Designing a Mutual Funds Sales Team in an ETF World

Executive Summary

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The shift from mutual funds to ETFs isn't just a product evolution—it's a structural and cultural transformation. Mutual fund firms entering the ETF arena face more than just operational hurdles; they must fundamentally rethink how they structure, hire, train, and compensate their sales teams.

This report provides a comprehensive framework for mutual fund managers launching ETF businesses, combining insights from leading industry practices in both Europe and the U.S. with specific recommendations around talent acquisition, team design, and compensation strategy.

From Mutual Fund Sales to ETF Distribution: Understanding the Gap

Traditional mutual fund sales teams excel at long-term relationship building and product storytelling as well as catering for specific investor requirements best implemented in segregate mandates. Compared to that, ETFs—especially active and semi-transparent variants—require a deeper understanding of capital markets, trading mechanics, and real-time client engagement often based on investor use cases.

Unlike mutual funds, where sales cycles are longer and less sensitive to market timing, ETF flows can be driven by intra-day liquidity and pricing precision. Salespeople need to understand trading spreads, creation/redemption mechanisms, and Authorised Participants (AP) dynamics to credibly engage institutional and wealth clients who have become increasingly demanding when it comes to these technicals.

Key Insight: *The skills gap is deeper than it seems. Don't assume your mutual fund sales team can 'just learn' ETFs, make sure they excel in this as well.*

Build the Right Team Model: Dedicated, Hybrid, or Retrained?

A. Dedicated ETF Sales Team

This model offers clarity and depth. Dedicated ETF professionals can speak the language of capital markets and sell across both active and passive ETFs.

- **Pros:** High credibility with institutional buyers; clear accountability
- **Cons:** Expensive; risk of silos forming between mutual fund and ETF teams

B. Hybrid Model (ETF Champions)

A pragmatic middle ground. Embed ETF specialists within your broader sales force, allowing generalists to lead relationships while pulling in ETF expertise as needed.

- **Pros:** Cost-effective as ETF expertise radiates; promotes cross-selling
- **Cons:** Risk of diluted ETF messaging if not managed tightly

C. Retrain Your Mutual Fund Sales Team

Attractive on paper but can take time to implement and get your broader sales force up to the required level of competency

- **Pros:** Cost-effective
- **Cons:** Takes time to implement

Capital Markets: The Non-Negotiable Hire

Every ETF business, regardless of size, needs at least one dedicated capital markets expert from Day One. This person ensures your products trade efficiently no matter the clients' execution preferences, communicates with market makers, and manages AP relationships.

Crucially, they'll also support sales with pre- and post-trade analysis—something mutual fund wholesalers aren't used to and what investors expect as a "standard ETF service".

***Tip:** Find a "unicorn" hire who understands capital markets, sales, and product. These individuals are rare but invaluable in early-stage ETF launches.*

Talent Strategy: Who to Hire, Where, and Why

A **U.S. Market:**

- Focus on individuals with deep RIA, wirehouse, and institutional relationships.
- The trend is to prioritize energy over experience but don't be mistaken—experience enables you to hit the ground running.

B **European Market:**

- Think local. Markets like Germany, France, and Italy require boots-on-the-ground with strong cultural fluency that includes language skills as demanded by investors.
- Target experienced VPs or directors from competitors—particularly those with hybrid distribution experience.

***Tip:** In Italy or Switzerland, your best ETF salesperson may have come from private banking—not asset management.*

Compensation: Match the Model to Your Maturity I

Growth Phase

- Hire “hunters.” These are high-energy, target-driven professionals who thrive on clear goals and high upside.
- Use Net New Assets (NNA)-linked bonus structures. Offer the potential to double base salary for top performers.

Mature Phase

- Emphasize collaboration and strategic goals.
- Blend quantitative metrics (AUM, flows) with qualitative KPIs (client meetings, cross-sell success, team contribution).

Product Margin

- Compensate flows based on profitability. High-margin active ETFs should carry higher bonus multipliers than core beta exposures. From a product strategy perspective: reward early adopter flows so to take out investor minimum AUM requirements faster than otherwise the case.

Compensation: Match the Model to Your Maturity II

Framework:

Metric	Best For	Example KPI
NNA-Based	Hunters, Early Stage	$XXm New Flows
Discretionary	Team Players, Mature Firms	Strategic Wins, Relationship Depth
Margin-Based	Mixed Models	Bonus Uplift for High-Fee or New Products

Training & Enablement: Closing the ETF Knowledge Gap

Even experienced salespeople need education. ETFs come with a steep learning curve—and teams will only sell what they truly understand. Education isn't optional—it's foundational to effective ETF distribution.

Topics to Cover

- Creation/redemption process
- Bid/ask spreads and liquidity
- Trading vs. buying NAV
- Role of market makers and APs

Leverage third-party trainers or ETF consultants. Consider partnerships with trading desks to run mock sessions and real-case walkthroughs.

Strategic Sequencing: Phased Market Entry

Successful ETF entrants stagger hiring and market activation. Keep some powder dry from a sales strategy on day one.

Pre-launch
Hire your core team (capital markets, one sales lead)

3 Months Out
Begin training and relationship-building campaigns

Launch + 6 Months
Add regional heads and vertical specialists

Focus on one or two anchor markets—preferably where you already have mutual fund distribution relationships. Scale once you've validated product-market fit.

Conclusion: Think Like an ETF Issuer, Not a Mutual Fund House

ETF success requires a different mindset. It's faster, more technical, and more reliant on collaborative, client-facing teams. Investors have been spoilt by the big, established ETF providers.

While the standards in ETFs have been set there are still countless opportunities to be successful in ETFs as the market will remain disruptive. For mutual fund firms entering the space, the winners will be those who invest not just in product but in people—and who design their sales teams with intent, flexibility, and market nuance.

Ready to Equip Your Team for the ETF Era?

Designing an effective ETF sales strategy starts with understanding the nuances—and training your people to deliver. Whether you're building a dedicated ETF desk, retraining your mutual fund team, or launching a hybrid model, ongoing education is essential.

ETF Training Hub offers Europe's most comprehensive ETF-specific training course, designed to close the knowledge gap and accelerate your team's performance.

👉 Explore the Certificate in ETF Fundamentals at ETFTrainingHub.com

Empower your team. Build with intent. Compete with confidence.

BLACKWATER

We connect the ETF ecosystem, educate the market, and bring ETFs to more people.

Founded in 2019, Blackwater is a specialist talent and education firm dedicated exclusively to the global ETF industry. Our team of former ETF professionals brings over 50 years of combined experience from leading asset managers, allowing us to offer deep domain knowledge and a truly consultative approach.

OUR SERVICES

Blackwater is the only firm focused exclusively on talent, education, and insights for the global ETF industry.

• **Talent** – We work with ETF issuers, market makers, index providers and service firms to identify, hire, and retain high-performing professionals.

• **Education** – Through the ETF Training Hub and etfcareer.com, we provide learning and career development opportunities tailored to the needs of ETF professionals at every stage.

• **Insights** – Our research equips the ETF ecosystem with the intelligence it needs to grow and thrive.

At Blackwater, we connect the ETF ecosystem, educate the market, and bring ETFs to more people.

► To learn more or explore how we can support your goals, visit blackwateretf.com or contact us at enquiries@blackwateretf.com.