

Chapter 5. Adding International Funds

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. International funds are included in the ETF choices. The strategy is featured in the *ETF Trading Strategies Revealed* book.

Percentage Returns

| | ETF Trading | S&P 500 Index |
|------|------------------------|------------------------------|
| 1998 | 41.60 | 26.67 |
| 1999 | 54.92 | 19.53 |
| 2000 | 5.28 | -10.14 |
| 2001 | 1.49 | -13.04 |
| 2002 | -15.26 | -23.37 |
| 2003 | 49.40 | 26.38 |
| 2004 | 14.38 | 8.99 |
| 2005 | 11.88 | 3.00 |
| 2006 | 15.29 | 13.62 |
| 2007 | 20.80 | 3.53 |
| 2008 | -42.13 | -38.49 |
| 2009 | 30.55 | 23.45 |
| 2010 | <u>-3.67</u> | <u>-5.90</u> |
| ARO | 11.22 | 0.62 |

* Through 08/31/10

6.3 round trip trades with an average holding period of 109 days.

Assumptions

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

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. Returns exclude dividends.

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 |
| 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 | 10/8/1999 | -6.93 | 70 |
| EFA | Int'l Developed Mkts | 10/8/1999 | 12/3/1999 | 5.22 | 56 |
| IJS | Small Cap Value | 12/3/1999 | 4/20/2000 | 7.75 | 139 |
| 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 | 4/6/2001 | -8.31 | 336 |
| IJT | Small Cap Growth | 7/28/2000 | 8/9/2002 | -18.01 | 742 |
| IVE | Large Cap Value | 4/6/2001 | 5/18/2001 | 13.32 | 42 |
| MDY | Mid Cap Index | 5/18/2001 | 11/16/2001 | -10.34 | 182 |
| QQQQ | Large Cap Growth | 11/16/2001 | 12/28/2001 | 2.44 | 42 |
| EEM | Int'l Emerging Mkts | 12/28/2001 | 8/23/2002 | -4.35 | 238 |
| EFA | Int'l Developed Mkts | 8/9/2002 | 11/1/2002 | -6.27 | 84 |
| IJS | Small Cap Value | 8/23/2002 | 11/15/2002 | -6.74 | 84 |
| QQQQ | Large Cap Growth | 11/1/2002 | 5/2/2003 | 12.00 | 182 |
| SPY | Large Cap Index | 11/15/2002 | 12/27/2002 | -4.40 | 42 |
| MDY | Mid Cap Index | 12/27/2002 | 1/24/2003 | -2.10 | 28 |
| EEM | Int'l Emerging Mkts | 1/24/2003 | 3/21/2003 | -7.35 | 56 |
| SPY | Large Cap Index | 3/21/2003 | 4/17/2003 | -0.12 | 27 |
| EEM | Int'l Emerging Mkts | 4/17/2003 | 5/30/2003 | 10.52 | 43 |
| IWM | Small Cap Index | 5/2/2003 | 2/20/2004 | 42.14 | 294 |
| QQQQ | Large Cap Growth | 5/30/2003 | 6/27/2003 | 0.13 | 28 |
| EEM | Int'l Emerging Mkts | 6/27/2003 | 4/30/2004 | 31.96 | 308 |
| EFA | Int'l Developed Mkts | 2/20/2004 | 3/5/2004 | 0.98 | 14 |
| IJS | Small Cap Value | 3/5/2004 | 6/10/2004 | -2.56 | 97 |
| EFA | Int'l Developed Mkts | 4/30/2004 | 5/28/2004 | 1.14 | 28 |
| 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 |
| EEM | Int'l Emerging Mkts | 10/15/2004 | 5/26/2006 | 67.59 | |
| EFA | Int'l Developed Mkts | 1/7/2005 | 1/21/2005 | -0.56 | 14 |
| IJT | Small Cap Growth | 1/21/2005 | 4/15/2005 | -3.54 | 84 |
| EFA | Int'l Developed Mkts | 4/15/2005 | 5/27/2005 | 0.79 | 42 |
| MDY | Mid Cap Index | 5/27/2005 | 7/8/2005 | 4.53 | 42 |
| IJS | Small Cap Value | 7/8/2005 | 8/19/2005 | -1.19 | 42 |
| QQQQ | Large Cap Growth | 8/19/2005 | 9/2/2005 | -0.13 | 14 |
| EFA | Int'l Developed Mkts | 9/2/2005 | 11/25/2005 | 1.83 | 84 |
| QQQQ | Large Cap Growth | 11/25/2005 | 1/20/2006 | -1.53 | 56 |
| EFA | Int'l Developed Mkts | 1/20/2006 | 2/3/2006 | 3.07 | 14 |
| IWM | Small Cap Index | 2/3/2006 | 5/12/2006 | 2.62 | 98 |
| EFA | Int'l Developed Mkts | 5/12/2006 | 6/9/2006 | -9.83 | 28 |
| IJS | Small Cap Value | 5/26/2006 | 7/21/2006 | -4.35 | 56 |
| IVE | Large Cap Value | 6/9/2006 | 11/10/2006 | 10.07 | 154 |
| EFA | Int'l Developed Mkts | 7/21/2006 | 10/13/2006 | 9.78 | 84 |
| QQQQ | Large Cap Growth | 10/13/2006 | 2/2/2007 | 4.08 | 112 |

| <u>Ticker</u> | <u>Segment</u> | <u>Buy Date</u> | <u>Sell Date</u> | <u>% Change</u> | <u>Days Held</u> |
|---------------|----------------------|-----------------|------------------|-----------------|------------------|
| EEM | Int'l Emerging Mkts | 11/10/2006 | 4/11/2008 | 31.48 | 518 |
| IJS | Small Cap Value | 2/2/2007 | 2/16/2007 | 0.78 | 14 |
| MDY | Mid Cap Index | 2/16/2007 | 7/6/2007 | 6.39 | 140 |
| EFA | Int'l Developed Mkts | 7/6/2007 | 8/17/2007 | -9.56 | 42 |
| QQQQ | Large Cap Growth | 8/17/2007 | 2/1/2008 | -1.53 | 168 |
| MDY | Mid Cap Index | 2/1/2008 | 8/15/2008 | 0.15 | 196 |
| EFA | Int'l Developed Mkts | 4/11/2008 | 4/25/2008 | 4.12 | 14 |
| IJT | Small Cap Growth | 4/25/2008 | 5/9/2008 | -0.28 | 14 |
| EEM | Int'l Emerging Mkts | 5/9/2008 | 6/6/2008 | -1.55 | 28 |
| IJT | Small Cap Growth | 6/6/2008 | 11/21/2008 | -44.46 | 168 |
| IWM | Small Cap Index | 8/15/2008 | 11/21/2008 | -45.89 | 98 |
| SPY | Large Cap Index | 11/21/2008 | 12/19/2008 | 11.02 | 28 |
| IVE | Large Cap Value | 11/21/2008 | 1/16/2009 | 5.08 | 56 |
| IJS | Small Cap Value | 12/19/2008 | 1/30/2009 | -11.24 | 42 |
| MDY | Mid Cap Index | 1/16/2009 | 6/5/2009 | 15.68 | 140 |
| QQQQ | Large Cap Growth | 1/30/2009 | 5/8/2009 | 17.79 | 98 |
| EEM | Int'l Emerging Mkts | 5/8/2009 | 1/15/2010 | 32.80 | 252 |
| QQQQ | Large Cap Growth | 6/5/2009 | 8/14/2009 | 7.75 | 70 |
| EFA | Int'l Developed Mkts | 8/14/2009 | 11/20/2009 | 8.02 | 98 |
| QQQQ | Large Cap Growth | 11/20/2009 | 12/31/2009 | 5.32 | 41 |
| MDY | Mid Cap Index | 12/31/2009 | | | |
| IJT | Small Cap Growth | 1/15/2010 | 4/9/2010 | 8.47 | 84 |
| IJS | Small Cap Value | 4/9/2010 | | | |