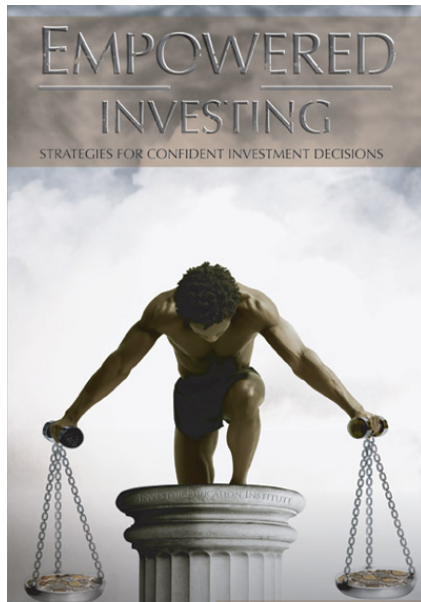


April 3, 2009

Investor Education Institute

Proactive Asset Allocation Strategy

PAAS Update



Highlights:

More asset classes are out performing cash returns. The emerging international markets including Emerging Asia and Latin America, as well as commodity related equities moved to favorable cash comparisons this month. They join precious metals, gold mining stocks and China, which previously had favorable cash comparisons.

Trend indicators for every asset class are positive with the exception of energy commodities, which maintain a negative trend. Precious metals commodities are close to changing to a negative trend.

PAAS Model is fully invested. Details inside.

Joseph F. LoPresti
Founder

Summary

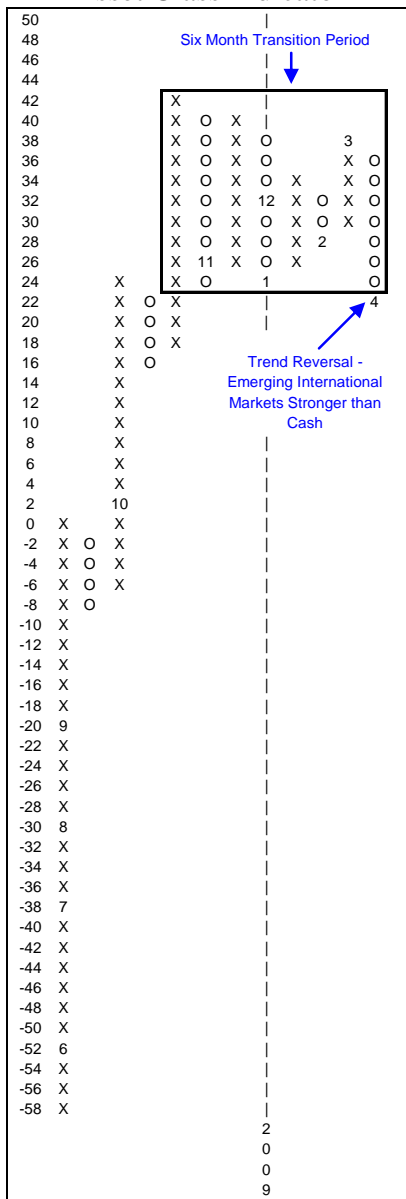
Our indicators suggest that a new cyclical bull market is underway. The trend indicator for every asset class is positive. The lone exception is energy commodities, which still has a negative trend, but is close to reversing course too. Additionally, our cash comparison charts show more asset classes are beginning to out perform cash returns.

The broad emerging international and commodity related equity asset classes are leading cash returns (see below).

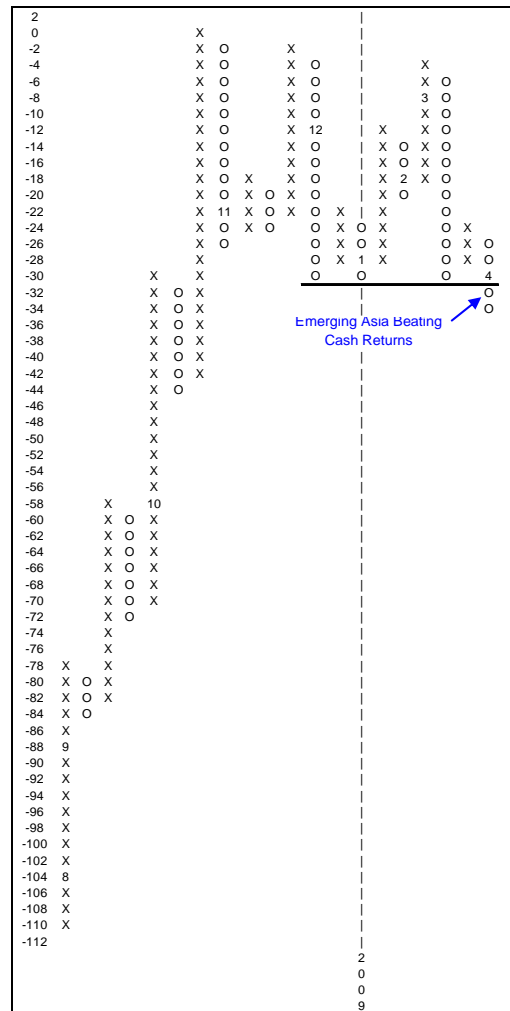
Following the massive decline in asset prices last year, you could see the transition taking place on this chart in favor of emerging intl. markets. After peaking last October, the comparison in emerging intl. markets to cash returns moved sideways for the last six months. Now it has reversed trend, indicating that the emerging intl. markets are leading cash returns once again.

Within the broad emerging international asset class, Asia and Latin America are the leaders. East Europe is the lagging region, yet it is also making great strides in a market rebound. Below you can see the cash comparison chart for Emerging Asia and it clearly shows the trend is moving down, meaning Asia is out performing cash.

**Cash vs. Emerging International
Asset Class Indicator**



**Cash vs. Emerging Asia
Asset Class Indicator**



The China bull market high was at 90% in October 2007. It dropped down to a low of 4% October 2008. This reflects a decrease in the number of China based stocks that had positive trends from 90% to 4% in one year. During that period, China's market dropped about 70% in actual value. Now we see a positive trend has developed as the number increased to 40%. The initial advance following the 4% low moves this indicator into bull alert status. After the Feb-March correction, the latest advance pushed the indicator above the January high and into bull confirmed status.

We see a similar progression in the trend indicators for the broad Emerging Asia region and commodity related equities. Latin America's trend indicator hasn't progressed quite as far...its still in bull alert status and has to rise further to improve to bull confirmed.

Precious metals commodities still maintain the top spot in our *Asset Class Rankings*. We maintain an allocation in gold. The cash comparison charts are favorable for gold too; however, the trend is now questionable. Gold peaked in mid February just above \$1000 and has settled back below \$900. Gold is the only asset class to hit a high following the bear market, so we can't be too concerned about the latest pullback. Still, we have our sell discipline in place in case the trend in gold turns south.

Looking at our *Asset Class Rankings* report, the same asset classes that are outperforming cash also carry the top rankings, precious metals, Emerging Asia, Latin America and commodity related equities. The combination of favorable cash comparisons, positive trends and top ranked assets give us the confidence to move into these asset classes with focused allocations. The *PAAS Model* is heavily focused in these asset classes.

On March 26, we sent out a *PAAS Flash Alert* notifying you of an allocation change. We rearranged the PAAS model to get in line with the leading asset classes. We eliminated the 17% previously held in cash and reduced the large allocation to commodity related equities from 43% to 25%. These moves made room to add an allocation in Emerging Asia and Latin America.

PAAS Model

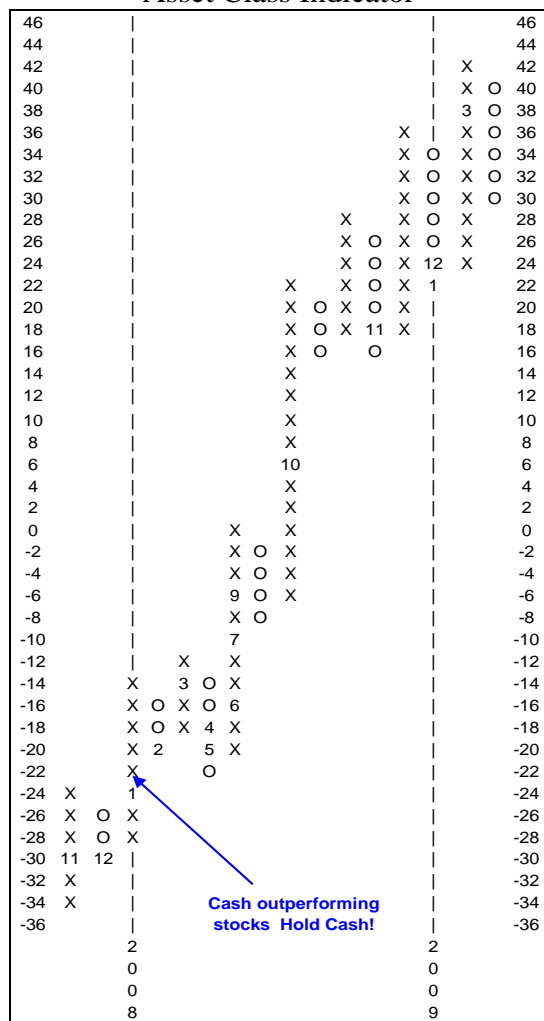
Following the March 26 reallocation, the *PAAS Model* is now allocated as follows:

- 25% in precious metals commodities - the iShares COMEX Gold Trust (IAU)
- 25% in Emerging Asia including the 15% allocation we held in China - iShares Xinhua China Index (FXI) and the new 10% allocated to a broad emerging Asia fund - iShares Pacific ex-Japan Fund (EPP)
- 25% in Latin America - iShares Latin America Index (ILF)
- 25% in commodity related equities further broken down to 15% in gold mining - MarketVectors Gold Miners (GDX) and 10% in energy stocks - Energy Sector SPDRs (XLE).

For the U.S. market, the cash comparison chart hit a fresh new high in early March and is now retracing some of the early 2009 loss in value. It can best be described as neutral right now with the long-term trend still in favor of cash over the U.S. market (see next page). If the U.S. market transitions from a bear to bull cycle, there most likely will be a transition period on the cash comparison chart, similar to the six-month transition that developed on the cash vs. Emerging Intl. chart (page 1). The transition that took place in 2002-2003 from bear to bull cycle for the U.S. market took ten months until the cash comparison chart signaled that a bull market was underway. The transition back to a bear market took six months during 2007. We could get surprised and see a faster transition.

However, we should expect a similar amount of transition time during this cycle as experienced in previous cycles. Over time the chart should generated some back-and-forth movement before the trend in favor of U.S. emerges. That might possibly lead to a pullback at some point following the initial rally...possibly during the seasonally slow period this summer.

**Cash vs. U.S. All Cap
Asset Class Indicator**



The trend indicator for the U.S. market is positive but without favorable cash comparisons to emerge yet, our PAAS Model does not hold an allocation in the U.S. The developed international markets and REITs have a similar technical position to the U.S.; unfavorable cash comparisons, but positive trends. Our PAAS model has no allocations

in the broad U.S., developed international markets or REITs.

Within the U.S. market, sub asset classes show us that growth stocks are performing much better than value stocks due to the value style loaded with financial companies and other troubled entities such as General Motors. Mid and large cap stocks are also leading small caps.

In 401(k) type accounts, focus your allocations in emerging international funds if they are offered as an option in your company plan. Outside of emerging intl., U.S. large and mid cap growth funds are your next best options. With trend indicators positive, hold minimal cash and avoid small cap, value and REIT funds, all of which are at the bottom of our asset class rankings report.

In the March PAAS Monthly Report, I compared the asset class rankings report to a rankings report dated back to March 2003. I made the observation that the asset classes listed in the top tier made the March Asset Class Rankings report look very similar to March 2003, just as a new cyclical bull market was unfolding. You could view last months report to make the comparison yourself. The March 2009 and March 2003 rankings look eerily similar with emerging international markets and commodity related assets on the top of both lists.

Last month I also made the observation that trend indicators were mostly negative still, therefore it was too early to expect a new bull market given the negative trend indications. I said that with a little bit more evidence that these areas are beginning to trend higher, we could start to look forward to the next bull market cycle, which could lead to some highly profitable opportunities for proactive investors. Today we have the additional evidence; trend indicators are positive.

It is encouraging to see high growth asset classes such as emerging intl. markets and commodity related equities carry the top rankings. When these asset classes led in 2003, and once trends turned positive, it led to a rapid advance in our *PAAS Model*. In 2003, our *PAAS Model* was up more than 40% once the bull market kicked off and we benefited from owning the early leaders in commodities, such as energy and emerging international markets, such as East Europe. That led to several consecutive years with high profitability for our model right up until 2008. Today, some of the names at the top of the list have changed with precious metals leading energy commodities and LatAm and Asia leading East Europe, but the themes are quite similar.

Just a month ago, the media and our government were telling us how bad things are and they were only going to get worse. Our indicators point us to conditions that are somewhat similar to 2002-2003. The media once again did the public a big disservice leading them out of the market at what could be the best buying opportunity in a generation just as they did back in 2002.

I heard Bill Gross interviewed on CNBC this morning and he said that bonds offered investors better opportunities than stocks. Coming from the largest manager of bond assets what would you expect him to say? Looking at this more objectively, he should have made that claim ten years ago. He would have been laughed off the TV set saying that at a time that stocks had been in a 17-year bull market. Now that stocks have been through a ten-year bear market, the

easy claim to make is that bonds will outperform stocks, but that is highly unlikely, at least for any length of time.

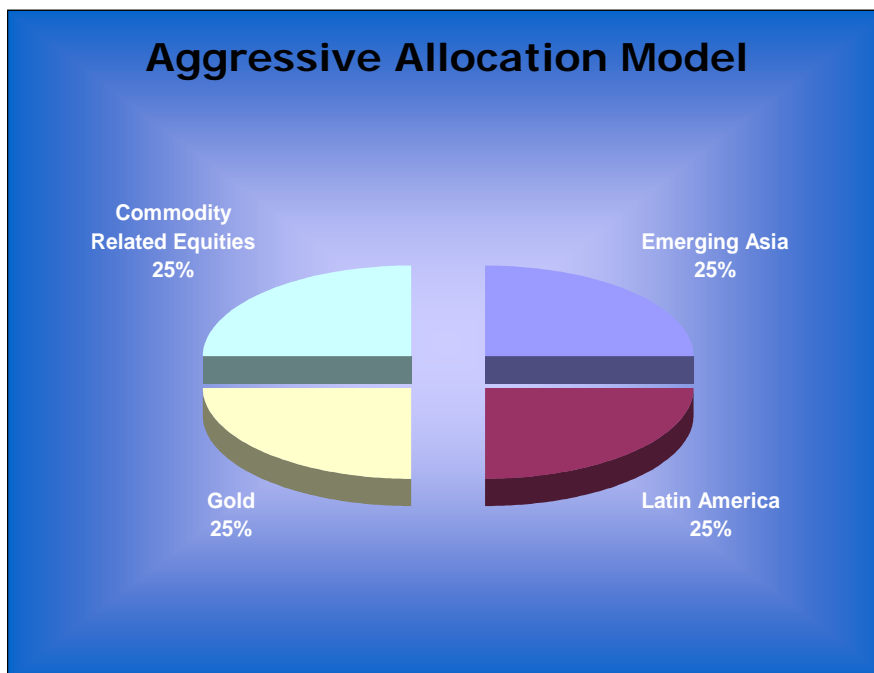
Mr. Gross rationalized his projection by expecting the U.S. economy to experience a slow recovery and not hit the high growth numbers of 2005 and 2006. He might be right about the economy, slow growth once the recovery begins. However, that doesn't mean stocks in higher growth regions will lag bond returns. In the 1990s, Japan's economy grew at a turtle's pace following their real estate bubble, yet many other markets around the world were booming. The U.S. market was enjoying a secular bull trend and investors in our market built significant wealth in the 1990s. Even if the U.S. economy does not recover into high-growth mode that doesn't mean every region and country market will follow suit. Remember, the U.S. is only 5% of the world's population while China is 20% and India is 17%. Does China really need our consumer to prosper, or can they transition to an economy that sells goods to their own 1.3 billion people and other growing Asian countries?

With our Proactive Asset Allocation Strategy, we can isolate profitable trends in any economic region or major country. We also have commodity asset classes to focus in if the U.S. remains in an extended bear market. Furthermore, as we develop the discipline for our inverse fund strategy, we can profit from periodic bear trends in the U.S., or any asset class.

PAAS Portfolio

| Security | Ticker | Broad Asset Class | Sub Asset Class | Date Added | Price Added | Current Price | Return | Action |
|---------------------------------|--------|----------------------------|-----------------|------------|-------------|---------------|--------|-------------|
| iShares COMEX Gold | IAU | Commodities | Precious Metals | 12/11/2008 | \$ 81.00 | \$ 87.74 | 8.32% | HOLD |
| iShares Xinhua China 25 Index | FXI | Emerging Intrnational | China | 12/11/2008 | \$ 30.15 | \$ 30.95 | 2.65% | BUY |
| Energy Sector SPDRs | XLE | Commodity Related Equities | Energy Stocks | 12/15/2009 | \$ 47.53 | \$ 46.02 | -3.18% | BUY |
| MarketVectors Gold Miners ETF | GDX | Commodity Related Equities | Gold Miners | 1/5/2009 | \$ 32.19 | \$ 34.87 | 8.33% | BUY |
| iShares S&P Latin America Index | ILF | Emerging International | Latin America | 3/26/2009 | \$ 27.40 | \$ 28.96 | 5.69% | BUY |
| iShares Pacific ex-Japan | EEP | Emerging International | Emerging Asia | 3/26/2009 | \$ 26.01 | \$ 26.95 | 3.61% | BUY |

Asset Class Weightings



Asset Class Rankings

| <u>Ranking</u> | <u>All Categories</u> | <u>Cash Comparison</u> | <u>Trend Indicators</u> | <u>Strategy</u> |
|----------------|-------------------------------------|------------------------|-------------------------|--------------------------|
| | 1 Precious Metals | Positive | Negative | Hold, watch trend |
| | 2 Emerging Asia | Positive | Positive | Buy |
| T | 3 Latin America | Positive | Positive | Buy |
| O | 4 Emerging International | Positive | Positive | Buy |
| P | 5 Cash | | | |
| | 6 Commodity Related Equities | Positive | Positive | Buy |
| | 7 US Mid Cap Growth | Neutral | Positive | |
| | 8 US Growth | Neutral | Positive | |
| | 9 US Large Cap Growth | Neutral | Positive | |
| | 10 East Europe | Neutral | Positive | |
| | 11 US Mid Cap | Neutral | Positive | |
| | 12 US Small Cap Growth | Neutral | Positive | |
| | 13 Developed Intl. Small Cap | Neutral | Positive | |
| | 14 US Mid Cap Value | Neutral | Positive | |
| | 15 Industrial Metals | Neutral | Positive | |
| | 16 US All Cap | Neutral | Positive | |
| | 17 US Large Cap | Neutral | Positive | |
| | 18 Developed International Growth | Neutral | Positive | |
| | 19 US Small Cap | Neutral | Positive | |
| | 20 Developed International | Neutral | Positive | |
| | 21 Developed International Value | Neutral | Positive | |
| | 22 Developed Intl. Large Cap | Neutral | Positive | |
| B | 23 Commodities | Negative | Positive | |
| O | 24 US Small Cap Value | Negative | Positive | |
| T | 25 US Value | Negative | Positive | |
| T | 26 US Large Cap Value | Negative | Positive | |
| O | 27 REIT | Negative | Positive | |
| M | 28 Energy | Negative | Negative | Buy Inverse Fund |

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