

# Small Industry Portfolio

Each quarter Capital Markets Evaluation Tools updates its structured stock portfolios. For institutional investors structured stock portfolios can be purchased under an index license, and for individual investors several model portfolios are published quarterly in the Capital Market Observer (see subscriptions). Our model portfolios which are designed to offer a performance advantage relative to the Standard & Poor's 500 stock index (S&P 500). These high performance portfolios are created using the Five Star Ranking System discussed in "Achieving Exceptional Performance".

- **Small Industry Portfolio (SI)** a concentrated list of about fifteen stocks offering very high long-term performance and greater annual fluctuation in value relative to the S&P 500 stock index. This concentrated stock portfolio is more susceptible to the performance of individual company returns. It is also the model portfolio with strongest expected performance relative to the S&P 500. Small Industry portfolio strategy offering an annual performance advantage of approximately 5.30%.

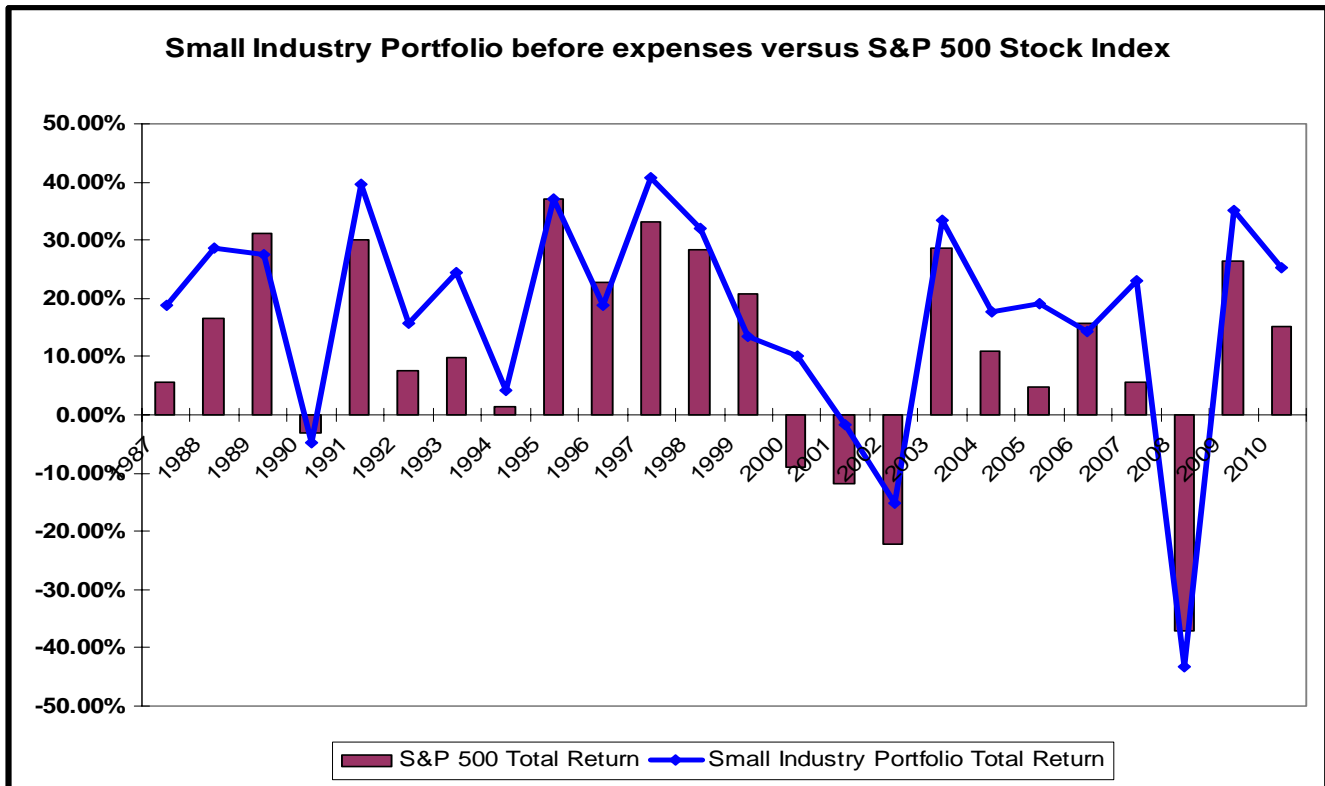
**Model portfolios are comprised of companies with large market capitalization.** Model portfolios are designed for sophisticated investors who manage their own investments. Investing in model portfolios is pretty simple. A portfolio can be bought by placing market orders from the "portfolio list" published quarterly in Capital Market Observer. Model portfolios require little maintenance. Therefore, the portfolios can be bought and held for one year before any adjustments are required. At the end of one year the strategy must be rebalanced and depending on the investors tax status this may result in recognition of long-term capital gains income.

Sample portfolios are constructed with an equally weighted investment amount for each stock. Portfolios hold only one company for each industry selected. Each portfolio is a "structured portfolio" designed to offer investors a consistent performance advantage (or alpha). Structured portfolios fill a critical void between inconsistent active strategies and consistent but unexciting passive strategies (indexing) or exchange traded funds.

All results are simulated before transaction costs and taxes and also after assumed transaction costs. With each stock portfolio's simulated results are estimates for turnover and gain recognition. With the data presented investors can estimate expenses and taxes base on their own particular situation.

There are no guarantees of performance for any investment strategy and historic results whether simulated or actual provide no guarantee that future investment conditions can generate similar results. See: Investing in Model Portfolios, Risks, Disclosures

## Sample Portfolio Simulated Results: Small Industry Portfolio Simulated Results



Year	S&P 500 Return	Small Industry Return	Above Index	Annual Portfolio Performance After Costs	Stocks Held	Shares Bought Per \$ million	Rebalancing Turnover	Stocks Sold	Gain Recognized
1987	5.67%	18.74%	Yes	18.75%	13	26,854	122.8%	8	1.60%
1988	16.57%	28.57%	Yes	28.30%	12	30,184	101.7%	6	19.86%
1989	31.10%	27.56%	No	27.29%	14	27,616	99.5%	6	12.16%
1990	-3.20%	-4.82%	No	-5.08%	15	26,798	130.3%	10	-8.89%
1991	30.13%	39.73%	Yes	39.46%	12	27,943	73.6%	4	21.70%
1992	7.49%	15.76%	Yes	15.51%	19	26,706	113.5%	11	6.17%
1993	9.89%	24.39%	Yes	24.14%	20	24,333	94.8%	8	8.58%
1994	1.28%	4.34%	Yes	4.12%	18	19,682	131.2%	11	-3.28%
1995	37.02%	37.02%	Yes	36.78%	15	22,641	165.6%	11	28.63%
1996	22.80%	18.76%	No	18.51%	13	25,924	142.2%	8	11.72%
1997	33.12%	40.81%	Yes	40.56%	11	25,970	50.9%	2	16.48%
1998	28.35%	31.97%	Yes	31.76%	16	17,528	75.5%	6	3.84%
1999	20.89%	13.45%	No	13.32%	12	19,199	72.8%	4	11.32%
2000	-9.04%	9.97%	Yes	9.73%	17	18,788	120.4%	10	-3.53%
2001	-11.86%	-1.70%	Yes	-1.99%	16	33,724	80.5%	7	-9.26%
2002	-22.10%	-15.08%	Yes	-15.38%	20	35,766	117.5%	14	-14.63%
2003	28.69%	33.38%	Yes	33.08%	19	34,533	125.9%	12	22.75%
2004	10.88%	17.56%	Yes	17.29%	21	29,298	94.4%	8	3.13%
2005	4.91%	19.15%	Yes	18.91%	24	23,535	149.7%	16	56.59%
2006	15.79%	14.29%	No	14.18%	18	22,521	143.2%	11	38.36%
2007	5.49%	22.95%	Yes	22.84%	20	22,451	137.0%	16	73.77%
2008	-37.00%	-43.26%	No	-43.37%	14	21,107	165.7%	11	86.88%
2009	26.46%	35.18%	Yes	34.98%	18	39,504	57.2%	13	81.0%
2010	15.06%	25.16%	Yes	24.95%	18	40,461	164.7%	12	83.2%
Compound Value	8.854	30.880	75.00%	29.497	16	26,794	111.6%	9	
Compound Return	9.512%	15.364%		15.144%					
Spread		5.851%		5.631%					