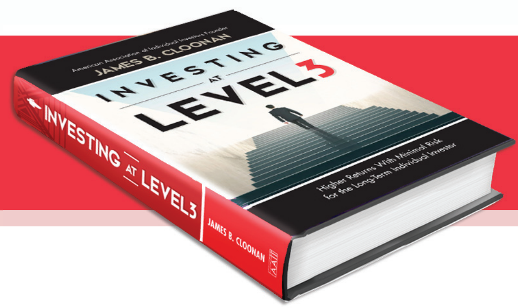
INVESTING AT LEVEL3



The My Level3 Worksheet

USER'S GUIDE

In Chapter 7 of "Investing at Level3," Jim Cloonan discusses several ways you can reinforce the behavior you intend for your own Level3 strategy. One way to reinforce this desired behavior is with the My Level3 Worksheet Jim discusses in the chapter.

This spreadsheet allows you to set up your own estimates and equivalent Level3 investment plan on a quarterly or annual basis. It then shows the cumulative values of a variety of portfolio scenarios, as well as your own Level3 portfolio. From the beginning and through the years, this worksheet allows you to view your average expectation, look at what the worst-case scenario may be, and record your actual performance.

You should review and update the My Level3 Worksheet regularly and visualize the possibility that, no matter where you are, you could—and at least once in your investing experience, probably will—be down to the worst-case drawdown line.

This regular review of what you are doing and what you want to do will help guide you in bad markets.

Please read the following when working with the worksheet for the first time:

1. The My Level3 Worksheet is broken down into multiple tabs. The "Inputs" and "Qtr Contributions, Withdrawals" tabs are where you will need to input data that will power the formulas and charts found on the other tabs. Those cells where you need to enter data specific to your own Level3 strategy and portfolio are highlighted in yellow. **IMPORTANT**: If you modify any of the other cells in the worksheet, you may alter the calculations and create invalid results. We strongly suggest only editing those cells highlighted in yellow.

2. In the "Inputs" tab, you first need to enter your beginning portfolio value in cell B9 as well as the starting date in cell B11. We suggest trying to time the starting point to the end or beginning of the month.

3. The "Qtr Contributions, Withdrawals" tab of the My Level3 Worksheet is set up to handle 96 quarters (24 years) of portfolio adjustments and quarter-ending actual values of your Level3 portfolio. If you need more than 96 quarters, highlight Rows 5 to 10 in Column CU and copy-drag them to the right to add the necessary number of extra quarters. Note that the Starting Date in cell B5 matches the date you entered in the "Inputs" tab. In addition, the subsequent quarterly end-of-month dates in Row 5 are driven by the starting date you provide (even if your starting date was mid-month, the worksheet defaults to month-end dates for display purposes since brokerage statements with portfolio values are typically through month-end).

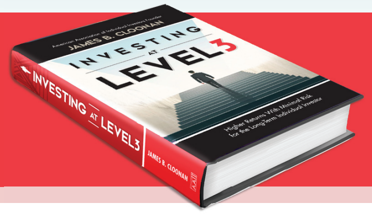
   Even if you do not make any contributions or withdrawals from your Level3 portfolio in a given quarter, you still need to enter in the quarter-ending portfolio values in Row 10.

4. The "Qtrly Scenario Values" tab (Figure 1) is where you can compare your Level3 portfolio

FIGURE 1. The "Qtrly Scenario Values" tab

	A	B	C	D	E	F
1						
2						
3	Quarterly Period Number		1	2	3	
4	Quarterly Adjustment Date (mm/dd/yyyy)	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/30/2
5						
6	**Quarter-End Portfolio Values (Net of Adjustments)**					
7	Low-Risk Portfolio	$100,000.00	$ 100,985.34	$ 106,019.80	$ 111,103.87	$ 116,238
8	LRE Portfolio	$100,000.00	$ 102,643.33	$ 109,462.27	$ 116,461.46	$ 123,645
9	Worst-Case Drawdown of LRE Portfolio	$ 60,000.00	$ 61,586.00	$ 67,319.66	$ 73,204.87	$ 79,245
10	Level 2 Portfolio	$100,000.00	$ 101,942.65	$ 108,000.75	$ 114,176.54	$ 120,472
11	Worst-Case Drawdown of Level 2 Portfolio	$ 75,000.00	$ 76,456.99	$ 82,019.99	$ 87,691.06	$ 93,472
12						
13	**My Level3 Portfolio (Actual Period-End Value)**	**$100,000.00**	**$ 103,500.00**	**$ 107,000.00**	**$ 112,200.00**	**$ 117,000**
14	**Do I Owe The Market or Does the Market Owe Me?**		I Owe Market	Market Owes Me	Market Owes Me	Market Owes
15						

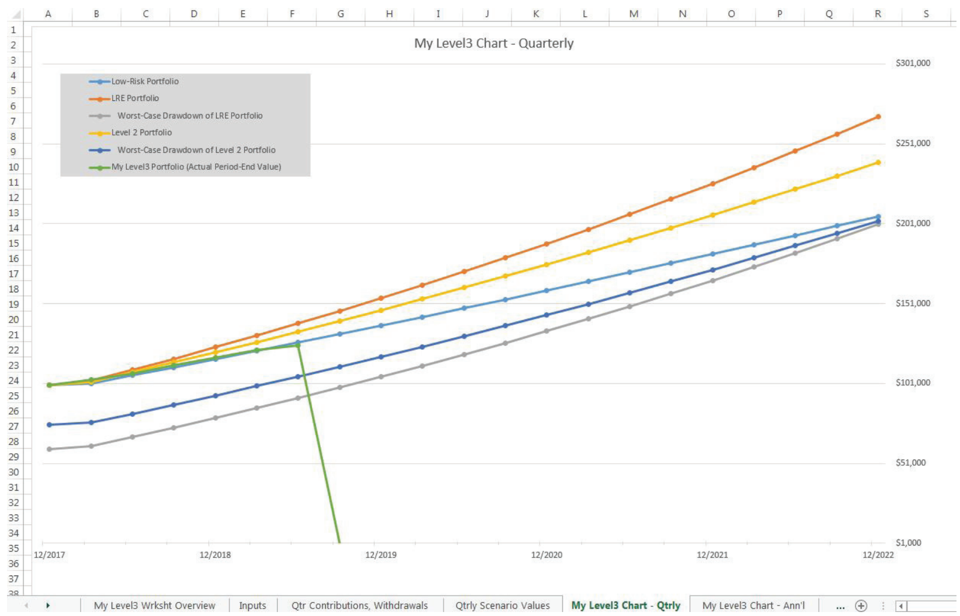
My Level3 Wrksht Overview | Inputs | Qtr Contributions, Withdrawals | **Qtrly Scenario Values** | My Le ...



value to that of various scenarios outlined in "Investing at Level3":

- Low-Risk (Row 7): A portfolio invested in low-risk assets such as short-term U.S. Treasuries.
- LRE Portfolio (Row 8): Line of reasonable expectations portfolio. This is the portfolio growing at an annualized return of 11%, which approximates the long-term average annual return of stocks.

FIGURE 2. The "My Level3 Chart — Qtrly" tab



- Worst-Case Drawdown of LRE Portfolio (Row 9): This assumes a 40% drawdown of the LRE portfolio, which is a drawdown we can reasonably expect at some point in our investing lifetime given a 100% equity portfolio.
- Level 2 Portfolio (Row 10): This is the "best practice" 60% stocks/40% bonds portfolio favored by many investment advisers.
- Worst-Case Drawdown of Level 2 Portfolio (Row 11): The maximum loss envisioned with the 60/40 stocks/bonds allocation.
- My Level3 Portfolio (Row 13): The quarter-ending portfolio values you enter in the "Qtr Contributions, Withdrawals" tab are transcribed here.

Row 14 shows whether you owe the market or the market owes you. If your quarter-ending Level3 portfolio value is greater than that of the LRE portfolio, then you owe the market, since you are outperforming the LRE portfolio, which is returning 11% annually. If your Level3 portfolio value is below the LRE portfolio value, then the market owes you in order for you to get back to the level of the LRE portfolio.

5. The "My Level3 Chart – Qtrly" tab (Figure 2) shows the value of your Level3 portfolio as well as the values of the various scenarios outlined earlier. This chart covers only the first five years (20 quarters) of your investment history. This is especially useful when you are first starting out with your own Level3 portfolio and there are fewer data points. The quarterly chart also allows you to better discern the various scenario plot lines in the first few years of your Level3 investment history.

6. The "My Level3 Chart – Ann'l" tab is an annual presentation of your Level3 portfolio as well as the various scenarios outlined earlier. This chart covers all 24 years (96 quarters) that the worksheet is initially set up to handle.