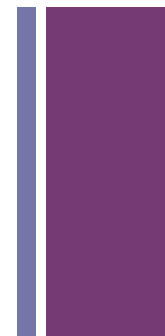
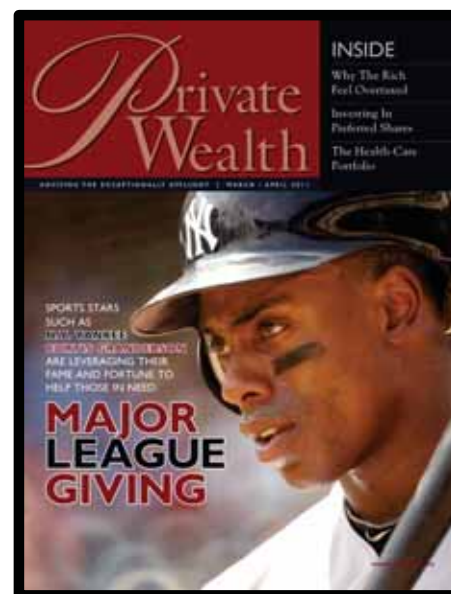




Introduction & Industry Commentary



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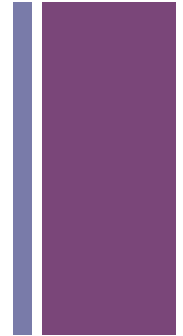
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Investors should consider the investment objectives, charges, expense, and unique risk profile of an Exchange Traded Fund (ETF) carefully before investing. Leveraged and Inverse ETFs may not be suitable for long-term investors and may increase exposure to volatility through the use of leverage, short sales of securities, derivatives and other complex investment strategies. A prospectus contains this and other information about the ETF and should be obtained from the issuer. The prospectus should be read carefully before investing.



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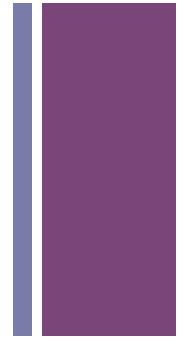
Assessing an ETF's Underlying Index

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+ Assessing an ETF's Underlying Index: An Overview

- Good for your client, good for your business
- Background on indexes and ETFs
- Five key elements to assess
- Surprising real world examples
- Question and answer session



+ Good for your client, good for your business.

- When client's portfolios prosper, your business prospers.
- Performance. Risk. Diversification.
- If you currently use ETFs, by the end of this webinar you will be anxious to review the underlying indexes and ETFs you are exposed to.

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+ What is an index?

- An index is generally described as a rules based methodology used to select a group of securities.
- First index created in 1884 by Charles Dow.
- Historically indexes were created as a way to gauge markets but not as an investment.
- Today indexes have varying levels of transparency and sophistication.
- The line between indexes and active management is blurring.

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+ Index: The Operating System of ETFs

- Majority of ETFs track an index by prospectus.
- ETFs seek to either replicate and/or sample the index to meet tracking error mandates found in the ETF prospectus.
- Each ETF is different but in general the more illiquid, hard to access or robust the underlying holdings are, the more likely a sampling methodology will be used.
- The index drives the activity of the portfolio manager.

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+ Wealth of Choices

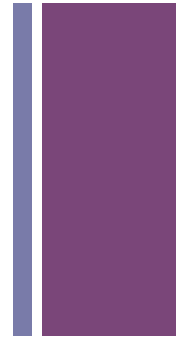
- Indexing has exploded due to superior performance versus active managers.
- ETFs have been a benefactor of the inflows to indexing.
- Many similarly focused or named indexes have been created that implement different selection techniques.
- Many indexes now exist, or are created, that produce unexpected underlying exposures or tilts!

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+ Surprising Real World Examples: Will Tech Stocks Reign?

A S&P 500 focused index with a 50% larger technology weighting than another S&P 500 focused index.

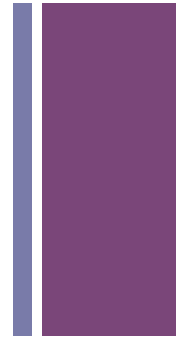


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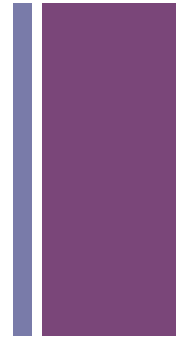
+ Surprising Real World Examples: Apple Exposure?

A NASDAQ 100 index with 500% more exposure to Apple than another NASDAQ 100 index.



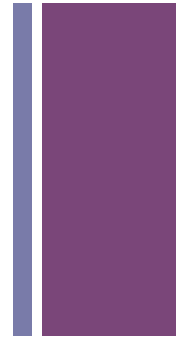
+ Surprising Real World Examples: China Tech and Consumer?

A broad based China index with no
technology exposure and less than 2%
exposure to consumer stocks



+ Surprising Real World Examples: Bull or Bear on Russia?

A BRIC index with 600% more exposure to
Russia versus another BRIC index.



+ Surprising Real World Examples

Five Index Elements to Review to Prevent Surprises

+ Five Index Elements

1. Beginning universe

What securities qualify for consideration?

- Broad based index
- Third party designation
- Market cap
- Trading volume
- Structure (local, ADR, GDR)
- Listing requirements

+ Five Index Elements

2. Selection methodology

Determine the selection criteria and or focus.

- Beta or alpha?
- Screens or factors?
- Transparent or not?
- Definition of terms
 - Market cap, sector, style

+ Five Index Elements

3. Weighting scheme

Understand the weighting scheme and inherent bias.

- Individual security weighting
 - Market cap
 - Equal
 - Fundamental
 - Float adjusted

+ Five Index Elements

3. Weighting scheme (con't)

- Constraints
 - Country
 - Market cap
 - Sector
 - Individual security
 - Fund based

+ Five Index Elements

4. Frequency

How often are the rules enforced? How often is the entire selection methodology run?

- Rebalance
 - Acting on constraints

- Reconstitution
 - Requalification process from the beginning universe

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+ Five Index Elements

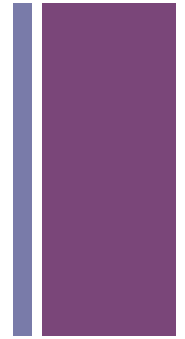
5. Review the ETF's underlying holdings

Confirm your understanding!

- Replication versus sampling disclosed in prospectus
- Fund constraints
- Special situations

+ Five Index Elements in Review

1. **Beginning Universe**
2. **Selection Criteria**
3. **Weighting Methodology**
4. **Frequency**
5. **Review ETF Holdings**

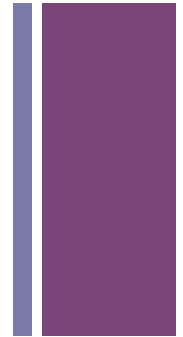


+ Four Quick Areas to Obtain Index Info

- ETF fact sheets have a brief description of the index.
- Prospectus is generally more detailed in terms of description.
- Fund website usually has a link to index provider website and/or individual index website.
- Call the Sponsor directly

+ Why does this all matter again?

- Performance. Risk. Diversification.
- A quick examination of selected ETFs including Large Cap Core, Dividend, Emerging Markets and Commodities illustrates differences in the 100's of bps in performance...just year to date!
- Looking back over a two year period can yield differences of 1,000 bps or more in performance.



+ Brief Disclaimer and Disclosure Before Real World Examples Begin

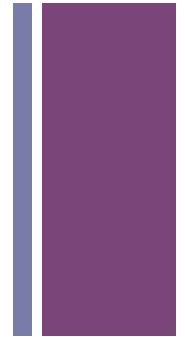
- All information on individual ETFs in this presentation has been compiled from public sources. These sources have primarily been index provider and ETF Sponsor websites. All information is believed to be accurate.
- All charts are from Yahoo Finance and represent their calculation of ETF performance.
- All the ETFs highlighted in this presentation were selected by Magoon Capital to highlight examples of index differences found in similarly focused or named ETFs.
- Christian Magoon does not hold any positions in any of these ETFs.

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+ Real World Example: S&P 500 Focused Indexes

- S&P 500 Index
- S&P 500 Equal Weight Index
- RevenueShares Large Cap Index



+ S&P 500 Focused ETFs

- Three S&P 500 focused ETFs from: Rydex SGI, SPDR, RevenueShares
 - Priced from 10 – 85 bps
 - All have the same underlying holdings
 - All have different weightings of underlying holdings
 - 250 bps range in performance YTD
 - 2,000 bps range in performance last 2 years

+ S&P 500 Focused ETFs: Year to Date

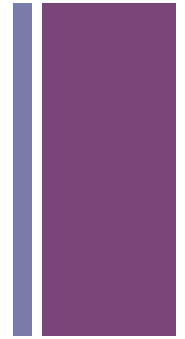


+ S&P 500 Focused ETFs: 2 Year Look Back



+ Real World Example: Dividend Focused Indexes

- Dow Jones Select Dividend Index
- S&P High Yield Dividend Aristocrats Index
- Dividend Achievers Select Index



+ Dividend ETFs

- **Three major dividend ETFs: Vanguard, SPDR, iShares**
 - All priced between 23 – 40 bps
 - Number of holdings range from 62 – 100
 - All three have a different mix of top sector holdings
 - 220 bps performance range year to date

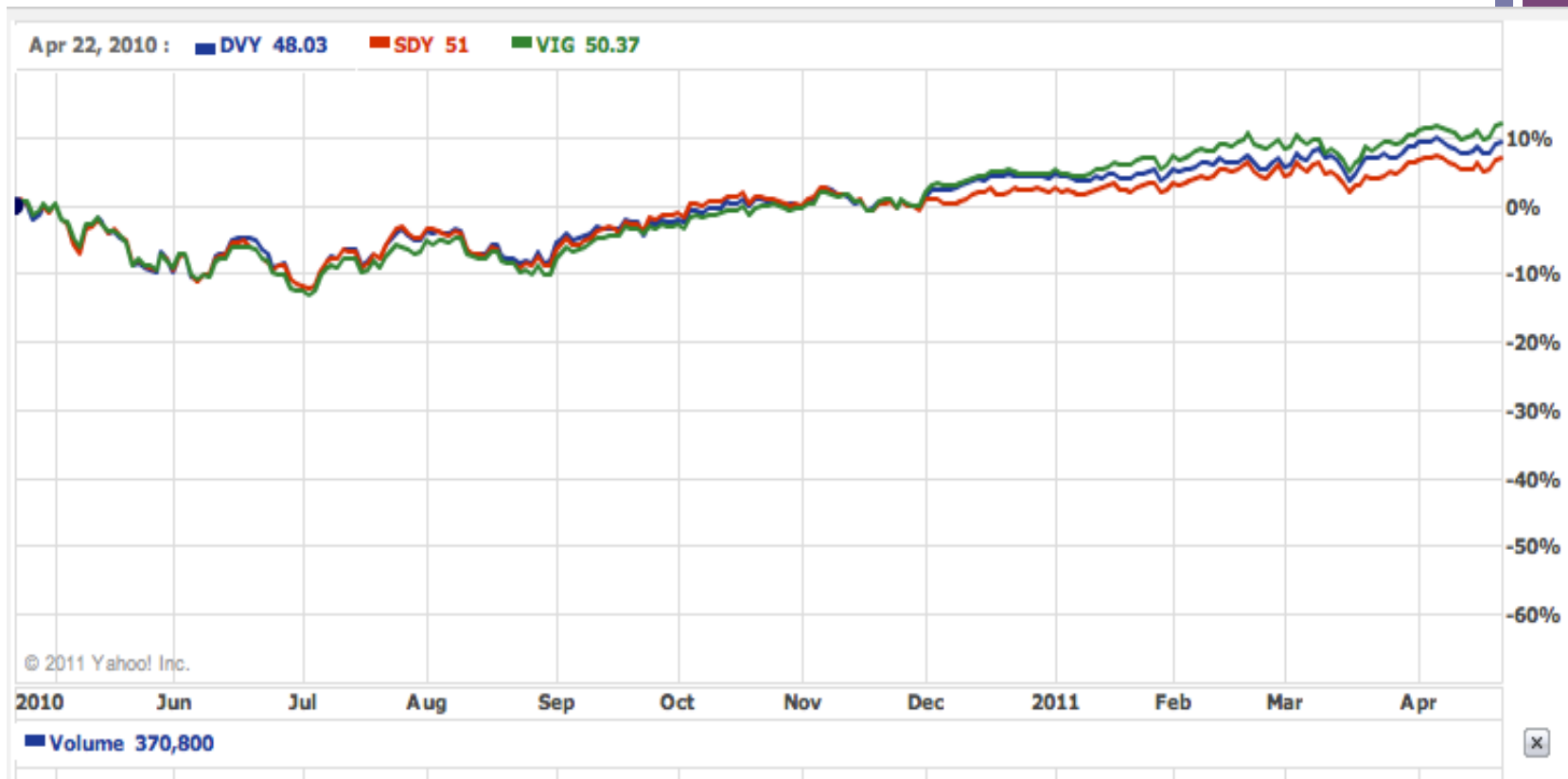
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+ Dividend ETFs: Year to Date



+ Dividend ETFs: 2 Year Look Back



+ Real World Examples: BRIC Indexes

- MSCI BRIC Index
- BNY Mellon BRIC Select ADR Index
- S&P BRIC 40 Index

+ BRIC ETFs

Three BRIC ETFs: iShares, SPDR, Guggenheim

- All priced between 50 and 69 bps
- Number of holdings range from 44 to 316
- Highest individual country exposure: 55%
- Lowest individual country exposure: 2.7%
- 400 bps performance range year to date
- 500 bps performance difference over last two years

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+ BRIC ETFs: Year to Date



+ BRIC ETFs: 2 year look back



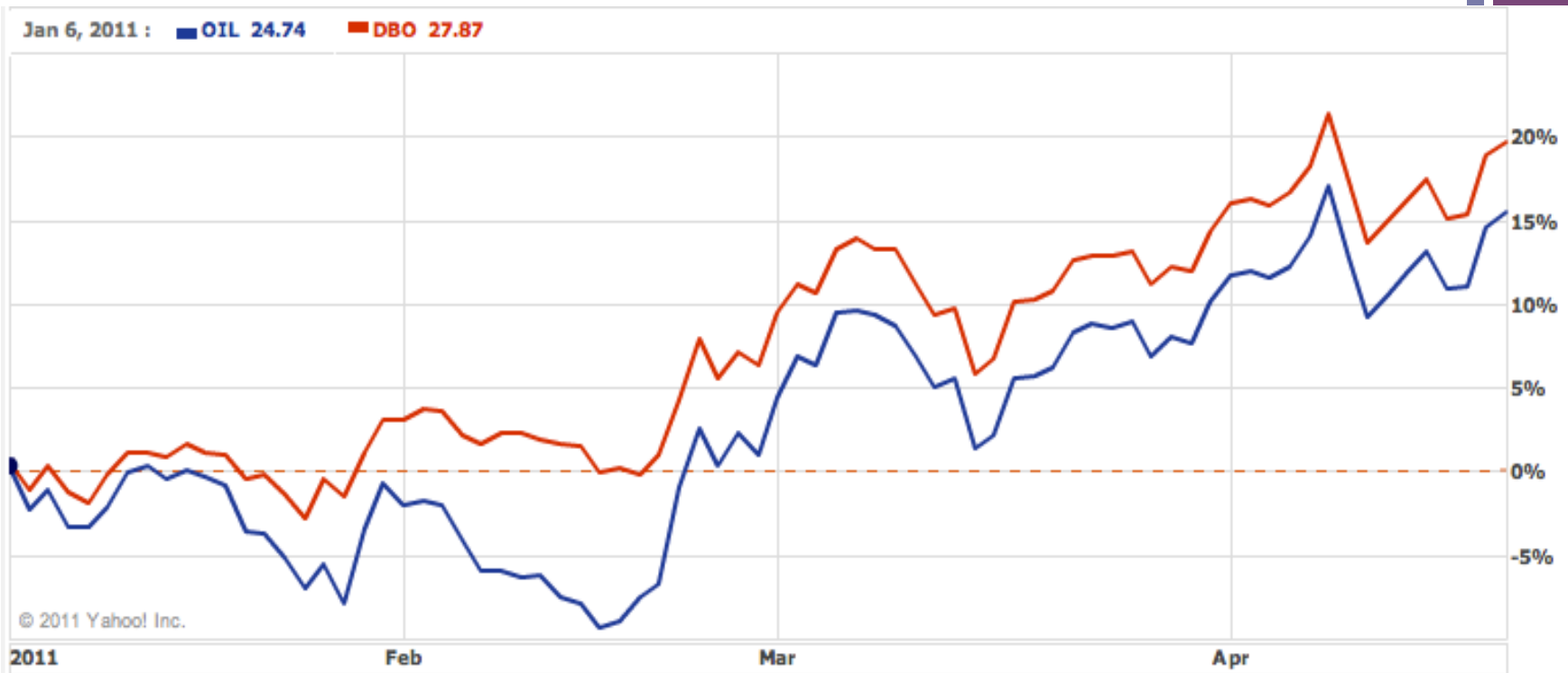
+ Real World Example: Oil Indexes (WTI)

- DBIQ Optimum Yield Crude Oil Index
Excess Return
- S&P GSCI Crude Oil Total Return Index

+ Oil ETP's Tracking WTI Indexes

- Two ETP's: Powershares DB Oil Fund & iPath S&P GSCI Crude Oil Total Return Fund
- Both priced at 75 bps
- 450 bps performance range year to date
- 1,300 bps difference in performance over the last two years

+ Oil ETP's: Year to Date

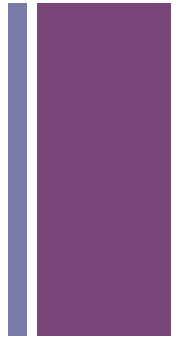


+ Oil ETP's: 2 Year Look Back



+ Conclusions

- All indexes and thus ETFs are not created equal.
- Successful ETF investing has more to do with index methodology than the expenses, volume, size, brand name or Sponsor of the ETF.
- Blind index selection can lead to concentration risk, the loss of performance, unexplained performance and allocation drift.
- When all else fails, check the fund's up to date holdings on the Sponsor's website and compare them to your understanding.



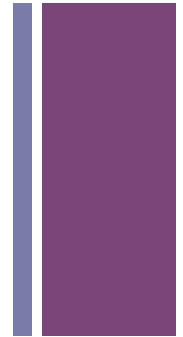
+ Question and Answer

Thank you for your time today.

We'll now open our time up for Q&A.



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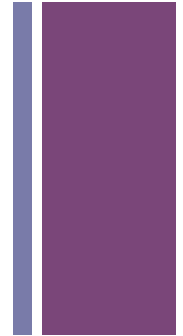


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