

## Perspective: Extreme Surfing - ETF Ultra Alpha SOS Portfolio

May 09, 2016

Dear Scott,

### What the Charts Say

While the market has largely recovered from January's pullback, it appears it has again paused near its former top amidst no shortage of mixed opinions about where it's headed next. On the downside, the April jobs report disappointed at an anemic +160k. On the upside, 71% of reporting companies beat the market's earnings estimates. Furthermore, fears that losses in the oil patch could trigger investment portfolio collapses and lead to insolvency in portions of the financial markets seem to have abated.

While the market regains its footing, the political landscape of the upcoming Presidential election is already taking its toll on hot button sectors. A [two year chart of the Ultra Biotech ETF BIB](#) shows that, in addition to expected losses taken with the general market last August and January, strong political remarks made by leading candidates from both parties seriously took Biotech down again in September and kept it down in early 2016 even as most other sectors nearly fully recovered. With six months to go until the general election, we should expect more of the same. After the general election we'll have certainty in new policy, which will lead to new market trends... and well-designed Strategies will be configured to do well regardless of the policy direction and the new winners it creates.

### Extreme Surfing - Preparing for Success

While stocks generally have the advantage (and allure) of much higher returns than ETFs, the identification of rising stars is problematic (except in hindsight) and the risk of single company collapse can be devastating to a small portfolio of stocks. However, the relatively new leveraged 2X and 3X ETFs provide opportunity for much higher returns while virtually eliminating the risk of single company collapse. This, coupled with the simplicity of owning just a few leveraged sector funds over managing a large list of finicky stocks, can't be over stated.

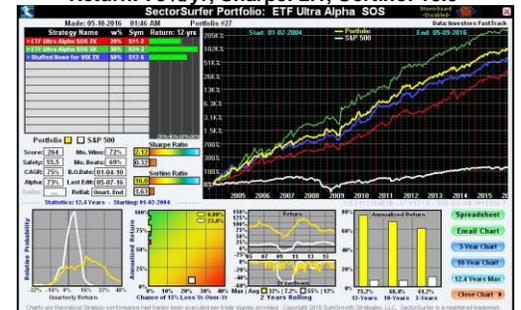
The problem with most 2X and 3X leveraged funds is that they have a very short operational history (many starting after 2009) and thus cannot effectively be modeled in a Strategy through both bull and bear markets. To resolve this problem, we have created and [documented extended versions of virtually all 2X and 3X leveraged ETFs](#) that go back to 1/4/2004. Fortunately, these ETFs are all based on the same published market and sector indexes used by the iShares and SPDR ETFs, and thus they can be used with an appropriate multiplier to artificially generate the missing data between 1/4/2004 and the actual start date of the leveraged ETF. With these extended ticker symbols in place, leveraged ETF Strategies may now be more credibly modeled through bull, bear, and sideways markets.



3-YEARS

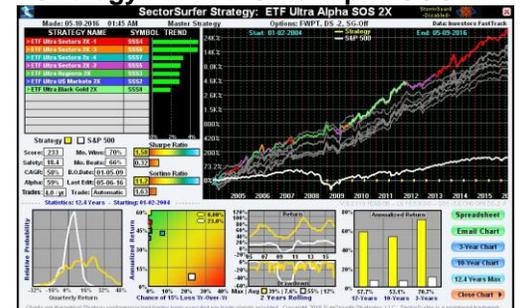
### Portfolio: ETF Ultra Alpha SOS

Return: 75%/yr, Sharpe: 2.1, Sortino: 15.9



[Click to Enlarge](#)

### Strategy #1: ETF Ultra Alpha SOS 2X



[Click to Enlarge](#)

## Introducing: The ETF Ultra Alpha SOS Portfolio

Going to extremes to achieve higher returns necessitates also going to extremes to improve safety. Risk is not a one-dimensional problem cured by a single step of diversification. A multi-layered approach is required to address the numerous types of risk, including: (a) using funds, (b) incorporating [True Sector Rotation](#), (c) applying [StormGuard](#), (d) enabling [FWPT](#), (e) incorporating a SOS ([Strategy-of-Strategies](#)), and (f) rolling [multiple Strategies into a Portfolio](#). The ETF Ultra Alpha SOS Portfolio, right, is composed the three ETF Strategies posted below it and performs as detailed in the table below. The performance statistics speak for themselves.

## ETF Ultra Alpha SOS versus S&P500 Index

	Ave. Return	Sharpe Ratio	Sortino Ratio
ETF Ultra Alpha SOS	74.9%	2.11	15.9
S&P500 Index	7.2%	0.32	1.63

The ETF Ultra Alpha SOS Portfolio and its underlying Strategies are [documented HERE](#). Please note that although returns are high and long-term risk is quite low, there are fairly large short-term bumps one must accept to comfortably use this Portfolio or its Strategies.

## Stocks & Commodities SectorSurfer Product Review

The April edition of Stocks & Commodities magazine featured a nice SectorSurfer product review by Joe Gruender (a.k.a. SectorSurfer Joe). It's an excellent introductory article for beginners, or for forwarding to interested friends. It can be downloaded from Joe's web site [www.InvestorsHelp.net](http://www.InvestorsHelp.net) Thank you, Joe!

## NAAIM Wagner Award for: Automated Polymorphic Momentum

The National Association for Active Investment Managers holds an annual contest for the best submitted paper demonstrating the validity of an active investing approach that outperforms the market. We are proud to announce that [Scott received the 2nd place Wagner Award](#) for his paper entitled "[Investment Performance Improvement Utilizing Automated Polymorphic Momentum.](#)"

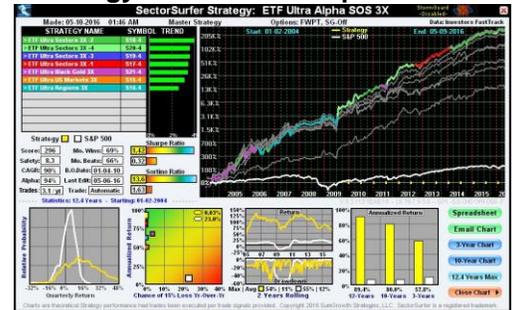
## Momentum Investing Meetup Group - June (early - T.B.D.) No Topic Selected Yet ... Please Suggest One Via Email.

Here is the video (un-edited) of the prior presentation entitled [How SG-Armor Stunningly Tames Bear Markets](#). We have not selected a topic for the early June meeting, so your suggestions are welcomed.

## Speaking Engagement Calendar

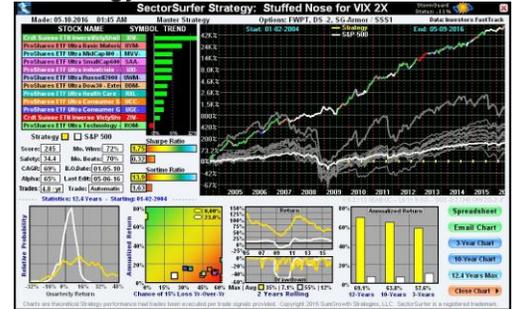
Please come and see one of these seminar presentations if you are in the neighborhood. Alternatively, ask your AAI Chapter or Investment Group leader to schedule a presentation. Webex presentations for smaller investment clubs and groups are welcomed.

## Strategy #2: ETF Ultra Alpha SOS 3X



[Click to Enlarge](#)

## Strategy #3: Stuffed Nose for VIX 2X



[Click to Enlarge](#)

## Product Review



## Contest Paper



[Click to Download PDF Copy](#)

**Topic T.B.D. ... Email a Request**  
Streamed Live Early June T.B.D. 7PM PST



[Click for Event Details.](#)

**Seminar Titles: "True Sector Rotation Made Practical," and "Addressing the Seven Faces of Risk."**  
This is a fast-paced detailed seminar that will cover SectorSurfer basics, Forward Walk Progressive Tuning, Strategy-of-Strategies, and how to make Low Drawdown Portfolios.

- [Detroit, MI: AAI Chapter - May 11, 2016 6:30 PM](#)
- [Seattle, WA: Momentum Investing Meetup Group - Early June T.B.D., 7:00 PM - Streamed Live](#)
- [Sacramento, CA: AAI Chapter - September 20, 2016](#)
- [Phoenix, AZ: AAI Chapter - October 15, 2016](#)

Surf Well and Prosper,



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## Additional Resources

### Sector Surfer Live Forum

By the Seattle SectorSurfers Meetup Group



The SectorSurfer Live Forum provides Internet-streamed access to the Seattle SectorSurfers Momentum Investing Meetup Group so everyone can attend the presentations and discussions hosted by Chief SectorSurfer. [Click HERE](#)

### Sector Surfer Users Group

Join the Conversation



The SectorSurfer Users Group is an online Google Groups Forum created by Joe Gruender of San Jose, CA to provide a platform for exchanging strategies, ideas and learning from the experience of other SectorSurfers. [Click HERE](#)

### Sector Surfer University

Learn to Change the Game



Investment professional Richard Erkes created SectorSurfer University to provide everyone the opportunity to learn how to use SectorSurfer to improve investment portfolio performance while simultaneously reducing investment costs. [Click HERE](#)



Professional Help - Change the Game



Bryan Sullivan founded AlphaDroid Strategies to provide True Sector Rotation and StormGuard technology to financial advisors in a framework that helps them manage high performance portfolios for their clients. [Click HERE](#)