

Second Dent investment fund to disappear

BY ALLAN ROTH

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(MoneyWatch) The AdvisorShares family of active exchange-traded funds recently announced it would be closing its DENT Tactical ETF (DENT). This ETF is based on the demographic research from bestselling author Harry Dent. According to the fund description, DENT seeks to achieve its investment objective by identifying broad trends in the U.S. and global economies and then implementing investment strategies in asset classes (such as, but not limited to, foreign and domestic equities or fixed income securities) that the portfolio manager believes will benefit from these trends.

This is the second fund based on Dent's demographic analysis. A mutual fund known as the AIM Dent Demographic Trends fund once had \$2 billion in assets, and then was

merged into another now extinct mutual fund after 80 percent of the assets evaporated. Dent told me that the poor performance was due to the fund not taking all of his advice.

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The DENT ETF, however, was managed by HS Dent Investment Management, at least until the firm resigned on June 2. Since launching on Sept. 9, 2009, and through July 30 of this year, the fund lost 12.9 percent. By contrast, the Vanguard Total Stock Index Fund (VTI) gained 42.7 percent over that period, the Vanguard FTSE All World Ex US (VEU) gained 5.8 percent, and the Vanguard Total Bond (BND) gained 18.2 percent.

As recently as October of last year, Advisor Shares CEO Noah Hamman was touting the DENT ETF. In an email to me referring to a piece I wrote advising readers to do the opposite of what DENT's strategy called for, he stated:

And yes, I read the DENT articles as well, the "INDENT" was funny, though that prediction hasn't worked out as well this year, as DENT significantly beat your comparable ETFs except the bond ETF. I would gladly pay 1.5% to have a manager make the decision to be in cash versus trying to climb back from -16% and -23% with the international exposure.

On its website, HS Dent calls the Dent method "the ultimate economic forecasting tool for asset protection and growth." A recent email I received from HS Dent also included a link that claimed, "In other words, we accurately predicted most major economic and stock market events that could have made you substantially richer -- or poorer over the past 20 years."

Emails I sent to both AdvisorShares and Harry Dent's organization asking for comment went unreturned.

Lessons learned

I've spoken to Harry Dent in the past and can say he is both brilliant and articulate. I feel bad that investors have lost money a second time in funds based on his research. But the silver lining in this cloud are the three key lessons for all investors.

First, brilliant research doesn't equate to beating the market. The stock market has outsmarted the likes of Sir Isaac Newton and Albert Einstein, so you may want to think twice about following a guru claiming to be smarter than the market, no matter how compelling the logic.

Second, when a fund family touts the recent performance of one of its funds, remember that virtually any fund family can find *one* fund that has done well of late. As always, recent performance isn't indicative of future performance. Finally, the next time someone tells you they accurately predicted the stock market, think about what they aren't telling you.

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