



EAS-E Strategic Income Model

An EQIS Allocation Scientifically-Engineered (EAS-E)

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The returns on any investment consists of two parts: (1) income and (2) growth. For stocks, the income is dividends. For bonds, the income is coupons or interest. While some investors look for growth (or price appreciation) from their investments, it's hard to know which stocks will rise in price and when. This is why many investors want their stock returns from dividends.

The EAS-E Strategic Income model is a set of carefully and rigorously designed portfolios that consist primarily of high dividend-yield stocks and high-yield bonds. The holdings are broadly diversified across asset classes and geographic regions, with some variation of investment philosophy. The stock holdings include both large firms that typically generate dividends and also firms in specific sectors and asset categories that have historically generated reliable income such as utilities, real estate, and energy.

The Philosophies

In general, there are two main investment philosophies: strategic and tactical.

Strategic money management typically involves the manager setting target investment weights and then rebalancing back to the target weight if market movement causes excessive divergence. Tactical money management can be broadly defined as active portfolio management, where the asset allocation is adjusted dynamically based on the predictions of investment managers.

The EAS-E Strategic Income models are managed mostly by strategists. To understand which parts of the allocation are managed according to each philosophy, see the following color-coded allocation.

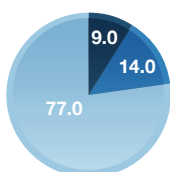
S Strategic **T** Tactical

Strategy Type	Conservative	Mod. Conservative	Moderate	Mod. Aggressive	Aggressive
S Domestic Dividends 1	3.00	5.50	8.00	10.50	13.00
S Domestic Dividends 2	3.00	5.50	8.00	10.50	13.00
T Domestic Dividends 3	3.00	6.00	9.00	12.00	15.00
S International Dividends	3.00	5.50	8.00	10.50	13.00
S Energy	2.00	3.50	5.00	6.50	8.00
S Domestic Utilities	3.00	5.25	7.50	9.75	12.00
S International Utilities	3.00	5.50	8.00	10.50	13.00
S REITS	3.00	5.50	8.00	10.50	13.00
S Preferred Stocks	11.00	8.25	5.50	2.75	0.00
S High Yield Debt	12.00	9.00	6.00	3.00	0.00
S Emerging Market Debt	9.00	6.75	4.50	2.25	0.00
T Tactical Fixed Income 1	14.00	10.50	7.00	3.50	0.00
T Tactical Fixed Income 2	12.00	9.00	6.00	3.00	0.00
S International Fixed Income	9.00	6.75	4.50	2.25	0.00
S Domestic Fixed Income	10.00	7.50	5.00	2.50	0.00
Total	100.00%	100.00%	100.00%	100.00%	100.00%

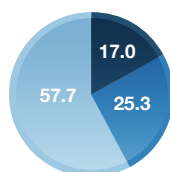
The Broad Classifications

There are many different types of investments in the EAS-E Strategic Income models. These varied investments can be broadly classified into Core, Satellite, and Fixed Income, as seen below.

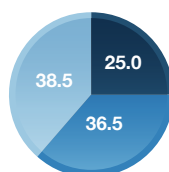
Core is domestic equities. Satellite is international equity and non-traditional investments such as real estate, commodities, and specific industrial sectors. Fixed Income is a variety of securities such as preferred stocks, foreign fixed income, domestic corporate bonds, and U.S. treasuries.



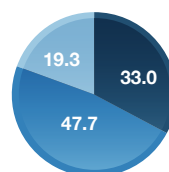
Conservative



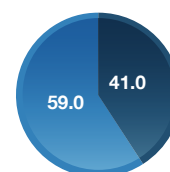
Moderate Conservative



Moderate



Moderate Aggressive



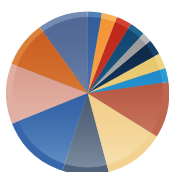
Aggressive

- Core is invested in U.S. equities.
- Satellite can be invested in different geographic regions, non-traditional assets, and specific sectors.
- Fixed Income is invested in a variety of fixed income.

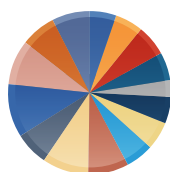
Strategy Type	Conservative	Mod. Conservative	Moderate	Mod. Aggressive	Aggressive
■ Domestic Dividends 1	3.00	5.50	8.00	10.50	13.00
■ Domestic Dividends 2	3.00	5.50	8.00	10.50	13.00
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■ International Dividends	3.00	5.50	8.00	10.50	13.00
■ Energy	2.00	3.50	5.00	6.50	8.00
■ Domestic Utilities	3.00	5.25	7.50	9.75	12.00
■ International Utilities	3.00	5.50	8.00	10.50	13.00
■ REITS	3.00	5.50	8.00	10.50	13.00
■ Preferred Stocks	11.00	8.25	5.50	2.75	0.00
■ High Yield Debt	12.00	9.00	6.00	3.00	0.00
■ Emerging Market Debt	9.00	6.75	4.50	2.25	0.00
■ Tactical Fixed Income 1	14.00	10.50	7.00	3.50	0.00
■ Tactical Fixed Income 2	12.00	9.00	6.00	3.00	0.00
■ International Fixed Income	9.00	6.75	4.50	2.25	0.00
■ Domestic Fixed Income	10.00	7.50	5.00	2.50	0.00
Total	100.00%	100.00%	100.00%	100.00%	100.00%

The Detailed Classifications

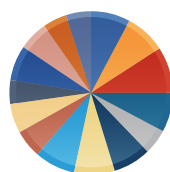
The color-coded pies below show the EAS-E Strategic Income models' detailed investment classification by strategy type.



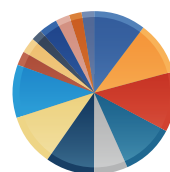
Conservative



Moderate Conservative



Moderate



Moderate Aggressive



Aggressive

Strategy Type	Conservative	Mod. Conservative	Moderate	Mod. Aggressive	Aggressive
Domestic Dividends 1	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 2	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 3	3.00	6.00	9.00	12.00	15.00
International Dividends	3.00	5.50	8.00	10.50	13.00
Energy	2.00	3.50	5.00	6.50	8.00
Domestic Utilities	3.00	5.25	7.50	9.75	12.00
International Utilities	3.00	5.50	8.00	10.50	13.00
REITS	3.00	5.50	8.00	10.50	13.00
Preferred Stocks	11.00	8.25	5.50	2.75	0.00
High Yield Debt	12.00	9.00	6.00	3.00	0.00
Emerging Market Debt	9.00	6.75	4.50	2.25	0.00
Tactical Fixed Income 1	14.00	10.50	7.00	3.50	0.00
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International Fixed Income	9.00	6.75	4.50	2.25	0.00
Domestic Fixed Income	10.00	7.50	5.00	2.50	0.00
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Reliable Income From Domestic Dividends

The Aggressive model is about 40% in domestic equity. The holdings are typically in U.S. firms that pay dividends. Most of the holdings are in large cap and value firms, as their dividends tend to be reliable because they are paid from steady income streams. While all risk categories are expected to generate reliable income, the more aggressive risk categories, with their higher concentrations in stocks, are expected to deliver more growth. We use multiple domestic dividend portfolios for manager diversification.

Strategy Type	Conservative	Mod. Conservative	Moderate	Mod. Aggressive	Aggressive
Domestic Dividends 1	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 2	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 3	3.00	6.00	9.00	12.00	15.00
International Dividends	3.00	5.50	8.00	10.50	13.00
Energy	2.00	3.50	5.00	6.50	8.00
Domestic Utilities	3.00	5.25	7.50	9.75	12.00
International Utilities	3.00	5.50	8.00	10.50	13.00
REITS	3.00	5.50	8.00	10.50	13.00
Preferred Stocks	11.00	8.25	5.50	2.75	0.00
High Yield Debt	12.00	9.00	6.00	3.00	0.00
Emerging Market Debt	9.00	6.75	4.50	2.25	0.00
Tactical Fixed Income 1	14.00	10.50	7.00	3.50	0.00
Tactical Fixed Income 2	12.00	9.00	6.00	3.00	0.00
International Fixed Income	9.00	6.75	4.50	2.25	0.00
Domestic Fixed Income	10.00	7.50	5.00	2.50	0.00
Total	100.00%	100.00%	100.00%	100.00%	100.00%

International Income

The EAS-E Strategic Income allocations also include international assets. The economic cycles of non-U.S. economies do not move in perfect tandem with the U.S. economy. Therefore, investing internationally can improve risk-adjusted returns. In addition, non-U.S. economies might grow faster than the U.S. economy, so investors with international exposure may obtain larger total returns (income and also growth) in the long-run.

Strategy Type	Conservative	Mod. Conservative	Moderate	Mod. Aggressive	Aggressive
Domestic Dividends 1	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 2	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 3	3.00	6.00	9.00	12.00	15.00
International Dividends	3.00	5.50	8.00	10.50	13.00
Energy	2.00	3.50	5.00	6.50	8.00
Domestic Utilities	3.00	5.25	7.50	9.75	12.00
International Utilities	3.00	5.50	8.00	10.50	13.00
REITS	3.00	5.50	8.00	10.50	13.00
Preferred Stocks	11.00	8.25	5.50	2.75	0.00
High Yield Debt	12.00	9.00	6.00	3.00	0.00
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Tactical Fixed Income 2	12.00	9.00	6.00	3.00	0.00
International Fixed Income	9.00	6.75	4.50	2.25	0.00
Domestic Fixed Income	10.00	7.50	5.00	2.50	0.00
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Reliable Income From Utilities and Energy

Utilities (such as electricity, gas, and water) are known for being profitable, but not growth-oriented. This is because while they provide services for daily needs, it is largely to populations that may change slowly (e.g., electricity and heat for a city). Given that their revenue is steady, but their growth options are limited, their dividends tend to be both reliable and large. This is why the utilities exposure in the EAS-E Strategic Income models are significant, especially in Aggressive. The EAS-E Strategic Income model has exposures to both domestic and international utilities. Energy firms are also known for being profitable, for similar reasons to utilities, but energy firms can also experience more growth.

Strategy Type	Conservative	Mod. Conservative	Moderate	Mod. Aggressive	Aggressive
Domestic Dividends 1	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 2	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 3	3.00	6.00	9.00	12.00	15.00
International Dividends	3.00	5.50	8.00	10.50	13.00
Energy	2.00	3.50	5.00	6.50	8.00
Domestic Utilities	3.00	5.25	7.50	9.75	12.00
International Utilities	3.00	5.50	8.00	10.50	13.00
REITS	3.00	5.50	8.00	10.50	13.00
Preferred Stocks	11.00	8.25	5.50	2.75	0.00
High Yield Debt	12.00	9.00	6.00	3.00	0.00
Emerging Market Debt	9.00	6.75	4.50	2.25	0.00
Tactical Fixed Income 1	14.00	10.50	7.00	3.50	0.00
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International Fixed Income	9.00	6.75	4.50	2.25	0.00
Domestic Fixed Income	10.00	7.50	5.00	2.50	0.00
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Income From Alternative Assets

The EAS-E Strategic Income models also include non-traditional assets. One reason why institutional investors and the super-wealthy have experienced attractive risk-adjusted returns is because they often invest in assets other than only traditional stocks and bonds. These non-traditional assets may include real estate investments which can also provide income. Because non-traditional assets are often not strongly positively correlated with traditional assets such as stocks and bonds, holding some alternative assets can bring down the overall risk of the portfolio. That is, alternative assets are included primarily as diversifiers.

Strategy Type	Conservative	Mod. Conservative	Moderate	Mod. Aggressive	Aggressive
Domestic Dividends 1	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 2	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 3	3.00	6.00	9.00	12.00	15.00
International Dividends	3.00	5.50	8.00	10.50	13.00
Energy	2.00	3.50	5.00	6.50	8.00
Domestic Utilities	3.00	5.25	7.50	9.75	12.00
International Utilities	3.00	5.50	8.00	10.50	13.00
REITS	3.00	5.50	8.00	10.50	13.00
Preferred Stocks	11.00	8.25	5.50	2.75	0.00
High Yield Debt	12.00	9.00	6.00	3.00	0.00
Emerging Market Debt	9.00	6.75	4.50	2.25	0.00
Tactical Fixed Income 1	14.00	10.50	7.00	3.50	0.00
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International Fixed Income	9.00	6.75	4.50	2.25	0.00
Domestic Fixed Income	10.00	7.50	5.00	2.50	0.00
Total	100.00%	100.00%	100.00%	100.00%	100.00%

High Yield Fixed Income

The EAS-E Strategic Income models also include fixed income investments. Some fixed income is high-yield such as preferred stocks and high-yield bonds (both domestic debt and emerging market debt). Preferred stocks and high-yield bonds are safer investments than common stocks issued by the same company. This is because firms pay interest on bonds and dividends on preferred stocks before they pay dividends on common stocks. High-yield fixed income is included to provide both a higher return relative to investment grade domestic fixed income and for diversification.

Strategy Type	Conservative	Mod. Conservative	Moderate	Mod. Aggressive	Aggressive
Domestic Dividends 1	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 2	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 3	3.00	6.00	9.00	12.00	15.00
International Dividends	3.00	5.50	8.00	10.50	13.00
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REITS	3.00	5.50	8.00	10.50	13.00
Preferred Stocks	11.00	8.25	5.50	2.75	0.00
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International Fixed Income	9.00	6.75	4.50	2.25	0.00
Domestic Fixed Income	10.00	7.50	5.00	2.50	0.00
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Tactical Fixed Income

The EAS-E Strategic Income models also include a portion that is tactically managed. EQIS recognizes the potential merits of this investment philosophy, especially its potential contribution to broad diversification. In the EAS-E Strategic Income models, a significant portion of the fixed income exposure is tactically managed.

Strategy Type	Conservative	Mod. Conservative	Moderate	Mod. Aggressive	Aggressive
Domestic Dividends 1	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 2	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 3	3.00	6.00	9.00	12.00	15.00
International Dividends	3.00	5.50	8.00	10.50	13.00
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Domestic Fixed Income	10.00	7.50	5.00	2.50	0.00
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Investment Grade Fixed Income

Among all income-generating strategies, investment grade fixed income has the lowest risk. Therefore, investors with lower risk tolerances tend to have higher allocations in investment grade fixed income. Typically some of the investment grade fixed income is tactically managed and some is strategically managed.

Strategy Type	Conservative	Mod. Conservative	Moderate	Mod. Aggressive	Aggressive
Domestic Dividends 1	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 2	3.00	5.50	8.00	10.50	13.00
Domestic Dividends 3	3.00	6.00	9.00	12.00	15.00
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Domestic Fixed Income	10.00	7.50	5.00	2.50	0.00
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Conclusion

The EAS-E Strategic Income models are appropriate for investors across the spectrum of risk tolerances, but there are other ways in which investors differ, and may therefore have unique needs. As such, EQIS encourages you to work with a trusted financial professional to make sure that you have the right investments to meet your current needs and future goals.

At **EQIS** We Believe

- Everyone associated with EQIS is a family that depends upon and cares for each other
- In treating others as you wish to be treated
- In always doing our best to go the extra mile to say “YES”
- That honesty and integrity are paramount at ALL times
- In rejecting high-cost, outdated investment products in favor of client first solutions

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