

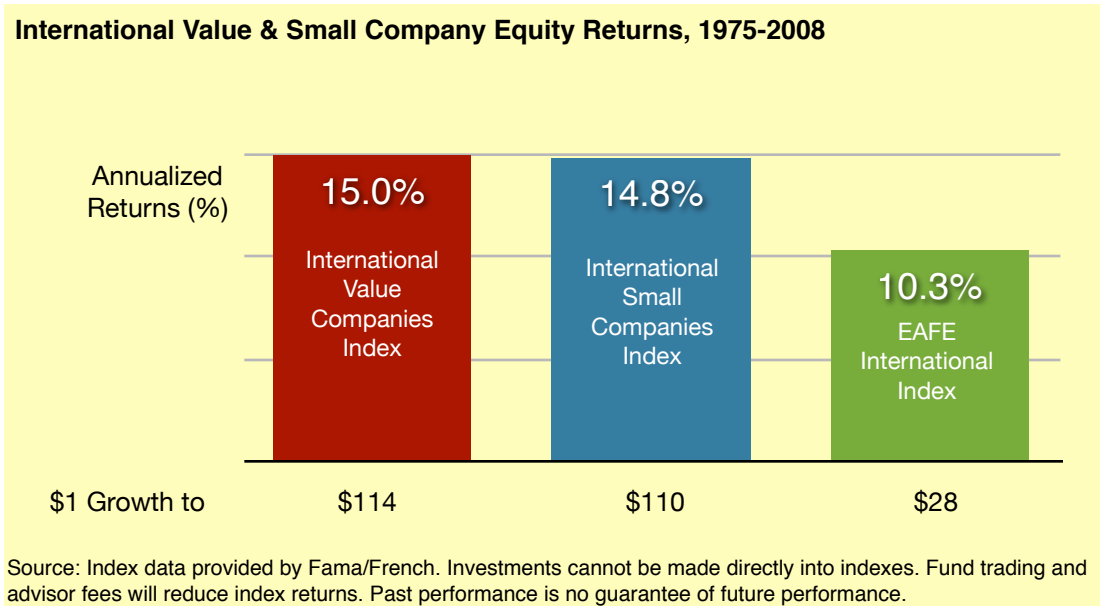
THE RETIREMENT INCOME COMPASS

BECAUSE THERE ARE BIG RISKS ON THE ROAD AHEAD

Investing Challenge/Compass Advantage

The Case for International Investing: Greater Diversification, Less Risk

International Investing Offers the Potential of Greater Risk-Adjusted Returns



Investing Challenge

- Would you be surprised to learn that 80% of global output and over half the world's equity market value comes from countries outside the U.S.?
- Having exposure to international markets can reduce your overall portfolio risk, while enhancing portfolio returns over time.
- When thinking about building a diversified portfolio, investors should be reminded of the old adage, "Don't put all your eggs in one basket." While diversification is, in large part, about the number of investments you have in your portfolio (the general rule being "the more, the better"), it's also about the relationship among those investments.
- If your investments are all highly correlated, meaning they tend to move in the same direction at the same time in response to changing market conditions, you could be exposed to significant volatility.

Compass Advantage

- The U.S. and international markets behave differently. While the global economy is increasingly interdependent, the reality is that global equity markets are still not that integrated.
- What this means from an investment standpoint is the combining U.S. and non-U.S. investments results in a better-diversified portfolio whose components don't move in lockstep—so when some go up, others go down, and vice versa.
- Investing in companies in the EAFE (Europe, Australasia, Far East) index can effect a reduction in portfolio risk and potentially better long-term performance.
- The graphic above shows investing in international value and small companies can produce greater returns than EAFE.
- The Compass portfolio's international allocation has a strong bias to value and small companies.

The DFA Trading Advantage

International stocks, especially those of value and small companies, are less liquid than U.S. stocks. The difference in the bid/ask trading spreads could quickly erode the expected return premium if trading is executed without a careful cost-conscious trading strategy.

Madden depends on its fund partner Dimensional Fund Advisors (DFA) for the required patient, large scale trading that 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 strategy and tactics, go to: www.dfaus.com/application/trading/

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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
Email: advisors@maddenfunds.com