CAPITAL MANAGEMENT GROUP, INC.

Alternative Investment Strategies

CMG Q1 2010 Absolute Return Strategies Performance Review

Dear clients, friends and family:

Following is the 2010 first quarter and full year net performance information for CMG's Absolute Return Strategies along with our thoughts as they relate to each strategy. In addition, we have reflected the net performance for three of the CMG managed blends: the Conservative 2, Moderate 2 and Aggressive 2 blends. We have also reflected the net performance for the CMG Jefferson National HY and Jefferson National Scotia Growth S&P Plus Tax Deferred Variable Annuity programs. Of course, past performance does not guarantee future returns. Following are thoughts on the individual CMG Absolute Return Strategies. Please note all returns are net of a 2.50% management fee charged quarterly in arrears.

Our investment objective is to produce flat to up returns in all market environments whether they be up, sideways or down. We have extensive due diligence and investment experience. We seek to find the very best actively managed investment strategies and believe it is import to mix non-correlating strategies into your investment portfolio. We offer daily liquidity and daily transparency in one simple managed account. Below I speak to each strategies performance and offer my thoughts moving forward.

CMG Absolute Return Strategies - Quarterly Performance Update

Strategy	January	February	March	2010 YTD
Anchor Capital Stratus ProFunds Program	-3.77%	-0.78%	3.00%	-1.66%
Anchor Capital Long/Short HY Bond Strategy	-0.84%	-1.24%	2.81%	0.68%
Bandon Directional Interest Rate Strategy	0.90%	-0.33%	-1.14%	-0.57%
CMG Managed HY Bond Strategy	-0.48%	-0.23%	2.73%	2.00%
Jefferson Nat'l. CMG HY Bond Annuity	1.36%	0.10%	2.74%	4.25%
Cook S&P 500 Index ETF Trading Strategy	1.14%	1.41%	-5.12%	-2.68%
Heritage Capital Gold Strategy	-2.92%	1.61%	1.03%	-0.35%
Howard Capital Sector Rotation Program	-0.63%	2.60%	7.21%	9.30%
Scotia Growth S&P Plus Program	5.27%	0.55%	-3.30%	2.36%
System Research Treasury Bond Program	-2.90%	6.13%	-4.04%	-1.11%
Jefferson Nat'l. Scotia Growth S&P Plus Annuity	3.32%	2.69%	-2.07%	3.91%
Conservative 2 Blend	-1.03%	0.44%	0.71%	0.11%
Moderate 2 Blend	-0.54%	0.53%	0.16%	0.15%
Aggressive 2 Blend	-0.64%	0.52%	-0.04%	-0.17%

Market Index	January	February	March	2010 YTD
Dow Jones Industrial Average	-3.46%	2.56%	5.15%	4.11%
S&P 500	-3.60%	3.10%	6.03%	5.39%
NASDAQ Composite	-5.37%	4.23%	7.14%	5.68%
Barclays Aggregate Bond Index	1.53%	0.37%	0.12%	1.78%
Barclays HY Credit Bond Index	1.27%	0.17%	3.13%	4.62%

Anchor Capital Stratus ProFunds Program:

The Anchor Capital Stratus ProFunds Program ("Stratus") finished the quarter down 1.66% net of fees. Stratus experienced a 3.00% drawdown in January. Strong performance in March has continued through April with a MTD return of 2.64%. Stratus is a multi-strategy portfolio that trades US equity indices long and short, and invests long only in ProFunds sector funds based on a mean reversion strategy and trades high yield bond funds long and short. In 2009, the mean reversion component of the strategy had very few trading opportunities as a liquidity fueled rally moved all sectors higher. Although market volatility remains low, there has been more divergence between sectors and the model is once again identifying high probability mean reversion trades. We anticipate that this component of the strategy will be a larger contributor to performance in 2010.

Anchor Capital Long/Short HY Strategy:

The Anchor Capital Long/Short HY Strategy ("Anchor HY") returned 0.68% for the quarter net of fees. Anchor HY established a hedged and then short HY position at the start of the quarter, an unprofitable trade, and then reversed to 100% long for the balance of the quarter finishing with a solid gain in March. While CMG HY is designed to capture the intermediate-term trends in high yield bonds, the Anchor HY is designed to trade high yields more tactically trading both directionally long and directionally short. As we approach what appears to be an intermediate term top in HY's, we anticipate the Anchor HY to take a more defensive position by hedging, raising cash and taking directional short positions depending on the magnitude of a sell-off.

Bandon Directional Interest Rate Strategy:

The Bandon Directional Interest Rate Strategy ("Bandon") finished the quarter down 0.57%, net of fees. Bandon was positioned long in the ProFunds US Government Plus Fund throughout the quarter, increasing the long position in February and reducing long exposure in March. In early April, Bandon switched from its long position to positions in the ProFunds Rising Rate Opportunity Funds, which generate a positive return when interest rates move higher. This bearish position in bonds was driven by the fundamental macro and technical indicators in the model. Although the first quarter proved to be relatively uneventful for bonds and the strategy, we believe the strategy will have many opportunities to trade long and short in the coming year. The decision model is primarily fundamentally driven (GDP, CPI, Unemployment, Consumer Sentiment, etc) and attempts to predict the direction of interest rates for a one month period: are interest rates going up or going down? Positions are then taken according to the model. The idea is to make money when rates are moving down by going long bonds and to make money when rates are moving higher by going short bonds. In times of system wide stress like a market meltdown, a sovereign debt issue, a terrorism event, major bank failure, etc. fundamentals are typically thrown out the window and investors run to safety (i.e.: buy US Treasury bonds). Post-shock, the bond markets revert back to a healthy focus on fundamentals. Ultimately, in the long-term, fundamentals will drive the direction of interest rates but we are seeing varying degrees of calls on interest rates this year: Goldman Sachs forecasts the 10-year Treasury yield to be 3.50% by year end, Morgan Stanley has a significantly more bearish outlook on bonds, predicting rates of 5.25% by year end. Bandon, through its affiliation with an exceptionally experienced team, monitors the positions daily and resets trade allocations monthly based on the strength of their model. The strategy tends to do better when economic fundamentals act as the primary driver to interest rate movements. My two cents is that interest rates will be range bound in 2010 with an increase in volatility. I believe the divergence of opinions on interest rates is a positive for Bandon, creating more trading opportunities both long and short. In addition, while I believe interest rates are highly likely to go up over the next two to five years, I believe the strategy should perform well during a rising interest rate environment similar to its strong performance during the most recent period of monetary tightening from 2003 to 2006. I believe the next developing bubble is in the bond market and I believe that most investors are unprepared for the risk that lies ahead as rates move higher. My advice is to avoid buy-and-hold bond funds, shorten your duration and add strategies to your bond portfolio that have the ability to profit in both a rising and falling interest rate environment.

CMG Managed High Yield Bond Strategy:

The CMG Managed High Yield Bond Strategy ("CMG HY") finished the quarter up 2.00% net of fees. The CMG Jefferson National HY Bond Annuity strategy gained 4.25% net of fees. The trend in April has continued higher. I have been trading the intermediate-term trends in the HY market since the early 1990's. I continue to believe that the HY trend is an early predictor of the overall equity market trend. For now the trend remains higher but I believe we are in the late stages of the current move. HY's are paying nearly 5.5% in yield more than Treasury's, putting the current yield at approximately 8%. HY's were yielding nearly 20% more than Treasury's at the crash low. Markets disconnect at panic extremes - further selling forces margin calls to kick in, leveraged structures are forced to unwind, and would-be buyers and market makers back away causing prices to crash (S&P 500 Index bottomed at 666). Sellers are out of the way and every effort has been made to fix the system (money is printed and injected into the system - done), the market becomes susceptible to good news surprises, sellers offer little pressure (having been forcefully eliminated from the game), and markets rocket higher (done). It is supply and demand and investor psychology. Yes, fundamentals matter over long periods of time but it is where you begin investing and at what valuation level that matters most. Based on a number of standard valuation metrics, the S&P 500 Index is approximately 35% overvalued today. I see fair value on the S&P 500 Index at 900. Now is not a good time to start buy-and-hold investing. I believe it is a time to get defensive. With this thinking, should the HY market decline by ½%, I will move from HY funds back to money market funds. If you take a look at other post crash recovery rallies you'll see some pretty significant swings in the market. With wildly bullish sentiment readings, the fading of fiscal and monetary stimulus, clunker car credits gone, housing credits gone, the Fed has stopped buying mortgage bonds, higher tax rates on the way from all levels of government, sovereign dept problems in Greece, Portugal and Spain, deepening commercial real estate issues (bank failures), underfunded state pensions, and more, I believe that it is time to get defensive. The good news is that I expect volatility to increase causing trading ranges to expand. That should drive HY prices lower (along with equity prices), offering a better re-entry at lower prices and higher yields in the months immediately ahead. Eight percent yields are attractive; however, ten percent yields are even better. For now we'll continue to trade with the uptrend and capture the current yield.

Cook S&P 500 Index ETF Trading Strategy:

The Cook S&P 500 Index ETF Trading Strategy ("Cook") finished the quarter down 2.68%, net of fees. After a strong start to the year, posting positive returns in January and February, Cook struggled in March. Cook looks to trade the counter trend moves in the S&P 500 Index trading ETF's either long or inverse long (short the market) based upon an overbought or oversold indicator designed to identify highly probable short term directional market moves. The overall framework of Cook's trading is guided by the Cook Cumulative Tick Indicator™ ("CCT"). The CCT is a proprietary indicator designed to identify overbought / oversold extremes in the US equity markets. The strategy is dependent on first the creation of an extremely overbought or oversold market condition, then, once identified, the strategy takes a counter-trend position in a liquid S&P 500 Index ETF. For example, in an extremely overbought situation, the strategy will invest in an inverse S&P 500 Index ETF with the goal of profiting when the S&P declines. In an extremely oversold situation, the strategy will invest in an S&P 500 Index ETF that profits when the S&P rises. Since last summer, the strategy has generated a number of overbought signals and few oversold signals. We are currently experiencing one of the longest periods in history where equity markets have risen without a 10% correction. The current readings of the CCT show the third highest overbought reading ever. The highest reading was in March 2000 and the second highest was in March 1998. In the absence of a counter-trend environment, as we have experienced over much of the post crash recovery rally, this strategy has struggled. I know of no trader who would develop a trading process to capture rare/infrequent price patterns. I don't believe that this type of price pattern will continue as I have indicated in my sell the rallies piece. While the strategies recent performance numbers are tough to digest, I feel strongly that is time to increase exposure to the Cook S&P 500 Index ETF Strategy should it be suitable for your level of risk tolerance, portfolio goals etc.

Heritage Capital Gold Strategy:

The Heritage Capital Gold Strategy ("Heritage") posted a -0.35% return, net of fees, for the quarter. After a drawdown in January, the strategy recovered well in February +1.61% and March +1.03%. The strategy has taken several long trades in April and is up 0.50% net of fees for the month. Heritage invests on a long-only basis in the Rydex Precious Metals Fund based on technical indicators, primarily candlestick reversal patterns. Precious metal equities were flat for the first quarter, but did present more trading opportunities for the strategy than occurred in 2009. We are seeing more trading swings in gold and believe that this increased volatility will help Heritage's trading strategy.

Howard Capital Sector Rotation Program:

In early April, we added the Howard Capital Sector Rotation Program ("Howard") to the CMG Absolute Return Strategies platform. We are excited about the strategy and pleased to announce that Howard returned 9.30%, net of fees. This after gaining 30.52% in 2009 net of fees. Since inception in 2001, Howard has generated annualized returns in excess of 17%. We have also added Howard to the CMG Strategy Blends which will be reflected in April month-end performance.

The Howard Capital Sector Rotation Program is a long-only investment strategy that rotates trades among the Rydex sector funds. The model takes into account several fundamental and technical factors to determine long trades in US Equity Sector mutual funds and US Government Bond Funds at Rydex. The strategy has a two step process. First, the model identifies whether to be long or in cash based on Howard Capital's proprietary buy line that analyzes new highs and new lows on the AMEX, NASDAQ and NYSE exchanges. If the buy line indicates the model should be long, a quantitative overlay will identify the top two sector funds that the model should invest in. Daily analysis is done to determine whether the strategy should remain long and whether it should remain in the existing sector allocation or if it should rotate into other sectors with stronger momentum. Given our view on the market, I would recommend taking a beginning position with the strategy and add to that position in periods of draw down. Since the strategy has an intermediate-term time horizon, Howard has had a significant gain since last summer. Given its intermediate-term trading approach, it takes a deeper market decline to move the strategy to cash. Thus more downside exposure at the major market trend turns.

I recommend you look at how Howard Capital's strategy correlates with your other portfolio investments including your buy-and-hold MPT exposure. Ask your CMG Advisor Rep to show you how a blend of Howard Capital and Scotia might work together to compliment other positions in your portfolio(s). Howard generally trades with an intermediate term focus while Scotia is a very short term trader. In this way, both complement each other with zero correlation. That can add value.

Scotia Growth S&P Plus Program:

The Scotia Growth S&P Plus Program ("Scotia") finished the quarter up 2.36% net of fees. The Jefferson National Scotia Growth S&P Plus Annuity strategy gained 3.91% net of fees. We are pleased with the strategy's performance during the first quarter, especially during the month of January where the strategy strongly outperformed the equity markets. Scotia is designed to participate in the equity market's primary trend (whether it is an up-trend or a down-trend) but requires a counter-trend day to establish a new position (i.e. a down day in an up-trending market or an up day in a down-trending market). I believe the post crash recovery rally (the largest historical move second only to the post crash recover move in 1932) is largely over and that a return to a more normal ebb and flow trading environment will return, a more normal trading environment that is more conducive to the strategy. Scotia's correlation to the all major US equity market indices is zero. Thus, an allocation to Scotia continues to add valuable diversification to other assets in your investment portfolio. We remain confident in Scotia's edge and the manager's ability to stick to his process.

System Research Treasury Bond Program:

The System Research Treasury Bond Program ("System Research") finished the first quarter -1.11%, net of fees. The System Research Program was added to the platform at the start of the quarter and is a quantitative investment strategy that invests long and short in the 30-year Treasury bond. The strategy takes into account fundamental and technical factors in determining long or short positions. During the quarter, the strategy was primarily short the 30-year Treasury bond via the Rydex Inverse Government Long Bond Strategy Fund. System was short during January, traded long and short during February several times and invested long bonds for all of March. Since the end of the quarter, the strategy has maintained a short position in bonds as the fundamental factors point to a steeper yield curve as long-term interest rates rise due to more optimistic growth assumptions.

Schreiner Dynamic Index Program:

As previously communicated, we have decided to remove the Schreiner Dynamic Index Program from the CMG ARS Platform.

With kind regards,

Steve

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IMPORTANT DISCLOSURE INFORMATION