

Posted on Oct. 7, 2009

ETFs Form Active Portfolio Tools

By Steven Marlin, reporter

Exchange traded funds are integral components of active portfolio management, Christopher Turoci, managing director of the private client group at [CK Cooper](#), a boutique investment banking and brokerage firm that manages \$500 million, told Markets Media.

CK Cooper uses ETFs for its core investments and hedge funds and uses alternative investments to generate alpha. "We believe that market beta is free; alpha is what clients pay us to provide," Turoci said.

CK Cooper uses ETFs for its core investments and hedge funds and uses alternative investments to generate alpha. "We believe that market beta is free; alpha is what clients pay us to provide," Turoci said.

ETFs provide unique cost advantages in structuring a portfolio. "I can put together an ETF portfolio for 15 to 20 basis points, compared to the average mutual fund, which charges 1.5 percent," Turoci said. "When markets are trading sideways, making up a point or two in fees generates an additional 20 percent of return."

The ability to trade ETFs intraday is another plus. "ETFs allow us do limit orders mid-day; no mutual fund can do that," he said.

When financial stocks were sinking earlier in the year, CK Cooper took a position in ProShares Ultra Financial ETF (UYG). "We were buying UYG as an opportunistic position because we felt that financials had hit bottom."

Leveraged ETFs, which seek to turbocharge the upward or downward movement of an index, provide yet another dimension in the repertoire; for example, ProShares Ultra S&P500 (SSO) and ProShares UltraShort S&P500 (SKF) provide 200 percent leverage on the S&P 500. "They allow you to go double short or double long," Turoci said. "If you think the market's going to come back, you might as well aim for two times the return."

<http://marketsmediaonline.com>