

## EQUAL SECTOR INVESTING CELEBRATES 10 YEARS IN A ROW OF BEATING THE S&P 500



2009 was an important milestone for equal sector investing as it bested the returns of the S&P 500 for the 10th consecutive year. Equal sector investing is a strategy in which a portfolio is divided equally among the economic sectors of the market, for example the sectors of the S&P 500. These sector weights are then periodically rebalanced back to equal weight. Although similar in concept, equal sector investing is not to be confused with equal stock investing in which the individual stocks in a portfolio, rather than sectors, are assigned equal weights.

"Most equal-weight strategies are based at the stock level" states Director of Investment Strategy and Research for ALPS Distributors, Inc., Jeremy Held. "Equal sector investing is an important extension of the equal-weight concept in that it addresses sector risk, which may be a much more important and fundamental risk to client portfolios than individual stocks."

In 2009 an Equal Sector strategy divided among the 9 Global Industry Classification System sectors of the S&P 500 (Information Technology and Telecom are combined due to the small number of Telecom stocks) returned 27.13% vs. 26.46% for the S&P 500. It marked the 10th straight year in which such a strategy had outperformed the S&P 500.

### Equal Sector Investing vs. the S&P 500 2000-2009

	Equal Sector Strategy	S&P 500
2000	8.32%	-9.10%
2001	-9.27%	-11.89%
2002	-18.99%	-22.10%
2003	28.69%	28.68%
2004	14.07%	10.88%
2005	7.47%	4.91%
2006	16.79%	15.79%
2007	9.72%	5.49%
2008	-35.10%	-37.00%
2009	27.13%	26.46%

Source: S&P 500

The consistent outperformance of the strategy has led to cumulative returns that far exceed the S&P 500. For the 10 year period ended December 31, 2009 an Equal Sector strategy had a cumulative return of 32.8% vs a loss of 9.1% for the S&P 500.

According to Held, the out-performance of an equal sector strategy is partially attributable to its risk management characteristics. "Over the last 30 year the largest annual declines in the S&P 500 have been precipitated by a crash in the market's largest sector. In 1981, it was Energy stocks. In 2000, it was Technology. Most recently it was the Financial sector. An equal sector strategy can minimize the negative impact of any one sector on the entire portfolio. At the same time by offering meaningful exposure to each sector of the market, it allows investors the ability to participate in market rallies regardless of where they occur."

"We believe the consistency of the returns delivered by an equal sector strategy combined with its transparency<sup>1</sup> and simplicity make it a viable alternative for US large-cap investing."

**Index performance does not reflect fund performance. Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance data may be higher or lower than actual data quoted. For the most current month-end performance data please visit [www.sectorspdrs.com](http://www.sectorspdrs.com).**

*An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information, call 1-800-843-2639 or visit [www.sectorspdrs.com](http://www.sectorspdrs.com). Read the prospectus carefully before investing.*

*The S&P 500 Index is an unmanaged index of 500 common stocks that is generally considered representative of the U.S. stock market. The index is heavily weighted toward stocks with large market capitalizations and represents approximately two-thirds of the total market value of all domestic common stocks. The S&P 500 Index figures do not reflect any fees, expenses or taxes. Investors cannot invest directly in an index.*

*Asset allocation cannot assure a profit nor protect against a loss. Select Sector SPDRs are subject to risk similar to those of stocks including those regarding shortselling and margin account maintenance. All ETFs are subject to risk, including possible loss of principal. Sector ETF products are also subject to sector risk and non-diversification risk, which will result in greater price fluctuations than the overall market.*

*ALPS Distributors, Inc., a registered brokerdealer, is distributor for the Select Sector SPDR Trust.*

<sup>1</sup> *Owning sectors individually provides investors with transparency and control over their sector exposure. ETFs are considered transparent because their portfolio holdings are disclosed daily*

### About ALPS Holdings, Inc.

ALPS Holdings, Inc. is the parent company for ALPS Advisors, Inc., ALPS Distributors, Inc. and ALPS Fund Services, Inc., and is a Denver-based outsourcing solution for administration, compliance, creative services, fund accounting, legal, marketing, tax administration, transfer agency and shareholder services for open-end, closed-end, alternative investment and exchange-traded funds. ALPS has over \$1 billion in client investment fund assets under management as of December 31, 2009. ALPS Distributors, Inc. provides distribution services to \$171 billion in client assets as of June 19, 2009. For more information, visit [www.alpsinc.com](http://www.alpsinc.com).

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