VIRTUE CAPITAL MANAGEMENT & YOU.

Providing solutions and resources to help your financial advisor achieve your financial success.

VIRTUE®
CAPITAL MANAGEMENT

FINANCIAL PLANNING | INCOME PLANNING | RETIREMENT PLANNING | WEALTH MANAGEMENT

866.907.4275 | www.virtuecm.com

Investment Advisory services offered though Virtue Capital Management, LLC, an SEC registered investment advisor.

Our mission is to support the relationships between investors and investment advisor representatives by providing the best service, technology, and investment solutions available and ensuring the security of assets through our preferred custodian, TD Ameritrade.
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RIA

What is a Registered Investment Advisor?

The financial services industry is a rapidly changing professional environment. As the needs and desires of consumers change, firms engaged in managing money are also evolving. A registered investment advisor (RIA) such as Virtue Capital Management manages the assets of individuals. The RIA may register with the Securities and Exchange Commission (SEC) and any states in which it operates. Most RIAs are partnerships or corporations but individuals can also register as RIAs. RIAs are paid much like mutual fund managers, Virtue Capital Management and our family of investment advisor representatives earn their revenue through a management fee comprised of a percentage of assets held for a client.

The term investment advisor (IA) was first defined in the Investment Advisors Act of 1940, and the original definition is still upheld by the Securities and Exchange Commission (SEC):

An investment advisor is any individual or firm that engages in the business of advising clients, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues analyses or reports concerning securities.

A registered investment advisor, or RIA, is an investment adviser who has registered either at the state level with their state's Securities Commission or at the federal level with the United States Securities and Exchange Commission.

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IAR

What is a Investment Advisor Representative?

Investment advisor representatives (IARs) are investment advisors who are employed by state or federal registered investment firms. Investment advisor representatives can make recommendations or provide advice on the value, purchase, and sale of securities.

Investment advisor representatives are subject to the same registration requirements and regulatory standards as investment advisor firm proprietors, and are only set apart by the fact that they are employees, rather than principals, of these firms. Investment advisor representatives are knowledgeable of most types of investments, including stocks, bonds, exchange traded funds, mutual funds, derivatives, and other less common investment products. Investment advisors may offer other services outside of portfolio management and consultation. Many IARs are also certified financial planners, or may offer insurance products like annuities, but in their role as an investment advisor, they limit their services to the narrow scope of investment portfolio management and consultation.

Virtue Capital Management is the Registered Investment Advisor that the Investment Advisor Representative (the advisor you are working with or considering working with) is licensed and employed by.

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Why Consider Working with Virtue Capital Management?

The old model of a broker calling his clients with stock ideas seems to be dying. In fact, there has been an exodus of client assets leaving this model. There are several reasons for this change including very high commission fees (the big profit vehicle of the wire house firms at the time) and often inadequate diversification.

Many Americans who participate in the stock market do so through mutual funds. As a result, mutual fund assets have been growing steadily for more than 50 years. However, as the amount of money within an individual or group fund increases, the ability to achieve the best results with mutual funds may diminish. This is where RIAs and their investment options are able to provide additional services that mutual funds can't. Some of those services include the following:

- Many clients are looking to have a true financial "quarterback", a resource they can trust for solid advice on their total financial game plan. A good IAR will speak to the client in terms of his or her overall investment goals and objectives, and review these with the client at regular intervals.

- Clients increasingly want to have more options and easier access to the decision makers on their accounts. There are no direct access lines to the managers of a mutual fund account. There is no easy way to ask your mutual fund manager questions like, "Why did you choose to buy Wal-Mart?", or "What's a good estimate for what my capital gains could be this year?" Many clients do want this information accessible, either for education or peace of mind.

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VCM's Broad Investment Choices.

Virtue Capital Management has created an investment approach that emphasizes risk-managed portfolios designed to meet the specific needs and risk tolerance of investors in any market by:

- ***Offering a full spectrum of flexible investment options.***
- ***Focusing on risk management in today's constantly changing markets.***
- ***Evaluating the investment landscape from a unique 21st-century perspective.***

Classic Portfolio Construction – The Active vs. Passive Divide

The standard approach to portfolio construction starts with determining a client's goals and risk tolerance and then finds a diversified asset allocation with an expected return and acceptable risk commensurate with the goals and tolerance. The end point is typically an investment plan that outlines how much will be invested and diversified into each asset class.

How is the asset allocation itself determined? In practice, most advisors use what's known as Modern Portfolio Theory (MPT) if not literally with portfolio optimizers, at least conceptually. The goal of MPT lies in holding various asset classes that have appealing returns, reasonable risk, and low correlations to each other. The three factors: expected return, volatility, and correlations (or a full covariance matrix) are the building blocks of MPT.

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Tactical/Active vs. Strategic/Passive Investment Allocation

Strategic/Passive Asset Allocation calls for setting target allocations and then periodically re-balancing the portfolio toward those target goals as investment returns skew the original asset allocation percentages.

• The concept is closer in philosophy to a "buy and hold" strategy as it keeps the holdings while reallocating, rather than an active trading approach.

• Of course, the strategic asset allocation targets may change over time as the client's goals, risk tolerance, and needs change and as the time horizon for major events, such as retirement and college funding grow shorter.

Tactical Asset Allocation allows for a range of percentages in each asset class.
• These allocations are set at minimum and maximum acceptable percentages that permit the money manager to take advantage of market conditions within these parameters.

• Thus, a form of market timing is possible, since the money manager can move to the higher end of the range when equities are expected to do better and to the lower end when the economic outlook is bleak. Many of Virtue's money managers are able to invest in cash and or fixed income during periods known as "risk off" or high volatility.

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INVESTMENT MANAGEMENT STYLE	Asset Allocation Style		***Active***	***Passive***
	Investment Selection Style	***Active***	Manager-Based Tactical Asset Allocation (active, active)	Manager-Based Strategic Asset Allocation (passive, active)
		Passive	Indexed-Based Tactical Asset Allocation (active, passive)	Indexed-Based Strategic Asset Allocation (passive, passive)

Changes within asset classes represent the classic “tactical/passive vs. tactical/active” divide: Virtue offers your investment advisor both strategic and tactical investments solutions to choose from within the client’s portfolios. At the intersection of these two dimensions is a combination of four possible investment management styles. Depending on whether the manager is tactical or strategic in selecting asset classes and passive or active in implementing those asset classes determines which of the four styles.

In the traditional world of portfolio construction, all investment management decisions remained on the right side of the chart. Asset allocation was presumed to be strategic for all, and the only decision was whether to implement that asset allocation with funds (the passive approach) or to try to identify stock-pickers/mutual funds capable of outperforming those indices (the active approach).

On the left side of the chart, though, is the new rise of “tactical” asset allocation. In the lower left is the index-based tactical approach. If you took a snapshot of the portfolio, you would see a long list of funds; but if you were to take another look at the portfolio in a year, you would find different allocations to those index funds. *The active implementation is not in the use of active managers in lieu of index funds, but the active management of the fund allocations themselves.*

Making tactical decisions amongst asset classes may be driven by absolute or relative valuation measures, top-down macroeconomics, or outright forecasting of exogenous events. Making active decisions within asset classes entails a skillset in security analysis and bottom-up analysis, considering costs and fees, liquidity and trading capabilities, etc.

Investment managers may ultimately choose a blend of how they wish to provide diversification. They might make tactical decisions internally but implement with actively managed funds for the security selection. The firm may consist of bottom-up stock-pickers who draw on outside research for macroeconomic input amongst the asset classes. They might focus on being in the “manager search and selection” business and identify managers capable of making the decision within asset class decisions.

While we believe that tactical management may provide greater downside protection than strategic management, there is no guarantee that tactical management will generate investment gain, outperform other management styles, or avoid investment losses.

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Virtue Offers Both Tactical & Strategic Solutions.

Broad Investment Options

Virtue Capital Management has built an investment platform that includes sophisticated and robust risk-managed strategies. Virtue offers a flexible and powerful range of investment options. Virtue's proprietary strategies and separately managed accounts are designed to meet the diverse needs of clients from conservative to moderate to aggressive.

Risk-Managed Mythology

Virtue's approach is directed toward defending against the significant impact that large drawdowns can have on the long term growth of an investment portfolio. We develop and implement strategies focused on minimizing risk. Some of our strategies emphasize low correlation to broader volatile market activity. This is achieved through hedged equity with the use of protective options, tactical strategies to dynamically adjust to market conditions, and other risk management practices.

Investment Strategy Diversification

We believe that diversification across multiple risk controlled strategies helps manage wealth for both performance and protection. While each of our strategies has its own methodology and diversification, many incorporate some form of risk management to guard against large-scale losses. Our strategies encompass conservative, moderate, and growth-oriented performance goals to offer a full spectrum of investment options to meet each investor's tolerance for risk.

Comprehensive Investment Options

We provide a robust money management platform comprised of well-diversified, risk-adjusted portfolios. We offer both customized Virtue wealth management solutions and strategies from specialized money managers (sub-advisors) who pursue a complementary risk-managed philosophy. This broad selection allows for effective long-term strategies customized to each investor's specific risk/reward profile.

Virtue's Wrap Fee Program

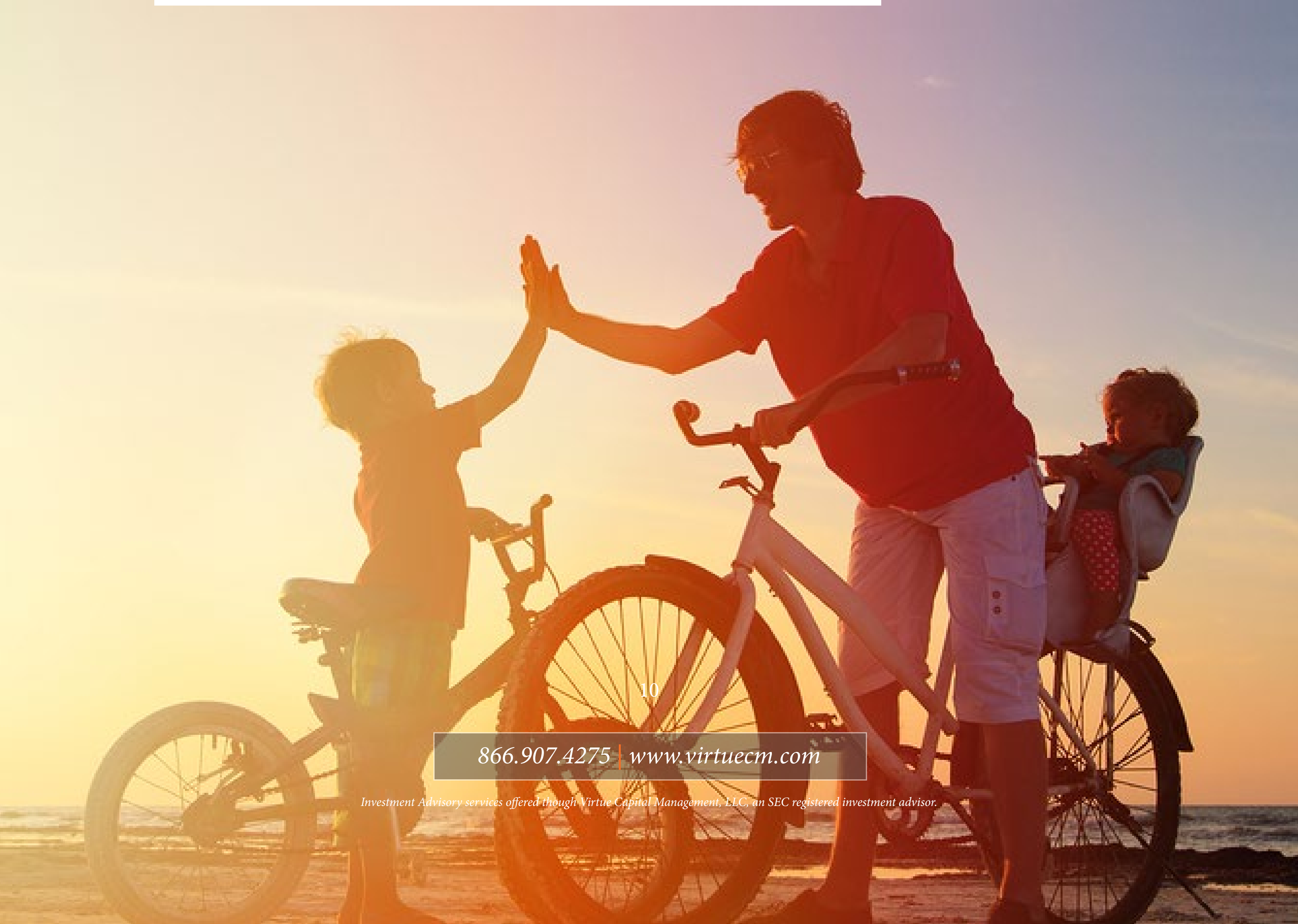
Virtue's Wrap Fee Program "wraps" both the advisory services fee and the transaction fees (fees for buying and selling securities) into a single fee charged to the client. We like to call this our transparent account to show that there are no additional fees for trading inside the account. This means a client's costs are the same regardless of the number of trades and transactions within an account (in non-wrap programs the client pays a transaction fee each time a security is bought or sold). This is extremely cost effective when clients face frequent trading or re-balancing. To learn more, request a copy of Virtue Capital Management's Wrap Brochure.

Leveraging Powerful Resources.

Something extraordinary happens when we have the resources needed to be successful. Your financial advisor works hard to ensure that you are achieving your financial goals. Virtue works hard to ensure that your financial advisor has every resource available to efficiently run their business and manage your accounts. To do so, they need robust technology solutions and access to industry-leading research — again, that's where we come in.

We are committed to supporting your advisor by providing:

- Innovative technology
- Outstanding client service
- Seamless account integration
- Breadth of products and solutions



Asset Security with TD Ameritrade.

For many clients, asset security is without question the #1 priority. At TD Ameritrade, your money is with one of the world's largest discount brokerage firms having local branches nationwide. With that recognition and reputation comes a commitment to both excellent client service and account information protection. While no security system is absolutely impenetrable, TD Ameritrade has made substantial investments in leading-edge security software, systems, and procedures, and TDA is constantly reviewing, refining, and upgrading its infrastructure.

TD Ameritrade always keeps you informed. You'll receive a clear, concise statement every month that summarizes all of your portfolio positions: stocks, bonds, mutual funds, and cash (including all balances, dividends, and transactions). A duplicate monthly statement is also sent to your advisor.

TD Ameritrade, Inc. is a member of the Securities Investor Protection Corporation (SIPC). Securities in your account are protected up to $500,000. For details, please visit the SIPC website at sipc.org. Additionally, TD Ameritrade provides each client $149.5 million worth of protection for securities and $2 million for cash through supplemental coverage provided by London insurers. In the unlikely event of brokerage insolvency, a client may receive amounts due from the trustee in bankruptcy and then SIPC. Supplemental coverage is paid out after the trustee and SIPC payouts, and under such coverage each client is limited to a combined return of $152 million from a trustee, SIPC, and London insurers. The TD Ameritrade supplemental coverage has an aggregate limit of $500 million over all customers. This policy provides coverage following brokerage insolvency and does not protect against loss in market value of the securities.

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Virtue Capital Management, LLC is an SEC registered investment advisor. Virtue Capital Management only transacts business in states where it is properly registered or is excluded or exempted from registration requirements.

Please be advised that investing involves risk and that no particular investment strategy can guarantee against a loss. All investments involve the risk of potential investment losses as well as the potential for investment gains. Prior performance is no guarantee of future results, and there can be no assurance, and clients should not assume, that future performance will be comparable to past performance. No client or potential client should assume that any information presented or made available through this paper should be construed as personalized financial planning or investment advice. Personalized financial planning and investment advice can only be rendered after engagement of the firm for services, execution of the required documentation, and receipt of required disclosures. Please contact the firm for further information.

This information should not be relied upon as investment advice, research, or a recommendation by Virtue Capital Management regarding (i) the Funds, (ii) the use or suitability of the model portfolios or (iii) any security in particular. Only an investor and their financial advisor know enough about their circumstances to make an investment decision. Carefully consider the Funds within the model portfolios' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses and, if available, the summary prospectuses, which may be obtained by requesting a copy from your advisor. Read the prospectus carefully before investing. Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal or volatility of returns.

Actual investment outcomes may vary. Transactions in shares of ETFs will result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders. Certain traditional mutual funds can also be tax efficient.

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