FIGURE I.1

Equal-Weighted vs. Cap-Weighted Market ETFs

Source: StockCharts.com

FIGURE 1.1

Changes in Utility as a Function of Changes in Wealth

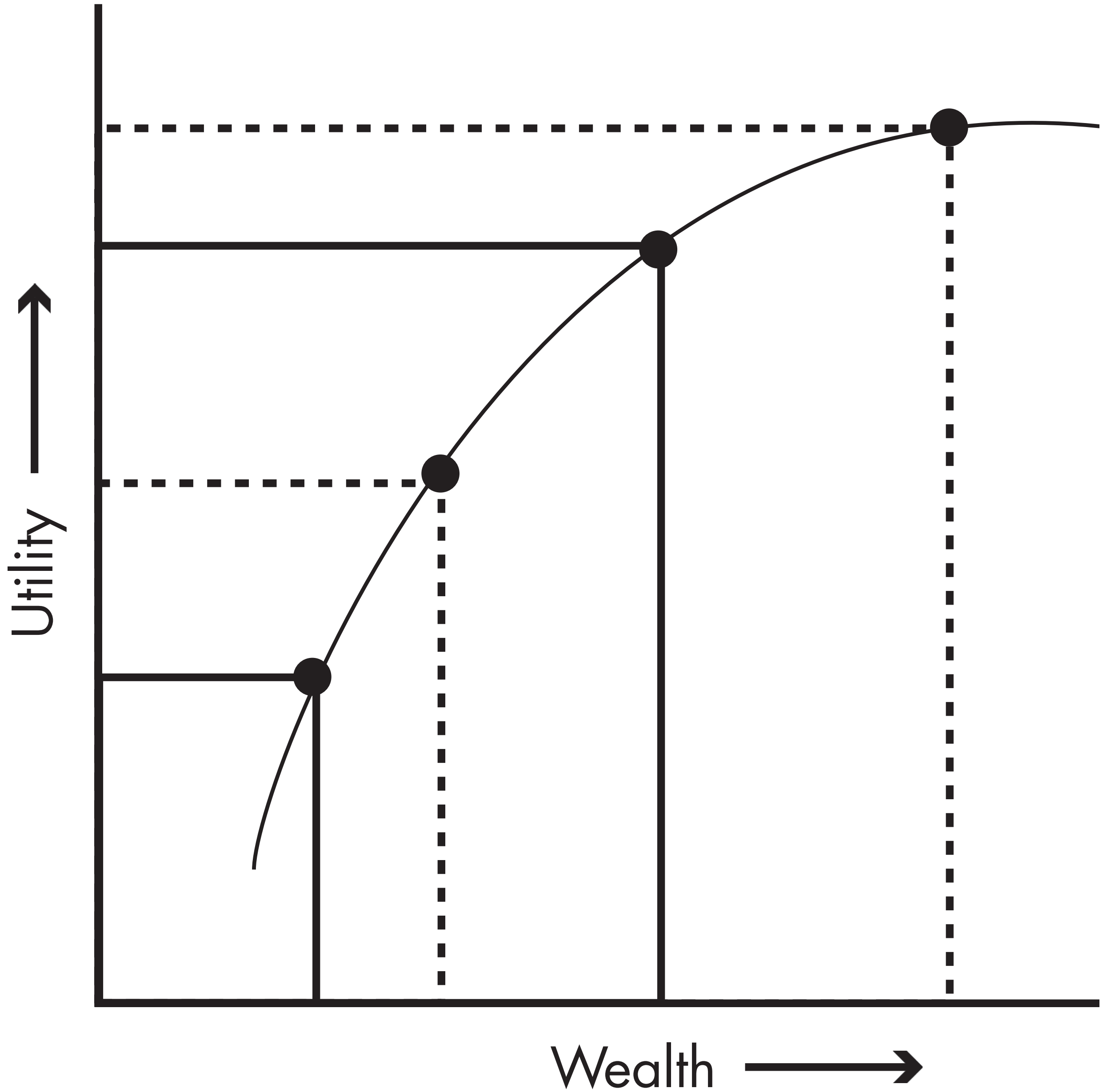


FIGURE 1.2

Diversification and Risk

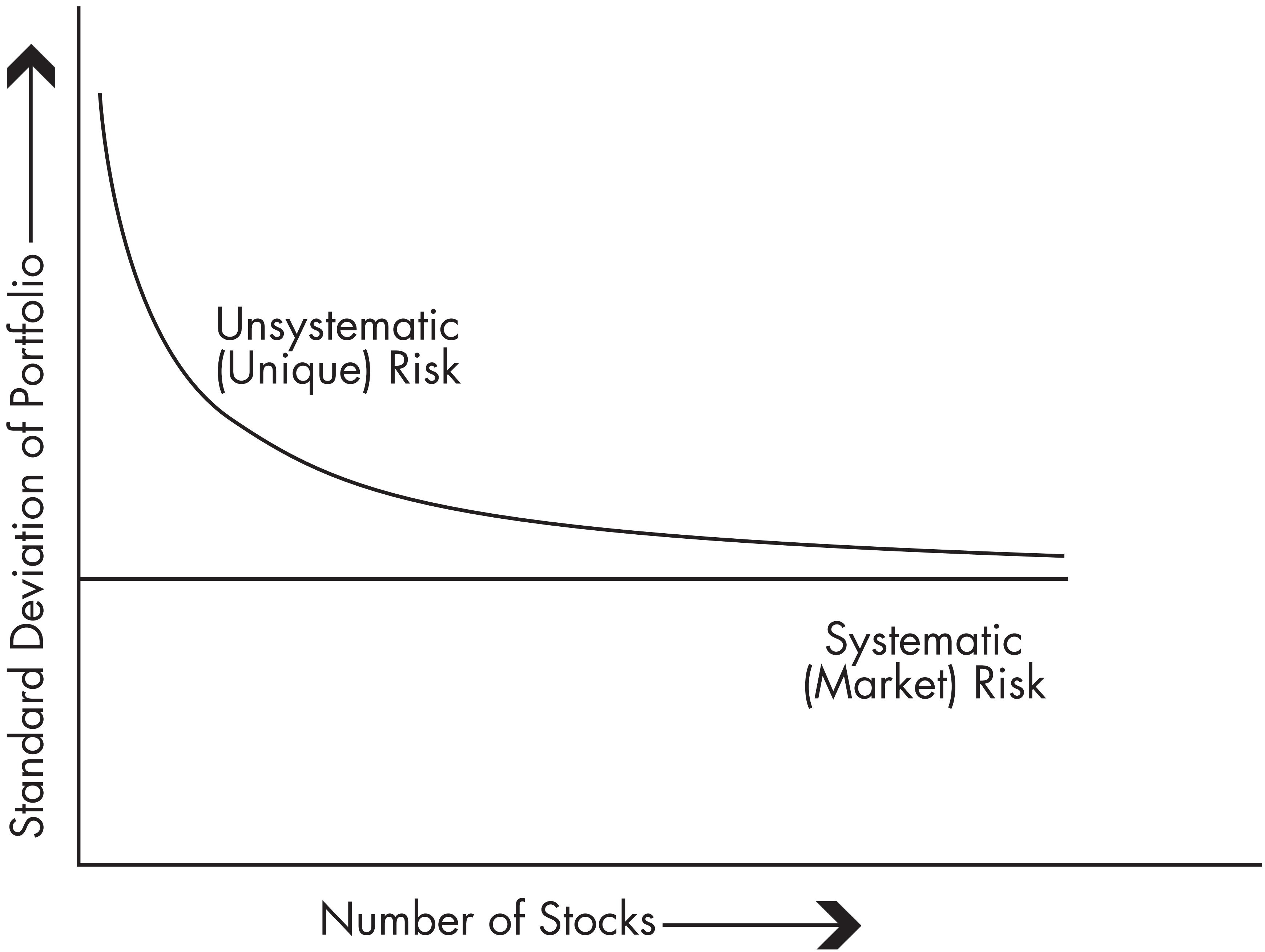


FIGURE 1.3

Dispersion of Returns

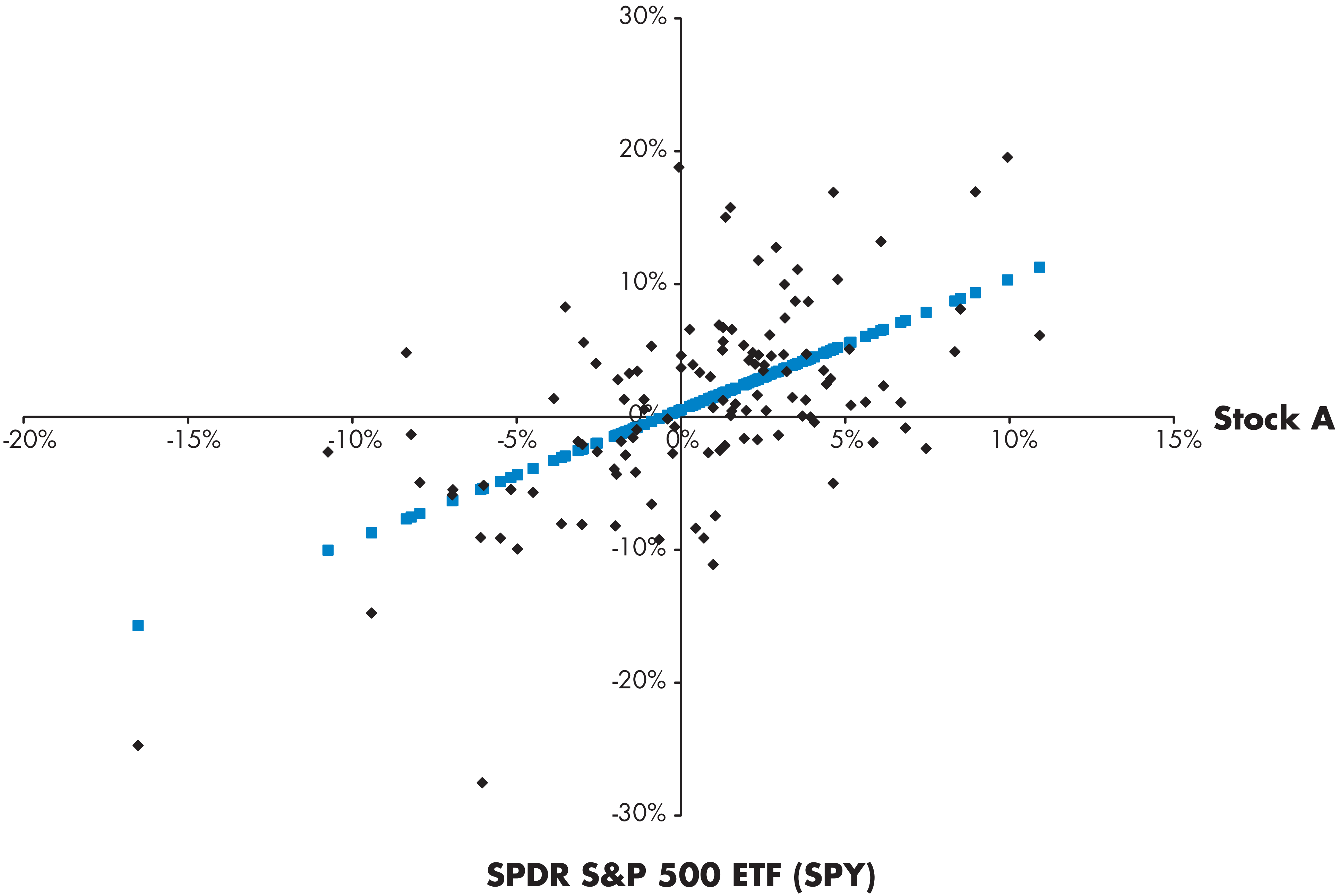


FIGURE 1.4

A Normal Distribution Curve

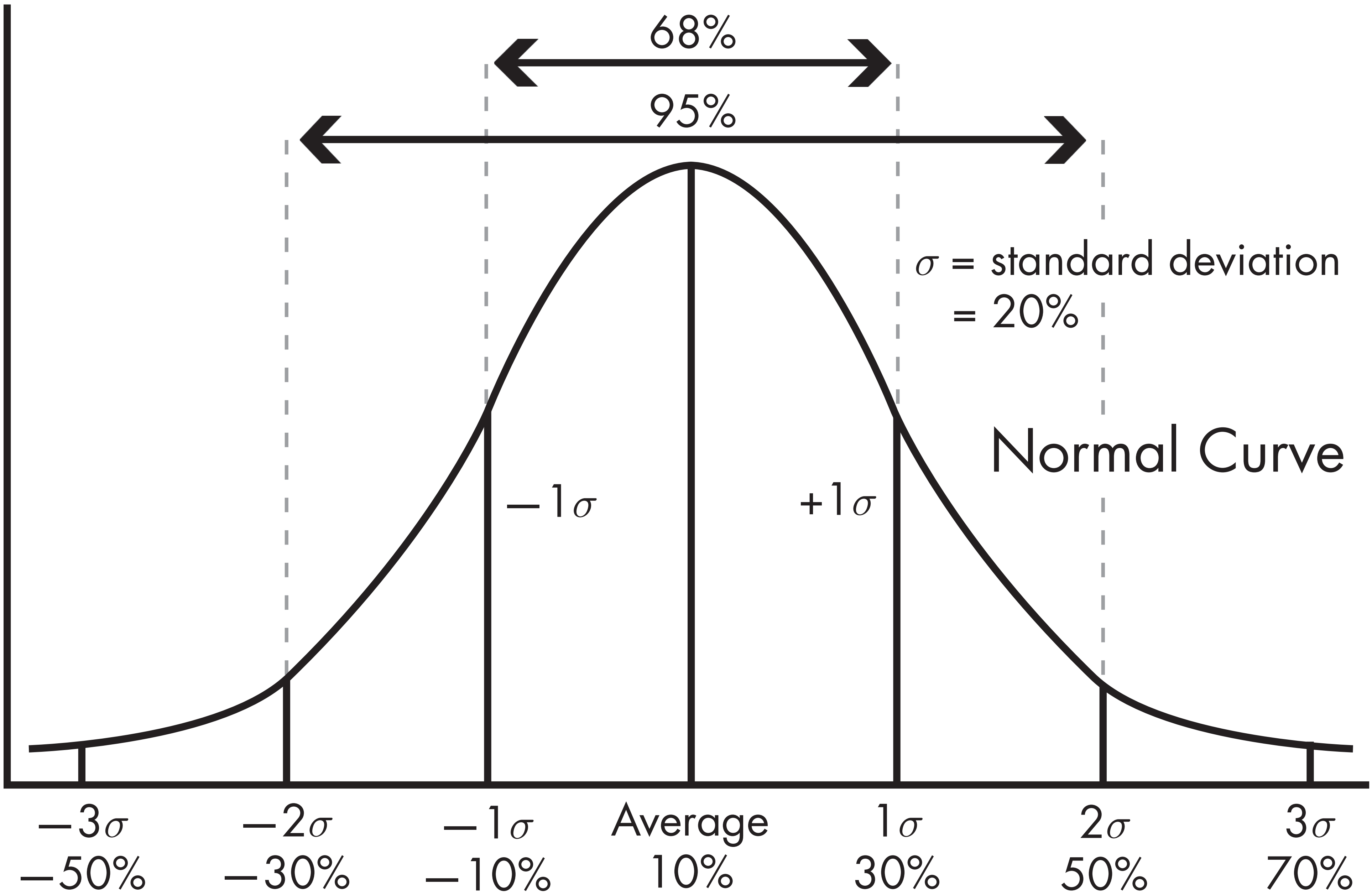


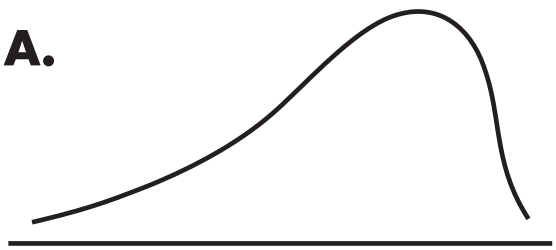
FIGURE 1.5

Skewness and Kurtosis in a Distribution Curve

Skewness

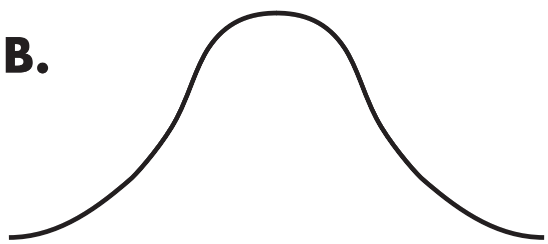
The coefficient of skewness is a measure for the degree of symmetry in the variable distribution.

A.



Negatively skewed distribution, or skewed to the left

B.



Normal distribution, symmetrical

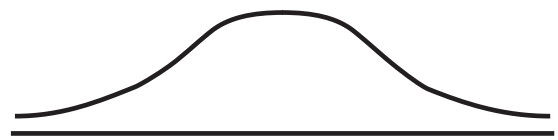
C.

Positively skewed distribution, or skewed to the right

Kurtosis

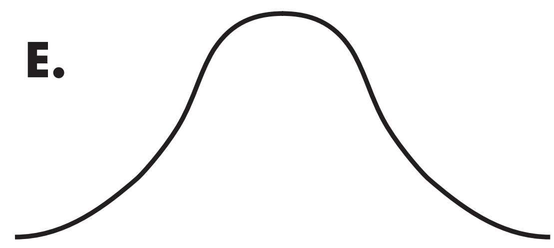
The coefficient of kurtosis is a measure for the degree of peakedness/flatness in the variable distribution.

D.



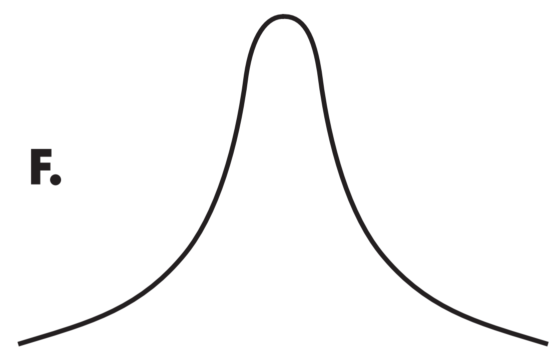
Platykurtic distribution, low degree of peakedness

E.



Mesokurtic distribution, normal distribution

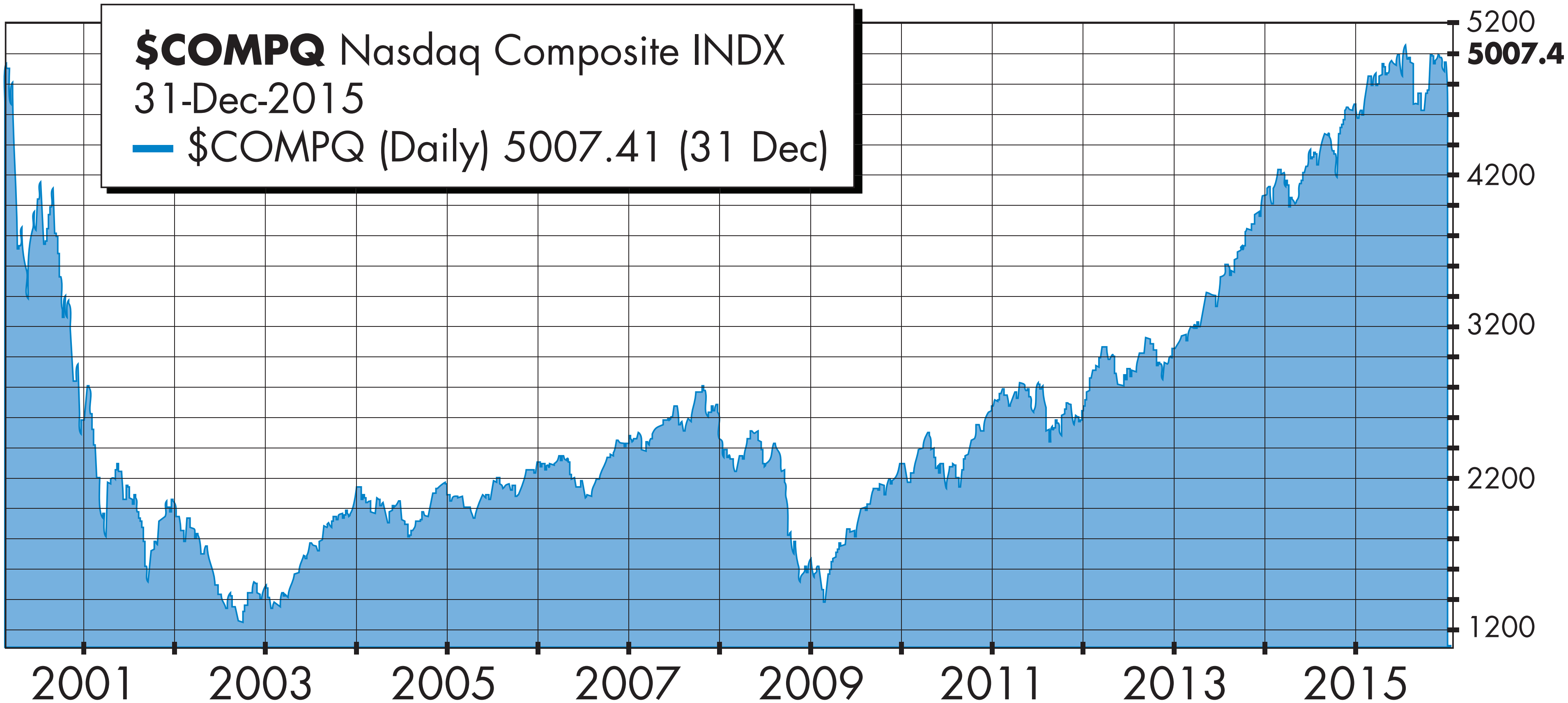
F.



Leptokurtic distribution, high degree of peakedness

FIGURE 4.1

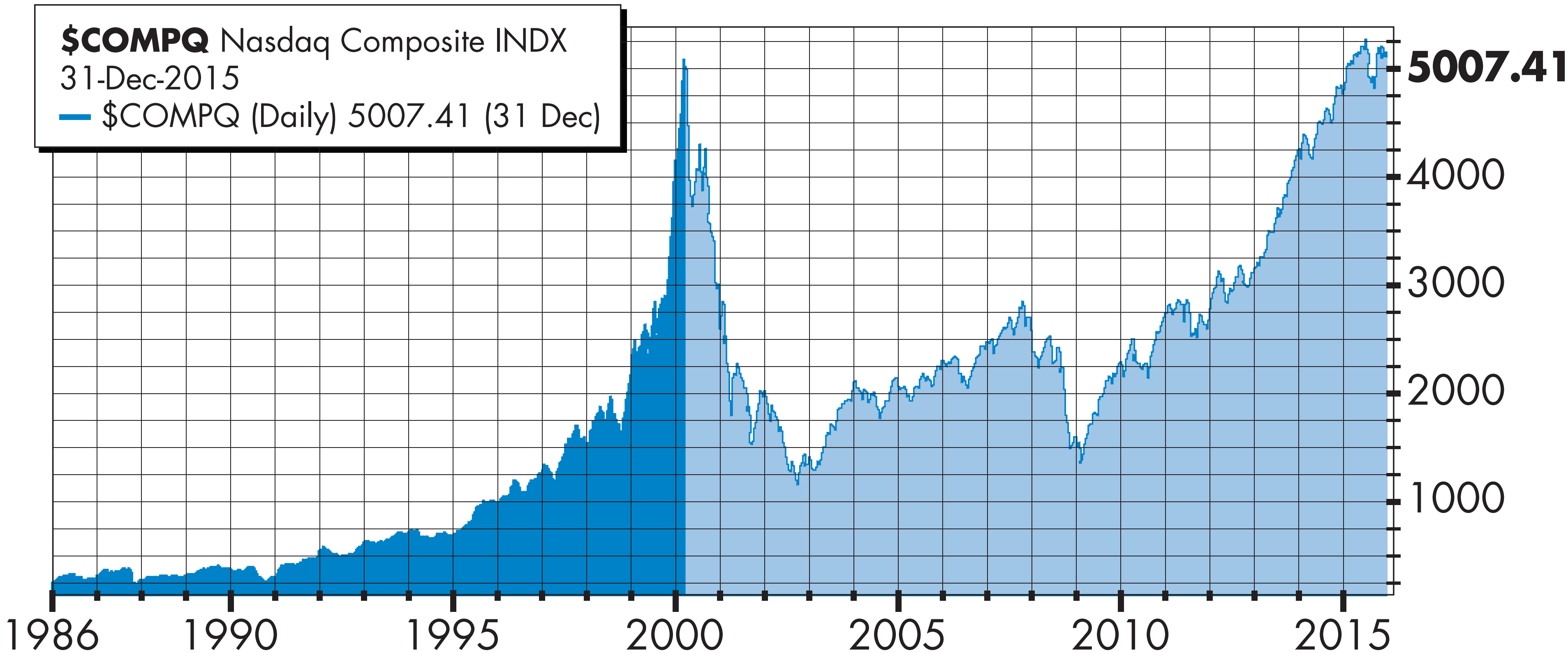
NASDAQ Composite Index After the Tech Bubble



Source: StockCharts.com

FIGURE 4.2

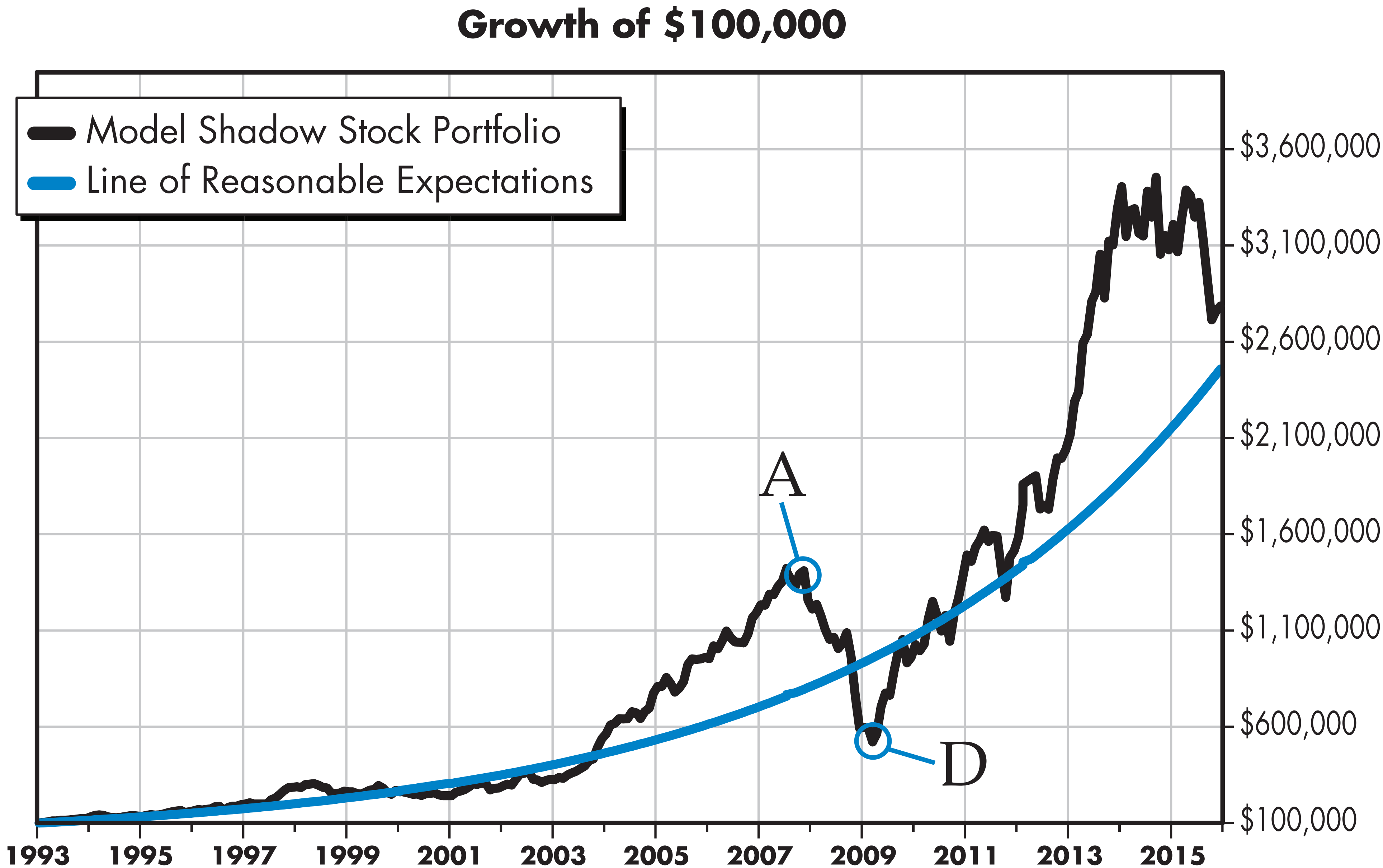
NASDAQ Composite Index Leading Up to the Tech Bubble



Source: StockCharts.com

FIGURE 4.3

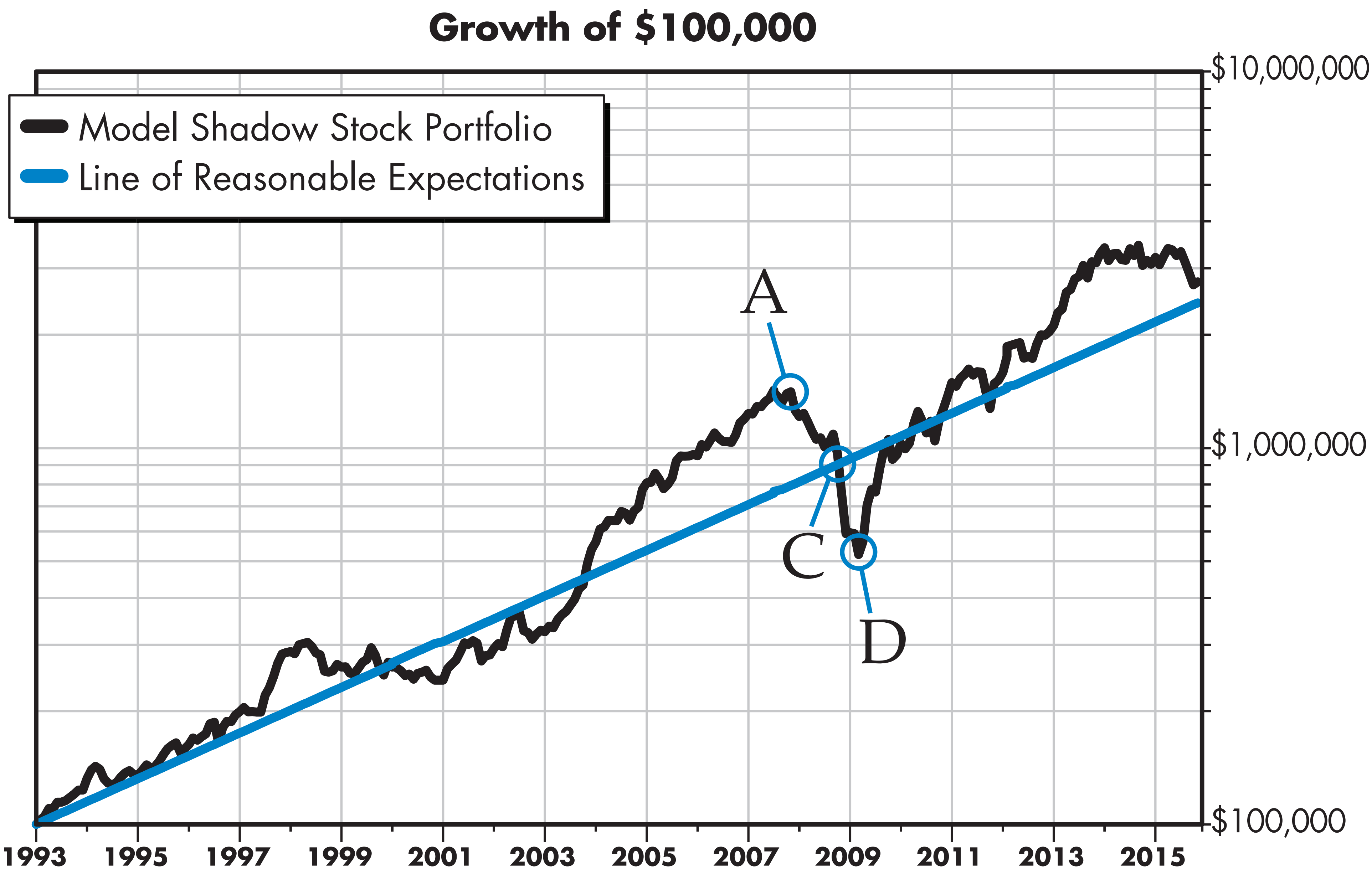
Model Shadow Stock Portfolio



Source: AAII

FIGURE 4.4

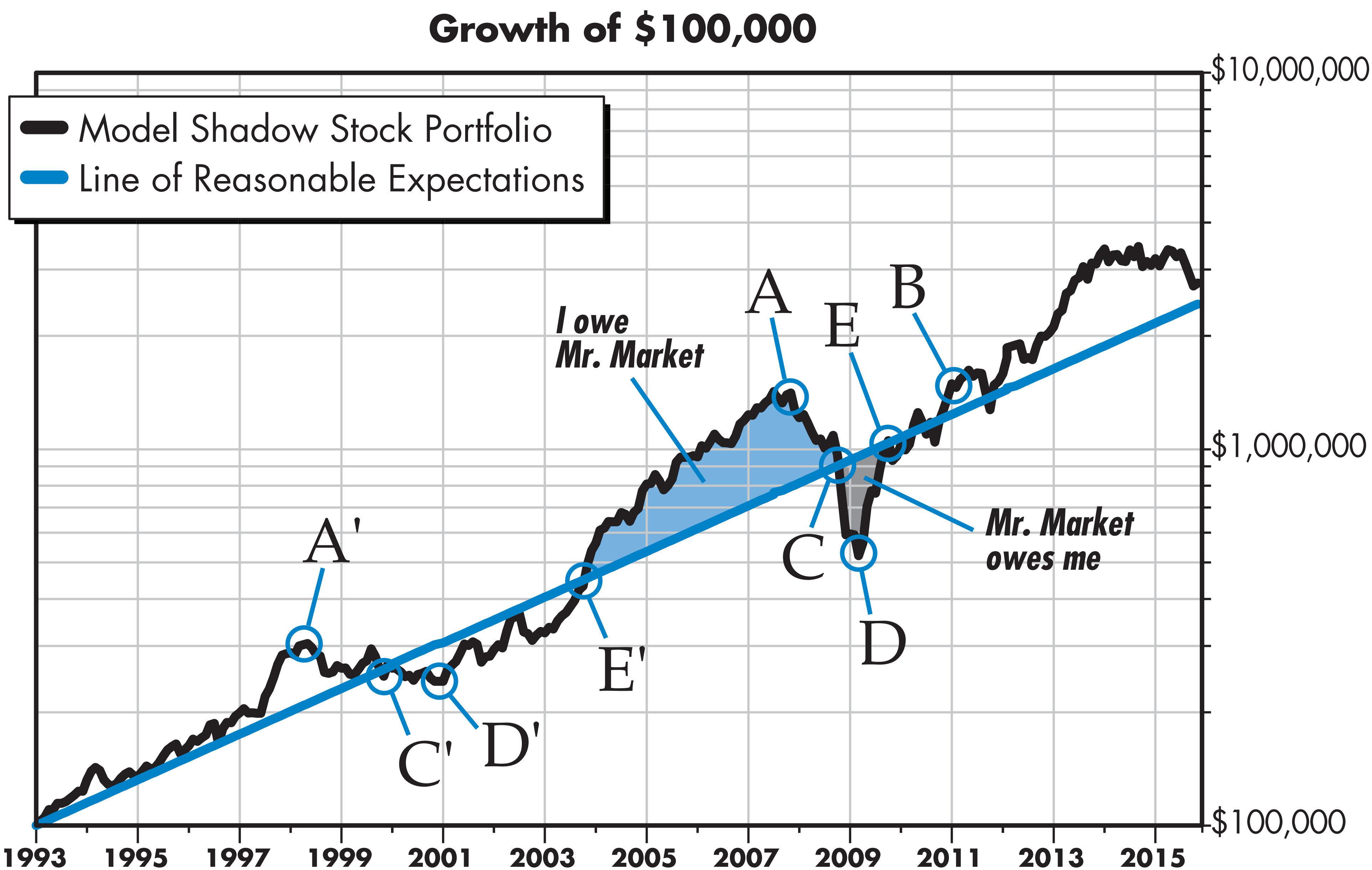
Model Shadow Stock Portfolio on Log Scale



Source: AAII

FIGURE 4.5

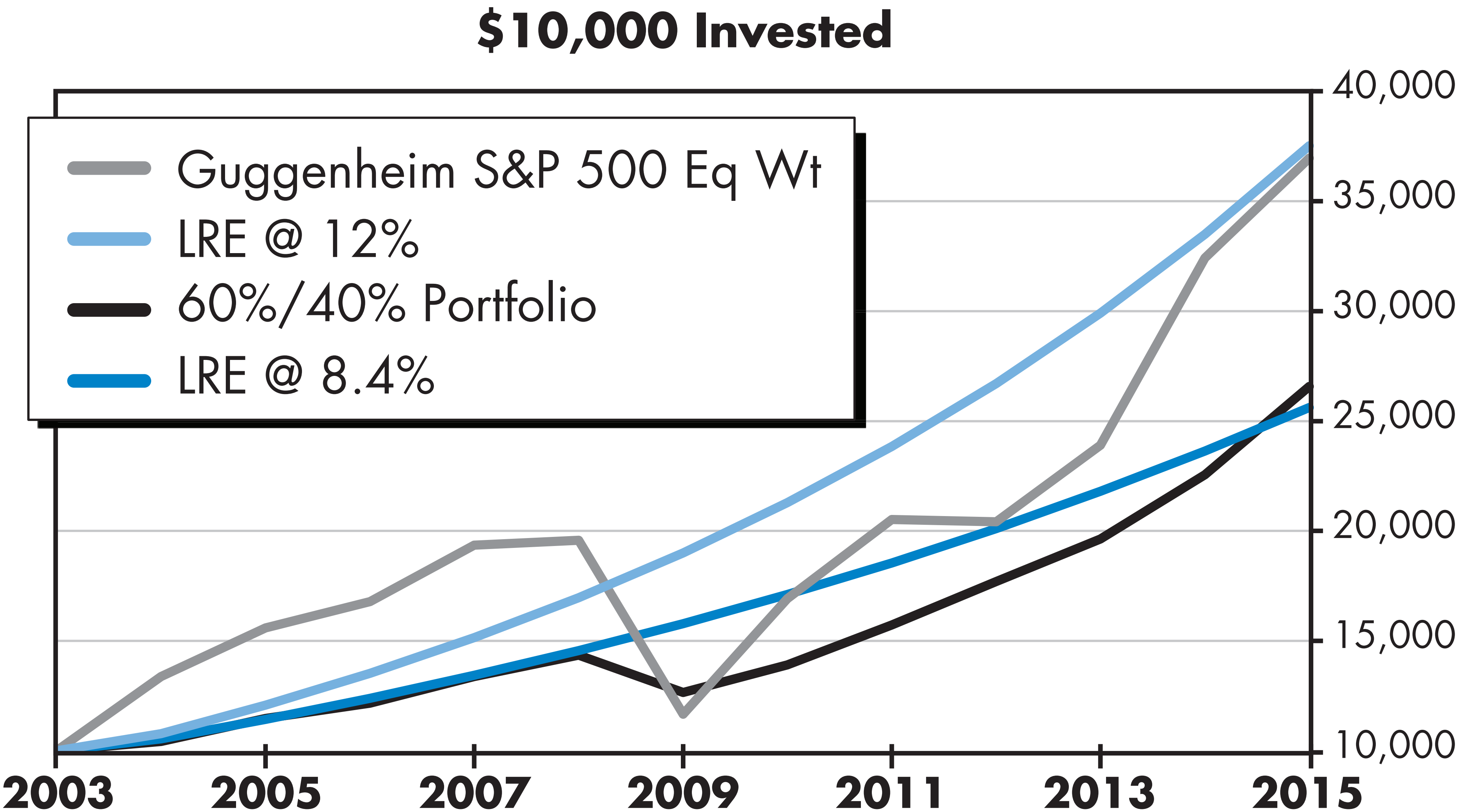
Measuring Recoveries in Model Shadow Stock Portfolio



Source: AAII

FIGURE 4.6

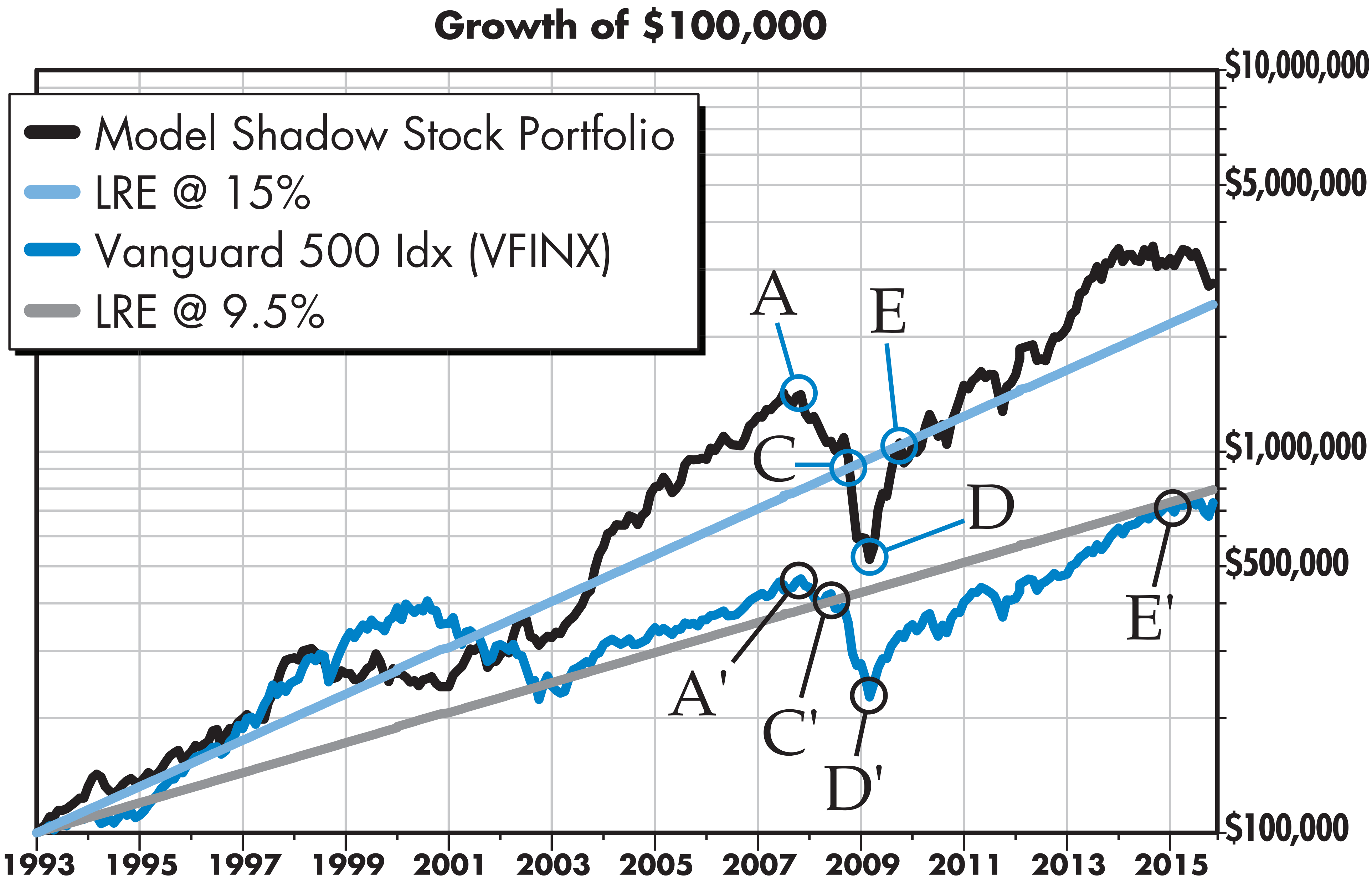
Guggenheim S&P 500 Equal Weight ETF vs. 60% Stock/40% Bond Portfolio



Source: AAII

FIGURE 4.7

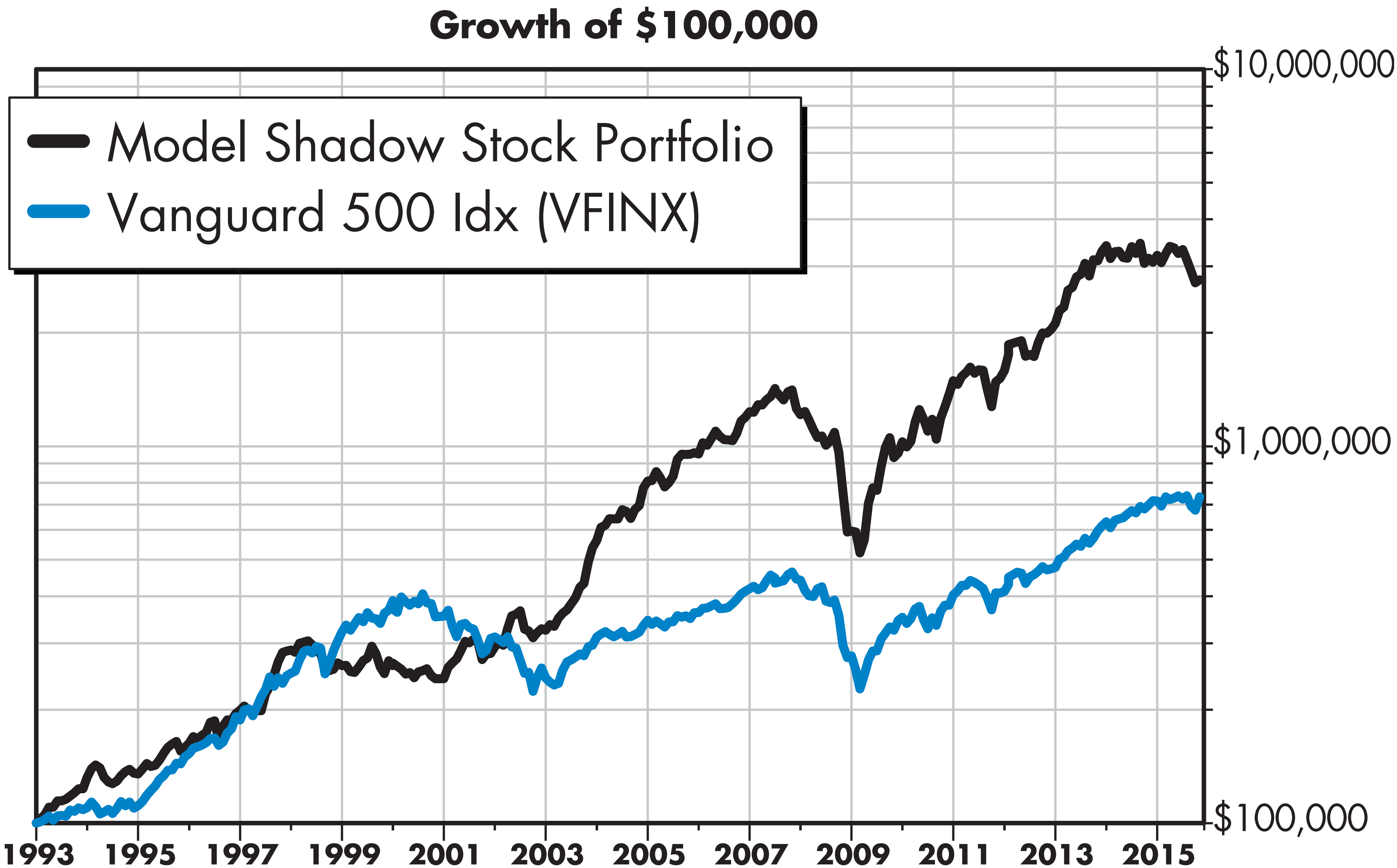
Model Shadow Stock Portfolio vs. Vanguard 500 Index Fund



Source: AAII

FIGURE 5.1

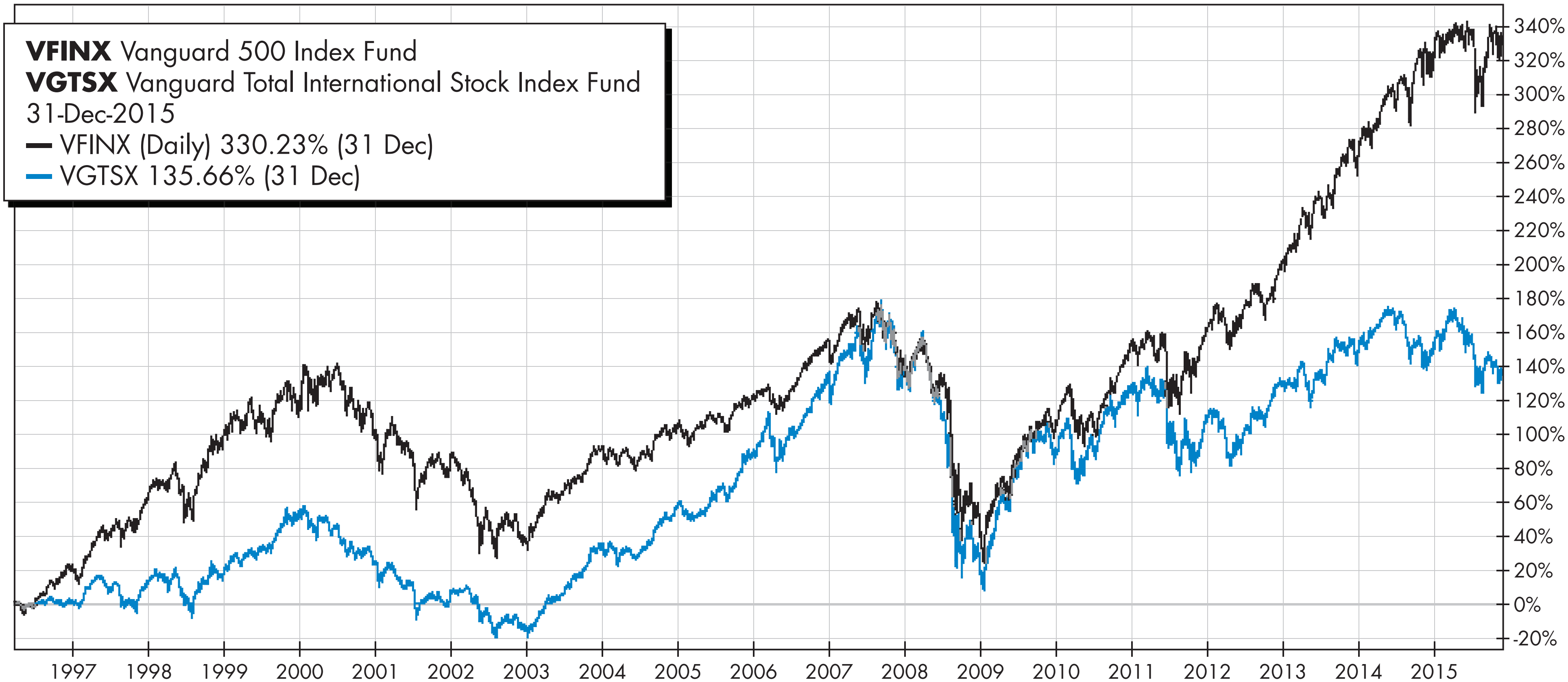
Model Shadow Stock Portfolio vs. Vanguard 500 Index Fund



Source: AAII

FIGURE 6.1

Comparing Domestic and Foreign Stock Performance



Source: StockCharts.com

FIGURE 6.2

Equal-Weighted vs. Cap-Weighted Market ETFs

Source: StockCharts.com

FIGURE 6.3

A Comparison of the Approaches

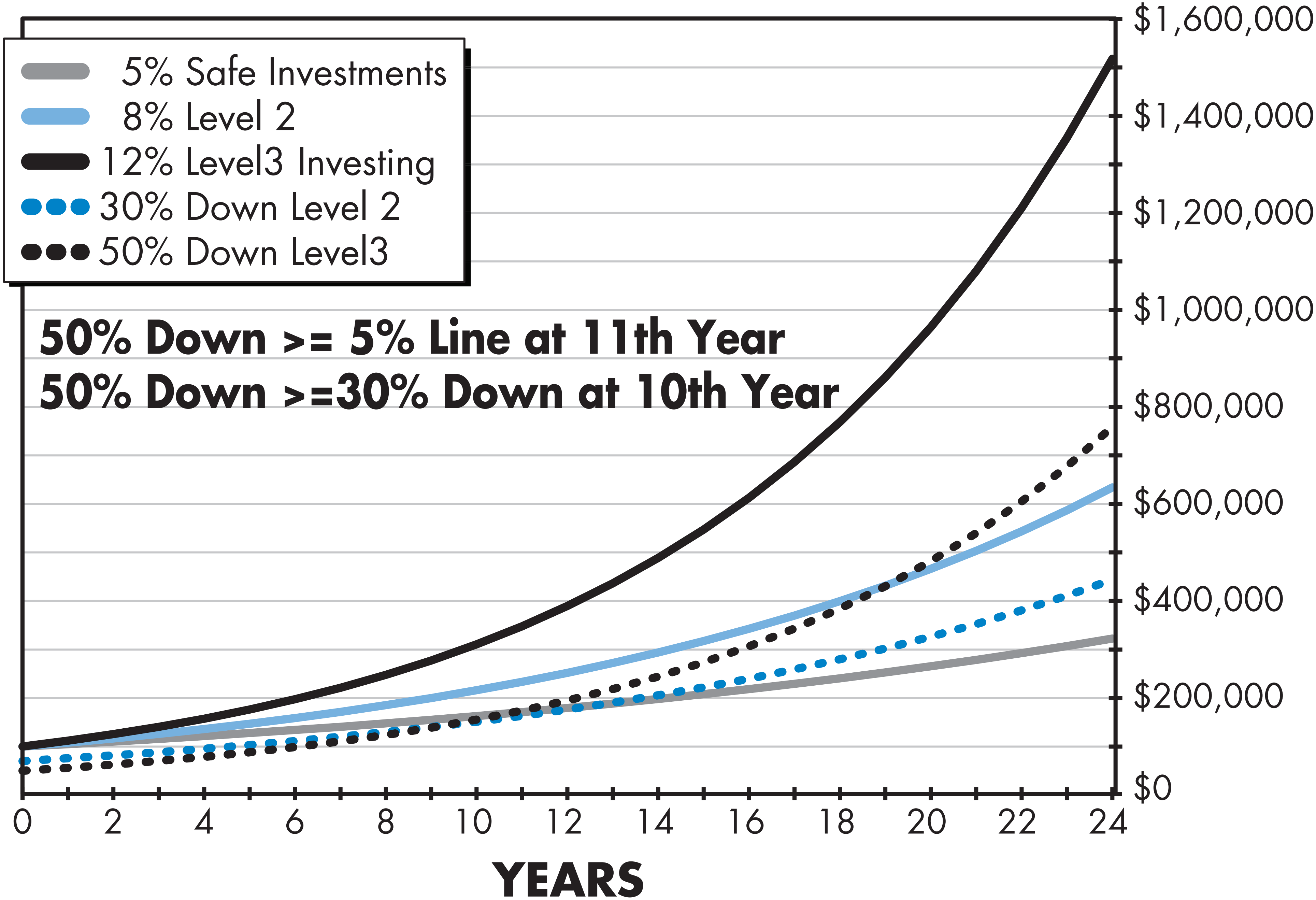


FIGURE 7.1

Hypothetical Level3 Portfolio Compared to Low-Risk and Popular-Practice Approaches

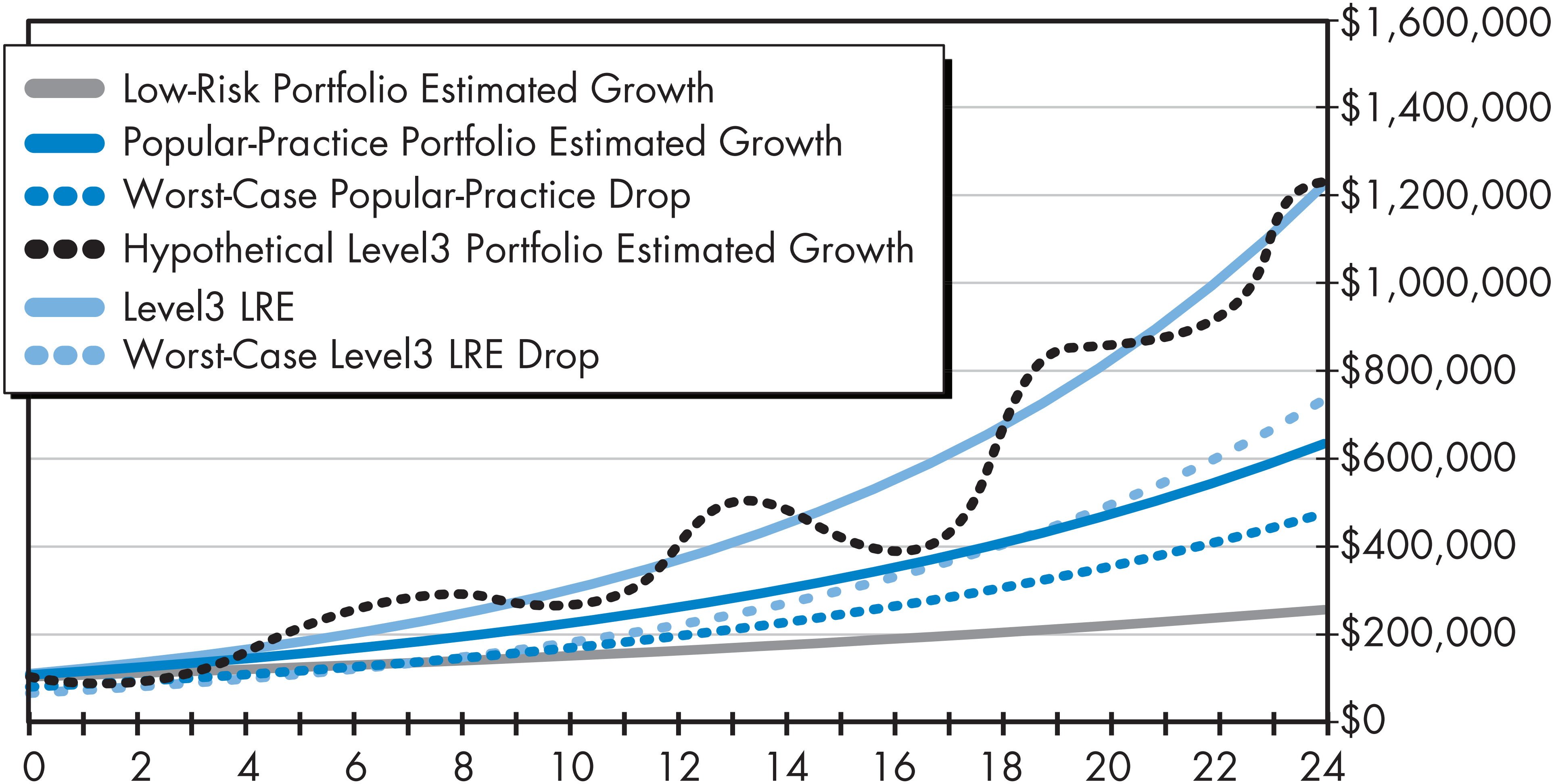


FIGURE 7.2

Two Paths to Retirement

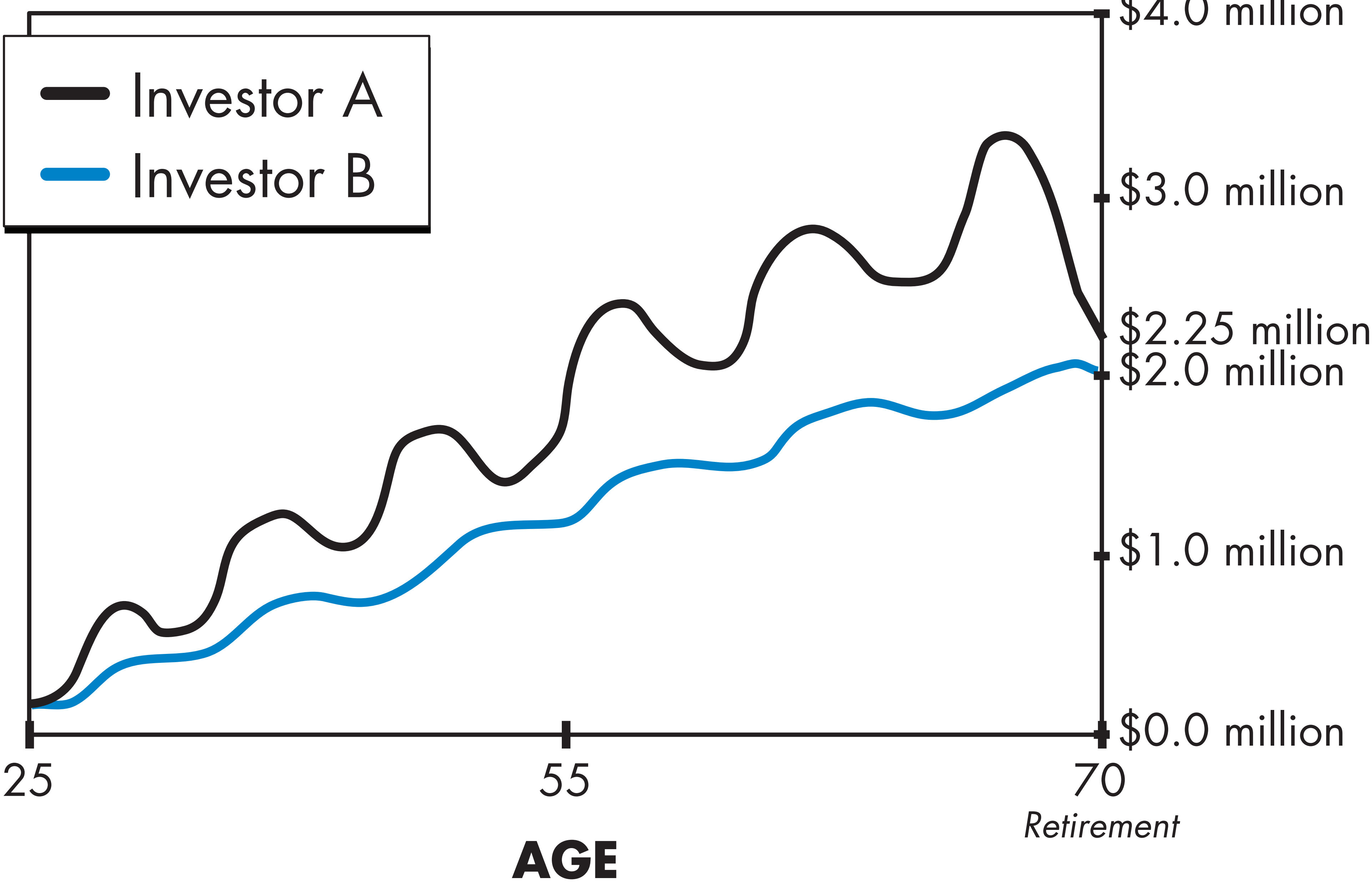


FIGURE A.1

Model Shadow Stock Portfolio Performance

Portfolio	Annual Return (%) 1-Year	3-Year	10-Year	Since Incep	Annual Std Dev (%)
Model Shadow Stock Portfolio	(15.2)	8.8	11.1	15.4	18.9
Vanguard 500 Index (VFINX)	1.3	15.0	7.2	8.9	10.5
Vanguard Small Cap Index (NAESX)	(3.8)	12.4	7.8	9.7	12.5

Data as of 12/31/2015. Inception date 1/1/1993.
Source: AAII