



Change in methodology notification for:

AlphaSector Premium International Index and AlphaSector International Index

Also impacts the international equity portion of:

AlphaSector Global Premium Index

AlphaSector Global Index

AlphaSector Allocator Premium Index

AlphaSector Allocator Index

And all corresponding AlphaDEX Indexes

In late December, 2011, The F-Squared Index Investment Committee approved a modest adjustment in the model and methodology of the AlphaSector Premium International Index.

Background:

The International strategy has done a very effective job of navigating the international markets over the past decade, especially moving to cash during all three of the past decade's most severe bear market periods - including an average of an 88% cash position from mid-August through mid-December 2011. F-Squared's Investment team, however, believes the strategy can benefit even further from a minor modification to the signals and index construction methodology. The specific enhancement reflects two parts of the model that determine the exposure to the international ETFs (EFA and EEM) and short-term Treasuries (BIL).

Modification:

The current decision to invest in EFA or EEM is based on a subset of the nine US sector signals from the domestic AlphaSector U.S. models (either the Premium/weekly or Rotation/monthly models). Each International ETF has its own unique set of sector "triggers" (the subset) that determine their exposure in the strategy. The actual weighting in the index is based on the pro-rata weights of the triggers.

Two minor adjustments to this approach have been approved:

- 1) The composition of the triggers for EFA and EEM have been slightly modified to include sectors that are more sensitive to international market dynamics.
- 2) The weighting methodology will change from a straight pro-rata approach described above to one in which two or more sectors (i.e. triggers) need to turn off before we start building a position in cash. This adjustment generates a slightly higher redundancy before reducing overall portfolio risk.

Historical analyses of these adjustments over various market environments were shown to provide enhanced performance and stability of the index results.

These enhancements will take effect immediately. As per standard industry practice, no revision to the indexes historical composition or track record will be made.

F-Squared Investments
Investment Committee



Change in methodology notification for:

AlphaSector Allocator Premium Index and AlphaSector Allocator Index

**Also impacts the Alternatives sleeve of:
All corresponding AlphaDEX Indexes**

In late December, 2011, The F-Squared Index Investment Committee approved an adjustment in the model that determines exposure to the gold ETF (GLD) within the Alternatives sleeve of the AlphaSector Allocator Indexes (Premium and monthly).

Background:

The methodology for investment in GLD had done relatively well over the past couple of years, however it was proven to be less stable than desired during the higher volatility seen in 2011. F-Squared's Investment team believes the strategy can benefit from a modification to the methodology providing improved consistency in the model implementation, especially in periods of higher market volatility.

Modification:

The current decision to be in or out of GLD is based on a variety of factors, including trending data for gold as well as market dynamics for US equities.

The adjustment reflects a shift to a more trend following or momentum based model. This approach is philosophically more in alignment with the approach of the flagship AlphaSector US equity strategies, and is designed to create more stability over time.

Historical analysis on this signal adjustment shows that the signal provided improved results over the past 10 years, and in particular superior performance during 2011. Of course, GLD has a maximum allocation of 5% with the AlphaSector Allocator Indexes.

These enhancements will take effect immediately. As per standard industry practice, no revision to the indexes historical composition or track record will be made.