



AdvisorShares Rolls Out SectorSAM ETF (SSAM)

by [Michael Johnston](#) on January 12, 2012 | ETFs Mentioned: [BTAH](#) • [BTAL](#) • [CHEP](#) • [CSMN](#) • [EPI](#) • [EWO](#) • [EWZS](#) • [MOM](#) • [NOMO](#) • [QLT](#) • [RALS](#) • [SIZ](#) • [THD](#) • [XLB](#) • [XLE](#) • [XLF](#) • [XLI](#) • [XLK](#) • [XLP](#) • [XLU](#) • [XLV](#) • [XLY](#)

[AdvisorShares](#), one of the largest issuers of [actively-managed ETFs](#), has forged a partnership to bring an active sector rotation ETF to market. The new Rockledge SectorSAM ETF ([SSAM](#)), which began trading Thursday, will seek to generate stable and consistent returns in all market conditions, developing a dollar neutral portfolio comprised of sector ETFs. The new ETF will utilize the Sector Scoring and Allocation Methodology (“SSAM”), a technique based on a proprietary quantitative analysis model that forecasts the projected returns to various sectors of the U.S. economy. The ETF will establish long positions in sector ETFs that are expected to outperform the [S&P 500](#) and short positions in those that are expected to underperform that benchmark.

The result is a dollar neutral portfolio that will effectively capture the delta between the long and short positions—meaning that SSAM has the potential to deliver positive returns regardless of whether the S&P 500 is rallying or slumping. In other words, alpha is always available regardless of the macroeconomic environment; identifying the sectors poised for the best and worst performance presents an opportunity to generate positive returns throughout the U.S. economic cycle [see also [Cheapskate Hedge Fund ETFdb Portfolio P](#)]. At launch, SSAM featured long positions in materials, technology, and energy. The short positions consisted of financials, consumer staples and discretionaries, health care, industrials, and utilities:

Long Positions		Short Positions	
Materials SPDR (XLB)	33.9%	Financial SPDR (XLF)	-21.2%
Technology SPDR (XLK)	33.2%	Consumer Staples SPDR (XLP)	-18.1%
Energy SPDR (XLE)	33.1%	Health Care SPDR (XLV)	-17.2%
		Consumer Discretionary SPDR (XLY)	-16.0%
		Industrials SPDR (XLI)	-15.2%
		Utilities SPDR (XLU)	-5.5%
Total	100.2%		-93.4%

The combination of equal long and short positions results in a market neutral portfolio that should generally be expected to exhibit low volatility and low correlation to broad equity markets. As such, SSAM could be used to smooth out the overall volatility of a traditional stock-and-bond portfolio.

Rockledge Advisors, a Brooklyn-based firm, will serve as the portfolio manager to SSAM. Rockledge has been running a long-only version of its strategy for more than six years, and the long/short version since mid-2008. Before management fees, the sector alpha strategy gained almost 20% in 2009, and followed up with declines of between 2% and 3% in both 2010 and 2011. Through the end of last year, the sector alpha strategy had returned more than 16% since its inception [see [SSAM Fact Sheet](#)].

SSAM will charge an all-in expense ratio of 1.50% after a fee waiver.

Long / Short ETFs

Interest in alternatives has climbed in recent years, and investors have embraced exchange-traded funds as a way to tap into this asset class. Though SSAM is the first pure sector [long/short ETF](#) on the market, there are a number of other products that also construct market neutral portfolios:

- **Credit Suisse Market Neutral Equity ETN ([CSMN](#)):** This ETN maintains a global focus on developed market stocks, delivering market neutral exposure to equities in North America, Europe, and Japan.
- **ProShares RAFI Long/Short ([RALS](#)):** This ETF employs the increasingly popular RAFI weighting methodology, assigning long positions in stocks with “RAFI weights” that exceed their market cap weights (and vice versa).
- **QuantShares ETFs:** In 2011 ETF newcomer QuantShares debuted a lineup of market neutral ETFs, including products focusing on quality ([QLT](#)), size ([SIZ](#)), value ([CHEP](#)), high beta ([BTAH](#)), momentum ([MOM](#)), anti-momentum ([NOMO](#)), and anti-beta ([BTAL](#)).

AdvisorShares also offers the Accuvest Global Long Short ETF ([AGLS](#)), which seeks to deliver annual returns in excess of the [MSCI World Index](#). The manager of that ETF combines long positions in the most attractive country-specific ETFs with short positions in the least attractive country ETFs. Recently, AGLS had its largest long allocations to Brazil (though [EWZS](#)) and Thailand (through [THD](#)), with Austria ([EWO](#)) and India ([EPI](#)) making up the most significant short positions.

Disclosure: No positions at time of writing.

ETF Database is not an investment advisor, and any content published by ETF Database does not constitute individual investment advice. The opinions offered herein are not personalized recommendations to buy, sell or hold securities. From time to time, issuers of exchange-traded products mentioned herein may place paid advertisements with ETF Database. All content on ETF Database is produced independently of any advertising relationships. [Read the full disclaimer here](#).

Are you enjoying ETF Database?

Get more articles like this one via our [free daily e-mail newsletter](#) or [RSS feed](#).

Related News Stories

- [ETFs & Sector Rotation: Large Cap, Small Cap, Or International?](#)
- [Sector ETFs During The Correction: XLE Slides, XLP Holds Ground](#)
- [All Better Now? Many ETFs Climb Back Near Pre-Recession Levels](#)
- [Who Else Wants Ex-Sector ETFs?](#)
- [Sector ETF Analysis: Industrials Surge, Utilities Lag](#)

Join the Discussion!

Like

Add New Comment

[Login](#)

