

THE RETIREMENT INCOME COMPASS

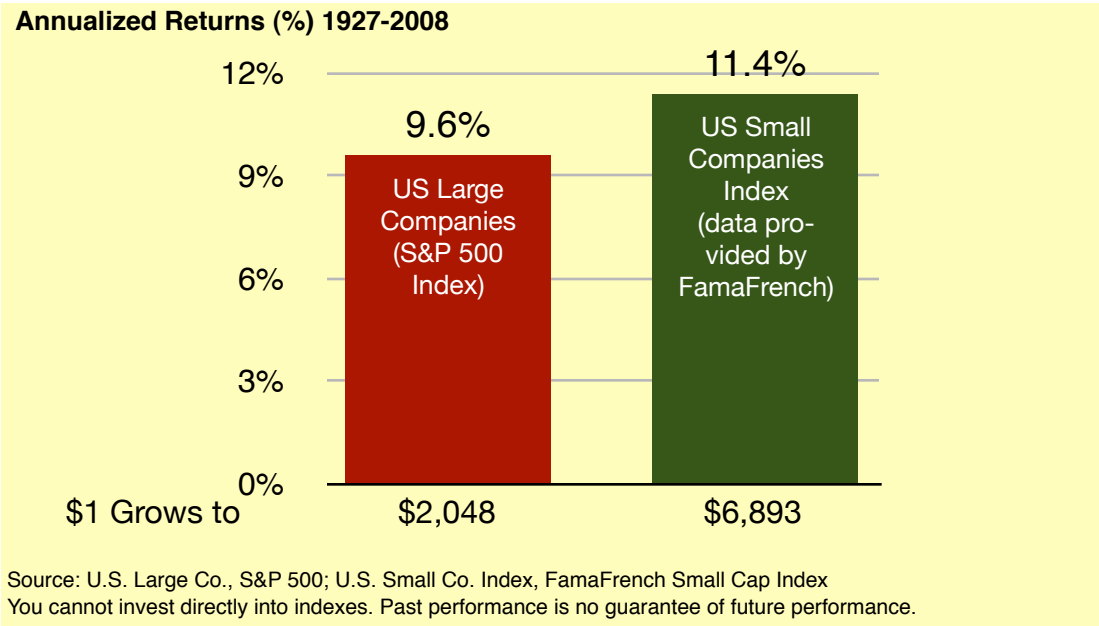
BECAUSE THERE ARE BIG RISKS ON THE ROAD AHEAD

Investing Challenge/Compass Advantage

The Size Effect:

Small Company Stocks Make a Big Difference

Small Co. Stocks Have Had Significant Outperformance Over Large Co. Stocks



Investing Challenge

Everything we have learned about expected returns in the equity markets can be summarized in three dimensions. The first is that stocks are riskier than bonds and have greater expected returns. Relative performance among stocks is largely driven by the two other dimensions: the Size Effect, small company stocks vs. large co. stocks, and the value effect (we'll review the value effect in a future edition).

The graphic dramatizes the Size Effect over 82 years: U.S. small co. stocks outpaced large co. stocks by 1.8 percentage points (11.4% vs. 9.6%), more than tripling the growth of \$1 (\$6,893 vs. \$2,048).

These results are for indexes which do not reflect real-world transaction costs. Trading stocks, especially small co. stocks, is expensive. The costs are buried in financial statements and corporate ledgers, but the investor always pays with lowered returns.

Compass Advantage

Madden is able to put the Size Effect to work in its managed portfolios through collaboration with its fund partner, Dimensional Fund Advisors (DFA). Careful trading can reduce or even reverse the costs borne by traditional investment managers.

DFA focuses on trading. Their refusal to forecast or follow indexes gives them negotiating strength. Where others feel compelled to trade, the firm can take its time. It is more important that they capture the systematic performance of broad market dimensions than the random fluctuations of any single security. It is more important that they keep costs low, patiently and expertly. Dimensional has developed its trading infrastructure to make this possible. By being patient when others are pushing to transact and by being thrifty when others pay a premium, the savings accrue directly to your portfolio's return.

DFA's Trading Advantage

DFA's patient, large scale trading brings opportunity for cost-effective and lucrative trades. A vast universe of illiquid stocks is transacted in a coordinated way. The result: performance driven by a potent combination of investment philosophy and trading power.

For more on DFA's trading power, go to:
www.dfaus.com/application/trading/

THE RETIREMENT INCOME
COMPASS
BECAUSE THERE ARE BIG RISKS ON THE ROAD AHEAD

What to know...
and how to go

Madden Funds Management, Ltd.

*an independent, fee-only
financial advisor*

1010 Lake Street, Suite 604

Oak Park, IL 60301

Phone: (708) 848-3200

Web: maddenfunds.com

E-mail: maddenfunds@mac.com

Custody by Fidelity Investments