



FAIRFAX GLOBAL MARKETS LLC INVESTMENT MANAGEMENT PHILOSOPHY

Fairfax Global Markets, LLC

Fairfax Global Markets, LLC, is a global investment management firm, headed by CEO and Chief Investment Officer, Paul Dietrich, that manages investments for individuals, retirement funds and private institutions throughout the United States.

Fairfax Global's investment strategies are designed to build client wealth during bull markets while simultaneously protecting client capital from losses during severe market downturns.

What Do Investors Need To Know To Protect Their Retirement Savings?

Since the near collapse of the global financial system in 2008, the global economy is still extremely fragile and unpredictable.

While the stock market has climbed back from its 2008-2009 losses, many investors are confused and worried about how to invest their retirement savings in a way that can protect them from unpredictable events happening around the world that seem to negatively affect the stock market here in the U.S.

Investors Were Traumatized By Recent Stock Market Declines!

Investors have been traumatized by the stock market over the past 16 years. They saw the stock market's S&P 500 Index drop -49% in 2000 to 2002 and then drop -57% in 2008 & 2009.

The average investor doesn't have the psychological stamina to endure that kind of volatility affecting the money that they have saved for their retirement. This money is their survival in old age and -49% and -57% drops in the stock market are simply unacceptable.

The Benefits of Active Investment Management

Fairfax Global believes that most investors in the United States have created investment portfolios that only do well when the stock market is rising.

A big reason so many people lost money in 2000-2002 and again in 2008-2009 was investors built investment portfolios too dependent on only rising markets. Their strategies were based on the experiences of their lifetimes up to the year 2000. But from 2000 to 2013, the stock market and the global economy have looked more like the 1930's, before most investors were alive.





Even today, many financial planners continue to set up client investment strategies that do well only when stocks and bonds are rising. This “mindset” among most financial planners and advisers has created havoc in many people’s investment portfolios over the past decade.

When investors were hit with losses after the stock market declines in 2000-2002 and 2008-2009, many investors pulled their money out of the stock market and corporate bonds and went to cash right when the stock markets started to recover—only to suffer again as times changed.

Fairfax Global Market’s “Two Portfolio Investment Strategy”

The two core Fairfax Global Markets investment strategies are “all weather” conservative strategies designed to (1) stay fully invested in the stock market during the good times of a Bull Market, and (2) to completely exit the equity markets in the bad times of a Recession/ Bear Market and only invest in cash, money market funds, U.S. treasury bonds, gold and other defensive investments during long-term bear markets.

The Best Money An Investor Makes Is The Money They Doesn’t Lose In A Bear Market!

Fairfax Global believes that risk management and the protection of capital from major declines in the stock market like in 2000 to 2002 and again in 2008 and 2009 are its primary goals.

Fairfax Global understands that all investors have the same investment objective—to make money on their investments and not to sustain any significant losses in the process.

Fairfax Global has tried to combine Warren Buffett’s “value investing philosophy,” and free-market economist, Harry Browne’s “Permanent Portfolio alternative bond strategy,” into a tactical risk management strategy designed to avoid significant losses in an investor’s principal investment capital.

1. The Fairfax Global Permanent Portfolio – A Bond Alternative Strategy:

The U.S. Federal Reserve has recently started to raise bond rates. Most analysts agree this will be the start of a long-term bear market in bonds. When bond yields are raised, the value of an investor’s current or older bonds inversely go down in value. If they are sold before their maturity date, the investor can lose principal.

For the past 30-years there has been a bull market in bonds. Few investors have experienced a period of sustained declines in the value of their bond portfolios. Now, investors will have to protect their bond investments from what could be a disaster for their portfolios over the next few years.

The Fairfax Global Permanent Portfolio Strategy may be a solution. This conservative bond alternative investment strategy was created to protect investors’ portfolios and avoid significant losses.





The famous free market economist, Harry Browne, invented the “Permanent Portfolio” strategy in the late 1970’s.

The core holdings of the Fairfax Global Permanent Portfolio are allocated as follows (approximately 25% each):

- Global stock Exchange Traded Funds (ETFs) – provide strong returns during bull markets and periods of prosperity.
- Long-term US Treasury bond ETFs – perform well during periods of prosperity and periods of deflation.
- Short-term (1 – 3 year) Treasury bond ETFs. Like cash, this allocation hedges against economic recession or depression and/or during times of high interest rates.
- Gold and precious metal ETFs – hedge against inflation.

Fairfax Global active risk management applied to the Permanent Portfolio. When any of these four asset classes declines below its 200-Day Moving Average, signaling a downturn in that asset class, the funds in that asset class are reduced or moved to cash or short-term U.S. Treasury bonds until the market in that asset class has turned back up.

This conservative investment strategy is designed to protect an investor’s capital under any set of economic conditions. These non-correlated investment allocations are designed to work during bull and bear markets, and in periods of inflation, deflation, and in periods of recession and depression.

In Greek mythology, the Hydra is a serpent-like creature with numerous heads. Each time an opponent cuts off one of the heads, two new ones grow back. Harm is what it likes. The more harm it encounters the stronger it becomes.

There are so many things outside of an investor’s control that can negatively impact the stock markets. There are politicians, Mother Nature, Middle East conflicts, civil wars, etc.—these events can all negatively impact global stock markets.

The Permanent Portfolio is a “Hydra-like Investment Strategy.” Each of the 25% allocations is designed to thrive in a different stock market environment. This “Hydra-like Strategy” is focused on lowering volatility and providing some aspect of growth in all stock market environments.

2. Fairfax Global Value Stock Strategy

This “value stock” investment strategy takes more calculated risks and will have more volatility because of the stock market.

A significant number of academic studies have shown that over long time periods, “Value” investment strategies outperform “Growth” investment strategies. The Fairfax Global Value Stock Strategy primarily invests in stocks that are undervalued using screening criteria that many academic studies have found to be core “value investment criteria” for finding securities that have out-performed over long periods of time.





The core basic investment criteria used by Fairfax Global to screen for securities during long-term bull markets are (1) low price/earnings ratios or a low Enterprise Value to EBITDA (EV/EBITDA); (2) a high return on equity (ROE); (3) high free cash flow production, specifically known as Cash Return on Invested Capital; and (4) price momentum by buying securities that are outperforming the broad market and are close to their 52-week highs.

Fairfax Global Tactical Risk Management Overlay: After a stock market downturn, Fairfax Global first determines whether the the stock decline is a “correction” or a long-term “recession/bear market” based on a weekly disciplined analysis of leading economic data. If Fairfax Global determines that the economy is heading into a recession/bear market, Fairfax global then uses one technical indicator to identify long-term bear and bull markets. It is an index called the “Monthly S&P 100 Percent of Stocks Over Their 200-Day Moving Average.” When the index drops below the 50% level, that triggers a long-term bear market signal and Fairfax Global will move the entire portfolio to cash, short-term U.S. Treasuries or other defensive investments. As the index starts to move upward from below 50%, the process reverses. (Note: The use of technical indicators does not ensure profit or guarantee against loss.)

Why Should An Investor Hire Fairfax Global Markets?

In addition to a track record of strong financial performance and a rigorous risk management process, personal client service sets Fairfax Global apart from other financial management firms.

Paul Dietrich, the CEO and Chief Investment Officer, takes a personal interest in each and every client. Clients have direct access to Mr. Dietrich, and they can count on Mr. Dietrich to answer questions directly and succinctly.

Investors may monitor their investments real-time online or via a smartphone app.

For More Information:

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**Please call FAIRFAX CUSTOMER SUPPORT SERVICES
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PAUL DIETRICH

INVESTMENT MANAGER

PAUL DIETRICH is CEO and Chief Investment Officer of Fairfax Global Markets LLC (Fairfax). He was previously CEO and Chief Investment Officer of Foxhall Capital Management Inc.

Fairfax currently manages investments for private investors, retirement funds and private institutions throughout the United States.

He is an international corporate attorney and was formerly associated with two Washington, DC law firms, Squire, Sanders & Dempsey (now Squire Patton Boggs), and Jones Day. As an attorney, he has been an advisor on privatization and economic development issues to the World Bank, as well as several governments in Asia, Eastern Europe and the former Soviet Union.

Before entering the practice of law, he served as Publisher and Editor in Chief of *Saturday Review*, one of the United States' oldest cultural magazines. He also served for four years as an elected State Representative (Republican from St. Louis County) in the Missouri General Assembly.

Mr. Dietrich is a frequent commentator on *CNBC*, *Fox Business News*, *CNN* and *Bloomberg TV*. He has also been a frequent contributor to the editorial pages of the *Wall Street Journal*, the *Washington Post*, the *London Times*, the *International Herald Tribune*, the *Singapore Times* and the *South China Morning Post*. From 1994 to 1997, he was editor of both the *Reuters Emerging Markets Guide* and the *Reuters Asian Stock Sourcebook*.

He is also President of the Institute for International Health and Development (founded in 1982 by Nobel Peace Prize Laureate, David Morse). He has served as a member of the Board of Trustees of the Catholic University of America in Washington, DC, was a member of the National Advisory Board of Harvard University's School of Public Health's AIDS Institute and a member of the Advisory Group on International Health Systems Assessment of the New York Academy of Sciences. He has been a member of the Advisory Board of the John Templeton Foundation. He has also served as a member of the Development Committee of the Pan American Health Organization (PAHO), and as a member of the Board of Directors of the U.S. Congressional Human Rights Foundation and the American-European Community Association. He is also the Editor of the award winning book, *A Guide to American Foreign Policy* (1982) and the author of the forthcoming book, *Global Active Investing: How To Make Money In Both Bull & Bear Markets* (to be published in 2016).



DISCLOSURES

Fairfax Global Markets LLC (“Fairfax”) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”). For a detailed discussion of Fairfax and the investment management services described herein, please contact Paul Dietrich, Chief Investment Officer, at Dietrich@fairfax-global.com or 203-891-8377. Additional information regarding the firm’s products and fees is available by accessing Form ADV Part 1 and 2A on file with the SEC at www.adviserinfo.sec.gov.

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The Fairfax Global Trends ETF Strategy is a globally diversified, tactical strategy that primarily invests in Exchange Traded Funds (ETFs). The base line asset allocation is 60% Global Developed Markets, 30% Asia and Global Emerging Markets and 10% Gold, Energy & Global Commodities; providing a Globally Diversified 100% equity portfolio. During long-term bear markets, larger amounts of treasury bonds are invested in the strategy.

The Fairfax Global Permanent Portfolio Strategy basically holds (1) 25% of the portfolio is stocks; (2) 25% in short-term treasuries; (3) 25% in long-term bonds; and (4) 25% in gold and precious metals. This conservative, “all-weather,” broadly diversified asset allocation is designed to protect an investor’s capital under any and all sets of economic conditions.

A complete list and description of all Fairfax strategies is available upon request.