

The PMC Tactical ETF Portfolio Series

Risk-Based Portfolios



Are the Risk-Based Portfolios Right for You?

Do You:

- Want a portfolio that is managed to adjust to market conditions?
- Seek access to an advanced quantitative-driven investment process?
- Desire an actively managed solution using low-cost ETFs?

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PMC Tactical ETF Risk-Based Portfolios

Investments Managed for All Market Conditions

In today's volatile markets, you may be looking for solutions that aim to protect your investments during difficult market cycles. The PMCTactical ETF Risk-Based portfolios are managed by PMC with sub-advisory services by Innealta Capital, a division of AI Frank Asset Management Inc. The portfolios aim to respond to evolving market conditions by overweighting fixed income and real estate allocations during periods in which equities are forecasted to perform poorly. The quantitative model for these portfolios was created over a period of 15 years and was developed for investors seeking diversified, risk-controlled investment solutions.

All of the Risk-Based portfolios begin with strategic asset allocations, with five risk ranges available across the efficient frontier. The tactical process allows the manager to depart from the targeted strategic asset allocations to capitalize on forecasted market conditions. As a market forecast becomes more bearish, the models seek a defensive approach and allocate more to fixed income; conversely, as a market forecast becomes more bullish, the models aim to become more aggressive by allocating more to equities.

Gain a tactically managed approach that actively reacts to market conditions by increasing or decreasing equity exposure for each model.

Key Features of the PMCTactical ETF Risk-Based Portfolios

Global Diversification – Portfolios invest in a broad range of ETF asset classes, including equities, fixed income, and real estate

Risk Management Using ETFs – Portfolios seek to generate excess returns versus the benchmarks while eliminating stock-specific selection risk

Multiple Risk Tolerances – Portfolios are available at five risk levels across the efficient frontier

Two Available Strategies – The Core portfolio strategy does not use leveraged ETFs, while the Total Return strategy may use leveraged ETFs

Efficient Use of Capital – The Total Return strategy uses leveraged equity ETFs for equity asset class exposure, allowing capital to be redeployed to yield-enhancing fixed income asset classes*

*This is based on the assumption that there is a perfect 3x leverage being applied, along with the identical cost structure of the leveraged ETFs, as compared to the ETFs used in the Core portfolio strategy.

Investment Methodology and Process

The investment process for the Tactical ETF Risk-Based portfolios consists of three steps.

Step 1: Developing a Strategic Asset Allocation

Five diversified strategic portfolios are developed by using a blend of asset allocation approaches, incorporating the current state of the economy and financial markets as inputs to the process. A quantitative team reviews the portfolios' strategic asset allocations annually to assess the appropriateness and relative performance of each asset class and the portfolio as a whole.

Step 2: ETF Selection

The next step in the process is to seek the best set of ETFs for each asset class in the strategic model. Proprietary ETF research methodology is used to examine the structural integrity and the investment metrics of each ETF in the marketplace.

Step 3: Applying the Quantitative Model

The quantitative model is comprised of four major sub-models:

- **Economy** – the overall economy (includes monetary policy, the shape and level of term structure of interest rates, business cycle identification, personal consumption, credit spreads and real interest rates)
- **Fundamental** – Equity attractiveness, fundamental variables are used to measure relative value of each equity market versus bonds
- **Risk** – Risk metrics are used to capture the level of uncertainty in the markets
- **Technical** – Momentum/market conviction metrics are used to quantify the strength of market movements

After the analysis, the investment team applies a tactical overlay to the portfolios, overweighting or underweighting the equity allocation for each portfolio based on the results.

The PMC Tactical ETF models seek a defensive approach in bearish markets and become more aggressive in bullish markets.

The Two Strategies: Core and Total Return

Risk-Based Core Portfolios

The Risk-Based Core portfolios seek to dynamically overweight and underweight equity asset classes based on their long-term outlook from the quantitative model. The tactical model does not change the types of investments, only the allocation exposures in the particular asset classes. Equity asset class exposure is adjustable within bands of +/- 20% relative to each asset class's long-term strategic target – to tilt the portfolio towards (or away from) equities to try to capture enhanced risk-adjusted returns.

The Total Return Portfolios may use leveraged ETFs, while the Core Portfolios cannot.

Risk-Based Total Return Portfolios

The Risk-Based Total Return portfolios use the same tactical model as the Risk-Based Core portfolios but implement the strategy using leveraged ETFs in specific equity classes to obtain the same exposure as the Risk-Based Core portfolios but with a lower dollar allocation. The remaining capital is then used in an effort to increase exposure to yield-enhancing fixed income asset classes.

Available ETFs for the Core Portfolios

Equity ETFs
SPY – Spyder S&P 500 Large Cap Core
IJH – iShares S&P Mid Cap 400 Index Mid Cap Core
IWM – iShares Russell 2000 Index Small Cap Core
VEA – Vanguard Europe Pacific International Developed Mkts
VWO – Vanguard Emerging Markets Diversified Emerging Mkts
Fixed Income and Real Estate ETFs
VNQ – Vanguard REIT Real Estate
SHY – iShares Barclays 1-3Year Trsry Bond Short Government
IEF – iShares Barclays 7-10Year Trsry Bond Intermediate Government
TLT – iShares Barclays 20+Year Trsry Bond Long Government
CFT – iShares Barclays Credit Bond Intermediate Bond
TIP – iShares Barclays TIPS Bond Inflation-Protected Bond
JNK – Spyder Barclays Capital High Yield Bond High Yield

Available ETFs for the Total Return Portfolios

Leveraged Equity ETFs
BGU – Direxion Daily Large Cap Bull 3X Shares Large Cap Core
MWJ – Direxion Daily Mid Cap Bull 3X Shares Mid Cap Core
TNA – Direxion Daily Small Cap Bull 3X Shares Small Cap Core
DZK – Direxion Daily Dev Mkts Bull 3X Shares International Developed Mkts
EDC – Direxion Daily Emrg Mkts Bull 3X Shares Diversified Emerging Mkts
Fixed Income and Real Estate ETFs
VNQ – Vanguard REIT Real Estate
IAU – iShares COMEX Gold Trust Gold
IEF – iShares Barclays 7-10Year Treasury Intermediate Government
BND – Vanguard Total Bond Market ETF Intermediate Bond
LQD – iShares iBoxx Invest Grade Corp Bond Long Bond
TIP – iShares Barclays TIPS Bond Inflation-Protected Bond
HYG – iShares iBoxx High Yield Corporate Bond High Yield
JNK – SPDR Barclays Capital High Yield Bond High Yield

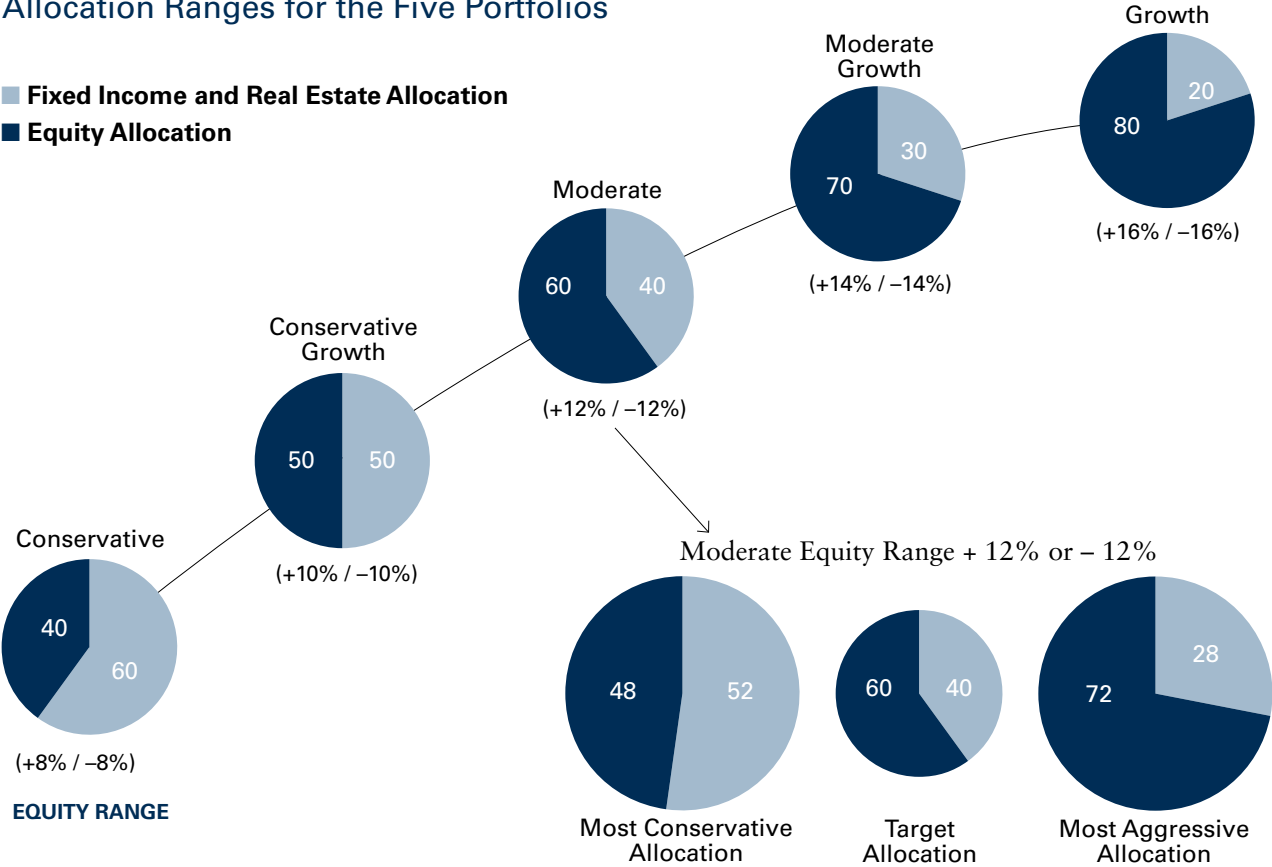
The Five Tactical ETF Risk-Based Portfolios

Currently, the PMCTactical ETF Portfolio Series offers five Risk-Based portfolios: the Conservative, Conservative Growth, Moderate, Moderate Growth, and Growth portfolios based on long-term goals, risk tolerance, and investor needs. All portfolios seek to dynamically respond to changing market conditions and volatility.

During bearish market environments, equity asset class exposures are potentially reduced and the resulting capital is proportionately distributed to the fixed income portion of the portfolio, which also has a long-term strategic asset allocation. During bullish market environments, the allocation towards fixed income is potentially reduced and capital is deployed to favorable equity asset classes with long-term trend outlooks.

Allocation Ranges for the Five Portfolios

- Fixed Income and Real Estate Allocation
- Equity Allocation



An In-Depth Look: The Moderate Core Portfolio

The Tactical ETF Risk-Based Portfolios not only allow for adjustment of allocations between equity and fixed income/real estate, but also utilize a wide range of options within each broader style category. For example, the target asset allocation for the Moderate Portfolio consists of 60/40% equity/fixed income and real estate. Within the equity and fixed income/real estate portions, the tactical overlay allows for adjustments in asset classes to attempt to capitalize on perceived market conditions.

The table below illustrates the tactical ranges available for the Moderate Core Portfolio.

Core Moderate Portfolio: Strategic and Tactical Asset Class Allocations

Asset Class	Strategic Asset Allocation Target	Tactical Asset Allocation Range (Range Equal To +/- 20% of Strategic Target)
Large Cap Core (SPY)	16.00%	12.80% –19.20%
Mid Cap Core (IJH)	7.00%	5.60% –8.40%
Small Cap Core (IWM)	7.00%	5.60%– 8.40%
International Developed Markets (VEA)	16.00%	12.80%–19.20%
Diversified Emerging Markets (VWO)	14.00%	11.20%–16.80%
Total Equity	60.00%	48.00%–72.00%
Real Estate (VNQ)	9.00%	
U.S. Short/Intermediate Treasury (SHY/IEF)	6.00%	When the aggregate exposure to equity is increased/decreased based on the quantitative signaling, the aggregate fixed income portfolio is decreased/increased proportionately.
U.S. Long Treasury (TLT)	0.00%	
U.S. Intermediate/Long Credit (CFT/LQD)	5.00%	
High Yield Bond (JNK)	12.00%	
TIPS (TIP)	6.00%	
Total Fixed Income and Real Estate	38.00%	26.00%–50.00%
Cash	2.00%	Approximately 2.00%
Total	100.00	

The PMC Tactical ETF Portfolio Series

The Tactical ETF Risk-Based Portfolios are part of PMC's Tactical ETF Portfolio Series, which is managed by PMC with sub-advisory services by Gerald W. Buetow, Jr. of Innealta Capital.

Gerald W. Buetow, Jr., Ph.D., CFA

- Chief Investment Officer of Innealta Capital – a division of AI Frank Asset Management, Inc.
- Former CIO of XTF GAM, LLC
- Director of Research, Atlantic Asset Management, LLC
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- Director of Quantitative Research at Prudential Investment's Quantitative Investment Management Group – managed an enhanced index fund and developed structured securities
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- B.S. in Electrical Engineering, & M.S., Ph.D. in Finance and Econometrics, Lehigh University
- M.S. in Finance, University of Texas – Dallas
- Chartered Financial Analyst (CFA)

With the Tactical Risk-Based Portfolios, you potentially gain diversified, risk-managed solutions that can help you navigate today's volatile markets.

NEXT STEPS

To determine how the PMCTactical ETF Risk-Based Portfolios can assist you in reaching your financial goals, please contact your financial advisor.

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Investnet | PMC has a proven tradition of “advising the advisor” by providing expert consulting and analytical investment solutions to financial advisors and their clients. As Investnet’s portfolio consulting group, PMC seeks to add value at all stages of the investment process by constructing customized portfolios, conducting rigorous research on asset managers and investment vehicles, creating tools to streamline an advisor’s practice, and by developing solutions that address unmet investment needs.

At PMC, the goal is to strengthen the relationship between advisors and their clients, driven by an unwavering focus on perfecting the portfolio.™

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Investments in smaller companies carry greater risk than is customarily associated with larger companies for various reasons such as volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources. Investing overseas involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets. Income (bond) funds are subject to interest rate risk which is the risk that debt securities in a fund’s portfolio will decline in value because of increases in market interest rates.

Exchange Traded Funds (ETFs) are subject to risks similar to those of stocks, such as market risk. Investing in ETFs may bear indirect fees and expenses charged by ETFs in addition to its direct fees and expenses, as well as indirectly bearing the principal risks of those ETFs. ETFs may trade at a discount to their net asset value and are subject to the market fluctuations of their underlying investments.

The PMCTactical ETF Risk-Based portfolios may utilize leveraged equity ETFs. The use of leverage by an exchange-traded fund increases the risk to the fund. The more a fund invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments. Due to the complexity and structure of these funds, they may not perform over time in direct or inverse correlation to their underlying index.

Portfolio allocations are presented for informational purposes only. Under no circumstances does the information contained within represent a recommendation to buy or sell securities.

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