

The complimentary advantages of **SMA**s comprised of **ETF**s

Sander Gerber
Chairman & CEO
XTF Advisors



***"You've got to be very careful if you don't know where
you're going, because you might not get there."***

Yogi Berra, 20th Century Philosopher for New York Yankees

Investors should only care about one thing:
After-Tax Returns

Transforming the way Americans invest
by guiding them into low cost,
tax efficient portfolios of ETFs
that best meet their long term goals.

Separately Managed Accounts (SMAs)

Separately Managed Accounts (SMAs) are individual investment portfolios, as opposed to pooled assets like Mutual Funds, that are managed by professional investment advisors.

- Greater customization towards clients' needs and goals
 - Specific investment objective
 - Specific tax sensitivity
 - Specific time horizon
 - Specific risk tolerance
- SMAs have the ability to offer competitive cost structures
- Transparent platform - managed account fees are fully disclosed
- Control over realization of capital gains and losses allows for potential tax-advantages.
- Provides clients with direct ownership of securities

SMA's versus Mutual Funds

	Separately Managed Account	Mutual Fund
Ownership	Individual securities or funds are owned by the investor	Assets are pooled and commingled; investor owns a share
Minimum investment	\$100,000 per account is typical	\$500 to \$2,000 per fund
Funding	Can use existing stocks, bonds and/or cash	Cash
Tax efficiency	Established cost basis for each security	Cost basis may include imbedded capital gains
Portfolio holdings	Investor can request security exclusions	Sole discretion of portfolio manager
Level of Service	A consultative process; individualized service	Varies by financial professional
Fees	Single annual fee based on assets under management	Sales charge and other fees may apply

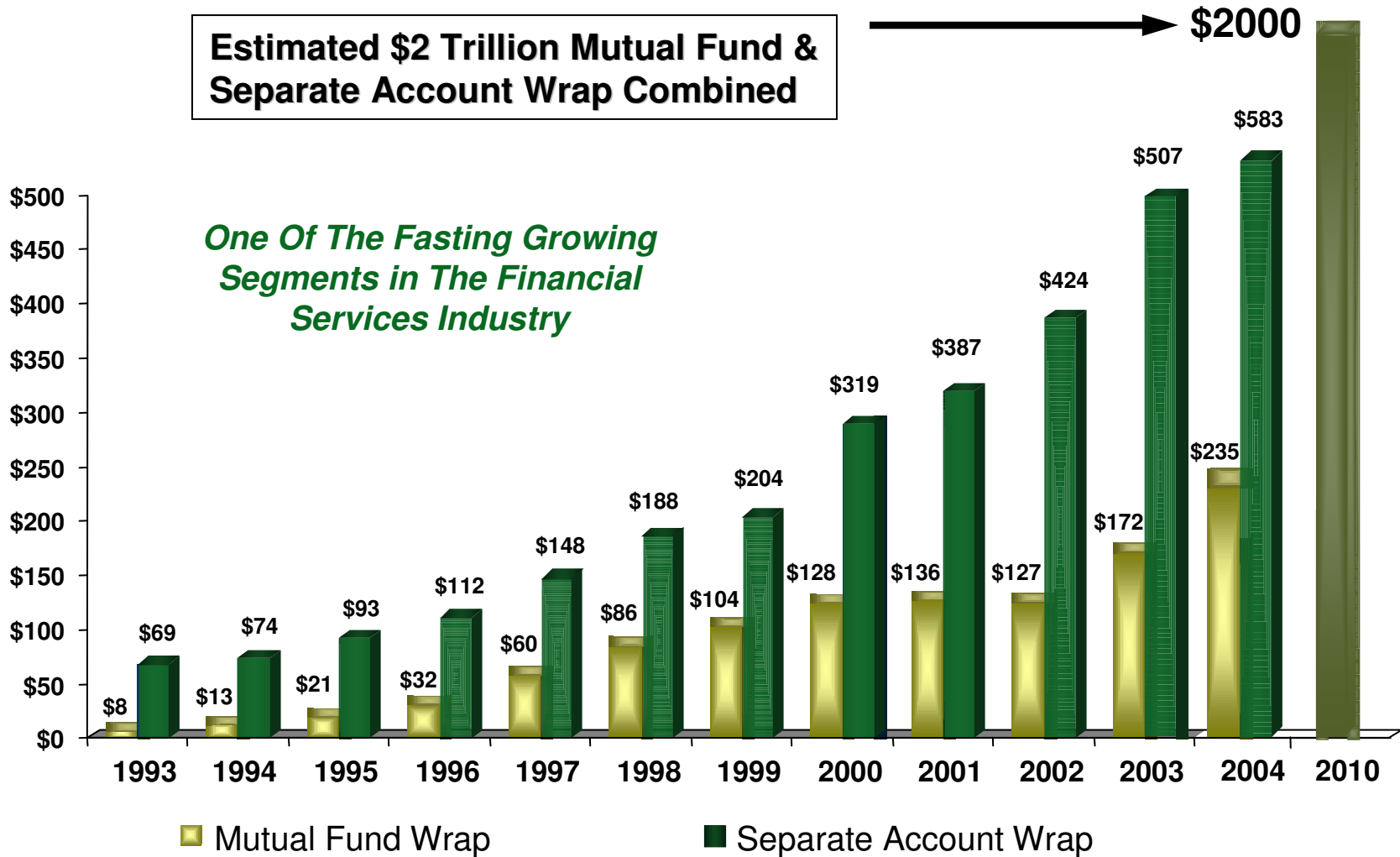
Growth of SMAs

Estimated \$2 Trillion Mutual Fund & Separate Account Wrap Combined

→ **\$2000**

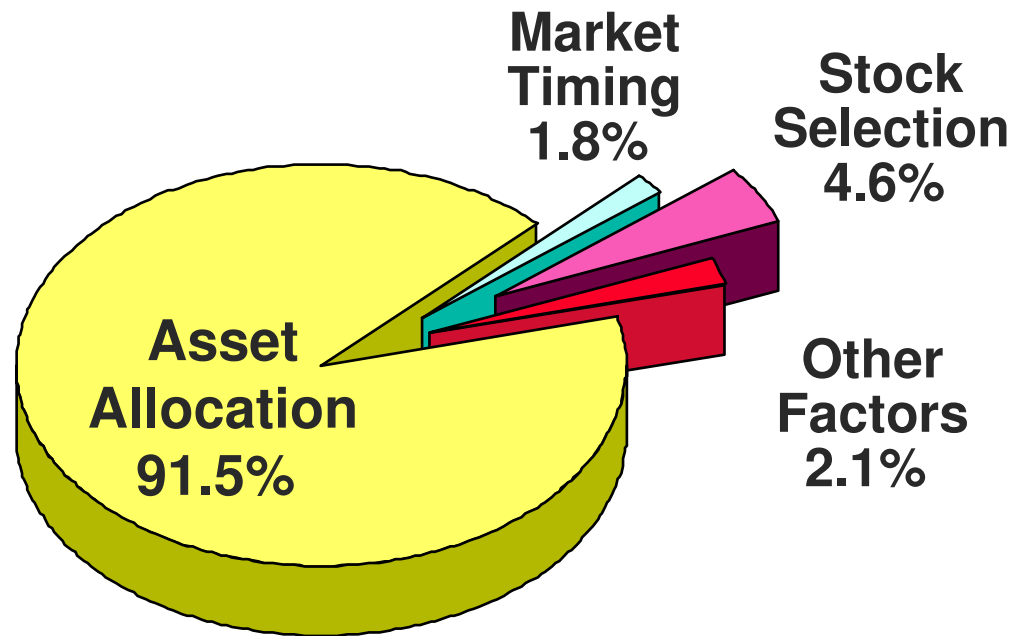
One Of The Fastest Growing Segments in The Financial Services Industry

Assets in billions



Source: Cerulli Associates 4Q 2004 Summary. Past performance is not indicative of future results.

Determinants of Portfolio Performance



Source: Determinants of Portfolio Performance II: an Update
Brinson, Singer, & Beebower Financial Analyst Journal, May/June 1991

"Asset-allocation decisions play a central role in determining investor results."

"By following a disciplined policy of maintaining a well-diversified set of portfolio exposures, regardless of market zigs and zags, investors establish the conditions for long-run success."

David Swensen, Chief Investment Officer of Yale University, averaged 16.1% returns for 20 years.

Benefits of Exchange Traded Funds (ETFs)

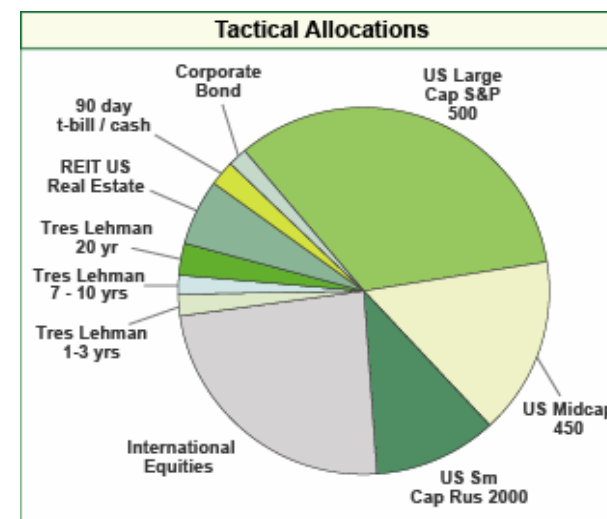
- No issues of survivor bias
- Tax-efficient
- Cost-efficient
- Transparent
- Diversified
- Liquidity allows for intra-day trading
- Allows for hedging strategies
- No hidden fees

Transparency of ETFs

- Provides clarity of holdings that keeps portfolio components honest
- Allows for monitoring of all transaction costs & fund expenses
- Ensures that investor dollars are being put to use efficiently
- Ensures that you always know exactly what makes up your portfolio
- No imbedded or hidden costs

ETFs in a Tactical model

- ETFs “are” the asset classes
 - No negative alpha risk
 - No mapping issues
 - No style drift issues
- Easy and affordable rebalancing



SMA's Comprised of ETFs

- Reduce paper flows & confirms that lead to more work, without any additional alpha
- Reduce required administrative services which lead to higher expense ratios, including 12b-1 fees
 - No required maintenance of phone banks
 - Lower accounting overhead
 - Lower legal and trustee service overhead
- Reduce investment management fees
- Reduce tax liabilities
- Reduce trading costs / high basis-point charges on wrap accounts

- **Tactical overlay**

Increases and decreases equity exposure to capture alpha and minimize risk

- **Allocated portfolios**

Diversified portfolios placed on the efficient frontier of investing

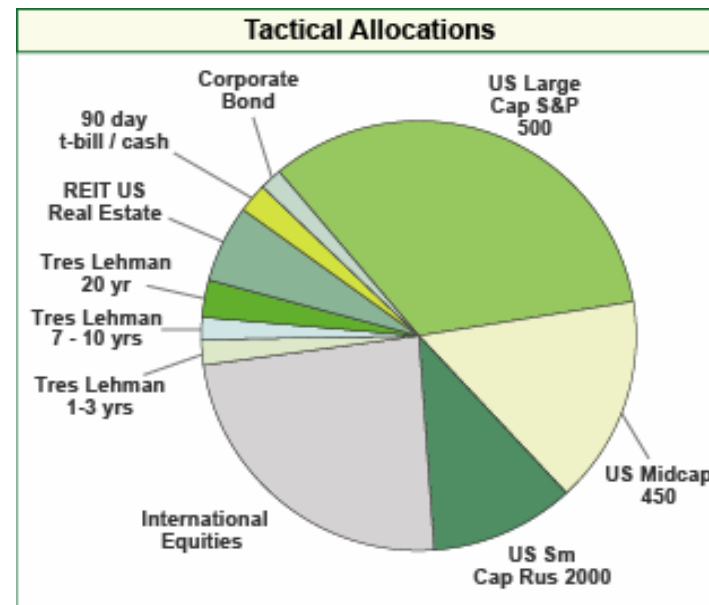
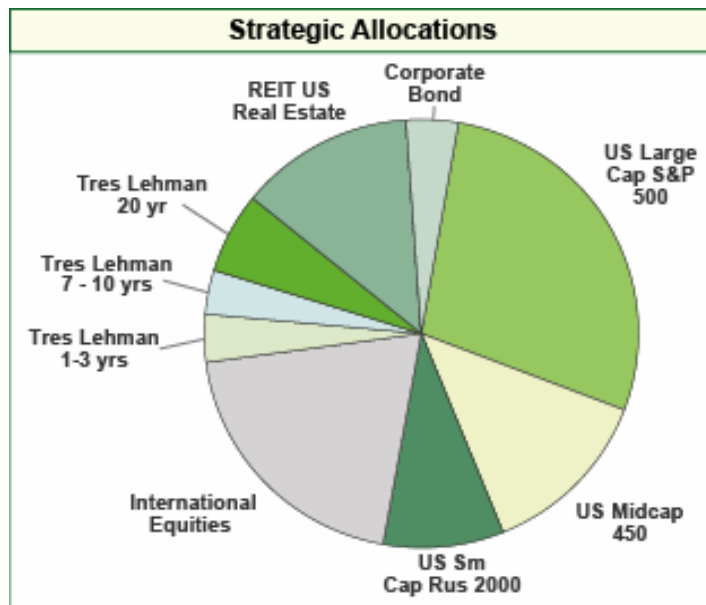
- **Controlled ranges and rebalancing tolerances**

Rebalance to no more than 20% away from target allocations, 5% for asset drift

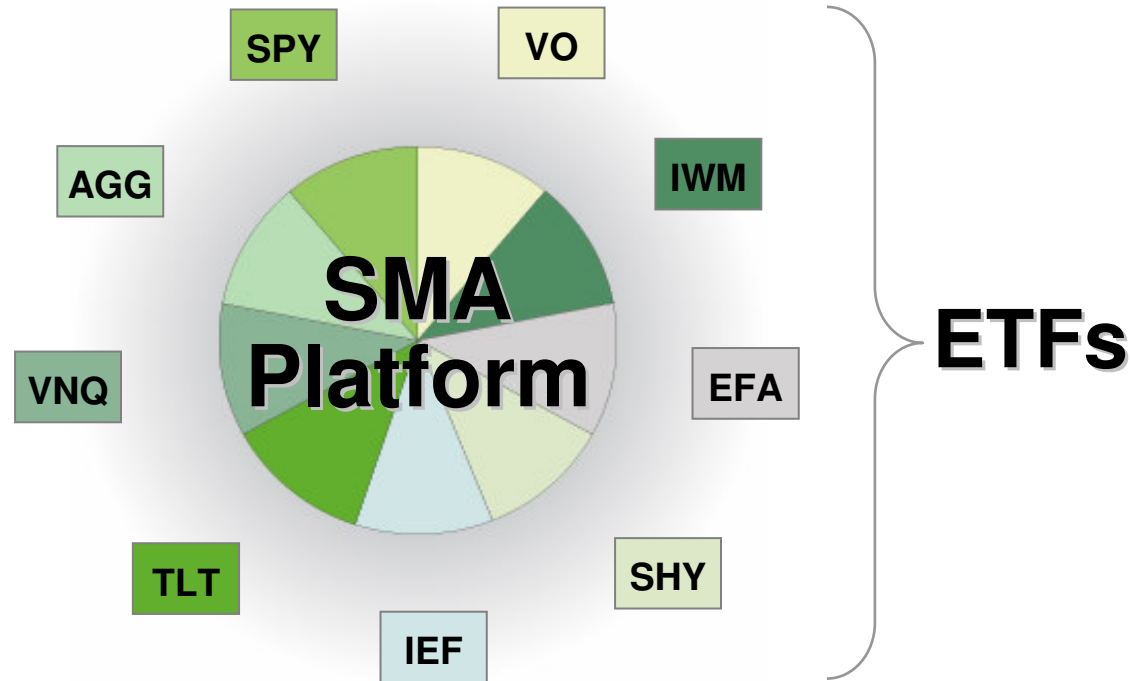
- **Kinetic market environment**

ETFs are an affordable way to capitalize on market fluctuations

The **XTF Tack 70** Portfolio has a target benchmark of 70% equity exposure, and a tactical range from 56% to 84% equity exposure. It is structured for the investor seeking growth of principal under a moderate risk profile.



SMA Comprised of ETFs



A Focus on After-Tax Returns within a Framework of Total Transparency