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Convenient Investing

Why the ETF Wrapper Is More Than Just a (New) Vehicle

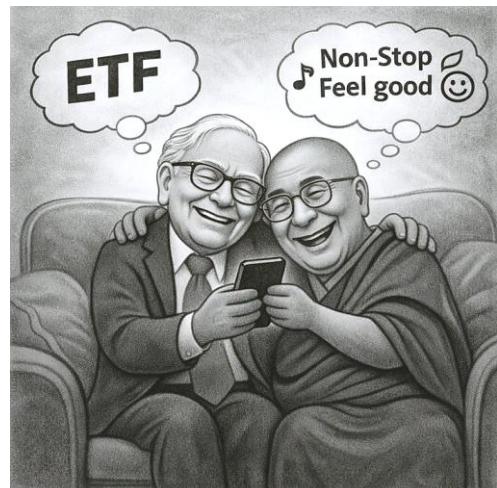
The persistently high momentum in the ETF market raises less the question of new product ideas and more that of changing expectations regarding access to established investment strategies. ETFs have evolved from passive investment vehicles into a core infrastructure of capital markets, where transparency, comparability and continuous tradability are increasingly taken for granted. For investors, the focus is therefore shifting away from the investment strategy alone toward the overall investment experience. Against this backdrop, asset managers are confronted with the strategic question of how professionally managed strategies can be offered within a structure that meets these expectations.

ETFs Are Top of Mind – and for Good Reason

The ETF market has evolved from a specialized vehicle for passive core allocations into a central pillar of the global capital markets infrastructure. New issuers, new trading venues and innovative product concepts are shaping a market segment that has long since matured – yet continues to grow at a robust pace.

At the same time, investor behaviour is undergoing a noticeable shift. Ease of access, transparency, operational efficiency and comparability are moving increasingly into focus – not only for retail investors, but also for professional investors, family offices, foundations and institutional mandates.

Against this backdrop, Active Core Asset



Management has deliberately decided to bring an actively managed strategy that has previously been available exclusively in a traditional fund structure to market in an ETF format as well. Not because the ETF is inherently “better”, but because it enhances the investment experience

has fundamentally changed.

The Investment Experience: Simple, Transparent, Immediate

For us, ETFs primarily represent a new level of convenience in the investment process:

Immediate Access

ETFs are continuously tradable via stock exchanges – simple and convenient, with just a few clicks, even via a smartphone. Access is standardized, efficient and free from many of the administrative frictions associated with traditional fund structures.

High Transparency

Portfolio composition, risk exposures, pricing and trading volumes are available at all times. This level of transparency enables even non-capital-market professionals to form a well-founded view quickly and to make investment decisions independently.

Straightforward Execution

Exchange trading means immediate execution, transparent pricing and instant liquidity management. No waiting for NAV calculations, no cut-off times, no complex subscription and redemption processes. Especially in volatile market environments, this temporal and operational flexibility represents a meaningful advantage.

Structural Advantages of the ETF Wrapper

Beyond the pure user experience, we see several structural arguments in favour of the ETF

wrapper compared with traditional investment funds:

Additional Liquidity via the Secondary Market

In addition to the primary market, ETFs benefit from an active secondary market. Investors can trade shares on exchange at any time, without subscriptions or redemptions immediately impacting the underlying portfolio. This additional layer of liquidity enhances the robustness of the structure – particularly during periods of market stress.

Real-Time Price Discovery

While traditional funds are valued only once per day, ETF prices continuously reflect market information. For investors, this results in significantly higher price transparency and improved planning certainty.

Standardization and Platform Integration

ETFs are integrated across virtually all major financial institutions and investment platforms. This substantially facilitates ongoing monitoring, reporting and portfolio management.

Operational Efficiency Gains

Execution via exchanges and clearing houses reduces operational complexity – both for investors and for the asset manager.

Comparability as a Quality Filter

High transparency forces issuers to maintain clarity and discipline. Performance, costs, risk and liquidity are comparable at all times – an environment in which, over the long term, only robust concepts will prevail, whether actively or passively managed.

Why Are So Many New ETFs Coming to Market Now?

Given that ETFs are by no means a new product, the question arises as to why we are currently observing such strong momentum in new launches.

From our perspective, three key drivers stand out:

Demand-Side Dynamics

Investors today expect ETF accessibility – not only for passive strategies, but increasingly also for active strategies, specialized segments and, in particular, fixed income concepts.

Technological Maturity

Trading infrastructure, market making and data availability have reached a level that enables even more complex strategies to be implemented in an ETF format.

Strategic Imperative for Asset Managers

Those who aim to remain relevant over the long term must be present where investors choose to allocate capital.

In this sense, the ETF represents less an innovation than a new industry standard.

Our Experience from the Pre-Launch Phase

Launching an active ETF is by no means a self-starter. Particularly for asset managers rooted in the traditional mutual fund world, the transition involves a substantial learning curve.

In our case, close collaboration with our strategic

partner, Hauck & Aufhäuser Fund Services Group (HAFS Group), proved to be a decisive success factor.

The HAFS Group not only supported us from a structural perspective, but actively assisted in translating our existing strategy into an ETF wrapper – from product structuring through to operational implementation.

With the Ireland-domiciled umbrella eNOVA ICAV, the HAFS Group has established a white-label ETF platform that is open to asset managers and fund initiators interested in launching their own ETFs, irrespective of asset class or strategy.

A particular milestone was the workshop held at J.P. Morgan in Dublin, where, together with all relevant stakeholders, we were able to develop the entire product setup in detail – covering the pre-launch phase, the interaction between issuer, market maker and exchange, as well as the day-to-day operational workflow once live.

This depth of preparation was essential for us in order to develop a realistic understanding of the requirements, costs and key levers of an ETF product.

Our experience has shown that while the overall ETF infrastructure differs materially from a traditional fund setup, close and cooperative collaboration with experienced product partners enables even small and mid-sized asset managers to adopt new industry standards – in our case within a timeframe of just four months.

The following operational considerations need to be clarified by the asset manager in close coordination with its partners prior to an ETF launch:

Segregation of Share Classes	Alignment of Strategy	Transparency Requirements
It must be ensured that any existing UCITS mutual fund share classes and the ETF share class do not give rise to disadvantages (e.g. dilution, retrocessions or cost allocations).	Not every UCITS strategy is immediately ETF-ready. Rebalancing frequency, transparency requirements and portfolio structure must meet the requirements of an ETF; structural portfolio adjustments may be necessary.	ETFs typically require a high level of (often daily) portfolio transparency. This entails significantly higher disclosure requirements compared with traditional mutual funds.
Liquidity and Performance Effects	Subscription and Redemption Mechanisms	Tax Considerations
UCITS mutual funds often hold high cash balances to manage inflows and outflows. At ETF level, subscriptions and redemptions can be executed via in-kind transactions, reducing cash drag.	Unlike mutual funds, ETFs typically do not have classic subscription and redemption processes. Market makers and authorised participants play a central role, which can influence ETF pricing but not the NAV.	The combination of ETF and mutual fund share classes can entail tax risks, particularly with regard to existing double taxation agreements and withholding tax regimes within the EU.
Product and Trading Expertise	NAV Calculation and Valuation	Costs and Operational Setup
A UCITS ETF requires specific expertise in ETF product management and ETF-related market infrastructure. Strong coordination with market makers and exchanges is essential.	While many UCITS mutual funds calculate a T+1 NAV, ETFs typically require intraday NAV calculations and valuations. This places higher demands on operations, cut-off management and pricing processes.	ETFs incur costs related to capital markets operations, exchange listing and AP setup. In parallel, running both UCITS dealing and ETF primary market activities can increase ongoing cost burdens for the asset manager.

The Remaining Challenges

As compelling as the ETF wrapper may be, it does not solve all challenges at launch. From our perspective, three key issues stand out:

Enhancing Secondary Market Liquidity

Tight bid-ask spreads and stable trading volumes are critical for investor acceptance and long-term viability.

Building Fund Scale

Without reaching critical mass, even the most well-designed ETF cannot fully realize its potential. Assets under management are not merely a marketing metric, but a structural prerequisite for efficiency.

Marketing as an Integral Part of the Product

ETFs are inherently transparent products – and

precisely for that reason, marketing takes on a new and central importance. Visibility, explanation and contextualisation are essential to translate comparability into trust. As ETFs are less actively sold and instead primarily bought by investors, the ETF wrapper requires a shift from a push- to a pull-based marketing strategy.

Transparency and easy access to comprehensive product information (via a dedicated landing page) are therefore not ends in themselves, but prerequisites for enabling investors to make informed and independent decisions.

A Brief Digression: Active vs. Passive – An Overly Simplified Debate

Historically, ETFs were predominantly associated with passive investment strategies.

Increasingly, however, active managers are also choosing to launch their strategies in an ETF wrapper – whether for tax-related reasons or for the considerations we have highlighted above.

Based on our experience, ETFs are still predominantly perceived as vehicles for passively managed investment strategies.

This frequently brings the “active versus passive” debate to the fore. Whether active management delivers added value or passive solutions ultimately lead to better outcomes does not strike us as the core issue. In our view, this debate is overly simplistic.

From our perspective, every investment process is inherently a process of active decision-making. The question is not whether decisions are made actively, but where in the investment process they are made:

- in asset allocation,
- in portfolio construction,
- in index design,
- or ultimately by the investor.

Even a passive ETF, therefore, is the result of active design choices. What matters is not the label, but the quality and transparency of the underlying process.

Outlook: The ETF Wrapper Does Not Determine Success

The long-term success of our own ETF, eNOVA Active Core EUR Ultra Short Term (ISIN IE000ST59DS4), does not hinge on the wrapper. It depends on the product’s core characteristics – above all performance, risk management and the

relevance of the strategy within the prevailing market environment.

For us, the more fundamental question is this:

Will there still be a meaningful target audience for asset managers who choose to ignore investor preferences in the future?

The history of large department stores that largely disappeared from the market despite offering good products provides a clear answer.

We are convinced that convenient investing is not a trend – it is an expectation. Those who fail to meet it risk losing relevance over the long term.

Kind regards,



(Wilhelm Wildschütz)

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