Eastgate Advisors

Eastgate Advisors' Global Asset Allocation Strategies

About Eastgate Advisors, llc

Eastgate Advisors, llc is a private family investment office located in the Atlanta, Georgia metropolitan area. We offer to share our global asset allocation investment management services with family investment offices or other multi-asset class investors. We seek to add value through asset allocation, external manager selection, manager allocation, by managing investment risk and controlling costs. Our global allocation strategies are scalable to large or small portfolios.

Eastgate Advisors' chief investment officer has thirty-years of global asset allocation, risk management, external manager research and multi-asset class fund management experience with private wealth, institutional, ERISA and sovereign wealth investors.

Investment Objectives

Our return objective is a return which exceeds that of a strategic allocation benchmark over a three-to-five year investment horizon, net-of-fees. Our risk objective is to maintain down-side risk at or better than investor down-side risk targets.

Investment Philosophy

Eastgate Advisors, llc believes that investors who require a return in excess of a risk free asset, like treasury bills, must assume market risk. Markets can be volatile and uncertain so we believe that market risks should be globally diversified. We believe that skilled, active investment managers can add value but fewer actually exist than the investment industry would have us believe exist so manager research experience is important.

We believe that investors have more control over the risks they choose to assume than returns so risk management is a key component of our investment process. Behavior research has shown that investors tend to be more sensitive to down-side returns than to gains so we focus on managing down-side risk.

Investment Process

We use a global asset allocation approach combined with external active managers who employ bottom up security selection to help add value relative to the return of the strategic asset allocation benchmark. We make strategic allocations to asset classes with historic, persistent return premia in excess of the risk free return. We make tactical allocations to attractive asset classes based upon our views for inflation, growth and valuations over a one-to-three year investment horizon or for dynamic down-side risk management. The matrix describes our generic asset class preferences in each major economic environment:

Expectation	Economic Growth	Inflation
Rising	Equities Real estate Credits Commodities	Equities Inflation linked bonds Commodities Real estate US Treasury bills
Falling	US Treasury bonds US Treasury bills	Nominal bonds US Treasury bills and bonds Equities

Strategic allocation benchmarks focus us on investor down-side risk and return objectives. The strategic allocation benchmark is an investible, passive alternative to our active allocation strategies and represents the investor's theoretical global market portfolio in risk and return terms. Strategic allocations result from mean variance optimization using inputs derived from in-house research. In attempting to add value versus the strategic allocation benchmark we use active managers with whom we generally have many years of investing experience and we make tactical allocations. We intend to be long-term investors with a few active managers and understand that even skilled active manager returns tend to be cyclical.

Tactical allocations take advantage of global investment opportunities or for valuation or risk management reasons. In making tactical allocations we seek to add value versus the strategic allocation benchmark over a one-to-three year investment horizon. We generally use exchange traded products or US treasuries to implement tactical decisions.

Portfolio Structure

We manage globally diversified, multi-asset class portfolios. Our portfolios consist of a global markets portfolio (the *beta* portfolio) which seeks to obtain global capital markets returns and an active portfolio (the *alpha* portfolio) which seeks to out-perform the strategic allocation benchmark. The alpha portfolio is composed of long-term active manager allocations and shorter-term tactical allocations. We allocate between the alpha and beta portfolios in attempting to add value versus the strategic allocation benchmark and for risk control reasons.

Risk Management

In managing risk we focus on global market risks, active risk, leverage, liquidity and seek to eliminate non-compensable risk in order to meet investor down-side risk objectives. We dynamically reduce risk as rolling returns approach the investor's risk threshold. The table summarizes our risk management focus:

Risk Focus	Measure	Risk Management Action
Market risks	• Common risk factor exposures (beta, size, interest rates are examples)	• Global asset allocation
Active risk	• Tracking error versus the strategic benchmark • Equity active share	• Manager Research • Active-Passive allocations • Active manager allocation limits
Leverage	• Risk relative to the strategic benchmark	• Manage risk versus the strategic benchmark
Idiosyncratic risk	• # of total individual issuers	• Global diversification • Use of commingled investment vehicles

We use returns and holdings analysis, parametric value-at-risk, Monte Carlo simulation and scenario analysis in seeking to understand drivers of investment risk and their impact on investment decisions. Portfolios are rebalanced at least annually and not more frequently than quarterly for risk management purposes and to minimize transaction costs.

Investment fees and expenses reduce returns dollar-for-dollar, so keeping investment costs low is a major focus of our investment process.

You may obtain a copy of our latest quarterly commentary by contacting us via e-mail: inquiry@eastgateadv.com or phone: 770-841-3000. Visit our website: www.eastgateadv.com