Excerpt from ETF DB, August 9, 2012
http://etfdb.com/2012/5-worst-etf-strategies-of-the-last-5-years/

5 Worst ETF Strategies Of The Last 5 Years

The financial crash of 2008 has forever changed the way investors approach the market. After seeing bottom-line returns crumble before their eyes, many are now understandably wary of particularly risky asset classes. Portfolio allocation strategies have now become a game of musical chairs, as investors shift their assets to and from various sectors trying to park their capital in the “safest,” yet highest yielding, investments ….

The ETF universe has not been spared by the recent financial crisis, as several products have either lost their footing or have been seemingly kicked to the curb. Not surprisingly, some of the worst performers have been products that employ strategies that target a particular sector or asset class. With such a narrow focus, these funds struggle to deliver steady returns and are often the ones that are most affected by market volatility. Whether you’re looking to completely avoid these strategies or think its time to buy in at the dip, we outline five of the worst ETF strategies of the last five years.

1. Natural Gas

No one can argue the success natural gas has had over the last few months, as record-breaking temperatures and supply disruptions have launched this volatile commodity skyward. But few can forget the fossil fuel’s dismal performance in the past, since natural gas seems to have burned more investors than any other commodity. Since the recession in 2008, natural gas lost nearly all of its momentum, making it one of the hardest hit commodities on the market. And not surprisingly, the ultra popular United States Natural Gas Fund (UNG) maintains its status as the worst performing ETF over the past five years, losing a whopping 93.6%. Despite investors’ frustrations, the fund is still one of the largest, most popular and most heavily-traded commodity ETPs on the market ...

2. Alternative Energy

The track records of alternative energy ETFs have been anything but clean. This asset class was once proclaimed to be the “must have” investment, as many believed alternative sources of energy were poised to thrive as oil dependence was eliminated. In reality, the niche sector has yet to deliver the returns many had hoped for. Not one sub-division of the alternative energy space has been spared, as solar, wind and nuclear power equities have all been hammered in a brutal sell-off. The top losers in this category include: WilderHill Clean Energy Portfolio (PBW), Market Vectors Global Alternative Energy ETF (GEX) and the Global Clean Energy Portfolio (PBD), which are all down over 70% over the last five years.

3. Nanotechnology

Considering that technology equities have been one of the best performing sectors helping to lead the market out of its slump in 2008, it is perhaps a bit surprising to find this niche segment at the bottom of the barrel. Nanotechnolgy has been flying under the radar for most investors, as this particular sub-sector is considered to be extremely risky and highly volatile. And while investors remain wary of many risk-laden assets, the … has taken a particularly devastating beating: the fund is down over 63% over the last five years ….

4. Europe Equities

No big surprises here. Europe equities have had a rough couple of years, as the debt-ridden eurozone continues to struggle to fight off sovereign defaults. The plagued region has yet to regain its footing and with several countries having to be rescued by massive bailout plans, the road to recovery has a long way to go. As many would have guessed, the … have had rather dismal performances, but the … have also posted negative double-digit five-year returns. Several other more broad-based … been hit particularly hard by the eurozone debt drama.

5. Financial Equities

Financial service companies have also endured serious headwinds, as the recent financial meltdown paved the way for stricter regulations, making the recovery and profitability of these firms even more difficult. Nearly every corner of the finance industry has suffered tremendous losses, including banks, broker-dealers, private equity firms and financial services companies across the globe. Some of the worst performing exchange-traded products in this category are the ….