CAPITAL MANAGEMENT GROUP, INC.

CMG

Alternative Investment Strategies

CMG Q3 2010 Absolute Return Strategies Performance Review

Dear clients, friends and family:

Following is the 2010 third 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 predict or guarantee future returns. Following are thoughts on the individual CMG Absolute Return Strategies.

CMG Absolute Return Strategies - Quarterly Performance Update

Strategy	1st QTR	2nd QTR	3rd QTR	YTD 9-30-2010
AIFS Active U.S. Treasury Management Strategy	1.21%	-1.55%	2.57%	2.20%
Anchor Capital Stratus ProFunds Program	-1.66%	-5.38%	-1.97%	-8.78%
Anchor Capital Long/Short HY Bond Strategy	0.68%	1.25%	3.27%	5.26%
Bandon Directional Interest Rate Strategy	-0.58%	-3.06%	-1.01%	-4.58%
CMG Managed HY Bond Strategy	2.00%	0.83%	2.29%	5.21%
Jefferson National CMG HY Bond Annuity	4.24%	1.27%	3.23%	8.97%
Cook S&P 500 Index ETF Trading Strategy	-2.69%	6.53%	1.49%	5.22%
Heritage Capital Gold Strategy	-0.34%	0.78%	-0.21%	0.22%
Howard Capital Sector Rotation Program	9.30%	-9.17%	-8.09%	-8.74%
JT Emerging Markets Strategy	11.76%	13.20%	-8.91%	15.24%
JT NASDAQ 100 Strategy	11.11%	6.03%	-6.53%	10.10%
Scotia Growth S&P Plus Program	2.36%	9.01%	-12.96%	-2.89%
System Research Treasury Bond Program	-1.11%	-0.26%	-3.92%	-5.24%
Jefferson National Scotia Growth S&P Plus Annuity	3.90%	0.35%	6.03%	10.55%

Strategy Blends	1st QTR	2nd QTR	3rd QTR	YTD 9-30-2010
Conservative 2 Blend	0.11%	-0.84%	-0.82%	-1.54%
Moderate 2 Blend	0.15%	0.10%	-3.74%	-3.49%
Aggressive 2 Blend	-0.16%	0.64%	-6.89%	-6.45%

Market Index	1st QTR	2nd QTR	3rd QTR	YTD 9-30-2010
Dow Jones Industrial Average	4.82%	-9.36%	11.13%	5.57%
S&P 500	5.38%	-11.42%	11.30%	3.89%
NASDAQ Composite	5.68%	-12.03%	12.30%	4.38%
Barclays Aggregate Bond Index	1.78%	3.49%	2.49%	7.95%
Barclays HY Credit Bond Index	4.62%	-0.11%	6.72%	11.52%

* 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 2 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. Risk is present in all types of investments. Through a depth of due diligence combined with our years of trading experience, we seek to find the very best actively managed investment strategies and believe that risk can be better managed through a diversified blend of non-correlating actively managed strategies designed to add value to your overall investment portfolio.

AIFS Active U.S. Treasury Management Strategy:

AIFS gained 2.57% for the quarter and is up 2.20% net of fees through September month end. The strategy remains short the treasury bond market and is up an additional 3.53% in October (through October 28) putting the strategy up 5.81% year to date, net of fees.

The AIFS Active U.S. Treasury Management Strategy ("AIFS") was added to the CMG Absolute Return Strategies Platform in early October. The head portfolio managers, Kirk Barneby and Glenn Dorsey, have over 50 years of combined institutional investment management experience. Mr. Barneby joined AIFS in 2008 as Chief Strategist & Portfolio Manager, Taxable Fixed Income. At AIFS he utilizes a proprietary discipline, grounded in economic theory of interest rate behavior, to manage interest rate exposure or risk. Prior to AIFS, Mr. Barneby was a Managing Member of Old Iron Hill Capital Management, LLC from 2004 to 2008, employing quantitatively-oriented fixed income and multi-strategy investment approaches. Previously, he headed an investment group at UBS New York from 1985 to 2003 that managed equity and bond portfolios with roughly $7 billion in assets. Earlier, in the 1980s, Mr. Barneby was part of a team at Continental Can that made asset allocation decisions for the company's pension plan. He began his career in the Economics Department at First National City Bank (Citibank). Mr. Dorsey joined AIFS in January 2009 and is responsible for the day-to-day management and trading of the Active Treasury Management and Active Treasury Management Long/Short strategies, as well as the fixed income portion of the AIFS NestEgg Fund family. He also assists Mr. Barneby with research and the Interest Rate Scorecard. Prior to joining AIFS, Mr. Dorsey founded Reveille Asset Management in 2006. Prior to starting Reveille, Mr. Dorsey was a portfolio manager with Jamison Prince Asset Management from 2005 to 2006, Lyon Stubbs & Tompkins from 1994 to 2005, Mitchell Hutchins from 1990 to 1994 and Bankers Trust Company from 1980 to 1989. Mr. Dorsey has been in the financial services industry for 25 years and is a Chartered Financial Analyst.

AIFS is a short-term growth oriented fixed income program that actively trades U.S. Treasury exchange traded funds (ETFs). The program uses a multi-factor model (built on research that began at Citibank in 1972) based on monthly economic data to invest long and short (inverse) in U.S. Treasury securities. AIFS utilizes a highly quantitative, proprietary investment model to assess the economy and how it impacts U.S. Treasury rates on a monthly basis. The quantitative model evaluates and ranks factors in three primary categories: Economic Outlook, Inflationary Expectations and Investor Psychology. The process integrates all variables to generate a monthly trade signal, which determines the program's exposure over the next month. At the end of the third quarter, CMG reallocated the Bandon DIRS portfolio position in each blend to AIFS.

Anchor Capital Stratus ProFunds Program:

The Anchor Capital Stratus ProFunds Program ("Stratus") finished the quarter down 1.97% net of fees, bringing the year to date return to -8.78%. After a difficult July and a modest loss in August, the strategy posted a positive return for September and is up another 2.91% in October (through October 28).

Stratus spent the majority of the quarter long in its High Yield Bond allocation. The equity index trading component of the strategy was long and or hedged for most of July and August and more directionally long in September. The strategy has continued to perform well into October with an estimated return of over 2% for the month, net of fees. We are pleased with the strategy's recent performance despite its negative performance year to date. After strong performance in April, Stratus experienced a 6.39% drawdown in May, with the majority of the loss coming during the May 6 flash crash. Coming into May 6, Stratus was aggressively positioned long as markets were in a short term oversold position. The subsequent sell off during the crash that saw markets drop 10% intraday continued into the 7th and accounting for a loss of 6.64%. That trade accounts for the majority of the strategy's loss for the year.

Anchor Capital Long/Short HY Strategy:

The Anchor Capital Long/Short HY Strategy ("Anchor HY") returned 3.27% for the quarter net of fees and is up 5.26% year to date. Anchor HY is up an additional 0.95% in October (through October 28) putting it's year to date gain at 6.26% net of fees.

Anchor HY continued its consistent, strong performance during the quarter, generating positive returns during all three months. Anchor HY was long during July before partially hedging the portfolio at the end of the month. As markets sold off in August, the strategy was fully hedged for the first half of the month before moving to a 50% net short position for the second half of the month. As markets bottomed out by late August, Anchor repositioned the portfolio to a fully long position. The strategy remained net long for the balance of the month. We are very pleased with the strategy's performance for the quarter and in particular, its ability to generate returns on both long and short trades.

Bandon Directional Interest Rate Strategy:

The Bandon Directional Interest Rate Strategy ("Bandon") finished the quarter down 1.01%, net of fees and is down 4.58% year to date. We are no longer recommending an allocation to the Bandon Directional Interest Rate Strategy and have reallocated all proceeds to the AIFS Active U.S. Treasury Management Strategy.

CMG Managed High Yield Bond Strategy:

The CMG Managed High Yield Bond Strategy ("CMG HY") finished the quarter up 2.29% net of fees and is up 5.21% year to date. The CMG Jefferson National HY Bond VA strategy gained 3.23% net of fees and is up 8.97% year to date.

In July we wrote: "We remain cautiously optimistic on high yields going forward as spreads remain relatively attractive yet August, September and October has historically proved to be a more difficult seasonal period for HY bond performance. Should HY prices begin to decline we will move back to cash/money market funds. We anticipate a difficult equity market through late summer through October. This will have a direct impact on HY trend, thus our stops are placed ½% below current prices." Stops were triggered in August and we moved to the safety of cash/money market funds. Given our seasonally bearish outlook, we remained in cash/money market funds through September and missed a several percentage point move. While cautious, we are moving into the seasonally bullish period for HYs and have moved back into long HY exposure. We'll continue to trade with tight stop loss triggers in place.

Cook S&P 500 Index ETF Trading Strategy:

The Cook S&P 500 Index ETF Trading Strategy ("Cook") finished the quarter up 1.49%, net of fees and is up 5.22% year to date. The strategy is up another 0.26% in October (through October 28).

The Cook strategy continued its strong performance during the third quarter, making three long trades, two of which were profitable. Equity markets sold off heavily in May and June and in early July the Cook

Cumulative Tick Indicator™ ("CCT") generated a profitable long trade signal based on the capitulation sell-off that generated a sharp reversal on July 1. After a sharp rally in July, markets again sold off in August, generating the same trade set-up as in July. Unfortunately, the trade was stopped out for a loss in August. Cook finished the quarter strong after a profitable two day trade in early September when the S&P 500 broke out of a 30 point trading range before Labor Day.

Cook looks to trade the counter trend moves in the S&P 500 Index trading ETFs 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 U.S. 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 (a long position when the market is extremely oversold and a short position when the market is extremely overbought). We have added the Cook S&P 500 Index ETF Trading Strategy to the majority of the CMG Blends as of October 2010.

Heritage Capital Gold Strategy:

The Heritage Capital Gold Strategy ("Heritage") posted a -0.22% return, net of fees, for the quarter bringing the strategy's year to date return to +0.22% net of fees. Heritage had a quiet quarter with only one trade put on during the quarter. Although we are pleased with the trade selectivity and risk management of the strategy, we would like to have the ability to participate in some of the intermediate and longer term trends in the precious metals index. Heritage invests on a long-only basis in the Rydex Precious Metals Fund (which is based on the Philadelphia Gold and Silver Index) based on technical indicators, looking to identify highly probable short term technical reversal patterns. Heritage also manages an intermediate term gold strategy that we are currently in the process of reviewing as it trades more actively than the short term gold program.

Howard Capital Sector Rotation Program:

The Howard Capital Sector Rotation Program ("Howard") posted a -8.09% return, net of fees, for the quarter bringing the strategy's year to date return to -8.74%. The strategy is up 2.08% in October (through October 28).

We added the Howard Capital Sector Rotation Program to the CMG ARS Platform in April and after making an initial small allocation to the strategy in the CMG Strategy Blends, we added additional exposure post the sharp in late April/May market sell-off. The strategy dates back to October 2002 and has averaged 13.55% per year net of fees with an -18.90% worst drawdown. Over the same period, the S&P 500 index averaged 6.39% per year with a -50.95% worst drawdown. The Howard Capital Sector Rotation Program is a long-biased 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 U.S. Equity Sector mutual funds and U.S. Government Bond Funds at Rydex. After a strong first quarter the strategy triggered a move to cash in May as equity markets sold off over 10%. Howard remained in cash for the entire month of June and re-entered the market in late July, taking positions in the Electronics and Basic Materials Sectors. However, the strategy was stopped out of that trade by late August only to get another long signal in late September. The strategy remains long in October. The range bound movements of the broader markets over the course of the third quarter whip-sawed the strategy, causing losses in July and August. Based on our understanding of the strategy, we anticipate market environments like we saw the past three months will prove difficult for Howard.

JT Emerging Markets Strategy / JT NASDAQ 100 ETF Strategy:

The JT Emerging Market Strategy ("JT EM") and the JT NASDAQ 100 Strategy ("JT NASDAQ") are two new strategies that were added to the CMG Absolute Return Strategies platform at the end of September. The JT Emerging Market and the JT NASDAQ 100 ETF Strategies are quantitative investment strategies that trade the Emerging Markets long and inverse via ProFunds Emerging Market mutual funds and the NASDAQ 100 index long and inverse via ProShares 2x exchange traded funds "ETFs". The trading signal is generated by a single model which takes into account several technical indicators to determine long or short (inverse) trades. The model incorporates aspects of both trend following and mean reversion. A key component of the program is the methodology of scaling both entry and exit, which provides for profit taking and risk reduction, creating a system of stop loss and profit realization. The program is strictly technical in nature and does not utilize fundamental analysis. Both strategies were added to the managed blends in early October. Month-to-date through October 28, the JT Emerging Market is down 2.38% and up 12.49% year-to-date net of fees. Month-to-date through October 28, the JT NASDAQ 100 is down 3.54% and up 6.22% year-to-date net of fees.

Scotia Growth S&P Plus Program:

The Scotia Growth S&P Plus Program ("Scotia") finished the quarter down 12.96% net of fees bringing the year to date return to -2.89%. The strategy is up 8.75% in October (through October 28), putting the year-to-date performance up +5.60% net of fees. The Jefferson National Scotia Growth S&P Plus Annuity strategy gained 6.03% net of fees and is up 10.55% year to date. The difference in performance is a result of different mutual funds utilized to execute the strategy at Jefferson versus managed accounts at TCA and also a result of different trade cut-off times.

Since inception in 2004, the strategy has been profitable every year with a compounded annualized return of 23.93% net of fees. This compares to a compounded annual return for the S&P 500 Index of 2.08%.

Since inception in July 2004 through Sept 2010, the strategy has gained 282.34% (cumulative return) net of fees vs. a gain of 13.71% in the S&P 500.

All investment strategies go through periods of draw-downs and often times it is difficult for a strategy to exhibit a statistical edge in a short window of time (i.e.: 3-6 months). We remain confident in the strategies edge over longer more intermediate periods of time where Scotia has demonstrated a considerable edge in its process and systemic trading methodology. Of course, past performance cannot guarantee future returns and Scotia remains an aggressive strategy and should be used to compliment other investment positions in your portfolio.

System Research Treasury Bond Program:

The System Research Treasury Bond Program ("System Research") finished the first quarter -3.92%, net of fees. Year-to-date through September 30, the System Research Program has returned -5.24% net of fees. The Strategy has had a great October (+5.28% net of fees month-to-date through October 28) and is now flat on the year. System Research spent the majority of the quarter in an inverse Treasury bond position that is looking to profit from rising interest rates. The strategy takes into account fundamental and technical factors in determining long or short positions in 30 year Treasury bond funds, trying to identify trends in inflation and interest rates.

With kind regards,

S Blumenthal

Steve

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