

Insert- Basis for Performance Comparison

This insert is included in our quarterly newsletters to present a detailed description of (1) the background, set-up, and operating procedures for the BELL Model Accounts, (2) the basis and justification for the Performance Comparison Table and Graph presented on the 2nd page of the newsletter, and (3) the calculation of our average and median account returns which are detailed at the top of the 2nd page of the newsletter.

1. Our Active Portfolio Enhancement Procedure is the proprietary, unique tool we have developed to meet our clients' individual risk, reward, and safety objectives. The first step in this procedure is to narrow the 10,000 or so mutual funds now in existence to an available universe of about 600 equity-oriented, no-load mutual funds covering the entire range of growth potential, risk, volatility, investment style, market cap, geographical area, fund size, diversification, sector concentration, etc. The 600 funds are then divided into four Classes ranging from Class 1 – Very Speculative Growth (exceptional capital appreciation potential with very high risk) to Class 4 – Total Return (income with moderate growth potential and below average risk). The funds in each class are selected to have similar levels of capital appreciation potential and risk and cut across all styles, market caps, geographical areas, etc.

Our next step is to rank the funds in each Class using BELL developed, disciplined methodology to end up with a monthly recommended list of funds. Using this list we

- (a) Design individual portfolios for new clients to meet their individual goals of balancing their desire for growth versus their tolerance for risk, and
 - (b) Monitor each client account on a monthly basis, or more frequently if necessary, to upgrade the funds in the portfolio.
2. The quarterly review of our fund selections is based on the total return performance of our BELL Model Accounts for each of our four Classes. As is typical, these Total Return Performances reflect the reinvestment of all dividends, capital gain distributions, and other earnings. These BELL Model Accounts were each started with \$100,000 on January 1, 1991 — the date BELL began operations. Each account included \$45,000 invested in each of the top two funds in the recommended list for the Class with the remaining \$10,000 in the Schwab Money Market Fund. As is the case with our actual accounts, a BELL management fee is deducted from the account at the beginning of each quarter and any applicable Schwab transaction fee was deducted when any buy or swap was made. (Indirect advisory fees paid by the mutual funds are included in the performance results of each mutual fund and are not broken out separately.) These BELL Model Accounts were managed in accordance with our Active Portfolio Enhancement Procedure — whenever a fund in the BELL Model Account was dropped from our Monthly Ranking List, the fund was swapped in to a top fund in the Class. These BELL Model Account results do not represent actual trading and actual managed accounts. However, the BELL Model Accounts are handled in parallel with our actual accounts and use the same decision making procedures we use for active client accounts.

It is important to note that these BELL Model Accounts do not exactly match any real client accounts (unless by pure coincidence) because client accounts are typically spread over 2 or 3 Classes and have their individual objectives, cash holdings and timings. All of the investments in the Bell Model Accounts involve risk and may lose value.

3. In this quarterly review, we present a table comparing the performance of the BELL Model Account for each Class with the performance of the major recognized stock market indices. The performance of the indices does not include the effects of any management or transaction fees or any money market holdings. (If these effects were included, the performance of all the funds in each Class would be reduced by about 0.4 percent per quarter or 1.6 percent per year.) The BELL Model Accounts can be more or less volatile than the indices depending on the exact timing of investment changes and the performances of individual funds.

These quarterly performances of the BELL Model Accounts are based on detailed month-by-month analyses of the performance of each BELL Model Account. Copies of these detailed analyses are available to all newsletter readers; please let us know if you would like us to send you one.
4. In addition to the table, we also present a graphical comparison of the cumulative one-year average total returns for all four BELL Model Accounts with the total return of the Standard & Poor's 500 Index over the total period of BELL's existence from January 1, 1991. As usual, we have to emphasize that this is definitely past performance and provides no assurance of future results.
5. The average and median account returns are derived from the returns of actual client accounts. However, only the accounts that fully employ BELL's Active Portfolio Enhancement Procedure are included as data; therefore, accounts with individual stock positions, socially conscious strategies, fixed income strategies, and any other strategy or position not representative of our investment procedures are omitted. For an accurate comparison to benchmark indices, only accounts that have been under BELL's management for the full year or full time period (i.e. year-to-date) are included as data. Accounts opened mid-year are not calculated into that year's return. For the purposes of calculating the average, the accounts are weighted equally, thereby disregarding the size of the account. The final average and median account returns are not fully net of BELL's Annual Asset Management Fee because all of the accounts used in the calculation do not pay fees themselves; this includes the few accounts under \$10,000 as well as the few accounts that are paid by invoice — although the large majority of the accounts used in the calculation are charged management fees.