

Portfolio  
Management  
Group



## Building Portfolios Using Exchange Traded Funds

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## ETFs Allow for Flexible Strategies

- **Core** – 100% ETF portfolio strategies based on asset allocation models, model portfolios or other portfolio analysis and strategy.
- **Core / Satellite** – Addresses asset allocation strategies by managing active risks and costs through a blend of index (passive) and active managers. Combines ETFs as the “Core” with complimentary securities, mutual funds or active managers as the “Satellites.”
- **Completion** – Fills asset allocation gaps or makes style or sector tilts using one or more ETFs.

## ETFs Cover Many Market Segments

### Exchange Traded Funds Universe

Broad Based	Large-Cap	Mid-Cap	Small-Cap	Micro-Cap	Sectors
<ul style="list-style-type: none"> <li>• Global</li> <li>• Total Market</li> </ul>	<ul style="list-style-type: none"> <li>• Core</li> <li>• Growth</li> <li>• Value</li> </ul>	<ul style="list-style-type: none"> <li>• Core</li> <li>• Growth</li> <li>• Value</li> </ul>	<ul style="list-style-type: none"> <li>• Core</li> <li>• Growth</li> <li>• Value</li> </ul>	<ul style="list-style-type: none"> <li>• Core</li> </ul>	<ul style="list-style-type: none"> <li>• Cons Disc</li> <li>• Staples</li> <li>• Energy</li> <li>• Financials</li> </ul>
International		Specialty	Fixed Income	Other	<ul style="list-style-type: none"> <li>• Healthcare</li> <li>• Industrials</li> <li>• Info Tech</li> <li>• Materials</li> <li>• Telecom</li> <li>• Utilities</li> </ul>
<ul style="list-style-type: none"> <li>• International</li> <li>• Emerging Markets</li> <li>• Africa / Middle East</li> <li>• Asia</li> <li>• Europe</li> <li>• North America</li> <li>• Latin America</li> </ul>		<ul style="list-style-type: none"> <li>• Dividend</li> <li>• IPOs</li> <li>• Spinoffs</li> <li>• REITs</li> <li>• Socially Resp</li> </ul>	<ul style="list-style-type: none"> <li>• Governments</li> <li>• Short-term</li> <li>• Intermediate</li> <li>• Long-term</li> </ul>	<ul style="list-style-type: none"> <li>• Gold</li> <li>• Silver</li> <li>• Currency</li> <li>• Commodities</li> </ul>	

# ETF Usage

- Traditional index funds
- Equitize cash
- Gain sector/style exposure
- Market diversification
- Portfolio completion
- Tax-loss harvesting
- Numerous fixed income applications

# Our Investment Process



# Step 1

## Set Financial Objectives

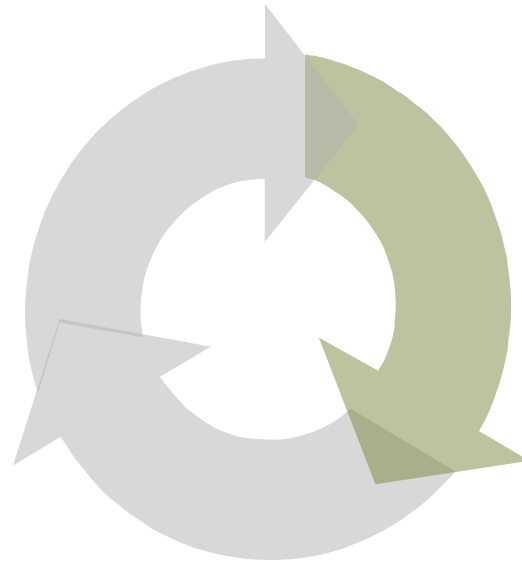
Establish a realistic set of objectives.

- Financial Goals
- Investment Time Horizon
- Risk tolerance
- Past investment experience
- Knowledge of the capital markets

## Step 2

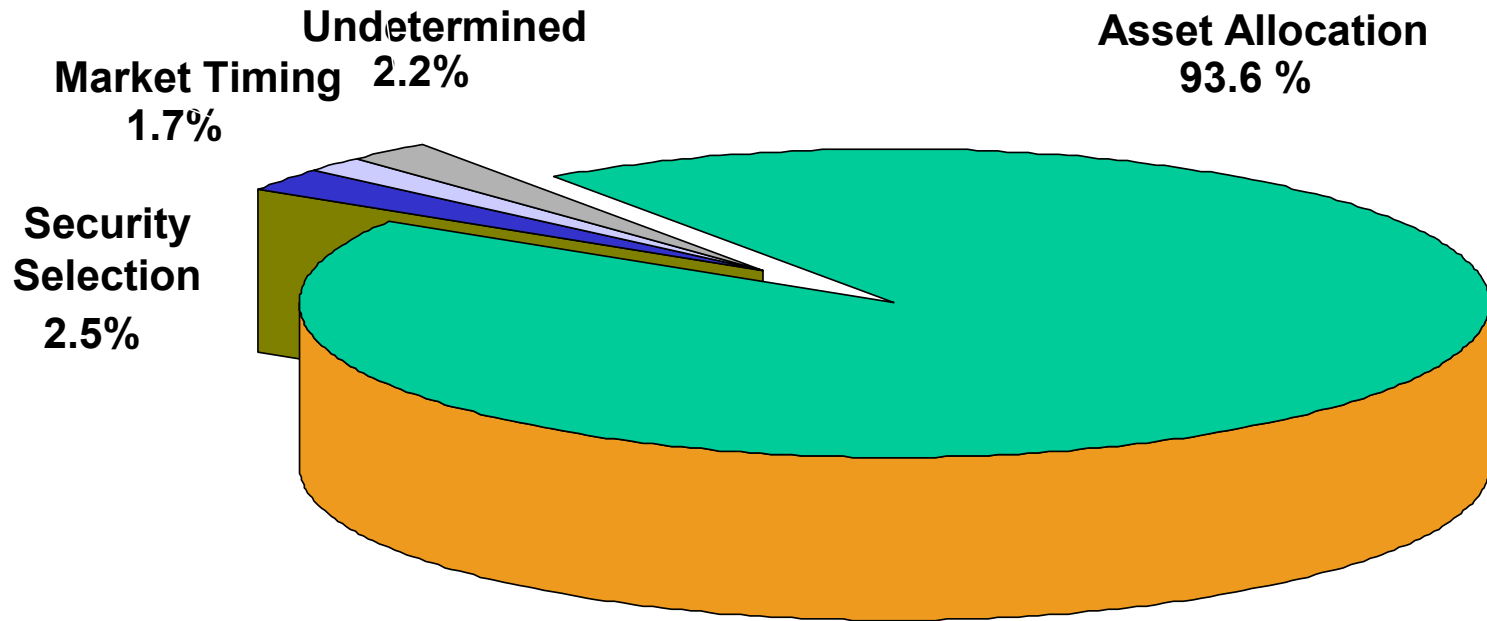
### Create a Tailored Strategy

**Build a portfolio to meet your return objectives while reducing your risk**



# A Case for Asset Allocation

**Asset Allocation can be one of the most important decisions of Investment Policy. Over 90% of the variability in long-term returns can be attributed to Asset Allocation.**



Source: *Financial Analysts Journal*, January-February 2000, analyzing the period 12/93 to 12/97.



## Step 3

### Ongoing Portfolio Monitoring

Track your portfolio's progress toward your stated goal

- Active discussions of goals
- Adjustments to changing financial circumstances
- Review of market performance
- Evaluation of portfolio performance

# Reasons to Hire a Portfolio Manager

- Lack of time
- Lack of expertise
- Remove emotions
- Fiduciary concerns
- Liquidity
- Diversification
- Timely reporting
- Professional Asset Management
- Continuity of management

# Why Smith Barney's ETF Program May Be Right For You?

- Direct contact with financial advisor
- Individually managed portfolio
- Ability to diversify entire client portfolio
- Asset based fee based on total assets under management
- Global resources of Smith Barney

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