CMG Update: You'll get the chance – hang in there just a little bit longer.
December 23, 2008

The intent of this email is to share some reasons for optimism and help you to think about setting a plan in place to take advantage of the anticipated rally I see coming in the markets over the next several months. While we are pleased with the performance of our various trading strategies through this historic environment, I am deeply sensitive to the impact the move may be having on your buy-and-hold portfolio. It is with this thinking that I share with you the following.

A few months ago, I sent an email titled "CMG Update: So Bad It's Good" suggesting the market would get a recovery bounce that would provide a more attractive exit position. I advised not to panic sell. Even in the most severe bear environments, the markets do provide periods of recovery. Shortly after that email the market rallied sharply from 850 to 1000, and then traded to lower lows. While we are not completely out of the woods, I do believe the market bottomed at 750 on November 20 and will move higher.

How much higher? If history is any guide I believe we could see a 50% to 60% move from the low. Ned Davis Research put out a research piece titled, "2009 – A New Bull Market for U.S. Stocks?" In it NDR said, "…there is strengthened evidence that the bear market has ended."

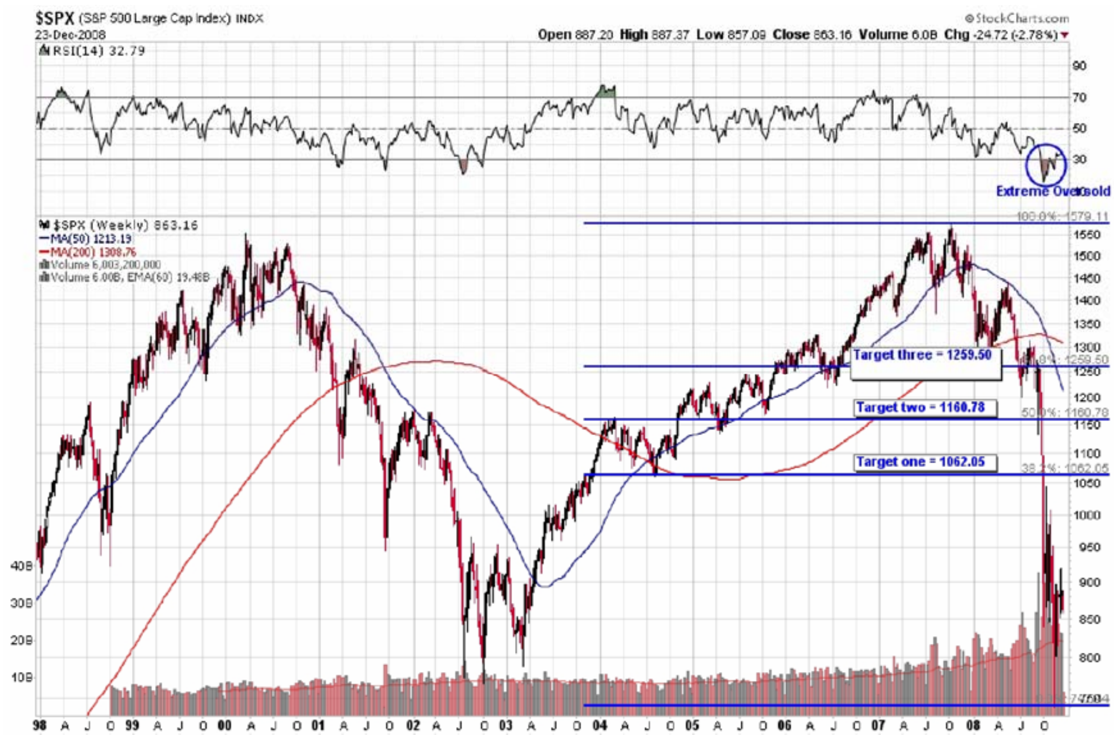
NDR bull/bear cycle comparison: "To develop a best guess about the 2009 potential following the latest cyclical bottom, we took a closer look at those 10 cases and earlier cycles to identify the most similar market and economic cycles in terms of magnitude and duration. Two bottoms stood out for the similarities to the latest bottom:

1974. The bottom of 1974 emerged as most similar among the post-war cases. The low occurred about 12 months into the recession, after a drop of -45% on the DJIA. If the November 20 low turns out to be the bottom of the current bear market, then it will have been reached about 11 months into the current recession after a DJIA decline of 47%. The lows in both 1974 and 2008 occurred close to the nine years after the start of their respective secular bear markets, 3222 days after the secular high of February 9, 1866 and 3233 days after the secular high of January 14, 2000. From the 1974 low, the DJIA rallied 51% TO ITS 1975 HIGH 7.5 MONTHS LATER ON July 16, before correcting by -10% over the next 2.5 months. The DJIA then advanced to a cyclical high in 1976.

1938. The bottom of 1938 also carries similarities. It occurred 10 months into a recession, ended a bear market of -49% on the DJIA, and was reached 8.5 years after the secular top of September 3, 1929 (3131 days). The cyclical bear of 1937-1938 was also similar to the recent bear market for its duration – it lasted 386 days, close to the 408-day duration of the latest cyclical bear. From the low, the DJIA advanced by 60% to its cyclical high 7.5 months later. The DJIA then corrected by -14% over the next 2.5 months, though it did not recover to reach a new high as it did after the high in 1975."

To be clear, I believe any advance will be considered a short-term cyclical bull market move and will ultimately be limited by the continuation of the long-term secular bear market cycle. Much like the 1966 – 1982 secular bear market cycle, secular bear markets typically last a long time.

For today, the news looks brighter. Be prepared as it appears we have entered a new short-term bull market that will offer you an opportunity to reduce you buy-and-hold equity exposure at higher levels. Game plan: Following is a chart of the S&P 500 Index reflecting several Target Levels. I believe it is highly probable we hit one or more of those levels within the next six months – I believe we will trade up to 1160 - 1200. If I am correct in my thinking; it is important for you to have a game plan in place and be prepared to execute that game plan when the opportunity presents itself.



A 60% recovery move from the S&P 500 Index low of 750 will set a recovery target of 1200. While an exit at that level will put the S&P 500 down 22.58% from its high of 1550, it is significantly more digestible than a loss of 50%. (Remember how compounding works, a decline of 50% makes a $100,000 investment worth $50,000. A gain of 60% on your $50,000 will make your investment worth $80,000 or still 20% below the previous $100,000 value at the markets high).

In short summary, the probabilities suggest to me that we have made a low and we have entered a new short-term bull market cycle. Banks will begin to lend again. This recession will end (perhaps by June 2009 or sooner). This storm too will pass. Be prepared to act. If we see the recovery bounce I'm anticipating, most investors will want to stretch for more return ("if I can just get back to even I'll get out"). I recommend that you have a game plan in place and be mentally prepared to execute on that plan.

There is much to be grateful for here at CMG as it has proven to be a successful year. In 2007, we developed our unique managed account platform of diversified trading strategies many of which can trade the markets both long and short. 2008 certainly tested our managers and we are pleased with their performance during these challenging times.

Furthermore, we are excited about the prospects of adding several new strategies in early 2009.

I believe there has been a major shift in investors understanding of bull and bear market cycles and specifically the need for the inclusion of trading strategies within a diversified investment portfolio. Equally important is the need for liquidity and transparency. We use an independent custodian (member

FDIC) for managed accounts and offer daily liquidity and daily transparency. We believe our platform offers an assessable way for you to add non-correlating trading strategies to your portfolio.

Please call your CMG representative if you have any questions at 610-989-9090.

Wishing you and your family a very warm and wonderful holiday.

With kind regards,
Steve

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