

**Mutual Fund Expenses and Performance:
Picking a mutual fund by the lowest expense ratio is not a good primary consideration**

<u>Fund Name</u>	<u>Morningstar Fund Style</u>	<u>Expense Ratio</u>	<u>3yr Annualized Return*</u>	<u>5yr Annualized Return*</u>
Vanguard LifeStrategy Growth Fund	Large Cap Blend	0.26%	11.33%	8.79%
Franklin Mutual Qualified - A shares	Large Cap Blend	1.17%	13.71%	10.70%
Columbia Strategic Investor - Z Shares	Large Cap Blend	0.99%	11.20%	10.95%
Gabelli Asset Fund	Large Cap Blend	1.38%	14.37%	10.71%
PowerShares Dynamic Mkt Port. (ETF)	Large Cap Blend	0.60%	12.83%	N/A
S&P-500 Stock Index	N/A	0.00%	8.05%	4.37%

* Returns as of 3/31/2007

All of the above mutual funds (and ETF) invest in the same style – Large Cap Blend. Every one of these funds also outperformed the S&P-500 by a substantial margin in both the 3yr and 5yr periods. However, they all have very different expense ratios. The lowest of these expense ratios (0.26%) belongs to the Vanguard LifeStrategy Growth Fund. The highest ratio (1.38%) belongs to the Gabelli Asset Fund.

Advocates of low-cost investing would recommend picking a mutual fund based on the lowest expense ratio. In this case, that would be the Vanguard Fund. The idea is that lower mutual fund expenses allow more of the return generated by the fund to be passed on to the investor. However, the 5yr annualized return for that fund was only 8.79% while the return for the Gabelli fund was 10.71%. The Gabelli fund, even with its higher expense ratio outperformed the low cost fund by 1.92% per year. That means at the end of five years, the Gabelli fund was ahead of the Vanguard fund by 9.98% - more than one extra year of return for the Vanguard fund!

It is also interesting to note that the PowerShares Dynamic Market Portfolio ETF (Exchange Traded Fund) was not an outstanding performer, in spite of its lower cost structure. It was the Columbia Strategic Investor fund that turned in the best 5yr performance. On a 3yr basis, it was the Gabelli Asset Fund that ranked at the top. This demonstrates that while lower fund expenses are attractive in theory, in practice they are not good criteria to judge the performance of a mutual fund. In fact, in this limited example, the lowest cost fund finished at the bottom of the pack in both time periods. The fund selection criteria that Advantage Investing uses are summarized below.

Fund Selection Criteria:

- Sector/Style: What is the appropriate fund for the economic environment or sector?
- Risk/Reward: What is the cost in terms of risk for the return generated?
- Recent Fund Performance: Is the manager doing well compared to their peers?
- Tradability: What are the costs involved in trading as well as other restrictions?
- Performance: What was the performance of the fund during the most recent cycle (if possible)?

Notes: Past performance of any mutual fund cannot guarantee future results. Returns are as of 3/31/2007.

Sources: Investor's FastTrack, Morningstar Mutual Funds, and Fund company prospectuses.