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Pro Spotlight: ETFs Are in Her DNA

Molly Landes
Head of ETF Capital Markets

Molly Landes is head of ETF Capital Markets for Allspring, leading strategic relationships with key trading partners and overseeing the quality and efficiency of Allspring's exchange-traded fund (ETF) trading business. Both the spirit of competition and ETFs are part of Molly's DNA.

Q: THE ETF LANDSCAPE HAS BECOME QUITE COMPETITIVE OVER THE PAST FEW YEARS. HOW DID YOU END UP SPECIALIZING IN ETFs?

A: It is a competitive business. A lot of us in the ETF capital markets or trading space are super competitive by nature. I played soccer growing up and was goalkeeper on my field hockey team in college at a Division I school. Field hockey was new to me in college, but the field structure is very similar to soccer. I ended up being really good at it, received a full-ride scholarship, and was named Big Ten Defensive Player of the Week a few times. That was a pretty big accomplishment for someone who had never played. Now I'm an equestrian, and I do competitive dressage riding.

I've always been competitive, and that spills over into my career. All the positions I've held have supported an ETF business in different ways. I started in client service, progressed to global equity and options execution trading, then moved to ETF capital markets, and from there went to index equity portfolio management where I spent a good chunk of my career managing ETFs, mutual funds, and institutional accounts. I also spent a few years at an ETF start-up company where a lot of my experience came together to help launch and manage that platform. Now at Allspring I oversee execution of the firm's ETF capital markets and strategy.

Q: WHY HAVE ETFs BECOME SO POPULAR WITH INDIVIDUAL AND INSITUTIONAL INVESTORS?

A: What comes to mind for most investors is the transparency, tax efficiency, flexibility, and cost savings that ETFs can offer. First, the majority of ETFs are transparent. Both institutional and retail investors can know exactly what they're invested in at all times, which gives them the ability to make more informed and timely investment decisions. Second, the create-and-redeem mechanism and the on-exchange trading for ETFs provides the ability to decrease or even eliminate capital gains distributions altogether and reduce their overall tax impact.

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From a flexibility standpoint, ETFs can support many different investor types and investment processes. A retail investor can buy and hold an ETF over the long term, similar to a mutual fund. But, because ETFs can be traded intraday, investors can also choose the time of day and price they want to trade at versus a mutual fund where the only option is to trade at 4 p.m. NAV (net asset value). A more tactical investor might use ETFs to express an opinion on the current market environment or hedge exposures in their portfolio. Even ETF market makers and professional trading desks are using ETFs to hedge positions on their books. ETFs also cover a wide variety of investment strategies. Along with U.S. and international equity and fixed income, there are long-short, inverse, and leveraged strategies; currencies; thematics; buffered ETFs; crypto; and commodities. And now we're starting to see private equity ETFs.

In terms of fees, ETFs typically have lower management fees because of the operational and administrative efficiencies. The unique mechanics of an ETF often shield investors from internal portfolio transaction costs. These funds are basically flexible, transparent, tax-efficient, and cost-efficient—characteristics that investors often look for in an investment product.

Q: HOW ARE ACTIVELY MANAGED ETFs RESHAPING THE INVESTMENT INDUSTRY?

A: The cost and tax efficiencies of ETFs have driven a surge in new active product launches and attracted significant assets. For those investments that previously weren't available for certain investor types or only available in mutual fund wrappers, the ETF versions may offer a more attractive option.

For years, when it was just index funds in the ETF space, we wondered how long it would take for active funds to get on board. The SEC passed the ETF rule in 2019, and that's made it easier and cheaper for managers to create new funds. Now suddenly you have an influx of active ETFs launching. Just about any mutual fund strategy could be an ETF as well, to give investors the choice of what and how they want to invest.

Allspring takes a client-driven and product-agnostic approach to delivering our strategies in different ways. Our goal is to offer clients greater choice, whether that's an active ETF, mutual fund, institutional separate account, or separately managed account.

Q: ALLSPRING NOW MANAGES FIVE ACTIVE ETFs WITH MORE ON THE WAY—WHY THESE STRATEGIES IN PARTICULAR?

A: Just like with our other funds, it's a collaborative decision between the distribution, investments, product development, and leadership teams. We assess many factors, such as client demand, performance history, fees, Allspring's core competencies, and the competitive landscape. For our initial five funds, we focused on core fixed income and core U.S. equity strategies. These are the foundational building blocks of model portfolios and for clients generally. A lot of input and collaboration goes into our product pipeline and the decision of what to launch and when, and this is just the beginning of our ETF journey.

Q: WHAT DO YOU THINK THE FUTURE HOLDS FOR ETFs?

A: The possibility of a multi-share-class ETF is exciting and likely on the near horizon, but there's still much to be done operationally.

Multi-share-class is where the ETF is a share class of the mutual fund. So, just as there are institutional shares and retail shares for mutual funds, you can also have ETF share classes. That allows the mutual fund to use the ETF create-and-redeem process plus the ability to carry losses forward to be more tax-efficient. Technically, the mutual funds could do that now, but it's more operationally onerous because that process is not the standard operating model. If the multi-share-class is approved, all investors across share classes may benefit from those features. There was a patent on this process that expired a few years ago, so now managers are looking at how to do this where it makes sense.

There are still open questions about the operational complexities, costs, fee structures, and broader impact on the overall trading and ETF landscape if it's widely implemented. Like a lot of other asset managers, we're actively exploring multi-share-class to be ready when it's approved. Much like the introduction of the first ETFs, this development could ultimately provide investors with greater choice in how they invest.

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For further information

We're committed to thoughtful investing, purposeful planning, and the desire to deliver outcomes that expand above and beyond financial gains.

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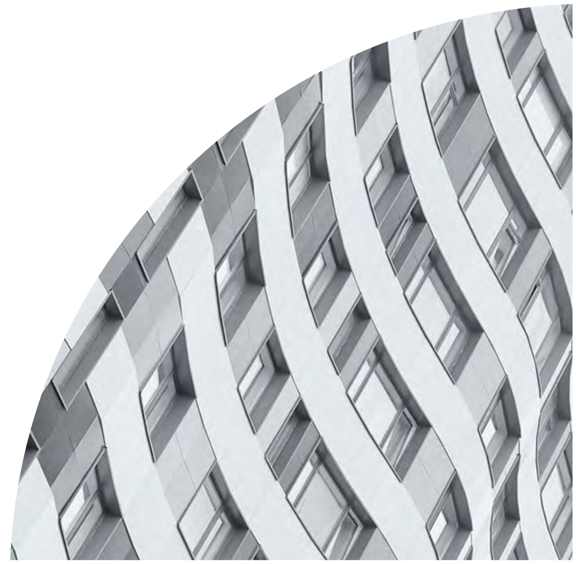

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