ETF PM
ETF PORTFOLIO MANAGEMENT, LLC

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To Our Clients and Prospects:

In 2010, the momentum in emerging markets shifted to Hong Kong and Malaysia, while precious metals and commercial real estate both delivered strong returns. The domestic equity markets also did well with outperformance from mid and small-cap indexes.

Over the past three years, the S&P 500 fell by -8% as the eMAC Portfolio gained 5%. Our absolute return strategies rose by 7% to 15%.

While passive multi-asset class indexing, and/or active trend following, will not outperform every year, their long-term value propositions are extraordinary.

Watch List	2010 Return	3yr Total Return	Worst Year
Investable Benchmarks			
S&P 500	14.9%	-8.4%	-36.9%
70/30 Growth	13.2%	6.8%	-15.7%
eMAC Portfolio	14.4%	5.1%	-26.5%
Absolute Return Strategies			
Aggressive Growth	14.8%	6.6%	-7.1%
Global Growth	-1.9%	14.6%	-3.4%
Long Short	10.8%	14.7%	-7.2%

Note: Worst Year is worst calendar year since 2008. Past performance is not an indication of future results. Investable Benchmark portfolios assume annual rebalancing and exclude transaction costs. Please see full disclosures enclosed and at **www.etfpm.com**.

Over the past 10 years, the passive eMAC gained 100% compared to 14% for the S&P 500 and 48% for 70/30 Growth. This efficient multi-asset class (eMAC) portfolio includes six leading exchange-traded funds (ETFs) based on the recommendation from David Swensen, Yale University's chief investment officer. Given the eMAC's performance, and Swensen's leading institutional track record, investors should be cautious in deviating from the eMAC.

In many respects, indexing is simply a passive form of rules-based trend following. Active trend following can be found in the Systematic Index (BarclayHedge Systematic Traders Index) which includes hundreds of strategies with well over $150 billion in assets under management. At ETF PM, our research concludes that investors should employ a combination of passive multi-asset class indexing and active ETF trend following.

For example, over the past 24 years, adding a 60% weighting in the Systematic Index, to a 40% weighting in the S&P, would have lowered the worst rolling three-year return to -2%, from -38% for the S&P 500 alone. This huge reduction in risk would also have come with a 129% increase in total return. See our Global Growth presentation online (slides 5-8).

Over the past six years, ETF PM's Aggressive Growth portfolio gained 64% compared to 17% for the S&P 500 and 37% for the Systematic Index. In order to outperform long-term, investors must be innovative and disciplined.

Thank you to our clients for your trust and confidence.

David S. Kreinces
Founder & Portfolio Manager

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