



## Stanton & Castleton, Inc.

An independent firm

### *Let's Review: Our Monthly Portfolio Scans.....05/31/08*

This month: ***SPECIAL EDITION! PSDS scans explained.....***

“A picture is worth a thousand words.” Our efforts to explain the process we’ve developed to manage portfolios using our risk assessment and portfolio design tools can be confusing, yet worthwhile. So what follows is our Portfolio Stochastic Design Space Scan, (PSDS) or as we like to say “Cloud of Points” for all our Portfolios. We scaled each graph for a \$1MM portfolio value and expressed it in dollars. This is the result of a 1,000,000 trial Monte Carlo Simulations employing 5 year Mean returns and Standard Deviation “data from Morningstar” (Sleepy yet?). The **Black** boxes represent 100% single manager allocation (the **Green** box is the allocation for that manager in our current portfolio), the **Blue** diamonds are the results of 1000 separate 1000x Monte Carlo (MC) simulations combining the managers in randomly different allocations. The **Red** triangle is the mathematical optimum portfolio allocation given the managers selected. Finally, we adjust the “optimized” portfolio allocation applying asset limitations we believe contribute to risk management resulting in The SC Portfolios represented by the **Yellow** circle. The Forecast Risk / Return #'s are an average of the selected portfolios 1000x MC trial mean return and standard deviation. Combined, we have potentially designed a more risk balanced portfolio than with any single manager. We believe the design tools we use help us confirm our manager selection process is sound and assist us in deciding the optimum allocation for each manager.

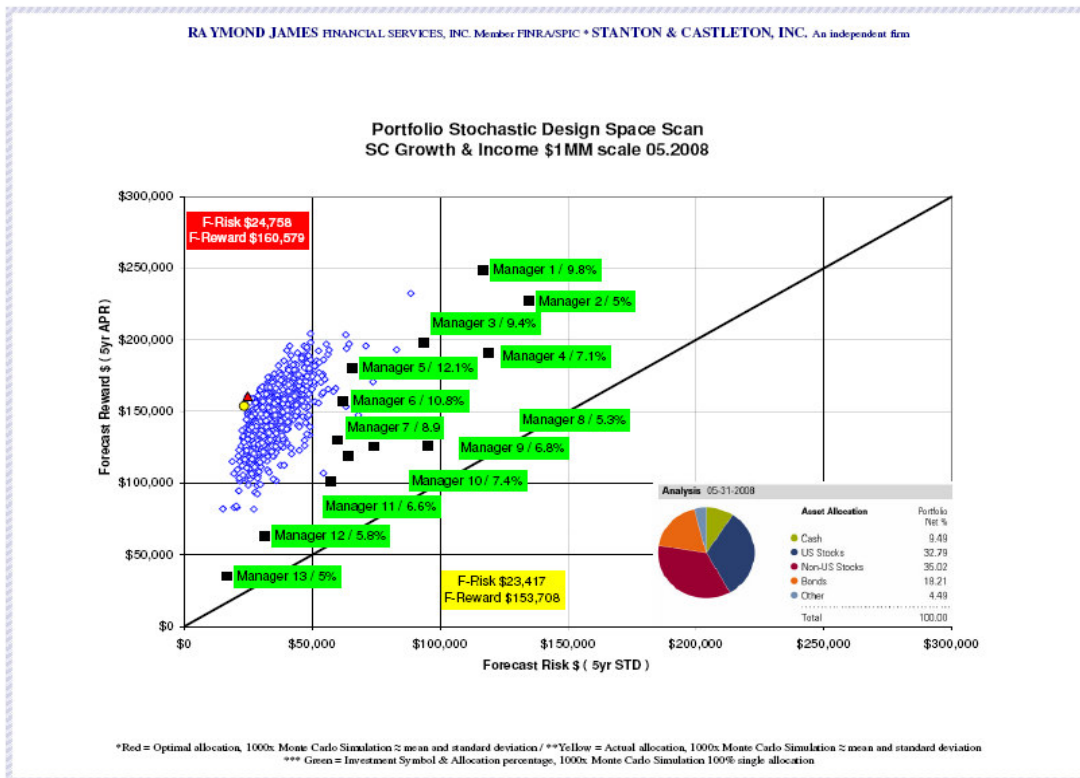
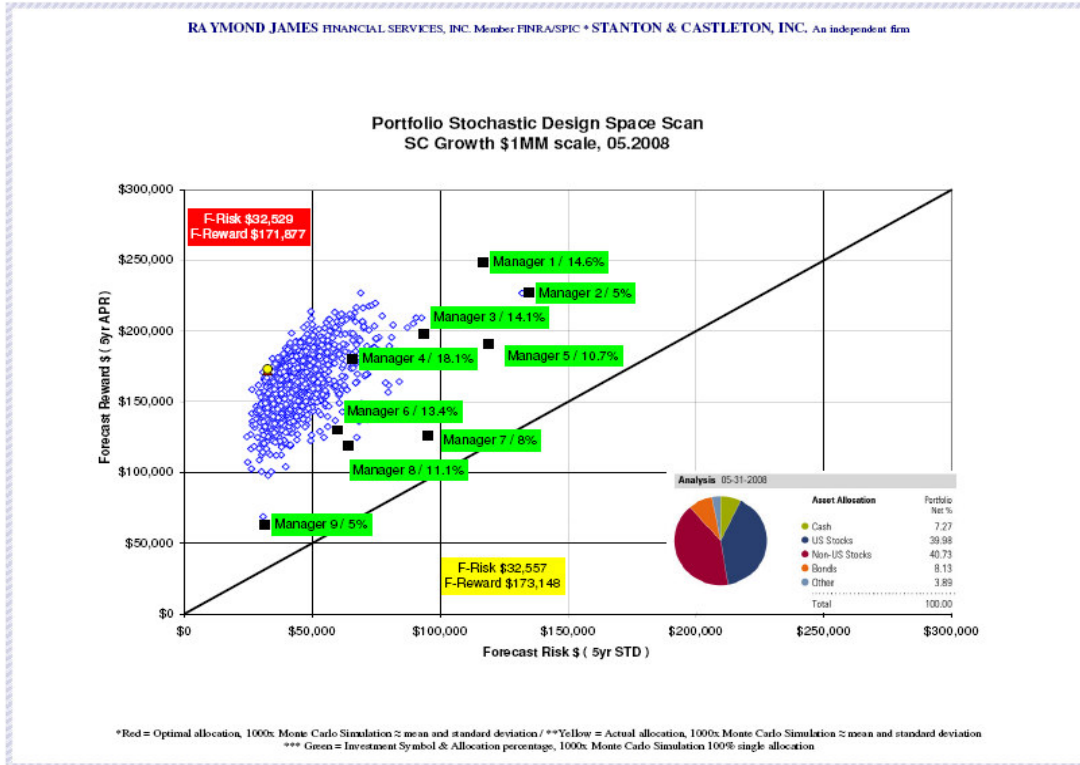
We run these large trial simulations every month to confirm our designs, identify any concerns and most importantly test changes we are considering before we commit client assets. Our goal is to help our clients better manage investment risk in their portfolios and offer an approach that has reasonable solutions for reasonable expectations.

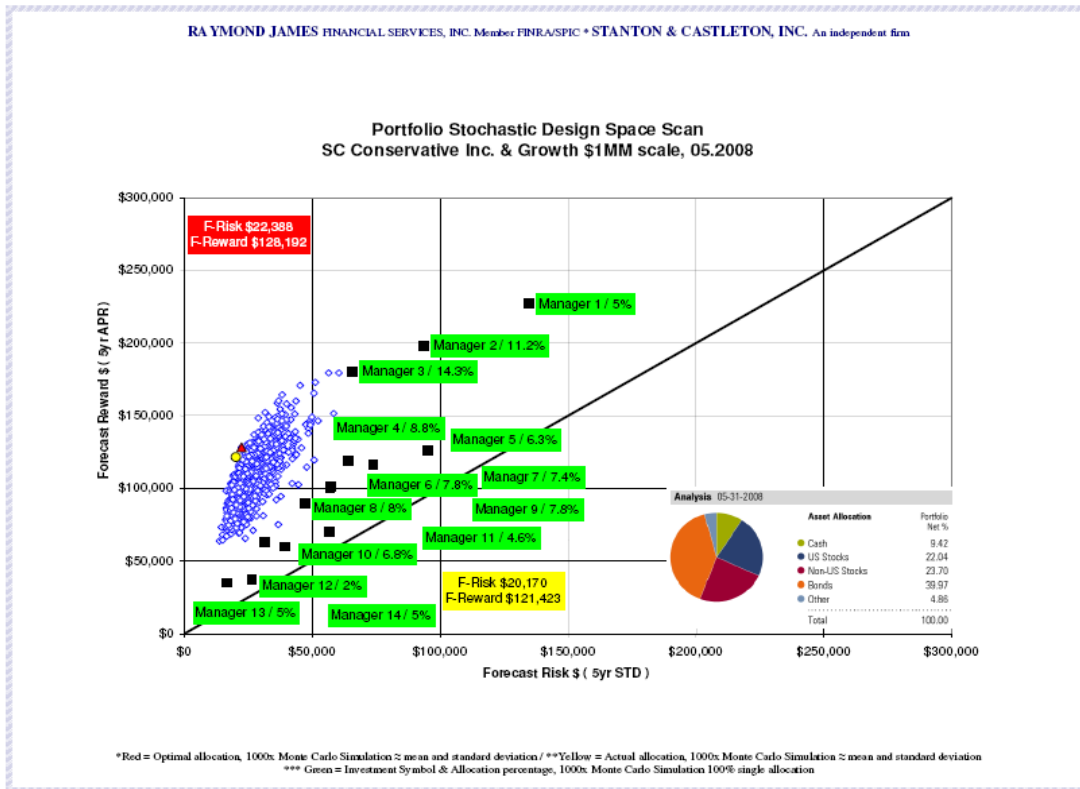
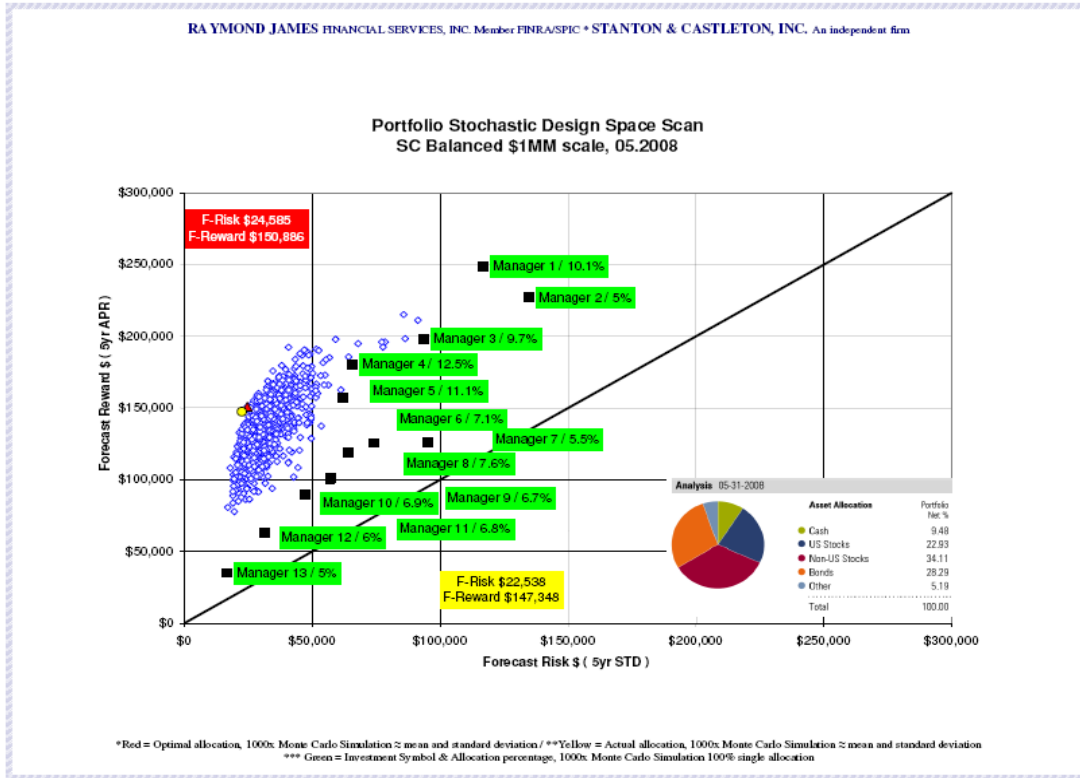
On the following pages we have shown the latest PSDS scans for all five of the portfolios we have designed, starting with our “most aggressive” portfolio and ending with our “least aggressive” portfolio design.

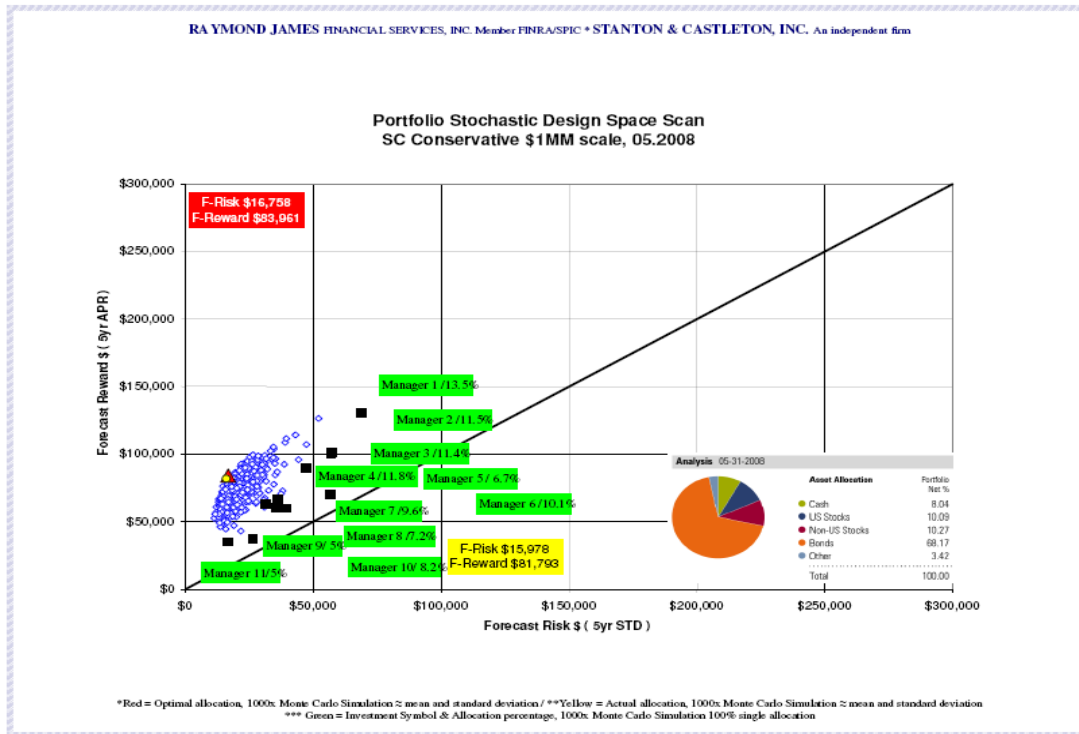
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*1151 Dove St., Suite #115, Newport Beach, CA 92660 / 949.975.0955 / 877.975.0955 / [www.stantoncastleton.com](http://www.stantoncastleton.com)  
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*This month "Special Topic": Our "5" PSDS scans!*







**“In the end, how your investments behave is much less important than how you behave.”**

**Benjamin Graham**  
**The Intelligent Investor**

For a more in depth discussion on our services and approach to asset management...or if you would like to read past issues of our newsletter just click this link:

<http://tinyurl.com/65vypu>

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