Understanding Managed ETF Strategies

Managed ETF strategies are one of the fastest growing segments in the managed account universe: Their assets are projected to increase from $5.8 billion in 2008 to $120 billion in 2015, according to BlackRock.

As you're well aware, emerging investment niches are often clouded by jargon and hype. So let's take a look at what exactly managed ETF strategies are and why they've caught on so rapidly.

Managed ETF strategies are portfolios built substantially or completely from ETFs, rather than combinations of individual stocks or mutual funds. Their managers — known as ETF strategists— research, design and manage the portfolios.

While ETFs are usually thought of as passive instruments, ETF strategists use them actively to gain precise market exposure and easily enter and exit specific areas ranging from large cap value to small cap growth to sectors like health care or technology to specific parts of the bond market and even to access international and emerging markets.

Managed ETF strategies have struck a chord with advisors and clients who are seeking a broader set of investment choices following the 2008 crash and its ensuing volatility. For those who feel the old 60/40 investing playbook is no longer enough, managed ETF strategies have been a welcome arrival. The strategies come in a broad variety of strategic and tactical offerings. Advisors can weave a portion into client portfolios to help meet specific goals.

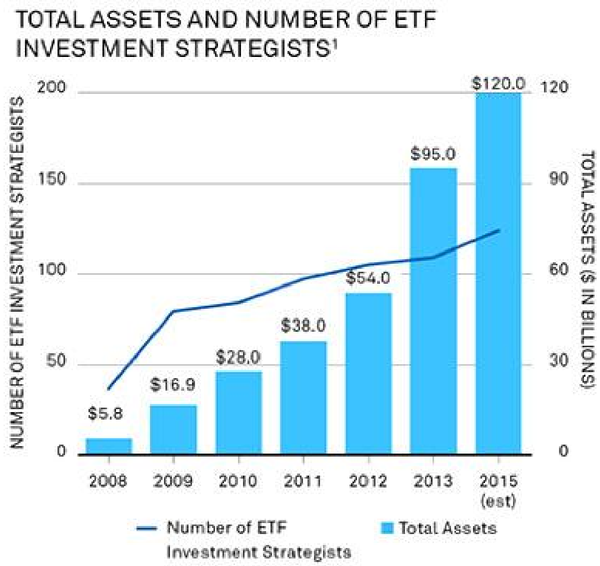
Often, advisors incorporate more dynamic strategies whose managers can quickly adjust allocations to help limit downside risk or capture opportunities. The objective is growth with less volatility.

A key value proposition for tactical ETF managed portfolios is that they are tailored to specific investor goals, rather than just beating an index. An advisor with many clients approaching retirement, for example, likely cares less about relative performance than about growing and protecting clients' capital. And because they may help to minimize volatility and downside risk, tactical strategies may help to keep clients invested during turbulent periods.

The best strategies have the potential to benefit advisors as well as clients. By outsourcing a portion of their investing work to ETF strategists, advisors can more easily scale up their portfolio management services. Freeing up valuable time, advisors can focus more on serving clients and growing their businesses.

One appealing characteristic of managed ETF portfolios is their transparency. Holdings may be monitored on a daily basis, which allows advisors to keep clients abreast of exactly what they own and to confirm that the strategies are adhering to their objectives.

Careful research of ETF strategies is a must. The good news is that analyst coverage has expanded in tandem with the investment niche. Morningstar, for example, now provides extensive reporting on the space, including CMG Opportunistic All Asset ETF Strategy and CMG Tactical Rotation Strategy.



Source: iShares® by BlackRock

As with any investment solution, not all ETF managed strategies are created equal. We believe managed ETF strategies' potential benefits for client and advisor alike make them worth investigating. Please don't hesitate to contact us if you are interesting in learning more.

Want to know more?

Contact us at advisors@cmgwealth.com or 610-989-9090.

Learn more about ETF strategies and tactical investing at advisorcentral.cmgwealth.com

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