



THE APPLETON GROUP, LLC

INVESTMENT MANAGEMENT · RETIREMENT PLANNING
CORPORATE 401(k) PLANS · MARKET RESEARCH

The Compass™

April 2014

The Appleton Group, 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.

The Appleton Group, LLC currently manages approximately \$163.6 million, serving individuals, families, corporations, endowments, foundations, trusts, company sponsored retirement plans and third-party investment advisors.

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Forward!

From the desk of Mark C. Scheffler

Mark Twain once commented that “Everybody talks about the weather but nobody does anything about it.” The same can certainly be said about the markets and the economy. And it may strike you that now is a bit of a strange time to bring it up, being five years into an economic recovery. Nobody can accuse me of not being focused and vigilant!

But can you believe it? It’s been five years since the depths of the last bear market. There’s been more than \$6 trillion of congressional stimulus and additional federal debt, and another \$3 trillion of Federal Reserve stimulus. Big Band-Aids to be sure.

And in many ways, the stimulus has been successful – the official unemployment number is down sharply, manufacturers are humming once again, and home prices are up. As local

construction legend O.C. Boldt once said, “With enough money, you can do anything.”

I often tell the story of a meeting we had in 2006 with the Chief Investment Officer of one of the three-largest Wisconsin-based banks. We had invited him in to visit with us to consider adding one of our firm’s risk-managed strategies to his company’s 401(k) lineup. As we were talking about the importance of being ever focused on investment risk management, he stopped us and said (I’ll never forget this as long as I live!): “We at blah blah blah Bank believe that the day for managing risk was yesterday.”

I nearly fell off of my chair. I was dumfounded. This was only three years after a -45% loss in the S&P 500, five years after the dot-com bloodbath, and 12 months before the start of the near total



Mark C. Scheffler
Senior Portfolio Manager,
Founder

dismantling of his bank. Over the next five years, his bank’s stock price will have dropped by -71%, the 401(k) plans that they were paid to run would be neatly cut in half, and they will have needed over a half-billion (with a B) dollars from taxpayers just to stay in business. The entire management team will have been replaced, and our friend

concluded on page 2...

Wendy Hoefft Earns Accredited Investment Fiduciary Designation

Wendy Hoefft, Appleton Group’s Director of Retirement Plan Relations and Private Client Advisor, has been awarded the Accredited Investment Fiduciary® (AIF®) Designation from the Center for Fiduciary Studies™ (the Center), the standards-setting body for fi360, based near Pittsburgh, PA, is the first full-time training and research facility for fiduciaries, and conducts training programs at universities throughout the United States and abroad. The AIF Designation signifies specialized knowledge of fiduciary responsibility and the



ability to implement policies and procedures that meet a defined standard of care.

The Designation is the culmination of a rigorous training program, which includes a

comprehensive, closed-book final examination under the supervision of a proctor, and agreement to abide by the Code of Ethics. On an ongoing basis, Designees are required to complete continuing education to maintain the AIF Designation.

“Wendy could have written the course on fiduciary oversight, but the AIF designation adds an extra level of credibility,” said Mark Scheffler, Founder of The Appleton Group.

Forward!... concluded

will be working somewhere else (ironically, his new employer will also have been rescued with a \$45 billion taxpayer bailout).

Out of the frying pan and into the fire indeed.

I don't bring this up to rub salt into any wounds, but to make a really important point. As we are now five years since the worst economic meltdown in four generations, you would have thought that the entire economic system would have been completely overhauled to ensure that it never happens again.

You would have thought that the largest banks in America would have been broken up by now. Nope.

You would have thought that the conflicts of interest that led to the economic collapse would have been eliminated by now. Nope.

You would have thought that the tax incentives for real estate speculation would have been repealed. Nope.

And you would have thought that our total debt load would be significantly smaller as we began to reign in unnecessary growth, spending and subsidies. Nope, nope and nope.

In many ways, the past five

years of recovery have not only been a complete waste of time, but a huge missed opportunity for real reform. Our largest banks today are significantly bigger and more powerful than ever. Total debt is at record levels. And our economy is totally dependent on one thing: unending stimulus.

Our firm has been ready for more than a decade for stimulus to end. clearTREND® is humming,



The Mark Christopher Scheffler
FOUNDATION
FOR A
SUSTAINABLE WISCONSIN

our clients have grown solidly over the past couple of years, and we've dramatically expanded our firm's portfolio offerings. But there's a bigger issue that I really want to begin to tackle, and that's the issue of systematic economic reform on a big scale.

And I'm more hopeful than ever that real reform may be just around the corner because of a new project that I started just last month: The Foundation for a Sustainable Wisconsin (www.sustainwis.org).

Real reform starts at the ground floor, and I started The

Foundation for a Sustainable Wisconsin as a kind of non-partisan coalition of state residents, businesses, and government officials who share my interest in sustainability. It's a lot more than going green – it's about working to build a sustainable Wisconsin economy, to tackle urban renewal and development in a big way, to encourage our State to become

more self-sufficient and to take a leadership role in real, positive reforms.

The foundation is also a place where residents who are concerned for our State can pitch their best ideas for building a more sustainable Wisconsin. We received a pitch for a sustainable energy initiative that could create 11,000 new permanent jobs that can't be outsourced. We'll be releasing a new initiative in the retirement plan space that could bring as much as \$2.2 billion in annual revenue back to Wisconsin and create 22,000 green jobs. And

we're partnering with agricultural producers to advance the goal of getting State institutions to buy at least 50% of their food from Wisconsin-based growers. And that's just the tip of the iceberg!

These are real reforms on a State level that can be models for changes on a much larger scale. Frankly, it's re-energized me in a way that is nearly indescribable.

And I've got you to thank! Over the past several years, I've discussed the issue of sustainability either directly or indirectly with hundreds of our clients, neighbors, friends and colleagues. And overwhelmingly, the response has been near universal: "I know that the path we're on is unsustainable, but I just don't know what else we might do."

And that's exactly why I've started the foundation, and why I'd like to ask you to join. It's free, I value your contributions, and I think that you'll really want to be a part of something that could change the world. So visit www.sustainwis.org, become a member, and pitch your best idea for a sustainable Wisconsin.

As the State motto goes, "Forward!"

-MCS

Introducing Alexander Hunt

It is our great pleasure to announce that Alexander Hunt has joined the Appleton Group as a Research Associate.

Alexander is a 2013 graduate of Northwestern University in Evanston, Illinois where he received his Bachelor of Arts in Psychology with an emphasis in music. During his time at Northwestern, Alexander developed interests in social and behavioral psychology while working as a research assistant to Professor Jennifer Richeson in the Social Perception and Communication Laboratory. After a search-engine optimization internship with

the finance forum website Wall Street Oasis, Alexander noticed overlap between his interests in psychology, financial markets and investing.

Alexander was an active member and officer in the oldest and largest business fraternity in the United States, Alpha Kappa Psi. During his membership tenure in Alpha Kappa Psi, Alexander completed a six month

application process and was accepted as an equity investor with his university's student investment fund, Northwestern Capital Management. Here, he shared responsibility for managing over \$10,000 in university assets. His equity research team focused on tech investing, using top-down and bottom-up valuation analyses.

Alexander is a lifelong

Appleton resident and is a 2007 graduate of Appleton West High School. He joins our firm as a Research Associate and will sit for his Series 65 examination at the end of 2014.

"Alexander is exactly the kind of guy we're looking for: great work ethic, great background, great potential! Not only will he be successful in the investment industry, I'm certain he'll become one of our great leaders and an asset to our clients," said Mark Scheffler, Senior Portfolio Manager and Founder of The Appleton Group.



Alexander Hunt
Research Associate

Tidbits...

**Cumulative Real Growth for U.S. Markets
(Adjusted for Inflation) Since 2000 Peaks:****+1.50%**

Dow Jones Industrial Average

-11.20%

S&P 500 Index

-37.80%

NASDAQ Composite Index

Source: Advisor Perspectives (www.advisorperspectives.com).
Data as of 2/28/2014. Performance statistics excludes
dividends. You cannot invest in an index.

Total Cost to Keep Markets at Breakeven (or less):***\$11.7 Trillion***

Congress Stimulus

***\$3.8 Trillion
(and Counting)***

Federal Reserve Stimulus

Source: CBO, Federal Reserve Historical

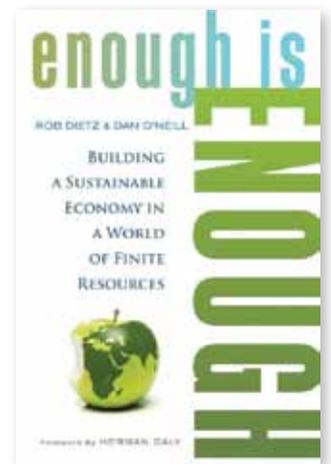
Total Global Government Debt***Crosses
\$100 Trillion***

Source: ZeroHedge. Data as of 3.31.14

**Forward from "Enough is Enough" used by
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The numbers are telling us something:

- 7 billion people on earth, with 2.7 billion scraping by on less than \$2 per day.
- 394 parts per million of carbon dioxide in the atmosphere, threatening to destabilize the global climate.
- \$15 trillion of public debt in the United States, an unfathomable sum of money to be paid back by the next generation.
- 2 percent of adults owning more than half of all household wealth in the world.
- 400 ocean zones devoid of life, with the dead zone in the Gulf of Mexico estimated to cover almost as much area as the U.S. state of New Jersey.



Hidden in these numbers are stories of real people and real places in real trouble. And perhaps the most important number of all is one —one single blue-green planet with finite resources that we all must share.

But how do we share this one planet and provide a high quality of life for all? The economic orthodoxy in use around the world is not up to the challenge. The core of this orthodoxy is a strategy that has ensnared all nations, from China to Chile, from the United States to the United Arab Emirates, from Switzerland to Swaziland. That strategy, the pursuit of never-ending economic growth, has become dysfunctional. With each passing day, we are witnessing more and more uneconomic growth—growth that costs more than it is worth. An economy that chases perpetually increasing production and consumption, always in search of more, stands no chance of achieving a lasting prosperity.

The 7 billion of us have to do better, and we'd better do better soon. We need to find ways to reverse the climate change we've set in motion and halt the extinction crisis. At the same time we have to eradicate poverty and erase the divide between the haves and the have-nots. Now is the time to change the goal from the madness of more to the ethic of enough, to accept the limits to growth and build an economy that meets our needs without undermining the life-support systems of the planet. The good news is that ideas for creating an ecologically sound economy are emerging from all corners of the world. In fact, the desire to assemble a cohesive set of such ideas formed the motivation for this book.

Enough Is Enough was conceived as a collection of policy proposals for achieving a prosperous, but non-growing economy (also known as a steady-state economy). The book sketches a plan for solving the sorts of social and environmental problems described by the numbers above. Such a plan cannot flow from one or two minds. Indeed, much of the information on these pages stems from workshops, presentations, and discussions that took place at a remarkable conference held in Leeds, U.K., during the summer of 2010. Participants at the Steady State Economy Conference offered a wealth of ideas, and these ideas form the core of this book. The conference concentrated on tough questions about how to build a better economy and tasked the attendees with generating viable answers.

It's a hopeful assignment, this business of figuring out how to change the economic paradigm from more to enough.

If we can successfully harness our know-how for the job of remaking our economic institutions, we'll commence a process of healing—healing degraded ecological systems, healing relationships with our neighbors, and healing the lives of people who have been left behind by the current economic system. Historians will mark the effort as a turning point, a singular and triumphant achievement shared by all.

For more information visit www.appletongrouponline.com/sustain/links/.

Portfolio Workshop

The Appleton Group's family of investment portfolios has grown considerably over the last year. We've compiled a simple roll-call below, indicating absolute performance for the quarter (shown by up or down arrows), as well as ranking our offerings with top performers listed first:*

- ▲ Appleton Group Commodities - Heaven
- ▲ Appleton Group Managed Income
- ▲ Appleton Group PLUS Portfolio
- ▲ Appleton Group Europe
- ▲ AG PLUS - Conservative Portfolio
- ▲ AG Traditional - Aggressive Portfolio
- ▲ AG Traditional - Conservative Portfolio
- ▲ AG Traditional - Moderate Portfolio
- ▲ AG - Moderate Portfolio
- ▲ AG - Conservative Portfolio
- ▲ AG - Tax Managed Growth Portfolio
- ▲ Appleton Group Portfolio
- ▲ AG PLUS - Moderate Portfolio
- ▲ Appleton Group Wisconsin Select
- ▲ Appleton Group U.S. Sectors
- ▼ Appleton Group Commodities - Hell
- ▼ Appleton Group Asia
- ▼ Appleton Group Americas

▲ Positive Quarterly Performance
 ▼ Negative Quarterly Performance

Featured: Appleton Group Europe

The clearTREND® Europe portfolio focuses on the recovering economies of Europe by investing in country specific ETFs. Some of these economies include those of Germany, France and Spain, as well as smaller emerging economies like Ireland. It employs an ETF trend-following discipline designed to systematically adjust the portfolio in real time as market conditions change. This strategy seeks to invest exclusively in our targeted ETFs whose optimal price trend is rising, while reducing and/or eliminating exposure to those ETFs whose optimal price trend is falling.

The portfolio currently consists of the following ETFs:



Flagship: Appleton Group Portfolio

One of our three core offerings, The Appleton Group Portfolio represents perhaps our most straightforward, consistent and most profitable portfolio over the past decade. While still holding true to our passion for proactive investment risk management, this portfolio has also offered investors healthy, positive returns since the market's valley in March of 2009.

The Appleton Group Portfolio invests in a wide variety of exchange-traded funds (ETFs) that each target a specific part of the global markets. These include U.S. equities of all sizes and types, developed international markets, foreign emerging markets, real estate, and basic materials companies. During sustained market advances, this portfolio can invest as much as 95% of its assets in these growth areas; however, during sustained market declines it can reduce or eliminate exposure to the markets and invest in money-market securities for safety.

While not our most defensive portfolio, this offering gives our clients perhaps the best balance between growth and risk management. As such, it is suitable as a core holding for investors of all ages who seek the potential to grow their portfolios over time while managing risk along the way.

*Important information: Contains forward looking statements. **Not FDIC insured, may lose value, no bank or government guarantee.** Visit www.appletongrouponline.com for a complete history of these and all Appleton Group portfolios, including past performance, targeted and quarter-end holdings, strategy summary and suitability.