

THE RETIREMENT INCOME COMPASS

BECAUSE THERE ARE BIG RISKS ON THE ROAD AHEAD

Investing Challenge/Compass Advantage

Asset Allocation is Key to Risk Management

Adding Bonds to a Stock Portfolio Will Help Lower Risk

Calendar Year Returns	100% Stocks	60% Stocks 40% Bonds	50% Stocks 50% Bonds	40% Stocks 60% Bonds	100% Bonds
1990	-3.1%	1.7%	2.9%	4.1%	9.0%
1991	30.5%	24.7%	23.2%	21.8%	16.0%
1992	7.6%	7.5%	7.5%	7.5%	7.4%
1993	10.1%	10.0%	9.9%	9.9%	9.8%
1994	1.3%	-0.4%	-0.8%	-1.2%	-2.9%
1995	37.6%	29.9%	28.0%	26.1%	18.5%
1996	23.0%	15.2%	13.3%	11.4%	3.6%
1997	33.4%	23.9%	21.5%	19.2%	9.7%
1998	28.6%	20.6%	18.6%	16.6%	8.7%
1999	21.0%	12.3%	10.1%	7.9%	-0.8%
2000	-9.1%	-0.8%	1.3%	3.3%	11.6%
2001	-11.9%	-3.8%	-1.7%	0.3%	8.4%
2002	-22.1%	-9.2%	-5.9%	-2.7%	10.3%
2003	28.7%	18.9%	16.4%	13.9%	4.1%
2004	10.9%	8.3%	7.6%	7.0%	4.3%
2005	4.9%	3.9%	3.7%	3.4%	2.4%
2006	15.8%	11.2%	10.1%	8.9%	4.3%
2007	5.5%	6.1%	6.2%	6.4%	7.0%
2008	-37.0%	-20.1%	-15.9%	-11.7%	5.2%
Average Annual Return 1990-2008	9.2%	8.4%	8.2%	8.0%	7.2%

Stocks provided the highest total period return, but also saw significant short-term losses. Adding bonds decreased short-term losses, while maintaining a solid return.

Past performance does not guarantee future results.

Source of chart data: FactSet, 1990-2008. Returns shown are calendar year cumulative returns, and total period (1990-2008) average annual returns for the S&P 500 Index (stock) and the Barclays Capital Aggregate Bond Index (bonds), widely used measures of stock and bond market performance, respectively, and for portfolios with allocations to both indices, weighted as shown. Portfolios assume rebalancing at the start of each year to the initial weights. Indices are unmanaged, include reinvested income (but not transaction costs or taxes). This chart is shown for illustrative purposes only and does not predict or depict the performance of any fund.

Diversifying your portfolio assets between stocks and bonds can be the key to help you reach your retirement income goals without taking on more risk than you can handle. In general, bonds are less volatile than stocks, but over time can be expected to have lower returns.

When looking at the table above, an investor's eyes might naturally gravitate to the many years of double-digit returns for stocks, often trying to convince oneself that he/she would be able to tolerate the down cycles (2000-2002 & 2008) to reap the benefits of the those higher returns.

The fact is that there are few of us, no matter age and financial circumstance, who are able to be comfortable with 100% stock exposure during the inevitable periodic bear market. Almost all portfolios need to temper stock market volatility with a significant exposure to bonds.

Each Madden-managed portfolio starts with an asset allocation between stocks and bonds. To enhance returns and reduce volatility, the allocation to stocks is then further diversified across several different stock asset classes; small & large companies, value & growth companies, and real estate.

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What to know...
and how to go

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