

DWA Sector 4 Model

Model Start Date: 2/19/2014

Model Objective

The DWA 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
- Research studies conducted by both DWA and others show that consistent exposure to the highest relative strength ranked securities results in better investment returns than exposure to poorly ranked securities on a relative strength basis
- Relative strength strategies capitalize on performance differences between and within asset classes
- Directionless or narrow markets and markets with transitioning leadership tend to be periods when relative strength as a strategy will struggle

Investable Inventory

- Invesco DWA Basic Materials Momentum ETF (PYZ)
- Invesco DWA Consumer Cyclical Momentum ETF (PEZ)
- Invesco DWA Consumer Staples Momentum ETF (PSL)
- Invesco DWA Energy Momentum ETF (PXI)
- Invesco DWA Financial Momentum ETF (PFI)
- Invesco DWA Healthcare Momentum ETF (PTH)
- Invesco DWA Industrials Momentum ETF (PRN)
- Invesco DWA Technology Momentum ETF (PTF)
- Invesco DWA Utilities Momentum ETF (PUI)
- Cash Position

About Nasdaq Dorsey Wright

Nasdaq Dorsey Wright is a registered investment advisory firm based in Richmond, Virginia. Since 1987, Dorsey Wright has been an advisor to financial professionals on Wall Street and investment managers worldwide. Dorsey Wright offers comprehensive investment research and analysis through their Global Research Platform and provides research, modeling, and indexes which apply Dorsey Wright's expertise in Point & Figure Relative Strength to various financial products including exchange trade funds and notes, mutual funds, UITs, structured products, and separately managed accounts. In 2015, Dorsey Wright was acquired by Nasdaq, Inc. allowing Dorsey Wright to work towards even greater innovative solutions for its clients. As a single company, Nasdaq is one of the largest providers of Smart Beta indexes.

POWER4 Model Rules

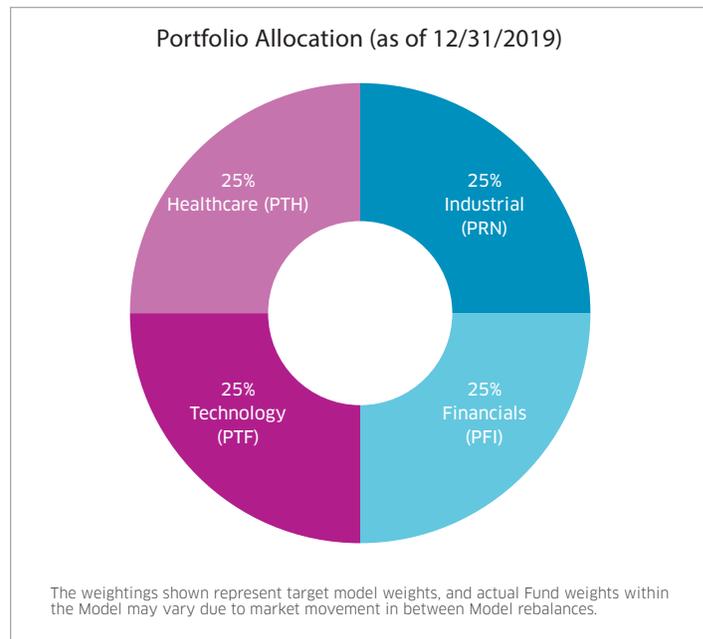
- Evaluated monthly.
- An inventory is established to represent each of the nine macro sectors. The inventory consists of multiple representatives for each macro sector.
- A relative strength matrix is created to compare members of the inventory to one another.
- The sectors and cash are ranked from strongest to weakest based upon their tally rank within the matrix.
- The top four sectors are equally weighted.
- Upon monthly evaluation, 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 a "replacement" method, and rebalanced only when a position drifts materially from its target allocation. If any one sector position is more than 32%, or less than 18%, the portfolio change is made and all positions are rebalanced back to 25% each (or its target weight, in the case of cash).

Disclosure

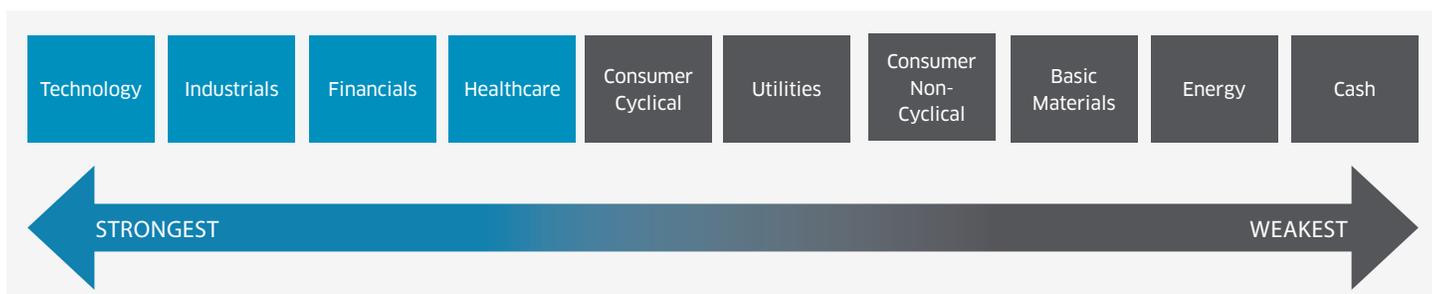
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Relative Strength: A Brief History

The Point & Figure Charting Methodology was first popularized by Charles Dow in the late-1800s as a means for better identifying positive price trends in the market. It was many years later, in the 1950s, that George Chestnutt published a market letter ranking securities within industry groups by “relative strength,” identifying outperformance trends within sectors. Investors and academics alike have furthered research supporting the merit of “RS,” or “Momentum,” factors over the years, with Nasdaq Dorsey Wright at the forefront of applying these trend-following strategies within listed investment vehicles. Our application of RS employs simple relationships in price, and records those calculations on a Point & Figure chart. This purely objective methodology is the foundation for identifying important leadership trends, and building rules-based indices designed to systematically adapt to those leaders.



U.S. Broad Sector Ranking (as of 12/31/2019)



Disclosure

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