

October 2011

TWM Market Commentary

Current Monthly Strategy Returns

TWM Institutional Strategies

Low Volatility	-0.52%
Balanced	-2.20%
Growth	-1.51%

TWM Core Strategies

Tactical Balanced	-1.41%
All Weather	-0.21%
Endowment	-1.26%
Market Masters	-1.16%
Tactical Multi-Strategy	-0.39%
Momentum Series: Tactical Allocation	0.16%
Momentum Series: Tactical Growth	0.81%

TWM Income Strategies

Income	-0.89%
Momentum Series: Tactical Income	-0.83%
IncomePlus	-0.70%

TWM Specialized Strategies

Capital	3.03%
Momentum Series: Tactical All Asset	-0.62%
Black Swan	1.04%
Core Tactical	0.27%
Global Tactical	0.04%
Alpha	-0.21%
500	3.32%
NASDAQ	3.49%

TWM Selected Stock Strategies

Flagship	-0.14%
Legends	-1.20%
Beta	-2.22%

S&P 500 COMPARISON 10.77%

Current Strategy Allocations

TWM Tactical Balanced

TIPS	24.00%
Treasury Bonds	23.00%
NASDAQ	10.00%
Cash	43.00%

TWM All Weather

NASDAQ	14.00%
Inverse S&P 500	14.00%
TIPS	42.00%
Treasury Bonds	14.00%
Cash	16.00%

TWM Endowment

TIPS	9.50%
NASDAQ	16.00%
Treasury Bonds	9.50%
Cash	65.00%

TWM Market Masters

NASDAQ	20.00%
Cash	80.00%

TWM Tactical Multi-Strategy

NASDAQ	24.00%
Inverse S&P 500	12.00%
TIPS	24.00%
Treasury Bonds	12.00%
Cash	28.00%

Momentum Series: Tactical Allocation

Barclay's Aggregate Bond Index	25.00%
TIPS	25.00%
Cash	50.00%

Momentum Series: Tactical Growth

10 Year Treasury Bonds	24.25%
Gold	24.25%
NASDAQ	24.25%
Cash	27.25%

TWM Income

TIPS	30.00%
High-Yield Bonds	20.00%
Long Term U.S. Treasury Bonds	30.00%
Barclays Aggregate Bond Index	17.00%
Cash	3.00%

Momentum Series: Tactical Income

30 Year Treasury Bonds	24.00%
Corporate Bonds	24.00%
Barclay's Aggregate Bond Index	24.00%
TIPS	24.00%
Cash	4.00%

TWM IncomePlus

High-Yield Bonds	50.00%
TIPS	23.00%
Treasury Bonds	24.00%
Cash	3.00%

TWM Capital

PIMCO All Asset	6.00%
PIMCO All Asset All Authority	6.00%
IVY Asset Strategy	5.00%
Blackrock Global Allocation	5.00%
Rydex L/S Commodities	4.00%
Leuthold Asset Allocation	4.00%
Alpha Hedged Strategies	4.00%
Permanent Portfolio	15.00%
Rydex Managed Futures	7.00%
PIMCO Unconstrained Bond	15.00%
PIMCO Total Return	10.00%
Rydex L/S Interest Rates	5.00%
Direxion Dynamic	5.00%
Cash	9.00%

Momentum Series: Tactical All Asset

NASDAQ	20.00%
Gold	8.50%
Chinese Yuan	10.00%
Dollar	10.00%
TIPS	10.00%

Treasury Bonds	10.00%
Cash	31.50%

TWM Core Tactical

Gold	5.00%
10 Year Treasuries	5.00%
Barclays Aggregate Bond Index	20.00%
TIPS	25.00%
Cash	45.00%

TWM Global Tactical

Gold	5.00%
10 Year Treasury Bonds	5.00%
NASDAQ	19.20%
Inverse S&P 500	9.60%
TIPS	24.20%
30 Year Treasury Bonds	9.60%
Cash	27.40%

TWM Alpha

S&P 500	47.00%
Inverse S&P 500	50.00%
Cash	3.00%

TWM 500

Cash	100.00%
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TWM NASDAQ

NASDAQ	97.00%
Cash	3.00%

TWM Black Swan

Gold	24.25%
TIPS	24.25%
10 Year Treasuries	24.25%
Cash	27.25%

TWM Flagship

Barclay's Aggregate Bond Index	7.00%
TIPS	7.00%
Goodrich	6.25%

Adobe Systems	6.25%
VF Corp	6.25%
Starwood Hotels	6.25%
Abiomed	6.25%
Sears	6.25%
Russell 3000	10.00%
S&P 500 (2x)	9.00%
Cash	29.50%

TWM Legends

Goodrich	7.50%
Adobe Systems	7.50%
VF Corp	7.50%
Starwood Hotels	7.50%
Abiomed	7.50%
Sears	7.50%
S&P 500 (2x)	12.30%
Oil	6.10%
Russell 3000	12.30%
Cash	24.30%

TWM Beta

Goodrich	12.00%
Sears	12.00%
VF Corp	12.00%
Starwood Hotels	12.00%
Oil	9.25%
S&P 500 (2x)	18.50%
Cash	24.25%

TWM Institutional Series: Growth

NASDAQ	6.79%
BlackRock Income Trust	2.25%
BlackRock Income Opportunity	2.25%
TIPS	2.25%
30 Year Treasury Bonds	2.25%
Gold	7.25%
Chinese Yuan	7.25%
Dollar	7.25%
Oil	4.75%
Cash	57.71%

Institutional Series: Balanced

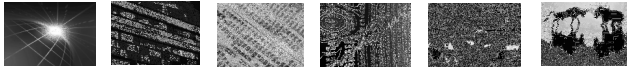
NASDAQ	5.50%
BlackRock Income Trust	7.25%
BlackRock Income Opportunity	7.25%
TIPS	7.25%
30 Year Treasury Bonds	7.25%
Gold	4.75%
Chinese Yuan	5.00%
Dollar	5.00%
Oil	4.75%
Cash	46.00%

Institutional Series: Low Volatility

NASDAQ	2.50%
Blackrock Income Trust	7.25%
Blackrock Income Opportunity	7.25%
TIPS	7.25%
30 Year Treasury Bonds	7.25%
Gold	9.75%
Chinese Yuan	10.00%
Dollar	10.00%
Oil	4.75%
Cash	34.00%

Key Points:

- 1) The risk in the markets right now still outweighs the potential returns.
- 2) The back and forth of the European crisis will likely keep volatility high.
- 3) Headlines outweigh all other analysis and could move the markets 10% in days.
- 4) Tactical Asset Allocation (TAA) protects in these environments, and if the picture changes, TAA will adjust to participate in a recovery.



Current Risks

October provided a huge relief rally as investors began to believe that Europe was contained, and a double dip recession was now off the table. While we would have loved to participate fully in this, the risk is still high and outweighs the chase for reward in this environment.

Remember, TAA is not about timing the market; it is about staying in harmony with market trends. The trend shifted down in June and July, causing us to get out of most stock market-related investments in August, and avoid most of the losses in August and September. We entered October still in a downtrend. Bear market rallies can occur during times like these, but trying to take advantage of them means to take an immense amount of risk. We would have loved to participate, but not at the risk of a 30% loss.



Above is a chart of the S&P 500. You can see the drop at the end of July, through the 100-day and 200-day moving averages, and through the previous support area around 1270. This break to the downside caused us to move out of stocks. At the end of October, the index broke through the trading range again, this time to the upside. The rally began after a breakout of the lower trading band, and then shot straight thru the upper trading band. While this move caused us to get slightly less defensive going into November, we are still very wary of the risk vs. return, as the European situation is far from settled.

- Headlines outweigh any other data; can cause large moves
- Europe must contain Greek problem soon, or the markets will force the issue
- U.S. super committee deadline is approaching; Warnings on new downgrades on U.S. debt
- Eurozone showing some signs of new recession which could be long lasting with austerity
- China showing signs of slowdown, can they engineer a soft landing or experience a hard landing?
- Consumer / business confidence- all time lows

Positives

- Lots of cash on the sidelines can accelerate any rally quickly
- U.S. economic data confirming no double dip, stagnate growth
- Corporate earnings still positive but with growth slowing
- Unemployment not getting worse
- Market rally showing some confidence

As always, feel free to call us if you have any comments or questions.

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