



CMG
CAPITAL MANAGEMENT GROUP, INC.

Absolute Return Strategies: Incorporating Alternative Investments with Traditional Asset Classes

Study Prepared

by CMG Capital Management Group, Inc.

May 2010



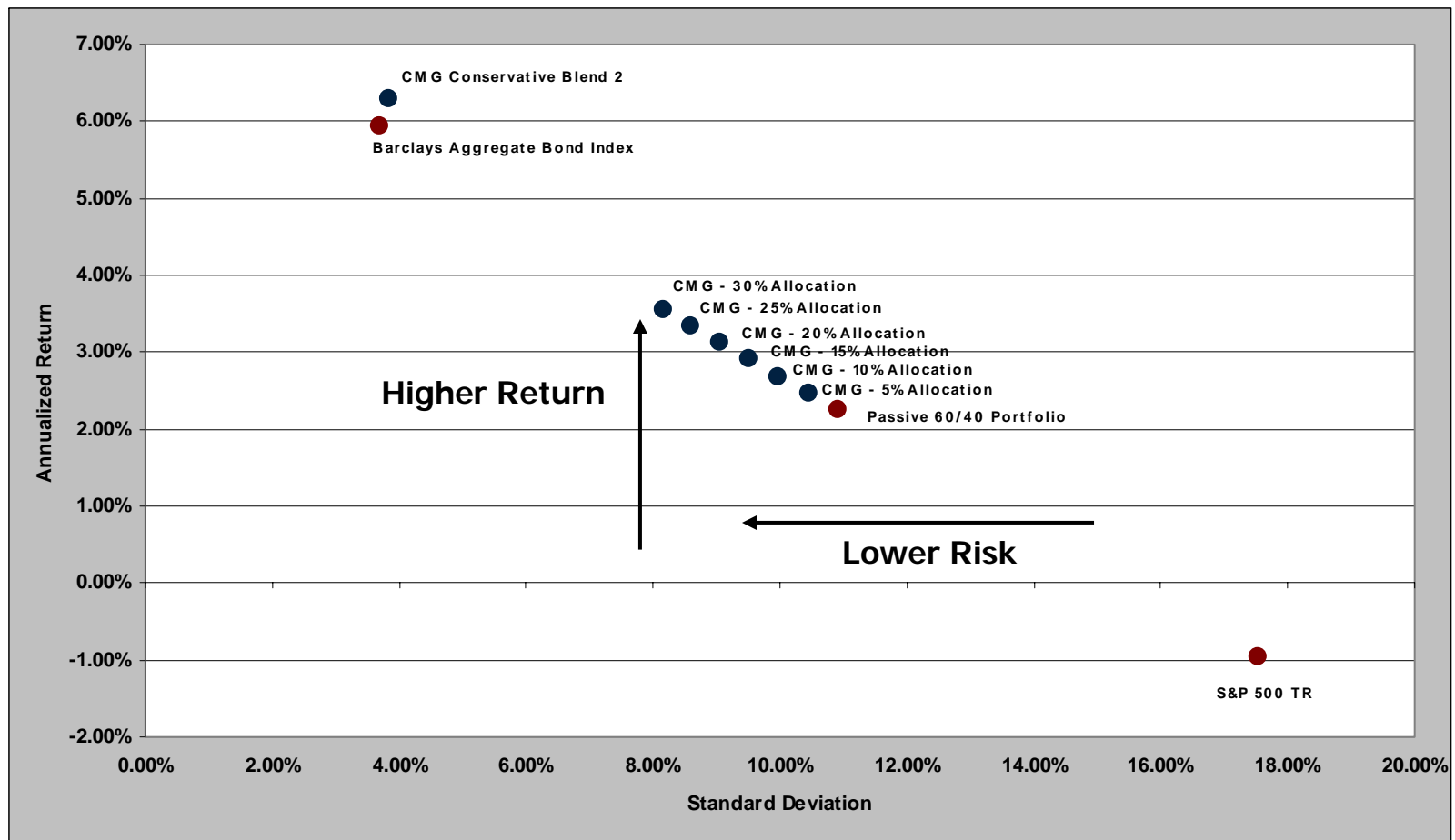
Why invest in Alternative Investment Strategies?

- During periods of significant market volatility, traditional asset classes tend to correlate with one another and the overall markets
- CMG's Absolute Return Strategies are uncorrelated to each other and traditional asset classes. The lack of correlation increases risk / reward characteristics, especially during down markets
- Allocating to CMG's Conservative Blend 2 can increase returns and lower portfolio risk
- For the purposes of this study, CMG has used the S&P 500 Total Return Index as a general measure of equity value and the Barclays Aggregate Bond Index as a general measure of the bond market. All portfolios are rebalanced on a quarterly basis.

CMG ARS Portfolio Statistics (January 2006 - May 2010)								
	Compound ROR	Standard Deviation	Correlation	R Squared	R Squared - Down Markets	Beta - S&P 500	Max Drawdown	Sharpe (3%)
S&P 500 TR	-0.95%	17.54%	1.00	1.00	1.00	1.00	-50.95%	-0.13
Barclays Aggregate Bond Index	5.94%	3.70%	0.24	0.06	0.18	0.05	-3.82%	0.78
Passive 60/40 Portfolio	2.24%	10.91%	0.99	0.98	0.96	0.62	-32.02%	-0.01
CMG Conservative Blend 2	6.29%	3.84%	0.44	0.19	0.04	0.10	-2.37%	0.84
CMG - 5% Allocation	2.47%	10.44%	0.99	0.98	0.97	0.59	-30.45%	0.00
CMG - 10% Allocation	2.69%	9.98%	0.99	0.98	0.97	0.56	-28.85%	0.02
CMG - 15% Allocation	2.91%	9.52%	0.99	0.98	0.97	0.54	-27.22%	0.04
CMG - 20% Allocation	3.13%	9.06%	0.99	0.98	0.97	0.51	-25.56%	0.06
CMG - 25% Allocation	3.34%	8.61%	0.99	0.98	0.97	0.49	-23.87%	0.08
CMG - 30% Allocation	3.55%	8.16%	0.99	0.97	0.96	0.46	-22.15%	0.11

- A passive 60/40 equity-bond portfolio would have generated an annualized return of 2.24% with a standard deviation of 10.91%, from January 2006 through May 2010. Over that same period of time the CMG Conservative Blend 2 would have generated an annualized return of +6.29% with a standard deviation of 3.84%.
- Taking 30% of that portfolio and allocating it to CMG's ARS blend would have increased the return to +3.55%, while reducing the risk to 8.16%.
- With a 30% allocation to CMG, the max drawdown of the portfolio is reduced from -32.02% to -22.15%.

Risk vs. Return



Monthly Returns – January 2006 to May 2010

Passive 60/40 Portfolio - Historical Performance (Jan-2006 to May-2010)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2010	-1.55%	1.97%	3.54%	1.36%	-4.47%								0.66%
2009	-5.41%	-6.34%	5.47%	5.93%	3.75%	0.34%	5.18%	2.62%	2.71%	-0.92%	4.09%	0.55%	18.46%
2008	-2.93%	-1.83%	-0.10%	2.84%	0.51%	-5.23%	-0.54%	1.25%	-5.88%	-11.02%	-2.60%	2.30%	-21.63%
2007	0.89%	-0.57%	0.67%	2.87%	1.83%	-1.14%	-1.53%	1.39%	2.52%	1.31%	-1.80%	-0.29%	6.19%
2006	1.59%	0.29%	0.37%	0.73%	-1.78%	0.17%	0.91%	2.04%	1.90%	2.22%	1.61%	0.63%	11.14%

CMG Conservative Blend 2 - Historical Performance (Jan-2006 to May-2010)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2010	-1.03%	0.44%	0.71%	-0.47%	-1.86%								-2.21%
2009	1.20%	-1.01%	2.02%	2.77%	2.17%	0.14%	0.65%	-1.89%	1.40%	-1.46%	1.16%	1.15%	8.48%
2008	0.29%	0.62%	0.56%	0.62%	0.87%	0.95%	-0.40%	0.56%	0.94%	-0.75%	-1.63%	1.25%	3.92%
2007	0.26%	-0.87%	-0.45%	-0.02%	1.66%	1.04%	2.60%	0.50%	1.82%	-0.39%	0.17%	1.08%	7.60%
2006	1.42%	0.73%	0.65%	-0.07%	-0.37%	0.07%	0.69%	1.82%	1.21%	0.32%	2.95%	0.52%	10.36%

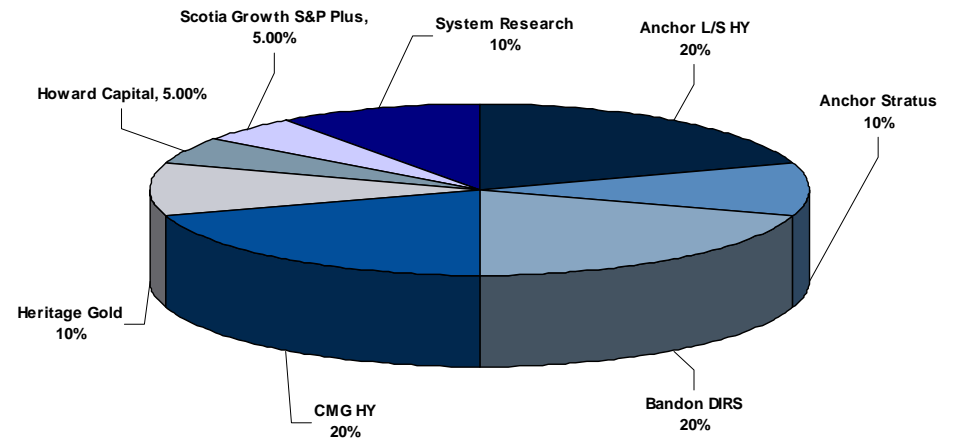
CMG Conservative Blend 2 - 30% Allocation - Historical Performance (Jan-2006 to May-2010)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2010	-1.39%	1.51%	2.69%	0.81%	-3.69%								-0.20%
2009	-3.43%	-4.67%	4.35%	4.98%	3.28%	0.28%	3.82%	1.31%	2.34%	-1.08%	3.21%	0.73%	15.63%
2008	-1.96%	-1.08%	0.10%	2.17%	0.62%	-3.40%	-0.49%	1.04%	-3.84%	-7.94%	-2.29%	1.96%	-14.50%
2007	0.70%	-0.66%	0.33%	2.01%	1.78%	-0.50%	-0.29%	1.11%	2.31%	0.80%	-1.22%	0.12%	6.62%
2006	1.54%	0.43%	0.45%	0.49%	-1.36%	0.14%	0.84%	1.97%	1.69%	1.65%	2.01%	0.59%	10.91%

Portfolio Information

Hypothetical Portfolios

Portfolio Name	Equity	Bond	CMG
Passive 60/40 Allocation	60%	40%	0%
CMG Conservative - 5% Allocation	57%	38%	5%
CMG Conservative - 10% Allocation	54%	36%	10%
CMG Conservative - 15% Allocation	51%	34%	15%
CMG Conservative - 20% Allocation	48%	32%	20%
CMG Conservative - 25% Allocation	45%	30%	25%
CMG Conservative - 30% Allocation	42%	28%	30%

CMG Conservative Blend 2 – Portfolio Allocations



Description of Technical Terms Used in this Report

Returns:

Compounded Annual Return: The rate of return that has been compounded for the running year.

Standard Deviation: A measure of the degree to which an individual probability value varies from the distribution mean. The higher the number, the greater the risk.

Down Deviation (3.00%): A value representing the potential loss that may arise from risk as measured against a minimum acceptable return. Downside deviation aims to isolate the negative portion of volatility.

Sharpe Ratio (3.00%): A reward of a portfolio's excess return (over a 3% risk free rate) relative to the total variability of the portfolio.

Cumulative Return (since inception): A rate of return that has been compounded for more than one year.

Cumulative VAMI (growth of \$1000): The Value Added Monthly Index reflects the growth of a hypothetical \$1,000 in a given investment over time.

Benchmarks: The benchmarks used in this report are the Barclays Aggregate Bond and the S&P 500 Total Return Index (S&P).

Correlation To Benchmark(s):

Alpha: The premium an investment portfolio earns above a certain benchmark. A positive alpha indicates that the investor earned a premium over that index.

Beta: The measurement of a dependent variable's (fund's) volatility relative to an independent variable (benchmark). Beta is the percent change in the price of the dependent variable given a 1% change in the independent variable. This reveals if the dependent variable moves in step with the independent variable; where a beta of 1 indicates perfect alignment.

Correlation: The degree to which the fluctuations of one variable are similar to those of another.

R-Squared: A correlation term describing the variance in the dependent variable that can be explained by the independent or explanatory variable. The coefficient of determination (R-Squared) is a pure number ranging 0 to 1, with 1 giving perfect correlation and 0 giving perfect non-correlation. It is often used to describe the amount of investment risk in portfolios that can be associated with market risk.

Important Disclosures

CMG Capital Management Group, Inc. ("CMG") is an SEC registered investment adviser located in the Commonwealth of Pennsylvania. CMG serves as the investment advisor to the clients and has entered into sub-advisory relationships with the managers of all CMG ARS Investment Programs. This study is hypothetical and is for illustrative purposes only. This presentation represents a hypothetical back test of an allocation to CMG's managed account strategies. The hypothetical performance results reflect quarterly portfolio rebalancing. It assumes the initial sub-strategy percentage allocations were made on day one and rebalanced at the end of each calendar quarter. It is important to note that inclusive with this presentation are the accompanying individual performance tear sheets with additional disclosure on each underlying investment strategy.

Performance from January 2010 to the present is based on a blend of actual accounts managed by CMG. Individual returns may vary substantially from those presented due to differences in the timing of contributions and withdrawals, account start dates, and actual fees paid. Performance results from inception to the present are net of the current advisor fee for the program, 2.50%, paid quarterly in arrears. Performance results prior to January 2010 reflect hypothetical results that were achieved by means of the retroactive application of a back-tested model, and as such, the corresponding results have inherent limitations, including: (1) the portfolio results do not reflect the results of an actual account allocated in this current portfolio of investment strategies, but were achieved by means of the retroactive allocation to each of the referenced CMG investment strategies, certain aspects of which may have been designed with the benefit of hindsight; (2) back-tested performance may not reflect the impact that any material market or economic factors might have had on the adviser's use of the portfolio if the portfolio had been invested during the period to actually manage client assets; (3) for various reasons (including the reasons indicated above), CMG's clients may have experienced investment results during the corresponding time periods that were materially different from those portrayed in the model. The hypothetical illustration is based upon actual performance results achieved by each of the underlying managers that comprised the blend (Please review each underlying manager, its strategy and performance results). The time horizon is intended to be at least 5 years. At any specific point in time, the account value may experience positive and/or negative returns in excess of the return objective.

Please Note: The hypothetical performance results reflect the net performance after a deduction of 2.50% investment management fee that would have been charged quarterly in arrears by CMG during the corresponding time periods.

Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, or equal to either the hypothetical CMG performance results reflected or any corresponding historical index. The composition/percentage weighting of each corresponding CMG index (i.e. S&P Total Return, Barclays Aggregate Bond) is also disclosed. For example, the S&P 500 Total Return Composite Index (the "S&P") is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. Standard & Poor's chooses the member companies for the S&P based on market size, liquidity, and industry group representation. Included are the common stocks of industrial, financial, utility, and transportation companies. The historical performance results of the S&P (and those of all other indices) do not reflect the deduction of transaction and custodial charges, nor the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The S&P is not an index into which an investor can directly invest. The historical S&P performance results (and those of all other indices) are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a CMG portfolio performance meets, or continues to meet, his/her investment objective(s). A corresponding description of the other comparative index, the Barclays Aggregate Bond Index (i.e., a fixed income index) is available from CMG upon request. It should not be assumed that CMG program holdings will correspond directly to any such comparative index. The CMG performance results do not reflect the impact of taxes.

In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise CMG immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investment strategies devised or undertaken by CMG) will be profitable for a client's or prospective client's portfolio. All performance results have been compiled solely by CMG and have not been independently verified. Information pertaining to CMG's advisory operations, services, and fees is set forth in CMG's current disclosure statement, a copy of which is available from CMG upon request.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE