

**DUH stands for “Don’t Use Hypotheticals”**

**OBJECTIVE:**

The objective is to demonstrate to Financial Advisors the inherent malarkey that permeates the presentation of hypothetical performance numbers. Furthermore, we encourage Advisors to begin their review of any investment vehicle by first reading the disclosure.

- Real managers have real track records using real accounts.
- Real managers go through tough times but rather than create new hypothetical performance that is tied to a small period of actual performance, they stand by their existing real track record.

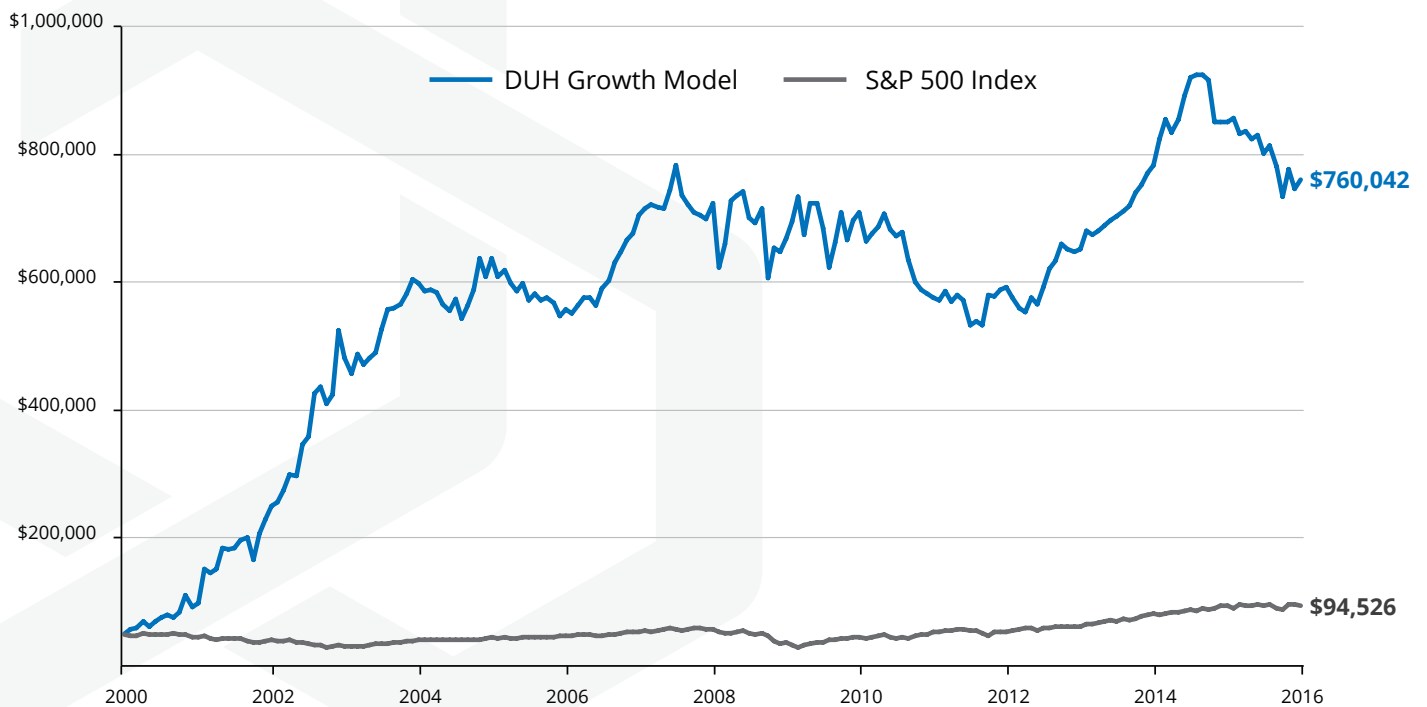
**DESCRIPTION:**

The Potomac DUH Growth model was created in a total of 30 minutes. We took some of our computer models and entered in the date range we desired in addition to the trading vehicle. With a few clicks of a mouse, Viola, we have an unbelievable track record that isn’t even worth the paper it is printed on. This is how almost every single hypothetical track record is created. Someone will back test certain trading indicators, start trading it and then attach a very small actual track record. Maybe you could have possibly, maybe, sort of, kind of achieved this or similar results if you were a hypothetical person that lived inside of our computer. Maybe!

**PROSPECTIVE CLIENT:**

No one should ever invest in a portfolio that reports hypothetical numbers!

**VALUE OF \$50,000 INVESTMENT**



## HISTORICAL RETURNS

INCEPTION 01/01/2000	DUH GROWTH MODEL	S&P 500 DIV
Starting Investment	\$50,000	\$50,000
Ending Value	\$760,044	\$94,488
Cumulative Return	1420.09%	88.98%
Average Annualized	18.53%	4.06%

## RISK & RETURN ANALYSIS

MONTH ENDING 12/31/15	DUH GROWTH MODEL	S&P 500 DIV
YTD	-10.57%	1.39%
One Year	-10.57%	1.39%
Three Year	5.25%	15.12%
Five Year	5.73%	12.55%
Ten Year	3.14%	7.30%
Inception	18.53%	4.06%
Beta ( $\beta$ )	0.32	1.00
Max Drawdown	-32.04%	-50.92%

### HYPOTHETICAL Disclosure for HYPOTHEICAL results (i.e. Justification for making things up):

The following language is found on actual disclosures for hypothetical model performance.  
 Our responses are in orange.

*"There are inherent limitations in HYPOTHETICAL results."*

**Thanks for letting us know!**

*"Some of the mutual funds used were not available until [date], making the HYPOTHETICAL results unattainable during that time."*

**Well then, maybe you shouldn't report the results!**

*"HYPOTHETICAL results were obtained by using the actual indices prices and/or funds similar to funds currently used."*

**Considering that of all the funds launched in 1997 less than 50% remain in existence today, the word "similar" should be taken with largest grain of salt you can find.**

(Source: Advisor Partners LLC 2013 Study on Mutual Fund Closings)

*"Advisor reserves the right to add or replace trading systems during real time without restarting model performance results if they believe the return/risk profile will not change substantially."*

**Why not just say that you have absolutely zero accountability for anything you produce, at any time, for any reason?**