

# Xetra Active Funds (XAF) – More than “Just” Index Tracking

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## 1. Definition: What Are Xetra Active Funds?

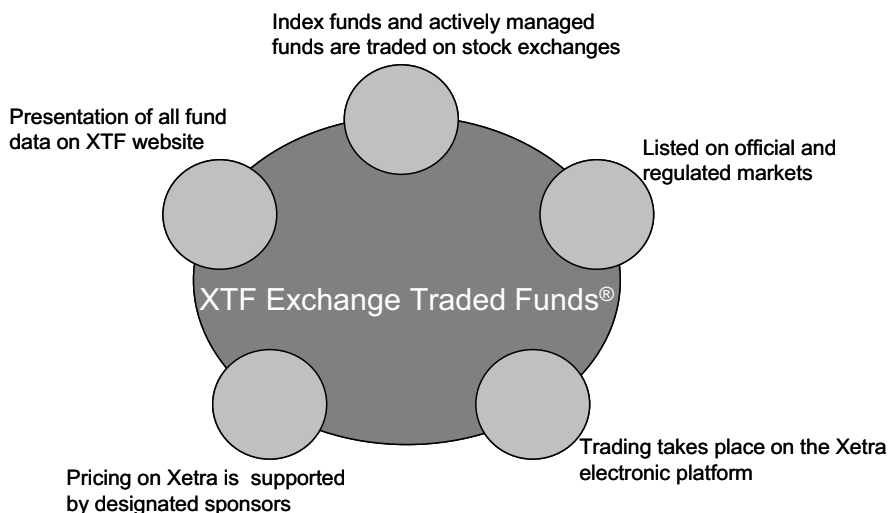
“Trading funds like shares” is the philosophy behind these exchange-traded, actively managed mutual funds. Xetra Active Funds combine the merits of investing in a traditional, diversified fund with the advantages of the trading techniques associated with shares. This means that they also have the following characteristics in common with shares:

- they are continuously traded
- efficiently priced
- transparent and liquid
- bought and sold at fair market values
- listed on regulated markets
- traded on Xetra, Deutsche Börse’s electronic platform
- priced on Xetra, supported by designated sponsors

In contrast with passive ETFs, in which the investor can track an index almost 1:1, Xetra Active Funds endeavour to outperform the indices which act as their benchmarks.

Xetra Active Funds were launched in November 2000 and DWS Investments became the world’s first investment company to have funds listed in a regulated market segment when its *Typ O* funds (DWS no-load funds) were admitted for trading on Deutsche Börse’s exchange. The continuous trading in successful and well-known funds generated considerable interest

amongst investors. This pioneering achievement of Deutsche Börse, in collaboration with DWS as issuer and Deutsche Bank as market maker, justifiably attracted a great deal of attention in the international press.



**Figure 1:** Xetra Active Funds: the segment for exchange-trading of actively managed funds. Source: Deutsche Börse

## 2. Value Added by Xetra Active Funds – “Active” Comes from “Attractive”

Successful products are particularly striking if they actually involve new characteristics, and are really innovative. This is especially true of actively managed ETFs. They have many strengths deriving from the advantages of continuous price fixing:

- Investors can react quickly to market trends and profit from volatility in the markets. They benefit from maximum flexibility and reliability of pricing. In contrast with the traditional method of placing an order, investors in these funds no longer have to wait for the next official unit price fixing, which takes place once a day, but can trade continuously during trading hours at the prevailing, liquid market price.
- ETFs can be traded in the same way as shares, so there is a wide range of different types of order available (e.g. stop loss orders and limited orders).