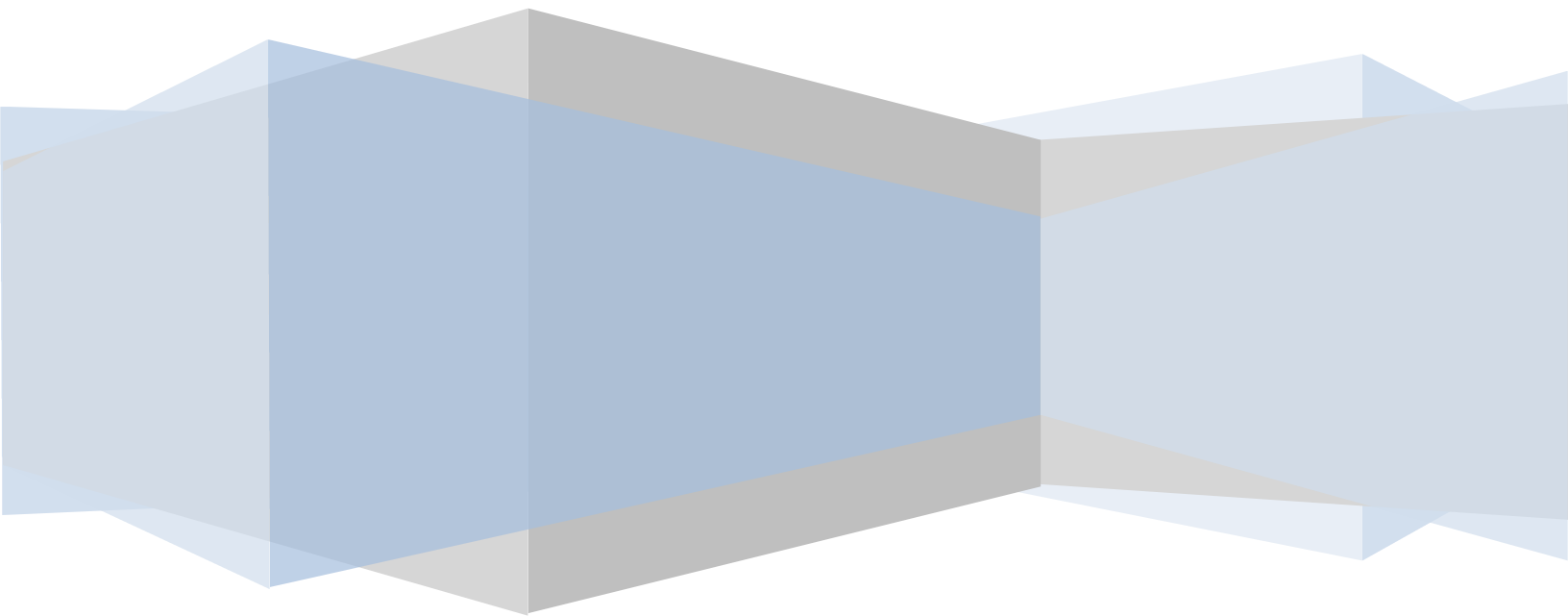


WEALTH DEVELOPMENT COUNCIL

# TOP 30

## EQUITY INCOME STRATEGY

JAMES D. GOOD, CLU®, CFP®, CHFC®



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James Good is an Investment Advisor Representative of Investment Advisors, a Registered Investment Advisor and a division of **ProEquities, Inc.** Securities offered through **ProEquities, Inc.**, a Registered Broker-Dealer, Member, FINRA and SIPC. Wealth Development Council is independent from **ProEquities, Inc.**

## Introduction and Purpose

The intent of this Investment Proposal is to establish a clear understanding between \_\_\_\_\_ (Investor) and Wealth Development Council (WDC) as to the investment objectives and policies applicable to the **Top 30** Equity Income Strategy. This Investment Policy will:

1. Establish reasonable expectations, objectives, and guidelines for the investment of the assets allocated to the **Top 30** Equity Income Strategy,
2. Serve as a reference over time to provide long-term discipline for an established investment plan,
3. Encourage effective communication between the Investor and the Advisor,
4. Outline fees and expenses the Investor may expect to incur, and
5. Review past performance.

## Investment Objective

The objective of the **Top 30** Equity Income Strategy is to seek long term growth of principal through realizing current dividend and/or cash distribution(s) and potential capital appreciation. This strategy should be utilized as part of a larger portfolio, not as the complete investment program of a prudent investor.

## Investment Philosophy

The **Top 30** Equity Income Strategy employs a fundamental and technical approach to portfolio management.

The fundamental tenets under which this strategy operates are:

1. The financial value of a company is directly related to operating results reported on its income statement and balance sheet.
2. Under normal circumstances, investors are eventually willing to pay for recognized value.
3. A successful business enterprise results in free cash flow.
4. Lower leverage typically results in lower risk, higher leverage typically results in higher risk; therefore companies carrying higher leverage represent greater risk in a portfolio and companies which carry lower leverage represent lower risk in a portfolio.
5. Companies with dependable access to capital are better able to navigate business challenges and take advantage of business opportunities than companies which have less-dependable access to capital.

6. Companies defined as having an “economic moat” outperform “non economic moat” companies over time.<sup>1</sup>

To the degree that these tenets are accurate, successfully identifying companies which meet these criteria may result in a portfolio of investment holdings which displays a greater likelihood of investment success than a portfolio which is not so-characterized.

From a practical standpoint, dividend distributions represent real cash flow in a portfolio. Historically, the realization of dividends has represented a significant portion of total portfolio return. The chart on page 12 of this presentation illustrates this point.

The strategy builds upon several technical realities. Technical analysis is a measurement of human behavior in the stock market. Relative value and relative strength have an inverse relationship in the marketplace. Comparing a stock’s relative value with the relative strength that stock is experiencing in the market can potentially identify stocks whose prices are moving in a positive direction.

## Investment Strategy

To pursue this investment strategy, WDC screens a universe of more than 15,000 stocks using the fundamental criteria described above to arrive at a Universe of Potential Portfolio Holdings. The Universe of Potential Portfolio Holdings is further screened using a Relative Value/Relative Strength equation. Under normal market circumstances the goal of the portfolio is to hold the 30 stocks from the Universe of Potential Holdings displaying the strongest Relative Value/Relative Strength measurement at the beginning of each calendar year. WDC purchases and relies upon independent analysis and research to assist in completing this evaluation.

When new accounts are established mid-year, allocations are made to the stocks shown on the **Top 30** list in the week money is properly credited into the new account.

Where additional investments are made into existing accounts, cash received is allocated in a manner which is consistent with the overall equity/cash strategy of the account.

At the beginning of each calendar year, accounts are reallocated to the stocks shown on the **Top 30** list as outlined above.

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<sup>1</sup> Originally coined by investor Warren Buffet, the term “Economic Moat” refers to the strength and sustainability of a firm’s competitive advantage. Many factors are considered when assigning this rating, including the firm’s historical performance, the source of the company’s excess economic profits, market share, ability to produce products at lower costs than competitors, governmental protection via patents/copyrights, high customer switching costs, and other various considerations. A firm may have a wide Economic Moat, a narrow Economic Moat, or no Economic Moat.

Under normal market conditions a cash position is maintained which is sufficient for the payment of investment management fees throughout the year.

The strategy is not intended to fit “socially responsible” guidelines; however WDC avoids investments in industries which provide little or no positive human value.

**Minimum Initial Investment** - \$50,000

**Minimum Subsequent Investment** - \$10,000

### **Account Requirements**

Investors will need to open and maintain a brokerage account with WDC’s preferred custodian, Pershing, LLC. The account will need to be serviced through Wealth Development Council and James Good, CLU®, CFP®, ChFC®, who will serve as advisor of record.

### **Fees and Expenses**

Investment management fees are billed directly to the account pursuant to an Investment Advice Services Agreement. A copy of this Agreement as well as Investment Advisors’ current Form ADV is available upon request. Investment management fees are stated as an annual percentage of the account value and billed quarterly in advance based upon the value of the account on the 1<sup>st</sup> day of each calendar quarter. There is no front-end or back-end load.

Currently, WDC pays for “ticket charges” – a transaction fee assessed by the custodian for buying/selling.

An “SEC fee” may apply to each transaction. Currently this SEC fee is very ancillary and WDC does not anticipate the fee to be substantial in the foreseeable future.

The following table outlines the Investment Management Fee for each range of account assets.

\$0-\$99,999.99	2.00%
\$100,000-\$249,999.99	2.00%
\$250,000 - \$499,999.99	1.70%
\$500,000 - \$749,999.99	1.45%
\$750,000 - \$999,999.99	1.25%
\$1,000,000 - \$1,499,999.99	1.00%
\$1,500,000 - \$1,999,999.99	0.95%
\$2,000,000 - and over	0.85%

## Our Contact Information

Wealth Development Council  
426 South Third Street, Suite 203  
Lemoyne, PA 17043 Phone: 717-774-7200  
website: [www.wealthdevelopmentcouncil.com](http://www.wealthdevelopmentcouncil.com)

## Principal Risks

Investor acknowledges that an investment in the **Top 30** Equity Income strategy involves risk, including possible loss of principal; and there is no guarantee that an investment in this strategy, or any other investment strategy, will be profitable for the Investor's portfolio. The likelihood for loss is greater for short-term investors. When implementing this strategy for any part of a portfolio, Investors should have a long-term perspective and be able to tolerate potentially sharp declines in account value.

The following is a partial list of factors which could result in investment losses:

- Severe and/or protracted economic recession or depression,
- Implementation of governmental policy which is detrimental to business growth,
- Significant changes in interest rates,
- Market conditions and other factors directly or indirectly affecting the issuers of the securities in the portfolio, and
- Changes in the dividend policies of, and the capital resources at, the companies represented.

As outlined in Investment Strategy section, WDC actively manages accounts which pursue the **Top 30** Equity Income strategy. Consequently, an Investor's results are subject to the risk that the WDC's methods, analyses, and execution may not produce the desired results.

In the pursuit of this investment strategy, WDC intends to stay focused on the investment process outlined in this document; therefore, Investors may experience periodic investment results which lag relevant benchmarks or other strategies with similar investment objectives.

Historically the investment approach employed in this strategy has resulted in investments in a variety of industries, but this may not always be the case in the future. In the event that future portfolio allocations result in a portfolio which is narrowly invested, the portfolio at that time may have a higher risk profile than past portfolio allocations.

Even though transactions are not subject to ticket charges or commissions, portfolio transactions could create taxable income which would result in income taxation.

Stocks in the **Top 30** Equity Income Strategy are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, entity, or person.

WDC relies on financial information and analysis from independent research sources. Currently, the information from these sources is believed to be accurate and timely, but there is no guarantee that information from these research sources will be either accurate or timely in the future. Poor information could subsequently result in portfolio losses.

## **Investment Results**

The charts on pages 9 - 12 of this presentation illustrate back-tested performance results of this strategy year over year for a period of years and through a variety of economic circumstances. Illustrated historic results do not take into account the potential impact of income taxes resulting from portfolio income and do not take into account Investment Advisory Fees.

The investment results illustrated on pages 9 - 12 show the investment results of this strategy compared with the Standard & Poor's 500 Total Return Index ( The S & P 500). The S & P 500 is a market capitalization-weighted index based on the average weighted results of 500 widely held common stocks. This index is unmanaged and its results include reinvested dividends and/or distributions, but do not reflect the effect(s) of sales charges, investment advisory fees, account maintenance fees, other expenses, or taxes.

Illustrative past performance is not a guarantee or indication of future results.

WDC relied upon historic information supplied by Morningstar®, [www.morningstar.com](http://www.morningstar.com), and Vector Vest®, [www.vectorvest.com](http://www.vectorvest.com), both widely recognized analytical resources, for data to produce these back-tested results.

## **Execution of portfolio transactions**

To implement portfolio holdings and portfolio reallocations, trades are executed using a trading platform made available to advisors by Pershing, LLC. WDC believes that "best execution" is routinely obtained (the most favorable total price reasonably attainable under the circumstances) for transactions. Historic illustrations contained in this document do not include the use of "limit" or "stop" orders; however "limit" orders or "stop" orders may be utilized from time to time if, in WDC's judgment, using such restrictions would be in the Investor's best interest.

## **Duties and Responsibilities**

WDC is expected to manage the portfolio in a manner consistent with this Investment Policy Statement, initiating portfolio transactions in light of the objectives outlined by this Investment Policy.

WDC will apprise the Investor of any material changes to its outlook.

The Investor grants the WDC discretionary control for purchases and sales of securities pursuant to the execution of this Investment Policy. WDC shall have no authority to withdraw funds from the Investor's accounts, except to cover the payment of previously agreed fees or at the Investor's specific written direction.

The Investor will retain oversight of the assets invested in this strategy. The Investor will retain title to the assets by maintaining an appropriately titled brokerage account.

The Investor agrees to provide WDC with all relevant information related to Investor's financial condition and risk tolerance and shall notify WDC promptly of any changes to this information.

## **Adoption**

Adopted by the below signed:

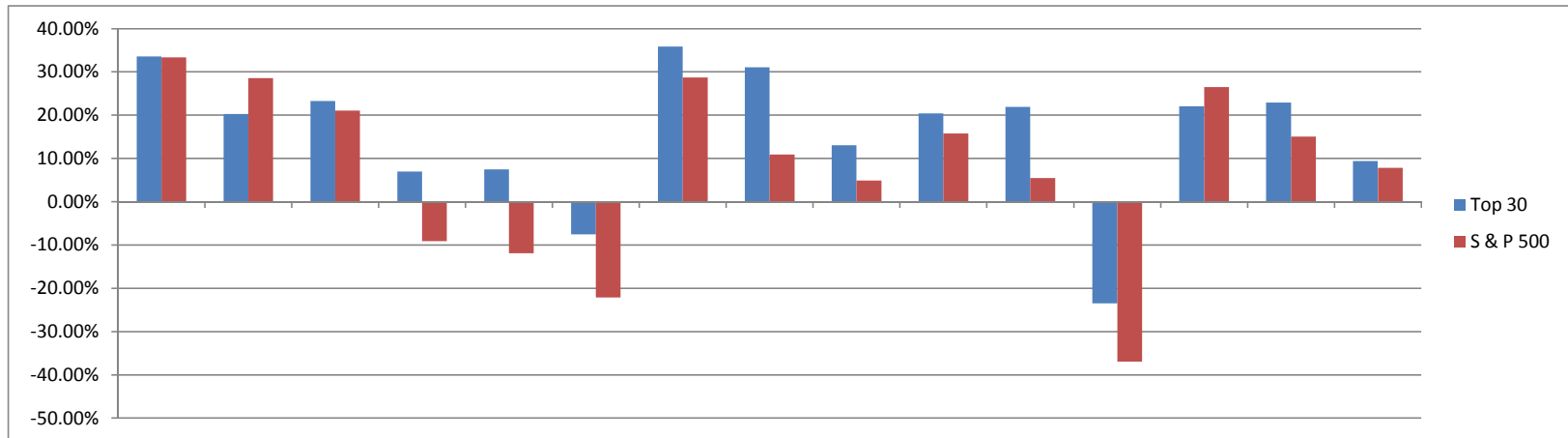
Date: \_\_\_\_\_

Investor: \_\_\_\_\_

\_\_\_\_\_

Advisor: \_\_\_\_\_

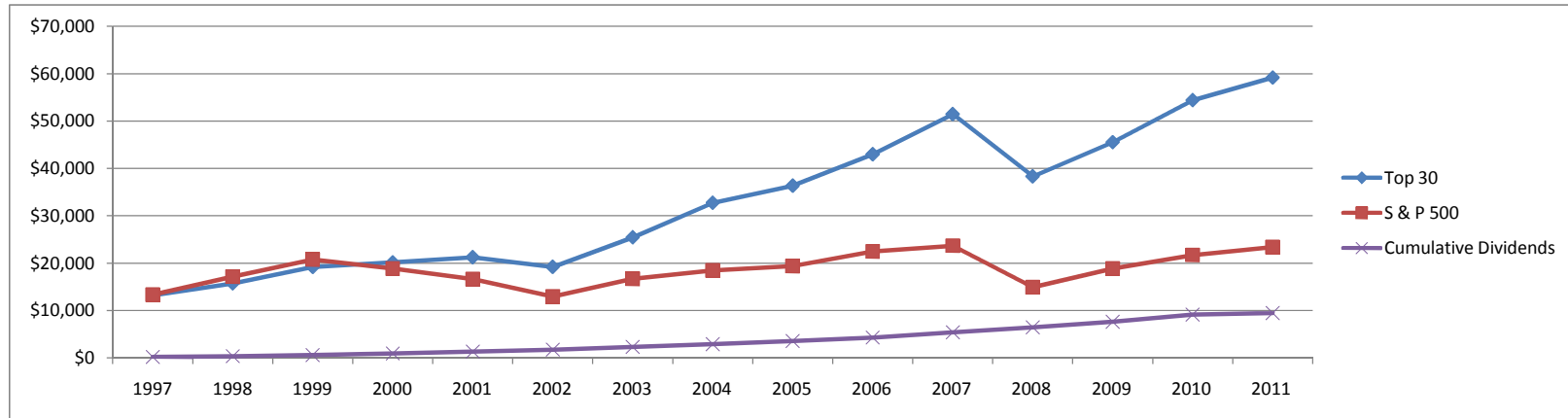
## Historic Annual Performance of the Top 30 Strategy (Blue Line) and the S & P 500 (Red Line)



Annual Returns	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Top 30 Strategy	33.60%	20.29%	23.29%	6.98%	7.51%	-7.54%	35.82%	31.08%	13.02%	20.42%	21.89%	-23.46%	22.05%	22.95%	9.37%
S & P 500	33.36%	28.58%	21.04%	-9.10%	-11.89%	-22.10%	28.68%	10.88%	4.91%	15.79%	5.49%	-37.00%	26.46%	15.06%	7.82%

Top 30 Strategy returns are reported net of a 2% annual investment advisory fee. S & P 500 returns reported assume no fees and dividends reinvested. It is not possible to invest directly in an index.

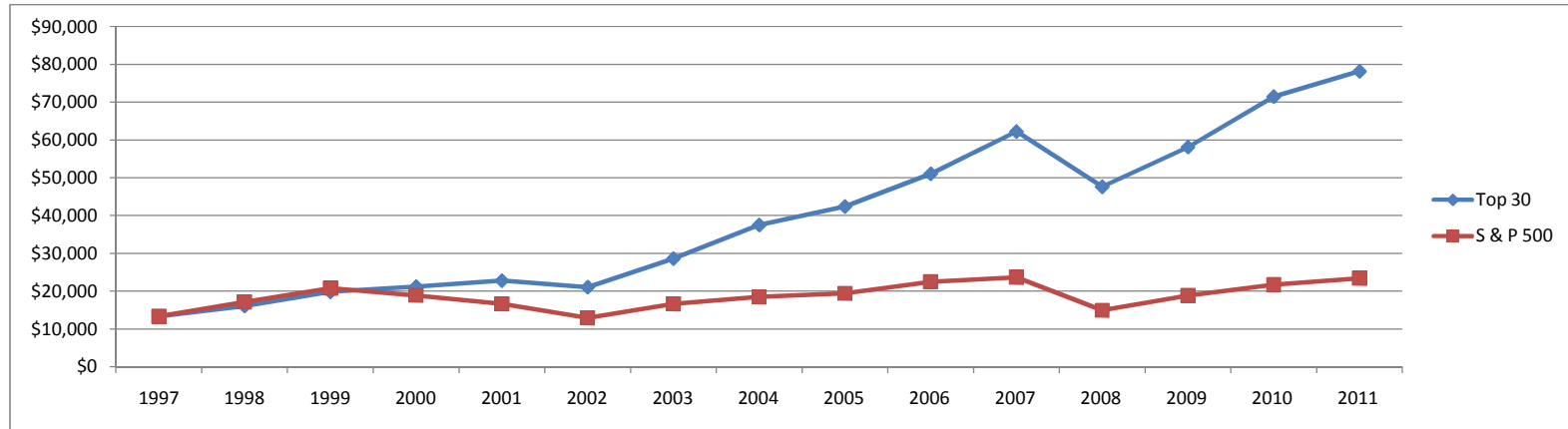
### Hypothetical Growth of \$10,000 in the Top 30 Strategy (Blue Line) and the S & P 500 (Red Line) with dividends paid out



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Annual Returns															
Year End Value	\$13,177	\$15,716	\$19,150	\$20,138	\$21,218	\$19,208	\$25,443	\$32,727	\$36,343	\$42,983	\$51,440	\$38,320	\$45,505	\$54,391	\$59,166
Top 30 Strategy	33.63%	20.57%	23.44%	6.70%	7.44%	-7.52%	35.50%	30.87%	13.00%	20.40%	22.15%	-23.44%	21.87%	22.83%	9.37%
Portfolio Dividends	\$186.10	\$170.90	\$250.50	\$294.80	\$418.90	\$414.40	\$583.60	\$569.70	\$639.00	\$773.90	\$1,063.00	\$1,062.40	\$1,196.40	\$1,502.50	\$321.00
Cumulative Dividends	\$186.10	\$357.00	\$607.50	\$902.30	\$1,321.20	\$1,735.60	\$2,319.20	\$2,888.90	\$3,527.90	\$4,301.80	\$5,364.80	\$6,427.20	\$7,623.60	\$9,126.10	\$9,447.10
Year End Value	\$13,336	\$17,147	\$20,755	\$18,867	\$16,623	\$12,950	\$16,663	\$18,476	\$19,384	\$22,444	\$23,677	\$14,916	\$18,863	\$21,704	\$23,401
S & P 500	33.36%	28.58%	21.04%	-9.10%	-11.89%	-22.10%	28.68%	10.88%	4.91%	15.79%	5.49%	-37.00%	26.46%	15.06%	7.82%

Top 30 Strategy returns are reported gross of investment advisory fees. S & P 500 returns reported assume no fees and dividends reinvested. It is not possible to invest directly in an index.

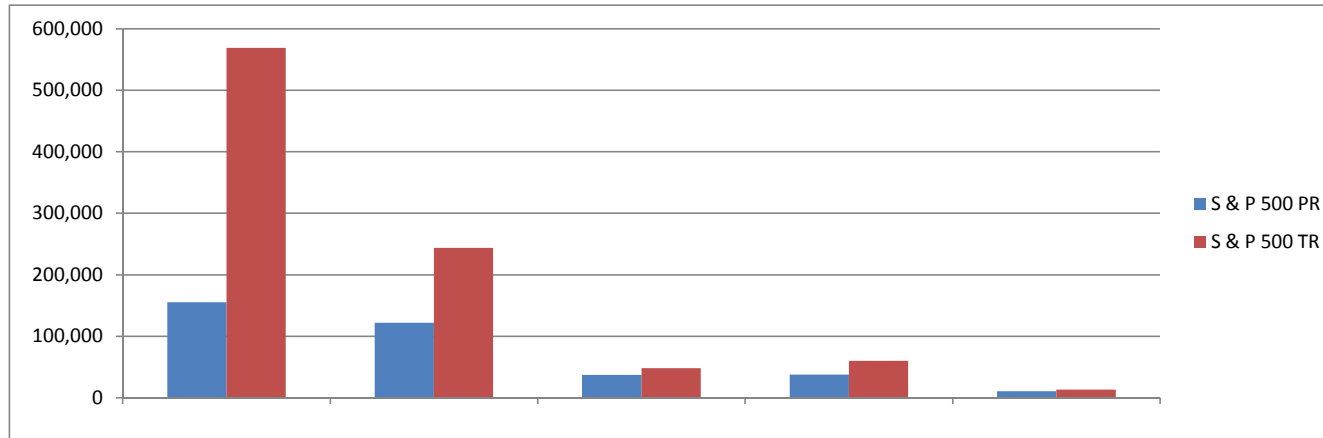
Hypothetical Growth of \$10,000 in the Top 30 Strategy (Blue Line) and the S & P 500 (Red Line) with dividends reinvested



Annual Returns	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Year End Value	\$13,360	\$16,071	\$19,814	\$21,197	\$22,788	\$21,070	\$28,618	\$37,512	\$42,396	\$51,053	\$62,229	\$47,630	\$58,132	\$71,474	\$78,171
Top 30 Strategy	33.60%	20.29%	23.29%	6.98%	7.51%	-7.54%	35.82%	31.08%	13.02%	20.42%	21.89%	-23.46%	22.05%	22.95%	9.37%
Year End Value	\$13,336	\$17,147	\$20,755	\$18,867	\$16,623	\$12,950	\$16,663	\$18,476	\$19,384	\$22,444	\$23,677	\$14,916	\$18,863	\$21,704	\$23,401
S & P 500	33.36%	28.58%	21.04%	-9.10%	-11.89%	-22.10%	28.68%	10.88%	4.91%	15.79%	5.49%	-37.00%	26.46%	15.06%	7.82%

Top 30 Strategy returns are reported gross of investment advisory fees. S & P 500 returns reported assume no fees and dividends reinvested. It is not possible to invest directly in an index.

## Historic performance of S & P 500 PR and S & P 500 TR assuming \$10,000 initial investment



Time Periods	1/30/1970 - 5/31/2011	1/1/1980 - 12/31/2000	1/1/1990 - 12/31/2000	1/1/1990 - 5/31/2011	1/1/1999 - 05/31/2011
S & P 500 PR	155,333	122,316	37,359	38,064	10,970
S & P 500 TR	568,751	243,996	48,427	60,085	13,651

**S & P 500 PR** A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. PR (Price Return) do not include the daily reinvestment of dividends.

**S & P 500 TR** A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. TR (Total Return) indexes include daily reinvestment of dividends.

Source: Morningstar™ Advisor Workstation