



**HALBERT WEALTH  
MANAGEMENT**  
CHALLENGING WALL STREET'S CONVENTIONAL WISDOM

## Hg Capital Advisors Long/Short Government Bond Program

### Advisor Profile

**Minimum Initial Investment:** \$25,000

**3 YR Average Return:** 13.5%

**5 YR Average Return:\*** 7.2%

**Maximum Drawdown:\*** -25.0%

**Risk Category:** Aggressive

**Custodian:** Trust Company of America

**Advisor Location:** Houston, TX

**Performance as of:** April 30, 2012

#### Background

**Hg Capital Advisors, LLC** was formed in 2001 after its founders learned of the benefits of active money management. Until that time, they had been using traditional asset allocation strategies for their clients. After, the 2000 – 2002 bear market laid bare the shortcomings of buying and holding investments during down markets, they knew there had to be a better way.

Hg's principals worked on formulating an active management strategy focusing on the yield movements of the 30-year Treasury bond. As the project continued, it became clear that the system would require significant computer hardware and software resources, so a top-notch systems analyst was brought in to systematize the relationships that had been identified.

The result was a 100% mechanical trading system that not only sought to make money in rising yield environments, but also when yields are dropping. Hg Capital began trading its programs live in November of 2004. Soon, their performance began to attract the attention of investors and Advisors across the country.

For a long time, we at Halbert Wealth Management had sought a program that could effectively trade the 30-Year Treasury bond for capital gains rather than yield. Since the underlying bond price is linked to movements in long-term interest rates, the ability to actively trade bond index mutual funds offers the potential to capitalize on these price movements and generate returns above and beyond the bond's yield.

We believe the **Hg Long/Short Government Bond (LSGB) Program** offers just such an opportunity. An added benefit is that basing the trading model on the movement in bond yields, coupled with the ability to trade both long and short, offers investors a strategy that is not highly correlated to either bond or equity market indexes (see Page 3 of this Profile for more details).

#### The Long/Short Government Bond Trading Model

Hg Capital's bond trading model is based on a unique approach. Hg has identified a number of what they call "rules" that have been incorporated into their system. In essence, these rules are actual observations of historical market activity, as opposed to conceptual ideas of how the bond market might work or should have worked. The goal of this strategy is to produce capital gains by trading on the short-term price movements of the 30-year Treasury bond.

Each day, Hg Capital enters current market data into their computer model, where their software searches their proprietary set of rules in order to determine which single rule is the most likely, from a statistical standpoint, to be indicative of the market's action during the next trading day. Hg stresses that, while their trading model is based on historical observations, it has not been developed by optimizing or "curve fitting" to historical data. The Hg model is also constantly evolving to incorporate new market observations. Additional rules are added by agreement of Ted and Dennis. Once incorporated into the model, rules are never deleted.

The primary emphasis of the LSGB model is an analysis of interest rate data. The model does not attempt to predict what the market may do over the next week, month or year. All it is concerned with is the next day's market action. If the model happens to be long 20 days in a row, this doesn't mean that it produced a signal saying the market will go up for 20 days. Instead, it means Hg got 20 independent "buy" signals on 20 consecutive trading days.

\* Past performance does not guarantee future results. See important performance disclosures on Page 4 of this Profile.

The Hg Capital trading model is 100% mechanical and Hg will not override a signal even in the case of a national emergency such as 9/11. Hg does not take scaled or partial positions and will be either 100% long, 100% short or 100% neutral on any given trading day.

Hg's methodology also does not employ any formal stop-loss techniques. However, no signal lasts for more than one trading day, so the effect of a bad trade may be limited by its short duration.

## Performance Evaluation

Detailed performance information for the Hg Capital LSGB Program is provided on the following page. The Performance Summary shows that the LSGB Program compares very well to both equity and bond benchmarks on an inception-to-date as well as over various time windows. The LSGB Program has also been virtually non-correlated to the broad stock and bond markets, as well as to the other investment programs offered by HWM.

Historical drawdowns in the LSGB Program have been substantial, which is consistent with the aggressive nature of this investment. In 2008, during the period of uncertainty surrounding the subprime crisis, the LSGB Program experienced a peak-to-valley drawdown in excess of 25%. While such drawdowns are in keeping with similar aggressive-risk investments, Ted attributes the magnitude of the 2008 drawdown to the unprecedented government intervention in the credit markets during the 4<sup>th</sup> quarter of that year.

Prior to 2008, the LSGB Program could only be positioned long or short, but never in a neutral position (cash or hedged). Hg has now modified its trading model to provide for a neutral option under certain conditions. In addition, Hg has added a market uncertainty component that will move the model to a neutral position when changes in bond yields become too volatile.

Hg's principals feel the addition of the neutral and volatility signals to their trading model will help to prevent future drawdowns of the magnitude experienced in 2008.

## The Trading Platform

Hg's LSGB program is traded at Trust Company of America using the long and short 30-year Rydex Treasury bond funds. The Government Long Bond 1.2X Strategy offers a leveraged long exposure, while the Inverse Government Long Bond Strategy provides an unleveraged short exposure.

Hg has outsourced administrative and trading tasks by forming a business relationship with **Purcell Advisory Services** of Tacoma, Washington. Each day, Hg communicates its trading signals to Purcell, where the trades are executed and client accounts are administered.

**Purcell provides similar services to other Advisors in our AdvisorLink program, and has undergone a due diligence review by HWM of their administrative capabilities and**

**internal controls, including an on-site inspection of their facilities.**

Since Ted and Dennis are familiar with the details of the model, they provide an ample level of redundancy so that the model could continue to be run if anything were to happen to either of them. Purcell also serves as an extra measure of backup so that trades could be unwound if anything were to happen to both Hg principals.

Clients funds are held in individual accounts at Trust Company of America (TCA), and clients have online access to their accounts via the TCA website. Both TCA and Purcell Advisory Services issue quarterly statements, and TCA produces year-end tax reports.

Since this program trades frequently it will be subject to "wash sale" rules and short-term gains (or losses). Thus, it is most suitable for IRAs and other tax-qualified retirement accounts. However, the Hg LSGB program may also be managed within no-load, low-cost variable annuity products available through Purcell that will also help to negate the tax consequences of frequent short-term trading in a non-retirement account. Consult your tax advisor if you have any questions about this.

The minimum account size for the Hg Capital LSGB Program is \$25,000. Management fees are billed quarterly in advance, based on the following schedule:

First \$100,000	2.50%
\$100,001 to \$1 million	2.25% (entire account)
Over \$1 million	2.00% (entire account)

Mutual funds used in the LSGB Program have their own expenses not reflected in the fee schedule above. See funds' prospectuses for more details regarding these fees and expenses.

## Conclusion

We feel the Hg Capital Long/Short Government Bond Program may be a suitable investment for investors who want an aggressive long and short Treasury bond exposure with the ability to move to a neutral position in uncertain markets. Its low historical correlation to the equity markets, and even other **AdvisorLink**<sup>®</sup> programs offered by HWM, may make it an excellent portfolio diversification tool.

Because the Hg LSGB trades frequently and uses only long-term Treasury bond index mutual funds, it should be considered for its potential to produce short-term capital gains and not income from owning bonds. Historically, bond coupon income in the program has been minimal.

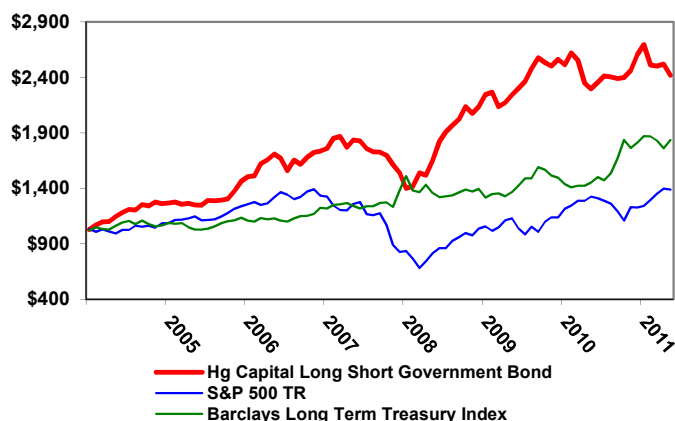
If you have any questions or would like to talk to one of our experienced Investment Consultants about whether the LSGB Program may be suitable for your portfolio, please give us a call at **1-800-348-3601**, or e-mail us at [info@halbertywealth.com](mailto:info@halbertywealth.com).

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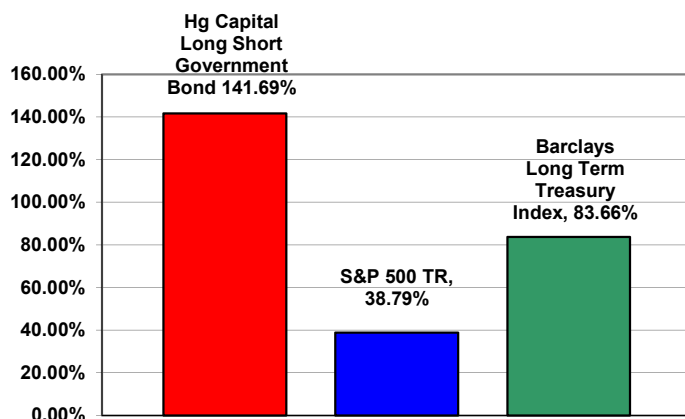
## Summary

	Hg Capital Long Short Government Bond	S&P 500 TR	Barclays Long Term Treasury Index
Beginning Month	Dec-04	Dec-04	Dec-04
Ending Month	Apr-12	Apr-12	Apr-12
Total Return	141.7%	38.8%	83.7%
Annualized Return	12.6%	4.5%	8.5%
Three Year Avg Return	13.5%	19.5%	10.6%
Five Year Avg Return	7.2%	1.0%	10.2%
Worst Drawdown	(25.0)%	(50.9)%	(12.9)%
Current Losing Streak	(10.3)%	(0.6)%	(1.7)%
Standard Deviation	12.8%	16.1%	11.6%
Alpha (Annualized)		12.9%	15.0%
Beta		0.10	(0.14)
R-Squared		0.01	0.02
Sharpe (2.00%)	0.84	0.23	0.60
Semi Deviation	13.4%	18.6%	10.5%

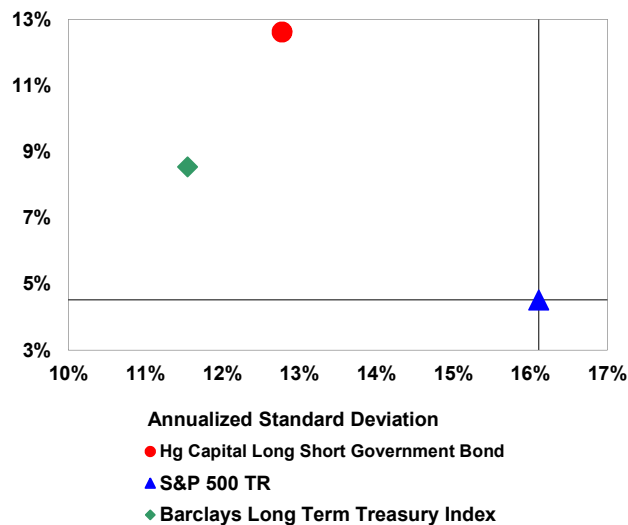
## Growth of \$1000 Investment



## Total Returns Since Inception



## Risk vs. Return Scatterplot Since Inception



## Annual Performance Net of Fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2012	(6.79)%	(0.36)%	0.62%	(4.00)%									(10.29)%
2011	4.22%	(2.50)%	(8.01)%	(2.14)%	2.42%	2.54%	(0.44)%	(0.53)%	0.30%	2.72%	5.83%	3.38%	7.24%
2010	0.86%	(5.74)%	1.82%	3.08%	2.63%	2.79%	4.86%	3.94%	(1.67)%	(1.25)%	2.43%	(1.95)%	11.88%
2009	1.26%	8.53%	(1.34)%	8.80%	10.32%	4.65%	3.28%	2.63%	5.60%	(2.76)%	2.83%	5.23%	60.40%
2008	5.21%	0.97%	(5.31)%	3.77%	(0.36)%	(3.89)%	(1.55)%	(0.26)%	(1.69)%	(4.85)%	(4.62)%	(9.04)%	(20.34)%
2007	0.70%	7.17%	2.21%	3.00%	(2.07)%	(6.84)%	6.11%	(2.28)%	4.02%	2.51%	0.76%	1.27%	16.94%
2006	0.75%	(1.65)%	0.84%	(1.11)%	(0.33)%	3.57%	(0.35)%	0.39%	0.95%	5.57%	6.28%	2.68%	18.67%
2005	3.80%	2.84%	0.11%	4.29%	3.16%	2.41%	(0.51)%	3.94%	(0.78)%	2.78%	(1.14)%	0.32%	23.14%
2004												2.83%	2.83%

**PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**  
Please see Important Notes on Page 4

## Important Notes

Halbert Wealth Management, Inc. (HWM), Hg Capital Advisors, LLC, and Purcell Advisory Services, LLC (PAS) are Investment Advisors registered with the SEC and/or their respective states. Information in this report is taken from sources believed reliable but its accuracy cannot be guaranteed. Any opinions stated are intended as general observations, not specific or personal investment advice. Please consult a competent professional and the appropriate disclosure documents before making any investment decisions. Investments mentioned involve risk, and not all investments mentioned herein are appropriate for all investors. HWM receives compensation from PAS in exchange for introducing client accounts to the Advisors. For more information on HWM or PAS, please consult Form ADV Part 2, available at no charge upon request. Officers, employees, and affiliates of HWM may have investments managed by the Advisors discussed herein or others.

As benchmarks for comparison, the Standard & Poor's 500 Stock Index (which includes dividends) and the Barclays Long U.S. Treasury Index represent an unmanaged, passive buy-and-hold approach. The volatility and investment characteristics of these benchmarks cited may differ materially (more or less) from that of the Hg Capital Long/Short Government Bond trading program since they are unmanaged Indexes which cannot be invested in directly. The performance of the S & P 500 Stock Index and the Barclays Long U.S. Treasury Index is not meant to imply that investors should consider an investment in the Hg Capital Long/Short Government Bond trading program, which is actively managed, as comparable to an investment in the "blue chip" stocks that comprise the S & P 500 Stock Index or the US Treasury securities with a remaining maturity of 10 plus years that comprise the Barclays Long U.S. Treasury Index.

Historical performance data from 2007 to present represents a representative account managed by Purcell, in the Purcell Dynamic US Government Bond program. The representative account selected has the maximum fee withdrawn (2.5%) has been in the strategy for no less than 2 consecutive months with no withdrawals, distributions or additions. Should the representative account fail to meet the criteria, another account that complies with the requirements will be substituted. It reflects the reinvestment of dividends and other earnings and is net of all transactional fees. The representative account is traded directly at Rydex and not Trust Company of America, so it does not reflect the deduction of the 10 bps Trust Company of America custodial fee that accounts at Trust Company of America will incur. Performance prior to 2007 is provided by Purcell and represents an actual account in a program named Hg Capital 199Hg-TYX, custodied at Rydex Series Trust, and verified by Theta Investment Research, LLC. Their numbers have been adjusted for Purcell's annual fee of 2.5%. These results reflect actual trades in a proprietary account of the Advisor, managed to mimic the Advisor's trading signals. The results may not reflect the performance of actual client accounts due to contributions and withdrawals from client accounts, tax loss sales, client-imposed investment restrictions and other factors. These performance numbers have not been verified by HWM, and therefore HWM is not responsible for their accuracy. Since all accounts in the program are managed similarly, the results shown are representative of the majority of participants in the Program. Performance results for accounts at Trust Company of America may vary from the performance numbers shown for the representative account traded directly at Rydex. This difference is anticipated to be minimal. The Program's objective is to capitalize on the up and down movements in the price of the 30-year Treasury bond. Purcell Advisory Services utilizes research signals purchased from Hg Capital Advisors, an unaffiliated investment advisor. The signals are generated by the use of proprietary software developed by Hg Capital Advisors. Statistics for "Worst Drawdown" are calculated as of month-end. Drawdowns within a month may have been greater. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Mutual funds carry their own expenses which are outlined in the fund's prospectus. An account with any Advisor is not a bank account and is not guaranteed by FDIC or any other governmental agency.

When reviewing past performance records, it is important to note that different accounts, even though they are traded pursuant to the same strategy, can have varying results. The reasons for this include: i) the period of time in which the accounts are active; ii) the timing of contributions and withdrawals; iii) the account size; iv) the minimum investment requirements and/or withdrawal restrictions; v) the rate of brokerage commissions and transaction fees charged to an account; and vi) whether the account is held at Rydex or Trust Company of America. There can be no assurance that an account opened by any person will achieve performance returns similar to those provided herein for accounts traded pursuant to the Hg Capital LSGB trading program.

In addition, you should be aware that (i) the Hg Capital LSGB trading program is speculative and involves a high degree of risk; (ii) the Hg Capital LSGB trading program's performance may be volatile; (iii) an investor could lose all or a substantial amount of his or her investment in the program; (iv) Purcell Advisory Services will have trading authority over an investor's account and the use of a single advisor could mean lack of diversification and consequently higher risk; and (v) Hg Capital LSGB trading program's fees and expenses (if any) will reduce an investor's trading profits, or increase any trading losses.

Returns illustrated are net of the maximum management fees, underlying mutual fund management fees, and other fund expenses such as 12b-1 fees. Management fees are deducted from the account on a quarterly basis, and are not accrued monthly. They do not include the effect of annual IRA fees, custodial fees or mutual fund sales charges, if applicable. Dividends and capital gains have been reinvested. No adjustment has been made for income tax liability. Consult your tax advisor. "Annualized" returns take into account compounding of earnings over the course of an investment's track record. Money market funds are not bank accounts, do not carry deposit insurance, and do involve risk of loss. The results shown are for a limited time period and may not be representative of the results that would be achieved over a full market cycle or in different economic and market environments.

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**ADVISORLINK® is a service of  
HALBERT WEALTH MANAGEMENT, INC.  
11719 Bee Cave Road, Suite 200, Austin, Texas 78738  
(512) 263-3800 (512) 263-3459 Fax  
Toll Free (800) 348-3601  
[www.halbertwealth.com](http://www.halbertwealth.com)**