

Investment Adviser Advertised F-Squared's False Performance Claims (3-17127)

February 23, 2016 – The Securities and Exchange Commission today charged Cantella & Co., a Boston-based investment adviser, with making misstatements to its advisory clients by advertising F-Squared's overstated AlphaSector performance track record. AlphaSector was F-Squared's sector rotation strategy that invested in certain exchange-traded funds (ETFs) that together made up the industries of the S&P 500 Index.

In December 2014, F-Squared admitted in [a separate SEC settled administrative proceeding](#) that its AlphaSector advertisements falsely claimed that its AlphaSector strategy had a performance history dating back to April 2001 and outperformed the S&P 500 Index for several years. In fact, the track record from April 2001 to September 2008 that F-Squared presented as real was actually hypothetical and backtested, and no F-Squared or other client assets had tracked the strategy from April 2001 to September 2008. F-Squared also admitted that its advertisements showed performance that was inflated substantially.

An SEC investigation found that Cantella accepted F-Squared's exceptional performance claims and passed those claims on to Cantella's own clients without obtaining sufficient documentation that substantiated F-Squared's advertising claims. Cantella consented to the entry of the order finding that it violated Sections 204 and 206(4) of the Investment Advisers Act of 1940 and Rules 204-2(a)(16) and 206(4)-1(a)(5) thereunder. Without admitting or denying the findings, Cantella agreed to pay a \$100,000 penalty.

This is the second SEC action against a firm advertising F-Squared's false performance, following [a separate enforcement action last year](#) against Virtus Investment Advisers. The SEC Enforcement Division's Asset Management Unit (AMU) continues to investigate and pursue similar enforcement actions against other advisers that potentially misled investors and others with advertisements containing F-Squared's false historical performance data.

The SEC's investigation of Cantella was conducted by William Donahue and Corey Schuster of the AMU, as well as Rory Alex, Mayeti Gametchu, Paul McGowan, Lily Chan-Sann and Rua Kelly of the Boston Regional Office. The investigation was supervised by Robert Baker and Jeffrey Finnell.

See also: [Order Instituting Cease-And-Desist Proceedings Pursuant to Section 203\(k\) of the Investment Advisers Act of 1940, Making Findings, and Imposing a Cease-And-Desist Order](#)