June 2008 Newsletter

June ETF Select Highlights:
1. ADDED exposure to: Preferred Equity, Gold, Russia
2. REDUCED exposure to: Semiconductors, Agricultural Commodities

Global capital markets witnessed a significant reversal in June as commodities outperformed all other asset classes. As detailed in our previous two newsletters, we believed that the two main conditions required for a near-term continuation of the March-to-May 2008 stock market rally were: 1) a moderation in commodity price inflation and; 2) a stabilization in the U.S. financial sector and U.S. dollar. While the U.S. dollar remained relatively stable in June, the basket of 24 commodities that we monitor posted a sharp 9% increase, with crude oil hitting a record $140 per barrel. As of this writing, crude oil prices have risen 46% year-to-date and have become a primary focus of global capital markets (high crude prices can potentially slow economic activity and reduce corporate earnings expectations).

Our work indicates that current crude oil prices of $145-$185 per barrel equate to the price level (after adjusting for inflation and energy efficiency gains) reached in the 1970s which contributed to recessions in that decade. We are now at the lower band of that range and several indications are surfacing that appear to confirm the recessionary impact of this level of oil prices. For example, the July U.S. payroll loss of 62,000 jobs, while still below the typical monthly recession average, marked the sixth consecutive month of employment contraction. Additionally, earnings forecast reductions and job cut announcements are appearing more frequently, particularly from companies in the oil-price-sensitive consumer discretionary and transportation sectors. Finally, most U.S. financial stocks failed to hold their March 2008 lows, as renewed concerns about asset write downs in the upcoming quarter plagued the group. The resurgence of commodity inflation and the weak performance from financial equities weighed on global stock markets during June with the S&P 500 posting its worst monthly performance in almost six years.

Our concerns over commodity inflation and the weakened U.S. financial system caused us to remain well diversified in ETF Select accounts with an above-average cash cushion at the beginning of the month. As a result, ETF Select accounts declined considerably less than global equity indices during the month of June and on a year-to-date basis. In June, ETF Select accounts declined 4.6% to 6.1%, net of management fees (depending on tax sensitivity and objective), compared to the 8.4% decline (including dividends) of the widely followed S&P 500. The table below shows the year-to-date (1/1/2008 – 6/30/2008) and since inception (1/1/2006 – 6/30/2008) performance of the various ETF Select strategies against blended US stock, international stock, and bond benchmarks. It provides a detailed breakdown of the performance net of the maximum possible fees (“platform” performance), as well as the “manager” performance net of just the direct portfolio management costs (custody, trading and management fees). Past performance is no guarantee of future results. **Please see the attached disclosures for more important information regarding these performance results.**

Year-to-Date & Since Inception Performance

ETF SELECT	Net Manager YTD	Net Manager Annualized Since Inception	Net Platform YTD	Net Platform Annualized Since Inception
Growth - Low Tax Sensitivity	-7.06%	4.31%	-7.81%	2.86%
Growth - High Tax Sensitivity	-5.93%	4.87%	-6.68%	3.42%
Growth Benchmark (65% S&P 500, 15% MSCI EAFE, 20% Lehman Agg.)	-9.08%	4.53%	-9.08%	4.53%
Moderate Growth - Low Tax Sensitivity	-5.50%	4.78%	-6.26%	3.33%
Moderate Growth - High Tax Sensitivity	-5.04%	4.81%	-5.81%	3.35%
Mod Growth Benchmark (50% S&P 500, 10% MSCI EAFE, 40% Lehman Agg.)	-6.55%	4.63%	-6.55%	4.63%
Growth & Income - Low Tax Sensitivity	-4.81%	4.48%	-5.57%	3.03%
Growth & Income - High Tax Sensitivity	-3.86%	4.35%	-4.63%	2.90%
Growth & Inc. Benchmark (32% S&P 500, 8% MSCI EAFE, 60% Lehman Agg.)	-3.97%	4.88%	-3.97%	4.88%
S&P 500 (with dividend)	-11.91%	2.98%	-11.91%	2.98%
MSCI EAFE	-10.58%	9.90%	-10.58%	9.90%
Lehman U.S. Aggregate Bond	1.13%	4.95%	1.13%	4.95%

The Manager performance indicated for each portfolio represents returns after direct portfolio management costs (custody, trading, and management fees), but does not include any deduction for the advisory fees charged by the sponsor (which generally range up to 1.6% per annum depending upon, among other things, the size of the client account). Actual client returns would have been reduced by the amount of these advisory fees. Platform performance demonstrates the final return to the client after all maximum manager, custodian, and sponsor fees have been deducted. In practice, many clients will pay less than these maximum expenses.

One encouraging development over the past couple of months has been the ability of financial companies to sell more common equity to shore up their weakened capital bases. While these equity offerings are often dilutive to existing stockholders, they are a positive development for preferred equity and bondholders since they improve the ability to make timely interest and principal payments. Accordingly, during the month of June, we established exposure to preferred equities through an exchange traded fund (ETF) that currently offers an attractive yield.

We also initiated exposure to gold after its 18% correction, from $1,033 to $846 per ounce between March and May. Gold can be attractive from a portfolio perspective given its hedge characteristics against inflation, geopolitical risk and a weakening US dollar. We remain hopeful that U.S. Federal Reserve Chairman Bernanke's recent statements toward a stronger U.S. dollar policy are enough to stabilize the currency. But, we also recognize that significant appreciation in the U.S. dollar may require interest rate hikes (or interest rate cuts from other G8 countries) which may not occur until next year due to the weakened state of the U.S. economy.

Finally, we added equity exposure to Russia during June based on our analysis that shows a positive correlation between Russian equities and inflation due to the presence of many large, commodity-oriented companies in that country's main exchange. Russia has made significant fiscal and monetary strides since its 1998 currency crisis and is now running a budgetary surplus and established a large foreign currency reserve of over $400 billion. Russian energy companies supply much of Europe's natural gas needs through its vast pipeline network and are in a uniquely powerful position due to their resource base (world's largest natural gas reserve holder), infrastructure, and negotiating status. The Russian government often adjusts contract terms with foreign oil companies and then gives the greater government interest to domestic firms. Foreign oil companies continue to do business in Russia because they face dwindling opportunities at home and even worse fiscal terms from other host governments around the world. While we acknowledge that Russia needs to accelerate its political reform, we will monitor the actions of the new Medvedev government, as well as long-standing tensions surrounding NATO expansion in the former Soviet Republics.

After strong performance in April and May, we sold our Semiconductor position at the beginning of the month to raise cash and to lessen our equity exposure, especially to volatile technology. We mentioned last month that we had begun to increase exposure to agricultural commodities, primarily corn, sugar, soybeans, and wheat, as we believe they are poised to benefit from the investment theme of resource scarcity. After feared crop damage from extensive flooding in the Midwest sent grain prices soaring, we sold this position at the end of the month. Though this is a long-term investment theme, we felt the risk/reward tradeoff was no longer favorable given the quick price run-up and adverse seasonality. This helped us both reduce commodity exposure and raise cash. We will look to re-enter this position in the coming months at what we view to be a less risky entry point.

We have commented on the heightened volatility of the global capital markets in previous newsletters and continue to believe that we are going through a down cycle that is focused on the negative aspects of commodity inflation and oil prices. While down cycles are never pleasant, they are inevitable and set the stage for the next up cycle. The current oil cycle will eventually be broken by the laws of supply and demand. We learned during the energy crisis of the 1970s that oil demand in the short-run can be fairly rigid or “inelastic” but that oil consumption eventually responds to higher oil prices as consumers change their buying patterns. This adjustment is already taking place as shown by latest 4-week average of U.S. gasoline consumption, which posted its largest decline in more than 10 years. This year-over-year decline of 603,000 billion barrels/day is significant since it represents demand destruction of approximately one-third of the total global annual increase.

US Gasoline Demand (Last 4-wk avg)
(millions barels per day)

Year	Latest 4-wk	vs. Prior (mmb/d)	%Chg
1997	8,286		
1998	8,363	77	0.9%
1999	8,518	155	1.9%
2000	8,641	123	1.4%
2001	8,811	170	2.0%
2002	9,177	366	4.2%
2003	9,026	(151)	(1.6)%
2004	9,183	157	1.7%
2005	9,360	178	1.9%
2006	9,691	331	3.5%
2007	9,973	282	2.9%
2008	9,370	(603)	(6.0)%

Source: American Petroleum Institute

We note that the current correction in the S&P 500 has lasted 39 weeks and has resulted in a 21% decline from the October 2007 high compared to the 51-week and 24% decline of all recessionary corrections since World War II, as shown below. So, while there may be more downside testing in the weeks ahead, history has shown that an opportune time to invest in the U.S. stock market is toward the end of a recessionary correction as previously, the average subsequent 12-month return is +37%.

US Recessions
vs.
S&P 500 Declines

Recession Year	Peak-to-Trough S&P 500 Decline	Subsequent 12 month Return	Decline Duration (wks)
1947	(14)%	23%	51
1949	(21)%	42%	51
1953	(15)%	37%	37
1957	(22)%	32%	16
1960	(14)%	31%	43
1969	(36)%	51%	67
1974	(48)%	54%	89
1980	(27)%	68%	89
1990	(20)%	35%	13
Median	**(24)%**	**37%**	51
2008	(21)%	?	39

Source: Bloomberg

If there is further downside in the weeks ahead, we believe the current correction is likely to remain within a range of 25%-30%. Comparisons of today's investment environment to the 1970s are often made due to the rising commodity prices that existed in both periods, but we believe the current environment is noticeably different from that era in several respects: 1) today's interest rates at 2%-5% remain far lower than the 14%-15% levels that existed back then; 2) today's inflation rate at 4%-5% remains well below the 14% CPI of the 1970s due principally to the lack of employment cost pressures; 3) tax rates remain well below those of the 1970s and; 4) we no longer have a Cold War among the world's superpowers.

As a result, toward the end of June, we began to redeploy some of our extra cash to areas like preferred equities, financials, and international equities as discussed previously. At these very oversold levels, we believe the risk/reward tradeoff to equities is favorable and we have begun to position the portfolio to participate if a rally occurs. As always, we remain nimble and will get more defensive if we see further negative signs from fundamental, economic, and technical data.

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Exchange traded funds are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. An investor should carefully consider investment objectives, risks, charges and expenses before investing. This information and more complete information, including potential risks, included in each ETF prospectus, which can be obtained from Advanced Equities Asset Management, Inc by calling (866) 299-4864. Read prospectus carefully before investing. There is no certainty that any investment or strategy will be profitable or successful in achieving investment objectives.

IMPORTANT DISCLOSURES REGARDING PERFORMANCE RESULTS

ETF Select is a strategy featuring an actively managed diversified portfolio of US and foreign stocks, bonds, and alternative asset classes. Each account holds a basket of approximately 20 or more Exchange Traded Funds (ETFs) and closed-end funds. An account is constructed with three complimentary components, the static core, active strategic, and active tactical. The static core ensures clients maintain a diverse framework consisting of more than 15 asset classes. The active strategic allocation is used to rebalance accounts as AEAM's market outlook changes. The active tactical portion allows AEAM to incorporate their best ideas. The relative sizes of the active and static components are determined by a client's tax-sensitivity. Clients with low tax-sensitivity have a greater allocation to the active components, while those with higher tax-sensitivity have a greater allocation to the static core piece. Generally, clients in tax-deferred vehicles, such as IRAs, elect for low tax-sensitivity, and clients in taxable account elect for a high tax-sensitivity. Three versions are offered based on a client's risk/return objectives. Growth & Income features the most conservative allocation. The core portfolio is allocated to approximately 40% stocks and 60% fixed income. The overall equity portion can vary between 20-60% depending on AEAM's market outlook. Moderate Growth features the next most conservative allocation. The core portfolio is allocated to approximately 60% stocks and 40% fixed income. The overall equity portion can vary between 40-80% depending on AEAM's market outlook. Finally, Growth features the least conservative allocation. The core portfolio is allocated to approximately 80% stocks and 20% fixed income. The overall equity portion can vary between 60-90% depending on AEAM's market outlook.

The goals of the S&P 500®, MSCI EAFE, and Lehman Aggregate Bond indices may be different than those of AEAM's ETF Select. The index returns reflect the reinvestment of income, dividends, and capital gains, if any, but do not reflect fees, brokerage commissions, or other expenses involved with investing. Investors may not make direct investments into any index.

Past performance is not an indication of future returns. Investment return and principal value will fluctuate and you may have a gain or loss when you liquidate. It should not be assumed that any security listed or any recommendations made in the future will be profitable or without loss or will equal the performance of the strategies on this list. All investments involve the risk of potential investment losses as well as the potential for investment gains. Further, the prior performance figures indicated herein represent portfolio performance for only a short time period, and may not be indicative of the returns or volatility each portfolio will generate over a long time period. The performance of the portfolios should also be viewed in the context of the broad market and general economic conditions prevailing during the periods covered by the performance information.

The Standard & Poor's 500® Index is an unmanaged index of 500 widely held common stocks believed to be generally representative of the U.S. stock market. It is a market-cap weighted index, which means that companies with a larger market capitalization are given are higher index weight. The Lehman Aggregate Bond Index is generally considered to be the best total U.S. market bond index and includes government securities, mortgage-backed securities, asset-backed securities and corporate securities. The MSCI EAFE is an index created by Morgan Stanley Capital International that serves as a benchmark of the performance in major international equity markets as represented by 21 major indexes from Europe, Australia and Southeast Asia. The benchmark performance for each ETF Select model are thus based on the performance of major US Stocks, International Stock, and Bond indices. The weighting reflect the approximate core exposure of the specific ETF Select strategy. Unlike ETF Select, though, it contains no explicit exposure to Real Estate (though, REITs would be included in many of the equity indexes) or commodities.

Returns in excess of 1 year are annualized. Inception is defined as January 2006, which is the date the first account was funded. Returns were achieved by AEAM's predecessor firm, Greenbook Investment Management. All of Greenbook's portfolio management team responsible for achieving those returns transitioned to AEAM after Greenbook was acquired by Advanced Equities Financial Corp.

ETF Select strategy returns are calculated based on a single representative account methodology. This is similar to the concept of model performance, though it demonstrates the actual return that an actual account earned during the period. Dividends and interest are accounted for on a cash basis, but custody, management, and advisory fees are accounted for on an accrual basis to more reliably capture the impact of expenses regardless of the timing of their deduction. Individual client performance will vary based on a number of factors, including: cash flow timing, date of funding, account size, withdrawals, and inclusion of existing client holdings. Among other assumptions, the performance analysis reflected assumes that all dividends or distributions paid on the securities held in the portfolios were retained and reinvested, rather than distributed, during the period covered. The representative account is selected on the basis of several criteria including the duration of the account and stability of contributions and withdrawals. Please contact Advanced Equities Asset Management for more information on this methodology, the selection of representative accounts, or the performance of your individual account.

An investor should carefully consider investment objectives, risks, charges and expenses before investing in an Exchange Traded Fund (ETF). This information and more complete information, including potential risks, included in each ETF prospectus, which can be obtained from Advanced Equities Asset Management, Inc. by calling (866) 299-4864. Read prospectus carefully before investing. There is no certainty that any investment or strategy will be profitable or successful in achieving investment objectives. For current month-end performance data, please call (866) 299-4864.

ETFs may have investment objectives other than matching a particular market index, may have a tendency to trade below net asset value (NAV) and are subject to liquidity risk. Exchange traded funds are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. An investor should carefully consider investment objectives, risks, charges and expenses before investing. Inverse funds should lose money when their benchmark indexes rise. Inverse funds also entail certain risks, including inverse correlation, leverage, market price variance and short sale risks. There is no certainty that any investment or strategy will be profitable or successful in achieving investment objectives. Past performance is no guarantee of future results.

The Manager performance represents returns after direct portfolio management costs (custody, trading, and management fees), but does not include any deduction for the advisory fees charged by the advisor (which may range up to 1.6% per annum depending upon, among other things, the size of the client account). Actual client returns would have been reduced by the amount of these advisory fees. For example, if such fees totaled 2.00% per annum, they would reduce a 10.00% per annum model portfolio return to 8.00% per annum. Prospective investors should consider both the Manager performance as well as the net Platform returns after advisory fees.

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