

EXCHANGIFI RESEARCH

Section 351 ETF Seeding and AUM Growth Report

Performance, Survival and AUM Growth by Source of Section 351 SMA-to-ETF Conversions

An empirical study of 101 Section 351 exchange ETFs representing \$25.7B of tax-deferred seed capital. We measure how these funds perform against their benchmarks, how often they close and how much new money they attract after listing. After launch they look much like other active ETFs, but they close far less often because they start with scale.

Prepared by: Matt Bucklin, Founder and CEO, ExchangiFi

Date: September 14, 2026

Data as of: September 8, 2026

ExchangiFi LLC is a software and technology provider. It is not a registered investment adviser or broker-dealer. This report is for informational and educational purposes only. It is not investment, tax or legal advice and it is not an offer or solicitation to buy or sell any security. Past performance is not a guarantee of future results. See the Important Disclosures at the end of this report.

1. Summary of Findings

Section 351 of the Internal Revenue Code lets investors contribute appreciated securities into a newly formed ETF on a tax-deferred basis. Since 2019 this mechanism has seeded at least 134 live ETFs with roughly \$27.7B of contributed assets, and 88 more funds are in registration. Critics call the structure a tax dodge. Wealth managers call it a tax-aware investment tool and a way to gather assets. We built a fund-level database to test what the numbers say.

After a strict screen (live funds, listed by the end of the second quarter of 2026, at least \$10 million at listing, and complete AUM and return data) we are left with 101 ETFs. Five findings stand out.

\$25.7B	\$39.2B	67%	70%	\$6.3B
Seed capital at listing across 101 funds	Assets under management today	Lag their benchmark since listing	Have attracted net new money	Organic net inflows since listing

- Most 351 ETFs lag their benchmark, at about the same rate as active management overall.** 68 of 101 funds (67.3%) have trailed their benchmark since listing. The median fund trails by 2.7 percentage points a year. That is in line with the 65% to 79% one-year underperformance rates S&P Dow Jones Indices reports for active large-cap funds in its SPIVA scorecards. The 351 structure does not select for alpha. It also does not select against it.
- Seed size has no measurable relationship with performance.** The correlation between seed size and excess return is 0.05. Underperformance rates range from 50% to 78% across seed-size buckets with no pattern. A larger day-one asset base does not buy better returns.
- Most of these funds are gathering new money.** 71 of 101 funds (70.3%) hold more assets today than their seed capital would be worth if it had simply compounded at the fund's own return. The median fund has attracted organic net inflows equal to 14.6% of its seed. 42 funds (42%) have grown by more than 20% through inflows alone, and 16 funds have more than doubled through inflows alone. Of the \$13.5B of AUM growth in the cohort, \$6.3B (47%) is new money rather than market appreciation.
- Flows do not follow performance.** Funds that beat their benchmark and funds that lag it have attracted new money at almost identical rates (73% versus 69% positive, with a median of about 15% of seed in both groups). The rank correlation between excess return and organic flow is 0.02. Distribution, brand and advisor relationships are driving asset growth, not track record.
- The seed does what the industry says a seed should do.** 76% of the cohort has more than \$100 million in assets today, and 89% has more than \$50 million. Only two of the 136 Section 351 ETFs ever launched have closed or merged (1.5%), against 146 active ETF closures in 2025 alone, roughly 5% of the active ETF universe in a single year. Bloomberg Intelligence reports that the average ETF liquidated in 2026 lasted just one year and nine months, half the 2025 average. Morningstar estimates the breakeven for an active ETF at roughly \$33 million. Only 6 of the 101 funds sit below that level.

The bottom line. A Section 351 exchange does not make a strategy better. It makes a fund business viable on day one. The cohort performs like the rest of active management and grows like a well-distributed

product. That combination explains why launches have accelerated from 9 in 2023 to 54 in 2025 and 31 in the first eight months of 2026.

2. Introduction

The ETF industry has a well-known survival problem. Morningstar counted close to 1,000 active ETF launches in 2025, a record, alongside 146 active ETF closures, also a record. Most of the funds that closed had less than \$25 million in assets. An independent sponsor that launches with a few million dollars of house money faces years of marketing spend before the fund covers its fixed costs, and most never get there.

Section 351 conversions change the starting line. Instead of listing at zero, a sponsor pools separately managed accounts, family office holdings or other appreciated portfolios and contributes them in kind to a new ETF. The contributors receive ETF shares with carryover basis and defer the capital gains tax they would otherwise owe on selling the stock. The ETF lists with scale, sometimes with hundreds of millions of dollars, and the sponsor has a product it can distribute immediately.

This has drawn attention on two fronts. Bloomberg News has described the structure as a customized tax shelter for the wealthy, and Treasury officials and at least one senator have signaled interest in narrowing it. Wealth managers see something different. To them the exchange is a valuable tax-aware investment tool for clients with concentrated, low-basis positions, and at the same time a way to gather assets into a single vehicle and earn fees on them. Both descriptions can be true at once, and neither has been tested against fund-level data on what happens after the listing.

So far the strategy has been the province of independent RIAs and smaller ETF issuers. None of the four largest ETF sponsors has executed one. That matters for how the results should be read. The funds in this study were launched by firms that had to make each one count.

This report asks three questions that the public debate has not answered with numbers.

- **Are these good funds?** Do 351 ETFs beat their benchmarks more or less often than active funds in general?
- **Are they real products?** Once listed, do they attract new investors, or do they sit as parking lots for the assets that seeded them?
- **Does the seed help?** How does the post-launch experience of a 351 ETF compare with the experience of an ordinary ETF launched by a small or mid-sized sponsor?

We answer these questions with a verified database of every Section 351 ETF we could identify from SEC filings and press reports, together with launch assets, current assets, fund returns and benchmark returns for each fund. The tone is analytical. Where we speculate about motives, we say so.

3. Methodology and Data

3.1 What counts as a Section 351 ETF

This study is limited to ETFs seeded through a Section 351 exchange, meaning an in-kind contribution of appreciated securities by investors in exchange for fund shares. It excludes mutual fund-to-ETF conversions,

which change the wrapper of an existing pooled vehicle and involve no new contributors, and it excludes ordinary cash seeding by market makers or sponsors. Bloomberg News applied a similar boundary in its 2026 analysis, which excluded mutual fund reorganizations and required explicit confirmation of a tax-free contribution in SEC filings.

A fund enters the ExchangiFi master database when at least one of the following holds.

- Its SEC filings (N-1A, 485APOS, 485BPOS, 497, N-CSR or N-CSRS) contain explicit Section 351 language, such as an "In-Kind Contribution Risk" or "Code Section 351 Tax Risk" factor, or a statement that assets were contributed in a transaction intended to qualify under Section 351.
- It listed with day-one assets of \$10 million or more. We treat this threshold as evidence that the listing involved more than the initial creation unit purchased by the market maker or authorized participant, which is the normal way a new ETF opens for trading.
- The sponsor confirmed the transaction publicly, in a press release, a launch announcement or reporting by a major news organization.

Each fund carries a confidence score. High means explicit filing language plus the day-one asset anomaly. Medium means one of the two with credible corroboration. Low means a partial or uncorroborated match. Boilerplate references to Section 351 that appear in custody fee schedules and creation-unit ownership disclosures were identified and excluded. The fund list and seed figures were verified against the work of Bloomberg's ETF Research Desk, whose 2026 analysis of Section 351 conversions used the same filing-based definition.

3.2 The analysis cohort

The master database holds 134 live 351 ETFs and 88 funds in registration or announced. To measure performance and flows fairly we applied four screens.

1. **Live and trading.** Pipeline, announced and withdrawn funds are excluded.
2. **Listed in the second quarter of 2026 or earlier.** Every fund in the cohort has at least two months of trading history and most have more than a year. The window was set to capture the Dimensional US Large Cap Core Equity Market ETF (DFAL), which listed on June 22, 2026 with \$1.05 billion and is the largest launch by a major systematic manager to date. Annualized figures for the youngest funds are noisier than for the rest of the cohort and we note where that matters.
3. **At least \$10 million at listing.** This removes funds where the 351 contribution was immaterial and where small-number effects would distort percentage growth.
4. **Complete and reliable data.** Launch AUM, current AUM, annualized fund return and annualized benchmark return must all be available. Two otherwise eligible funds were dropped because a reliable current AUM figure could not be confirmed.

The result is a cohort of 101 ETFs. 97 carry a verified 351 designation, 18 are high confidence, 79 medium and 4 low. The median fund has traded for 1.2 years and the mean is 1.6 years. The oldest fund listed in June 2019 and the youngest in June 2026.

3.3 Benchmarks and returns

Fund returns are annualized total returns from the listing date to September 4, 2026. Each fund is compared with a total return index matched to its category. US large-cap and all-cap equity funds and multi-asset funds are measured against the Nasdaq US 500 Large Cap Total Return Index, which tracks the S&P 500 total return within a few basis points a year. Small- and mid-cap funds are measured against the Nasdaq US Small Cap Total Return Index. Both series are sourced from FRED and the benchmark window starts at the close on each fund's listing date.

The four fixed income funds are measured against the Bloomberg US Aggregate Bond Index, approximated from the published total returns of the iShares Core U.S. Aggregate Bond ETF (AGG) over each fund's holding period. AGG returned 3.8% for the twelve months to June 30, 2026 and was roughly flat for the first eight months of 2026, which we apply as an annualized hurdle of about 3.2% for the June 2025 bond launches and about 0.4% for the December 2025 launch. These are approximations and the fixed income results should be read as directional.

One further limitation applies. International and hedged strategies are benchmarked against the US large-cap index because category-matched daily total return series were not available in this run. This overstates the hurdle somewhat for those funds. We flag them throughout and report the US equity subset separately where it changes the conclusion.

3.4 Measuring organic growth

An ETF's assets change for two reasons. The portfolio goes up or down, and investors create or redeem shares. We isolate the second effect by asking what the seed capital would be worth today if it had simply earned the fund's own return since listing, and then comparing that figure with actual assets today.

Organic net inflow = Current AUM minus (Seed AUM multiplied by the fund's cumulative total return since listing). We express it in dollars and as a percentage of seed capital. A positive figure means investors bought more shares than they redeemed. A negative figure means net redemptions.

This measures creations net of redemptions directly. As a conservative cross-check, Section 6 also shows the result of a stricter test that compares each fund with its benchmark rather than its own return. That version treats any underperformance as if it were an outflow, so it understates organic growth for funds that lag the index. Both methods point the same way.

Current AUM figures are a mix of sponsor-reported assets and market capitalization proxies as of August 31, 2026, updated where a dated sponsor or tracker figure was available. Launch AUM is the value at the listing date. Because seed portfolios are typically contributed a few days before listing, the listing value already includes a few days of market movement. The effect on the results is immaterial.

3.5 Sponsors, platforms and data gaps

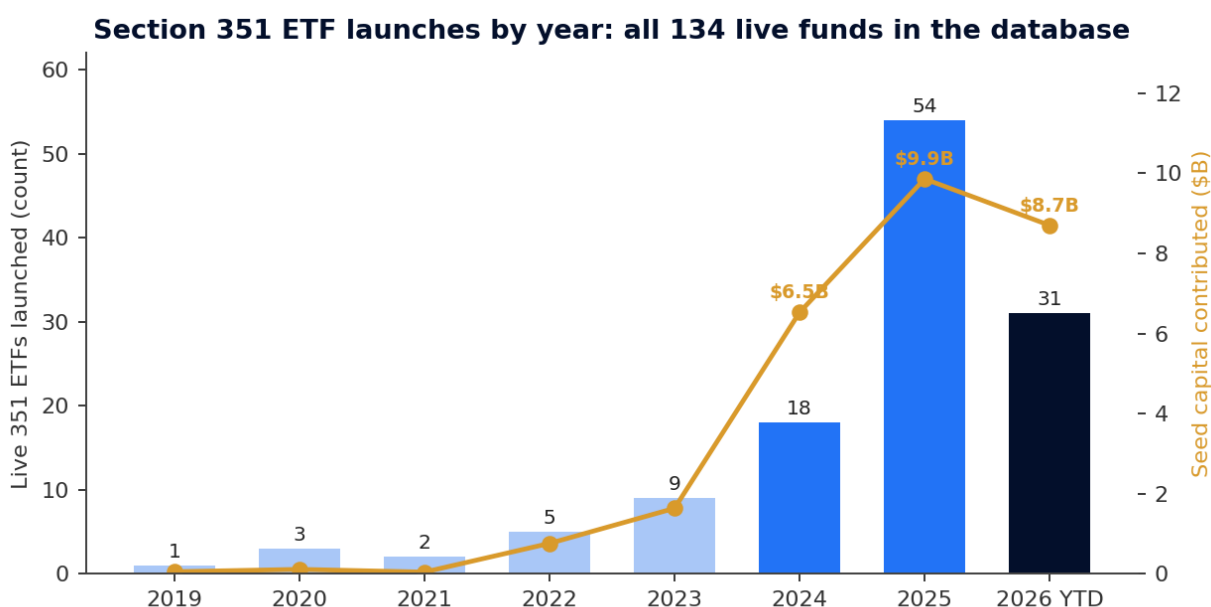
Several funds in the cohort were launched on white-label ETF platforms such as Tidal Financial Group, ETF Architect (EA Series Trust) and Twin Oak. The platform is the adviser of record, but the strategy and the contributed assets belong to a sub-adviser or an underlying client. Throughout this report we attribute each fund to the firm whose clients contributed the assets, not to the platform. The three Twin Oak funds were each seeded by a separate family office that is not named in public filings, so each is counted as its own sponsor. Alpha Architect is a special case: it operates the EA Series Trust platform for others and has also launched four 351 ETFs of its own, three of which fall inside this cohort.

The database does not capture expense ratios, so fee analysis in Section 4 relies on industry averages rather than fund-level data. It also does not capture the dollar value of deferred gains, which sponsors do not disclose consistently. Neither gap affects the performance or flow results.

4. The Section 351 ETF Landscape

4.1 A product category that did not exist four years ago

The 351 conversion is not new law, but it is a new product. The database contains one live fund from 2019, three from 2020, two from 2021 and five from 2022. The category took off in 2024 and 2025. Of the 134 live funds, 85 listed in 2025 or the first eight months of 2026, and those 85 funds account for \$18.6B of seed capital, more than the \$9.1B contributed in all prior years combined.



Source: ExchangeFi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 1. Live Section 351 ETF launches by year, all 134 live funds in the master database. Bars show fund count. The line shows seed capital contributed at listing. 2026 is year to date through September 4.

Table 1. Section 351 ETF launches by year (all live funds in the database)

Launch year	Live funds launched	Seed capital at listing	Median seed
2019	1	\$0.05B	\$53M
2020	3	\$0.11B	\$11M
2021	2	\$0.04B	\$22M
2022	5	\$0.76B	\$77M
2023	9	\$1.64B	\$105M
2024	18	\$6.53B	\$86M
2025	54	\$9.86B	\$119M
2026 (YTD)	31	\$8.70B	\$95M

Launch year	Live funds launched	Seed capital at listing	Median seed
Total live	134	\$27.7B	

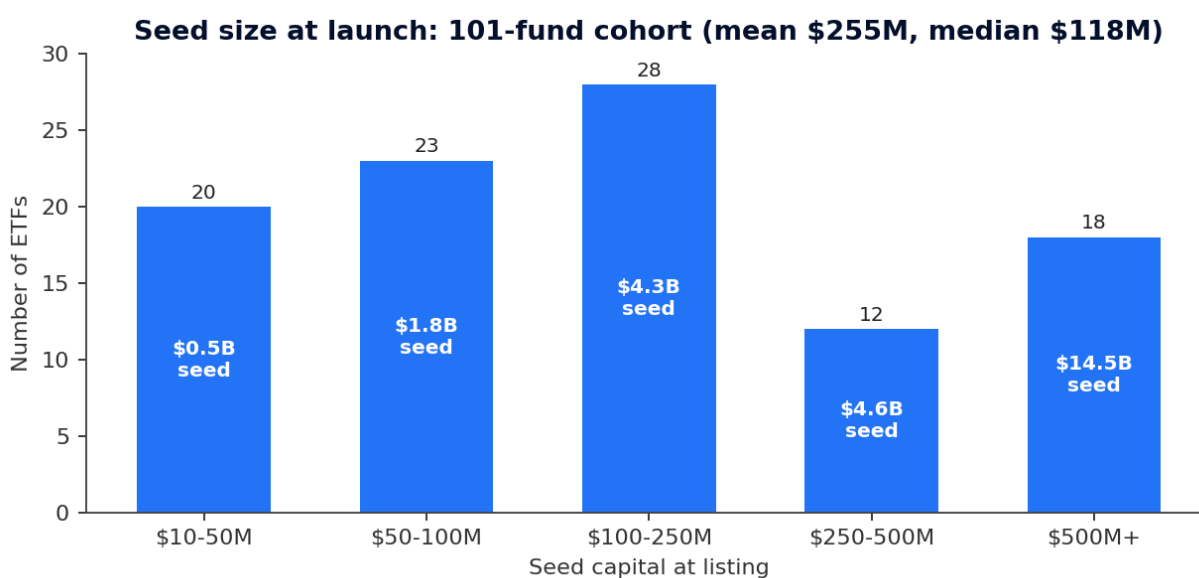
Source: ExchangeFi Section 351 ETF Database. Data as of Sept. 4, 2026.

The pipeline suggests the pace is not slowing. 88 additional funds have filed or been announced with Section 351 language. If even half of them list, 2026 will set a new record for both fund count and seed capital.

4.2 Scale on day one

The defining feature of a 351 ETF is its size at listing. The mean seed in the cohort is \$255M and the median is \$118M. Of the 101 funds, 58 (57%) listed with \$100 million or more and 18 listed with \$500 million or more, and those 18 funds account for 56% of all seed capital in the cohort.

For context, a conventional independent ETF launch typically begins with \$2 million to \$5 million of sponsor or friends-and-family capital. Wirehouse and platform gatekeepers commonly require \$50 million to \$100 million in assets and a trading history before an ETF becomes eligible for their advisors. A median 351 ETF clears both thresholds on its first day.



Source: ExchangeFi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 2. Distribution of seed capital at listing across the 101-fund cohort. Labels inside bars show total seed capital in each bucket.

Table 2. The ten largest 351 ETF launches by seed capital

Ticker	Fund	Listed	Seed	AUM today	Fund return (ann.)	Benchmark (ann.)	Excess	Organic flow	Flow % of seed
EAGL	Eagle Capital Select Equity ETF	Mar 2024	\$1,782M	\$4,552M	15.8%	18.5%	-2.7 pp	\$1,998M	+112%
SQS	Sapient Quality Select ETF	Mar 2026	\$1,240M	\$1,415M	31.0%	40.3%	-9.2 pp	\$4M	0%
DFAL	Dimensional US Large Cap Core Equity Market ETF	Jun 2026	\$1,050M	\$1,160M	27.3%	18.8%	+8.5 pp	\$57M	+5%
AVLC	Avantis US Large Cap Equity ETF	Sep 2023	\$998M	\$1,364M	23.5%	24.0%	-0.5 pp	-\$492M	-49%

Ticker	Fund	Listed	Seed	AUM today	Fund return (ann.)	Benchmark (ann.)	Excess	Organic flow	Flow % of seed
BAFE	Brown Advisory Flexible Equity ETF	Nov 2024	\$913M	\$1,715M	10.4%	17.3%	-6.9 pp	\$626M	+69%
NOEQ	Northern Trust US Equity ETF	Mar 2026	\$865M	\$901M	39.9%	48.4%	-8.6 pp	-\$109M	-13%
SFGV	Sequoia Global Value ETF	Jan 2024	\$767M	\$1,155M	15.4%	21.9%	-6.5 pp	\$36M	+5%
RSMC	Rockefeller US Small-Mid Cap ETF	Oct 2024	\$741M	\$793M	6.6%	19.0%	-12.4 pp	-\$44M	-6%
AVTM	Avantis Total Equity Markets ETF	Jan 2026	\$716M	\$801M	22.7%	20.7%	+1.9 pp	-\$8M	-1%
RGEF	Rockefeller Global Equity ETF	Oct 2024	\$709M	\$836M	20.1%	17.7%	+2.4 pp	-\$162M	-23%

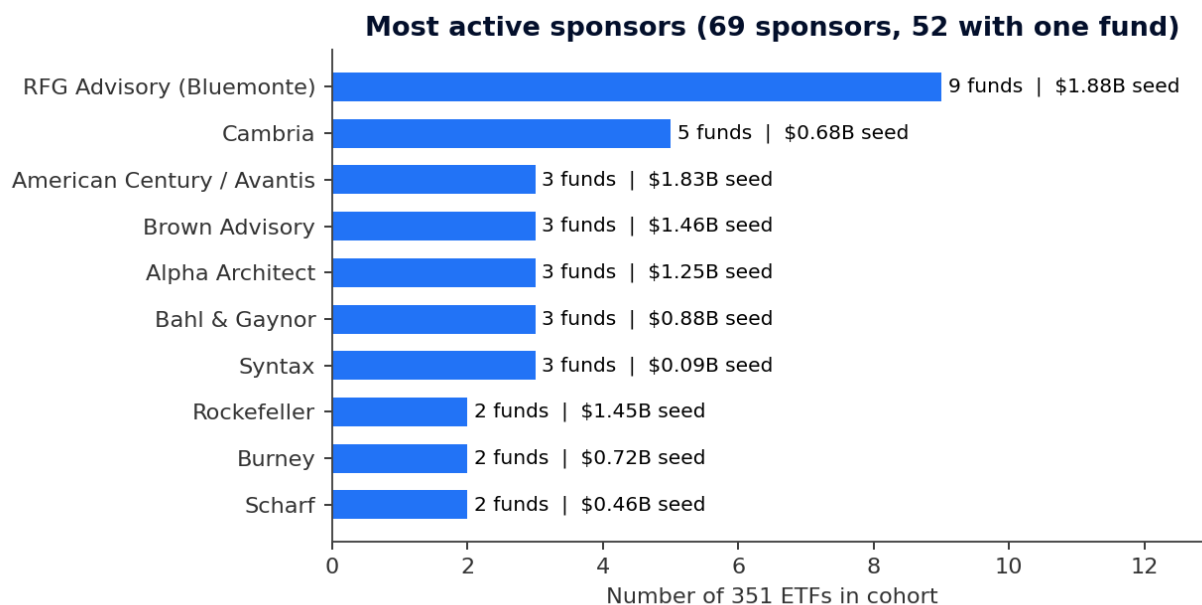
Source: ExchangeFi Section 351 ETF Database. Data as of Sept. 4, 2026.

Concentration is meaningful. The ten largest launches account for 38% of cohort seed capital. Eagle Capital Select Equity ETF (EAGL) contributed \$1,782M in March 2024 and has since grown to \$4,552M, which makes it the largest 351 ETF and the largest organic asset gatherer in the study. Dimensional's DFAL, at \$1.05 billion, is the first billion-dollar 351 launch by a systematic manager and the clearest signal yet that larger institutions are entering the category.

4.3 Who is doing this

Section 351 issuance is not a mega-issuer game. The cohort comes from 69 distinct sponsors, counting each of the three Twin Oak family office funds separately, and 52 of those (75%) have exactly one fund. The largest issuer by count is RFG Advisory, an RIA platform whose Bluemonte fund family converted nine client strategies into ETFs on a single day in June 2025. Cambria has five, four of them tax-driven equal-weight and tax-aware products. American Century's Avantis, Brown Advisory, Alpha Architect, Bahl & Gaynor and Syntax each have three.

The absence of BlackRock, Vanguard, State Street and Invesco is notable. Those firms have little need for a tax-driven seed, and their clients are largely already in ETFs. The issuer base instead consists of registered investment advisers and boutique asset managers with established SMA books: Eagle Capital, Kovitz, Sequoia Financial, Rockefeller, Brown Advisory, Scharf, Polen, GQG and AllianceBernstein. Dimensional and Northern Trust, both of which listed 351 ETFs in 2026, are the first large institutional managers to join them. For these firms the 351 exchange solves a client problem (concentrated, low-basis positions) and a business problem (how to launch an ETF at scale) in one transaction.



Source: ExchangiFi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 3. Sponsors with the most 351 ETFs in the cohort, attributed to the firm whose clients contributed the assets. Labels show fund count and total seed capital.

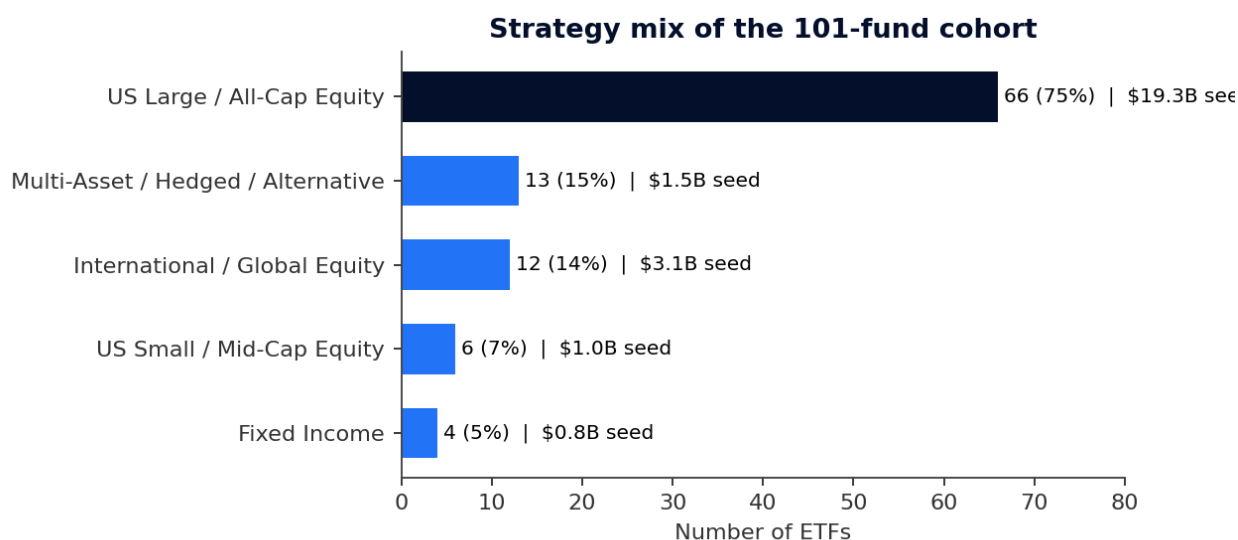
Table 3. Most active sponsors in the cohort

Sponsor	Funds	Seed capital	AUM today	Organic net flow
RFG Advisory (Bluemonte)	9	\$1,877M	\$2,766M	+\$590M
Cambria	5	\$676M	\$706M	-\$77M
American Century / Avantis	3	\$1,833M	\$2,459M	-\$369M
Brown Advisory	3	\$1,456M	\$2,455M	+\$744M
Alpha Architect	3	\$1,254M	\$1,430M	-\$39M
Bahl & Gaynor	3	\$881M	\$1,405M	+\$284M
Syntax	3	\$85M	\$165M	+\$8M
Rockefeller	2	\$1,450M	\$1,629M	-\$205M
Burney	2	\$719M	\$1,273M	+\$330M
Scharf	2	\$464M	\$835M	+\$323M

Source: ExchangiFi Section 351 ETF Database. Data as of Sept. 4, 2026.

4.4 What kind of funds these are

Nearly all funds in the cohort are actively managed. A handful carry index or rules-based names (the three Syntax Stratified funds and Cambria's equal-weight funds), and even those are custom methodologies rather than broad passive trackers. The strategy mix is dominated by core US equity. 66 funds (65%) are US large-cap or all-cap equity strategies, and they hold 75% of the seed capital.



Source: ExchangeFi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 4. Strategy mix of the 101-fund cohort by fund count, with seed capital in each category.

This concentration follows from two things. The first is what investors own. The assets people want to reorganize into an ETF are large, low-basis positions in core US equities, accumulated over decades of holding, through employer stock or from a business sale. The second is how a 351 exchange works. The contributed portfolio must be diversified (no single position above 25%, top five below 50%) and the target fund's strategy must line up with what is being contributed so that the portfolio can be absorbed without heavy selling. A diversified core US equity strategy is the easiest fit for a diversified core US equity portfolio. Niche and thematic products are a harder match, which is why they are rare in the cohort.

Fees

The database does not record expense ratios, so we cannot report cohort-level fee statistics. Public fund documents suggest the range is wide, from index-like fees on the Syntax and Cambria products to fees above 1% on some concentrated boutique strategies. Morningstar reports that US active ETFs carry an average management fee of 67 basis points and an average net expense ratio of 75 basis points. Our reading of the prospectuses in the database is that most 351 ETFs sit in or above that range, which is consistent with their character as former SMA strategies rather than low-cost beta. This is a data gap we intend to close in a future update.

4.5 Does a bigger seed buy better performance?

No. The correlation between the log of seed capital and annualized excess return is 0.05, which is indistinguishable from zero. Underperformance rates by seed bucket are 70%, 65%, 68%, 50% and 78% moving from smallest to largest. Larger seeds tend to come from larger, more established managers, but established managers are no more likely to beat the index than smaller ones.

Table 4. Performance and flows by seed size

Seed at listing	Funds	Seed capital	AUM today	Lag benchmark	Median excess (ann.)	Positive flow	Median organic flow	Organic flow (\$)
\$10-50M	20	\$0.5B	\$1.3B	70%	-2.8 pp	80%	+16%	\$648M

Seed at listing	Funds	Seed capital	AUM today	Lag benchmark	Median excess (ann.)	Positive flow	Median organic flow	Organic flow (\$)
\$50-100M	23	\$1.8B	\$3.1B	65%	-4.5 pp	70%	+15%	\$769M
\$100-250M	28	\$4.3B	\$7.4B	68%	-2.9 pp	75%	+22%	\$1,749M
\$250-500M	12	\$4.6B	\$6.2B	50%	-1.6 pp	75%	+16%	\$578M
\$500M+	18	\$14.5B	\$21.3B	78%	-2.7 pp	50%	0%	\$2,559M

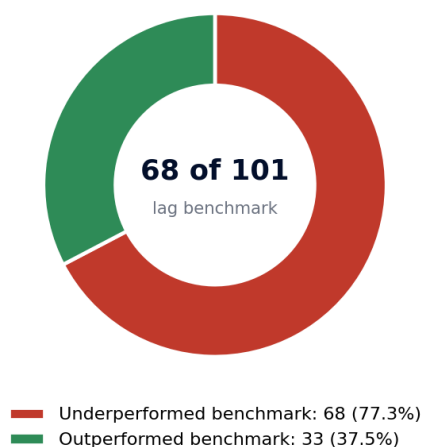
Source: Exchangifi Section 351 ETF Database. Data as of Sept. 4, 2026.

5. Performance: How 351 ETFs Compare With the Rest of the Market

5.1 The headline

Of the 101 funds, 68 (67.3%) have delivered a lower annualized return than their benchmark since listing and 33 (32.7%) have beaten it. The mean fund return is 18.5% a year against a mean benchmark return of 20.7%, a gap of 2.2 percentage points. The median gap is 2.7 percentage points.

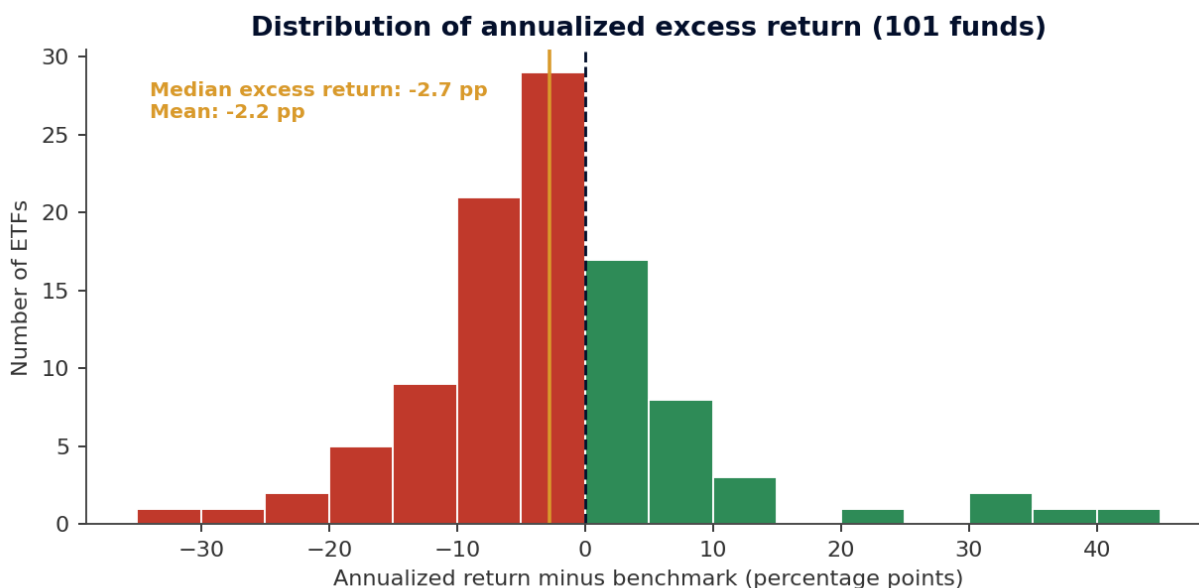
Annualized return vs. benchmark since listing



Source: Exchangifi Section 351 ETF Database, data as of Sept. 4, 2026.

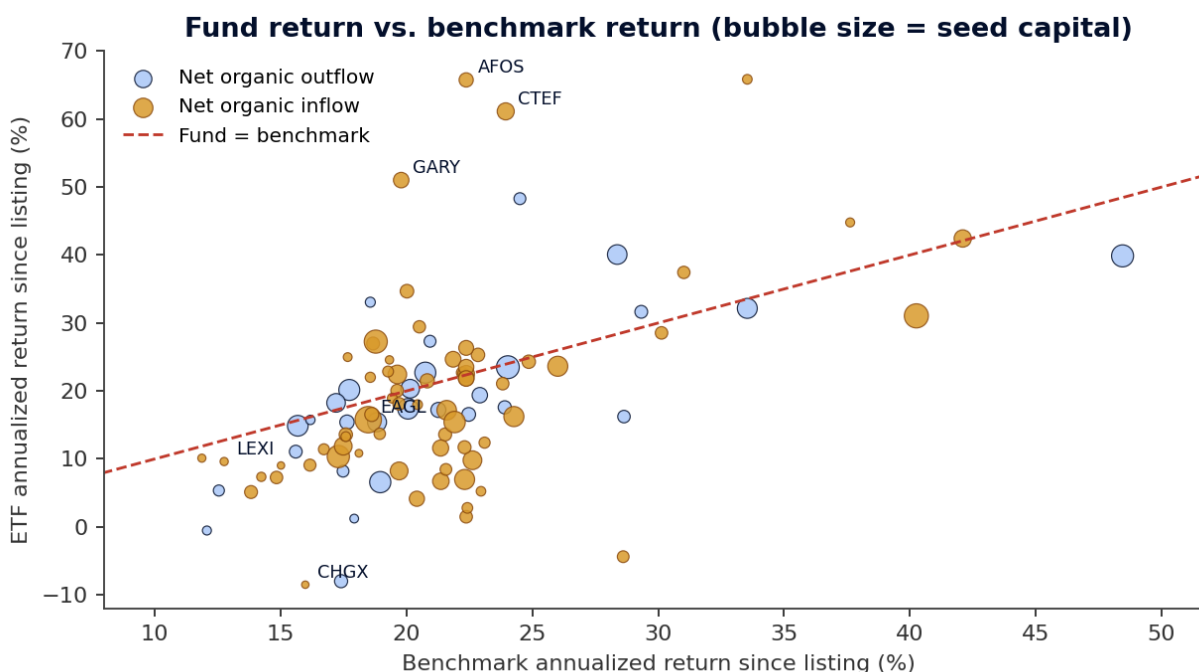
Figure 5. Share of the cohort that has underperformed or outperformed its benchmark on an annualized basis since listing.

The distribution is skewed. Only 24 funds (24%) beat their benchmark by more than two percentage points a year, and 39 funds (39%) trail by more than five. The interquartile range of excess return runs from -7.6 pp to +1.2 pp. The tails are wide. ARS Focused Opportunities (AFOS) and Castellan Targeted Equity (CTEF) have beaten the index by more than 35 percentage points a year over roughly 15 months, while M.D. Sass Concentrated Value (SASS), Polen Capital Focus Growth (PCLG) and Stance Sustainable Beta (CHGX) trail by 24 to 33 points.



Source: Exchangifi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 6. Distribution of annualized excess return (fund return minus benchmark return) across the 101 funds.



Source: Exchangifi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 7. Each fund's annualized return plotted against its benchmark's annualized return over the same window. Points above the dashed line beat the benchmark. Bubble size is proportional to seed capital. Gold points have attracted net organic inflows.

5.2 Results by strategy, including fixed income

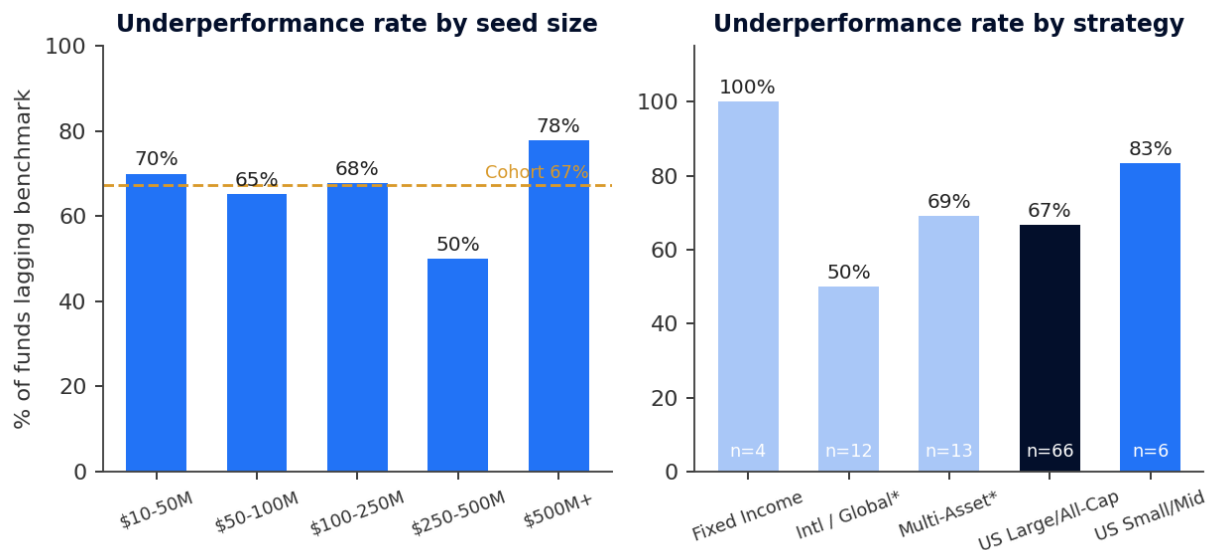
Restricting the sample to the 72 US equity funds with a directly matched benchmark, 49 (68.1%) underperform, and the mean shortfall is 2.1 percentage points a year. The conclusion does not change. International and global funds do best on paper (50% underperform) partly because non-US equities have outpaced the US index over parts of the window, so that result should be read with care.

The four fixed income funds, the three RFG Advisory bond ETFs and Voya Multi-Sector Income (VMSB), all trail the aggregate bond benchmark. Measured against an approximate Bloomberg US Aggregate return, the RFG bond funds lag by roughly 4 to 6 percentage points a year and VMSB by about 4 points. All four posted negative absolute returns in a period when the aggregate index was modestly positive, which suggests duration or credit positioning that ran against the market rather than a benchmark mismatch.

Table 5. Fixed income 351 ETFs against an aggregate bond benchmark

Ticker	Fund	Listed	Seed	AUM today	Fund return (ann.)	AGG proxy (ann.)	Excess	Flow % of seed
BDBT	Bluemonte Core Bond ETF	Jun 2025	\$405M	\$480M	-1.2%	3.2%	-4.4 pp	+20%
BLTD	Bluemonte Long Term Bond ETF	Jun 2025	\$139M	\$112M	-2.5%	3.2%	-5.7 pp	-16%
BLST	Bluemonte Short Term Bond ETF	Jun 2025	\$144M	\$166M	-1.0%	3.2%	-4.2 pp	+17%
VMSB	Voya Multi-Sector Income ETF	Dec 2025	\$107M	\$307M	-3.6%	0.4%	-4.0 pp	+190%

Source: ExchangiFi Section 351 ETF Database. Benchmark approximated from published total returns of the iShares Core U.S. Aggregate Bond ETF (AGG) over each fund's holding period.



Source: ExchangiFi Section 351 ETF Database, data as of Sept. 4, 2026. *Benchmarked to a US large-cap total return proxy. Fixed income be

Figure 8. Underperformance rate by seed size (left) and by strategy category (right). Categories marked with an asterisk are benchmarked to a US large-cap proxy.

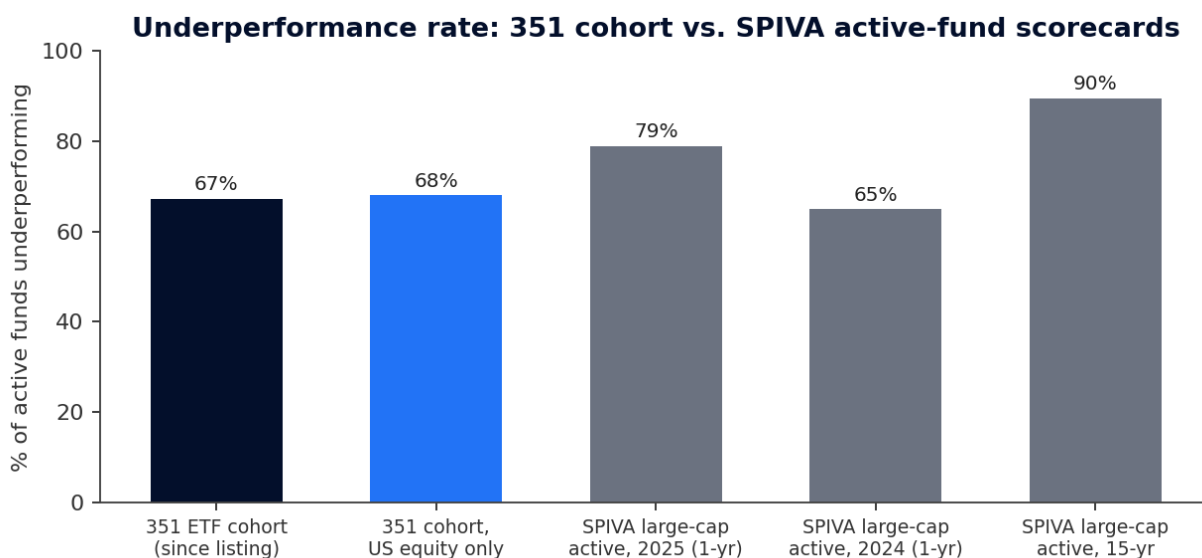
Table 6. Performance and flows by strategy category

Strategy	Funds	Seed capital	AUM today	Lag benchmark	Median excess (ann.)	Positive flow	Median organic flow	Organic flow (\$)
Fixed Income	4	\$0.8B	\$1.1B	100%	-4.3 pp	75%	+18%	\$285M
International / Global Equity	12	\$3.1B	\$4.2B	50%	+0.2 pp	67%	+10%	\$216M
Multi-Asset / Hedged / Alternative	13	\$1.5B	\$2.5B	69%	-4.5 pp	54%	+2%	\$624M
US Large / All-Cap Equity	66	\$19.3B	\$30.1B	67%	-2.7 pp	74%	+15%	\$5,050M
US Small / Mid-Cap Equity	6	\$1.0B	\$1.3B	83%	-7.3 pp	67%	+21%	\$126M

Source: ExchangiFi Section 351 ETF Database. International and multi-asset funds are benchmarked to a US large-cap total return proxy, which overstates their hurdle. Fixed income is benchmarked to an approximate Bloomberg US Aggregate return.

5.3 Same as active management, not worse

A 67% underperformance rate sounds damning until it is placed next to the rest of the industry. S&P Dow Jones Indices' SPIVA U.S. Scorecard found that 79% of active large-cap US equity funds underperformed the S&P 500 in 2025, the fourth-worst year for active managers in the scorecard's 25-year history, and 65% underperformed in 2024. The long-run average one-year underperformance rate is in the mid-60s. Over 15 years the rate approaches 90%. The SPIVA institutional scorecard finds similar results for SMA and wrap accounts, the very vehicles most 351 ETFs came from.



Sources: ExchangiFi Section 351 ETF Database; S&P Dow Jones Indices SPIVA U.S. Scorecards (year-end 2025 and year-end 2024).

Figure 9. Underperformance rate of the 351 cohort compared with S&P Dow Jones Indices SPIVA U.S. Scorecard results for active large-cap US equity funds.

The window for our cohort (mostly 2024 through 2026) was one of the hardest stretches on record for active managers. A small group of mega-cap stocks drove the index and any manager who was underweight them lagged. Against that backdrop a 67% miss rate is unremarkable. The 351 cohort is neither a collection of superior strategies dressed up for tax reasons nor a collection of inferior ones. It looks like a representative slice of active management.

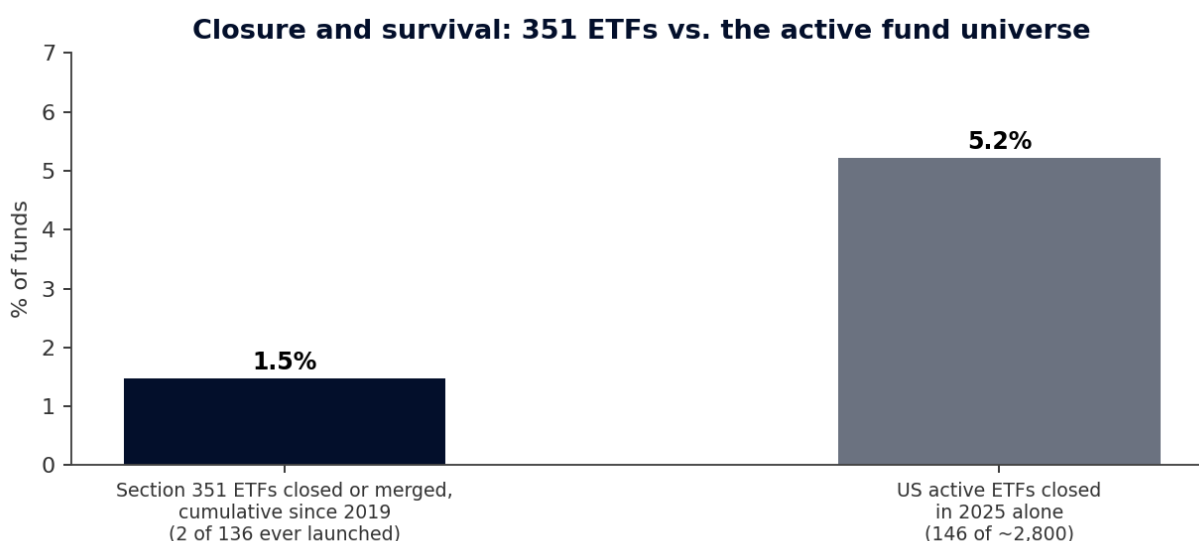
What this means for the "tax shelter versus real fund" debate. If 351 ETFs were purely tax vehicles with no investment merit, we would expect their sponsors to have picked easy-to-run passive or closet-index strategies and to have hit rates near 50%. Instead the funds behave like genuinely active SMA strategies, with wide dispersion and a majority lagging in a difficult period. The performance profile is what you would get if a broad set of existing SMA managers had simply moved their strategies into an ETF wrapper. That is exactly what happened.

5.4 Survival and closures

Since 2019, 136 Section 351 ETFs have listed and two have ceased to exist as standalone funds. The first Stance Capital 351 ETF was merged into another Stance ETF after a shareholder vote, largely because it

launched with too little capital to operate efficiently on its own. We count that as a closure. The PEO AlphaQuest Thematic PE ETF (LQPE), a Tidal-platform fund, was liquidated in March 2026 after poor performance. That is a cumulative closure rate of 1.5% over the life of the category. Three other funds filed 351 language and withdrew their registrations before listing.

The right comparison is with active equity ETFs, not with the whole ETF universe, since leveraged, inverse and single-stock products close at rates that have nothing to do with asset management. Morningstar counted 146 active ETF closures in 2025 alone, about 5% of the roughly 2,800 active ETFs listed in the US, and only six of the funds that closed had more than \$50 million at the start of the year. Morningstar's Q4 2024 Markets Observer estimated that nearly half of active equity ETFs do not generate enough fee revenue to cover their roughly \$250,000 in annual operating costs and are at risk of closure. Its Active/Passive Barometer finds that only about 44% of US large-cap active funds that existed a decade ago are still around today. The window for a new fund to prove itself is also shrinking. Academic work on ETF survival once put the critical period at three years. Bloomberg Intelligence reports that the average ETF liquidated in 2026 lasted one year and nine months, down from three and a half years for funds closed in 2025 and about four years and eight months in 2024, and issuers now describe 12 to 18 month kill metrics as standard practice. A new fund that has not gathered assets within its first year is now a candidate for closure.



Sources: Exchangifi Section 351 ETF Database; Morningstar Manager Research, Active ETF Launches and Closures: 2025 in Review.

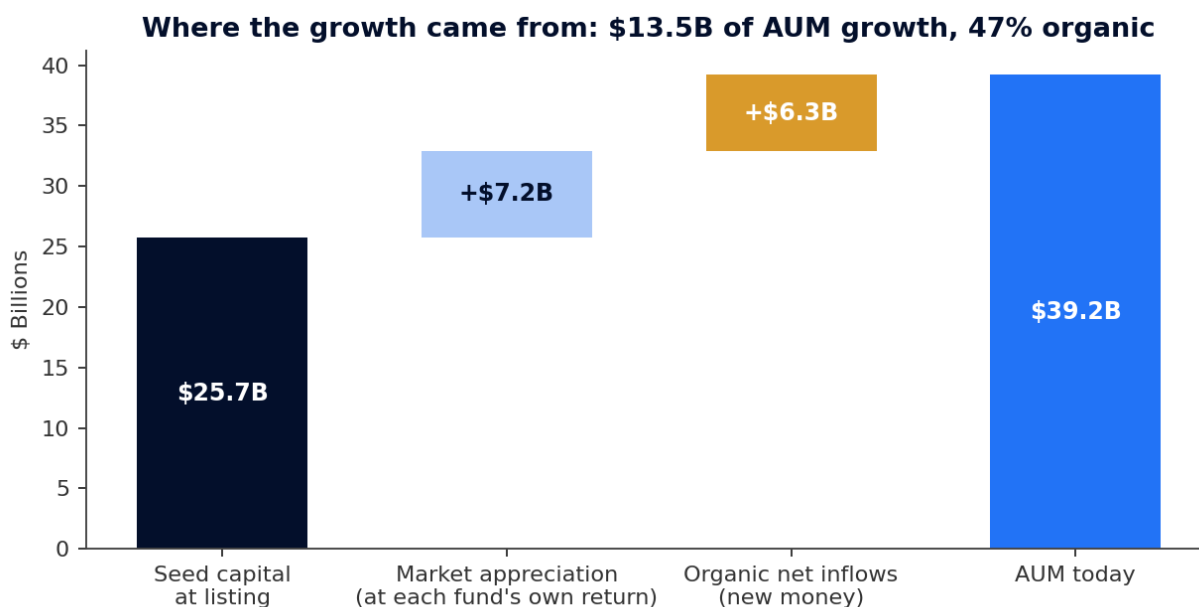
Figure 10. Cumulative closure rate of Section 351 ETFs since 2019 compared with the share of US active ETFs that closed in 2025.

In our cohort, 90 of the 101 funds (89%) hold more than \$50 million today and only 6 hold less than Morningstar's estimated \$33 million breakeven. We would frame this carefully. Contributed assets are sticky because the contributors would realize their deferred gain on selling. A 351 ETF with \$200 million of seed capital and no organic interest is still a viable fund. The seed removes the closure risk that ordinarily culls poor performers. Whether that is good for investors is a fair question. It is unambiguously good for sponsors.

6. Organic AUM Growth: Are These Real Products?

6.1 Decomposing the growth

The 101 funds listed with \$25.7B and hold \$39.2B today, growth of \$13.5B. Compounding the seed at each fund's own return explains \$7.2B of that growth (53%). The remaining \$6.3B (47%) is new money. Investors bought roughly \$1 of new shares for every \$4 of seed capital.



Source: ExchangeFi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 11. Sources of AUM growth in the cohort. Market appreciation is measured at each fund's own return, so organic net inflows reflect creations net of redemptions.

Table 7. Organic growth under two measurement methods

Metric	Fund-return method (primary)	Benchmark method (conservative)
Aggregate seed capital at listing	\$25.75B	\$25.75B
Aggregate AUM today	\$39.21B	\$39.21B
Total AUM growth	\$13.46B	\$13.46B
Growth from appreciation	\$7.16B (53%)	\$8.57B (64%)
Growth from organic net inflows	\$6.30B (47%)	\$4.90B (36%)
Funds with positive organic flow	71 of 101 (70.3%)	63 of 101 (62.4%)
Median organic flow, % of seed	+14.6%	+8.7%
Mean organic flow, % of seed	+66.3%	+41.9%
Funds with organic flow above 10% of seed	55 (54.5%)	50 (49.5%)
Funds with organic flow above 20% of seed	42 (41.6%)	41 (40.6%)
Funds with organic flow above 50% of seed	27 (26.7%)	22 (21.8%)

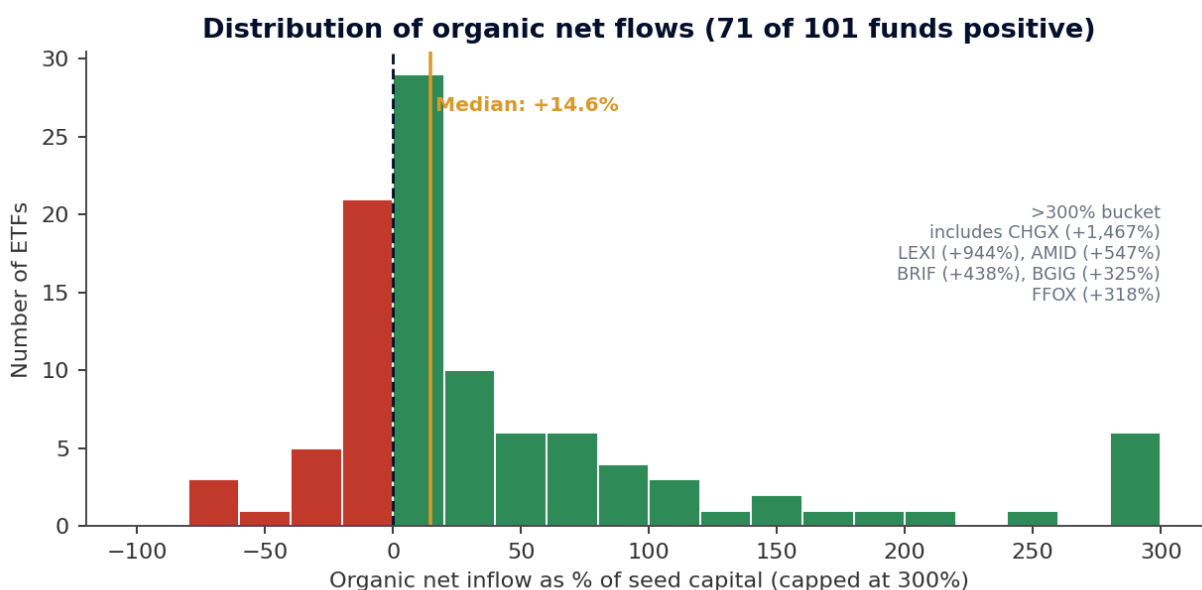
Source: ExchangeFi Section 351 ETF Database. The fund-return method measures creations net of redemptions. The benchmark method treats underperformance as an outflow and is shown only as a conservative cross-check.

Both methods tell the same story. Even under the conservative benchmark method, which counts every basis point of underperformance against the fund, a clear majority of 351 ETFs have taken in new money.

6.2 The distribution of flows

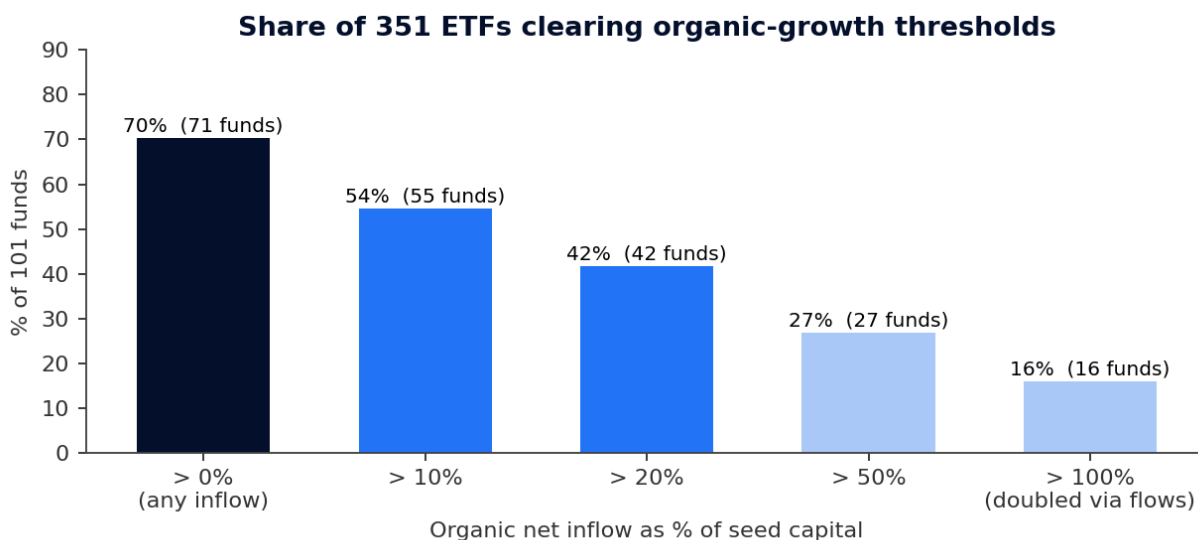
In all, 71 of 101 funds (70.3%) show positive organic net inflows. The median fund has gathered new money equal to 14.6% of its seed, and the median annualized rate is 13% of seed per year. The mean of 66% is pulled far above the median by a handful of funds that started small and became something else entirely. A quarter of the cohort (25 funds) has at least doubled in total assets since listing, and 16 have more than doubled from inflows alone.

The other side of the ledger is real but smaller. Net redemptions show up in 30 funds. Of those, 9 have lost more than 20% of their seed to outflows and 9 hold fewer dollars today than they listed with despite a rising market. Most of the largest outflows come from large launches where a portion of the contributors appear to have diversified out after listing.



Source: ExchangiFi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 12. Distribution of organic net inflows as a percentage of seed capital. Values above 300% are grouped in the final bar.



Source: Exchangifi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 13. Share of the cohort exceeding each organic-growth threshold.

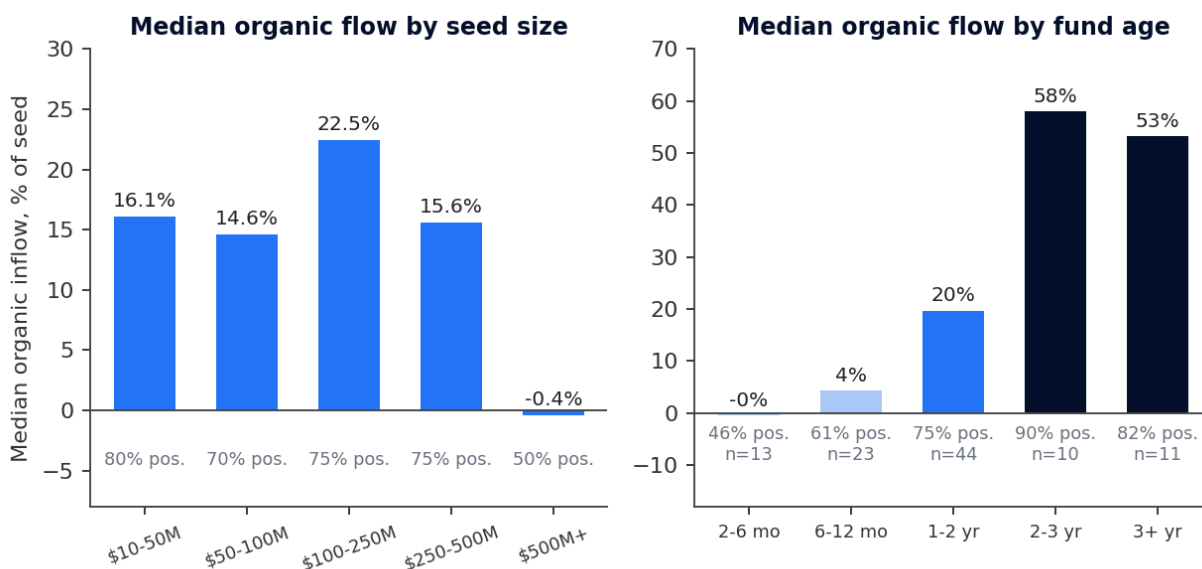
6.3 What seed size and fund age tell us

Seed size and organic growth are inversely related. The rank correlation between seed capital and organic flow as a percentage of seed is -0.24. Funds that listed with \$10 million to \$250 million show median organic growth of 15% to 22% of seed and 70% to 80% of them are positive. Funds that listed with \$500 million or more show a median of roughly zero and only half are positive. In dollar terms the picture reverses: the \$500 million-plus bucket has gathered \$2.6B of new money, more than any other bucket, driven almost entirely by EAGL and Brown Advisory Flexible Equity (BAFE).

We read the two ends of the size spectrum as two different businesses. The largest seeds come from large, established managers such as Brown Advisory, Rockefeller, Avantis, AllianceBernstein and now Dimensional. These firms are moving their own clients into their own new strategies. Much of what looks like organic growth in these funds is the same manager migrating additional client assets into the vehicle over time, and much of what looks like outflow is the original contributors trimming after listing. Neither is third-party distribution in the usual sense.

The smaller seeds, in the \$10 million to \$100 million range, are a different story. Funds like Bahl & Gaynor Income Growth, Burney U.S. Factor Rotation, Argent Mid Cap and FundX Future Fund Opportunities are strategies that had an audience before they had a wrapper, and in most cases were likely to have launched as ETFs regardless. The 351 exchange gave them a running start and the sponsor's existing distribution did the rest. That is a different motivation from the purely tax-driven launches in the cohort, such as Alpha Architect's numbered US Equity series and Cambria's second and forthcoming third Global Equal Weight funds, where each new fund exists to give a fresh group of contributors a tax-deferred exit and nothing about the strategy has changed.

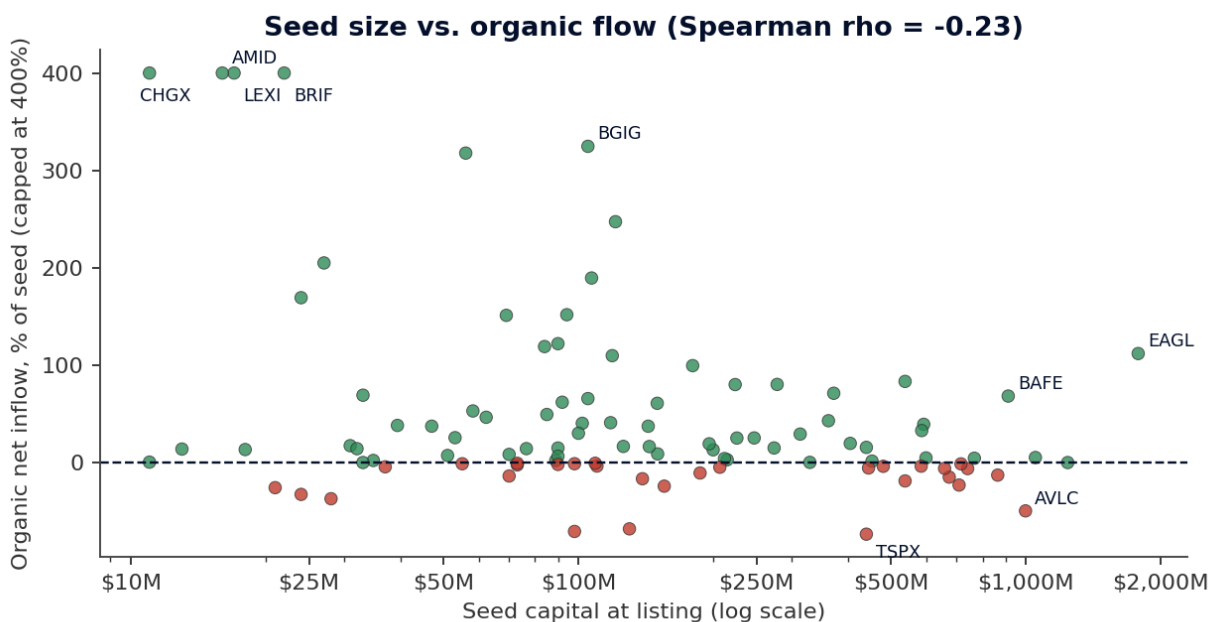
RFG Advisory's nine-fund Bluemonte launch sits in a third category. It was executed for business reasons: consolidating client accounts into a set of ETFs simplified portfolio management across the firm, lowered costs and added operational efficiency. That is the use of Section 351 that the statute was written for, a bona fide reorganization of an existing business into a new entity, and it is worth noting that the Bluemonte funds have since gathered a combined \$590 million of net new money.



Source: Exchangifi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 14. Median organic net inflow as a percentage of seed by seed-size bucket (left) and by fund age (right). Labels below the axis show the share of funds with positive flow and the fund count.

Age matters even more than size. Funds that have traded less than a year show a median organic flow of roughly zero to 4% and only half to 60% are positive. Funds one to two years old show 20% and 75% positive. Funds two to three years old show 58% with 90% positive, and funds older than three years show 53% with 82% positive. Flows compound. The 36 funds that listed between September 2025 and June 2026 have barely started distribution, and their results are the floor rather than the ceiling for the category.



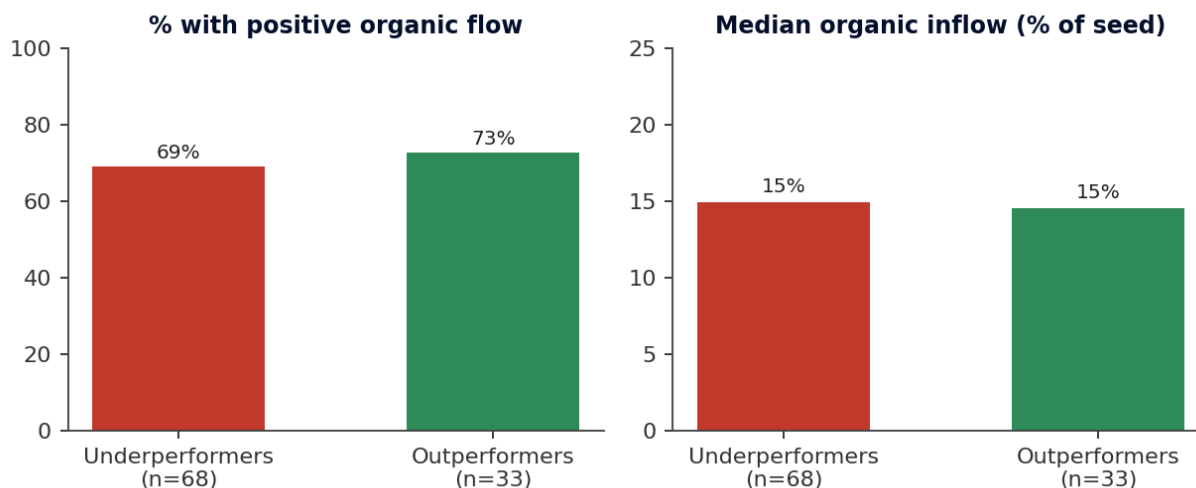
Source: Exchangifi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 15. Seed capital (log scale) against organic net inflow as a percentage of seed. Green points are net inflows, red are net outflows.

6.4 Flows do not follow performance

This is the finding that surprised us most. If investors were buying 351 ETFs on merit, funds that beat their benchmark should be gathering assets faster than funds that lag. They are not. 73% of outperformers and 69% of underperformers show positive organic flow. The median outperformer and the median underperformer have each gathered about 15% of seed. The rank correlation between excess return and organic flow is 0.02, effectively zero. In dollars the underperformers have gathered \$5.1B of new money and the outperformers \$1.2B, roughly in proportion to their seed capital.

Organic flows: outperformers vs. underperformers

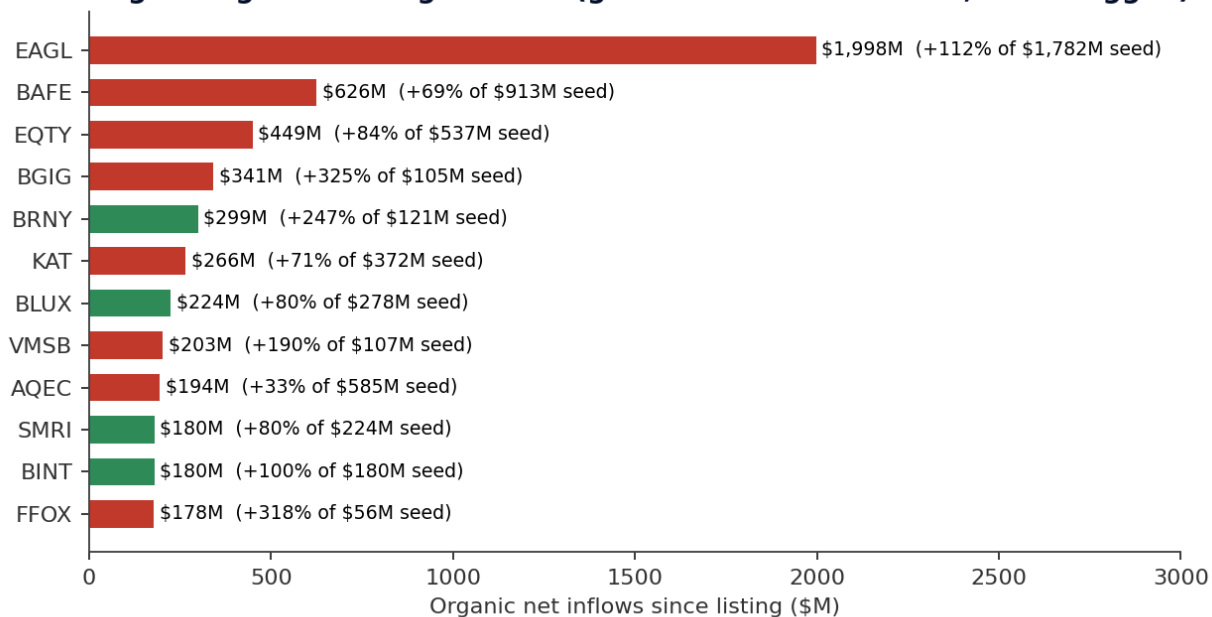


Source: Exchangifi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 16. Organic flow statistics for funds that beat their benchmark versus funds that lagged it.

Eight of the twelve largest organic asset gatherers have underperformed their benchmark. Eagle Capital Select Equity (EAGL) has taken in roughly \$2.0B of new money while trailing the index by 2.7 points a year. Bahl & Gaynor Income Growth (BGIG) has more than quadrupled through inflows while trailing by 7.9 points. Stance Sustainable Beta (CHGX) has grown from \$11 million to \$171 million with a negative absolute return.

Largest organic asset gatherers (green = beat benchmark, red = lagged)



Source: ExchangeFi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 17. The twelve largest organic asset gatherers in dollars. Bar color indicates whether the fund has beaten (green) or lagged (red) its benchmark since listing.

Table 8. Top ten 351 ETFs by organic net inflows in dollars

Ticker	Fund	Listed	Seed	AUM today	Fund return (ann.)	Benchmark (ann.)	Excess	Organic flow	Flow % of seed
EAGL	Eagle Capital Select Equity ETF	Mar 2024	\$1,782M	\$4,552M	15.8%	18.5%	-2.7 pp	\$1,998M	+112%
BAFE	Brown Advisory Flexible Equity ETF	Nov 2024	\$913M	\$1,715M	10.4%	17.3%	-6.9 pp	\$626M	+69%
EQTY	Kovitz Core Equity ETF	Dec 2022	\$537M	\$1,419M	17.2%	21.6%	-4.4 pp	\$449M	+84%
BGIG	Bahl & Gaynor Income Growth ETF	Sep 2023	\$105M	\$494M	13.6%	21.5%	-7.9 pp	\$341M	+325%
BRNY	Burney U.S. Factor Rotation ETF	Oct 2022	\$121M	\$591M	25.3%	22.8%	+2.5 pp	\$299M	+247%
KAT	Scharf ETF	Aug 2025	\$372M	\$669M	8.2%	19.7%	-11.5 pp	\$266M	+71%
BLUX	Bluemonte Dynamic Total Market ETF	Jun 2025	\$278M	\$578M	22.5%	22.4%	+0.1 pp	\$224M	+80%
VMSB	Voya Multi-Sector Income ETF	Dec 2025	\$107M	\$307M	-3.6%	0.4%	-4.0 pp	\$203M	+190%
AQEC	AQE Core ETF	Nov 2025	\$585M	\$811M	7.0%	22.3%	-15.3 pp	\$194M	+33%
SMRI	Bushido Capital US Equity ETF	Sep 2023	\$224M	\$612M	24.7%	21.9%	+2.8 pp	\$180M	+80%

Source: ExchangeFi Section 351 ETF Database. Data as of Sept. 4, 2026.

Table 9. Top ten 351 ETFs by organic net inflows as a percentage of seed

Ticker	Fund	Listed	Seed	AUM today	Fund return (ann.)	Benchmark (ann.)	Excess	Organic flow	Flow % of seed
CHGX	Stance Sustainable Beta ETF	Nov 2024	\$11M	\$171M	-8.5%	16.0%	-24.5 pp	\$161M	+1467%
LEXI	Alexis Practical Tactical ETF	Aug 2021	\$17M	\$188M	9.6%	12.8%	-3.1 pp	\$160M	+944%

Ticker	Fund	Listed	Seed	AUM today	Fund return (ann.)	Benchmark (ann.)	Excess	Organic flow	Flow % of seed
AMID	Argent Mid Cap ETF	Aug 2022	\$16M	\$111M	10.1%	11.9%	-1.8 pp	\$87M	+547%
BRIF	FIS Bright Portfolios Focused Equity ETF	Dec 2024	\$22M	\$129M	25.0%	17.7%	+7.3 pp	\$96M	+438%
BGIG	Bahl & Gaynor Income Growth ETF	Sep 2023	\$105M	\$494M	13.6%	21.5%	-7.9 pp	\$341M	+325%
FFOX	FundX Future Fund Opportunities ETF	Jun 2025	\$56M	\$243M	12.4%	23.1%	-10.7 pp	\$178M	+318%
BRNY	Burney U.S. Factor Rotation ETF	Oct 2022	\$121M	\$591M	25.3%	22.8%	+2.5 pp	\$299M	+247%
STNC	Hennessy Sustainable ETF	Mar 2021	\$27M	\$95M	7.4%	14.2%	-6.9 pp	\$55M	+205%
VMSB	Voya Multi-Sector Income ETF	Dec 2025	\$107M	\$307M	-3.6%	0.4%	-4.0 pp	\$203M	+190%
MNVT	Moonvest ETF	Mar 2026	\$24M	\$69M	44.8%	37.6%	+7.2 pp	\$41M	+169%

Source: ExchangeFi Section 351 ETF Database. Data as of Sept. 4, 2026.

Table 10. Largest organic net outflows in dollars

Ticker	Fund	Listed	Seed	AUM today	Fund return (ann.)	Benchmark (ann.)	Excess	Organic flow	Flow % of seed
AVLC	Avantis US Large Cap Equity ETF	Sep 2023	\$998M	\$1,364M	23.5%	24.0%	-0.5 pp	-\$492M	-49%
TSPX	Twin Oak Active Opportunities ETF	Feb 2025	\$440M	\$247M	18.3%	17.2%	+1.0 pp	-\$322M	-73%
RGEF	Rockefeller Global Equity ETF	Oct 2024	\$709M	\$836M	20.1%	17.7%	+2.4 pp	-\$162M	-23%
NOEQ	Northern Trust US Equity ETF	Mar 2026	\$865M	\$901M	39.9%	48.4%	-8.6 pp	-\$109M	-13%
MIGO	MIG Core ETF	Feb 2026	\$537M	\$542M	40.1%	28.4%	+11.7 pp	-\$100M	-19%
BGDV	Bahl & Gaynor Dividend ETF	Dec 2024	\$674M	\$758M	14.9%	15.7%	-0.8 pp	-\$99M	-15%
ECML	Euclidean Fundamental Value ETF	May 2023	\$130M	\$128M	16.6%	22.5%	-5.9 pp	-\$88M	-68%
SPYC	Simplify US Equity PLUS Convexity ETF	Sep 2020	\$98M	\$115M	11.1%	15.6%	-4.5 pp	-\$69M	-70%

Source: ExchangeFi Section 351 ETF Database. Data as of Sept. 4, 2026.

The pattern points to one conclusion. Asset growth in this category is being driven by the sponsor's existing relationships, brand and sales effort, not by the scoreboard. That is consistent with how advisor-sold products have always worked, and it is consistent with the profile of the sponsors, most of which are wealth managers with a captive base of clients and prospects who were not part of the original contribution. The seed gives them a fund. The advisory business gives them the flows.

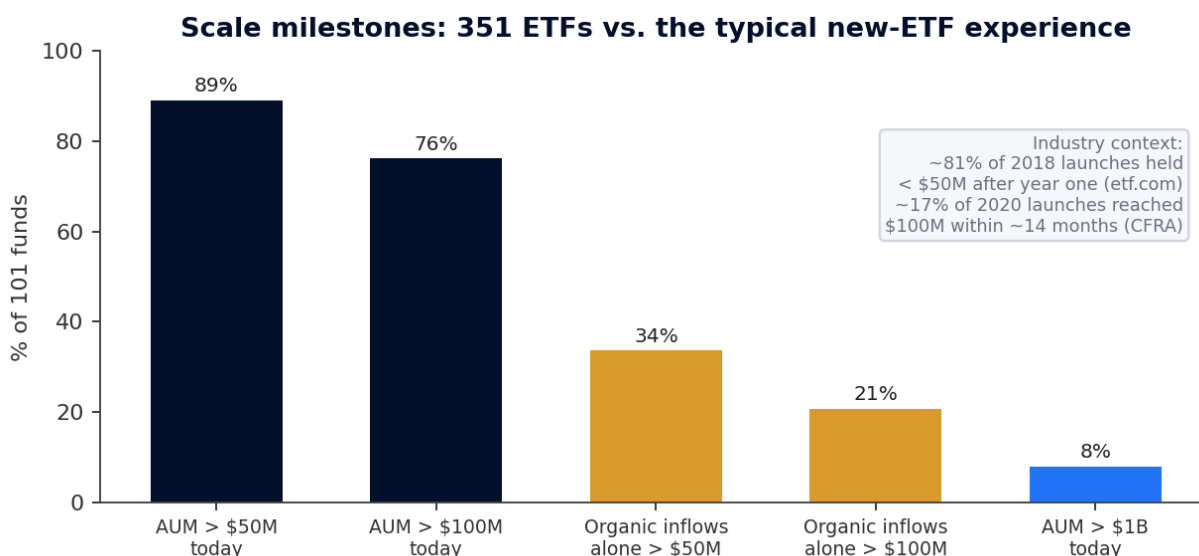
6.5 How this compares with ordinary ETF launches

There is no perfect control group. The closest comparison is the post-launch experience of ETFs from small and mid-sized sponsors that did not have a 351 seed, and the industry data on that experience is sobering.

- An etf.com analysis of launches through 2018 found that 81% of ETFs launched in 2018 held less than \$50 million in assets by year end, and only 2% had reached \$1 billion. It also found that assets at the twelve-month mark strongly predict where a fund ends up, and that expected inflows after "seasoning" largely fail to materialize.

- CFRA found that 17% of the ETFs launched in 2020 had crossed \$100 million within roughly 14 months, and described that as an unusually strong year.
- Morningstar estimates an active ETF needs about \$33 million in assets to cover roughly \$250,000 in annual fixed costs. Of the roughly 150 active ETFs that closed in 2025, most had less than \$25 million.
- Bloomberg Intelligence reports that the average ETF liquidated in 2026 had been trading for one year and nine months, and that issuers increasingly close funds that miss an asset target within 12 to 18 months.

Set against those baselines, the 351 cohort looks like a different species. Today 77 of 101 funds (76%) hold more than \$100 million, and 90 (89%) hold more than \$50 million. The more demanding comparison strips out the seed entirely and asks how much new money each fund has gathered. On that test 34 funds (34%) have attracted more than \$50 million of organic inflows, and 21 (21%) have attracted more than \$100 million. In other words, one in five 351 ETFs has gathered more new money after listing than the typical ordinary ETF launch accumulates in total, and they have done so with a median trading history of 1.2 years.



Sources: Exchangifi Section 351 ETF Database; etf.com "Tough Times For New ETFs" (2019); CFRA via WealthManagement.com (2021).

Figure 18. Share of the cohort clearing asset milestones, with industry baselines for conventional ETF launches.

We would not overstate the causal claim. A 351 sponsor is, by selection, a firm with an existing client base large enough to contribute \$100 million or more of appreciated stock. Such a firm would likely gather more assets than a two-person startup issuer regardless of how it seeded its fund. But the mechanism is still the point. The seed converts a firm's existing book into a listed product, and the listed product then draws in the rest of that firm's clients, prospects and peer advisors. The data show that this second step is happening in roughly seven of every ten cases.

7. Conclusions and Implications

We set out to test two competing narratives about Section 351 ETFs. The first says they are tax shelters wearing an ETF costume, launched for the benefit of a few wealthy contributors and destined to sit idle. The

second says they are legitimate fund launches that happen to start with a tax-efficient seed. The data support a version of the second narrative that has more nuance than either camp has offered.

7.1 What the data say

1. **These are ordinary active funds with an extraordinary starting point.** The cohort's 67% underperformance rate matches the SPIVA record for active managers over the same period. Dispersion is wide, and there is no relationship between seed size and results. A 351 exchange does not produce alpha and it does not conceal a lack of it.
2. **The seed removes the launch risk that kills most ETFs.** 89% of the cohort sits above \$50 million and only two of the 136 Section 351 ETFs ever launched have closed or merged. In an industry where a record number of active ETFs closed last year, mostly for lack of assets, that is the single biggest structural difference the mechanism creates.
3. **Seven in ten funds are gathering outside money, and the money follows distribution rather than performance.** 70% of funds show positive organic inflows. The median fund has added 15% of its seed in new money. Outperformers and underperformers gather assets at the same rate. The flows are coming from advisors and clients who trust the sponsor, not from investors screening for returns.
4. **Growth compounds with time.** Funds older than two years show median organic growth above 50% of seed. Funds under a year old have barely begun. The 36 funds that listed in the last twelve months, which include the largest institutional launches to date, are the ones to watch.

7.2 Speculation, labeled as such

The following are our interpretations rather than findings.

- **The "would it have launched anyway" question has a partial answer.** For sponsors like Eagle Capital, Brown Advisory, Polen, GQG, AllianceBernstein, Avantis and Dimensional, the strategies existed and the firms had the resources to launch ETFs by other means. The 351 exchange changed the timing and the scale, not the decision. For the 52 single-fund sponsors in the cohort, the exchange almost certainly was the decision. Without a \$50 million to \$200 million seed, most of those firms would not have launched an ETF at all.
- **The seed subsidizes the distribution budget.** A \$150 million fund at 75 basis points generates roughly \$1.1 million a year in fees from day one. That covers the fund's fixed costs several times over and funds the wholesaling, marketing and platform onboarding that an ordinary launch cannot afford until it has grown. The organic flows we observe are, in part, the return on that reinvested revenue.
- **Regulatory risk is the main threat to the category, not fund economics.** The pipeline of 88 funds and the acceleration in 2025 and 2026 suggest sponsors are moving quickly in case Treasury or Congress narrows the rule. If the diversification requirements are tightened or the exchange is restricted to certain contributors, the flow of new launches would slow sharply. Existing funds would be unaffected and would keep their sticky base.
- **The next wave will be institutional.** Every large wealth platform holds billions of dollars of appreciated SMA and taxable brokerage assets. The firms that have executed 351 conversions so far are boutiques, mid-sized RIAs and, in the last few months, a first handful of large managers. The playbook is now well documented, the service provider ecosystem exists, and the data in this report show the funds survive

and grow. We expect wirehouses, national RIAs and large asset managers to move from watching to launching, and to do so at a scale that makes the current \$28 billion look small.

7.3 Implications for different readers

For ETF issuers and asset managers. The ETF industry has spent a decade launching every strategy it could think of. Factor, thematic, buffered, single-stock, leveraged, crypto, options income and now sports betting products have all been tried, and most of the obvious white space is gone. What has not been tried at scale is converting the trillions of dollars of appreciated, taxable, separately managed assets already sitting at wealth managers into ETFs. That is the next big wave of asset gathering in the ETF business, and Section 351 is the mechanism. The data suggest the seed should be treated as the beginning of distribution rather than the end. Funds whose sponsors kept selling grew by half or more within two years. Funds whose sponsors treated the listing as a client accommodation drifted.

For wealth platforms and home offices. The fear that 351 ETFs are illiquid parking lots is not borne out. Most are above \$100 million, most are growing, and almost none have closed. Due diligence should focus on the same questions as any active fund: fee, strategy, capacity and manager quality. The seed source is not a performance signal in either direction.

For journalists and policymakers. The tax deferral is real and it accrues to the contributors. But the funds it creates are not shells. They are actively managed, priced like active funds, distributed to the public and, in most cases, growing with money that had nothing to do with the original tax motivation. Any assessment of the policy should weigh the deferred gains against the fact that the mechanism is producing durable, publicly available investment products at a rate the industry has not seen from any other launch model.

Appendix A. Full Cohort Data

All 101 funds in the analysis cohort, sorted by listing date. Sponsor is the firm whose clients contributed the assets. The three Twin Oak funds were each seeded by a separate, unnamed family office. Returns are annualized total returns from the listing date to September 4, 2026. Organic flow is current AUM minus seed capital compounded at the fund's own return, expressed as a percentage of seed capital. Category codes: LC = US large/all-cap equity, SM = US small/mid-cap, INT = international/global, MA = multi-asset/hedged/alternative, FI = fixed income. Categories INT and MA are benchmarked to the US large-cap proxy. FI is benchmarked to an approximate Bloomberg US Aggregate return.

Table 11. Analysis cohort, all 101 funds

Ticker	Fund	Sponsor	Listed	Cat.	Seed	AUM today	Fund ret.	Bench.	Excess	Org. flow
SSPY	Stratified LargeCap Index ETF	Syntax	Jun 2019	LC	\$53M	\$130M	11.4%	16.7%	-5.3 pp	+26%
SSLY	Syntax Stratified SmallCap Index ETF	Syntax	May 2020	SM	\$11M	\$19M	9.0%	15.0%	-6.0 pp	+1%
SPYC	Simplify US Equity PLUS Convexity ETF	Simplify	Sep 2020	MA	\$98M	\$115M	11.1%	15.6%	-4.5 pp	-70%
STNC	Hennessy Sustainable ETF	Stance Capital	Mar 2021	LC	\$27M	\$95M	7.4%	14.2%	-6.9 pp	+205%
LEXI	Alexis Practical Tactical ETF	Alexis Investment Partners	Aug 2021	MA	\$17M	\$188M	9.6%	12.8%	-3.1 pp	+944%
FMCX	FM Focus Equity ETF	First Manhattan	Apr 2022	LC	\$77M	\$123M	9.1%	16.2%	-7.1 pp	+15%
AMID	Argent Mid Cap ETF	Argent Capital Management	Aug 2022	SM	\$16M	\$111M	10.1%	11.9%	-1.8 pp	+547%
BRNY	Burney U.S. Factor Rotation ETF	Burney	Oct 2022	LC	\$121M	\$591M	25.3%	22.8%	+2.5 pp	+247%
EQTY	Kovitz Core Equity ETF	Kovitz	Dec 2022	LC	\$537M	\$1,419M	17.2%	21.6%	-4.4 pp	+84%
ECML	Euclidean Fundamental Value ETF	Euclidean Technologies	May 2023	LC	\$130M	\$128M	16.6%	22.5%	-5.9 pp	-68%
LGRO	Level Four Large Cap Growth Active ETF	ALPS	Aug 2023	LC	\$58M	\$139M	22.7%	22.2%	+0.5 pp	+53%
SMRI	Bushido Capital US Equity ETF	Sepio / Bushido	Sep 2023	LC	\$224M	\$612M	24.7%	21.9%	+2.8 pp	+80%
BGIG	Bahl & Gaynor Income Growth ETF	Bahl & Gaynor	Sep 2023	LC	\$105M	\$494M	13.6%	21.5%	-7.9 pp	+325%
AVLC	Avantis US Large Cap Equity ETF	American Century / Avantis	Sep 2023	LC	\$998M	\$1,364M	23.5%	24.0%	-0.5 pp	-49%
TBFC	The Brinsmere Fund - Conservative ETF	The Brinsmere Funds	Jan 2024	LC	\$274M	\$367M	6.7%	21.4%	-14.6 pp	+15%
TBFG	The Brinsmere Fund Growth ETF	The Milwaukee Company	Jan 2024	LC	\$247M	\$393M	11.6%	21.4%	-9.8 pp	+26%
SFGV	Sequoia Global Value ETF	Sequoia Financial	Jan 2024	INT	\$767M	\$1,155M	15.4%	21.9%	-6.5 pp	+5%
MVPA	Miller Value Partners Appreciation ETF	Miller Value Partners	Jan 2024	LC	\$33M	\$74M	18.0%	20.4%	-2.5 pp	+69%
EAGL	Eagle Capital Select Equity ETF	Eagle Capital	Mar 2024	LC	\$1,782M	\$4,552M	15.8%	18.5%	-2.7 pp	+112%
KEAT	Keating Active ETF	Keating Investment Counselors	Mar 2024	LC	\$62M	\$114M	13.7%	18.9%	-5.2 pp	+47%
TOGA	Tremblant Global ETF	Tremblant	Apr 2024	INT	\$69M	\$188M	8.5%	21.6%	-13.1 pp	+151%
SYUS	Syntax Stratified U.S. Total Market ETF	Syntax	Sep 2024	LC	\$21M	\$16M	1.2%	17.9%	-16.7 pp	-25%
RSMC	Rockefeller US Small-Mid Cap ETF	Rockefeller	Oct 2024	SM	\$741M	\$793M	6.6%	19.0%	-12.4 pp	-6%
RGEF	Rockefeller Global Equity ETF	Rockefeller	Oct 2024	INT	\$709M	\$836M	20.1%	17.7%	+2.4 pp	-23%
CHGX	Stance Sustainable Beta ETF	Stance Capital	Nov 2024	LC	\$11M	\$171M	-8.5%	16.0%	-24.5 pp	+1467%
FMCE	FM Compounders Equity ETF	First Manhattan	Nov 2024	LC	\$70M	\$71M	8.2%	17.5%	-9.3 pp	-14%
BAFE	Brown Advisory Flexible Equity ETF	Brown Advisory	Nov 2024	LC	\$913M	\$1,715M	10.4%	17.3%	-6.9 pp	+69%
BGDV	Bahl & Gaynor Dividend ETF	Bahl & Gaynor	Dec 2024	LC	\$674M	\$758M	14.9%	15.7%	-0.8 pp	-15%
SCDV	Bahl & Gaynor Small Cap Dividend ETF	Bahl & Gaynor	Dec 2024	SM	\$102M	\$153M	5.1%	13.8%	-8.7 pp	+41%
TAX	Cambria Tax Aware ETF	Cambria	Dec 2024	MA	\$28M	\$26M	15.7%	16.2%	-0.4 pp	-37%
BRIF	FIS Bright Portfolios Focused Equity ETF	FIS	Dec 2024	LC	\$22M	\$129M	25.0%	17.7%	+7.3 pp	+438%
ELM	Elm Market Navigator ETF	Elm Partners Management	Feb 2025	MA	\$362M	\$588M	11.9%	17.5%	-5.6 pp	+43%

Ticker	Fund	Sponsor	Listed	Cat.	Seed	AUM today	Fund ret.	Bench.	Excess	Org. flow
TSPX	Twin Oak Active Opportunities ETF	Family office 1 (Twin Oak)	Feb 2025	LC	\$440M	\$247M	18.3%	17.2%	+1.0 pp	-73%
YOKE	Yoke Core ETF	Smart Money Group	Feb 2025	LC	\$143M	\$235M	16.5%	18.6%	-2.1 pp	+38%
EBI	The Longview Advantage ETF	Longview Research	Feb 2025	LC	\$440M	\$669M	22.4%	19.6%	+2.8 pp	+16%
TOV	JLens 500 Jewish Advocacy U.S. ETF	JLens Invest Jewishly	Feb 2025	LC	\$94M	\$268M	20.0%	19.6%	+0.4 pp	+152%
AVUQ	Avantis U.S. Quality ETF	American Century / Avantis	Mar 2025	LC	\$119M	\$294M	24.3%	24.9%	-0.6 pp	+110%
DSPY	Tema S&P 500 Historical Weight ETF Strategy	Tema ETFs	Apr 2025	LC	\$591M	\$1,033M	23.6%	26.0%	-2.4 pp	+40%
ENDW	Cambria Endowment Style ETF	Cambria	Apr 2025	MA	\$98M	\$143M	31.6%	29.3%	+2.3 pp	-1%
RNIN	Bushido Capital US SMID Cap Equity ETF	Sepio / Bushido	May 2025	SM	\$85M	\$171M	37.4%	31.0%	+6.4 pp	+50%
SPYA	Twin Oak Endure ETF	Family office 2 (Twin Oak)	Jun 2025	MA	\$110M	\$131M	17.6%	23.9%	-6.3 pp	-3%
FFOX	FundX Future Fund Opportunities ETF	One Capital Management	Jun 2025	LC	\$56M	\$243M	12.4%	23.1%	-10.7 pp	+318%
CCFE	Concourse Capital Focused Equity ETF	Concourse Capital Advisors	Jun 2025	LC	\$31M	\$38M	5.2%	23.0%	-17.7 pp	+18%
BASG	Brown Advisory Sustainable Growth ETF	Brown Advisory	Jun 2025	LC	\$453M	\$516M	9.8%	22.6%	-12.8 pp	+2%
BASV	Brown Advisory Sustainable Value ETF	Brown Advisory	Jun 2025	LC	\$90M	\$224M	21.1%	23.8%	-2.7 pp	+122%
CTEF	Castellan Targeted Equity ETF	Castellan	Jun 2025	LC	\$313M	\$651M	61.1%	23.9%	+37.2 pp	+30%
CTIF	Castellan Targeted Income ETF	Castellan	Jun 2025	MA	\$105M	\$189M	11.7%	22.3%	-10.6 pp	+66%
BLST	Bluemonte Short Term Bond ETF	RFG Advisory (Bluemonte)	Jun 2025	FI	\$144M	\$166M	-1.0%	3.2%	-4.2 pp	+17%
BLTD	Bluemonte Long Term Bond ETF	RFG Advisory (Bluemonte)	Jun 2025	FI	\$139M	\$112M	-2.5%	3.2%	-5.7 pp	-16%
BVAL	Bluemonte Large Cap Value ETF	RFG Advisory (Bluemonte)	Jun 2025	LC	\$215M	\$279M	21.8%	22.4%	-0.5 pp	+3%
BLGR	Bluemonte Large Cap Growth ETF	RFG Advisory (Bluemonte)	Jun 2025	LC	\$200M	\$284M	23.5%	22.4%	+1.2 pp	+13%
BLUC	Bluemonte Large Cap Core ETF	RFG Advisory (Bluemonte)	Jun 2025	LC	\$226M	\$344M	21.9%	22.4%	-0.5 pp	+25%
BLUX	Bluemonte Dynamic Total Market ETF	RFG Advisory (Bluemonte)	Jun 2025	MA	\$278M	\$578M	22.5%	22.4%	+0.1 pp	+80%
BINT	Bluemonte Global Equity ETF	RFG Advisory (Bluemonte)	Jun 2025	INT	\$180M	\$417M	26.3%	22.4%	+4.0 pp	+100%
BLUI	Bluemonte Diversified Income ETF	RFG Advisory (Bluemonte)	Jun 2025	MA	\$90M	\$105M	1.5%	22.4%	-20.9 pp	+15%
BDBT	Bluemonte Core Bond ETF	RFG Advisory (Bluemonte)	Jun 2025	FI	\$405M	\$480M	-1.2%	3.2%	-4.4 pp	+20%
AFOS	ARS Focused Opportunities Strat. ETF	ARS Investment Partners	Jun 2025	LC	\$150M	\$289M	65.8%	22.4%	+43.4 pp	+9%
GQGU	GQG US Equity ETF	GQG Partners	Jul 2025	LC	\$196M	\$244M	4.1%	20.4%	-16.3 pp	+20%
AAAA	Amplius Aggressive Asset Allocation ETF	Amplius Wealth Advisors	Jul 2025	MA	\$150M	\$279M	21.5%	20.8%	+0.7 pp	+61%
TCV	Towle Value ETF	Towle & Co.	Jul 2025	LC	\$84M	\$213M	29.4%	20.5%	+8.9 pp	+119%
AAUS	Alpha Architect US Equity ETF	Alpha Architect	Jul 2025	LC	\$445M	\$524M	20.3%	20.1%	+0.2 pp	-5%
TIIV	AAM Todd International Intrinsic Value ETF	Advisors Asset Mgmt	Jul 2025	INT	\$18M	\$25M	24.6%	19.3%	+5.2 pp	+14%
DAK	Dakota Active Equity ETF	Dakota Wealth	Jul 2025	LC	\$35M	\$43M	18.9%	19.4%	-0.5 pp	+2%
GKAT	Scharf Global Opportunity ETF	Scharf	Aug 2025	INT	\$92M	\$166M	18.1%	19.7%	-1.6 pp	+62%
KAT	Scharf ETF	Scharf	Aug 2025	LC	\$372M	\$669M	8.2%	19.7%	-11.5 pp	+71%
DUNK	Dana Unconstrained Equity ETF	Dana Investment Advisors	Sep 2025	LC	\$118M	\$182M	13.6%	17.6%	-4.0 pp	+41%
DIVE	Dana Concentrated Dividend ETF	Dana Investment Advisors	Sep 2025	LC	\$33M	\$37M	13.3%	17.6%	-4.3 pp	0%
GEW	Cambria Global EW ETF	Cambria	Sep 2025	INT	\$156M	\$141M	15.4%	17.6%	-2.2 pp	-24%
PCLG	Polen Capital Focus Growth ETF	Polen Capital	Sep 2025	LC	\$109M	\$100M	-8.0%	17.4%	-25.4 pp	0%
ATTR	Arin Tactical Tail Risk ETF	Arin Risk Advisors	Oct 2025	MA	\$89M	\$97M	7.3%	14.8%	-7.6 pp	+2%
AQEC	AQE Core ETF	Arlington Partners	Nov 2025	LC	\$585M	\$811M	7.0%	22.3%	-15.3 pp	+33%
ACEP	ARS Core Equity Portfolio ETF	ARS Investment Partners	Nov 2025	LC	\$73M	\$98M	48.3%	24.5%	+23.8 pp	-2%

Ticker	Fund	Sponsor	Listed	Cat.	Seed	AUM today	Fund ret.	Bench.	Excess	Org. flow
VMSB	Voya Multi-Sector Income ETF	Voya Investment Mgmt	Dec 2025	FI	\$107M	\$307M	-3.6%	0.4%	-4.0 pp	+190%
DVGR	DAC 3D Dividend Growth ETF	Dividend Assets Capital	Dec 2025	LC	\$13M	\$16M	10.8%	18.1%	-7.3 pp	+14%
TMLP	Tortoise MLP ETF	Tortoise Capital	Dec 2025	MA	\$37M	\$44M	33.1%	18.6%	+14.5 pp	-4%
WSGE	Warren Street Global Equity ETF	Warren Street Wealth	Dec 2025	INT	\$39M	\$61M	22.0%	18.6%	+3.4 pp	+38%
AAEQ	Alpha Architect US Equity 2 ETF	Alpha Architect	Dec 2025	LC	\$480M	\$516M	15.4%	18.8%	-3.4 pp	-4%
XCHG	AB US Equity ETF	AllianceBernstein	Dec 2025	LC	\$658M	\$701M	17.4%	20.1%	-2.7 pp	-6%
USEW	Cambria US EW ETF	Cambria	Dec 2025	LC	\$187M	\$190M	17.2%	21.3%	-4.1 pp	-10%
GARY	Mango Growth ETF	Mango Growth	Dec 2025	LC	\$212M	\$293M	51.0%	19.8%	+31.2 pp	+4%
LCO	LOGIQ Contrarian Opportunities ETF	LOGIQ Capital	Jan 2026	LC	\$51M	\$62M	22.9%	19.3%	+3.6 pp	+8%
AVRY	Avory Foundational ETF	Avory & Co.	Jan 2026	LC	\$47M	\$65M	2.8%	22.4%	-19.6 pp	+38%
TOS	Twin Oak Strategic Solutions ETF	Family office 3 (Twin Oak)	Jan 2026	LC	\$126M	\$172M	34.7%	20.0%	+14.7 pp	+17%
AVTM	Avantis Total Equity Markets ETF	American Century / Avantis	Jan 2026	INT	\$716M	\$801M	22.7%	20.7%	+1.9 pp	-1%
BRES	Burney US Equity Select ETF	Burney	Feb 2026	LC	\$598M	\$683M	16.2%	24.3%	-8.0 pp	+5%
MIGO	MIG Core ETF	MIG Capital	Feb 2026	LC	\$537M	\$542M	40.1%	28.4%	+11.7 pp	-19%
SASS	M.D. Sass Concentrated Value ETF	M.D. Sass	Mar 2026	LC	\$70M	\$75M	-4.4%	28.6%	-33.0 pp	+9%
AVOS	Avos Global Equities ETF	Avos Capital	Mar 2026	INT	\$90M	\$108M	28.5%	30.1%	-1.6 pp	+7%
NPFE	NPF Core Equity ETF	NPF Investment Advisors	Mar 2026	LC	\$583M	\$648M	32.1%	33.5%	-1.4 pp	-3%
VPX	Variant Perception Cycle Aware US Equity ETF	Variant Perception	Mar 2026	LC	\$32M	\$46M	65.8%	33.5%	+32.3 pp	+15%
SQS	Sapient Quality Select ETF	Sapient Capital	Mar 2026	LC	\$1,240M	\$1,415M	31.0%	40.3%	-9.2 pp	0%
MNVT	Moonvest ETF	Moonvest	Mar 2026	LC	\$24M	\$69M	44.8%	37.6%	+7.2 pp	+169%
AAUA	Alpha Architect U.S. Equity 3 ETF	Alpha Architect	Mar 2026	LC	\$329M	\$389M	42.4%	42.1%	+0.3 pp	0%
NOEQ	Northern Trust US Equity ETF	Northern Trust	Mar 2026	LC	\$865M	\$901M	39.9%	48.4%	-8.6 pp	-13%
GTND	Goaltender ETF	Ritholtz Wealth Management	May 2026	LC	\$55M	\$55M	5.4%	12.5%	-7.2 pp	-1%
CVGD	CresAlta Global Dividend ETF	CresAlta	May 2026	INT	\$100M	\$138M	27.0%	18.7%	+8.3 pp	+30%
CVSM	CresAlta Small and Mid-Cap ETF	CresAlta	May 2026	SM	\$90M	\$93M	16.2%	28.6%	-12.4 pp	-2%
AQLG	The HCM Large Cap Growth ETF	Highland Capital Mgmt	Jun 2026	LC	\$73M	\$77M	27.3%	20.9%	+6.4 pp	0%
GEQ	Cambria Global EW 2 ETF	Cambria	Jun 2026	INT	\$207M	\$207M	19.4%	22.9%	-3.5 pp	-5%
HRSK	Toews Agility Shares Hedged Risk ETF	Toews Asset Management	Jun 2026	MA	\$24M	\$16M	-0.5%	12.1%	-12.6 pp	-32%
DFAL	Dimensional US Large Cap Core Equity Market	Dimensional Fund Advisors	Jun 2026	LC	\$1,050M	\$1,160M	27.3%	18.8%	+8.5 pp	+5%

Source: Exchangifi Section 351 ETF Database. Data as of Sept. 4, 2026.

Appendix B. Sources

- Exchangifi Section 351 ETF Database (September 2026 run). SEC EDGAR full-text search and company submissions API; sponsor websites, launch announcements and press releases; ETF Database, Trackinsight, StockAnalysis and other market data services for current AUM. Fund list and seed figures verified against the work of Bloomberg's ETF Research Desk.
- Benchmark data: Nasdaq US 500 Large Cap Total Return Index and Nasdaq US Small Cap Total Return Index via FRED (Federal Reserve Bank of St. Louis). S&P 500 price history via Yahoo Finance. Fixed

income benchmark approximated from published iShares Core U.S. Aggregate Bond ETF (AGG) total returns (BlackRock).

- S&P Dow Jones Indices. SPIVA U.S. Scorecard, Year-End 2025 and Year-End 2024. SPIVA Institutional Scorecard, Year-End 2025. U.S. Persistence Scorecard, Year-End 2025.
- Morningstar Manager Research. "Active ETF Launches and Closures: 2025 in Review" (2026). Morningstar Q4 2024 Markets Observer. Morningstar Active/Passive Barometer.
- Cerulli Associates, as reported by 401(k) Specialist. "ETF Launches Outpace Terminations in 2025" (2026).
- ETFGI, as reported by etf.com. "Global ETF Industry Sees Record New Launches in H1 2025" (July 2025).
- etf.com. "Tough Times For New ETFs" (2019) and "ETF Closures Hit 3-Year High in 2023" (January 2024).
- CFRA Research, as reported by WealthManagement.com. "Investors Are Not Waiting to Invest in ETFs" (2021).
- Bloomberg News. "The Latest Tax Dodge for the Ultra-Rich Is a Customized ETF" (2026) and "Millionaires Get Billionaire Tax Trick in \$446 Million ETF" (July 2025).
- Tidal Financial Group, PEO Partners and AlphaQuest. Closure announcement for the PEO AlphaQuest Thematic PE ETF (March 11, 2026).
- Bloomberg Intelligence, as reported by Bloomberg News and WealthManagement.com. "Average ETF Lifespan Collapses With Wall Street Antsy for Scale" (April 2026).
- The Daily Upside. "ETFs Built On Tax Advantage Draw Congressional Scrutiny" (2025).
- Emerald Insight, American Journal of Business. "Exchange Traded Funds and the likelihood of closure" (2020).

Important Disclosures

ExchangiFi LLC is a software and technology provider that operates a platform connecting wealth managers with ETF issuers to facilitate Section 351 exchanges. ExchangiFi is not a registered investment adviser, broker-dealer, or tax advisor, and nothing in this report constitutes investment, legal, or tax advice, or an offer or solicitation to buy or sell any security. ExchangiFi may have commercial relationships with sponsors of funds discussed in this report. Readers should consult their own advisers before acting on any information contained here.

All figures are derived from publicly available sources and market data that ExchangiFi believes to be reliable but has not independently audited. Current AUM figures are a mix of dated sponsor disclosures and market capitalization proxies and may differ from figures reported elsewhere. Fund return and benchmark return figures are annualized from listing date to September 4, 2026 and are not a guarantee of future results. Section 351 tax treatment depends on facts and circumstances, including diversification requirements, and contributors should seek their own tax advice. A Section 351 exchange seeks to defer, not eliminate, capital gains tax.