

MAX ISAACMAN

# WINNING WITH ETF STRATEGIES

TOP ASSET MANAGERS  
SHARE THEIR METHODS  
FOR BEATING THE MARKET

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# Winning with ETF Strategies



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Methods for Beating the Market

Max Isaacman

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**Disclaimer:** I own ETFs for myself and for my clients, and some of these ETFs might be written about in this book. There are always risks associated with investing in the stock and bond markets. This book does not guarantee you will make money in the stock and bond markets, and you could lose money. I am not making recommendations to any reader because an investor's ability to take risks must be taken into consideration before investments are made.

## About the Author

**Max Isaacman** is a Registered Investment Advisor for individuals and institutions and is associated with East/West Securities in San Francisco. He was a Financial Consultant at Merrill Lynch, a Partner and Office Manager at SG Cowen, and a Vice-President at Lehman Brothers and worked in other positions in the investment community. Isaacman was a columnist for *The San Francisco Examiner* and wrote for many publications, including Delta Airlines' *SKY* magazine. He has spoken at CFA Institute events, CBS MarketWatch, Tech TV, the FTSE Global Index Conference in Geneva, Switzerland, and other places. *Winning with ETF Strategies* is his fourth book.



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# Introduction

The past ten years have been frustrating for stock market investors with the market moving mostly sideways, making it difficult to make money by buying and holding stocks. In a recent presentation, I told a crowd of individual investors that they can make money by buying Exchange Traded Funds (ETFs) and holding them for the longer term. They laughed, as if I was telling a joke. I wasn't surprised that people would be skeptical, but that's a good way to recognize the market bottom—when people laugh at the idea that the market will go up—and that is a good time to buy.

We know that markets fluctuate and always change, and often, markets do exactly what most people think they will not do. This sideways market could continue for a while, and in the mean time, investors and traders are making money or at least limiting losses in a variety of ways. Many use the new ETFs to go long or short, to trade currencies, to trade with a portion of their portfolio, to buy undervalued sectors or short overvalued sectors, and to use other strategies to trade and find ways to get varied asset-class exposure.

Market cycles have to be identified and considered. Before buying, you should know at what point in the cycle the market is at and where it might head. Markets move in cycles, and these cycles take years to complete. In this book, we show that according to research by Rydex/S&P Investments, in the past 113 years, there were 4 bull markets consisting of 42 years and 4 bear markets consisting of 71 years. Bull markets lasted an average of 10 years; bear markets lasted an average of 18 years. Even though there were fewer bull market years,

the cumulative gains in the bull markets were substantial, and the cumulative losses or gains in the bear market years were slight. The bear years were more sideways markets than big down moves. Bear markets usually hang around, having periods of gloom interspersed with periods of hope. This is the market cycle we have been in for about ten years. Bull markets are usually vigorous and active, with big gains, sideways-to-down movements, and then more big gains.

Because there are more bear market years, you must get the best returns you can in those years, and you must try to cut down on losses. This can be attempted using a wide array of ETFs, such as sector ETFs, foreign country ETFs, non-stock market-correlated ETFs, and inverse ETFs, that enable you to short the market. History suggests that if you stay in bear markets, you will lose a little money, but bull markets return and are worth the wait. Unless the U.S. is in a long-term, irreversible decline—and there are those who think this is true, but I do not—history will repeat itself and there will be a bull market. The U.S. is a major player in the global economy and should continue to grow along with the international community.

Sections of this book explain how ETFs work, why they're the perfect securities for the current and future market, and which ones you should buy and why. To better understand ETFs, we examine where they come from and how they fit in this investment environment.

ETF strategies are varied and used in all sorts of imaginative ways. This book gives access to the strategies and methods of some of the most innovative money managers in the industry. The strategies and ideas of these selected managers can be useful, whether you are looking for someone to manage your assets or a portion of your portfolio or looking for fresh ideas from high-level professionals. These outstanding managers have been featured in top shows and publications such as CNBC, Bloomberg, Barron's, *The Wall Street Journal*, NBC, Larry Kudlow of CNBC's *The Call*, Erin Burnett of CNBC's *Street Signs*, Fox Business, *TheStreet.com*, *Wall Street Transcript*, and *Research Magazine* ETF Advisor Hall of Fame. Some people

prefer managers with large sums under management and some prefer those with smaller amounts, so the managers are listed by amount of assets under management (AUM).

I've been a broker and advisor over the last 45 years and have seen many new types of securities offered. ETFs, in my opinion, are the most important securities released to investors, both individuals and professionals. I have written several books, and ETFs were always a major focus. I use and have used them for my own investing and for investing for my clients. I have spoken about ETFs to many groups over the years, including CFA Institute societies and The American Association of Independent Investors. I have spoken about ETFs on television and radio shows, including *Bloomberg* and *CBS Market-Watch*. I included ETFs when I wrote for the award-winning newspaper *The San Francisco Examiner* and when I wrote articles for many other publications.



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