Trend-following for Investors
Seeking Lower Risk and Greater Returns

SUCCESSFUL PORTFOLIOS
WEALTH MANAGEMENT ADVISORS

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Successful Portfolios LLC
A SEC Registered Investment Advisor Firm, CRD #152429

Quick Facts

Established:	**February 2010**
Staff:	**Three Licensed Professionals**
Years of Investment Experience:	**Forty years combined**
Compensation Model:	**Non-commission (Fee-only)**
Client Assets Under Management:	**More than $118,000,000**
Number of Clients:	**130**
Client Choices for Brokerage and Asset Custody:	**Interactive Brokers, Scottrade, Schwab**

Interactive Brokers

Scottrade ADVISOR SERVICES

charles SCHWAB

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The stock market can look and feel like roller coaster...

High returns in the stock market are fun but the steep declines harrowing. You might enjoy a smoother ride using a time-proven trend-following system.

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S&P 500 Index, 1995-2015, monthly bars with a 10-month Simple Moving average (SMA)...
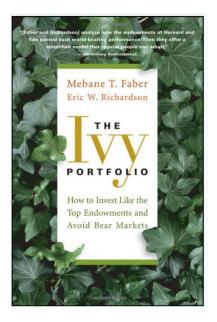
Trend Following Using Exchange Traded Funds (ETFs) and Moving Averages

➢ Low-cost ETFs are available covering many different stock market indexes including the S&P 500, NASDAQ 100, S&P 400 Midcap, and the Euro Stoxx 50.

➢ Index ETFs can be efficient investment vehicles for Trend Following Systems.

➢ Trend followers buy (and hold) ETFs in an uptrend. They sell (and hold cash) when an ETF is in a downtrend.

➢ An uptrend can be identified as when the closing price of an ETF is higher than its average price. An ETF is in a downtrend when its closing price is lower than its average price.

➢ A simple moving average (SMA) represents the average closing price of an ETF over a specified number of prior periods. Similarly, an exponential moving average (EMA) is a moving average that more heavily weights recent prices.

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A simple trend-following system as published in *The Ivy Portfolio...*

The system is as follows:

Buy Rule: Buy when monthly price > 10-month SMA.

Sell Rule: Sell and move to cash when monthly price < 10-month SMA.

S&P 500 Long-Term Performance vs. Timing the Market with a 10-month Simple Moving Average

Returns (1900–2008)

	S&P 500	Timing
Annualized Return	9.21%	10.45%
Volatility	17.87%	12.02%

Source: *The Ivy Portfolio*

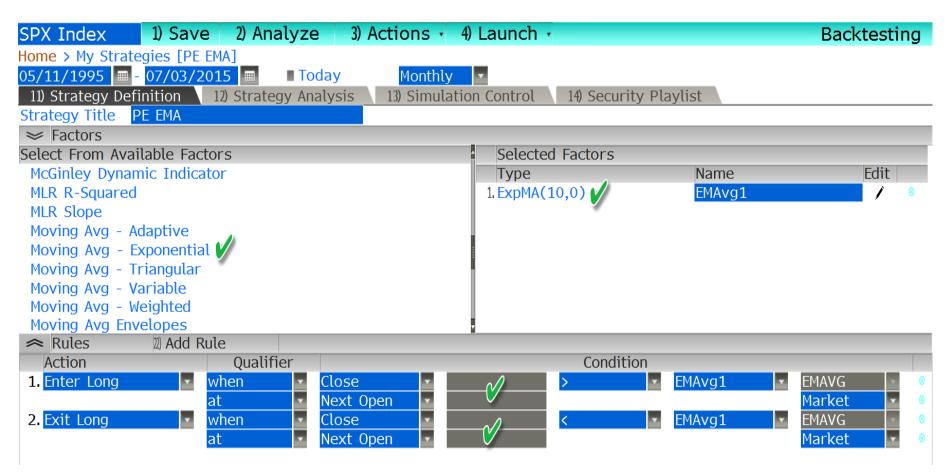|	S&P 500	Timing
1931	−43.86%	1.41%
2008	−36.77	1.33
1937	−35.26	−7.65
1907	−29.61	−0.09
1974	−26.47	8.16
1917	−25.26	−3.02
1930	−25.26	2.51
2002	−22.10	−4.62
1920	−19.69	−4.80
1973	−14.69	−15.36

Source: *The Ivy Portfolio*

Testing historical robustness

➤ We sought to test the robustness of a simple trend-following strategy published in *The Ivy Portfolios.*

➤ Using the Bloomberg Professional Backtest Function we ran a 20-year simulation from May 1995 through July 2015 on four separate and readily investable broad based stock market indices.

➤ We used a 10-month Exponential Moving Average (EMA) rather than a 10-month Simple Moving Average (SMA) in our trend-following system.

➤ Risk and return appear historically favorable relative to "Buy and Hold".

➤ Note that our simulation included 5 1/2 years of "out-of-sample" market data.

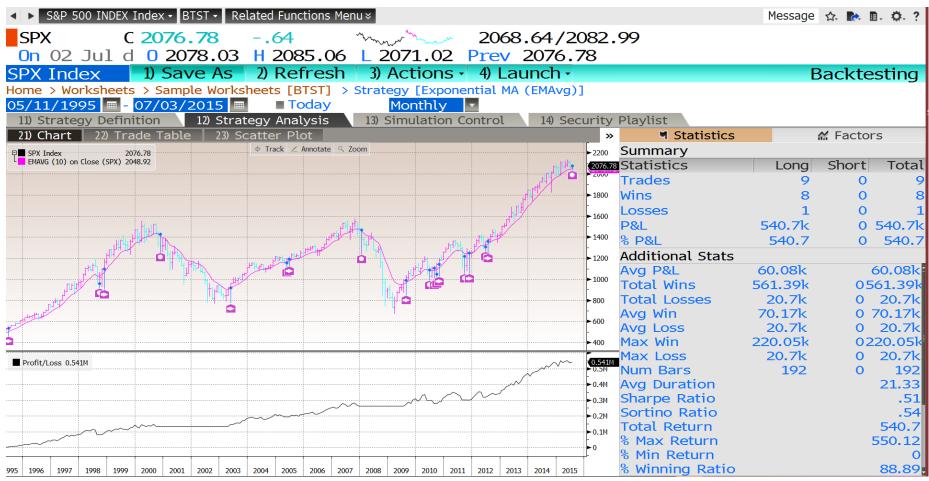➤ We present our algorithm and simulation results in the slides that follow.

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Rules for Backtesting a Trend-following System using a 10-month Exponential Moving Average

SPX Index | 1) Save | 2) Analyze | 3) Actions · | 4) Launch · | **Backtesting**

Home > My Strategies [PE EMA]

05/11/1995 - 07/03/2015 | ▪ Today | Monthly

| 11) Strategy Definition | 12) Strategy Analysis | 13) Simulation Control | 14) Security Playlist |

Strategy Title   PE EMA

⌄ Factors

Select From Available Factors

McGinley Dynamic Indicator
MLR R-Squared
MLR Slope
Moving Avg - Adaptive
Moving Avg - Exponential ✔
Moving Avg - Triangular
Moving Avg - Variable
Moving Avg - Weighted
Moving Avg Envelopes

Selected Factors

	Type	Name	Edit	
1.	ExpMA(10,0) ✔	EMAvg1	✎	⊗

⌃ Rules   22) Add Rule

	Action	Qualifier		Condition				
1.	Enter Long	when	Close	✔	>	EMAvg1	EMAVG	⊗
		at	Next Open				Market	⊗
2.	Exit Long	when	Close	✔	<	EMAvg1	EMAVG	⊗
		at	Next Open				Market	⊗

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S&P 500 Backtest, 1995 through 2015, +540%

Source: Bloomberg Professional

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S&P 500 Backtest
Trend Following System vs. "Buy & Hold"

Strategy					P&L	Age	Total	Total	%Total	Long	Avg Duration	Sharpe	Total Return	% Max Return	% Min Return	%Winning	%Losing	% Max DD	Max DD Length
		Current Position					Profit (Loss)				Statistics								
31) Buy & Hold				▲	288.61k	242	1	288.61k	288.61	288.61k	242.00	0.37	288.61	294.34	0.00	100.00	0.00	52.51	16
32) Exponential MA (EMA				▲	220.05k	37	9	540.70k	540.70	540.70k	21.33	0.51	540.70	550.12	0.00	88.89	11.11	15.55	3

Investment and End Value	Dates
$ (100,000.00)	May 11, 1995
$ 388,610.00	July 3, 2015
6.97%	Annualized Return

Investment and End Value	Dates
$ (100,000.00)	May 11, 1995
$ 640,700.00	July 3, 2015
9.65%	Annualized Return

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S&P 500 Chart of Buy & Hold vs System

S&P 500 Backtest Trade List

SPX Index	1) Save As	2) Refresh	3) Actions ·	4) Launch ·				Backtesting

Home > Worksheets > Sample Worksheets [BTST] > Strategy [Exponential MA (EMAvg)]

05/11/1995 ▦ - 07/03/2015 ▦ ▌Today   Monthly ▾

11) Strategy Definition   12) Strategy Analysis   13) Simulation Control   14) Security Playlist

21) Chart   22) Trade Table   23) Scatter Plot   «   ▌Statistics   ⚏ Columns

Trade #	Entry Date	Entry Price	Exit Date	Exit Price	Position	Shares	Trade P&L	Cumulative P&l
9	07/31/2012	1362.33	07/03/2015	2076.78	Long	308	220.05k	540.70k
8	11/30/2011	1251	06/29/2012	1309.87	Long	321	18.90k	320.65k
7	10/29/2010	1143.49	09/30/2011	1219.12	Long	329	24.88k	301.75k
6	08/31/2010	1107.53	09/30/2010	1049.72	Long	358	-20.70k	276.87k
5	08/31/2009	990.22	06/30/2010	1087.3	Long	365	35.43k	297.56k
4	06/30/2005	1191.5	01/31/2008	1467.97	Long	246	68.01k	262.13k
3	05/30/2003	916.92	05/31/2005	1156.85	Long	254	60.94k	194.12k
2	11/30/1998	1098.67	11/30/2000	1429.4	Long	163	53.91k	133.17k
1	06/30/1995	533.4	09/30/1998	957.28	Long	187	79.27k	79.27k

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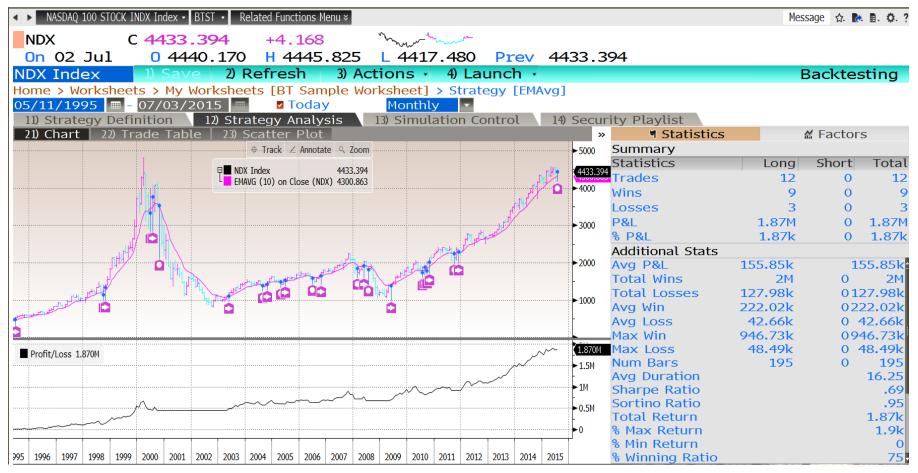
Technical Buy/Sell Signals: Good, Bad, and Ugly

NASDAQ 100 Index Backtest +1870%

S&P Mid-Cap 400 Index Backtest +531%

Euro Stoxx 50 Index Backtest +351%

Important Disclosures

- ✓ **Investors should not construe backtest performance as predictive of future returns.**

- ✓ **Backtest results shown in this presentation exclude implementation costs.**

- ✓ **Trend-following strategies underperform during periods of non-trending, oscillating prices.**

- ✓ **Trend-following systems are not for everyone. "Buy and hold" or conventional rebalancing strategies may be more suitable depending on investor circumstances and risk tolerance.**

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Is trend-following the right strategy for you? Learn more today!

For more information call Successful Portfolios LLC at 727-744-3615 or visit us online at www.successfulportfoios.com.

We can help you create and manage a trend-following ETF portfolio.

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