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"Smart Investing"
The Comstock Model
Conference Call Reference

June 19, 2007

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Phone Conference Reference

- Thank you for participating in our conference call session on **"Pay for Alpha, Buy Beta Cheap"** on Tuesday June 19, 2007 at 2:00pm (central).

- The call will cover the highlighted portions of this brochure. Subsequent calls will cover other areas of this piece.

- **Conference Call Presenters**

  Paul L. Comstock, Chairman, Paul Comstock Partners

  Stephen C. Browne, CFA, Chief Investment Officer, Paul Comstock Partners

  Robert D. Arnott, Chairman, Research Affiliates, LLC, Editor Emeritus, Financial Analysts Journal

- The conference call in numbers are:
  - Dial-in number: (888) 453 5732
  - Participant Passcode: 602379
  - Please follow the instructions on the automated system. All participants will be on listen-only mode until the Q&A section. We look forward to answering your questions at the conclusion of the presentation. Please allow about 1 hour for the call.

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Smart Investing Principles

- Maintain only enough liquidity to match the present value of 3-5 years of cash flow needs
- Understand the potential impact of inflation or deflation on the portfolio structure
- Pay attention to all risk exposure
- Avoid participation in market speculation
- Allocate the majority of the risk budget to the highest alpha opportunities
- Pay as little as possible for market beta
- Joint venture “alpha-only” manager compensation structures
- Avoid overly rigid adherence to style boxes or segments of the public market
- Look for asymmetric payoffs where potential gains are larger than potential losses
- Look for limited capacity investments, below the radar of large institutional investors, where capital is scarce
- Incorporate ownership structures that enhance management and transfer cost savings

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Investor Risk Exposure

- Absolute risk
  - Risk of gaining or losing value due to market fluctuations
- Relative risk
  - Risk of underperforming benchmark
- Purchasing power risk
  - Impact of inflation or deflation
- Credit risk
  - Risk of catastrophic losses due to default
- Liquidity risk
  - Risk of depressed prices or that there may not be a buyer when needed
- Statutory or Policy risk
  - Risk of violating legal and/or self-imposed standards
- Fraud risk
  - Risk of theft or fraud by delegated agents
- Geopolitical risk
  - Risk of government appropriation or instability
- Headline risk
  - Tolerance for negative publicity over decisions made

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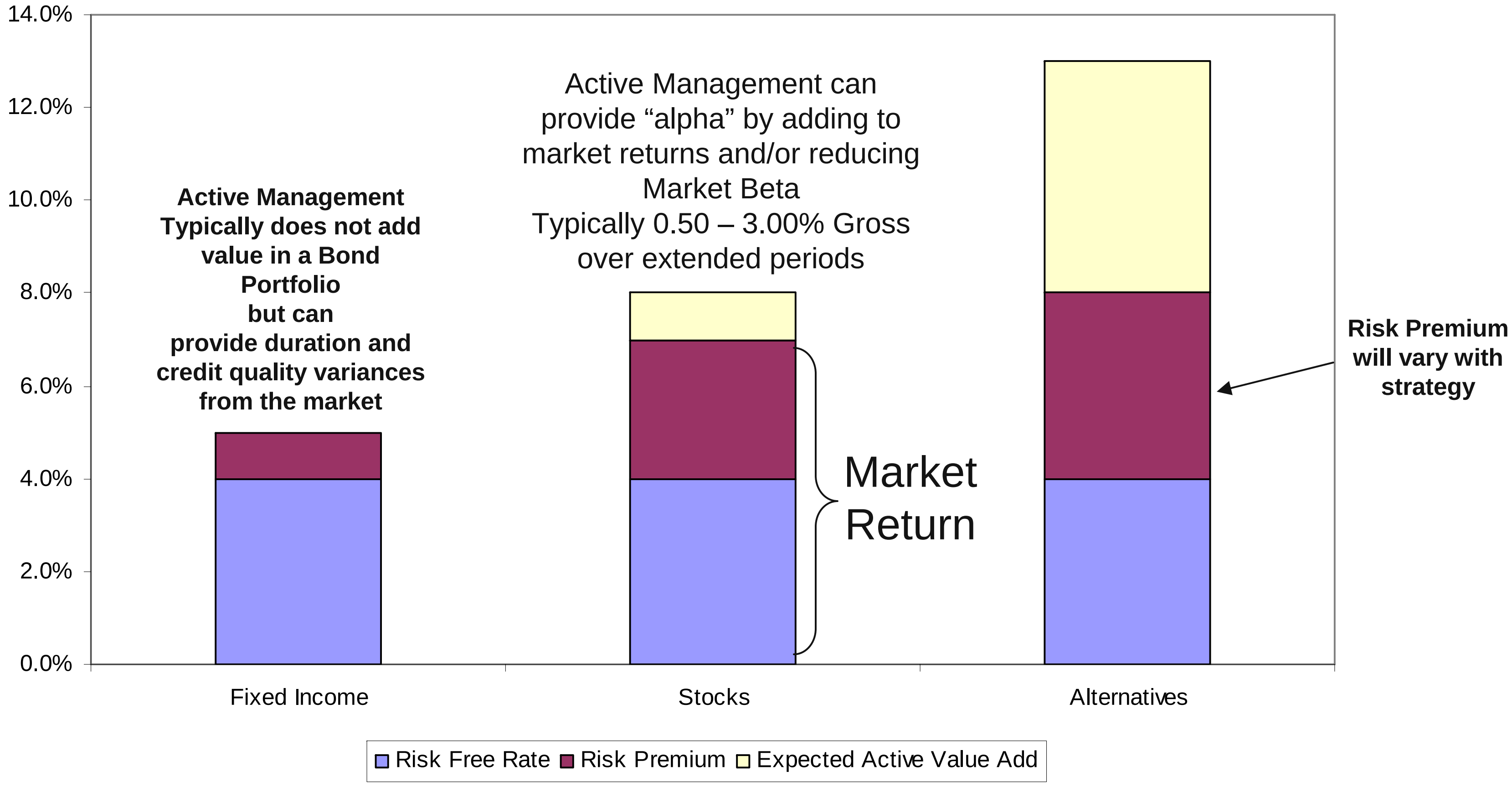
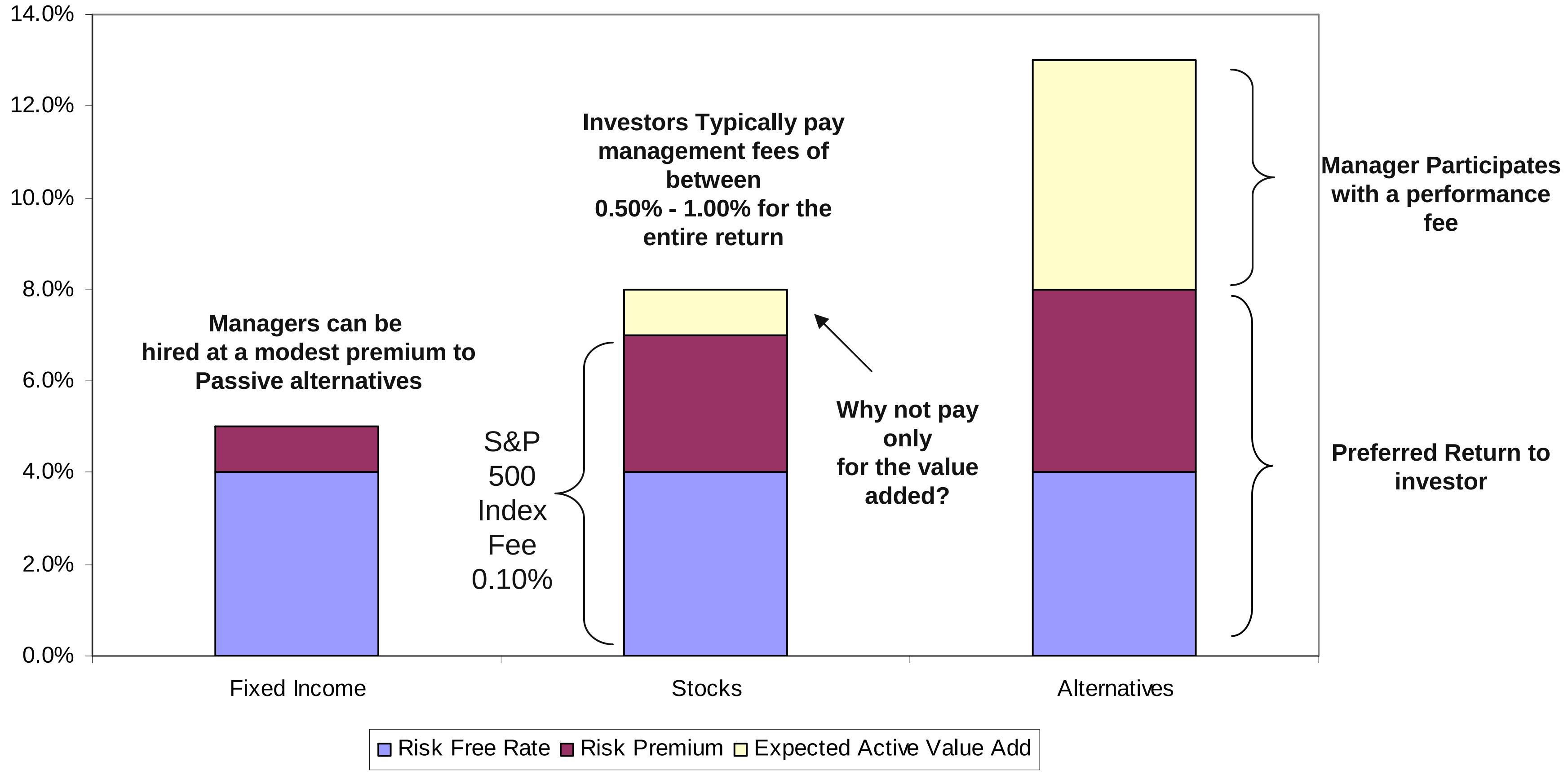
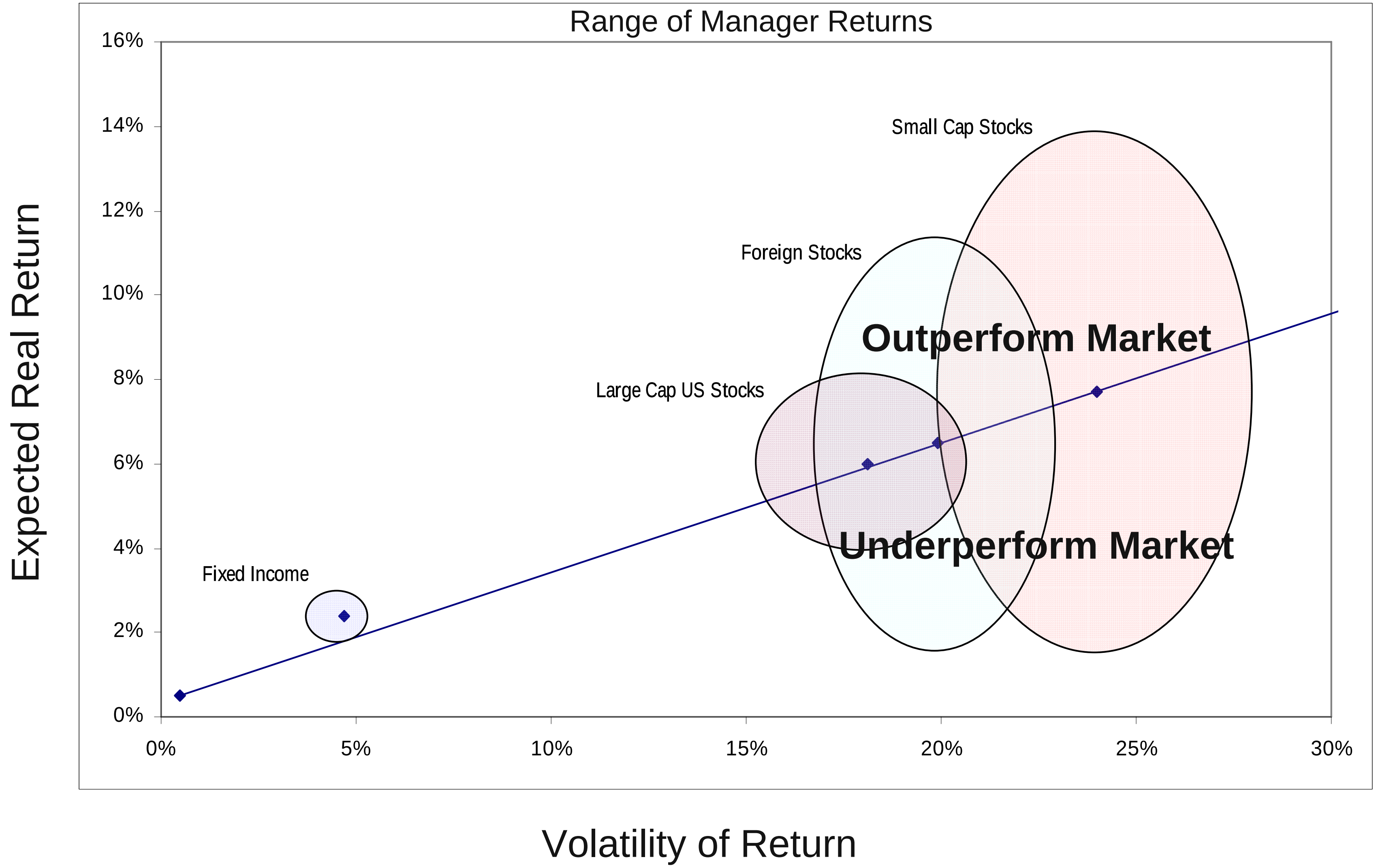
What to Expect from Active Management



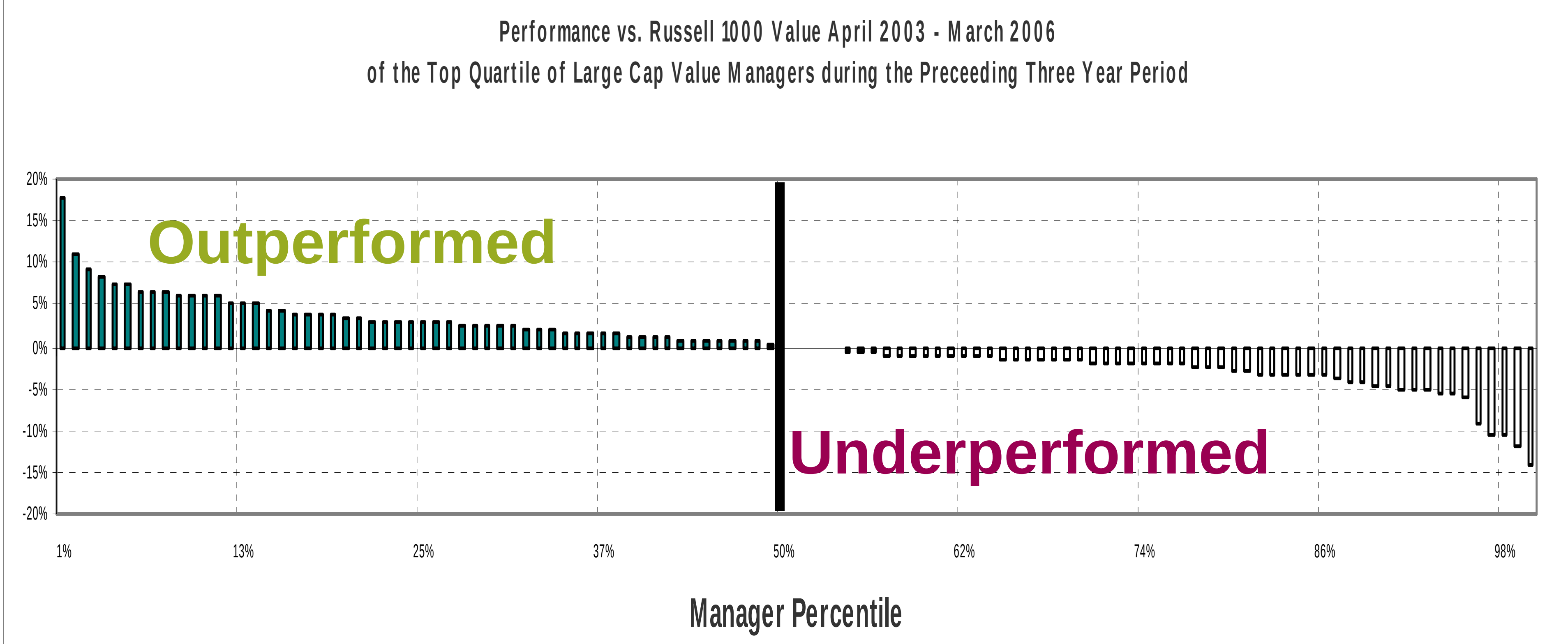
Aligning Management Fees with the Investment



Management Tracking Error



Past performance can be an unreliable guide to future results



* Source: Zephyr data adjusted for estimated management fees of 0.65%

When Alpha Seeking Doesn't Work

- Every LC Value manager who outperformed >0.50% annually for 10 year period ending March 31, 2007 had at least one two year period of underperformance
- Only 3 out of 49 managers did not have a three year period of underperformance
- What would cause a manager to underperform?
  - Holdings are out-of-favor with the market
  - Bad decision making
  - Change in key investment personnel
  - Manager took in too many assets for the investment strategy
  - Portfolio was a "one trick pony" that was loaded up on a particular theme or sector that happened to work during the first 3 year period
  - Luck played a larger role in the past performance than skill

* Source: Zephyr data adjusted for estimated management fees of 0.65%

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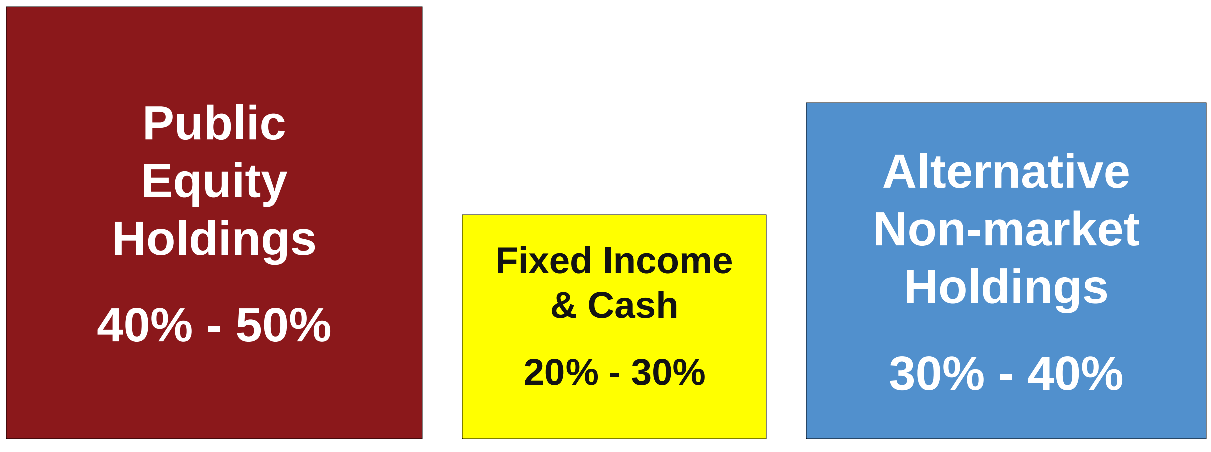
Chasing Performance does not Work

- Most volatile 25% of mutual funds over a 10 year period
  - 8.1% per year return for the fund as a whole
  - Average investor return of 5.3%
- Least volatile 25% of mutual funds over a 10 year period
  - 8.9% per year return for the fund as a whole
  - Average investor return of 8.9%
- Sector funds had an average return over the 10 year period of 10.4%
  - Average investor return of 7.6%
- Over the past 10 years (ending 2005)
  - Investors in diversified stock funds earned 7.3% per year versus the fund's 8.8% published returns
- In 19 stock markets, investors underperformed a buy-hold strategy by 1.5% points per year since 1973

Source: Morningstar

Typical Comstock Model Portfolio Allocation



Why a Global Alpha Strategy?

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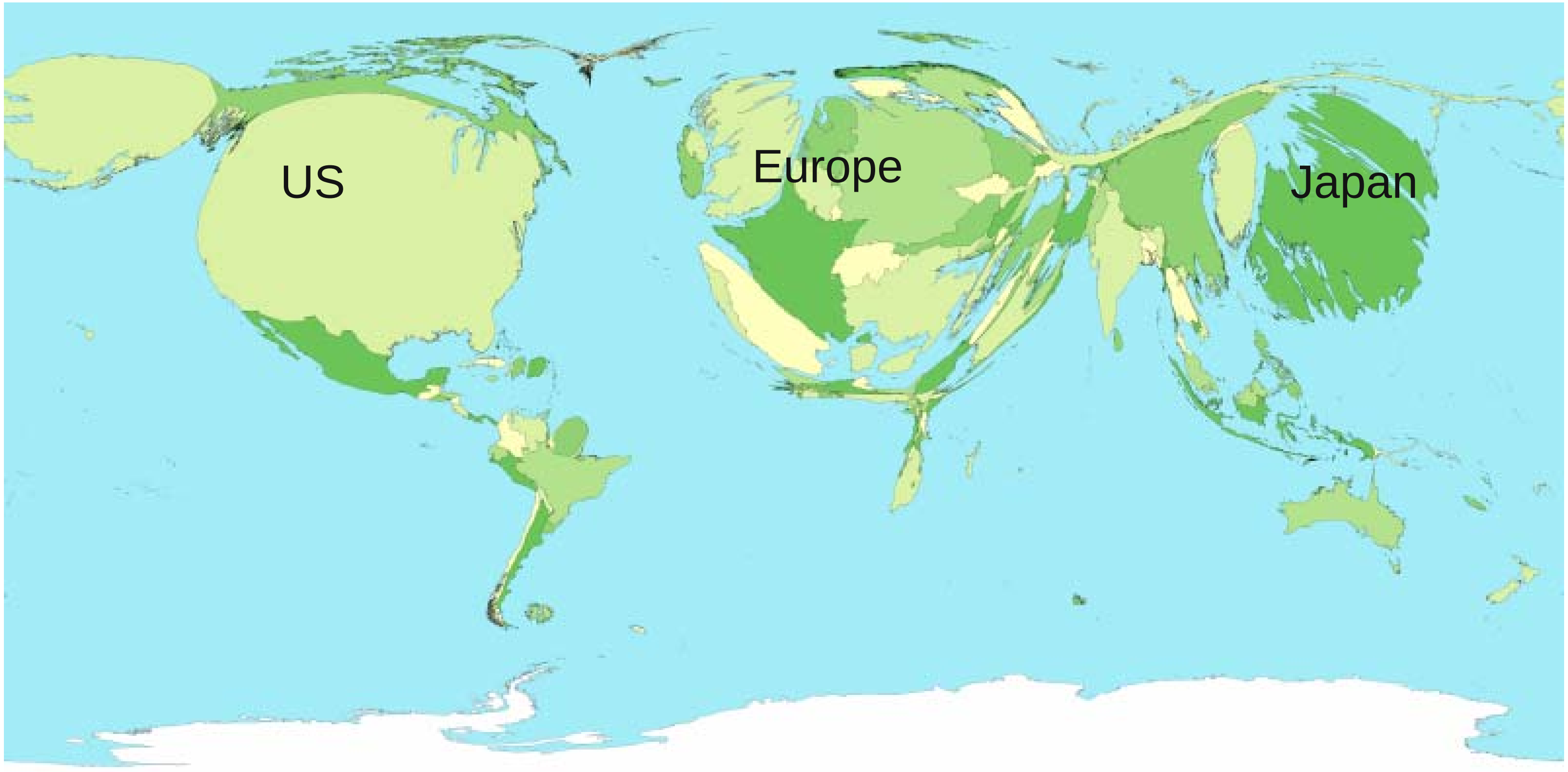
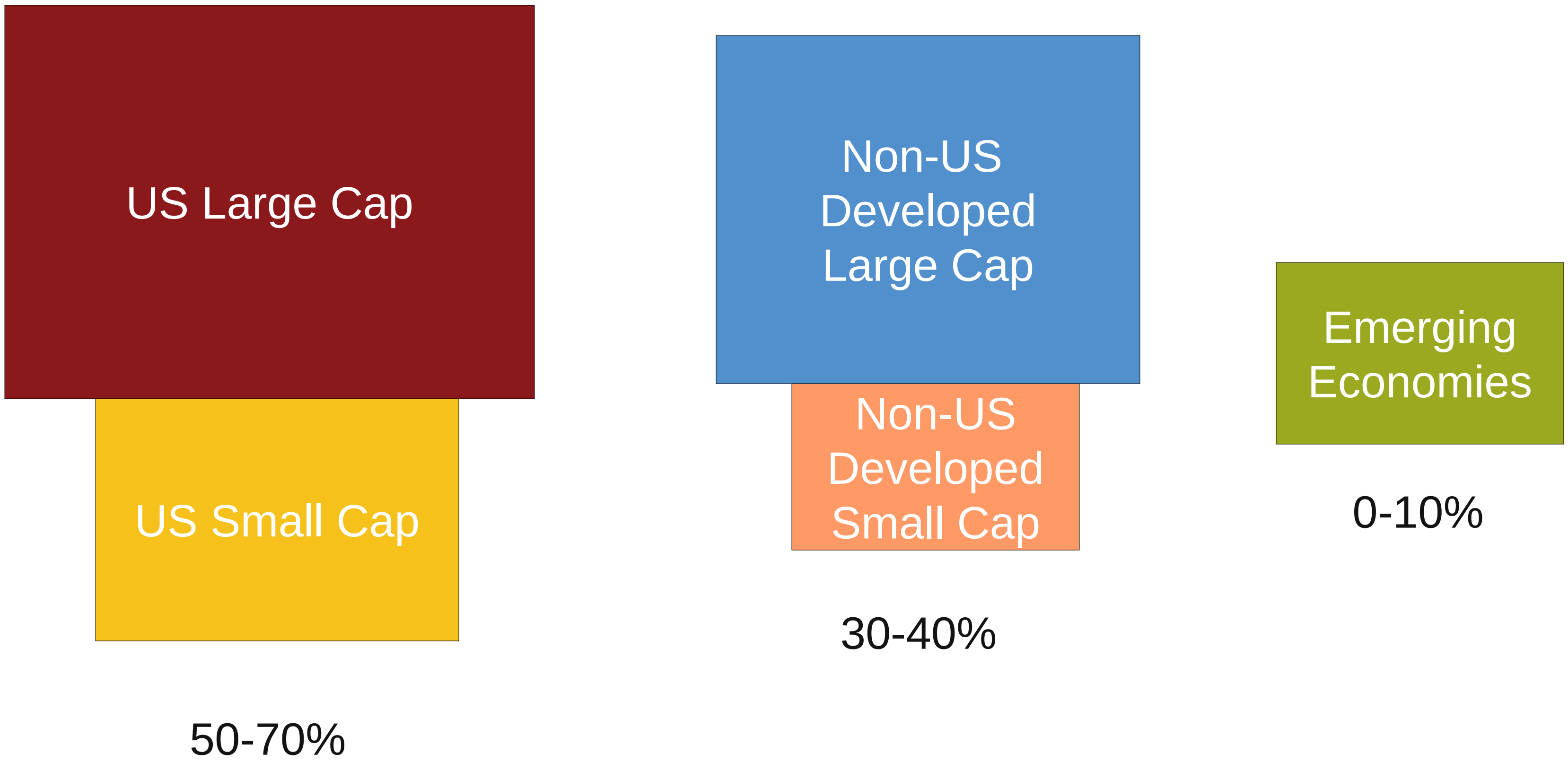
GDP-Sized Map of the World



- Over 40% of the revenue for companies in the S&P 500 comes from outside the US
- Large European and Japanese multinationals have substantial revenues in the US
- Small cap stocks tend to be more region-specific (but there are many exceptions)

Typical Public Market Equity Allocation



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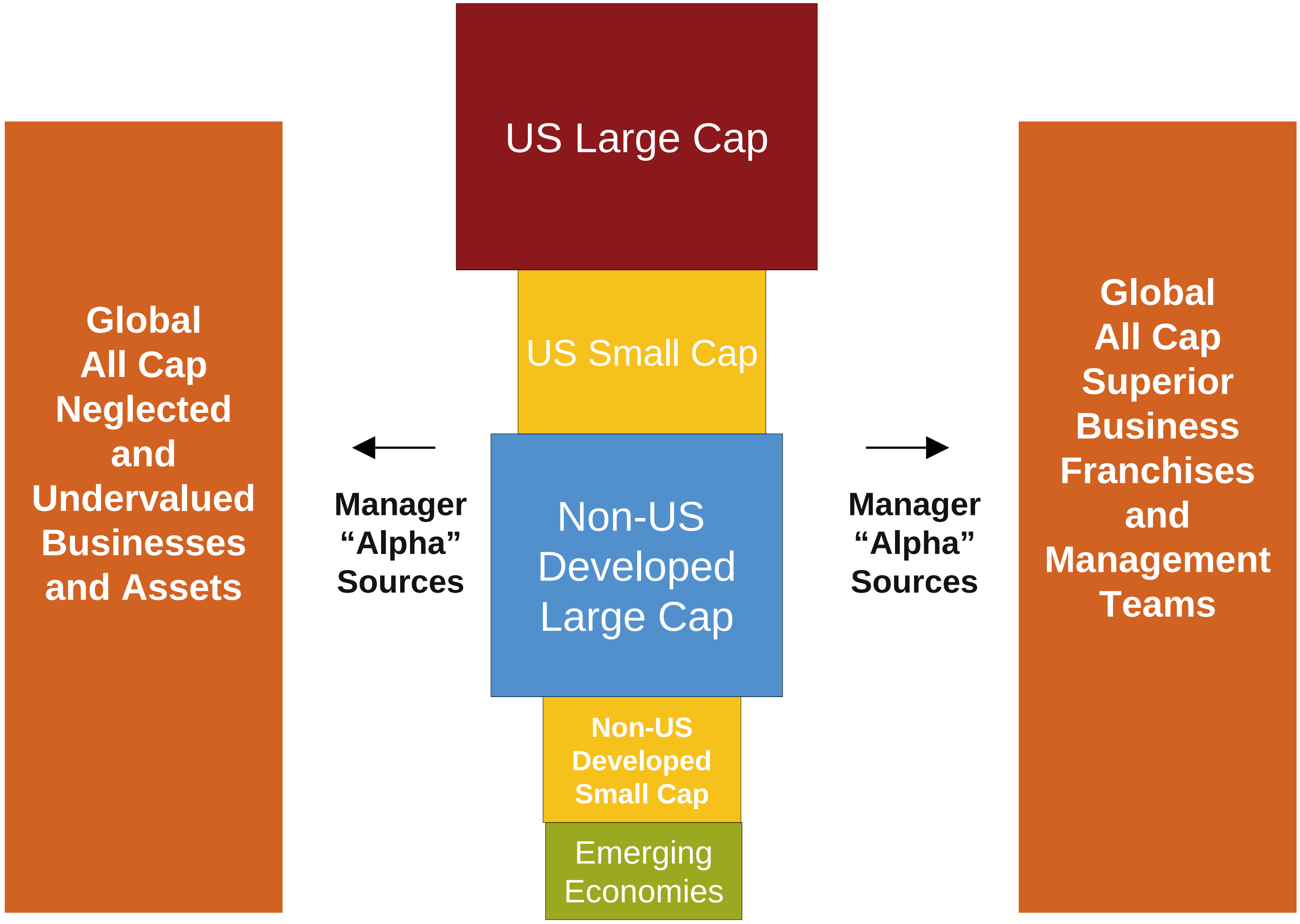
Fundamental Index™

- The methodology involves weighting stocks within a particular universe by a composite statistic based upon a rolling five year average of sales, cash flow and dividends plus current book value
- Stock weights will then largely track fundamental factors like sales and earnings growth, rather than changes in valuation
- While money has been managed to this index since December 2004, peer reviewed academic research on the index has been done back to 1962 which showed an annual excess return on the large cap US version of the strategy vs. the S&P 500 of approximately 200 basis points
  - Small cap and International versions of the Fundamental Index have shown larger relative outperformance of cap-weighted benchmarks
- Importantly, the Fundamental Index demonstrated better performance in negative market environments than the S&P 500
- Cap-weighing can introduce substantial growth bias
  - High multiple stocks have higher weightings than low multiple stocks
    - For example, given two companies with identical revenues & earnings, but one is overvalued 50% and the other undervalued by 50%, the cap weighted index will have 3 times the weighting in the overvalued stock as in the undervalued one
- Cap-weighted indexes fully participate in every market bubble and decline

Core and Management Alpha Strategy



Fundamental Index Core

Manager Selection Criteria

- Is a motivated owner of the firm
- Has a high conviction in the companies owned
- Knows and follows each management team
- Is willing to own concentrated positions
- Does not want to be subject to a style box restriction
- Will provide an overweighted allocation where the Fundamental Index core is underweighted
- Focuses on absolute returns
- Pays attention to capacity constraints
- Willing to align their financial interests with that of the investor

Model Portfolio Composition

Fundamental Index Core

- 37% US Large Cap
- 18% US Small Cap
- 45% International

Management Alpha Sources

- All Cap Quality Growth
- All Cap Opportunistic
- Emerging Market Exposure

- 55/45 Combined Portfolio between Fundamental Index Core and Management Alpha Sources

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Model Portfolio Performance

Manager Performance Analysis

May 2003 - March 2007: Annualized Performance Statistics

	Return	Standard Deviation (Volatility)	Sharpe Ratio	Alpha	Beta	Max Drawdown	Tracking Error
Alpha Sources	19.54%	9.57%	1.75	3.22%	1.14	-5.64%	4.50%
Global Fundamental Index	23.98%	9.14%	2.32	7.13%	1.14	-4.98%	3.58%
Model Portfolio	22.44%	9.03%	2.18	5.93%	1.13	-4.85%	3.47%
MSCI World Index	19.78%	7.98%	2.13	5.23%	1.00	-3.97%	2.81%
S&P 500	13.89%	7.45%	1.49	0.00%	1.00	-4.00%	0.00%

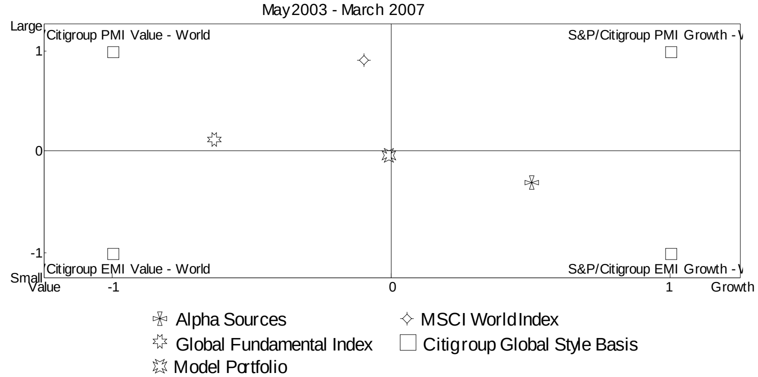
Annualized Performance

	YTD	1 year	2 years	3 years
Alpha Sources	2.19%	8.78%	18.12%	14.60%
Global Fundamental Index	3.26%	17.17%	19.10%	17.06%
Model Portfolio	2.80%	13.04%	18.82%	16.20%
MSCI World Index	2.60%	16.00%	17.29%	15.18%
S&P 500	0.64%	11.83%	11.78%	10.06%

	2006	2005	2004
Alpha Sources	15.23%	15.44%	16.04%
Global Fundamental Index	23.32%	10.35%	19.52%
Model Portfolio	19.41%	13.17%	18.58%
MSCI World Index	20.65%	10.02%	15.25%
S&P 500	15.79%	4.91%	10.88%

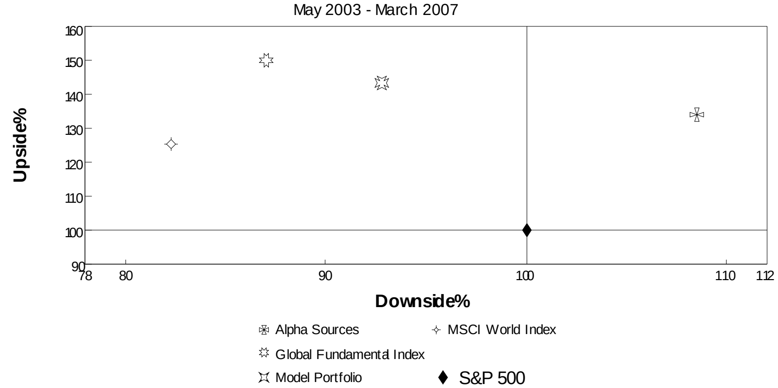
Manager Style

May 2003 - March 2007



Upside Downside

May 2003 - March 2007



Portfolio Returns are provided on a pro forma basis, gross of management fees. Actual results will vary.

Model Portfolio Performance

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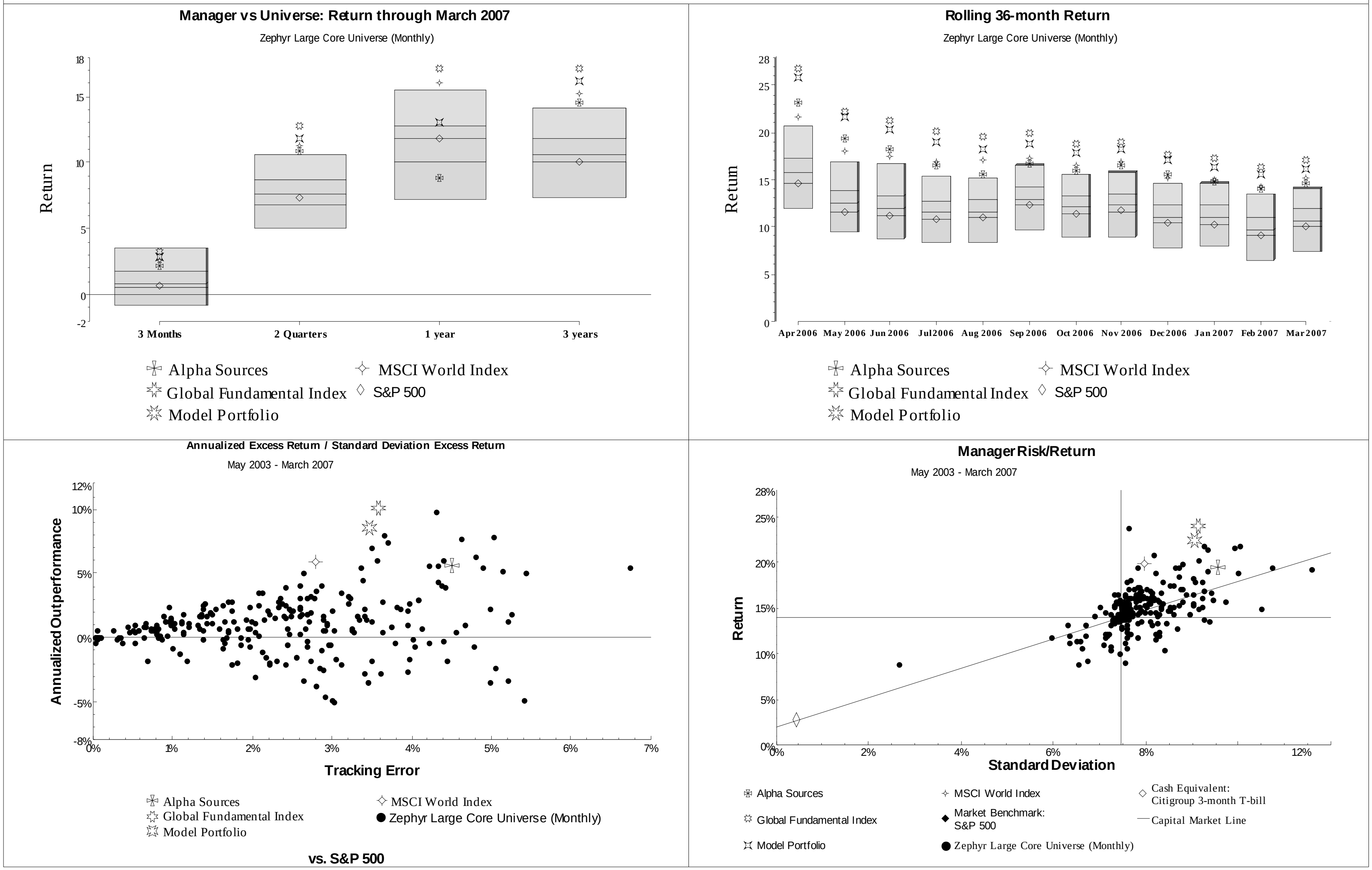
Manager Performance Analysis



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Cost Scenario

Fundamental Index	Management Fee	Equity Portfolio Allocation	Fee % of Total Equity Portfolio	Alpha or Gross Return Assumption	Performance Fee	Total Cost	Cost % of Total Equity Portfolio
Large / Mid Cap US	0.06%	20.0%	0.01%	2.00%	0.48%	0.54%	0.11%
Small Cap US	0.08%	10.0%	0.01%	3.00%	0.72%	0.80%	0.08%
International	0.15%	25.0%	0.04%	2.00%	0.48%	0.63%	0.16%
Mgt Alpha Sources - Perf Fee	0.00%	40.5%	0.00%	18.00%	1.95%	1.95%	0.79%
Mgt Alpha Sources - Flat Fee	1.00%	4.5%	0.05%	18.00%	3.40%	4.40%	0.20%
Totals			**0.10%**				**1.33%**

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Performance Fees	
FI Large / Mid Cap US	24% of return above the S&P 500
FI Small Cap US	24% of return above the Russell 2000
FI International	24% of return above the MSCI EAFE
Mgt Alpha Sources - Perf Fee	15% of the return above 5%, capped at 2.0%
Mgt Alpha Sources - Flat Fee	1% and 20% of performance

Note: The above fee structure and performance estimates are for illustrative purposes only and will vary for client to client depending on the actual allocation and delegation selected as well as the performance results.

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