



ETF Research Overview

*A fundamentally different
approach to ETFs*

Presented by:

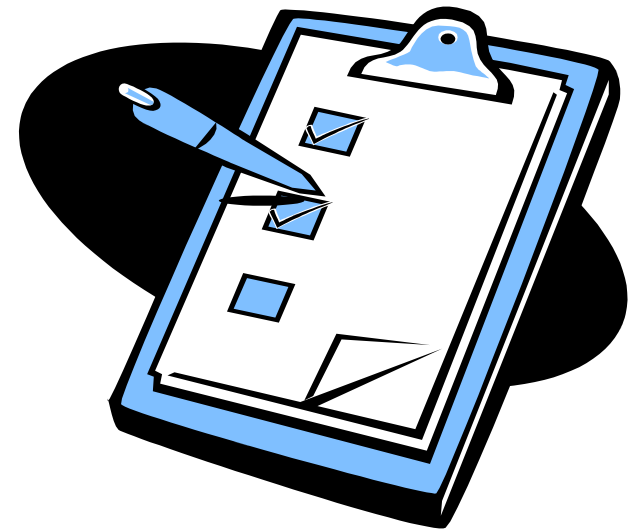
Michael Krause

President, AltaVista Research



Agenda

- ❖ Problem: choices, choices
- ❖ Research marketplace
- ❖ AltaVista's approach
 - ❖ Explanation
 - ❖ Advantages & Uses
- ❖ Q&A





Problem: Choices, choices

- ❖ Which ETFs are right for me?
 - ❖ Limited history
 - ❖ Competing claims & information
 - ❖ What's in a name?
- ❖ "It's an index-picker's market"
 - ❖ Index as *investment*, not benchmark
 - ❖ Increased burden on advisors
 - ❖ Active allocation required





Research marketplace

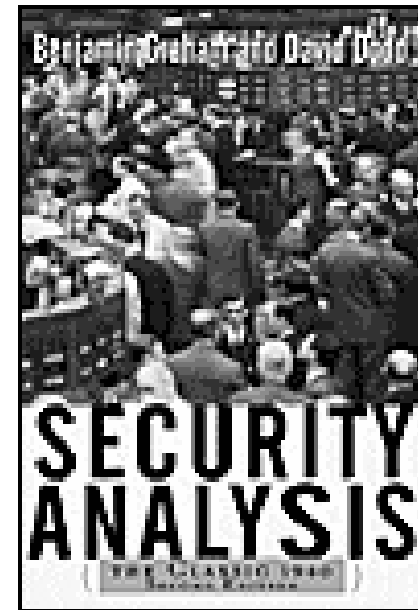
Type	Mutual fund approach	Portfolio Strategy	Industry reporting
Practitioners	Morningstar, Lipper, etc.	Wire houses, some blogs	Financial press, blogs, fund issuers, wire houses
Content	Past performance analysis	Implementation of given strategy w/ ETFs	Product awareness, trend following
Drawbacks	Backwards-looking, useless with new funds	Subjective, based on strategist's conclusion	Not <i>investment</i> research



AltaVista's approach

A fundamentally different approach to ETFs...

- ❖ **Problem:** Warmed-over mutual fund approach focuses on the past, and answers the wrong questions
- ❖ **Solution:** Apply traditional tools of security analysis to fund constituents
- ❖ **Benefit:** *Forward-looking* view of an ETF's investment merit

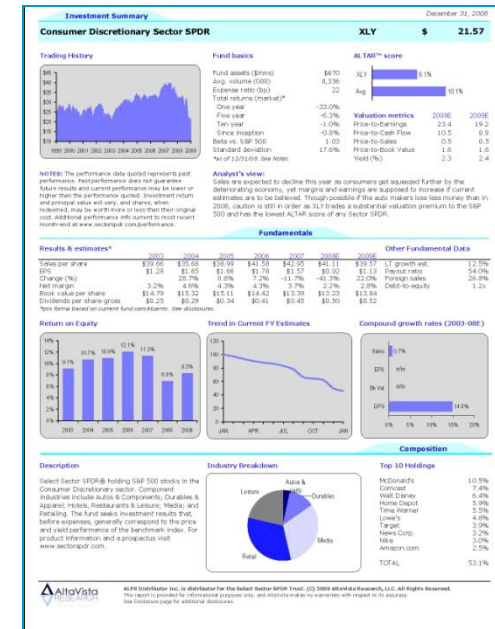


-Graham & Dodd, 1934

AltaVista's approach

In addition to the basics, for every ETF we calculate:

- ❖ Sales, earnings, dividends, etc., both historical and forecast
- ❖ Balance sheet ratios
- ❖ Trends in estimate revisions
- ❖ Valuation metrics & ALTAR Score™ investment rating



-Page from ETF Analyzer



Advantages

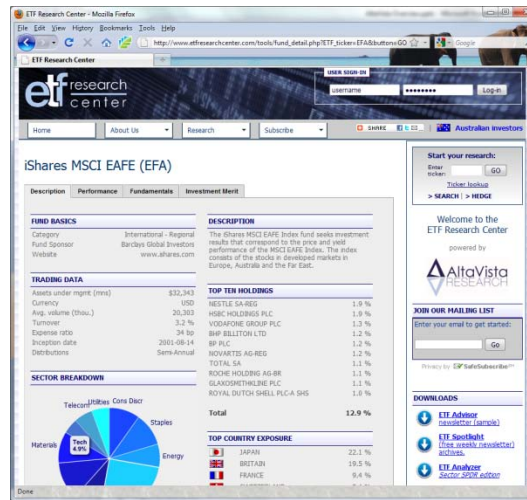


- ❖ Forward-looking
- ❖ Objective & familiar
- ❖ Strategy agnostic
- ❖ Dynamically updated
- ❖ Applicable to new funds

ETF Research Center

A complete toolbox...

- ❖ Fund detail
- ❖ Fund search
- ❖ Portfolio builder
- ❖ Hedge finder



www.etfresearchcenter.com





Offline research



- ❖ *ETF Advisor* newsletter (monthly)
- ❖ *ETF Analyzer* guidebook
- ❖ Direct data feed



The end

*A fundamentally different
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For more information please visit...



www.altavista-research.com



www.etfresearchcenter.com

APPENDIX

ALTAR Score™

- AltaVista Long Term Annual Return
- What it is:
 - Broad measure of *investment merit*
 - Buffet-style ownership approach
 - Avg. ROE ÷ P/BV less fees
- What it does:
 - Provides relative view of value
 - Allows pan-cyclical comparisons
- What it is not:
 - Prediction of near-term price movements
 - The final word in ETF selection

ALTAR Score™

$$ROE_{avg} \div \frac{P}{BV_{FY1}} - fees$$

Illustration

Firm A: 10% ROE, P/BV = 2.0x

if BV = \$1,000

Profits = \$100 (10% x \$1,000)

My investment = \$2,000 (2.0x BV)

My return = 5% (\$100 ÷ \$2,000)

APPENDIX

Fighting the last war

- ❖ Warmed-over mutual fund approach
 - ❖ Focused on past performance & fees
 - ❖ Evaluates the PM
 - ❖ Long-biased
- ❖ Shortcomings
 - ❖ Backwards looking
 - ❖ Answers the wrong questions
 - ❖ Can't be done with new funds
 - ❖ It's all relative

FXI: Price & rating history

