

## Reasons to Invest

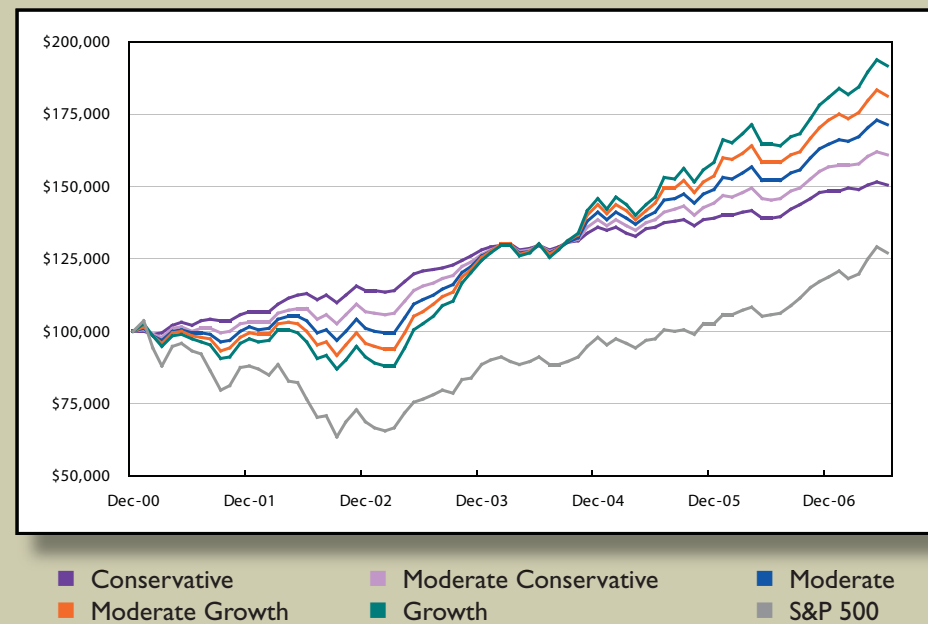
- Employ the expertise of highly respected and innovative money managers
- Manager performance monitored regularly
- Active management in a diversified portfolio

## About PSI

Portfolio Strategies, Inc. (PSI) is an SEC-registered investment advisory firm founded in 1982 and headquartered in Tacoma, Washington. PSI offers a wide range of investment strategies that can be managed on various platforms including brokerage, variable annuities, and retirement plans for individuals, corporations, non-profit institutions, and endowments.

## Performance

**Guardian Portfolios**  
Growth of \$100,000 Invested on January 1, 2001



Returns are hypothetical and net of management fees.

## Disclosures

Portfolio Strategies, Inc. (PSI) is a registered investment adviser established in 1982. PSI offers strictly discretionary investment management services via the omnibus trading of mutual funds and annuity subaccounts. PSI's disciplined, quantitative investment strategies utilize a wide variety of techniques (such as relative strength, momentum, modern portfolio theory, calendar effects, and trend-following) to invest in mutual funds and annuity subaccounts holding U.S. and foreign securities of any market capitalization. All returns are in U.S. Dollars.

The Guardian Portfolios are pre-packaged combinations of the individual programs offered by PSI. Readers are encouraged to view the individual program materials to learn more about each program and the individual program disclosures. Individual program component returns represent a mixture of hypothetical results, results of manager's client account prior to rollout at PSI, and the results of PSI clients invested in the respective individual component programs.

The hypothetical performance results shown reflect hypothetical, back-tested results, that were achieved by means of the retroactive application of a back-tested model (i.e. the currently comprised Guardian program as of 7/1/2007) and, as such, the corresponding results have inherent limitations, including: (1) the model results do not reflect the results of actual trading using client assets, but were achieved by means of the retroactive application of a back-tested model that was designed with the benefit of hindsight; (2) model results generally do not reflect the reinvestment of dividends, nor the deduction of transaction, custodial or advisory fees (except that the model results do reflect the deduction of an annual investment management fee), the impact of taxes, or the separate fees assessed directly by each unaffiliated mutual fund holding that comprised the model, the deduction of all of which fees and costs would have had the effect of decreasing model performance results; (3) back-tested performance does not reflect the impact that any material market or economic factors might have had on the adviser's use of the model if the model had been used during the period to actually manage client assets; and, (4) PSI's clients may have experienced investment results during the corresponding time periods that were materially different from those portrayed in the model.

The actual (real-time) performance results shown from January 1, 2006 are the results for a composite of all individual client portfolios managed by PSI according to the respective Guardian strategy, which composite is representative of the performance results achieved by PSI for its participating respective Guardian Portfolios accounts during this time period. The performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, an annual investment management fee, and the separate fees assessed directly by each unaffiliated mutual fund holding that comprised the program.

For reasons including variances in program account holdings, transaction and custodial fee variances, market fluctuation, the date on which a client became a participant in the program, and any account contributions or withdrawals, the performance of a specific client's account may vary substantially from the indicated performance results. PSI's Guardian Portfolios may involve an above-average turnover, which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account. The PSI performance results do not reflect the impact of taxes.

Past performance may not be indicative of future results and the performance of a specific individual client account may vary substantially from the performance results. Therefore, no current or prospective client should assume that future performance will be profitable, or equal either the performance results reflected, or the performance results for any of the comparative index benchmark(s) provided.

The historical performance results of the comparative index benchmark(s) do not reflect the deduction of transaction and custodial charges or the deduction of an investment management fee, the incidence of which would have the effect of decreasing indicated historical performance results. The historical index performance results are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the model portfolio meets, or continues to meet, his/her/its investment objective(s). It should not be assumed that PSI's client account holdings will correspond directly to any of the comparative index benchmarks. For reasons including variances in program account holdings, variances in the investment management fee incurred, transaction and custodial fee variances, market fluctuation, the date on which a client engaged PSI's investment management services, and any account contributions or withdrawals, the performance of a specific client's account may have varied substantially from the indicated performance results.

To the extent that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise PSI immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised by PSI) will be either suitable or profitable for a client's or prospective client's portfolio. All performance results have been compiled solely by PSI, are unaudited, and have not been independently verified. Information pertaining to PSI's advisory operations, services, and fees is set forth in PSI's current disclosure statement, as same is on file with the United States Securities and Exchange Commission, a copy of which is available from PSI upon request.

The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. The Lehman Aggregate Bond Index is an index made up of the Lehman Brothers Government / Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index.

The Standard Deviation of return measures the average deviations of a return series from its mean, and is often used as a measure of risk. A large standard deviation implies that there have been large swings in the return series of the manager.

Maximum Drawdown can be defined as the largest percentage reduction in account equity from a series of trades. This can be rephrased by saying: The largest loss experienced by a portfolio before it begins to regain from that loss.

Beta is a measure of systematic risk, or the sensitivity of a manager to movements in the benchmark. A beta of 1.0 implies that one can expect the movement of a manager's return series to match that of the benchmark used to measure beta. A beta less than 1.0 indicates lower general volatility than the comparative index, while a beta of more than 1.0 indicates higher general volatility than the comparative index.

Alpha is a coefficient measuring the risk-adjusted performance that considers the risk of a specific security compared to the overall market. A large alpha indicates that the program has performed better than would be predicted given its beta (volatility).

## Goal

To provide diversification and reduced volatility by having multiple managers with multiple investment styles in one account.

## Guardian Portfolios

- Conservative
- Moderate Conservative
- Moderate
- Moderate Growth
- Growth

## Investment Strategy

The GUARDIAN PORTFOLIOS provide investors with a combination of money managers in one account. The goal of the program is to achieve a blend of managers idealized for a client's risk level.

The GUARDIAN PORTFOLIOS offer five programs tailored to a client's comfort with portfolio risk. Manager performance in each risk-adjusted model is monitored regularly. Inclusion in the GUARDIAN PORTFOLIOS is based on a history of adding value to a client's account at the chosen risk level.

By combining multiple managers, the programs attempt to create a portfolio that stabilizes investment returns, achieving long-term results while reducing the likelihood of uncomfortable short-term surprises. The GUARDIAN PORTFOLIOS use a variety of active management techniques to reallocate assets in response to market change. The program seeks to closely match benchmark performance in up markets while lessening the impact of down markets allowing for faster investment recovery.

## Investment Parameters

The GUARDIAN PORTFOLIOS can trade as often as daily, but generally will trade less than once a week. Depending on the risk tolerance chosen, investors can expect to see a combination of fixed-income and equity holdings in addition to some money market. As a defensive measure, the program will use market neutral spreads by holding a long position in one market segment while purchasing inverse funds of an equal or lesser percentage in another market segment in an attempt to profit from their movement. Because different managers within the strategy evaluate different factors, it is possible, but unusual, that the same investment will be purchased as both a long and an inverse fund.

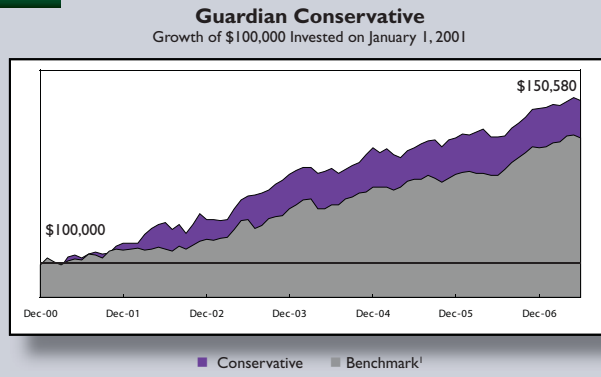
## Investment Vehicles

The GUARDIAN PORTFOLIOS can invest in all market segments including large cap and small cap equities, bonds, sectors, international, and inverse funds.

## Investment Risks

The GUARDIAN PORTFOLIOS hold positions in equity and fixed-income markets. Periods of falling valuation can result in losses for the program. Because of infrequent trading for some of the managers, the GUARDIAN PORTFOLIOS may suffer short-term losses due to rapid market declines. While the managers strive to reduce the duration and extent of losses through a variety of investment techniques, clients should be able to withstand market losses comparable to the overall market.

**Conservative**



	2001	2002	2003	2004	2005	2006
<b>Conservative</b>	6.54%	7.03%	12.24%	6.24%	2.25%	6.68%
<b>Benchmark<sup>1</sup></b>	4.41%	3.37%	8.77%	5.67%	2.98%	6.56%

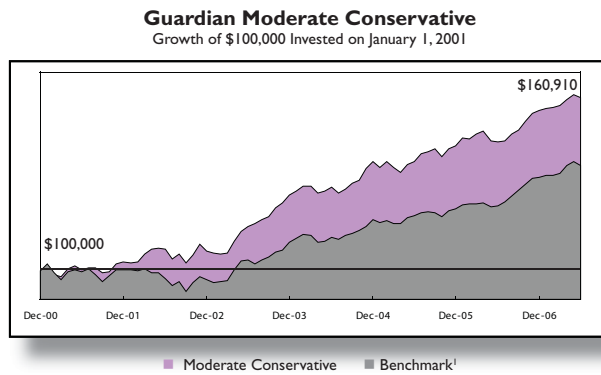
<sup>1</sup>Benchmark = 80% Lehman Aggregate Bond / 20% S&P 500 Index.

	Conservative	Benchmark <sup>1</sup>
<b>Year-to-date</b>	1.53%	2.18%
<b>1-year</b>	8.09%	8.91%
<b>3-year</b>	5.12%	5.53%
<b>5-year</b>	5.93%	5.84%
<b>Annualized Return</b>	6.50%	5.21%

<b>Standard Deviation</b>	3.86%
<b>Alpha</b>	3.09%
<b>Beta</b>	0.65
<b>Maximum Drawdown</b>	-2.71%
<b>Up Capture</b>	94.94%
<b>Down Capture</b>	36.79%

Real-time Returns <sup>2</sup>	
2006	2007
0.36%	0.34%

**Moderate Conservative**



	2001	2002	2003	2004	2005	2006
<b>Moderate Conservative</b>	3.30%	3.58%	18.42%	9.22%	4.11%	8.65%
<b>Benchmark<sup>1</sup></b>	0.36%	-3.33%	13.56%	6.99%	3.51%	8.82%

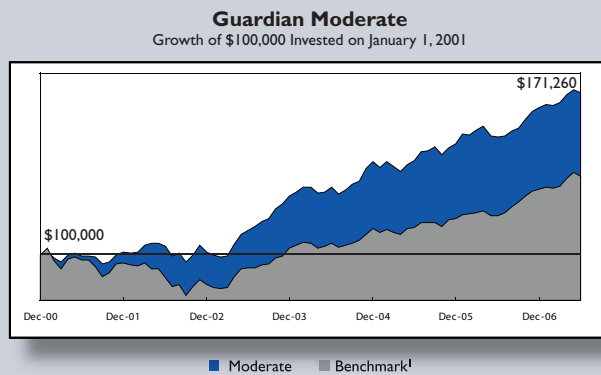
<sup>1</sup>Benchmark = 60% Lehman Aggregate Bond / 40% S&P 500 Index.

	Moderate Conservative	Benchmark <sup>1</sup>
<b>Year-to-date</b>	2.79%	3.38%
<b>1-year</b>	10.55%	11.77%
<b>3-year</b>	7.51%	7.08%
<b>5-year</b>	8.39%	7.15%
<b>Annualized Return</b>	7.59%	4.99%

<b>Standard Deviation</b>	5.19%
<b>Alpha</b>	3.35%
<b>Beta</b>	0.83
<b>Maximum Drawdown</b>	-4.97%
<b>Up Capture</b>	107.90%
<b>Down Capture</b>	66.82%

Real-time Returns <sup>2</sup>	
2006	2007
2.68%	0.75%

**Moderate**



	2001	2002	2003	2004	2005	2006
<b>Moderate</b>	1.35%	-0.27%	24.64%	11.90%	5.58%	10.74%
<b>Benchmark<sup>1</sup></b>	-3.72%	-9.82%	18.48%	8.30%	4.01%	11.11%

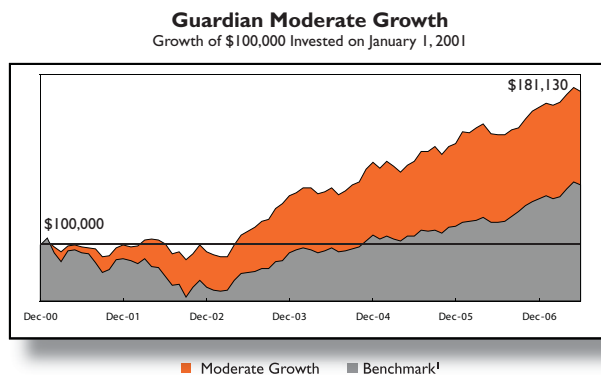
<sup>1</sup>Benchmark = 40% Lehman Aggregate Bond / 60% S&P 500 Index.

	Moderate	Benchmark <sup>1</sup>
<b>Year-to-date</b>	3.91%	4.58%
<b>1-year</b>	12.74%	14.66%
<b>3-year</b>	9.70%	8.62%
<b>5-year</b>	10.56%	8.39%
<b>Annualized Return</b>	8.63%	4.68%

<b>Standard Deviation</b>	6.82%
<b>Alpha</b>	4.85%
<b>Beta</b>	0.78
<b>Maximum Drawdown</b>	-7.94%
<b>Up Capture</b>	109.25%
<b>Down Capture</b>	70.79%

Real-time Returns <sup>2</sup>	
2006	2007
3.58%	1.14%

**Moderate Growth**



	2001	2002	2003	2004	2005	2006
<b>Moderate Growth</b>	-0.41%	-3.53%	30.73%	14.27%	7.06%	12.41%
<b>Benchmark<sup>1</sup></b>	-7.80%	-16.08%	23.52%	9.60%	4.47%	13.44%

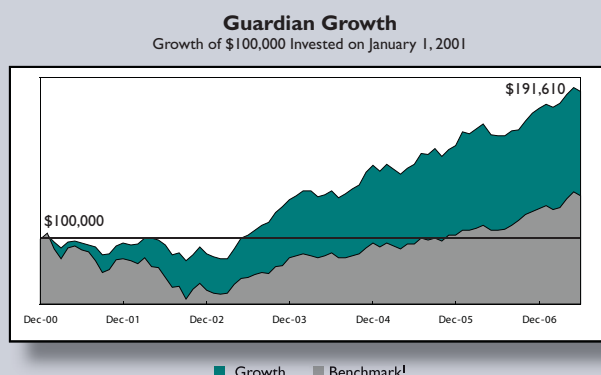
<sup>1</sup>Benchmark = 20% Lehman Aggregate Bond / 80% S&P 500 Index.

	Moderate Growth	Benchmark <sup>1</sup>
<b>Year-to-date</b>	4.86%	5.77%
<b>1-year</b>	14.53%	17.60%
<b>3-year</b>	11.65%	10.15%
<b>5-year</b>	12.59%	9.58%
<b>Annualized Return</b>	9.57%	4.28%

<b>Standard Deviation</b>	8.41%
<b>Alpha</b>	6.33%
<b>Beta</b>	0.71
<b>Maximum Drawdown</b>	-10.76%
<b>Up Capture</b>	103.28%
<b>Down Capture</b>	66.86%

Real-time Returns <sup>2</sup>	
2006	2007
5.45%	1.26%

**Growth**



	2001	2002	2003	2004	2005	2006
<b>Growth</b>	-2.37%	-6.91%	37.23%	16.86%	8.58%	14.31%
<b>Benchmark<sup>1</sup></b>	-11.88%	-22.10%	28.68%	10.88%	4.91%	15.79%

<sup>1</sup>Benchmark = S&P 500 Index.

	Growth	Benchmark <sup>1</sup>
<b>Year-to-date</b>	5.92%	6.96%
<b>1-year</b>	16.57%	20.59%
<b>3-year</b>	13.77%	11.68%
<b>5-year</b>	14.72%	10.71%
<b>Annualized Return</b>	10.52%	3.78%

<b>Standard Deviation</b>	10.11%
<b>Alpha</b>	7.72%
<b>Beta</b>	0.67
<b>Maximum Drawdown</b>	-15.22%
<b>Up Capture</b>	98.78%
<b>Down Capture</b>	65.03%

Real-time Returns <sup>2</sup>	
2006	2007
7.30%	1.53%