

LongRun Monthly Strategy Summary (5/31/2013)

Commentary

May was a dramatic continuation of April's rollercoaster ride in the equity markets. The S&P 500 peaked on May 21st at 1669.19, 4.5% above its April 30 close. By month end, more than half of that gain was gone, with the index finishing 2.1% higher for the month. The catalyst for this carnage was May 22 testimony from Fed Chairman Bernanke suggesting that they might soon "taper" the current QE program (\$85 billion of monthly asset purchases). This caused a spike in interest rates and a sell-off in equity markets – especially those sensitive to interest rate changes (real estate investment trusts, for example).

May's rollercoaster hit our strategies very hard. On May 21st, both models were up about 4% for the month only to turn around and give it all back (and then some) by month-end. On the positive side, both strategies held US large cap (IVV – up 2.4%) and mid cap (IJH – up 2.2%). Unfortunately, both also owned real estate (IYR – down 6.5%) and Absolute Return had a fourth position in Asia-Pacific ex-Japan (EPP – down 10.2%). EPP had been strong enough to rank #4 at the end of April but was crushed when China announced horrible manufacturing data on May 1. For June, both strategies are concentrated in US stocks, owning large cap (IVV), mid cap (IJH) and small cap (IWM). In addition, Absolute Return picked up Europe (VGK) based on its #4 position in the rankings of 3-month returns.

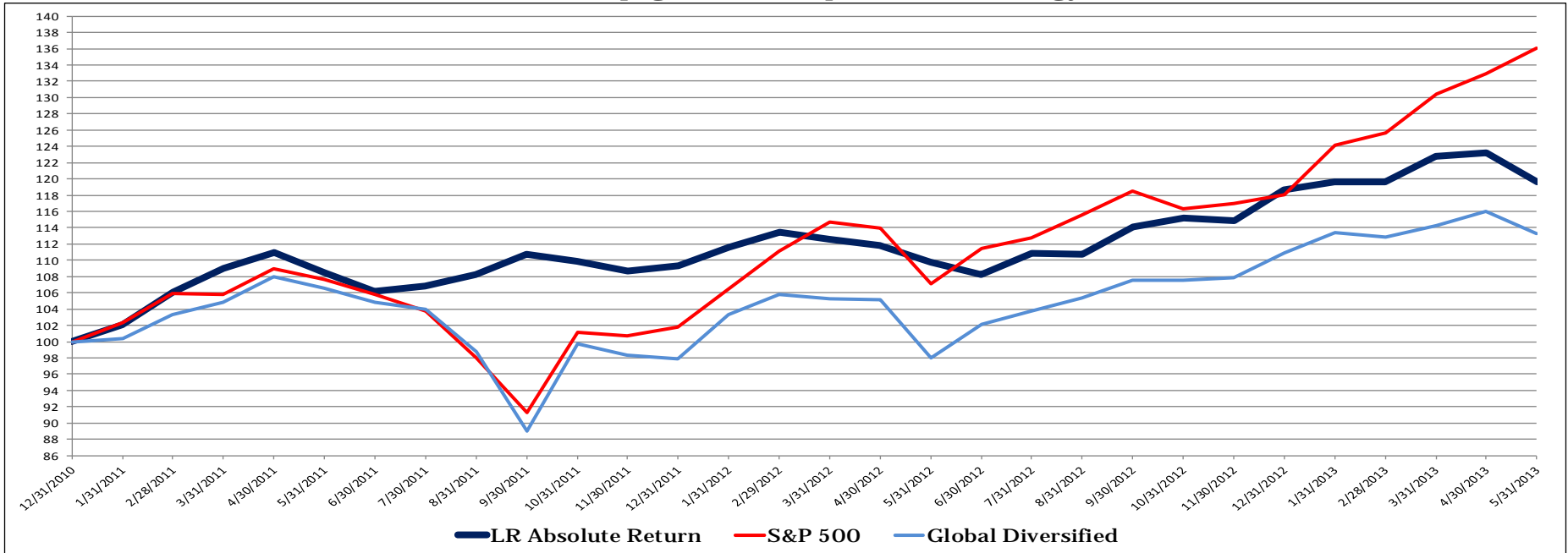
Performance of both strategies has been very frustrating this year. May's almost 3% decline in the Absolute Return strategy pretty much wiped out the less than stellar return achieved through April. Aggressive Growth is doing only a little bit better. At times like these, it's important to keep some perspective on short-term performance. As an addition to this month's summary (page 5), you'll find a chart of the trailing 3, 5, 7, 10 and 15 year returns. Absolute Return and Aggressive Growth have consistent double-digit returns and outperformed their benchmarks over all but one period. The second perspective is from a study of manager selection across 3700 pension plans, endowments and foundations spanning ten years. The research showed conclusively that managers fired for underperformance ended up outperforming the managers hired to replace them. Even people who pick strategies for a living pay too much attention to short-term results.

“Patience is the companion of wisdom.” – St. Augustine

LongRun Monthly Strategy Summary (5/31/2013)

LongRun Absolute Return Strategy

See the last page for a description of this strategy.



2011 Returns (%)														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Rel Perf
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	
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	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

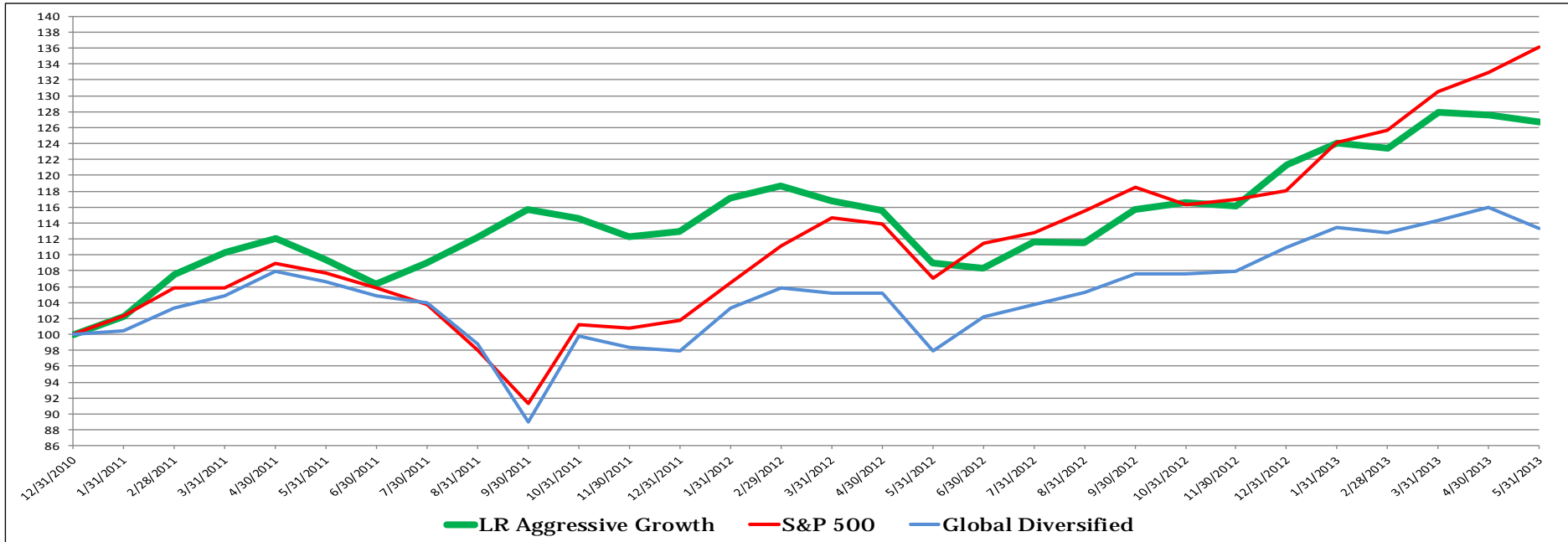
2012 Returns (%)														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Rel
LR Absolute Return	2.1	1.6	-0.7	-0.8	-1.8	-1.4	2.4	-0.1	3.0	1.0	-0.4	3.4	8.6	Perf
S&P 500 (SPY)	4.6	4.3	3.2	-0.7	-6.0	4.1	1.2	2.5	2.5	-1.8	0.6	0.9	16.0	-7.4
Global Diversified	5.6	2.4	-0.6	-0.1	-6.8	4.3	1.5	1.5	2.1	0.0	0.3	2.8	13.3	-4.7

2013 Returns (%)															From Inception 1-Jan-2011	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Rel Perf	Rtn	Rel Perf
LR Absolute Return	0.8	-0.1	2.7	0.3	-3.0								0.7	Perf	19.6	Perf
S&P 500 (SPY)	5.1	1.3	3.8	1.9	2.4								15.3	-14.5	36.1	-16.5
Global Diversified	2.3	-0.6	1.3	1.5	-2.3								2.2	-1.4	13.3	6.3

LongRun Monthly Strategy Summary (5/31/2013)

LongRun Aggressive Growth Strategy

See the last page for a description of this strategy.



2011 Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Rel Perf
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	11.2
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	15.1
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	

2012 Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Rel
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	4.4	7.3	Perf
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	0.9	16.0	-8.6
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	2.8	13.3	-6.0

2013 Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Rel	From Inception 1-Jan-2011	
LR Aggressive Growth	2.4	-0.6	3.6	-0.2	-0.7								4.5	Perf	26.7	Perf
S&P 500 (SPY)	5.1	1.3	3.8	1.9	2.4								15.3	-10.8	36.1	-9.4
Global Diversified ¹	2.3	-0.6	1.3	1.5	-2.3								2.2	2.3	13.3	13.4

LongRun Monthly Strategy Summary (5/31/2013)

2012 Target Asset Returns and Dispersion

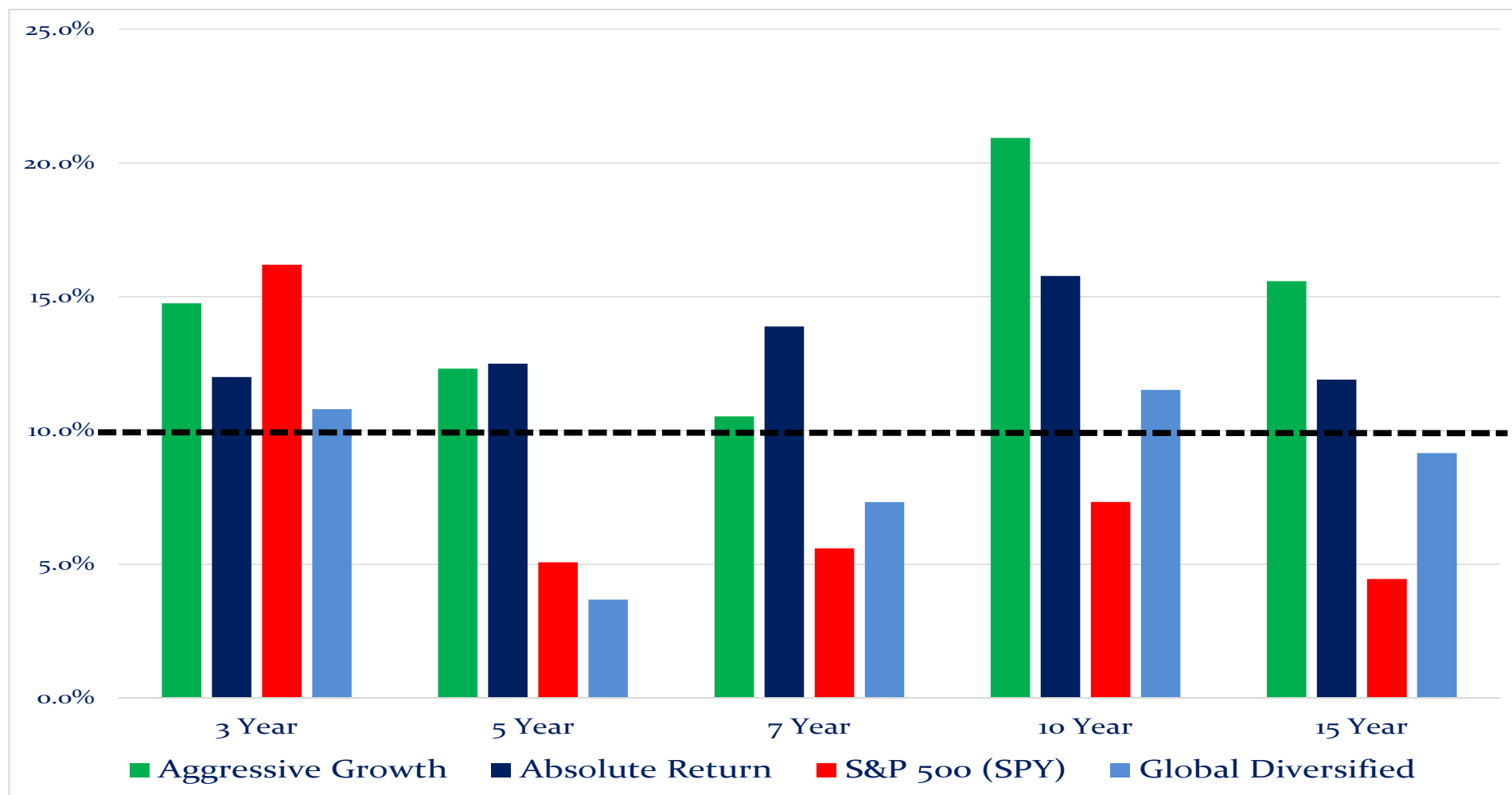
Target Asset	ETF	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
US Large Cap	SPY/IVV	4.6	4.3	3.2	-0.7	-6.0	4.1	1.2	2.5	2.5	-1.8	0.6	0.9	16.0
US Mid Cap	MDY/IJH	6.6	4.5	1.9	-0.3	-6.5	1.9	0.0	3.5	1.7	-0.9	2.3	2.3	17.8
US Small Cap	IWM	7.2	2.6	2.5	-1.6	-6.6	5.1	-1.5	3.5	3.3	-2.2	0.6	3.6	16.7
AsiaPac 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	3.8	26.7
Europe	VGK	5.5	5.4	0.1	-2.5	-12.0	8.3	0.3	4.7	2.9	1.8	2.5	4.3	21.6
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	6.5	5.8
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	6.8	19.1
US Real Estate	VNQ/IYR	6.4	-1.2	5.2	2.9	-4.5	5.5	2.0	0.0	-1.9	-0.9	-0.3	3.7	17.6
Energy	XLE	2.3	5.9	-3.8	-0.7	-10.7	4.8	4.9	2.7	3.1	-2.0	-1.2	1.0	5.2
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	6.9	-6.6
Inv Grade Corp Bonds	LQD	2.1	1.6	-1.4	1.1	0.8	0.9	3.5	-0.1	1.1	1.4	-0.4	-0.3	10.6
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	1.4	11.7
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	0.7	16.9
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	-2.5	2.6
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	9.4	33.2
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	EEM	
		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	EEM	

2013 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/IVV	5.1	1.3	3.8	1.9	2.4								15.3
US Mid Cap	MDY/IJH	7.1	0.9	4.8	0.6	2.3								16.5
US Small Cap	IWM	6.2	1.0	4.7	-0.4	3.9								16.3
AsiaPac ex Japan	EPP	3.5	1.8	0.1	3.8	-10.2								-1.7
Europe	VGK	4.3	-3.4	0.3	4.5	0.0								5.7
Latin America	ILF	3.8	-4.7	0.7	-0.7	-6.6								-7.6
Emerging Markets	EEM	-0.3	-2.3	-1.0	1.2	-4.8								-7.1
US Real Estate	VNQ/IYR	3.7	1.2	2.9	6.7	-6.0								8.4
Energy	XLE	8.3	0.4	2.5	-1.3	2.9								13.2
Metals/Mining	XME	-2.8	-7.6	-0.2	-8.0	1.3								-16.4
Inv Grade Corp Bonds	LQD	-1.3	1.1	-0.1	2.2	-3.2								-1.4
High Yield Bonds	HYG	0.3	0.9	0.9	2.1	-2.6								1.6
Emerging Mkts Bonds	EMB	-2.9	0.3	-0.9	3.6	-4.9								-5.0
20+ Yr Treasuries	TLT	-3.2	1.2	-0.4	4.7	-6.8								-4.7
Dispersion (best-worst)		11.5	9.3	5.9	14.7	14.1								32.9
Absolute Return Strategy Holdings		VGK	IJH	IWM	IJH	IYR	IWM							
		EPP	VGK	IJH	IWM	IVV	IVV							
		EEM	IWM	XLE	XLE	IJH	IJH							
		XME	EPP	EPP	IVV	EPP	VGK							
Aggressive Growth Strategy Holdings		VGK	IJH	IWM	IWM	IYR	IWM							
		EPP	VGK	IJH	IJH	IVV	IVV							
		EEM	IWM	XLE	XLE	IJH	IJH							

Trailing Performance of Risk-Managed Strategies

Aggressive Growth and Absolute Return have shown double-digit returns over all trailing periods and have outperformed their benchmarks with the exception of the S&P 500 over the trailing three-year period. In spite of its recent strong performance, the S&P 500 has significantly underperformed over all other periods.



See "Important Disclosures Regarding LongRun Capital Risk-Managed Strategies" for additional information

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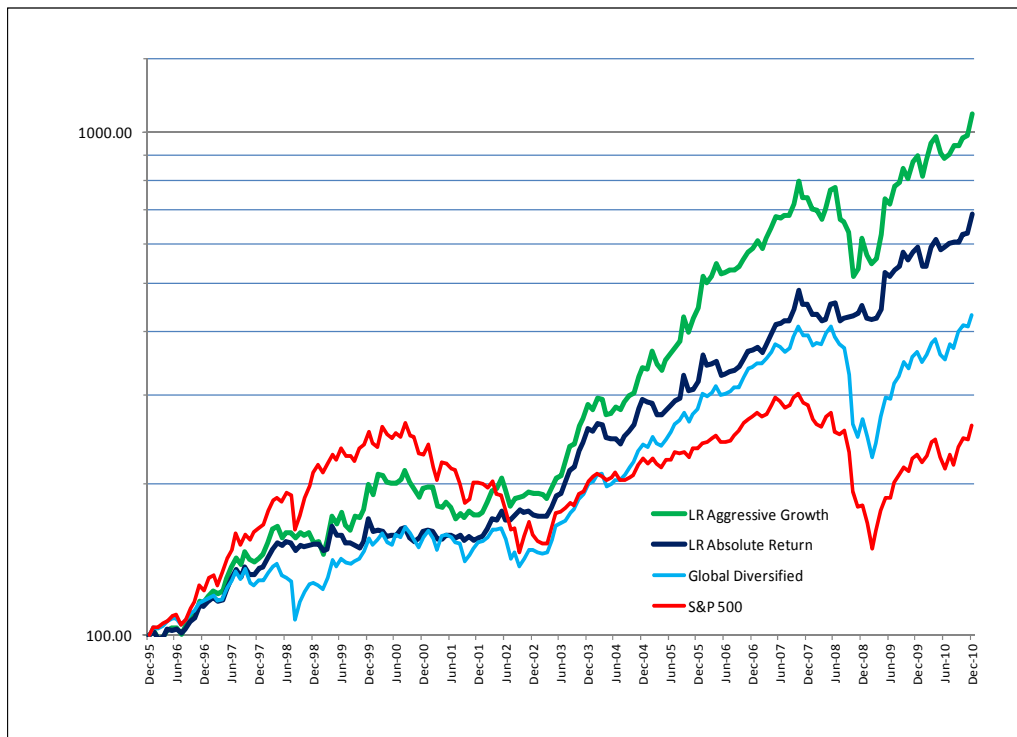
LongRun Capital Management LLC

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% of first \$5 million; .75% of assets 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 Diversified ¹	Aggressive Growth ²	Absolute Return ³
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%

1. 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
2. Aggressive Growth is a risk-managed strategy designed to achieve higher long-term returns for clients able to tolerate a significant amount of risk
3. Absolute Return is a risk-managed strategy designed to strictly limit investment risk while producing attractive expected returns
4. Annualized compound return from January 1, 1996 through December 31, 2010
5. The estimated value of \$1 invested on January 1, 1996 through December 31, 2010
6. 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
7. 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
8. 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
9. Upmarket correlation analyzes only periods when benchmark returns are positive; downmarket vice versa; upmarket correlation higher than downmarket correlation indicates better risk-adjusted returns
10. Up capture measures the degree to which an investment matches benchmark returns in an upmarket and vice versa for down capture
11. 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
12. Percent Positive Ratio measures the percentage of all holding periods from six months to five years that produced positive returns
13. Batting average measures the percentage of months that the particular investment outperformed the benchmark (S&P 500)

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.