



## MODERN ALTERNATIVES:

# Why We Believe The Future Fund Long/Short ETF Is Positioned to Lead the Next Wave of ETF Growth

In our previous white paper, Modern Alternatives, we outlined why long/short ETFs may replace hedge funds. This paper builds on that foundation, showing why The Future Fund Long/Short ETF (FFLS) is positioned to lead this next wave of ETF growth.

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## EXECUTIVE SUMMARY

The ETF industry has entered a new era of growth, resilience, and innovation. With global AUM surpassing \$13.8 trillion and alternatives at the forefront of investor demand, long/short equity ETFs are uniquely positioned to capture flows. The Future Fund Long/Short ETF (FFLS) stands at the intersection of three key trends:

1. The democratization of hedge fund strategies through liquid ETFs.
2. The shift from static 60/40 portfolios to adaptive, risk-managed allocations.
3. Investor appetite for potential downside protection alongside growth.

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### 1. The Macro Tailwind: Alternatives in the ETF Era

- 79% of advisors plan to increase alternative ETF allocations.
- 51% of investors believe alternatives provide effective downside protection, a core FFLS feature.
- Alternatives remain a small portion of ETF AUM (2%) but are expanding rapidly, representing a multi-trillion-dollar growth runway.

### 2. Why FFLS is Different

- **Experienced team:** Managed by Gary Black and David Kalis, CFA, who began working together in 2013. Both have career foundations as analysts and have specialized in growth stock investing based on fundamental research.

- **Transparency + liquidity:** Unlike hedge funds, FFLS reports daily holdings and offers intraday liquidity with lower fees.
- **Performance-driven:** FFLS has demonstrated competitive long/short performance while maintaining liquidity advantages.

### 3. Aligning with Investor Needs

Investors now demand tools for both growth and protection. The traditional 60/40 model is no longer sufficient in an era of equity/bond correlation spikes. FFLS provides:

- Downside risk mitigation via short exposure.
- Upside capture potential in growth sectors aligned with megatrends (tech, healthcare, AI).
- Tax efficiency inherent to the ETF wrapper.

### 4. Market Growth Opportunity

- ETF cumulative annualized growth rate (CAGR) since 2008: 20.1%.
- Alternatives and actives are the fastest-growing ETF segments.
- FFLS addresses the gap between hedge funds and ETFs, targeting institutional allocators, RIAs, and retail investors seeking hedge fund exposure at ETF costs.

### 5. Positioning FFLS as a Core Modern Alternative

- Messaging: “FFLS delivers hedge fund strategy in an ETF wrapper.”
- Use case: Portfolio diversifier, hedge fund replacement, risk-managed equity sleeve.
- Distribution target:
  - Platforms integrating alts into models (Envestnet, Fidelity, Schwab, Raymond James).
  - Retail investors – looking for a hedged growth opportunity with a seasoned management team managing the strategy.

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## CONCLUSION

The Modern Alternatives paper made the category case. This paper makes the product case. The SPDR ETF Impact Report 2025–2026 confirms what The Future Fund already believes: alternatives will lead the next growth wave in ETFs. FFLS is at the heart of this transformation offering investors the access, transparency, and resilience they seek in a volatile market. As investors rethink diversification, our goal is to position FFLS to be a leader in the growth of ETFs, delivering a diligently researched long/short strategy in a liquid, transparent, and cost-effective ETF wrapper.

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## About The Future Fund

The Future Fund is an independent investment firm focused on high-conviction, actively managed ETFs that invest in transformational companies shaping tomorrow's economy. Led by seasoned investors Gary Black and David Kalis, the firm's disciplined investment management strategies are available in accessible, transparent vehicles for investors.

**Learn more about The Future Fund Long/Short ETF at [futurefundetf.com](http://futurefundetf.com) or contact Jeff Ulness, [julness@thefuturefund.com](mailto:julness@thefuturefund.com) or 917-903-0360.**

By Jeffrey M. Ulness, Global Head of Distribution

### SOURCES AND DATES

All statistics: ETF Impact Report 2025-2026, State Street Global Advisors

### IMPORTANT INFORMATION

**Investing involves risk, including loss of principal.** There is no guarantee that the Fund will achieve its investment objectives. In general, prices of equity securities are more volatile than those of fixed income securities. The prices of equity securities fluctuate in response to issuer-specific activities as well as factors unrelated to the fundamental condition of the issuer, including general market, economic and political conditions along with other factors. While the shares of ETFs trade on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of market stress.

**Long/Short investing:** A long/short strategy seeks to balance investments by holding long positions in stocks expected to do well and short positions in stocks expected to underperform. Long investing involves buying an asset, such as stocks, with the expectation that its price will increase over time. The investor holds the asset for an extended period to benefit from potential price appreciation and any dividends or interest it may generate. Shorting, or short selling, involves borrowing shares of a stock and selling them at the current market price, with the expectation that the price will decline. The investor plans to buy back the shares at a lower price to return them to the lender.

**Short selling** involves the sale of securities borrowed from a third party. The short seller profits if the borrowed security's price declines. If a shorted security increases in value, a higher price must be paid to buy the stock back to cover the short sale, resulting in a loss. The Fund may incur expenses related to short selling, including compensation, interest or dividends, and transaction costs payable to the security lender, whether the price of the shorted security increases or decreases. The amount the Fund could lose on a short sale is theoretically unlimited. Short selling also involves counterparty risk – the risk associated with the third party ceasing operations or failing to sell the security back.

The Fund is actively managed and is thus subject to management risk. The Advisor will apply its investment techniques and strategies in making investment decisions for the Fund, but there is no guarantee that its techniques will produce the intended results. Derivative risk is the possibility that an investor will not be able to sell a derivative position at a reasonable price or quickly. Leverage risk is the possibility that losses will be magnified when using borrowed money to increase the potential returns of an investment. This is because leverage can also multiply losses if the income from the asset is less than the financing costs or the value of the asset decreases. Limited history of operations: FFLS is a relatively new ETF with only two years history for investors to evaluate. Shareholders may pay more than NAV when buying Fund shares and receive less than NAV when selling Fund shares, because shares are bought and sold at current market prices. Shares of FFLS are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns.

*Investors should consider the investment objectives, risks, and charges and expenses of the Funds before investing. The FFND prospectus and the FFLS prospectus contains this and other information about the Funds and should be read carefully before investing. The prospectuses may also be obtained by calling 877.466.7090.*

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