

ETF Report

THE MAGAZINE FOR ETF ADVISORS // DECEMBER 2014

★ 2014 ★

TOP ADVISORS CHANGING THE GAME

ALL STAR *Classic*

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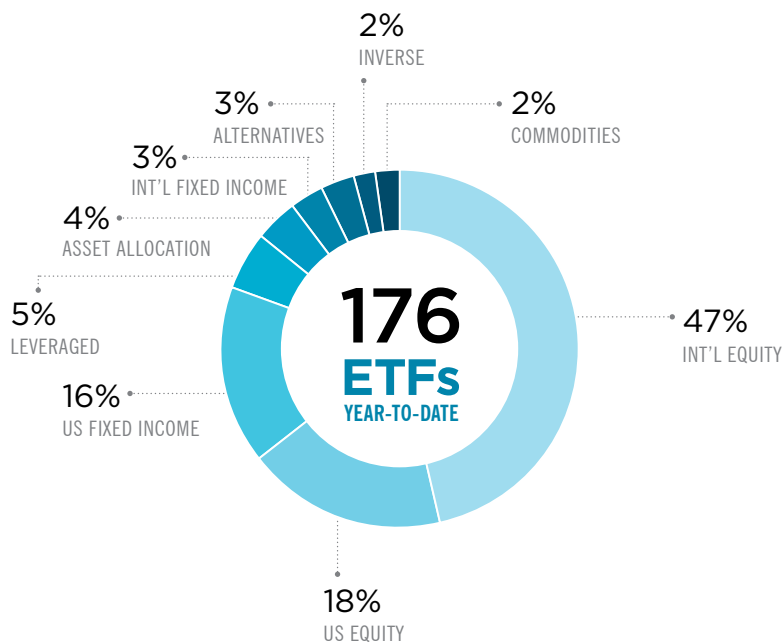
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ETF Launches



FEATURED ETF

Renaissance International IPO ETF (IPOS)

Firm specializing in IPO research launches first int'l IPO ETF

iPOS Quick View

ISSUER	Renaissance Capital
SEGMENT	Equity: Global Ex-U.S. – Alpha-Seeking
EXPENSE RATIO	0.80%
STRUCTURE	Open-ended fund
DATE LAUNCHED	10/6/2014
COMPETING FUNDS	IFV, IPKW, GURI, HDGI

Renaissance Capital, the investment advisor behind the [Renaissance IPO ETF \(IPOS\)](#), rolled out an international ex-U.S. version of its one-year-old IPO fund, offering investors access to newly public companies before they're included in core global equity portfolios.

The Renaissance International IPO ETF (IPOS) is designed to complement its U.S.-only counterpart, and together the two funds cover the entire global IPO market, the company said in a press release.

The launch is timely to the extent

that the IPO market has been booming. When the fund made its debut, year-to-date IPOs in the U.S. alone were up 36% year-on-year, and IPO proceeds are also up. Perhaps the most noteworthy IPO of the year was Alibaba's. The Chinese e-commerce giant raised more than \$22 billion in September.

Like Renaissance's first ETF, "IPO," the new ETF also focuses on initial public offerings that are "economically significant." These newly public companies are added to the portfolio as soon as five days after they first list.

At launch, roughly 19% of IPOS' portfolio was tied to the U.K., and 11.5% was allocated to Japan. Emerging markets represent about a quarter of the overall mix. ●

ETF FILING ACTIVITY

LAUNCHES

US EQUITY

Global X | JPMorgan US Sector Rotator
InfraCap MLP
ValueShares US Quantitative Value

US FIXED INCOME

Fidelity Corporate Bond
Fidelity Limited Term Bond
Fidelity Total Bond
Vident Core U.S. Bond Strategy

INTERNATIONAL EQUITY

ALPS Stoxx Europe 600
ARK Genomic Revolution Multi-Sector
ARK Innovation
First Trust Eurozone AlphaDex
iShares MSCI Emerging Markets Horizon
Recon Capital DAX Germany
Renaissance International IPO

ALTERNATIVES

ProShares Managed Futures Strategy
ProShares Mstar Alternatives Solution

ASSET ALLOCATION

Arrow DWA Tactical
Global X | JPMorgan Efficiente
iShares Commodities Select Strategy

SELECTED FILINGS

iShares MSCI Emerging Workforce
PowerShares Russell 1000 Equal Weight
ProShares Russell 2000 Dividend Growers
Source Euro Stoxx 50 Hedged
SPDR MSCI ACWI Low Carbon Target

CLOSURES

EGShares China Infrastructure
EGShares TCW EM Intermdt Term Inv Grd Bond
EGShares TCW EM Long Term Inv Grd Bond
EGShares TCW EM Short Term Inv Grd Bond

Source: ETF.com, Data and information as of 10/31/2014. ETF Filings sidebar covers launches and filings for the month of October.



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QQQ
NASDAQ
100

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Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the funds in Creation Unit aggregations only, typically consisting of 50,000 shares.

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ETF Explainer: VGK

Vanguard FTSE Europe ETF

Each month, we look at an ETF selected by ETF.com, based on interviews with leading macro strategists from our Alpha Think Tank publication. This month we look at the Vanguard FTSE Europe ETF (VGK|A-98), based on Don Luskin's view that the eurozone is coming out of a long recession and his optimism around various pro-growth reforms on the continent.



NOV 7 The ECB cuts interest rates for the eurozone's main refinancing rate to a record low of 0.25%, but falls short of announcing any major asset purchase programs.

JUN 6 The ECB announces bold new stimulus measures to tackle deflationary pressures in the eurozone, including negative deposit rates. The ECB hints at asset purchases down the line.

JAN 22 Spanish Treasury sales hit a record. Spain issues 10 billion euros worth of 10-year debt, as demand for eurozone bonds soars. Spanish 10-year yields hit 3.74%.

JUL 10 Portugal surprises the markets by announcing that Espirito Santo International missed debt payments. Banco Espirito Santo shares are suspended from trading, spurring fears of contagion.

MAR 20 The European Parliament and Council announce they've reached an agreement on the Single Resolution Mechanism, paving the way for the EU Banking Union.

SEP 18 Scottish referendum to secede from the U.K. fails to pass in a historic vote that carried major implications for the entire European continent.

VWO

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*Source: Morningstar as of 03/03/2014. Based on 2014 industry average expense ratio for emerging market ETFs of 0.56% and Vanguard VWO expense ratio of 0.15%.

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TOP ADVISORS CH.

CARLOS
ASILIS

ROBBIE
CANNON

JOHN
ECKSTEIN

DAVE
GARFF

COREY
HOFFSTEIN

ALL Stars

ETF REPORT SET OUT TWO YEARS AGO

to anoint a group of ETF strategists to personalize the exchange-traded fund industry, and this year we're doing it again.

We're recognizing these financial advisors who put together portfolios using ETFs for a clear reason: ETFs now command almost \$2 trillion in assets—22 years ago that amount was zero. With their rapid rate of growth, it's not hard to imagine the day when ETF assets surpass the \$3 trillion now in hedge funds and, potentially, the \$15 trillion in open-end mutual funds.

We name these ETF All-Stars to identify advisors who recognized the vast disruptive potential of ETFs early on and are delivering low costs, transparency and varied exposures of ETFs to the world of money management. We hope to shed light on how they

CHANGING THE GAME

ETF All-STAR



came to recognize that vast potential and, crucially, had the vision to sail into the head winds of a money management industry set in its high-fee ways.

All of these advisors have their particular approach to putting together investment portfolios for their clients. For the most part, they share a conviction that using index ETFs to execute alpha-seeking strategies is really the only sensible way to proceed as money managers in the new millennium.

But that's not what we're keen on illuminating in these brief profiles. Instead, we want to showcase the plain reality that, just as the ETF industry is the focal point of some of the most vibrant product innovation these days, our ETF All-Stars are some of the brightest and interesting minds in money management today.

By Olly Ludwig

Carlos Asilis



FIRM
**GLOVISTA
INVESTMENTS**

LOCATION
JERSEY CITY, N.J.

EST.
2007

AUM
\$968M

END-2013 AUM
\$807M

MIN. ASSET SIZE
\$250,000

CHIEF INVESTMENT OFFICER

If ETF.com's 2014 class of "ETF All-Stars" needs a resident professor, look no further than CARLOS ASILIS. He's the chief investment officer of Jersey City, New Jersey-based Glovista Investments, a firm with almost \$1 billion under management that's known for its country-focused, global-macro approach as well as its expertise in emerging markets.

Born in the Dominican Republic, he moved to the U.S in the 1980s to attend the University of Pennsylvania's Wharton School of Business.

From there, Asilis attended graduate school at the University of Chicago and became a lecturer there in economics—the first of a number of posts in academia and policy circles, which notably included a stint at the International Monetary Fund. Those experiences provided the young economist with a ringside seat to the economic event of the past generation: The collapse of the Soviet Union that ushered in the era of globalization.

"The good thing about academia is it enables you to have discipline to do thorough analysis," Asilis told ETF Report. "The disadvantage is that it can be dogmatic, and that can be deleterious to your returns. But I learned, early on, the importance of being humble."

Predisposed already with the sensibilities of a top-down global macro money manager that would dovetail well with the power of ETFs, Asilis left the IMF for Wall Street in 1994—a year after the first U.S.-listed exchange-traded fund, the [SPDR S&P 500 ETF \(SPY|A-98\)](#), was launched.

He eventually landed at J.P. Morgan, where he became chief strategist in 2001. And it was at J.P. Morgan that the seeds of Glovista were sown when he hired a young Indian-American strategist, Darshan Bhatt, who today is the deputy chief investment officer at Glovista.

The two left J.P. Morgan in 2003—the very year the game-changing [iShares MSCI Emerging Markets ETF \(EEM|B-97\)](#) came to market, and joined a global macro hedge fund. That lasted two years, and in 2007, the two started Glovista at a time when the variety of available products in the ETF market made the top-down approach to ETF asset allocation a real possibility.

"Darshan is an ideal complement to my approach," Asilis said, referring to the top-down investment approach he shares with Bhatt, as well as his partner's deep knowledge of the ETF market. "ETFs are ideal tools for global macro, top-down managers to put portfolios together with."

Robbie Cannon

PRESIDENT

★

ROBBIE CANNON, president of Charlotte, North Carolina-based Horizon Investments, is as enthusiastic and expansive an apostle of the virtues of ETFs as you'll encounter anywhere.

Sure, ETFs are cheap, transparent and liquid, and he's thrilled advisors and investors are finally grasping that. But to hear Cannon, ETFs hold the promise of finally doing right by individual clients, creating a real opportunity to target outcomes in ways that simply have not previously existed.

"ETFs are such a postmodern development," Cannon said. "They are the first phase of this outcome-based world. You can construct, deconstruct and reconstruct portfolios with them—you can have red cars or blue cars come off the same assembly line."

However, it has taken time for the ETF to assert itself to center stage in the world of money management. As an example, the first U.S.-listed exchange-traded fund, the [SPDR S&P 500 ETF \(SPY|A-98\)](#), came to market in 1993, but it took about 10 years for ETFs to really begin to be taken seriously by advisors.

"After the tech bubble burst, it was clear that it was no longer going to be easy in the stock market," said Cannon, arguing that that reality made

the top-down qualities of index ETFs in building asset allocation models the right call.

New technology helped ETFs along the way. That includes new, cheaper trading platforms as well as account innovations like unified managed accounts that allow clients to aggregate all their holdings, including funds like ETFs, in one account with one statement.

"If we still had 1990s technology, I don't think the ETF as we know it today would have been possible. But now that we have these building blocks, we can focus on what the customer actually needs," Cannon said, stressing that investors with \$250,000, \$1 million or \$10 million in assets all have different needs and goals, and ETFs can be applied to each of those scenarios with pinprick precision.

Where many advisors see challenges everywhere in a contemporary advisory environment, Cannon only sees opportunity.

As an example, the growing cohort of aging Americans creates new challenges that haven't been in focus before, but now the power of various ETFs can be brought to bear to solve the "longevity" challenges of investors not outliving their assets.



FIRM
HORIZON
INVESTMENTS

LOCATION
CHARLOTTE, N.C.

EST.
1995

AUM
\$2B

END-2013 AUM
\$1.4B

MIN. ASSET SIZE
\$50,000

John Eckstein

CHIEF INVESTMENT OFFICER



FIRM
**ASTOR INVESTMENT
MANAGEMENT**

LOCATION
CHICAGO

STRATEGY EST.
2000

AUM
\$960M

END-2013 AUM
\$637M

MIN. ASSET SIZE
\$100,000

JOHN ECKSTEIN and many of his colleagues at Astor Investment Management looked at the markets with the eyes of top-down global macro money managers long before Astor existed, and before there were any ETFs—or at least long before ETFs had the liquidity necessary to fulfill their promise.

“If anyone starts trying to buy an individual stock around here, we make them lie down,” Eckstein said jokingly. The image was a dose of the humor that he seems to integrate into his duties as chief investment officer of the Chicago-based firm.

In the early 1990s, he began trading futures, canvassing broad swaths of the market in single trades—whether S&P 500, Treasuries or currencies. Futures were, for the longest time, the only way for money managers to readily get exposure to huge pieces of the markets.

To be sure, trading S&P 500 futures isn’t the same as actually owning an S&P 500 ETF. But it is a form of index investing, and Eckstein, who still uses futures these days, considers himself to be an early adopter of the so-called active-indexing trend.

While futures markets remain deep and liquid, and plenty of global macro hedge funds continue to use them to

execute their strategies, the advent of the ETF created new opportunities for those like Eckstein and Rob Stein with a thoroughly top-down approach.

As the liquidity and popularity of ETFs grew, big tradable pockets of the investment universe that had previously been inaccessible opened up and became increasingly safe to trade, playing into Eckstein and Stein’s approach.

“We look at the economy every day, and we make our asset allocations based on that. We took clients out of stocks in 2000, in 2011 as well as 2008,” Eckstein said, illustrating just how active Astor’s approach can sometimes be.

Being a fiduciary overseeing nearly \$1 billion is serious business, but Eckstein’s easy charm and subtle humor must surely be an asset as he communicates Astor’s tactical approach to money management to clients and prospects alike.

As an example, Eckstein was clearly honored when we informed him that he was being anointed one of our 2104 “ETF All-Stars,” but he couldn’t resist joking about the rarified air he was about to start breathing.

“Is this going to involve groupies? Because if it does, I’m going to have to tell my wife.”

David Garff

PRESIDENT & CHIEF INVESTMENT OFFICER

In some ways, DAVID GARFF was destined to become an asset manager using ETFs. After all, the president of Walnut Creek, California-based Accuvest Global Advisors began his career at Merrill Lynch in 1992 with clients in the retirement business. And fiduciaries such as 401(k) plan sponsors simply can't think about investing in terms of picking single stocks—ever.

“Working with fiduciaries also requires you to deal in process,” Garff said, stressing he’s never forgotten that crucial lesson as a money manager who now puts together alpha-seeking equity asset allocation plans organized in blocks of single-country index funds.

Garff learned early on to view asset allocation from a top-down macro perspective in terms of asset classes and other big tradable swaths of the investment universe. At the time, though he may not have known it, that pointed him to the power of ETFs from the start.

The first U.S.-listed exchange-traded fund, the [SPDR S&P 500 ETF \(SPY|A-97\)](#), was still an apple in Nate Most's eye when Garff started out in the business. And three years later, when Garff left Merrill for Smith Barney, ETFs were hardly more than a new way for traders to buy and sell huge pieces of the

market or to own a Vanguard-like index fund in a new wrapper.

But things started getting interesting for Garff in the mid-1990s with the arrival of the WEBS (World Equity Benchmark Series). To the uninitiated, that's what iShares' single-country ETFs were called when they were first launched in 1996.

“For me, the WEBS planted a seed that you could use these passive vehicles to generate alpha,” Garff said. Still, the WEBS remained illiquid curiosities for years—more interesting than viable to a maturing money manager like Garff.

But things changed in the multi-year aftermath of the Internet bust of 2000. Investors, tired of the underperforming U.S. market, started investing abroad, increasingly with ETFs such as the [iShares MSCI Emerging Markets ETF \(EEM|B-97\)](#) and other international funds, such as the iShares family of single-country ETFs.

With the necessary liquidity finally a reality, Garff's long-standing idea to do thoughtful long-term asset allocation along single-country lines was finally in place, and he created Accuvest in 2005.

“If you look at what's changed in the last 20 years, it's the tool set,” Garff said. “The ETF has made the impossible possible.”



FIRM
**ACCUVEST
GLOBAL ADVISORS**

LOCATION
WALNUT CREEK, CA

EST.
2005

AUM
\$450M

END-2013 AUM
\$462M

MIN. ASSET SIZE
\$1 MILLION

Corey Hoffstein



ALL-STAR

FIRM
NEWFOUND
RESEARCH LLC

LOCATION
BOSTON

EST.

2008

END-2013 ASSETS
DRAWINGS FEES:

MORE THAN
\$10 BILLION

MIN. ASSET SIZE

\$100,000

CO-FOUNDER & CHIEF INVESTMENT STRATEGIST

This year's crop of "ETF All-Stars" has a "boy wonder," and his name is COREY HOFFSTEIN. He is the intellectual impetus behind Boston-based Newfound Research LLC, a 6-year-old firm that provides model ETF portfolios and the signaling of tactical changes to those actually managing portfolios. More recently, Newfound has begun running its portfolios for advisor-clients who want to outsource tactical asset management.

The story of Newfound is something of a "Michael Dell starting a business in a college dorm room" tale. But this version stars Hoffstein as an undergraduate at Cornell developing an elaborate tactical allocation system and writing code to make it a reality. The fact that the system was designed around ETFs is generational, really. For a 20-something like Hoffstein, ETFs are really the *only* choice.

Hoffstein says he was really doing it all for himself and his own modest nest egg. And at the center of it—and at the center of the Newfound franchise—is a very simple idea: Cash is a legitimate asset class.

"Cash as an asset class was a heresy," Hoffstein said, remembering how he had an "aha!" moment during a college internship with a money manager in the summer of 2007: No one was systematically managing risk. Being able to move to cash is a crucial piece of Newfound's approach.

Hoffstein's ideas about risk management and his code writing began making waves. He ultimately joined forces with Boston corporate lawyer and entrepreneur Tom Rosedale, and together they created Newfound.

Newfound says more than \$10 billion in ETF model portfolio assets have been "powered" by its signaling models, to borrow the firm's phrase. While a number of industry sources say most of those assets are tied to F-Squared Investments, Newfound's first client and the biggest ETF strategist in the world, it's clear "Newfound 2.0" is rapidly taking shape.

For one, Newfound's name pops up all over the place these days—a clear sign its work is respected and that it's likely to become a key part of the ETF ecosystem.

With an eye to the future, Newfound recently hired Andrew Gogerty, the Morningstar analyst whose groundbreaking research on the ETF strategist space became must-reading for anyone following ETFs. The move was a quite a coup, raising Newfound's profile from upstart to a firm ETF investors really should be watching closely.

"Andy brings experience from the ETF industry he followed, and now he helps us ask: 'What's going on that we don't see?'" Hoffstein said.

Michael Jones

CHIEF INVESTMENT OFFICER

In terms of a pure ETF money-managing intellectual firepower assembled under one roof, it's not likely you'll find a more seasoned and well-oiled team than the one headed by **MICHAEL JONES** of RiverFront Investment Group in Richmond, Virginia.

At first blush, Jones' transition from chief investment strategist at Wachovia Securities to chief investment officer of RiverFront might seem like a "how the mighty have fallen" sort of tale. After all, he was running \$80 billion—yes, billion—at Wachovia on behalf of Wachovia advisors, amounting to 10 percent of all the firm's assets. And now he and his team at RiverFront are managing "just" \$5 billion.

But it might be more appropriate to say that Jones made lemonade out of the lemons that life dealt. Leaving Wachovia certainly hadn't been his choice at first, but he arrived at a place where it was the right choice; in fact, the only choice.

"Sometimes you're in pursuit of the cheese, and sometimes the cheese is snatched from you and you have to go look for it again," Jones said, recounting how Wachovia's 2007 acquisition of A.G. Edwards affected him. The experience forced him to think what he might do with his life if he and his

family didn't want to move to St. Louis where A.G. Edwards was based.

In the end, the entire experience awakened Jones' inner entrepreneur, and led him to decide it was time to do something new—even after A.G. Edwards informed him he wouldn't have to move to St. Louis after all.

Much of that conviction was based on the fact that Jones and his team wouldn't change much in their overall approach to money managing when it came to ETFs. By the time Jones left Wachovia, 10 percent of the \$80 billion his team was managing—\$8 billion—was in ETFs.

The team was imbued with a firm belief that ETFs were the most efficient and responsible way to manage money in an era of globalized access and globalized risks.

Six years and \$5 billion in raised assets later, Jones can thank his seasoned team of money managers and their insights into the dying world of specialists on stock exchanges; the rise of high-frequency trading; and that the very presence of ETFs meant that a whole new world of top-down asset allocation was rising.

"What all these changes mean to me is that traders and day traders are playing a loser's game," said Jones.



FIRM
RIVERFRONT
INVESTMENT
GROUP LLC

LOCATION
RICHMOND, VA

EST.

2008

AUM

\$4.80B

END-2013 AUM

\$4.25B

MIN. ASSET SIZE

\$100,000

Michael McClary

CHIEF INVESTMENT OFFICER



FIRM
**VALMARK
ADVISERS INC.**

LOCATION
AKRON, OHIO

EST.
1963

AUM
\$5.46B

END-2013 AUM
\$4.84B

MIN. ASSET SIZE
\$25,000

There's no doubt **MICHAEL MCCLARY** worked hard to become the chief investment officer of Akron, Ohio-based Valmark Advisers, just as there's no doubt he was born at exactly the right time to optimize his chances of becoming a successful ETF-focused money manager.

At the University of Akron, McClary also had the good fortune of encountering one Professor Douglas Kahl, who was preaching the gospel of the Standard & Poor's Index Versus Active data (SPIVA).

In brief, the SPIVA data tell us that in any given year, some two-thirds of active managers don't beat the index they're benchmarking against, and the percentage of underperforming active managers only rises over time. McClary honored the lessons of SPIVA, and built what he calls an active indexing business at ValMark.

McClary's professional life began with a firm that, at its core, is an insurance company, providing a foundation that risk management is at the center of everything the firm does.

"Don't mention returns without mentioning risk in the same sentence," McClary said, serving up the backbone of the ETF-based "TOPS" asset allocation system he developed

once he joined ValMark in 2003.

TOPS, short for The Optimized Portfolio System, is a variation of modern portfolio theory that adds wider ranges of possible allocations to each asset class at any given time in an investment lifetime. McClary characterizes TOPS as "active indexing," and there was no way the system wasn't going to be designed with ETFs.

With \$5.1 billion in ETF assets under management, ValMark is now one of the biggest U.S. ETF managers. ValMark's insurance company pedigree has helped it prospect for business internally, with \$3.1 billion of those assets under management tucked into a variable insurance trust structure for clients who already do insurance business with ValMark's parent entity.

McClary is also quietly building an ETF-based 401(k) business and using a collective investment fund structure at ValMark that's able to deal with fractional ETF shares—widely considered to be one of the sticking points that is preventing widespread adoption of ETFs in 401(k)s.

"I'm an indexing guy, and, fortunately for me, I came into the business at a time when ETFs were coming into focus," McClary said.

Don Robinson

CHIEF EXECUTIVE OFFICER & CO-CHIEF INVESTMENT STRATEGIST

You might say DON ROBINSON, chief executive officer and co-chief investment officer of Palladium LLC, started his career as a money manager on the right foot.

After all, he cut his teeth in the early 1980s at Northern Trust in Chicago managing money for institutions, which have led the slow, steady transition to passive investing. Specifically, he was exposed to the work of Barr Rosenberg, a quantitative researcher who helped others recognize beta as measure of risk.

"I drank the Kool-Aid at Northern Trust," Robinson said in an interview, stressing that his early experience taught him to be humble about the idea that money managers could dependably deliver alpha to clients.

"A lot of risk and return can be explained 'systematically' by beta, so why don't we exploit that?" he said, explaining the foundation of his approach to investment management.

Carrying the passive investor's flag earlier in his career at Smith Barney as an advisor was at times a tough row to hoe for Robinson. Suggesting a passive approach to an unreceptive crowd could and would elicit blank stares, or worse.

He remembers being on a team at the firm's consulting group creating "TRAK," a retail investment product

composed of mutual funds that shifts fund choices based on the judgments of the firm's global investment committee. Suggesting that TRAK use index funds to more cleanly achieve factor tilts elicited reactions akin to pouring "pouring kerosene" on the whole thing, Robinson says.

"Even five years ago, people looked at you like you had five heads if you talked about passive investing," noted Robinson about the aversion many have to the approach.

Still, the going got easier over the years, first at his own business, Lockwood Investment Strategies, from the mid-1990s until he sold the firm in 2008 to start Palladium, which, coincidentally, is located in Malvern, Pennsylvania, home also to the pioneering index investing firm Vanguard Group.

Much has changed in the era of ETFs. Investors now have a stricter view on keeping expenses under control and are generally more skeptical of an active manager's ability to outperform market benchmarks. And that includes institutional investors who, as noted, have long been more open to the virtues of passive investing than have retail investors.

"Our biggest institutional client, the Puerto Rico State Insurance Fund, is all ETFs," Robinson said.



FIRM
PALLADIUM LLC

LOCATION
MALVERN, PA

EST.
2011

AUM
\$840M

END-2013 AUM
\$676M

MIN. ASSET SIZE
\$50,000

Mike Venuto

CO-FOUNDER & CHIEF INVESTMENT STRATEGIST



FIRM
**TOROSO
INVESTMENTS**

LOCATION
NEW YORK

EST.
2012

AUM
\$74M

END-2013 AUM
\$31M

MIN. ASSET SIZE
\$25,000

Ten years ago, MIKE VENUTO, co-founder and chief investment officer of ETF-only Toroso Investments, got a crucial lesson on the power of ETFs.

It was the November 2004 launch of the [SPDR Gold Shares \(GLD|A-100\)](#), the world's first physically backed gold ETF. Venuto was working at a firm called Horizon Asset Management for a man named Murray Stahl, who was not then and still isn't a big user of ETFs. Nonetheless, Venuto began using GLD in private client portfolios in an embrace of what ETFs can offer.

"GLD was the game changer," Venuto said. "It totally democratized an asset class that retail investors historically have had a hard time accessing."

The ETF gathered \$1 billion in its first three days, making it the most successful product launch in the nearly 22-year history of the U.S. ETF industry.

It's ironic that Stahl didn't often use ETFs, because he involved his firm—through the lens of Venuto's curiosity—in some seminal moments in the history of ETFs. For example, Horizon became an investor in Emerging Global Advisors, the ETF market's first fund sponsor focused exclusively on emerging markets.

He also learned about the ETF business by being an early investor in Wis-

domTree Investments when it was still listed on "pink sheets." That gave him as a shareholder a bird's-eye view of that ETF firm's transition to a listing on Nasdaq. (He also made a 300% profit.)

"We wanted to learn about the ETF world," Venuto said about those early investments.

Fast-forward to 2012 when Venuto formed Toroso, and it's clear that those early experiences continue to inform his approach.

Specifically, the ETF sponsor Global X now owns a 30% stake in Toroso—a capital infusion that has no doubt helped the young asset management firm gain its footing, just as it has given Global X access to Toroso's consulting expertise. To avoid any perceptions of conflict of interest, Toroso won't own any Global X ETFs.

As it stands, the firm has about \$74 million in assets under management, and champions an active-indexer approach solidly focused on "outcomes" rather than on specific returns.

"I love that ETFs democratize access to asset classes, and I love that they're tax efficient. We're in the early innings here, and everyone is talking about active ETFs. But I'm more interested in indexes that seek out an active characteristic," said Venuto.

Larry Whistler

PRESIDENT & CHIEF INVESTMENT OFFICER

For a man who cut his teeth at Merrill Lynch in the hurly-burly world of bond trading in the go-go 1980s, LARRY WHISTLER, president and chief investment officer of Buffalo, New York-based Nottingham Advisors, has become something of a new man.

To be sure, he'll never lose the knowledge of how bonds work, and the lesson of how important the vast bond markets are to the global economy is at the center of all that Nottingham does for its clients.

But even though he and his team of money managers haven't given up on pursuing alpha for his clients, he has built an ETF-only firm based on thoughtful top-down asset allocation with the humble aim of extracting as much beta as possible.

"By and large, most investors aren't even realizing all the beta that's in the market," Whistler said. "If we can extract some incremental alpha, we're willing to pursue it. But we're not willing to take excessive risk in our client portfolios."

ETFs, as readers of this magazine well know, have emerged as the go-to tool to plumb a growing universe of beta. It wasn't always that way in the 22-year history of ETFs. But in the past decade, many of the holes in the ETF

asset allocation pie have been filled in, such as emerging markets and fixed income, as well tools like currency-hedged ETFs.

"I like ETFs because of their transparency and because of their purity of style," Whistler said. "And I like low expense ratios too."

But Whistler doesn't much care for active ETFs or the transparent active ETFs that are still awaiting regulatory approval, arguing that pursuing alpha using those types of securities is likely to detract from investors being able to get the beta exposure that's there for everyone to take advantage of.

That said, Whistler said Nottingham does remain open to currently hot "enhanced beta" strategies that seek to outperform major market benchmarks. The firm has owned the [PowerShares FTSE RAFI US 1000 Portfolio \(PRF|A-89\)](#), a large-cap fund with a strategy index that has quarterly rebalancing designed to give it an ongoing smaller-cap and value bias.

But, as is the case with any investing, Whistler says you have to stick with your strategy to really extract return and minimize the variability of returns. "I'm open to smart beta, but you have to hold it for at least a five-year period to really reap the benefits," he noted.



FIRM
NOTTINGHAM
ADVISORS

LOCATION
BUFFALO, NY

EST.
1981

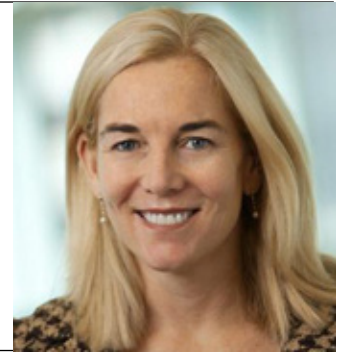
AUM
\$951.8M

END-2013 AUM
\$867.2M

MIN. ASSET SIZE
\$100,000

A Look At The Developing World

With interest rates at all-time lows in the U.S. and turmoil cropping up in spots across the globe, many investors are uncertain about where to invest. Heidi Richardson, a managing director and global investment strategist at BlackRock, discusses why they might want to consider emerging and frontier markets right now.



Heidi Richardson
Managing Director,
Global Investment Strategist
BlackRock

Would you give an overview of what's going on in the global markets?

We've been telling clients to expect volatility levels to increase, and suggesting ways to try to protect against some of that volatility in the marketplace moving forward.

Over the last couple of years, the CBOE Volatility Index (VIX), which calculates the volatility of the S&P 500, has been at incredible lows compared to its long-term average. In July of this year, the VIX hit 10.3—that was a seven-year low. The volatility in October, though, brought the VIX up to over 26, so it nearly tripled in a short period of time. Compared to 2008 and 2011's VIX highs, 26 is not so bad, but it reflected that there was no bad news priced into the marketplace, and investors were complacent.

BlackRock has been talking about a pickup in volatility all this year. In fact, we started talking about it last year, and we have been advising our clients to take more defensive positions; not necessarily in defensive stocks, but defensive in the sense of thinking about having more exposures to mega-caps and large-caps, and some dividend-paying stocks for volatility management.

We also suggest investors globalize their portfolios and look for asset classes and securities that have lower correlation to the overall equity markets. One example is frontier markets. Investors don't think often enough about frontier markets as having the potential to be the future growth engines of the world. We believe these developing economies offer significant long-term growth potential, as well as diversification benefits thanks to their relatively low correlation to many asset classes.

Frontier markets' low correlation is in contrast to emerging markets, which have become more highly correlated to developed equity markets. Frontier markets are truly a new diversifier.

They also are an interesting segment of the marketplace. In the sell-off that occurred in the first weeks of October, the frontier markets were actually pretty resilient compared to what happened with the U.S. equity markets.

Is there an area in the developed markets that BlackRock finds attractive?

We like Japanese valuations, both on a relative (to developed markets) price to book and an earnings (current and forward) basis. We think the economy is responding to the large changes implemented, and the stimulus in place is already the largest in the world (relative to GDP) by any central bank—without assuming any further potential expansion of purchases. The potential reallocation of Japan's major pension funds could be a significant tail wind for equity prices domestically.

Have emerging markets and frontier markets fallen out of favor with investors?

Over the last couple of years, I think people were afraid of China having a hard landing and dragging down the rest of the emerging markets. That's all they heard about in the news headlines—China having a hard landing and reducing the demand for commodities, and that was going to bring down some of its trading partners, like Australia and the Latin American countries. But China *hasn't* had a hard landing. The latest growth numbers are coming in at 7.3%. But when you compare that to the U.S. coming in at about 2.6%, 7.3% is far from a hard landing.¹

Emerging markets haven't been trading on valuations, they've been trading on headline news. As the U.S. markets were surging ahead in 2013 and hitting all-time highs, investors who had been sitting on the sidelines after experiencing the volatility of the financial crisis and some of the pullbacks we've seen over the last few years were getting back in to the market via U.S. stocks. They weren't thinking about diversifying their portfolios with non-U.S. equities.

If you are an investor who has exposure to emerging markets, we think adding a bit of the frontier markets is really interesting if your risk budget can allow you to take on potentially a little more risk to get that exposure.

There are some advisors I've talked to that have zero exposure to emerging markets. We think that this is a really interesting entry point now based on good valuations, and it's time to get back in and have some exposure to emerging markets.

Should investors be worried about how rising rates could affect emerging or frontier markets?

If you think about where we started the year, we had the 10-year Treasury at over 3%, and in the first quarter there was a bit of a sell-off with emerging markets because people thought—particularly on the emerging market debt side of it—if this easy money is drying up, if the Fed is going to be raising interest rates, then the emerging markets are going to be impacted.

In reality, the 10-year Treasury has gone in the opposite direction; rates have come down. If you look at the variables with the Fed, they're looking to make sure that it's going to be all data-dependent. They're making sure that economic growth is really expanding, employment is actually getting better, with wages and salaries increasing, and inflation is in a comfortable band of right around 2% before they start thinking about raising rates.

We would say the earliest they're going to raise interest rates is some time in the middle of next year. We don't think investors are going to have to worry about the emerging markets being impacted until at least then. But even then, it's really going to be country-specific. Those countries such as China that are running current account surpluses shouldn't be impacted as much. But those that are running current account deficits and are reliant on foreign funding such as Turkey are going to be much more affected.

How should investors approach emerging markets? Should they be looking at a broad fund or should they be going on a country-by-country or regional basis?

If you are an investor who has been sitting on the sidelines and you haven't had any exposure to emerging markets, then a broad-based

ETF like the iShares Core MSCI Emerging Markets ETF (IEMG) is a great way to get exposure because it gives you 99% of the market cap in emerging markets. You get small- and midcap exposures in addition to large-cap. Plus, IEMG provides exposure to South Korea. We think that a broad-based ETF provides good diversification and exposure to the emerging market space.

If you are an investor who has exposure to emerging markets, we think adding a bit of the frontier markets is really interesting if your risk budget can allow you to take on potentially a little more risk to get that exposure.

If you are an investor who is interested in investing in some single countries, we think there are great opportunities if you're looking at some of the elections and reforms occurring around the world. This year, the MSCI India Index is up 21%, with Modi winning the election and being pro-market and pro-reform. You look at the reforms going on in Indonesia, and it's the same type of thing; the MSCI Indonesia Index is up by 20%.

Even China, with its reforms, is one of the most attractive single countries, from a valuation standpoint, that you could invest in. So China on a relative basis is a really interesting place from a valuation standpoint and the reforms going on. A large portion of the MSCI China Index is represented by state-owned enterprises (SOEs). A reform agenda that either benefits or improves the profitability of SOEs is a direct benefit to investing in China. Furthermore, many of the reforms have been paired with targeted stimulus programs to boost domestic demand and output. That has been an added boost to the Chinese economy and stocks. Chinese stocks on a price to book and earnings standpoint are cheap to the developed world.

How would you define the frontier markets?

You could think of frontier markets as having similar characteristics to what today's emerging markets looked like 20 years ago. Some of those countries could be the next BRICs (Brazil, Russia, India and China) as we move forward.

And when we think about these frontier markets, they have very young demographics. They are likely to be the consumers of the future. They have faster economic growth rates. They've got financial systems that are just getting geared up. And because they're typically reliant on the local markets, they are less correlated to the broader markets.

According to Bloomberg data over the past two years, frontier markets correlation is only about 0.4 to emerging markets and about 0.5 to the broader developed markets.² Frontier markets can be a diversifier. When I got in this business over 20 years ago, when we started talking about emerging markets, it was all about the efficient frontier curve and how if you add a slice of emerging markets, you could potentially increase your return and reduce your risk because it's a lower correlating asset. But now it's less so.

With the globalized nature of the economies, when you look at these big economies, like the BRICs, for instance, or even South Korea and Taiwan, they're much more highly correlated to what goes on in the global environment. Whereas if you look at the frontier markets, they've been less reliant on what happens in the global economy; they've been more reliant on what happens in their local economy. Further, even within the frontier markets category, each of the countries has low correlations to each other. For instance, Kuwait has really had no correlation with what happens in Nigeria.

If we think about them as the pre-emerging markets, they have similar diversifying properties as emerging markets 20 years ago.

Do ex-BRICs investments make sense given that even if they're not classified as developed markets, they are performing like developed markets, to a certain extent?

BlackRock launched in October the iShares MSCI Emerging Markets Horizon ETF (EMHZ) to help investors who want precise emerging markets exposure and further portfolio diversification. The new fund provides exposure to large- and midcap stocks in the 16 smallest emerging markets countries such as Mexico, Malaysia, Indonesia and Thailand.³ It excludes the BRICs and other large countries like South Korea, Taiwan and South Africa that dominate broad emerging markets funds.

There can be a place for the smaller emerging market countries in investors' portfolios if they want to have something that's a lower

correlating asset to the broader emerging markets index.

Would you talk about what's going on in the BRICs markets?

Each of the BRICs is a unique story right now, as opposed to just benefiting from this global growth of 10 years ago. Now we think the individual stories with each of them are a little bit different.

The main focus on Brazil was its election. Longer term, Brazil is mired in a recession, its currency is viewed as overvalued by many, it has stubbornly high inflationary woes, and it has a fiscally imprudent recent history—which may be reflected in a credit rating downgrade soon, as it is currently on watch from ratings agencies. The election, regardless of outcome, would have solved little immediately, and trading was based on the perception of what shape the reform agenda would or wouldn't take, depending on the candidate.

When we look at India, there was the election of Modi earlier this year. His election was pro-market, a positive for the environment and India's growth.

Although the MSCI Russia Index is trading at disaster valuations, we don't believe any catalyst is in place over the short or long term to remedy many of its economic issues. The added burdens of conflict and sanctions will continue to hurt the stock performance, as will capital flows leaving the economy in the intermediate term. Russia is another country with many state interests in publicly traded companies, and this linkage is a problem for investors until the political picture becomes clearer—and is more optimistic, at that.

China is trying to structurally change its drivers of economic growth so it evolves from an investment-led economy to a consumer-driven economy, like the developed economies.

How has the developing-market landscape evolved in the last 10 years?

With the globalized nature of businesses, just think about what's happened over the last 20 years. The European Union and the euro were established. Globalized businesses have grown all around the world. We think that if we look at the beneficiaries of that, whether it's South Korea and Taiwan technology, or some of the other countries that we already mentioned, we think that the landscape

You could think of frontier markets as having similar characteristics to what today's emerging markets looked like 20 years ago. Some of those countries could be the next BRICs as we move forward.

has significantly changed, and some of the developing countries are almost developed economies.

But with developing economies becoming more like developed regions, investors get less of the diversification benefits. Investors get an opportunity set from a number of stocks and investment sampling, but they don't get the low-correlation benefit anymore. That's why investors have to start thinking about adding other asset classes, like potentially the frontier markets.

How has the ETF industry affected how investors can access or approach emerging markets?

ETFs have given investors liquid access to emerging markets. iShares alone has over 45 ways for U.S. investors to play emerging markets. So investors can access the broad market through IEMG or the iShares MSCI Emerging Markets ETF (EEM), or regional emerging markets such as emerging Asia, or single countries like China.

We offer an entire suite of ways to play emerging markets, so whatever investors are looking for, we can provide it.

Do emerging market small-cap stocks provide more in the way of diversification?

It depends. The small-cap space is an interesting way to play some of the consumer stocks in emerging markets. A lot of the large-cap indices are made up mostly of financials. When you get into the small-cap realm, you get much more of the consumer exposure, which means you're getting access to more of the local environment.

We wouldn't suggest that investors invest solely in emerging market small-caps, but having a portion of exposure to small-cap can make sense. That's one of the reasons we like IEMG as a broad-based ETF, because it includes the small-cap side of the market as well.

What do you see as the biggest misperceptions investors hold or mistakes investors make when they approach emerging markets?

U.S. investors tend to have a home-country bias, where they'd rather have only exposure to the U.S. marketplace. The MSCI ACWI Index, the all-country world index, has about 10% emerging market exposure. It may make sense to have that level of exposure—not an overweight position, necessarily, but at least match the ACWI's level of exposure.

Endnotes

¹Sources: Bloomberg and National Bureau of Statistics data as of October 29, 2014

²Source: Bloomberg data, November 5, 2012-November 5, 2014

³Holdings subject to change

Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses, which may be obtained by visiting www.iShares.com or www.blackrock.com. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets and in concentrations of single countries. Frontier markets involve heightened risks related to the same factors and may be subject to a greater risk of loss than investments in more developed and emerging markets. Small-capitalization companies may be less stable and more susceptible to adverse developments, and their securities may be more volatile and less liquid than larger-capitalization companies.

There can be no assurance that an active trading market for shares of an ETF will develop or be maintained. Diversification and asset allocation may not protect against market risk or loss of principal.

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CHECKING BACK IN...

WE REVISITED LAST YEAR'S "ETF STARS" AND ASKED THEM:

ARE YOU CHANGING ANY OF YOUR ALLOCATIONS IN 2015?



JAMES BREECH

PRESIDENT & CEO

In 2015, Cougar Global believes companies will continue the push to generate more revenues from abroad. The country of domicile for these and other companies is becoming increasingly less important. Similarly, the country of listing is falling in importance. That does not give obvious clues to the earnings potential of traded companies.

MSCI is currently contemplating adjusting its Global Investable Market Index criteria in a way that would no longer categorize companies by the country in which they list. We see this as a welcome evolution of indices in response to globalization.

In keeping with prevailing industry standards, our asset classes have always been country-based. Even when we model the behavior of a region, the constituents are determined by the countries in which they're listed. The limitation of this approach to asset allocation is that it does not capture the sensitivity of company revenues to the global regions where they do business. We have been exploring an alternative method of global asset allocation, not one that would replace what we have always done, but one that might provide an alternative approach to global asset allocation, based on global industry sectors. We're making progress.

FIRM COUGAR GLOBAL INVESTMENTS		LOCATION TORONTO
TOTAL ASSETS IN ETFs	AUM AS OF 9/30/14	AUM AT END OF 2013
100%	\$1.37B	\$1.43B



SEAN CLARK

CIO

The long-anticipated ending of quantitative easing has the potential to rattle the market, as it did in each of the prior instances of the Fed taking its foot off the accelerator. We think the economy and markets are better equipped to cope with the end of outright stimulus. Small-cap stocks and international equities have grossly underperformed large-cap U.S. stocks. It would be very healthy for those trends to reverse, but if recent history is any guide, those trends could continue.

We have been advocating a large-cap quality bias in recent months, and the termination of QE3 further supports that allocation. Higher-quality equities outperformed their lower-quality counterparts when the Fed ended QE1 and QE2.

As far as the economy goes, global growth is slowing, with Europe faltering and nearing recession. The U.S. continues to surprise to the upside. There is concern that a recession in Europe could weigh heavily on U.S. growth and drag the U.S. into recession. That seems unlikely. Since 1970, when statistics began being recorded for both Europe and the U.S., Europe has never dragged the U.S. into recession. In addition, Europe's share of global GDP has fallen to 14% in 2013 from 20% at the turn of the century.

FIRM CLARK CAPITAL MANAGEMENT		LOCATION PHILADELPHIA
TOTAL ASSETS IN ETFs	AUM AS OF 9/30/14	AUM AT END OF 2013
40%	\$3.1B	\$2.8B



**SCOTT
KUBIE**

CHIEF INVESTMENT STRATEGIST

Markets entered a new regime around the end of the third quarter. The relatively calm markets of recent years seemed to evaporate overnight. Investors are facing a host of challenges ranging from Ebola to Europe and from valuations to volatility. In this environment, it's important to focus on the right tools to manage risk while pursuing opportunity. Here are a few key ideas CLS is looking at for 2015:

- Factors are the new style box: Quality, volatility, momentum and fundamental weighting offer more insight into markets than traditional style boxes. Combining factors gives you diversification while allowing for outperformance and better risk management.
- Tactical fixed income: Rather than a dogmatic approach to fixed income, we expect there will be opportunities to take advantage of market swings between rates and spreads being too low or too high. Focus less on the next 100 basis point move in rates and more on the next 25 basis points.
- Creative international: Policy factors are likely to increase the opportunities between various countries and regions more than normal. Focusing on individual countries, leaning more toward emerging markets, blending in bonds, and hedging currencies are all ways to get more out of the international portion of the portfolio.

FIRM CLS INVESTMENTS		LOCATION OMAHA, NE
TOTAL ASSETS IN ETFs	AUM AS OF 9/30/14	AUM AT END OF 2013
41%	\$4.4B	\$4.1B



**MICHAEL
VOGELZANG**

PRESIDENT & CIO

How we approach investing in 2015 will depend on the outcome of the market correction going on at the end of this year. Should the stock market fall enough in the U.S. to bring valuations back – maybe 10-15 percent total drawdown – we would likely increase our exposure to U.S. equities. If not, we'll stay around our modest overweight, as the best house in a bad neighborhood.

International equities, and developed and emerging markets look highly priced for the potential return – in other words, risky.

Deflation is the worst of all outcomes for equity securities, and there seems to be plenty of it in both the developed economies of Europe and the largest emerging market of all, China. Fixed income remains an opportunistic asset class to trade, rather than one in which to establish long-term positions. It will likely remain so for a long time – or the “foreseeable future,” in Fed-speak. The only way to approach bonds with a bull perspective is to assume that the U.S. is going to become even more like Japan: slow/no growth, bad demographics and heavy regulation, and our rates converge with theirs. It may be happening now.

The end of the commodity supercycle appears to be a sure thing. Gold, energy and agricultural commodities are telling us that supply is ample, demand is lackluster and pricing power is non-existent. We're being very selective and light-handed in our approach to commodities.

FIRM BOSTON ADVISORS		LOCATION BOSTON
TOTAL ASSETS IN ETFs	AUM AS OF 9/30/14	AUM AT END OF 2013
7.2%	\$2.8B	\$2.5B

ARE YOU CHANGING ANY OF YOUR ALLOCATIONS IN 2015?



DAVID KOTOK

CHAIRMAN & CIO

In the coming year, the Federal Reserve will move from a zero interest rate to something else. Projections suggest that the Federal funds rate will be between 0.50-0.75% at the end of 2015, if option-market pricing is used to determine that estimate. The Fed's published forecast estimates that interest rate is closer to 1.3%. In our opinion, the lower number has a greater likelihood of occurrence.

The Fed seems to be in the throes of an internal debate. And there will be changes among the Federal Open Market Committee members as well as changes in the voting lineup among the Reserve Bank presidents who participate in FOMC meetings. Notwithstanding that alteration, it's clear that Chair Janet Yellen, Vice Chair Stanley Fischer and New York Fed President William Dudley constitute a troika. They're aligned in their views. The other governors will align with them. It's rare to have a dissenting governor. The policy favored by this nucleus of the FOMC and the majority it carries with it will favor lower rates for as long as the data supports that posture.

FIRM CUMBERLAND ADVISORS		LOCATION SARASOTA, FL
TOTAL ASSETS IN ETFs	AUM AS OF 9/30/14	AUM AT END OF 2013
20%	\$2.3B	\$2.1B



JOHN FORLINES III

CHAIRMAN & CIO

We came into the year with three big ideas – two of them have worked really well and the other one hasn't worked that great, but it's starting to. We think these same three ideas are still in focus:

- Global growth is not great even though the U.S. is doing pretty well, though not that well. We think the rate hike is going to be pushed out; we've positioned ourselves in long duration all year and never shortened up on our fixed income.
- The No. 2 idea that worked in spades is that if global growth is slowing, there's not that much demand for commodities. So we felt the commodity complex was a place to minimize, so we've focused more on alternatives like mortgage securities.
- The third approach, which hasn't played out that well, is from a valuation perspective: Europe and Japan and parts of the emerging markets are a heck of a lot more interesting than the U.S. But that's only started to pay off in the last month or so. Crucial to that is that the central banks in Japan and Europe recognize the weakness and continue to try to bring their currencies down.

FIRM JAFORLINES GLOBAL		LOCATION LOCUST VALLEY, NY
TOTAL ASSETS IN ETFs	AUM AS OF 9/30/14	AUM AT END OF 2013
100%	\$420M	\$405M



**TYLER
MORDY**

PRESIDENT & CO-CIO

Given today's continuing tug of war between slow economic growth and heightened central bank activity, it's imprudent to go "all in" on one scenario. As such, investors should maintain balanced portfolio constructs that contain sufficient global diversification and hedge against the potential for continuing disinflation (hence even lower rates) in the coming months.

Investors should also recognize that a global realignment of asset prices is underway, driven by an end to China's rapid industrialization phase and major policy divergences between the Fed and other countries' central banks. This trend will be measured in years, not weeks or quarters. Portfolios should position for a chronically strong U.S. dollar and favor reform-minded, commodity-importing country ETFs.

Finally, the defining feature of a postcrisis world is economic relapse. Many have permanent, built-in expectations of a typical postwar recovery that never seems to show up. To be sure, economies will not remain eternally hostage to subdued growth, but this behavioral oscillation between hope and despair creates tactical opportunities. That means an investment process that eliminates emotion will be critical for success for 2015 and beyond.

Looking ahead, policymaking may move further into the realm of the unorthodox. Investors need to stay tactically nimble, seek global opportunities and only cautiously swallow the pills prescribed by central bankers.

**FIRM
HAHN INVESTMENT
STEWARDS**

**LOCATION
TORONTO**

**TOTAL ASSETS
IN ETFs**

100%

**AUM AS OF
9/30/14**

\$475M

**AUM AT
END OF 2013**

\$417M



**KIM
ARTHUR**

CEO & FOUNDING PARTNER

From a buy-write standpoint, sectors where we think there's value are developed-international; Japan; and there are sectors here in the U.S. including financials. Based on our fundamental research, the risk/reward in those sectors looks better than other sectors out there.

And what we're able to do is—instead of sitting down like tactical guys do and saying: "I'm worried about the market and I'm going to go 50% cash and hope that I'm right given the volatility"—sell covered calls. And if the tape does get hit hard like it did three weeks ago, and volatility spikes, we can go ahead and write at-the-money calls and get paid 3% for a month—3% for a month is pretty good money.

Buy-write makes sense for a combination of reasons: The six-year rally is long in the tooth; and there's less clarity on interest-rate direction, which is going to lead to more volatility. We're also losing a big bid in Treasuries—that is the government—because of the end of QE, which will lead to more volatility in the Treasuries market and more volatility in the equity market.

**FIRM
MAIN MANAGEMENT**

**LOCATION
SAN FRANCISCO**

**TOTAL ASSETS
IN ETFs**

72.3%

**AUM AS OF
9/30/14**

\$639M

**AUM AT
END OF 2013**

\$521M

ARE YOU CHANGING ANY OF YOUR ALLOCATIONS IN 2015?



**ANTHONY
PARISH**

VP OF RESEARCH & PORTFOLIO STRATEGY

The 10-year Treasury began 2014 yielding 3%, and consensus forecasts predicted it would be around 4% by the end of the year. At the time of this writing [October 2014], it's yielding 2.25%. This reminds us of a lesson we learn time and time again: Markets deliver surprises!

This has two implications for 2015.

First, the farther out you try to forecast, the less accurate your forecast is likely to be. That is why at Sage we make our investment decisions using a three- to six-month outlook, as opposed to a longer-term outlook. You don't have to be a Keynesian to spot the wisdom in Keynes' rhetorical quote, "When my information changes, I alter my conclusions. What do you do, sir?"

Second, be prepared to make tactical changes. So let's focus on how asset prices are likely to be influenced over the short term. Although we expect to update our allocations repeatedly in 2015, our approach to establishing portfolio allocations remains the same. In other words, based on how you frame the question, "What will change for Sage in 2015?", our answer is either, "everything" or "nothing at all."

FIRM SAGE ADVISORY SERVICES		LOCATION AUSTIN, TEXAS
TOTAL ASSETS IN ETFs	AUM AS OF 9/30/14	AUM AT END OF 2013
21%	\$10.48B	\$10.12B



**CLAYTON
FRESK**

PORTFOLIO MANAGEMENT ANALYST

The propping up of the market by the FOMC has different market segments acting in curious ways, and we're waiting for the balancing-out effect once purchases end. We're also watching for a reversion from the historically low-volatility environment to a higher-volatility environment, and will look to take advantage of shifts should that reversion persist.

On the equities side, the continued underperformance of small-caps relative to large-caps is a continuing worry of ours. This relative underperformance is a sign of a lack of speculation in the market as investors rotate toward the large-cap flight-to-quality trade. We favor U.S. large-cap equities in lieu of U.S. small-caps and of non-U.S. equities within our strategic allocations.

Within fixed income, we continue to watch the short end of the curve, where rates have remained elevated as concerns over the tapering of the Fed's QE3 purchases continue. As such, we currently look for curve-flattening positions and favor the intermediate-to-long part of the curve.

However, as a potential postpurchase front-end reaction is on the horizon, we'll watch for a "catch-down" effect and may look to add duration on that part of the curve. The potential end-of-spread compression and a subsequent widening have us keeping a close eye on our corporate exposure with a potential favoring of Treasuries.

FIRM STADION MONEY MANAGEMENT		LOCATION WATKINSVILLE, GA
TOTAL ASSETS IN ETFs	AUM AS OF 9/30/14	AUM AT END OF 2013
90%	\$5.4B	\$6.1B

2014

THE

ULTIMATE

GUIDE

TO

MLPS

By Paul Britt

HOW TO GET THE

RIGHT

MLP

STRUCTURE

The key to exposure and returns with master limited partnership funds lies in how they're built for taxes

Conversations about master limited partnerships wrapped in an exchange-traded product often start with the excitement surrounding the North American energy boom and the potential for high income.

The talk then moves to the achingly dull: ETP legal structures. Or at least it should, because choosing the right legal structure may well be the most important decision you make when investing in the MLP space using ETPs.

Nothing shows this better than a simple chart of two funds using different legal structures while tracking the exact same index.

Figure 1 compares the 12-month performance for an exchange-traded note, the Etracs Alerian MLP Infrastructure ETN (MLPI) versus a C-Corporation, the Alerian MLP ETF (AMLPI). MLPI returned 14.7% against AMLP's 10.6%—a difference of roughly 4% in just 12 months.

Aside from performance, an MLP ETP's legal structure also has a radical impact on how its distributions are taxed, the headline fees it charges and even what securities it can hold.

Further adding to the confusion: An investor who bypasses ETFs and chooses to hold a portfolio of MLPs directly will have a different set of tax exposures. In short, investors in MLP ETPs simply can't afford to ignore the effect of legal structure.

PASS IT ON

The complexity here stems from the nature of master limited partnerships themselves. MLPs produce cash flows, often from payments received for oil flowing through a pipeline. Moreover, MLPs are "pass-through entities," which means this income gets special tax treatment.

MLPS, unlike corporations, don't pay taxes on the money they earn. Instead, they pass on their income directly to the MLP owners, who in turn bear the tax burden. However, MLP cash flows to direct investors—those who own the shares of the MLP rather than through a fund—are typically not taxed as income, because the pipelines themselves are depreciating assets. Instead, the cash flows are considered in part "return of capital," lowering the tax basis of the investment.

The net effect: Most of the taxes on income are deferred until investors sell their shares, at which point they pay taxes on a proportionally larger capital gain. With this opportunity comes complexity: Direct MLP owners must contend with K-1 filings and may need to file tax returns in more than one state.

MLPs in Exchange-Traded Products

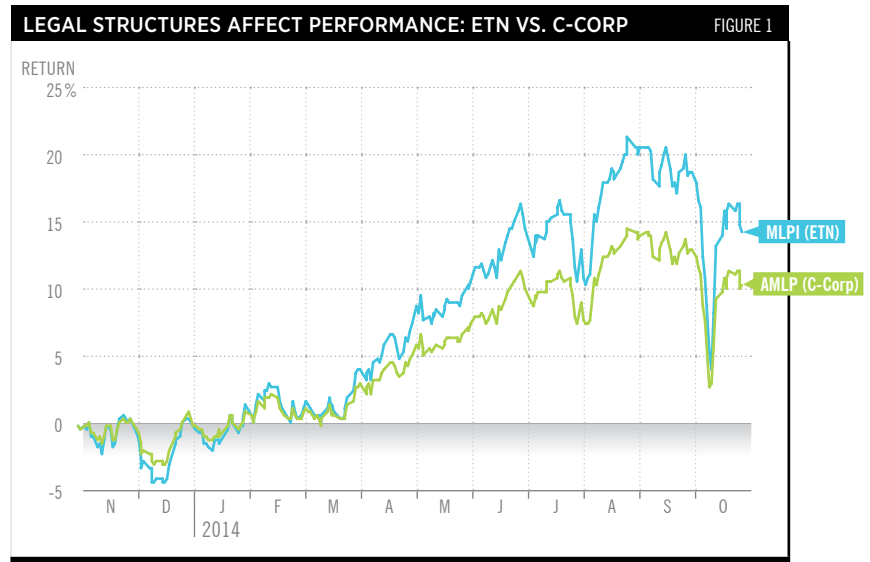
The rules of the game change if MLPs are held in an exchange-traded product, where legal structures come into play.

Exchange-traded notes and C-Corporations dominate by assets, with roughly \$10 billion in each structure. Traditional ETFs are relatively new to the MLP space, with about \$1 billion in assets total. Two themes are clear: Each structure comes with trade-offs; and no structure matches the exposure of directly holding a basket of MLPs (Figure 2).

Exchange-Traded Note MLPs

ETNs deliver a clear advantage: pure exposure to MLPs. They can accurately match the performance of a basket of MLPs—something C-Corps and ETFs can't do. The downside: ETNs completely forgo any deferred tax advantage on the income they produce. ETN cash flows are taxed as ordinary income.

There's irony in ETNs "pure exposure" advantage: They don't actually hold any MLPs. As debt instruments, ETNs' are backed instead by the



Source: Bloomberg. Market price with dividends reinvested 10/31/13-10/31/14

issuing bank's promise to pay. Therefore, ETNs carry counterparty risk, unlike the competing structures. In the unlikely event the issuing bank declares bankruptcy, ETN holders must stand in line with all other creditors to recover their money.

C-corporation MLPs

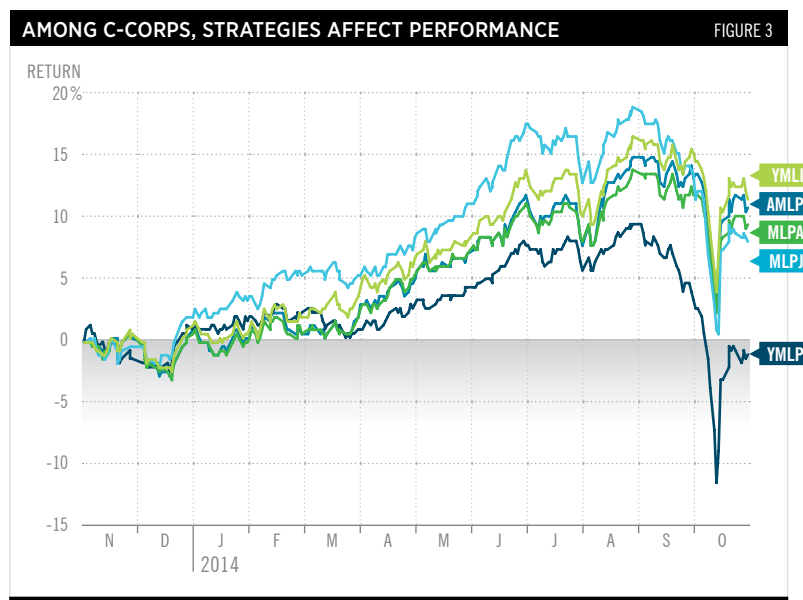
Unlike ETNs, MLP ETPs organized as C-Corps retain some of the tax-deferment advantages of the underlying master limited partnerships. Most of the cash flows from MLP C-Corps are not taxed as ordinary income, but instead reduce the tax basis of the investor's shares (in proportion to the "return of capital" in the distribution).

The catch is that MLP C-Corps pay taxes at the fund level, an arrangement that sets them apart from ETNs and traditional ETFs. The taxes create the performance wedge seen in Figure 1 comparing the C-Corp AMLP with the exchange-traded note MLPI.

In the rising market of the past 12 months, the C-Corp lags the ETN. But in a falling market, the C-Corp would lose less money. The taxes paid by the C-Corp weaken its exposure to the underlying MLPs, effectively lowering its beta to the index.

MLP INVESTMENT VEHICLES		FIGURE 2		
		TAX-DEFERRED INCOME POTENTIAL	PURE EXPOSURE TO MLP PERFORMANCE	ISSUES K-1
DIRECT MLP INVESTMENTS		YES	YES	YES
MLPs in EXCHANGE-TRADED PRODUCTS	C-CORPORATIONS	YES	NO	NO
	EXCHANGE TRADED NOTES	NO	YES	NO
	TRADITIONAL ETFs	SOME	NO	NO

Source: ETF.com



Source: Bloomberg. Market price with dividends reinvested 10/31/13-10/31/14.

Taxation at the fund level also shows up in high headline fees for C-Corps. Funds older than a year must report their estimated deferred tax expense in their headline fee. This explains why a fund like AMLP has an eye-popping total fee of 8.56% despite a management fee of 0.85%. The tax expense varies yearly depending on performance.

Traditional ETF MLPs

Traditional ETFs don't provide pure-play MLP exposure. They are required by the tax code to limit their MLP exposure to just 25% of total assets, diluted coverage that explains the popularity of C-Corps and ETNs. Traditional MLP ETFs such as the First Trust North American Energy Infrastructure Fund (EMLP) round out the rest of their portfolio with related holdings such as pipeline and energy infrastructure firms organized as corporations rather than MLPs.

Traditional MLP ETFs have diluted benefits regarding deferred taxes on income in proportion to their diminished MLP exposure.

STRATEGIES & LIQUIDITY

While ETP structures have great impact on performance, the objective of each fund matters too. Competing funds focus on various niches and offer differing emphasis on income. Most track an index, but some are actively managed. With only about 100 master limited partnerships in the marketplace, funds take concentrated positions that amplify the impact of their strategies.

A performance chart of funds using a common legal structure—C-Corps in this case—supports this idea (Figure 3). Over the 12 months ending Oct. 31, the differences between the leader, the Yorkville High Income Infrastructure MLP ETF (YMLI) and the laggard, the Yorkville High Income MLP ETF (YMLP), is a whopping 12.5%. Performance diverges among ETNs and traditional ETFs, too.

While income is hugely important in the MLP space, Figure 3 also highlights the need to check total return as well as yield.

LIQUIDITY MATTERS

Finally, liquidity matters when selecting an MLP fund or note. There's a noteworthy anomaly in the space: The largest ETN, the JPMorgan Alerian MLP ETN (AMJ), has suspended new creations, probably to cap the issuer's risk in hedging the note's exposure. Without a functioning create/redeem process, an ETP can drift significantly away from fair value: AMJ has traded at almost 5% premiums at times over the past 12 months, adding an element of risk for those trading in and out.

More commonplace liquidity concerns crop up too in the space despite its popularity. For example, a fund launched in April 2014, the Barclays OFI SteelPath MLP ETN (OSMS), has struggled mightily to attract investors. It often goes for days without trading a single share.

Liquidity is a good first screen when choosing among the 22 MLP ETPs on the market. For those funds that make the cut, investors should consider which legal structure meets their needs with respect to pure-play exposure and taxes, and then move on to the strategies offered by each fund. ●

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BulletShares Hit Their Target

A Q&A with William Belden

The Guggenheim BulletShares® ETF family burst onto the scene in 2010, offering investors a new way to access fixed-income markets. Here Guggenheim's Head of Product Development William Belden talks about how the funds came into being and how they can help investors achieve their goals.



William Belden
*Managing Director, ETF Product
 Development*
 Guggenheim Investments

What was the impetus for launching the BulletShares line of ETFs?

A little over 4 1/2 years ago, we partnered with Accretive Asset Management (now owned by Nasdaq), the index provider for the BulletShares ETFs. Accretive had done some research to identify an opportunity, for retail investors in particular, seeking to provide a better solution for their fixed-income needs.

If you look at the fixed-income choices that investors had, they were primarily limited to either owning individual bonds or some other type of packaged product that encapsulated bonds. The idea behind BulletShares was to create a product that weds the best aspects of owning individual bonds with the favorable attributes of owning a bond fund.

One of the most critical and attractive aspects of owning an individual bond is that it has a defined maturity; in other words, when a bond matures, you get your principal back. And if you look on the other side of the equation, one of the most appealing aspects of owning a fund in lieu of individual bonds is that you get diversification.* Funds may also be more cost-effective. Building a well-diversified portfolio of individual bonds can require a substantial investment given the dollar amounts associated with many bond purchases. ETFs seek to offer diversification* benefits and efficient pricing in an easy-to-access packaged product.

So the value proposition is, if you could combine the diversification* and the efficiency of owning a packaged product with the maturity aspect of an individual bond, that might be a better solution for investors. That's why the BulletShares indices were created—to provide a defined maturity packaged solution. When we partnered with Accretive back in 2010, it was with the thought in mind that, given the size of that fixed-income market and the amount of fixed-income exposure that individual investors have, this could be something that may be very appealing.

We built the ETFs to track the performance of those underlying indices and launched our first defined maturity suite in June 2010.

How are investors using them in their portfolios?

Clearly, it was similar to the ETF business overall, as we saw the registered investment advisor community become early adopters of the BulletShares ETFs. I believe they were willing and able to take a deeper dive into what the funds actually did and how they performed, and perhaps they saw some of the value in them right from the get-go.

We've seen BulletShares predominantly being used to build ladders,

with these ladder portfolios serving as an interest rate management solution. Many advisors saw the ease by which a ladder could be assembled using the BulletShares ETFs and saw them as a possible solution for providing better fixed-income exposure for their clients.

We've also seen investors using BulletShares ETFs to fill existing gaps in laddered or fixed-income portfolios. So if you had a bond that matured and were looking to redeploy those proceeds—whether it be an individual bond or a bond fund—BulletShares can be a great one-stop shop to re-establish that exposure on the yield curve.

Perhaps increasingly more so going forward, we're starting to see BulletShares used as tools for targeted yield curve exposure. That builds off my prior point about filling a gap left by a bond that may have matured. Whether this is a result of what's gone on with rates, or what's going on elsewhere in a client's portfolio, adding a BulletShares ETF can help create a fixed-income profile that's consistent with the objectives you're trying to achieve for your client. And the ease by which you can get into and get out of the product makes the BulletShares concept another very interesting application in and of itself.

There are a number of different uses we're seeing. And all those can dovetail with longer-term objectives, too, which include saving for a college education, for retirement or for another major expense. Those types of life-planning scenarios can now be more easily navigated, given the fact that an individual's liability-driven investing on the personal level can be served by a BulletShares exposure.

What do you envision for the BulletShares lineup in the future?

We're fairly satisfied with the number that we have right now within our investment-grade and high-yield suites. And of course, you also have to be sensitive to what the inventories are in the space. That's an ongoing evaluation. To the extent that we were to add more, we would probably be rather selective. We certainly plan to replace them as they mature, so as that happens, we'll add another one. With the current lineup, you can put a good 10-year ladder together on the investment-grade side.

That said, we've just scratched the surface of the total opportunity that we see. Under the heading of coming attractions, we're looking at other areas within the fixed-income market where we can deliver that BulletShares framework in a way that allows us to take the franchise on to even bigger and better things.

I believe this kind of pioneering concept has a lot of room to grow. If you look at the size of the overall bond market and see how much retail investors have invested in individual bonds, and then you look at individual situations that might find a better solution by investing in a BulletShares ETF, you can see that this is just the beginning.

What happens when one of the BulletShares ETFs reaches its maturity?

That is the No. 1 question we get. We've matured five funds so far—three of the investment-grade and two of the high-yield—and they've all gone off without a hitch. Those funds delivered on exactly what we pledged to provide to investors where they get the net asset value (NAV) on the last business day of the year returned to them.

To arrive at that NAV, in the maturity year, the indices are effectively held static for that year. As the bonds mature, the proceeds come into the fund. In the case of the investment-grade suite, for the first six months of the year, those proceeds are redeployed into the remaining bonds in the fund. Starting July 1, any proceeds from bonds that mature are put into cash or cash equivalents, and kept there until the fund's maturity date.

In contrast—and this is one of the few differences between the two suites—in the high-yield suite, when bonds mature during a maturity year, the proceeds are put into cash or cash equivalents immediately from January 1 throughout the entirety of that year. And so, as each one of those bonds matures, and the proceeds are put into cash or cash equivalents, you move throughout the course of the year to the point where, on December 31, or that last business day, the entire portfolio is in cash or cash equivalents. And on that day, we strike that NAV and immediately send proceeds back to client accounts. We make any distribution on the income that's remaining in the fund at that particular date, and we pay out any long-term or short-term capital gains that are attributable to the fund on that day. It's a pretty straightforward process.

But what happens with the NAV? You would think that, for example, when you're buying a portfolio of bonds that are priced at a premium—and bonds are typically going to be priced at a premium or a discount—then as those bonds approach their maturity date, the price moves closer to par value, then stays static because the par value is what you're going to get back upon maturity, absent any credit event.

The reasonable expectation would be that, if the portfolio were trading at a premium, your NAV would drop during the course of that year. But in the case of the BulletShares funds, we're able to hold back a little bit of the coupon payments those bonds kick off to support the NAV throughout the course of the year.

If you look at a chart of the NAV of one of our matured BulletShares over the course of its maturity year, you'll see it's maintained its value pretty effectively throughout the entirety of that year.

At this point, I think the concept has been validated. With Guggenheim having matured five BulletShares ETFs very successfully, historically, we've seen the month of January following a maturity year

experience the highest levels of inflows as compared with other points in time during the year. And that's a byproduct of some of that money coming back into another maturity year in the suite. But we've also found that it's an important proof point for advisors who want to continue to see that the funds operate as we say they do to validate the concept.

Past performance does not guarantee future returns.

The opinions and forecasts expressed may not actually come to pass. This information is provided for informational purposes only and is subject to change at any time based on market and other conditions, and should not be construed as a recommendation of any specific security or strategy.

ETFs may not be suitable for all investors. • Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than original cost. Most investors will also incur customary brokerage commissions when buying or selling shares of an ETF. • Investments in securities and derivatives, in general, are subject to market risks that may cause their prices to fluctuate over time. • ETF shares may trade below their net asset value ("NAV"). The NAV of shares will fluctuate with changes in the market value of an ETF's holdings. In addition, there can be no assurance that an active trading market for shares will develop or be maintained. • Tracking error risk refers to the risk that the advisor may not be able to cause the ETF's performance to match or correlate to that of the ETF's underlying index, either on a daily or aggregate basis. Tracking error risk may cause the ETF's performance to be less than you expect. • There are no assurances that any Guggenheim Investments fund will achieve its objective and/or strategy. • It is important to note that the funds are not deposits of, nor guaranteed nor endorsed by, any financial institution; are not insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, or any other agency. • Fixed-income investments will change in response to interest-rate changes and market conditions, among other factors. In general, bond prices rise when interest rates fall, and vice versa. • Exposure to the high-yield bond market may subject a fund to greater volatility because (i) the fund will be affected by the ability of high-yield security issuers' ability to make principal and interest payments and (ii) the prices of derivatives linked to high-yield bonds may fluctuate unpredictably and not necessarily in relation to interest rates. • See the fund's prospectus for more information on these and other risks.

The funds have designated years of maturity ranging from 2015 to 2024 and will terminate on or about December 31 of their respective maturity year. In connection with such termination, each fund will make a cash distribution to then-current shareholders of its net assets after making appropriate provisions for any liabilities of the fund. The funds do not seek to return any predetermined amount at maturity. In the final six months of operation, as the bonds held by the fund mature, the fund's portfolio will transition to cash and cash equivalents, including without limitation U.S. Treasury bills and investment-grade commercial paper, which may result in a lower yield than the yields of the bonds previously held by the fund and/or prevailing yields for bonds in the market. The funds will terminate on or about the date above without requiring approval by the trust's board of trustees (the "board") or fund shareholders. The board may change the termination date to an earlier or later date if a majority of the board determines the change to be in the best interest of the funds.

**Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.*

Read a prospectus and summary prospectus (if available) carefully before investing. It contains the investment objectives, risks, charges, expenses and other information, which should be considered carefully before investing. Obtain a prospectus and summary prospectus (if available) at www.guggenheiminvestments.com.

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THE DIE-HARD APPEAL OF MLPs
KENNY FENG

Oil prices may be tanking, and key players may be rethinking the MLP structure, but appeal of the space among income-hungry investors goes on unabated, says the president and CEO of Alerian

By Cinthia Murphy

Kinder Morgan shook up the world of master limited partnerships (MLPs) this year when it decided to give up on the MLP structure altogether. Kinder is one of the segment's key players, and one that helped propel MLPs into the investor mainstream as a good structure to offer income and growth potential.

But while the move made headlines, it's unlikely to change much in a space that remains the beneficiary of strong investor demand for bond alternatives, Kenny Feng of Alerian, the leading provider of MLP indexes, told ETF Report.

MLPs usually claim they're less sensitive to oil prices than other energy sector plays. But we've seen a dramatic drop in oil prices this year. That can't be good for MLPs, can it?

The point of less sensitivity is important. Oftentimes when people talk about investing in MLPs, they say they have little or no exposure to commodity prices. But that's an overgeneralization. Energy MLPs—and the universe of MLPs—have expanded up and down the energy value chain over the past 10 years or so. It used to be that people thought about this space as a transportation and storage business, but that's no longer the case. So to say MLPs as a whole have little or no sensitivity to commodity price is an overstatement. It is true, however, that most midstream MLPs have long-term contracts that are fee-based or take-or-pay, which insulates them from direct commodity price exposure over the near and medium term.

You also have headline risk. If you get to a place where oil prices are lower for a sustained period of time, and below certain marginal costs for production, you're going to see rigs laid down, and you're going to see midstream projects be re-evaluated. A sustained period of lower oil prices can't be good for MLPs from that perspective.

What's your view of the Kinder Morgan decision in August to move away from the MLP structure? Do you expect other larger MLPs to follow suit?

The parent security of Kinder Morgan had been the worst-performing pure-play C-Corporation general partner over the past 12 months. Look at it on a trailing one-year, three-year and five-year basis, and it's underperformed broader benchmarks. Because of that, and the fact that Kinder

himself had gone out and said he was frustrated with the way that the market was valuing his companies, it wasn't a question of if a transaction would happen, but rather when and in what form.

Still, Kinder was a pioneer in the MLP structure. In 1981, the first MLP was formed, but it wasn't until 1997 when you saw many investors become very income-focused, and MLPs stood out as a set-and-forget type of security that would offer income, and serve as a bond substitute. Kinder then came along, and all of a sudden, MLPs became an income-plus-growth vehicle. The fact that somebody who had been a tenant, so to speak, of the MLP building and decided to abandon that structure was surprising.

But I'd point out a few basic points about their decision: One is that the company is very large. When you're that big, and you're a distribution growth model, it takes more to move the needle. They also had a cost-of-capital problem because the general partner was taking a significant amount of the cash flow via its incentive distribution rights for a long time. As a result, it was going to be harder for them to build things or buy things and earn a reasonable rate of return.

In addition, they had four publicly traded securities, which is complicated for investors to digest. And the CEO had been acquisitive. If you look at their growth profile over the years, they've increasingly moved towards an acquisition-focused model.

Long story short, I think it was the best pre-tax outcome for investors. The implications for the space aren't all that many because it doesn't seem likely that any large MLPs in the near- to midterm are going to be in a similar place that Kinder was in.

How would you characterize what differentiates the Alerian MLP indexes?

Let me say that we are an independent index and education provider. We are not associated with an investment bank. We do not have an asset management business. So, in the age of skepticism in which we live in today, perception sometimes is as important as reality. When it comes to our indexes, no one has to worry that we're sitting out there managing assets and having a conflict as it relates to our index business.

Another distinction is that we have our own database of shares outstanding, and float adjustment factors. Most segments that have enough clout to be considered their own asset class are very liquid, and are going to have most of the shares held in public hands. But the MLP space is unique in that 70% of MLPs trade less than \$10 million per day, and 66% of companies have a float-adjusted market cap below \$2 billion. The average float in this space is about 65%. Our methodology reflects these nuances, which do make a difference relative to some other asset classes that may be more familiar to investors.

We go through all press releases, all SEC filings and rely on our methodology guide to build the indexes. This process is replicable—anyone can actually replicate our indexes if they choose to do the work behind all that. We think that's extremely important from a benchmarking/beta equals 1 standpoint. That's what differentiates us.

If you're an advisor looking to get into the MLP space, what should you be looking for in an MLP index?

This is really a question of suitability—client objectives and risk tolerance. If you are a U.S. taxable investor who does not mind state filings, K-1s, and you're comfortable building your own portfolio, you're always better off investing in MLPs directly. That is because of the tax-deferred return-of-capital nature of MLP income.

If you don't fall into that bucket, the question then becomes how you feel about passive versus active management. Once that's answered, you can decide whether you want an ETN, an ETF, a closed-end fund or a mutual fund, and if you choose one of the last three, whether you want that wrapper to be RIC compliant and be limited to 25% MLP exposure or 100% MLPs and be subject to corporate taxation.

Investors often ask why there are so many exchange-traded products as well as closed-end and mutual funds that are tracking the space. Pre-1997, the investor market was essentially retirees looking for a fixed-income substitute, but over time, particularly since 2004, the investor market has become far more heterogeneous.

People just have different answers to the following questions: How do I feel about leverage? How do I feel about financial institution credit risk? How do I feel about active versus passive management? How do I feel about the capital market assumptions that I'm making for returns in the future in the MLP space? Are more of the returns going to come from income, or is more of it going to come from growth? Am I a taxable investor, or am I a tax-advantaged investor?

The answers to these different questions are going to govern what product structure is most suitable for you.

There are today about 100 MLPs and at least 22 ETPs tracking them. Is the fund space overcrowded?

You're coming at this from an ETP standpoint, but if we combine that with closed-end funds and mutual funds, the joke is that there's going to be more investment vehicles tracking the space than there are MLPs. But I would argue that it all really depends on the composition of new funds coming to market.

We don't believe there's a need for even a few additional vanilla ETNs and ETFs in this space. But there is certainly the possibility for different elements of innovation. Again, the active side is one way I can see that happening. You've also seen different fundamental indexes come out. Whether or not it's overcrowded, investors will decide that by virtue of the assets that flow into them.

What are the key trends you see in the MLP space?

Let me first give the risk side of the picture. We've seen how MLPs have performed over the past couple of weeks [early October], and we're reminded that commodity prices aren't an issue until they are. This is the energy business. Maybe your exposure isn't directly on the price side, but certainly it's on the volume metrics side. Nobody foresaw the price swings in oil. It's important for investors to understand that this is a risk, however small, but still a risk.

Capital markets access is another issue. At some point you're going to see a change in interest rates. Capital market access is extremely important for the MLP space by virtue of their distribution policy, and the manner in which they grow through organic projects as well as acquisitions. They need to be able to fund projects.

As far as other trends, I would say:

- **M&A.** Besides the whole Kinder consolidation, you've also seen a handful of transactions announced recently. People are looking at footprints and saying to themselves, if I don't have access to this footprint right now, and there's a significant synergy that could come from our businesses, am I willing to pay a specific premium to get to that long term of creation and continue the longevity of my growth profile?
- **Regulation.** We don't believe you're going to see a fracking ban. We do think you're going to see more regulation, which could increase the cost structure for some of the upstream guys.
- **Specialization.** That's another trend that's starting to re-emerge in a meaningful way. We're seeing spinoffs that result in more pure-play midstream companies. For example, we recently saw one announce it was separating its utility business from its energy infrastructure business. This notion of more midstream companies being isolated from what used to be a more integrated value chain is a trend.
- **A discussion about subsector classification.** Many segments are now exploring, to varying degrees, whether they can be part of the MLP structure. When the IRS provides greater clarification around the definitions of qualifying income, that's going to give people a renewed impetus to explore whether different types of businesses can find their way into the structure.

The MLP footprint could go beyond the energy segment, then?

Exactly. It's always been natural resource driven, but you're seeing these different flavors pop up that are not just the traditional oil and gas businesses. It's a function of the fact that the demand for MLP paper has increased significantly. People no longer look at MLPs as an emerging structure, but as a legitimate structure. If investors are bidding up companies that promise stable and growing income, more and more businesses—paper and packaging, chemical companies—are going to consider whether that's a valuations arbitrage opportunity for them. ●

ETF.com/AMJ

The World's Leading Authority on Exchange-Traded Funds



HOW 3 ADVISORS USE MLP FUNDS & NOTES

Straddling fixed income and energy growth is an attractive aspect

How does your firm use MLP ETFs and allocations?

We use it as what we call a hybrid asset class spanning income and growth. Traditionally, investors have chosen equities to give them long-term growth. MLPs fall right in between those two. We have a bucket in our risk models that is right between equities and fixed income. Within that bucket, we're looking at MLPs to provide both income and growth elements in our portfolios.

The income is pretty attractive. You're starting the year with 5-6% type income, and then on top of that, you're looking to add midsingle digits, growth opportunities. Obviously it doesn't come in a linear fashion. Some years you lose money, some years you make more than your expected return.

Maybe you just answered my second question, which is, do you treat MLP funds as a fixed-income play or an energy play, or both?

We use it as one of the fixed-income alternatives, but we don't categorize it as fixed income because it doesn't have a fixed income. What we're looking to do is really more thematic, which is to take advantage of the energy infrastructure buildup in United States. We're looking to invest in companies that build, acquire and operate these transportation assets. We focus on the midstream partnership space that acts as a fee-based, toll-road-type business, where its revenues are indexed inflation, and they look to grow with inflation.

What particular ETFs or ETNs do you use?

We've used multiple vehicles over years. And it really depends on whether the investor wants to take credit risk, leverage risk or the burden of extensive K-1 reporting. The cleanest and the most client-friendly format is the ETF format, which gives you no credit risk and it gives you daily liquidity, no leverage, low fees. But you're paying a price for double taxation, because the companies that have more than 25% in MLPs have to withhold taxes. And that creates a drag on performance in up markets.

For ETFs, we use the Alerian MLP (AMLPL). And in terms of the next bucket, which would be the exchange-traded note, we use Etracs Alerian MLP Infrastructure ETN (MLPI). With ETNs, you take on the credit risk of those institutions, you're a line item on their balance sheet as a borrower, so you're really holding a credit instrument. But also, you get ordinary tax rates because you're holding a bond. We found those two elements less appealing, so we really haven't done too much investing in the ETN space because of the investment committee's goal of not introducing credit risk into the equation.

What's the tax difference between an ETN and ETF?

With an ETN, you're holding a note that's issued by a large bank. The return on that would be taxed at the ordinary tax rate, whereas with an ETF, it's tax advantaged. Most of your return is deferred in terms of capital, so it would qualify as a tax advantage.

ERMAN CIVELEK, CFA

Senior Vice President, Investment Strategist

Advisor Quick View

FIRM	The MDE Group
LOCATION	Morristown, NJ
AUM	\$1.3 Billion

By Cinthia Murphy

How do you use MLP exchange-traded products in your asset allocation models?

We have MLPs in our asset allocation process for two reasons: First, attractive relative yield: MLPs offer distribution yields of roughly 4-5%, which we find attractive relative to other equity yield-producing vehicles, such as real estate investment trusts (REITS) and utilities. Secondly, more attractive relative growth: MLPs have traditionally grown their distributions 5-10% annually. Other income-producing vehicles – such as bonds, REITS and utilities – typically grow their coupons or dividends at much lower rates, if they grow them at all. Furthermore, we anticipate distribution growth rates should accelerate over the coming years due to the rapid growth of energy infrastructure (pipelines and storage facilities) in the shale gas regions in the country.

Is this a fixed-income play or an energy play or both?

In general, MLPs will have some sensitivity to both rates and commodity prices. However, the main rationale for owning them is for the reasons mentioned above. You get an attractive relative yield that comes with growth opportunities as well.

Do you prefer the ETF or ETN structure when it comes to these products, and why? Any specific products you use that you can single out?

We own a blend of the Global X MLP & Energy Infrastructure (MLPX), Credit Suisse Cushing 30 MLP ETN (MLPN) and Barclays ETN+ Select MLP ETN (ATMP) in our portfolios. MLPX is an ETF, while the other two are ETNs. None of these products issues a K-1, they're not subject to unrelated business income tax, nor are they

structured in a way that could potentially lead to punitive capital gains tax withholdings.

However, there will still be capital gains taxes for the investor if the security appreciates, but these capital gains will not be held back at the corporate level.

At Riverfront, we have exposure limits in place for ETNs, because at the end of the day, you're taking on the credit risk of that issuer.

In the ETF space, we believe Global X has created a unique product with MLPX in that it caps the limited partner exposure to 25%, with the remaining 75% comprising the general partners. In our opinion, shareholders of general

partners typically accept a slightly lower initial yield, but get a significantly higher distribution growth rate, which should lead to less susceptibility to rising interest rates.

Is there a particular part of the natural resource world you're more interested in than others?

The key here is to focus on energy infrastructure – pipelines, storage, etc. We prefer these assets because their revenues are more predictable, because they're generally long-term contracts and fee based, so they have less vulnerability to rising or falling commodity prices.

Are falling oil prices a concern for you in regard to MLP funds?

Falling oil prices are definitely a concern, but per the comments just mentioned, there is some insulation from the volatility of energy prices. That said, the recent headlines have all been about Saudi Arabia trying to break the back of the U.S. shale boom, so we'll continue to monitor how lower energy prices are affecting capacity and utilization rates.

ROB GLOWNIA

Quantitative Analyst

Advisor Quick View

FIRM	Riverfront Investment Group
LOCATION	Richmond, VA
AUM	\$4.8 Billion

How do you use MLP exchange-traded products in your asset allocation models?

We have an allocation to “commodity/other” as an asset class, which, for my clients, consists mostly of energy infrastructure. We originally separated out this small class because of the tax characteristics of master limited partnerships.

GARY POLLOCK

Senior Managing Director, Portfolio Manager

Is this a fixed-income play or an energy play or both?

I call it an “income-oriented” investment with a play on energy—some of both.

Do you prefer the ETF or ETN structure when it comes to these products, and why?

The ETF structure has a tax drag associated with it that is eliminated with an ETN. Both can be used, though, in tax-deferred accounts without running afoul of the unrelated business income designation.

I think the data I have seen over the last year or two would suggest that the ETN structure will do better over the long run, but you have the added risk in the form of the credit risk of the issuer, and some folks don’t like that extra risk layer. These are indeed notes rather than equities in the true sense.

In particular, I’ve invested a lot in the Yorkville High Income MLP (YMLP), Yorkville High Income Infrastructure MLP (YMLI) and now RBC ETNs Linked to Yorkville MLP Distribution Growth Leaders Liquid PR Index (YGRO).

I like an intelligent approach to pooled investing rather than a simple market-cap index. I like the idea that the stocks in the three indices are reviewed each

Advisor Quick View

FIRM	First Republic Investment Management Inc.
LOCATION	San Francisco
AUM	\$25 Billion

year for sustainability and suitability, and that they start off equal weighted. There is also attention paid to liquidity, especially with YGRO, so that the strategy is sustainable. The energy infrastructure sector is not a large sector, so liquidity, or the lack thereof, can be an important consideration.

Is there a particular part of the natural resource world you are more interested in than others?

I’m quite partial to energy, but then I worked as a chemical engineer for almost 20 years at Chevron. Energy is the largest commodity in the world by almost any measure and is the lifeblood of our modern economy. The geopolitical aspects along with the technical and economic aspects are fascinating to me.

Are falling oil prices a concern for you in regard to MLP funds?

I’m an optimist and opportunist. When prices fall, that’s usually a good time to buy. I don’t try to hit the very bottom—if I do, it’s simply luck, but the values are much better near the bottom.

Of course, you have to have a long-term positive view on energy, and oil prices in particular, which I do. So much of the new oil production in the U.S.—and virtually all MLPs are U.S.-based—is in areas that didn’t have a lot of infrastructure where there’s still a tremendous need for investments in this type of business. I think it’s still a good growth sector, with above-average income because of the MLP structure. ●

WHY I OWN BND

Vanguard Total Bond Market

ALLAN ROTH Founder



FIRM: Wealth Logic LLC
LOCATION: Colorado Springs, CO
FOUNDED: 2004
ASSETS UNDER ADVISEMENT: \$100 million+
% OF AUM IN ETFS: 25%

When did you first invest in the Vanguard Total Bond Market ETF (BNDJA-95), and why?

I've invested in the mutual fund version, VBTLX [Vanguard Long-Term Bond Index Fund, Investor Shares], for at least 20 years. But we've also been using the ETF since it came out in 2007. Whenever a client wants to custody their assets outside of Vanguard, the ETF is the more efficient share class to buy, since you can't buy the Admiral Share class. You'd have to buy VBMFX, the more expensive investor share class instead. So then we'd use the ETF.

Is this a long-term holding for you?

Yes; it's one of our core bond funds. It's boring, and that's what you want your bonds to be.

Why recommend BND over other bond funds?

In my opinion, the purpose of a bond fund is to act as a shock absorber. Take your risk with equities; don't get greedy. But people will buy all sorts of things to get an extra 0.5%, and lose their shirts in the process.

Take the little blip we just had, where stocks fell 7.5% and people started panicking. BND did quite well, whereas some higher-yielding, lower-quality bond funds dropped. It could have been 2008 all over again.

Since 2007, have you increased or decreased your allocation to fixed income?

I've stayed the same. I used to believe that asset allocation was the most important decision you could make. I've since changed my view; I now believe sticking to your asset allocation is the most important decision.

Morningstar data show that the average investor in a mutual fund earned 2.49% less than the fund itself over the last 10 years. That's because people go in and out, as the stock market goes up and down. The same thing happens with ETFs. It's better if you stick to whatever you pick.

What are the major downsides to owning BND?

It's one of the lower-yielding intermediate bond funds, so its performance over the last five years has lagged. That's because higher-risk bond funds are more correlated with stocks; so when stocks go up, those higher-risk bond funds will do better.

In that market, you'll see less dividend and total return with BND. But in the long run, when you consider the risk/return trade-off, I think you need to keep your bonds high quality and not go for those extra 50 basis points.

What would be the trigger for you to get out of BND and into a different bond fund?

It would have to be something like a huge negative tracking error. Something systemic within that fund family or the Barclays U.S. Aggregate Bond Index. I think it's unlikely that will develop, but BND's predecessor did have an issue roughly 15 years ago. So it's not impossible that BND could too.

Keep in mind it's not as easy to replicate a bond index as it is the S&P 500. There are thousands and thousands of bonds, and there's no single exchange like the NYSE or the Nasdaq for bond funds. It's expensive and difficult to replicate. That's why most bond funds aren't index funds. That said, it's probably less likely something systemic develops with BND, because I suspect Vanguard has learned its lesson from 15 years ago.

What advice would you give investors interested in the fixed-income space?

The purpose of fixed income is not income; it's to be a stable store of value for your portfolio. Advisors were talking about bond bubbles going into this year, but stocks are riskier in a day than high-quality bond funds are in a year. In 2008, BND's price went up 7.66% in 2008, when the average bond fund lost 8%. It served its purpose well then. So the next time stocks plunge, we want our bonds to be high quality. Like I said before, bonds should be boring. ●

Vanguard Total Bond Market (BND)

SEGMENT: Fixed Income: U.S. - Broad Market Investment Grade

ISSUER: Vanguard

LEGAL STRUCTURE: Open-Ended Fund

EXPENSE RATIO: 0.08%

AUM: \$23.65 Billion

ADV (30-DAY): \$246.85 Million

AVG. SPREAD: 0.01%

COMPETING FUNDS: AGG, LAG, SCHZ



Sources: Bloomberg, ETF.com. Chart data as of 10/31/2014; fund data as of 11/7/2014.

October saw real estate dominate, averaging returns of more than 9% compared with September's almost 6% losses. Despite having the month's highest returns, the sector saw less than \$350 million in inflows. Utilities came in a firm second place: second highest average performance, second highest inflows by sector, and second highest inflows by an individual fund. The [SPDR S&P Health Care Equipment ETF \(XHE|B-56\)](#) claimed top prize, with gains of 10.18%, while the health-care sector ranked a close third. Consumer non-cyclicals had the highest inflows for the month despite lackluster performance. Energy continues to take heavy hits, coming in as this month's worst-performing sector. The average losses of 7.91% don't seem to have affected investor enthusiasm, however, as the sector ranked third for the highest inflows for October. Losses for the [SPDR S&P Oil & Gas Exploration & Production \(XOP|A-46\)](#) remain in the double digits, making it this month's single worst-performing fund. The month saw most sectors move back into positive returns; however, basic materials stayed firmly in the red this month, along with the surprise companion of the [SPDR S&P Semiconductor ETF \(XSD|A-44\)](#). Semiconductors were the only portion of the technology sector not to post gains this month. ●

Top Inflows

	TICKER	NET FLOWS	AUM (\$M)	
Consumer Staples Select SPDR	XLP	1,311.36	9,055.19	Cons. Non-cycl.
Utilities Select SPDR	XLU	943.15	6,898.91	Utilities
iShares U.S. Technology	IYW	511.40	4,690.22	Technology
Industrial Select SPDR	XLI	434.83	9,346.94	Industrials
First Trust Cons. Staples AlphaDEX	FXG	374.16	1,908.81	Cons. Non-cycl.

Top Outflows

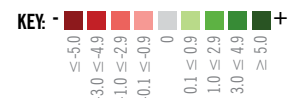
	TICKER	NET FLOWS	AUM (\$M)	
Technology Select SPDR	XLK	-1,508.85	12,495.42	Technology
Materials Select SPDR	XLB	-1,033.96	3,934.23	Basic Materials
Financial Select SPDR	XLF	-536.99	18,488.66	Financials
iShares U.S. Industrials	IYJ	-490.73	1,288.55	Industrials
Cons. Discretionary Select SPDR	XLY	-466.36	6,361.61	Cons. Cyclicals

Sector Performance

OCTOBER 2014

BASIC MATERIALS	CONS. CYCL.	CONS. NON-CYCL.	ENERGY	FINANCIAL	HEALTH CARE	INDUSTRIAL	REAL ESTATE	TECH	TELECOM	UTILITIES
BROAD XLB -2.36%	BROAD XLY 2.12%	BROAD XLP 3.59%	BROAD XLE -3.44%	BROAD XLF 2.94%	BROAD XLV 5.33%	BROAD XLI 3.94%	BROAD IYR 8.42%	BROAD XLK 1.66%	BROAD IYZ 1.80%	BROAD XLU 7.99%
MINING XME -4.14%	HOMEBLD XHB 5.22%	FOOD PBJ 4.27%	EQUIP IEZ -8.62%	BANKS KBWB 0.89%	BIOTECH IBB 8.51%	DEFENSE PPA 4.14%	BROAD VNO 9.97%	INTERNET FDN 0.30%	BROAD VOX 2.35%	BROAD VPU 8.41%
	MEDIA PBS 1.20%		EXPLOR XOP -11.67%	BANK & IN IAI 2.45%	MED DEV IHI 8.04%	TRANSP IYT 3.85%		SEMIS XSD -1.83%		
	RETAIL XRT 3.35%			INSURANCE KBWI 3.95%	PHARMA IHE 3.95%	ENGINEER PKB 4.20%		SOFTWARE IGV 4.13%		
	LEISURE PEJ 2.77%			SERVICES IYG 3.13%	EQUIPMENT XHE 10.18%					
					SERVICES IHF 6.37%					

Source: Bloomberg. Data from 9/30/2014 to 10/31/2014. ETFs chosen to represent each sector based on the most liquid ETF in each segment of the ETF.com ETF Classification System.



WHY BUY A SINGLE STOCK WHEN YOU CAN INVEST IN THE ENTIRE SECTOR?

Health Care Sector SPDR ETF

Top Ten Holdings*

XLV - HEALTH CARE

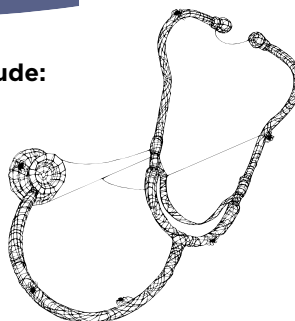
Company Name	Symbol	Weight
1 Johnson & Johnson	JNJ	11.81%
2 Pfizer	PFE	7.38%
3 Gilead Sciences	GILD	6.58%
4 Merck	MRK	6.49%
5 Amgen	AMGN	4.79%
6 AbbVie	ABBV	3.92%
7 Bristol-Myers Squibb	BMJ	3.77%
8 Unitedhealth	UNH	3.62%
9 Celgene	CELG	3.33%
10 Biogen Idec	BIIB	3.01%

* Components and weightings as of 10/31/14.
Please see website for daily updates. Holdings subject to change.



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- The all-day tradability of stocks
- The diversification of mutual funds
- Total transparency
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An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information, call 1-866-SECTOR-ETF or visit www.sectorspdrs.com. Read the prospectus carefully before investing.

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STATE STREET GLOBAL ADVISORS.



ETF DATA

U.S.-LISTED ETFs BY ASSET CLASS AND YEAR-TO-DATE RETURN

- Data as of 10/31/2014
- Exp Ratio is annual expense ratio
- AUM is net assets in \$US millions
- YTD is year-to-date
- 3YR and 5YR returns are annualized
- Includes all U.S.-listed ETFs and ETNs with assets of \$220 million and above
- Source: ETF.com

FUND NAME	TICKER	EXP RATIO %	AUM (\$M)	YTD %	3YR %	5YR %
U.S. EQUITY: TOTAL MARKET						
iShares MSCI USA Minimum Volatility	USMV	0.15	3,231.7	12.28	17.15	-
Fidelity NASDAQ Composite	ONEQ	0.21	418.2	11.80	21.16	18.86
iShares MSCI USA Momentum Factor	MTUM	0.15	413.5	11.37	-	-
WisdomTree Total Dividend	DTD	0.28	545.6	11.32	18.67	17.04
iShares Dow Jones U.S.	IYY	0.20	939.4	10.17	17.99	15.05
iShares Core S&P Total U.S. Stock Market	ITOT	0.07	1,638.0	10.17	19.53	16.78
iShares MSCI USA ESG Select	KLD	0.50	288.8	10.09	16.38	14.82
Schwab U.S. Broad Market	SCHB	0.04	3,931.1	9.95	19.69	-
Vanguard Total Stock Market	VTI	0.05	48,170.8	9.87	19.79	17.10
FlexShares Quality Dividend	QDF	0.38	569.9	9.85	-	-
iShares Russell 3000	IWW	0.20	5,837.0	9.72	19.59	16.83
iShares MSCI KLD 400 Social	DSI	0.50	378.9	9.61	18.70	15.47
iShares MSCI USA Quality Factor	QUAL	0.15	636.4	9.42	-	-
iShares MSCI USA Value Factor	VLUE	0.15	472.3	9.40	-	-
FlexShares Morningstar U.S. Market Factor Tilt	TILT	0.27	731.6	7.37	19.24	-
ALPS Barron's 400	BFOR	0.65	221.2	5.21	-	-
U.S. EQUITY: TOTAL MARKET GROWTH						
iShares Core U.S. Growth	IUSG	0.09	533.8	9.74	19.01	17.27
U.S. EQUITY: TOTAL MARKET VALUE						
iShares Core U.S. Value	IUSV	0.09	767.5	9.69	20.00	16.23
U.S. EQUITY: EXTENDED CAP						
Vanguard Extended Market	VXF	0.10	3,604.1	5.20	19.73	18.81
PowerShares FTSE RAFI US 1500 Small-Mid	PRFZ	0.39	1,010.2	2.04	19.43	18.25
U.S. EQUITY: LARGE CAP						
PowerShares QQQ	QQQ	0.20	39,353.6	16.61	22.09	21.17
First Trust NASDAQ-100 Equal Weighted	QQEW	0.60	445.8	14.32	20.72	19.34
ALPS Sector Dividend Dogs	SDOG	0.40	914.7	14.00	-	-
ProShares Large Cap Core Plus	CSM	0.45	409.9	13.46	20.55	16.78
PowerShares S&P 500 Low Volatility	SPLV	0.25	4,431.0	12.65	16.77	-
iShares Morningstar Large-Cap	JKD	0.20	531.5	12.32	21.77	17.20
PowerShares S&P 500 High Beta	SPHB	0.25	229.3	11.88	21.24	-
WisdomTree Dividend Ex-Financials	DTN	0.38	1,221.1	11.83	18.40	19.16
WisdomTree LargeCap Dividend	DLN	0.28	2,477.0	11.49	18.52	16.72
PowerShares S&P 500 High Quality	SPHQ	0.29	427.5	11.29	18.30	17.60
ProShares S&P 500 Dividend Aristocrats	NOBL	0.35	291.5	10.94	-	-
Vanguard S&P 500	VOO	0.05	24,132.5	10.85	19.76	-
iShares Core S&P 500	IIV	0.07	67,087.2	10.85	19.72	16.63
Guggenheim S&P 500 Equal Weight	RSP	0.40	8,975.9	10.79	20.46	18.57
Vanguard Mega Cap	MGC	0.12	890.2	10.73	19.72	16.35
SPDR S&P 500	SPY	0.09	183,515.0	10.71	19.61	16.61

FUND NAME	TICKER	EXP RATIO %	AUM (\$M)	YTD %	3YR %	5YR %
Vanguard Large-Cap	VV	0.09	5,403.8	10.65	19.71	16.82
Schwab U.S. Large-Cap	SCHX	0.04	3,427.6	10.63	19.68	-
Vanguard Russell 1000	VONE	0.12	399.6	10.53	19.80	-
iShares S&P 100	OEF	0.20	4,963.7	10.52	19.23	15.63
iShares Russell 1000	IWB	0.15	10,232.6	10.41	19.78	16.85
Guggenheim Russell Top 50 Mega Cap	XLG	0.20	598.7	10.14	18.68	14.73
PowerShares FTSE RAFI US 1000	PRF	0.39	4,092.1	9.40	20.36	17.31
RevenueShares Large Cap	RWL	0.49	273.7	9.18	20.93	16.72
First Trust Large Cap Core AlphaDEX	FEX	0.66	1,460.8	8.90	18.85	17.73
RBS US Large Cap Trendpilot ETN	TRND	1.00	379.9	6.79	17.14	-
SPDR Dow Jones Industrial Average Trust	DIA	0.17	12,000.6	6.58	15.99	15.12
PowerShares S&P 500 Downside Hedged	PHDG	0.39	507.4	6.45	-	-
Barclays S&P Vector ETN	VQT	0.95	664.3	6.11	6.47	-
PowerShares S&P 500 BuyWrite	PBP	0.75	375.8	3.72	3.32	2.57
U.S. EQUITY: LARGE CAP GROWTH						
Guggenheim S&P 500 Pure Growth	RPG	0.35	1,780.5	12.96	21.77	21.44
Schwab U.S. Large-Cap Growth	SCHG	0.07	1,606.5	12.83	20.39	-
iShares Morningstar Large-Cap Growth	JKE	0.25	613.7	12.54	19.74	17.07
Vanguard S&P 500 Growth	VOOG	0.15	373.9	12.44	19.47	-
iShares S&P 500 Growth	IWW	0.18	11,414.5	12.33	18.11	15.66
SPDR S&P 500 Growth	SPYG	0.20	456.1	12.21	19.45	17.86
Vanguard Mega Cap Growth	MGK	0.12	1,624.4	11.37	19.96	17.41
Vanguard Growth	VUG	0.09	16,381.6	11.30	19.68	17.67
iShares Russell Top 200 Growth	IWY	0.20	587.2	11.26	19.26	16.80
Vanguard Russell 1000 Growth	VONG	0.15	301.8	10.60	19.16	-
iShares Russell 1000 Growth	IWF	0.20	25,906.1	10.41	19.07	17.21
First Trust Large Cap Growth AlphaDEX	FTC	0.70	439.2	9.98	18.40	17.20
PowerShares Dynamic Large Cap Growth	PWB	0.59	280.7	9.27	20.64	16.44
U.S. EQUITY: LARGE CAP VALUE						
Vanguard Russell 1000 Value	VONV	0.15	322.1	10.30	20.29	-
Vanguard Mega Cap Value	MGV	0.12	906.2	10.17	19.39	15.41
Guggenheim S&P 500 Pure Value	RPV	0.35	1,275.1	10.14	25.85	22.16
iShares Russell 1000 Value	IWD	0.20	24,393.4	10.14	20.12	16.28
Vanguard Value	VTV	0.09	16,254.0	10.05	19.85	15.98
PowerShares Dynamic Large Cap Value	PWV	0.59	928.1	9.51	18.50	15.17
SPDR S&P 500 Value	SPYV	0.20	228.7	9.07	19.11	15.53
iShares S&P 500 Value	IVE	0.18	8,374.9	9.01	19.66	15.81
First Trust Large Cap Value AlphaDEX	FTA	0.67	1,250.2	8.57	19.02	17.90
Schwab U.S. Large-Cap Value	SCHV	0.07	1,230.5	8.49	18.83	-
Vanguard S&P 500 Value	VOOV	0.15	224.8	8.93	19.08	-
iShares Morningstar Large-Cap Value	JKF	0.25	293.1	7.49	16.68	13.70
U.S. EQUITY: MID CAP						
iShares Morningstar Mid-Cap	JKG	0.25	344.6	12.01	20.72	20.12
WisdomTree MidCap Dividend	DON	0.38	1,186.5	11.95	20.21	19.73
Vanguard Mid-Cap	VO	0.09	9,119.7	10.28	19.69	18.90
iShares Russell Mid-Cap	IWR	0.22	10,798.1	10.01	19.87	18.80
Schwab U.S. Mid-Cap	SCHM	0.07	1,211.5	7.85	19.95	-
iShares Core S&P Mid-Cap	IJH	0.15	21,883.4	6.78	18.57	18.14
Vanguard S&P Mid-Cap 400	IVOO	0.16	350.7	6.66	18.43	-
SPDR S&P MidCap 400	MDY	0.25	14,744.3	6.54	18.34	17.96
WisdomTree MidCap Earnings	EZM	0.38	596.6	6.20	20.81	20.16
First Trust Mid Cap Core AlphaDEX	FNX	0.66	821.8	3.24	17.38	18.12
U.S. EQUITY: MID CAP GROWTH						
Vanguard Mid-Cap Growth	VOT	0.09	2,442.6	10.32	17.85	18.65
iShares Russell Mid-Cap Growth	IWP	0.25	5,146.1	8.43	18.53	18.55
iShares S&P Mid-Cap 400 Growth	IJK	0.25	4,593.8	4.63	16.44	17.99
Vanguard S&P Mid-Cap 400 Growth	IVOG	0.20	294.0	4.48	16.34	-
Guggenheim S&P MidCap 400 Pure Growth	RFG	0.35	746.0	0.58	15.21	18.93
U.S. EQUITY: MID CAP VALUE						
iShares Russell Mid-Cap Value	IWS	0.28	6,691.6	11.61	20.99	18.99
Vanguard Mid-Cap Value	VOE	0.09	3,209.4	10.23	21.31	18.95
iShares S&P Mid-Cap 400 Value	IJJ	0.27	4,090.7	9.03	20.59	18.19
U.S. EQUITY: SMALL CAP						
WisdomTree SmallCap Dividend	DES	0.38	1,053.3	5.46	20.19	18.65
Vanguard Small-Cap	VB	0.09	9,427.2	5.17	19.60	18.93
Schwab U.S. Small-Cap	SCHA	0.08	2,140.9	3.95	19.41	-
SPDR S&P SmallCap 600	SLY	0.20	335.8	3.07	19.80	19.36

FUND NAME	TICKER	EXP RATIO %	AUM (\$M)	YTD %	3YR %	5YR %
iShares Core S&P Small-Cap	IJR	0.17	13,893.0	3.07	19.98	19.16
RevenueShares Small Cap	RWJ	0.54	292.9	2.91	21.08	19.35
iShares Russell 2000	IWM	0.24	25,856.1	1.97	18.25	17.39
Vanguard Russell 2000	VTWO	0.15	422.4	1.97	18.12	-
WisdomTree SmallCap Earnings	EES	0.38	414.7	0.47	19.29	18.47
First Trust Small Cap Core AlphaDEX	FYX	0.70	545.8	-1.09	18.27	18.21
PowerShares DWA SmallCap Momentum	DWAS	0.60	295.6	-3.73	-	-
U.S. EQUITY: SMALL CAP GROWTH						
Vanguard Small-Cap Growth	VBK	0.09	3,874.2	2.25	17.45	18.63
iShares Russell 2000 Growth	IWO	0.25	6,245.6	2.07	18.55	18.69
iShares S&P Small-Cap 600 Growth	IJT	0.25	2,756.2	1.92	18.84	19.56
SPDR S&P SmallCap 600 Growth	SLYG	0.25	398.1	1.53	18.56	20.22
U.S. EQUITY: SMALL CAP VALUE						
Vanguard Small-Cap Value	VBR	0.09	4,519.6	7.43	20.70	18.30
iShares Morningstar Small-Cap Value	JKL	0.30	404.2	6.46	20.05	18.87
iShares S&P Small-Cap 600 Value	US	0.25	3,079.9	4.37	20.89	18.61
SPDR S&P SmallCap 600 Value	SLVY	0.25	307.2	4.18	20.81	18.45
iShares Russell 2000 Value	IWN	0.36	5,819.7	1.84	17.82	15.97
U.S. EQUITY: MICRO CAP						
iShares Micro-Cap	IWC	0.72	890.6	-0.76	18.73	15.87
U.S. EQUITY: BASIC MATERIALS						
Materials Select SPDR	XLB	0.16	4,031.0	6.12	14.53	13.25
Vanguard Materials	VAW	0.14	1,263.0	4.99	14.79	14.65
iShares U.S. Basic Materials	IYM	0.45	750.5	4.01	9.70	11.69
First Trust Materials AlphaDEX	FXZ	0.70	221.8	-1.37	14.62	14.36
SPDR S&P Metals and Mining	XME	0.35	410.7	-15.49	-12.60	-2.61
U.S. EQUITY: CONSUMER CYCLICALS						
iShares U.S. Consumer Services	IYC	0.45	453.3	5.82	23.28	21.51
First Trust Consumer Discretionary AlphaDEX	FXD	0.70	1,119.5	3.41	17.37	19.68
Vanguard Consumer Discretionary	VCR	0.14	1,202.7	2.97	22.43	22.71
Consumer Discretionary Select SPDR	XLY	0.16	6,286.7	2.89	22.25	22.33
SPDR S&P Retail	XRT	0.35	853.6	1.01	20.31	22.70
iShares U.S. Home Construction	ITB	0.45	1,475.5	-2.78	31.58	17.31
SPDR S&P Homebuilders	XHB	0.35	1,475.8	-6.11	25.42	18.89
U.S. EQUITY: CONSUMER NON-CYCLICALS						
First Trust Consumer Staples AlphaDEX	FXG	0.70	1,894.6	15.05	20.41	19.04
PowerShares Dynamic Food & Beverage	PBJ	0.63	257.7	13.66	16.49	17.04
Consumer Staples Select SPDR	XLP	0.16	9,013.1	10.68	17.83	15.77
Vanguard Consumer Staples	VDC	0.14	2,233.3	10.66	18.10	16.37
iShares U.S. Consumer Goods	IYK	0.45	546.1	8.18	17.24	16.79
U.S. EQUITY: ENERGY						
First Trust North American Energy Infrastructure	EMLP	0.95	941.6	21.06	-	-
Barclays ETN + Select MLP ETN	ATMP	0.95	391.7	16.87	-	-
ETRACS Alerian MLP Infrastructure ETN	MLPI	0.85	2,300.7	14.22	13.01	-
iPath S&P MLP ETN	IMLP	0.80	854.1	14.20	-	-
ETRACS Alerian MLP ETN	AMU	0.80	381.4	13.62	-	-
Credit Suisse Cushing 30 MLP ETN	MLPN	0.85	936.8	12.39	14.95	-
Alerian MLP	AMPL	8.56	9,414.1	9.43	11.36	-
Energy Select SPDR	XLE	0.16	10,265.4	0.22	9.86	11.59
iShares U.S. Energy	IYE	0.45	1,055.1	-0.42	9.52	10.64
Vanguard Energy	VDE	0.14	3,056.0	-0.43	9.08	10.92
iShares U.S. Oil & Gas Exploration & Production	IEO	0.45	506.6	-0.80	9.22	11.16
Yorkville High Income MLP	YMLP	4.65	316.2	-2.43	-	-
First Trust Energy AlphaDEX	FXN	0.70	326.6	-3.29	6.32	9.29
iShares U.S. Oil Equipment & Services	IEZ	0.45	478.7	-5.64	4.78	8.85
SPDR S&P Oil & Gas Exploration & Production	XOP	0.35	1,237.4	-10.63	5.24	10.60
SPDR S&P Oil & Gas Equipment & Services	XES	0.35	236.5	-18.11	1.00	6.18
First Trust ISE-Revere Natural Gas	FCG	0.60	336.0	-22.74	-7.04	-0.92
U.S. EQUITY: FINANCIALS						
Financial Select SPDR	XLF	0.16	18,315.7	10.35	23.06	12.88
Vanguard Financials	VFH	0.19	2,262.1	9.92	21.87	13.51
iShares U.S. Financials	IYF	0.45	1,249.5	9.78	22.17	13.50
PowerShares KBW High Dividend Yield Financial	KBWD	1.55	272.3	9.13	14.41	-
iShares U.S. Financial Services	IYG	0.45	620.7	6.76	25.47	12.23
PowerShares KBW Bank	KBWB	0.35	285.7	5.50	-	-
First Trust Financials AlphaDEX	FXO	0.70	624.8	5.41	19.85	14.53
SPDR S&P Insurance	KIE	0.35	324.5	5.13	23.50	16.43

FUND NAME	TICKER	EXP RATIO %	AUM (\$M)	YTD %	3YR %	5YR %
iShares U.S. Broker-Dealers	IAI	0.45	257.3	4.85	23.99	9.62
iShares U.S. Regional Banks	IAT	0.45	596.3	3.66	20.56	13.35
SPDR S&P Bank	KBE	0.35	2,695.5	0.76	20.95	11.18
SPDR S&P Regional Banking	KRE	0.35	2,168.9	-0.20	21.71	16.44
U.S. EQUITY: HEALTH CARE						
First Trust NYSE Arca Biotechnology	FBT	0.60	1,804.8	43.77	41.52	31.91
PowerShares Dynamic Biotech & Genome	PBE	0.63	426.1	35.50	35.24	26.85
SPDR S&P Biotech	XBI	0.35	1,320.2	32.92	38.07	30.10
iShares Nasdaq Biotechnology	IBB	0.48	6,227.1	30.86	44.95	32.60
Market Vectors Biotech	BBH	0.35	636.2	30.78	-	-
PowerShares Dynamic Pharmaceuticals	PJP	0.63	1,457.3	28.91	37.52	33.08
SPDR S&P Pharmaceuticals	XPH	0.35	1,048.0	27.25	33.64	28.91
Guggenheim S&P Equal Weight Health Care	RYH	0.40	384.8	24.98	28.44	22.96
iShares U.S. Pharmaceuticals	IHE	0.45	810.4	24.93	29.53	25.24
iShares U.S. Healthcare	IYH	0.45	2,326.2	22.75	28.93	21.65
Health Care Select SPDR	XLV	0.16	11,649.2	22.65	28.43	21.36
First Trust Health Care AlphaDEX	FXH	0.70	2,313.0	22.61	29.96	25.56
Vanguard Health Care	VHT	0.14	3,777.2	22.38	29.17	22.13
iShares U.S. Healthcare Providers	IHF	0.45	562.4	22.09	25.90	22.55
Fidelity MSCI Health Care	FHLC	0.12	292.8	21.97	-	-
iShares U.S. Medical Devices	IHI	0.45	762.5	16.21	22.60	18.13
U.S. EQUITY: INDUSTRIALS						
SPDR S&P Transportation	XTN	0.35	328.6	20.96	29.58	-
iShares Transportation Average	IYT	0.45	1,567.2	19.54	22.70	20.78
Industrial Select SPDR	XLI	0.16	9,150.9	7.09	20.73	19.33
First Trust Industrials/Producer Durables AlphaDEX	FXR	0.70	784.6	6.54	20.94	18.34
iShares U.S. Aerospace & Defense	ITA	0.44	361.3	6.32	24.92	21.54
Vanguard Industrials	VIS	0.14	1,835.1	5.36	21.28	19.29
iShares U.S. Industrials	IYJ	0.45	1,288.5	4.37	20.33	18.66
U.S. EQUITY: TECHNOLOGY						
Market Vectors Semiconductor	SMH	0.35	291.7	21.19	-	-
iShares PHLX Semiconductor	SOXX	0.48	505.6	20.84	19.91	17.84
First Trust NASDAQ-100-Technology	QTEC	0.60	296.0	19.10	19.54	18.51
iShares U.S. Technology	IYW	0.45	4,690.2	15.88	16.62	15.54
Technology Select SPDR	XLK	0.16	12,385.9	14.94	18.05	16.40
Fidelity MSCI Information Technology	FTEC	0.12	255.8	14.14	-	-
Guggenheim S&P Equal Weight Technology	RYT	0.40	671.2	13.91	19.62	17.59
Vanguard Information Technology	VGIT	0.14	6,268.9	13.90	18.19	16.61
iShares North American Tech	IGM	0.48	742.0	11.05	17.98	16.08
First Trust Technology AlphaDEX	FXL	0.70	1,163.6	10.23	15.90	16.64
iShares North American Tech-Software	IGV	0.48	1,125.1	9.87	14.81	16.15
iShares North Amer Multimedia Networking	IGN	0.48	245.8	9.85	8.42	7.83
SPDR Morgan Stanley Technology	MTK	0.50	223.6	9.19	16.42	14.52
PowerShares S&P SmallCap Info Technology	PSCT	0.29	225.7	7.96	20.40	-
First Trust Dow Jones Internet	FDN	0.60	1,856.5	1.97	22.18	22.00
PowerShares NASDAQ Internet	PNQI	0.60	300.2	-0.33	23.84	24.21
U.S. EQUITY: TELECOMMUNICATIONS						
Vanguard Telecommunication Services	VOX	0.14	811.3	6.53	16.16	15.59
iShares U.S. Telecommunications	IYZ	0.45	595.7	4.17	13.86	12.49
U.S. EQUITY: UTILITIES						
Utilities Select SPDR	XLU	0.16	6,282.8	22.87	13.60	14.35
iShares U.S. Utilities	IDU	0.45	730.4	21.92	13.90	14.75
Vanguard Utilities	VPU	0.14	1,779.7	21.79	14.18	14.92
First Trust Utilities AlphaDEX	FXU	0.70	247.5	21.55	12.39	12.39
U.S. EQUITY: REAL ESTATE						
iShares Residential Real Estate Capped	REZ	0.48	251.7	30.19	13.28	19.61
iShares Cohen & Steers REIT	ICF	0.35	3,118.2	28.27	13.47	18.85
Schwab U. S. REIT	SCHH	0.07	1,084.6	26.71	14.63	-
SPDR Dow Jones REIT	RWR	0.25	2,908.6	26.66	14.53	18.94
Vanguard REIT	VNQ	0.10	25,673.1	25.45	13.27	16.37
First Trust S&P REIT	FRI	0.50	236.6	24.57	14.44	18.57
iShares U.S. Real Estate	IYR	0.45	5,257.3	22.34	13.64	17.48
iShares Mortgage Real Estate Capped	REM	0.48	1,297.4	17.41	11.38	9.62
U.S. EQUITY: ALPHA-SEEKING						
PowerShares DWA Momentum	PDP	0.74	1,421.3	10.27	19.33	19.49
Market Vectors Morningstar Wide Moat	MOAT	0.49	893.2	9.26	-	-

FUND NAME	TICKER	EXP RATIO %	AUM (\$M)	YTD %	3YR %	5YR %
First Trust US IPO	FPX	0.60	518.1	8.26	27.61	23.00
PowerShares Buyback Achievers	PKW	0.71	2,652.5	7.53	22.23	20.38
Guggenheim Raymond James SB-1 Equity	RYJ	0.83	258.2	3.07	18.79	18.97
Global X Guru	GURU	0.75	434.0	2.66	-	-
U.S. EQUITY: HIGH DIVIDEND YIELD						
Global X SuperDividend U.S.	DIV	0.45	246.4	19.14	-	-
PowerShares HiYld Equity Dividend Achievers	PEY	0.57	509.6	13.89	18.28	17.20
WisdomTree Equity Income	DHS	0.38	989.8	13.36	18.14	17.97
First Trust Morningstar Dividend Leaders	FDL	0.45	855.4	12.80	16.69	17.38
iShares Select Dividend	DIV	0.39	15,020.4	12.18	18.47	18.05
First Trust Value Line Dividend	FVD	0.70	987.5	12.05	17.40	16.17
iShares Core High Dividend	HDV	0.12	4,795.0	11.74	17.20	-
Vanguard High Dividend Yield	VYM	0.10	9,747.4	11.46	19.54	17.23
SPDR S&P Dividend	SDY	0.35	13,471.8	10.06	17.86	16.44
Schwab US Dividend Equity	SCHD	0.07	2,353.7	9.45	18.70	-
PowerShares Dividend Achievers	PFM	0.58	358.7	8.36	15.95	14.97
Vanguard Dividend Appreciation	VIG	0.10	20,327.7	6.53	16.42	14.76
GLOBAL EQUITY						
iShares MSCI All Country World Min Volatility	ACWW	0.34	1,352.7	9.91	13.08	-
iShares MSCI ACWI	ACWI	0.34	6,637.6	4.89	13.64	10.84
Vanguard Total World Stock	VT	0.18	3,719.6	4.45	13.73	10.98
iShares Global 100	IOO	0.40	1,738.1	2.88	12.73	9.20
GLOBAL EQUITY EX-U.S.						
Vident International Equity	VIDI	0.75	718.8	0.69	-	-
SPDR MSCI ACWI ex-US	CWI	0.34	571.4	0.16	8.48	6.41
FlexShares International Quality Dividend	IQDF	0.47	327.5	-0.06	-	-
Vanguard FTSE All-World ex-US	VEU	0.15	12,452.8	-0.29	8.78	6.71
Vanguard Total International Stock	VXUS	0.14	3,309.1	-0.40	8.76	-
iShares MSCI ACWI ex U.S.	ACWX	0.34	1,684.9	-0.92	8.43	6.10
Vanguard FTSE All-World ex-US Small Cap	VSS	0.20	1,947.3	-1.23	9.10	8.37
iShares Core MSCI Total International Stock	IXUS	0.16	852.2	-1.41	-	-
INTERNATIONAL EQUITY: BLENDED DEVELOPMENT						
iShares MSCI All Country Asia ex Japan	AAJX	0.67	2,738.5	5.12	7.40	6.21
iShares Asia 50	AIA	0.50	322.1	1.54	7.87	7.72
First Trust Europe AlphaDex	FEP	0.80	507.5	-8.87	8.57	-
INTERNATIONAL EQUITY: DEVELOPED						
iShares MSCI Hong Kong	EWK	0.51	3,395.3	7.64	13.82	10.15
WisdomTree Japan Hedged Equity	DXJ	0.48	10,682.3	7.03	20.97	8.89
iShares MSCI EAFE Minimum Volatility	EFMV	0.20	1,171.6	6.50	10.65	-
Deutsche X-trackers MSCI Japan Hedged Equity	DBJP	0.45	547.2	6.36	23.92	-
iShares MSCI Australia	EWA	0.51	1,927.9	5.92	7.59	7.86
iShares MSCI Pacific ex Japan	EPP	0.50	3,158.7	5.64	9.00	8.45
iShares MSCI Kokusai	TOK	0.25	489.5	5.02	15.30	12.26
PowerShares S&P Intl Dev Low Volatility	IDLV	0.25	262.6	3.73	-	-
Deutsche X-trackers MSCI EAFE Hedged Equity	DBEF	0.35	886.9	3.52	14.92	-
iShares MSCI Canada	EWC	0.51	3,139.5	3.37	4.29	6.78
WisdomTree Japan SmallCap Dividend	DFJ	0.58	287.4	2.62	10.17	7.70
iShares MSCI Singapore	EWS	0.53	907.6	2.18	6.88	8.88
WisdomTree Europe Hedged Equity	HEDJ	0.58	3,233.5	2.13	13.53	-
Deutsche X-trackers MSCI Europe Hdgd Equity	DBEU	0.45	469.9	2.00	-	-
Vanguard FTSE Pacific	VPL	0.12	2,760.1	1.19	10.01	7.52
WisdomTree International Div ex-Financials	DOO	0.58	367.6	0.41	8.06	6.92
iShares MSCI Switzerland Capped	EWL	0.51	1,093.8	0.38	12.13	9.15
iShares MSCI Japan	EWJ	0.50	13,896.0	0.03	10.51	6.51
iShares MSCI Spain Capped	EWP	0.53	1,942.0	-0.61	3.39	-4.29
WisdomTree International LargeCap Dividend	DOL	0.48	335.0	-0.83	9.74	6.36
WisdomTree DEFA	DWM	0.48	572.6	-1.11	10.54	7.16
SPDR S&P World ex-US	GWL	0.34	755.6	-2.01	9.57	7.18
Schwab International Equity	SCHF	0.08	2,710.7	-2.03	9.63	-
iShares MSCI EAFE Value	EFV	0.40	2,551.4	-2.26	10.69	5.98
Vanguard FTSE Developed Markets	VEA	0.09	23,122.7	-2.29	10.60	7.07
iShares MSCI EAFE	EFA	0.34	52,969.8	-2.35	10.46	6.95
iShares Core MSCI EAFE	IEFA	0.14	2,754.3	-2.64	-	-
iShares MSCI EAFE Growth	EFG	0.40	1,623.8	-2.93	10.06	7.64
iShares MSCI Italy Capped	EWI	0.50	1,171.8	-3.09	4.05	-4.55
FlexShares Mstar Dev Mkts ex-US Factor Tilt	TLTD	0.42	638.0	-3.31	-	-

FUND NAME	TICKER	EXP RATIO %	AUM (\$M)	YTD %	3YR %	5YR %
Schwab International Small-Cap Equity	SCHC	0.19	372.6	-3.48	9.29	-
SPDR S&P International Small Cap	GWX	0.59	749.0	-3.71	8.99	8.15
iShares MSCI EAFE Small-Cap	SCZ	0.40	3,527.6	-3.73	12.26	9.69
WisdomTree International SmallCap Dividend	DLS	0.58	916.3	-4.15	12.83	10.06
SPDR STOXX Europe 50	FEU	0.29	254.0	-4.47	8.99	4.84
iShares MSCI United Kingdom	EWU	0.51	3,173.5	-4.48	8.98	8.07
Vanguard FTSE Europe	VGK	0.12	11,595.0	-4.50	11.09	7.13
iShares Europe	IEV	0.60	2,760.7	-4.55	10.77	6.47
iShares MSCI Sweden	EWD	0.51	368.0	-5.49	11.24	10.55
SPDR Euro STOXX 50	FEZ	0.29	4,387.3	-7.01	9.75	3.04
iShares MSCI EMU	EZU	0.50	7,628.6	-7.88	10.01	3.68
WisdomTree Europe SmallCap Dividend	DFE	0.58	837.9	-8.10	16.85	11.94
iShares MSCI France	EWQ	0.51	270.0	-8.31	9.17	3.78
iShares MSCI Germany	EWG	0.51	4,817.2	-12.53	11.18	7.63
INTERNATIONAL EQUITY: EMERGING						
Market Vectors India Small-Cap	SCIF	0.93	271.8	47.07	-3.12	-
WisdomTree India Earnings	EPI	0.83	2,138.0	34.57	6.12	4.75
iShares India 50	INDY	0.94	738.9	34.19	8.93	-
iPath MSCI India ETN	INP	0.89	389.3	29.92	7.46	6.26
iShares MSCI India	INDA	0.67	1,569.2	29.13	-	-
iShares MSCI Thailand Capped	THD	0.61	532.2	23.10	13.09	17.36
iShares MSCI Indonesia	EIDO	0.61	570.4	22.04	-1.11	-
iShares MSCI Philippines	EPHE	0.61	352.0	22.01	18.19	-
iShares MSCI Turkey	TUR	0.61	471.5	15.20	6.20	4.55
SPDR S&P Emerging Asia Pacific	GMF	0.59	706.7	12.56	8.80	8.29
iShares MSCI Taiwan	EWT	0.61	3,210.3	9.02	9.57	8.74
Deutsche X-trackers CSI 300 China A-Shares	ASHR	0.82	407.5	7.75	-	-
EGShares Beyond BRICS	BBRC	0.58	324.0	7.44	-	-
iShares MSCI South Africa	EZA	0.61	492.9	7.01	5.52	8.78
Vanguard FTSE Emerging Markets	VWO	0.15	47,995.4	6.02	4.22	5.21
SPDR S&P Emerging Markets	GMM	0.59	277.5	5.61	4.62	5.44
Schwab Emerging Markets Equity	SCHE	0.14	1,238.1	5.41	3.88	-
iShares MSCI Emerging Mkts Min Volatility	EEMV	0.25	2,154.8	5.18	7.05	-
PowerShares Golden Dragon China	PGJ	0.70	274.4	3.80	14.42	8.80
iShares MSCI China	MCHI	0.61	1,211.0	3.67	7.98	-
SPDR S&P China	GXC	0.59	986.3	3.46	9.23	5.15
SPDR S&P Emerging Markets Small Cap	EWX	0.65	518.3	2.42	6.20	5.17
iShares MSCI BRIC	BKF	0.67	352.3	2.29	0.85	-0.07
iShares Core MSCI Emerging Markets	IEMG	0.18	5,986.0	2.12	-	-
iShares MSCI Emerging Markets	EEM	0.67	37,010.1	1.64	3.03	4.20
FlexShares Mstar Emerging Mkts Factor Tilt	TLTE	0.65	256.8	1.55	-	-
PowerShares FTSE RAFI Emerging Markets	PXH	0.49	387.2	1.05	0.34	2.02
WisdomTree Emerging Mkts SmallCap Dividend	DGS	0.63	1,846.8	1.00	4.90	6.61
iShares MSCI Mexico Capped	EWX	0.50	3,085.3	0.99	8.92	10.98
iShares Latin America 40	ILF	0.50	1,003.1	0.13	-4.16	-0.47
PowerShares S&P Emrg Mkts Low Volatility	EELV	0.29	237.0	-0.04	-	-
iShares MSCI All Peru Capped	EPU	0.61	269.2	-0.55	-3.34	3.76
iShares MSCI Malaysia	EWM	0.51	753.9	-1.24	6.86	11.16
iShares MSCI Brazil Capped	EWZ	0.61	5,525.4	-1.29	-10.53	-8.28
First Trust Emerging Markets AlphaDex	FEM	0.80	405.9	-2.24	2.38	-
iShares MSCI Poland Capped	EPOL	0.61	298.5	-6.67	1.96	-
iShares MSCI Chile Capped	ECH	0.61	382.1	-9.00	-11.72	-2.10
iShares MSCI South Korea Capped	EWY	0.61	4,570.8	-9.34	2.39	6.76
iShares MSCI Russia Capped	ERUS	0.61	280.7	-22.64	-8.24	-
Market Vectors Russia	RSX	0.63	2,121.1	-23.90	-7.99	-3.27
INTERNATIONAL EQUITY: FRONTIER						
Market Vectors Vietnam	VNM	0.72	551.5	13.73	8.72	-3.83
iShares MSCI Frontier 100	FM	0.79	766.1	10.07	-	-
GLOBAL EQUITY: SECTOR						
Market Vectors Pharmaceutical	PPH	0.35	386.3	21.03	-	-
iShares Global Healthcare	IXJ	0.48	1,319.1	17.49	24.85	18.39
SPDR Dow Jones Global Real Estate	RWO	0.50	1,599.7	17.34	13.55	14.52
iShares Global Utilities	JXI	0.48	233.2	15.09	9.67	6.52
iShares Global Infrastructure	IGF	0.48	980.2	12.72	12.39	10.34
iShares Global Tech	IXN	0.48	750.4	12.24	16.52	13.89
First Trust Nasdaq Technology Dividend	TDIV	0.50	711.9	12.19	-	-

FUND NAME	TICKER	EXP RATIO %	AUM (\$M)	YTD %	3YR %	5YR %
FlexShares STOXX Global Broad Infrastructure	NFRA	0.47	238.3	11.42	-	-
Guggenheim Solar	TAN	0.70	353.8	9.01	9.52	-11.32
iShares Global Consumer Staples	KXI	0.48	603.1	5.46	13.78	13.23
iShares Global Financials	IXG	0.48	289.1	3.68	17.01	7.68
First Trust ISE Cloud Computing	SKYY	0.60	336.5	3.53	14.03	-
iShares Global Telecom	IXP	0.48	473.1	2.94	10.76	10.24
Guggenheim S&P Global Water	CGW	0.70	344.4	2.10	14.95	12.39
PowerShares Global Water	PIO	0.75	288.4	1.92	12.06	6.95
iShares Global Industrials	EXI	0.48	255.1	1.08	15.63	13.72
iShares Global Timber & Forestry	WOOD	0.48	283.9	-0.45	13.42	10.90
PowerShares Water Resources	PHO	0.62	960.1	-1.02	14.99	10.60
iShares North American Natural Resources	IGE	0.48	2,176.3	-1.50	3.93	7.17
Market Vectors Agribusiness	MOO	0.55	1,510.1	-1.52	3.96	8.41
iShares Global Energy	IXC	0.48	901.8	-2.07	5.21	6.29
FlexShares Mstar Glb Upstream Natural Res	GUNR	0.48	2,853.5	-3.35	-0.83	-
SPDR Global Natural Resources	GNR	0.40	579.1	-4.65	-1.20	-
Guggenheim Timber	CUT	0.70	223.6	-5.41	14.06	10.25
iShares Global Materials	MXI	0.48	329.6	-5.86	0.05	3.36
Market Vectors Oil Services	OIH	0.35	1,385.4	-5.97	-	-
PowerShares Global Listed Private Equity	PSP	2.19	507.4	-6.05	12.84	7.44
Market Vectors Gold Miners	GDX	0.52	5,652.2	-18.55	-33.13	-16.11
Market Vectors Junior Gold Miners	GDXJ	0.55	1,735.4	-21.19	-37.16	-
GLOBAL EX-U.S. EQUITY: SECTOR						
SPDR Dow Jones International Real Estate	RWX	0.59	5,041.2	8.34	13.15	10.90
Vanguard Global ex-U.S. Real Estate	VNQL	0.27	2,202.7	5.93	12.76	-
iShares International Developed Real Estate	IFGL	0.48	854.5	4.29	11.84	8.76
INTERNATIONAL EQUITY: DEVELOPED SECTOR						
iShares MSCI Europe Financials	EUFN	0.48	408.8	-5.40	13.57	-
INTERNATIONAL EQUITY: EMERGING SECTOR						
EGShares Emerging Markets Consumer	ECON	0.85	1,311.8	2.05	6.91	-
GLOBAL EQUITY: HIGH DIVIDEND YIELD						
Global X SuperDividend	SDIV	0.58	1,023.4	8.37	11.52	-
First Trust Dow Jones Global Select Dividend	FGD	0.60	555.8	2.54	7.03	6.33
GLOBAL EX-U.S. EQUITY: HIGH DIVIDEND YIELD						
PowerShares International Dividend Achievers	PID	0.56	1,400.5	2.71	9.77	10.32
SPDR S&P International Dividend	DWX	0.45	1,458.3	0.81	3.99	3.53
INTERNATIONAL EQUITY: HIGH DIVIDEND YIELD						
WisdomTree DEFA Equity Income	DTH	0.58	322.4	-0.64	9.82	6.53
iShares International Select Dividend	IDV	0.50	4,433.8	-0.97	9.80	8.80
SPDR S&P Emerging Markets Dividend	EDIV	0.59	458.5	-3.11	-3.82	-
WisdomTree Emerging Markets Equity Income	DEM	0.63	3,311.7	-3.32	0.58	5.05
iShares Emerging Markets Dividend	DVYE	0.49	259.9	-5.09	-	-
GLOBAL EQUITY: ALPHA SEEKING						
First Trust Dorsey Wright Focus 5	FV	0.95	738.6	-	-	-
INTERNATIONAL EQUITY: ALPHA SEEKING						
PowerShares DWA Emerging Mkts Momentum	PIE	0.90	402.7	3.44	5.83	8.06
PowerShares DWA Developed Mkts Momentum	PIZ	0.80	383.3	-6.37	12.30	8.95
U.S. FIXED INCOME: BROAD MARKET - BROAD MATURITIES						
Schwab U.S. Aggregate Bond	SCHZ	0.06	1,047.4	5.28	2.52	-
iShares Core U.S. Aggregate Bond	AGG	0.08	21,104.1	5.15	2.61	4.02
SPDR Barclays Aggregate Bond	LAG	0.16	743.2	4.89	2.51	3.77
Vanguard Total Bond Market	BND	0.08	24,452.3	4.87	2.55	4.07
U.S. FIXED INCOME: BROAD MARKET - SHORT-TERM						
iShares Short Maturity Bond	NEAR	0.25	416.3	0.73	-	-
PIMCO Enhanced Short Maturity Strategy	MINT	0.35	3,784.4	0.39	1.03	-
First Trust Enhanced Short Maturity	FTSM	0.35	505.8	-	-	-
U.S. FIXED INCOME: GOVERNMENT/CREDIT - SHORT-TERM						
Vanguard Short-Term Bond	BSV	0.10	15,469.0	1.37	1.22	2.07
U.S. FIXED INCOME: GOVERNMENT/CREDIT - INTERMEDIATE						
Vanguard Intermediate-Term Bond	BIV	0.10	4,417.3	6.32	3.50	5.72
iShares Intermediate Govt/Credit Bond	GVI	0.20	1,490.4	2.65	1.84	3.16
U.S. FIXED INCOME: GOVERNMENT/CREDIT - LONG-TERM						
Vanguard Long-Term Bond	BLV	0.10	951.6	15.79	5.37	8.57
U.S. FIXED INCOME: GOVERNMENT						
Vanguard Short-Term Government Bond	VGSH	0.12	519.0	0.55	0.45	-
U.S. FIXED INCOME: TREASURY - BROAD MATURITIES						
PowerShares 1-30 Laddered Treasury	PLW	0.25	280.5	11.18	2.90	5.88

FUND NAME	TICKER	EXP RATIO %	AUM (\$M)	YTD %	3YR %	5YR %
iShares Core U.S. Treasury Bond	GOVT	0.15	235.4	3.98	-	-
U.S. FIXED INCOME: TREASURY - SHORT TERM						
iShares 1-3 Year Treasury Bond	SHY	0.15	11,836.8	0.64	0.41	0.92
Schwab Short-Term U. S. Treasury	SCHO	0.08	699.6	0.61	0.48	-
iShares Short Treasury Bond	SHV	0.15	4,223.0	0.02	0.02	0.05
SPDR Barclays 1-3 Month T-Bill	BIL	0.13	1,742.8	-0.04	0.15	0.07
U.S. FIXED INCOME: TREASURY - INTERMEDIATE						
iShares 7-10 Year Treasury Bond	IEF	0.15	6,230.2	7.54	2.41	5.25
Schwab Intermediate-Term U.S. Treasury	SCHR	0.10	280.9	3.86	1.65	-
iShares 3-7 Year Treasury Bond	IEI	0.15	4,053.4	2.86	1.25	3.28
U.S. FIXED INCOME: TREASURY - LONG-TERM						
Vanguard Extended Duration Treasury	EDV	0.12	289.9	31.62	5.63	11.12
iShares 20+ Year Treasury Bond	TLT	0.15	4,648.2	19.74	3.95	8.08
iShares 10-20 Year Treasury Bond	TLH	0.15	332.0	11.33	3.13	6.48
U.S. FIXED INCOME: AGENCIES						
iShares Agency Bond	AGZ	0.20	367.4	3.20	1.46	2.29
U.S. FIXED INCOME: AGENCY MBS						
iShares MBS	MBB	0.27	6,541.8	5.54	2.11	3.32
Vanguard Mortgage-Backed Securities	VMBS	0.12	672.4	5.04	2.31	-
U.S. FIXED INCOME: TIPS						
SPDR Barclays TIPS	IPE	0.18	602.8	4.97	0.75	4.26
Schwab U.S. TIPS	SCHP	0.07	508.3	4.85	0.85	-
iShares TIPS Bond	TIP	0.20	12,320.9	4.53	0.82	4.26
FlexShares iBoxx 5-Year Target Duration TIPS	TDTF	0.20	308.3	1.27	0.64	-
iShares 0-5 Year TIPS Bond	STIP	0.20	502.4	0.30	0.03	-
PIMCO 1-5 Year U.S. TIPS	STPZ	0.20	1,373.7	0.25	-0.03	1.83
Vanguard Short-Term Inflation-Protected Sec	VTIP	0.10	1,365.1	0.16	-	-
FlexShares iBoxx 3-Year Target Duration TIPS	TDTT	0.20	2,237.7	0.06	0.12	-
U.S. FIXED INCOME: MUNICIPAL - BROAD MARKET						
PowerShares National AMT-Free Municipal Bond	PZA	0.28	740.9	13.83	6.02	5.94
iShares California AMT-Free Muni Bond	CMF	0.25	316.0	10.38	5.78	5.61
SPDR Nuveen Barclays Municipal Bond	TFI	0.23	1,136.4	8.68	4.75	4.99
iShares National AMT-Free Muni Bond	MUB	0.25	3,839.3	8.34	4.32	4.66
U.S. FIXED INCOME: MUNICIPAL - SHORT-TERM						
Market Vectors Short Municipal	SMB	0.20	267.5	2.75	2.23	2.70
SPDR Nuveen Barclays Short Term Municipal Bond	SHM	0.20	2,369.0	1.19	1.55	1.93
iShares Short-Term National AMT-Free Muni Bond	SUB	0.25	897.5	0.48	0.88	1.25
U.S. FIXED INCOME: MUNICIPAL - INTERMEDIATE						
Market Vectors Intermediate Municipal	ITM	0.24	776.2	9.69	5.00	5.44
U.S. FIXED INCOME: MUNICIPAL - HIGH YIELD						
Market Vectors High-Yield Municipal	HYD	0.35	1,309.8	22.22	10.18	8.04
SPDR Nuveen S&P High Yield Municipal Bond	HUMB	0.45	331.9	15.54	8.51	-
U.S. FIXED INCOME: MUNICIPAL - BUILD AMERICA BONDS						
PowerShares Build America Bond	BAB	0.28	696.3	13.43	6.80	-
U.S. FIXED INCOME: CORPORATE - INVESTMENT GRADE - BROAD MATURITIES						
iShares iBoxx \$ Investment Grade Corporate Bond	LQD	0.15	18,089.8	7.25	5.22	6.85
iShares Core U.S. Credit Bond	CRED	0.15	745.6	7.00	4.29	5.89
iShares Aaa - A Rated Corporate Bond	QLTA	0.15	423.2	5.46	-	-
U.S. FIXED INCOME: CORPORATE - INVESTMENT GRADE - SHORT-TERM						
Guggenheim BulletShares 2017 Corporate Bond	BSCH	0.24	703.6	1.82	4.19	-
Vanguard Short-Term Corporate Bond	VCSH	0.12	8,811.5	1.80	2.98	-
SPDR Barclays Short Term Corporate Bond	SCPB	0.12	3,704.1	1.08	1.91	-
iShares 1-3 Year Credit Bond	CSJ	0.20	11,305.3	0.70	1.54	1.97
Guggenheim BulletShares 2016 Corporate Bond	BSCG	0.24	661.1	0.63	3.24	-
Guggenheim BulletShares 2015 Corporate Bond	BSCF	0.24	627.3	0.05	2.41	-
Guggenheim BulletShares 2014 Corporate Bond	BSCE	0.24	345.8	-0.35	1.32	-
U.S. FIXED INCOME: CORPORATE - INVESTMENT GRADE - INTERMEDIATE						
Vanguard Intermediate-Term Corporate Bond	VCIT	0.12	4,184.3	7.15	5.41	-
SPDR Barclays Intermediate Term Corporate Bond	ITR	0.15	472.4	4.23	3.98	4.92
iShares Intermediate Credit Bond	CIU	0.20	6,118.1	3.79	3.55	4.73
Guggenheim BulletShares 2018 Corporate Bond	BSCI	0.24	421.9	2.36	-	-
U.S. FIXED INCOME: CORPORATE - INVESTMENT GRADE - LONG-TERM						
SPDR Barclays Long Term Corporate Bond	LWC	0.15	240.1	14.33	5.85	8.46
iShares 10+ Year Credit Bond	CLY	0.20	521.0	14.18	5.53	-
Vanguard Long-Term Corporate Bond	VCLT	0.12	889.9	13.68	6.43	-

FUND NAME	TICKER	EXP RATIO %	AUM (\$M)	YTD %	3YR %	5YR %
U.S. FIXED INCOME: CORPORATE - INVESTMENT GRADE - FLOATING RATE						
iShares Floating Rate Bond	FLOT	0.20	4,120.1	0.31	1.72	-
SPDR Barclays Investment Grade Floating Rate	FLRN	0.15	394.9	0.13	-	-
U.S. FIXED INCOME: CORPORATE - HIGH YIELD - BROAD MATURITIES						
SPDR Barclays High Yield Bond	JNK	0.40	9,582.6	3.85	8.08	9.50
iShares iBoxx \$ HYld Corp Bond	HYG	0.50	14,274.3	3.84	7.76	9.09
PowerShares Fundamental HYld Corp Bond	PHB	0.50	565.9	3.69	6.68	7.92
AdvisorShares Peritus High Yield	HYLD	1.25	661.2	-2.54	8.42	-
U.S. FIXED INCOME: CORPORATE - HIGH YIELD - SHORT-TERM						
Guggenheim BulletShares 2016 HYld Corp Bond	BSIG	0.42	640.1	2.01	-	-
Guggenheim BulletShares 2015 HYld Corp Bond	BSJF	0.42	1,023.0	1.93	6.75	-
PIMCO 0-5 Year HYld Corp Bond	HYS	0.55	3,312.8	1.52	7.09	-
SPDR Barclays Short Term High Yield Bond	SJNK	0.40	4,211.0	0.96	-	-
Guggenheim BulletShares 2014 HYld Corp Bond	BSJE	0.42	454.8	0.61	5.41	-
U.S. FIXED INCOME: CORPORATE - HIGH YIELD - SHORT-TERM						
Guggenheim BulletShares 2018 HYld Corp Bond	BSJ	0.42	280.4	2.73	-	-
Guggenheim BulletShares 2017 HYld Corp Bond	BSJH	0.42	383.7	2.32	-	-
U.S. FIXED INCOME: CORPORATE - CONVERTIBLES						
SPDR Barclays Convertible Securities	CWB	0.40	2,909.4	8.52	13.85	11.44
U.S. FIXED INCOME: CORPORATE - LOANS						
Highland/iBoxx Senior Loan	SNLN	0.55	316.2	1.65	-	-
PowerShares Senior Loan	BKLN	0.65	6,296.6	1.36	5.18	-
U.S. FIXED INCOME: CORPORATE - PREFERRED STOCK						
SPDR Wells Fargo Preferred Stock	PSK	0.45	260.0	15.91	6.91	8.69
PowerShares Preferred	PGX	0.50	2,246.4	14.34	8.11	9.26
iShares U.S. Preferred Stock	PFF	0.48	10,944.5	12.84	8.61	9.66
PowerShares Financial Preferred	PGF	0.64	1,399.5	12.69	9.13	10.73
GLOBAL FIXED INCOME						
PIMCO Total Return	BOND	0.55	2,564.4	5.48	-	-
RiverFront Strategic Income	RIGS	0.22	369.9	2.73	-	-
SPDR Blackstone / GSO Senior Loan	SRLN	0.70	599.3	1.13	-	-
Guggenheim Enhanced Short Duration Bond	GSY	0.28	526.7	0.72	1.31	0.71
INTERNATIONAL FIXED INCOME: BLENDED DEVELOPMENT						
Vanguard Total International Bond	BNDX	0.20	2,231.9	6.71	-	-
SPDR DB Intl Govt Inflation-Protected Bond	WIP	0.50	828.9	2.53	2.81	3.67
WisdomTree Asia Local Debt	ALD	0.55	310.9	1.90	-0.29	-
SPDR Barclays International Treasury Bond	BWX	0.50	2,175.5	-0.13	-0.09	1.47
SPDR Barclays International Corporate Bond	IBND	0.55	285.0	-2.69	2.92	-
INTERNATIONAL FIXED INCOME: DEVELOPED						
PowerShares International Corporate Bond	PICB	0.50	263.3	-0.51	4.39	-
iShares International Treasury Bond	IGOV	0.35	536.7	-0.69	-0.06	0.67
SPDR Barclays Short Term Int'l Treasury Bond	BWZ	0.35	273.2	-5.92	-3.54	-1.12
INTERNATIONAL FIXED INCOME: EMERGING						
PowerShares Emerging Markets Sovereign Debt	PCY	0.50	2,412.7	11.77	6.85	7.74
iShares J.P. Morgan USD Emerging Mkts Bond	EMB	0.60	5,113.6	9.47	5.90	7.31
Vanguard Emerging Markets Government Bond	VWOB	0.35	222.6	7.58	-	-
Market Vectors Emerging Markets HYld Bond	HYEM	0.40	432.1	6.11	-	-
iShares China Large-Cap	FXI	0.73	5,742.5	5.60	6.07	1.37
iShares Emerging Markets Local Currency Bond	LEMB	0.60	590.2	1.44	1.17	-
Market Vectors Emerging Mkts Local Currency Bond	EMLC	0.47	934.3	1.39	0.91	-
WisdomTree Emerging Markets Local Debt	ELD	0.55	755.0	0.21	-0.51	-
COMMODITIES: BROAD MARKET						
United States Commodity	USCI	0.88	832.6	-3.31	-4.04	-
GreenHaven Continuous Commodity	GCC	1.03	315.3	-3.93	-8.49	-0.26
iPath Dow Jones -UBS Commodity ETN	DJP	0.75	1,483.7	-7.32	-8.70	-3.12
PowerShares DB Commodity Tracking	DBC	0.88	4,973.1	-13.02	-6.98	-1.09
iShares S&P GSCI Commodity	GSG	0.73	933.1	-13.54	-5.80	-2.21
COMMODITIES: AGRICULTURE						
PowerShares DB Agriculture	DBA	0.96	1,171.1	5.81	-5.51	0.07
COMMODITIES: ENERGY						
United States Natural Gas	UNG	0.82	695.9	-1.98	-17.46	-24.42
PowerShares DB Oil	DBO	0.72	250.5	-12.72	-2.83	-2.15
United States Oil	USO	0.72	705.9	-13.28	-5.02	-4.88
PowerShares DB Energy	DBE	0.71	243.7	-16.43	-4.51	-1.11
COMMODITIES: INDUSTRIAL METALS						
PowerShares DB Base Metals	DBB	0.71	279.1	2.19	-5.01	-2.47

FUND NAME	TICKER	EXP RATIO %	AUM (\$M)	YTD %	3YR %	5YR %
COMMODITIES: PRECIOUS METALS						
ETFs Physical Palladium	PALL	0.60	437.9	10.73	6.33	-
iShares Gold Trust	IAU	0.25	6,037.3	-2.83	-12.22	2.03
ETFs Physical Swiss Gold	SGOL	0.39	964.2	-2.97	-12.35	1.90
SPDR Gold	GLD	0.40	27,730.6	-2.98	-12.37	1.90
ETFs Physical Platinum	PPLT	0.60	655.6	-10.28	-8.82	-
ETFs Physical Silver	SIVR	0.30	304.6	-17.16	-22.50	-0.55
iShares Silver Trust	SLV	0.50	5,561.0	-17.16	-22.64	-0.72
CURRENCY: DEVELOPED						
CurrencyShares Australian Dollar	FXA	0.40	290.1	0.07	-3.60	2.43
CurrencyShares Canadian Dollar Trust	FXC	0.40	251.4	-5.56	-3.84	-0.74
ASSET ALLOCATION						
First Trust Multi-Asset Diversified Income	MDIV	0.68	827.6	10.03	-	-
PowerShares CEF Income Composite	PCEF	1.77	620.0	6.90	9.12	-
iShares Growth Allocation	AOR	0.30	332.8	5.83	10.92	9.93
iShares Aggressive Allocation	AOA	0.30	287.8	5.73	13.92	12.83
iShares Moderate Allocation	AOM	0.31	266.4	4.37	7.68	7.32
Guggenheim Multi-Asset Income	CVY	0.82	1,231.2	0.76	11.32	13.44
ALTERNATIVES: ABSOLUTE RETURN						
IQ Hedge Multi-Strategy Tracker	QAI	0.94	909.0	2.80	3.83	3.30
ALTERNATIVES: TACTICAL TOOLS						
iPath S&P 500 VIX Short-Term Futures ETN	VXX	0.89	928.8	-28.74	-63.90	-60.36
LEVERAGED						
ProShares Ultra Real Estate	URE	0.95	286.5	47.82	25.68	31.54
ETRACS Monthly Pay 2x Lev Mortgage REIT ETN	MORL	0.40	275.4	34.10	-	-
ProShares Ultra QQQ	QLD	0.95	1,001.4	32.40	44.28	40.92
ProShares UltraPro S&P 500	UPRO	0.95	959.6	29.37	60.22	44.71
Direxion Daily S&P 500 Bull 3X	SPXL	1.00	565.3	29.12	58.64	51.52
ETRACS 2X Monthly Lev Long Alerian MLP Infrastr ETN	MLPL	0.85	279.8	28.22	35.10	-
Direxion Daily Financial Bull 3x	FAS	1.00	1,405.4	25.98	67.06	24.98
ProShares Ultra S&P 500	SSO	0.90	2,302.8	19.95	39.10	30.92
ProShares Ultra Financials	UYG	0.95	855.2	18.34	44.50	22.11
ProShares Ultra 7-10 Year Treasury	UST	0.95	408.9	14.59	3.80	-
ProShares Ultra Dow30	DDM	0.95	348.2	11.58	31.17	28.29
Barclays ETN+ FI Enhanced Global HYld ETN	FIGY	0.80	1,467.2	7.12	-	-
ProShares Ultra Russell 2000	UWM	0.98	236.0	0.80	34.38	29.99
Direxion Daily Small Cap Bull 3x	TNA	1.01	1,333.4	-2.32	48.06	40.20
Direxion Daily Emerging Markets Bull 3x	EDC	1.10	291.8	-3.38	-4.99	-3.85
Direxion Daily Energy Bull 3x	ERX	1.00	231.6	-6.38	20.23	17.92
ETRACS 2X Lev Long Wells Fargo BDC ETN	BDCL	0.85	241.9	-8.08	23.45	-
Barclays ETN+ FI Enhanced Europe 50 ETN	FEEU	1.00	930.5	-8.60	-	-
ProShares Ultra Bloomberg Crude Oil	UCO	1.13	347.2	-25.39	-12.99	-14.57
ProShares Ultra Silver	AGQ	1.67	328.2	-34.87	-46.63	-17.78
VelocityShares 3X Long Natural Gas ETN	UGAZ	1.65	515.5	-42.80	-	-
Direxion Daily Gold Miners Bull 3X	NUGT	1.13	444.2	-60.17	-81.17	-
ProShares Ultra VIX Short-Term Futures	UVXY	1.51	250.0	-62.60	-91.58	-
VelocityShares Daily 2X VIX Short Term ETN	TVIX	1.65	225.4	-62.67	-91.52	-
INVERSE						
ProShares UltraShort Euro	EUO	0.93	445.1	18.70	4.13	2.57
ProShares UltraShort Yen	YCS	0.93	411.0	11.44	23.20	5.40
PowerShares DB US Dollar Index Bullish	UUP	0.73	965.7	7.30	2.30	0.34
Direxion Daily Gold Miners Bear 3X	DUST	1.01	223.3	7.26	46.34	-
VelocityShares Daily Inverse VIX Short Term ETN	XIV	1.35	1,390.4	1.98	74.97	-
ProShares Short MSCI EAFE	EFZ	0.95	293.9	0.27	-12.85	-11.64
ProShares Short Russell 2000	RWM	0.95	570.4	-5.21	-19.31	-20.36
ProShares Short Dow30	DOG	0.95	263.6	-7.74	-15.77	-15.77
ProShares Short S&P 500	SH	0.90	1,667.5	-11.18	-18.39	-17.08
ProShares UltraShort Russell 2000	TWM	0.95	230.6	-11.24	-36.41	-39.21
ProShares UltraShort 7-10 Year Treasury	PST	0.95	306.5	-15.35	-7.36	-13.25
ProShares Short QQQ	PSQ	0.95	334.7	-16.33	-20.74	-20.83
Direxion Daily Small Cap Bear 3x	TZA	1.01	594.9	-19.86	-51.99	-56.36
ProShares UltraShort S&P 500	SDS	0.90	1,243.8	-21.31	-33.99	-32.45
ProShares UltraShort QQQ	QID	0.95	346.3	-30.69	-38.06	-38.80
ProShares UltraPro Short S&P 500	SPXU	0.93	454.2	-31.10	-47.56	-46.40
Direxion Daily Financial Bear 3x	FAZ	1.02	256.6	-32.14	-54.95	-49.85
ProShares UltraShort 20+ Year Treasury	TBT	0.93	3,896.2	-33.16	-13.77	-21.95
ProShares UltraPro Short QQQ	SQQQ	0.95	273.4	-43.55	-52.64	-
Direxion Daily 20 Year Plus Treasury Bear 3x	TMV	0.96	523.9	-46.41	-22.43	-34.24



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