NIEMANN CAPITAL MANAGEMENT

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Portfolio Manager Commentary: Fourth Quarter 2009

2009 - The Year in Review

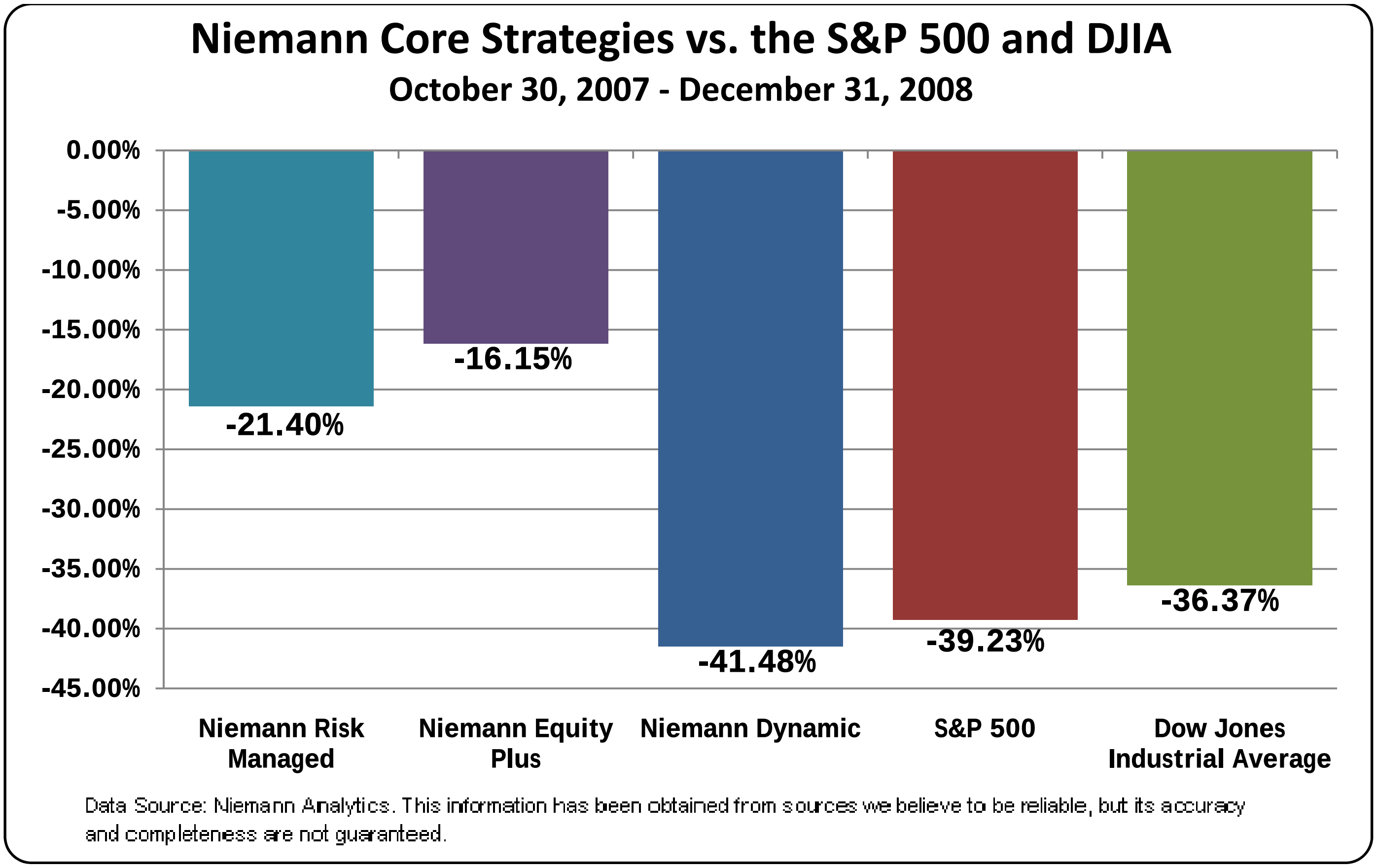
SETTING THE STAGE FOR 2009—Two thousand eight was a horrible year. Markets and clients suffered huge losses and investors' ability to control emotion with reason was severely tested—and often failed. The pain threshold was so high that advisors, investors, pundits and media alike began to question their core beliefs about how and if the market would eventually regain its equilibrium. And as the stage was set for 2009, uncertainty about the future of the market and investors' ability to regain what they had lost became preeminent in the minds of many. Whether you were bullish, bearish or confused, one thing was certain: Like everyone else, you were uncertain about what would happen next.

Following the debacle of 2008 and a dismal start to the year, 2009 ultimately developed into one of the most powerful bull market rallies in history. Rebounding nearly 67% off of early March lows, the S&P 500 erased half of the decline from its all time high in October 2007, without as much as a 10% correction. Sectors that performed the worst in 2008 did the best in 2009 and vice versa. From a size standpoint, the smallest stocks in the S&P 500 outperformed the largest. The dollar also had a significant impact on stocks. Since the dollar declined for most of 2009, companies that generated a majority of their revenues overseas outperformed. For this same reason, commodities and resource-focused countries outperformed as well.

Because the rally of 2009 came on the heels of one of the worst declines in history, retail investors remained largely on the sidelines. Many prepared for a sharp correction or double dip that did not materialize. For that reason, a large number of investors did not participate in the rally after they threw in the towel. They experienced the pain, but none of the gain.

Perhaps the best way to put 2009 into the correct perspective is to focus on key points in time throughout the year. Despite the overall positive results we saw in 2009, when viewed as a whole, it's also fair to say that most investors continued to struggle with their emotional reactions to the market throughout the entire year.

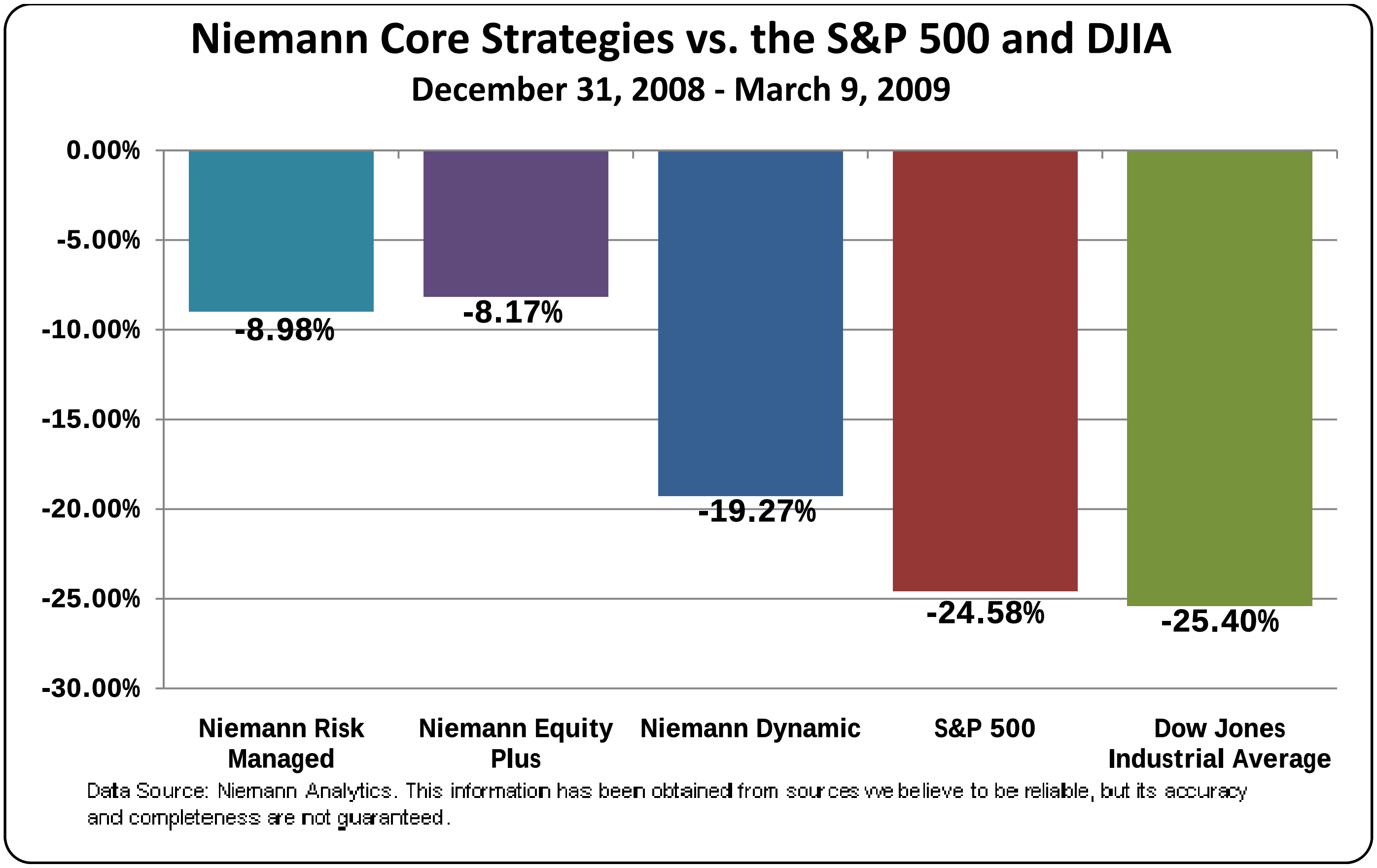
DESPERATION: JANUARY 1, 2009—Investors were not celebrating a year ago as we rang in 2009. The stock markets were off 40% from the highs of October 2007. December 2008 ended the year with a 'too little, too late rally' which could not help investors from a feeling of powerless desperation. Many were asking themselves, "How will my retirement investments ever recover? Why am I even thinking about it? Now I'll never be able to retire!"



As the chart above illustrates, Niemann's two defensive strategies, Equity Plus and Risk Managed, successfully navigated one of the worst downturns in market history by rotating to cash as the market continued to weaken. Dynamic on the other hand (which is fully invested at all times) fell in line with the market. In short, all three strategies performed exactly as designed.

SURRENDER: MARCH 9, 2009—As the first quarter unfolded, it seemed the bear market grew even more ferocious as time progressed. By early March, The S&P 500 was off to its worst yearly start in history—plunging an additional 25%, culminating in 6 straight quarters of losses. From October 2008 to March 2009 (a six month time period), the S&P 500 lost nearly half of its value! In the minds of many, there was no end in sight to the downward spiral, the pain or the loss.

According to *The Cycle of Market Emotions*, investors had surpassed both Panic and Surrender. The battle between emotion and logic was over. Many investors could not stomach the prospect of losing even one more dollar. They "escaped" by selling at the very bottom, realizing huge losses—only to stash their decimated savings in the mattress, vowing to never again risk another penny in the stock market. Hopelessness was the order of the day.



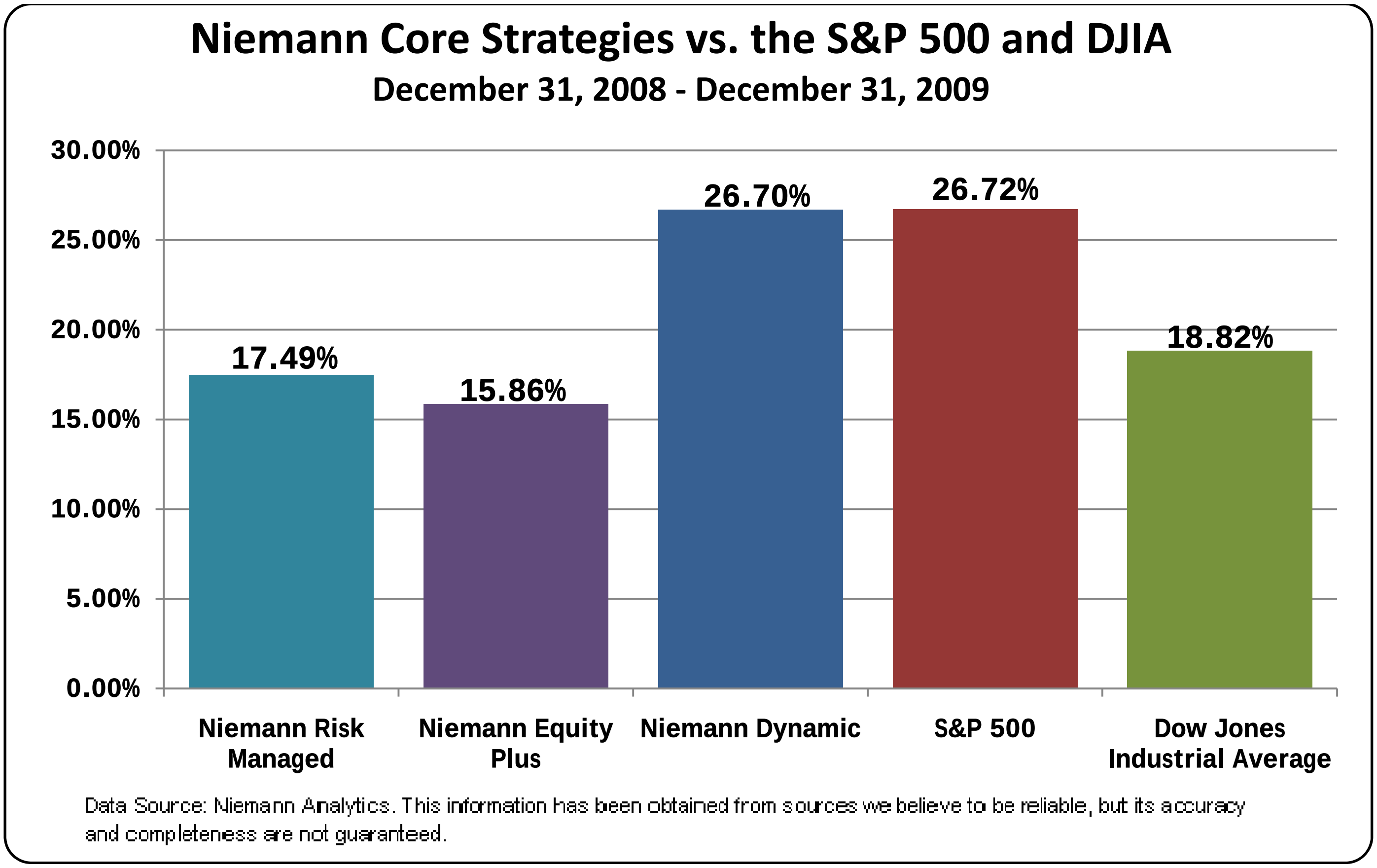
Leading up to the bear market low, Niemann clients who stayed the course were more fortunate. Why? Because our conservative and moderate strategies again minimized losses by rotating to cash. Those investors who stuck with our Dynamic strategies were rewarded during this time period with less volatility and smaller losses than the market as a whole. All our clients were better positioned to take advantage of the rebound when it occurred.

THE TURNAROUND—At this point, the rally began. In Q2, the S&P 500 rallied over 15%, one of its best quarters since December 1998. Financials led the charge, staging a 22% comeback in approximately 90 days. At the same time, the MSCI EAFE climbed 24%, reinforcing the global nature of the recovery. As Q2 came to a close, the rally continued into the next quarter. July 2009 became one of the best months in the market since late 2002, and the fledgling rally climbed nearly 8% on the S&P 500 in just four weeks.

By mid-September, several factors helped push the market toward new highs for the year. Fed Chairman Ben Bernanke declared the recession was “probably” over. The credit markets showed signs of thawing, the dollar grew weaker (helping to boost multinationals) and investor sentiment gradually improved. Q3 finished strongly, with the S&P 500 narrowly besting its Q2 2009 performance by ending up another 15.65%.

The market’s upward trajectory continued into Q4. After a powerful surge at the beginning of October, the market dipped downward just over 6% in the last half of the month, but quickly reestablished its upward momentum prior to mid-November. Interestingly, for the first time in 2009, the domestic market looked more attractive than most internationals, albeit that Latin

America and Japan continued to perform well. The quarter finished strongly, with the S&P 500 advancing almost 9%.



In retrospect, despite the whorl of uncertainty and emotion, 2009 turned out to be a very good year. Because it remains fully invested at all times, investors in our Dynamic strategy were able to take full advantage of the rally. As designed, due to their defensive cash positions, Equity Plus and Risk Managed both took a bit more time to rotate into the market. Despite lagging the market initially, these conservative and moderate investors still benefited from a significant portion of the rally.

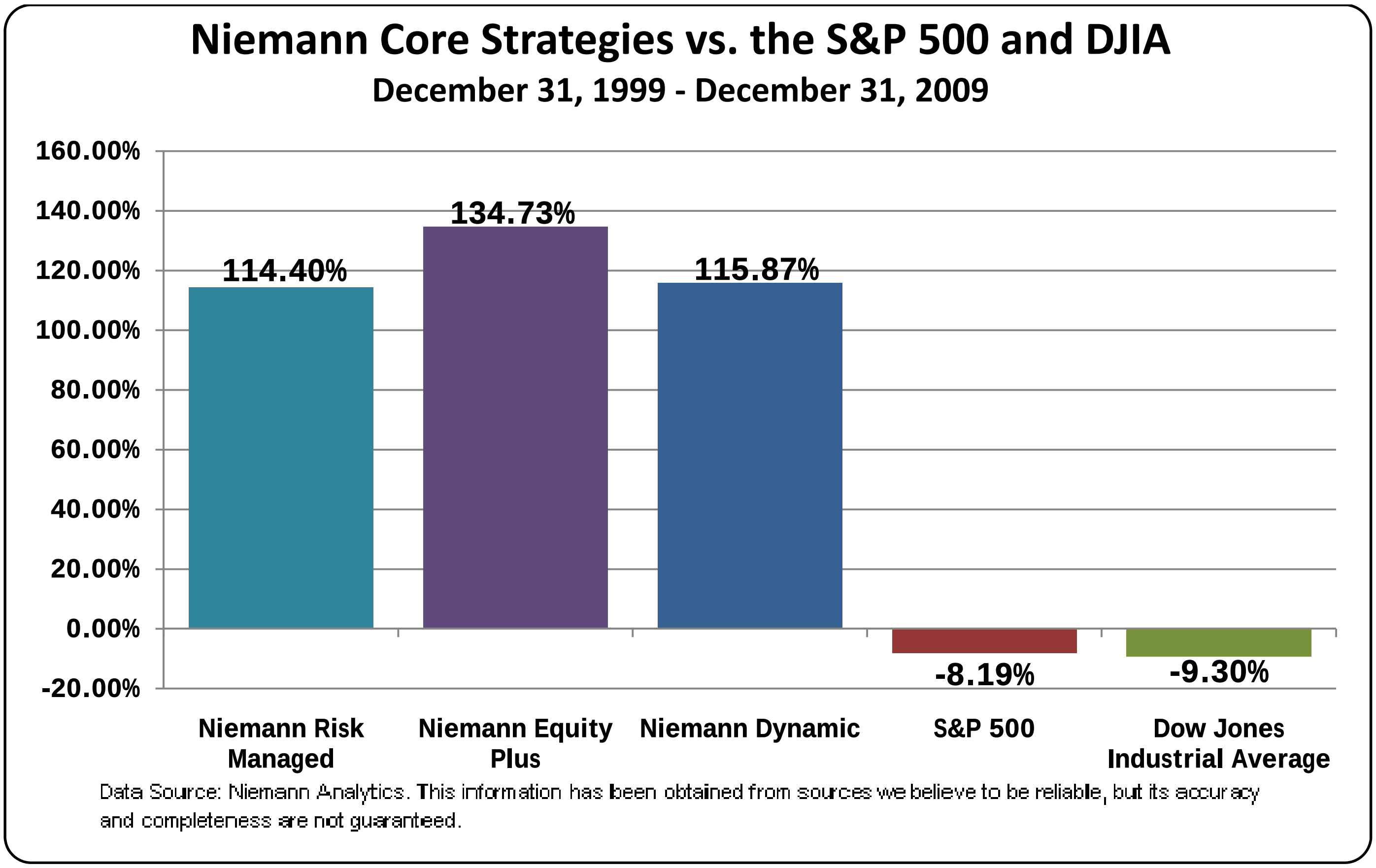
NEW YEAR, NEW HOPE: JANUARY 1, 2010—Investor sentiment as the New Year begins is all over the map. An individual investor's state of mind in part, depends on the decisions made over the past year. Most of those who sold at the bottom in March are still sitting on cash. As such, they have every reason to be feeling depressed: The market has staged an unprecedented rally off the March lows, and those who went to cash may have had no mechanism for re-allocating back into the market during this recovery. Clearly, they missed the boat.

Those who remained fully invested—whether in Niemann's strategies or elsewhere—have good reason to feel hopeful. Two thousand nine's rally off the lows helped these investors recover a significant percentage of their paper losses. There is still work to do, but these investors are thankful they stayed the course.

While 2009 gave investors cause for hope, viewing 2009 alone, does not tell the whole, much more important story.

THE LOST DECADE—Two thousand nine ended one of the worst decades in stock market history, including the Great Depression of the 1930s! A brutal bear market at the start of the decade (2000—2002) and the devastation at the close of the decade (2007—2009) both contributed to depressing performance for the major indices.

Niemann clients, as the beneficiaries of truly active management, were able to limit a good portion of their losses during the two declines and participated in the bull run of 2002–2007 and the rebound of 2009. The relative outperformance of our strategies demonstrates our methodology at work. Although we underperformed periodically throughout the decade, depending on the time frame viewed, our active management delivered significant results during a decade where others did not.



In the chart above, you can clearly see how Niemann outperformed the market during The Lost Decade despite living through two devastating bear markets. When viewed in comparison with the dismal 10-year results for both the S&P 500 and the Dow, for our clients—particularly in light of their long-term financial goals and planning for retirement—these are truly life changing numbers.

THE LESSON—We believe the operant conclusion to the decade is twofold: First, that to be a successful investor, you have to stay invested over the long term. The market simply will not wait for those who sell out, stand on the sidelines, and ponder "the perfect moment" to reinvest. Second, we're more convinced than ever that the single most effective method available to the investor is active management.

The keystone to our investment philosophy is that it's more important not to lose money than hit home runs. That's exactly why our conservative and moderate strategies have the ability to rotate defensively to cash, and our aggressive strategies seek to rotate to areas of lower volatility when faced with severe market downturns, like those encountered twice during the past decade.

While no one knows what 2010 will bring, we at Niemann can confidently say we have no reason to fear continued uncertainty. We will continue to assess the market on your behalf every day. We will be there to take advantage of opportunities if the market rally continues, and we will protect you to the best of our ability if the market tests the bear market lows. That is what our methodology was designed to do. And if there is one thing the lost decade and two brutal bear markets has proven it's this: The methodology works.

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The Dow Jones Industrial Average (DJIA) is an index of 30 "blue-chip" U.S. stocks. At 100-plus years, it is the oldest continuing U.S. market index and the best known market indicator in the world. It is called an "average" because it originally was computed by adding up stock prices and dividing by the number of stocks.