



**Bollinger Band Letter Sector Selector ETF Portfolio Program and lists of ETF candidates for each of the three ETF Portfolios.**

The three Sector Selector ETF Portfolios are managed in a straight forward manner: All three portfolios are selected from base lists of Exchange Traded Funds, employ relative-strength rankings, hold three ETFs each, and are updated weekly.

Using a proprietary formula, we rank the strength of each list of ETFs and focus on the top-rated funds. To maintain the portfolios we use a cast-out approach, which means that after purchase we hold each ETF as long as it is ranked in the upper half of the list. Whenever an ETF falls below the middle of the ranking, we replace it with the highest-ranked ETF from its group not already held in the portfolio.

An important part of any relative-strength program is the selection of the list of securities to be rotated. We use a correlation matrix to eliminate ETFs that highly correlate to each other so the final lists of ETFs provide appropriate diversification. We also screen for liquidity.

When developing the program we tested if it would be profitable to short in a declining market but our research showed that for this type of program there was no benefit in doing so.

There are three Sector Select ETF Portfolios: Style, Sector and International.

Our current International Portfolio has a universe of 24 funds.

Our current Sector Portfolio has a universe of 27 funds.

Our current Style Portfolio has a universe of 23 funds.

## International Portfolio

1.	<a href="#">EIS</a>	Israel
2.	<a href="#">EWA</a>	Australia
3.	<a href="#">EWC</a>	Canada
4.	<a href="#">EWD</a>	Sweden
5.	<a href="#">EWG</a>	Germany
6.	<a href="#">EWH</a>	Hong Kong
7.	<a href="#">EWI</a>	Italy
8.	<a href="#">EWJ</a>	Japan
9.	<a href="#">EWK</a>	Belgium
10.	<a href="#">EWL</a>	Switzerland
11.	<a href="#">EWM</a>	Malaysia
12.	<a href="#">EWN</a>	Netherlands
13.	<a href="#">EWO</a>	Austria
14.	<a href="#">EWP</a>	Spain
15.	<a href="#">EWQ</a>	France
16.	<a href="#">EWS</a>	Singapore
17.	<a href="#">EWT</a>	Taiwan
18.	<a href="#">EWU</a>	United Kingdom
19.	<a href="#">EWW</a>	Mexico
20.	<a href="#">EWY</a>	South Korea
21.	<a href="#">EWZ</a>	Brazil
22.	<a href="#">EZA</a>	South Africa
23.	<a href="#">FXI</a>	China
24.	<a href="#">RSX</a>	Russia

## Sector Portfolio

1.	<a href="#">IAU</a>	Gold
2.	<a href="#">IBB</a>	Biotech
3.	<a href="#">IGN</a>	Networking
4.	<a href="#">IGV</a>	Software
5.	<a href="#">SOXX</a>	Semiconductor
6.	<a href="#">IXG</a>	Global Financials
7.	<a href="#">IXJ</a>	Global Healthcare
8.	<a href="#">IXP</a>	Global Telecom
9.	<a href="#">IYK</a>	Consumer Goods
10.	<a href="#">IYR</a>	Real Estate
11.	<a href="#">IYT</a>	Transportation
12.	<a href="#">IYZ</a>	Telecom
13.	<a href="#">PBJ</a>	Food & Beverage
14.	<a href="#">PBS</a>	Media
15.	<a href="#">PBW</a>	Clean Energy
16.	<a href="#">PEJ</a>	Leisure & Entertainment
17.	<a href="#">PJP</a>	Pharmaceuticals
18.	<a href="#">PSJ</a>	Software
19.	<a href="#">XLB</a>	Materials
20.	<a href="#">XLE</a>	Energy
21.	<a href="#">XLF</a>	Financial
22.	<a href="#">XLI</a>	Industrial
23.	<a href="#">XLK</a>	Technology
24.	<a href="#">XLP</a>	Consumer Staples
25.	<a href="#">XLU</a>	Utilities
26.	<a href="#">XLV</a>	Health Care
27.	<a href="#">XLY</a>	Consumer Discretionary

## Style Portfolio

1.	<a href="#"><u>IVV</u></a>	S&P 500
2.	<a href="#"><u>IVW</u></a>	S&P 500 Growth
3.	<a href="#"><u>IVE</u></a>	S&P 500 Value
4.	<a href="#"><u>IJH</u></a>	S&P 400
5.	<a href="#"><u>IJK</u></a>	S&P 400 Growth
6.	<a href="#"><u>IJJ</u></a>	S&P 400 Value
7.	<a href="#"><u>IJR</u></a>	S&P 600
8.	<a href="#"><u>IJT</u></a>	S&P 600 Growth
9.	<a href="#"><u>IJS</u></a>	S&P 600 Value
10.	<a href="#"><u>IWV</u></a>	Russell 3000
11.	<a href="#"><u>IWZ</u></a>	Russell 3000 Growth
12.	<a href="#"><u>IWW</u></a>	Russell 3000 Value
13.	<a href="#"><u>IWB</u></a>	Russell 1000
14.	<a href="#"><u>IWF</u></a>	Russell 1000 Growth
15.	<a href="#"><u>IWD</u></a>	Russell 1000 Value
16.	<a href="#"><u>IWR</u></a>	Russell Midcap
17.	<a href="#"><u>IWP</u></a>	Russell Midcap Growth
18.	<a href="#"><u>IWS</u></a>	Russell Midcap Value
19.	<a href="#"><u>IWM</u></a>	Russell 2000
20.	<a href="#"><u>IWO</u></a>	Russell 2000 Growth
21.	<a href="#"><u>IWN</u></a>	Russell 2000 Value
22.	<a href="#"><u>IUSV</u></a>	Core US Value
23.	<a href="#"><u>IUSG</u></a>	Core US Growth

To combine the individual ETF portfolios into a rational portfolio strategy we use/suggest the following portfolio allocation process.

To illustrate we'll assume three funds are selected for each of the three portfolios and that you are fully invested. If you had \$100,000 to commit to this approach, first slice the sum into three parts, one third for each of the portfolios or approximately \$33,333 each. Then, since we are selecting three candidates in each grouping, partition each section once more resulting in \$11,111 for each of the positions. Thus, your position size within this framework would be 11.1%.

Conceptually you have a portfolio with three sections, with each section being broken up into three pieces for a total of nine equal slots. It is important to keep this concept in mind as you go forward; three equal sections, each divided into three positions, for a total of nine equal positions.

The ideal state is a well-diversified relative-strength portfolio consisting of equal-weighted positions. Of course, this ideal state of equal weighting will only exist for a moment, as market action will soon start rebalancing the portfolio and it will be up to us to put it back in balance. So, for each new position the target allocation should be 11.1%.

Since the Sector Select ETF Portfolios are long only, we do include a couple of rules to help protect capital in declines. For example, if we rotate out of a sector because it drops below the middle of the pack, we will not replace it unless there is a viable candidate with positive momentum. This has two effects: First, it prevents us from buying into a decline by postponing the purchase until after a rally has been initiated. Second, it serves as an implied allocation mechanism by lightening up our holdings when momentum is negative.

Commentary on our ETF appears as appropriate in our monthly newsletter, The Bollinger Band Letter, and in our weekly updates.