



4Q 2021 Rebalance – ETF Global® Dynamic Model Portfolios
Tuesday, October 5, 2021

Reflecting on the turbulent ending to the third quarter, the two questions occupying most investor’s minds are: did we just hit a temporary rough patch or does recent volatility portend a further bumpy road ahead? Entering the most recent quarter, it appeared that stock market growth was primed to accelerate against a backdrop of effective and widely available vaccines, declining COVID-19 cases, continued fiscal and monetary support, a broadening economic re-opening, and strong consumer demand. However, recent developments have dented this sense of optimism and clouded the outlook for the remainder of the year. Fears over persistent supply-chain constraints, growing inflation, Fed tapering, rising rates, the highly contagious Delta variant, debt ceiling impasse, and contagion from a Chinese regulatory clampdown plunged stocks into their worst performing month of the year in September. In fact, September marked the worst monthly decline for the S&P 500 and NASDAQ since the frenzied selloff in March 2020 at the onset of the COVID-19 pandemic. September’s volatility reversed the gains of an otherwise promising quarter, sending the DJIA and NASDAQ down 1.9% and 0.4% respectively, while the S&P 500 managed to eke out a 0.2% gain.

At a minimum, volatility is here to stay in the near term with critical matters like the debt ceiling crisis looming. Navigating this choppy environment will require careful risk management, something that is central to the construction of our model portfolios. Our four risk-adjusted portfolios all undergo a multifactor, model-driven selection in which downside protection is a critical focus. For more information on our construction process, please see the following link - [ETF Global Dynamic Model Portfolios](#).

Here’s how the composition of our model portfolios looks heading into the fourth quarter –

Q3 2021 Equity Positions		Q4 2021 Equity Positions	
Equity		Equity	
Domestic		Domestic	
IJK	iShares S&P Mid-Cap 400 Growth ETF	IJJ	iShares S&P Mid-Cap 400 Value ETF
IJJ	iShares S&P Mid-Cap 400 Value ETF	IJS	iShares S&P Small-Cap 600 Value ETF
SLYG	SPDR S&P 600 Small Cap Growth ETF	MDYG	SPDR S&P 400 Mid CapGrowth ETF
DON	WisdomTree U.S. MidCap Dividend Fund	SLYG	SPDR S&P 600 Small Cap Growth ETF
Developed International		Developed International	
EWU	iShares MSCI United Kingdom ETF	ISDX	Invesco RAFI Strategic Developed ex-US ETF
EWP	iShares MSCI Spain ETF	INTF	iShares Edge MSCI Multifactor Intl ETF
INTF	iShares Edge MSCI Multifactor Intl ETF	EWU	iShares MSCI United Kingdom ETF
FEUZ	First Trust Eurozone AlphaDEX ETF	BBJP	JPMorgan BetaBuilders Japan ETF
Emerging		Emerging	
FNI	First Trust Chindia ETF	ISEM	Invesco RAFI Strategic Emerging Markets ETF
EMIF	iShares Emerging Markets Infrastructure ETF	ILF	iShares Latin America 40 ETF

Equity

In our domestic equity sleeve, we have two new entrants and a reshuffling of our other two spots. IJS and MDYG made their way into our allocations, with the second and third highest domestic equity quant scores. IJJ rose from second to first and SLYG slid from third to fourth. As reflected in our selections, our model currently favors a combination of the size factor with value or growth tilts. Overall, these selections were powered by strong rankings within the fundamental and quality components of our quant model.

Similar to our domestic equity positions, our international allocation had two new entrants and a repositioning of the two other constituents. ISDX and BBJP entered our allocation, coming in as the first and fourth ranked international equity ETFs. Additionally, INTF rose from third to second, while EWU fell from first to third. Conversely, these selections were primarily driven by robust behavioral scores, while also receiving high marks for the yield component of our fundamental score.

Rounding out our equity selections, we have a comprehensive change in our Emerging Markets allocation. ISEM and ILF rose to replace FNI and EMIF as the first and second highest ranking EM ETFs. These new ETFs did not stand out in one particular category of our quant model, but rather their well-balanced component scores help drive them to the top of our rankings for this quarter.

Thank you for following the ETF Global Dynamic Model Portfolios, you can find an overview and performance information at <http://www.etfg.com/about-model-portfolios>. To learn more about our ETFG Model Portfolio strategy, please email us at sales@etfg.com or call us at (212) 223-ETFG (3834).

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