CAPITAL MANAGEMENT GROUP, INC.

Tactical Investment Solutions

CMG Q4 2011 Quarterly Performance Update

Dear clients, friends and family:

Following is the 2011 fourth quarter and year-to-date net performance information for CMG's Tactical Investment Strategies along with our thoughts on each strategy over the past quarter. In addition, we have provided the net performance for the CMG Managed Blends and the CMG Classic Blends. We have also reflected the net performance for our tax deferred variable annuity tactically managed programs. Market index performance is presented at the bottom of the chart. Within the total portfolio construction process, we believe it is important to have a number of non-correlating risk diversifiers. Evaluation should be compared over multiple time periods. 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**	**3rd QTR**	**4th QTR**	**2011 YTD**
CMG Managed HY Bond Strategy	1.50%	0.57%	-1.73%	5.61%	5.94%
Equity Strategies	**1st QTR**	**2nd QTR**	**3rd QTR**	**4th QTR**	**2011 YTD**
CMG Opportunistic All Asset Strategy - TCA	3.85%	-1.43%	-3.49%	3.03%	1.79%
CMG Opportunistic All Asset Strategy - TD Ameritrade	3.63%	0.83%	-10.24%	3.62%	-2.83%
Heritage Capital Gold Equity Strategy	2.18%	0.38%	-1.20%	3.53%	4.91%
Howard Capital Sector Rotation Program	5.63%	-7.97%	-16.89%	-0.63%	-19.71%
Scotia Partners Dynamic Momentum Strategy	4.59%	-6.73%	-10.69%	5.63%	-7.97%
Long / Short Strategies	**1st QTR**	**2nd QTR**	**3rd QTR**	**4th QTR**	**2011 YTD**
AIFS Active U.S. Treasury Management Strategy	-3.83%	-2.52%	-0.47%	-2.31%	-8.85%
Anchor Capital Long/Short HY Bond Strategy	-1.80%	-0.69%	1.25%	-1.74%	-2.98%
Cook S&P 500 Index ETF Trading Strategy	-3.27%	4.37%	-10.41%	5.17%	-4.88%
Scotia Partners Growth S&P Plus Program	14.80%	4.12%	-8.78%	-5.54%	3.00%
System Research Treasury Bond Program	9.31%	4.94%	8.98%	-4.97%	18.79%
Annuity Programs	**1st QTR**	**2nd QTR**	**3rd QTR**	**4th QTR**	**2011 YTD**
CMG Opportunistic All Asset Strategy - Jefferson National	4.98%	0.11%	-2.82%	4.64%	6.86%
Jefferson National CMG HY Bond Annuity	2.05%	0.54%	-1.91%	4.95%	5.63%
Jefferson National Scotia Growth S&P Plus Annuity	7.39%	3.66%	-0.52%	-5.26%	4.90%
Managed Blends	**1st QTR**	**2nd QTR**	**3rd QTR**	**4th QTR**	**2011 YTD**
Conservative Blend	0.34%	-0.08%	-1.68%	0.99%	-0.45%
Moderate Blend	2.48%	-0.72%	-4.29%	0.28%	-2.36%
Aggressive Blend	5.53%	-0.38%	-5.84%	-0.51%	-1.51%
Classic Blends	**1st QTR**	**2nd QTR**	**3rd QTR**	**4th QTR**	**2011 YTD**
Classic Balanced	6.72%	-0.81%	-8.30%	0.30%	-2.64%
Classic Core Equity	7.04%	-1.55%	-8.09%	-0.14%	-3.28%
Classic Bear / Bull	10.22%	-1.66%	-12.41%	-3.45%	-8.36%
Market Indices	**1st QTR**	**2nd QTR**	**3rd QTR**	**4th QTR**	**2011 YTD**
Dow Jones Industrial Average	7.07%	1.42%	-11.49%	12.78%	8.38%
HFRI Macro Systematic Diversified Index	-1.30%	-1.95%	4.40%	-3.50%	-3.42%
S&P 500	5.92%	0.10%	-13.86%	11.81%	2.11%
NASDAQ Composite	4.83%	-0.28%	-12.91%	7.85%	-1.80%
Barclays Aggregate Bond Index	0.43%	2.30%	3.83%	1.12%	7.86%
Barclays HY Credit Bond Index	3.88%	1.06%	-6.06%	6.46%	4.98%

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

Fixed Income Strategies

The CMG Managed High Yield Bond Strategy ("CMG HY") returned +5.61%, net of fees, for the fourth quarter and finished the year +5.94%, net of fees. CMG HY was long high yield bonds for the quarter, taking advantage of lower bond prices after the deep sell-off mid-year in the midst of the European debt crisis. Current yields remain attractive at 8.38% and the spread over safer bonds, such as 5-7 year Treasury bonds, currently at 6.38% is particularly attractive compared to the historical average of 4.25% since 1987. In addition, we remain in a seasonably favorable environment for high yields that typically runs through the end of the first quarter. With low default rates in high yields compared to increasing risks in sovereign bonds we believe high yields offer an attractive risk reward trade.

Given the systemic global risks, we expect a major sell-off and believe such a decline will favor this strategy as we trade with tight stop losses in place. If we are correct in our view, we expect an attractive trading opportunity this year, at lower prices and higher yields. The probabilities of a U.S. recession remain high and if our view is correct, yields could reach 12%. If we are incorrect in our market view, the strategy should continue to ride the trend higher and capture additional price gain current high yield. We have been managing the CMG Managed High Yield Bond Program, our flagship strategy, since the early 90's with a focus on strong risk managed returns, capturing upside returns with lower risk than the asset class itself.

Equity Strategies

After a big correction in the third quarter, global equity markets rallied in October from a short-term oversold condition. Progress in Europe and coordinated global central bank liquidity actions created a tailwind for equities that helped the major indices break even for the year. The Scotia Partners Dynamic Momentum Strategy and the Howard Capital Sector Rotation Program returned +5.63% and -0.63%, respectively, net of fees. Scotia Dynamic and Howard finished the year -7.97% and -19.71%, net of fees. Scotia Dynamic performed particularly well during October, remaining close to fully invested for most of the month in almost all of the underlying sectors that the strategy can trade. As markets topped out in November and then stalled into year end, the strategy was caught in some of the whipsaw market movements, giving back some of the October gains. The strategy is designed to identify momentum in equity sector mutual funds and to participate in those rising trends. However, the strategy also has risk management components that limit its exposure during overbought markets. During the quarter, this risk management component of the model kicked in several times causing some whipsaws. The Howard Capital Sector Rotation Program remained in money market during the quarter. Howard moved to money market over the summer as the HCM-BuyLine, a proprietary indicator based on equity market new highs and new lows, generated a sell signal.

The Heritage Capital Gold Strategy returned +3.53% for the quarter and finished the year +4.91%, net of fees. Heritage finished the year with several strong trades set up by the pull back in both precious metals equities and the spot price of gold itself. We are pleased with the strategy's risk management discipline which looks for high probability reversal patterns based on technical candlestick indicators. As a result, the strategy has the ability to participate in gold and silver miner equity trends while taking less risk than a long only investment in precious metals equities. For 2011, Heritage's primary benchmark, the Philadelphia Gold and Silver Miners Index, finished the year down 19.15%. The index can be very volatile from month to month and we believe the Heritage strategy provides an

attractive way to get exposure to precious metals equities. We see a more favorable environment for the strategy moving forward and have increased our allocation in our managed blends. We are also changing the name of the strategy from the Heritage Capital Gold Strategy to the Heritage Capital Gold Equity Strategy, to more clearly describe the strategy. Heritage does not trade the spot price of gold, but rather, invests in the Rydex Precious Metals mutual fund, a fund of gold and silver miner equities. Although the price of gold has an impact on how the Rydex fund will trade, there is not necessarily a strong short to intermediate correlation between the stocks themselves and the price of gold as a commodity.

The CMG Opportunistic All Asset Strategy, our tactical mutual fund allocation strategy, returned +3.03% for the quarter in the TCA portfolio and +3.62% in the TD Ameritrade portfolio, net of fees. The TCA and TD Ameritrade portfolios finished the year +1.79% and -2.83%, net of fees, respectively. Both portfolios were more heavily invested in defensive equity funds and fixed income mutual funds during the second and third quarter and have since moved to a more balanced allocation of equity and fixed income funds. Both portfolios have rotated some allocations from Treasury bond funds to convertible bond funds. The CMG Opportunistic All Asset Strategy is designed to identify mutual funds with emerging price trends across a broad range of over 100 diverse mutual funds (large cap value, growth, small cap, mid cap, international developed and emerging markets, fixed income and equity precious metals). The purpose is to identify changing market dynamics creating a broadly diversified portfolio of 11 mutual funds to actively participate in rising markets and manage risk as markets deteriorate (i.e. a shift to fixed income and defensive sectors). The model is designed to capture intermediate-term price trends, typically holding any underlying mutual fund for 60-90 trading days at a time. For a snapshot of current allocations in both portfolios, please visit our website at the following links: TCA and TD Ameritrade. Alternately, please feel free to contact us to learn more about how the portfolios dynamically reallocate over time to manage risk and increase returns.

Long / Short Strategies

The fourth quarter proved particularly difficult for the long/short strategies in both fixed income and equities. With respect to our long/short equity managers, the Scotia Partners Growth S&P Plus Program ("Scotia") finished the quarter -5.54%, net of fees and the Cook S&P 500 Index ETF Trading Strategy ("Cook") returned +5.17%, net of fees, during the quarter. Year to date, Scotia returned 3.00%, net of fees and Cook returned -4.88%, net of fees. The past year proved to be a challenging environment for long/short strategies in several asset classes. With respect to long/short equity managers, the primary benchmark for Scotia and Cook, the Barclays Equity Long Short Index, returned -3.33%. A strong trend for equity markets characterized the first three months of the year, but the natural disaster in Japan and the European debt crisis changed the character of the market for the balance of the year. As a result, equity markets became very volatile, but range bound, for the second half of the year. This created a trading environment where the S&P 500 would move 50-100 points, several percent, in very short windows of time. Despite all of the volatility, equity indices finished the year flat with no clear intermediate-or long-term trend pointing up or down. This clear lack of direction has proved challenging, particularly for strategies that trade on a short-to intermediate-term basis. The rapid market movements combined with a trendless, range bound equity market created both changes in the core of the model and rapid overbought / oversold conditions in very short periods of time.

System Research Treasury Bond Program ("SR") returned -4.97% for the quarter, net of fees. The Anchor Long/Short High Yield Bond Strategy ("Anchor") generated -1.74%, net of fees, during the quarter and the AIFS Active U.S. Treasury Management Strategy ("AIFS") was down modestly, finishing the quarter -2.31%, net of fees. Year to date, SR finished +18.79%, Anchor finished -2.98% and AIFS finished -8.85%, net of fees, respectively. After a flight to quality during the third quarter that drove bond prices higher and yields to new lows, Treasury bonds traded much more erratically during the fourth quarter. The SR strategy had a difficult quarter, particularly with respect to the short-term movements in the 30 year Treasury bond, where daily movements of 2-3% occurred in many cases. The SR model has several components that analyze commodity trends, equity trends and fixed income trends across the U.S. Treasury yield curve. This last component of the model, which looks at short-term trends in bonds, was impacted negatively by outsized daily movements. As a result, the strategy was whipsawed on a number of trades, especially in December. The strategy finished the year in a long bond position where it currently remains.

Anchor finished the year invested long in high yield bonds. The strategy traded both long and short during the quarter, generating positive returns in October as high yields moved higher. In November and December, the strategy was more hedged and in several cases net short high yields. Over the past year, the strategy has done particularly well identifying and trading short high yield bonds via inverse mutual funds. The ability to trade both long and short makes the strategy a strong compliment to the long-only CMG Managed High Yield Bond Program.

AIFS began the quarter in a fully bullish position and moved to a neutral (modestly long bonds in line with the strategy's 10 year Treasury benchmark) position in October. In November, AIFS switched to a fully bearish position (expecting lower bond prices and higher interest rates), then shifted back to a neutral position in December. Although the strategy seeks to forecast interest rate trends on a monthly basis, it was impacted negatively by bond volatility and a disconnect from the fundamental data that is the primary driver of the decision making process. The movements in bonds during the quarter were driven more by extreme investor optimism and pessimism than by any fundamental change in unemployment, growth or inflation.

Manager Update

Per our investment mandate, we have made several adjustments to our tactical platform for the first quarter. The most significant change is the removal of three managers: AIFS Active U.S. Treasury Management Strategy, Cook S&P 500 Index ETF Trading Strategy and Howard Capital Sector Rotation Program. We believe that the current environment, where the risk of exogenous events is high, is not one that is conducive to the monthly forecasting process that drives the AIFS model. With respect to the Cook strategy, we have had the strategy on our platform for the past three years and the performance has not met our expectations. We have also chosen to remove Howard from the platform after the manager recently decided to change an important component of his strategy. While we are not against making changes to a model or strategy, we felt that the change was material enough to warrant a reallocation away from the strategy. We do not take any decision to remove a manager lightly. We spend many hours in our initial due diligence process and are constantly reviewing and grading our managers on a variety of factors. While performance is certainly important, it is not the only ingredient. We evaluate risk management, style drift and

changes to the financial markets that may impact the effectiveness of a manager. While it would not be appropriate to discuss the specific details of this decision process in a group email format, we can review these decisions with you individually. Please feel free to contact your CMG rep directly at 610-989-9090 with any questions. We have reviewed hundreds of strategies in recent months searching for those that add value our platform and your portfolio. It takes many months for us to get to the point to be ready to hire a new manager. Of course, we will notify you of any additions to our platform. Our intention is not to be a supermarket for investment strategies, but rather to offer a select group of portfolio managers with superior process, performance and character.

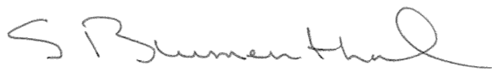
Within the Managed Blends and Classic Blends, the allocations to these strategies have been reallocated to other managers on the platform and the changes we have made in these portfolio allocations reflect our view that 2012 will prove challenging for equity markets. Investor optimism is again very high and market indices are facing technical resistance levels. As a result, we have over weighted the portfolios to fixed income and long/short managers. In regards to the Classic Blends, we will be removing the Howard Capital Sector Rotation Program and will replace it with the Scotia Partners Dynamic Momentum Strategy. Scotia Dynamic, like Howard, is also a sector rotation strategy that has similar risk / reward characteristics that complement remaining portfolio allocations in the Classic Blends.

Conclusion

We see considerable risks ahead to the global economy and to investor portfolios. Europe continues to make incremental decisions to try to resolve the debt crisis that ultimately fall short of the solution that is needed. Time is of the essence as both Italy and Spain have massive amounts of debt to roll over in the next three months. In the U.S., politics has trumped economics and the risk that partisan brinksmanship will push us back into a recession has gone up (we'll be talking about payroll tax cuts and unemployment benefit extensions in the next two months). Add in a healthy dose of geopolitical risk in North Korea, Iran and the broader Middle East, and the macro outlook looks challenging, to say the least. Looking at the indicators of market strength paints a clear picture for us that we recently summarized in our 2012 outlook piece "Uncommon Solutions". The outlook for traditional asset classes, equities and fixed income points to low single digit returns. To navigate the challenges, investors will need to seek alternative sources of risk to diversify their portfolios.

As always, please give us a call if you have any questions and we would be happy to discuss how to add some "uncommon solutions" to your portfolio.

With kind regards,



Steve Blumenthal
President / CEO

PJ Grzywacz
Managing Director

CMG Capital Management Group, Inc.
150 North Radnor Chester Road – Suite A150
Radnor, PA 19087
610-989-9090
www.cmgfunds.net

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