

To Our Clients and Prospects:

In 2013, global central bank easing drove a 33% gain in U.S. equity amid fears of Federal Reserve stimulus “tapering,” and an ongoing debt-ceiling crisis. Emerging markets (VWO) underperformed with a 5% loss, leaving global equity (VT) up 23% for the year.

Biotech (IBB) was among the leading sectors with a gain of 65%, while real assets and fixed income were weak. REITs (VNQ) were up just 3%, commodities (GSG) slid 2%, and Gold (GLD) plummeted down 28%.

Strong equity returns, and severe weakness in fixed income, prompted some investors to reduce their exposure to bonds. Treasury inflation-protected securities (TIPs) fell by 8%, long-term treasuries (TLT) dropped 13%, and the total bond market (BND) lost 2%.

Our benchmark growth portfolio gained 11% for the year, leaving the eMAC’s 10-year total return at 123%, or 8% annualized. This portfolio has a current annual yield of 2.4%, with a blended expense ratio under 0.2%.

To broaden diversification, we combine strategic indexing with disciplined ETF trend following. Last year, our 50/50 Portfolio gained 13% while the Systematic Index fell by 2%. Our new Tactical Portfolio also performed well delivering a gain of 19%.

Over the past 27 years, 60/40 SI (60% Systematic Index and 40% S&P 500) compounded by 9.6% annually. This trend following exposure improved the worst rolling three-year total return to a 2% loss, from a 38% loss for the S&P 500 alone. See our ETF Trend Following presentation online.

Over the past nine years, ETF PM’s Aggressive Growth portfolio gained 58% while the Systematic Index rose by 27%. And, over the past six years, our Global Growth portfolio gained 30% while the Systematic Index added 13%.

As always, please let me know if you would like to discuss.

David S. Kreinces
 Founder & Portfolio Manager

Watch List	2013 Return	6yr Total Return	Worst Year
Investable Benchmarks			
Income	-2.5%	47%	-5%
Income & Growth	4.0%	45%	-8%
Growth (eMAC)	11.0%	38%	-26%
S&P 500	32.3%	43%	-37%
Absolute Return Strategies			
50/50 Portfolio	12.9%	31%	-8%
Tactical Portfolio	18.9%	na	na
Single Sector	1.2%	39%	-17%
Systematic Index	-1.6%	13%	-4%
<small>Note: Worst Year is worst calendar year since 2000. Past performance is not an indication of future results. Systematic Index is the BarclayHedge Systematic Traders Index which is mostly trend following funds. na Not Available. Please see full disclosures enclosed and at www.etfpm.com.</small>			