

## GENERAL MARKET COMMENTARY

In spite of the bad news of high unemployment, inflation, continued weak housing prices, a collapsing US dollar, deficit budgets, international unrest, and nuclear fallout, the market continues to move higher. This has been a bull market that no one believes. In the first 25 months, the current bull market has experienced seven separate corrections of 5% or more. This is the greatest number of 5% corrections in the first 25 months of *any* bull market of the past 70 years, including a 16% correction in 2010.

These corrections are an important part of keeping speculation at bay, and are healthy for a bull market. Market risk continues to be low, as interest rates are stable, high yield bonds are stable, small cap stocks continue to outperform, and the Federal Reserve continues to keep liquidity high. These factors are all positive for the market, and reveal the fact that investment risk is currently low. How long this situation will persist is always a question, but as long as our technical indicators remain favorable, we expect to enjoy the ride.

## STOCKS VS. INVESTMENT ALTERNATIVES

Keeping a longer-term perspective is important for investors so that they do not get caught up in a short-term investment prejudice that may cause them to lose touch with historic norms.

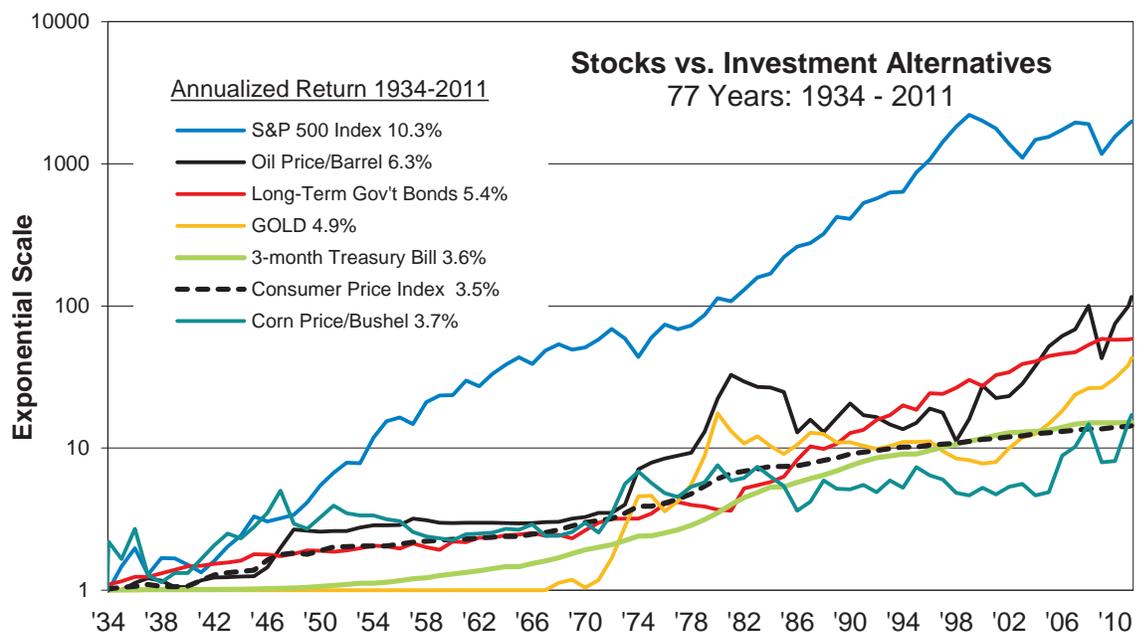
The chart below illustrates that the long-term trend of the stock market for the past 77 years has been steadily higher in spite of all those bear markets, world wars, terrorist attacks, recessions, and commodity price bubbles.

Stocks continue to outperform almost all asset classes over long periods. It is important to remember that bear markets end, bringing substantial returns back into investors' pockets.

This chart illustrates long-term rates of return for various investments. The 10.3% average annual return for stocks (S&P 500 Index) have outperformed the inflation rate by 6.8% per year on average. Government bonds have beaten inflation by about 2% per year. T-bills (3-month Treasury bill) performed the same as the inflation rate, so money market returns have not created wealth, and may actually show a loss after taxes. What may be most surprising to investors is that gold, oil, and grains have not kept up with the stock market, except for brief speculative periods.

Gold is a cyclical investment, and moves in periods of inflation and financial uncertainty. You can see in the chart

that the last major move took place in the 1970's. It ended with a "blow off" move over 100% in less than two months and up eightfold over a 3-year period. It then went from \$850 per ounce down to \$300 per ounce over the next two years, and remained at this level for the next 20 years. It has averaged 4.9% per year, a little more than the CPI (Consumer Price Index) and a little less than government bonds.



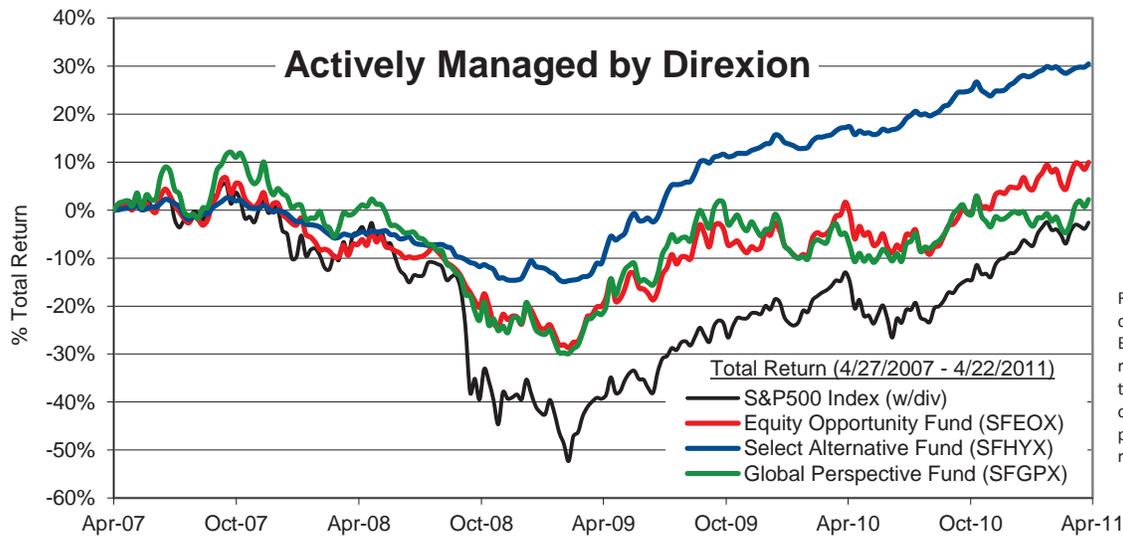
The reason why commodities are rising is due to the Federal Reserve policy of low interest rates, causing investors to borrow funds at less than 1% rates, and purchase commodities. The Federal Reserve has a policy of encouraging inflation at this time which weakens the US dollar and inflates prices of commodities.

Historically, stocks are better investments than hard assets, and over this extended period, stocks have performed at an annualized rate that was 6.8% higher than inflation, whereas gold has outperformed inflation by only 1.4% per year.

**ASSETMAXX PERFORMANCE**

The AssetMaxx funds with Direxion have performed well over the last several years, and this included the worst bear market since the Great Depression nearly 80 years ago and the most recent bull market.

This weekly chart of the three funds, subadvised by Hundredfold Advisors (Ralph Doudera), show profits over this painful period. Note the lower volatility characteristics of all three funds, while still outperforming the S&P 500 Index.

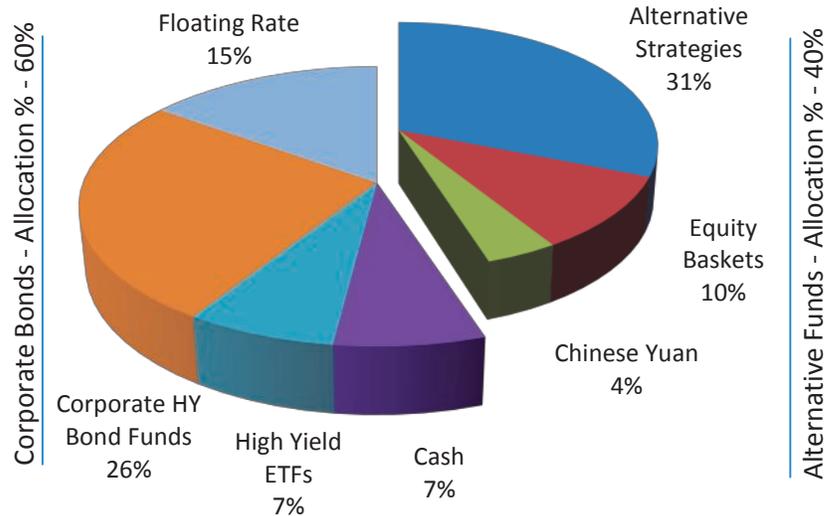


Return numbers assume reinvestment of dividends and were obtained from Bloomberg. The prospectus should be referenced for risks associated with those funds as well as costs, fund objective and investment options. Past performance does not guarantee future results.

**DIREXION SELECT ALTERNATIVE FUND**

The Direxion Select Alternative Fund (SFHYX) invests in a diversified portfolio of open-end mutual funds, exchange traded funds (ETFs), and baskets of selected domestic and international stocks. SFHYX is actively managed and continuously seeks out investments that have both low volatility and low correlation with the stock market. It is suitable for investors who would like to have potential returns in excess of money markets, yet be less subject to stock market volatility. Currently the portfolio is modeled with a 60% allocation to corporate bond products and a 40% allocation to alternative investments. A sample of the portfolio's positions and allocations are illustrated in the pie chart. The percentages are indexed to show relative allocation. Because of its low volatility, it may utilize leverage from time to time with a current target of 130% and still retain its conservative character. During favorable market conditions, the portfolio may be leveraged up to this target. The 40% alternative fund allocation in this example (expanded pieces) has various funds in the portfolio. These funds add non-correlated performance to the fund and are monitored and replaced as circumstances change and new

opportunities present themselves. The blue line in the chart on the bottom of page 2 illustrates SFHYX for the past four years, showing both low volatility and outstanding performance. This fund is recommended for conservative investors who are also interested in steady growth. Morningstar has given Direxion Select Alternative Fund their highest "5 Star" rating, and according to their publicized information, it ranks #5 out of 418 Conservative Allocation Funds over the past 5 years.



**PERSONAL PERSPECTIVE** by Ralph Doudera

In a few days, I will be celebrating my 65<sup>th</sup> birthday, a time when most people think about retirement. I think of it more as a commencement. I have been preparing all my life for the best years of my life. The Biblical figure of Moses comes to my mind, as he lived to be 120 years old. His life could be divided into three segments of 40 years each. In his first 40 years, he became educated in culture, academics, and career planning. At age 40, the thought first entered his mind that maybe his purpose in life might involve freeing the Israelite slaves, not just living a luxurious life as an Egyptian prince. (I see some similarities there for me as well at age 40.) However, he tried doing it the wrong way (as in “I did it my way”), and ended up spending the next 40 years in the wilderness in exile. Here Moses got a second chance when he had a personal meeting with God who was in the famous burning bush. Here he had a season where God developed his character, and taught him obedience and how to hear His voice. That took him 40 years! When he turned age 80, he approached Pharaoh to allow God to deliver the Israelites from slavery under his leadership in one of the most fascinating stories in the Bible (the book of Exodus). He really didn’t feel qualified to represent the

people. He argued with God, complaining that he could not speak very well. God’s response? “Hey Moses, who made your mouth? I will be your mouth and tell you what to say” And of course, his final 40 years were his most productive, as he listened to God, and became God’s spokesman, leading the Israelites to the promised land, and more importantly, teaching God’s laws to them and building their faith. It seems that God uses ordinary people to accomplish extraordinary tasks.

Maybe that is how God has been working in my life, with the first third of my life being education, career, and a bit of selfishness, and the past third helping me build some character, obedience, and faith to allow Him to do something significant in my final third. My mentor, Dr. John Edmund Haggai at age 87 is currently doing the most effective work of his life training leaders across the globe in evangelism leadership. On my office wall, I have a framed message he gave me that states “*Assume something so great for God that it is doomed to failure unless He is in it.*”

So, I am looking forward to my most productive trimester, hopefully listening for God’s direction, while looking for opportunities to make a difference. Retirement? NO WAY!

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*“Steady plodding brings prosperity; hasty speculation brings poverty” (Proverbs 21:5, LB)*

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