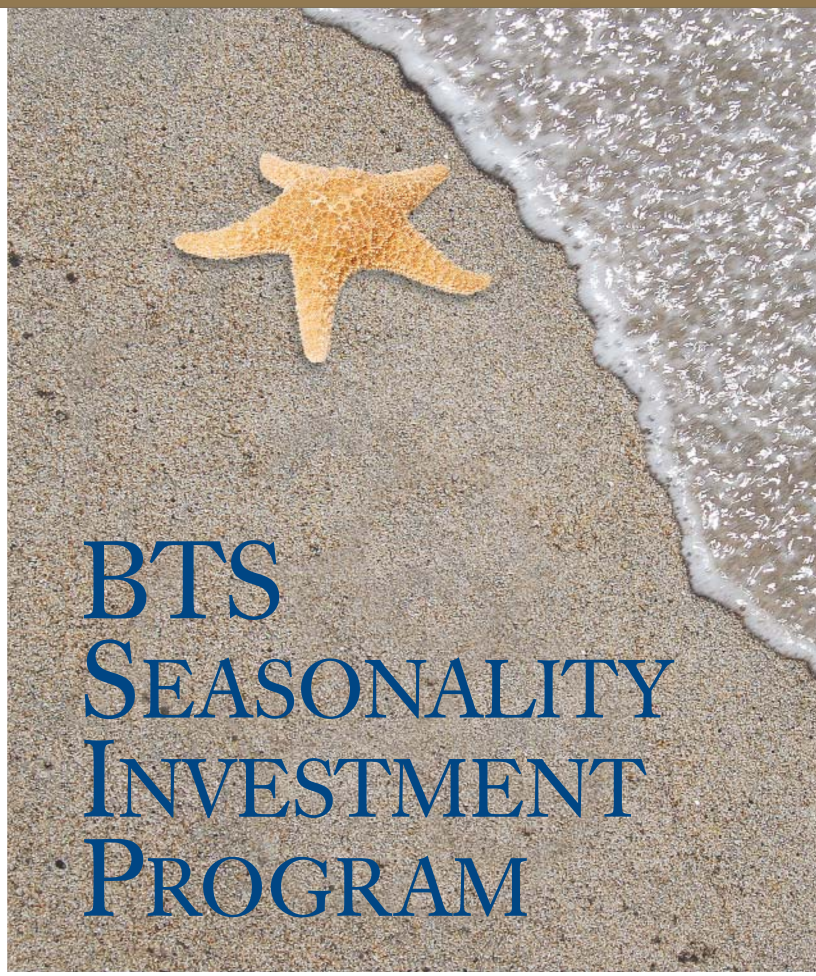


BTS Seasonality Investment Program

A MUTUAL FUND INVESTMENT PROGRAM ALTERNATIVE
TO BUY AND HOLD STOCK MARKET INVESTMENTS
THAT SEEKS TO TAKE ADVANTAGE OF
SEASONAL MARKET PATTERNS WITH THE GOALS OF:

- Enhanced returns
- Preservation of capital
- Reduced market risk

BTS Seasonality Investment Program

In today's quickly changing stock market, being fully invested when the market is going up and out of the market when it is going down can do much to enhance returns.

But how can anyone – with any degree of confidence – attempt to identify the best times to be fully invested, and conversely, the best times to be on the sidelines?

The Market has shown that seasonal cycles can provide important investment advantages

Back in 1976, Norman Fosback, a noted investment researcher, produced a book called **Stock Market Logic.**

In his book, Fosback observed that the stock market historically had a predictable window during the year when stocks tend to go up in value.[1]

He based his findings on a detailed 50-year study of the day-by-day performance of the Dow Jones Industrial Average (DJIA),[2] 1926-1976.

More recent research by market historian Yale Hirsch covers 1950 to the present, and is annually updated in the **Stock Trader's Almanac.**[3]

Specifically, both Fosback and Hirsch have shown that – based on historical patterns – there are certain months during the year when stocks tend to go up in value.[4]

Conversely, during unfavorable months, the market has historically delivered lower performance.

BTS believes that being invested only during favorable months may provide significantly higher returns as opposed to buying and keeping assets in the market all year long.

A highly predictable pattern – based on Fosback and Hirsch's research covering 80 years[5]

In specific terms, the historic window has been a six-month period that turns favorable around November 1st and unfavorable at the end of April.[6]

Hypothetically, if an investor had invested $10,000 in the Dow Jones Industrial Average during the favorable season from 1950 to 2006, **the return would have been $578,413 (excluding any possible fees, transaction costs or investment expenses)**.[7]

On the other hand, if an investor had been in the market only **during the unfavorable months from 1950 to 2006, an investment in the Dow would have gained only $341** (excluding any possible fees, transaction costs or investment expenses).[8]

According to Yale Hirsch, "When we discovered this strategy in 1986, **November-April outperformed May-October by $88,145 to minus $1,520 (DJIA, 1950-1986). Results improved substantially these past 21 years (1986-2006), $490,268 to $1,861."**[9]

Why has the market fairly consistently made better gains in the six-month period, November through April?

Some of the reasons may be because investors receive year-end bonuses, make contributions to retirement accounts or receive large income tax refunds during the cold weather months in the U.S.

Comparative Performance of Dow Jones Industrial Average During Seasonally Favorable Months vs. Unfavorable Months – 15 Year Period[5]

January 1, 1992 through December 31, 2006

Year	Favorable Months Nov. 1 - Apr. 30	Unfavorable Months May 1 - Oct. 31
1992	**+6.2**	**-4.0**
1993	**+0.03**	**+7.4**
1994	**+10.6**	**+6.2**
1995	**+17.1**	**+10.0**
1996	**+16.2**	**+8.3**
1997	**+21.8**	**+6.2**
1998	**+25.6**	**-5.2**
1999	**+0.04**	**-0.5**
2000	**-2.2**	**+2.2**
2001	**+9.6**	**-15.5**
2002	**+1.0**	**-15.6**
2003	**+4.3**	**+15.6**
2004	**+1.6**	**-1.9**
2005	**+8.9**	**+2.4**
2006	**+8.1**	**+6.3**

1 - **Stock Market Logic,** Norman Fosback, 1984 edition, The Seasonality Indicator, page 154-155.

2 - **The Dow Jones Industrial Average** as published by Dow Jones, Inc. It is important to note that from time to time, Dow Jones, Inc. changes the companies included in the "Dow" average.

3, 4 - **Stock Trader's Almanac 2008,** Yale and Jeffrey Hirsch, page 48.

5 - All returns include reinvestment of dividends and capital gains. Returns do not reflect management fees. Past performance cannot guarantee future results. The returns illustrated do not represent the results of actual trading by BTS using client assets, but were achieved by means of retroactive application of a back-tested model that was designed with the benefit of hindsight. During the period discussed, BTS was not managing money according to the strategy depicted. BTS began managing assets under the Seasonality Program on 10-25-2000. Actual performance under the Seasonality Investment Program will differ from the actual performance of the underlying stock index in part because BTS clients will pay advisory fees, custodial fees and brokerage commissions and which vary depending on the mutual fund chosen. The design and implementation of seasonality technical models is subject to uncertainties. Loss of capital is possible. Periodic grading and evaluation of all indicators is vital to the reliability of the risk management systems and models in making investment decisions.

6, 7, 8, 9 - **Stock Trader's Almanac 2008**, Yale and Jeffrey Hirsch, page 48.

How the BTS Seasonality Investment Program works

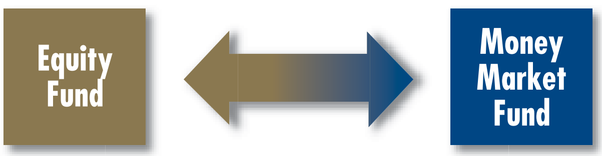
The program consists of just two categories of funds: A money market fund and an equity mutual fund selected by you with the assistance of your financial advisor.

Choosing a mutual fund for your program is an important decision since the performance of the stock fund you select will affect your total annual return.

The BTS Seasonality Program has performed well with conservative growth funds, large cap and Dow Jones-oriented funds.

Once your equity and money market funds are in place, BTS then allocates assets according to BTS Seasonality indicators.

Assets are allocated to the equity or money market fund based on seasonal patterns



When BTS Seasonality indicators become favorable, 100% of assets are invested in the equity fund with the goal of asset appreciation.

When BTS Seasonality indicators become unfavorable, 100% of assets are placed in the money market fund to preserve capital and earn interest.

It is important to note that when your assets are out of the market in the money market fund, equities during that time may lose value.

Later on, when you re-enter the market you may be able to repurchase more shares of your equity fund at a lower price than the price at which you sold them.

How BTS fine-tunes the Seasonality Program with MACD

Although seasonal patterns are clearly identifiable, market rallies cannot be expected to begin precisely on specific dates ... since patterns suggest only probabilities based on historical market performance.

Therefore, BTS applies another technical tool called Moving Average Convergence/Divergence (MACD). This tool tracks current market trends and can help determine, potentially, the most productive time for a move into, or out of, the market.

MACD is a tool developed by market technician Gerald Appel that attempts to signal when market momentum is changing direction.[10]

The MACD phenomenon has been back-tested over a 35-year period by market historian Yale Hirsch and has shown to produce significantly better performance.[11]

Comparative Performance of Dow Jones Industrial Average During Seasonally Favorable Months vs. Unfavorable Months Using MACD Signals – 15 Year Period[5]

January 1, 1992 through December 31, 2006

Year	Favorable Months* Nov. 1 - Apr. 30	Unfavorable Months* May 1 - Oct. 31
1992	+6.6	-6.2
1993	+5.6	+5.5
1994	+13.1	+3.7
1995	+16.7	+7.2
1996	+21.9	+9.2
1997	+18.5	+3.6
1998	+39.9	-12.4
1999	+5.1	-6.4
2000	+5.4	-6.0
2001	+15.8	-17.3
2002	+6.0	-25.2
2003	+7.8	+16.4
2004	+1.8	-0.9
2005	+7.7	-0.5
2006	+14.4	+4.7

* - MACD generated buy and sell signals (earlier or later) can lengthen or shorten six-month periods.

In practice, the MACD is brought into play to fine-tune Seasonality buy/sell decisions, which may be up to several weeks before or after the "static" Seasonality trigger dates of November 1st and April 30th.

Seasonality seeks to provide enhanced returns with lower risk[12]

Since assets are out of the market approximately one half of the year ... and not vulnerable to market losses when assets are in the money market fund, risk is reduced.

Investing in accordance with seasonally favorable patterns may provide a significant advantage to the investor who has the goal of enhancing returns over the long haul with potentially less risk.

10 - A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A nine-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals.

11 - **Stock Trader's Almanac 2008**, Yale and Jeffrey Hirsch, page 50.

12 - The degree of risk is correlated to the amount of time when 100% of assets are invested in the market and subject to loss of capital. The higher the number of days that assets are invested, the higher the risk of loss as compared to periods when assets are in cash and not subject to loss of capital in the market.

Risk may be further reduced by BTS' stop-loss protection

During the period when funds are invested in the market, it is possible, of course, for the market to drop by an amount in excess of 5%.

This is where BTS stop-loss protection kicks in.

BTS attempts to preempt substantial losses if the stock market drops approximately 5%. Should such a drop occur, BTS may move funds out of the market into the money market fund, and later on, back in when the market begins a sustained move up of approximately 5%.

Seasonality Program Variations

Investors may wish to consider a BTS program complement with Seasonality for the approximately six-month period when assets are out of the market. The BTS Seasonality Program has eight alternative investment options that combine Seasonality with BTS bond investment programs. They include:

- Seasonality/High Yield Program
- Seasonality/High Yield Plus Program
- Seasonality/Bond Asset Allocation Program
- Seasonality/Bond Asset Allocation Plus Program
- Select Seasonality/High Yield Program
- Select Seasonality/High Yield Plus Program
- Select Seasonality/Bond Asset Allocation Program
- Select Seasonality/Bond Asset Allocation Plus Program

Available at Trust Company of America and within certain variable annuities: BTS makes all fund selections in our **Select** Programs, and evaluates these fund choices on an ongoing basis. The **Plus Option** on certain BTS programs offers the potential of inverse high yield exposure, which provides the investor the possibility to hedge market exposure. This, in effect, shorts the high yield bond market and provides the opportunity to potentially capture gains if high yield bonds are losing value.

Implementing your BTS Seasonality Program is easy

1. With the assistance of your financial advisor, you select an equity mutual fund and a money market fund from those available in the program. You may also choose one of the variations that combines Seasonality with a BTS bond program, or a "Select" version in which BTS chooses the funds.
2. BTS is assigned the privilege of moving assets between the equity fund and the money market fund. In the seasonality/bond program variation, moves will be made between the equity position in the favorable seasonality period and then to the appropriate bond program position in the unfavorable seasonality period. Your account is in your name, and you retain control over all assets.
3. BTS makes buy/sell decisions concerning the allocation of assets among the funds.
4. You receive a complete record of each transaction and periodic reports from the custodian.
5. Management fees will be automatically deducted from your portfolio account on a quarterly basis for accounts with custody at Trust Company of America. Accounts held directly at a fund or variable annuity company will be billed quarterly or annually depending on where your account is held.

Past performance is no guarantee of future results. The design and implementation of seasonality technical models is subject to uncertainties. Loss of capital is possible. Periodic grading and evaluation of all indicators is vital to the reliability of the risk management systems and models in making investment decisions. The choice in equity mutual funds utilized in the Seasonality Program will directly impact investment returns. Equity mutual funds may not have the same or similar investment risks including volatility, capitalization and liquidity.

Founded in 1979, BTS is recognized as one of the nation's premier investment managers providing risk-management services for mutual fund and variable annuity clients.

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