



Model Goals

- Seek growth primarily through capital appreciation by capturing mid- to long-term market trends
- Seek to reduce investment risk through the use of risk control measures

The Sector Rotation Model is intended for investors who:

- Wish to employ an active approach to portfolio management
- Are comfortable with portfolio turnover resulting from active management
- Are comfortable with investments in domestic and / or global markets
- Are comfortable maintaining a portfolio which could potentially hold concentrated positions

Minimum Account Size: \$50,000

704 Lisburn Road, Suite 101
Camp Hill, PA 17011
(717) 774-7200

www.wealthdevelopmentcouncil.com



Note: This Factsheet is intended to be viewed in conjunction with **WDC Advised Portfolios – An Introduction** brochure.

Model Thesis

- Equity markets can be categorized into broad groups of stocks of companies in similar businesses (sectors).
- Sectors experiencing higher demand tend to outperform sectors experiencing lower demand.
- Regular monitoring and rebalancing may help position a portfolio to take positive advantage of these changes in investor demand.

Model Strategy

1	Monitor Broad Economic Groups (Sectors)
2	Assess, Grade, and Rank each sector's Relative Strength
3	Buy or Hold Investment Vehicles which represent the sectors and have high Relative Strength at time of purchase
4	Maintain Risk Controls
5	Monitor and Reallocate as needed

An Inventory of Investment Possibilities



Our process begins with monitoring the relative strength of eleven broad economic groups which together comprise the U.S.

Equity Market.

To do so, we monitor ongoing price activity of Exchange Traded Funds and Mutual Funds which track the stocks which comprise the underlying index.

Eleven Economic Broad Groups

<i>Basic Materials</i>	<i>Industrial</i>
<i>Consumer Cyclical</i>	<i>Real Estate</i>
<i>Consumer Noncyclical</i>	<i>Technology</i>
<i>Energy</i>	<i>Telecommunications</i>
<i>Financial</i>	<i>Utilities</i>
<i>Healthcare</i>	

Sector Rotation Model

An investment model based on Relative Strength and Market Trends

Relative Strength Journal Sample

	6/11/2016		6/08/2016	
1	iShares Semiconductor	+2	iShares U.S. Industrials	0
2	iShares Real Estate	-2	iShares Cohen & Steers	0
3	iShares Cohen & Steers	-1	iShares Semiconductor	+1
4	iShares U.S. Oil Equipment	+5	Residential Real Estate	-1
5	S&P 500 Equal Weight	0	S&P 500 Equal Weight	0
6	Residential Real Estate	-2	iShares U.S. Insurance	0
7	iShares U.S. Insurance	-1	U.S. Regional Banks	0
8	U.S. Home Construction	+2	U.S. Consumer Goods	0
9	U.S. Regional Banks	-2	iShares U.S. Oil Equipment	+4

Picking Investment Possibilities

2 **3** Exchange Traded Funds or Sectors are ranked according to Relative Strength vs. all other sectors and vs. multiple benchmark indices.

The model seeks to purchase and hold candidates that are in positive Relative Strength Trends and sell candidates that are in negative Relative Strength Trends.

The Sector Rotation model seeks to hold a portfolio of broad and narrow economic groups which are exhibiting high Relative Strength and positive trends at the time of purchase.

Active Management

4 **5** Model holdings are reviewed and monitored on an ongoing basis. As securities rise in value, positions may be trimmed to harvest gains. Once a company's Relative Strength begins to weaken, the model will typically begin to reduce portfolio exposure to that sector. Diversification is achieved through effective position sizing. Strategic stop and limit orders may be utilized to further reduce risk.

#{allocation-table}

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