

f^2

F–Squared Investments, Inc.

Thought Leadership. Cost Leadership.TM

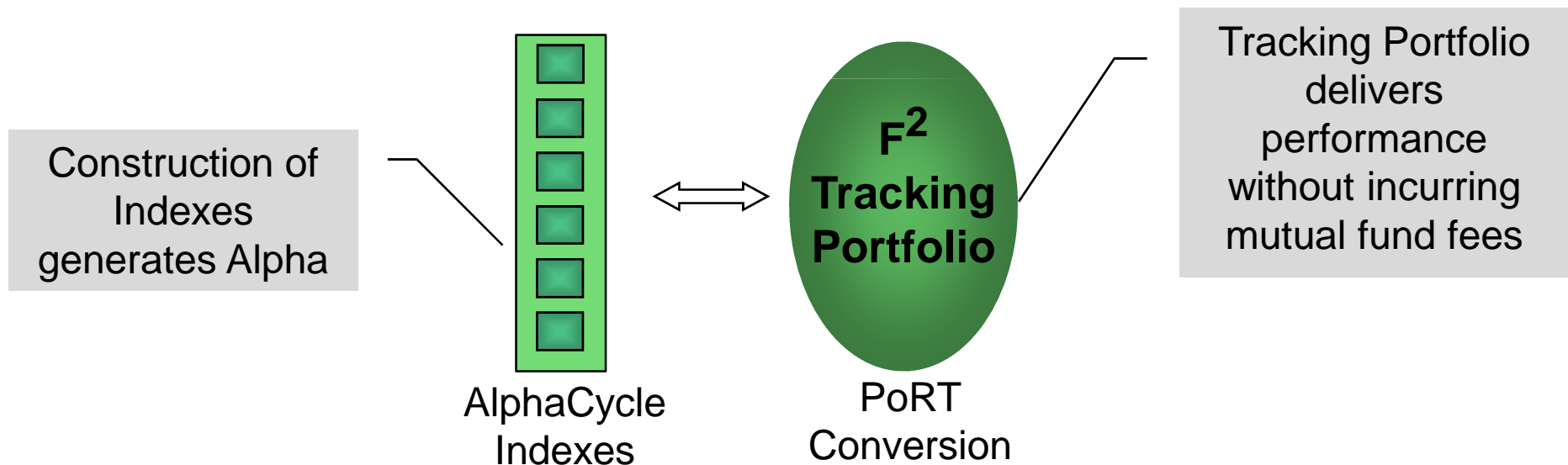
Strategies Tracking the
AlphaCycleTM Series of Indexes

F-Squared Investments delivers non-traditional solutions designed to provide improved return reliability at a lower cost

- ◆ F-Squared is an investment management firm and a registered investment adviser
- ◆ Enabling technology, Portfolio Replication Technology (PoRT™), allows “cloning” of portfolios of virtually any equity mutual fund
 - Cloning process replicates securities within funds, not the expense ratio
- ◆ Innovative business model delivers three benefits not previously seen together in the industry
 - Low cost manufacturer for active investment solutions
 - Unlimited investment options
 - Multiple investment solutions, open architecture platform
 - Includes access to portfolios that may be currently restricted or closed
 - Customization capabilities – Low cost customization, short delivery cycles
- ◆ Applications include:
 - Replication of existing portfolio with reduced cost
 - Custom design of multi-manager, multi-asset class investment solutions
 - Downside risk management
 - Construction of portfolio for shorting or hedging
 - Sub-advisory

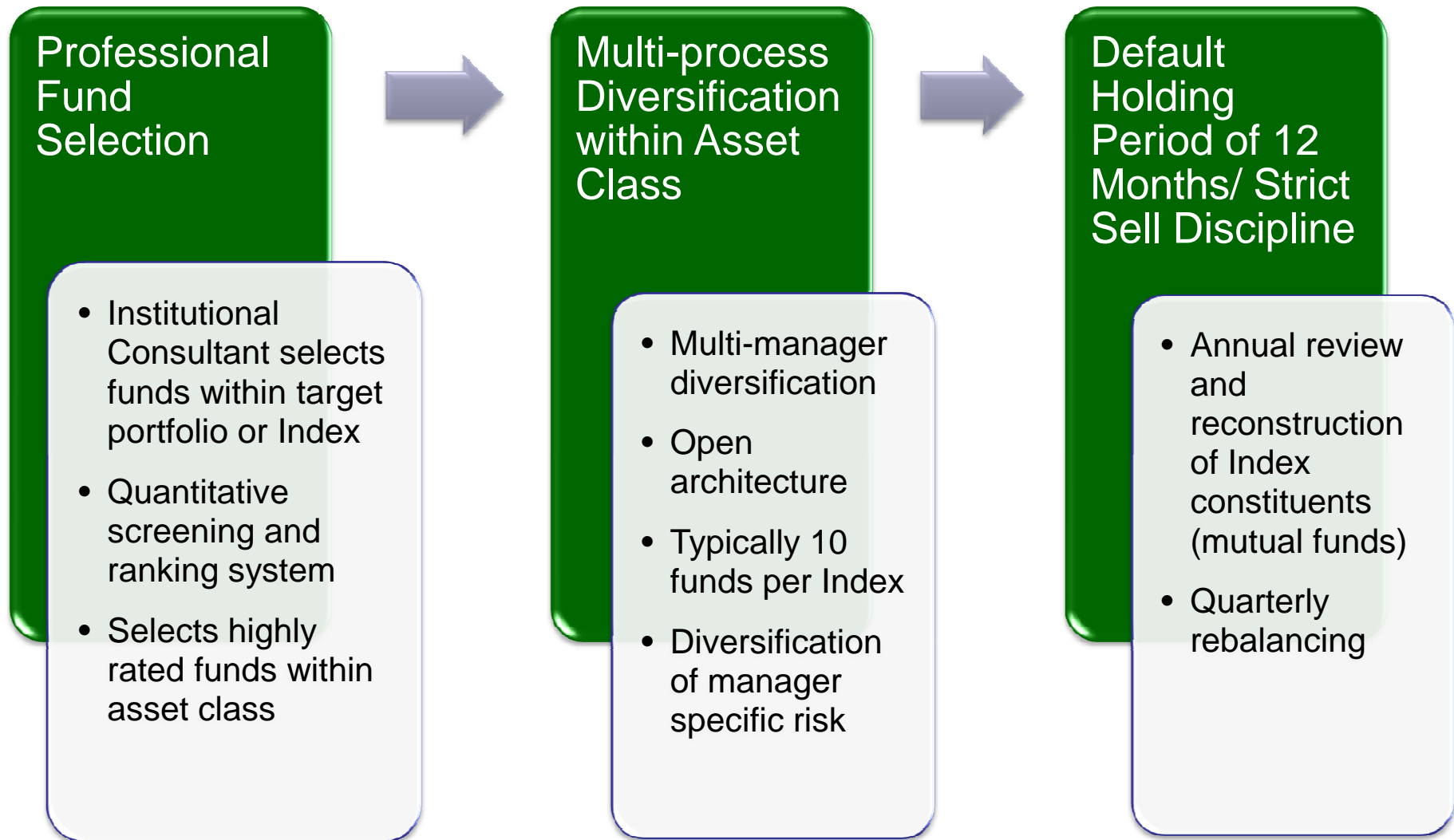
F-Squared Investments delivers low cost tracking portfolios linked to AlphaCycle Indexes

- ◆ F-Squared publishes 18 indexes constructed exclusively of actively managed mutual funds (AlphaCycle™ Indexes)
 - Published daily by the American Stock Exchange
- ◆ Enabling technology: Portfolio Recognition Technology (PoRT™)
 - Avoids mutual fund fees
 - Enables “AlphaCycle Investing”



Client does NOT invest directly in mutual funds → Investment solution is a portfolio of 100 – 250 individual stocks that combine to replicate the AlphaCycle Index performance without incurring the fees of the funds

AlphaCycle investment process incorporates two layers of alpha generation, imbedded manager rotation and repeatable process



Please see “Alpha Unleashed”, Journal of Indexes 3/2008 for comprehensive explanation of AlphaCycle Investing and its foundation in investment fundamentals; available at www.f-squaredinvestments.com

F-Squared Investments delivers a powerful investment solution to meet advisor and investor needs

Key drivers of performance and client value

- ◆ Reduced cost
- ◆ Investment process: professional selection; multi-manager diversification; embedded manager rotation

Desired Benefits:

Low Cost	Performance	Downside Protection
<ul style="list-style-type: none">▪ Lower fees/expenses▪ Translates to higher gross returns	<ul style="list-style-type: none">▪ Delivered consistent, 'steady' alpha³▪ Designed to deliver in a variety of market conditions	<ul style="list-style-type: none">▪ Avoided the fourth quartile 'apology zone'³▪ Reduced performance failures improves client retention
<ul style="list-style-type: none">▪ Low cost provider of actively managed investment portfolios¹	<ul style="list-style-type: none">▪ Diversification at process level reduces overall risk▪ Annual rotation maintains constant portfolio of best in class managers	<ul style="list-style-type: none">▪ Delivered asymmetrical returns³▪ Resulted in reduced underperformance³



Performance Analysis

F-Squared's Custom Replication enables improved persistency of alpha

◆ Drivers

- Reduced fees
- Open architecture of best-in-class managers
- Diversification of process, managers, and asset classes
- Unrestricted sell discipline
- Shorter default holding periods for managers

◆ Performance implications and opportunities¹

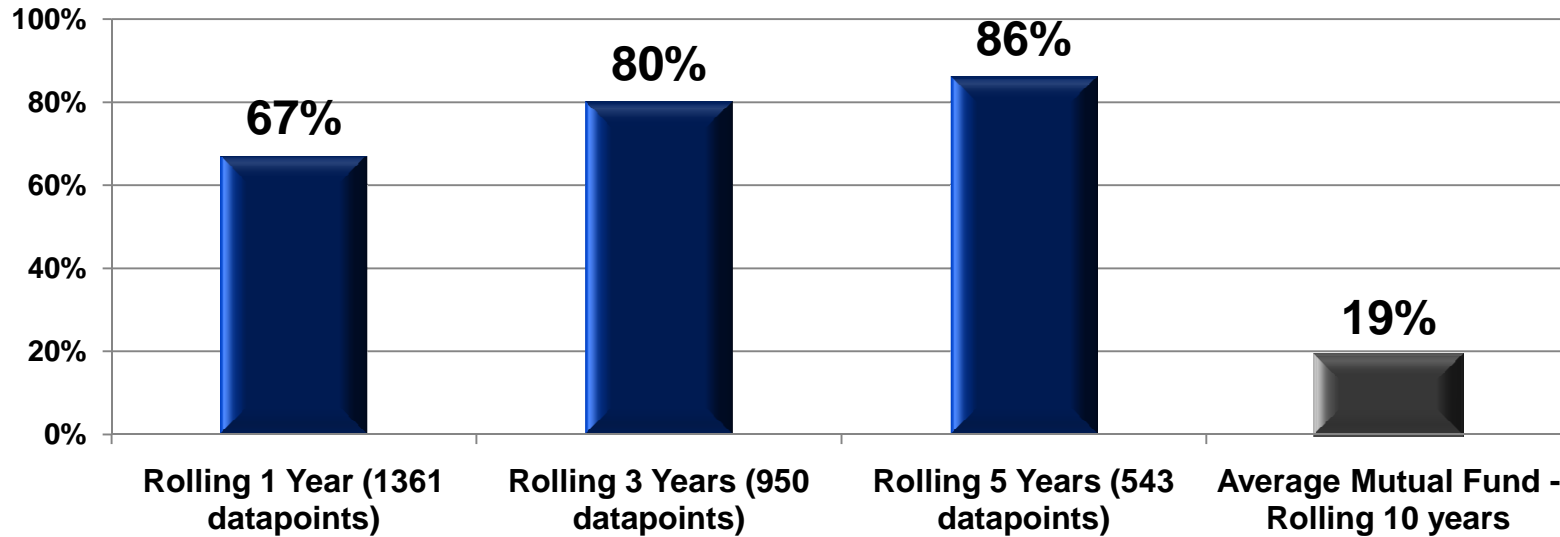
- Superior outperformance versus benchmarks and peer groups
- Persistency of alpha generation → compounds over time
- Asymmetrical return pattern
- Reduced downside tail

◆ Supporting data

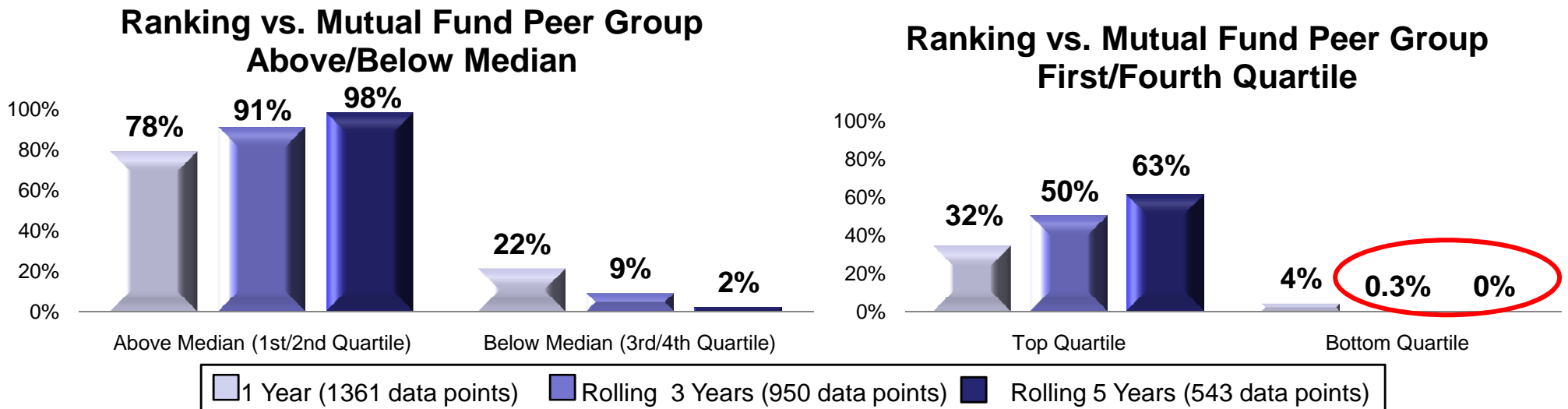
- F-Squared sponsors 18 proprietary indexes published daily by either the NYSE
- AlphaCycle™ indexes comprise 18 indexes of approximately 10 top rated mutual each; funds are selected by third party institutional consultants

Comparison of ALL AlphaCycle Indexes over rolling periods shows consistency of alpha^{1,2}

% Outperforming Benchmarks - Rolling Periods: Inception dates to 12/31/2008



% Outperforming Fund Peer Groups - Rolling Periods: Inception dates to 12/31/2008



Sources: Morningstar, New York Stock Exchange ARCA

AlphaCycle gross of fee index performance summary for periods ending December 31, 2008 shows consistency of alpha¹

Summary of all 18 Indexes – Periods ending 12/31/2008

<u>AlphaCycle Index</u>	<u>Benchmark</u>	<u>2008</u>		<u>Trailing Three Years</u>		<u>Trailing Five Years</u>	
		<u>Excess Return vs Benchmark</u>	<u>% Fund Peer Group Rank</u>	<u>Excess Return vs Benchmark</u>	<u>% Fund Peer Group Rank</u>	<u>Excess Return vs Benchmark</u>	<u>% Fund Peer Group Rank</u>
All 18 Indexes	Various	0.63	45	1.43	33	2.14	23

Detail on Large Cap Indexes (Max risk-adjusted return) – Periods ending 12/31/2008

<u>AlphaCycle Index</u>	<u>Benchmark</u>	<u>2008</u>		<u>Trailing Three Years</u>		<u>Trailing Five Years</u>	
		<u>Excess Return vs Benchmark</u>	<u>% Fund Peer Group Rank</u>	<u>Excess Return vs Benchmark</u>	<u>% Fund Peer Group Rank</u>	<u>Excess Return vs Benchmark</u>	<u>% Fund Peer Group Rank</u>
Klein Large Value	Russell 1000 Value	2.35	28	1.20	29	1.59	12
Klein Large Core	S&P 500	1.16	26	1.90	16	2.18	11
Klein Large Growth	Russell 1000 Growth	-1.39	45	0.24	30	1.70	22
Averages		0.71	33	1.11	25	1.82	15

Sources: Morningstar, New York Stock Exchange ARCA

Copyright 2009 – Confidential; Patents Pending. Please see “Important Information” on last page for disclosures that are an integral part of presentation.

All information in this presentation is the property of F-Squared Investments, Inc.
and is strictly confidential

E-mail at hpresent@f-squaredinvestments.com or visit our websites at www.f-squaredinvestments.com or www.activeindexsolutions.com.

IMPORTANT INFORMATION:

Copyright © F-Squared Investments, Inc. All rights reserved. "AlphaCycle" is a service mark of Active Index Solutions, LLC. This material is proprietary and may not be reproduced, transferred or distributed in any form without prior written permission from Active Index Solutions, LLC. Active Index Solutions, LLC reserves the right at any time and without notice to change, amend, or cease publication of the information. This material has been prepared solely for informative purposes. The information contained herein has been obtained from sources that we believe to be reliable, but its accuracy and completeness are not guaranteed. It is made available on an "as is" basis without warranty. Investment products that may be based on AlphaCycle Indexes are not sponsored by Active Index Solutions, LLC or F-Squared Investments, LLC, and neither firm makes any representation regarding the advisability of investing in them. Inclusion of a mutual fund in an index does not in any way reflect an opinion of Active Index Solutions or F-Squared Investments regarding the investment merits of such a mutual fund. None of the mutual funds included in the index have given any real or implied endorsement or support to Active Index Solutions or to this index. One cannot invest directly in an index. Returns represent past performance, and are not guarantees of future results or indicative of any specific investment.

Some of the returns presented reflect hypothetical performance an investor would have obtained had it invested in the manner shown and does not represent returns that an investor actually attained. Hypothetical backtested performance has many inherent limitations. The hypothetical performance is adjusted to reflect the reinvestment of dividends. The fee schedule and anticipated expenses are included in the client agreement. F-Squared's fees are available upon request and also may be found in Part II of its Form ADV. Past performance is no guarantee of future results.

¹Morningstar Direct, NYSE Arca, F-Squared Investments proprietary research and analysis

²NYSE Arca, Morningstar Direct, F-Squared Investments, and "The Difficulty of Selecting Superior Mutual Fund Performance", Thomas P. McGulgan, *Journal of Financial Planning*, 2/2006.