

# The FRED Report

## The FRED Report Portfolio Report Card – July 2013

We wanted to give an idea of how [The FRED Report Portfolios](#) have done over the six months since we started publishing them as a report. We resisted the idea of portfolios for the first years of publication of the FRED report, for several reasons. First, we are a research company and not money managers – our clients are the managers and, in most cases, manage money much better than we do. Second, most of our clients are with major brokerage firms and often must use firm models. Third, we are dealing with so many firms, with varied recommended lists, models, and such, that following these portfolios for all of our clients is simply not possible. An example: one of our biggest client firms does not allow use of DBC and DBA except in certain types of accounts. A quick look at the “Commodities” bucket shows they are featured prominently – so that firm is precluded from using this in most instances.

Yet, many clients have asked for more tactical solutions than their firms generally present. The FRED Report portfolios are designed to be “sleeves” in other people’s models rather than stand-alone solutions to reflect this. We have clients that are using our [timing models](#), for example, within their models. We have clients using our “[Stock Bucket](#)” because it is keeping pace with the SPX and has a higher yield, as the domestic stock component of a global model. We have clients using our [Sector Portfolios](#) because their firm’s strategists do not make enough changes in the firm sector models to keep the clients engaged – and so on.

We want to give some comments on performance. First, these figures are not audited and while we hope they are correct there is no implied warranty that they are, in fact, correct. Second, we have tried to choose benchmarks that make sense without being too flattering. Many FA’s use different Benchmarks and we have selected the ones we use without reference to firm selected benchmarks. In some cases we include two benchmarks due to conversations with clients. Third, various models start at different times. The longest running models are the Sector Models. We derived the models from looking at our Sector Review publication before it was intended to be a model. Since the original report was Large Cap sectors only, we used the same weightings and changes on the Small Cap sectors. Yields are approximate, change daily, and do not reflect any yield on items removed from models. These are included as examples and should be relied upon by readers.

## Large Cap Sector Portfolios:

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#### Large Cap Sector Portfolio

		Entry Price	06/28/13	Change (\$)	Change (%)	Performance Contribution
<b>Overweight (3 Units)</b>						
XLI	Industrial Select Sector SPDR	37.62	42.64	5.02	13.34%	2.00%
<b>Equal weight (2 Units)</b>						
XLF	Financial Select Sector SPDR	15.66	19.45	3.79	24.17%	2.42%
XLV	Health Care Select Sector SPDR	40.36	47.61	7.25	17.96%	1.80%
IYW	iShares Dow Jones US Technology	75.58	73.63	(1.95)	(2.58%)	(0.26%)
IYZ	iShares Dow Jones US Telecom	25.41	25.85	0.44	1.73%	0.17%
XLU	Utilities Select Sector SPDR	40.21	37.63	(2.58)	(6.42%)	(0.64%)
XLP	Consumer Staples Select Sector SPDR	36.48	39.67	3.19	8.74%	0.87%
XLE	Energy Select Sector SPDR	82.12	78.30	(3.82)	(4.65%)	(0.23%)
XLY	Consumer Discret Select Sector SPDR	57.55	56.40	(1.15)	(2.00%)	(0.30%)
<b>Underweight (1 Unit)</b>						
XLB	Materials Select Sector SPDR	37.78	38.35	0.56	1.50%	0.07%
FRED Weighted Performance						5.83%
Un-weighted Performance						5.03%

Ticker	ETF Name	Entry Price	Exit Price	Change (\$)	Change (%)	Entry Date	Entry Weight	Exit Date	Exit Weight
XLE	Energy Select Sector SPDR	73.80	71.22	(2.58)	(3.50%)	10/1/2012	Equal	12/14/2012	Under
XLI	Industrial Select Sector SPDR	36.70	37.62	0.92	2.51%	10/1/2012	Equal	12/14/2012	Over
XLP	Consumer Staples Select Sector S	36.06	36.48	0.42	1.16%	10/1/2012	Over	1/18/2013	Equal
XLY	Consumer Discret Select Sector SF	46.76	49.82	3.06	6.54%	10/1/2012	Equal	1/18/2013	Over
XLU	Utilities Select Sector SPDR	36.22	35.68	(0.54)	(1.49%)	10/1/2012	Equal	1/18/2013	Under
XLB	Materials Select Sector SPDR	36.92	39.34	2.42	6.55%	10/1/2012	Under	1/18/2013	Equal
XLB	Materials Select Sector SPDR	39.34	37.78	(1.56)	(3.97%)	1/18/2013	Equal	4/15/2013	Under
XLU	Utilities Select Sector SPDR	35.68	40.21	4.53	12.70%	1/18/2013	Under	4/15/2013	Equal
XLE	Energy Select Sector SPDR	71.22	82.12	10.90	15.30%	10/1/2012	Under	12/14/2012	Equal
XLY	Consumer Discret Select Sector SF	49.82	57.55	7.73	15.52%	10/1/2012	Over	1/18/2013	Equal

## Small Cap Sector Portfolios:

		Entry Price	06/28/13	Change (\$)	Change (%)	Performance Contribution
<b>Overweight (3 Units)</b>						
PSCI	PowerShares S&P SmallCap Industrials	33.24	36.25	3.01	9.06%	1.51%
<b>Equal weight (2 Units)</b>						
PSCD	PowerShares S&P SmallCap Cnsmr Discret	32.96	40.56	7.60	23.06%	2.56%
PSCE	PowerShares S&P SmallCap Energy	34.60	39.20	4.60	13.28%	1.48%
PSCF	PowerShares S&P SmallCap Financials	30.80	35.49	4.69	15.23%	1.69%
PSCH	PowerShares Exchange-Traded Fund Trust	36.94	43.01	6.07	16.43%	1.83%
PSCT	PowerShares S&P SmallCap Info Tech	30.21	35.64	5.43	17.97%	2.00%
PSCU	PowerShares S&P SmallCap Utilities	33.04	32.49	(0.55)	(1.66%)	(0.18%)
PSCC	PowerShares S&P SmallCap Consumer Stapl	35.47	41.69	6.22	17.54%	1.95%
<b>Underweight (1 Unit)</b>						
PSCM	PowerShares S&P SmallCap Materials	32.92	35.10	2.18	6.62%	0.37%
FRED Weighted Performance						12.83%
Un-weighted Performance						12.32%

Ticker	ETF Name	Entry Price	Exit Price	Change (\$)	Change (%)	Entry Date	Entry Weight	Exit Date	Exit Weight
PSCI	PowerShares S&P SmallCap Industrials	30.63	33.24	2.61	8.52%	10/1/2012	Equal	1/3/2013	Over
PSCM	PowerShares S&P SmallCap Materials	30.73	33.17	2.44	7.94%	10/1/2012	Under	1/3/2013	Equal
PSCU	PowerShares S&P SmallCap Utilities	32.16	30.42	(1.74)	(5.41%)	10/1/2012	Equal	1/3/2013	Under
PSCC	PowerShares S&P SmallCap Consumer S	36.32	35.47	(0.85)	(2.34%)	10/1/2012	Over	1/3/2013	Equal
PSCM	PowerShares S&P SmallCap Materials	33.17	32.92	(0.25)	(0.75%)	1/3/2013	Equal	4/15/2013	Under
PSCU	PowerShares S&P SmallCap Utilities	30.42	33.04	2.62	8.61%	1/3/2013	Under	4/15/2013	Equal

**Timing Models:**

We discuss the idea behind the Timing Models fully in our Portfolio Reports, and on the website, and suggest reading that for a more full understanding. The overall strategy is designed to switch between higher Beta/high relative strength ETFs when market conditions are favorable, and low volatility ETFs when markets are unfavorable. We show numbers and history in the models below, but will make some additional comments here. PLEASE NOTE: these are not audited results, and while we hope and believe they are correct no warranty is implied that they are. Yields change daily and the yields provided are meant to be examples only and not the yields an investor would receive. In addition, yields are not calculated on closed positions. The results have been derived from averaging the numbers and history shown in the description of the models.

**U.S. STOCK MARKET AGGRESSIVE:** This model performed well. For the period, the SPX advanced 11.20% and has a yield of roughly 2%. Closed positions gained around 5.46%, and open positions average around 6.05% for a total of around 11.51%, and a yield of around 2.71% on open positions.

**U.S. STOCK MARKET LESS AGGRESSIVE:** This model performed well. For the period, the SPX advanced 11.20% and has a yield of roughly 2%. Closed positions were around 7.65%, and open positions average around 9.10% for a total of around 16.75%, and a yield of around 2.19% on open positions.

		Timing and Weighting Methodology (current is boxed)				
Timing Model -		Full Bullish				Full Bearish
Domestic		Stance	Bullish	Neutral	Defensive	Stance
		(4 to 0)	(3 to 1)	(2 to 2)	(1 to 3)	(0 to 4)
<b>Strategy Employed</b>						
Aggressive	SPHB					0
	SPLV					4
Less Aggressive	PDP				1	
	SPLV				3	
<b>Aggressive</b>						
		Start Date	Value	End Date	End Value	% Change
Defensive	SPHB	10/01/12	20.71	04/17/13	22.54	8.84%
Defensive	SPLV	10/01/12	28.21	01/03/13	28.29	0.28%
Defensive	SPLV	10/01/12	28.21			
Defensive	SPLV	10/01/12	28.21			
Neutral	SPHB	01/03/13	22.58	03/11/13	24.28	7.53%
Defensive	SPLV	03/11/13	30.31			
Full Bearish	SPLV	04/17/13	31.40			
<b>Less Aggressive</b>						
		Start Date	Value	End Date	End Value	% Change
Defensive	PDP	10/01/12	27.57			
Defensive	SPLV	10/01/12	28.21			
Defensive	SPLV	10/01/12	28.21			
Defensive	SPLV	10/01/12	28.21	01/03/13	28.29	0.28%
Neutral	PDP	01/03/13	28.51	04/17/13	30.61	7.37%
Defensive	SPLV	04/17/13	31.40			

**DEVELOPED MARKETS AGGRESSIVE:** This model performed badly, losing money while EFA gained. For the period, EFA gained 7.24% and has a yield of roughly 2.99%. Closed positions lost -.24%, and open positions lost also: -1.91% for a net loss of -2.12% and an average yield of 2.22%.

**DEVELOPED MARKETS LESS AGGRESSIVE:** This model underperformed EFA, but did make money. For the period, EFA gained 7.24% and has a yield of roughly 2.99%. Closed positions gained 2.75%, and open positions advanced 1.36%, with an average yield of 2.20%.

Timing Model - International: Developed		Timing and Weighting Methodology (current is boxed)				
		Full Bullish Stance (4 to 0)	Bullish (3 to 1)	Neutral (2 to 2)	Defensive (1 to 3)	Full Bearish Stance (0 to 4)
<b>Strategy Employed</b>						
Aggressive	IDHB					0
	IDLV					4
Less Aggressive	PIZ			1		
	IDLV			3		
EFA						
<b>Aggressive</b>		<b>Start Date</b>	<b>Value</b>	<b>Close Date</b>	<b>Value</b>	<b>% Change</b>
Defensive	IDHB	10/01/12	22.32	04/17/13	24.12	8.06%
Defensive	IDLV	10/01/12	28.34			
Defensive	IDLV	10/01/12	28.34			
Defensive	IDLV	10/01/12	28.34	01/03/13	28.11	(0.81%)
Neutral	IDHB	01/03/13	25.48	03/11/13	25.12	(1.41%)
Defensive	IDLV	03/11/13	29.87			
Full Bearish	IDLV	04/17/13	30.58			
<b>Less Aggressive</b>		<b>Start Date</b>	<b>Value</b>	<b>End Date</b>	<b>End Value</b>	<b>% Change</b>
Defensive	PIZ	10/01/12	19.22			
Defensive	IDLV	10/01/12	28.34			
Defensive	IDLV	10/01/12	28.34			
Defensive	IDLV	10/01/12	28.34	01/03/13	28.11	(0.81%)
Neutral	PIZ	01/03/13	20.20	04/17/13	20.92	3.56%
Defensive	IDLV	04/17/13	30.58			

**EMERGING MARKETS AGGRESSIVE:** This model performed well, although it lost money. For the period, EEM declined 7.76% and has a yield of roughly 1.75%. Closed positions lost around -4.99%, and open positions lost around -1.50% for a net -6.49%, plus a yield of roughly 1.05%.

**EMERGING MARKETS LESS AGGRESSIVE:** This model performed well, and made money. For the period, EEM declined 7.76% and has a yield of roughly 1.75%. Closed positions gained 15.02% and open positions advanced .96%, for a net gain of 15.98% and an average yield of around .94%.

Timing Model -		Timing and Weighting Methodology (current is boxed)				
		Full Bullish	Bullish	Neutral	Defensive	Full Bearish
International:		Stance				Stance
Emerging		(4 to 0)	(3 to 1)	(2 to 2)	(1 to 3)	(0 to 4)
<b>Strategy Employed</b>						
Aggressive	EEHB					0
	EELV					4
Less Aggressive	PIE			1		
	EELV			3		
<b>EEM</b>						
<b>Aggressive</b>		<b>Start Date</b>	<b>Value</b>	<b>Close Date</b>	<b>Value</b>	<b>% Change</b>
Defensive	EEHB	10/01/12	21.56	04/17/13	21.53	(0.14%)
Defensive	EELV	10/01/12	27.28			
Defensive	EELV	10/01/12	27.28			
Defensive	EELV	10/01/12	27.28	01/03/13	29.04	6.45%
Neutral	EEHB	01/03/13	24.31	03/11/13	23.26	(4.32%)
Defensive	EELV	03/11/13	29.29			
Full Bearish	EELV	04/17/13	28.59			
<b>Less Aggressive</b>		<b>Start Date</b>	<b>Value</b>	<b>End Date</b>	<b>End Value</b>	<b>% Change</b>
Defensive	PIE	10/01/12	17.37			
Defensive	EELV	10/01/12	27.28			
Defensive	EELV	10/01/12	27.28			
Defensive	EELV	10/01/12	27.28	01/03/13	29.04	6.45%
Neutral	PIE	01/03/13	18.68	03/11/13	20.28	8.57%
Defensive	EELV	03/11/13	28.88			

**Bucket List:**

**BUCKET LIST NOTES:**

First, our goal in these five sleeves has been to come relatively close to the benchmark in performance, while being mindful of downside risk.

**STOCK BUCKET:** We have done well here. Open positions average approximately 10.87%, and closed positions around 7.49%, which keeps pace with the SPX return of 13.96% since December 3, 2012. In addition, the average yield is roughly 2.8% vs. around 2% for SPX.

		Entry Price	06/28/13	Change (\$)	Change (%)	Entry Date	Exit Date
<b>Stocks (5 Units)</b>							
DVY	iShares Dow Jones Select Dividend Index Fund	59.49	64.01	4.52	7.60%	1/23/2013	
PRFZ	PowerShares FTSE RAFI US 1500 Small-Mid	67.81	81.02	13.21	19.48%	12/3/2012	
SPLV	PowerShares S&P 500 Low Volatility Portfolio	27.76	31.12	3.36	12.10%	12/3/2012	
SPY	SPDR S&P 500 ETF	141.25	160.42	19.17	13.57%	12/3/2012	
SPY	SPDR S&P 500 ETF	152.18	160.42	8.24	5.41%	2/12/2013	
<b>Benchmark for Stocks</b>							
SSPX	S&P 500 Index	1409.46	1,606.28	196.82	13.96%		
<b>Removed Units</b>							
IYZ	iShares Dow Jones US Telecom	23.81	24.81	1.00	4.20%	12/3/2012	1/23/2013
MDY	SPDR S&P MidCap 400	181.91	202.36	20.45	11.24%	12/3/2012	2/12/2013

**BOND BUCKET:** We have done ok here. We use two benchmarks, and realize that firms are using different ones. These are Ten Year Note Futures (/TN) and VBMFX (the Vanguard Total Bond Market Index Fund). /TN moved from 133.085 to 126.150, or approximately a 5.021% drop and VBMFX lost about 3%. Yield on TNX is 2.478%, and VBMFX is around 2.27%. We were more aggressive in our selection of ETFs, so the portfolio lost around 6.44% but yields around 4.32%. If bonds snap back in the second half we should make the capital loss up, and the greater yield compensates at least in part for the loss. We continue to remark in the Reports about the chances that the 30-year bond bull has ended and if that is the case it will be hard to generate income with bond ETFs without the risk of substantial loss.

		Entry Price	06/28/13	Change (\$)	Change (%)	Entry Date	Exit Date
<b>Fixed Income (5 Units)</b>							
BKLN	PowerShares Senior Loan Portfolio	24.82	24.75	(0.07)	(0.28%)	12/3/2012	
LQD	iShares iBoxx \$ InvesTop Investment Grade Bo	122.00	113.28	(8.72)	(7.15%)	12/3/2012	
TIP	iShares Barclays TIPS Bond Fund	122.83	111.86	(10.97)	(8.93%)	12/3/2012	
PGX	PowerShares Preferred Portfolio ETF	14.73	14.27	(0.46)	(3.12%)	12/3/2012	
PCY	PowerShares Emerging Markets Sovereign Det	31.39	27.31	(4.08)	(13.00%)	12/3/2012	
<b>Benchmark for Fixed Income</b>							
	Ten Year Note Futures (/TN)	133.09	126.15	(6.94)	(5.21%)		
	VBMFX Vanguard Total Bond Market Index Inv	11.19	10.66	(0.53)	(4.74%)		

**COMMODITIES BUCKET:** We have done less well here, mostly through sticking with IAU. In our defense we did stop traders out in the letter at 15.60 (156 on GLD) and most of the clients have sold GLD based on the trading action. We use the CRB index as our benchmark. It is down around 6.63% vs. a drop in our portfolio of 9.48%. There is no yield on this bucket.

		Entry Price	06/28/13	Change (\$)	Change (%)	Entry Date	Exit Date
<b>Commodities (5 Units)</b>							
DBA	PowerShares DB Diversified Agriculture Fund	26.67	24.90	(1.77)	(6.64%)	2/12/2013	
DBC	PowerShares DB Commodity Index Fund	27.92	25.13	(2.79)	(9.99%)	12/3/2012	
DBC	PowerShares DB Commodity Index Fund	28.45	25.13	(3.32)	(11.68%)	2/12/2013	
IAU	iShares COMEX Gold Trust	16.52	11.99	(4.53)	(27.42%)	12/3/2012	
USO	United States Oil Fund LP	31.07	34.18	3.11	10.03%	4/17/2013	
<b>Benchmark for Commodities</b>							
CRB	CRB Index	295.19	275.62	(19.57)	(6.63%)		
<b>Removed Units</b>							
NIB	iPath DJ-UBS Cocoa TR Sub-Idx ETN	33.42	29.53	(3.89)	(11.64%)	12/3/2012	2/12/2013
UHN	United States Diesel-Heating Oil	33.49	35.933	2.44	7.29%	12/3/2012	2/12/2013
JJC	iPath DJ-UBS Copper TR Sub-Idx ETN	46.11	39.52	(6.59)	(14.29%)	12/3/2012	4/17/2013



**INTERNATIONAL BUCKET:** We have done well vs. Emerging Markets and some of the more aggressive selections, and less well with regard to the more conservative Vanguard FTSE All World Ex-US Index ETF, which is basically unchanged. Emerging Markets have been really weak, with a drop of around 13.13%. Our international portfolio is down around 3.89%, and has an average yield of around 2.83%. The Vanguard index yields around 3.2%, and EEM around 1.75% currently.

		Entry Price	06/28/13	Change (\$)	Change (%)	Entry Date	Exit Date
<b>International (5 Units)</b>							
EWL	iShares MSCI Switzerland Cappe	26.27	28.65	2.38	9.06%	12/3/2012	
EWH	iShares MSCI Hong Kong Index Fund	18.89	18.33	(0.57)	(2.99%)	12/3/2012	
EWA	iShares MSCI Australia Index Fund	26.30	22.58	(3.72)	(14.14%)	2/12/2013	
PID	PowerShares ETF Trust International Dividend	16.61	16.35	(0.27)	(1.62%)	4/17/2013	
PIN	PowerShares India Portfolio	18.35	16.54	(1.81)	(9.86%)	12/3/2012	
<b>Benchmark for International</b>							
VEU	Vanguard FTSE All-World ex-US ETF	44.12	44.22	0.10	0.23%		
<b>Removed Units</b>							
EWV	iShares MSCI Mexico Investable Mkt Idx	67.72	73.03	5.31	7.84%	12/3/2012	2/12/2013
GXG	Global X FTSE Colombia 20 ETF	21.40	19.79	(1.61)	(7.52%)	12/3/2012	4/17/2013

**ITEMS OF INTEREST BUCKET:** This has done well, with a loss of .50% on open positions and a gain of 8.50% on closed positions. Our only criticism here is we may not have been aggressive enough, or used instruments that were “outside the box”, such as Water, which we discussed in the Weekly Reports throughout the first half.

		Entry Price	06/28/13	Change (\$)	Change (%)	Entry Date	Exit Date
<b>Areas of Interest (5 Units)</b>							
BKLN	PowerShares Senior Loan Portfolio	24.82	24.75	(0.07)	(0.28%)	12/3/2012	
FXI	iShares Trust FTSE China 25 Index Fund	37.01	32.52	(4.49)	(12.13%)	12/3/2012	
FXF	CurrencyShares Swiss Franc Trust	106.22	103.92	(2.30)	(2.17%)	12/3/2012	
VXUS	Vanguard STAR Funds Vanguard Total Inte	45.60	45.68	0.08	0.18%	12/3/2012	
DXJ	WisdomTree Trust Japan Total Dividend Fund	40.90	45.61	4.71	11.52%	2/12/2013	
<b>Removed Units</b>							
EWJ	iShares MSCI Japan Index	9.3	10.1	0.80	8.60%	12/3/2012	2/12/2013