

# Chapter 4. Basic Rotation Strategy

This strategy rotates each month to the ETFs with the best six-month performance and is featured in the *ETF Trading Strategies Revealed* book.

	Percentage Returns	
	<u>ETF Trading</u>	<u>S&amp;P 500 Index</u>
1998	44.25	26.67
1999	57.85	19.53
2000	5.80	-10.14
2001	-2.23	-13.04
2002	-17.85	-23.37
2003	43.29	26.38
2004	13.01	8.99
2005	3.12	3.00
2006	8.14	13.62
2007	5.08	3.53
2008	-41.67	-38.49
2009	18.95	23.45
2010	<u>-7.24</u>	<u>-5.90</u>
AROI	7.02	0.62

through 08/31/10

5 round trip trades per year. Average holding period of 145 days

## Assumptions

The ETFs used in this backtest was IVE, SPY, QQQQ, MDY, IWM, IJS, IJT.

There are many assumptions to our tests. The percentage returns represent a hypothetical back test, instead of actual performance. The back test's returns and other figures have not been audited but are based upon information obtained from public sources believed to be reliable. Since no funds were managed using the strategies during this period, the impact that economic and market factors might have had on the trading cannot be represented.

The strategies are managed with a view toward capital appreciation with risk levels greater than the S&P 500. In the style index testing, many of the ETFs were not yet available to purchase at the beginning date of the back test. When the ETF wasn't available, the back test used the ETF's benchmark index as a substitute. The back test used price data from the actual ETFs once they became available.

As with any strategy, **past performance does not guarantee future results or that losses will not occur.**

<u>Ticker</u>	<u>Segment</u>	<u>Buy Date</u>	<u>Sell Date</u>	<u>% Change</u>	<u>Days Held</u>
IJT	Small Cap Growth	1/2/1998	5/1/1998	11.98	119
MDY	Mid-Cap Index	1/2/1998	2/27/1998	6.29	56
SPY	Large Cap Index	2/27/1998	7/30/1999	26.28	518
QQQQ	Large Cap Growth	5/1/1998	6/30/2000	198.31	791
IJT	Small Cap Growth	7/30/1999	11/1/1999	-7.85	94
IJS	Small Cap Value	11/1/1999	8/1/2000	22.69	274
MDY	Mid-Cap Index	6/30/2000	3/30/2001	-4.86	273
IJT	Small Cap Growth	8/1/2000	2/1/2001	-1.58	184
IJS	Small Cap Value	2/1/2001	10/1/2002	-14.66	607

Ticker	Segment	Buy Date	Sell Date	% Change	Days Held
IVE	Large Cap Value	3/30/2001	6/1/2001	7.83	63
IWM	Small Cap Index	6/1/2001	8/31/2001	-6.36	91
IJT	Small Cap Growth	8/31/2001	4/1/2002	7.43	213
MDY	Mid-Cap Index	4/1/2002	5/1/2002	-0.02	30
IWM	Small Cap Index	5/1/2002	5/31/2002	-5.39	30
MDY	Mid-Cap Index	5/31/2002	11/1/2002	-18.35	154
IJT	Small Cap Growth	10/1/2002	5/30/2003	13.95	241
SPY	Large Cap Index	11/1/2002	1/2/2003	0.89	62
QQQQ	Large Cap Growth	1/2/2003	10/31/2003	38.50	302
IWM	Small Cap Index	5/30/2003	4/30/2004	26.24	336
IJT	Small Cap Growth	10/31/2003	1/2/2004	3.89	63
IJS	Small Cap Value	1/2/2004	4/29/2005	10.77	483
IVE	Large Cap Value	4/30/2004	7/1/2004	2.22	62
IJT	Small Cap Growth	7/1/2004	9/1/2004	-6.30	62
IVE	Large Cap Value	9/1/2004	12/1/2004	8.95	91
IJT	Small Cap Growth	12/1/2004	4/29/2005	-6.70	149
IVE	Large Cap Value	4/29/2005	6/1/2005	4.12	33
MDY	Mid-Cap Index	4/29/2005	9/1/2005	12.18	125
IJT	Small Cap Growth	6/1/2005	8/1/2005	8.19	61
IJS	Small Cap Value	8/1/2005	9/30/2005	-2.29	60
IJT	Small Cap Growth	9/1/2005	2/1/2006	-7.02	153
MDY	Mid-Cap Index	9/30/2005	11/1/2005	-2.11	32
IWM	Small Cap Index	11/1/2005	1/3/2006	6.20	63
QQQQ	Large Cap Growth	1/3/2006	2/1/2006	2.03	29
IWM	Small Cap Index	2/1/2006	8/1/2006	-6.24	181
MDY	Mid-Cap Index	2/1/2006	3/31/2006	1.26	58
IJS	Small Cap Value	3/31/2006	12/1/2006	2.97	245
IVE	Large-Cap Value	8/1/2006	12/1/2006	9.10	122
IWM	Small Cap Index	12/1/2006	12/29/2006	0.49	28
QQQQ	Large Cap Growth	12/1/2006	3/30/2007	-0.30	119
IVE	Large Cap Value	12/29/2006	2/1/2007	2.37	34
IWM	Small Cap Index	2/1/2007	5/1/2007	1.11	89
MDY	Mid-Cap Index	3/30/2007	8/1/2007	1.04	124
IJT	Small Cap Growth	5/1/2007	2/1/2008	-5.78	276
QQQQ	Large Cap Growth	8/1/2007	2/29/2008	-10.33	212
MDY	Mid-Cap Index	2/1/2008	8/1/2008	-2.69	182
SPY	Large Cap Index	2/29/2008	5/1/2008	5.33	62
IJS	Small Cap Value	5/1/2008	8/29/2008	0.12	120
IWM	Small Cap Index	8/1/2008	12/1/2008	-41.16	122
IJT	Small Cap Growth	8/29/2008	12/1/2008	-42.06	94
IVE	Large Cap Value	12/1/2008	1/30/2009	-2.93	60
SPY	Large Cap Index	12/1/2008	12/31/2008	9.91	30
IJS	Small Cap Value	12/31/2008	1/30/2009	-13.94	30
QQQQ	Large Cap Growth	1/30/2009	9/1/2009	35.17	214
SPY	Large Cap Index	1/30/2009	5/1/2009	6.10	91
MDY	Mid-Cap Index	5/1/2009	7/31/2009	12.21	91
IJT	Small Cap Growth	7/31/2009	12/1/2009	5.43	123
IJS	Small Cap Value	9/1/2009	10/1/2009	2.94	30
IWM	Small Cap Index	10/1/2009	10/30/2009	-3.61	29
QQQQ	Large Cap Growth	10/30/2009	3/1/2010	10.86	122
IVE	Large Cap Value	12/1/2009	12/31/2009	-0.09	30
MDY	Mid-Cap Index	12/31/2009	4/30/2010	13.20	120
IJT	Small Cap Growth	3/1/2010	4/1/2010	6.36	31
IJS	Small Cap Value	4/1/2010			
IWM	Small Cap Index	4/30/2010			

# Style Index Strategy

This strategy uses a six month relative strength report and rotates every other week. Current holdings must be in the top half of the report. The strategy is featured in the *ETF Trading Strategies Revealed* book.

## Percentage Returns

<u>Year</u>	<u>ETF Trading</u>	<u>S&amp;P 500 Index</u>
1998	41.80	26.67
1999	61.73	19.53
2000	-2.25	-10.14
2001	-3.09	-13.04
2002	-14.90	-23.37
2003	43.43	26.38
2004	12.08	8.99
2005	-1.89	3.00
2006	13.28	13.62
2007	6.77	3.53
2008	-41.00	-38.49
2009	21.29	23.45
2010	<u>-6.20</u>	<u>-5.90</u>
ROI	7.04	0.62

\*Through 08/31/10

10 Round Trip Trades per year. Average holding period of 72 days

## Assumptions

The ETFs used in this backtest was IVE, SPY, QQQQ, MDY, IWM, IJS, IJT

There are many assumptions to our tests. The percentage returns represent a hypothetical back test, instead of actual performance. The back test's returns and other figures have not been audited but are based upon information obtained from public sources believed to be reliable. Since no funds were managed using the strategies during this period, the impact that economic and market factors might have had on the trading cannot be represented.

The strategies are managed with a view toward capital appreciation with risk levels greater than the S&P 500. In the style index testing, many of the ETFs were not yet available to purchase at the beginning date of the back test. When the ETF wasn't available, the back test used the ETF's benchmark index as a substitute. The back test used price data from the actual ETFs once they became available.

As with any strategy, **past performance does not guarantee future results or that losses will not occur.**

<u>Ticker</u>	<u>Segment</u>	<u>Buy Date</u>	<u>Sell Date</u>	<u>% Change</u>	<u>Days Held</u>
IJT	Small Cap Growth	12/31/1997	4/24/1998	11.34	114
IVE	Large Cap Value	12/31/1997	1/30/1998	-1.33	30
MDY	Mid Cap Index	1/30/1998	2/13/1998	4.96	14
QQQQ	Large Cap Growth	2/13/1998	3/13/1998	2.88	28
MDY	Mid Cap Index	3/13/1998	3/27/1998	0.91	14
SPY	Large Cap Index	3/27/1998	5/7/1999	23.15	406
QQQQ	Large Cap Growth	4/24/1998	5/5/2000	192.52	742
IVE	Large Cap Value	5/7/1999	5/21/1999	-1.42	14

<u>Ticker</u>	<u>Segment</u>	<u>Buy Date</u>	<u>Sell Date</u>	<u>% Change</u>	<u>Days Held</u>
IWM	Small Cap Index	5/21/1999	7/2/1999	1.65	42
SPY	Large Cap Index	7/2/1999	7/16/1999	1.73	14
IJT	Small Cap Growth	7/16/1999	10/22/1999	-49.88	98
IJS	Small Cap Value	10/22/1999	4/20/2000	109.94	181
IVE	Large Cap Value	4/20/2000	5/5/2000	-1.25	15
IJS	Small Cap Value	5/5/2000	7/28/2000	-4.06	84
MDY	Mid Cap Index	5/5/2000	6/30/2000	-0.76	56
QQQQ	Large Cap Growth	6/30/2000	7/28/2000	-6.97	28
IJT	Small Cap Growth	7/28/2000	10/5/2001	-14.38	434
MDY	Mid Cap Index	7/28/2000	1/26/2001	7.20	182
IVE	Large Cap Value	1/26/2001	2/23/2001	-5.32	28
MDY	Mid Cap Index	2/23/2001	3/23/2001	-8.40	28
IVE	Large Cap Value	3/23/2001	5/18/2001	12.17	56
MDY	Mid Cap Index	5/18/2001	6/29/2001	-2.56	42
IWM	Small Cap Index	6/29/2001	7/27/2001	-5.30	28
MDY	Mid Cap Index	7/27/2001	10/19/2001	-12.23	84
IJS	Small Cap Value	10/5/2001	11/16/2001	7.89	42
IJT	Small Cap Growth	10/19/2001	8/9/2002	-6.28	294
QQQQ	Large Cap Growth	11/16/2001	12/28/2001	2.44	42
IWM	Small Cap Index	12/28/2001	1/25/2002	-2.78	28
IJS	Small Cap Value	1/25/2002	2/8/2002	-1.85	14
MDY	Mid Cap Index	2/8/2002	4/5/2002	6.26	56
IWM	Small Cap Index	4/5/2002	5/31/2002	-2.62	56
MDY	Mid Cap Index	5/31/2002	10/18/2002	-20.09	140
IVE	Large Cap Value	8/9/2002	8/23/2002	3.35	14
IJS	Small Cap Value	8/23/2002	11/1/2002	-5.81	70
QQQQ	Large Cap Growth	10/18/2002	5/2/2003	18.77	196
IVE	Large Cap Value	11/1/2002	11/29/2002	4.28	28
IWM	Small Cap Index	11/29/2002	12/13/2002	-4.63	14
IVE	Large Cap Value	12/13/2002	12/27/2002	-1.23	14
MDY	Mid Cap Index	12/27/2002	1/10/2003	4.32	14
IVE	Large Cap Value	1/10/2003	2/7/2003	-11.13	28
MDY	Mid Cap Index	2/7/2003	2/21/2003	1.03	14
SPY	Large Cap Index	2/21/2003	4/4/2003	3.57	42
IWM	Small Cap Index	4/4/2003	2/20/2004	55.07	322
IJT	Small Cap Growth	5/2/2003	5/16/2003	0.18	14
IVE	Large Cap Value	5/16/2003	5/30/2003	3.44	14
QQQQ	Large Cap Growth	5/30/2003	6/27/2003	0.13	28
IJT	Small Cap Growth	6/27/2003	7/11/2003	4.52	14
QQQQ	Large Cap Growth	7/11/2003	8/8/2003	-5.56	28
IJS	Small Cap Value	8/8/2003	2/16/2004	27.44	192
IJT	Small Cap Growth	2/16/2004	3/5/2004	0.78	18
IVE	Large Cap Value	2/20/2004	4/2/2004	0.60	42
IJS	Small Cap Value	3/5/2004	6/10/2004	-2.56	97
IWM	Small Cap Index	4/2/2004	4/30/2004	-7.71	28
IJT	Small Cap Growth	4/30/2004	5/14/2004	-2.55	14
SPY	Large Cap Index	5/14/2004	5/28/2004	2.56	14
IJT	Small Cap Growth	5/28/2004	7/23/2004	-3.71	56
SPY	Large Cap Index	6/10/2004	6/25/2004	-0.45	15
IJS	Small Cap Value	6/25/2004	1/7/2005	5.93	196
IVE	Large Cap Value	7/23/2004	10/1/2004	6.03	70
IWM	Small Cap Index	10/1/2004	10/15/2004	-2.66	14
IJT	Small Cap Growth	10/15/2004	12/10/2004	10.31	56
IWM	Small Cap Index	12/10/2004	2/18/2005	-0.51	70
IVE	Large Cap Value	1/7/2005	1/21/2005	-1.61	14
IJT	Small Cap Growth	1/21/2005	4/29/2005	-3.85	98
MDY	Mid Cap Index	2/18/2005	7/8/2005	6.06	140
SPY	Large Cap Index	4/29/2005	5/27/2005	3.89	28

<u>Ticker</u>	<u>Segment</u>	<u>Buy Date</u>	<u>Sell Date</u>	<u>% Change</u>	<u>Days Held</u>
IJT	Small Cap Growth	5/27/2005	7/22/2005	7.93	56
IJS	Small Cap Value	7/8/2005	8/19/2005	-1.19	42
IWM	Small Cap Index	7/22/2005	8/5/2005	-2.01	14
QQQQ	Large Cap Growth	8/5/2005	9/2/2005	-1.80	28
MDY	Mid Cap Index	8/19/2005	9/16/2005	1.17	28
IWM	Small Cap Index	9/2/2005	10/28/2005	-4.70	56
QQQQ	Large Cap Growth	9/16/2005	9/30/2005	0.15	14
IJT	Small Cap Growth	9/30/2005	10/28/2005	-5.25	28
IVE	Large Cap Value	10/28/2005	11/11/2005	3.15	14
QQQQ	Large Cap Growth	10/28/2005	1/20/2006	7.65	84
IWM	Small Cap Index	11/11/2005	11/25/2005	2.43	14
MDY	Mid Cap Index	11/25/2005	12/9/2005	0.36	14
IJT	Small Cap Growth	12/9/2005	1/6/2006	0.54	28
MDY	Mid Cap Index	1/6/2006	2/3/2006	1.21	28
IWM	Small Cap Index	1/20/2006	5/12/2006	4.94	112
IJS	Small Cap Value	2/3/2006	9/15/2006	2.42	224
IVE	Large Cap Value	5/12/2006	11/24/2006	8.07	196
SPY	Large Cap Index	9/15/2006	11/10/2006	4.81	56
QQQQ	Large Cap Growth	11/10/2006	2/2/2007	2.63	84
IWM	Small Cap Index	11/24/2006	12/22/2006	-1.71	28
IVE	Large Cap Value	12/22/2006	2/2/2007	3.24	42
IJS	Small Cap Value	2/2/2007	2/16/2007	0.78	14
IWM	Small Cap Index	2/2/2007	2/16/2007	1.08	14
IJT	Small Cap Growth	2/16/2007	5/25/2007	4.77	98
MDY	Mid Cap Index	2/16/2007	8/3/2007	-1.98	168
IVE	Large Cap Value	5/25/2007	6/8/2007	-0.93	14
IJT	Small Cap Growth	6/8/2007	9/28/2007	1.74	112
QQQQ	Large Cap Growth	8/3/2007	2/1/2008	-3.84	182
SPY	Large Cap Index	9/28/2007	2/1/2008	-8.52	126
IJS	Small Cap Value	2/1/2008	2/15/2008	-4.09	14
MDY	Mid Cap Index	2/1/2008	8/15/2008	0.15	196
IVE	Large Cap Index	2/15/2008	2/29/2008	-2.38	14
IJS	Small Cap Value	2/29/2008	3/28/2008	-0.43	28
SPY	Large Cap Index	3/28/2008	4/25/2008	6.09	28
IJT	Small Cap Growth	4/25/2008	5/9/2008	-0.28	14
QQQQ	Large Cap Growth	5/9/2008	6/6/2008	1.70	28
IJT	Small Cap Growth	6/6/2008	11/7/2008	-32.61	154
IWM	Small Cap Index	8/15/2008	11/21/2008	-45.89	98
IJS	Small Cap Value	11/7/2008	1/30/2009	-14.30	84
SPY	S&P 500	11/21/2008	12/19/2008	11.02	28
IWM	Small Cap Index	12/19/2008	1/30/2009	-8.63	42
MDY	Mid Cap Index	1/30/2009	6/5/2009	19.72	126
QQQQ	Large Cap Growth	1/30/2009	5/8/2009	17.79	98
IJS	Small Cap Value	5/8/2009	5/22/2009	-8.42	14
QQQQ	Large Cap Growth	5/22/2009	8/14/2009	18.16	84
IWM	Small Cap Index	6/5/2009	7/2/2009	-6.18	27
IJT	Small Cap Growth	7/2/2009	8/14/2009	11.37	43
IJS	Small Cap Value	8/14/2009	10/9/2009	7.22	56
MDY	Mid Cap Index	8/14/2009	9/25/2009	4.90	42
IWM	Small Cap Index	9/25/2009	10/23/2009	0.38	28
MDY	Mid Cap Index	10/9/2009	11/20/2009	-1.86	42
QQQQ	Large Cap Growth	10/23/2009	12/31/2009	6.07	69
SPY	Large Cap Index	11/20/2009	12/18/2009	0.71	28
IJS	Small Cap Value	12/18/2009	2/12/2010	-0.21	56
MDY	Mid Cap Index	12/31/2009	3/26/2010	8.28	85
QQQQ	Large Cap Growth	2/12/2010	2/26/2010	2.29	14

<u>Ticker</u>	<u>Segment</u>	<u>Buy Date</u>	<u>Sell Date</u>	<u>% Change</u>	<u>Days Held</u>
IJS	Small Cap Value	2/26/2010	6/18/2010	4.60	112
IJT	Large Cap Growth	3/26/2010	4/9/2010	2.56	14
IWM	Small Cap Index	4/9/2010	7/2/2010	-14.85	84
IJT	Small Cap Growth	6/18/2010	8/13/2010	-7.86	56
MDY	Mid Cap Index	7/2/2010	7/30/2010	8.29	28
IJS	Small Cap Value	7/30/2010	8/13/2010	-6.29	14
MDY	Mid Cap Index	8/13/2010			
QQQQ	Large Cap Growth	8/13/2010			