

CAPITAL MANAGEMENT GROUP, INC.

Tactical Investment Solutions

CMG Q2 2011 Quarterly Performance Update

Dear clients, friends and family:

Following is the 2011 second quarter and full year net performance information for CMG's Tactical Investment Strategies along with our thoughts on their performance over the past quarter. In addition, we have reflected the net performance for the CMG Managed Blends: the Conservative, Moderate and Aggressive blends. We have also reflected the net performance for our tax deferred annuity program, including the CMG Jefferson National HY Bond and Jefferson National Scotia Growth S&P Plus Tax Deferred Variable Annuity programs. Of course, past performance does not predict or guarantee future returns.

CMG Managed Account Strategies - Quarterly Performance Update			
Fixed Income Strategies	1st QTR	2nd QTR	2011 YTD
CMG Managed HY Bond Strategy	1.50%	0.57%	2.08%
Equity Strategies	1st QTR	2nd QTR	2011 YTD
CMG Opportunistic All Asset Strategy - TCA	3.85%	-1.43%	2.37%
CMG Opportunistic All Asset Strategy - TD Ameritrade	3.63%	0.83%	4.46%
Heritage Capital Gold Strategy	2.18%	0.38%	2.56%
Howard Capital Sector Rotation Program	5.63%	-7.97%	-2.78%
Scotia Partners Dynamic Momentum Strategy	4.59%	-6.73%	-2.45%
Long / Short Strategies	1st QTR	2nd QTR	2011 YTD
AIFS Active U.S. Treasury Management Strategy	-3.83%	-2.52%	-6.25%
Anchor Capital Long/Short HY Bond Strategy	-1.80%	-0.69%	-2.48%
Cook S&P 500 Index ETF Trading Strategy	-3.27%	4.37%	0.95%
Scotia Partners Growth S&P Plus Program	14.80%	4.12%	19.53%
System Research Treasury Bond Program	9.31%	4.94%	14.71%
Annuity Programs	1st QTR	2nd QTR	2011 YTD
CMG Opportunistic All Asset Strategy - Jefferson National	4.98%	0.11%	5.09%
Jefferson National CMG HY Bond Annuity	2.05%	0.54%	2.61%
Jefferson National Scotia Growth S&P Plus Annuity	7.39%	3.66%	11.31%
Strategy Blends	1st QTR	2nd QTR	2011 YTD
Conservative Blend	0.34%	-0.08%	0.25%
Moderate Blend	2.48%	-0.72%	1.73%
Aggressive Blend	5.53%	-0.38%	5.13%
Market Indices	1st QTR	2nd QTR	2011 YTD
Dow Jones Industrial Average	7.07%	1.42%	8.59%
HFRI Macro Systematic Diversified Index	-1.30%	-1.95%	-3.22%
S&P 500	5.92%	0.10%	6.02%
NASDAQ Composite	4.83%	-0.28%	4.55%
Barclays Aggregate Bond Index	0.43%	2.30%	2.74%
Barclays HY Credit Bond Index	3.88%	1.06%	4.98%

* Please note all strategy returns are reported net of a 2.50% management fee.

Our investment objective is to produce flat to up returns (example: for the Moderate blend the investment objective is to return 8% to 10% annually with 6% downside risk exposure) in most market environments whether they be up, sideways or down. No investment strategy can be expected to be positive in all periods and risk remains present in all types of investments. For this reason, we believe it is best to combine a number of proven non-correlating active investment strategies together when you create the absolute return portion of your diversified investment portfolio. We review hundreds of managers each year and have considerable reach in the alternative space. Very few make the cut. A strategy must be liquid, available to all investors, have a sustainable edge, low correlation to the broad markets, a disciplined process, and defined edge. We then monitor each trade to make sure the managers remain consistent (i.e.: do not change their style to conform to current market sentiment). We look for passion, edge, character, and a manager's ability to trade. Following are our thoughts on the strategies on our managed account platform, an update on the CMG blends and a review of the benchmark changes we implemented at the end of the quarter.

Fixed Income Strategies

The CMG Managed High Yield Bond Strategy ("CMG") returned +0.57% during the quarter and is up +2.08% year to date. High yield bond yields were steady during the second quarter reflecting ample market liquidity, strong corporate balance sheets and low projected default rates. CMG was long bonds for most of the quarter as high yields continued to provide an attractive yield compared to other fixed income investments. While the potential for further price appreciation in high yields bonds is capped at this point, we believe that a more attractive buying opportunity lies ahead following a price move lower. We will continue to manage positions with tight stops in place and re-entry signals positioned to capture future price appreciation and high yield.

Equity Strategies

After a strong start to the quarter equities corrected sharply in June creating a headwind for directional equity strategies. The Scotia Partners Dynamic Momentum Strategy and the Howard Capital Sector Rotation Program struggled during the quarter returning -6.73% and -7.97%, respectively, net of fees. While both strategies had a very strong first quarter, the past three months have proved more challenging for momentum based sector rotation strategies. Volatility surrounding the Greek debt crisis whipsawed both strategies several times during the month of June. In addition, sectors such as energy and basic materials that had particularly strong momentum to start the year and led markets higher, have corrected more sharply as equity investors rotated into more defensive sectors. As a result, both strategies captured less of the market rebound in late June. The Heritage Capital Gold Strategy returned +0.38% for the quarter, net of fees. Heritage continues to trade selectively awaiting a more substantial pull back in precious metals equities. We believe that added volatility in gold and silver miner equities would create more trading opportunities for the strategy.

The CMG Opportunistic All Asset Strategy, our quantitative mutual fund allocation strategy, returned -1.43% for the quarter in our TCA Portfolio and +0.83% in the TD Ameritrade Portfolio, net of fees. The difference in performance is primarily a result of the mutual funds contained in each portfolio as a result of restrictions from each custodial platform. The CMG Opportunistic All Asset Strategy is designed to identify mutual funds with emerging price trends in eleven models. Each model has a

different holding period, different technical indicators and different mutual fund options from the other models. The purpose is to identify changing market dynamics creating a broadly diversified portfolio to actively participate in rising markets and manage risk as markets deteriorate.

Long / Short Strategies

Long / short strategies did particularly well during the second quarter as the equity market environment has become more volatile and non-trending. Three of the four long / short strategies on our platform generated positive returns during the quarter. The System Research Treasury Bond Program, which trades the 30 year US Treasury Bond long and short, was the best performer during the quarter, generating +4.94% net of fees. Although the strategy was primarily long bonds during the quarter, SR made several tactical trades in June (profiting from both long trades and short trades), capitalizing on increased volatility in fixed income markets. The Scotia Partners Growth S&P Plus Program had another strong quarter, returning +4.12% net of fees. Scotia was able to generate performance from both long and short trades over the past three months. Furthermore, both strategies remain totally un-correlated to equity markets and other equity long / short managers.

The Cook S&P 500 Index ETF Trading Strategy returned +4.37% during the quarter on the strength of several short trades tied to overbought market conditions and technical price reversals. The Anchor Capital Long / Short High Yield Bond Strategy and the AIFS Active U.S. Treasury Management Strategy were modestly down for the quarter with returns of -0.69% and -2.52%, net of fees. Anchor was primarily long and hedged as high yield bond prices are capped to the upside. Although yields remain relatively attractive now, we believe a sell off in high yield bonds is ahead which will create a short opportunity for the strategy and a more attractive entry point for a long position at lower prices in the coming months. The AIFS strategy was down during the quarter as exogenous events created volatility in the bond markets. AIFS is a fundamentally-based fixed income strategy that looks to predict the movements of interest rates on the 10 year U.S. Treasury Bond. The strategy looks at fundamental economic data including commodity prices and employment data to forecast interest rates. Historically the strategy has been very accurate with its forecasts but is susceptible to short-term dislocations caused by exogenous events. We have seen more than a normal share of these events this year. In fact, almost every month this year, whether it was revolutions in the Middle East in February, the natural disaster and nuclear crisis in Japan in March, or the Greek debt crisis over the past quarter, a short-term event creates a dislocation between fundamental forecasts and market activity in bonds.

Blend Consolidation and Benchmarks Changes

At the end of the second quarter we consolidated the number of CMG Blends from nine down to three, representing conservative, moderate and aggressive risk tolerances. Clients in each risk tolerance have been reallocated to the new blend allocation for the third quarter. If you would like to review your portfolio allocation to determine if you are properly allocated, please contact your CMG representative to review your portfolio allocation.

At the end of June we also implemented changes to strategy benchmarks. We believe that the revisions provide a better basis for comparison of performance for our strategies. For example, equity strategies will only be shown in comparison with their relevant equity indices rather than the Barclays Aggregate Bond Index, a fixed income index, and strategies that trade a particular specific

index will now also be benchmarked against that index. With respect to our managed portfolios, the Conservative, Moderate and Aggressive blends will now be presented in comparison to the HFRI Macro Systematic Diversified Index (“HFRI”) and a blend of the S&P 500 Total Return Index and the Barclays Aggregate Bond Index. The HFRI index is an index of systematic diversified strategies that have investment processes that are typically a function of mathematical, algorithmic and technical models. We believe that the performance of this index is representative of the risk and return that can be expected of strategies like ours that rely on a quantitative or systematic approach to trading and risk management and typically have little correlation to traditional asset classes. The secondary index we have chosen represents a 60% blend of equities (S&P) and 40% bonds (Barclays): a traditional stock / bond portfolio. This type of portfolio is indicative of an asset allocation that has been predominant in the financial industry since the start of the last bull market in early 80s. While this approach has been successful in a bull market for both equities and bonds, bear markets are different. They require investors to think differently, to utilize other asset classes and trading strategies that can add true balance to a portfolio. We believe in a balanced allocation to stocks, bonds and tactical strategies.

Conclusion

Contrary to what Wall Street wants you to believe, markets are not always in a bull market. Approximately 33% of the time the market is in a bull market / up trending period, approximately 43% of the time the market is in a choppy to flat trending period and approximately 24% of the time the market is in a bear market / down trending period. There have been four major bull market periods and four major bear market periods over the last 113 years. The shortest bear market lasted 17 years according to Rydex-SGI. When sitting down to decide your portfolio allocation, an important starting point is to consider current valuations, current interest rate levels, and the historical characteristics of bull vs. bear periods. We believe it is imperative to set your game plan: whether it be 30% stocks 30% bonds and 40% equities, 60% stocks and 40% equities, or some other mix depending on your view and/or risk tolerance. With diversification to non-correlating asset classes and tactical trading strategies, we believe you can set a plan that sets you apart from most advisors and most individual investors: a plan that can hopefully keep you on the path toward achieving your goals.

As always, please give us a call if you have any questions.

With kind regards,



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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. HFRI Macro Systematic Diversified Index and the S&P Total Return / Barclays Aggregate Bond) is also disclosed. For example, the HFRI Macro Systematic Diversified Index ("HFRI Macro") is an index developed by Hedge Fund Research, Inc. that tracks strategies using investment procedures that identify market opportunities containing trending or momentum characteristics across asset classes and other instruments. These strategies normally focus on instruments that are highly liquid with short holding periods and there should be no more than 35% exposure to currencies or commodities across the portfolio. The historical performance results of the HFRI Macro (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 HFRI Macro is not an index into which an investor can directly invest. The historical HFRI Macro 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, a hypothetical allocation to the S&P 500 Total Return Index and the Barclays Aggregate Bond Index (i.e., a fixed income index) is available from CMG upon request. The index is designed to illustrate a traditional stock and bond portfolio that is allocated 60% to equities and 40% to bonds. This index has been rebalanced annually for the purpose of this illustration. 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.