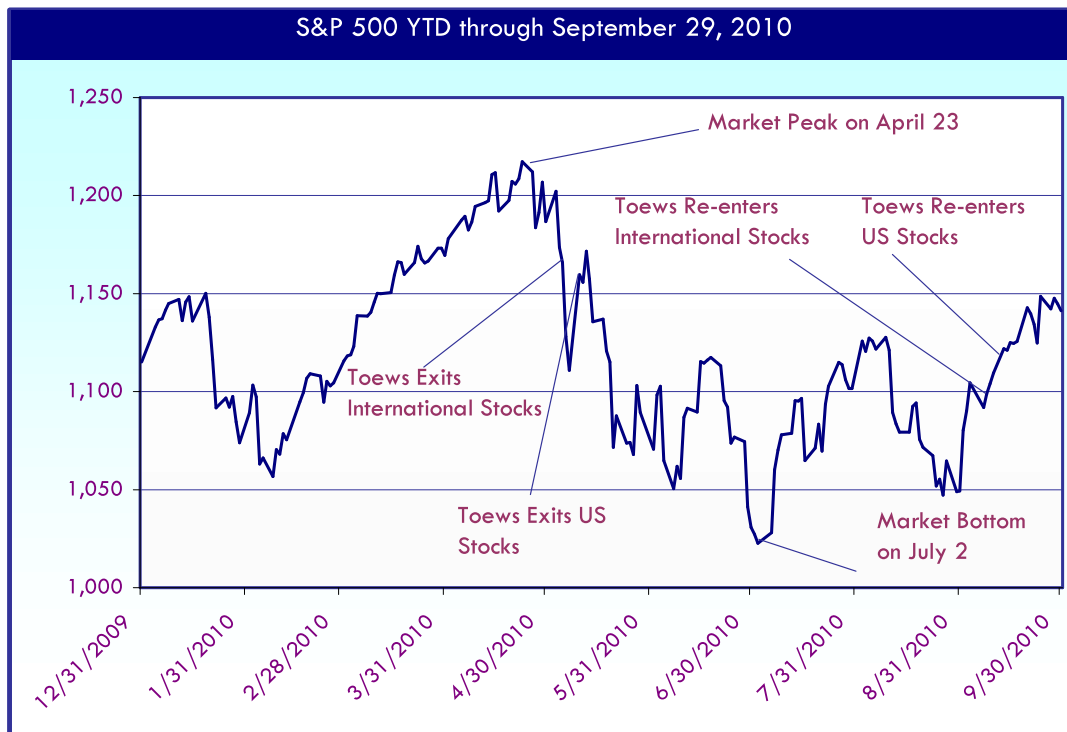


Markets Move Higher after a Fearful Mid-Year decline
Toews Fully Invested at Quarter-End

At the end of the 2nd quarter, stocks were in a severe correction, having dropped over 15% in just over 2 months. The market reached a bottom on July 2nd and made a healthy advance into the end of the quarter. Our system re-entered stocks in early September. At the end of the quarter, our proprietary accounts were fully invested across all asset classes*.



*Certain specialized Toews portfolios such as TC Sector Opportunities, Bond Asset Allocation and Emerging Markets portfolios vary from the signals shown above. Portfolios based on other advisors' programs like Litman/Gregory and Breen Financial administered by Toews Corporation did not exit markets as shown. Dividend Strategies also remained allocated fully to stock and bond positions.

Looking at the Year Ahead

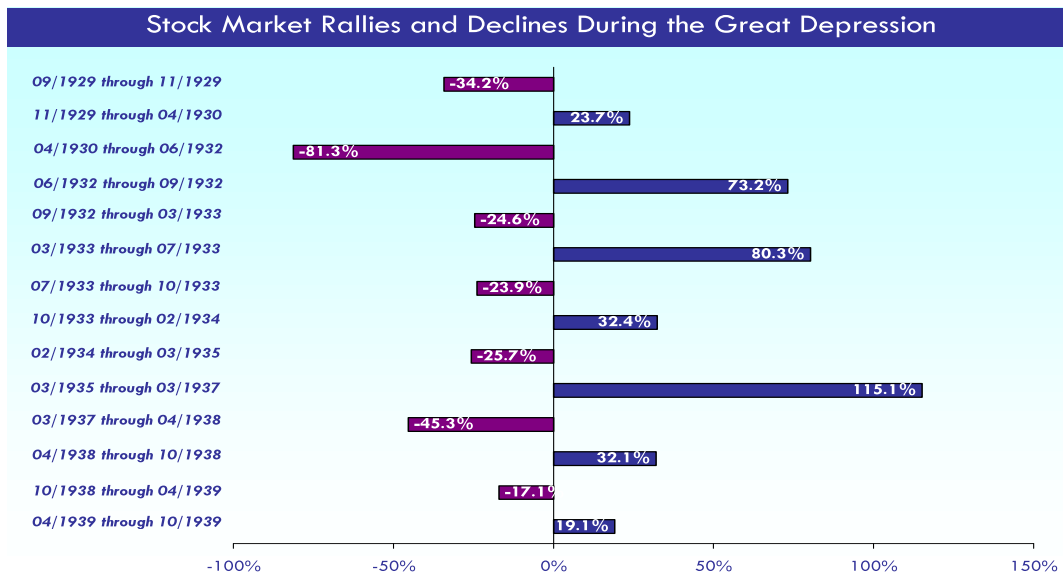
In our last commentary we looked at two divergent outcomes from the second quarter decline: **1) that the decline would be a short-lived pause in a rising market; or 2) that the decline was the beginning of a larger term market drop.**

Evidence suggests that the first scenario is being realized, as stock prices continue to move higher coming into the 4th Quarter. A continued rally would have positive effects on our investors' portfolios. It could also spill over into consumer confidence and the real economy; reducing the possibility of a second recession.

If this were a normal stock market decline absent peripheral factors, there would be a strong case for a continuation of the stock market recovery. This, however, is not a normal stock market decline. Unemployment and declining housing prices are at levels not seen since the Great Depression and far exceed those of any other post-war recession. As a percentage of GDP, our current federal debt level is higher than it was 3 years into the Great Depression**. If the US economy is unable to enter a sustained period of GDP growth, this will ultimately undermine any stock market recovery.

It is possible, then, that both scenarios will be realized. We may have a significant stock market rally that is followed by further declines. While extended bear markets have a downward bias, they are often comprised of market rallies among significant declines.

In our last commentary letter, we highlighted the stock market rallies during the Great Depression. We've added to that chart the stock market drops during the Great Depression (see below).† If we remain in a cyclical bear market it will be important to understand that short term moves higher may not be an "all clear" sign that the markets are in for an extended recovery.



** Source: Congressional Budget Office

† Chart Source: Shiller - 2010

As we've stated before in this commentary, declining markets can potentially produce profits for our investors. First, by remaining in money market funds during the duration of the decline, we help avoid losses. Second, declining markets can increase our investors' chances for gains.

As the stock market moves lower, our target point for buying back into stocks moves lower too. That means that as the market moves down we have the opportunity to buy back into stocks at bargain prices, potentially setting the stage for fresh gains.

Disclosure

Please read the below disclosure regarding this document and Toews Corporation.

Prior performance is no guarantee of future results and there can be no assurance, and individuals should not assume, that future performance of any of the portfolios referenced will be comparable to past performance.

There can be no assurance that Toews will achieve its performance objectives.

This document refers to the performance of the majority of Toews portfolios to illustrate the effect of Toews management on US and intl. stocks and high yield bonds. Performance of individual accounts varied based on the client's investment risk profile and their specific investment funds. For your individual account performance, please refer to the enclosed quarterly statement or the quarterly statement recently sent you. In addition, not all model portfolios were referenced in this letter. It is not, nor is it intended to be, a comprehensive accounting of Toews asset management. There are other portfolios that Toews manages that performed differently than what is referenced in this letter.