



# KKM Sector Rotation powered by Nasdaq Dorsey Wright

Model Start Date: 9/2/2002

## Model Objective

The purpose of the Sector Rotation Model is to identify major themes in the market, have exposure to those sectors controlled by demand and eliminate exposure to those sectors controlled by supply. The Model is designed to hone in on the strongest ETFs from the inventory listed below. The Sector Rotation inventory of funds provides a diversity of investments that is generally advantageous to trend-based tactical rotation strategies.

## Systematic Portfolio Rules

- The Portfolio remains 100% invested at all times.
- iShares sector ETFs (see below) are compared to the iShares Dow Jones U.S. ETF (IYY) using a RS versus benchmark methodology.
- Those funds whose relative strength charts are in X's go into the Portfolio and are only removed when the RS charts reverse into O's.
- When an addition or deletion is made, the Portfolio is rebalanced so each position is equally weighted.

## Relative Strength Methodology

The most adaptive tool we have found to identify the strongest trends from the weakest within an investable universe is Point & Figure Relative Strength. Our Relative Strength calculation is designed to target long term themes of outperformance, while also remaining responsive enough to allow for rotation when market trends necessitate. In short, Relative Strength attempts to minimize exposure to underperforming positions, while letting profitable positions run. Most importantly, this systematic and rules-based approach eliminates the subjective or "emotional" trades, as the calculation is derived from price data alone.

## 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 with over \$50 billion in assets tracking Nasdaq Smart Beta indexes.

## Model Inventory

SYMBOL	ETF NAME
IBB	iShares Nasdaq Biotechnology ETF
IDU	iShares U.S. Utilities ETF
IGM	iShares North American Tech ETF
IGV	iShares North American Tech-Software ETF
IYE	iShares U.S. Energy ETF
IYG	iShares U.S. Financial Services ETF
IYJ	iShares U.S. Industrials ETF
IYM	iShares U.S. Basic Materials ETF
IYT	iShares Transportation Average ETF
IYZ	iShares U.S. Telecommunications ETF
ICF	iShares Cohen & Steers REIT ETF
IGE	iShares North American Natural Resources ETF
IGN	iShares North American Tech-Multimedia Networking ETF
IYC	iShares U.S. Consumer Services ETF
IYF	iShares U.S. Financials ETF
IYH	iShares U.S. Healthcare ETF
IYK	iShares U.S. Consumer Goods ETF
IYR	iShares U.S. Real Estate ETF
IYW	iShares U.S. Technology ETF
SOXX	iShares PHLX Semiconductor ETF



## DISCLOSURE

Blackrock Investments, LLC has arranged with Dorsey, Wright to provide this specialized ETF page on the iShares ETFs. The Point & Figure analysis, models and resulting rankings, including any information, data or commentary included therein, are created and provided solely by Dorsey, Wright & Associates. Such analysis, models and rankings should not be considered an offer to purchase or sell, or a solicitation of an offer to buy or purchase any security, including iShares ETF shares. Neither Blackrock Investments, LLC nor Dorsey Wright through this ETF page provide investment advice or recommendations regarding any security, fund or market. The percentage of the portfolio devoted to any ETF is at the sole discretion of the financial advisor or the customer, and not Dorsey, Wright & Associates or Blackrock Investments, LLC. If you are not familiar with Point & Figure methodology, we suggest you read "Point & Figure Charting, 4th Edition" by Thomas J. Dorsey. If you are not familiar with the Blackrock Investments, LLC ETF product, or Exchange Traded Funds (ETFs), we suggest you visit [www.ishares.com](http://www.ishares.com). The relative strength strategy is NOT a guarantee. There may be times where all investments and strategies are unfavorable and depreciate in value. Relative Strength is a measure of price momentum based on historical price activity. Relative Strength is not predictive and there is no assurance that forecasts based on relative strength can be relied upon.