

CNBC ETF Advisory Council

ETF Model Portfolios — Investment Policy Guidelines

The **CNBC ETF Retirement Portfolios** provide strong risk management, broad diversification and expert oversight. They are long-term ETF investment portfolios that combine both strategic and tactical asset allocation. Cost, tax efficiency and liquidity are chief criteria of every ETF selection. Each portfolio builds on “core” positioning that uses asset allocation to align itself with the risk and return objectives and timeframe of the investors for whom it is best suited. Each portfolio will also have a “satellite” component where near-term opportunities in the global currency, commodity and other alternative assets can be pursued.

The CNBC ETF Advisory Council will manage 3 retirement portfolios:

CNBC ETF Retirement Portfolio 30: Thirty-plus years to retirement: targets an individual who is 30 years old.

CNBC ETF Retirement Portfolio 50: Under 20 years to go to retirement: targets an individual who is 50 years old.

CNBC ETF Retirement Portfolio 70: In retirement: targets an individual who is 70 years old.

Portfolio Construction

Strategic Allocations. All 3 portfolios will incorporate strategic allocations to 4 main buckets – cash, stocks, bonds and “opportunity”. The first 3 buckets are referred to as “traditional” assets, the fourth as “opportunity” assets.

Tactical Ranges. Tactical ranges are included for each overall bucket (i.e. cash, stocks bonds), with the exception of “opportunity”. This bucket has a dedicated allocation of 25%. If a full 25% “opportunity” ETFs cannot be identified, the remaining stays in cash or short-term cash equivalents.

Portfolio Holdings. All 3 portfolios may be constructed with the same ETFs, but with different weightings to align with the unique risk/return objectives of 30, 50 and 70 year old investors. Min/Max Holdings; 12/20.

Content Limitations and Ranges

	CNBC ETF Retirement Portfolio 30			CNBC ETF Retirement Portfolio 50			CNBC ETF Retirement Portfolio 70		
	Strategic	Min	Max	Strategic	Min	Max	Strategic	Min	Max
Cash	0	0	5	5	0	10	10	5	15
Stocks	60	40	80	40	20	60	25	10	40
Bonds	15	5	25	30	15	45	40	30	60
Opportunity	25	-	-	25	-	-	25	-	-
Total	100			100			100		

Core Holdings

Weighting per ETF. Min/Max 2.5%/25%

“Core” ETFs. The stock bucket will always hold 2 “core”, broad-based ETFs (i.e. one domestic ETF and one international ETF), while the bond bucket will always hold one “core” domestic ETF. These are strategic holdings but can be adjusted outright, or their weighting through adjusted by inclusion of “overweight” ETFs.

“Overweight” ETFs. Weighting for “overweights”. All ETF holdings labeled as “core” may be replaced up to 50% with “overweight” holdings, subject to the following concentration constraints:

“Overweight” Equities:

- **Sector/Style/Capitalization/Other “Overweights”**— maximum of 3; increments of 10% and 20% relative max each (i.e. of total %). As an example, if IVV was labeled “core” then a health care sector XLV could replace 10 or 20% of IVV exposure.
- **International: Regional/Country “Overweights”** — maximum of 3; increments of 10%, and 20% relative max each (i.e. of total %).

“Overweight” Fixed Income:

- **Sector/Credit/Duration “Overweights”** — maximum of 3; increments of 15%, 20%, and 25% relative max each (i.e. of total %).
- **International: Regional/Country “Overweights”** — maximum of 3; increments of 15%, 20%, and 25% relative max each (i.e. of total %).

Opportunity/Satellite Holdings

The Investment Committee defines “opportunity investments” as any ETF that is external to the sub-set of mainstream stocks and bond ETFs ... i.e. currencies, commodities, real estate, gold, etc. These assets are expected to respond differently to economic and financial market factors than traditional stock and bond investments. The Investment Committee will tactically select opportunity investments that present timely and attractive risk/reward profiles, aiming to improve returns whilst reducing overall portfolio volatility.

Opportunity Weightings. Min/Max; 2.5%/5%.

Opportunity Selection Process. A committee member may present the investment case and associated risks for a holding. Majority vote dictates inclusion.

Benchmark and Rebalancing Philosophy

Benchmarks are as follows:

CNBC Retirement 30: 100% ACWI Equity for 30 year old.

CNBC Retirement 50: 1/3 Barclays Capital Aggregate Bond Index and 2/3 ACWI Equity.

CNBC Retirement 70: 75% Barclays Capital Aggregate Bond Index and 25% ACWI Equity.

Rebalancing Philosophy. Minimum monthly review or more frequently (based on the committee’s view of capital market conditions).

ETF Bottom-Up Constraints

Eligibility and restrictions. The portfolios can only hold ETFs, ETNs and cash. Mutual funds, closed-end funds, futures, options, single stocks and other instruments are restricted.

Liquidity. ETFs must have at least \$50 million in assets under management for consideration.

CNBC ETF Advisory Council -- Structure

Membership/quorum. The CNBC ETF Advisory Council will act as the investment committee for the portfolios. At a minimum, they will meet as a group on a monthly basis, and reserve the right to meet on an ad-hoc basis as needed. A simple majority of team members is needed to implement a portfolio change. A quorum of any meeting of the CNBC ETF Advisory Council shall consist of at least 3 of its voting members.