QUANTITATIVE STRATEGIES, INC.

REGISTERED INVESTMENT ADVISORS

PASSIVE MANAGEMENT – IMPORTANT STRATEGY WHEN MANANAGING ASSETS

Although active management is still the predominant model for investment strategies today, passive management utilizing index funds and ETF's are gaining significant momentum. At QSI, we believe it should be a part of your business.

In the last 15 months, the passive investment role in investment strategies is more dominant: *Pension and Investments* semiannual survey of leading index manager's report that tax-exempt institutions in the United States have over a trillion with index fund managers. And, this amount doesn't include the billions that in-house pension funds and other fiduciaries deploy directly.

Of retirement assets held at *Schwab* and *Vanguard*, 22% at Schwab and 10% at Vanguard are reported to be held in ETF's. With U.S. workers losing over 2 trillion dollars in retirement assets in the last 15 months, *ETF's, using asset allocation strategies, are being seen as a solution to mend portfolios*.

One catalyst for this growth is the highly efficient and cost effective means these portfolios provide for achieving market returns. At QSI, a managed, diversified portfolio using a combination of ETF's and index funds offers these key benefits, as well as many others:

1. Exceptionally low annual expenses and no 12(b)1 fees
2. More tax efficient and flexible than mutual funds: eliminates phantom capital gains
3. Liquidity – no front or back end loads, intraday trading

QSI's Distinction: Combination of ETF's and Index funds.
At QSI, we have created 5 portfolios strategically employing a combination of ETF's/ index funds* that meet the different investment objectives determined by a clients Investment Policy Statement. The portfolios structure has a philosophy aligned with the Uniform Prudent Investor Act and the combination of funds allows us to implement a full range of investment policies. Applying Modern Portfolio Theory techniques to our investment process allows us to strive to achieve optimal returns for less risk.

QSI's Difference: No enhanced portfolios as used by other passive managers.
QSI portfolios ***do not use enhanced funds*** in an attempt to create additional performance. Funds can be enhanced through leverage and by stock picking. Because of this, most enhanced index portfolios suffer from high expenses and portfolio turnover – just what indexed portfolios are supposed to avoid.

QSI's Advantage: Lower risk and expenses and minimal tax liability. By eliminating enhanced funds from their portfolios, QSI lowers both risk and expenses and minimizes tax liability. These features can add significantly to the investment return without additional risks and expenses.

To obtain an informational packet or answer further inquiries, please contact Catherine Thornton at 949 632-9325 for information cthornton@qstrategiesinc.com.