
WHAT SETS ETFs APART?

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03/20/2018

On last week's "Behind the Markets" podcast, my co-host, Wesley Gray, CEO of Alpha Architect, and I had the opportunity to speak with ETF guru and ETF-IQ TV host Eric Balchunas. Balchunas discussed his transition at Bloomberg from the data team, where he had been for 16 years, to the research team and the TV anchor chair. He does an amazing job of explaining ETFs in very clear language spiced with metaphors to connect ideas for people.

Balchunas is a passionate advocate for the industry—describing how the ETF structure itself has five enhancements that set it apart from other asset management structures.

Balchunas' role in research and TV anchoring at Bloomberg entails writing and talking about ETFs, where he clearly has superior communication skills. Some highlights of his style from our conversation:

If You Can Make It on Twitter, You Can Make It Anywhere

How Balchunas views Twitter as a communication engine to hone your craft: Balchunas said Twitter posts and debates are like Eminem's rap battle in the movie *Eight Mile*, whereas LinkedIn is like a country club. Twitter is where you take the toughest heat in a conversation, and if your argument can withstand Twitter, Balchunas believes you can hang anywhere on that topic.

"Some Worry" Articles

Balchunas pointed to an article with the headline "ETFs Are Weapons of Mass Destruction," but the story was planted by an [active manager](#) who had been underperforming a [passive](#) benchmark. Balchunas said this article's headline should have read, "Disgruntled and Poorly Performing Active Manager Underperforms ETFs." This is something he sees over and over, and he labeled this category "Some worry," as that is the headline planted by disgruntled people being hurt by the success of ETFs.

One subset of these "Some worry" articles is how many people say ETFs are driving the stock market. Balchunas said, "Blaming ETFs for the rise of the stock market is like blaming Nickelback for the rise of MP3s."

The conversation was wide-ranging, touching on many of the media's misconceptions about ETFs, how ETFs compete with active managers, the age-old question on how much passive investing the market can absorb, and how ETFs are like vampires, gremlins and many other classic Balchunas metaphors.

Enjoy this week's conversation with Eric Balchunas.

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