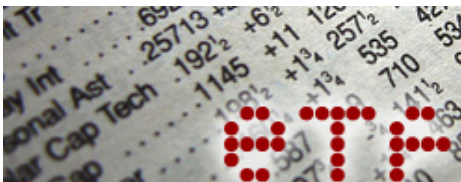


Jovian steps up presence in ETF business

MARK NOBLE



Jovian Capital continues to expand its influence in the Canadian exchange-traded fund (ETF) market, with the purchase of a 50% ownership stake of independent investment firm Hahn Investment Stewards. The move is important, because it creates a strategic alliance between one of the country's largest ETF providers and a pioneer in their usage.

Use of ETFs continues to grow rapidly in both the institutional and retail investment space. There's no shortage of products available, but there are a limited number of money managers with a track record of creating asset allocation strategies with ETFs.

Mutual fund companies have an advantage over ETF providers when it comes to market strategies, because they have in-house expertise that can be drawn on to create solutions for clients and investors.

Passive investing doesn't sell management; it's a product-oriented business. Creating partnerships with managers who use active strategies that use ETFs expands the relationships ETF providers can establish.

Hahn Investment Stewards has one of the longest track records in using ETF-only portfolios. The firm was founded in 2001 by Wilfred Hahn, the former head of the global investment group at Royal Bank of Canada, who manages globally-diversified portfolios for clients.

For a company like Jovian, which owns Horizons BetaPro, having management expertise is a natural segue into

expanding the presence of its products.

"We're committed to becoming a significant player in the ETF business in Canada, building on our position on BetaPro and AlphaPro, which are two very well known companies in Canada right now," says Philip Armstrong, CEO of Jovian Capital. "We believe very strongly there is going to be a greater place in the management of ETFs both for private individuals and for institutional accounts. Hahn has one of the longest track records in North America in providing globally managed portfolios using ETFs."

Armstrong points out that a key area of growth for his subsidiaries will be the institutional investment network. Hahn's portfolios, which are mainly used by individual investors, incorporate many of the investment techniques and asset allocation strategies that have become popular with pension funds and endowments.

"The asset allocation expertise [we would offer] an investor is through Wilf. He's been doing it for a long period of time," Armstrong says. "While he was at the global investment group at Royal Bank, he became a strong believer that performance is delivered through asset allocation, not necessarily through the selection of individual securities."

It's a market in which Hahn hopes it can expand its presence, says the firm's CEO, Davee Gunn. Many pension funds are moving into the ETF space to reduce management costs.

"The returns of the big pension funds and the objectives of pension funds mirror the returns of the globally diversified funds that we run. The objectives of the portfolios are lower returns, less risk and less tax," Gunn says. "We have the longest known track record in managing ETF-only portfolios and separately

managed accounts. We have a five-year return as of June of last year and a very proven track record of providing higher returns with lower risk."

Gunn does admit that the portfolios they run are long-only and avoid leverage and therefore have avoided using Horizons BetaPro's popular lineup of leveraged ETFs.

"While we do not currently use Horizons ETFs in our Balanced or Income Focus portfolios, we would certainly consider them, as we do all offerings in the ETF universe, if they best suit a new portfolio mandate in future," she says. "At Hahn, we take a best-of-breed approach to the selection of ETFs and do not have a bias to any particular manufacturer."

Horizons BetaPro is expanding its lineup of non-leveraged ETFs. The company launched a pair of inverse ETFs on Thursday — the first ETFs in Canada to offer single inverse exposure to Canadian equity sectors. One ETF will inversely track the S&P/TSX 60 Index and the other will track the S&P Capped Financials Index.

These ETF would be quasi-short calls on the indexes they track, but would create less long-term tracking error than buy-and-hold investors who don't rebalance on a daily basis may experience with the leveraged ETFs.

"Given the effectiveness of our existing HBP Bear+ ETFs in the current market conditions, we are pleased to expand our lineup to include single inverse ETFs," says Howard Atkinson, president of BetaPro. "These ETFs, with no leverage and less rebalancing required, further expand the strategies in which retail or institutional investors can apply the HBP ETFs in order to meet their individual investment objectives."

mark.noble@advisor.rogers.com