



The market is down 50% - What to do now?

The S&P 500 and DJIA indexes have retraced the rally off the November 2008 lows and have now surpassed those lows on both a closing and an intra-day basis. Since the peak October 31, 2007, the S&P 500 index has lost more than half its value.

This is the most challenging investment climate most of us have faced in our lifetimes and it is critical to be realistic, objective, long-term and disciplined or we all risk making a critical mistake of abandoning our long-term investment strategy and realizing losses we cannot hope to recover.

We thought it might be useful for you to hear about the ways DAL is attempting to navigate this difficult market environment. Most of our portfolios are fully invested, and we continue to utilize our upgrading strategy following market leadership. We also manage a fund that can tactically adjust market exposure, the FundX Tactical Upgrader Fund (TACTX).

Not All Of DAL's Portfolios Remain Fully Invested

The FundX Tactical Upgrader fund (TACTX) uses Upgrading as its primary investment strategy but, as advisor to the fund, we also opportunistically reduce market exposure when we believe it is prudent and potentially advantageous to do so.

The neutral posture in TACTX is fully invested in a diversified portfolio of equity mutual funds and ETFs. But we also monitor market risk based on our tactical model. The tactical model includes a weight-of-the-evidence model that considers a variety of factors including investor sentiment, valuations, monetary conditions, and also considers broad market trend and momentum.

On balance, these factors are telling us to buy stocks. The problem is that, on balance, these models have suggested buying stocks since early 2008, and yet the market keeps going down.

We have always espoused taking direction from what the market is doing, and not what it is supposed to do, or especially what we would prefer to

see. Late last year, we adjusted the tactical model. Instead of just considering trend and momentum, we now use trend and momentum to confirm the weight-of-the-evidence.

In early January 2009, this additional emphasis on trend and momentum, led us to a more defensive portfolio. We gradually reduced market exposure by selling ETFs that were relatively weak performers in our performance-based ranking system and investing in ETFs that short broad market indexes. As a result, the fund has been positioned defensively since mid-January, while the broad market has revisited their lows from late last year.

Mixed Signals

We now find ourselves at an interesting juncture. The weight of the evidence portion of the Tactical model remains very bullish and the market has arguably successfully re-tested its lows, while the trend of the Tactical model has reached a level we call, "so bad, it's good." We consider this signal, "get ready to buy."

We continue to upgrade the long positions, and we are increasingly willing to reduce short positions near support levels, allowing us to gradually take measured market risk.

How TACTX is Positioned

While the TACTX portfolio has recently been defensive, we are actively watching for opportunities to take risk. We are willing to reduce short positions into a market rally, but we will limit our exposure to equities by maintaining a stop loss strategy until we see evidence of broad trend and momentum strength.

We are also willing to miss a potential rally and to maintain a fully defensive posture on evidence that the market is not holding support and instead continues to trend lower.

In our current defensive posture, we hold considerable cash and / or ETFs that sell short broad indexes

that may offset our long positions. This could mean that the fund declines modestly on a market rally, or increases when the broad market declines. Our market exposure is determined by the percentage of the portfolio in short versus long funds, and the relative performance of our upgrading strategy versus the broad market indexes we hold short. In TACTX, we stand, “ready to buy” but willing to miss a rally pending more evidence that the decline is passed.

Why Invest Now?

We believe long-term investors who own a diversified portfolio of mutual funds and ETFs and maintain a disciplined and flexible investment strategy should be rewarded for investing at these levels, even if near-term market direction remains down.

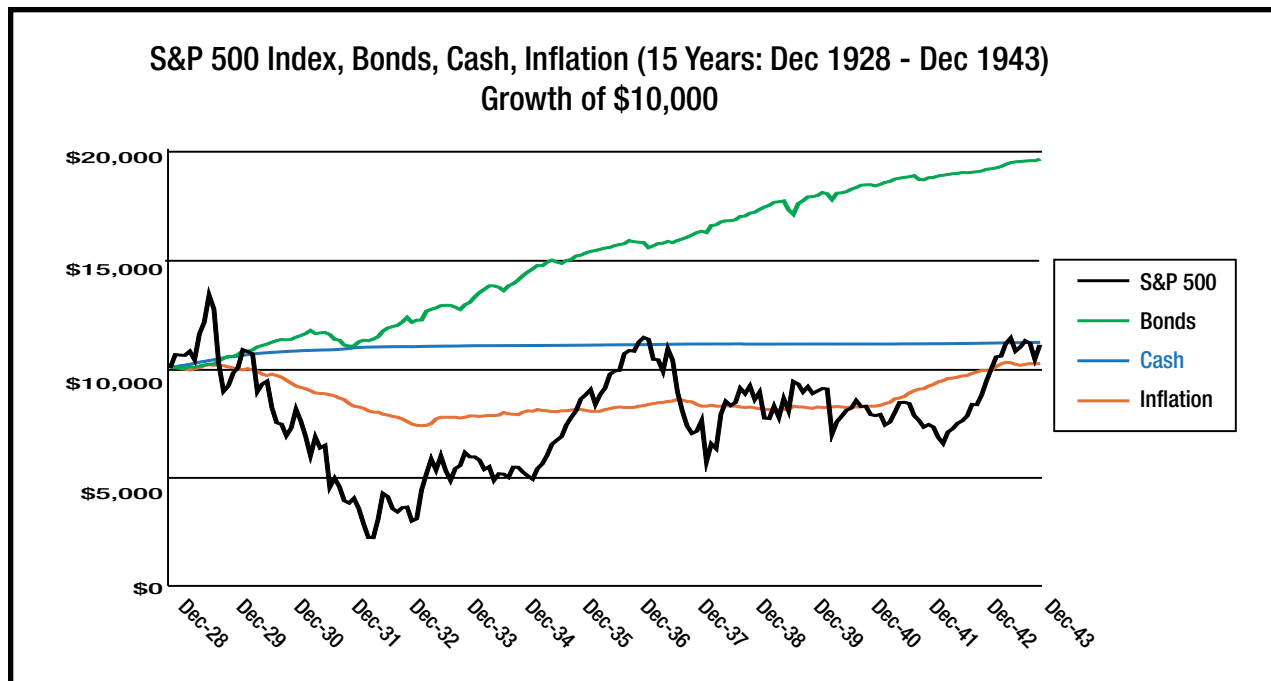
Below is a picture of stocks, bonds, cash and inflation during the great depression. Notice that cash yield remained very low for the full 15-years. Also note that despite incredible volatility and a peak-to-trough decline of 80%, investors who purchased stocks at any time when they were 50% below the initial peak were handsomely rewarded (beating bonds, cash and inflation) so long as they remained disciplined and didn’t abandon their long-term

investment strategy and sell at the ultimate low. There were also numerous powerful rallies, so investors who increased market exposure at low levels and reduced exposure at higher levels fared best. The mistake that all investors need to avoid is buying at the peak and selling at or near the lows. You simply cannot recover from a substantial loss by repositioning into bonds and cash alone following a major market crash.

We are Committed To Our Long Term Shareholders

We don’t know how low the current bear market will go, or when it will end. We are also committed to monitor market risk and actively manage our market exposure based on objective models that we believe can help us navigate this challenging environment in a reasonable and disciplined manner.

We hope you find this information useful and want you to know that we are here if you have questions. We may not have all of the answers, but we are more than willing to share ideas and help in any way we can. We remain disciplined in our investment strategies, both fully invested and tactical, we are committed to providing long-term investment vehicles designed to help our clients, shareholders and newsletter subscribers achieve their long-term investment goals.



Figures assume reinvestment of capital gains and dividends, but does not reflect sales charges or taxes, which would lower these figures. Past performance is no guarantee of future results. You cannot invest directly in an index. See footnotes for important index definitions. Cash – Ibbotson Associates SBBI 30 Day TBill Total Return Index; Inflation – Ibbotson Associates SBBI U.S. Inflation; Bonds – MARE Custom Bond Index

Opinions expressed are not intended to be a forecast of future events, a guarantee of future results and should not be considered a recommendation to buy or sell any security.

Past performance does not guarantee future results.

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 866-455-3863, or visiting www.upgraderfunds.com. Read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Because the Fund is a "fund of funds," an investor will indirectly bear the principal risks of the underlying funds, including but not limited to, risks associated with smaller companies, foreign securities, emerging markets, non-diversification, high yield bonds, fixed income investments and short sales. Small-and medium-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.

Because the funds invest in ETFs, they are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a discount to its net asset value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Fund's ability to sell its shares. The Underlying Funds may invest in a limited number of issuers and therefore may be considered non-diversified. If an Underlying Fund focuses its investments in a limited number of issuers, its NAV per share, market price and total returns may fluctuate more or fall greater in times of weaker markets than a more diversified mutual fund. The Underlying Funds may engage in short sales, which could result in such a fund's investment performance suffering if it is required to close out a short position earlier than it had intended. While the fund is no-load, management fee and other expenses still apply. Please refer to the prospectus for further details. Some Upgrading Underlying Funds may use derivative instruments which derive their value from the value of an underlying asset, currency or index. The value of derivatives may rise or fall more rapidly than other investments and it is possible to lose more than the initial amount invested. The value of fixed-income securities held by the Upgrading Underlying Funds that are rated below investment grade are subject to additional risk factors such as increased possibility of default, illiquidity of the security and changes in value based on public perception of the issuer. Additionally, these instruments are generally unsecured and may be subordinated to other creditor's claims.

Fund holdings and sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

The Dow Jones Industrial Average is an unmanaged index of common stocks comprised of major industrial companies and assumes reinvestment of dividends. The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. Ibbotson Associates SBBI U.S. Inflation is an inflationary indicator based on the Consumer Price Index (CPI). MARE Custom Bond Index - Prior to 1976, 34% of the custom index is composed of the Ibbotson U.S. Long-Term Corporate Bond Index and 66% is composed of the Ibbotson U.S. Intermediate-Term Government Bond Index. From 1976 on, the index returns are composed of the BarCap Aggregate Bond Index. Ibbotson Associates SBBI 30 Day TBill Total Return Index - An index which reflects U.S. Treasury Bill returns. You cannot invest directly in an index.

The FundX Upgrader Funds are distributed by Quasar Distributors, LLC.