
ETF Managed Portfolios Landscape

Q3 2014

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Executive Summary

ETF managed portfolios are investment strategies that typically have more than 50% of portfolio assets invested in exchange-traded funds. Primarily available as separate accounts, these portfolios represent one of the fastest-growing segments of the managed-account universe. Professional money managers are packaging portfolios of ETFs into investment strategies to meet a wide array of investor and advisor demands.

Morningstar's proprietary, portfolio attribute classification system for ETF managed portfolios consists of four main attributes: Universe, Asset Breadth, Portfolio Implementation, and Primary ETF Exposure Type. This system relies on our analysis of the investment strategy and disclosed portfolios and aids key decision-makers in better understanding the philosophies underlying this growing crop of investment strategies. Growth in assets from advisor demand is being driven by multiple factors. The fiduciary standard continues to move forward as the baseline philosophy for managing client portfolios, and, as a result, growth in the fee-based advisory model is increasing the appeal of lower-cost, broad-based investments for a larger part of client portfolios, and shifting advisors' focus from security and manager selection to managing clients' overall asset allocation.

Key Takeaways

- ▶ Morningstar is tracking 677 strategies from 143 firms with total assets (AUM and AUA) of \$96 billion through September 2014.
- ▶ Total assets in these strategies tracked by Morningstar fell 6% in the third quarter of 2014.
- ▶ U.S. Equity strategies retained their top position and collectively held \$32 billion in assets as of September 2014, down 12% from the previous quarter.
- ▶ The continued relative strength of the S&P 500 has surfaced questions as to the value proposition of ETF managed portfolios.

Landscape Highlights

Third Quarter Hiccup

Assets in ETF managed portfolios plummeted 6% this quarter. At the end of the third quarter, strategies in Morningstar's database had collective assets under management (AUM) or assets under advisement (AUA) of \$96 billion--on par with their end of 2013 level.

The third quarter was a rough one for global equity markets. Given that U.S. Equity strategies continue to hold the lion's share of assets, the landscape took quite a hit this quarter as six out of the nine Morningstar Style Box categories posted negative returns--with the exception of large caps. Additionally, Good Harbor's U.S. Tactical Core, once the largest strategy in this universe, saw its assets decline 36.7% due to a combination of poor returns and outflows. Many strategies looked particularly lackluster relative to the S&P 500, which added to its year-to-date gains in the third quarter. Poor relative showings versus the U.S. blue chip equity benchmark have prompted investors to put pressure on managers and re-evaluate the value proposition of their strategies.

The Silver Lining

Despite a gloomy third quarter for ETF managed portfolios as a whole, several managers have stuck to their guns and seen positive returns across their entire suite of strategies via well-timed sector bets in health care, technology, and consumer defensives.

Abridged Quarter

As a reminder, we publish a summarized version of the landscape report every first and third quarter. Compared to the full version, we have removed the tables listing all ETF managed portfolio strategies in our database. Updated information on all strategies can be found in both the ETF Managed Portfolio Center on MorningstarAdvisor.com and in Morningstar's research platforms (Direct, Office, and Workstation). In-depth research and analytics are available through these research platforms and can be used to replicate all return, portfolio, and blended-benchmark analysis.

Exhibit 1 Current Assets (%) by Attribute

Universe	All Asset	Alternative	Balanced	Equity	Fixed Income	Total
Global	29.0	0.3	9.6	13.7	1.8	54.4
International	0.0	0.0	0.0	2.0	0.0	2.0
United States	0.3	0.8	8.0	33.0	1.5	43.7
Total	29.3	1.0	17.6	48.7	3.3	100.0

Source: Morningstar Inc.

ETF Managed Portfolio Attributes

Morningstar's attribute structure for ETF managed portfolios gives investors and primary decision-makers more granular information to better compare one strategy's portfolio, philosophy, and potential profile with another. The new attribute classifications rely on both our analysis of the investment strategy as well as a historical review of disclosed holdings.

Our new structure consists of four main attributes: Universe, Asset Breadth, Portfolio Implementation, and Primary ETF Exposure Type. With better insight into a strategy's attributes, investors can better understand its broad philosophy. These four attributes are then further broken down into a list of unique classifications. Each strategy is assigned one classification within each attribute.

Exhibit 2 Attribute and Classification Summary

Universe	Asset Breadth	Portfolio Implementation	Primary ETF Exposure Type
Global	All-Asset	Hybrid	Broad Market
International	Alternative	Strategic	Sector
United States	Balanced	Tactical	Country/Region
	Equity		All-Inclusive
	Fixed Income		

Source: Morningstar Inc.

Universe

The first attribute describes the starting scope of a strategy's investment process on a global basis. The distinction is based upon the exposure of the underlying securities within the ETF used, not the domicile of the ETF itself. The classifications for this attribute are United States, International, and Global.

- ▶ United States: U.S. portfolios primarily use ETFs providing exposure to U.S. equity and fixed-income securities.
- ▶ International: International portfolios primarily use ETFs providing exposure to non-U.S. equity and fixed-income securities.
- ▶ Global: These strategies have the opportunity to add exposure to any market across the globe and have historically employed such flexibility.

The initial selection of this attribute is based on many factors, included a review of the strategy's current Morningstar Separate Account Category and Institutional Category, as well as an analysis of available portfolios. Where available, we've also reviewed a firm's deck or description of the investment strategy to note any starting universe or list of available ETFs or asset classes for investment. In benchmark or starting portfolios, the Global attribute was assigned to strategies with at least an 80/20 split among U.S. and International exposure. We also took into account, where necessary, the regional exposure of the dominant asset driver designated in the Asset Breadth attribute.

Asset Breadth

The classifications within this attribute indicate a strategy's primary asset class exposure or returns driver. There are five options here: All-Asset, Alternative, Balanced, Equity, and Fixed Income. These selections don't indicate that the whole portfolio is, for example, invested in equities or bonds, but rather sets the expectation for advisors and investors regarding the primary driver of returns. Classification within this attribute includes an analysis of historical portfolio asset allocations and a review, if available, of a strategy's investment policy benchmark, or starting portfolio, or naïve portfolio.

- ▶ All-Asset: These strategies typically have the widest and most-flexible mandate when investing in ETFs across asset classes. In reviewing the portfolios, we designated this attribute to strategies that consistently held more than 10% in "Other" assets as well as in underlying equity and fixed-income securities.
- ▶ Alternative: Alternative strategies typically seek returns uncorrelated to traditional equity and fixed-income markets by attempting to remove one or more asset betas or return drivers. Strategies with this attribute designation include long/short or other alternative strategies, including currencies.
- ▶ Balanced: The balanced option indicates strategies in which the return driver is a combination of equity and fixed-income exposure on a dedicated, ongoing basis. These strategies typically have a 30% to 70% allocation to equities.
- ▶ Equity: The primary asset driver of these strategies is long or beta-type exposure to equity securities. The use of leverage by the underlying ETF is ignored. These strategies typically have at least a 70% allocation to equities.
- ▶ Fixed Income: The primary asset driver of these strategies is long or beta-type exposure to fixed-income securities. The use of leverage by the underlying ETF is ignored. These strategies typically have less than a 30% allocation to equities.

Portfolio Implementation

This attribute gives insight into the investment manager's process for implementing a portfolio's investment strategy. Selection decisions for this attribute are based upon a review of the degree of changes both within and among asset classes in a portfolio. As a result, changes to the cash/equity/fixed income/other allocation, as well as to a portfolio's U.S./non-U.S. exposure, are considered. The three classifications are Hybrid, Strategic, and Tactical.

- ▶ Hybrid: This option indicates portfolios that utilize a combination of tactical and strategic elements in asset allocation. Hybrid portfolios, for example, start with a stated investment policy benchmark or asset allocation but allow for significant deviations of exposure within and between allocations, similar to "core and satellite" or "hub and spoke" operating models.
- ▶ Strategic: These are strategies that establish and maintain a long-term allocation plan across either asset classes, sectors, or a combination thereof. These portfolios may deviate from the plan in short-term periods based on identified opportunities but typically to a smaller degree compared with tactical strategies. Strategies for which few historic portfolios have been provided to our database initially default to this classification.
- ▶ Tactical: Tactical strategies engage in short-term and potentially large changes in the asset mix of a portfolio to capitalize on identified investment opportunities. These changes are typically intended to be reversed or removed.

Primary ETF Exposure Type

The last attribute identifies the type of ETF typically used to gain exposure to the Universe and Asset Breadth attributes. Selection is based upon analysis of past portfolios and information regarding a strategy's starting universe or list of potential investments.

- ▶ Broad Market: Broad-based ETFs tracking diversified indexes such as the Russell 2000 Index, S&P 500, or Barclays Aggregate Bond.
- ▶ Sector: Strategies that primarily use individual equity sector ETFs, such as those focusing on financials, or more narrowly focused fixed-income ETFs to gain exposure within the Asset Breadth attribute. A sector fixed-income strategy is typically one focused on a single sector such as municipals or Treasury ETFs.
- ▶ Country/Region: Similar to the sector option, these strategies utilize single-country, regional, or currency ETFs focused on a geographical region and are typically found in the international or global Universe attribute.
- ▶ All-Inclusive: All ETFs meeting the Universe and Asset Breadth criteria for a strategy are potential investments.

We believe our attribute classification system gives decision-makers a significant new tool for conducting research on these strategies and provides better expectations for potential exposures across the ETF universe. For instance, a tactical strategy with a global, balanced mandate that happens to have a large exposure to United States equities at one specific point in time has a greater potential for change going forward compared with a strategy with a U.S. equity mandate.

Exhibit 3 Universe Changes, 30 September 2014

Name	Firm Name	Inception Date	Universe	Asset Breadth	Portfolio Implementation	Primary ETF Exposure Type	Assets USD \$Mil
Strategies Added							
FFCM Dynamic All Cap Sector Rotation	FFCM LLC	4/1/14	United States	Equity	Tactical	Sector	400.30
FFCM Dynamic Large Cap Sector Rotation	FFCM LLC	4/1/14	United States	Equity	Tactical	Sector	0.30
First Nat Chapoquoit Dynamic Conserv SMA	First National Corp	1/2/13	Global	Equity	Tactical	All-Inclusive	0.18
First Nat Chapoquoit Dynamic Mod SMA	First National Corp	1/2/13	Global	All Asset	Tactical	All-Inclusive	0.71
First Nat. Chapoquoit Aggressive Dynamic	First National Corp	11/1/12	Global	All Asset	Tactical	All-Inclusive	0.33
iCM - Mgd ETF - Aggressive Cap App	Integrated Capital Management, Inc	1/3/05	Global	Equity	Strategic	Broad Market	9.10
iCM - Mgd ETF - Balanced	Integrated Capital Management, Inc	1/3/05	Global	Balanced	Strategic	Broad Market	26.30
iCM - Mgd ETF - Cap Pres & Inf Hdg	Integrated Capital Management, Inc	1/3/05	Global	Fixed Income	Strategic	Broad Market	4.70
iCM - Mgd ETF - Defensive Growth	Integrated Capital Management, Inc	1/3/05	Global	Balanced	Strategic	Broad Market	19.90
iCM - Mgd ETF - Equity Completion	Integrated Capital Management, Inc	1/3/05	Global	Equity	Strategic	Broad Market	4.30
iCM - Mgd ETF - Moderate Cap App	Integrated Capital Management, Inc	1/3/05	Global	Equity	Strategic	Broad Market	34.40
Keystone Wealth Glb Income AlphaRotation	Keystone Wealth Advisors	11/1/13	United States	All Asset	Tactical	All-Inclusive	0.34
KeystoneWealthWorld FocusedAlphaRotation	Keystone Wealth Advisors	1/1/14	Global	Balanced	Tactical	All-Inclusive	0.43
Nottingham Real Return Strategy	Nottingham Advisors Inc.	12/2/13	Global	All Asset	Tactical	All-Inclusive	0.83
One Cap Wealth Preservation & Gr 40/60	One Capital Management, LLLP	11/3/08	Global	Balanced	Strategic	All-Inclusive	8.03
One Cap Wealth Preservation & Inc 20/80	One Capital Management, LLLP	2/2/09	Global	Fixed Income	Strategic	All-Inclusive	2.40
One Capital Agg Wealth Appreciation	One Capital Management, LLLP	5/3/10	Global	Equity	Strategic	All-Inclusive	6.48
One Capital Balanced Wealth Appr 60/40	One Capital Management, LLLP	4/1/05	Global	Balanced	Strategic	All-Inclusive	25.85
One Capital Wealth Appreciation 80/20	One Capital Management, LLLP	1/30/04	Global	Equity	Strategic	All-Inclusive	17.28
Palladium Balanced Growth Core Strategy	Palladium, LLC	1/2/12	Global	Balanced	Tactical	All-Inclusive	9.60
Palladium Diversified Growth Strategy	Palladium, LLC	1/2/12	Global	Equity	Tactical	All-Inclusive	19.20
Palladium Sustainable Income Strategy	Palladium, LLC	1/2/12	United States	Fixed Income	Tactical	All-Inclusive	1.80
SAM Aggressive Global Growth	Safe Harbor Asset Management	12/31/99	Global	Equity	Strategic	All-Inclusive	3.32
SAM Conservative Global Growth	Safe Harbor Asset Management	12/31/99	Global	Balanced	Strategic	All-Inclusive	0.38
SAM Moderate Global Growth	Safe Harbor Asset Management	12/31/99	Global	Balanced	Strategic	All-Inclusive	16.40
SelectAlts Fleet Strategy	Select Alternative Investments	5/31/13	Global	All Asset	Tactical	All-Inclusive	1.40
SelectAlts Fortress Strategy	Select Alternative Investments	10/1/12	Global	All Asset	Tactical	All-Inclusive	1.40
Strategies Removed							
Altair Global Macro Core SMA	Altair Management Partners	08/01/06	United States	All Asset	Strategic	All-Inclusive	—
Belvedere Core Strategy	Belvedere Advisors LLC	12/01/11	Global	All Asset	Tactical	Broad Market	—
Belvedere Emerging Market Opportunities	Belvedere Advisors LLC	05/01/03	Global	All Asset	Tactical	All-Inclusive	—
CAM ETF Tax Deferred Aggressive	Bellatore Financial, Inc.	07/02/07	Global	Equity	Hybrid	All-Inclusive	—
CAM ETF Tax Deferred Moderately Agg	Bellatore Financial, Inc.	07/02/07	Global	Equity	Hybrid	All-Inclusive	—
Churchill 70 PREM WLTH/30 SMART SEC	Churchill Management Group	09/04/12	United States	Equity	Hybrid	All-Inclusive	—
Klaren Capital GTS Balanced	Klaren Capital, LLC	11/23/07	Global	Balanced	Hybrid	Broad Market	—
MCM Apto	Maryland Capital Management, LLC	09/29/06	Global	All Asset	Tactical	All-Inclusive	—
Pinnacle Dynamic Appreciation	Pinnacle Advisory Group Inc	10/31/02	United States	Equity	Strategic	All-Inclusive	—
Pinnacle Dynamic Moderate Growth	Pinnacle Advisory Group Inc	10/31/02	United States	Balanced	Strategic	All-Inclusive	—

Exhibit 3 Universe Changes, 30 September 2014 (Continued)

Name	Firm Name	Inception Date	Universe	Asset Breadth	Portfolio Implementation	Primary ETF Exposure Type	Assets USD \$Mil
SGA International Country Allocation	Strategic Global Advisors, LLC	06/30/06	International	Equity	Strategic	Country/Region	—
The Elements VolPro Disciplined	Elements Financial Group, LLC	01/26/11	United States	Fixed Income	Strategic	All-Inclusive	—
The Elements VolPro Disciplined Plus	Elements Financial Group, LLC	01/26/11	United States	Fixed Income	Strategic	All-Inclusive	—
The Elements VolPro Premium	Elements Financial Group, LLC	01/26/11	United States	Balanced	Strategic	All-Inclusive	—
The Elements VolPro Select Plus	Elements Financial Group, LLC	01/26/11	United States	Balanced	Strategic	All-Inclusive	—
The Elements YieldPro	Elements Financial Group, LLC	10/25/11	United States	Fixed Income	Strategic	All-Inclusive	—
Keystone Wealth Phoenix Opportunities	Keystone Wealth Advisors	1/2/14	Global	Alternative	Tactical	All-Inclusive	—

Source: Morningstar Inc.

Exhibit 4 3-Year Returns for Selected Top- and Bottom-Performing Strategies, 30 September 2014

Name	Inception Date	Universe	Asset Breadth	Portfolio Implementation	Primary ETF Exposure Type	Return %				Assets USD \$Mil
						1-Year	3-Year	5-Year	10-Year	
Top Performing Strategies										
Athena Global Tactical ETFs	9/1/10	Global	Equity	Tactical	Broad Market	17.57	30.03	—	—	42.40
Niemann Dynamic	2/20/97	United States	Equity	Tactical	Sector	11.05	23.77	13.16	9.14	39.84
Churchill ETF Sector Rotation	10/1/07	United States	Equity	Strategic	Sector	20.13	23.06	16.48	—	61.65
Hillswick S&P 500 Sector Selection	9/30/08	United States	Equity	Tactical	Sector	20.53	22.73	15.62	—	108.55
Braver Tactical Equity Sector Rotation	7/1/96	United States	Equity	Tactical	Sector	17.25	22.08	15.93	9.63	30.34
Main Management Active - US Large Cap	9/30/02	United States	Equity	Tactical	Sector	19.77	22.01	14.70	9.56	172.20
Raylor Strategic US Equity SMA	1/3/06	United States	Equity	Strategic	All-Inclusive	16.90	21.78	15.46	—	1.00
Niemann Dynamic Sector	2/20/08	United States	Equity	Tactical	Sector	7.68	21.06	12.64	—	4.58
diverseFOLIOS® Aggressive	10/1/10	Global	Equity	Strategic	All-Inclusive	11.11	20.86	—	—	15.00
Green Inv Mgt Guardian Sector	7/1/93	United States	Equity	Tactical	Sector	19.32	20.48	12.35	6.30	0.20
QA Global Style	9/4/07	Global	Equity	Tactical	Broad Market	13.04	20.39	15.18	—	4.47
WestEnd Advisors Global Equity	12/31/04	Global	Equity	Hybrid	All-Inclusive	14.86	20.29	14.09	—	7.13
iSectors Domestic Equity Allocation	7/1/10	United States	Equity	Strategic	Broad Market	15.03	20.27	—	—	23.20
F-Squared AlphaSector Premium Index	10/1/08	United States	Equity	Tactical	Sector	19.44	20.17	16.17	—	2,312.50
F-Squared Rotation AlphaSector Index	10/1/08	United States	Equity	Tactical	Sector	19.43	20.09	15.43	—	928.60
Bottom Performing Strategies										
Longview Capital Fixed Income	9/30/11	United States	Fixed Income	Tactical	All-Inclusive	3.96	2.17	—	—	39.00
iSectors Tactical Intl Allocation	10/1/09	International	Equity	Tactical	All-Inclusive	-1.59	2.17	0.85	—	0.60
Financial Trust Flexible Income	11/30/01	Global	Fixed Income	Tactical	All-Inclusive	-0.11	2.08	2.54	3.92	11.48
BCM Income	12/1/09	Global	Fixed Income	Tactical	All-Inclusive	2.17	2.07	—	—	1.54
Metropolitan Tactical Growth	9/30/05	Global	Equity	Tactical	All-Inclusive	-0.01	2.05	5.65	—	—
QA Tactical All Market	4/1/09	Global	All Asset	Tactical	All-Inclusive	4.84	1.97	5.78	—	91.89
3D Fixed Income ETF Portfolio - Tax Sen.	12/1/08	United States	Fixed Income	Tactical	All-Inclusive	1.94	1.50	2.32	—	1.30
Confluence Global Macro	5/1/07	Global	All Asset	Tactical	All-Inclusive	2.16	0.55	-0.10	—	0.72
Fortunatus International ETF Opportunity	2/29/08	International	Balanced	Tactical	All-Inclusive	1.29	0.49	-0.76	—	0.57
iSectors Tactical Gbl Bal Allocation	12/1/10	Global	All Asset	Tactical	Broad Market	-0.10	0.40	—	—	3.40
Metropolitan Tactical Moderate	9/30/05	Global	Equity	Tactical	All-Inclusive	0.00	0.02	4.84	—	—
iSectors Inflation Protected Allocation	10/1/09	Global	All Asset	Strategic	All-Inclusive	-1.80	-0.36	3.45	—	6.20
SignalPoint Currency Point	10/31/08	Global	Alternative	Hybrid	Country/Region	-2.34	-0.94	-0.17	—	0.18
Green Inv Mgt Guardian Alternatives	9/1/09	United States	Alternative	Tactical	All-Inclusive	-3.68	-8.29	-3.16	—	0.80
iSectors Precious Metals Allocation	11/1/10	Global	Alternative	Strategic	Sector	-10.76	-8.87	—	—	3.50

Source: Morningstar Inc.

Exhibit 5 5-Year Returns for Selected Top- and Bottom-Performing Strategies, 30 September 2014

Name	Inception Date	Universe	Asset Breadth	Portfolio Implementation	Primary ETF Exposure Type	Return %				Assets USD \$Mil
						1-Year	3-Year	5-Year	10-Year	
Top Performing Strategies										
Churchill ETF Sector Rotation	10/1/07	United States	Equity	Strategic	Sector	20.13	23.06	16.48	—	61.7
F-Squared AlphaSector Premium Index	10/1/08	United States	Equity	Tactical	Sector	19.44	20.17	16.17	—	2,312.5
Braver Tactical Equity Sector Rotation	7/1/96	United States	Equity	Tactical	Sector	17.25	22.08	15.93	9.63	30.3
F-Squared Premium AlphaSector Index	10/1/08	United States	Equity	Tactical	Sector	19.52	19.31	15.66	—	7,912.7
Hillswick S&P 500 Sector Selection	9/30/08	United States	Equity	Tactical	Sector	20.53	22.73	15.62	—	108.6
Raylor Strategic US Equity SMA	1/3/06	United States	Equity	Strategic	All-Inclusive	16.90	21.78	15.46	—	1.0
F-Squared Rotation AlphaSector Index	10/1/08	United States	Equity	Tactical	Sector	19.43	20.09	15.43	—	928.6
F-Squared AlphaSector Rotation Index	10/1/08	United States	Equity	Tactical	Sector	19.19	19.79	15.25	—	2,404.2
QA Global Style	9/4/07	Global	Equity	Tactical	Broad Market	13.04	20.39	15.18	—	4.5
F-Squared AlphaSector Premium Cmpst	10/1/08	United States	Equity	Tactical	Sector	17.15	18.54	14.76	—	388.9
Main Management Active - US Large Cap	9/30/02	United States	Equity	Tactical	Sector	19.77	22.01	14.70	9.56	172.2
Clark Navigator U.S. Style Opportunity	12/31/04	United States	Equity	Tactical	Broad Market	14.20	19.63	14.21	—	76.9
Clark Navigator U.S. Style Opp (SAI)	1/3/05	United States	Equity	Tactical	Broad Market	14.20	19.63	14.21	—	76.9
WestEnd Advisors Global Equity	12/31/04	Global	Equity	Hybrid	All-Inclusive	14.86	20.29	14.09	—	7.1
Horizon Focused ETF Portfolio	1/3/07	Global	Equity	Tactical	All-Inclusive	13.29	18.11	13.97	—	435.7
Bottom Performing Strategies										
Stadion Capital Preservation Strategy	4/2/07	United States	Fixed Income	Tactical	Broad Market	0.71	2.65	2.39	—	108.9
Niemann Dynamic International	1/22/08	International	Equity	Tactical	All-Inclusive	2.73	6.38	2.38	—	0.7
3D Fixed Income ETF Portfolio - Tax Sen.	12/1/08	United States	Fixed Income	Tactical	All-Inclusive	1.94	1.50	2.32	—	1.3
PDAM GLOBAL ALPHA	11/1/05	Global	All Asset	Hybrid	All-Inclusive	2.71	7.21	2.04	—	1.7
Dunn Warren Growth ETF Portfolio	1/2/04	Global	Equity	Tactical	All-Inclusive	8.82	4.45	1.77	6.65	5.0
Dunn Warren Conservative ETF Portfolio	1/2/03	Global	Balanced	Tactical	All-Inclusive	5.56	3.06	1.60	5.43	4.0
Dunn Warren Aggressive ETF Portfolio	1/2/03	Global	Equity	Tactical	All-Inclusive	9.01	3.96	1.49	7.62	2.0
Clark Navigator Intl Opportunity	1/4/07	International	Equity	Tactical	Country/Region	8.37	8.66	1.36	—	52.9
iSectors Tactical Intl Allocation	10/1/09	International	Equity	Tactical	All-Inclusive	-1.59	2.17	0.85	—	0.6
Dunn Warren Moderate ETF Portfolio	1/2/03	Global	Balanced	Tactical	All-Inclusive	4.47	2.73	0.80	5.96	1.0
Green Inv Mgt Guardian Country	7/1/04	International	Equity	Tactical	Country/Region	3.26	6.90	0.72	10.69	3.0
Confluence Global Macro	5/1/07	Global	All Asset	Tactical	All-Inclusive	2.16	0.55	-0.10	—	0.7
SignalPoint Currency Point	10/31/08	Global	Alternative	Hybrid	Country/Region	-2.34	-0.94	-0.17	—	0.2
Fortunatus International ETF Opportunity	2/29/08	International	Balanced	Tactical	All-Inclusive	1.29	0.49	-0.76	—	0.6
Green Inv Mgt Guardian Alternatives	9/1/09	United States	Alternative	Tactical	All-Inclusive	-3.68	-8.29	-3.16	—	0.8

Source: Morningstar Inc.

Exhibit 6 Largest Strategies, 30 September 2014

Name	Inception Date	Universe	Asset Breadth	Portfolio Implementation	Primary ETF Exposure Type	Return %			Assets USD \$Mil
						2014	3-Year	5-Year	
Windhaven Diversified Growth	1/2/02	Global	All Asset	Hybrid	All-Inclusive	0.84	9.05	7.04	9,308.9
F-Squared Premium AlphaSector Index	10/1/08	United States	Equity	Tactical	Sector	8.29	19.31	15.66	7,912.7
Good Harbor Tactical Core US	4/30/03	United States	Equity	Tactical	Broad Market	-18.25	5.05	7.91	6,061.8
Windhaven Diversified Aggressive	1/2/02	Global	All Asset	Hybrid	All-Inclusive	0.30	11.63	8.13	5,574.9
Windhaven Diversified Conservative	1/2/02	Global	All Asset	Hybrid	All-Inclusive	1.32	4.99	4.31	2,873.3
F-Squared Dynamic AlphaSector Index	3/1/12	United States	Equity	Tactical	Sector	7.00	—	—	2,718.1
F-Squared AlphaSector Rotation Index	10/1/08	United States	Equity	Tactical	Sector	8.19	19.79	15.25	2,404.2
F-Squared AlphaSector Premium Index	10/1/08	United States	Equity	Tactical	Sector	8.34	20.17	16.17	2,312.5
Churchill Premier Wealth Tactical	10/1/96	United States	Equity	Tactical	All-Inclusive	-3.39	7.47	7.14	2,065.2
RiverFront Moderate Growth and Income	10/1/03	Global	Balanced	Hybrid	All-Inclusive	3.62	11.73	8.81	1,976.9
Stadion Growth Strategy (QDIA Eligible)	4/2/07	United States	Balanced	Tactical	Broad Market	0.23	11.71	7.65	1,477.5
Stadion Moderate Strategy (QDIA)	4/2/07	United States	Balanced	Tactical	Broad Market	-0.77	8.66	5.82	1,394.1
F-Squared AlphaSector Allocator Select	9/2/13	Global	All Asset	Hybrid	All-Inclusive	0.04	—	—	1,375.7
F-Squared AlphaSector Allocator Index	12/1/09	Global	All Asset	Hybrid	All-Inclusive	3.20	10.86	—	1,304.3
Forward Tactical Growth	8/3/09	United States	Equity	Hybrid	Broad Market	2.31	8.05	5.94	1,103.9
Innealta Tac ETF Country Rotation	12/31/09	International	Equity	Tactical	Country/Region	5.25	7.03	—	1,002.9
F-Squared AlphaSector Global Select	9/2/13	Global	Equity	Hybrid	All-Inclusive	-0.33	—	—	979.4
F-Squared Rotation AlphaSector Index	10/1/08	United States	Equity	Tactical	Sector	7.95	20.09	15.43	928.6
Windham Risk Regime III	9/30/11	Global	Equity	Tactical	Broad Market	2.13	10.84	—	894.7
RiverFront Dynamic Equity Income	5/1/09	Global	Equity	Hybrid	All-Inclusive	2.61	14.45	10.59	819.9
Innealta Tac ETF Sector Rotation Core	12/31/09	United States	Equity	Tactical	Sector	5.65	5.73	—	817.9
F-Squared Allocator Pre AlphaSector Idx	12/1/09	Global	All Asset	Hybrid	All-Inclusive	4.00	11.06	—	796.5
F-Squared AlphaSector Mod Growth Idx	7/2/12	Global	Equity	Tactical	All-Inclusive	3.03	—	—	772.1
Ibbotson Strategic ETF Moderate Gr & Inc*	4/29/05	United States	Balanced	Strategic	Broad Market	3.44	11.54	8.76	767.9
Stadion Managed Risk 100 Strategy	1/2/96	Global	Equity	Tactical	All-Inclusive	-1.15	4.23	2.42	764.6

Source: Morningstar Inc.

* An investment advisory subsidiary of Morningstar, Inc., manages this portfolio or receives fees for providing investment consulting services to this portfolio's advisor. These fees are mainly based on portfolio assets under management. This portfolio is not sponsored, issued, marketed, or sold by Morningstar, Inc. Morningstar, Inc., does not make any representation regarding the advisability of investing in this portfolio.

Exhibit 7 Largest YTD Growth in Assets, 30 September 2014

Name	Inception Date	Universe	Asset Breadth	Portfolio Implementation	Primary ETF Exposure Type	Growth USD Mil	Assets USD Mil
F-Squared AlphaSector Rotation Index	10/1/08	United States	Equity	Tactical	Sector	928.7	2,404.2
F-Squared Premium AlphaSector Index	10/1/08	United States	Equity	Tactical	Sector	923.6	7,912.7
F-Squared AlphaSector Mod Growth Idx	7/2/12	Global	Equity	Tactical	All-Inclusive	772.1	772.1
F-Squared AlphaSector Allocator Select	9/2/13	Global	All Asset	Hybrid	All-Inclusive	658.4	1,375.7
F-Squared AlphaSector Global Select	9/2/13	Global	Equity	Hybrid	All-Inclusive	585.0	979.4
F-Squared AlphaSector Moderate Index	7/2/12	Global	Balanced	Tactical	Sector	576.0	576.0
F-Squared AlphaSector Growth Index	7/2/12	Global	Equity	Tactical	All-Inclusive	528.5	528.5
F-Squared AlphaSector AlphaDEX Prm Cmpst	9/1/11	United States	Equity	Tactical	Sector	497.5	497.5
UBS PWS Global Tactical Alloc.	6/29/12	Global	Balanced	Tactical	Broad Market	478.7	524.2
Astor Long/Short Balanced Program	12/31/99	United States	Alternative	Tactical	All-Inclusive	449.7	756.3
FFCM Dynamic All Cap Sector Rotation	4/1/14	United States	Equity	Tactical	Sector	400.3	400.3
F-Squared AlphaSector Premium Cmpst	10/1/08	United States	Equity	Tactical	Sector	388.9	388.9
F-Squared Dynamic AlphaSector Index	3/1/12	United States	Equity	Tactical	Sector	388.3	2,718.1
MIS Income & Growth ETF*	10/1/07	United States	Balanced	Hybrid	All-Inclusive	359.5	439.4
F-Squared AlphaSector Allocator Prm Cpst	4/1/10	Global	All Asset	Hybrid	All-Inclusive	312.9	312.9
Innealta Fixed Income	12/31/09	Global	Fixed Income	Tactical	All-Inclusive	282.6	588.1
MIS Growth ETF*	10/1/07	Global	Equity	Hybrid	All-Inclusive	275.9	365.5
MIS Moderate Growth ETF*	10/1/07	United States	Balanced	Hybrid	All-Inclusive	244.3	337.4
Baring Global Dynamic Asset Allocation	6/30/10	Global	All Asset	Strategic	All-Inclusive	205.9	239.1
RiverFront Moderate Growth and Income	10/1/03	Global	Balanced	Hybrid	All-Inclusive	201.2	1,976.9
F-Squared AlphaSector Max Growth Index	7/2/12	Global	Equity	Tactical	Sector	189.5	189.5
RiverFront Dynamic Equity Income	5/1/09	Global	Equity	Hybrid	All-Inclusive	186.4	819.9
Hays TMAC Portfolio	12/31/09	Global	All Asset	Tactical	All-Inclusive	182.5	365.7
F-Squared AlphaSector Mod Conserv Idx	7/2/12	United States	Balanced	Tactical	All-Inclusive	172.8	172.8
Windham Risk Regime Other	2/28/14	Global	All Asset	Tactical	All-Inclusive	171.0	171.0

Source: Morningstar Inc.

* An investment advisory subsidiary of Morningstar, Inc. manages this portfolio or receives fees for providing investment consulting services to this portfolio's advisor. These fees are mainly based on portfolio assets under management. This portfolio is not sponsored, issued, marketed, or sold by Morningstar, Inc. Morningstar, Inc. does not make any representation regarding the advisability of investing in this portfolio.

Exhibit 8 ETF Managed Portfolio Assets by Firm, 30 September 2014

Firm Name	Firm Assets	Growth USD (\$Mil)		# Strategies Reported
		2014	1-Year	
F-Squared Investments, Inc.	25,090.8	5,249.4	7,150.4	25
Windhaven Investment Management	17,757.1	(816.4)	(444.9)	3
Good Harbor Financial, LLC	6,065.7	(4,375.2)	(1,830.0)	2
RiverFront Investment Group, LLC	4,744.8	506.6	844.5	11
Stadion Money Management, LLC	4,615.1	(371.6)	(362.1)	7
Morningstar *	3,387.1	1,196.1	1,159.9	26
Innealta Capital	2,953.2	(339.0)	(771.5)	10
Churchill Management Group	2,126.8	(449.0)	(232.7)	2
Sage Advisory Services Ltd CO	1,489.7	(837.9)	(841.9)	12
Windham Capital Management, LLC	1,340.8	195.8	236.9	18
Cougar Global Investments Limited	1,252.0	(119.0)	(133.0)	4
NEW Frontier Management Company, LLC	1,118.3	(11.2)	28.4	11
Forward Management, LLC	1,103.9	(9.9)	42.6	1
Beaumont Capital Management	1,057.0	158.4	229.6	17
Members Trust Company	1,038.9	222.8	349.7	5

Source: Morningstar Inc.

* Morningstar assets include assets of its three wholly-owned subsidiaries Morningstar Associates, LLC, Ibbotson Associates, Inc., and Morningstar Investment Services Inc.

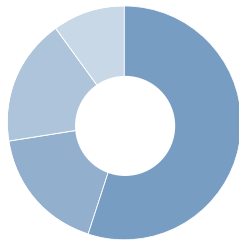
Exhibit 9 Return Comparison, 30 September 2014

Name	Return %			
	2014	3-Year	5-Year	10-Year
Global All Asset Median	7.40	8.70	7.05	8.15
Hybrid Median	7.62	10.86	7.99	7.86
Strategic Median	4.80	8.10	8.70	—
Tactical Median	7.45	8.26	6.31	8.24
Global All Asset Blended Benchmark	6.22	9.62	7.63	7.02
Global Balanced Median	7.13	9.69	7.99	6.50
Hybrid Median	7.27	9.87	7.79	6.50
Strategic Median	6.96	9.98	8.27	7.58
Tactical Median	7.07	8.21	6.25	5.70
Global Balanced Blended Benchmark	7.54	10.71	7.95	7.16
Global Equity Median	9.81	14.52	10.30	7.07
Hybrid Median	9.84	14.51	10.12	7.02
Strategic Median	10.04	15.43	10.51	6.76
Tactical Median	9.30	12.90	8.73	7.17
Morningstar Global GR USD	11.42	17.30	10.92	8.05
Global Fixed Income Median	4.25	5.53	5.31	3.56
Hybrid Median	4.20	5.96	4.14	—
Strategic Median	4.54	5.73	5.39	—
Tactical Median	4.01	4.67	5.20	3.56
Global Fixed Income Blended Benchmark	1.53	1.38	2.96	4.55
International Equity Median	3.79	9.06	4.59	10.02
Strategic Median	3.15	10.56	5.22	7.57
Tactical Median	4.04	8.66	3.86	10.69
Morningstar Gbl Mkts ex-US GR USD	5.31	12.43	6.89	7.68
United States All Asset Median	11.21	12.40	10.88	—
United States All Asset Blended Benchmark	10.28	15.17	—	—
United States All Asset Blended Benchmark	11.21	11.02	10.88	—
United States All Asset Blended Benchmark	10.61	13.03	10.77	7.41
United States Balanced Median	12.34	14.59	11.33	7.41
Hybrid Median	7.87	11.78	9.71	—
Strategic Median	7.83	10.15	7.94	5.42
Tactical Median	5.94	8.66	5.82	7.01
United States Balanced Blended Benchmark	7.79	10.24	8.66	6.22
United States Equity Median	11.99	17.00	12.35	7.37
Hybrid Median	9.87	16.32	11.94	6.52
Strategic Median	12.28	15.47	9.27	9.03
Tactical Median	13.16	17.68	12.51	7.37
Morningstar US Market TR USD	18.16	23.02	15.88	8.65
United States Fixed Income Median	5.05	4.51	5.80	4.90
Hybrid Median	5.20	6.13	5.97	3.95
Strategic Median	5.07	4.14	5.38	4.81
Tactical Median	4.48	3.66	5.52	7.62
Morningstar Core Bond MCBI TR	3.85	2.55	4.13	4.79

Source: Morningstar Inc.

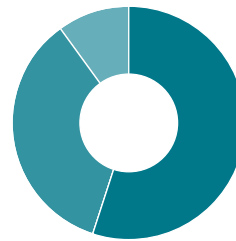
Exhibit 10 Blended Benchmark Information

Global All-Asset



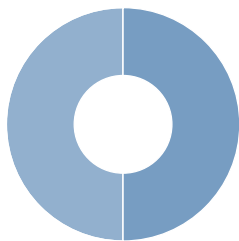
Benchmark	%
● Morningstar Global GR	55.0
● Morningstar Core Bond MCB1 TR	17.5
● BarCap Gbl Agg Ex USD TR	17.5
● Morningstar Long-Only Commodity TR	10.0

U.S. All-Asset



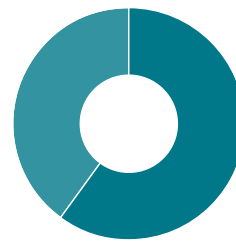
Benchmark	%
● Morningstar US Market TR	55.0
● Morningstar Core Bond MCB1 TR	35.0
● Morningstar Long-Only Commodity TR	10.0

Global Fixed Income



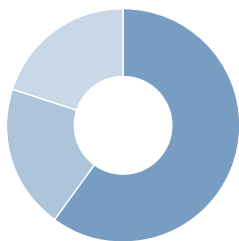
Benchmark	%
● Morningstar Core Bond MCB1 TR	50.0
● BarCap Gbl Agg Ex USD TR	50.0

U.S. Balanced



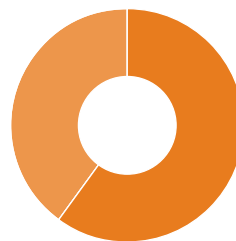
Benchmark	%
● Morningstar US Market TR	60.0
● Morningstar Core Bond MCB1 TR	40.0

Global Balanced



Benchmark	%
● Morningstar Global GR	60.0
● Morningstar Core Bond MCB1 TR	20.0
● BarCap Gbl Agg Ex USD TR	20.0

International Balanced



Benchmark	%
● Morningstar Gbl Mkts ex-US GR USD	60.0
● BarCap Gbl Agg Ex USD TR	40.0

Source: Morningstar, Inc. Asset Allocations Were Re-Balanced Semi-annually



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