

LongRun Monthly Strategy Summary (11/30/2012)

Commentary

I'm not a big fan of predictions given the mountains of research showing that so-called experts are right about as often as a stopped clock. However, I am **very** interested in what market behavior implies about possible future direction. Essentially, our models make "predictions" based on historical fact patterns that have produced profitable outcomes on average over time. At the end of August, our models told us to take exposure to Europe (VGK) and Asia Pacific ex-Japan (EPP). We have owned them since and they are the top two performers on our list of 14 over the last three months. We are keeping them in both strategies for December and adding exposure to emerging market equities (EEM). Apparently the well-known troubles in Europe and a potential slow-down in China are of less concern to Mr. Market than the problems brewing here in the U.S. – debt, deficits, fiscal cliff, recession fears. Is Washington capable of constructing a comprehensive plan to address our issues? We will soon find out.

Performance in November was lackluster even though we owned the top two performers. Metals and Mining (XME) was at the bottom of the pile and ruined the month for us. XME had been the top performer for the prior three months. This kind of flip-flop is frustrating but we've seen it before. Rules-based strategies will go through periods of underperformance and most often it will be in the context of an up-market. We have to remind ourselves that our primary objective is to reduce investment risk. Looking at performance since going live almost two years ago, both strategies have outperformed the Global Diversified benchmark with significantly less risk. Our underperformance relative to the S&P 500 is annoying, but keep in mind that a buy-and-hold investment in that index starting January 1, 2000 has produced a compound annual return of only 1.4% versus 13.2% for Aggressive Growth and 12.6% for Absolute Return (combining backtest and actual results). Diversified Global had a return of 8.9% over the same period. Diversification beat the S&P 500 and tactical strategies beat diversification. This edge did not show up every year but produced a compelling advantage over time.

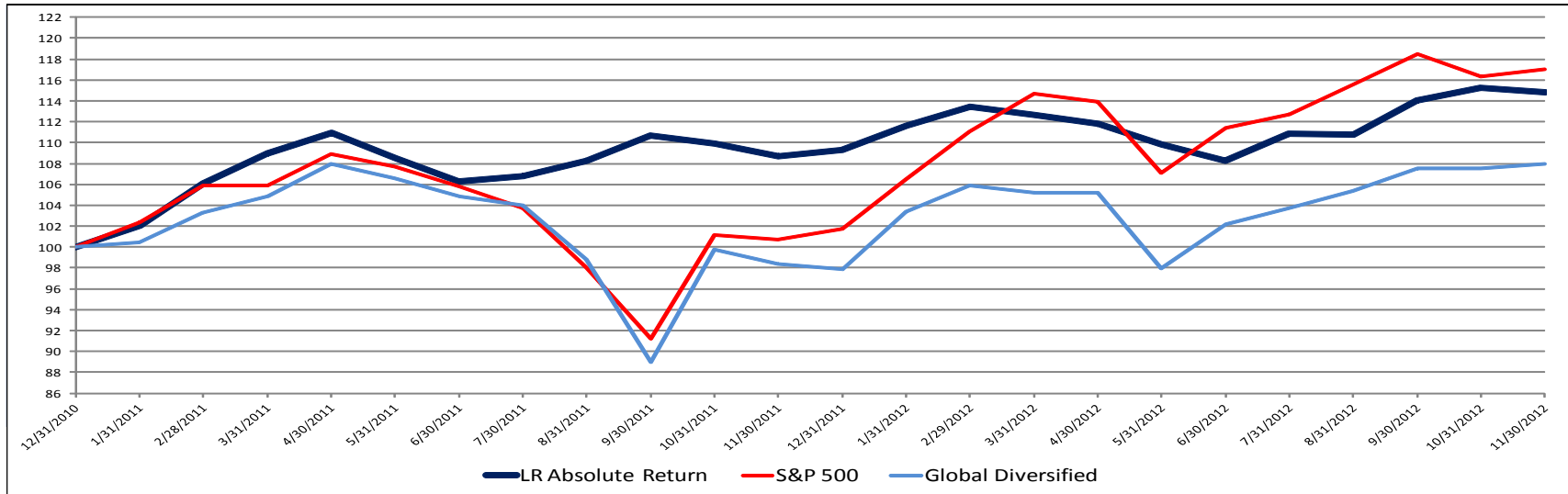
"Make three correct guesses consecutively and you will establish a reputation as an expert" – Laurence Peter

See "Important Disclosures Regarding LongRun Capital Risk-Managed Strategies" for additional information that should be considered before making any investment

LongRun Monthly Strategy Summary (11/30/2012)

LongRun Absolute Return Strategy

The Absolute Return strategy is designed to hold the top 4 of 14 constituent asset classes (see table on page 4) ranked by trailing 3-month total return. The portfolio is rebalanced monthly. If one or more of the top 4 assets has a negative three-month or one-month return, that allocation moves to cash as a way to limit downside exposure. Therefore, the strategy can be 100% in cash under adverse market conditions.



	2011 Returns (%)													YTD	Rel Perf
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
LR Absolute Return	2.0	4.0	2.7	1.8	-2.2	-2.1	0.5	1.4	2.3	-0.7	-1.1	0.6	9.3	7.6	
S&P 500 (SPY)	2.3	3.5	0.0	2.9	-1.1	-1.7	-2.0	-5.5	-6.9	10.9	-0.4	1.0	1.8	7.6	
Global Diversified ¹	0.4	2.9	1.5	2.9	-1.2	-1.6	-0.9	-5.0	-9.9	12.1	-1.4	-0.5	-2.1	11.4	

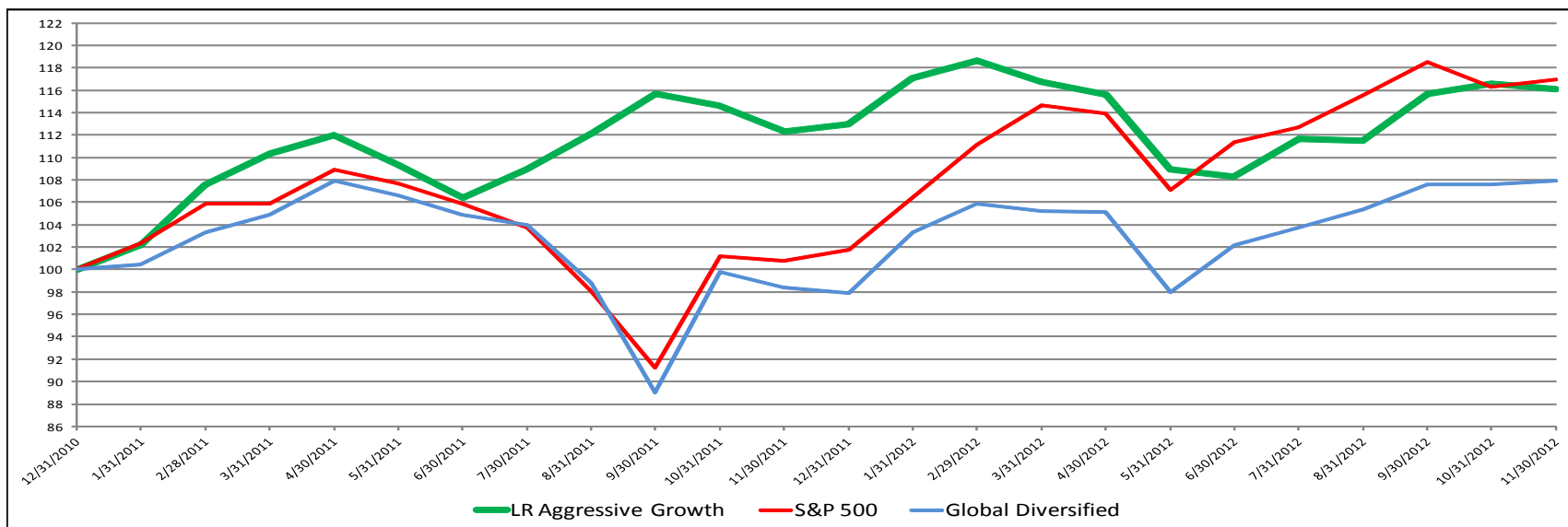
	2012 Returns (%)													YTD	Rel Perf	From Inception 1-Jan-2011	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			Rtn	Rel Perf	
LR Absolute Return	2.1	1.6	-0.7	-0.8	-1.8	-1.4	2.4	-0.1	3.0	1.0	-0.4		5.0	5.0	14.8	14.8	
S&P 500 (SPY)	4.6	4.3	3.2	-0.7	-6.0	4.1	1.2	2.5	2.5	-1.8	0.6		15.0	-9.9	17.0	-2.2	
Global Diversified ¹	5.6	2.4	-0.6	-0.1	-6.8	4.3	1.5	1.5	2.1	0.0	0.3		10.2	-5.2	7.9	6.9	

¹ See Important Disclosures for a description of this benchmark

LongRun Monthly Strategy Summary (11/30/2012)

LongRun Aggressive Growth Strategy

The Aggressive Growth strategy always holds the top 3 of 14 constituent asset classes (see table on next page) ranked by 3-month total return. The portfolio is rebalanced monthly. Unlike the Absolute Return strategy, Aggressive Growth has no explicit downside protection feature, relying only on relative strength to position the portfolio. As a result, it will experience deeper drawdowns than Absolute Return.



	2011 Returns (%)												YTD	Rel Perf
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
LR Aggressive Growth	2.2	5.2	2.6	1.6	-2.4	-2.8	2.4	2.9	3.2	-0.9	-2.0	0.6	13.0	
S&P 500 (SPY)	2.3	3.5	0.0	2.9	-1.1	-1.7	-2.0	-5.5	-6.9	10.9	-0.4	1.0	1.8	11.2
Global Diversified ¹	0.4	2.9	1.5	2.9	-1.2	-1.6	-0.9	-5.0	-9.9	12.1	-1.4	-0.5	-2.1	15.1

	2012 Returns (%)												YTD	Rel Perf	From Inception 1-Jan-2011	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			Rtn	Rel Perf
LR Aggressive Growth	3.7	1.3	-1.6	-1.0	-5.7	-0.6	3.1	-0.1	3.7	0.8	-0.4		2.8		16.1	
S&P 500 (SPY)	4.6	4.3	3.2	-0.7	-6.0	4.1	1.2	2.5	2.5	-1.8	0.6		15.0	-12.2	17.0	-0.9
Global Diversified ¹	5.6	2.4	-0.6	-0.1	-6.8	4.3	1.5	1.5	2.1	0.0	0.3		10.2	-7.4	7.9	8.2

¹ See Important Disclosures for a description of this benchmark

LongRun Monthly Strategy Summary (11/30/2012)

2011 Target Asset Returns and Dispersion

Target Asset	ETF	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
US Large Cap	SPY	2.3	3.5	0.0	2.9	-1.1	-1.7	-2.0	-5.5	-6.9	10.9	-0.4	1.0	1.8
US Mid Cap	MDY	1.9	4.5	2.6	2.6	-0.9	-2.6	-3.5	-7.2	-10.5	13.5	-0.2	-0.6	-2.1
US Small Cap	IWM	-0.4	5.6	2.5	2.6	-1.8	-2.4	-3.4	-8.9	-11.2	15.1	-0.4	0.5	-4.4
AsiaPac ex Japan	EPP	-1.4	2.0	2.3	4.7	-3.0	-1.4	-1.6	-4.7	-17.7	16.1	-1.7	-4.9	-13.7
Europe	VGK	3.7	3.1	-1.0	8.3	-2.8	-2.1	-4.6	-9.3	-12.2	12.4	-2.9	-2.3	-11.6
Latin America	ILF	-4.6	1.7	3.0	0.7	-3.3	0.0	-4.1	-5.0	-17.4	17.0	-4.1	-0.9	-18.5
Emerging Markets	EEM	-3.9	0.0	6.3	2.7	-2.9	-0.9	-1.0	-9.3	-17.9	16.3	-2.0	-4.3	-18.8
US Real Estate	VNQ	3.3	4.7	-1.6	5.7	1.3	-3.3	1.6	-5.6	-10.9	14.3	-3.8	4.9	8.5
Energy	XLE	7.2	7.4	1.9	0.9	-4.2	-1.9	1.5	-10.2	-14.4	19.1	1.7	-2.1	2.8
Metals/Mining	XME	0.3	3.9	3.8	1.8	-5.0	-3.3	-4.0	-12.1	-23.3	22.7	-1.3	-9.4	-28.2
Inv Grade Corp Bonds	LQD	0.0	1.1	-0.5	2.5	1.3	-0.8	2.4	0.3	0.4	2.5	-3.2	3.1	9.4
High Yield Bonds	HYG	1.7	1.4	0.1	1.6	0.1	-0.6	0.4	-2.7	-5.3	8.5	-2.4	3.9	6.2
Emerging Mkts Bonds	EMB	-1.0	-0.1	1.6	1.7	1.5	0.6	2.0	0.5	-4.8	5.2	-1.3	1.5	7.2
20+ Yr Treasuries	TLT	-3.1	1.7	0.0	2.4	3.4	-2.3	4.4	9.7	13.2	-3.8	2.0	3.1	33.6
Dispersion (best-worst)		11.8	7.4	7.9	7.6	8.4	4.0	9.0	21.7	36.5	26.5	6.1	14.3	61.7
Absolute Return Strategy Holdings		XME	XLE	XLE	XLE	IWM	CASH	EMB	TLT	TLT	TLT	CASH	TLT	
		XLE	XME	XME	MDY	VGK	TLT	CASH	EMB	EMB	LQD	LQD	XLE	
		IWM	MDY	IWM	XME	XLE	VNQ	CASH	LQD	LQD	CASH	EMB	CASH	
		MDY	CASH	MDY	IWM	MDY	EMB	CASH	HYG	CASH	CASH	CASH	CASH	
Aggressive Growth Strategy Holdings		XME	XLE	XLE	XLE	VGK	EEM	EMB	TLT	TLT	TLT	TLT	TLT	
		XLE	XME	XME	MDY	XLE	TLT	VNQ	EMB	EMB	LQD	LQD	XLE	
		IWM	MDY	MDY	XME	MDY	VNQ	TLT	LQD	LQD	EMB	EMB	SPY	

2012 Target Asset Returns and Dispersion

Target Asset	ETF	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
US Large Cap	SPY	4.6	4.3	3.2	-0.7	-6.0	4.1	1.2	2.5	2.5	-1.8	0.6		15.0
US Mid Cap	MDY	6.6	4.5	1.9	-0.3	-6.5	1.9	0.0	3.5	1.7	-0.9	2.3		15.2
US Small Cap	IWM	7.2	2.6	2.5	-1.6	-6.6	5.1	-1.5	3.5	3.3	-2.2	0.6		12.6
AsiaPac ex Japan	EPP	10.2	3.3	-1.7	1.3	-11.8	7.0	5.1	1.3	2.8	2.5	1.8		22.0
Europe	VGK	5.5	5.4	0.1	-2.5	-12.0	8.3	0.3	4.7	2.9	1.8	2.5		16.6
Latin America	ILF	9.1	4.7	-2.0	-4.0	-12.2	4.8	1.4	-1.1	2.4	-0.6	-1.6		-0.6
Emerging Markets	EEM	11.0	5.3	-3.1	-1.7	-10.7	5.1	0.0	0.4	5.2	-0.4	1.5		11.5
US Real Estate	VNQ	6.4	-1.2	5.2	2.9	-4.5	5.5	2.0	0.0	-1.9	-0.9	-0.3		13.4
Energy	XLE	2.3	5.9	-3.8	-0.7	-10.7	4.8	4.9	2.7	3.1	-2.0	-1.2		4.2
Metals/Mining	XME	10.7	-4.4	-3.8	-2.6	-18.7	5.6	-3.9	2.9	6.6	2.3	-4.7		-12.6
Inv Grade Corp Bonds	LQD	2.2	1.8	-1.4	1.1	0.8	0.9	3.5	-0.1	1.1	1.4	-0.4		11.2
High Yield Bonds	HYG	1.5	2.1	-1.0	1.1	-3.2	4.7	1.0	1.2	0.5	0.9	1.1		10.1
Emerging Mkts Bonds	EMB	1.1	2.5	-0.1	1.8	-2.8	4.1	3.7	1.2	1.8	0.6	1.2		16.1
20+ Yr Treasuries	TLT	-0.3	-2.6	-4.2	4.8	9.0	-1.7	3.8	-1.3	-2.5	-0.5	1.4		5.3
Dispersion (best-worst)		11.3	10.4	9.4	8.8	27.7	10.0	9.0	6.0	9.2	4.7	7.2	0.0	34.6
Absolute Return Strategy Holdings		CASH	VNQ	ILF	MDY	CASH	TLT	CASH	TLT	EPP	XLE	XME	VGK	
		VNQ	IWM	EEM	CASH	VNQ	CASH	VNQ	LQD	VGK	EPP	EPP	EPP	
		IWM	MDY	MDY	SPY	CASH	LQD	EMB	EMB	XLE	VGK	VGK	VGK	
		CASH	SPY	IWM	IWM	EMB	CASH	LQD	VNQ	EMB	EMB	CASH	CASH	
Aggressive Growth Strategy Holdings		XLE	VNQ	ILF	MDY	SPY	TLT	TLT	TLT	EPP	XLE	XME	VGK	
		VNQ	IWM	EEM	EEM	VNQ	VNQ	VNQ	LQD	VGK	EPP	EPP	EPP	
		IWM	MDY	MDY	SPY	MDY	LQD	EMB	EMB	XLE	VGK	VGK	VGK	

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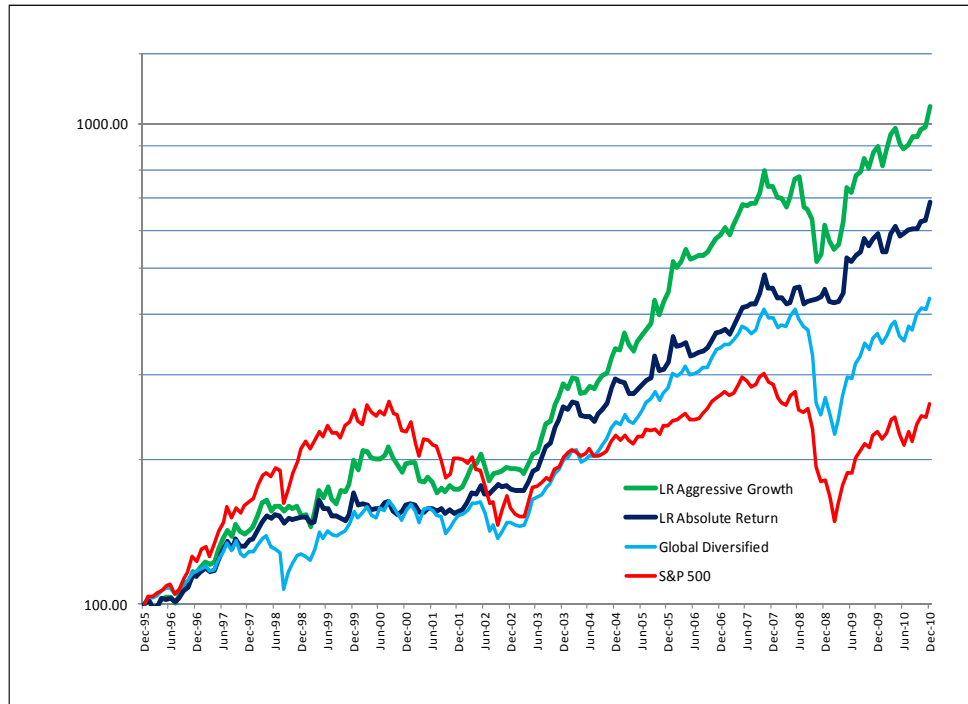
LongRun Capital Management LLC

LongRun Capital Management LLC is an independent registered investment advisor founded in 2003 to provide investment management services to individuals, families, trusts and charitable entities. Our focus is the active management of investment portfolios to achieve a balance of return, risk and tax-efficiency that meets each client's specific objectives. The Absolute Return and Aggressive Growth strategies are part of a broader array of investment solutions that we make available to our clients depending upon their objectives and risk tolerance. All assets under management are held in separate accounts owned directly by our clients. Our Managing Partner, Jim Carroll, has more than 20 years of financial advisory and investment experience.

Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% to \$5 million; .75% above \$5 million
Disclosure:	Form ADV available upon request

Backtest of LongRun Risk-Managed Strategies

The results shown below represent a backtest of the LongRun Aggressive Growth and Absolute Return strategies from January 1, 1996 through December 31, 2010. Additional information is available upon request. Please review the important disclosures below and on the next page.



	S&P 500 (SPY)	Global Diversified¹	Aggressive Growth²	Absolute Return³
Compound Annual Return ⁴	6.6%	10.3%	17.2%	13.7%
Ending Value per \$1 ⁵	\$2.62	\$4.34	\$10.84	\$6.84
Multiple of S&P 500	NA	1.7	4.1	2.6
Standard Deviation ⁶	16%	15%	18%	13%
Maximum Drawdown ⁷	-51%	-45%	-35%	-13%
Overall Correlation ⁸	100%	85%	56%	46%
Up Market Correlation ⁹	100%	84%	56%	53%
Down Market Correlation ⁹	100%	88%	47%	21%
Up Capture ¹⁰	100%	90%	107%	74%
Down Capture ¹⁰	100%	76%	59%	37%
Up/Down Ratio ¹¹	1.0	1.2	1.8	2.0
Percent Positive Ratio ¹²	62%	86%	91%	94%
Positive Monthly Returns	60%	64%	64%	68%
Batting Average ¹³	NA	58%	60%	56%

- Global Diversified is a benchmark that equally weights the 14 ETFs used in the risk-managed strategies, resulting in a global portfolio that is a 70/30 mix of equity and fixed income
- Aggressive Growth is a risk-managed strategy designed to achieve higher long-term returns for clients able to tolerate a significant amount of risk
- Absolute Return is a risk-managed strategy designed to strictly limit investment risk while producing attractive expected returns
- Annualized compound return from January 1, 1996 through December 31, 2010
- The estimated value of \$1 invested on January 1, 1996 through December 31, 2010
- Standard deviation is a statistical measure of the dispersion of investment returns around the average return; a higher standard deviation is commonly viewed as indicative of greater risk
- Drawdown is a measure of the worst peak to trough decline in portfolio value over a measured period; a higher drawdown is indicative of greater risk
- Correlation measures the degree to which one set of returns moves up and down in sync with a benchmark set of returns; the S&P 500 is used as the benchmark for this analysis
- Upmarket correlation analyzes only periods when benchmark returns are positive; downmarket vice versa; upmarket correlation higher than downmarket correlation indicates better risk-adjusted returns
- Up capture measures the degree to which an investment matches benchmark returns in an upmarket and vice versa for down capture
- An Up/Down Ratio greater than 1 indicates risk-adjusted outperformance versus the benchmark; a ratio of 2 or more indicates significant risk-adjusted outperformance
- Percent Positive Ratio measures the percentage of all holding periods from six months to five years that produced positive returns
- Batting average measures the percentage of months that the particular investment outperformed the benchmark (S&P 500)

See "Important Disclosures Regarding LongRun Capital Risk-Managed Strategies" for additional information that should be considered before making any investment

Important Disclosures Regarding LongRun Capital Risk-Managed Strategies

- Strategies:** Absolute Return and Aggressive Growth (the “Strategies”) are disciplined, rules-based tactical allocation strategies developed by LongRun Capital based on a quantitative methodology known as relative strength. Relative strength involves ranking a selected universe of potential investments based on recent rate of return and then allocating a portfolio to a subset of investments at the top of the performance ranking. The Strategies use a universe of 14 exchange-traded funds (ETFs). These 14 ETFs are ranked on 3-month total return. Absolute Return will hold the top 4 of the 14 ETFs unless one or more of those top 4 has a negative 3-month or 1-month return, in which case that allocation will be held in a cash-equivalent money market fund. This defensive rule may cause Absolute Return to be 100% in cash under adverse market conditions. Aggressive Growth will always hold the top 3 of the 14 ETFs. Holdings for each strategy are reviewed monthly based on 3-month relative strength rankings using month-end performance data. Any changes to the Strategies based on revised rankings are implemented on the first trading day of each month.
- ETF universe:** The 14 ETFs that serve as the selection menu for the Strategies were selected as representative of the global equity and fixed income asset classes that would commonly be used to construct a prudently diversified portfolio. These 14 ETFs will be held constant unless one or more cease trading in the future, in which case we will seek to use a reasonable substitute representing the same asset class. In addition, we may occasionally substitute an equivalent ETF as part of a tax loss harvesting strategy or to reduce transaction expenses. Clients will incur direct expenses associated with the purchase and sale of ETFs as well as the indirect expenses associated with management of the ETFs by their sponsors (e.g. iShares).
- Global Diversified Benchmark:** The S&P 500 is a benchmark commonly used as a proxy for the US equity market. As an alternative, we developed the Global Diversified benchmark to measure the performance of a portfolio that includes all 14 of the ETFs used in the models underlying each of the Strategies. The Global Diversified Benchmark assigns an equal weighting to each of the asset classes represented by the 14 ETFs and rebalances those weightings each month. The resulting portfolio is approximately 70% equity and 30% fixed income with approximately 40% allocated to US equities and 30% allocated to international equities.
- Backtest:** LongRun Capital constructed a backtest of the Strategies using a combination of the 14 ETF universe and mutual funds representing the same asset classes for time periods prior to the inception of the ETFs currently being used. The rule-sets used to determine the month-to-month holdings of the Strategies were applied consistently for the entire backtest period. As a result, there was no manager discretion involved in portfolio management. Backtest returns reflect the deduction of a 1% per annum management fee and an expense ratio of 0.15% per annum designed to approximate the transaction expenses associated with implementation of the Strategies. Underlying data has been obtained from sources believed to be reliable and we are not responsible for errors or omissions. The results achieved in actual accounts may vary from those that would be indicated from backtest results. Backtest performance of the strategies provides no guarantee of future results.
- Composite Results:** LongRun Capital is an independent investment advisory firm that manages assets on a discretionary basis. Clients may elect to have their assets managed on a customized basis and may utilize the Strategies for some or all of their assets managed by LongRun Capital. Unaudited composites for each of the Strategies were started on January 1, 2011, representing the performance of actual accounts assigned to the Strategies. Composites include those accounts with a value of at least \$250,000 fully invested in one of the Strategies. Composite returns are presented net of investment management fees and transaction expenses. LongRun Capital’s top management fee tier is 1% per annum. Internal fees and expenses associated with the ETFs are reflected in the price of each ETF. Dividends, income and capital gains are reinvested on a monthly basis when allocation changes are made. Past performance is no guarantee of future results. Information regarding LongRun Capital’s management fees and the value of assets included in the composite results is available upon request. In addition, LongRun Capital’s disclosure document, Form ADV Part 2A, is available online at www.adviserinfo.sec.gov or upon request.