JEFFERSON NATIONAL LIFE

ADVISOR INSIGHT

EIGHTEEN IN A SERIES OF ONGOING CASE STUDIES WITH LEADERS IN THE FIELD

STEVE BLUMENTHAL
FOUNDER, PRESIDENT & CEO
CMG CAPITAL MANAGEMENT

A MARKET VETERAN'S VA:

Flat-Insurance Fee VA and 5x More Funds Improves Tax-Efficient Frontier for Tactical Strategy

IT'S A BULL MARKET FOR TRADING STRATEGIES—AND A BEAR MARKET FOR BUY-AND-HOLD

"Dedicating nearly 3 decades to studying the market and managing investments, Steve Blumenthal, Founder, President and CEO of CMG Capital Management, is convinced that it's crucial to invest differently during long-term secular bear markets than during long-term secular bull markets. "I believe that investor's portfolios should always include a diversified blend of absolute return strategies—risk managed investment strategies with the ability to profit in both up and down markets."

"Over many years, markets move from periods of overvaluation to periods of undervaluation," says Blumenthal.

"If the market was undervalued, I'd increase exposure to a more traditional longer-term buy-and-hold focus. That just isn't the case today. The world is working through some significant structural issues—massive debt, system-wide deleveraging, increased taxes, budget cuts, and more." Blumenthal believes that over time, a new long-term secular bull market will emerge. "But until then, it's important to increase portfolio weightings to include strategies that can make money in a volatile environment," says Blumenthal. "For now, it's a 'Bull Market' for active trading strategies and a 'Bear Market' for buy-and-hold."

TRADING WITH DISCIPLINE

"Active management is about capital preservation, achieving above average returns, and non-correlation to the markets for enhanced diversification. Adding this to a portfolio can provide tremendous value," says Blumenthal.

> "What Jefferson National has done is lead the way with a flat-fee product that provides the true value of tax deferral," says Blumenthal.

But after more than 27 years advising clients, Blumenthal has learned that, "Most people don't have the DNA to trade. Most don't have the time, they don't have the required patience, and they lack the experience, temperament and discipline required to be a successful trader. So at CMG, it's our job to bring the due diligence, research, experience, and the trading discipline to help our clients gain access to absolute return strategies."

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"We are traders ourselves. I have personally invested in over 100 different hedge funds in the last ten years," says Blumenthal. "We know traders, we know due diligence, we understand investment processes and edge. We look for years of experience, so we can see their process in action and we can measure the manager's ability to trade with discipline." CMG finds the very best active investment strategies and managers, and then combines several non-correlating strategies together to create a broader absolute return allocation for a portion of an overall portfolio. In today's market Blumenthal believes that "the old 60% Stocks, 40% Bonds just won't work" and that a more balanced portfolio is 33% Stocks, 33% Bonds and 33% absolute returns.

Blumenthal says, "What makes CMG truly unique is that what we have is a liquid, transparent, multi-manager platform for client assets." He adds, "Having personally invested in many different hedge funds, combined with several hundred rep relationships, we know the space and have considerable reach. We approached a number of the funds and said, 'We want to be able to replicate what you're running, not at 2% and 20%, but at a flat fee. Not just for accredited investors, but for all investors'."

TRUE POWER OF TAX DEFERRAL

Combining the esoteric strategies of hedge funds with transparency and daily liquidity is a powerful proposition. But CMG continued to look for ways to maximize value for clients. "Because a lot of our trades are short term, the tax-efficiency is not there. The gains could be taxed as high 35%," says Blumenthal. "Now, on the one hand, given that most investors have seen zero returns in their stock portfolios for the past 10 years, while our High-Yield Fund is up 90%[1] over the same period, we've got plenty of investors who are very happy to take the gain and pay the taxes."

"But with a tax-deferred platform, where we can trade as frequently as we like, the ability to run our strategies and compound the growth on a tax-deferredbasis is significant for our clients' portfolios," Blumenthal says. That's where Jefferson National's Monument Advisor, the industry's first VA with a flat-insurance fee of $20 per month[2], has been a huge boost to his firm.

"What Jefferson National has done is lead the way with a flat-fee product that provides the true value of tax deferral," says Blumenthal. With his typical client averaging roughly $200,000 in their variable annuity, Blumenthal says the math makes sense. "Take an industry average M&E somewhere close to 1.5%, and clients would be paying around $3,000 a year, versus a flat fee of just $240 a year with Monument Advisor."

5X MORE FUNDS TO MANAGE THE MARKET

"For tactical managers like CMG, flexibility in fund choice is key. Using Jefferson National, Blumenthal says he's armed to manage a volatile market. "With an arsenal of more than 250 different funds covering many different sectors, indexes and strategies, we can use Monument Advisor as the investing vehicle on a tax-deferred basis to run a number of the same programs that we run in a managed account. I think it's safe to say that the lineup of underlying funds is really unmatched by any VA I've ever seen in the business."

CMG currently trades two strategies specifically with Jefferson National. "Our CMG High-Yield strategy, which I have been trading since the early 90's, was up 31.96%[1] in 2009 net of fees for our clients using the Jeff Nat VA," says

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INNOVATIVE MONEY MANAGER UNLOCKS POWER OF TAX DEFERRAL

→ THE CHALLENGE
Finding a tax-deferred investing platform for tactical strategy to fit fee-based and fee-only model

→ THE SOLUTION
Monument Advisor, first no-load VA with flat-insurance fee and 5x more tax-deferred investment options than the typical VA

→ CLIENT VALUE
Tax Deferral plus more choice means clients accumulate more

→ ADVISOR VALUE
More funds and better tools fits fee-based model and complements many tactical strategies

"Almost any individual investor is a candidate for their flat-fee VA, but especially the high net worth individual who needs more vehicles for tax deferral. And when it comes to advisors, almost any fee-only RIA or any Registered Rep with a fee based-element to their practice is a great fit for Jefferson National. It's tailor made for the way fee-based advisors work."

Blumenthal. "We also trade our Scotia Partners S&P Plus index trading strategy inside the Jeff Nat VA, where we can go long or be inverse to the market. That strategy was up 27.26%[1] net of fees last year." Research confirms that "tax-inefficient" investments such as REITs, bond funds and actively managed stock funds that generate short-term capital gains and ordinary income, currently taxed as high as 35%, consistently perform better in a low-cost, tax-deferred variable annuity than in a taxable account.[3]

TREND TOWARD THE TACTICAL

In the aftermath of the crash of 2008, Blumenthal sees a tremendous opportunity ahead for advisors. "As John Bowen from CEG Worldwide, an industry coach to top advisors, said recently, 'Clients want a different advisor experience.' Their surveys show that four out of five clients are looking to change advisors," says Blumenthal.

"There has never been a better time for an advisor to grow their business. Provide that 'different advisor experience' for your clients by weaving proven active absolute return strategies into their portfolios," Blumenthal suggests. "Endowments have been invested in the absolute return space for years through CTA's and Hedge Funds. At CMG, we have created a unique and liquid managed account platform of strategies that allows all investors access to the space."

And what has this trend toward the tactical meant for CMG? "We have seen significant growth. Last year, our AUM was up by 400%, and a very large portion of that was through our partnerships with independent advisors who were looking to add this new element to their clients' portfolios," says Blumenthal. CMG now works with over 300 independent RIAs and Registered Reps, in addition to a well established base of retail investors.

"Advisors can simply plug into our platform. We share 100 bps of our fee with the advisor through a solicitation arrangement or we reduce our management fee and the advisor changes his or her advisor fee directly" says Blumenthal.

TAILOR-MADE FOR FEE-BASED

Wrapping it up, Blumenthal says, "A lot of commission-based brokers sell traditional VAs with all the fees and complicated insurance guarantees. And a lot of investors willingly buy them because they are seeking some form of comfort. But I think that because of the Jeff Nats of the world, which offer a diverse selection of investment options—index funds, sector funds, inverse funds, fixed income funds, managed futures and more—advisors now have tremendous tools to help their clients better manage their wealth," says Blumenthal. "I have found the very low cost to obtain tax deferral, the very large number of funds from which to choose, and the tools to quickly execute the trades, are the right solutions for our firm, our retail clients and our advisor rep clients." And as the current tax laws are poised to sunset, potentially increasing everything from capital gains to dividends and estate taxes, using the

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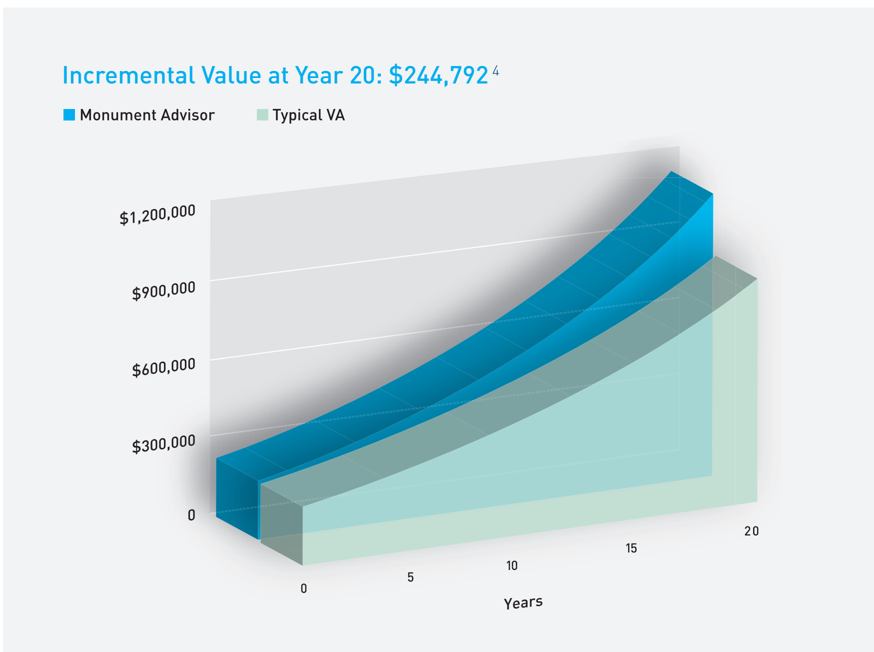

ADVISOR INSIGHT

power of low-cost tax deferral to create the Tax-Efficient Frontier is more important than ever. When asked who is the right fit for Jefferson National, Blumenthal says, "Almost any individual investor is a candidate for their flat-fee VA, but especially the high net worth individual who needs more vehicles for tax deferral. And when it comes to advisors, almost any fee-only RIA or any Registered Rep with a fee based-element to their practice is a great fit for Jefferson National. It's tailor made for the way fee-based advisors work."

CAPITAL MANAGEMENT GROUP, INC.
Alternative Investment Strategies

ABOUT STEVE BLUMENTHAL

Steve Blumenthal founded CMG Capital Management Group, Inc. in 1992 and serves as President and Chief Executive Officer. With over 25 years of investment management and industry experience, Mr. Blumenthal is involved in all aspects of professional money management, specializing in absolute return investment strategies. He serves as Chief Investment Officer for all of CMG Funds and heads the firm's Investment Committee. Mr. Blumenthal is the former Chairman and President of NAAIM, The National Association of Active Investment Managers. NAAIM member firms manage in excess of $15 billion. To learn more, visit: http://www.cmgfunds.net/public/default.asp

ABOUT MONUMENT ADVISOR

Jefferson National Life Insurance Company launched Monument Advisor, the first variable annuity with a flat-insurance fee for both fee-based and fee-only advisors and the clients they serve. Founded in 1937, Jefferson National serves more than 50,000 customers nationwide. Jefferson National is domiciled in Dallas, Texas with authority in 49 states and the District of Columbia. To learn more, please call 1-866-WHY-FLAT (1-866-949-3528) or visit www.jeffnat.com.

Monument Advisor
from Jefferson National

Flat is beautiful.®

1Past performance is no guarantee of future results. 2Jefferson National's Monument Advisor has a $20 monthly flat insurance fee with no transaction fees on more than 97% of underlying funds. Additional fees ranging from $19.99-$49.99 will be assessed for investors wishing to purchase shares of ultra low-cost funds. See the prospectus for details. Like other variable annuities, the customer pays fees of the underlying funds selected plus the fees of any advisor hired. The base contract does not provide an enhanced death benefit. An optional enhanced death benefit is available for an additional fee. Please see prospectus for details. 3There are no additional tax benefits of having a VA inside a qualified plan. 4 MORNINGSTAR® 12/31/08: Asset size at year 0 is $250K. Assumed hypothetical annual growth rate for this illustration is 8%. This is purely hypothetical and does not reflect the growth rate of any annuity. Monument Advisor does not provide living benefits or additional riders.

Guarantees are based on the financial strength and claims-paying ability of the issuing company: Jefferson National Life Insurance Company. Annuities are not FDIC insured; they are not deposits, obligations of or guaranteed by the bank or any federal government agency; and they involve risk, including the possible loss of principal. Jefferson National variable annuities are issued by Jefferson National Life Insurance Company, with Administrative Offices at 9920 Corporate Campus Drive, Suite 1000, Louisville, KY 40223 and are offered by prospectus only. **Jefferson National Securities Corporation** is a member of the FINRA and the principal underwriter of the variable annuities issued by Jefferson National. Policy series JNL-2300-1, JNL-2300-2.