

### SectorQuant Evolving Income™

The SectorQuant Evolving Income™ portfolio seeks to provide investors with an income stream that has the potential to grow with inflation while attempting to protect the purchasing power of our investor's original investment.

Historically when advisors and investors think of income as the primary objective for an investment portfolio, bonds are the asset class that comes immediately to mind. Similarly, as investors mature, their investment objectives and appetite for risk typically migrate from aggressive approaches to achieve growth of capital early in life to strategies that focus on preservation of principle and income later in life. Again, traditional thinking would be to focus on or overweight stocks (high risk) in the early phase of an investor's lifetime and migrate to municipal or Treasury bonds (low risk) in the later phases.

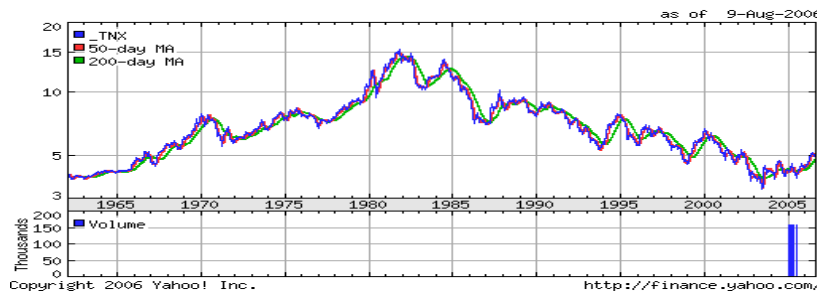
SectorQuant believes these traditional assumptions lack historical context and if blindly followed could result in lifestyle degrading underperformance. This, SectorQuant believes, is especially true for the huge demographic of "Baby Boomers" who are now beginning their migration towards their retirement years.

SectorQuant, in our attempt to manage risk and produce "real returns" (net of taxes and inflation), sees less benefit in the stock/bond "asset class" distinction than most advisors traditionally have. For SectorQuant both stock and bonds are "financial assets" who prosper together in one financial climate (declining interest rates/commodity deflation) and under-perform in unison in the opposing climate (rising interest rates/commodity inflation).

Academics, recognizing the deeply cyclical nature of the financial markets, resorted to "averaging" market returns over 80 plus year periods to smooth out the violent generational (secular) cycles. The inherent error here is most investors don't have much "excess savings" until their late 30s to mid 50s. And those same individuals are looking to retire in their late 50s to mid 60s, expecting to survive to their 80s or 90s. Thus, using 80 to 100 plus year averages provides deceptive expectations for real life investors who have 30 to 60 year investment horizons. Perhaps this was John Maynard Keynes point in his often quoted quip "In the long run we are all dead."

Since a picture is worth a thousand words the accompanying chart of the yield of the 10 year U. S. Treasury (1960-2006) drives home the idea that the last 25 years is perhaps the worst sample one could select to develop expectations for the next 25 years.

10 Year U.S. Treasury yields 1960 to 2006



What the above chart shows is the yield on the 10 year U. S. Treasury persistently declined from over 15% in 1981 to a low around 3.1% in 2003. Given that US Treasuries are subject to federal taxes and the eroding effects of inflation the "real return" of a 10 year bond yielding 3.1% is somewhere between 1% and a negative number! Not a lot of reward for loaning the government your money for 10 years. And perhaps more risk than most investors have ever considered.

Sep 2009

1981 to 2003 the virtuous years for bond investors: Longer maturity bonds benefit greatly from declining interest rates (as do stocks) producing annual returns in excess of 11% from 1981 to 2003 (the S&P 500 averaged over 12% annually). But seasoned bond investors vividly remember how painful even short-term upward spikes in interest rates, as occurred in 1986 –1987, 1994 and 1999 can be. A general rule of thumb is that a 30-year Treasury bond will lose 15% of its value for every 1% rise in rates. For example if an investor who locks in a 5% yield by buying the 30 year bond (paying \$1,000 for the bond), when in a short period of time, rate rise to 6%, the bid price (what the investor would get if he/she needed to sell) would drop to approximately \$850.

Market History: From the early 1960s to 1981 the yield on long term U.S. Treasuries rose from 3.5% to over 15%. Using the heuristic above it is not a stretch to label the period a lousy era for bond investors. "History doesn't repeat but it does rhyme" (Mark Twain). SectorQuant sees anecdotal evidence that advisors and investors en masse are terrible asset allocators/market timers as evidenced by the amount of money placed with PIMCO Advisors (a bond mutual fund shop) in 2003. Placing new money with a bond manager during 2003 (the crescendo of a bond bull market that began 22 year earlier) is analogous to betting a ski racer will set a speed record starting at the bottom of the mountain. A strategy that defies logic and that is clearly not a high probability bet!

The SectorQuant Evolving Income strategy traces its origin to October 2002 and applies the same principles as the SQ-Equity strategy, namely ranking the attractiveness of a large universe of income producing sectors including sub-sectors in the bond, equity, commodity, real estate, liquid partnerships and trust arenas with the objective of underweighting the less attractive groups. Additionally, SectorQuant seeks to capitalize on cyclical and secular themes to manage risk and augment performance.

Strategies consist of Models: SectorQuant utilizes the highly automated model driven portfolio management platform from Trust Company of America (TCA) an FDIC bank. Strategies offered by SectorQuant are blends of models. Early in SectorQuant's history we had two models SQ-Equity and SQ-Income which enabled us to offer 4 strategies: Equity, Income, Balanced (60% Equity, 40% Income) and Conservative (40% Equity, 60% Income). Each model is a separate portfolio with a segregated cash balance. This platform allows SectorQuant to experiment with new models (global, sector income...) and to break out these sub-strategies as stand alone or segregated offerings if we so elect in the future.

History of SectorQuant: SectorQuant Capital Management LLC was founded in 2002 by three investment industry veterans who shared a conviction that ranking the attractiveness of sectors, styles, industries and asset classes with the objective of under-weighting the unattractive groups offered an opportunity for superior risk management when compared to the popular stagnant strategic asset allocation approach. SectorQuant's history traces back to August 1999 when Thomas Landau Chief Economist at Blake Street Advisors LLC founded the Blake Street Tactical Asset Allocation Model (TAAM). Mr. Landau left Blake Street Advisors in July of 2002 to join Richard Bornhoft (The Bornhoft Group) and Michael Lawrie (VP Investments, UBS Securities) to found SectorQuant. SectorQuant adopted and continues to refine TAAM as the foundation of our investment process. In July of 2004 Mr. Landau passed away and Michael Lawrie has subsequently taken over his responsibilities as chairman of the SectorQuant investment committee with Mr. Bornhoft.

The Evolving Income Track Record: The performance summary set forth above presents an individual "model account" from September 2002 through July 2004. From August 2004 to the present the performance summary set forth above is an equal weighted composite of all accounts in the income strategy. SectorQuant added a "resource income" component (model 8) to SQ-Income in March of 2005 which SQ may elect to break out in the future. From inception to present the population of accounts ranges from \$5,000 to over \$5,000,000 and management and custodial charges range from 2.5% to 0.5%. All performance figures presented here are net of all fees (management, custodial and transaction). The returns represent the re-investment of dividends and capital gains as do the benchmark returns presented. SectorQuant does not vote proxies. Past performance is no guarantee of future returns.

Sep 2009

**Inception 10/2002**

**5 Year Monthly Detail (net of fees)**

	2009	2008	2007	2006	2005
Jan	-0.1%	-1.2%	1.7%	2.9%	-0.8%
Feb	-3.2%	4.3%	0.4%	-0.9%	2.1%
Mar	0.0%	-2.8%	3.4%	0.6%	-1.2%
Apr	-0.2%	3.4%	3.2%	2.5%	-1.0%
May	-0.1%	2.6%	2.0%	-1.3%	1.4%
Jun	-3.8%	0.0%	-0.3%	-0.4%	2.9%
Jul	-1.2%	-7.9%	-0.7%	2.2%	2.4%
Aug	0.6%	-3.1%	-0.8%	1.0%	1.5%
Sep	1.3%	-6.2%	7.1%	-1.5%	2.0%
Oct		0.5%	4.9%	3.6%	-3.6%
Nov		-1.9%	-5.6%	2.6%	1.3%
Dec		-0.1%	-2.3%	0.4%	1.4%
<b>YTD</b>	<b>-6.6%</b>	<b>-12.4%</b>	<b>13.1%</b>	<b>12.1%</b>	<b>8.5%</b>

**Risk Statistics From Inception October 2002**

	Barclays Agg	SQ Equity Income Index
Benchmark Analysis		
Alpha	0.2%	0.2%
Annualized Alpha	2.8%	2.3%
Beta	0.3	0.3
Correlation	0.1	0.3
R-squared	0.0	0.1

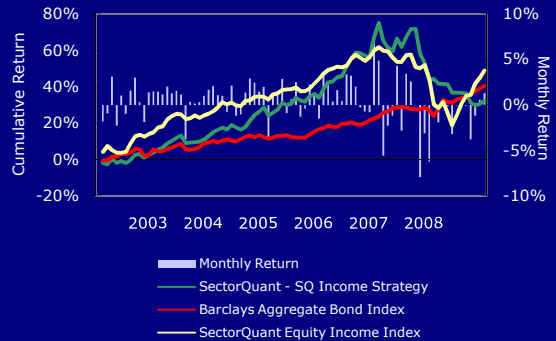
**Statistical Analysis From Inception October 2002**

	SQ-Income	Barclays Agg	SQ Equity Income Index
Statistical Analysis			
Compound ROR	4.1%	5.0%	5.8%
Standard Deviation	8.4%	3.9%	8.0%
Cumulative Return	32.1%	40.33%	48.7%
Cumulative VAMI	\$1,321	\$1,403	\$1,487
Sharpe (0.50%)	0.5	1.1	0.7
Largest Month Gain	7.1%	3.7%	5.0%
Largest Month Loss	-7.9%	-3.4%	-9.6%
% Positive Months	59.5%	65.5%	66.7%
% Negative Months	40.5%	34.5%	33.3%

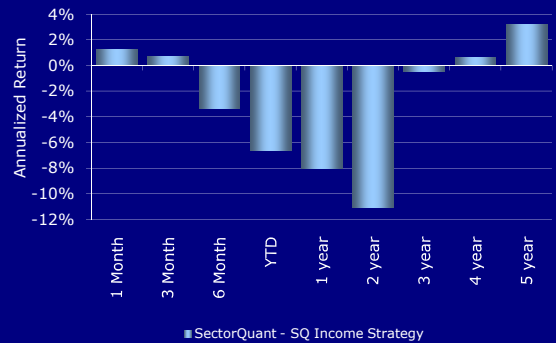
\*\*Past performance is not indicative of future results.\*\*\*

The SectorQuant Income portfolio seeks to provide a rising stream of income while growing the investor's original investment. Using a combination of dividends and interest payments, with an emphasis on dividends, the Income portfolio seeks securities that provide rising income stream and the potential for growth of principal.

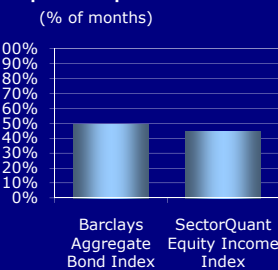
**Cumulative Returns**



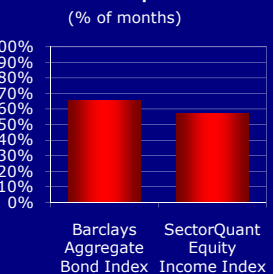
**Performance (in percentage)**



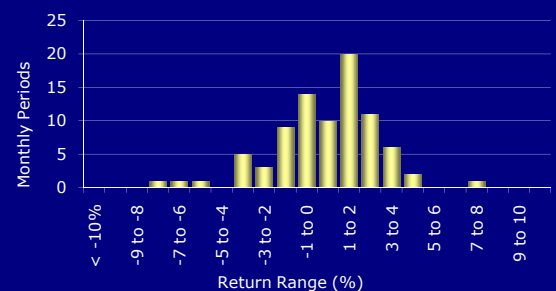
**Up Mkt Outperformance**



**Down Mkt Outperformance**



**Distribution of Returns**



Annualized Statistical Analysis	Standard			Correlation				Tracking	Active	Info.
	ROR	Deviation	Sharpe	Alpha	Beta	R	R2	Error	Premium	Ratio
SQ-Income	4.06%	8.39%	0.46							
Barclays Agg	4.96%	3.93%	1.13	2.82%	0.31	0.15	0.02	8.73%	(0.90)%	(0.10)
SQ Index	5.83%	8.02%	0.69	0.19%	0.34	0.33	0.11	9.52%	(1.77)%	(0.19)

	Up	Down	Up	Down	Proficiency Ratios			Profitable	Treynor	Jensen
	Capture	Capture	Months	Months	Up	Down	Overall	Months	Ratio	Alpha
Barclays Agg	63.06%	51.80%	63.64%	48.28%	49.09%	65.52%	54.76%	90.91%	11.30%	0.20%
SQ Index	59.33%	74.49%	75.00%	71.43%	44.64%	57.14%	48.81%	89.29%	10.31%	0.16%

**(All returns longer than 1 year are annualized)**

Performance Analysis	1 Month	3 month	6 month	YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
SQ-Income	1.27%	0.69%	(3.37)%	(6.59)%	(7.99)%	(11.03)%	(0.46)%	3.23%	4.06%	
Barclays Agg	1.05%	3.74%	5.60%	5.72%	10.56%	7.06%	6.41%	5.13%	4.96%	
SQ Index	2.62%	9.86%	19.60%	13.08%	3.26%	(3.48)%	1.05%	3.53%	5.83%	
+/- Barclays Agg	0.22%	(3.06)%	(8.97)%	(12.31)%	(18.55)%	(18.09)%	(6.87)%	(1.90)%	(0.90)%	
+/- SQ Index	(1.35)%	(9.18)%	(22.97)%	(19.67)%	(11.26)%	(7.55)%	(1.50)%	(0.30)%	(1.77)%	
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>		
SQ-Income	(6.59)%	(12.45)%	13.11%	12.12%	8.49%	7.95%	8.42%	0.30%		
Barclays Agg	5.72%	5.24%	6.96%	4.33%	2.43%	4.34%	4.11%	1.57%		
SQ Index	13.08%	(17.48)%	6.34%	9.99%	3.70%	7.70%	16.17%	5.00%		
+/- Barclays Agg	(12.31)%	(17.69)%	6.15%	7.79%	6.06%	3.61%	4.31%	(1.27)%		
+/- SQ Index	(19.67)%	5.03%	6.78%	2.13%	4.79%	0.25%	(7.75)%	(4.70)%		

Notes:

1. SectorQuant Income Strategy ("SQ Income").
2. Barclays Aggregate Bond Index (with interest re-invested).
3. SectorQuant Equity Income Index.
4. Up % - The Up Percentage Ratio is a measure of the number of periods that the Investment outperformed the Benchmark when the Benchmark was up, divided by the number of periods that the Benchmark was up.
5. Down % - The Down Percentage Ratio is a measure of the number of periods that the Investment outperformed the Benchmark when the Benchmark was down, divided by the number of periods that the Benchmark was down.

The performance summary set forth above presents an individual "model account" from September 2002 through July 2004. From August 2004 to the present the performance summary set forth above is a equal weighted composite of all accounts in the income strategy. The quoted yield for Barclays Aggregate is the current yield of the iShares AGG as represented on the iShares web site. Other accounts in the same strategy do not have, in all instances, parallel performance due to different times of market entry, varying amounts of capital, as well as variation in fees. The performance of SectorQuant Capital Management ("SectorQuant") and its principals during the period shown. The information set forth in the tables is un-audited, but in the opinion of SectorQuant, such information fairly presents the performance experienced by the account included in the summary. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.