iSectors® Post-MPT Moderate Allocation

Portfolio Description

The objective of the iSectors® Post-MPT Moderate Allocation is to achieve moderate investment returns with lower downside risk over a complete market cycle. The portfolio manager objectively allocates and rebalances the portfolio (risk/return) monthly among up to 9 specific, low-correlated asset classes. The quantitative process is guided by monthly changes in two dozen economic and capital market factors. Portfolios may be invested up to 30% at any one time into any single asset class, with the exception of government bonds, to which the model may allocate up to 50%. The iSectors® Post-MPT Moderate Allocation does not use borrowed money in its strategy and remains 100% invested at all times (subject to a 2% cash allocation for liquidity purposes).

Diversification & Correlation: iSectors vs. Traditional Method

iSectors Post-MPT Asset Class Correlation Matrix (Last 5 Years)

	Bonds	Gold	Energy	Finance	Health	Tech	Materials	Real Est.	Utilities
Bonds	1								
Gold	0.45	1							
Energy	-0.32	-0.13	1						
Finance	-0.17	-0.06	0.78	1					
Health	0.05	0.12	0.54	0.66	1				
Tech	0.18	0.12	0.50	0.69	0.71	1			
Materials	-0.03	0.17	0.69	0.86	0.77	0.75	1		
Real Est.	0.20	0.17	0.56	0.77	0.71	0.73	0.81	1	
Utilities	0.13	0.26	0.32	0.49	0.58	0.46	0.61	0.69	1

Traditional Asset Class Correlation (Last 5 Years)

	Large Growth Stocks	Large Value Stocks	Small Growth Stocks	Small Value Stocks	Mid Growth Stocks	Mid Value Stocks
Large Growth Stocks	1					
Large Value Stocks	0.81	1				
Small Growth Stocks	0.87	0.85	1			
Small Value Stocks	0.76	0.93	0.90	1		
Mid Growth Stocks	0.93	0.85	0.96	0.83	1	
Mid Value Stocks	0.81	0.98	0.88	0.96	0.87	1

Correlation Legend
- Negative Correlation
- Little or No Corrleation
- Moderate Correlation
- High Correlation

Asset-Class Selection	
Basic Materials	up to 30%
Bonds	up to 50%
Energy	up to 30%
Financials	up to 30%
Gold	up to 30%
Healthcare	up to 30%
Real Estate	up to 30%
Technology	up to 30%
Utilities	up to 30%

iSectors re-optimizes and reallocates the portfolio among up to nine different asset classes (as listed above) on a monthly basis, according to our proprietary asset-allocation algorithm, which uses updated capital market and economic data in the calculations.

Correlation data obtained from third party sources believed to be reliable, but cannot be guaranteed.

iSectors® Post MPT Moderate portfolio allocates among asset classes that are less correlated to each other (see table, upper left) when compared to the traditional Morningstar Capitalization-Style box asset classes, which have become very closely correlated (see table, lower left).

For more detailed fee/performance/holdings information, please visit the iSectors website for the most recent fact sheet.

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