BEACON CAPITAL MANAGEMENT℠
A Sammons Financial Company

THE REALITY OF RETURNS

LOSSES CAN BE MORE POWERFUL THAN GAINS

If you could choose between a 0% average return and a 10% average return, which would you choose? The answer may not be as easy as you think.

Rate of return can often be misleading.
As we see in our two investment examples:

1

Year 1 down 10%

Year 2 up 10%

0% Average Return

$100,000 Invested = $99,000

2

Year 1 up 60%

Year 2 down 40%

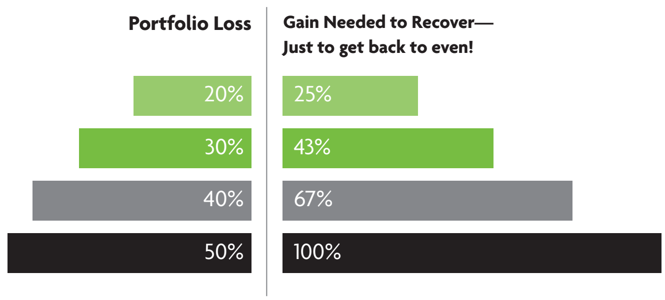
10% Average Return

$100,000 Invested = $96,000

Hypothetical examples are for illustrative and educational purposes only and not intended to predict future performance. The use of alternative assumptions could product significantly different results. Past performance is not indicative of future performance.

THE MATH OF LOSSES

How does an investment with a higher rate of return net less to the bottom line? It all comes down to volatility. It does not take a 30% gain to recover from a 30% loss. It takes almost 43% just to get back to even!



TORTOISE AND THE HARE: LIMIT LOSSES TO SEEK MAXIMUM LONG-TERM GAINS

By limiting volatility and losses before they become catastrophic, your investments also don't need to earn as much on the upside to outperform over time. Again, even with a lower "average return," consider these two scenarios:

The Tortoise earns more in the long run	Tortoise Portfolio	Hare Portfolio
Starting Value	**$100,000**	**$100,000**
Year 1	-6%	-12%
Year 2	-11%	-22%
Year 3	14%	28%
Year 4	5%	10%
Year 5	3%	6%
Year 6	8%	16%
Year 7	4%	8%
Year 8	-19%	-38%
Year 9	13%	26%
Year 10	2%	4%
Ending Value	**$108,161**	**$104,271**
Average Return	**1.3%**	**2.6%**

The tortoise portfolio only experiences half of the gains in a good year, but also only half of the losses in a bad year compared to the hare portfolio. Ultimately, the tortoise not only has a higher ending value, but also has likely eliminated the stress and worry often associated with major market swings. Slow and steady wins the race.