MERSBERGER FINANCIAL GROUP

MANAGED INVESTMENT MODEL

Discovery Stock Portfolio

BENCHMARK

Russell 3000 Stock Index

OBJECTIVE

To outperform the domestic equity market using concentrated, high conviction investments in individual stocks issued by publicly traded companies.

Investment Strategy

The Discovery Stock Portfolio is a high conviction, concentrated investment strategy. The model invests only in its manager's top ideas and makes large allocations to these ideas. Discovery seeks significant differentiation from its benchmark and measures its level of differentiation by its active share relative to its benchmark, the Russell 3000 index. Given the high concentration of the strategy, it is not considered a diversified investment strategy and carries significant company-specific risk.

The fund usually invests in 10-15 companies and has an unconstrained long-only investment strategy.

The portfolio managers attempt to identify securities with the potential to outperform the market.

UNCONSTRAINED STRATEGY

The portfolio's allocation to growth and value stocks and large and small companies is unconstrained, and the portfolio may deviate materially from the weights of these sub-asset classes in the strategy's benchmark. The reason for an unconstrainted strategy is to enable the manager to pursue his or her best investment ideas without being restricted by style targets or constraints.

SELECTING FUNDS

The managers believe outperformance can be generated by either investing in securities trading at discounts to their intrinsic values or from companies who are positioned to grow their intrinsic value over the long-term. Overall, the firm seeks to invest in companies trading at reasonable relative valuation levels which have talented management teams, disciplined capital structure and balance sheet management practices, and sustainable competitive advantages. Competitive advantages may arise from a range of qualitative and quantitative metrics including high barriers to entry, high switching costs, network effects, known and reliable brand assets and patents or licenses among other potential catalysts.

When selecting portfolio companies, the firm evaluates their holistic financial health.

THE EVALUATION

The manager evaluates their financial statements, and emphasizes top line growth, steady or expanding margins and balance sheet health as measured by low leverage and debt levels and high liquidity reserves in the form of cash and equivalents and access to credit facilities. The manager also emphasizes firm cash flow, as companies which consistently generate high cash earnings and free cash flow can reinvest this cash into the business, use the cash to pay down debt, or distribute it to shareholders in the form of dividends and share repurchases.

Suitability and Best Interest

RISK TOLERANCE

The portfolio is suitable only for clients with **moderate-high to high-risk tolerances**. It is intended for clients who are comfortable with periods of underperformance in exchange for the potential chance of outperforming the broad market over longer time horizons.

PORTFOLIO ALLOCATION

This portfolio should **not exceed 15%** of a client's investable assets and is designed to complement a well-diversified core-piece of a client's portfolio.

INVESTMENT AMOUNT

This portfolio investment minimum is **$25,000**.

Risk Management

Like all equity investments, this portfolio carries risk outlined below:

COMPANY SPECIFIC/ UNSYSTEMATIC RISK

The Discovery Stock Portfolio is not classified as being diversified, and the most significant risk it carries is the risk associated with the individual companies within the portfolio. If a company in the portfolio significantly under-performs the market, then the strategy may also significantly decline or underperform the market. If a company files for bankruptcy or sees its intrinsic value decline materially, the lack of diversification in the portfolio may result in a permanent loss of principal in the investment made in the company. While the strategy's emphasis on high quality balance sheets minimizes this risk, litigation or fraud may result in significant, permanent declines in investments.

STOCK MARKET RISK

Risk associated with all equity investments is the risk that the price of equity investments may decline over short or long periods of time and may remain depressed for extended periods of time. Equity market volatility may arise from changes in economic conditions, changes in market valuations or declining corporate earnings amongst many other factors.

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