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The Spectacular Rise of Active ETFs

- Posted:03/09/12
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It has been one week since Pacific Investment Management Co., aka Pimco, launched the Total Return Exchange Traded Fund ([TRXT](#)) and drew attention to the actively managed ETF asset class. This surge of interest begs the question, why have we not heard much about this market before? (STAY AHEAD OF THE CURVE: [Follow Kapitall on Twitter](#))

A Small But Strong Start

Like passive exchange traded funds, Active ETF shares can be traded on the U.S. stock exchanges in the same manner as stocks. What makes them unique, however, is their ability to combine the elements of index-based ETFs and hedge fund management that is actively managed to outperform the market.

Yet this asset class was only made available on the stock exchanges in 2008, while the more traditional ETFs have traded since 1993.

“The SEC just wasn’t comfortable with them,” explains Noah Hamman, chief executive officer of [AdvisorShares](#), marketer of several actively managed ETFs. Even after the SEC performed the necessary due diligence “it took so long for the first active ETF to be approved. That drives where active ETFs are today, they’re still so young.”

In an interview with Kapitall, Hamman explained that although active ETFs are a small part of the ETF market, they have seen much stronger and more consistent growth in their four years since inception than recorded by index ETFs.

“When you look back in history and compare growth to traditional ETFs, people are always surprised to see how fast they’ve taken off from a products and assets under management perspective.”

Booster Shot: Pimco Launch

When legendary bond investor Bill Gross released his active Total Return Fund on March 1st, its impact was felt throughout the active ETF industry.

Hamman reports his firm raised \$25 million in assets in the last two weeks across their different active funds. This is a notable increase in investment for the firm, which holds \$430 million assets under management. He expects this level of growth to hold steady.

Perhaps most interesting for the active ETF market is not how much people are investing, but who is investing: Index ETFs draw much of their assets from institutional investors. Meanwhile, active ETF assets are largely coming from fee-based financial advisors – the retail sector – an investor class that historically prefers to wait before adopting new types of assets.

“I think that’s a real positive sign for active ETF space. As product lines grow we feel like there’s a real strong opportunity to gain,” adds Hamman.

Business Section: Investing Ideas

The trend towards active ETFs is certainly gaining traction: Charles Schwab is one of many financial firms that recently announced their intentions to launch more actively managed ETF products. And others, like iShares and AdvisorShares, have new active ETF products in various stages of registration with the SEC.

Looking to invest in active ETFs? Here’s a complete list all of the names currently trading on the U.S. exchanges:

1. WCM/BNY Mellon Focused Growth ADR ETF ([AADR](#))
<http://wire.kapitall.com/investment-idea/kapitall-exclusive-the-spectacular-rise-of-active-et...> 3/15/2012

2. Accuvest Global Opportunities E ([ACCU](#))
3. Accuvest Global Long Short ETF ([AGLS](#))
4. WisdomTree Asia Local Debt ETF ([ALD](#))
5. iShares Diversified Alternatives Trust ([ALT](#))
6. WisdomTree Australia & NZ Debt ([AUNZ](#))
7. PIMCO Build America Bond Strategy ETF ([BABZ](#))
8. WisdomTree Dreyfus Brazilian Real ([BZF](#))
9. WisdomTree Dreyfus Commodity Currency ([CCX](#))
10. WisdomTree Dreyfus Emerging Currency ([CEW](#))
11. WisdomTree Dreyfus Chinese Yuan ([CYB](#))
12. Dent Tactical ETF ([DENT](#))
13. WisdomTree Emerging Markets Local Debt ([ELD](#))
14. WisdomTree Euro Debt ([EU](#))
15. Madrona Global Bond ETF ([FWDB](#))
16. Madrona Domestic ETF ([FWDD](#))
17. Madrona International ETF ([FWDI](#))
18. Guggenheim Enhanced Core Bond ([GIY](#))
19. Columbia Interm Munil Bond Strat Fund ([GMMB](#))
20. Columbia Core Bond Strategy Fund ([GMTB](#))
21. Guggenheim Enhanced Short Dur Bond ETF ([GSY](#))
22. Cambria Global Tactical ETF ([GTAA](#))
23. Columbia Concen Lg Cap Val Strat Fund ([GVT](#))
24. Active Bear ETF ([HDGE](#))
25. Peritus High Yield ETF ([HYLD](#))
26. WisdomTree Dreyfus Indian Rupee ([ICN](#))
27. WisdomTree Dreyfus Japanese Yen ([JYF](#))
28. Meidell Tactical Advantage ETF ([MATH](#))
29. PIMCO Enhanced Short Maturity Strgy ETF ([MINT](#))
30. PIMCO Intermediate Muni Bond Strgy ETF ([MUNI](#))
31. Russell Equity ETF ([ONEF](#))
32. PowerShares Active Low Duration ([PLK](#))
33. PowerShares Active Mega Cap ([PMA](#))
34. PowerShares Active U.S. Real Estate ([PSR](#))
35. Columbia Growth Equity Strategy Fund ([RPX](#))
36. WisdomTree Global Real Return ([RRF](#))
37. Columbia Lg Cap Growth Equity Strat Fund ([RWG](#))
38. PIMCO Short Term Muni Bond Strgy ETF ([SMMU](#))
39. Rockledge SectorSAM ETF ([SSAM](#))
40. WisdomTree Dreyfus South African Rand ([SZR](#))
41. PIMCO Total Return Exchange-Traded Fund ([TRXT](#))
42. TrimTabs Float Shrink ETF ([TTFS](#))
43. WisdomTree Managed Futures ([WDTI](#))

Written by Rebecca Lipman

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