Evolve Funds Group to enter shifting ETF space

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Despite some of Canada's largest mutual-fund players recently entering the exchange-traded-funds industry, **Evolve Funds Group Inc.** – a small, independent ETF shop – is preparing a launch of its own.
The company will be led by Raj Lala, an industry veteran and former head of Wisdom Tree Canada.

"We named our company Evolve because it represents the changing investing landscape we are in," Mr. Lala said in an interview. "The way investors and their advisers evaluate their portfolios is very different today than five years ago. I believe ETFs have played, and will continue to play, an important role in this."

The company has filed a preliminary prospectus with regulators for the launch of four actively managed, TSX-listed exchange-traded funds: Evolve Active US Core Equity ETF, Evolve Active Short Duration Bond ETF, Evolve Active Canadian Preferred Share ETF and Evolve Active Floating Rate Loan ETF.

Management fees on the funds range from 0.65 per cent to 0.75 per cent and will be managed by several subadvisers which include Nuveen Asset Management, Foyston, Gordon and Payne, and Credit Suisse Asset Management.

While the four funds are actively managed, the company will not be looking at active investments exclusively when launching future products. While Mr. Lala wouldn't say which specific areas of the passive business he will be exploring, he did say there are approximately 20 segments of the market that are not well covered, or are not covered at all.

"We originally were not going to look at offering passive investments, but we believe there's a place for active and passive ETFs in client portfolios," Mr. Lala said. "There are a number of market segments that merit good active management that can generate better risk-adjusted returns."

Launching an independent ETF business during a time when many of Canada's largest asset managers are also entering the market doesn't seem to rattle Mr. Lala – who has launched two other independent businesses throughout his career.

"I've been around for a long time and I remember the mutual-fund industry of the [1990s], and back then, everyone was saying, 'Why would you ever want to start a mutual-fund company in today's environment with so many mutual funds already out there?'" Mr. Lala said.

"But the ones who succeeded were the ones who put together [a] thoughtful, innovative product, were able to generate performance and execute a strong distribution game plan. I believe that holds true for today's ETF space."

Mr. Lala first started his career at AIC Investment Planning Ltd., where he went on to help launch Excel Funds. After deciding he wanted to branch out on his own, he launched a hedge-fund business, Pescara Partners, which was later bought by Jovian Capital. In 2008, he once again got the entrepreneurial itch and left to set up an independent shop that focused on closed-end funds, Propel Capital Corp. After Propel Capital reached $1-billion in assets under management, it was acquired by Fiera Capital Corp. in 2014 and Mr. Lala ran the retail business for just slightly less than two years before moving over to the ETF industry.

In 2016, Wisdom Tree – a large U.S. ETF provider – announced it would be entering the Canadian marketplace and appointed Mr. Lala to lead its Canadian division. But after only eight months, he resigned from the company – much to the industry's surprise.

"It was a fantastic opportunity and they are a well-respected firm, but at the end of the day it just wasn't a great fit for me," he said.

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