

CAPITAL MANAGEMENT GROUP, INC.

Alternative Investment Strategies

Attached Presentation – “The End Game”
Active Money Management
John Mauldin’s relationship with CMG

We are happy to provide you with a copy of John Mauldin’s “End Game” presentation for you to use as you best see fit. Should you have any questions for John, please let me know and I will be happy to forward them on to John for his reply. To view the presentation, please [click here](#).

In early March, I attended the Cambridge Investment Research top producer conference. Cambridge is the largest fee-based independent broker-dealer in the business. An impressive firm with great leadership. As I listened to the CEO’s opening remarks, I was particularly drawn to his discussion about building portfolios that can drive return regardless of what the market does. He talked about passively managed assets and actively managed assets and that there is a place for both in a balanced portfolio.

It has been ten years with zero to negative equity returns and clients are not happy. According to John Bowen of CEG Worldwide four out of five clients are looking to change their advisor. They want a different advisor experience. John is qualified to know. He is a former advisor who grew his business to over \$7 billion in AUM before selling that business and today is a coach to top advisors. John is clear in his communication to his advisors, “clients don’t want to hear the same old story”.

All of this resonated with me as I listened to Cambridge’s CEO. I found his presentation both calming and confirming as to how important it is to have a plan that weaves both traditional allocations with active money management and thought with excitement that this is the single best period in more than 30 years for an advisor to capture new client business. I wondered if advisors would think the same.

John Mauldin concluded the conference and he dove deeper into the deleveraging issues we face ahead and the probabilities of the continuation of the long-term secular bear market. I appreciated the CEO’s words in regards to passive and active money management as he simply said, “do some of both. It’s not an either/or, but a balance”.

It is a balance that is at the core of Modern Portfolio Theory based on non-correlation and diversification. I personally believe that the central tenant of MPT has been hijacked by the mutual fund industry and has not been properly applied to include alternative asset classes. However, the mutual fund industry is catching up. Fortunately, the development of ETF’s, index, sector, and inverse funds has allowed all investors (not just the wealthy) access to truly non-correlating investment strategies that compliment the traditional investment approach. Investors believe long-term but behave short-term. The trick is providing the balance that best helps your client stay the course. That’s where we come in.

Active Money Management:

We are leaders in active money management and would like to earn your business. Most advisors don't fully understand the alternative space. Leverage off our years of due diligence, trading experience and the ability to bring some of the very best active money managers to you and your clients within one simple managed account and/or mutual fund.

There are two ways to access our platform:

1) Through our multi-manager managed account platform – in one account (IRA, individual, joint, trust, etc.), you can allocate your clients to one specific strategy, select from one of our nine investment blends that we manage (ranging from conservative to aggressive) or you can create a custom blend from our platform of separately managed active trading strategies. The independent account custodian is Trust Company of America (member FDIC). We also run several of our strategies through the Jefferson National Tax Deferred Variable Annuity.

2) Through our mutual fund, the CMG Absolute Return Strategies Fund - CMGTX: Our fund consists of multiple separately managed active investment strategies combined together in a single mutual fund structure. There are A and C class shares available with the A shares being load-waivable. The Fund is available through Schwab, TD Ameritrade, NFS, Pershing, and other custodial platforms. This option is ideal for advisors where it is too difficult to transfer accounts to Trust Company of America.

If it proves logistically difficult to open up multiple accounts at a new custodian (TCA) and explain a whole new account process to your clients, consider accessing our multi-manager selection through our CMG Absolute Return Strategies mutual fund.

The various strategies underlying the managed account platform and mutual fund include**:

Fixed income:

Actively managed high yield bond strategies

Treasury bond trading strategies

Equity:

Sector rotation strategy

Index-based trading strategies

ETF-based trading strategies

Stock-based trading strategy

CTA:

Currency strategy

**Please note we are constantly reviewing new strategies for possible inclusion.

Our platform consists of ten absolute return strategies. Over the years, we have vetted hundreds of strategies. We have extensive due diligence experience and trading knowledge. We rely on this knowledge to find the best managers that fit our criteria of having a strong edge, a solid process, and experience and frankly managers with the guts/courage to trade with discipline. Once a manager is placed on our platform, we track each strategy daily to ensure the managers stays within their discipline.

The goal for a typical diversified multi manager allocation is to produce an 8% to 12% (moderate risk) return stream over a one-year period of time. Think flat to up returns with limited drawdown. Of course, conservative allocation expectations should be different from aggressive allocation expectations in regards to both return and drawdown. As always, past performance does not guarantee future returns.

For more information on the strategies available on our platform, visit us at www.cmgfunds.net. For more information on our various strategy blends (which range from conservative to aggressive) [click here](#).

Advisor Fee Structure:

Our management fee is 2.50% annually, charged quarterly in arrears via an average daily balance calculation. 100 bps is paid to you in the form of a solicitor fee. 150 bps is paid to CMG from which we pay the managers (sub advisors) on our platform. Alternatively, we can reduce the client fee to 150 bps and you charge your advisor fee on your end.

As reference, an active manager on a multi-manager platform at Schwab, TD Ameritrade or NFS will typically charge a fee of 125 bps to 175 bps depending on the strategy. The advisor then adds their fee on top of the manager's fee. More traditional relative performance managers (passive) on those platforms charge 75 bps to 125 bps before the advisor fee is added. Typically, multi-manager platform management fees range from 2% to 3%.

John Mauldin's relationship with CMG:

I met John over ten years ago. He was interested in allocating some of his clients' assets to my Managed High Yield Bond Strategy. Through our business relationship we developed a close friendship. From the beginning we shared a common passion for providing non-hedge fund, non-2/20, non-K-1 solutions for every investor (not just the ultra wealthy). Particularly important was the inability for traditional investments to perform well in the long-term secular bear market we felt lied ahead. Yet there were few options for most investors (accredited restrictions, large minimums, etc).

I have personally invested in nearly 100 different hedge funds over the last ten years. Beginning in 2001, my firm managed a structured trade that allocated to over 25 hedge fund and CTA strategies. The idea was correlation diversification - build a portfolio with that can drive return in most market environments made up of individual strategies that do not correlate to the general markets and importantly strategies that do not correlate with each other. With large minimums, gates, holdbacks, uncertain liquidity, and K-1 issues, the majority of investors are boxed out from the very strategies they need to survive a long-term secular bear market.

We built a managed account platform with low minimums, lower fees, daily liquidity and transparency and entered into a solicitation relationship with John's firm. Several times a year John talks about CMG in his weekly e-letters or at various conferences. John also serves as a consultant to our CMG Absolute Return Strategies mutual fund. While I like to tease him about his strong Texas confidence, at the core he is an honest, humble and deeply reflective thinker.

If you are interested in receiving John's free weekly e-letter, [click here](#) and simply enter your email address where indicated on the front page.

Finally, and most importantly, we would like to earn your business. Please let me know if you are interested in learning more and I'll have Doug Dorr or Jason Wilder give you a call. Of course, I am always available to answer your questions at any time.

With very kind regards,
Steve

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A copy of CMG's current written disclosure statement discussing our advisory services and fees is available upon request or you can access this information on CMG's website (www.cmgfunds.net/public/adv.asp).

Mutual Funds involve risk including possible loss of principal. An investor should consider the Fund's investment objective, risks, charges, and expenses carefully before investing. This and other information about the CMG Absolute Return Strategy Fund is contained in the fund's prospectus, which can be obtained by calling 1-866-CMG-9456. Please read the prospectus carefully before

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