

grandparents or children, what their goals are when they pass on from this life, what their philanthropic goals are, you name it, we probably have done an analysis on it. Our edge is we truly customize what makes sense for them in investment strategy.

Our perspective is a lot different than most investment managers because we are taking into account the Wholevision™ of the client into account before we decide what makes sense for them in terms of investment strategy. Wholevision is defined as: a) a goal-based process for defining, pursuing, and achieving personal security, success, and fulfillment, and b) the targeted pursuit and attainment of dreams. Wholevision comprises four forms of capital: human capital (each individual's unique skills, talent, and education), financial capital (the working capital we create and use everyday, targeted capital set aside for financial planning and education, as well as contingency capital set aside to plan for unforeseen events), fulfillment capital (rewards we receive in our minds and hearts through experiences most meaningful to us), and shared capital (capital destined for others).

We have always invested in alternative types of strategies including real estate, private equity, private debt, etc. which can provide more flexibility for structuring what is most appropriate for the client. Also we are not affiliated with any broker-dealer, so we aren't getting commissions or trying to sell product. If it makes sense for a client to be in a certificate of deposit as opposed to venture capital, we are comfortable allocating to these strategies.

Infovest21: Do you foresee clients asking for managed accounts or more transparent vehicles?

Teresa Quinn: More transparency. Our clients look to us to determine what that needs to look like. They have to decide if they are comfortable with it. Now after the Madoff case, they will ask more questions, as they should. We consider ourselves an educational firm as well. It will be more difficult for anyone to get involved in illiquid strategies. There will be more questions asked of hedge fund managers before they can gather commitments from investors.

Infovest21: As an investment strategist, what type of information would you like to see more from managers?

Teresa Quinn: The ones that we work with are really good. If anything, they should be more timely. From their returns for the month or the quarter, to what they are seeing, what they're thinking, where they see opportunities, how they are moving, to more timely K-1s. That has been a really big issue, and a big reason why our clients are thinking twice before they want to put any money in hedge funds. Some of our K-1s didn't come in until October 1.

Also, for some hedge funds we do not get our monthly valuation statements until 45 days after the end of the month. Last year a lot of the downturn took place in October and November, and we were looking at September 30 numbers in a rapidly moving environment. We would like to see if there is some way managers can speed up their back office, and be more cognizant of the needs of their investors.

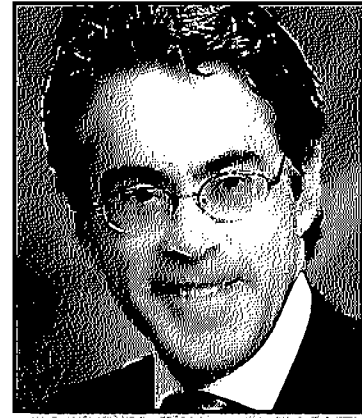
LEE FINANCIAL CORPORATION

Assets: \$900 million

Headquarters: Dallas, Texas

TERESA QUINN

Title : Vice-president, leader of investment strategy team, chief compliance officer



RICHARD KAHLER

Kahler Financial Group

Kahler Financial Group, a fee-only registered investment advisor was established in 1983 as the first fee-only financial planning firm in South Dakota. It does not receive commissions on any investment products. Kahler currently advises 50 clients, with an average asset base of \$2 million each. Their clients consist of small business owners, professionals, retirees, executives, corporations and associations

Their services include: Life Aspiration Planning, Conscious Cash Flow Planning, Asset and Income Protection, Legacy Intention Planning, Investment Strategy Planning, Financial Maintenance & Support, and Building Healthy Money Relationships.

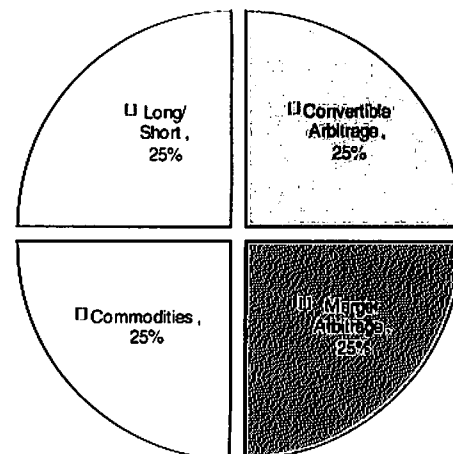
From 1998 through 2003, Rick Kahler, the founder of Kahler Financial Group, served by appointment on the South Dakota Investment Council and he became Chairman. In his role, Kahler first encountered alternative investment mutual funds.

Kahler does not invest in hedge funds, but allocates to hedged strategies via mutual funds.

Infovest21: Do you invest in alternatives? What is your allocation?

Richard Kahler: Yes, we use absolute return in all of our portfolios.

Of our overall portfolio, we have 20% in alternative investments. Of that 20%, we have divided evenly among:



In some portfolios, we throw out ,long/short, and do 50% in commodities. Each portfolio is customized.

Not too many of our clients are aware of alternatives, so I try not to use the word "hedge funds." Instead I use "alternative investments" or refer to the hedging technique. People tend to react negatively to the term "hedge funds," especially right now due to a lot of negative publicity and perception of riskiness, poor performance, and lack of transparency in hedge funds.

For the overall portfolio allocation, if we had a 70/30 portfolio, we would have the following:

Asset Class	Percentage (%)
US Equities	27
International Equities	24
Bonds	9
TIPS	4
High Yield	5
REITS	10
Commodities	10
Arbitrage strategies	10
Cash	1

Infovest21: What is the objective of investing in hedged mutual funds?

Richard Kahler: To provide: absolute return and more importantly, an asset class that isn't correlated with the rest of the portfolio. In 2008, that worked quite nicely.

Infovest21: What are returns like?

Richard Kahler: To date, convertible arbitrage and merger arbitrage are beating the pack compared with commodities, equities, and high yield bonds. Merger arbitrage returns are down 3% this year, depending on the day. Convertible arbitrage is down 15% for the year. They have done better than the fund of funds that I follow, which on average are down 30 to 35% this year.

Infovest21: What is your benchmark for hedged mutual funds?

Richard Kahler: For our arbitrage funds, it is Treasury bills plus 5%.

Infovest21: What are you looking for in an alternative manager?

Richard Kahler: I'm looking for performance, track record, consistency, and longevity. I'd like to see at least five years of track record, though I prefer ten years. This is why I have not gone with many of the newer fund managers.

Infovest21: Who are your managers?

Richard Kahler: There are several funds: Merger Fund; Gabelli ABC; Arbitrage Fund; Calamos Market-Neutral Income for Convertible Arbitrage etc. There are a couple of dozen alternative investment mutual funds that I follow.

Infovest21: What is your target risk level?

Richard Kahler: Most of my clients would be in moderate to moderately aggressive risk levels. I don't view hedged mutual funds as a particularly risky asset class. I'm expecting a long term nominal return of 6.65% with an 11% standard deviation for our arbitrage mutual funds. I expect a long term return of 5% on our commodity positions with a standard deviation of 23%.

Infovest21: How do you monitor risk?

Richard Kahler: I use third-party data providers i.e. Morningstar and others for third-party reports. The nice thing about mutual funds: I can look into them and have a reasonable idea of what is going on, unlike traditional hedge funds.

Infovest21: Do you think you will look at hedge funds or funds of funds?

Richard Kahler: No. There is a lack of transparency, lack of good data, high management fees, and negative market perception.

Infovest21: Do clients request a greater degree of transparency?

Richard Kahler: As the financial advisor, I demand transparency in investments, therefore I do not use traditional hedge funds. I use mutual funds that engage in hedging activity.

Although there are some mutual funds that invest in hedge funds, I have not taken a leap into those for the reasons I just gave.

Infovest21: Are you reviewing your clients' asset allocation?

Richard Kahler: I keep on top of my clients' asset allocation and re-balance every month.

Infovest21: What is the outlook for investing in hedged mutual funds?

Richard Kahler: Few people understand mutual funds that invest in alternative investments. Even few investment advisors have the courage to use them.

I wouldn't say the outlook is bright, we probably would not see growth in assets that we saw in 2000-2001 when merger arbitrage was doing 17% a year. They are not correlated to other asset classes, which is positive. Unlike equities, hedged mutual funds are never going to be a huge return driver, although they have proven themselves to be defensive in down markets. I think more investment advisors should take a look at them.

I'm looking for performance, track record, consistency, and longevity. I'd like to see at least 5 years of track record, though I prefer ten years. This is why I have not gone with many of the newer fund managers.

KAHLER FINANCIAL GROUP

Assets Managed : \$100 million
Headquarters: Rapid City, South Dakota

RICHARD KAHLER

Title : President