

Chapter 5. Adding a Bond Fund

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

Percentage Returns

	<u>ETF Trading</u>	<u>S&P 500 Index</u>
1998	33.18	26.67
1999	57.41	19.53
2000	5.34	-10.14
2001	3.35	-13.04
2002	-12.91	-23.37
2003	34.81	26.38
2004	10.65	8.99
2005	-0.74	3.00
2006	8.96	13.62
2007	6.43	3.53
2008	-31.58	-38.49
2009	18.98	23.45
2010	<u>6.19</u>	<u>-5.90</u>
ARO	8.91	0.62

Through 08/31/20'0

7 round trip trades per year with an average holding period of 102 days.

Assumptions

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

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	6/19/1998	2.22	170
IVE	Large Cap Value	12/31/1997	1/30/1998	-1.33	30
VUSTX	U.S. Bond Fund	1/30/1998	2/13/1998	-0.37	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	6/19/1998	5/5/2000	195.16	686
IVE	Large Cap Value	5/7/1999	5/21/1999	-1.42	14
IWM	Small Cap Index	5/21/1999	7/2/1999	1.65	42
SPY	Large Cap Index	7/2/1999	7/30/1999	-4.77	28
IJT	Small Cap Growth	7/30/1999	10/22/1999	-9.10	84
IJS	Small Cap Value	10/22/1999	4/20/2000	21.23	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	1/26/2001	6.34	266
IJT	Small Cap Growth	7/28/2000	10/5/2001	-14.38	434
IVE	Large Cap Value	1/26/2001	2/23/2001	-5.32	28
VUSTX	U.S. Bond Fund	2/23/2001	5/4/2001	-0.92	70
MDY	Mid Cap Index	5/4/2001	7/13/2001	-1.59	70
VUSTX	U.S. Bond Fund	7/13/2001	11/16/2001	3.27	126
IJS	Small Cap Value	10/5/2001	11/16/2001	7.89	42
IWM	Small Cap Index	11/16/2001	11/30/2001	1.80	14
QQQQ	Large Cap Growth	11/16/2001	12/28/2001	2.44	42
IJT	Small Cap Growth	11/30/2001	8/9/2002	-12.49	252
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	10/18/2002	-15.19	252
VUSTX	U.S. Bond Fund	8/9/2002	1/10/2003	-0.17	154
QQQQ	Large Cap Growth	10/18/2002	5/2/2003	18.77	196
IVE	Large Cap Value	1/10/2003	2/7/2003	-11.13	28
VUSTX	U.S. Bond Fund	2/7/2003	3/21/2003	-2.13	42
SPY	Large Cap Index	3/21/2003	4/17/2003	-0.12	27
IWM	Small Cap Index	4/17/2003	2/20/2004	51.38	309
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	8/8/2003	0.94	70
IJS	Small Cap Value	8/8/2003	6/10/2003	-1.98	-59
IVE	Large Cap Value	2/20/2004	4/2/2004	-9.37	42
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	6/10/2003	6/25/2003	-1.73	15
IJS	Small Cap Value	6/25/2003	1/7/2005	42.77	562
VUSTX	U.S. Bond Fund	7/23/2004	9/3/2004	1.16	42
IVE	Large Cap Value	9/3/2004	10/1/2004	1.89	28
IWM	Small Cap Index	10/1/2004	10/15/2004	-2.66	14
VUSTX	U.S. Bond Fund	10/15/2004	10/29/2004	0.52	14
IJT	Small Cap Growth	10/29/2004	4/29/2005	2.10	182
IVE	Large Cap Value	1/7/2005	1/21/2005	8.17	14
MDY	Mid Cap Index	1/21/2005	9/16/2005	12.43	238
VUSTX	U.S. Bond Fund	4/29/2005	5/27/2005	1.20	28
IJT	Small Cap Growth	5/27/2005	8/5/2005	7.04	70
QQQQ	Large Cap Growth	8/5/2005	9/2/2005	-1.80	28
VUSTX	U.S. Bond Fund	9/2/2005	9/16/2005	-2.58	14
IWM	Small Cap Index	9/16/2005	10/28/2005	-5.80	42

<u>Ticker</u>	<u>Segment</u>	<u>Buy Date</u>	<u>Sell Date</u>	<u>% Change</u>	<u>Days Held</u>
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	12/23/2005	2.68	42
MDY	Mid Cap Index	12/23/2005	5/26/2006	-10.58	154
IWM	Small Cap Index	1/20/2006	6/16/2006	-1.91	147
IJS	Small Cap Value	5/26/2006	9/8/2006	-2.99	105
IVE	Large Cap Value	6/9/2006	11/24/2006	11.49	168
SPY	Large Cap Index	9/8/2006	2/2/2007	11.15	147
QQQQ	Large Cap Growth	11/24/2006	2/2/2007	-1.10	70
IJS	Small Cap Value	2/2/2007	3/30/2007	-1.49	56
IWM	Small Cap Index	2/2/2007	2/16/2007	1.08	14
MDY	Mid Cap Index	2/16/2007	8/3/2007	-1.99	168
IJT	Small Cap Growth	3/30/2007	11/9/2007	1.58	224
QQQQ	Large Cap Growth	8/3/2007	2/1/2008	-3.84	182
VUSTX	U.S. Bond Fund	11/9/2007	4/25/2008	0.35	168
MDY	Mid Cap Index	2/1/2008	8/15/2008	0.15	196
IJT	Small Cap Growth	4/25/2008	11/7/2008	-30.39	196
IWM	Small Cap Index	8/15/2008	11/21/2008	-45.89	98
VUSTX	U.S. Bond Fund	11/7/2008	4/9/2009	4.75	153
SPY	Large Cap Index	11/21/2008	12/19/2008	11.02	28
IJS	Small Cap Value	12/19/2008	1/30/2009	-11.24	42
MDY	Mid Cap Index	1/30/2009	7/17/2009	17.87	168
QQQQ	Large Cap Growth	4/9/2009	8/14/2009	20.31	127
IJT	Small Cap Growth	7/17/2009	8/14/2009	6.58	28
IJS	Small Cap Value	8/14/2009	10/9/2009	7.22	56
MDY	Mid Cap Index	8/14/2009	5/7/2010	16.93	266
IWM	Small Cap Index	10/9/2009	10/23/2009	-2.21	14
QQQQ	Large Cap Growth	10/23/2009	12/31/2009	6.07	69
IJS	Small Cap Value	12/31/2009	2/12/2010	-1.83	43
QQQQ	Large Cap Growth	2/12/2010	2/26/2010	2.29	14
IJS	Small Cap Value	2/26/2010	6/18/2010	4.60	112
IJT	Small Cap Growth	5/7/2010	8/13/2010	-5.35	98
TLT	U.S. Bond Fund	6/18/2010			
QQQQ	Large Cap Growth	8/13/2010			