

BetaPro to give Barclays a run in growing ETF market

New executive vice president and former Barclays ETF head Howard Atkinson aims to develop niche ETFs

■ BY CYNTHIA INNES

NOW THAT HOWARD ATKINSON has stepped in as executive vice president of BetaPro Management Inc., the development of exchange-traded funds at the Toronto-based firm can be expected to follow closely in his wake.

"I'm joking with people that I've gone from the world's biggest investment manager to one of the smallest," quips Atkinson of his recent move to BetaPro from Toronto-based **Barclays Global Investors Canada Ltd.** where he was head of business development of exchange-traded products. "But within that lies a great opportunity."

BetaPro, which is backed by Toronto-based **Jovian Capital Corp.**, is the manager of Horizons BetaPro Funds — a series of alternative index funds that offer both bull and bear exposure for each fund on a variety of indices. A year into business, the firm has reached \$100 million in assets under management — faster than

its U.S. counterpart **ProFunds** (the portfolio manager of BetaPro) did when it launched in 1997.

The success of BetaPro's mutual funds over the past year has prompted president Adam Felesky to look into ETFs. Atkinson is already developing the new products — and the sales and marketing strategy to go along with them. Felesky says the details will be revealed after the firm files its preliminaries prospectuses by the end of the year.

"If you look at what the offering is on the mutual fund side, you could expect similar types of products, only in an ETF wrapper, rather than a mutual fund wrapper," Atkinson says. "So I would classify them as niche, or better yet, sort of 'alternative indexing.'"

"What we're hoping to do is grow our business and really capture a niche or a slice of the bigger market," he says. "And we feel we can do that with the products and alliances that we have, and the backing of Jovian."

The challenge may be launching

the product, as raising seed capital to fund both bull and bear sides could prove difficult, says Felesky. But he is confident BetaPro will be able to raise the money. "There are other indices than the big indices in Canada and we are confident we will attract capital on both sides; therefore we are confident we can offer the product in ETF form."

For Atkinson, the potential launch of the ETFs is a chance to be at the forefront of what he calls "phase three" in the life of exchange-traded products, following the introduction of products by the stock exchanges, and then bigger firms launching ETFs on mainstream equity and fixed-income indices. Atkinson anticipates phase three will see niche ETF providers and niche products such as alternative indexing, different asset classes and commodities.

And if anyone can involve BetaPro in phase three, it is Atkinson, Felesky says.

"He's the face of the Canadian ETF market," adds Felesky. "He was invaluable in BGI's growth and, for

all intents and purposes, it is the only player in Canada. Atkinson will give us a lot of credibility in terms of him considering us and our offering a very interesting alternative in the index space in Canada. It's a testament to where he thinks we can take our current strategy."

There is a lot of room for more players in the Canadian ETF market. Aside from a fleeting appearance by **TD Asset Management Ltd.** and the recent introduction of Toronto-based **Claymore Investments Inc.**, the ETF field has belonged to Barclays for the past six years. But Atkinson says when there is only one player in the industry, it can easily be dismissed.

"Competition allows for better products," Atkinson says. "World records are set in competition, not set in practice. And when you're by yourself it's almost as if you're practising all the time."

BetaPro's involvement, he adds, "will be good for the ETF industry, it will be good for advisors and it will be good for investors, ultim-

ately, as we continue to stimulate this whole area a little bit more than it has been in the past half-dozen years or so."

Indexing has been used more widely in the U.S. and ETFs have been the fastest-growing product class in recent years. This means a lot for the market at home.

"What's happened in the U.S. is a great litmus test for Canada," Atkinson says. "Typically, the trends in the U.S. show up here."

Add those developments to the growing number of advisors moving toward a discretionary fee-based model and, Atkinson says, you have three major trends to carry phase three of ETFs into the Canadian markets — which is exactly where he wants to be.

"To be able to be in at the beginning to mould it, build it and grow it is very exciting," Atkinson says. "I certainly believe after 20 years in the business that I'm better suited to that opportunity than to managing something that has already matured and developed." **IE**

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