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# Xtrackers Smart Beta Channel

Professional insights: See what makes Smart Beta "smart"

SMART BETA CHANNEL

## Providers Tap Best Minds to Make Smart Beta ETFs Smarter

by MAX CHEN on FEBRUARY 28, 2018



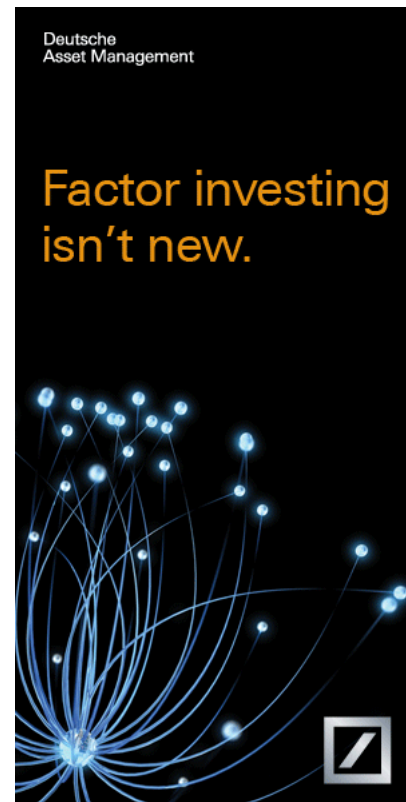
As the ETF universe evolves and grows more sophisticated, fund providers are increasingly turning to the academic community to refine new rules-based or smart beta strategies.

Over the past six months, the ETF industry has hired several prominent professors, reports Rachel Evans for [Bloomberg](#).

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Mo Haghbin, head of product at OppenheimerFunds' beta solutions business, argued that combining academic research with the experience of money managers can help produce better ETFs. The fund provider has recruited two academics from Harvard Business School and one from the London School of Economics to a new advisory board.

Campbell Harvey, who teaches at Duke, joined Research Affiliates in October as a partner and senior adviser.

Joel Shulman, who teaches entrepreneurship at Babson College outside Boston, has started his own ETF under the EntrepreneurShares brand, which recently launched the **Entrepreneur 30 Fund (NYSEArca: ENTR)**.

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by MAX CHEN on FEBRUARY 28, 2018



Investors are increasingly diversifying away from a U.S.-centric portfolio, allocating toward international markets to diversify exposure and potentially enhance returns. Nevertheless, foreign markets come with their own set of idiosyncratic risks that advisors need to be prepared to tackle.

On March 14, 2018, ETF Trends will be hosting its annual **Virtual Summit**, an online virtual conference environment where financial advisors can learn about current ETF issues, hear from industry experts and connect with peers without the burden of cost and traveling.

On the panel titled, *Understanding Modern Day Risks and Opportunities with International Markets*, Rob Bush, Director and ETF Strategist for Deutsche Asset Management, Josh Rogers, Vice



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President and Beta Specialist for J.P. Morgan Asset Management, and Danton Goei, Portfolio Manager for Davis Advisors, will look to potential global investments today and ways to diminish risks when trying to access these pockets of opportunities.

For instance, when gaining exposure to international equities, investors will be exposed to foreign exchange fluctuations or currency risks. A rebounding dollar or weakening overseas currencies are likely to help currency hedged exchange traded funds, such as the **Xtrackers MSCI EAFE Hedged Equity ETF (NYSEArca: DBEF)**. As the U.S. dollar strengthens, foreign currencies would depreciate. If an investor holds a foreign stock that is denominated in the local currencies, a weaker foreign currency would translate to a lower USD-denominated return on that foreign equity exposure.

DBEF provides exposure to equity securities in developed international stock markets, while at the same time mitigating exposure to fluctuations between the value of the U.S. dollar and non-U.S. currencies.

Additionally, something like the **Xtrackers MSCI Emerging Markets Hedged Equity ETF (NYSEArca: DBEM)** can provide a currency hedged way to access the emerging markets in case the U.S. dollar continues to strengthen.

Investors can also target global opportunities through smart beta options like the **JPMorgan Diversified Return Emerging Markets Equity ETF (NYSEArca: JPEM)**, **JPMorgan Diversified Return International Equity ETF (NYSEArca: JPIN)** and **JPMorgan Diversified Return Global Equity ETF (NYSEArca: JPGE)**.

The underlying customized FTSE Russell indexing methodology selects components based on a diversified set of factor characteristics, such as relative valuation, price momentum and quality. The enhanced indexing process would allow the ETFs to exclude expensive, low quality companies with poor momentum, which could help the ETFs diminish drawdowns without sacrificing too much from any potential upside of a market recovery.

Additionally, an actively managed strategy may also be a way for investors to navigate the intricacies of foreign markets. For example, the **Davis Select Worldwide ETF (NasdaqGM: DWLD)**, which is managed by Goei, focuses on long-term global opportunities that incorporate Davis Advisors' judgement experience, high conviction, low turnover, accountability and alignment.

The Davis team will also screen for fundamental characteristics, including cash flows assets and liabilities, and other criteria. Davis focuses on durable businesses with above average margin returns, strong competitive advantages and durability. Companies also have to show strong management that have been in place for over five years as long-term investors can be sure that these are ethical, honest people that will help the business last. Additionally, the management team will determine valuation or what's the right price of the company, targeting long-term free cash flow of businesses, owner earnings and how durable the cash is available.

*For more information on the ETF Trends Virtual Summit conference, visit our [Virtual Summit page](#).*



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