

- 1) The old benchmark portfolios specifically allocated an investor's "age" as their percentage in long-term treasuries (TLT). Over the past decade, an Income Portfolio (30/70i), with 70% in TLT, returned 141% with a worst calendar year decline of -5%. Still, we favor the eMAC long term.
- 2) Over the past 25 years, 60% trend following and 40% equity indexing was an effective asset allocation even though equity indexing outperformed significantly most of the time. Investors were constantly tempted to shift their allocation. See our ETF Trend Following presentation.
- 3) Our 50/50 Portfolio is half indexing and half trend following. The Diversified Portfolio (DVR) is 1/3 indexing and 2/3 trend following.

Watch List	Symbol/ Abbrev.	Worst Year	10yr Total Return	Annualized Returns				Annual Yield	Expense Ratio	ETF PM Annual Fee
				10yr	7yr	4yr	1yr			
<b>Investable Benchmarks</b>										
<b>ETF PM Passive Core Portfolios</b>										
Income	30/70i	- 5%	141%	9.2%	9.0%	9.0%	21.3%	3.0%	0.18%	None
Income & Growth	I&G	- 8%	128%	8.6%	7.7%	6.0%	11.4%	2.9%	0.19%	None
eMAC	eMAC	- 26%	117%	8.0%	6.2%	2.3%	2.2%	2.9%	0.13%	None
S&P 500	SPY	- 37%	32%	2.8%	2.6%	- 1.7%	2.1%	2.1%	0.09%	None
<b>Absolute Return Strategies</b>										
<b>ETF PM Active Management</b>										
Aggressive Growth	AG	- 16%	na	na	4.7%	- 2.7%	- 16.1%	na	na	2.0%
Global Growth	GG	- 10%	na	na	na	0.8%	- 9.9%	na	na	2.0%
Single Sector	SS	- 17%	na	na	na	10.1%	- 17.3%	na	na	2.0%
<b>Sample Portfolios</b>										
50/50	50/50	- 8%	na	na	na	1.6%	- 5.3%	1.4%	na	1.0%
Diversified	DVR	- 8%	na	na	na	1.0%	- 7.9%	1.0%	na	1.3%
<b>Benchmarks</b>										
S&P 500	SPX	- 37%	33%	2.9%	2.6%	- 1.6%	2.1%	2.1%	na	na
Hedge Fund Index	HFI	- 19%	87%	6.4%	5.3%	0.9%	- 2.5%	na	na	na
<b>Passive Asset Classes</b>										
<b>Developed Equities</b>										
US Total	VTI	- 37%	46%	3.8%	3.2%	- 1.0%	1.0%	1.9%	0.07%	None
Foreign Developed	VEA	- 41%	60%	4.8%	1.9%	- 8.0%	- 12.3%	3.5%	0.12%	None
Total World Stock	VT	- 42%	56%	4.6%	3.0%	- 5.1%	- 7.6%	2.4%	0.25%	None
<b>Emerging Markets</b>										
Emerging Markets	VWO	- 53%	259%	13.6%	9.8%	- 5.3%	- 18.7%	2.4%	0.22%	None
Brazil	EWZ	- 56%	494%	19.5%	18.0%	- 4.9%	- 22.3%	2.6%	0.61%	None
China	FXI	- 50%	na	na	11.4%	- 10.5%	- 17.7%	2.2%	0.72%	None
<b>Real Assets</b>										
Real Estate	VNQ	- 37%	164%	10.2%	5.2%	3.3%	8.6%	3.5%	0.12%	None
Commodities	GSG	- 47%	65%	5.2%	- 1.7%	- 10.9%	- 3.3%	na	0.75%	None
<b>Fixed Income</b>										
20+ Yr. Treasuries	TLT	- 22%	139%	9.1%	9.2%	11.3%	33.6%	3.3%	0.15%	None
7-10 Yr. Treasuries	IEF	- 6%	97%	7.0%	7.1%	8.7%	15.5%	2.6%	0.15%	None
Treas. Inflation Protected	TIP	- 3%	105%	7.4%	5.9%	6.9%	13.4%	4.1%	0.20%	None
Total Bond Market	BND	2%	75%	5.8%	5.6%	6.4%	7.9%	2.9%	0.11%	None

**Note:** Investable Benchmarks are comprised of leading ETFs from Vanguard and iShares. The eMAC Portfolio is based on the efficient multi-asset class portfolio of ETFs in David Swensen's "Unconventional Success" and his revisions. Index performance was used when fund performance was unavailable. Passive Core returns reflect annual rebalancing and exclude transaction costs. All Annual Yield and Expense Ratio data as of 12/31/11. Worst Year figures are based on calendar year data since 2000. na - not available. Past performance does not guarantee future results.

Please see full performance disclosures on the following page or visit [www.etfpm.com](http://www.etfpm.com).

**General Information:** All of our Aggressive Growth performance results relate to the Aggressive Growth representative account (the "AG Portfolio"), an account that David Kreinices first traded in January 2005 while he was a portfolio manager at Merrill Lynch. Mr. Kreinices was solely responsible for the development of the Aggressive Growth Portfolio. While at Merrill Lynch, he had full discretionary authority over the selection of investments for, and was primarily responsible for the day-to-day management of, all accounts that employed the AG Portfolio.

All of our Global Growth performance results relate to the Global Growth representative account (the "GG Portfolio"); and all of our Single Sector performance results relate to the Single Sector representative account (the "SS Portfolio"); the GG and SS Portfolios were first implemented in January 2008.

Together the GG Portfolio, SS Portfolio and the AG Portfolio will be referred to as the "Absolute Return Portfolios."

Most of the Merrill Lynch Aggressive Growth Accounts terminated their respective investment advisory agreements with Merrill Lynch and became investment advisory clients of ETF Portfolio Management ("ETF PM") and allocated to the same Aggressive Growth Portfolio. The Aggressive Growth Portfolio managed by Mr. Kreinices at ETF PM is substantially similar to, if not the same as, the Aggressive Growth Portfolio employed by him while he was with Merrill Lynch. As was the case while Mr. Kreinices was at Merrill Lynch, Mr. Kreinices has full discretionary authority over the selection of investments for, and is primarily responsible for the day-to-day management of, those ETF PM accounts that allocate to the Aggressive Growth Portfolio.

Mr. Kreinices left Merrill Lynch on November 27, 2007 and started ETF PM on December 1, 2007. The performance results for the AG Portfolio, between the period of January 1, 2005 through November 25, 2007 (the "Prior Performance Period"), reflect the performance of the same account achieved under the management of Mr. Kreinices while he was a portfolio manager at Merrill Lynch. Although Mr. Kreinices will implement the AG Portfolio at ETF PM in substantially the same manner as that of when he was at Merrill Lynch, the performance results during the Prior Performance Period are not indicative of the future performance of the AG Portfolio at ETF PM.

**Performance Achieved at ETF PM:** The Global Growth and Single Sector Performance Results at ETF PM reflect single accounts' performance achieved by the respective representative ETF PM Global Growth and Single Sector accounts. Accordingly, the performance results are similar to the performance achieved by the composite of ETF PM's Global Growth and Single Sector accounts although the figures are not identical.

The Aggressive Growth Performance Results at ETF PM reflect the single account performance achieved by the representative ETF PM Aggressive Growth account, which is the account of an individual related to Mr. Kreinices. The representative account used to represent the Aggressive Growth Portfolio was chosen because it most closely conforms to the investment strategies utilized in the Aggressive Growth Portfolio. Individual account performance will vary based upon the inception date of the account, restrictions on the account, and other factors, and may not equal the performance presented herein. Accordingly, the performance results at ETF PM are similar to the performance achieved by the composite of ETF PM's Aggressive Growth accounts although the figures are not identical.

**The Performance Results of the Global Growth and Aggressive Growth portfolios have been verified by The Spaulding Group, are net of all fees, and assume reinvestment of dividends.** Please see <http://etfpm.com/resources/all-disclosures/performance-verification-reports/> for the latest performance report from The Spaulding Group or request the report at [info@etfpm.com](mailto:info@etfpm.com).

**Fees:** Each GG advisory account was charged an annual management fee of 0.5% of assets under management in 2008; each SS advisory account was charged an annual management fee of 1% of assets under management in 2008. The representative Merrill Lynch Aggressive Growth account was charged by Merrill Lynch an annual, all-inclusive fee of 1.5% of assets under management. On the other hand, each ETF PM AG Portfolio advisory account was charged an annual management fee of 1.0% of assets under management in 2008.

The AG Portfolio's Performance Results during the Prior Performance Period reflect the Merrill Lynch Fee Structure. Accordingly, if the ETF PM Fee Structure were taken into account instead of the Merrill Lynch Fee Structure, the Performance Results during the Prior Performance Period may be lower than those presented.

**In 2009, the annual management fee became 2% for Aggressive Growth, Global Growth and Single Sector. We do not charge a performance fee on any of our accounts.** Advisory fees are disclosed in each client's investment management agreement with ETF PM. The Absolute Return Portfolios accounts are solely responsible for all commissions and other transaction charges as well as any charges relating to the custody of securities in such accounts.

**Historical Performance:** *Historical performance is not indicative of future performance.* Additionally, the investment return and principal value of an ETF PM Account will fluctuate and may be worth more or less than the original cost when liquidated. Investment environment and market conditions may be markedly different in the future and investment returns will fluctuate in value. There can be no assurance that any ETF PM Account will achieve positive returns in future periods.

The Absolute Return Portfolios were implemented, and will continue to be implemented, with a view towards long-term capital growth and protection. The indices presented are for comparison purposes only. An ETF PM Account employing the Absolute Return Portfolios may not be as diversified as any of these indices and no index is directly comparable to the investment strategy of any ETF PM Account employing the Absolute Return Portfolios.

**50/50 (the "50/50 Portfolio"):** The 50/50 Portfolio is a hypothetical portfolio that reflects 50% eMAC, 25% Aggressive Growth and 25% Global Growth. The 50/50 performance estimates at ETF PM are backtested and have not been audited. The 50/50 performance estimates are net of all fees and assume reinvestment of dividends with annual rebalancing.

**Diversified (the "DVR Portfolio"):** The DVR Portfolio is a hypothetical portfolio that reflects an equal combination of our eMAC, Aggressive Growth and Global Growth portfolios. The DVR performance estimates at ETF PM are backtested and have not been audited. The DVR performance estimates are net of all fees and assume reinvestment of dividends.

**Benchmarks:** The **S&P 500 Index (SPX)** is an unmanaged index of common stocks that represents the U.S. stock market. The index is mainly comprised of large cap companies and reflects roughly two-thirds of the total domestic stock market value. **Dow Jones Credit Suisse Hedge Fund Index (HFI)** includes approximately 8,000 funds that each have a minimum of \$50mm under management, a 12-month track record, and audited financial statements. The index is asset weighted and excludes separate accounts.

## PASSIVE CORES

**General Information:** All of the performance estimates (the "Performance Estimates") for our Passive Cores relate to a range of hypothetical core models (the "Passive Core Portfolios"), strategies that David Kreinices first backtested in 2008. These portfolios do not take into account an individual's investment objectives and financial circumstances. Consult your investment adviser before investing.

Mr. Kreinices tailored the eMAC Portfolio (eMAC) to the efficient multi-asset class portfolio in David Swensen's "Unconventional Success" and his revisions. Swensen is the chief investment officer of Yale University, and, in our opinion, he is leading our industry in modern portfolio diversification. David Swensen is not affiliated with ETF PM and has not endorsed ETF PM.

Mr. Kreinices was solely responsible for the development of the income portfolios and he had full discretionary authority over the selection of investments.

Mr. Kreinices left Merrill Lynch on November 27, 2007 and started ETF Portfolio Management, LLC ("ETF PM") on December 1, 2007. It is expected that high net worth individuals and institutional clients will allocate to the Strategic Core Portfolios at ETF PM.

**Performance Estimates at ETF PM:** The Performance Estimates at ETF PM reflect an estimate of the performance that would have been achieved by a hypothetical Passive Core account with annual rebalancing. The Performance Estimates at ETF PM are backtested and have not been audited. The Performance Estimates do not reflect trading fees associated with the annual rebalancing and assume reinvestment of dividends.

The Performance Estimates for the Passive Cores do not reflect an advisory fee and ETF PM does *not* charge an advisory fee for these account structures. Each ETF PM advisory account is solely responsible for all commissions and other transaction charges, as well as any charge relating to the custody of securities in such account.

Backtesting involves simulation of a quantitative investment model by applying all rules, thresholds and strategies to a hypothetical portfolio during a specific market period. The Passive Core performance estimates do not reflect the returns of actual client accounts invested in the strategies presented. Backtested performance does not represent actual trading in an account and does not reflect the impact that material economic and market factors might have had on ETF PM's decision-making process if ETF PM were actually managing the assets.

*Historical performance estimates are not indicative of future performance.* The investment return and principal value of an ETF PM Account will fluctuate and may be worth more or less than the original cost when liquidated. The investment environment and market conditions may be markedly different in the future and investment returns will fluctuate in value. There can be no assurance that any ETF PM Account will achieve positive returns in future periods.

The Passive Cores were implemented, and will continue to be implemented, with a view towards low-cost diversification across multiple asset classes. The Performance Estimates presented are for comparison purposes only. All the information in this report was taken from sources we believe to be reliable, but we cannot guarantee perfect accuracy.

**Benchmarks:** The **S&P 500 Index (SPX)** is an unmanaged index of common stocks that represents the U.S. stock market. The index is mainly comprised of large cap companies and reflects roughly two-thirds of the total domestic stock market value. **SPY** is an ETF for the S&P 500. The **Income Portfolio (30/70I)** is 30% Vanguard Total World Stock (VT) and 70% iShares 20+ Year Treasury Bond (TLT). The **Income & Growth Portfolio (I&G)** is 42% Vanguard Total World Stock (VT), 8% REITs (VNQ), 35% Long-Term Treasuries (TLT), 7% Medium-Term Treasuries (IEF), and 8% Treasury Inflation Protected Securities (TIP).