

INFLATION PROTECTION FUND IPF

MANAGED BY **TOWNELEY CAPITAL MANAGEMENT, INC.**
FOR THE PERIOD ENDING OCTOBER 31, 2010

OBJECTIVE

The objective of the Inflation Protection Fund (IPF) is to provide a hedge against the loss of purchasing power due to U.S. dollar price inflation and/or to a decline in the exchange rate of the U.S. dollar.

INVESTMENTS

We use no-load mutual funds and/or exchange traded funds (ETFs) to provide exposure to the following:

Commodities: Commodities can help offset the negative effects of price inflation and the declining U.S. dollar.

Treasury Inflation Protected Securities (TIPS): TIPS are fixed rate U.S. or foreign Treasury notes and bonds, the principal value of which is adjusted periodically for price inflation. TIPS offer price inflation protection and diversification with less risk than equities.

U.S. Treasuries: Exposure is provided by funds holding long or short positions in U.S. Treasuries. Treasuries are more highly correlated with price inflation than are other investments.

Currency: Exposure is provided by funds holding long or short positions in the U.S. dollar. Periods of dollar depreciation can increase inflationary pressures as imports to the U.S. become more expensive.

Foreign Fixed Income: Non-Dollar-denominated debt securities issued by foreign governments or companies help hedge declines in the U.S. dollar, domestic fixed income, equities and precious metals.

INVESTOR PROFILE

The strategy is designed to benefit investors who seek to complement their existing portfolios with investments in securities that have historically provided a hedge against price inflation.

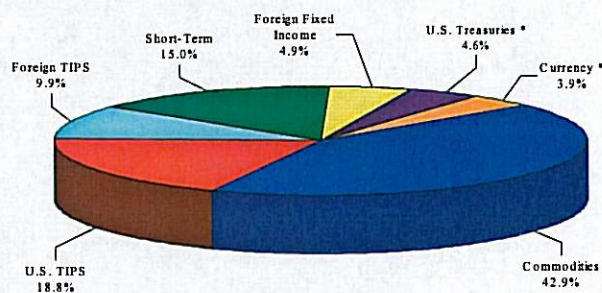
INVESTMENT PROCESS

Towneley begins the investment process by dividing at least 40% of the portfolio between the two primary investment categories: TIPS and Commodities. Currently, the commodities portion of the portfolio is weighted more heavily towards gold. Historically, gold has been much less volatile than other commodities, and is more readily available for investment through ETF's than are other commodities.

We then allocate the remainder of the portfolio among the other investment categories, based on current valuations and other factors including, but not limited to, yields, yield spreads, price, supply & demand, U.S. and foreign price inflation, long- and short-term interest rates and foreign currency rates. A small portion identified as "cash" is invested in a short-term fixed income fund.

Occasionally, a very small portion of the portfolio may be short the U.S. dollar or Treasuries. We may short these investments based on valuations and price inflation expectations. Generally, when price inflation increases, yields go up, Treasury prices decrease and fixed income portfolios are initially negatively affected. A short position in Treasuries can help offset the negative effects of this price decline. We expect to short the dollar and Treasuries only infrequently, as circumstances warrant.

PORTFOLIO ALLOCATION



* These allocations are currently short positions.

RISKS AND CONSIDERATIONS

Specific risks associated with the investment categories and funds used in the strategy include (among others): market risk, purchasing power risk, interest rate risk, credit risk, currency risk, economic/political risk and leverage risk.

TIPS provide a hedge against moderate price inflation, but the inflation adjustment component of TIPS cannot adjust quickly to fast-rising price inflation. Although price inflation is currently low, we believe that there is a growing risk of price inflation.

The primary role of commodities in a long-term portfolio is to hedge against fast-rising price inflation, but commodities' prices can be very volatile in the short-term.

The portfolio may invest in securities that move inversely with bond prices and/or the value of the U.S. dollar. The direction of currency movements can be difficult to predict. The strategy will likely perform poorly in a deflationary environment, or when the U.S. dollar is strong relative to foreign currencies and/or gold.

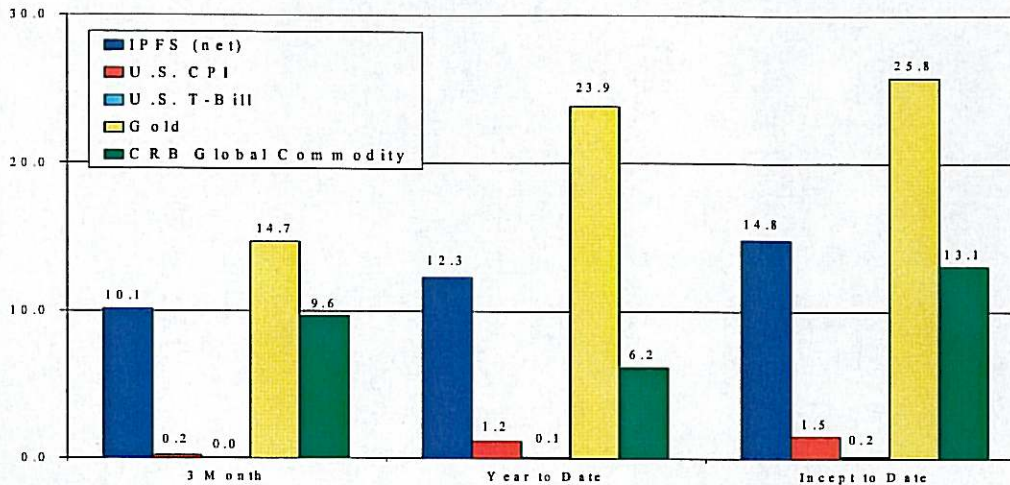
KEY INFORMATION

Inception:	January 1, 2011
Managers:	<u>Wesley G. McCain, Ph.D., CFA</u> : With Towneley Capital Management since 1971. PhD, MA Stanford. MBA, Columbia. <u>Tracy Kuntz, CFP®</u> - With Towneley Capital Management since 1985. MBA, University of CA-Irvine. BS, University of Southern California. <u>Heidi Haynes, CFP®</u> : With Towneley Capital Management since 1990. <u>Ernie Garrett, CFP®</u> : With Towneley Capital Management since 2001. <u>Shu Chin Li, CFA</u> : With Towneley Capital Management since 2002.
Information:	800-545-4442
Website:	www.towneley.com

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PERFORMANCE (AS OF 10/31/10)



Performance	Latest 3 Months	Year To Date	One Year	Inception To Date ⁽¹⁾		
				Annualized Return	STD ⁽²⁾	R/R ⁽³⁾
IPF Strategy ⁽⁴⁾⁽⁵⁾	10.12%	12.29%	14.51%	14.81%	6.63	2.23%
U.S. CPI	0.20	1.15	1.05	1.51	0.82	n/a
U.S. Treasury Bill ⁽⁶⁾	0.03	0.10	0.12	0.15	0.02	n/a
Gold Index ⁽⁶⁾	14.67	23.85	30.49	25.84	17.41	1.48
CRB Global Commodity ⁽⁶⁾	9.63	6.22	11.34	13.09	14.97	0.87

- (1) Inception to date period of the Inflation Protection Fund Strategy (IPFS) is 5/31/09 through 10/31/10.
- (2) STD - Standard deviation is a commonly used measure of investment risk; the greater the standard deviation, the greater the historical volatility and, therefore, the greater the risk.
- (3) R/R - Return per unit of risk: typically, the larger the number, the better.
- (4) Since 5/31/09, the Inflation Protection Fund Strategy has only been available to Towneley employees as an investment option in Towneley's 401(k) plan. The returns presented above are those of the 401(k) plan Inflation Protection option and thus may reflect the withdrawal of administrative expenses. As an unaffiliated investor in the Inflation Protection Fund option, a Towneley client will not incur these administrative expenses, but will incur the fund fees and expenses and Towneley management fees discussed in footnote 5.
- (5) IPFS returns reflect all fees and expenses paid at the fund level. Towneley Capital Management fees are treated as withdrawals and are not reflected in the returns above, but do not exceed the greater of 1% or \$5,000 per annum for any client. To calculate actual performance figures net of fees, the total return reported for a client account should be reduced by the amount of the advisory fees for that account. For an example of how fees affect the performance figures displayed above, the reduction of a 1% annual fee paid and compounded quarterly from 5/31/09 through 10/31/10, would have produced a 13.8% annualized return.
- (6) The comparative investment returns include all interest, dividends, realized and unrealized capital gains and losses and brokerage expenses, but do not include fund or advisory fees. The securities holdings of the IPF may differ materially from those of the indexes used for comparative purposes. One cannot invest directly in an index.

COMPARATIVE BENCHMARK INDEXES

- **U.S. Consumer Price Index:** The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. It is compiled by the U.S. Bureau of Labor Statistics.
- **Merrill Lynch U.S. Treasury Bill 91 Day Index:** The total rates of return for U.S. Treasury Bills with three-month maturities.
- **S&P GSCI Gold Index:** The total rates of return for the Gold Spot Price-London PM Fixing (US\$/ounce).
- **Thomson Reuters/Jefferies CRB Global Commodities Total Return Index:** For more than 50 years, this world-renowned index has served as the most widely recognized measure of global commodities markets. As a benchmark, the Thomson Reuters/Jefferies CRB Index is designed to provide timely and accurate representation of a long-only, broadly diversified investment in commodities through a transparent and disciplined calculation methodology.