Objective:	Tactical Allocation	**Process:**	Quantitative
Asset Class:	Global Multi-Asset	**Implementation:**	ETFs
Holdings:	2 - 5	**Style Box:**	Large Blend
Inception:	Oct. 2009	**Structure:**	SMA[3]

Description

This strategy complements the core of a portfolio by delivering tactical adjustments to market exposures on a weekly basis. The strategy holds up to five ETFs representing the major risk markets globally, with a fixed income out-position that ranges from zero to 90%. Portfolio changes are driven by a quantitative marker called a "moving average." Risk market ETFs are retained in the portfolio when they demonstrate a positive trend, and they are removed when the trend turns negative.

Process

Risk market exposures are diversified across four quadrants – domestic equity, international equity, emerging markets and tangible assets (natural resources and real estate). Each quadrant is reviewed on a monthly cycle, but the reviews are staggered weekly throughout the month.

On the first Friday of the month, the ETF for developed international equities is measured against its intermediate term moving average as of the close of markets on Thursday. If the price of the ETF is higher than its moving average the ETF is retained in the portfolio until its next scheduled review. If the international ETF closes below its moving average on Thursday, it is sold on Friday and replaced with an ETF for investment-grade fixed income and cash reserves.

On the second Friday of the month the ETF for domestic equities is reviewed according to the same process. The emerging markets ETF is reviewed on the third Friday of the month, while natural resources and real estate are reviewed together on the fourth Friday. The objective is to retain exposure to risk markets when their moving average indicator suggests a relatively favorable short-term outlook, while switching to fixed income and cash when the outlook is less favorable.

Role in Portfolio

The Dynamic Allocation strategy systematically adjusts the risk profile of a diversified portfolio to reflect prevailing market conditions. When the recent trend in the global risk markets has been positive, this strategy is likely to contribute more exposure to these markets within a diversified portfolio. When the recent trend has been negative an allocation to this strategy is likely to add more to the fixed income portion of a diversified portfolio.

[3] The acronym SMA refers to "Separately Managed Account."

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Introduction

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MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

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Bank of America/Merrill Lynch Government/Corporate 1-5 Year Bond Index is an index consisting of Treasury or government agency securities and investment grade corporate debt securities with maturities of one to five years.

Barclays Capital Aggregate Bond Index is a broad index of domestic investment grade fixed income securities designed to reflect the domestic investment grade bond market. The index includes U.S. government bonds, agency securities, and corporate bonds across the entire spectrum of the maturity yield curve.

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