



January, 2012

To Our Clients:

2011 was supposed to be a barn-burner. It was a pre-election year – years which have averaged a return of about 19% since 1931. But last year the phenomenal growth in corporate profits was not enough to offset anxiety about the financial crisis in Europe. As a result, the market was hit with a strong, scary decline in the summer which it barely recovered from at year-end.

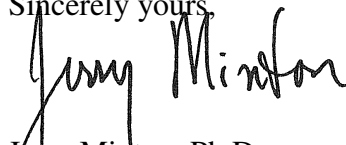
Most of our programs experienced either minor gains or minor losses in 2011. The exception was our Seasonal Strategy composite, which was down 6%* (net of fees), compared to a gain of 2% in the S&P 500. This was the first loss in that strategy in the last twenty years, caused by the strategy's investment protocol which calls for a fully invested position for the first three quarters of a pre-election year.

All of our equity strategies become more conservative in the election year, which began January 1, 2012. Historically, the first four to five months of the election year have been positive, and January has, so far, set an upward trend. The rapid growth in corporate earnings should continue over the near term, providing the background for a market advance. Our equity strategies (Seasonal, Mid-Cap and The Formula) are now in position to exploit a market rally in the first four to five months of 2012.

There will be no equity exposure during the summer of 2012, and then, just before the elections, our programs will begin to take on equity exposure again.

As always, if you have any questions about your account or the strategy which guides it, please give me a call at 1-877-229-9400, Ext. 11.

Sincerely yours,



Jerry Minton, Ph.D.
President

Past performance is not a guarantee of future performance.

ALPHA/PIMCO Bonds Plus Strategy Model Performance History Net of Fees and Expenses*

Annual Returns for 20 Calendar Years Ended December 31, 2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
ALPHA/PIMCO Bonds Plus	2.58	10.02	13.22	20.99	5.48	0.18	5.56	6.00	8.39	12.26	14.31	17.63	7.69	15.19	11.68	5.77	21.44	-2.00	13.70	12.22
S&P:500	2.11	15.06	26.47	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.11	21.04	28.58	33.36	22.96	37.58	1.32	10.08	7.62

Compound Annualized Returns for Periods Ended December 31, 2011

	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years	Last 16 Years	Last 17 Years	Last 18 Years	Last 19 Years	Last 20 Years
ALPHA/PIMCO Bonds Plus	2.58	6.23	8.51	11.51	10.28	8.53	8.10	7.83	7.90	8.32	8.85	9.56	9.42	9.82	9.94	9.68	10.33	9.61	9.82	9.94
S&P:500	2.11	8.39	14.11	-1.64	-0.25	2.26	2.64	3.63	6.16	2.92	1.48	0.55	1.99	3.70	5.45	6.47	8.09	7.70	7.82	7.81

Disclosure: *Returns presented above are hypothetical and computer backtested prior to October 2009 and represent a reduction in gross returns of 2.20% annually for fees and expenses. Beginning October 2009, actual client net composite returns are used. The client composites are weighted by account size and assets included in the composites are net of all fees and trading expenses. Alpha's management fees range from 0.8% annually to 2.0% annually. The above illustration reflects a precise asset allocation formula as follows: Jan. 1 – Sept. 30: 70% PIMCO Total Return Fund / 30% PIMCO Low Duration Fund; Oct. 1 – Dec. 31: 40% PIMCO Total Return Fund + three power period trades using the Russell 2000 Index x 1.5. PIMCO's fund fees and expenses are incorporated in the illustration. The hypothetical data uses index returns for the Russell 2000. The Russell 2000 is an index which cannot be used in actual investing and index funds that replicate the Russell 2000 may vary from the index returns. The hypothetical data does not include interest and dividends attributed to the Russell 2000 index. No allowance for interest/dividends earned on 60% of the portfolio during the fourth quarter is included in the hypothetical data.

Alpha E-System Portfolio Model Performance History Net of Fees and Expenses*

Annual Returns for 20 Calendar Years Ended December 31, 2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Alpha E-System Portfolio	0.50	17.04	5.16	12.37	9.02	6.83	0.26	5.57	34.82	17.65	13.54	10.47	56.78	35.05	8.83	4.39	36.10	-2.71	10.81	10.67
S&P:500	2.11	15.06	26.47	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.11	21.04	28.58	33.36	22.96	37.58	1.32	10.08	7.62

Compound Annualized Returns for Periods Ended December 31, 2011

	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years	Last 16 Years	Last 17 Years	Last 18 Years	Last 19 Years	Last 20 Years
Alpha E-System Portfolio	0.50	8.45	7.34	8.58	8.67	8.36	7.16	6.96	9.75	10.51	10.79	10.76	13.76	15.16	14.73	14.05	15.25	14.17	13.99	13.82
S&P:500	2.11	8.39	14.11	-1.64	-0.25	2.26	2.64	3.63	6.16	2.92	1.48	0.55	1.99	3.70	5.45	6.47	8.09	7.70	7.82	7.81

Disclosure: *Returns presented above are hypothetical and computer backtested prior to January 2009 and represent a reduction in gross returns of 3% annually for fees and expenses when the model is invested in equities. During periods of fixed-income investment, the hypothetical gross returns are reduced by 2.20% annually for fees and expenses. The hypothetical data does not include interest/dividends from money market funds in the fourth quarter of each year. The data does include interest and dividends attributed to the S&P 500 and NASDAQ 100 indexes. Beginning January 2009, actual client net composite returns are used. The client composites are weighted by account size and assets included in the composites are net of all fees and trading expenses. Alpha's management fees range from 0.8% annually to 2.0% annually. The E-System Portfolio strategy uses a precise asset allocation formula that utilizes the S&P 500 index, the NASDAQ 100 index, and the Russell 2000 index, and a combination of two PIMCO fixed-income funds. The S&P 500, the NASDAQ 100 and the Russell 2000 are indexes which cannot be used in actual investing. Alpha accounts use index funds that replicate the S&P 500, the NASDAQ 100 and the Russell 2000 but which may vary from the index returns. The data presented above contains returns from PIMCO funds during periods when the model is invested in fixed-income. During these periods, the portfolio is equally allocated between the PIMCO Low Duration Fund and the PIMCO Total Return Fund. The returns for the fixed-income component are net of PIMCO's fees and expenses.

Alpha Seasonal Strategy Model Performance History Net of Fees and Expenses*

Annual Returns for 20 Calendar Years Ended December 31, 2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Alpha Seasonal Strategy	-5.99	10.18	5.08	34.39	13.42	1.34	5.36	5.99	32.72	9.30	13.04	19.71	33.81	26.01	16.21	12.11	50.17	1.22	10.56	13.04
S&P:500	2.11	15.06	26.47	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.11	21.04	28.58	33.36	22.96	37.58	1.32	10.08	7.62

Compound Annualized Returns for Periods Ended December 31, 2011

	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years	Last 16 Years	Last 17 Years	Last 18 Years	Last 19 Years	Last 20 Years
Alpha Seasonal Strategy	-5.99	1.77	2.86	9.97	10.66	9.05	8.51	8.19	10.68	10.54	10.76	11.48	13.06	13.94	14.09	13.96	15.83	14.96	14.73	14.64
S&P:500	2.11	8.39	14.11	-1.64	-0.25	2.26	2.64	3.63	6.16	2.92	1.48	0.55	1.99	3.70	5.45	6.47	8.09	7.70	7.82	7.81

Disclosure: *Returns presented above are hypothetical and computer backtested prior to July 2009 and represent a reduction in gross returns of 2% annually for fees and expenses. Beginning July 2009, actual client net composite returns are used. The client composites are weighted by account size and assets included in the composites are net of all fees and trading expenses. Alpha's management fees range from 0.8% annually to 2.0% annually. The Alpha Seasonal Strategy is an active asset-allocation program exploiting persistent seasonal factors affecting the stock market. The rules of the strategy are objective and fully disclosed. The backtested computer model applies the rules of the strategy to indexes rather than actual investment vehicles. In the case of bonds, the backtested model uses the Barclays Capital 1-3 Treasury Index. The actual program uses a mix of PIMCO funds – the PIMCO Low Duration Fund and the PIMCO Total Return Fund – which have different returns than the index. Over the 21-year simulation period, the PIMCO combination, net of fees and expenses, provided a higher return than the index used in the hypothetical computer model. In the fourth quarter, the program is invested in money market funds when not invested in the three "power trades" whose results are contained in the model. The hypothetical returns do not reflect interest that would have been earned on money market funds in the fourth quarter. Other indexes used in the model are the S&P 500, the NASDAQ 100, and the Russell 2000. The actual program invests in index funds, which may have results slightly different from the indexes themselves. The data does include interest and dividends attributed to the S&P 500 and NASDAQ 100 indexes.

Alpha Mid-Cap Power Index Managed Account Model Performance History
*Net of Fees and Expenses**

Annual Returns for 15 Calendar Years Ended December 31, 2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Alpha Mid-Cap Power Index MA	-1.32	20.20	17.07	17.15	13.62	6.79	9.71	16.62	15.72	13.11	21.19	18.39	22.69	42.77	22.71
S&P:400 Mid Cap	-1.73	26.64	37.38	-36.23	7.98	10.31	12.56	16.48	35.62	-14.51	-0.60	17.50	14.73	19.11	32.25

Compound Annualized Returns for Periods Ended December 31, 2011

	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years
Alpha Mid-Cap Power Index MA	-1.32	8.91	11.57	12.94	13.07	12.00	11.67	12.28	12.65	12.70	13.45	13.85	14.51	16.33	16.74
S&P:400 Mid Cap	-1.73	11.56	19.57	2.18	3.32	4.45	5.57	6.88	9.74	7.04	6.32	7.21	7.77	8.54	9.98

Disclosure: *Returns presented above are hypothetical and computer backtested prior to January 2010 and represent a reduction in gross returns of 3% annually for fees and expenses. Beginning January 2010, actual client net composite returns are used. The client composites are weighted by account size and assets included in the composites are net of all fees and trading expenses. Alpha's management fees range from 0.8% annually to 2.0% annually. The computer backtested model reflects a precise asset allocation formula for the Alpha Mid-Cap Power Index Managed Account strategy as follows: November 1 to May 31: 100% S&P 400 MidCap Index + three power period trades in the fourth quarter using the S&P 400 MidCap Index x 1.5 beta; June 1 to October 31: 100% Barclays Capital Intermediate Treasury Bond Index. The backtested computer model applies the rules of the strategy to indexes rather than actual investment vehicles which cannot be used in actual investing. The actual program invests in index funds and bond funds, which may have results slightly different from the indexes themselves. The data does include interest and dividends attributed to each index.

The Formula™ Model Performance History
*Net of Fees and Expenses**

Annual Returns for 15 Calendar Years Ended December 31, 2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
ALPHA/The Formula	1.47	20.18	24.35	-8.37	9.13	11.83	3.00	16.41	35.28	18.41	21.25	9.60	57.27	44.42	19.24
S&P:400 Mid Cap	-1.73	26.64	37.38	-36.23	7.98	10.31	12.56	16.48	35.62	-14.51	-0.60	17.50	14.73	19.11	32.25
S&P:500	2.11	15.06	26.47	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.11	21.04	28.58	33.36

Compound Annualized Returns for Periods Ended December 31, 2011

	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years
ALPHA/The Formula	1.47	10.43	14.89	8.57	8.68	9.20	8.29	9.28	11.90	12.53	13.30	12.99	15.90	17.73	17.83
S&P:400 Mid Cap	-1.73	11.56	19.57	2.18	3.32	4.45	5.57	6.88	9.74	7.04	6.32	7.21	7.77	8.54	9.98
S&P:500	2.11	8.39	14.11	-1.64	-0.25	2.26	2.64	3.63	6.16	2.92	1.48	0.55	1.99	3.70	5.45

Disclosure: *Returns presented above are hypothetical and computer backtested prior to July 2010 and represent a reduction in gross returns of 3% annually for fees and expenses which would be expected in a real-time managed account. Beginning July 2010, actual client net composite returns are used. The client composites are weighted by account size and assets included in the composites are net of all fees and trading expenses. Alpha's management fees range from 0.8% annually to 2.0% annually. The Formula™ is a precise asset allocation strategy applied over time using equity indexes and bond funds as components. The equity indexes are the S&P 500, NASDAQ 100, and the S&P MidCap 400. The bond fund is the PIMCO Total Return Fund. The Formula™ is not an actual investment, but rather a recipe detailing the allocation of indexes and bond funds over time. As such, it is, like an index, not investable. A managed account based on The Formula™ may use funds which deviate from the indexes in the illustration.

Disclosure: Past performance is not a guarantee of future performance. The returns for the computer backtested portion of each of these models are hypothetical and do not represent actual account performance. Individual results may vary. Please refer to each model disclosure for the date when actual client net composite returns began. Backtested computer models are created with the benefit of hindsight and must be approached with caution. Being hypothetical, there are inherent limitations due to the fact that they do not reflect actual trading and do not reflect the impact that material market and economic factors may have on the advisor's decision process if actual client funds had been invested in the strategy. No matter how positive the model returns have been over any time period, the potential for loss is always present due to factors in the future which may not be accounted for in the asset-allocation strategy. All of Alpha's strategies may be executed using variable annuity company products which may increase the total expense factor. These expense factors cannot be quantified in advance.

**Alpha Investment Management
Model Performance Results
Net of Fees and Expenses**

Fourth Quarter 2011

Alpha Model Programs*	4th Qtr. 2011 Alpha Model Returns	2011 Alpha Model Returns	2010 Alpha Model Returns
ALPHA/PIMCO Bonds Plus Strategy Model	+ 2.55%	+ 2.58%	+ 10.02%
The E-System Portfolio Model	+ 8.46%	+ 0.50%	+ 17.04%
Alpha Seasonal Strategy Model	+ 2.24%	- 5.99%	+ 10.18%
Alpha Mid-Cap Power Index™ Managed Account Model	- 2.98%	- 1.32%	+ 20.20%
The Formula™ Model	+ 8.22%	+ 1.47%	+ 20.18%

Benchmarks	4th Qtr. 2011 Returns	2011 Returns	2010 Returns
S&P 500	+ 11.82%	+ 2.11%	+ 15.06%
S&P MidCap 400 Index	+ 12.98%	- 1.73%	+ 26.64%
Russell 2000 Small Cap Index	+ 15.47%	- 4.18%	+ 26.85%
Dow Jones Industrials	+ 12.78%	+ 8.38%	+ 14.06%
NASDAQ	+ 8.21%	- 0.77%	+ 18.15%
NASDAQ 100	+ 6.83%	+ 3.71%	+ 20.15%
Barclays Capital Aggregate Bond Index	+ 1.12%	+ 7.84%	+ 6.54%

Summary of Alpha Programs

ALPHA/PIMCO Bonds Plus Strategy – This program seeks to combine one of the world’s best bond managers (Bill Gross) with Alpha’s fourth quarter “power trades” to create a unique solution to the conservative investor’s dilemma: how to safely invest for income while increasing the asset base at a rate greater than inflation after taxes.

The E-System Portfolio – The primary strategy of this program is to have exposure to the stock market during very restricted time periods when the risk of loss is low. This strategy depends primarily on the regularities of the four-year presidential election cycle.

Alpha Seasonal Strategy – This program seeks to exploit three persistent seasonal factors which have affected risk and return for decades: 1) the four-year presidential election cycle; 2) the best six trading months of the year; and 3) fourth quarter power periods.

Alpha Mid-Cap Power Index™ Managed Account – This program seeks to exploit the 60-year pattern of “skewing” market returns into a six or seven month “power zone”.

The Formula™ – This program seeks to exploit two cyclical forces – the annual earnings forecasting cycle and the four-year presidential election cycle – that profoundly and regularly affect the distribution of stock market returns.