
Factsheet

Actively Managed ETFs

What is an Actively Managed ETF?

Typically, ETFs are designed to track an underlying index for a range of asset classes such as Equities, Fixed Income, Commodities and many others. They are known as passive ETFs as they are structured to only follow an index and match its performance. They do this by holding all of the stocks underlying the benchmark, with the correct weighting or entering a swap-based contract to be guaranteed the returns of the index. Either way, there is no 'active management' involved.

The principle of an active ETF is much like its passive counterpart. It aims to replicate the performance of an underlying benchmark, where the benchmark is the performance of an actively managed fund. The performance of an active ETF is based on the investments made by the manager of the underlying fund rather than a portfolio allocation strategy. It is referred to as 'Active' due to the management style of the underlying. The underlying portfolio will have no predefined sector or asset class allocation but will follow the strategy of the fund manager.

How to list an Actively Managed ETF?

To offer ETF issuers greater flexibility in admitting ETFs to the Main Market, the Exchange offers a choice of routes for both UCITS and non-UCITS ETFs:

UCITS compliant ETFs

- Apply to the UK Listing Authority (UKLA) for an official London listing and to London Stock Exchange for admission to trading on the Main Market.
- Apply to the London Stock Exchange for admission to trading on the Main Market based on an existing European Economic Area (EEA) listing.

Non-UCITS compliant ETFs

The London Stock Exchange now offers two alternative ways to market for a non-UCITS compliant fund which, after admission, trade on a dedicated non-UCITS trading segment.

- An Active ETF can become an FCA authorised fund
- An Active ETF can become an FCA recognised fund

Further details surrounding FCA authorisation and recognition can be found here:

https://small-firms.fca.org.uk/authorised-and-recognised-funds?field_fcasf_sector=unset&field_fcasf_page_category=unset



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AIFM permits non-UCITS ETFs to be passported to some other EU states but some extra regulation criteria must be followed. When active ETFs are listed on London Stock Exchange markets, they will trade in their own segments and sectors. To search for currently listed active ETFs you can use our list of ETFs and ETPs and filter by segment ETFS and EUET and by filtering sectors ETEA, ETFA, UEA1, and UEA2. To view multi-currency line sectors for Active ETFs, filter by segment for ETF2, ETFU, EUE2 and EUE3 and by sector ETMA, ETMU, EFCA, EFCU, UEA3, UEA4, UEA5, UEA6 which represent our multi-currency lines.

<http://www.lseg.com/areas-expertise/our-markets/london-stock-exchange/fixed-income-markets/listed-products/etfs>.

Active ETF disclosure requirements

- Active ETFs must disclose their NAV and number of outstanding shares on a daily basis. EEA passported ETFs must in addition follow any home listing rules.
- Daily portfolio disclosure is not required unless stated by relevant competent authority..
- Details of an individual Active ETF's portfolio disclosure regime can be found in its prospectus.

London Stock Exchange Trading Activity

- Total order book GBP value traded of Active ETFs in 2017 was **£378 million** across **8,575** trades with a traded volume of almost **3.8m** units
- Total order book GBP value traded of Active ETFs in 2018 was **£545 million** across **16,419** trades with a traded volume of almost **5.5m** units.
- When compared to results from 2015:
 - **50%** increase in GBP value traded
 - **91%** increase in number of trades
 - **47%** increase in volume traded

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