

ETP Spring Forum Brings Together Domestic and Global Experts To Discuss and Educate The Financial Community on the Current and Future State of the Economy and Factors that Influence Exchange Traded Products and Their Growing Role and Impact as Investment Tools and Vehicles.

By: [Marc Caccavale](#)

The Spring 2016 ETP Forum, held semiannually at The New York Athletic Club, was Chaired by ETF Global, a leader in Research, Data and Education in the ETP market and an indispensable service for those that actively engage in these markets and for those who wish to learn. The organization also sponsored an auction at the event proceeds from which are donated to the charity "A Leg To Stand On" which supports disabled military veterans and their families.

Opening Market Overview: Jason Trennert, Managing Partner, Strategas Research Partners.

Jason provided a macro economic outlook for the audience that touched on multiple topics such as equity market swings in 2016, oil and energy, Federal Reserve discussions, China 's direction and impacts. The political environment such as U.S. election and existential European Union concerns namely Brexit are playing pivotal roles respectively. Government influence in the areas of fiscal, monetary, regulatory and trade were discussed both in terms of U.S. and Global policy currently in place and future directional possibilities and impacts. Jason mentioned impact of negative interest rates overseas, current U.S. consumer and employment data inputs. Earnings reports, outlooks and the effect of Government policy on margins were highlighted. Realities of an 85% service based U.S. economy, its effect on middle class employment and college education fit into the discussion as well. Asset allocation, pressures to obtain yield and dividend income for a growing retirement class factored into the overview.

New To Market:

New ETP's (Exchange Traded Products) are being developed to cater to specific objectives and needs of investors as well as vehicle creation for new and forward looking industries. These new products and the industries that underlie them are attracting significant interest and investment. Connor Platt's firm Etho Capital has concentration in sustainability, Jay Rhame's firm Reaves Asset Management focuses on energy verticals, Andrew Chanin of Pure Funds looks to emerging industries such as cyber security to develop new ETP's. Janus Capital's Nick Cherney commented on products designed to beat the market, the complexities and challenges of entering and prospering in the ETP market. Education of investors and ETF sales exceeding those of traditional mutual funds are a critical and ongoing reality of new to market.

Evolution of ETP Structures:

Norm Champ moderated an eclectic panel of financial professionals that discussed the historical evolution ETP structures. John O'Brien of UC Berkeley discussed this evolution of products and markets rising from the events of October 1987. The crash at that time exposed weaknesses in the portfolio insurance market and set the stage for the birth of ETP's. Robert Trumbell of State Street shared insights with his firm's introduction of SPY in 1993. Rob explained that ETF trading volume has steadily

increased and as a result has become more efficient. ETF's are the UBER, market access and exposure for investors being driven by multiple catalysts such as regulatory, transparency and goals of investment allocation strategies. Today there is a wide swath of ETP's ranging from the S&P to gender diversification. Common denominators of ETF's are that they are comprised of underlying assets, they are not derivatives. They are 40 Act funds. The evolution of the ETP market has provided viable vehicles for entry and participation to markets at lower costs that have been and can be cost prohibitive to engage in.

Continued Growth of Strategic Beta Strategies:

Moderated by Matthew Goulet, VP Fidelity Select Co. This session focused on products that aim to capitalize on volatility moves in the markets. Joe Smith of CLS investments commented on strategic beta providing useful tools for asset allocation, weighting of strategic beta. Deepik Sharma of Astor Investment Management discussed sector and factor specific selections that are in line with her firms macro, top down approach. Eric Pollochav, MD – ETP's at Charles Schwab shared on why investors and product developers are getting into this business. Firm's objectives, scalability, product provision to clients, access to market segments for investors all play a contributing role. Challenges regarding Fixed Income in the ETF space were centered on liquidity and difficulties involving replication of duration, credit and sector strategies. In order to create and service fixed income ETP's demand must be powerful to drive development of these products and overcome these highlighted market obstacles. Taylor Lukof, founder of ABR Dynamic Funds discussed volatility as a new asset class. ETP's that are being designed and launched specifically for volatility plays and strategies.

ETF Global Portfolio Challenge:

Students from 100 Universities participated in a contest. Each student participating was responsible for investing \$100,000 of virtual money in ETF fund strategies for a specified time period. Matthew Tarika from Xavier University took the top prize achieving a 15.52% return as a result of his investments in energy ETF's. Ben Willis, CNBC commentator and 30 year member of the NYSE gave out the awards to the top 5 student participants. Ben discussed the importance and cultural qualities of the emerging millennial generation. The top five finalists accompanied Ben to the NYSE for a personal tour and introduction to the exchange. ETF Global is committed to providing education and opportunities to college students and educating future generations on the intricacies and functions of the Exchange Traded Product Market.

Today's Complex World of Fixed Income Investing: Moderator: A. Seddik Meziani, PhD, professor of finance, Montclair State University.

The panel discussed the impacts that the current interest rate conditions globally are having on the fixed income market. Ray Potter of Stifel discussed his experiences with emerging market fixed income that he has been engaged in since 1991. Ray elaborated on the geopolitical fascinations of the asset class and how it as with other markets produces its peaks and troughs. Steve Ivicic, Managing Director, Drexel Hamilton discussed his firms dedication fixed income investing and the fact that his firm concentrates on hiring, training and employing disabled veterans which comprise 40% of his firms workforce. Rate swing

differentials between the U.S. and European markets during the past few years of quantitative easing and low rates have varied dramatically. The European market has seen wide and volatile rate swings while the U.S. rate environment has been moderate and more balanced. This can be attributed to significant economic structural differences between the U.S. and Europe. Negative interest rates were discussed both globally and domestically. The panel's consensus regarding negative interest rates for the U.S. market is not only unlikely but not practical. Attributing to this viewpoint are the relative sophistication and diversity of U.S. investors and the U.S. economy.

Around the Globe: Best Equity Opportunities of the Year?

Karl Snyder, Chief Market Strategist at Garden State Securities moderated a colorful panel of specialists representing ETP divisions at some of the World's largest and well known financial institutions. The challenge and goal of institutional clients is how to implement their views through effective investment vehicles and achieve results. Global advisory and financial serving firms have the responsibility of advising tens of thousands of financial advisors regarding ETF allocation flow and specific fund selection. Equity strategies range from plain vanilla equity funds to strategic beta products. The dynamics of the current environment such as a slow, long term recovery, hedging with precious metals, views on the recent rise and direction of the U.S. dollar to name a few were discussed and commented on by the panelists. Commodities and emerging market structural reform and central bank policies were factored into the dialogue as well. No one has a crystal ball. In addition, geopolitical, interest rate policy, energy sector pull backs and future directional speculation all factor into ones view as to where the best equity opportunities exist.

Institutional Asset Owners Round Table: Moderator: Ken Shoji, Founder, Stissing Lake Partners, Family Office Advisers.

The final panel of the day featured an asset management/buy side group that discussed their strategies regarding active and passive uses of ETP's in their investment strategies. Asset owner's use of such tools in their portfolios varies depending on strategies and parameters. These include but are not limited to: Global and or domestic, sector, market cap, asset class, return driven, capital preservation, The panelists discussed their internal due diligence and evaluation processes and how through these processes determine the investments in ETP's that they make along with percentage allocations. Factors considered are both singular and multiple such as tax benefits and objectives. Largest possible exposure combined with the best liquidity at the lowest cost are part of the due diligence process. Concepts such as the importance of clearly understanding ones investment goals, thorough research of outside managers, fees relative to performance have importance. Knowledge levels of fiduciaries vary widely regarding ETP's between endowment, pension fund trustees, family offices and institutional investment firms. Education of clients for which asset managers have fiduciary responsibly regarding the structure, purpose and goal of ETP's in their portfolios is universally a top and ongoing priority shared by the panelists.

From the Author:

The description of the discussions represent summary points taken from a full day of sessions and detailed elaboration covering topics critical and relevant regarding the existence and function of ETP's in financial markets. If you would like to discuss in detail a specific area of interests, please contact: Marc Caccavale /908.875.3603 / mcaccavale1@verizon.net / <https://www.linkedin.com/in/marc-caccavale-1a13527>

About the Author:

Marc Caccavale has been working in the financial industry for 17 years. He possesses expertise in a broad range of market disciplines. For years Marc has attentively attended and written about industry topics which serve the greater good of industry professionals by providing non-partisan event summaries that capture the essence of the events, speakers, panelists and attendees. His writings are derived through rigorous note taking discipline, followed by many dedicated hours to produce his industry benefiting work.

If you would like Marc to attend and provide such services for an event you are sponsoring, please contact him using the information provided above.