

ETF Report

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10 RISING



STARS

Neil Peplinski

MANAGING PARTNER,
GOOD HARBOR FINANCIAL



THERE ARE ONLY A FEW THINGS you need to know about Good Harbor, and they're all numbers.

The first is 7.23%. That's the amount by which the firm's Tactical Core U.S. ETF Model has beaten the S&P 500, on an annualized basis, over the past 10 years. Through Sept. 30, the firm's strategy had an annualized return of 14.29% since inception in April 2003, compared with 7.06% for the S&P 500 Index it uses as a benchmark.

The second number is \$300 million. That's the amount of money it's raising in new inflows each month.

"Redemptions are sparse," says Neil Peplinski, managing partner in the firm.

Good Harbor's investment philosophy breaks away from traditional efficient markets theory. Yes, the markets are constant, but the firm believes that the risk in those markets is not. So when Peplinski engineered the firm's flagship U.S. Tactical Core strategy, evaluating risk premiums was the issue at the center of it. "What really drives equity prices in the short term

has less to do with company fundamentals," he said, "and more to do with investors' appetites for risk."

Peplinski's team tracks three key categories to get a sense of where the environment is in the short term: economic data such as growth rate, credit spreads and movement on the VIX volatility index; activity on the U.S. Treasury curve; and overall momentum measures. Based on the data, the firm then makes large market moves into equities (if the risk premium is falling) or fixed income (if risks are rising). The strategy employs large, popular ETFs like the SPDR S&P 500 (SPY), iShares S&P 500 (IVV) and SPDR S&P MidCap 400 (MDY) to capture exposure to stocks while using bond ETFs such as the iShares Barclays 1-3 Year Treasury Bond (SHY), iShares Barclays 3-7 Year Treasury Bond (IEI) and iShares Barclays 7-10 Year Treasury Bond (IEF) as defensive plays. The portfolio also employs leveraged ETFs from ProShares to add additional beta, with a target of 1.5 for the portfolio.

★ RISING STAR ★

FIRM
GOOD HARBOR FINANCIAL

LOCATION
CHICAGO, IL

FOUNDED
1999

AUM
\$3.3 BILLION

AUM GROWTH (YOY)
700%

% AUM IN ETFs
99%

MIN. ASSET SIZE
\$100,000

