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## ISHARES MOMENTUM UPDATE

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I track momentum in sector and industry segments. Momentum has been identified through numerous academic studies as an effective investment strategy. A simple momentum strategy for these ETFs is to own the 5 sectors/industries with the best trailing 3 month return, rebalanced monthly. It is an active strategy, not particularly tax efficient and so best deployed in tax deferred accounts. This strategy has proven effective using IShares and SPDR ETFs.

I segregate the IShares ETFs into four groups:

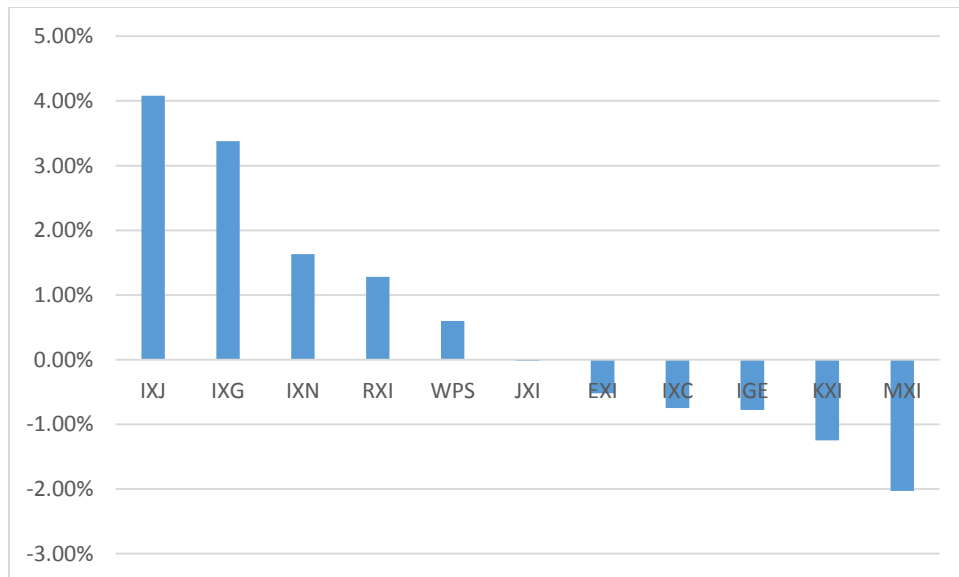
- Global Sectors
- Global Industries
- US Sectors
- US Industries

While these strategies can be used as stand-alone investments, I think of them more as satellite strategies, to be used as part of an overall allocation. I see momentum strategies as a fairly aggressive approach since they do not take valuation – a risk factor – into consideration. I also track sector and industry momentum across multiple time frames to aid in stock picking.



## Global Sectors

SECTOR	ETF	3 mos ret
GLOBAL HEALTHCARE	IXJ	4.08%
GLOBAL FINANCIALS	IXG	3.38%
GLOBAL TECHNOLOGY	IXN	1.63%
GLOBAL CONS. DISC.	RXI	1.28%
EX-US PROPERTY	WPS	0.60%
GLOBAL UTILITIES	JXI	-0.02%
GLOBAL INDUSTRIALS	EXI	-0.52%
GLOBAL ENERGY	IXC	-0.75%
NATURAL RESOURCES	IGE	-0.78%
GLOBAL CONS. STPLS.	KXI	-1.25%
GLOBAL MATERIALS	MXI	-2.03%

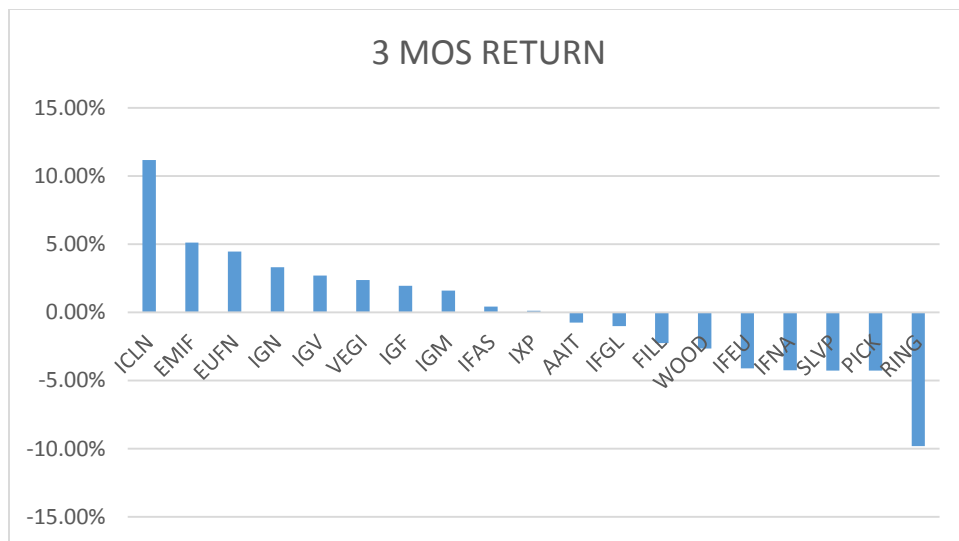


## Global Industries

NAME	SYMBOL	3 MOS RETURN
CLEAN ENERGY	ICLN	11.16%
EM INFRASTRUCTURE	EMIF	5.11%
EUROPE FINANCIAL	EUFN	4.45%
NETWORK	IGN	3.31%
GLOBAL SOFTWARE	IGV	2.69%
GLOBAL AGRICULTURE	VEGI	2.37%
GLOBAL INFRASTRUCTURE	IGF	1.94%
GLOBAL TECHNOLOGY	IGM	1.58%



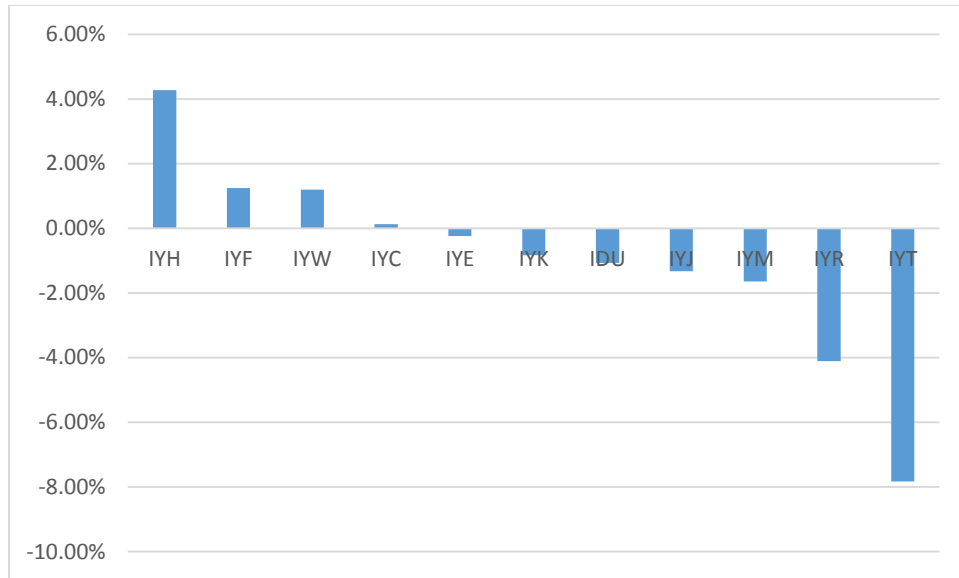
NAREIT ASIA	IFAS	0.41%
GLOBAL TELCOM	IXP	0.12%
ASIA INFO TECH	AAIT	-0.76%
NAREIT GLOBAL	IFGL	-1.01%
GLOBAL ENERGY PRODUCERS	FILL	-2.25%
GLOBAL TIMBER	WOOD	-2.65%
NAREIT EUROPE	IFEU	-4.12%
NAREIT NORTH AMERICA	IFNA	-4.26%
GLOBAL SILVER MINERS	SLVP	-4.27%
GLOBAL METALS AND MINING	PICK	-4.28%
GLOBAL GOLD MINERS	RING	-9.82%



### US Sectors

Sector	Symbol	3 Month Return
Healthcare	IYH	4.27%
Financial	IYF	1.25%
Technology	IYW	1.20%
Consumer	IYC	0.13%
Energy	IYE	-0.24%
Consumer Goods	IYK	-0.83%
Utilities	IDU	-1.07%
Industrial	IYJ	-1.33%
Materials	IYM	-1.64%
Real Estate	IYR	-4.11%
Transportation	IYT	-7.83%

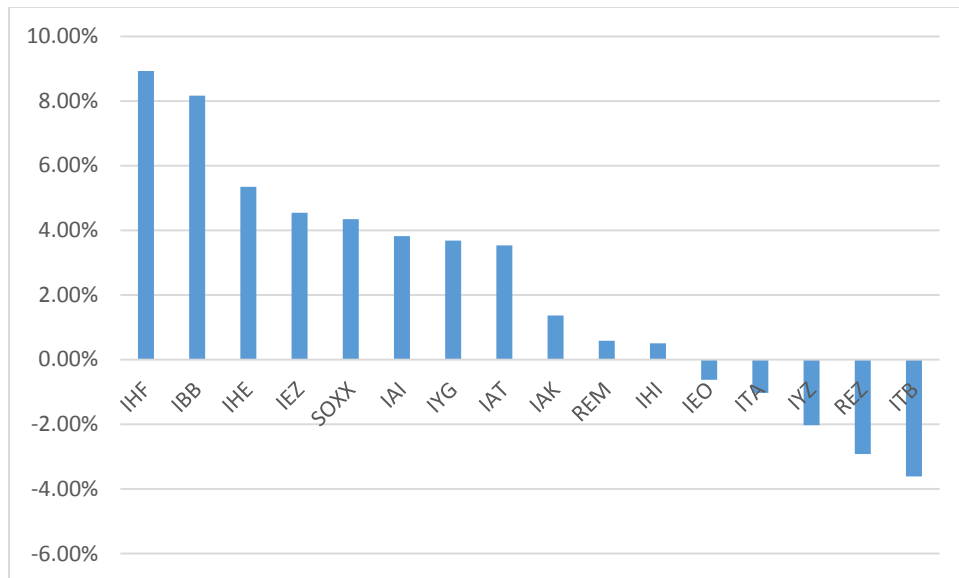




## US Industries

Industry	Symbol	3 Month Return
Healthcare Providers	IHF	8.93%
Biotech	IBB	8.17%
Pharmaceuticals	IHE	5.35%
Oil Equipment & Services	IEZ	4.54%
Semiconductors	SOXX	4.35%
Broker Dealers	IAI	3.82%
Financial Services	IYG	3.68%
Regional Banks	IAT	3.53%
Insurance	IAK	1.37%
Mortgage REITs	REM	0.58%
Medical Devices	IHI	0.51%
Oil & Gas E&P	IEO	-0.62%
Aerospace & Defense	ITA	-1.03%
Telcom	IYZ	-2.03%
Residential REITs	REZ	-2.92%
Home Construction	ITB	-3.61%





Whether global or domestic US, healthcare, financials and technology are the leaders. Transportation stocks in the US are performing very poorly, probably a function of the recent rally in oil prices. Whether it says anything more broadly about the US economy, as the Dow Theorists believe, is less certain today than it was when Charles Dow first put forth the theory. I don't think though, given the recent performance of the US economy, that the underperformance should just be ignored. It should also be noted that the leaders in the US Industry category are largely industries that are considered defensive and less sensitive to economic growth.

On a more positive note, regional banks have been moving up the list and have recently broken out technically. This group is generally pretty cheap and most offer some dividend yield.

Biotech, which has been hot for some time, is still near the top of the momentum list but technically may be in a topping process. There has been a lot of chatter about biotech being in a bubble and certainly there are some highly priced shares in the sector. I have owned some names in this group for years and still hold some but I am looking for an exit signal.

Another area I would be wary of is the clean energy space. While it isn't talked about like biotech as a potential bubble, valuations in the space are apparently discounting a very bright future. I've followed the industry for a long time and while it has come a long way, it still isn't competitive without subsidies.





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*"Wealth preservation and accumulation through thoughtful investing."*

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