

Mullin Launches ETF-Driven Endowment Portfolio

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Mullin Asset Management has launched investment strategies that provides passive exposure to multiple asset classes using exchange-traded funds. *Core Endowment Portfolio I* and *II* both use ETFs and exchange-traded notes with an allocation consisting of equities, fixed income and diversifying assets such as Treasury-inflation protected securities, real estate investment trusts and commodities. They are benchmarked against the **Dow Jones** Global Asset Allocation/Moderate Portfolio Index. Mullin is pitching its strategy to small foundations and endowments that are more likely to use a passive indexing approach, said **Richard Gadbois**, president and managing partner.

Kim Arthur, partner, serves as portfolio manager and will work with each client's investment committee to set an asset allocation at the beginning of every calendar year and then regularly rebalance the portfolio. "Disciplined rebalancing is crucial because it serves to do the opposite of what is human nature," Gadbois said. "Human nature tells you to buy what's working and don't buy what is not working."

Arthur said the firm will use ETFs and ETNs interchangeably depending on the asset class, fees and tax efficiency. He will implement a systematic out-of-the-money call-writing program on about half the equity exposure to pick up nine basis points a month. Mullin is promoting the tax efficiency of the limited partnership because frequent rebalancing will minimize the likelihood incurring taxes on investments. The strategy has a \$1 million minimum investment with a 0.85% management fee.

Third-party consultant **Beacon Pointe Advisors** is assisting Mullin on asset allocation. For clients that already work with consultants this could be a point of contention, Gadbois said. "My view is that a bit of friction on any debate is a good thing." Proponents of active management might scoff at Mullin's strategy. "There is empirical data from the last five years that shows most managers, after fees, are not meeting their benchmarks," he countered.