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EMPB: This Iconoclastic Fund Deserves Investor Attention

Apr. 21, 2025 3:30 AM ET | **Efficient Market Portfolio Plus ETF (EMPB)** | EMPB

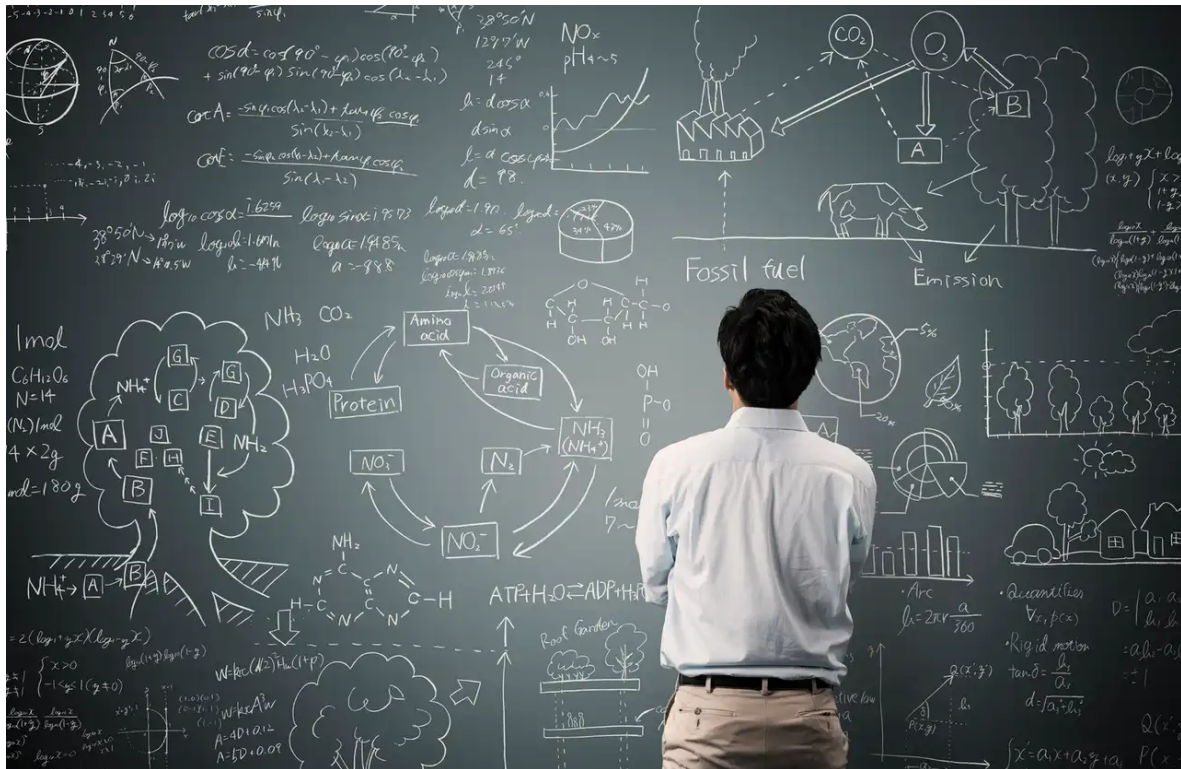


Harry Long

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Summary

- Wayne Penello's EMPB ETF, leveraging systematic methodology, has outperformed during recent market volatility, showing a return of -0.2% vs. S&P 500's -13%.
- The fund's main insight is that relative strength at the sector level and at the asset class level is far more robust than relative strength for individual companies.
- Despite its success, EMPB's AUM remains under \$10 million, highlighting the industry's asset-gathering focus over market-beating returns.
- Innovative funds like EMPB deserve investor attention and assets for their commitment to outperformance, contrasting with the underperformance of asset-gathering giants.



Yagi Studio

There must be something magical in the water at SUNY Stonybrook. Dr. Jim Simons and the famous Renaissance Technologies Medallion Fund came out of the fertile soil of the Stonybrook Math Department, which Simons famously chaired. Now, there is a second interesting systematic fund from Stonybrook alumnus Wayne Penello.

Wayne received his Master's degree from Stonybrook in Marine Sciences and subsequently was a floor trader on the NYMEX and worked at Vitol, the world's largest oil trading firm.

Bob Coakley is the COO of NextGenEMP, Inc. He was the CEO of COED Media Group, Win Futures, and a board member of the NYMEX--a tremendous honor.

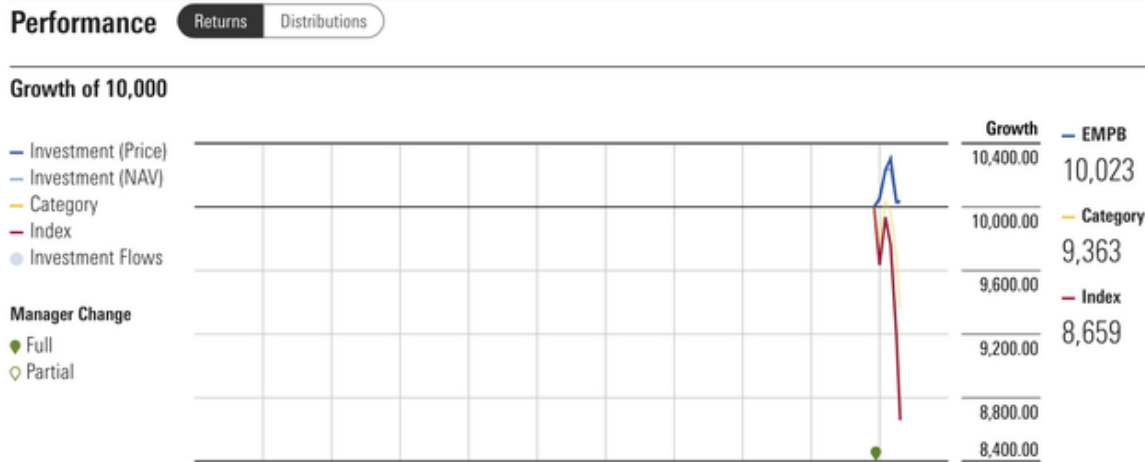
Wayne and Bob run a systematic ETF called Efficient Market Portfolio Plus (NYSEARCA:[EMPB](#)). The fund's main insight is that relative strength at the sector level and at the asset class level is far more robust than relative strength for individual companies.

However, that is only half of the battle. The elegant method that Wayne and Bob have used to capture this behavior is breathtaking in its results.

This past month has been incredibly challenging for most investors, who have been whipsawed by a tweet-heavy barrage of macro data surrounding tariff policy. Not EMPB. The fund has successfully navigated recent market volatility with a return since inception December last year of -0.2% vs. -13% for the S&P 500 as markets have cratered.



EMPB is also dramatically outperforming its category of U.S. Funds Long/Short Equity:



Morningstar Category Returns (Morningstar)

The ETF's [website](#) reports these long positions:

URA	Global X Uranium ETF	37954Y871	49,582	12.48%
XRT	SPDR S&P Retail ETF	78464A714	16,448	12.03%
ITB	ISHARES TRUST DJ HOME CONSTN	464288752	11,936	11.70%
SMH	VanEck Semiconductor ETF	92189F676	5,374	11.38%
TBT	ProShares UltraShort 20+ Year Treasury	74347B201	19,298	7.65%
VDC	Vanguard Consumer Staples ETF	92204A207	2,968	7.20%
XLU	Utilities Select Sector SPDR Fund	81369Y886	8,236	7.05%
XLI	Industrial Select Sector SPDR Fund	81369Y704	4,955	6.83%
ARKK	ARK Innovation ETF	00214Q104	13,648	6.78%
XLB	Materials Select Sector SPDR Fund	81369Y100	7,553	6.71%
XLV	Health Care Select Sector SPDR Fund	81369Y209	4,448	6.63%

EMPB Long Positions (NextGenEMP)

And these short positions:

XOP	SPDR S&P Oil & Gas Exploration & Production ETF	78468R556	-5,752	-7.08%
QQQ	Invesco QQQ Trust Series 1	46090E103	-1,616	-7.90%
XME	SPDR S&P Metals & Mining ETF	78464A755	-13,531	-8.15%
XLY	Consumer Discretionary Select Sector SPDR Fund	81369Y407	-5,755	-11.74%
IYZ	iShares U.S. Telecommunications ETF	464287713	-41,491	-11.75%

EMPB Short Positions (NextGenEMP)

Some notable long exposure are Uranium companies and the inverse 20+ Year Treasury ETF, consumer staples, home construction, retail, and semiconductors.

On the short side, it is notable that the fund is shorting Oil & Gas Exploration & Production, Metals and Mining, and the Nasdaq-100.

The fund's expense ratio is 1.82%. Morningstar [calculates](#) the fund's adjusted expense ratio as 1.370%.

I am constantly fascinated by the irrationality of the investment management business. Similar to the pharmaceutical industry, in which marketing spends far outstrips that of R&D, my main critique of the investment management industry is that sparse effort goes into risk-adjusted market-beating returns—it has become an asset gathering exercise for most firms.

However, Wayne and Bob have taken a completely different approach. They have focused like a laser on creating a systematic methodology with the potential to create uncorrelated alpha. Yet, due to the asset-gathering focus of the industry, this fund has market-beating performance during a brutal bear market—yet AUM for the EMPB ETF hovers at just under \$10 million.

The EMPB ETF has avoided the market carnage. If it can also rise during a subsequent recovery, this ETF deserves to be a multi-billion dollar behemoth. For too long, the investment management industry has been a cynical asset-gathering, hand-holding affair in which investment advisors act like hand-holding therapists, beseeching investors to stay invested through every bear market, rather than investing heavily in R&D to accomplish a higher mission—outperformance.

Funds like EMPB should be rewarded with investor attention and assets when they invest significant time, money, and efforts to achieve outperformance, rather than asset gathering.

The underperformance of once-great giants, such as Franklin Templeton and Western Asset Management, now under the Franklin Resource banner, should be a cautionary tale for firms which seek asset gathering at the expense of investment management excellence.

However, if investors do not reward innovative new funds, which harken back to an earlier era of pioneering originality and iconoclastic management, we will continue to get the mediocre industry that we tolerate.

Outperformance is a tough, but pure road. I will be eagerly following Wayne and Bob's performance in subsequent updates.

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