

# Smartleaf Core Portfolio-S70

For use only by investment professionals.

## SCP-S70 Product Fact Sheet

### Product Description

The Smartleaf Core Portfolio-S70 (SCP-S70) belongs to a family of automated tax-managed separate account products that seek to track an index's pre-tax performance while maximizing after-tax returns.

Benchmark..... S&P 500®  
 Holdings.....Approx. 70 Stocks  
 Management Fee.....25 bps  
 Recommended Minimum Investment.....\$50,000

### Methodology

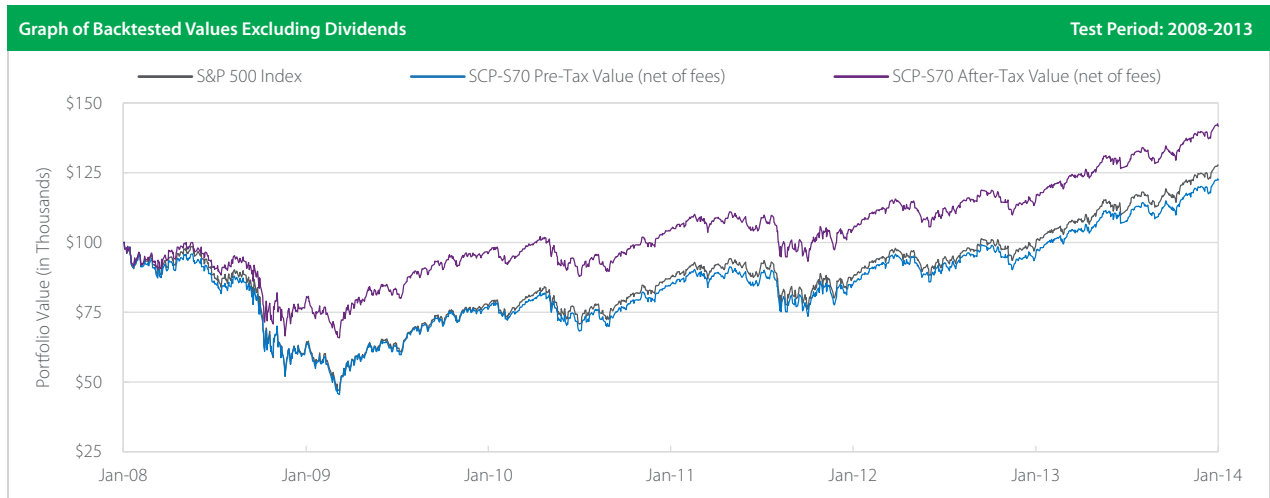
Smartleaf Core Portfolios (SCPs) use a quantitative approach to seek, on a daily basis, opportunities to reduce tracking error and enhance after-tax returns.

### Features

All SCPs, including the SCP-S70, feature:

- Year-round tax-loss harvesting
- Risk-managed gains deferral
- Advanced transitioning logic
- Security-level exclusions
- Annual tax budget

See reverse for additional information and important disclosures.



Backtested Values (%)		2008-2013	2009-2013	2010-2013	2011-2013	2012-2013
Test Period		2008-2013	2009-2013	2010-2013	2011-2013	2012-2013
Annualized Pre-Tax Return (excluding dividends)	SCP-S70 (net of fees)	3.48	14.80	12.68	12.90	19.76
	S&P 500 Index	4.17	14.70	13.05	13.31	20.40
	<b>SCP-S70 Excess Return</b>	<b>-0.68</b>	<b>0.10</b>	<b>-0.37</b>	<b>-0.41</b>	<b>-0.64</b>
Annualized After-Tax Return (excluding dividends)	SCP-S70 (net of fees)	6.77	16.01	13.70	14.42	20.38
	S&P 500 Index	4.17	14.70	13.05	13.31	20.40
	<b>SCP-S70 Excess Return</b>	<b>2.60</b>	<b>1.31</b>	<b>0.65</b>	<b>1.11</b>	<b>-0.01</b>
<b>Annualized Tax Alpha</b>	<b>SCP-S70</b>	<b>3.29</b>	<b>1.20</b>	<b>1.02</b>	<b>1.52</b>	<b>0.63</b>
Annualized Dividend Income	SCP-S70	2.24	2.10	2.12	2.15	2.05
	S&P 500 Index	2.19	2.00	2.00	2.06	2.04
	SCP-S70 Excess Return	0.06	0.11	0.12	0.09	0.01

Backtested Values (%)																					
Test Period		2008-2013						2009-2013					2010-2013				2011-2013			2012-2013	
Test Year		2008	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	2010	2011	2012	2013	2011	2012	2013	2012	2013
Pre-Tax Return (excluding dividends)	SCP-S70 (net of fees)	-38.08	22.64	11.19	-0.03	12.44	29.38	22.08	11.65	0.43	12.53	29.34	9.37	1.1	14.15	27.55	-1.3	12.99	28.91	11.31	28.65
	S&P 500 Index	-37.58	23.45	12.78	0.00	13.41	29.60	19.67	12.78	0	13.41	29.6	11	0	13.41	29.6	-1.12	13.41	29.6	11.68	29.6
	SCP-S70 Excess Return	-0.50	-0.81	-1.59	-0.03	-0.97	-0.22	2.41	-1.13	0.43	-0.88	-0.26	-1.63	1.10	0.74	-2.05	-0.18	-0.42	-0.69	-0.37	-0.95
After-Tax Return (excluding dividends)	SCP-S70 (net of fees)	-21.29	27.77	10.88	-0.05	12.43	29.36	28.79	11.15	0.43	12.52	29.3	12.84	1.66	14.14	27.54	3.26	12.99	28.9	12.56	28.65
	S&P 500 Index	-37.58	23.45	12.78	0.00	13.41	29.60	19.67	12.78	0	13.41	29.6	11	0	13.41	29.6	-1.12	13.41	29.6	11.68	29.6
	SCP-S70 Excess Return	16.29	4.32	-1.90	-0.05	-0.98	-0.24	9.12	-1.63	0.43	-0.89	-0.30	1.84	1.66	0.73	-2.06	4.38	-0.42	-0.70	0.88	-0.95
Tax Alpha	SCP-S70	16.79	5.13	-0.31	-0.02	-0.01	-0.02	6.71	-0.50	0.00	-0.01	-0.04	3.47	0.56	-0.01	-0.01	4.56	0.00	-0.01	1.25	0.00
Dividend Income	SCP-S70	3.01	2.01	1.94	2.25	2.28	1.98	2.10	1.98	2.24	2.26	1.94	2.08	2.24	2.21	1.95	2.29	2.22	1.95	2.20	1.90
	S&P 500 Index	3.11	2.01	1.81	2.10	2.19	1.89	1.99	1.81	2.10	2.19	1.89	1.80	2.10	2.19	1.89	2.10	2.19	1.89	2.19	1.89
	SCP-S70 Excess Return	-0.10	0.00	0.13	0.14	0.09	0.09	0.11	0.17	0.14	0.07	0.05	0.27	0.14	0.02	0.05	0.19	0.03	0.06	0.01	0.01

### Definitions and Formulas

#### Test Period Length

$$\text{Test Period Length in Years} \equiv n$$

#### Pre-Tax Return

$$R = \left( \frac{\text{End Value Excluding Dividends}}{\text{Start Value}} \right)^{1/n} - 1$$

$$R_{\text{annualized}} = (1 + R)^n - 1$$

#### After-Tax Return

$$R' = \left( \frac{\text{End Value Excluding Dividends} - \text{Tax on Realized Gains}}{\text{Start Value}} \right)^{1/n} - 1$$

$$R'_{\text{annualized}} = R_{\text{annualized}} + \left( \frac{R' - R}{n} \right)$$

The tax-benefit portion of annualized after-tax returns is averaged arithmetically since tax savings are not reinvested and do not compound in this scenario.

#### Excess Return

The portfolio return minus the benchmark return:

$$\Delta R = R_{\text{portfolio}} - R_{\text{benchmark}}$$

$\Delta R$ ,  $\Delta R'$ ,  $\Delta R_{\text{annualized}}$  and  $\Delta R'_{\text{annualized}}$  are calculated similarly.

#### Tax Alpha

$$\text{Tax Alpha} = \Delta R' - \Delta R$$

$$\text{Tax Alpha}_{\text{annualized}} = \frac{\text{Tax Alpha}}{n} = \Delta R'_{\text{annualized}} - \Delta R_{\text{annualized}}$$

#### Dividend Income

$$D = \frac{\text{Total Dividends Paid Over Test Period}}{\text{End Value Excluding Dividends}}$$

$$D_{\text{annualized}} = \frac{D}{n}$$

### Disclosures

Smartleaf Asset Management, LLC. ("SAM") is registered with the Securities & Exchange Commission as an Internet investment adviser. Smartleaf Core Portfolios, including any described herein, are available only through an interactive website or, on a limited basis, by special arrangement with SAM.

**RESULTS OF BACKTEST:** The performance information regarding the Smartleaf Core Portfolio SCP-S70 strategy is based on a hypothetical \$100,000 portfolio invested in approximately 70 stocks and accruing dividends without reinvesting them. **This is back-tested data and does not represent the performance of an actual account.** The results reflect the following hypothetical expenses and fees: transaction costs of \$0.05/share, and an advisory fee at an annual rate of 0.25% deducted monthly in arrears. These hypothetical expenses and fees are assumed to be paid from a separate cash account and are deducted from the value of the portfolio after the fact when calculating performance. The advisory fees of SAM as well as its brokerage practices and other information are disclosed in its Brochure (Form ADV-2), which is available upon request. Annual values and dividend income are calculated from year-end to year-end, except that backtests assume investment on first business day of the year. Therefore, for example, the benchmark's return in 2012 will be the same for every backtest except for the one starting in 2012, where it will differ precisely by the daily return from 1/23/2011.

Actual performance for client accounts may be materially lower than is indicated by the backtested results. Backtested performance results have certain inherent limitations. They do not reflect the impact that material economic market factors might have on an investment adviser's decision-making process in a real account. Backtested performance also differs from actual performance because it is achieved through the retroactive application of an algorithm designed with the benefit of hindsight. As with any investment strategy, there is potential for profit as well as the possibility of loss. SAM does not guarantee any minimum level of investment performance or the success of any portfolio.

**AFTER-TAX VALUE:** The test assumes a 40% tax rate for short term capital gains and losses and 20% for long term capital gains and losses. To determine after-tax value, this test keeps track of the taxes due in each test year. Net realized capital gains and losses are used to calculate taxes due and, if necessary, carried forward to future years. When carry-forward losses are used to offset taxes due, the test uses the IRS rules from publication 550: long-term carry-forward losses must offset any long-term realized capital gains before being allowed to offset short-term capital gains. When there are additional carry-forward losses, they are valued as if they could be used to offset capital gains of the same term realized outside of the portfolio. After-tax returns are defined as pre-tax returns adjusted for taxes due or loss-carry forward as a percentage of the starting pre-tax value of the portfolio. After-tax returns of the benchmark are assumed to be identical to its pre-tax returns.

#### PAST PERFORMANCE IS NOT AN INDICATION OF FUTURE RESULTS.

**SECURITIES INDEX:** This presentation reflects data related to the performance of the S&P 500® Index with dividends accrued without reinvestment. The performance of securities indices is not subject to fees and expenses associated with investment funds. Investments cannot be made directly in the indices.

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