

ETFs Go Beyond Passive

By Steven Marlin, Reporter

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A new breed of exchange-traded funds is emerging that seeks to go beyond passively tracking indexes to replicating more sophisticated trading strategies, 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.

“The next wave in ETFs is to go beyond tracking indexes and sectors to incorporate hedge funds and other actively managed strategies,” said Turoci. “You don't have to go outside ETFs to get alpha; you can now do entire portfolios in ETFs.”

ETFs provide a low-cost vehicle for retail investors to gain access to hedge fund strategies. For example, AdvisorShares is launching a series of actively-managed ETFs aimed at the investment adviser community. “AdvisorShares is wrapping alpha generating strategies into an ETF,” said Turoci. “Hedge funds tend to have high entry barrier for typical investors; Advisor Shares will provide access to these strategies at a lower cost.”

AdvisorShares last month launched its first actively-managed ETF, Dent Tactical ETF (DENT), which is sub-advised by HS Dent Investment Management.

The Dent ETF is a fund of funds that invests primarily in other ETFs. As sub-advisor, H.S. Dent identifies, trends in the U.S. and global economies, and then implementing investment strategies in asset classes that it believes will benefit from these trends.

The business plan of AdvisorShares is to develop a diverse range of actively managed ETFs together with established third party asset managers, like H.S. Dent Investment Management, and to list these ETFs on the NYSE, or a similar exchange. The ETFs enable money managers to launch their own fund on a major stock exchange and to retain discretionary allocation authority, as well as attain visibility and credibility to attract clients.

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