



# APPLETON GROUP

## WEALTH MANAGEMENT, LLC



### The Compass™

April 2012

Appleton Group Wealth Management, LLC is an independent Registered Investment Advisor (RIA) located in Downtown Appleton, Wisconsin. Our firm provides wealth management and investment advisory services, using time-tested asset management strategies that prepare for cooperative and uncooperative markets. Since our founding in 2002, our firm has been recognized both locally and nationally as a leader in the wealth management community.

Appleton Group Wealth Management, LLC currently manages approximately \$142 million, serving individuals, families, corporations, endowments, foundations, trusts, company sponsored retirement plans and third-party investment advisors.

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## Ten Years!

From the desk of Mark C. Scheffler

This April is a special month for us, as it marks the ten-year anniversary of the founding of Appleton Group Wealth Management!

And what a dynamic decade it's been. Looking back, I'd like to believe that we've really seen it all: over the past ten years we've witnessed the start of two wars (Iraq and Afghanistan), two very deep recessions (2002 and 2008), one remarkable bull market without as much as a 10% correction (2003 – 2007), a bubble in real estate, a swift and massive snap-back rally in March of 2009, and so much more.

Over the years, I've spent nearly every waking moment thinking about my clients' wellbeing, thinking about the health of the economy and of the markets, thinking about the welfare of our employees and worrying about the sustainability of our American standard of living itself. It has been quite a decade, indeed.

So to mark our ten-year anniversary, I'd like to offer my own version of a "top-ten" list – things I've learned over the years, things I knew and were reinforced by a decade of additional experience, and even things that



**Mark C. Scheffler**  
Senior Portfolio Manager,  
Founder

I've gotten completely wrong.

Turn the page; I think you'll like what I've come up with...

*continued on page 3...*

## Introducing the clearTrend™ Managed Income Portfolio

We are proud to roll out the newest addition to our family of flexible asset allocation portfolios: the clearTrend™ Managed Income Portfolio. In an era when the yields of fixed income investments are near historical lows, we feel the time is right to offer a portfolio whose focus is solely on producing the dividend and interest income that so many investors need to make their financial plans run smoothly.

Like our existing managed offerings, this portfolio invests exclusively in a variety of exchange traded funds (ETFs), which offer daily liquidity, ultra-low expenses and complete transparency. But in contrast to our portfolios that invest in equity ETFs, The clearTrend™ Managed Income

Portfolio invests mainly in a variety of fixed income ETFs. This includes U.S. government debt, U.S. high yield bonds, convertible bonds, foreign emerging market debt, and preferred stock. This portfolio will have an initial weighted average dividend yield of approximately 4.75%, and will have the added flexibility to invest entirely in money market assets should fixed income markets deteriorate in the future.

This new offering continues our firm's tradition of flexible allocation strategies that are built for good markets and bad. While a flexible strategy alone cannot eliminate risk, it can offer investors a much more predictable and beneficial outcome, especially in today's dynamic economic

environment.

This is also our first new strategy which solely uses clearTrend™ Research from the portfolio's inception. Today, all of our firm's managed offerings are powered by clearTrend™, our firm's exclusive trend-following research tool that many of our clients have already seen in action.

Ask your Appleton Group Wealth Management advisor for more information about this new offering, or visit us at [www.appletongrouponline.com](http://www.appletongrouponline.com).

-MCS

Not FDIC Insured • May Lose Value • No Financial Institution Guarantee

## Staying in sync with clearTREND™

If you've already experienced a first-hand introduction to clearTREND™, our firm's cutting-edge market research tool, you know that it has the potential to redefine investing forever. In addition to offering what we believe is the industry's best chance for investment success, clearTREND™ also gets smarter by the day: every new market event (every advance, every dip, every period of stagnation) is considered when clearTREND™ hunts for the best price trends to follow for any particular security. If it finds a better solution than the one currently being employed, our portfolio management team will adopt the new set of simple moving average combinations

that gives us the best historic outcome (and potentially the best opportunity for future success as well).

If you have your own clearTREND™ login and password, you have the unique opportunity to see exactly what our portfolio management team sees. But to stay in sync, you have to enter the current simple moving average combinations that we follow. Here's how:

1. Simply log in to your own clearTREND™ account and you'll automatically be taken to the main portfolio page;

2. If you've set up a group for your Appleton Group

managed securities, click on the white "Expand/Collapse" icon to view all securities in the group (if your securities are not part of a separate group, you can skip this step);

3. Select the blue "view details" gear icon for each security that we use in our managed portfolios (see list below);

4. Click on the Expand/Collapse icon in the upper right corner of the page;

5. In the SMA Settings pane that you immediately see, simply enter the codes for SMA1 – SMA5 in the "User Defined" column;

6. Click "Save Settings."

That's all there is to it. We'll only be updating these simple moving average combinations every quarter, but when we do you'll want to be sure to update these as well. If you run into any problems, please feel free to contact Mark Scheffler or Peter Mutschler at any time – they'll be more than happy to walk you through the process themselves. In addition, we've placed a short video in our blog ([www.appletongrouponline.com](http://www.appletongrouponline.com)) that you can view that will walk you through the updating process (search for "Secret Code") on our blog's main page.

### clearTREND™ Simple Moving Average Codec – Appleton Group Managed ETFs: March 29, 2012

The following simple moving average (SMA) combinations are currently being used by Appleton Group Wealth Management LLC for the following managed portfolios: Appleton Group Portfolio, Appleton Group PLUS, and Appleton Group Tax Managed Growth Portfolio.

Symbol	IWD	IYR	JNK	QQQ	SPY	VWO
Description	iShares Russell 1000 Value	iShares Dow Jones U.S. Real Estate	SPDR Barclays High Yield Bond	Powershares QQQ	SPDR S&P 500	Vanguard Emerging Markets
SMA 1	30	50	2	47	35	44
SMA 2	18	27	50	61	14	65
SMA 3	25	47	33	57	33	45
SMA 4	80	147	113	72	96	69
SMA 5	77	144	112	92	170	115
Enable Half Position	Yes	Yes	No	No	Yes	No

## Happy 10th Anniversary Appleton Group Wealth Management, LLC



**Mark C. Scheffler**  
Founder  
(then)

2002

- Appleton Group Wealth Management LLC founded
- Begins publishing portfolio performance on Web site
- First time listed in Morningstar's separate account database

2005

- Appleton Group Funds established
- Named one of America's Top 75 Separate Account Managers by *On Wall Street* magazine



Featured in  
*Marketplace Magazine*

2006

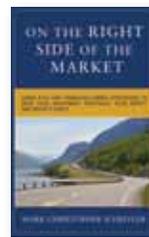
- Named "Rising Star" by the Fox Valley Chamber of Commerce & Industry
- Profit-sharing program with local arts groups established

2007

- Finalist for WI BBB Torch Awards for Business Ethics
- Named to the list of Top 20 Rising Stars of Retirement Plan Advisors by *Institutional Investor Magazine*
- Featured in *Emerging Manager Monthly*

2008

- Named to the list of Top 20 Rising Stars of Wealth Management by *Private Wealth Management*
- Featured in *Investment Advisor* magazine



Written by  
Mark Scheffler

2009

*On the Right Side of the Market* published by a division of Amazon.com

2010

Appleton Group Wealth Management Discipline™ celebrates 10th anniversary



2010 Fox Cities Chamber of Commerce & Industry's Small Business of the Year Award - Service Category

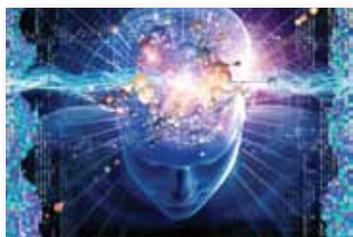
2012

- AGWM launches clearTREND™
- Appleton Group Wealth Management celebrates 10th anniversary of the firm



**Mark after a rough market...or two!**

## Ten Years... continued



**1) I discovered that investing really is as much emotional as intellectual.** When I started managing our core portfolios more than a decade ago (even before the start of Appleton Group), one of my goals was to develop a process for trend-following that was completely objective, data-driven and rules-based. I purposely developed these characteristics to minimize emotion in our decision-making process, mainly to address the powerful forces of fear (during declining markets) and greed (during up markets). I knew from the start that in the midst of a market meltdown any investor's decision-making (both mine and yours) could be clouded by fear, and when the market is rallying we might both be tempted to let greed get the better of us. But as we are entirely human, I have come to recognize that you can't invest without considering the power of emotions, and it remains as important as ever to prepare for good markets and bad and for the emotional train wrecks that can occur along the way.



**2) The past ten years have reinforced my belief in the power of collaboration over competition.** Many of you know that I'm a trained musician by nature – I've been performing in ensembles (both bands and choirs) for practically my entire life and that experience has shaped my belief in the power of groups to do powerful things. While I've performed extensively as a soloist, my experience in large ensembles has been far more rewarding to me. In an ensemble, the product of the individual is melded with the product of everyone else to produce a group performance that is impossible to create alone. That's powerful! In investing, using large groups of securities through exchange traded funds (ETFs) and other index funds is far better than using any individual security (no matter how much we might love the company or the products it makes). From the start, we used ETFs in all of our managed portfolios and in our fund, and that's helped us avoid the kinds of massive blowups that have wrecked peoples' financial and personal lives forever.



**3) The financial services industry is still really messed up.** And it has been for as long as I've been in the business – that's one major reason I wanted to start my own boutique wealth management firm. Rant alert: over the years I've seen the worst kinds of client treatment imaginable from our competitors, from brokers, and from consultants. If I were running for higher office, I'd run on a platform to clean up the financial services in one very important way: require all of our firm's competitors (which is anyone managing portfolios or giving any investment advice) to put the outcome of their advice and investment recommendations in writing as standard performance, good or bad. Not doing so can be disingenuous, fraudulent, and damaging. I've literally seen accounts in the hundreds of millions of dollars steered toward so-called consultants that have literally just made up a portfolio of all of the past top-performing mutual funds only to have those investments blow up in magnificent fashion a year or two later. Our industry is largely self-regulated and in my opinion this mistake should end.



**4) My greatest weakness as an investment manager (and one of my greatest strengths as a human) is that I don't love money enough.** There, I've said it and it's the unvarnished truth. When I was first interviewing to enter this industry back in the fall of 1995, I visited with a branch manager of a firm that doesn't even exist anymore (A.G. Edwards, now part of Wachovia). That branch manager told me that to be successful in this business you had to love money above all else. Frankly, I was repulsed. I love my wife and son, my parents, God, nature, music, and yes you – but I could never love money above all else. **To be clear, I love what money can do for people:** it can fund a lifetime income stream, it can make one's life full and rewarding, and it can afford opportunities that those without wealth simply don't. But the pursuit of wealth above all else can also eat away at your soul, and that does a great disservice to those for whom my life and love is most valuable. The love of money above all else has also led to people in my industry cutting corners, cheating, defrauding, and hurting their clients. My pledge to you today is as it always has been: put your interests first.



**5) The American standard of living we've become accustomed to and have taken for granted over our lifetimes is at great peril.** How do I know? Over the fifteen years or so that I've been creating investment plans for my clients, we've identified a pretty solid range of portfolio returns that are necessary to sustain anyone's current standard of living. As I wrote in my book a few years back, that return almost always falls in the 7% – 9% range. There have been many studies that show that the average American has averaged less than 3% per year since 1991 (we post this number every year right in our main conference room). The longer our society goes without achieving this 7-9% compounded return the greater the likelihood that our consumer-based standard of living will be unsustainable. These are the facts, and they are why investors today absolutely do need to take on risks that were unnecessary twenty years ago (when interest rates on bonds were high enough to produce these returns with relatively little risk).

## Ten Years... concluded



**6) Nothing lasts forever.** Good markets eventually give in to bad. Expanding economies eventually contract. A successful run of sustainable market trends can eventually lead to a run of crazy, unpredictable “trendless markets” which will in turn return to a more predictable environment. The suits that I wore ten years ago don’t seem to fit exactly the same today ☹. Down markets eventually turn up. The sun will come out tomorrow. All pieces of music, no matter how beautiful, will eventually come to an end. In fact, I’ve come to believe that in nearly everything we encounter in life, endings are often more stressful and difficult than beginnings.



**7) “Buy low, sell high” is still the mother of all investment strategies.** It always has been, it always will be. Simple as that.



**8) The explosion of financial media has made access to information easier than ever, and less useful than ever.** Information and data are far different from the insight and wisdom that comes from putting it to good use. Over the past decade, we’ve been led to believe that CNBC or FoxBusiness or BloombergTV really does have our best interest at heart. But nothing could be farther from the truth. These are for-profit companies that need to string along their viewers with discussion about the next important event or catastrophe or fad. That’s how they sell advertisements, which is the business they’re really in – Selling Ads!



**9) A one-star fund has as exactly the same potential to do as well as a five-star fund.** Maybe even better. This is Morningstar’s dirty little secret, and we’re living proof that it’s true. Over our firm’s ten-year history, Morningstar has given our offerings both their best rating (five stars) and occasionally their worst (one star). Along the way, something interesting has happened: when some of our offerings were given a one star rating back in 2007 we outperformed our competitors by a country mile over the next two years, sending our ratings to the top of the list (literally)! But once we got there, we began to underperform our competitors when the market started to climb out of the depths and back to breakeven. The moral of the story is that there’s absolutely nothing wrong with a one-star fund (except that it is so counter-intuitive to investors that it could actually cause someone who didn’t know this secret to make an uninformed and ill-fated decision).



And lastly,

**10) We are all so lucky!** Allow me to wax philosophical for just a moment: we continue to live in an era of human history that, for all its perceived shortcomings, affords nearly all of us a lifestyle that is among the best that anyone has ever experienced. For this fact I am bubbling with gratitude. But capitalism, at its heart, is threatened by satisfaction, by contentment, by thankfulness. Capitalism is insatiable: it requires the continued pursuit of MORE. More development, more consumption, more profitability, more spending, more activity, and so on. It has been said that in our never-ending pursuit of happiness, we must occasionally stop and be happy. At our ultimate end, I highly doubt that any of us will experience as our final thought the regret that “I didn’t have enough stuff.” To have just enough to provide security and contentment and satisfaction and happiness is, in my opinion, ideal.



So from my heart, I say “THANK YOU” for giving us and our firm the opportunity to serve you. We look forward to the next ten years, knowing that we still have much work to do in steering the riches of our era toward you for your security and prosperity. As I did a decade ago, I pledge to you our best efforts, our undivided attention, our expertise and our hearts. You deserve nothing less!