

MARKETS

ETF Innovators: 1 of 11 people are disrupting the industry, creating distinct products, and delivering compelling returns

William Edwards

- **ETF issuances have exploded in recent years amid lower costs and looser regulations.**
- **The boom has led to a number of new and creative products hitting the market.**
- **We highlight 11 people disrupting the ETF industry and delivering impressive returns for investors.**

It's been over thirty years since the first exchange-traded fund launched in the US.

But the space has only recently seen explosive growth. According to PwC, total ETF assets under management have grown by almost 19% a year over the last five years. In 2023, a record 478 ETFs came to market in the US, according to Morningstar.

The industry's expansion is due to a few reasons, perhaps most notably the Securities and Exchange Commission's 2019 move to loosen regulations and lower the bar for entry. ETFs are also generally more favorable tax-wise than mutual funds. And asset management giants seem more willing to enter the ETF space, according to Nate Geraci, president of The ETF Store.

"We're seeing the largest asset managers all now aggressively pursuing an ETF distribution strategy, whereas previously, a number of those firms were just dipping their toes in the water," Geraci said. "They're offering their best strategies and their best managers within the ETF wrapper."

Investors are also increasingly opting for passive instruments versus active management, as costs are lower and passive index returns lately have been stellar.

Whatever the reasons, the abundance of new issuances has allowed investors to enjoy a range of creative new funds offering exposure to just about any market theme imaginable.

Our 2024 ETF Innovators list seeks to highlight some of the people driving change in the industry over the last five years — creating unique funds that are also delivering impressive returns for investors.



COURTESY OF HARBOR CAPITAL

Kristof Gleich

Kristof Gleich, Harbor Capital

While most funds take a fundamental approach to analyzing stocks, considering things like valuation and earnings growth, the Harbor Human Capital Factor US Large Cap ETF (HAPI) employs the unique strategy of identifying firms with a positive work culture and happy employee base, arguing that this drives the success of a company and ultimately its share price.

To identify stocks, Harbor uses the CIBC Human Capital Index and layers on its own proprietary analysis. The CIBC Human Capital Index looks at variables like employee motivation, purpose, autonomy, and other things to measure company cultures.

"Human capital is accounted for as an expense rather than an 'asset' and therefore is systematically overlooked and mispriced, we believe," Gleich said. "This core S&P replacement provides access to those companies with strong performance on this very fundamental factor."

The fund is up 22% year-to-date and 69% since its launch in October 2022, beating the S&P 500 over both timelines.

Ticker: HAPI

Fund's launch: October 2022

AUM: \$336 million

Expense ratio: 0.35%

HAPI: Average Annual Returns as of 6/30/24



	3 month	YTD	1 Yr.	Since Inception (10/12/22)
Harbor Human Capital Factor U.S. Large Cap ETF (HAPI) – NAV	5.64%	18.67%	29.07%	35.59%
Harbor Human Capital Factor U.S. Large Cap ETF (HAPI) – Market	4.96%	18.74%	29.10%	35.64%
CIBC Human Capital Index	5.73%	18.85%	29.54%	36.00%
S&P 500 Index	4.28%	15.29%	24.56%	29.97%

The Harbor Human Capital Factor U.S. Large Cap ETF (HAPI) gross expense ratio is 0.35%

Performance data shown represents past performance and is no guarantee of future results. Past performance is net of management fees and expenses and reflects reinvested dividends and distributions. Past performance reflects the beneficial effect of any expense waivers or reimbursements, without which returns would have been lower. Investment returns and principal value will fluctuate and when redeemed may be worth more or less than their original cost. Returns for periods less than one year are not annualized. Current performance may be higher or lower and is available through the most recent month end at harborcapital.com or by calling 800-422-1050.

Important Information



Investors should carefully consider the investment objectives, risks, charges and expenses of a Harbor fund before investing. To obtain a summary prospectus or prospectus for this and other information, visit harborcapital.com or call 800-422-1050. Read it carefully before investing.

Risks

Investing involves risk, principal loss is possible. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. Harbor ETFs are new and have limited operating history to judge.

Shares are bought and sold at market price not net asset value (NAV). Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times.

HAPI: There is no guarantee that the investment objective of the Fund will be achieved. Stock markets are volatile and equity values can decline significantly in response to adverse issuer, political, regulatory, market, and economic conditions. The Fund may not exactly track the performance of the Index with perfect accuracy at all times. Tracking error may occur because of pricing differences, timing and costs incurred by the fund or during times of heightened market volatility. The Fund relies on the Index provider's methodology in assessing whether a company may be considered a corporate culture leader. There is no guarantee that the construction methodology will accurately assess a company to include or exclude it from the index which could have an adverse effect on the Fund's returns. The Fund's assets may be concentrated in a particular sector or industries to the extent the Index is concentrated and is subject to the risk that economic, political, or other market conditions that have a negative effect on that sector or industry will negatively impact the value of the Fund. Companies in the information technology sector can be significantly affected by short product cycles, obsolescence of existing technology, impairment or loss of intellectual property rights, falling prices and profits, competition from new market entrants, government regulation and other factors.

Benchmarks

The CIBC Human Capital Index consists of a modified market-weighted portfolio of the equity securities of U.S. companies identified by Irrational Capital LLC ("Irrational Capital") as those it believes to possess strong corporate culture based on its proprietary scoring methodology. Constituents eligible are chosen from Solactive GBS United States 500 Index (the "index universe") at the time of Index reconstitution. The Solactive GBS United States 500 Index intends to track the performance of the largest 500 companies from the US stock market. The index listed is unmanaged and does not reflect fees and expenses and is not available for direct investment.

The S&P 500 Index is an unmanaged index generally representative of the U.S. market for large capitalization equities. This unmanaged index does not reflect fees and expenses and is not available for direct investment.

The Fund's returns achieved during certain periods shown were unusual and an investor should not expect such performance to be sustained.

This information should not be considered as a recommendation to purchase or sell a particular security. The holdings mentioned may change at any time and may not represent current or future investments.

Important Information



The views expressed herein are those of named investment professionals at the time the comments were made. These views are subject to change at any time based upon market or other conditions, and the author/s disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions are based on many factors, may not be relied upon as an indication of trading intent. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness. Past performance is no guarantee of future results.

Diversification does not assure a profit or protect against loss in a declining market. *Alpha* refers to excess returns earned on an investment

CIBC is a third-party index provider to the Harbor Human Capital Factor US Large Cap ETF

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**Foreside Fund Services, LLC is the Distributor of the Harbor ETFs.
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