



DWA PowerShares Sector 4 Model (POWER4)

About Dorsey, Wright & Associates:

- Founded in 1987 by Tom Dorsey and Watson Wright as an out-sourced Technical Analysis Research provider
- Author of seven books on technical analysis and investing
- Independent and privately owned registered investment advisory firm with businesses in several areas:
 - Provider of investment research & asset management services to numerous broker-dealers, money managers, and large institutions worldwide
 - Sub-advisory services to two Mutual Funds
 - Arrow DWA Balanced – DWAFX
 - Arrow DWA Tactical Fund – DWTFX
 - Index Provider to fifteen exchange traded funds (ETFs):
 - PDP, DWAS, PIE, PIZ, PYZ, PEZ, PSL, PXI, PFI, PTH, PRN, PTF, PUI, FV and DWAQ.
- Maintains AllETF.com website

Model Overview:

The Dorsey Wright PowerShares Sector 4 Model is designed to gain exposure to the strongest relative strength sectors in the US through the use of nine Sector Momentum ETFs: PYZ, PEZ, PSL, PXI, PFI, PTH, PRN, PTF, and PUI. When equities are not in favor, the portfolio can raise varying amounts of cash, up to 100%.

DWA Relative Strength Strategy Insights:

- A systematic, structured methodology of comparing the price performance of one security to another
- Each security is ranked in comparison to the other inventory members
- Numerous research studies conducted by both Dorsey, Wright & Associates and others show that consistent exposure to the highest relative strength *ranked* securities results in better investment results than exposure to poorly ranked securities on a relative strength basis.
- Relative Strength strategies capitalize on performance differences between asset classes or within asset classes.
- Directionless or narrow markets and markets with transitioning leadership tend to be periods when relative strength as a strategy will struggle.

Inventory:

PowerShares DWA Basic Materials Momentum Portfolio (PYZ)
 PowerShares DWA Consumer Discretionary Momentum Portfolio (PEZ)
 PowerShares DWA Consumer Staples Momentum Portfolio (PSL)
 PowerShares DWA Energy Momentum Portfolio (PXI)
 PowerShares DWA Financial Momentum Portfolio (PFI)

PowerShares DWA Healthcare Momentum Portfolio (PTH)
 PowerShares DWA Industrials Momentum Portfolio (PRN)
 PowerShares DWA Technology Momentum Portfolio (PTF)
 PowerShares DWA Utilities Momentum Portfolio (PUI)
 Cash Position



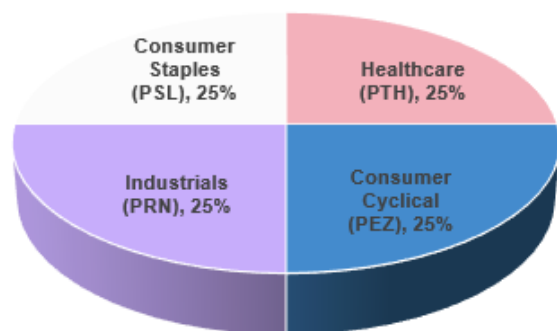
POWER4 Portfolio Rules:

- Evaluated monthly
- An inventory is established to represent each of the nine macro sectors. The inventory consists of multiple representatives for each macro sector.
- A matrix is created to compare members of the inventory to one another.
- The sectors and cash are ranked from strongest to weakest based upon their tally rank within the matrix.
- The top 4 sectors are equally weighted.
- At the end of each month, if a sector falls out of the top 4, it is sold and replaced with the highest ranking sector not already in the portfolio.
- If cash is the #4 slot, it receives a weighting of 25%. For each slot it moves up, an additional 25% is allocated to cash. If Cash is the #1 ranked asset class, it will receive a 100% weighting.
- Portfolio changes are transacted in “replacement” method, and rebalanced only when a position drifts materially from its target allocation

Sector Rankings (as of 11/28/14)

1	Healthcare
2	Industrials
3	Consumer Discretionary
4	Consumer Staples
5	Technology
6	Financials
7	Utilities
8	Energy
9	Basic Materials
10	Cash

Portfolio Allocation (as of 11/28/14):



- Healthcare (PTH)
- Consumer Cyclical (PEZ)
- Industrials (PRN)
- Consumer Staples (PSL)

The annual number of rebalances for this strategy will vary, and has ranged from 0 changes (2012) to 8 (2008) during the strategy back-test. Increased market volatility will generally increase turnover within this portfolio, but on average the DWA PowerShares Sector 4 Model has experienced 3 changes per year. This portfolio is not designed for short term traders, as it is structured to identify and capture long term leadership trends in the market.

Historic Model Allocation:

In the table below we display past exposure and rebalance dates within the DWA PowerShares Sector 4 Model

(POWER4), which includes the strategy back-test period of this rules-based model. Historic model allocations are not meant to predict future holding periods or turnover, but are shown to illustrate potential concentration levels to each momentum-based ETF and Cash. One important consideration when determining whether this portfolio is appropriate for different client types is to recognize both maximum and minimum thresholds for each investment category based upon the rules of this strategy. Domestic Equities and Cash each have a maximum allocation of 100% and each has a minimum allocation of 0%. No other asset classes are employed within this strategy.

DWA Sector ETF Model (POWER4) Allocation History

November-02	Cash			Technology
April-03	Cash			Utilities
May-03	Energy	Consumer Cyc.	Utilities	Technology
June-03	Healthcare	Consumer Cyc.	Utilities	Technology
August-03	Basic Materials	Consumer Cyc.	Utilities	Technology
January-04	Basic Materials	Consumer Cyc.	Industrial	Technology
March-04	Basic Materials	Consumer Cyc.	Industrial	Utilities
April-04	Basic Materials	Healthcare	Industrial	Consumer Cyc.
May-04	Healthcare	Energy	Industrial	Consumer Cyc.
July-04	Basic Materials	Energy	Industrial	Consumer Cyc.
April-05	Consumer Cyc.	Energy	Industrial	Utilities
September-05	Basic Materials	Energy	Industrial	Utilities
July-06	Basic Materials	Financials	Industrial	Utilities
September-06	Healthcare	Financials	Industrial	Utilities
December-06	Basic Materials	Financials	Industrial	Utilities
May-07	Basic Materials	Energy	Industrial	Utilities
January-08	Basic Materials	Energy	Healthcare	Utilities
February-08	Basic Materials	Energy	Industrial	Utilities
July-08	Basic Materials	Energy	Industrial	Utilities
August-08	Consumer Staples	Healthcare	Industrial	Technology
September-08	Cash			Consumer Staples
October-08	Cash			
December-08	Cash			Basic Materials
January-09	Cash		Basic Materials	Utilities
February-09	Cash			
March-09	Cash			Technology
April-09	Consumer Cyc.	Financials	Basic Materials	Technology
April-10	Consumer Cyc.	Financials	Industrial	Technology
October-10	Consumer Cyc.	Consumer Staples	Industrial	Technology
November-10	Consumer Cyc.	Basic Materials	Industrial	Technology
February-11	Consumer Cyc.	Energy	Industrial	Technology
August-11	Consumer Cyc.	Energy	Healthcare	Technology
March-13	Consumer Cyc.	Consumer Staples	Healthcare	Industrial
February-14	Consumer Cyc.	Technology	Healthcare	Industrial
November-14	Consumer Cyc.	Consumer Staples	Healthcare	Industrial

Rankings are determined on end-of-month basis, data above is through 11/28/2014. Model Inception 2/19/2014.

The relative strength strategy is NOT a guarantee. There may be times where all investments and strategies are unfavorable and depreciate in value. Relative Strength is a measure of price momentum based on historical price activity. Relative Strength is not predictive and there is no assurance that forecasts based on relative strength can be relied upon.

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