

FIRST QUARTER REVIEW

The first quarter got off to a rough start. The broad market (measured by the S&P 500 index) dropped sharply and was down about 25%. A strong rally during the month of March cut the losses to -11%, but it was still the sixth down quarter in a row for the S&P 500. Our domestic Systematic RS portfolios finished the quarter in-line to slightly ahead of their benchmarks. The international Systematic RS portfolios had a great quarter of relative performance, and finished the first three months of the year significantly ahead of the EAFE.

Returns during the first quarter were dominated by a tremendous tug-of-war between leaders and laggards. The very high volatility between these two groups is rarely seen and illustrated the tremendous uncertainty facing investors. The laggards (banks, auto companies, etc...) spent the first part of the quarter on everyone's sell lists because the threat of a major failure was still very real. During this time the leaders (healthcare, consumer staples, etc...) performed much better on a relative basis and didn't experience the types of drawdowns the laggards had. However, the threat of a major failure began to fade as the quarter moved into its final month and investors quickly returned to the laggards. This frantic trading is what caused the major swings in performance between the two groups of stocks. At any one point during the first three months of the year, any strategy could have easily been well ahead or well behind a broad market benchmark; it all depended on the day you chose to examine the performance!

No clear and sustainable sector leadership has emerged in the market yet, but there are hints. During the March rally, technology, a volatile sector, was particularly strong. Typically defensive sectors like utilities, consumer staples, and healthcare lagged during the advance. Often this pattern of returns is seen when the market is beginning to sort out the leadership for a new leg up, which is at least a hopeful sign.

We also want to encourage our clients not to get overly focused on the economic numbers the media will be reporting in the coming months. The simple fact is this: the stock market will begin to improve well before the economic numbers! The stock market is forward-looking and has historically bottomed well ahead of the overall economy. The economy is still miserable and that state of affairs will probably continue for some time. Most economic indicators, especially unemployment, are lagging indicators and may continue to get worse even as stocks begin to improve. Consumer confidence generally follows the unemployment series fairly closely, so that, too, is likely to be lousy for months.

The silver lining in all of the economic turmoil is that the consumer and corporate behavior that precipitated the current financial crisis is beginning to change. The savings rate for consumers shot up last quarter to levels not seen for 15 years! Corporations that are overleveraged are cutting back unnecessary capital expenditures and reducing their debt. Loans are suddenly being made in a prudent fashion to customers that have the financial capacity to repay them. All of this responsible behavior will quite possibly revive the economy faster than we think.

The second positive factor in the current situation is monetary stimulus. The Federal Reserve policy has been extremely accommodative. Interest rates have been pushed down and are likely to stay that way for a while. The Treasury Department is funding numerous backstops to ensure functioning capital markets. Congress passed a large fiscal stimulus package that will inject money into the economy over a period of months. Markets tend to "follow the money" and this time will probably not be an exception.

After a period of adjustment, our relative strength strategy should identify the new sector leadership. We continue to be bullish on our adaptive strategy and we're looking forward to seeing capital gains again in the future.

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Our Systematic RS Aggressive portfolios performed in line with the S&P 500 in Q1. The market experienced a severe case of whiplash during the quarter as the S&P 500 declined nearly 25% in the first two months, followed by a strong rally. The Aggressive portfolio experienced less volatility than the benchmark for the quarter, but finished in about the same place.

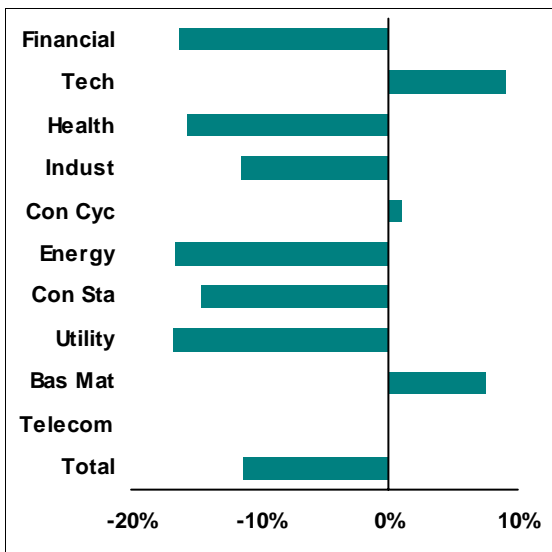
PERFORMANCE (NET OF ALL FEES)					
	Q1 09	YTD	12 Mth	4 YR Annualized	Incept* Cumulative
RS Aggr.¹	-11.6%	-11.6%	-48.0%	-5.8%	-21.3%
S&P 500 TR ²	-11.0%	-11.0%	-38.1%	-7.4%	-26.6%

*Composite Inception: 3/31/2005

¹Preliminary Performance

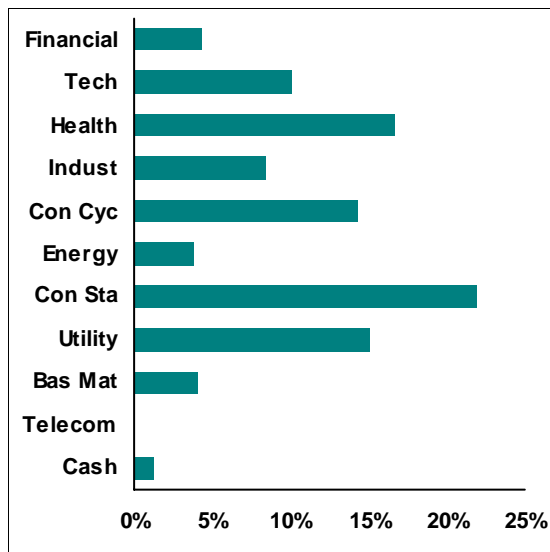
²S&P 500 Index results assume the reinvestment of dividends

QUARTERLY RETURNS



Returns are based off model returns and not actual account net returns

WEIGHTINGS



Weights are as of the end of the quarter

TOP HOLDINGS

Edwards Lifesciences
Church & Dwight
Ross Stores
Sybase
Strayer Education
Express Scripts
Wal-Mart
General Mills
Granite Construction
H&R Block

Holdings are as of quarter end

PORTFOLIO ALLOCATION HIGHLIGHTS

- We have had little exposure to **Financials** for over a year as this sector has been ravaged. Some of the most troubled stocks in the sector rallied strongly in recent weeks, but their longer-term relative strength has not yet warranted inclusion in our model.
- Our **Technology** positions performed well in Q1. The relative strength of this sector has shown steady improvement. During the March rally, Technology was particularly strong.
- Our exposure to **Healthcare** remained stable in Q1, although there were a number of trades removing poorly performing stocks and replacing them with stronger stocks in the sector.
- Our exposure to **Industrials** remained stable in Q1. Capital expenditures have been restrained in the weak economy.
- Within the **Consumer Cyclical** sector, our model continues to favor the discount retailers.
- After experiencing sharp losses in the last six months of 2008, the **Energy** sector has shown signs of stabilization. We have added a small amount of exposure to this sector, after beginning this quarter without any positions.
- We now have a relatively large weighting in **Consumer Staples**. In this struggling economy, the relative strength of this broad sector has been strong. However, the performance of our holdings from this sector has been mixed.
- Our exposure to **Utilities** remained relatively stable during Q1, although there were several swaps during the quarter, replacing weaker stocks with stronger stocks.
- Our exposure to **Basic Materials** increased from zero during Q1 and produced positive returns for the quarter.
- We have no exposure to the **Telecommunications** sector.

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Our Systematic RS Core portfolios outperformed the S&P 500 in Q1. The market experienced a severe case of whiplash during the quarter as the S&P 500 declined nearly 25% in the first two months, followed by a strong rally. The Core portfolio experienced less volatility, and finished ahead of the benchmark for the quarter.

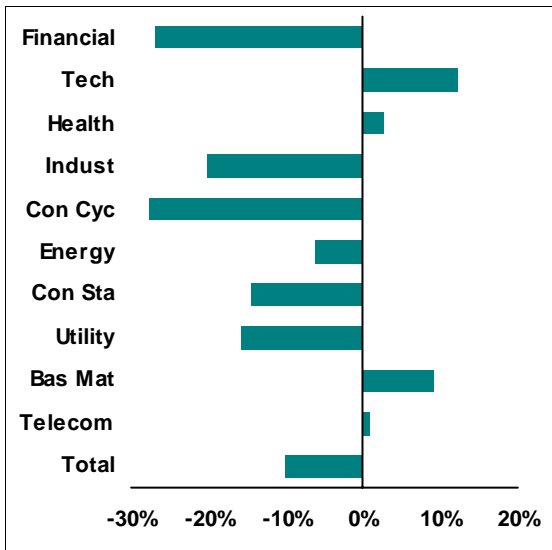
PERFORMANCE (NET OF ALL FEES)					
	Q1 09	YTD	12 Mth	4 YR Annualized	Incept* Cumulative
RS Core¹	-10.1%	-10.1%	-48.0%	-8.8%	-30.8%
S&P 500 TR ²	-11.0%	-11.0%	-38.1%	-7.4%	-26.6%

*Composite Inception: 3/31/2005

¹Preliminary Performance

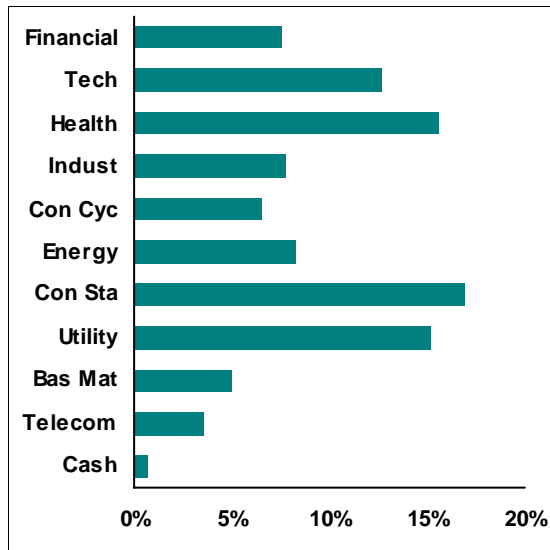
²S&P 500 Index results assume the reinvestment of dividends

QUARTERLY RETURNS



Returns are based off model returns and not actual account net returns

WEIGHTINGS



Weights are as of the end of the quarter

TOP HOLDINGS

Edwards Lifesciences
Baxter International
Altera
Colgate-Palmolive
Sybase
Valspar
General Mills
Southwestern Energy
WGL Holdings
Nicor

Holdings are as of quarter end

PORTFOLIO ALLOCATION HIGHLIGHTS

- Our exposure to **Financials** remained stable in Q1. This sector experienced extreme volatility during the quarter and our holdings in this sector did not perform particularly well.
- Our **Technology** positions performed well in Q1. The relative strength of this sector has shown steady improvement.
- **Healthcare** has been a sector that has held up relatively well over the past 12 months. Our exposure to this sector remained stable during Q1.
- **Industrials** have been negatively affected by the weakened economy. The relative strength of this sector has declined and our exposure was reduced during Q1.
- **Consumer Cyclical**s have been one of the weaker groups over the past 12 months as consumers have reined in discretionary spending. Our exposure was reduced in Q1.
- After experiencing sharp losses in the last six months of 2008, the **Energy** sector has shown signs of stabilization. Our exposure to this sector remained stable during Q1.
- In this struggling economy, **Consumer Staples'** relative strength has been strong and this is now the sector where we have the most exposure.
- The weighting of **Utility** stocks in our portfolios remained stable this quarter.
- Our **Basic Materials** holding performed well in Q1. This sector, which also experienced sharp declines in the last six months of 2008, has shown signs of stabilization.
- We added exposure to the **Telecommunications** sector during Q1 and our position performed well.

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Our Systematic RS Balanced portfolios outperformed in Q1. The market experienced a severe case of whiplash during the quarter as the S&P 500 declined nearly 25% in the first two months, followed by a strong rally. The Balanced portfolio experienced less volatility, and finished ahead of the benchmark for the quarter.

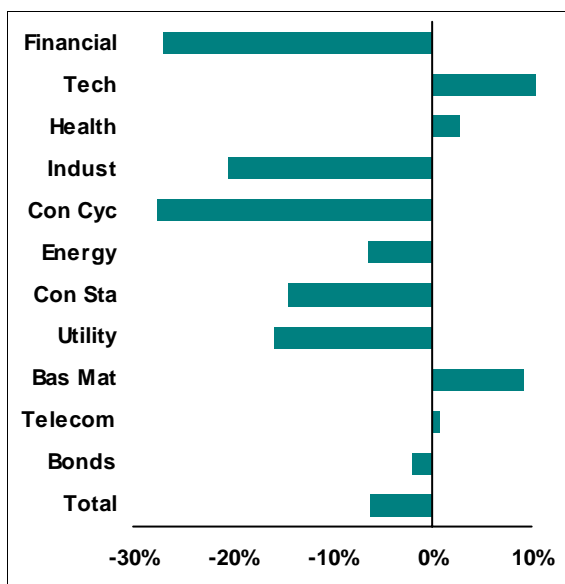
PERFORMANCE (NET OF ALL FEES)					
	Q1 09	YTD	12 Mth	3.75 YR Annualized	Incept* Cumulative
RS Balanced¹	-5.6%	-5.6%	-27.3%	-3.4%	-12.3%
60% SP 40% Agg ²	-6.6%	-6.6%	-21.3%	-2.8%	-8.3%

*Composite Inception: 6/30/2005

¹Preliminary Performance

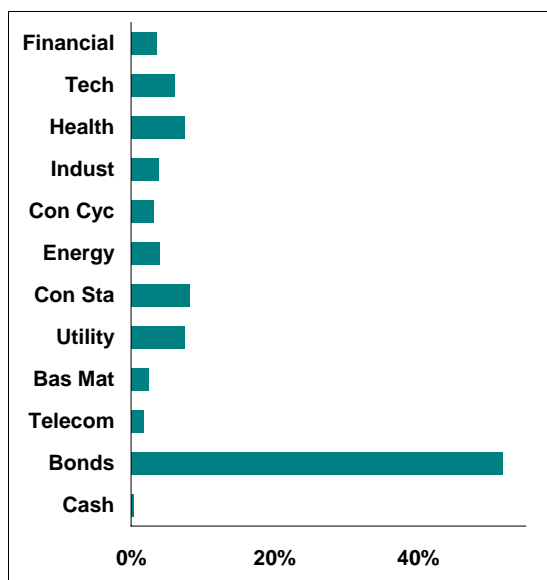
²60% S&P 500, 40% Lehman Aggregate Bond. Includes dividends.

QUARTERLY RETURNS



Returns are based off model returns and not actual account net returns

WEIGHTINGS



Weights are as of the end of the quarter

TOP HOLDINGS

Intermediate Bonds
Edwards Lifesciences
Baxter International
Altera
Colgate-Palmolive
Sybase
Valspar
General Mills
Southwestern Energy
WGL Holdings

Holdings are as of quarter end

PORTFOLIO ALLOCATION HIGHLIGHTS

- Our exposure to **Financials** remained stable in Q1. This sector experienced extreme volatility during the quarter and our holdings in this sector did not perform particularly well.
- Our **Technology** positions performed well in Q1. The relative strength of this sector has shown steady improvement.
- **Healthcare** has been a sector that has held up relatively well over the past 12 months. Our exposure to this sector remained stable during Q1.
- **Industrials** have been negatively affected by the weakened economy. The relative strength of this sector has declined and our exposure was reduced during Q1.
- **Consumer Cyclicals** have been one of the weaker groups over the past 12 months as consumers have reined in discretionary spending. Our exposure was reduced in Q1.
- After experiencing sharp losses in the last six months of 2008, the **Energy** sector has shown signs of stabilization. Our exposure to this sector remained stable during Q1.
- In this struggling economy, **Consumer Staples'** relative strength has been strong and this is now the sector where we have the most exposure.
- The weighting of **Utility** stocks in our portfolios remained stable this quarter.
- Our **Basic Materials** holding performed well in Q1. This sector, which also experienced sharp declines in the last six months of 2008, has shown signs of stabilization.
- We added exposure to the **Telecommunications** sector during Q1 and our position performed well.
- Our **Fixed Income** allocation remained stable in Q1.

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Our Systematic RS Socially Responsible portfolios underperformed the S&P 500 in Q1. The market experienced a severe case of whiplash during the quarter as the S&P 500 declined nearly 25% in the first two months, followed by a strong rally. The Socially Responsible portfolio experienced less volatility than the benchmark for the quarter, but finished slightly behind.

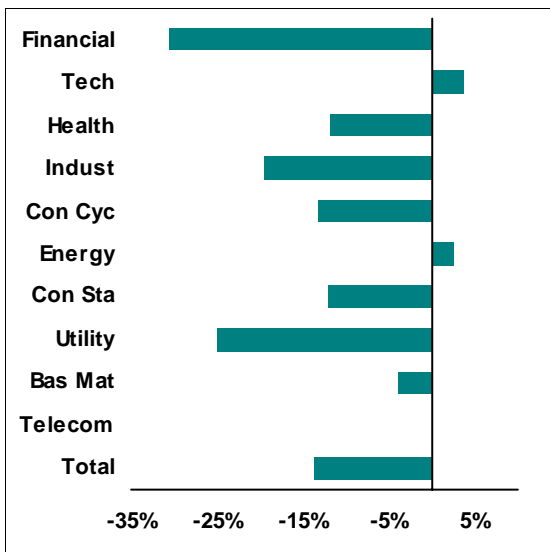
PERFORMANCE (NET OF ALL FEES)				
	Q1 09	YTD	12 Mth	Incept* Cumulative
RS SRI¹	-13.3%	-13.3%	-40.1%	-41.9%
S&P 500 TR ²	-11.0%	-11.0%	-38.1%	-41.2%

*Composite Inception: 3/31/2007

¹Preliminary Performance

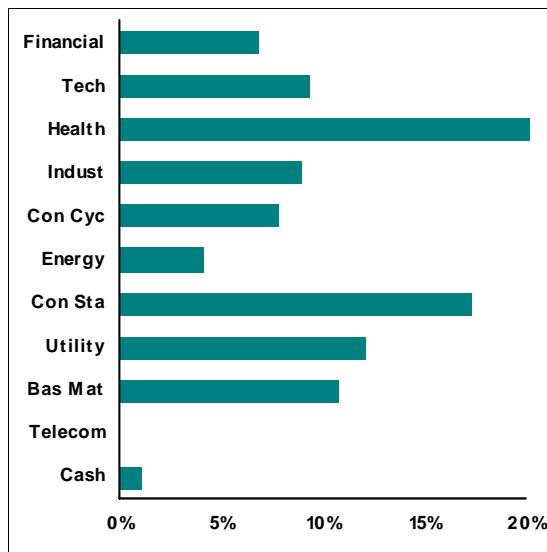
²S&P 500 Index results assume the reinvestment of dividends

QUARTERLY RETURNS



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WEIGHTINGS



Weights are as of the end of the quarter

TOP HOLDINGS

Church & Dwight
Gilead Sciences
Roper Industries
Airgas
Baxter International
Sybase
Colgate-Palmolive
Strayer Education
Perrigo
Valspar

Holdings are as of quarter end

PORTFOLIO ALLOCATION HIGHLIGHTS

- Our exposure to **Financials** remained stable in Q1. This sector experienced extreme volatility during the quarter and our holdings in this sector did not perform particularly well.
- Our **Technology** positions performed well in Q1. The relative strength of this sector has shown steady improvement. During the March rally, Technology was particularly strong.
- **Healthcare** has been a sector that has held up relatively well over the past 12 months. Our exposure to this sector remained stable during Q1.
- Affected by the economic slowdown, our **Industrials** positions performed poorly this quarter and exposure was reduced.
- **Consumer Cyclical**s have been one of the weaker groups over the past 12 months as consumers have reined in discretionary spending. Our exposure was stable in Q1.
- After experiencing sharp losses in the last six months of 2008, the **Energy** sector has shown signs of stabilization. Our exposure to this sector performed well in Q1.
- We now have a relatively large weighting in **Consumer Staples**. In the struggling economy, the sector's relative strength has been strong.
- The **Utility** sector, and particularly our holdings, performed poorly in Q1.
- Our **Basic Materials** holdings performed relatively well in Q1. This sector, which also experienced sharp declines in the last six months of 2008, has shown signs of stabilization.
- We continue to have no exposure to the **Telecommunications** sector.

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Our Systematic RS International portfolios dramatically outperformed the EAFE in Q1. The market experienced a severe case of whiplash during the quarter as the EAFE declined nearly 26% in the first two months, followed by a strong rally. Our outperformance came, not because of any unifying theme, but rather as a result of impressive performances on the part of individual stocks, spread among regions and sectors.

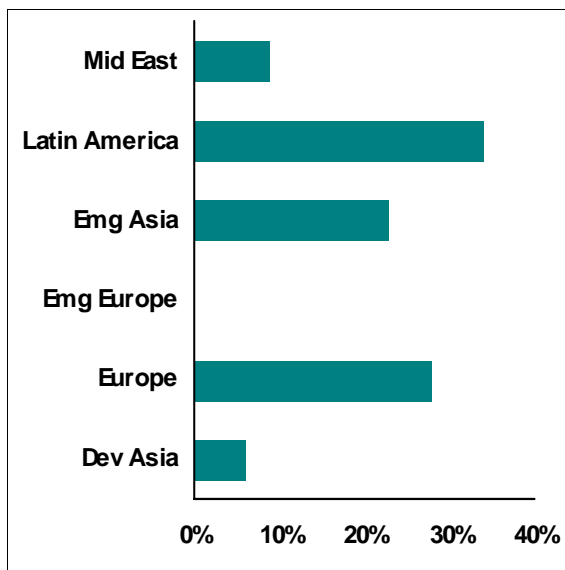
PERFORMANCE (NET OF ALL FEES)					
	Q1 09	YTD	12 Mth	3 YR Annualized	Incept* Cumulative
RS Intl ¹	-6.1%	-6.1%	-50.3%	-11.4%	-30.4%
EAFE TR ²	-13.4%	-13.4%	-46.2%	-14.1%	-36.5%

*Composite Inception: 3/31/2006

¹Preliminary Performance

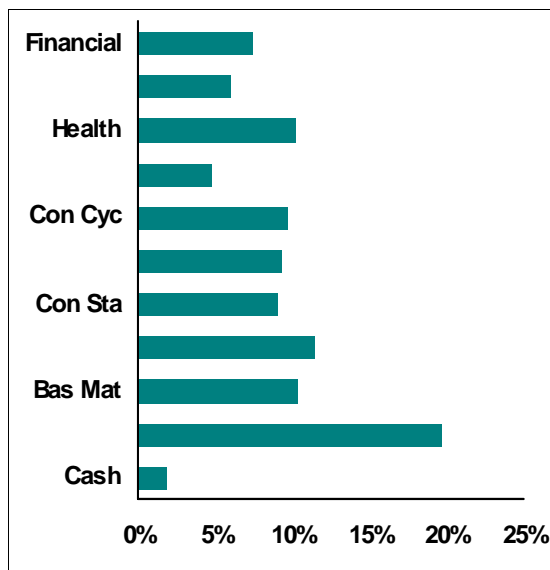
²EAFE Index results assume the reinvestment of dividends

REGIONAL ALLOCATIONS



Returns are based off model returns and not actual account net returns

SECTOR ALLOCATIONS



Weights are as of the end of the quarter

TOP HOLDINGS

New Oriental Education
Banco Itau Holding
Shanda Interactive
Empresa Nacional
Syngenta AG
Chunghwa Telecom
CIA Paranaense
Ultrapar Participacoes
Fresenius Medical Care
Partner Communications

Holdings are as of quarter end

PORTFOLIO ALLOCATION HIGHLIGHTS

- Our **Financial** exposure remained stable in Q1. This sector experienced extreme volatility during the quarter
- Our **Technology** exposure was reduced in Q1. Several of the positions that were sold were closely tied to consumer discretionary spending, which has been weak.
- Our exposure to **Healthcare** remained stable in Q1. This macro sector has held up relatively well during the decline.
- Affected by the economic slowdown, our **Industrials** positions performed poorly this quarter and our exposure was reduced. Capital expenditures have been restrained in the weak economy.
- Although the number of positions in the **Consumer Cyclical** sector was reduced in Q1, the overall exposure actually increased. This was largely due to strength in foreign automakers. Others have gained where Detroit has failed.
- Our **Energy** exposure increased by several positions (from zero at the beginning of the quarter). This sector has shown a marked turnaround from the losses experienced in the latter part of 2008.
- Our allocation to **Consumer Staples** was stable in Q1. Demand for goods that must be purchased regardless of economic conditions has caused many stocks in this area to perform relatively well.
- Our allocation to **Utilities** didn't change during the quarter.
- The **Basic Materials** allocation was increased in Q1. Like the Energy sector, this sector has shown solid improvement from the losses experienced in 2008.
- **Telecommunications** stocks are still overweighted in the portfolio and our exposure was stable in Q1.

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