

# ALPS Equal Sector Weight ETF

EQL

\$35.60

## Trading History



**NOTES:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.sectorspdr.com/performance](http://www.sectorspdr.com/performance).

## Fund basics

AltaVista Category  
Fund sponsor  
Inception date  
Fund assets (mns)  
Avg. daily volume (000)  
Expense ratio (bp)  
Distributions  
Options availability

ALPS Fund Services Inc  
July 7, 2009  
\$62  
18  
55  
Quarterly  
NO

## Total returns (market)\*

One year  
Five year  
Ten year  
Since inception

2.6%  
n/a  
n/a  
18.3%

*\*as of 12/31/11. See Notes.*

## Trading statistics

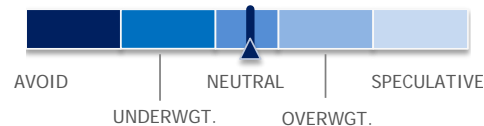
Beta vs. S&P 500  
Standard deviation

0.94  
19.5%

## AltaVista Recommendation

**NEUTRAL**

Average appreciation potential. A rating of NEUTRAL is assigned to ETFs with ALTAR Scores™ between 6.0% and 8.0%. This indicates that valuations adequately reflect the fundamentals of stocks in these funds. The majority of funds we cover fall into this category.

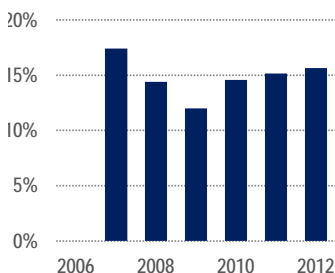


ALTAR Scores™		
S&P500	EQL	All ETFs
7.6%	7.1%	6.7%

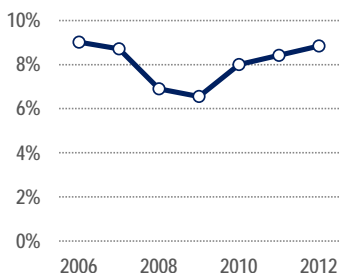
## Per share results & estimates

	2006	2007	2008	2009	2010	2011E	2012E	06-11E CAGR
Sales	26.30	28.30	30.28	26.89	29.16	32.03	33.22	4.0%
Earnings	2.37	2.47	2.09	1.76	2.33	2.70	2.94	2.6%
Book Value	14.80	14.16	15.14	16.81	18.69	18.75	20.81	4.8%
Dividends	0.36	0.77	0.81	0.85	0.68	0.71	0.80	14.6%
Sales growth		7.6%	7.0%	-11.1%	8.4%	9.8%	3.7%	
EPS growth		3.9%	-15.2%	-15.6%	32.3%	15.5%	8.9%	

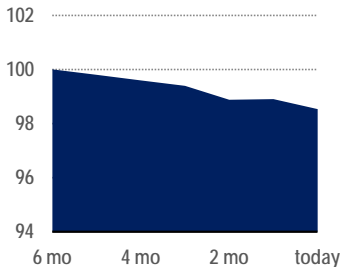
## Return on Equity



## Net margins



## Trend in Current FY Est.



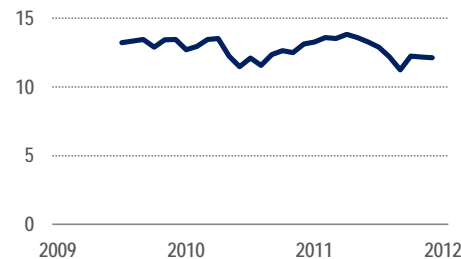
## Analyst's opinion

EQL is ideal for "set-it-and-forget-it" investors aiming to outperform the S&P500 over the long run by systematically avoiding the excesses of the cap-weighted benchmark (such as the recent crisis in Financials, and the Tech bubble before that). However, EQL does not require making a style bet, with fundamentals and valuations very similar to those of the S&P.

## Valuation metrics

	2011E	2012E
Price-to-Earnings	13.2	12.1
Price-to-Cash Flow	8.4	7.7
Price-to-Sales	1.1	1.1
Price-to-Book Value	1.9	1.7
Yield (%)	1.9	2.2

## Historical P/E ratio\*



\*based on twelve months' forward EPS (max value of 100)

## Top 10 Holdings

Utilities Select Sector SPDR	11.4%
Industrials Select Sector SPDR	11.4%
Consumer Staples Select Sector SPDR	11.3%
Health Care Select Sector SPDR	11.3%
Consumer Discretionary Select Sector	11.1%
Energy Select Sector SPDR	11.1%
Technology Select Sector SPDR	11.0%
Financials Select Sector SPDR	10.9%
Materials Select Sector SPDR	10.5%

**TOTAL 100.0%**

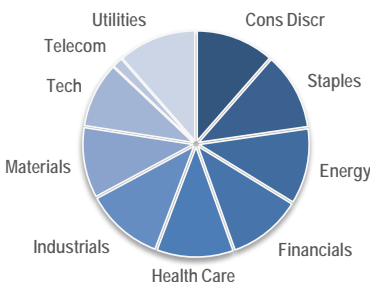
## Constituent allocation

No. of constituents	9
Weighted avg mkt cap (mns)	\$71,511
Med mkt cap (mns)	\$11,100
Large cap (>\$10bn)	84.2%
Mid cap (\$2-10bn)	15.7%
Small cap (<\$2bn)	0.1%

## Description

The ALPS Equal Sector Weight ETF is an ETF of ETFs that delivers exposure to the US Large Cap Equity market by investing equal proportions in each of the 9 Select Sector SPDRs.

## Sector breakdown



## Other fundamental data

LT growth est.	9.7%
Payout ratio	26.2%
Foreign sales	30.1%
Debt-to-equity	1.4x

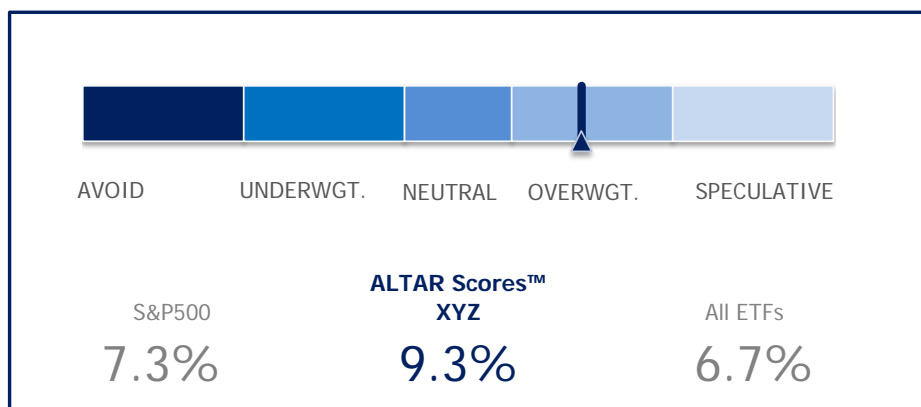


For more information visit [www.etfresearchcenter.com](http://www.etfresearchcenter.com)

# How we rate ETFs

## AltaVista Recommendation

For every ETF under coverage, we calculate an AltaVista Long Term Annual Return forecast, or ALTAR Score™, explained in more detail in the sidebar. Then, we separate the funds into five tiers based on their individual scores as illustrated by the scale below. Although one fund's ALTAR Score™ and recommendation are independent of other funds' rankings, our coverage universe has a roughly normal distribution among the five tiers, with NEUTRAL accounting for the largest number of ETFs.



### What they mean...

#### SPECULATIVE

**Deeply undervalued but risky.** A rating of SPECULATIVE is assigned to ETFs with ALTAR Scores™ of 11.0% or above, indicating exceptional appreciation potential. However, often these are narrowly-focused funds or in industries with structural issues, which may also make them very risky. Nonetheless they may still be useful as part of a well-diversified portfolio.

#### OVERWEIGHT

**Above average appreciation potential.** A rating of OVERWEIGHT is assigned to ETFs with ALTAR Scores™ above 8.0% but less than 11%. Typically, funds in this category consist of stocks trading at attractive valuations and/or having above-average fundamentals.

#### NEUTRAL

**Average appreciation potential.** A rating of NEUTRAL is assigned to ETFs with ALTAR Scores™ between 6.0% and 8.0%. This indicates that valuations adequately reflect the fundamentals of stocks in these funds. The majority of funds we cover fall into this category.

#### UNDERWEIGHT

**Below appreciation potential.** A rating of UNDERWEIGHT is assigned to ETFs with ALTAR Scores™ above 3.0% but below 6.0%. Typically, funds in this category consist of stocks trading at relatively expensive valuations and/or having below-average fundamentals.

#### AVOID

**Not worthwhile for most investors.** A rating of AVOID is assigned to ETFs with ALTAR Scores™ below 3.0%. Often, funds in this category consist of stocks with little if any history or expectation of profitability, and as a result our fundamentally-driven analysis may not be relevant.

## ALTAR Score™

The ALTAR Score™, short for AltaVista Long Term Annual Return forecast, is our measure of an ETF's overall investment merit. Its formula is:

$$ROE_{avg} \div \frac{P}{BV} - fees$$

where  $ROE_{avg}$  is the average Return on Equity over the course of the business cycle, and  $P/BV$  is the price-to-book value multiple for the current forecast year ("FY1"). Finally, we subtract fund fees which diminish investor returns. Results are expressed as a percentage, with higher values better, all else being equal.

### Origins

The ALTAR Score relates overall profitability of stocks in a fund to their valuations, using the well-established relationship between Return on Equity and Price-to-Book Value multiples, itself a derivation of the Dividend Discount Model, one of the earliest and most basic approaches to equity valuation.

### What it means

The ALTAR Score provides an estimate of a kind of "internal rate of return" from the owner's perspective. One advantage is of this approach is that is *intrinsic*, rather than a subjective measure of what value a security "deserves." As such, the ALTAR Score of one fund is also independent of the scores of other funds, facilitating comparisons both within and across categories.

### What it does not mean

It is not a price target or prediction about how the market will value the fund in the future. There is no time or momentum component to the ALTAR Score, and it is not meant as any sort of short-term indicator.

### Bottom line

The ALTAR Score can be used to compare funds based on investment merit, but it is not intended as a prediction of future performance. Investors should also consider the many other data points in each report to assess each fund's suitability. For more information visit [www.etfresearchcenter.com](http://www.etfresearchcenter.com).



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### Risks

Select Sector SPDR Fund shareholders are subject to risks similar to those of holders of other sector stock portfolios. One primary consideration is that the general level of stock prices may decline, and thus the value of Select Sector SPDRs may decline. A Select Sector SPDR Fund may also be adversely affected by the performance of the specific sector or group of industries upon which it is based. You can expect that shares in a Select Sector SPDR Fund will move up or down in value with the value of its related Select Sector Index. In addition, the overall depth and liquidity of the secondary market in these shares may fluctuate.

Although Select Sector SPDR Funds are designed to provide investment results that, before expenses, generally correspond to the price and yield performance of their related Select Sector Indexes, the Funds of the Select Sector SPDR Trust may not be able to exactly replicate the performance of the Select Sector Indexes because of expenses and other factors.

Over time, the stock holdings of each Select Sector SPDR Fund may be rebalanced to reflect changes in the composition of its related index. A Select Sector SPDR Fund would incur transaction costs and other expenses as a result of rebalancing. Furthermore, a Select Sector SPDR Fund would realize capital gains or losses from the sale of securities in a rebalancing. Net long-term capital gains, if any, will be distributed to shareholders as capital gains distributions at least annually.

From a tax standpoint, you should be aware that the Trust is structured as a regulated investment company, and that dividend distributions may not be characterized entirely as ordinary income. You may wish to consult your tax adviser in this regard.

There are no sales loads on Select Sector SPDR shares but ordinary brokerage commissions may apply and this expense is not reflected in performance calculations.

The stocks included in each Select Sector Index were selected by the compilation agent. Their composition and weighting can be expected to differ to that in any similar indexes that are published by the S&P.

### Data Definitions & Reliability

AltaVista believes the information contained in this report to be reasonably accurate at the time of publication, but makes no warranties with respect to its accuracy. Calculations of fundamental data are based on a weighted average of consensus estimates and reported results for current index constituents. As a result, historical figures for fundamental data such as dividends per share may not reflect those actually paid by the fund. To the extent that index reconstitution and rebalancing have altered fund composition, these differences may be significant. Definitions for some commonly used financial terms are as follows:

**Earnings/Net Income:** Unless denoted as a GAAP figure, earnings are calculated on a "pro forma" basis using consensus EPS results/estimates for the individual constituents of each fund, multiplied by the float-adjusted shares outstanding.

**Cash Flow:** Adds depreciation and amortization to consensus earnings estimates

**Standard deviation:** Statistical measure of volatility. For price, 3 years of monthly return data is used, and figures shown are annualized. For earnings, figure is based on analysts' individual EPS estimate contributions to consensus earnings.

**Beta:** Measures relative volatility of ETF versus S&P 500 by comparing 3 years of monthly return data.

**Book Value:** Common Equity as reported by fund constituents according to GAAP. Forecasts reflect pro-forma calculations using most recently reported figures, plus earnings less dividends.

**Dividends per share-gross:** Dividends paid by companies in the fund on a "pro forma" basis. Differs from actual dividends paid by the fund to shareholders due to index changes over time and fund expenses, as well as timing of distributions.

**Return on Equity:** Net income divided by average common equity over the period.

**Long-term growth:** Uses consensus estimates of 3-5 year earnings growth for individual constituents of each fund to calculate a float-adjusted earnings-weighted growth rate for the fund as a whole.

**Trend in Current FY Estimates:** Illustrates changes in consensus estimates over time by examining the monthly change in current fiscal year EPS estimates for individual constituents of each fund. Base period is set equal to 100.

### Additional information is available upon request.

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