

Strategy Recommendations

Model / Changes / Holdings	As of 5/9/14	
ETF Dividend & Income Most recent recommendation on 7/15/13. <i>Current Holdings:</i> AMJ, BSJE, BSJF, BSJG, BSJH, DEM, HDV, PCEF, PID, RWO, SPLV, TDIV, VIG, Cash	+0.4% wk	+3.6% ytd
ETF Strategic Allocation Most recent recommendation on 12/9/13. <i>Current Holdings:</i> BND, BWX, EMB, IEMG, IXUS, RWO, SJNK, TIP, USCI, VB, VQT, VTI, Cash	+0.0% wk	+3.2% ytd
ETF Tactical Growth Most recent recommendation on 5/5/14. <i>Current Holdings:</i> EZU, HDV, IVE, IWS, MDIV, SPHB, Cash	-0.3% wk	-3.0% ytd
ETF Sector Rotation Sell SPDR S&P Semiconductor (XSD). Buy 25% iShares Residential Real Estate Capped (REZ). <i>Current Holdings:</i> IDU, REZ, VIS, XOP, Cash	-1.2% wk	-1.7% ytd

Note: Our performance reflects new recommendations executed at the closing price on the day the recommendation is made. **You may place trades as soon as you receive this update.**

Commentary

It's All Relative

Small cap stocks have been taking a beating for a longer time than many would have imagined. However, it's the magnitude of their relative underperformance that is the true concern. From a time perspective, it's only been about six weeks since the small cap stocks of the Russell 2000 Index started their recent decline. In that period, the index dropped more than 8%, although it did recover about 1% on Friday and is up again today.

Six weeks and 8% is not all that big of a deal unless you also look at what was going on elsewhere in the markets. The S&P 500 actually posted a gain during that same period. It was less than 1%, but still a gain and not a loss. An 8% to 9% relative underperformance over six weeks is not something to just shrug off; it is a big deal.

For more than 15 months, the Russell 2000 Index was outperforming the S&P 500. From December 2012 until March of this year, small cap stocks slowly and steadily built up a hefty performance premium over their larger brethren. The work done by the small caps over those 60 weeks was all undone in just six weeks. The destruction took just one-tenth the time of the construction. This is what makes the 8% decline of the Russell 2000 so painful.

This morning is different. Small cap stocks are rallying vigorously. In fact, many recent underperformers are bouncing strongly in early trading today. It remains to be seen whether this is just a temporary bounce or if investors have once again increased their appetite for risk.

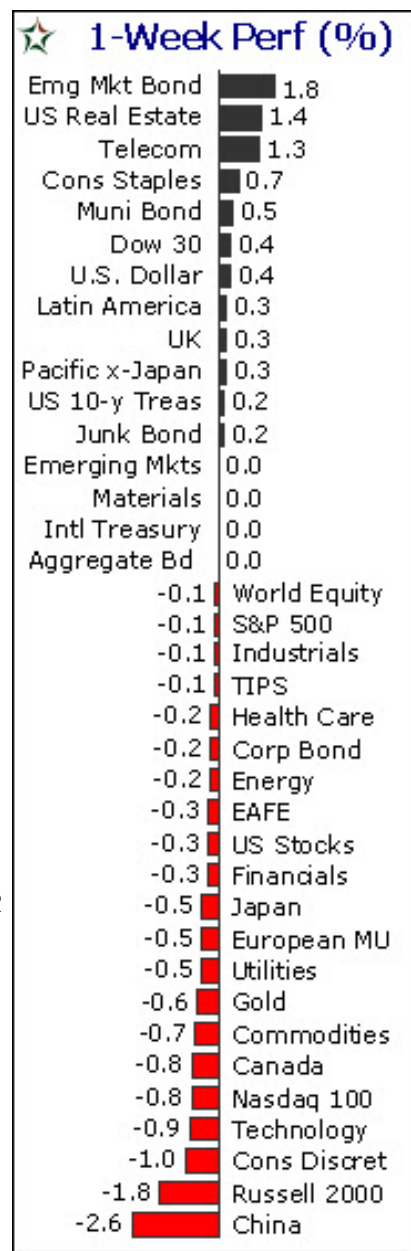
The **ETF Dividend & Income** model gained 0.4% for the week and is up 3.6% year-to-date. Surprisingly, none of the positions in this model lost ground last week even though the S&P 500 failed to post a gain. Top performers included SPDR Dow Jones Global Real Estate (RWO) +1.5%,

PowerShares International Dividend Achievers (PID) +0.8%, WisdomTree Emerging Markets Equity Income (DEM) +0.8%, and Vanguard Dividend Appreciation (VIG) +0.7%.

The **ETF Strategic Allocation** model was flat for the week and is up 3.2% year-to-date. Last week's positive and negative performances of the various asset classes tended to cancel each other out. On the plus side were SPDR Dow Jones Global Real Estate (RWO) +1.5%, iShares JPMorgan Emerging Markets Bond (EMB) +1.4%, and iShares Core MSCI Emerging Markets (IEMG) +0.2%. ETFs with negative returns included Vanguard Small-Cap (VB) -1.4%, iShares Core MSCI Total International Stock (IXUS) -0.4%, and Vanguard Total Stock Market (VTI) -0.3%.

The **ETF Tactical Growth** model declined 0.3% for the week and is down 3.0% year-to-date. Last Monday, we initiated a new position in First Trust Multi-Asset Diversified Income (MDIV), an ETF investing in dividend equities, MLPs, preferred securities, REITs, and high yield bonds. ETFs with high current dividends continue to be good performers, and iShares High Dividend (HDV) managed a small 0.1% gain for the week. Negative contributors included PowerShares High Beta (SPHB) -1.1% and iShares MSCI EMU (EZU) -0.5%.

The **ETF Sector Rotation** model slid 1.2% for the week and is down 1.7% year-to-date. SPDR S&P Oil & Gas Exploration & Production (XOP) took it on the chin this week, posting a 3.7% loss. However, the energy sector remains highly ranked, and XOP's uptrend is still intact, so we haven't changed our favorable opinion on this ETF. SPDR S&P Semiconductor (XSD) is falling in the rankings and has reached the point where it should be replaced. Meanwhile, real estate has wiggled its way into being the top-ranked sector. Today, we will sell XSD and buy a new 25% position in iShares Residential Real Estate Capped (REZ). Although "residential" is part of its name, REZ only has about 45% of its holdings in residential REITs. Nearly 53% is in specialty REITs, which includes those focusing on public storage, health care, and senior living facilities.



The next scheduled update is: Monday, May 19, 2014
We may send trade recommendations throughout the week.

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Updated for 05/12/2014 am with latest closing data

Rank	Ticker	Name	RSM	RSM Chg	1-Wk %Chg	15-Day %Chg	RSI 14	S-T %Vlty
Sector ETFs								
1	REZ	iShares Residential Real Estate Capped	37	4	1.5	4.3	77	0.4
2	IXC	iShares Global Energy	36	-2	0.1	2.2	67	0.5
3	ICF	iShares Cohen & Steers REIT	36	5	1.6	3.6	72	0.5
4	ENY	Guggenheim Canadian Energy Income	35	-6	-0.8	-0.6	56	0.6
5	IEO	iShares US Oil & Gas Exploration & Prod	34	-6	-0.7	-0.1	56	0.8
6	ATMP	Barclays ETN+ Select MLP ETN	33	1	-0.1	1.6	53	1.4
7	RWR	SPDR Dow Jones REIT	34	4	1.4	3.4	73	0.5
8	FCG	First Trust ISE-Revere Natural Gas	33	-15	-1.9	-2.5	51	1.0
9	SCHH	Schwab U.S. REIT	33	3	1.3	3.2	72	0.5
10	RYU	Guggenheim S&P Equal Weight Utilities	32	-6	-0.1	0.7	55	0.7
11	FTY	iShares Real Estate 50 ETF	32	5	1.5	3.9	74	0.5
12	FRI	First Trust S&P REIT	32	3	1.3	3.4	73	0.5
13	FRAK	Market Vectors Unconventional Oil & Gas	31	-6	-0.9	-1.2	52	0.8
14	VNQ	Vanguard REIT	31	4	1.4	3.4	72	0.5
15	FXU	First Trust Utilities AlphaDex	30	-4	0.1	0.8	55	0.7
International ETFs								
1	TUR	iShares MSCI Turkey	67	9	2.2	4.8	72	1.1
2	SCIF	Market Vectors India Small-Cap	54	-3	1.7	1.4	62	1.0
3	EWZ	iShares MSCI Brazil Capped	51	4	0.1	2.2	63	1.0
4	MES	Market Vectors Gulf States	50	2	1.2	2.4	65	0.6
5	EPI	WisdomTree India Earnings	41	4	2.9	2.5	68	0.8
6	EPHE	iShares MSCI Philippines	40	8	2.6	2.4	70	0.7
7	ILF	iShares Latin America 40 (\$0 Fid)	39	3	0.3	1.8	63	0.8
8	NORW	Global X FTSE Norway 30	38	8	2.0	7.1	77	0.6
9	GXG	Global X FTSE Colombia 20	38	5	1.6	1.2	66	0.6
10	GULF	WisdomTree Middle East Dividend	35	1	0.9	-0.4	58	0.5
11	GML	SPDR S&P Emerging Latin America	35	5	0.6	1.8	64	0.7
12	EGPT	Market Vectors Egypt Index	33	-16	-2.1	1.4	50	0.8
13	FDD	First Trust DJ STOXX European Select Div	33	2	0.9	4.2	71	0.4
14	EZA	iShares MSCI South Africa	33	3	0.9	1.7	62	0.7
15	INDY	iShares India 50 (\$0 Fid)	33	5	3.1	2.4	66	0.7
Style ETFs								
1	DEF	Guggenheim Defensive Equity	30	0	0.4	2.6	68	0.4
2	SPHD	PowerShares S&P 500 High Dividend	29	-3	0.2	2.0	65	0.5
3	DIV	Global X SuperDividend U.S. ETF	24	-3	0.1	1.8	62	0.4
4	SDOG	ALPS Sector Dividend Dogs	24	-3	0.0	1.9	65	0.4
5	PFXF	Market Vectors Preferred Sec. ex Financials	21	-3	0.1	1.3	64	0.3
6	FDL	First Trust Morningstar Dividend Leaders	21	-3	0.1	0.3	59	0.4
7	HDV	iShares High Dividend ETF	21	-4	0.1	0.9	62	0.4
8	RPV	Guggenheim S&P 500 Pure Value	21	-4	-0.1	1.2	58	0.5
9	PSK	SPDR Wells Fargo Preferred Stock	20	-1	0.2	1.8	81	0.2
10	DTN	WisdomTree Dividend ex-Financials	19	-3	0.0	0.8	59	0.4
11	YYY	YieldShares High Income ETF	19	0	0.4	2.1	74	0.2
12	DHS	WisdomTree Equity Income	19	-3	0.2	0.8	61	0.4
13	PEY	PowerShares High Yield Equity Div Achievers	19	-2	0.2	0.5	60	0.4
14	DVY	iShares Select Dividend (\$0 Fid)	18	-3	0.1	0.4	56	0.4
15	PFF	iShares US Preferred Stock (\$0 Fid)	18	-1	0.1	1.5	81	0.1

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Rank	Ticker	Name	RSM	RSM Chg	1-Wk %Chg	15-Day %Chg	RSI 14	S-T %Vlty
Bond ETFs								
1	ZROZ	PIMCO 25+ Year Zero Coup US Treas Index	27	-10	-2.7	0.8	52	0.9
2	EDV	Vanguard Extended Duration Treasury	27	-10	-2.2	1.7	54	0.8
3	XMPT	Market Vectors CEF Municipal Income	25	0	0.8	3.4	78	0.3
4	EMHY	iShares Emerging Markets High Yield Bond	24	4	1.1	1.7	77	0.3
5	PCY	PowerShares Emerg. Mkts. Sovereign Debt	23	7	1.8	2.1	79	0.3
6	BABS	SPDR Nuveen Barclays Build America Bond	22	-1	-0.4	1.8	65	0.3
7	CLY	iShares 10+ Year Credit Bond	22	-1	-0.3	1.7	68	0.3
8	LTPZ	PIMCO 15+ Year U.S. TIPS Index	21	-6	-1.7	2.2	58	0.6
9	LWC	SPDR Barclays Long Term Corporate Bond	21	-5	-0.9	1.1	60	0.3
10	ILTB	iShares Core Long-Term U.S. Bond (\$0 Fid)	21	-4	-0.9	1.5	61	0.3
11	ITIP	iShares Intl Inflation-Linked Bond (\$0 Fid)	21	1	0.3	1.8	69	0.2
12	VCLT	Vanguard Long-Term Corporate	20	-4	-0.9	1.3	59	0.4
13	BLV	Vanguard Long-Term Bond	20	-4	-0.8	1.4	60	0.3
14	ILB	PIMCO Global Advantage Infi-Lnkcd Bond	20	7	1.7	1.8	63	0.4
15	EMLC	Market Vectors Emg Mkts Local Curr Bond	20	7	1.6	2.1	76	0.3
Leveraged & Inverse ETFs								
1	BRZU	Direxion Daily Brazil Bull 3X Shares	133	16	0.2	5.8	62	2.9
2	LBJ	Direxion Daily Latin America Bull 3x	101	11	0.6	4.4	61	2.3
3	DRN	Direxion Daily Real Estate Bull 3x	91	11	4.0	9.7	72	1.5
4	GASL	Direxion Daily Natural Gas Related Bull 3x	88	-48	-5.7	-7.5	50	3.0
5	ERX	Direxion Daily Energy Bull 3x	87	-10	-0.2	2.7	60	1.8
6	INDL	Direxion Daily India Bull 3x	63	5	5.8	2.6	61	2.6
7	URE	ProShares Ultra Real Estate	59	8	2.4	6.9	73	0.9
8	DIG	ProShares Ultra Oil & Gas	58	-7	-0.4	1.4	59	1.2
9	MLPL	ETRACS 2x Mthly Alerian MLP Infra ETN	55	4	0.3	3.3	59	1.3
10	TMF	Direxion Daily 20+ Year Treasury Bull 3x	51	-17	-3.9	4.0	55	1.4
11	DSLIV	VelocityShares 3x Inverse Silver ETN	50	3	4.7	6.5	61	2.1
12	FIGY	Barclays ETN+ FI Enh Global High Yield ETN	40	-3	0.6	3.2	67	0.6
13	DAG	PowerShares DB Agriculture Dbl Long ETN	38	-3	0.7	1.4	52	1.4
14	FEEU	Barclays ETN+ FI Enhanced Europe 50 ETN	38	-3	0.1	4.0	63	0.9
15	SRTY	ProShares UltraPro Short Russell2000	36	27	5.2	7.2	60	2.3
Commodity ETFs								
1	CAFE	iPath Pure Beta Coffee ETN	39	-50	-8.8	-9.1	40	2.8
2	JO	iPath DJ-UBS Coffee ETN	38	-55	-9.7	-9.4	39	2.9
3	JJG	iPath DJ-UBS Grains ETN	34	1	1.4	1.8	57	0.9
4	JJA	iPath DJ-UBS Agriculture ETN	25	-8	-0.6	-0.6	49	0.7
5	PALL	ETFs Physical Palladium Shares	22	-10	-1.2	0.9	52	1.0
6	DBA	PowerShares DB Agriculture	21	-11	-1.6	-1.4	44	0.7
7	RJA	ELEMENTS Rogers ICI Agriculture ETN	20	-4	-0.2	-0.1	52	0.5
8	UNG	United States Natural Gas	18	-21	-3.4	-4.5	43	1.3
9	CORN	Teucrium Corn	18	1	0.8	0.6	48	1.0
10	FTGC	First Trust Global Tactical Commodity Strat	17	-8	-1.5	-1.6	44	0.5
11	USCI	United States Commodity Index Fund	15	-2	0.0	0.3	60	0.3
12	GAZ	iPath DJ-UBS Natural Gas Total Return ETN	13	-31	-5.7	-6.3	41	1.6
13	COW	iPath DJ-UBS Livestock Total Return ETN	13	-7	-0.5	0.2	49	0.5
14	GCC	Greenhaven Continuous Commodity	11	-7	-1.1	-1.3	43	0.4
15	BAL	iPath DJ-UBS Cotton ETN	11	-12	-1.7	0.2	48	0.8

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Rank	Ticker	Name	RSM	RSM Chg	1-Wk %Chg	15-Day %Chg	RSI 14	S-T %Vlty
Currency ETFs								
1	BZF	WisdomTree Brazilian Real Strategy	25	1	0.8	1.9	63	0.5
2	ICN	WisdomTree Indian Rupee Strategy	17	3	0.7	1.5	64	0.3
3	FXA	CurrencyShares Australian Dollar Trust	12	4	1.0	0.4	60	0.3
4	CEW	WisdomTree Emerging Currency Strategy	12	5	1.2	1.4	70	0.3
5	DBV	PowerShares DB G10 Currency Harvest	9	3	0.5	0.8	62	0.2
6	FXB	CurrencyShares British Pound Trust	8	-1	-0.2	0.3	54	0.2
7	FXC	CurrencyShares Canadian Dollar Trust	5	5	0.8	1.1	59	0.3
8	UDN	PowerShares DB US Dollar Index Bearish	3	-1	-0.4	0.0	46	0.2
9	FXF	CurrencyShares Swiss Franc Trust	2	-3	-0.9	-0.4	41	0.2
10	FXE	CurrencyShares Euro Trust	2	-3	-0.8	-0.4	41	0.2
11	FXY	CurrencyShares Japanese Yen Trust	2	3	0.4	0.5	55	0.2
12	CNY	Market Vectors Chinese Renminbi/USD ETN	0	0	0.0	-0.2	52	0.4
13	FXS	CurrencyShares Swedish Krona Trust	-3	-2	-0.9	0.5	44	0.4
14	CYB	WisdomTree Chinese Yuan Strategy	-3	3	0.4	0.1	50	0.1
15	UUP	PowerShares DB US Dollar Index Bullish	-4	1	0.4	-0.1	53	0.1
Fidelity Select Funds								
1	FSNGX	Select Natural Gas (0.75%-30)	37	-9	-1.1	0.2	56	0.6
2	FSENX	Select Energy (0.75%-30)	31	-4	-0.3	0.5	58	0.6
3	FSUTX	Select Utilities (0.75%-30)	27	-4	-0.2	0.7	52	0.6
4	FSEX	Select Energy Service (0.75%-30)	27	-5	-0.9	1.0	55	0.7
5	FNARX	Select Natural Resources (0.75%-30)	27	-5	-0.5	0.2	56	0.6
6	FDFA	Select Consumer Staples (0.75%-30)	23	-1	0.6	1.6	71	0.3
7	FSAIX	Select Air Transportation (0.75%-30)	20	3	0.8	2.3	59	0.8
8	FSRFX	Select Transportation (0.75%-30)	16	0	0.5	0.9	56	0.6
9	FSPCX	Select Insurance (0.75%-30)	14	-1	0.2	2.0	59	0.6
10	FSTCX	Select Telecommunications (0.75%-30)	13	5	0.8	1.9	60	0.7
11	FSCHX	Select Chemicals (0.75%-30)	12	1	0.1	-0.5	52	0.7
12	FWRLX	Select Wireless (0.75%-30)	12	4	0.5	1.4	59	0.6
13	FPHAX	Select Pharmaceuticals (0.75%-30)	11	-12	-1.9	2.8	49	0.9
14	FSELX	Select Electronics (0.75%-30)	11	-5	-0.5	-0.8	47	0.7
15	FCYIX	Select Industrials (0.75%-30)	9	-3	-0.3	0.2	53	0.6
Fidelity Non-Select Funds								
1	FRESX	Real Estate Investment (0.75%-90)	34	4	1.4	3.4	73	0.5
2	FLATX	Latin America (1.5%-90)	33	6	1.0	1.7	68	0.6
3	FNORX	Nordic (1.5%-90)	26	0	0.6	4.5	64	0.6
4	FIUIX	Telecom and Utilities	24	2	0.7	1.6	59	0.6
5	FNMI	New Markets Income (1.0%-90)	22	4	1.1	1.7	79	0.2
6	FFGCX	Global Commodity Stock (1.0%-30)	19	-1	-0.2	1.1	59	0.4
7	FEMEX	Emg Europe, Middle East, Africa (1.5%-90)	19	11	2.1	1.9	64	0.6
8	FICDX	Canada (1.5%-90)	17	-3	-0.8	1.6	58	0.4
9	FSDIX	Strategic Dividend & Income	17	-2	0.1	1.6	63	0.4
10	FVDFX	Value Discovery	17	-2	0.1	1.3	59	0.4
11	FPPEM	Spartan Emerging Market Idx (1.5%-90)	17	3	0.7	0.2	63	0.4
12	FIREX	International Real Estate (1.5%-90)	16	-1	-0.1	1.1	61	0.4
13	FIEUX	Europe (1.0%-30)	15	-2	-0.3	1.7	57	0.5
14	FIENX	International Enhanced Index (1.0%-30)	15	-2	-0.1	1.8	61	0.4
15	FRIFX	Real Estate Income (0.75%-90)	15	1	0.4	1.5	79	0.1