual funds depicted are funds that KWAG may utilize and/or recommend as of specific date, and are subject to change without notice* ***Accordingly****, no client or prospective client should assume that the above reflected mutual funds serve as the receipt of, or a substitute for, personalized advice from KWAG, or from any other investment professional.* ***Information*** *pertaining to each depicted mutual fund is set forth in each respective fund's prospectus, a copy of which is available directly from each mutual fund company or from KWAG upon request.*

All performance results *reflect the performance results reported by each respective mutual fund to Morningnstar****,*** *and have not been independently verified by KWAG. KWAG also maintains all information supporting the reflected mutual fund performance results.*

Information pertaining *to KWAG' advisory operations, services, and fees is set forth in KWAG' current disclosure statement, a copy of which is available from KWAG upon request.*