

REPOSITIONING FOR THE NEW REALITY

Definition of Defensive:

adj: defensive: In the state or condition of being prepared or serving to protect.

n: *defensive portfolio* - one that serves to protect your assets against undue market risk; positioned in a "state of preparedness" to take advantage of market movements.

Question: How has QSI's Defensive Portfolio Responded:

Answer: Over the last 6 months, broad markets are off over 50% - with many individual stocks down 60% since September 2008.

QSI Defensive Returns: 2008: -5.12% vs. S&P -37.03%
2009 YTD: -4.66% vs. S&P -18.18% a/o 2/28/09

No blow-ups or negative surprises: Avoided the disasters of 2008 of Lehman, AIG, Fannie, Freddie, BoA and Citibank with our broad diversification *and our discipline of investing in non-enhanced investments.*

Question: How have investors responded to the Defensive Portfolio:

Answer: For investors and advisors to remain in a portfolio (in what is said the worst financial markets in recent history), a portfolio has to meet the criteria of risk/return and performance defined when they initially opened the account. QSI's Defensive portfolio has met this criteria consistently where many have failed. Lastly, our low management fees, prudently constructed institutional portfolios, and transparent reporting provide further peace of mind.

Question: How is QSI's Defensive Portfolio Positioned for 2009:

Answer: The defensive portfolio, 20% in equities and 80% in debt instruments, is correctly positioned to take advantage of the opportunities in 2009 while protecting your assets. These opportunities are going to be in sectors that get a "thrust" from policy – mainly those investments that have Uncle Sam's blessing and hand holding. The equity portion positioned between consumer staples and core equities is set to take advantage of the interterm rallies when they occur (as seen in the last few days).

Question: How do Clients and Advisors Benefit:

Answer: No one can predict market bottom or tops – or which market for that matter. But, because the Defensive Portfolio continues to meet the portfolios stated objectives, investors were able to participate in the recent market rallies – without taking on more risk or missing the major market up swing on the first day. To reach the goal line, you have to be on the playing field. As the saying goes, sometimes the best offense is a great defense. In today's world and financial markets, that statement could not ring more true. *QSI's Defensive portfolio protects you during the short term and allows you to prudently position yourself to meet your goals in the long run.*

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