



Portfolio Manager

Sebastian Leburn, CFA
Chief Investment Officer

A graduate of Florida State University, Mr. Leburn holds a master's degree in economics, a CFA Charter designation and FINRA Series 7 and 24 licenses. At Weiss, Mr. Leburn plays a crucial role in investment program strategy, design and development and is committed to setting the highest standards of professional excellence and integrity.

Program Summary

Investment Objective

Long-term growth through speculation and trading

Portfolio Composition

Inverse-index mutual funds

Risk Tolerance

Investors with an aggressive risk tolerance seeking to benefit during prolonged stock/bond market declines (not recommended for keep-safe funds)

Benchmark

S&P 500 Index

Inception Date

December 31, 2000

Minimum Initial Investment

\$100,000 (Effective 9/5/08)

Annual Management Fee

1.50%

Recommended Holding Period

Three-to-five years

The Weiss Bear Strategy

The combination of improved economic conditions and easy monetary policy worldwide allowed for continued rise in equity markets during the third quarter.

Economic growth may well turn positive over the next several quarters, as a slew of recent data points to turnarounds in manufacturing and housing as well as business and consumer confidence, putting the prospect of continued recovery back on the table for at least the near term. Nevertheless, we must remain cautious should conditions deteriorate anew and advise that you keep some "insurance" handy should markets correct.

The S&P 500, on average, has historically produced a return of approximately 20% from a bear market bottom to the end of a recession.¹ If the current historic economic downturn ended in June, as many now believe, the 37% return on the S&P from its March 9 low through the end of June would be the largest advance on record. Caution is highly warranted.

Anticipating a potential correction, the Weiss Bear Strategy began the third quarter

with a 50% short position against the S&P 500 and a 10% short position against the Russell 2000 index. After an initial decline in the early part of July, equity prices firmed and began a strong move higher. This move led us to reduce our inverse equity exposure to a 20% portfolio allocation heading into August.

By late August, our signals once again pointed to an overbought market, so we boosted our inverse equity exposure to 50% of assets. The market began to correct soon after, but by early September, another powerful advance took hold, which resulted in closing our inverse positions at a loss. In late September, we initiated another inverse position on the S&P 500 for 50% of the portfolio.

When equity markets exhibit strong upward trends, the Weiss Bear Strategy is designed to reduce its exposure to inverse equity funds, avoiding being short equities during bullish phases. In rising markets, the strategy will typically become more active as our indicators attempt to take profits

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The Weiss Bear Strategy Program Highlights

- ▶ The Weiss Bear Strategy offers investors the opportunity to take advantage of broad and sustained stock- and/or bond-market declines.
- ▶ If you own securities that could decline in value during a prolonged bear market, you may want to consider this strategy as a hedge to help protect your investment portfolio.
- ▶ If your objective is to potentially earn short-term profits while markets decline, you may also want to consider this aggressive strategy.
- ▶ The Weiss Bear Strategy is eligible for investment by IRAs, 401(k)s, and other retirement plans.

| Program Returns thru 9/30/09 | 3rd Qtr Total Return | YTD Total Return | 1-Year Total Return | 3-Year Annualized Return | 5-Year Annualized Return | Since Inception Annualized Return (12/31/00) | Since Inception Cumulative Return (12/31/00) |
|-----------------------------------|----------------------------|------------------------|---------------------------|--------------------------------|--------------------------------|--|--|
| Weiss Bear Strategy Net Returns | -8.98% | -12.61% | -9.96% | 1.21% | 1.90% | 2.48% | 23.90% |
| Weiss Bear Strategy Gross Returns | -8.65% | -11.70% | -8.71% | 2.71% | 3.41% | 4.05% | 41.54% |
| S&P 500 Index | 15.61% | 19.26% | -6.91% | -5.43% | 1.02% | -0.67% | -5.69% |

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sooner, or conversely, get out of losing positions more quickly. Indeed, activity in the program has picked up in recent months and this trend could continue.

While the strategy's recent, short-term performance has been disappointing, it is not unusual for it to require more trading during one of the biggest and most unprecedented market rallies on record. The Weiss Bear Strategy remains true to its

objectives: creating the potential for profits during down markets and serving as a protective hedge for "long-only" portfolios against market declines.

We caution investors against becoming too complacent after one of the biggest rallies in history. Now may be the best time to reconsider a hedge-oriented strategy such as the Weiss Bear Strategy for a small or modest portion of your overall portfolio given our outlook that further advances

for stock prices may be more difficult to come by.

¹ Gluskin Sheff & Associates Inc. September 14, 2009, *Economic Commentary*

■ This material may contain forward-looking statements regarding intent and belief with regard to the program and the market in general. Readers are cautioned that such statements are not a guarantee of future performance and actual results may differ materially from those statements.

Important Disclaimers and Disclosures

Investment Risk

Past performance is not indicative of future results and as with any investment program it is possible to lose money by investing in the program. There are no guarantees that the program will be able to achieve its stated objectives.

Suitability

The Weiss Bear Strategy is suitable for investors with an **aggressive** risk tolerance seeking to benefit during prolonged periods of stock/bond market declines. The suitability of this program for IRAs, 401(k)s and other retirement plans is at the discretion of the plan's sponsor or fiduciary. **The program has a recommended holding period of three-to-five years** and is not recommended for keep-safe funds. In pursuing the Weiss Bear Strategy's investment objective through the purchase and sale of mutual fund shares, Weiss Capital Management, Inc.'s investment team does not consider either a fund's potential for generation of current income through declaration of and payment of income, dividends or capital gains distributions, or the tax consequences of buying and selling fund shares. Please consult with your tax adviser before investing in the program.

Performance

Performance of the Weiss Bear Strategy depends on the performance of the underlying mutual funds in which it invests. In turn, performance of the underlying mutual funds depends on the performance of equity and fixed-income markets.

Returns are based on a composite of actual client accounts. Individual client returns may vary depending on, among other things, account opening date, contributions, withdrawals, and fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size.

Net returns cited include actual management fees, commissions, and other similar fees charged on transactions, and reinvestment of dividends, income and capital gains. **Gross returns** cited exclude management fees and are net of actual commissions and other similar fees charged on transactions, and include dividends, income and capital gains.

Benchmark

The S&P 500 Index is a capitalization-weighted index that consists of 500 large-cap US stocks, which assumes the reinvestment of dividends and capital gains, and excludes management fees, transactions costs and expenses. Because the S&P 500 Index is the most widely recognized index of equity prices and commonly used benchmark for investors, it is believed to be an appropriate broad-based securities market index against which to compare the program's long-term performance. **It is not possible to invest in an index.** Index return data source: Bloomberg.

Important Disclosures

Additional expenses such as transaction costs associated with purchases made through the custodian may be incurred. Mutual funds are also subject to expenses, which are shared indirectly by all shareholders.

This strategy's portfolio may be rebalanced as deemed necessary by the portfolio manager. **Rebalancing may generate additional fees.**

The Weiss Bear Strategy may invest in the Weiss Treasury Only Money Market Fund, which Weiss Capital Management, Inc., or its affiliates provide advisory, administrative, distribution and other services, and receive compensation. **An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.** A prospectus can be obtained online at www.WeissFund.com.

- September 5, 2008, the strategy's minimum investment was raised to \$100,000 from \$50,000. It was \$100,000 from inception to Oct. 1, 2005.
- October 1, 2005, the Program's stated annual management fee was lowered to 1.50% from 2.00%.
- April 1, 2005, Sebastian Leburn, CFA, became the portfolio manager. Prior to this date, Anthony Sagami of Harvest Advisors was the sub-advisor.

For additional program information, please read the firm's ADV Part II before investing.