

QUANTITATIVE STRATEGIES, INC.

REGISTERED INVESTMENT ADVISORS

Market Commentary and Performance Update: August 2009

Market Update: One of the questions looming over every market rally is: Can it be sustained?

Here are some of the key data points as summer ends and we look toward Fall and the 4th quarter.

- Looking for 3% Real Growth – moderately above consensus
- Signs of significant inventory re-build as inventory levels lowest since WWII.
- Lagging monetary stimulus package should fuel economic activity in the next few quarters.
- Online job demand showed an increase and we saw a slow-down in job losses
- Economic Sentiment Indicator is at its highest level in a year, now sixth month of consecutive increases; Economic Index and Industrial production have shown positive movements all leading to optimism going into the 4th Quarter.
- Better than expected corporate earnings

QSI's Core Portfolio Update: (see attached performance)

Equities continued to rally amid the better than expected earnings reports and a slow-down in job losses. The allocations over-weightings in small and midcap have helped boost performance, as has the allocation to Financials. We have also maintained excess allocations to the Consumer Staples sector. QTD the consumer staples sector has captured approximately 65% of the S&P 500 returns. While this is marginal, the downside capture ratio has been much less. The sector has also, in some flatter markets, outperformed the broad market. Since some of the secular economic fundamental remain bleak, we are maintaining the consumer staples allocation to help smooth out returns and provide downside protection. Technology has lagged ever so slightly, capturing returns of about 90% of the S & P 500 but this sector remains promising.

Fixed income has generally outperformed due primarily to an underweighting in government debt, and our higher allocations to corporate debt. In the corporate debt area, we have maintained our high yield position, which has been the strongest performer. Corporate debt has bounced back significantly from last year and continues to look attractive based on yields and potentially improving fundamentals.

Year to date, the core portfolios have all outperformed their benchmarks and continue to be positioned to capture positive returns while seeking to protect against market weakness. *We continue our practice of only holding non-leveraged and non-enhanced ETFs and add alpha and downside protection through our allocation strategy and the short term tactical management of our portfolios.*

Where efficiency is everything

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