

# The EVOLUTION of “Absolute Return” Portfolio Options for Modern Markets



## It Is Our Belief Wealth Properly Managed Is Wealth With A Future.

### Our Approach

We believe that in order to properly understand investing, one needs to understand economic cycles. We believe that long term economic cycles are predictable and certain asset classes perform better in certain economic cycles.

### Economic Cycles

In 1925, a Russian economist by the name of Nikolai Kondratieff published a book titled “The Major Economic Cycles.” In it, Mr. Kondratieff stated his view that capitalist economies move in boom and bust cycles, with each cycle repeating itself periodically. Some present day economists building on Kondratieff’s work have defined these “Kondratieff Waves” as 4 sub-cycles, naming the sub-cycles after the four season of the year: spring, summer, autumn and winter.

### The Spring Cycle

During spring, an economy experiences a gradual increase in business and employment. Consumer confidence gradually increases. Consumer prices begin a gradual increase compared to levels seen during the previous cycle (the winter cycle). Stock prices rise and reach a peak at the end of the spring cycle. Interest rates begin to rise from historically low levels and credit gradually expands. At the beginning of the spring cycle overall debt levels are low. (In our view, this most recently represents the time frame of 1949-1966.)

### The Summer Cycle

During summer, an economy sees an increase in the money supply which leads to inflation. Gold prices reach a significant peak at the end of the summer period. Interest rates rise rapidly and peak at the end of the summer. Stocks are under pressure and decline through the period reaching a low at the end of the summer cycle. (In our view, this most recently represents the time frame of 1967-1982)

### The Autumn Cycle

During autumn, money is plentiful and gold prices fall reaching a gold bear market low by the end of the autumn season. During autumn there is a massive stock bull market and much speculation. Financial fraud is prevalent and real estate prices rise significantly due to speculation. Debt levels are astronomical. Consumer confidence is at an all time high due to high stock prices, high real estate prices and plentiful jobs. (In our view, this most recently represents the time frame of 1983 – 2000)

### The Winter Cycle

During winter, an economy experiences a crippling credit crisis and money becomes scarce. Financial institutions are in trouble. There are unprecedented levels of bankruptcy at the personal, corporate and government levels. There is a credit crunch and interest rates rise. There is an international monetary crisis. There are pension funding problems and the price of gold and gold related equities rise. (In our view, we have been in the winter cycle since 2001)

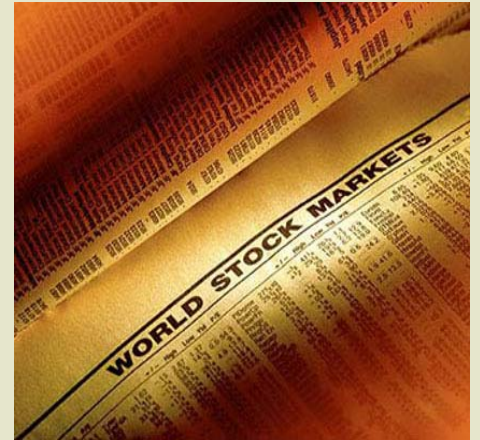
### Our Approach to these Sub-Cycles

The company believes in utilizing exit strategies and asset classes that can, in the company's view, produce absolute returns in any of the sub-cycles. There is no guarantee that absolute returns will be achieved. Past performance is not an indicator of future results.

***“Absolute Return” Portfolios For Modern Markets, Giving Investors Access To Professional Active Management Options.***

### **Economic Cycles Select™ Portfolio**

The objective of this portfolio is to achieve absolute returns and to have the invested assets retain purchasing power, protecting against inflation. Allocations may be held in growth stocks, gold, government or corporate bonds, and cash. Based on our proprietary signals, each asset class in this portfolio may be fully invested, partially invested or in cash.



### **Market Select™ Portfolio**

The objective of this portfolio is to achieve absolute returns in economic cycles. Positions in this portfolio may be held in stocks, bonds, cash, gold, and currencies. Based on our proprietary signals, each asset class in this portfolio may be fully invested, partially invested, or held in cash.

### **Economic Consequences Select™ Portfolio**

The objective of this portfolio is to see growth based on current macro-economic conditions as interpreted by the Firm. This portfolio is a blend of Economic Cycles Select™ and Market Select™. Based on our proprietary signals, each asset class in this portfolio may be fully invested, partially invested, or in cash.

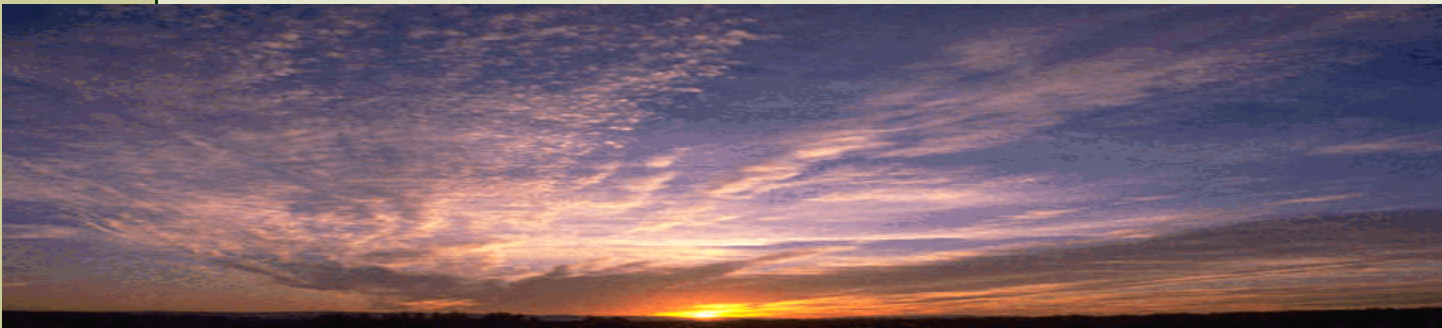
### **Covered Call Select™ Portfolio**

The objective of this portfolio is to generate income and growth through the use of buying a security and then selling a call on that security. Stocks and exchange traded funds may be utilized.

### **Income Select™ Portfolio**

The objective of this portfolio is to generate current income. Income producing investments are selected based upon the preferences and goals of a client. This portfolio is custom designed for each client and could contain preferred stocks, individual bonds, exchange traded funds, income producing common stocks, or income producing mutual funds.





For many investors, the market roller coaster has challenged their discipline and sapped their overall confidence. This change in confidence has caused many investors to question the logic of many traditional investment strategies. An actively managed portfolio that considers economic cycles may be a suitable option for you.

No matter your investment philosophy, we believe there are three questions every investor should answer before making an investment:

1. Under what circumstances will I exit my investment?
2. Are there protections in place that may help me maintain my investment principal during a market downturn?
3. Does this investment consider which economic cycle or what economic conditions may currently exist?

**USA Wealth**  
**MANAGEMENT™**  
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Investing in market related securities involves a risk of principal loss. Diversification, active management, and asset allocation does not ensure a profit or guarantee against loss. Prior to making any investment decision, the services of an appropriate professional should be sought.

Please read ADV Part II and all prospectuses for specific details regarding investments, fees and associated risks.