

For Immediate Release

AlphaSector Rotation Index (ASRX) Outperforms 99% of all Large Cap Mutual Funds for 1, 3, and 5 Year Periods¹

Outperforms S&P 500 by Over 28% for 2008 with Only Two-Thirds the Risk^{1,2,3}

Wellesley, MA, January 28, 2009 – F-Squared Investments, Inc. is pleased to report that AlphaSector™ Rotation Index (ticker ASRX) completed 2008 achieving a rare performance “double” - outperforming at least 99.8% of all large cap US equity mutual funds tracked by Morningstar for the trailing 1, 3, and 5 year periods, while only incurring 69% of the risk of the S&P 500.^{1,2}

The AlphaSector Rotation Index is an “active index” that is constructed from exchange traded funds (ETFs) that track the primary sectors of the S&P 500 plus a short-term Treasury ETF. ASRX, published daily by NASDAQ, uses no derivatives, no leverage, nor shorts any stocks. It is rebalanced monthly, and designed to make longer-term allocations among the S&P 500 sectors, but in periods of market weakness will build up positions in Treasuries. ASRX will completely eliminate sectors which are forecasted to underperform cash. For example, it eliminated all exposure to Financials in July, 2007.

AlphaSector performance highlights for the periods ending 12/31/2008¹:

- Outperformed the S&P 500 by more than 28% in 2008 with only 60% of the risk²;
- Outperformed all 5,036 large cap mutual funds for trailing 3 years;
- For trailing 5 years, in months that the S&P 500 had a positive return, ASRX outperformed on average by 7% (Upside Market Capture 107%);
- For trailing 5 years, in months that the S&P 500 had a negative return, ASRX incurred on average only 51% of the loss (Downside Market Capture 51%).

“I have been in this business for over 20 years, and I have never seen a product that delivered such strong relative performance while also achieving this level of structural downside risk management,” said Howard Present, CEO of F-Squared Investments. “AlphaSector can deliver what investors are looking for today – an easy to understand product that has the potential to outperform, but takes downside risk management very seriously”.

Due to the Index’s history of high alpha plus superior downside risk management, applications for investors and advisors include 1) large cap equity positions, 2) use as an “alternative” investment within a broad-based portfolio, 3) retirement income portfolios.

Low cost separately managed accounts (SMAs) are available from F-Squared Investments that track the ASRX Index. Strategies can also be made available as model portfolios for use within mutual fund wrap programs. Because the strategies are invested exclusively in ETFs, implementation is easy and cost effective.

Strategies are available on the Schwab, Fidelity, TD Ameritrade, and Pershing system through the WealthADV platform. They are also available on FOLIOfn or firm’s using Smartleaf’s overlay technology.

ASRX is currently available for licensing for mutual funds, ETFs, or UITs.

“AlphaSector’s strategy is in some ways a throwback”, stated Mr. Present. “The investment industry has, to a fault sometimes, become obsessed with processes that fit within tight boxes. If there is one thing that 2008 taught us it is that sometimes you need to think out of the box to meet investors’ goals.”

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About F-Squared Investments: F-Squared Investments is a Registered Investment Advisor. The firm creates investment solutions with the goal of generating repeatable, consistent investment value-add, delivered with the lowest possible costs. For more information, visit us at www.f-squaredinvestments.com.

¹Morningstar Direct, NASDAQ OMX, Periods ending 12/31/2008

²Relative Standard Deviation as Risk Measure

³S&P 500 is a registered mark of Standard and Poors, Inc.

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