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ACCELERATE FINANCIAL TECHNOLOGIES

Years in the industry
10+

Fast fact
Accelerate's recently launched suite of alternative ETFs includes Canada's first performance-fee-only ETF products

Q&A

Endowment-style investing for the masses

What sets your long/short equity strategies apart from other long/short mandates?
Accelerate's long/short equity strategies are driven by proprietary multi-factor models developed over the past decade. Unlike most long/short mandates, they are systematic strategies, eliminating potential cognitive biases that can detract from investment returns. Our Accelerate Absolute Return Hedge Fund strategy is the first true equity hedge fund in an ETF wrapper. We also have the first alternative ETFs with a 0% management, performance-only fee.

What advantages can investors gain from alternative ETFs over alternative mutual funds?
Alternative ETFs offer intra-day liquidity; they can be bought or sold as long as the stock market is open, as opposed to only daily or monthly for some alternative mutual funds. We also offer radically increased transparency by showing investors daily net asset values and displaying all long and short positions within a given strategy.

From what we see, clients prefer ETFs because they're dramatically easier to use than mutual funds, which haven't been seeing growth in terms of fund flows. ETFs allow practically one-click buying and selling without having to deal with proprietary platforms, lengthy redemption processes and other realities of mutual fund investing. Lastly, we believe our fee structures are much more attractive for investors than those offered by alternative mutual funds.

What led you to pursue your performance-only pricing model?
We strive to be the most innovative financial services firm in the industry. From our leading effort to democratize alternative investments, we're now bringing exchange-traded alternative funds to the market as a new asset class, bridging the gap between endowment-style asset allocation and everyday investors. Because innovation is in Accelerate's DNA, we insisted that our fee model be highly disruptive. That's why we're rolling out the first 0% management fee alternative ETFs. We're aligning the interests of the investor and manager for the first time, and we believe this will really resonate with investors who are tired of paying fees to underperforming managers.

How do you intend to compete with other providers who have launched their own alternative ETFs?
We view Accelerate's products as the only institutional-quality alternative ETFs – true long/short equity hedge funds run by hedge fund managers with a track record of success. We also aim to become a thought leader in Canadian alternatives with a digital-first marketing strategy that includes publicizing our thoughts and analyses through a podcast, blog and other social media channels. Our attitude is that quarterly letters and newsletters to investors just don't cut it anymore – investors want real-time thoughts and insights from their managers, and we're providing that.

Industry player advises caution on zero-fee ETFs

Against a backdrop of ongoing fee-slashing by US-based ETF providers, Hector McNeil, co-CEO of London-based white-label ETF platform HANetf, is arguing that zero-fee products are a gimmick. Speaking with the website ETF Strategy, McNeil said "it's worth remembering zero fund fees are a misnomer," noting that while a fund might appear to be free for investors, it might require them to shift their assets onto a specific platform, which he said could cost them more money and leave them out of the market for a significant period.

Middlefield Group eyes ETF platform expansion

Middlefield Group is continuing to expand its ETF offerings with proposals to convert two more of its actively managed funds into ETFs. The Middlefield Healthcare and Wellness Dividend Fund focuses on companies in the healthcare, wellness and related industries, while the American Core Sectors Dividend Fund provides a diversified, active portfolio of dividend-paying securities within core US sectors, including consumer, financial, industrial and IT. The proposed conversions will be put to a shareholder vote on May 17.

Time to review emerging market indexes?

According to a recent analysis in the *Wall Street Journal*, emerging market ETF indexes are in need of review, as countries that were originally small but growing, such as Taiwan and South Korea, have become as prosperous as some developed markets. China, which currently makes up less than 40% of the MSCI Emerging Markets Index despite its massive market cap, is similarly problematic. These issues, the report said, call the 'developed' versus 'emerging' system of sorting assets into question.