The Financial Trends Indicator™

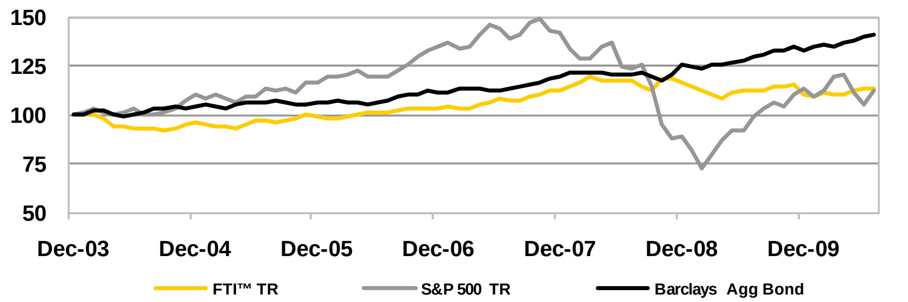
FTI™ Description

The Financial Trends Indicator™ ("FTI™") is an investible long/short index comprised of 8 highly liquid currency and financial futures contracts.

The FTI™ is designed to capture rising and falling price trends by taking both long and short positions. Importantly, it utilizes a fully transparent, rules-based methodology that attempts to deliver consistent performance while moderating volatility over extended periods of 12 months or more.

Bloomberg tickers
Total Return: FTITR
Price Return: FTIPR
Inception date
31 December 2003
Currency
USD

FTI™ TR Performance (Inception through July 2010)



Total Return Statistics (Inception through July 2010)

1 month	-0.59%	1 year	0.81%
3 months	3.10%	3 years	5.86%
6 months	3.12%	5 years	17.10%
YTD	2.52%	Ann. ROR (since inception)	1.94%

Source: Bloomberg and AFT. Note: Past performance is no guarantee of future performance. FTI™ returns are calculated using Random Roll Date through 11/14/2009 and End of Month Roll Date from 11/15/2009 forward.

Market Commentary by Victor Sperandeo, CEO of Alpha Financial Technologies, LLC

Coming into July, virtually all the important markets pointed to worse GDP numbers than expected and a slowing world economy. The markets reflected this by being in downtrends, except for Gold, Silver, and U.S. Government Bonds and Notes which are all safe havens and deflation hedges. The U.S. equity markets made a low on July 2nd, after confirming a downtrend off the previous important low of June 7th. China has seen its equity market in a bear market for a year, which made an intraday low on July 2nd as well. Volume increased on the way down, which is another important bearish indicator.

However, 3 events caused another intermediate rally in virtually all markets:

1. The Equity markets focused on corporate earnings (instead of GDP), which were better than expected for about 70% of the reporting companies in the S&P 500, mostly due to cost cutting.
2. Chinese Equities rallied sharply off the July 2nd low, lending support to U.S. equity and commodity markets.
3. Europe climbed down from the ledge – so to speak – as concerns over its sovereign default problems began to subside, and consequently the Euro rallied and the U.S. Dollar sank. This added more fuel to the fire on the commodities rally.

The DTI®, CTI®, and FTI™ all declined for July. The rally in stocks involved about half the volume seen during the decline. GDP came in at 2.4% for the 2nd quarter. This was lower than the 1st quarter's 2.7% growth, which has subsequently been adjusted to 3.7% year-over-year due to revising the data from last year downward. This shows the economy slowing, instead of accelerating. Also, the predictions for GDP for the year have been lowered; estimates were in the 3.5% to 4% range, but now the 2nd half is estimated to be 1% to 2% by the bears and about 2.8% to 3% by the bulls.

Although Europe's austerity program has not been reflected in the Euro's economy yet, it will eventually. So long term, the Euro should return to its prior downtrend as this policy will not last. Remember, citizens tend to vote out the old leaders in such situations, and instead vote in new leaders who promise changes from austerity.

The forecasting of a slowdown in the economy has been on the mark, yet corporate earnings had easy comparisons to the weak 1st & 2nd quarters of 2009, and were better than expected. The more difficult comparisons begin with the September 30th quarter. We'll maintain our bearish primary views unless the equity markets can move above the June 18th highs across the board in volume.

Our indexes were set up to be bearish in July, but are now more bullishly set up. The exceptions are energy (where we remain flat), precious metals, and bonds/notes which still suggest weakness. Trading ranges (i.e. the lack of sustained, directional trends in many markets), along with the accompanying whipsaws, are still causing declines in our indexes and hurting performance. The current market and economic environment is unique in the last 50 years. We believe that when the breakout comes (up or down), it will come as a surprise, be powerful, and our indexes will make up their losses quickly. Therefore, we suggest that a 5-10% allocation in strategies based on our indexes should not be sold in losing streaks, but rather added to. *There can be no guarantees as to how long the current trading ranges will continue nor assurances that the indexes will achieve their objectives or avoid losses.*

Nothing makes money all the time, and an economic environment with interest rates of practically zero and 80 bps CPI increases is a period in which trend-following strategies tend to have difficulties. There is nothing new about that. The issue is not about the strategy, but rather what the strategy in this environment reflects, as depicted in the outcomes.

To repeat what I have said previously, trend-following indexes and strategies tend to benefit and profit from movements up or down, not from trading ranges. We anticipate that this unusual commodities trading range (Crude Oil is at $78 as I write this, the same as it was over a year ago) will most likely end when least expected.

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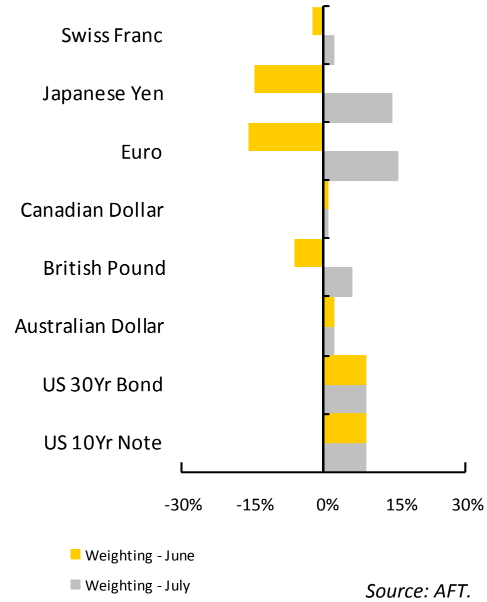
FTI™ Sector Positions



Source: AFT.

Total Return Statistics (Inception through July 2010)

Time	Volatility	Sharpe Ratio
1 year	6.60%	0.09
3 years	6.60%	0.10
5 years	5.46%	0.11
Annualized Volatility since inception	5.41%	-
Sharpe ratio since inception	-	-0.08

Correlation, Performance and Drawdown Statistics (Since inception)

Correlation to S&P 500	-0.12	Correlation to Barclays Agg Bond	0.03
% of positive months	53.16%	% of negative months	46.84%
% of positive 12M periods	73.53%	% of negative 12M periods	26.47%
Average monthly return	0.17%	Average monthly loss	-1.07%
Average 12M return	3.04%	Average 12M loss	-4.01%
Best month	5.29%	Worst month	-4.66%
Maximum drawdown	-9.20%	Months to recover	na

Source: Bloomberg and AFT. Note: Past performance is no guarantee of future performance. FTI™ Total Returns calculated using Random Roll Date thru 11/14/2009 and End of Month Roll Date from 11/15/2009 forward.

New Positions & Previous Month Return Contribution

Sector	August Position	July Contribution*	Sector	August Position	July Contribution*	Sector	August Position	July Contribution*
Australian Dollar	Long	-0.29%	Euro	Long	-1.71%	US 30Yr Bond	Long	0.14%
British Pound	Long	0.49%	Japanese Yen	Long	0.57%	US 10Yr Note	Long	0.15%
Canadian Dollar	Long	-0.07%	Swiss Franc	Long	0.14%			

** Price Return, since previous roll.*

Monthly Total Returns

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004	0.04%	0.30%	-1.95%	-3.84%	-0.01%	-1.19%	-0.03%	-0.68%	-0.98%	1.36%	1.93%	1.16%	-3.94%
2005	-1.03%	-0.65%	-0.16%	-1.43%	2.59%	1.55%	0.06%	-0.80%	1.22%	1.32%	1.62%	-0.35%	3.92%
2006	-1.25%	0.21%	1.02%	0.68%	1.01%	-0.42%	0.13%	1.69%	0.24%	0.30%	-0.01%	-0.04%	3.57%
2007	1.13%	-1.25%	0.60%	1.58%	0.96%	1.42%	-0.79%	0.06%	1.83%	1.29%	2.08%	-0.49%	8.70%
2008	1.84%	2.06%	2.58%	-1.80%	-0.02%	0.07%	0.06%	-2.28%	-1.79%	5.29%	-0.16%	-2.18%	3.44%
2009	-1.41%	-1.53%	-1.59%	-2.03%	2.93%	0.24%	0.27%	-0.03%	1.85%	-0.32%	1.61%	-4.66%	-4.79%
2010	-0.59%	1.44%	-1.39%	-0.01%	2.50%	1.19%	-0.59%						2.52%

Source: Bloomberg and AFT. Note: Past performance is no guarantee of future performance. FTI™ returns are calculated using Random Roll Date through 11/14/2009 and End of Month Roll Date from 11/15/2009 forward.

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CERTAIN RISK FACTORS & DISCLOSURES

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