The Active Manager

Bimonthly Journal of the National Association of Active Investment Managers

Vol. 11 Issue 4, August 2014

GUGGENHEIM National Sponsor

Is Breadth Giving A Warning Signal?

LAWRENCE G. MCMILLAN

WE FOLLOW FOUR MAIN INDICATORS, AND they usually guide us in the correct direction of the markets. *Price* is the most important indicator of all (in this case, the price of the Standard & Poors 500 Index [$SPX]). However, the others – *equity-only put-call ratios, market breadth,* and *volatility indices* – are important, too. Usually, we want confirmation from price before acting on signals from the other areas.

However, we are now seeing some potential negative divergence between price action and market breadth. It *could* be that this divergence will turn out to be nothing. But many major tops are marked by a divergence between breadth and price action, and so we want to present some history of this phenomenon *before* something bad happens.

One simple measure of market health is to follow *cumulative* market breadth. That is, each day the daily breadth is the number of advancing issues minus the number of declining issues. *Cumulative breadth* is just a running total of those daily breadth figures.

continued on page 12

The views and opinions of the authors are not necessarily those of NAAIM, its officers or Board of Directors.

NAAIM
6732 W. Coal Mine Ave., #446
Littleton, CO 80123
888-261-0787
info@naaim.org
www.naaim.org

President's Letter

Jason Wilder

IT IS AN INTERESTING TIME TO be an investment manager as we are in "uncharted territory" again… right? It has already been six years since the 2008 collapse and I get the feeling that is more than enough time for people to forget any lessons they learned less than a decade ago. After hanging at all-time highs, the market is starting to show cracks, the size of which depends on your view. Interest rates are starting to creep up and the Federal Reserve can still impact the market in uncertain ways. Geopolitical strife continues to heat up around the world with war in Ukraine and violence in the Middle East. Then there's the "known unknowns" like a beautiful Tuesday morning in September and its reminder of just how quickly a morning can turn very bad. Will one of these factors be the catalyst for a thunderbolt to the financial markets or is there another surprise waiting that we have never thought about before? The simple answer is…no one truly knows.

It's because of these feelings that I am very glad to be a proponent of active investment management. As our world, both professionally and personally, becomes ever more dynamic, the importance of preparation becomes even more pronounced. This preparation comes from having a plan, just like its definition suggests; *prep·a·ra·tion (noun) the action or process of making ready or being made ready for use or consideration.* I believe that by utilizing active management you are taking an active role in being prepared for any circumstance which, in turn, makes you more willing to take appropriate action. Imagine what it must feel like to not have the safety net of an active strategy behind you.

With that said, there's a definite positive in the current market environment as it is an ideal time for organizations such as NAAIM and its member firms to grow. I am not going to even pretend to be able to call a market top or bottom; there are far too many variables in play. However, what we can do is try to be prepared for any market possibility and teach others how the tools of active management give us the ability to do so. There is an audience that is looking for the knowledge that we, as an organization, have to offer. Now we have to get the word out.

Within NAAIM, our single biggest undertaking over the past few years has been to build the NAAIM brand. Thanks to the involvement of our past presidents, current and former board members and our vice president Ted Lundgren, who is doing a really good job of generating ideas and sparking our thought processes, we have some great initiatives and

continued on page 4

NAAIM Outlook Conference Set for November 10 & 11 in Dallas Ft. Worth

THE DATE, TIME AND PLACE ARE SET FOR NAAIM Outlook 2014, and the agenda is well underway. The 2014 event will be held November 10 & 11, from 8:30 a.m. to 5:00 each day at the Westin Dallas Ft. Worth Airport, 4545 W. John Carpenter Freeway in Irving, TX, just minutes from the airport.

You spoke – NAAIM listened! Member feedback from the *My Conference, My Agenda* session at the 2014 NAAIM Uncommon Knowledge conference has been directly integrated into the Outlook conference. The member-driven agenda focuses on learning and collaboration with other attendees through a variety of interactive formats to provide the best peer-to-peer networking in the advisory industry. Look for the completed agenda in your emails.

A limited number of hotel rooms have been set aside under a NAAIM group rate of $139 single/double plus taxes. To receive the group rate, reservations must be made by October 17; but if you want to assure you will have an onsite room, today would be a good time to make your reservation. Call central reservations at 888-627-8617 or use the online reservations link: https://www.starwoodmeeting.com/StarGroupsWeb/res?id=1406270561&key=1C4F890D.

NAAIM Modifies Sponsorship Packages

IN RESPONSE TO INPUT FROM NAAIM'S SPONSORS and members, we are changing our sponsorship opportunities to offer "year around" exposure to the NAAIM membership through sponsorship agreements that span activities and events throughout the year. Attached at the end of the newsletter is the matrix of the new sponsorship structure. The 2015 Sponsor Packages will be posted on the website and emailed to members in the near future.

Sponsorship of the 2014 Outlook Conference is limited to National and Platinum sponsors, however, if you register as a 2015 National or Platinum Sponsor, you will be invited to participate in Outlook 2014.

Shark Tank is Returning to Outlook 2014!

BUILDING ON THE SUCCESS OF NAAIM'S SHARK Tank event in May, NAAIM will again set aside time at Outlook on Monday afternoon, November 10, for NAAIM members and conference attendees to share their strategies with one another!

While the format of the Shark Tank will be similar to that held at UK in May, this Shark Tank will be held as a preliminary event. Selected "winners" of the Outlook presentations in November will be invited to present their strategies at Uncommon Knowledge in 2015, where they will have the opportunity to gain even more exposure to distributors and peers!

Membership is not required if you would like to apply to present your strategy at Outlook 2014. The opportunity to present, however, will be limited to Outlook conference attendees.

If you are interested in applying to be a presenter at Outlook 2014, please visit www.naaim.org/events/outlook/ and complete the on-line indication of interest application. If you have any questions, contact Susan Truesdale at 888-261-0787 or info@naaim.org.

NAAIM *Strategies and Distribution* Workshop Scheduled for September 12

NAAIM, IN ASSOCIATION WITH OUR NATIONAL sponsor Guggenheim, is pleased to present the first half-day NAAIM Workshop on Trading Strategies and Distribution. The workshop is set for:

Friday, September 12, 2014
9 a.m. to 1:30 p.m. (lunch is included)
Avenue of the Arts Wyndham Hotel
Costa Mesa, California.

The presenters, including NAAIM vice president Ted Lundgren of Hg, Capital Advisors, LLC in Houston, TX, and other successful NAAIM advisors, will share "tips of the trade" and secrets gleaned from years of experience during an information-packed half day. Discussion topics include how to:

- Integrate active management into your practice
- Develop an active management strategy
- Productize a strategy
- Develop distribution
- Prepare for the due diligence process
- Promote a strategy with no track record
- Differentiate yourself from the crowd
- and more.

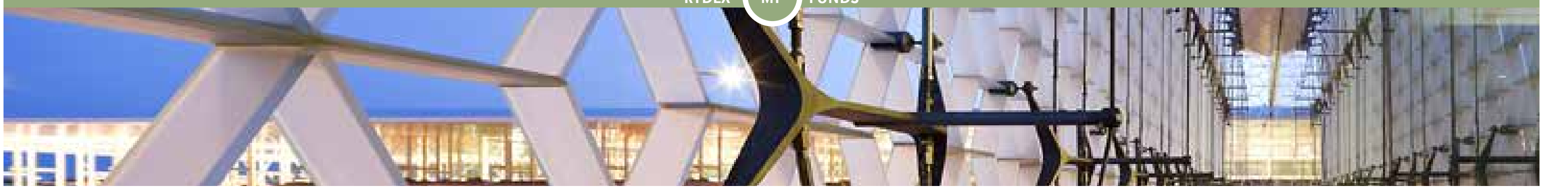
NAAIM members attend for free, while there is a $40 charge for non-member attendees. The association will be reaching out to advisors in the area to introduce NAAIM through the workshop and to begin early awareness in the area for the NAAIM Uncommon Knowledge conference coming to Newport Beach in May 2015. Look for a special UK conference incentive planned for non-members attending the workshop.

A registration form for the workshop can be found at the end of the newsletter. NAAIM members can also register online at http://www.naaim.org/events/

Mark Your Calendars!
May 3 - 6, 2015
Uncommon Knowledge 2015
Newport Beach Marriott Resort & Spa
Newport Beach, CA

Committed to Active Advisors With Rydex Funds

RYDEX MF FUNDS



Your active management style can be a big differentiator now, as investors struggle to navigate challenging market conditions. As your investing partner, Guggenheim Investments is committed to supporting your firm through our Rydex funds and other benefits that deliver value to your clients:

- **Breadth & Flexibility:** Unlimited exchange privileges, with no holding periods and transaction fees, among equivalent share classes, of the 54 Rydex funds* *(Certain share classes may impose sales charges on new purchases or for early redemptions.)* We also offer 12 funds that price twice daily through Guggenheim Investments and on select platforms.
- **Innovation:** a leader in providing benchmark replication products, as well as the industry's first inverse and leveraged mutual funds.
- **Thought Leadership**. Scott Minerd, our Chief Investment Officer, guides Guggenheim Investments' investment strategies and our views on global developments. In addition, we publish topical white papers and thought pieces that can be valuable in today's market.
- **Responsiveness:** a team of dedicated sales professionals who understand and address the needs of active advisors.

Call 630.505.3749 to ask us about how we and our Rydex products can help you in your business.

Read a fund's prospectus and summary prospectus (if available) carefully before investing. It contains the fund's investment objectives,risks, charges, expenses and other information, which should be considered carefully before investing. Obtain a prospectus and summary prospectus (if available) at guggenheiminvestments.com or call 630.505.3749.

Inverse and leveraged funds are not suitable for all investors. •These funds should be utilized only by investors who (a) understand the risks associated with the use of leverage, (b) understand the consequences of seeking daily leveraged investment results, (c) understand the risk of shorting, and (d) intend to actively monitor and manage their investments. •The more a fund invests in leveraged instruments, the more the leverage will magnify any gains or losses on those investments. •Inverse funds involve certain risks, which include increased volatility due to the funds' possible use of short sales of securities and derivatives, such as options and futures. •The funds' use of derivatives, such as futures, options and swap agreements, may expose the funds' shareholders to additional risks that they would not be subject to if they invested directly in the securities underlying those derivatives. •Short-selling involves increased risks and costs. You risk paying more for a security than you received from its sale. •Leveraged and inverse funds seek to provide investment results that match the performance of a specific benchmark, before fees and expenses, on a daily basis. Because the funds seek to track the performance of their benchmark on a daily basis, mathematical compounding,especially with respect to those funds that use leverage as part of their investment strategy, may prevent a fund from correlating with the monthly,quarterly, annual or other period performance of its benchmark. Due to the compounding of daily returns, leveraged and inverse funds' returns over periods other than one day will likely differ in amount and possibly direction from the benchmark return for the same period. For those funds that consistently apply leverage, the value of the fund's shares will tend to increase or decrease more than the value of any increase or decrease in its benchmark index. The funds rebalance their portfolios on a daily basis, increasing exposure in response to that day's gains or reducing exposure in response to that day's losses. Daily rebalancing will impair a fund's performance if the benchmark experiences volatility. **Investors should monitor their leveraged and inverse funds' holdings consistent with their strategies, as frequently as daily.** • For more on these and other risks,please read the prospectus.

ETFs may not be suitable for all investors. • Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than original cost. Most investors will also incur customary brokerage commissions when buying or selling shares of an ETF. • Investments in securities and derivatives, in general, are subject to market risks that may cause their prices to fluctuate over time. • ETF Shares may trade below their net asset value ("NAV"). The NAV of shares will fluctuate with changes in the market value of an ETF's holdings. In addition, there can be no assurance that an active trading market for shares will develop or be maintained. • Tracking error risk refers to the risk that the Advisor may not be able to cause the ETF's performance to match or correlate to that of the ETF's Underlying Index, either on a daily or aggregate basis. Tracking error risk may cause the ETF's performance to be less than you expect

Shares of the funds are not deposits of, or guaranteed or endorsed by, any financial institution; are not insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, or any other agency; and involve risk, including the possible loss of the principal amount invested. Certain funds may be affected by risks that include those associated with sector concentration, international investing, investing in small and/or medium size companies, and/or the funds' possible use of investment techniques and strategies such as leverage, derivatives and short sales of securities and alternative or nontraditional asset classes and strategies such as absolute return, long/short, commodities, currencies and managed futures. Please see the funds' prospectus for more information.

Guggenheim Investments represents the investment management businesses of Guggenheim Partners, LLC ("GP"). **Securities offered through Guggenheim Funds Distributors, LLC and Guggenheim Distributors, LLC, affiliates of Guggenheim Partners, LLC.**

GUGGENHEIM INVESTMENTS

Bob Vance Plans to Put NAAIM and Its Members in Print

BOB VANCE, PRESIDENT OF VANCE CAPITAL Management, LLC based in Sonora, CA, still considers himself somewhat of a newcomer to NAAIM, although he has been coming to conferences since 2006; so it was with a bit of trepidation that he set himself up to write about the members of NAAIM and their investing wizardry.

"Ever since that first conference, the membership has really made an impression on me with respect to how they invest money for clients and their willingness to help newcomers to the industry like myself move from buy-and-hold to active management," explains Bob. "This is my way of giving back to the group and helping to promote an investment approach I really believe in. I want to put NAAIM and its members in print, because print creates a credibility that is hard to beat."

Prior to becoming involved in the investment world, Bob owned a bookstore and café in Sonora, and gained an extensive understanding of how the book business works, leading to his decision to self publish. "The real revolution in the book industry is the viability of self-publishing, which is my goal with the NAAIM book. It will be available as a soft cover, e-book and possibly hard cover. E-book will allow me to make revisions and have links to investment managers," said Bob.

The working title for his book is INVESTING WIZARDS: *The stories, strategies and secrets of successful active investment managers you will wish you had hired.* Bob's goal is to provide insights into the active management world by profiling as many members and their investment approaches as possible. For those interested in participating, he has a preliminary questionnaire to start the process.

Bob Vance

Recognizing the legal environment in which the RIA industry operates, any investment managers mentioned in the book will receive final drafts of any materials referencing them to review and approve prior to publication. Keep in mind, however, that because an RIA cannot control the final information that is included, all compliance responsibilities lie with the author.

"My goal is to have every member have a voice in the book. This isn't a vanity style book where you pay to have your name in print. It's a pretty straightforward look at how active managers invest for clients as well as a good guide for people looking for managers," Bob explains.

To be part of INVESTING WIZARDS, contact Bob at bob@vancecm.com; or give him a call at 209-533-8404. Because, who knows how far the book might reach! **There is a deadline, however**. Bob anticipates completing interviews by September 30 to give him time to complete the book by the first quarter 2015. So the sooner you contact him, the better.

President's Letter

CONTINUED FROM PAGE 1

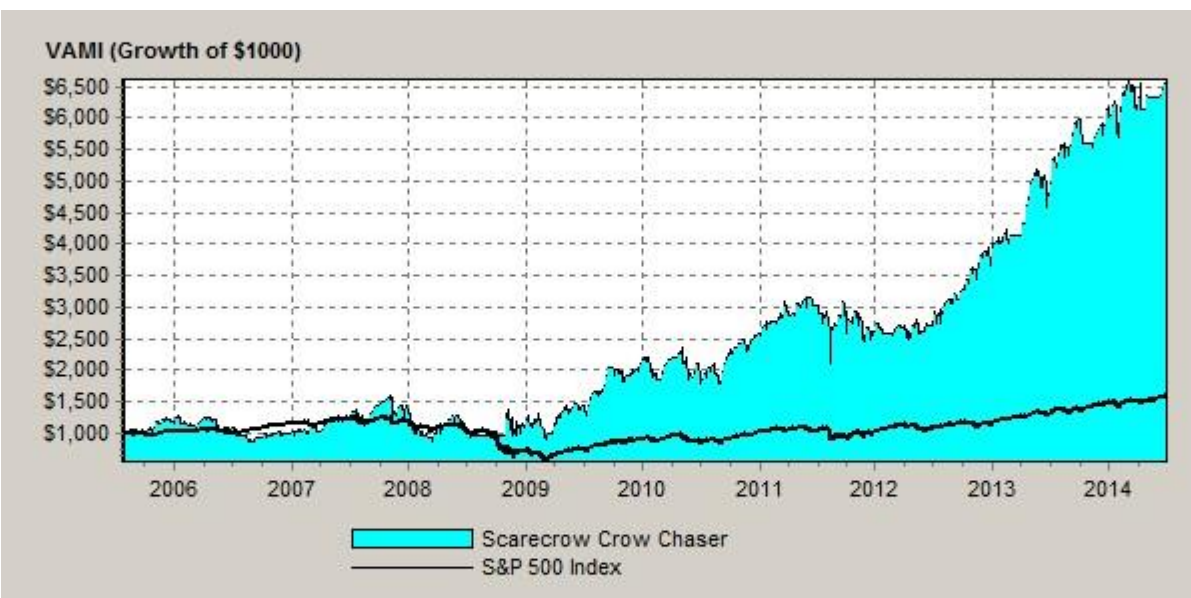
momentum underway. We are seeing more activity on the NAAIM online community board and are pleased to have Bob Vance with Vance Capital Management working on a book focusing on active management and the NAAIM membership. Bob is looking for as much input as possible and, if given the opportunity, would speak with every member of NAAIM because he is that excited about talking about our organization. If you would like to learn more about how you can contribute to Bob's book, please refer to the article above.

On the calendar is a first-time *Strategies and Distribution* workshop scheduled for Friday, September 12, 2014, in Costa Mesa, CA. This half-day workshop is a collaborative project with our national sponsor, Guggenheim, to provide NAAIM members with tools to grow their firms as well as outreach to advisers in the Orange County area. NAAIM will be back on the West Coast next May for our Uncommon Knowledge 2015 in Newport Beach, so we are looking to this preliminary event to build awareness of our organization among local advisers and attract new members to the conference. Ideally, we will replicate the workshop in other areas of the country over the coming months.

The second annual Outlook Conference is coming up November 10 & 11 at the Westin Dallas Ft. Worth Airport Hotel. I really enjoy the smaller venue afforded by Outlook because it brings the opportunity to spend even more quality time with our members. The agenda is broader this year and reflects the input we received from you at the *Your Conference, Your Agenda* session at Uncommon Knowledge last May. There's more focus on peer-to-peer and interactive sessions with less time dedicated to speakers. This will give everyone more time to participate in addressing common issues and opportunities active managers face. Of course, planning for Uncommon Knowledge 2015 in Newport Beach, CA is also well underway.

continued on page 9

Crow Chaser 2014 Shark Tank WINNER!



Performance Statistics As of 07/18/2014 598.97% return since Inception (7/05) Theta Research

lenfox@scarecrowtrading.com

Equity Signals Licensed to Advisors - Delivered 16 hrs before trade - No close crunch time!

Switching Custodians:

Equity Advisor Solutions President Sean Gultig tackles key concerns

THE SUMMER MONTHS HAVE OFTEN BEEN DEEMED as a time to reflect and reevaluate the direction of one's practice. Family vacations, retreats, and conferences usually dominate advisor's schedules as many in the industry seek to reflect on the current year's progress and chart a course for the remainder of the year.

Advancing from a good year to a great year requires the same careful examination and vision as correcting a slow start - a good process that most RIAs know full well. Many firms are riding earnings successes and are looking for ways to continue the momentum while maintaining quality of life for themselves and their loved ones. To do this, advisors are looking to their strategic partners - in particular their custodians - for answers on how to sustain or accelerate growth without the added time and financial costs that come with growing a practice. Oftentimes, technology, and resource limitations can stifle the growth of a practice before it reaches its full potential. However, considering a switch to a more conducive custodian can often create reservations among advisors.

Equity Advisor Solutions President Sean Gultig is familiar with and has a sincere appreciation for these concerns. Sean recently sat down to discuss three of the top questions his team gets from advisors seeking to improve the way they do business.

QUESTION: Won't switching custodians cost me significant amounts of time, effort and money?

GULTIG: For advisors seeking to advance their practice, time and resources are always in high demand. Already stretched thin, advisors aren't looking for another duty when choosing a new custodian—they're looking for solutions! One of the key conversations we have with advisors pertains to the operating cost savings and realized efficiencies they can see by consolidating all of their client assets, including Alternative Investments, on one custodial platform and eliminating redundant and inefficient systems.

Many advisors have amassed systems over time that now resemble a "spaghetti bowl." The systems aren't integrated and, often times, are band aided together creating inefficiencies for advisors and their staff. These piece-meal systems cost valuable office time and pricey monthly license fees.

Though all situations are different, an advisor that we recently met with could see an $80,000 cost savings for their practice in the very first year after switching custodians. Advisors should consider projections on operating cost savings and finding a consolidated approach that saves money and helps make a leaner, more scalable practice. You need a full-scale view of short-term and long-term benefits. Will the custodian make the transition as seamless as possible with minimal impact to the advisor and their employees by pre-populating forms, converting data and spending time training and setting up the systems to leverage the advisor's new capabilities? All conversions involve the same planning that goes into any major project, including timelines that work for the advisor and appropriate signoff by all parties concerned.

QUESTION: How will trading one custodian for another benefit my practice?

GULTIG: One of the most critical things to look for in a custodian's scalability goes beyond examining how a custodian can ease current burdens. Advisors should always ask one important question: "Can my custodian help accelerate growth while enhancing the offerings I'm providing to my current clients?" Advisors don't seek to change custodians for the simple sake of change. Key offerings must be provided that sync with the current needs from clients and staff while also maintaining these offerings as the business grows.

Look for customized technology tools like advisor-specific mobile apps that provide immediate access to account information, including valuations and performance. Is the app branded to the Advisor and available via the Apple and Android app stores? Does it launch in the Advisor's name, thereby extending the Advisor's brand in the mobile marketplace to both representatives and clients? For time-starved employees, you want custom back office solutions like advisor billing and invoicing, audit assistance, and data aggregation that fit each individual practice's needs, along with timesaving in-depth reporting and analytics options. Other offerings should include an intuitive trading platform and model portfolio capabilities that are efficient and flexible enough to meet client needs.

Making the move to a more conducive custodian can provide advisors with the opportunity to sync with a team that can scale solutions alongside their practice. By making this move, advisors can often strengthen their service offerings with current clients, while adding valuable tools in their arsenal to grow and manage their practice better.

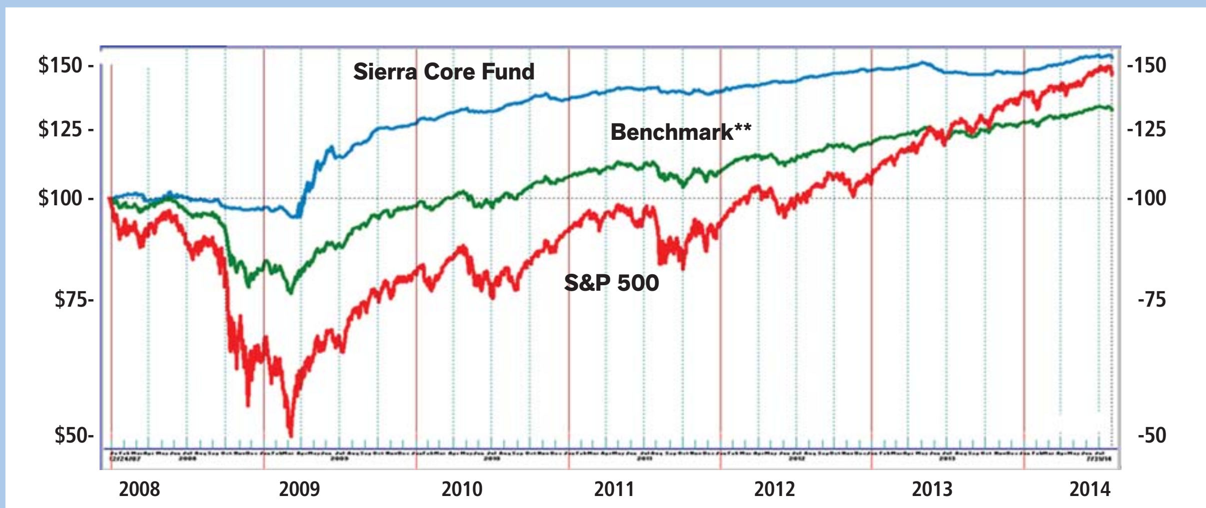
QUESTION: How will my clients respond to moving custodians?

GULTIG: I met with a client once who gave me this example of moving custodians; "It's like moving homes, except it is like moving homes with 900 kids. How do you make sure 900 kids and all their belongings get from one place to another? All the while, they are all screaming!" Nearly every advisor we

continued on page 9

PERFORMANCE SUMMARY, CLASS R SHARES (SIRRX)

SIERRA CORE RETIREMENT FUND FROM INCEPTION 12/24/07 TO 7/31/14



Successful portfolio management involves both profiting from sustained uptrends — the past three years have all been part of the current rising cycle — and limiting drawdown during the adverse part of the cycle — which Sierra has also done very well for many years.

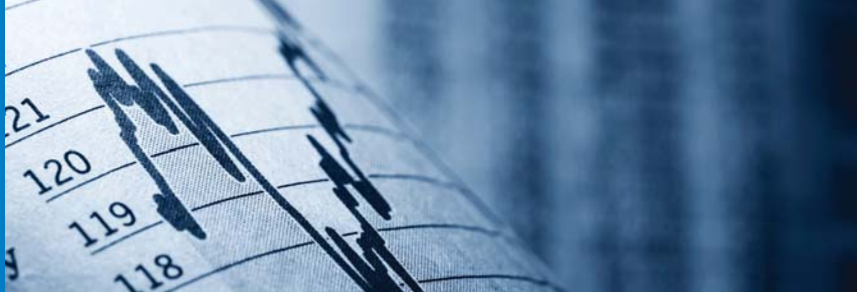
	As of 6/30/2014					
	Year-to-Date	One Year	Latest Five Years		Since Inception 12/24/2007	
			Cumulative*	Annualized	Cumulative*	Annualized
Sierra Core Retirement Fund Class R (SIRRX)	**+5.73%**	**+5.61%**	**+38.22%**	**+6.69%**	**+58.23%**	**+7.29%**
Benchmark**	**+4.98%**	**+10.74%**	**+55.24%**	**+9.21%**	**+34.14%**	**+4.62%**

"Cumulative" performance from inception is the total increase in value of an investment in the Class R shares assuming reinvestment of dividends and capital gains distributions.

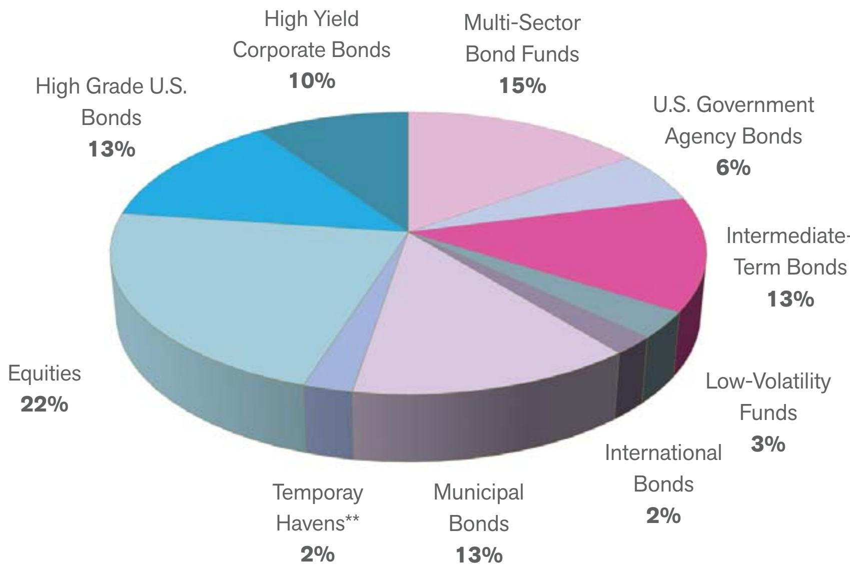
** "Benchmark" is the average of the mutual funds in Morningstar's Conservative Allocation category. Conservative-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds and cash. These portfolios tend to hold smaller positions in stocks than moderate-allocation portfolios.

The S&P 500 Index, a registered trademark of Mc-Graw-Hill Co., Inc. is a market-capitalization-weighted index of 500 widely-held common stocks. Data here for the S&P includes dividends. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

The performance data quoted here represents past performance for Class R shares (symbol SIRRX), and are net of the total annual operating expenses of the Class R shares (see below). For performance numbers current to the most recent month end, please call toll-free 855-556-1295 or visit our website, SierraMutualFunds.com. Current performance may be lower or higher than the performance data quoted above. Past performance is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate, so that investors' shares, when redeemed, may be worth more or less than their original cost. The total annual operating expenses including expenses of the underlying funds (estimated at 0.58% per year) are 2.19% for Class A and Class I, 2.34% for Class A1 and Class I1, 2.94% for Class C, and 1.98% for Class R. Please review the Fund's prospectus for more information regarding the Fund's fees and expenses.



ASSET ALLOCATION AS OF JULY 31, 2014*



*NOTE: Holdings can change at any time without notice. **Money Market & ultra short bond funds.

The top ten holdings of the Sierra Core Fund as of the date above is among the extensive information included in a four-page Fact Sheet, which is updated at least quarterly and can be viewed and printed from our website, SierraMutualFunds.com.

PERFORMANCE BY QUARTER, CLASS R SHARES (SIRRX)

Year	Q1	Q2	Q3	Q4	Calendar Year	Benchmark**
2008	-0.88%	+1.27%	-3.51%	+0.34%	-2.82%	-18.61%
2009	-2.01%	+20.12%	+9.14%	+1.82%	+30.81%	+20.77%
2010	+3.61%	+0.33%	+3.89%	+0.07%	+8.07%	+10.03%
2011	+2.34%	+0.807%	-0.69%	+0.18%	+2.63%	+1.70%
2012	+1.94%	+1.23%	+2.57%	+1.01%	+6.91%	+9.40%
2013	+1.01%	-1.67%	-0.69%	+0.58%	-0.80%	+7.23%
2014	+2.83%	+2.82%				

The Sierra Core Fund pays a quarterly dividend. Shares are available through TD Ameritrade, Charles Schwab & Co. Inc., Fidelity, Pershing and directly from the Fund.

The Fund indirectly bears the investment management fees and expenses of the underlying funds in addition to the investment management fees and expenses of the Fund – all of which however are fully reflected in the above performance information. In some instances it may be less expensive for an investor to invest in the underlying funds directly. There is also a risk that investment advisers of those underlying funds may make investment decisions that are detrimental to the performance of the Fund. Investments in underlying funds that own small- and mid-capitalization companies may be more vulnerable than larger, more established organizations to adverse business or economic developments. Investments in underlying funds that invest in foreign equity and debt securities could subject the Fund to greater risks including, currency fluctuation, economic conditions, and different governmental and accounting standards.

Investors should carefully consider the investment objectives, risks, charges, and expenses of the Sierra Core Retirement Fund. This and other information about the Fund is contained in the prospectus and should be read carefully before investing. The prospectus can be obtained on our website, SierraMutualFunds.com, or by calling toll free 1-855-556-1295. The Sierra Core Retirement Fund is distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC.

2294-NLD-8/7/2014

Switching Custodians: Equity Advisor Solutions

CONTINUED FROM PAGE 6

speak to shares this concern, both because they sincerely care about their clients and because they care about the well being of their practice if they were to ever lose clients as a result of the change. It is natural that clients will inquire about an advisor's decision to change custodians. Clients put fiduciary faith in their advisors, many for the generations to come in their family, so any significant change in an advisor's practice invites questions.

We've actually seen great benefits to advisors contacting clients explaining and showing the additional value a custodial change can have through a better client experience and the continued security for the client's investment. It reinforces the sentiment that the advisor is committed to providing the highest quality service to his/her clients. Not only have advisors advanced their practice through new service offerings, they've strengthened the advisor-client relationship.

Switching custodians is no small task. It's a substantive change in the life of a practice that should take place with strategic consulting that has both a short-term and long-term focus on asset choices, office efficiencies, a better client experience, and a positive impact on the quality of life for advisors. Sean likened a custodial switch to climbing a mountain. Certainly there is some initial climbing to do in terms of moving platforms, but it is important to keep in mind the view from the top that awaits both the advisor and his/her practice. The scalability and quality of life benefits that come from running an efficient practice, supported by a custodian who understands your business, is worth the climb.

Sean Gultig has 20 years of experience in the financial services area. Prior to serving as President of Equity Advisor Solutions, he was the Vice President of Advisor Services at Fiserv Investment Support Services. Sean has a strong belief in the independent advisor model where growing firms have unlimited potential. Equity Advisor Solutions offers an "advisor-centric" platform that seeks to arm advisors with technology, custody and back office solutions.

President's Letter

CONTINUED FROM PAGE 6

On the personal side of life, I did manage to take a few days off to join my family in Florida, where they enjoyed a month-long stay with my in-laws. Two years ago, I made a promise to my wife, Karen, that when I go on vacation, I will completely disconnect from work and focus on enjoying her and our two sons, Zack and Jake. Let me tell you, that's the best promise you can make to your family and yourself. We had a blast driving golf carts and boats, wrestling in the ocean and pool, fishing, and feeding all the mosquitos in St. Petersburg! I also, rather unexpectedly, became the president of the Conestoga Generals Pop Warner Football league. I have been a coach for the Generals for five years now, spending four years with Zack and now my first year with Jake. Karen is fully integrated as well working as a team mom, heading up our on-line store and being my anchor point on the sideline! We, as a family, value the importance of sports, not only for the fitness aspect, but also for the kids to learn responsibility, accountability, teamwork, discipline, and something that gets lost too often today, selflessness.

NAAIM, much like the Generals, has had some new faces join the board and sub-committees this year and the result is an infusion of new ideas to strengthen our organization. There is a huge need for active managers in today's markets and with your involvement, ideas and support we can continue to educate new advisors about us. We look forward to continuing to build on the NAAIM brand, the importance of actively managed strategies and, in the process, help all of you grow your businesses.

I hope everyone has a great last month of summer and we will see you at the NAAIM conferences this fall!

Sincerely,

Jason Wilder
2014-2015 NAAIM President

New KCG Market Structure Analysis Indicates SEC's Tick Size Pilot Has Implications Beyond Spreads

KCG HOLDINGS, INC. HAS PUBLISHED A NEW market commentary, "Who Gets the Short End of the 'Tick?" regarding the potential impact of the Securities & Exchange Commission's pilot program to widen tick sizes. Authored by Phil Mackintosh, Head of Trading Strategy and Analysis, the data-driven report includes the following findings:

- While the pilot program was originally designed to spur trading and research in small-cap stocks, the proposal, if implemented across all stocks that meet the ADV and market cap thresholds, could ultimately impact a wide number of companies, including some S&P 500 names. The market capitalization of companies in the pilot could be as high as $5 billion, trading up to one million shares per day. Full market-wide implementation of the proposal would require more than 66% of all stocks to trade in five-cent increments.
- Less-liquid stocks will become easier to trade. Wider tick sizes should make the top of book deeper and less volatile. In fact, a new, wider National Best Bid and Offer (NBBO) should at least triple the depth of book in impacted names.
- Trading costs will likely go up. Wider spreads make it more expensive for investors to trade.
- Dark trading will likely increase. Dark trades allow investors to mitigate higher execution costs. Although off-exchange trading is specifically limited for a certain subset of stocks in the pilot, traders will still look for ways to hide their intention from other traders in lit venues.
- Implementation of wider tick sizes will add complexity to the marketplace. Wider tick size parameters will challenge order routing and limit order trading market-wide. This goes against an over-arching concern of many participants that the market already is too complex.

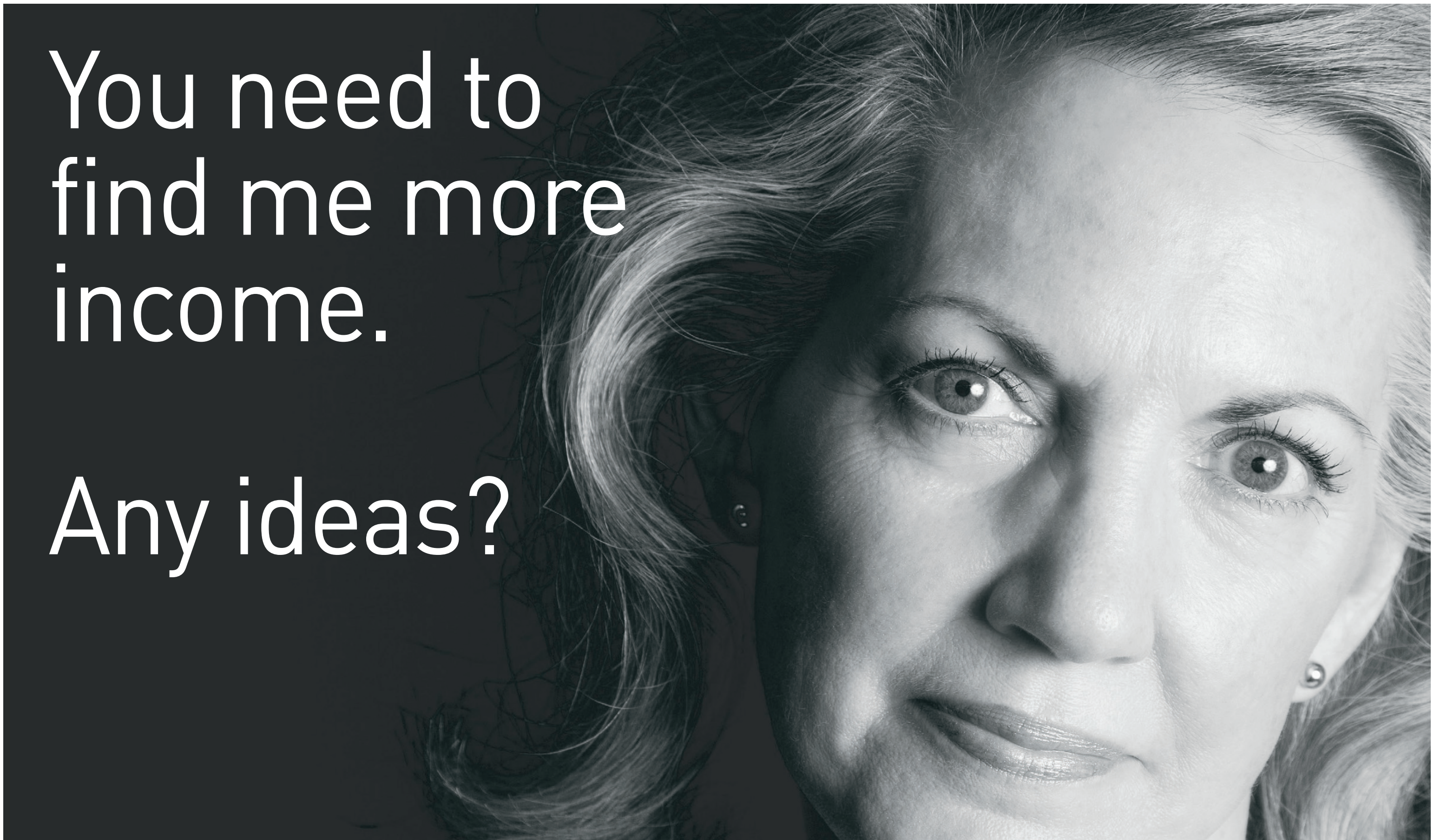
"The breadth of securities covered by the proposed pilot, if implemented market wide, is significant. With well over half of all stocks potentially meeting the thresholds and possibly subject to five-cent increments, this proposal could become a major market structure development," Mr. Mackintosh said. "At the same time, trade-at rules will be tested without also testing the impact of inter-related market structure issues, such as exchange fee structures and locked market rules. To be sure, the pilot should deepen liquidity at the NBBO to great benefit. But there remain concerns that widening spreads will have negative consequences for the U.S. markets by eroding our global lead in many market quality measures including trading costs, liquidity, and robust derivatives and ETFs trading."

On June 25, 2014, the SEC announced its order to the national exchanges and the Financial Industry Regulatory Authority (FINRA) to develop a 12-month pilot program to widen minimum quoting and trading increments, or tick sizes, for certain small-cap stocks. The SEC seeks data to assess if wider tick sizes will enhance market quality. The pilot includes stocks with a market capitalization of $5 billion or less; an average daily trading volume of one million shares or less; and a share price of $2 per share or more. The exchanges and FINRA must submit a plan detailing the pilot program by August 25, 2014, after which it will be published for public comment.

The full nine-page KCG's Market Commentary Report – Who Gets the Short End of the 'Tick'? - is available at https://www.kcg.com/our-views

---

Phil Mackintosh is Head of Trading Strategy and Analysis for KCG. He leads a new unit that includes responsibility for researching, publishing, and consulting with KCG's trading clients on topics such as transaction costs, trading strategies and market structure. KCG is a leading independent securities firm offering investors a range of services designed to address trading needs across asset classes, product types and time zones. The firm combines advanced technology with exceptional client service across market making, agency execution and venues. KCG has multiple access points to trade global equities, fixed income, currencies and commodities via voice or automated execution. www.kcg.com



In a time when declining yields are commonplace, investors are searching for new strategies to increase income. To learn more about how the new Horizons S&P Financial Select Sector Covered Call ETF, and the Horizons S&P 500® Covered Call ETF, listed on the NYSE, can potentially help you earn more income from your core equity investments, talk to your financial adviser or visit www.HorizonsETFs.com/USA.

HORIZONS
EXCHANGE TRADED FUNDS

MIRAE ASSET

Important Information

Before investing you should carefully consider the ETF's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by visiting the ETF's website at www.HorizonsETFs.com/USA. Please read the prospectus carefully before you invest. Distributor: Foreside Fund Services, LLC.

There are risks involved with investing, including possible loss of principal. The Funds are non-diversified and may invest a greater portion of their assets in securities of a small number of issuers which may have an adverse effect on Fund performance. Concentration in a particular industry or sector will subject the Funds to loss due to adverse occurrences that may affect that industry or sector. The Funds risk not benefiting from potential increases in the value of underlying securities above the exercise prices of the written covered call options, and are subject to the risk of declines in the value of such securities. Each sector fund is subject to its own specific risk factors. See prospectus for specific risks regarding each Fund and sector.

Individual shares of the Horizons-branded exchange traded funds (the "Funds") may be purchased or sold in the secondary market throughout the regular trading day on the New York Stock Exchange through a brokerage account. However, shares are not individually redeemable directly from the Funds. Each Fund issues and redeems shares on a continuous basis, at NAV, only in blocks of shares ("Creation Units"), principally in-kind for securities included in the relevant Index. The Creation Unit for HSPX is 50,000 shares and the Creation Unit for HFIN is 25,000 shares.

Horizons ETFs is a member of Mirae Asset Global Investments. Commissions, trailing commissions, management fees and expenses all may be associated with an investment in the Horizons S&P 500® Covered Call ETF and the Horizons S&P Financial Select Sector Covered Call ETF sub-advised by Horizons ETFs Management (USA) LLC and managed by Exchange Traded Concepts, LLC (the "ETFs"). The ETFs are not guaranteed, their values changes frequently and past performance may not be repeated.

Is Breadth Giving A Warning Signal?

CONTINUED FROM PAGE 1

We keep two sets of breadth indicators: 1) those using NYSE data, and 2) those using "optionable stocks only" data. I definitely feel that the "stocks only" data is more reliable – especially when that data is collected over all optionable stocks, for that not only includes all the big caps, but also includes many NASDAQ issues as well. NYSE data is a bit suspect because many of the issues that trade on the NYSE are not stocks, but are instead preferreds, bond funds, and other things that are more interest-rate related.

Using Cumulative Breadth as an Indicator

One of the first things that one must understand about cumulative breadth is that it is a *relative* indicator. Recently, cumulative NYSE breadth made new all-time highs, but there was a period of time – about 45 years or so – that cumulative breadth did not. For the longest time, the peak in NYSE cumulative occurred in 1954. It wasn't until the bull market of the late 1990's that a new high was made. Of course, the stock market made huge advances from 1954, so breadth was only useful as a relative measure in bull and bear markets – not necessarily as on overall measure. I have no idea *why* that 1954 high held for so long, but it did.

Figure 1 shows "stocks only" breadth, normalized at a starting point of 0 in 1994. That's when we began to track "optionable stocks only" data. You can see that it bumped along at the zero level or just below until about 1999, and then the wheels began to fall off. Cumulative breadth fell 140,000 during the 2001-2003 bear market.

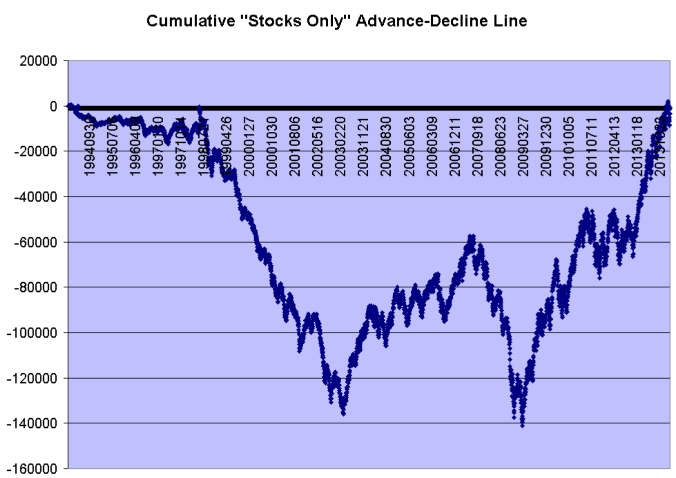


Figure 1

It only recovered to about -60,000 during the next bull market (even though $SPX went to new highs). Then, during the 2007-2009 bear market, it fell to -140,000 again.

Finally, in *this* bull market it has recovered all the way to positive territory – to new all-time highs, right along with $SPX, which is also at new all-time highs.

Figure 2 shows the same graph of the "stocks only" cumulative advance-decline with the graph of $SPX overlaid on it. $SPX is the pink line. From this graph, you can see some of the relative divergences and confirmations between breadth and $SPX.

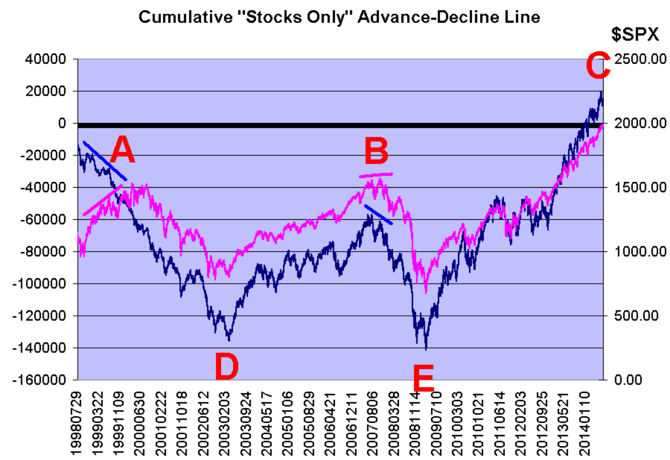


Figure 2

Consider point "A" in Figure 2. That is the end of the huge bull market of the late '90's. You can see that breadth (blue line) was declining for quite some time while $SPX (pink line) was still rising. That was a huge divergence. Eventually, a major top occurred at point "A," but you can see that the divergence can persist for quite a while before the eventual top occurred. Usually, when breadth is deteriorating like that, there are many weak stocks that short sellers can profit from, even though the big caps may still be rising.

At point "B," a much tighter pattern existed. That was the 2007 top. You can see that $SPX made a marginal new high at point "B" while breadth was already deteriorating. A massive bear market followed.

Now we are at point "C." The divergence is not obvious on this long-term graph, but we will "zoom in" on it shortly.

Note that at the bottoms, the same sort of divergence does not apply. At both points "D" and "E," breadth (blue line) made new lows right at the bottom.

Figure 3 zooms in on the 2003-2007 bull market, extending into early 2008. The top of this bull market was at point "B" in Figure 2.

Having zoomed in, we can see the breadth confirmations and non-confirmation much more clearly. Along the way, $SPX (pink line) made a series of new highs. As that was happening, "stocks only" cumulative breadth was matching with new *relative* highs of its own. Each point marked at "H" in figure 3 is a point at which both $SPX and cumulative breadth were making new relative highs together.

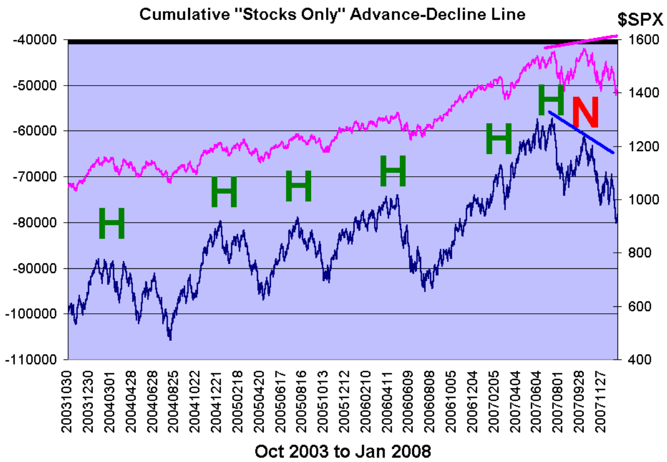


Figure 3

Eventually, though, in October 2007, $SPX made one more new high. But this time, breadth had fallen off from the peak of the previous July and had not recovered. Thus the letter "N" (for *non*-confirmation) denotes the warning sign of a top.

Once the divergence, or non-confirmation, exists, one should wait for the upward *trend* of $SPX to be broken. When it is, an aggressive bearish stance can be taken for $SPX.

Figure 4 zooms in on the current data, dating back to December 2012. You can see the series of new highs that were being made by $SPX (pink line) and by "stocks only" cumulative breadth (blue line). The corresponding new highs in both lines are marked with the letter "H" in each case.

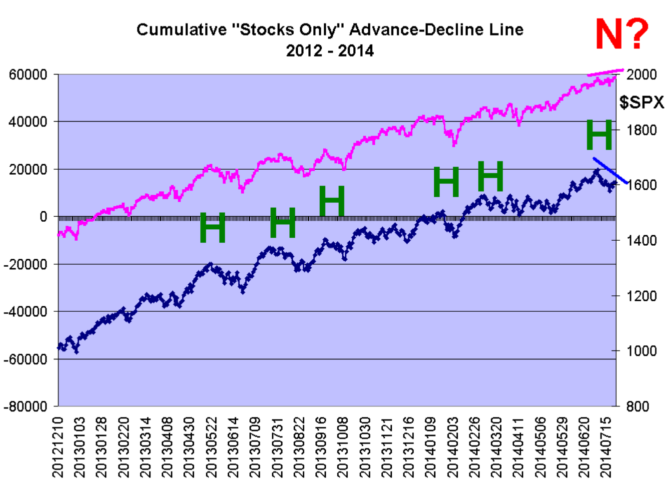


Figure 4

There may have been some very tiny divergences along the way, but they were too short-lived and/or too small to even notice on this chart. However, a divergence has now developed at the far right-hand side of Figure 4. This is the most recent data, updated through Thursday, July 24, 2014. It is marked as "N?" because it is only a few weeks old and could possibly correct itself.

$SPX made new all-time intraday and closing highs three days in a row from July 22 through July 24. But cumulative "stocks only" breadth has not followed suit – at least not yet. Cumulative breadth is about 5,000 issues *below* its most recent high of July 3, 2014.

On July 24, when $SPX made both a new intraday and a new closing all-time high, cumulative breadth was *negative*. So the divergence widened even further.

Are we being alarmist by pointing this out? Some will certainly say so, but I don't think so. We have no allegiance to a bull or bear market. Rather, we just try to assess the current situation to the best of our ability and interpret the technical indicators without bias.

One can see the divergence very clearly in Figure 4. So what do we do now?

There are two distinct points that will confirm or deny the perpetuation of the current bull market. First, if breadth improves, and the cumulative advance-decline line rises to new highs, then all is "good" for further upside probes. The bull market would be re-confirmed if that happens.

But if $SPX breaks below major support as this breadth divergence is persisting, then it will be time to take an aggressive bearish stance. That support level is roughly 1950 (basis $SPX) at this time.

Lawrence G. McMillan is the author of Options as a Strategic Investment, the best-selling work on stock and index options strategies. He currently authors a unique daily advisory service – Daily Volume Alerts – and also edits and publishes "The Option Strategist", a derivative products newsletter covering equity, index, and futures options. In these capacities, he is the President of McMillan Analysis Corporation, which he founded in 1991.

Welcome to NAAIM

NAAIM is pleased to welcome the following firms as members:

New Member:

Dale Roo
EDR Investment Advisors
217 2nd St. West
Whitefish, MT 59937
406-249-9150

Returning Member:

Maia McGehee
Hermes Econometrics
1101 Fifth Ave., Ste. 270
San Rafael, CA 94901
415-454-4184

It's easy to get trampled by a lot of bull.

When it comes to *real* ETF Best Execution

You're either getting it, or you're not.

Our customers get it. No Bull.

WallachBeth
Capital LLC

Sourcing Liquidity...At The *Right* Price™

www.WallachBeth.com

646.237.8588

Members FINRA · SIPC · ARCA · CBSX · ISE

NAAIM 2015 Sponsorship Offerings	National $50,000	Platinum $20,000	Gold $10,000	Silver $6,000	Innovation
Number of sponsorships available:	1	4	6	Unlimited	Unlimited
Associate Membership Dues included: Covers unlimited number of firm employees	✓	✓	✓	✓	
Annual (Year-Long) Sponsor Benefits					
NAAIM home page logo, link, sponsor recognition (Continuous Exposure to Website Visitors)	✓	✓	✓	✓	
Webinar Presentation. Promoted via email by NAAIM to 5000+ contacts	2 / year	1 / year	Additional Cost	Additional Cost	
Year-round access to NAAIM membership list	✓		✓	✓	
NAAIM Website: Up to 200-word Sponsor Profile with Logo and Website Link	✓		✓	✓	
Access to NAAIM Community: Exclusive access to Members-Only and Online Content	✓		✓	✓	
Guest Blog posts on NAAIM Speaks	4 / year	2 / year	Additional Cost		
Sponsored Content Post with Logo and Website Link on NAAIM News	4 / year	2 / year	Additional Cost		
First Right of Refusal for new Sponsor Opportunities	Exclusive				
NAAIM Board Of Directors Meeting Participation	Exclusive				
Chair of Sponsorship Advisory Committee	Exclusive				
Active Manager Newsletter Advertising	6 Issues: 1-Page Ad	3 Issues: 1-page Ad	Pre-conference Issue	Additional Cost	Additional Cost
Logo displayed in Bi-Weekly NAAIM News E-Digest	Exclusive	Rotating			
Wagner Award – 1st place sponsor	Exclusive				
Wagner Award – 2nd or 3rd place sponsor		Shared w/Platinums			
Uncommon Knowledge Conference Benefits					
Exhibit Space - 6' Exhibit Tables with Draping Included	2 Tables + Preferred Booth Placement	1 Table + Preferred Booth Placement	1 Table	1 Table	Tuesday only
Conference registrations	4	2	2	2	1
Guest passes for non-member RIAs	5 ($3,000 Value)	2 ($1,200 Value)	1 ($600 Value)		
Keynote speaker *	Exclusive	Additional Cost			
Breakout session					
Welcome reception sponsorship		Shared w/Platinums			
Monday Dinner Event	Exclusive				
Tuesday Party sponsorship		Shared w/Platinums			
Breakfast and Break sponsorship			Co-Sponsor		
NAAIM Showcase Sponsorship (formerly NAAIM Shark Tank)	Additional Cost	Additional Cost			
Vendor directory ad	2 Pages	1 Page	Listing Only	Listing Only	Listing Only
Vendor profile in Print Conference Guide	2 Pages	1 Page	Additional Cost	Additional Cost	Additional Cost
On-site Signage with Logo	Conference Banner plus Sponsored Events	Sponsored Events	Sponsored Events		
Golf Classic Foursome	2 Foursomes	1 Fishing or Golf	Additional Cost ($1,500)	Additional Cost ($1,500)	
Golf Classic signage	Lead Recognition	Event Recognition	Additional Cost	Additional Cost	
Fishing Sponsor (up to 3 Sponsors)	Additional Cost	1 Fishing or Golf	Additional Cost ($1,500)	Additional Cost ($1,500)	
Pre-conference recognition - Active Manager, NAAIM News, Conference brochure, emails	✓	✓	✓	✓	Active Manager newsletter plus conference emails
Introduction to full conference audience	✓	✓	✓	✓	✓
Access to attendee list (One Pre-conference and Post-Conference Mailing; no emails)	✓	✓	✓	✓	✓
Mobile Conference App (2015)	TBD	TBD	TBD	TBD	TBD
Outlook Conference Benefits					
Exhibit Space	1 Table + Preferred Placement	1 Table + Preferred Booth Placement			
Conference Speaker (Limited to 1 Sponsor)	Free slot/Additional Cost depending on speaker	Additional Cost			
Conference Registrations	4	2			
Guest Passes for non-member RIAs	3 ($1,200 value)	2 ($800 value)			
Lunch Signage	Exclusive				
Breakfast and Break sponsorship signage		Shared with Platinums			
Vendor directory ad	2 Pages	1 Page			
Vendor profile in Print Conference Guide	2 Pages	1 Page			
Pre-conference recognition - Active Manager, NAAIM News, Conference brochure, emails	✓	✓			
Introduction to full conference audience	✓	✓			
Access to attendee list (One Pre-conference and Post-Conference Mailing; no emails)	✓	✓			
On-site Signage with Logo	Conference Banner plus Sponsored Events	Sponsored Events			

NATIONAL ASSOCIATION OF ACTIVE INVESTMENT MANAGERS

TAKE YOUR STRATEGY TO THE NEXT LEVEL

HALF-DAY WORKSHOP

SEPTEMBER 12, 2014

Avenue of the Arts Wyndham Hotel
3350 Avenue of the Arts
Costa Mesa, California 92626

BADGE NAME: *(Print first and last name)*

1)____

Company:____

Email:____

BADGE NAME: *(Print first and last name)*

2)____

Company:____

Email:____

BADGE NAME: *(Print first and last name)*

3)____

Company:____

Email:____

ADDRESS / CITY / ZIP CODE:

____

____

PHONE NUMBER:

____

Attendee Registration Fee:

Circle Choice:

- ❑ **NAAIM Member(s) -- FREE**
- ❑ **Non Member(s) -- $40 – per person***

Method of Payment:

- ❑ Check Enclosed (payable to NAAIM)
- ❑ MasterCard
- ❑ Visa
- ❑ Amex
- ❑ DiscoverCard

NAAIM prefers payment by check

CREDIT CARD # :

____

EXP. DATE:____

SIGNATURE:

____

NAME AS IT APPEARS ON CARD

Credit card billing address if different from company address:

____

____

***CANCELLATION POLICY FOR MEETINGS**

Meeting fees will be refunded only if notice is given in writing via email to info@naaim.org within 14 days of the credit card purchase. NAAIM reserves the right to award this refund by check or by credit to your account.

N A A I M

6732 W. Coal Mine Avenue, Suite 446 | Littleton, CO 80123

T: 888.261.0787 | F: 303.979.2192 | Contact Person: Susan Truesdale

www.naaim.org | info@naaim.org