



ETF PORTFOLIO MANAGEMENT, LLC

January 2017

**Dear Investors:**

In 2016, the Income and Growth investable benchmark gained 5%. The global equity (VT) and real estate (VNQ) asset classes both delivered 9%, while long-term Treasuries (TLT) rose by 1%.

The new leveraged Income and Growth portfolios gained 10% to 12% for the year. We estimate the trailing 10-year annualized returns were 12% to 19%, producing total returns of 216% to 463%.

Over the past decade, the investable benchmark portfolios performed extremely well. Income & Growth matched the 7% annualized return delivered by the S&P 500, but with far lower risk. Using long-term Treasury bonds for fixed income exposure, Income & Growth had a worst year return of -4%, versus -37% for the S&P 500 alone.

Watch List	2016 Return	10yr Annualized	10yr Total	Worst Year
<b>Investable Benchmarks</b>				
Income & Growth	5%	7%	92%	-4%
Income & Growth 2x	10%	12%	216%	-11%
Income & Growth 3x	12%	19%	463%	-17%
S&P 500	12%	7%	94%	-37%
Long-Term Treasuries	1%	7%	90%	-22%
Warren Buffett	11%	7%	90%	-32%
David Swensen	7%	5%	70%	-26%

Note: Historical data shown is hypothetical back-tested data for informational purposes. Worst Year is worst calendar year since 2000. Past performance is not an indication of future results. na Not Available. Please see full disclosures enclosed and at [www.etfpm.com](http://www.etfpm.com).

This past February, we upgraded the investable benchmarks to highlight balanced portfolios with leverage, also known as “leveraged risk parity.” Our performance summary shows that disciplined income and growth portfolios with leverage have delivered far better performance than the S&P 500 and leading ETF growth portfolios.

Over the past decade, we estimate that Income & Growth 3x gained 463% in total return, while the S&P 500 delivered 94%. The Buffett and Swensen ETF growth portfolios rose by 90% and 70%, respectively.

Still, historical performance can never guarantee future results, and leveraged ETFs do not always function as expected. Therefore, we typically recommend employing our trend following risk controls, and/or tactical rotation, when making investment allocations with a material amount of risk assets and/or leverage.

As always, please let us know if you would like to plan a call or meeting to discuss.

We are wishing you and your family a happy and healthy New Year!

David S. Kreinces  
 Founder & Portfolio Manager