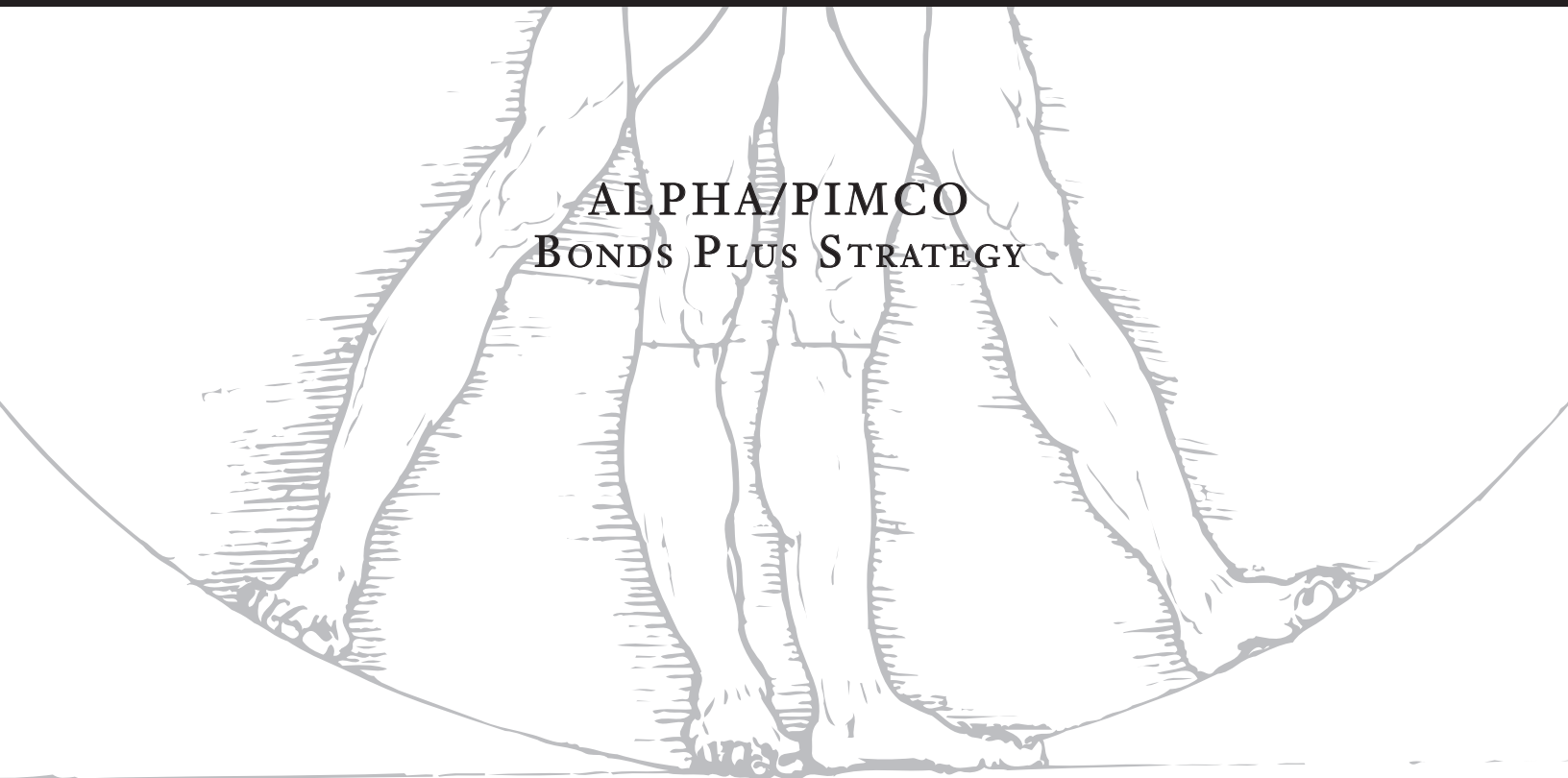


alpha

INVESTMENT MANAGEMENT

ALPHA/PIMCO
BONDS PLUS STRATEGY



Overview

The ALPHA/PIMCO Bonds Plus Strategy combines one of the world's best bond managers (Bill Gross) with Alpha's fourth quarter "power periods" 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 long-term return target for this strategy is 8% - 12% annually over rolling five-year periods. The strategy seeks positive returns every year.

This strategy uses two funds managed by Bill Gross, the co-president of PIMCO. PIMCO is the largest bond manager in the world and Gross is a legend in the industry, having won the Morningstar Fixed-Income Manager of the Year award three times in the past ten years.

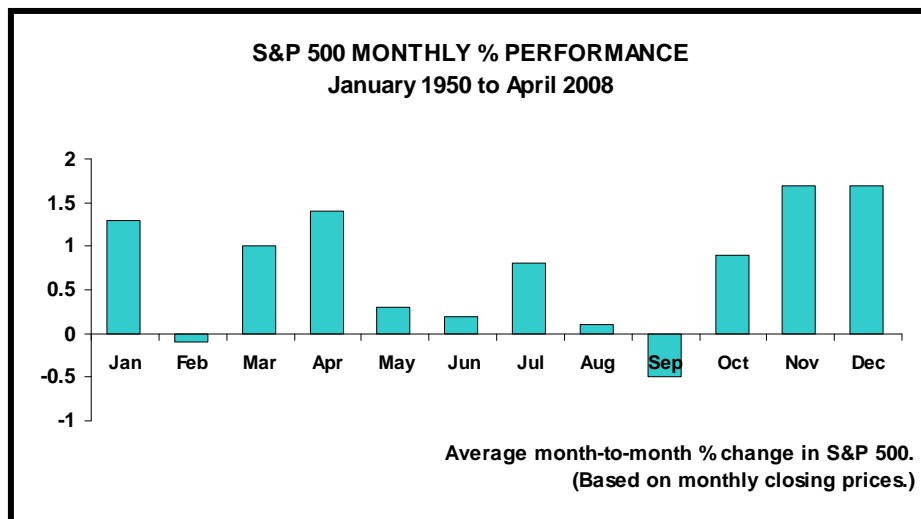
Bonds Plus uses the PIMCO Total Return Fund and the PIMCO Low Duration Fund. The Total Return Fund is an intermediate maturity fund which gives Gross wide latitude in its management. It is the largest bond fund in the world, yet it continues to deliver top-ranked results. Gross is an active manager who is not afraid to take big bets on sectors and may, at times, hold large cash positions. The Low Duration Fund is extremely conservative, holding mostly treasury securities in the 1-3 year maturity range.

Our strategy assumes a 70% Total Return / 30% Low Duration "normal" allocation from January until late-October. At that point, we take 60% of the portfolio and dedicate it to three "power period" trades which exploit the unique profit opportunities of the fourth quarter of the year.

The Fourth Quarter and Small Cap Stocks

The fourth quarter of the year is the best quarter for the stock market. In particular, the period from late-October to year-end is especially consistent in producing above-average gains.

As you can see from the table below, the May to October period has been especially weak compared to the rest of the year.



In fact, the market, during this period, has been flat on average, with September being negative overall. This summer weakness is not just a U.S. phenomenon. Academic research has established this pattern of weak-to-negative returns in the summer for 36 out of 37 developed and emerging markets. In many of these markets, the summer "dead zone" is far more pronounced than in the U.S.

There is much speculation about what causes this pattern, but no consensus. One likely cause is the tendency of stock market pundits and research firms to revise their yearly forecasts downward as the fourth quarter approaches. Their forecasts are almost always too optimistic. In addition, institutional investors do quite a lot of tax rebalancing just prior to the fourth quarter, which puts downward pressure on the market. What ever the cause, the effect is

undeniable – the market tends to deliver sub-par returns from May to October, then “wakes up” in November. The average daily gain for the Dow Industrials from November to May was 27.4 times higher than the average daily gain during all other trading days (1949-2008).

This resurgence in the stock market is particularly strong in small cap stocks. Perhaps investors, looking at rosier forecasts for the new year, concentrate on riskier stocks with more profit potential. Market observers have known for a long time that small cap stocks outperform large cap stocks at year-end. The average return for the Russell 2000 small cap index in December since its inception in 1979 has been 2.8%, compared to the S&P 500’s average of 1.5%.

Power Periods

In the fourth quarter, there are three sub-periods (we call them “power periods”) which are especially potent and consistently positive. They are:

Power Period #1: Last two trading days of October, first two trading days of November

Power Period #2: Last six trading days of November, first three trading days of December

Power Period #3: Last seven trading days of December

These three periods exploit other lesser known “seasonal factors” in addition to small cap dominance at year end. For example, it is well established that the market does better during the month-end and month-beginning period than other times. Also, the market tends to produce above-average returns around holiday periods (Thanksgiving and Christmas).

The table to the right shows the performance of the Russell 2000 small cap index since its inception during our three power periods.

Employing this strategy, there have been just two losing quarters over this time period, representing a 93.9% win rate.

The ALPHA/PIMCO Bonds Plus Strategy uses special index funds to increase the “beta” of these power period trades to 1.5. We believe that this is a controlled risk, justified by the consistently high “win rate” of these periods.

The **1.5 Beta Statistics** section of the chart shows that the two historical losses have been minor while the average trade has generated gains of 3.2%. Overall, the three power periods have produced an average gain of 9.6% per quarter while exposing assets to market risk just 8% of the time each year.

We know of no other market-based factors which come close to delivering this kind of return with such unerring consistency.

Russell 2000 Fourth Quarter Power Periods						
Year	Power Period One	Power Period Two	Power Period Three	Total Return	Total Return With 1.5 Beta	
1979	2.37%	6.05%	1.85%	10.80%	16.60%	
1980	1.33%	0.12%	2.16%	3.60%	5.40%	
1981	3.11%	2.18%	0.12%	5.50%	8.40%	
1982	2.72%	2.64%	2.30%	7.90%	12.00%	
1983	-0.91%	0.73%	1.36%	1.20%	1.80%	
1984	0.53%	-2.26%	0.79%	-1.00%	-1.50%	
1985	1.02%	3.27%	1.58%	6.00%	9.20%	
1986	1.18%	3.00%	-1.38%	2.80%	4.20%	
1987	10.80%	-5.20%	0.49%	5.80%	8.40%	
1988	0.21%	2.48%	1.98%	4.80%	7.20%	
1989	0.17%	1.08%	3.33%	4.70%	7.10%	
1990	0.55%	5.26%	1.24%	7.30%	11.00%	
1991	1.08%	-0.17%	7.56%	8.80%	13.40%	
1992	0.92%	2.89%	2.79%	6.80%	10.30%	
1993	1.64%	1.16%	3.19%	6.10%	9.30%	
1994	0.60%	-1.55%	3.99%	3.00%	4.60%	
1995	2.17%	3.92%	3.22%	9.70%	14.90%	
1996	0.55%	3.01%	1.82%	5.50%	8.40%	
1997	1.73%	0.75%	3.99%	6.60%	10.00%	
1998	4.27%	0.18%	4.93%	9.70%	14.90%	
1999	3.70%	0.75%	5.95%	10.90%	16.60%	
2000	5.58%	1.20%	5.48%	12.40%	18.70%	
2001	0.88%	5.93%	1.37%	8.30%	12.60%	
2002	4.91%	2.39%	-0.06%	7.30%	11.00%	
2003	1.34%	3.72%	1.85%	7.00%	10.60%	
2004	-0.29%	4.61%	0.84%	5.20%	8.00%	
2005	5.21%	1.15%	0.09%	6.50%	9.90%	
2006	-2.05%	0.72%	0.73%	-0.70%	-1.10%	
2007	-2.86%	3.52%	1.39%	1.70%	2.30%	
2008	10.86%	11.34%	2.87%	25.70%	38.60%	
2009	0.84%	0.60%	1.11%	2.40%	3.50%	
2010	1.25%	4.40%	-0.87%	4.80%	7.20%	
2011	-4.22%	6.43%	0.36%	2.30%	3.50%	

1.5 BETA STATISTICS	
Total Quarters = 33	Average Quarter Return = 9.6%
Losing Quarters = 2	Market Exposure = 8%
Win Rate = 93.9%	Average Gain Per Trade = 3.2%
Largest Quarter Loss (1984) = -1.5%	
Largest Quarter Gain (2008) = 38.6%	

Annual Asset Allocation

Below is an annual asset allocation chart for The ALPHA/PIMCO Bonds Plus Strategy model. As you can see, the model is allocated 70% PIMCO Total Return Fund / 30% PIMCO Low Duration Fund from January 1 – September 30 each year. Then in the fourth quarter, 40% of the portfolio remains in the PIMCO Total Return Fund, while 60% of the portfolio is devoted to our three “power period” trades.

ALPHA/PIMCO BONDS PLUS STRATEGY	
ANNUAL ASSET ALLOCATION	
January 1 → November (-3)	70% PIMCO Total Return Fund 30% PIMCO Low Duration Fund
November (-2) → December 31	40% PIMCO Total Return Fund PLUS
Power Period Trade #1 Last Two Trading Days of October First Two Trading Days of November	*60% Russell 2000 Small Cap Index x 1.5
Power Period Trade #2 Last Six Trading Days of November First Three Trading Days of December	*60% Russell 2000 Small Cap Index x 1.5
Power Period Trade #3 Last Seven Trading Days of December	*60% Russell 2000 Small Cap Index x 1.5
*Note: The days between power periods will be allocated to a money market fund (60%).	
Conventional Growth and Income Portfolio (40% Stock / 60% Bond) Market Risk = 40% ALPHA/PIMCO Bonds Plus Market Risk = 8% Alpha Risk Reduction = 75%	

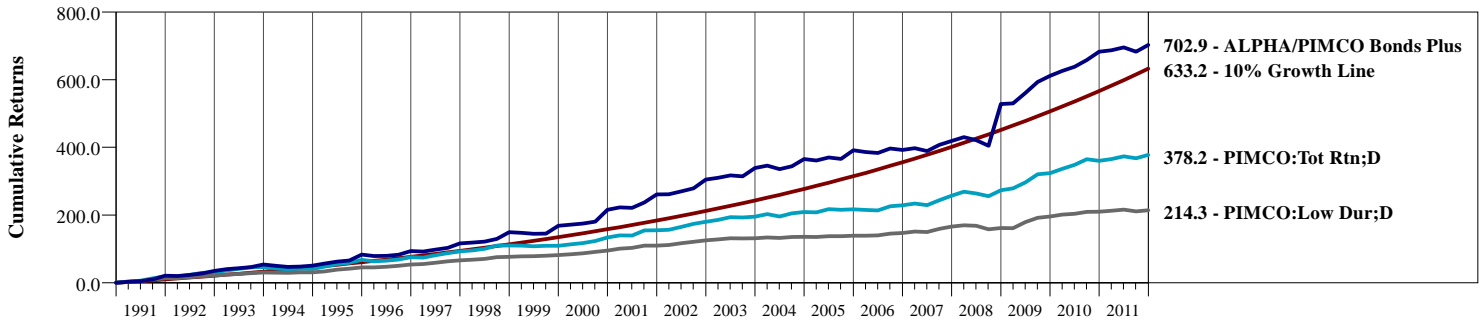
We believe that the unique combination of PIMCO funds with the controlled risk exposure to equities in the fourth quarter will generate superior long-term returns to the conservative investor who requires capital growth.

Disclosure: Past performance is not a guarantee of future performance. The Russell 2000 is an index and cannot be used in actual investing. Index funds which replicate the index may not produce returns exactly matching the index. The data presented does not take into consideration fees, expenses or trading costs. Hypothetical or model portfolios also cannot reflect management decisions which may deviate from the methodology presented. Please see full disclosure on the model portfolio performance page.

ALPHA/PIMCO Bonds Plus Strategy

Model Performance History Net of Fees and Expenses*

Cumulative Returns for 21 Years Ended December 31, 2011



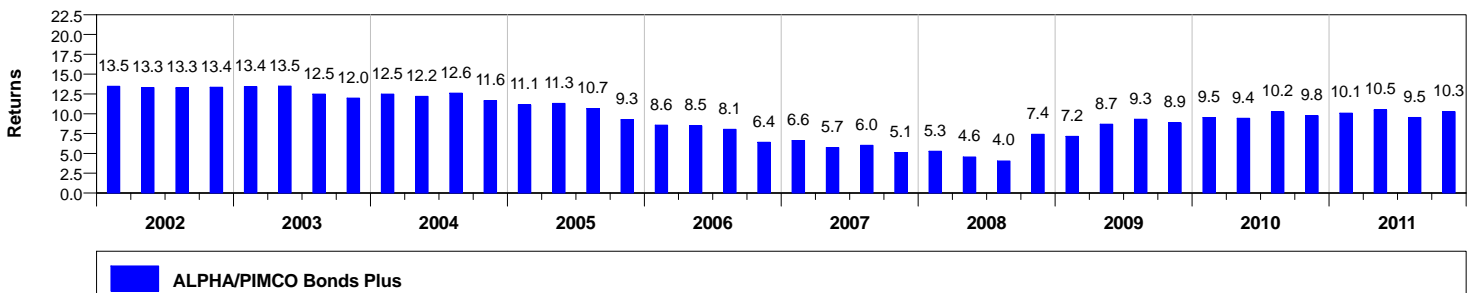
Annual Returns for Calendar Years 21 Years Ended December 31, 2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
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	20.63
PIMCO:Tot Rtn;D	3.87	8.53	13.54	4.53	8.76	3.66	2.55	4.80	5.23	9.86	9.14	11.77	-0.58	9.25	9.80	4.56	19.34	-3.84	12.16	9.41	19.14
PIMCO:Low Dur;D	1.42	4.66	13.07	-1.54	7.60	3.42	1.21	2.05	2.65	7.32	7.65	7.39	2.65	6.60	7.84	5.77	11.51	0.31	7.48	7.12	13.05

Compound Annual Returns for Periods Ended December 31, 2011

	Last Quarter	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
ALPHA/PIMCO Bonds Plus	2.55	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
PIMCO:Tot Rtn;D	2.15	3.87	6.17	8.57	7.55	7.79	7.09	6.43	6.22	6.11	6.48	6.72	7.13	6.52	6.71	6.91	6.77	7.47	6.81	7.08
PIMCO:Low Dur;D	1.06	1.42	3.03	6.27	4.26	4.92	4.67	4.17	3.90	3.76	4.11	4.43	4.67	4.52	4.66	4.87	4.93	5.30	5.02	5.15

Rolling 20 Quarter Returns for 10 Years Ended December 31, 2011



Disclosure: Past performance is not a guarantee of future performance. *Returns presented above are hypothetical 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. See brochure for details. PIMCO's fund fees and expenses are incorporated in the illustration. The illustration 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. This strategy may be executed using variable annuity company products which may increase the total expense factor. These expense factors cannot be quantified in advance. Potential investors should inquire as to the exact additional costs of these investment venues. Model results, being hypothetical, have inherent limitations due to the fact that they do not reflect actual trading and may not reflect the impact that material economic and market factors might have had on the advisor's decision-making if actual client funds had been invested in the model 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 model.

Disclosure to ALPHA/PIMCO Bonds Plus Strategy Data and Illustrations

The ALPHA/PIMCO Bonds Plus Strategy is an investment model that specifies an asset allocation strategy based on two PIMCO bond funds combined with Alpha's fourth quarter "power period" trades. The model determines, in advance, when to be invested in bond funds and when to be invested in index funds. The investment components of the model are: Jan. 1 – Sept. 30: 70% PIMCO Total Return Fund / 30% PIMCO Low Duration Fund; Oct. 1 – Dec. 31: 40% PIMCO Total Return Fund plus three power period trades using the Russell 2000 Index x 1.5. See the annual asset allocation chart for more details.

The ALPHA/PIMCO Bonds Plus Strategy is a model, containing actual net of fees and expenses results since October 2009. Prior to October 2009, the model uses computer backtesting to reconstruct past returns based on the instructions of the strategy. Hypothetical backtests should be regarded with caution since they are created with the benefit of hindsight and do not reflect how the investment manager would have reacted to the occurrence of actual market and economic events. Backtested performance does not represent actual account performance. There is no assurance that these backtested results could, or would have been achieved by Alpha during the periods presented. Past performance is not a guarantee of future performance.

The SEC mandates that we state: The investment strategy that the backtested results were based upon can (theoretically) be changed at any time with the benefit of hindsight in order to show better backtested results, and (theoretically) the strategy can continue to be tested and adjusted until the desired results are achieved. Please note that Alpha has not made any data-fitting adjustments to its managed account model.

The returns of the ALPHA/PIMCO Bonds Plus Strategy may not correspond to the returns of managed accounts based on it. Alpha's managed accounts may use modifications of the PIMCO bond funds based on the availability of such funds offered by the custodian that holds the account. Also, 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. For more details, please refer to the disclosure located at the bottom of the model performance history report.

The precise description of the construction of the ALPHA/PIMCO Bonds Plus Strategy is included in this literature.

