

September 2011

TWM Market Commentary

Current Monthly Strategy Returns

TWM Institutional Strategies

Low Volatility	-5.31%
Balanced	-2.97%
Growth	-5.77%

TWM Core Strategies

Tactical Balanced	1.13%
All Weather	2.75%
Endowment	-2.19%
Market Masters	-4.44%
Tactical Multi-Strategy	1.91%
Momentum Series: Tactical Allocation	0.19%
Momentum Series: Tactical Growth	-2.85%

TWM Income Strategies

Income	4.87%
Momentum Series: Tactical Income	3.04%
IncomePlus	3.00%

TWM Specialized Strategies

Capital	-4.53%
Momentum Series: Tactical All Asset	-3.80%
Black Swan	-14.95%
Core Tactical	-1.56%
Global Tactical	-1.29%
Alpha	2.75%
500	1.10%
NASDAQ	-2.47%

TWM Selected Stock Strategies

Flagship	-5.71%
Legends	-6.41%
Beta	-9.57%

S&P 500 COMPARISON -7.18%

Current Strategy Allocations

TWM Tactical Balanced

TIPS	24.00%
Treasury Bonds	23.00%
Cash	53.00%

TWM All Weather

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

TWM Endowment

TIPS	9.50%
Treasury Bonds	9.50%
Cash	81.00%

TWM Market Masters

Cash	100.00%
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TWM Tactical Multi-Strategy

NASDAQ	12.00%
S&P 500	12.00%
TIPS	24.00%
Treasury Bonds	12.00%
Cash	40.00%

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%
Cash	51.50%

TWM Income

TIPS	10.00%
Long Term U.S. Treasury Bonds	30.00%
Barclays Aggregate Bond Index	17.00%
Cash	43.00%

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

TIPS	23.00%
Treasury Bonds	24.00%
Cash	53.00%

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

Gold	8.50%
Yen	10.00%
Dollar	10.00%
TIPS	10.00%
Treasury Bonds	10.00%
Cash	51.50%

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%
Inverse S&P 500	0.00%
TIPS	24.20%
30 Year Treasury Bonds	9.60%
Cash	37.00%

TWM Alpha

S&P 500	97.00%
Cash	3.00%

TWM 500

S&P 500	97.00%
Cash	3.00%

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%
Newmont Mining	6.25%
Dominion Resources	6.25%
Kimberly Clark	6.25%
Lorillard	6.25%

Verizon	6.25%
MasterCard	6.25%
30 Year Treasury Bonds	19.00%
Cash	23.25%

TWM Legends

Goodrich	7.50%
Newmont Mining	7.50%
Dominion Resources	7.50%
Kimberly Clark	7.50%
Lorillard	7.50%
Verizon	7.50%
MasterCard	7.50%
Visa	0.00%
30 Year Treasury Bonds	30.00%
Inverse S&P	6.25%
Cash	11.25%

TWM Beta

Goodrich	12.00%
Newmont Mining	12.00%
Dominion Resources	12.00%
Kimberly Clark	12.00%
Lorillard	12.00%
30 Year Treasury Bonds	27.75%
Inverse S&P 500	9.25%
Cash	3.00%

TWM Institutional Series: Growth

Inverse S&P 500	4.75%
Barclays Aggregate Bond Index	2.25%
BlackRock Income Opportunity	2.25%
TIPS	2.25%
30 Year Treasury Bonds	2.25%
Gold	7.25%
Yen	7.25%
Dollar	7.25%
Leveraged 30 Year Treasuries	4.75%
Cash	59.75%

Institutional Series: Balanced

Inverse S&P 500	4.75%
Barclays Aggregate Bond Index	7.25%

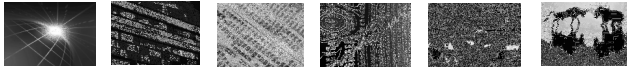
BlackRock Income Opportunity	7.25%
TIPS	7.25%
30 Year Treasury Bonds	7.25%
Gold	4.75%
Silver	0.00%
Yen	5.00%
Dollar	5.00%
Leveraged 30 Year Treasury bonds	4.75%
Cash	46.75%

Institutional Series: Low Volatility

Inverse S&P 500	4.75%
Barclays Aggregate Bond Index	7.25%
Blackrock Income Trust	7.25%
TIPS	7.25%
30 Year Treasury Bonds	7.25%
Gold	9.75%
Silver	9.75%
Yen	10.00%
Dollar	10.00%
Leveraged 30 Year Treasury Bonds	4.75%
Cash	22.00%

Key Points:

- 1) The risk in the markets right now outweighs the potential returns.
- 2) Be wary of the Wall Street analysts who use periods like this to argue that stocks are cheap, now is the time to buy, we have hit bottom, etc. Wall Street research is biased towards finding some reason for investors to buy stocks, mutual funds, and ETFs.
- 3) Tactical Asset Allocation (TAA) protects in these environments, and if the picture changes, TAA will adjust to participate in a recovery.



We closed Friday with one of the worst third-quarter market performances ever. The bottom line continues to be the same: *we have big problems in Europe and big problems here*. We will eventually fix what is wrong (we always do) but the solutions will not be easy, and they will not be quick. This is all reflected in the markets.

We have been talking for a while about testing 1100 on the S&P 500. We have come close a few times, and finally broke through with a vengeance on Tuesday. The market rallied to close above this support level; however, that breakthrough now puts the S&P 500 Index 1050 level back on the table. If we break 1050, the next key level of support is 980. If we break 980, then a retest of the 2008 lows becomes a possibility.

On the positive side, the market is again oversold so we could see a bargain hunting / short covering rally. Quarterly earnings and jobs reports could also move markets positively if they come out better than expected.

Safe Haven Assets Diverge

Last month we saw a big divergence in the performance of the traditional safe haven assets: precious metals, Swiss Francs, and Treasury Bonds. Precious metals like gold and silver, and precious metals stocks had an awful month. While there were probably a lot of reasons for this, mostly they had been in a massive uptrend and nothing goes in a straight line forever. *The more powerful the uptrend, the more powerful the sell-off*. The Swiss Franc got crushed when Switzerland announced they would aggressively move to keep its currency down.

Treasury bonds were the big winner for the month.

The Fed announced Operation Twist, designed to lower long-term interest rates (and raise long-term bond prices). It is doubtful this will do anything for the economy (which is probably why the market sold off heavily when it was announced), but it certainly helped our performance for the month.

Going Forward

It is likely the market will continue to be very volatile. Headlines out of Europe will continue to move markets both ways. In the meantime, earnings reports coming out soon could end up being positive or negative. As long as the market remains in a downtrend, we will retain our defensive posture. Once the market rebounds, we will adjust accordingly.

Strategies

We began September very defensive, and we are going into October even more defensive. We will continue to be tactical and shift when market dynamics shift.

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

Matthew Tuttle, CFP®, MBA

CEO / CIO



1 Stamford Plaza • 263 Tresser Blvd • 9th Floor
Stamford, CT 06901

Phone: 800-462-1655

Email: MTuttle@tuttlewealth.com

www.tuttlewealth.com

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