HORTER
Investment Management, LLC

Media is Saying High Yield Bonds are Ready to Burst. . . . .

This is a **"Perfect Storm"** for HIM advisors and our clients. Why, you say? Because, we have "tactical" managers like Redwood Investment Management and Ocean Park HYCB who can go to Cash/Money Market accounts when the economy falters and the market deteriorates.

Yes, High Yield Bonds are fairly priced now, but they are yielding approximately 6.5% in our portfolios.

Just like 2008 when Ocean Park earned slightly less than 1% net of fees and Redwood Investment Management earned 7% net of fees(1), they will go to Cash/Money Market Accounts when the Stock Market and High Yield Bonds start to break down.

High Yield Bonds went down approximately 20% to 30% by the end of the 2008 Great Recession crisis. So HYB's were "on sale" by the end of 2008, Spring of 2009 while Ocean Park and Redwood went unharmed staying in the Money Market Accounts into the end of 2008 and Spring. (1)

Attached is a chart of the Merrill Lynch High Yield Master II Index-Yields (Source: Bloomberg and Merrill Lynch) that shows at the height of the crisis HYCB the yields went to as high as <u>23</u>%.

SO LET ME FIGURE THIS OUT. High Yield Bonds are on sale at 20% to 30% (by Spring 2009) less than par and the yields if I reinvest in High Yield Bonds are paying upwards of 23%. So I can possibly receive 23% interest and have potential capital gains in High Yield Bonds when the economy recovers? YES!

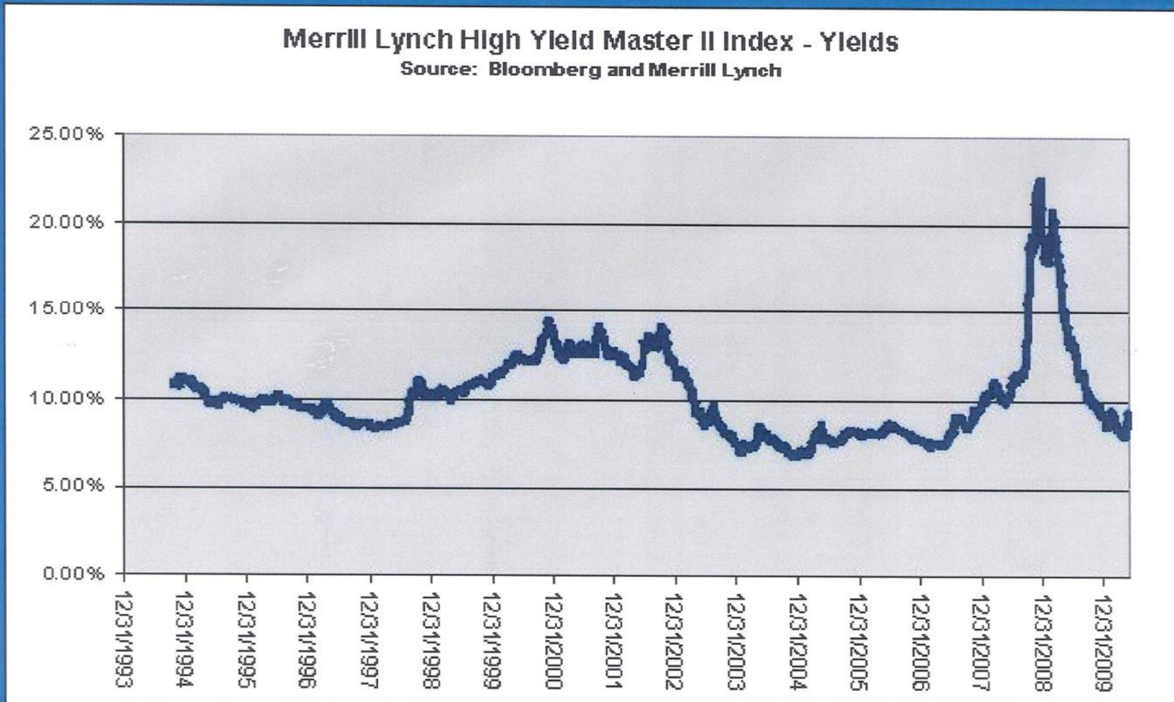
That is the best scenario for our clients. This is a "Perfect Storm" for our client as I said before. Others who don't work with HIM, unfortunately, won't fare so well. I can't say what the HYB discounts may or may not be at the height of the next crisis but they may be just as significant.

Our clients should do just fine. They would suffer only minor losses (if any, as stated in the marketing materials) or possibly have positive results with Ocean Park and Redwood while other investors could get hurt severely.[(1)] Our advisors will be here to help their clients.

We don't wish any harm to other investors. We need to protect our clients as best we can and tell them of our opportunities.

W.E. DONOGHUE & CO., INC.

MANAGING THE INVESTMENT OPPORTUNITIES OF YOUR LIFETIME



WEDCO

Performance results are composite client returns, are the result of actual trades performed by W.E. Donoghue & Co., Inc (WEDCO). The inception of the Power Income strategy was 5/31/1998. The inception of the Tactical Growth Portfolios were 9/30/2001. The performance results reflect the reinvestment of dividends and interest and are net of all management fees, mutual fund expenses, interest expense (if any), custody expense, transaction fees (if any), and variable annuity (insurance) expenses (if any). When this portfolio is used inside a variable annuity additional fees will apply. These strategies can utilize open-end mutual funds, Exchange Traded Funds (ETFs) or variable insurance sub-accounts. W. E. Donoghue & Co., Inc.'s maximum annual advisory fees are 2.50% on first $100,000, 1.95% on next $150,000, 1.75% on next $250,000, 1.50% on next $500,000 and 1.00% on amounts over $1,000,000. The management fee is calculated on the average daily balance of assets under management of the previous quarter and billed forward. Individual client account results will vary from composite client returns.

Past performance is not indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable. The inclusion of the S&P 500 Index and Barclay's Aggregate Bond Index results are for comparison purposes only. The S&P 500 Index is a market capitalization weighted index of 500 widely held stocks often used as a proxy for the stock market. Standard and Poor's chooses the member companies based upon market size, liquidity, and industry group representation. Included are stocks of industrial, financial, utility, and transportation companies. The historical performance results of the S&P (and all other indexes) do not reflect the deduction of transaction and custodial charges, nor the deduction of a management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. Please note; the WEDCO performance results do not reflect the impact of taxes. The Power Income Portfolio will generally involve above average turnover which could negatively impact upon any net after tax gain experienced within a taxable account.

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