Don Niemann
President

With 20 years in the financial sector, Don Niemann has a compelling background that demonstrates his excellence in market analysis, designing methodologies and managing the complexities of buying and selling securities in a diverse marketplace. In 1991, Don founded Niemann Capital Management with the idea that a systematic and disciplined approach to risk management will provide superior returns over the long run and positively affect client retention.

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Minimum Initial Investment
$100,000

Maximum Management Fee
2.30%

Advisor Location
Capitola, CA

Number of Staff
25

Assets Under Management
$730 million

Niemann Capital Management, Inc.
Fourth Quarter 2005 Review

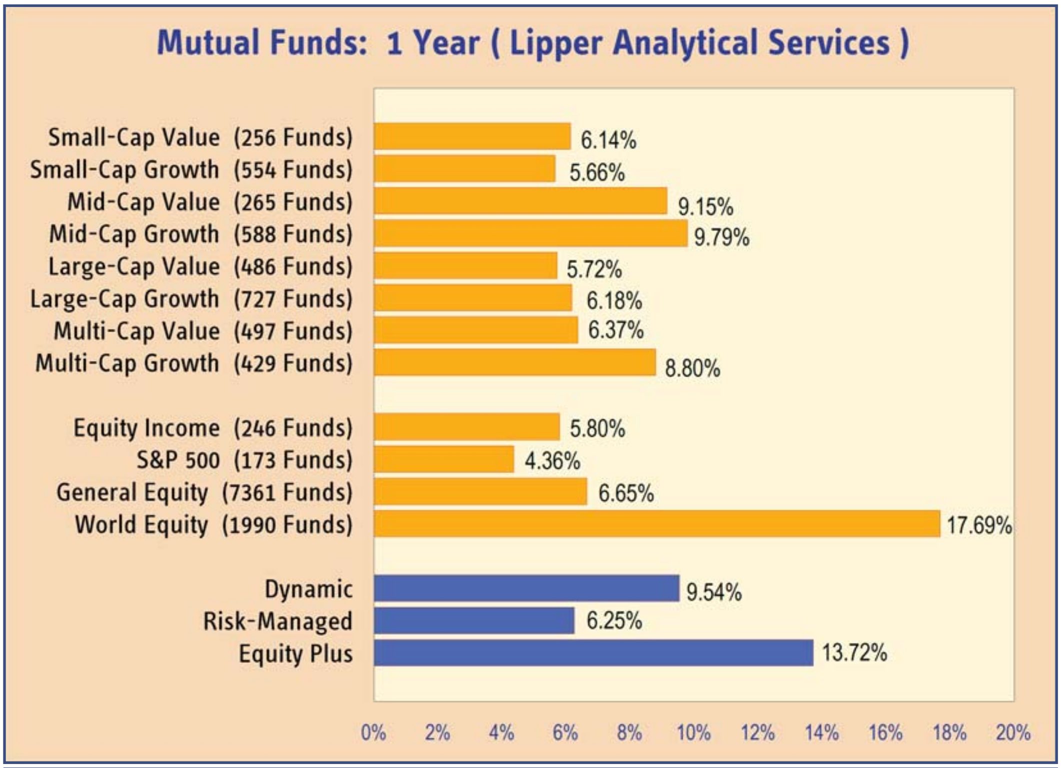
Ushered in with each New Year are the twin desires to reflect on the year just past and to speculate on what might lie ahead. This seems particularly true when it comes to our investments. Looking back to a year ago at this time most stock market *prognosticators* were all but certain Large Cap Growth was the play for 2005. Their argument was straightforward: growth stocks (companies thought to be best positioned for strong earnings growth and thus appreciation in share price) had been dogging the market since the technology bust of 2000. On the other hand, value shares (companies thought to be trading at share prices lower than they're actually worth) had enjoyed a strong bull move; especially Small Cap Value, which long time clients will fondly remember for years to come, having ridden it to such great success.

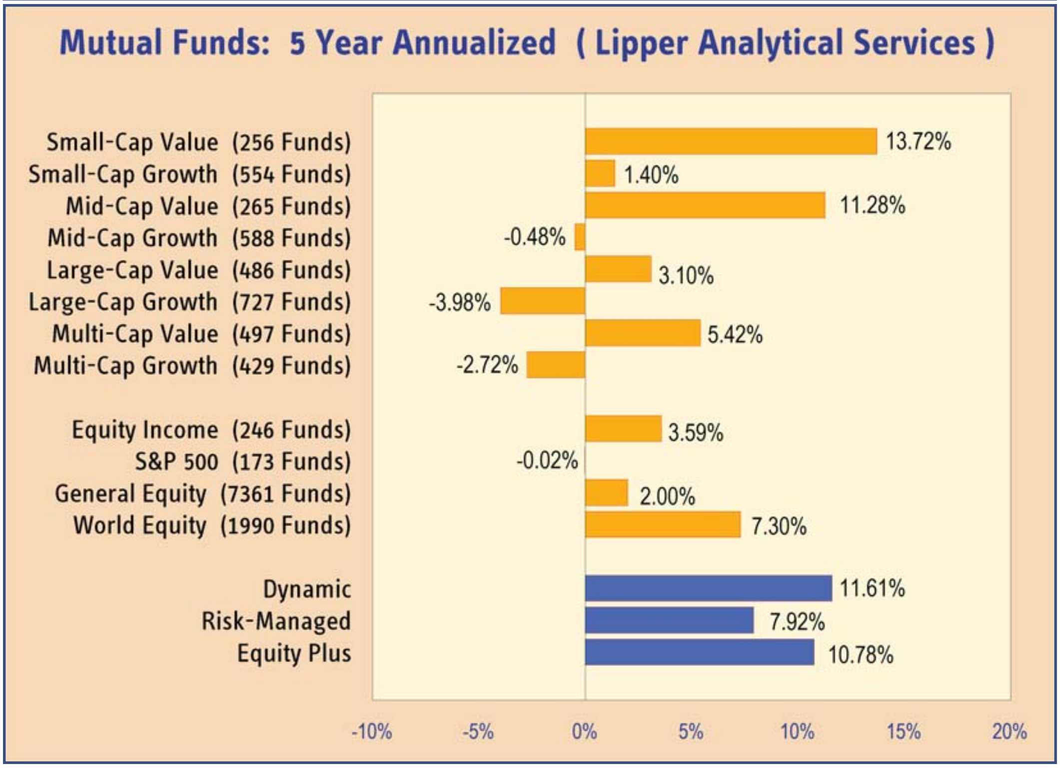
As it turned out the pundits weren't completely wrong. While Large Cap didn't lead domestic performance, the numbers do show that prices of growth shares kept pace with value last year for the first time in a while. But the best bet for 2005 by far turned out to be the shares of foreign companies. *World Equity* (1990 mutual funds as tracked by Lipper, see chart on the following page) doubled and even tripled the return of most domestic indexes. Look inside your Equity Plus account and you'll find several Emerging Markets and International Small Cap names which were key to its superior performance. The same is true for our Variable Annuity and Life strategies where returns overall were quite strong.

Domestically our focus has been on Mid Cap, tilted toward the value style since later in 2004. Thankfully these companies did well enough to deliver workman like returns in Risk and Dynamic Mutual Fund strategies despite a lackluster year for the markets overall.

What's in Store for 2006?

Peruse the 5-Year Annualized Mutual Fund Performance chart to the bottom right, a few things should jump right out at you. Here are two: the absolutely fabulous returns posted by the Small and Mid Cap value categories in spite of the sharpest bear market in 30 years, and how truly doleful Growth stocks have been since their top in 2000. Consider the impact one simple choice would have had on your portfolio. If you had chosen to hold through the 3.98% annualized loss suffered by the average Large Growth fund over the past five years, you'd have about $823 of a $1000 investment left. Or you could have put the same money to work in Small Value, which would have grown to $2091. Think of it: an outcome almost 2½ times larger based on the decision to choose Small Value rather than Large Growth!





S&P 500 Index: The S&P 500 Index is a capitalization weighted, unmanaged group of 500 stocks as selected by the Standard & Poor's Publishing Company. They are usually the 500 largest companies in terms of market capitalization and are chosen to represent the entire market's value. The S&P 500 is used by many institutional investors as a performance benchmark representing the "stock market"

This rather stark difference speaks to how grossly over-priced Growth stocks had become by the end of the last bull market as well as how neglected Small Value companies were at the very same time. Yet believe it or not the disparity is not that unusual. Over the previous five year period ending in 2000 the situation was reversed with Small Value under-performing the broad market by almost 13% annually. No wonder they were so neglected. The take away from these observations is a greater appreciation for the impact of asset class on our portfolios.

Since most of the advanced thinking believes asset class selection is the main driver of portfolio return, it should be of some consequence that the majority of talking heads on and off Wall Street are pitching Large Growth as the place to be in 2006. We're not so sure. Many of those small companies that did so well the past few years are Mid Cap companies now. And when we step back and look at the macro trends driving world economies today we see classic Mid Cap industries like natural resources, transportation, energy services, and materials leading the way. But it's a fact, Large Growth found a pulse in Q4 '05 and you've probably noted the introduction of a few technology names in some of our portfolios.

Online Advisors, Inc.

We began release of the third version of our financial services support software this past November. I say "began" because deployment of other parts of the software application will continue over the next several months. We ***really appreciate*** your support and most of all patience because, despite our efforts, we continue to encounter a few bugs here and there. I'm told this is to be expected with an application as complex and ambitious as OnlineAdvisors. I for one typically resist change and understand how frustrating it can be.

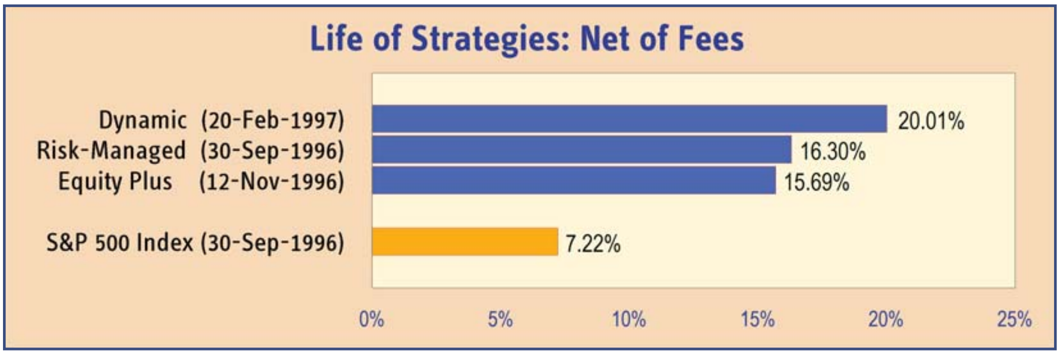
Calling this new application "version three" is somewhat of a misnomer in that it was engineered from the ground up. We took everything we've learned about our business over the years, added ideas from our associates and clients, found out what made sense architecturally, and set out to build a framework on which we all can improve and grow. When we started the design meetings almost two years ago, we had no idea what was in store! I can tell you this is by far the largest and most complex project Niemann has ever undertaken.

You may have noticed the new software was released by our sister company Online Advisors, Inc. The main reason this important step was taken was to strengthen Niemann's focus on managing money! Sure technology is key to our investment process and we'll continue to grow this resource within Niemann itself, but the ongoing task of maintaining and developing future releases of the reporting software is a business (and distraction!) unto itself. Online Advisors, in collaboration with Vertigo Software, are dedicated to this task. Over the next few months Niemann will continue to help with the transition, and when that's complete sometime later this year we will all be dealing directly with Online Advisors for service, support and new feature requests.

Among the many changes in the new software are some important ones related to billing and calculation of fees. Niemann calculated management fees at the end of each quarter on an account's *average daily balance*. This number was derived by averaging together all the balances for an account for each trading day in the period. At onlineadvisorsinc.com fees are calculated on the account balance every day. While the difference in results between the two methodologies is negligible, the Online Advisors' process is much more flexible. Billing will now work like a credit card statement. The sum of all payments made minus the sum of all fees charged is the balance due on the new statement. Adjustments will simply show up as a credit or debit and are easily tracked and handled. Over the next few quarters, a few of you may note some very small credits or debits on your statements. These credits and debits are related to the migration of your fee and payment history, as well as to some rounding issues with the old systems. We are working hard hammering down these minor adjustments.

Going On 10 Years for Risk

Some of our strategies will celebrate their 10th anniversary over the next few months. It's been a notable run (see Life of Strategies: Net of Fees on the top of the following page). A $1000 investment in Dynamic on February 20, 1997 is worth $5281 today for a better than 20% annualized return after fees. Which of course begs the question, "Can you guys keep doing this?" Only time will tell – but I think we can. The odds are good because there's no prognostication in our process. You won't find us creating a forecast for the coming year and trying to live with it. What you will find is structure – a systematic and disciplined approach.



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The famous Chinese general Sun Wu laid out our formula over 20 centuries ago. Here are a few of the high points:

The general who wins a battle makes many calculations in his temple ere the battle is fought. The general who loses a battle makes but few calculations beforehand. Thus do many calculations lead to victory, and few calculations to defeat.

He wins his battles by making no mistakes. Making no mistakes is what establishes the certainty of victory, for it means conquering an enemy that is already defeated.

Thus it is that in war the victorious strategist only seeks battle after the victory has been won, whereas he who is destined to defeat first fights and afterwards looks for victory.

Translated from Chinese by Lionel Giles. M.A. 1910

The odds are good we will continue to be successful because you'll find us doing the same things tomorrow we were doing fifteen years ago: breaking down the numbers and letting the markets be our guide. As I look back at the challenges we've overcome in the markets and think about the progress we've made as a company - I can't help but get even more excited about the future!

Our best wishes for a prosperous and healthy 2006!
Thank you for your continued confidence,

Don Niemann
President, CIO
Niemann Capital Management, Inc.

Call your investment advisor today for more information describing how Niemann Capital Management helps add value to clients' investments. Please refer to our website for additional performance information, www.ncm.net.

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Performance results are presented net of transaction costs and Niemann Capital Management's actual management fees. Please refer to Part II of Niemann's Form ADV for current management fee structure. Additionally, Mutual funds and variable annuities (Funds) pay various fees, all of which are disclosed in the Funds' prospectuses. Such fees are borne by shareholders and are reflected in the net asset value of each Fund. Some Funds also charge short term redemption fees and excess transaction fees (Special Fees), which are billed to shareholders at the time of the event causing the fee. All of these fees are in addition to Niemann's advisory fees. In selecting Funds in which to invest, Niemann considers the nature and size of the fees charged by the Funds. Niemann will select a Fund only if Niemann believes the Fund's performance, after all fees, will meet Niemann's performance standards. Consequently, Niemann may select Funds, which have higher or lower fees than other similar Funds, and which charge Special Fees. When deciding whether to liquidate a Fund position, Niemann will take into consideration any Special Fees which may be charged. Niemann may decide to sell a Fund position even though it will result in the client being required to pay Special Fees.
Performance results and comparative benchmarks assume reinvestment of dividends and income. All profiles and reports have been prepared solely for informational purposes, and are not an offer to buy or sell, or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. All performance figures presented, include all actual, fee-paying, fully discretionary accounts in a composite. Individual account performance may differ from the composite.

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To request Part 2 of Niemann's current ADV Part II Section F and/or the Annual Full Disclosure Presentation, 2004 please contact Talia Wise @ 800-622-1626 or email her at talia@ncm.net. Please contact your financial advisor to request a copy of his/her current ADV Part II and/or a copy of his/her Broker/Dealer's current ADV Part II.