The Role of ETF Adviser... You or Them?

Did you know that almost all ETFs are managed by a SEC Registered Investment Adviser? The ETF, its Board, Officers, and other service providers collectively ensure that the ETF and the ETF Adviser fulfill the requirements of the 1940 Act and its stated investment objective.

Those looking to enter the ETF space should first decide if they can act as Adviser to their own ETF. Key topics to focus on during evaluation include, but are not limited to: current firm personnel and their experience, profitability analysis, long-term enterprise value/goals, compliance requirements, operational responsibilities, sources of AUM, sales, marketing, etc. These areas may seem overwhelming or may be unfamiliar territory for some, so understandably, many new ETF sponsors may need to utilize an Adviser outside of their firm – known as a White Label arrangement.

If after thorough due diligence acting as Adviser is not the right solution for you, exploring a White Label Adviser offering makes sense. If you choose to hire a White label Adviser you enter into an agreement directly with that Adviser, not the Trust. Given the Adviser "runs" your ETF in the eyes of the Trustees, you should fully trust the Adviser to never dismiss you without justifiable cause. Under a White Label structure, you can act as Sub Adviser to the ETF. In this role, you provide the investment strategy for the ETF and act as Portfolio Manager. If you simply want to provide the strategy, your role then is called, for example, the "Sponsor" of the ETF and a third-party trading Sub Adviser can be hired. Economically, in any of the above scenarios associated with a White Label agreement, you will be expected to pay for all expense shortfalls associated with running the ETF and expect all residual profits after all expenses are paid.

If you have discovered you would like to act as your own Adviser, but may need some help, Sound Capital's 'Solutions Provider' offering is right for you. We provide our Solutions Provider clients with expert guidance in the areas of product structure, portfolio optimization, trust and service provider engagement, capital markets, and sales & marketing. This guidance is ongoing and not just limited to the launch of your ETF.

At Sound Capital Solutions, we help you find "The Right Label" for your ETF franchise…not just at launch, but with an eye towards long-term success. Sound currently represents multiple clients as both a White Label Adviser and as a Solutions Provider and we can do the same for you.

Let's start a conversation, email us at info@soundcapitalsolutions.com