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CMG Q3 2012 Quarterly Performance Update

Dear clients, friends and family:

Following is the 2012 third 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 include a number of non-correlating risk diversifiers (equity, fixed income and tactical exposure), that performance evaluation should be considered over a three to five year period vs. months and quarters, and that one should compare equity performance against an equity benchmark, bond against a bond benchmark and tactical against a tactical benchmark. Asset classes are non-correlating for a reason and should be viewed from that perspective. 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**	**2012 YTD**
CMG Managed HY Bond Program	4.48%	1.17%	3.07%	8.95%
Equity Strategies	**1st QTR**	**2nd QTR**	**3rd QTR**	**2012 YTD**
CMG Opportunistic All Asset Strategy - Multi-Platform	10.22%	-4.84%	1.59%	6.56%
CMG Opportunistic All Asset Strategy - TCA	9.84%	-3.55%	4.84%	11.02%
CMG Opportunistic All Asset Strategy - TD Ameritrade	7.78%	1.66%	4.50%	14.49%
Heritage Capital Gold Equity Strategy	1.72%	-2.71%	-0.94%	-1.96%
Scotia Partners Dynamic Momentum Program	6.06%	-1.85%	5.95%	10.29%
Long / Short Strategies	**1st QTR**	**2nd QTR**	**3rd QTR**	**2012 YTD**
Anchor Capital Long/Short HY Bond Program	2.82%	-0.51%	0.67%	2.99%
Scotia Partners Growth S&P Plus Program	7.80%	-12.61%	4.02%	-2.01%
System Research Treasury Bond Program	0.34%	8.44%	4.07%	13.23%
Annuity Programs	**1st QTR**	**2nd QTR**	**3rd QTR**	**2012 YTD**
CMG Opportunistic All Asset Strategy - Jefferson National	10.15%	-4.72%	2.45%	7.53%
Jefferson National CMG HY Bond Annuity	3.72%	1.32%	3.64%	8.92%
Jefferson National Scotia Partners Growth S&P Plus Annuity	8.75%	-14.65%	5.79%	-1.80%
Managed Blends	**1st QTR**	**2nd QTR**	**3rd QTR**	**2012 YTD**
Conservative Blend	3.32%	-0.25%	2.52%	5.65%
Moderate Blend	3.83%	-0.88%	3.15%	6.16%
Aggressive Blend	4.54%	-1.04%	4.02%	7.55%
Classic Blends	**1st QTR**	**2nd QTR**	**3rd QTR**	**2012 YTD**
Classic Balanced	5.95%	-3.94%	4.21%	6.06%
Classic Core Equity	8.35%	-5.38%	4.93%	7.58%
Classic Bear / Bull	6.92%	-7.28%	5.03%	4.13%
Market Indices	**1st QTR**	**2nd QTR**	**3rd QTR**	**2012 YTD**
Dow Jones Industrial Average	8.84%	-1.85%	5.02%	12.19%
HFRI Macro Systematic Diversified Index	-0.55%	-0.04%	0.97%	0.02%
S&P 500	12.58%	-2.75%	6.35%	16.44%
NASDAQ Composite	18.67%	-5.06%	6.18%	19.62%
Barclays Aggregate Bond Index	0.31%	2.06%	1.59%	4.00%
Barclays HY Credit Bond Index	5.33%	1.83%	4.53%	12.12%

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

Fixed Income Strategies

The **CMG Managed High Yield Bond Program ("CMG HY")** returned +3.07% for the third quarter, net of fees. After avoiding a several percent high yield market sell-off in June, CMG HY traded back into HY's in late June and remained in a long position for almost the entire third quarter. The strategy moved to cash in late September, but has since re-entered into a long position. We see several important fundamental factors supporting HY: high yield spreads are higher than historical trends, default rates remain low, the new issue calendar is light and investor demand remains very strong. We will continue to trade with a strong focus on risk management. Risks include a probable recession within the next twelve months and lower than normal overall yield of approximately 6.50%. Equity markets decline by approximately 40% in recessions and the high yield market is impacted negatively as well (historically not to the degree of the equity markets). While our view is that this current up trending environment is likely to continue through year end, it is important to note that we will follow our disciplined risk management focused trading process. Just as we have since inception in 1992.

As we celebrate our 20th Anniversary this year, we are pleased to report that CMG HY continues to perform well, generating strong returns with significantly lower risk and volatility than the strategy benchmark, the Barclays High Yield Credit Bond Index. Since the inception of the strategy, the annualized rate of return has beaten that of the index with approximately 30% of the volatility and a much lower historical drawdown. We believe that the strategy continues to provide meaningful diversification for fixed income investors seeking higher income coupled with risk management as the risks of rising rates and economic recession remain ever present.

If you missed our webinar on July 17, hosted by Michael F. Sciortino, Sr., CMG's Head of Distribution and Stephen Blumenthal, CMG's CEO, Founder and Portfolio Manager of CMG HY, please follow this link to access the replay (30 minutes). The webinar, entitled "Searching for Higher Yields", provides an excellent overview on how the strategy works and how to utilize it within the fixed income portion of your portfolio(s).

CMG Tactical Equity Strategies

The **Scotia Partners Dynamic Momentum Program ("Scotia Dynamic")** returned +5.95% for the quarter, net of fees. Scotia Dynamic generated strong returns during the quarter as equity markets rebounded after a drawdown earlier in the year. During July, returns were driven by portfolio allocations to the biotechnology, energy services and healthcare sectors. In addition to energy services and biotechnology, allocations to electronics and transportation contributed to strong returns in August. In early September, as the equity markets moved higher, the strategy identified many sectors as overbought causing the strategy to become more defensive resulting in a higher allocation to cash / money market. After a pull-back alleviated the overbought readings, the strategy reallocated to biotechnology, small caps and precious metals later in September.

The **Heritage Capital Gold Equity Strategy ("Heritage")** returned -0.94% for the quarter, net of fees. The decline in precious metals equities continued from the second quarter into July as the Philadelphia Gold and Silver Miners Index continued to trend lower before finding support in

August. Precious metals equities were deeply oversold by mid-summer, creating the condition for a rebound through the rest of the quarter. While the index finished higher for the quarter, Heritage did not participate in the up move due to the quick reversal of precious metals equities. The strategy attempts to identify selective, technical, high probability trade set-ups in precious metals equities and despite a bullish trend in equities, the strategy did not generate trades as those conditions were not met. While we are pleased with the strategy's discipline and risk management in periods like the second quarter, frankly we would like to see the strategy capture more upside during bullish environments like the third quarter.

The **CMG Opportunistic All Asset Strategy ("CMG Opportunistic")**, our broadly diversified tactical mutual fund allocation strategy, returned +1.59% for the quarter in the Multi-Platform portfolio (available at Schwab, TD Ameritrade, Pershing and NFS / Fidelity), +4.84% for the quarter in the TCA (Trust Company of America) portfolio and +4.50% in the TD Ameritrade portfolio, net of fees.

CMG Opportunistic performed well during the quarter as the portfolios rotated into more equity oriented positions in late July and early August after maintaining a overweight allocation to more defensive fixed income oriented positions, like government bonds and utilities, during the second quarter. By the end of the quarter, CMG Opportunistic had rotated into growth oriented equity funds like domestic and foreign large cap growth funds, real estate funds, energy and commodity (precious metals) oriented funds as well as financial and regional sector funds.

The CMG Opportunistic is designed 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). These shifts in allocation have helped the strategy capture positive market upside this year while also limiting the depth of drawdowns during difficult periods (the second quarter for example). It is important to note that CMG Opportunistic seeks to identify emerging prices trends through a mathematical process and as such, the strategy does not maintain a biased "market view". The result is an unemotional process that seeks to identify the best mutual fund allocations purely based on emerging price trends across of a number of sectors and investment categories (fixed income, sector funds, large cap – mid cap – small cap equity funds, international funds, etc.).

For a snapshot of current allocations in the CMG Opportunistic portfolios, please visit our website at the following links: Multi-Platform, Jefferson National, TCA and TD Ameritrade.

Long / Short Strategies

With respect to our long/short equity managers, the **Scotia Partners Growth S&P Plus Program ("Scotia")** finished the quarter +4.02%, net of fees. Scotia had a positive quarter generating returns from both core model trades as well as mean reversion trades (overbought and oversold). The strategy generated eighteen trades during the quarter, thirteen of which were core model trades and five which were mean reversion trades (overbought/oversold). For the majority of the quarter, Scotia traded with a long bias as the model identified the S&P 500 to be in an up trend.

Technically, in an up trending environment, Scotia waits for a down day within the up trend to initiate a trade. Scotia then exits the trade on a positive S&P 500 performance day and waits for another down day within the up trend to initiate a new long trade. The reverse is true in a confirmed down trending market. The strategy waits for an up day within the down trend to initiate a short biased S&P 500 Index trade. This disciplined trading method gives the strategy the ability to profit in both up trending and down trending market environments. We continue to monitor all of Scotia's trades and we are pleased that the percentage of winning trades continues to be in line with its historical win rate. Of course, as with all strategies, past performance can not predict or guarantee future performance.

If you would like to learn more about the strategy and missed our webinar on May 22 of this year, please click on the following link to access the replay. CMG hosted the webinar with Cliff Montgomery, the Portfolio Manager and Founder of Scotia Partners. Mr. Montgomery addressed a number of topics about the strategy including the development of the strategy, why it is non-correlating, the ideal market environment for the strategy and his views on how much one might allocate to the strategy. We recommend listening to the replay to learn more about the strategy and how it might be a valuable risk diversifier within your portfolio(s).

The **System Research Treasury Bond Program ("SR")** returned +4.07% for the quarter, net of fees. SR started the quarter in a long 30-year Treasury bond fund position as global equity markets continued the decline that began in the second quarter. The resulting flight to safe assets drove Treasury bond prices higher. The strategy remained long into early August at which point the model signaled a short position and SR moved from long Treasury bond fund exposure to short Treasury bond exposure. This proved to be a profitable move as the equity markets rebounded in August and into September (the Euro crisis subsided and QE3 was launched) – the risk on trade was back. The up move in riskier assets drove the flight away from safer Treasuries resulting in lower treasury prices and a profitable short environment for SR.

There are three prime components of the SR model: the commodity sub-model, the equity sub-model and the fixed income sub-model. Combined the model signal continues to favor lower Treasury bond prices and higher yields and remains positioned short Treasury bonds (October 17, 2012).

The **Anchor Capital Long/Short High Yield Bond Program ("Anchor")** returned +0.67% during the third quarter, net of fees. Anchor began the quarter with net long exposure to high yield and maintained primarily a hedged position for most of July. After a correction in high yield bonds earlier in the summer, high yields moved higher in August and September. Anchor maintained net long biased positions for most of August and was almost 100% invested for most of September, capturing the majority of the upward trend in high yields during that time. We would like to see a better capture of both up and down trending returns in this strategy.

Conclusion – The Perfect Storm

Equity markets were lifted during the quarter by another round of quantitative easing from the ECB, the Bank of Japan and the Federal Reserve. The Federal Reserve, in a move that has been

dubbed QE Infinity, has moved once again to support asset prices and try to kick-start the stalled U.S. economy. We believe the global issues are structural in nature and that action by the Fed, as well as the other central banks, while helpful short-term, will not solve the problem. Further, we believe there are significant "unintended consequences" that will unfold in the years immediately ahead. It is about too much debt and uncontrolled spending. We have reached an inflection point.

Nouriel Roubini calls it the "Perfect Storm". Mr. Roubini has predicted four elements that, in tandem, could not only derail the nascent economic recovery in the U.S., but could plunge the global economy back into recession. First, stalling growth in the U.S. with the threat of the fiscal cliff and ongoing political gridlock has choked the recovery. Second, the debt troubles in Europe remain unresolved. Although progress has been made, it is unlikely to be resolved without most of southern Europe going through some form of recession or outright depression like in Greece. Third, a slowdown in emerging markets, specifically China, will lower global growth from levels in the past couple of years, where emerging economies have outpaced developed countries and supported global growth. Finally, a geopolitical risk, in particular the potential for a war with Iran, is the final element of the Perfect Storm scenario.

There is a reason Mr. Roubini has earned the moniker of "Dr. Doom" and although we aren't as pessimistic, we acknowledge the risks of each of the elements he proposes as well as his prior track record on macroeconomic calls. From our perspective, the risks that Mr. Roubini discusses are very real but can be managed within the context of a portfolio allocation.

We believe that by including tactical, risk managed trading strategies to complement more traditional portfolio allocations, investors can better navigate turbulent markets. For years, we have been referring to this approach as "Enhanced Modern Portfolio Theory": a sound application of Harry Markowitz's portfolio theory that capitalizes on the innovation that has expanded the portfolio tool chest of risk diversifiers and can help investors to build better portfolios – portfolios that can weather bull and bear cycles. We believe that it is a better way forward, whether we, Roubini or others in our secular bear market view camp are correct or incorrect.

With kind regards,

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