NIEMANN CAPITAL MANAGEMENT

Don't just allocate. Rotate.℠

Portfolio Manager Commentary:
First Quarter 2009

THE BATTLE BETWEEN FEAR AND GREED

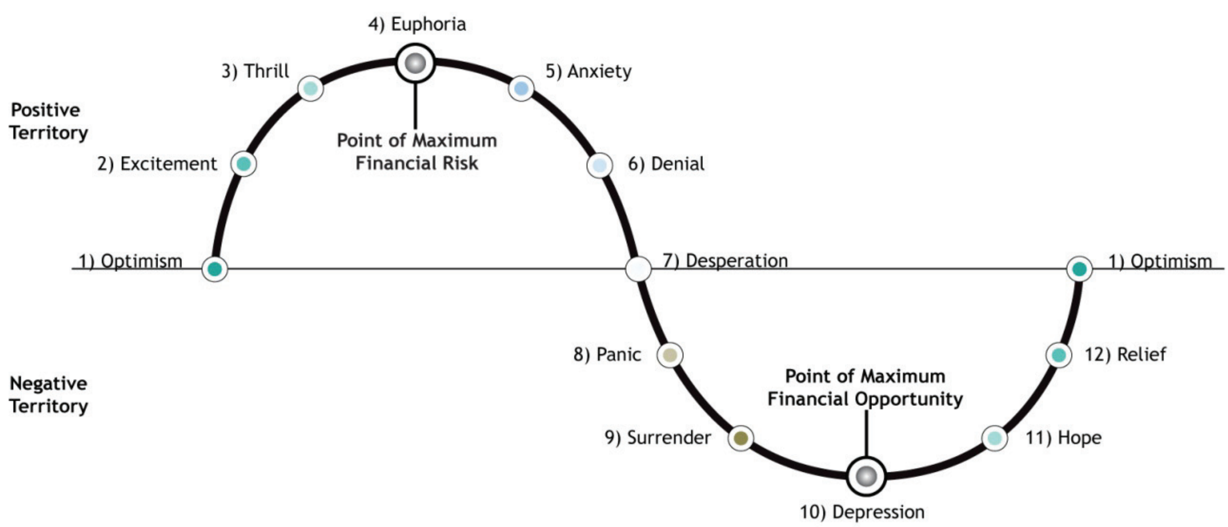
First Quarter at a Glance

The feelings of optimism and renewal that usually accompany a new year were quickly dampened as investors were reminded early on in the first quarter that we were not out of the woods. The brutal bear market we had lived through during the prior 15 months continued into 2009.

The bottoming process that began in late November 2008 continued to unfold through early January 2009. Subsequently, the market (as defined by the S&P 500) plunged toward previously established bear market lows. For most of January and February, we witnessed significant downward momentum with nearly every industry group subject to renewed negative money flows. By March 9^{th} the S&P 500 had plunged to a new low and was off nearly 25% on the year (after being down 38% the year before!).

Based on more than a year of continuous pain, investors were simply exhausted. Subsequently, depression set in. Many disregarded their carefully crafted financial plans, overwhelmed by the fear of suffering further losses.

The Cycle of Market Emotions



In The Cycle of Market Emotions (above) we see the ebb and flow of a typical market cycle: The market rises, peaks, declines, bottoms-out and then begins to rise again. In any market cycle, the point of Maximum Financial Risk is at a market peak, when prices are highest. The point of Maximum Financial Opportunity is at a market bottom, when investment prices are lowest. But surprisingly, this is the exact opposite of what investors feel (and consequently how they behave) at these crucial points in every market cycle.

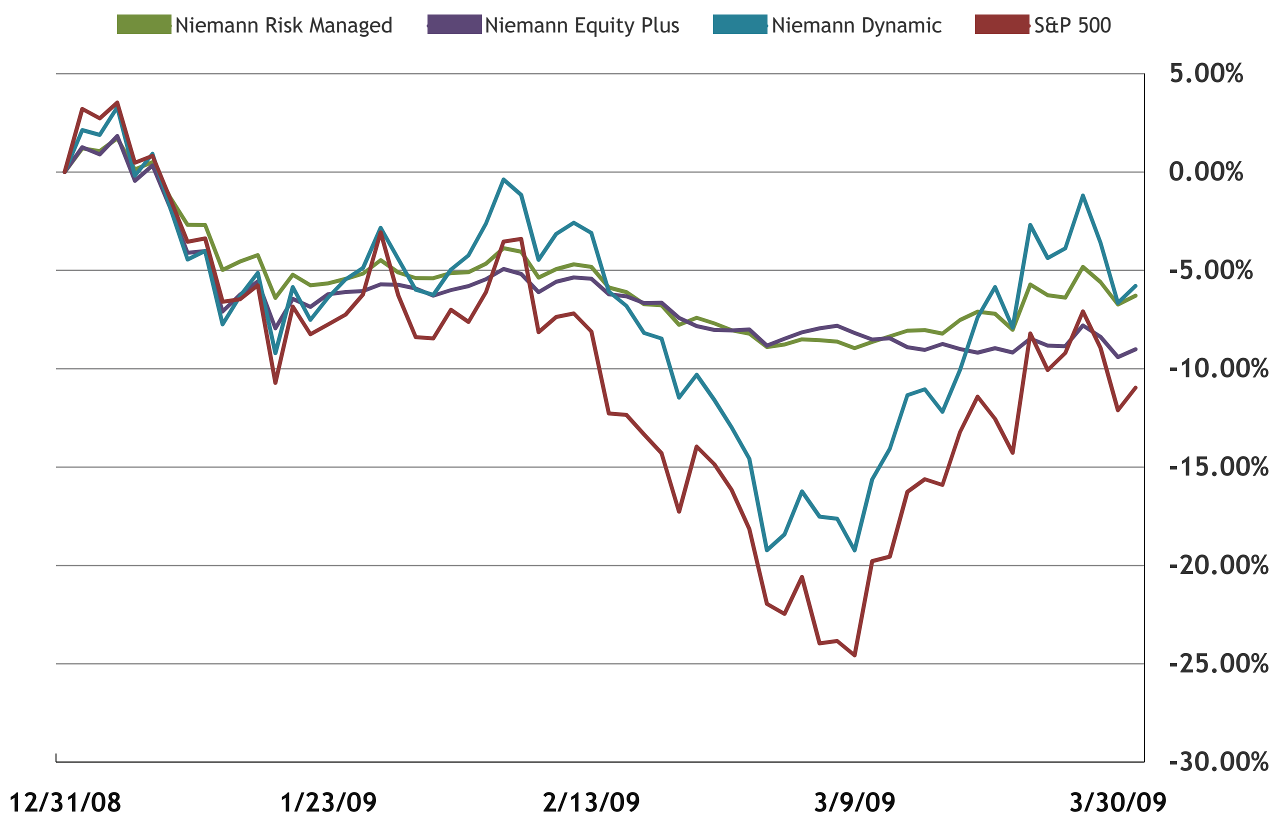
Suddenly, after being deeply oversold, the market staged a furious rally, climbing 23% in 13 days. As expected with this sharp rebound, investors' emotions turned on a dime. Panic became relief. Surrender morphed into hope. Fear turned into greed. To pour salt on fresh wounds, investors who had fled the market for low-risk, low-return investments quickly realized the new vehicles they had chosen offered basically no chance of recouping previously suffered losses in a reasonable time frame.

Interestingly, in the space of less than two weeks, the popularity of certain Niemann strategies also turned on a dime. Our Dynamic strategy (having been vilified for more than a year) suddenly rewarded those investors who had stayed the course as it tracked up or in some cases surpassed the market's uptrend—because of its constant pursuit of market leaders. And our Risk Managed and Equity Plus strategies (after nearly being lionized for the defensive positions each maintained throughout the downturn) suddenly became disappointments. The cash positions which were so crucial to their performance throughout 2008 suddenly became a temporary drag on their performance when the market rebounded in March 2009.

In short, within the first quarter of 2009—just as in every phase of a market cycle—each of Niemann's strategies performed exactly as designed.

2009 Year to Date

December 31, 2008 – March 31, 2009



Data Source: Niemann Analytics. This information has been obtained from sources we believe to be reliable, but its accuracy and completeness are not guaranteed.

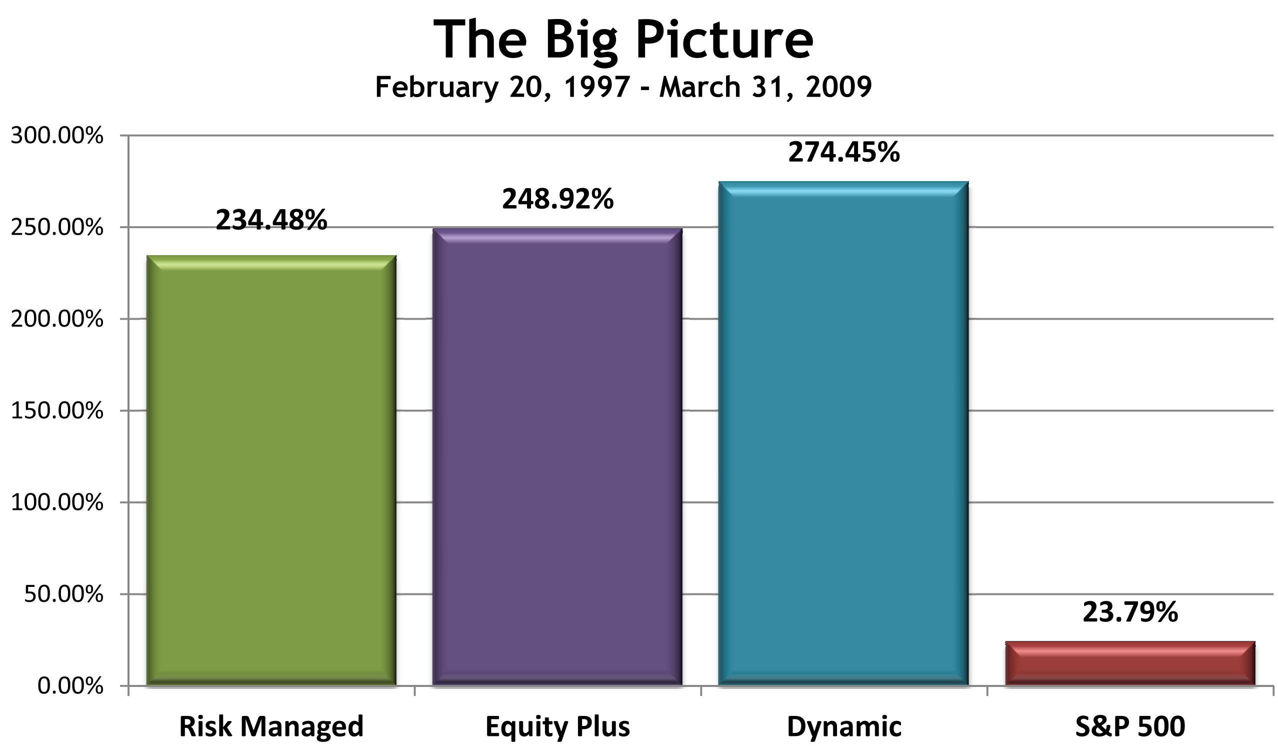
The Market Cycle and the Cycle of Market Emotions

The basic dynamics of the market haven't changed: Industries and sectors will continue to cycle and the emotions of fear and greed will continue to fuel each boom and bust. And so, if the market continues upward, advisors and investors will abandon their struggles with fear, panic and hopelessness. The influence of greed will take hold and distract them anew from remaining focused on their long-term plan and goals.

Should the market encounter further challenges and cycle downward again, any current optimism will disappear like smoke in the wind. Hence the direct parallel between the state of the market and the Cycle of Market Emotions. The key is to remember that the current state of the market and an investor's emotional reaction to it are just temporary. When the market changes again, so will the investor's frame of mind.

We believe investors can succeed. We believe that a sound plan, when followed scrupulously, can enable investors to achieve their financial goals. As history has demonstrated time and time again, emotion will derail an investor (and the best-laid plan) perhaps faster than anything else. And finally, we're convinced that discipline is an investor's best defense—enabling anyone to stick to their plan, stay the course and maintain a long-term perspective, rather than over-reacting to short-term fluctuations in the market.

Consider this long-term view:



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From the inception of our "youngest" core strategy (Dynamic, 2/20/97) through Q1 '09, the S&P was up just 23.79% for that 12-year period, while Risk Managed was up 234.48%, Equity Plus was up 248.92% and Dynamic was up 274.45% (cumulatively, net of fees).

What a difference truly disciplined active management makes! As we have always maintained, these are legitimately life-changing results. Despite two brutal bear markets, our long-term track record continues to emphasize our core beliefs:

- If you need to build wealth for retirement (or any other future goals) you will need the long-term growth equities provide.
- You will need to employ a disciplined, active methodology to manage risk in all environments—to maximize upside return potential while guarding against downside losses.
- Your will need to diversify your portfolio—both among asset classes and management styles.

Diversify—But Do It Right

Emotional decision making sometimes motivates investors to think the best course of action at key points in the market cycle is simply to jump in and out of the market. We've seen this type of "pseudo" market timing attempted by our own investors, within Niemann's strategies. But any attempt to time the market, in this manner, is as ill-advised as it is impossible.

Rather than hopping back and forth between strategies (which would only limit your overall potential for long-term growth) the better approach would be to diversify among the various Niemann strategies. By simultaneously employing both our conservative/moderate and aggressive strategies, investors maximize their potential to have a strategy working to their advantage in both up and down market conditions. This approach also eliminates the need to time the market (and helps to keep those pesky fear and greed emotions in check).

In Summary

- Both markets and emotions will continue to cycle and fluctuate—don't get distracted by transitory events. The market will most likely be mixed and continue to be volatile.
- The current rally may last. May not. Our strategies will continue to rise and fall with the market (over the short-term)—this is normal, so stay focused on your long-term objectives. Remember the big picture view of all three main Niemann strategies.
- We may retest previously established lows. Don't let emotions get in the way of your investment plan—stay disciplined.
- Use cycles and fluctuations as opportunities instead of pitfalls—recognize both the Point of Maximum Financial Risk and the Point of Maximum Financial Opportunity.

Our expectation for the immediate future is continued uncertainty. The market seeks to be instructed by economics and policy. As these influencers unfold, Niemann is fully prepared to respond accordingly, based on our daily analysis of the market as a whole and the investment alternatives available to us.

Note: Niemann performance results used in this document represent mutual fund composite numbers. Individual results may vary by account or product.

Disclosure:

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