

CNBC Model ETF Retirement Portfolios Investment Strategy as of July 25th, 2013
(previous portfolio strategies begin on pg. 4)
Purple = Changes as of July, 25, 2013
7/25/2013

Asset Class	Type	ETF	Ticker	CNBC ETF Retirement Portfolio 30	CNBC ETF Retirement Portfolio 50	CNBC ETF Retirement Portfolio 70
Cash						
Cash/Cash Equivalent	Core	Guggenheim Enhanced Short Duration Bond ETF	GSY	0	SELL	7.5
Equity						
US Equity	Core	SPDR S&P 500	SPY	17.5	12.5	5
US Equity	Overweight	Schwab U.S. Dividend Equity	SCHD	7.5	5	5
US Equity	Overweight	Vanguard MidCap	VO	5	5	5
US Equity	Overweight	Technology Select Sector SPDR	XLK	5	5	2.5
ACWI exUS Equity	Core	db Xtrackers MSCI EAFE Hedged Eq	DBEF	17.5	12.5	5
ACWI exUS Equity	Overweight	WisdomTree Japan Hedged Equity	DXJ	5	5	2.5
ACWI exUS Equity	Overweight	iShares MSCI Europe Financials	EUFN	5	5	2.5
ACWI exUS Equity	Overweight	EGShares Emerging Markets Consumer	ECON	7.5	5	2.5
ACWI exUS Equity	Overweight	PowerShares S&P International Low Volatility	IDLV	5	5	5
Bonds						
US Bonds	Core	iShares Core Total US Bond Market ETF	AGG	2.5	10	25
US Bonds	Overweight	iShares iBoxx \$ Invest Grade Corp Bond	LQD		5	5
Global Bonds	Overweight	WisdomTree Emerging Markets Local Debt	ELD	2.5	5	7.5
Opportunity						
Opportunity		PowerShares Senior Loan Portfolio	BKLN	5	5	5
Opportunity		Market Vectors Gold Miners	GDX	0	0	0
Opportunity		Vanguard Global exUS Real Estate	VNQI	5	5	5
Opportunity		Peritus High Yield ETF	HYLD	5	5	5
Opportunity		PowerShares DB US Dollar Index Bullish	UUP	SELL	SELL	SELL
Opportunity Surplus		iShares Barclays 13 Year Credit Bond	CSJ	5	5	5
Totals				100	100	100

ETF Selections
GSY: Guggenheim Enhanced Short Duration Bond ETF

An alternative to cash that offers an enhanced yield and a relatively reasonable expense ratio.

A low duration strategy that seeks to outperform the Barclays Capital 13 Month U.S. Treasury Bill Index.

Actively managed fund that primarily invests in U.S. dollardenominated investment grade debt securities.

An interesting option that maintains short durations but offers greater yield.

SPY: SPDR S&P 500 ETF

Among the most recognized broad market indexes and the one which CNBC viewers benchmark their portfolios to.

Capital weighted exposure to the 500 largest U.S. publicly traded equities.

Generally perceived as best representing the performance of Domestic Large Cap stocks.

Used as core holding subject to overweight allocations determined by the CNBC ETF Advisory Council.

SCHD: Schwab U.S. Dividend Equity ETF

Provides exposure to high dividend yielding U.S. equities for a comparatively low cost.

Underlying stocks have a record of consistently paying dividends and have strong relative fundamental strength.

Tracks the Dow Jones US Dividend 100 Index which has over 300 bps in annual outperformance over the S&P 500 over the past 10 years (through 12/31/12).

Offers the potential for both current income and capital appreciation.

VO : Vanguard MidCap ETF

The Vanguard MidCap ETF tracks the MSCI US Mid Cap 450 Index, a diversified index of midcap U.S. companies.

VO is highly liquid and charges just 0.10% for the lowest fees in the segment.

Mid cap companies are typically small cap businesses that have succeeded, providing higher cash flows and earnings acceleration compared to large caps, but with greater financial liquidity and capitalraising ability than small caps.

XLK : Technology Select Sector SPDR

The Technology Select Sector Index seeks to provide an effective, cap weighted representation of the technology sector of the S&P 500 Index.

Defensive sectors (such as Utilities, Consumer Staples and Health Care) which performed strongly during the first half of 2013 may lag Cyclical sectors (such as Technology, Industrials and Materials) for during the latter half of the year.

At purchase technology appeared reasonably valued on a fundamental basis with Apple's fall product cycle a possible catalyst for the sector.

Good probability of dividend growth from Technology given stronger balance sheets even if rotation to Cyclical doesn't fully materialize.

DBEF: db Xtrackers MSCI EAFE Hedged Equity

Provides broad market exposure the Developed Market Equities and simultaneously hedges out non US currency exposure.

Provides cap weighted exposure to equity securities in developed international stock markets.

If the US Dollar continues to appreciate and the Euro weakens, DBEF should mitigate exposure to this currency trend.

Used as a core holding subject to overweight allocations determined by the CNBC ETF Advisory Council.

DXJ: WisdomTree Japan Hedged Equity

Provides exposure to the largest dividendpaying companies in Japan while managing the yen risk.

Prime Minister Shinzo Abe is targeting a doubling of the monetary base in Japan over the next two years which is more aggressive than the Fed's Quantitative Easing/Bond buying within the U.S.

Devaluing the Yen is very bullish for Japanese exporters as their goods/products appear progressively less expensive to overseas importers.

Exposure to Japanese Equities while hedging out the impact of a falling Yen, which this vehicle provides, is appealing

UFN: iShares MSCI Europe Financials

A Market Capitalization weighted index providing exposure to the Financial Sector of Developed Market Countries in Europe.

Green shoots are appearing in the Europe Marco environment with Manufacturing PMI at 50.1 and trending higher, which is an expansion level

Financials tend to be among the cyclical sectors that lead the market during an expansion.

Valuations appealing when purchased, with the sector trading at 0.8x Price to Book (P/B) value and a 42% discount to U.S. Financials

ECON: EGShares Emerging Markets Consumer ETF

Provides exposure to the Consumer Goods and Consumer Services Industries within Emerging Markets.

Most Market Cap Weighted Indexes in Emerging Markets have limited exposure to smaller, consumeroriented companies.

A rapidly expanding middle class with Emerging Markets can increasingly afford more basic consumer goods and services.

As Emerging Market GDP growth continues to exceed developed markets, companies that benefit from rising consumption may rapid appreciate.

IDLV : PowerShares S&P International Developed Low Volatility ETF

Tracks an index of about 200 stocks showing low price volatility pulled from the S&P Developed exUS and South Korea LargeMid Cap BMI Index.

0.25% fee is very competitive for a nonmarket cap ETF.

Index focuses on low price volatility equities leads to defensive sector tilts including utilities and consumer noncyclicals.

Due to exus exposure, investors will see large tilt to defensives in Japan, the U.K., and Canada.

AGG: iShares Core Total U.S. Bond Market ETF

Underlying benchmark is among the best recognized fixed income indexes to CNBC viewers.

Provides inexpensive broad market exposure to the U.S. investment grade bond market.

Holdings include U.S. Government Bonds, Investment grade corporate bonds, mortgage passthrough securities and asset backed securities.

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LQD: iShares iBoxx \$ Invest Grade Corp Bond

LQD tracks a market cap weighted index of US Corporate Investment Grade Bonds and holds over 1000 fixed income issues.

LQD has over a 33% weighting to financials. However, financials are becoming better credits due to forced deleveraging caused by Basel III, the qualified mortgage rule, Dodd Frank, and other restrictions on lending that are leading to overall de risking.

Corporate balance sheets arguably offer better fundamentals than the U.S. Government.

Despite the potential pitfall of longer durations, the yield enhancement relative to U.S. Treasuries is appealing.

ELD: WisdomTree Emerging Markets Local Debt

ELD invests in local currency debt of emerging market issuers.

Average yield to maturity is 4.57% with effective duration of 4.87 years. This compares favourably to the 2.87% YTM on LQD with a duration of 8.1 years.

Over 45 emerging countries are now rated investment grade, equating to over 50% of the universe. Moreover, since the collapse of Lehman brothers,

EM and DM credit ratings have been converging, with an aggregate of 33 EM upgrades over the last four years against an aggregate of 120 DM downgrades.

BKLN: PowerShares Senior Loan Portfolio

Provides exposure to a senior loan portfolio which is secured by collateral, such as property, inventory, equipment and intangibles.

Collateral provides the debt with greater security than high yield bonds without a significant tradeoff in yield.

A senior secured floating rate loan "floats" at a predetermined spread over a reference rate, usually LIBOR.

This feature may help to mitigate the risk of rising interest rates.

VNQI: Vanguard Global exUS Real Estate ETF

Provides exposure to non U.S. real estate investment trusts (REITs), companies in 30 countries that purchase office buildings, hotels, and other real property.

Underlying holdings offer a convenient way to get broad exposure across international REIT equity markets at a relatively reasonable cost.

Financial deleveraging and recovery of the real estate market has been well documented within the U.S.

U.S. REITS have experienced considerable appreciation, but upside may remain for international markets including Japan and Singapore.

HYLD: Peritus High Yield ETF

Investment objective is to generate a high current income with a secondary goal of capital appreciation.

Differentiated approach primarily focusing on the secondary market where manager believes there is less competition and more opportunities for capital gains.

Although some of the larger cap high yield instruments have appreciated considerably as of late, upside may remain in some of the smaller less liquid names.

Income is an important component of defined contribution plans, particularly for those participants that have reached retirement.

CSJ: iShares 13 Year Credit Bond ETF

Provides exposure to investment grade corporate debt and sovereign, supranational, local authority and nonU.S. agency bonds that are U.S. dollar denominated.

Underlying holdings include credit securities with a remaining maturity of between 1 and 3 years and more than \$250 million of outstanding face value.

A fixed income alternative that maintains short durations but offers greater yield.

Offers potential for higher returns than U.S. Treasuries while limiting the risk of rising interest rates.

CNBC Model ETF Retirement Portfolios -- Investment Strategy as of June 27, 2013

Green = June 2013 changes

Yellow = May 2013 changes

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Global Bonds	Overweight	WisdomTree Emerging Markets Local Debt	ELD	2.5	5	7.5
Opportunity						
Opportunity	-	PowerShares Senior Loan Portfolio	BKLN	5	5	5
Opportunity	-	Market Vectors Gold Miners	GDX	SELL	SELL	SELL
Opportunity	-	Vanguard Global ex-US Real Estate	VNQI	5	5	5
Opportunity	-	Peritus High Yield ETF	HYLD	5	5	5
Opportunity	-	PowerShares DB US Dollar Index Bullish	UUP	5	5	5
Opportunity Surplus	-	iShares Barclays 1-3 Year Credit Bond	CSJ	5	5	10
Totals				100	100	100

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- Offers the potential for both current income and capital appreciation.

VO : Vanguard Mid-Cap ETF

- The Vanguard Mid-Cap ETF tracks the MSCI US Mid Cap 450 Index, a diversified index of midcap U.S. companies.
- VO is highly liquid and charges just 0.10% for the lowest fees in the segment.
- Mid cap companies are typically small cap businesses that have succeeded, providing higher cash flows and earnings acceleration compared to large caps, but with greater financial liquidity and capital-raising ability than small caps.

XLK : Technology Select Sector SPDR

- Valuations of tech sector has superior fundamental metrics to health care
- Apple's fall product cycle a possible catalyst for the sector
- Higher probability of dividend growth from this sector given stronger balance sheets even if rotation to cyclicals doesn't fully materialize
- DUKE/CFO Magazine's Business Outlook Survey from June 2013 indicates optimism for CapEx cycle for the second half of 2013

VEU: Vanguard FTSE All-World ex-US ETF

- A well-known and relatively inexpensive broad market benchmark for non U.S. Equities.
- FTSE is a leading benchmark provider for international stock performance.
- Provides capital weighted exposure to 46 Developed and Emerging Markets.
- Used as a core holding subject to overweight allocations determined by the CNBC ETF Advisory Council.

DXJ: WisdomTree Japan Hedged Equity

- Credit concerns in China (Trust Loans impact 15% of Chinese GDP while Subprime Loans only impacted 9% of GDP in the US) weighing on Emerging Markets with no short term resolution
- Shinzo Abe is targeting a doubling of the monetary base within two years and targeting 2% inflation after decades of deflation.
- DXJ hedges out (falling) yen exposure and is very bullish for Japanese exporters.
- Recent pullback reflects an appealing entry point as ETF appears to have formed a temporary bottom at around \$44

ECON: EGShares Emerging Markets Consumer ETF

- Provides exposure to the Consumer Goods and Consumer Services Industries within Emerging Markets.
- Most Market Cap Weighted Indexes in Emerging Markets have limited exposure to smaller, consumer-oriented companies.
- A rapidly expanding middle class with Emerging Markets can increasingly afford more basic consumer goods and services.
- As Emerging Market GDP growth continues to exceed developed markets, companies that benefit from rising consumption may rapidly appreciate.

IDLV : PowerShares S&P International Developed Low Volatility ETF

- Tracks an index of about 200 stocks showing low price volatility pulled from the S&P Developed ex-US and South Korea LargeMid Cap BMI Index.
- 0.25% fee is very competitive for a non-market cap ETF.
- Index focuses on low price volatility equities leads to defensive sector tilts including utilities and consumer non-cyclicals.
- Due to ex-us exposure, investors will see large tilt to defensives in Japan, the U.K., and Canada.

AGG: iShares Core Total U.S. Bond Market ETF

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- Provides inexpensive broad market exposure to the U.S. investment grade bond market.
- Holdings include U.S. Government Bonds, Investment grade corporate bonds, mortgage pass-through securities and asset backed securities.
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LQD: iShares iBoxx \$ Invest Grade Corp Bond

- LQD tracks a market cap weighted index of US Corporate Investment Grade Bonds and holds over 1000 fixed income issues.
- LQD has over a 33% weighting to financials. However, financials are becoming better credits due to forced deleveraging caused by Basel III, the qualified mortgage rule, Dodd Frank, and other restrictions on lending that are leading to overall de-risking.
- Corporate balance sheets arguably offer better fundamentals than the U.S. Government.
- Despite the potential pitfall of longer durations, the yield enhancement relative to U.S. Treasuries is appealing.

ELD: WisdomTree Emerging Markets Local Debt

- ELD invests in local currency debt of emerging market issuers.
- Average yield to maturity is 4.57% with effective duration of 4.87 years. This compares favourably to the 2.87% YTM on LQD with a duration of 8.1 years.
- Over 45 emerging countries are now rated investment grade, equating to over 50% of the universe. Moreover, since the collapse of Lehman brothers, EM and DM credit ratings have been converging, with an aggregate of 33 EM upgrades over the last four years against an aggregate of 120 DM downgrades.

BKLN: PowerShares Senior Loan Portfolio

- Provides exposure to a senior loan portfolio which is secured by collateral, such as property, inventory, equipment and intangibles.
- Collateral provides the debt with greater security than high yield bonds without a significant tradeoff in yield.
- A senior secured floating rate loan "floats" at a pre-determined spread over a reference rate, usually LIBOR.
- This feature may help to mitigate the risk of rising interest rates.

GDX: Market Vectors Gold Miners ETF

- GDX is the most widely held ETF in the Global Gold mining segment. It tracks a cap-weighted index with 29 names and weightings in mining majors such as Barrick and Goldcorp.

- GDX is limited to firms that trade in the US, so it does miss some of the smaller, internationally traded firms, which give it a large US and Canada bias.
- Gold miners are shifting corporate strategies to emphasize efficiency over expansion and they are beginning to increase dividend payouts.
- Gold can be viewed as a portfolio “insurance”, which acts as a hedge to negative financial market scenarios which are plausible over the near to medium term.

VNQI: Vanguard Global ex-US Real Estate ETF

- Provides exposure to non U.S. real estate investment trusts (REITs), companies in 30 countries that purchase office buildings, hotels, and other real property.
- Underlying holdings offer a convenient way to get broad exposure across international REIT equity markets at a relatively reasonable cost.
- Financial deleveraging and recovery of the real estate market has been well documented within the U.S.
- U.S. REITS have experienced considerable appreciation, but upside may remain for international markets including Japan and Singapore.

HYLD: Peritus High Yield ETF

- Investment objective is to generate a high current income with a secondary goal of capital appreciation.
- Differentiated approach primarily focusing on the secondary market where manager believes there is less competition and more opportunities for capital gains.
- Although some of the larger cap high yield instruments have appreciated considerably as of late, upside may remain in some of the smaller less liquid names
- Income is an important component of defined contribution plans, particularly for those participants that have reached retirement.

UUP: PowerShares DB US Dollar Bullish Fund

- Provides exposure to the U.S. dollar relative to a basket of the six major world currencies including the Euro, Japanese Yen and British Pound.
- Is likely to appreciate from a strengthening US dollar.
- May be a compelling alternative during global downturn as investors seek the safety of the world’s reserve currency.
- Position designed to provide a hedge in the wake of rapidly deteriorating global equity markets.

CSJ: iShares 1-3 Year Credit Bond ETF

- Provides exposure to investment grade corporate debt and sovereign, supranational, local authority and non-U.S. agency bonds that are U.S. dollar denominated.
- Underlying holdings include credit securities with a remaining maturity of between 1 and 3 years and more than \$250 million of outstanding face value.
- A fixed income alternative that maintains short durations but offers greater yield.
- Offers potential for higher returns than U.S. Treasuries while limiting the risk of rising interest rates.

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US Equity	Overweight	First Trust Health Care AlphaDEX	FXH	3.5	2.5	2.5
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ACWI ex-US Equity	Overweight	WisdomTree Emerging Markets Equity Income	DEM	7	5	2.5
ACWI ex-US Equity	Overweight	EGShares Emerging Markets Consumer	ECON	3.5	2.5	2.5
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Global Bonds	Overweight	WisdomTree Emerging Markets Local Debt	ELD	2.5	5	4
Opportunity						
Opportunity	-	PowerShares Senior Loan Portfolio	BKLN	5	5	5
Opportunity	-	Market Vectors Gold Miners	GDX	5	5	2.5
Opportunity	-	Vanguard Global ex-US Real Estate	VNQI	5	5	2.5
Opportunity	-	Peritus High Yield ETF	HYLD	5	5	2.5
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FXH : First Trust Health Care AlphaDEX

- FXH tracks a quantitative index of U.S. healthcare companies selected and weighted based on value and growth criteria.
- This leads to high small and mid-cap concentrations, with mid cap issues making up over 50% of the portfolio.
- Aging demographics and health care trends indicate a future of strong demand for healthcare solutions.
- Obamacare will increase Americans' access to health care. It is projected to add an additional 35 - 45 million insured patients into the healthcare market.
- M&A continues, with small and mid-cap players being bought up by industry heavy weights. This ETF's tilt provides access to this theme.

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DEM: WisdomTree Emerging Markets Equity Income Fund

- Provides exposure to the highest dividend yielding stocks within Emerging Markets that meet the fundamentally weighted criteria of the underlying index.
- Typically companies must maintain or increase their dividends to be included in the portfolio.
- Within developing nations companies that maintain or grow their dividends tend to be among the better performing stocks.
- This approach has resulted in over 500 bps in annual outperformance with 15% less volatility than the MSCI Emerging Markets Index (from inception (6/1/07) through 12/31/12).

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- Underlying holdings include credit securities with a remaining maturity of between 1 and 3 years and more than \$250 million of outstanding face value.
- A fixed income alternative that maintains short durations but offers greater yield.
- Offers potential for higher returns than U.S. Treasuries while limiting the risk of rising interest rates.