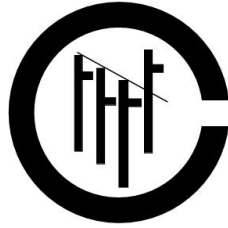


Churchill Management Group



Market Perspective

July 15, 2010

Currently, Churchill Management's Premier Wealth investment position is in a capital protection mode while poised for reinvestment.

In our most recent Market Perspective we stated that we thought the highest *probability* in the near term was that the market was going to have an Intermediate Correction (where the market drops over 10% but not over 20%. A 20% drop is considered a Bear Market). "Probability" is the key word in the sentence above.

Throughout our 48 year history, Churchill Management's investment style has been to follow our "top-down" stock market analysis in our Chartroom in combination with our "bottom-up" individual stock selection process and let the research facts tell us the risks in the market and then act accordingly. We strive to not let our opinions and ego get in our way. When the facts change, so does our course of action. In the time since our early May letter, our research tells us that the probability has increased for a "Bear Market" and not just an "Intermediate Correction."

For awhile now, the economic fundamentals have been troubling. In recent months they have continued to deteriorate in many areas. Job numbers continue to be worrisome in the U.S., and businesses and individuals may see taxes increase with the expiration of the Bush Tax cuts. Appearances that *deflation* is gaining ground increased (PPI was -.5% for June). The European Countries are facing enormous economic difficulties with their Stock Markets already in Bear Market territory as they attempt to reign in regional debt and spending. China, the leading growth economy in the world, announced that it is tightening in many areas amid concerns over inflation in areas such as housing and commercial real estate and announced that its growth is actually slowing up.

Amid that Fundamental background, our Technical indicators began communicating some major negative signs:

1. The Stock Market Averages, from the Dow Jones Blue Chips, the S&P 500, the Mid-Cap, The NASDAQ, etc. all broke their technical structure to the downside, highly increasing the possibility that the recent correction was not a bottoming for a second leg in the Bull Market, but part of a top formation for a potential Bear Market.
2. When the Stock Market Averages broke their structure it signaled, in technical terms, the breaking down of a Head and Shoulders Top. Research over the decades on Head and Shoulders Tops is that when a neck line is broken, there is a high *probability* that you can project down the minimum drop the markets will have. If this breakdown follows that projection, the averages would be in a clear Bear Market (down over 20%).
3. Additionally, approximately 40% of the chart patterns in the Dow Jones 30 Blue Chip Stocks, The NASDAQ 100 and the S&P 500 gave technical sell signals from the charts.

When our investment team looked at these factors in detail we realized that the probability of a Bear Market had increased substantially, especially when measured against the Fundamental and Technical background of the Secular Bear market we have been in for the past decade. Consistent with our style, we moved significantly to a defensive position in our Premier Wealth strategy in order to **PROTECT CAPITAL!** In achieving our record over the many decades we have been managing money, we have always had as our #1 rule: “Don’t allow our portfolios to get smashed.” This is the Power of Compounding Theory. We will get our share of the upside when the risks subside.

Again, “Probability” is the key word. The facts above do not eliminate the possibility that the breakdown of the structure of the indices was just a shake out in the intermediate correction and that the bottom we were looking for in our recent letter is still a possibility. We will let the market tell us. Is this the “scary” test of the Intermediate Correction’s bottoming process like we talked about in May or will the Head and Shoulders Topping Process prevail, leading to a Bear Market?

At this time, we are aggressively doing our Bottom Up Process to find stocks and ETFs to take advantage of whatever buying opportunity prevails. At this moment our buy list from our Bottom Up Process is short, but it could change noticeably in the next few weeks. Of course we will keep you informed.

CHURCHILL MANAGEMENT GROUP

** This report is meant to inform the reader of our current market opinion, which we, as professional money managers, use in our decision-making. It should be noted that stock market and bond market data are subject to varying interpretations and any one interpretation will not necessarily guarantee investment success. The information obtained from the sources specified herein and used as basis for our current market opinion is believed reliable, but we do not guarantee the accuracy of such information.