

Don't Sleep on Retail

Cult Followings Keep ETFs Alive



A Crowded, Noisy ETF Market

There are over 7,000 ETFs in the US and more than 3,200 ETPs across 24 countries. in Europe. But many of them will never matter.

Why? The competition is downright brutal. Most 'innovative' strategies aren't innovative, and many funds will fade into irrelevance unless they stand out. That means they actually have portfolio utility or they find (and embrace) a loyal investor following. In this report, we focus on those funds.

A loyal investor following often comes from a group many asset managers underestimate: the modern, savvy and financially literate cohort of intermediate & advanced retail investors.

They may not give the same dollars as institutions, but they type faster, post louder, and care more than you think. This cohort tends to be younger, bolder and shaped by social media.

Asset managers ignoring this dynamic cohort run the risk of becoming just one of the many old school, conservative TradFi entities with a range of funds only a select few investors are excited about.

This whitepaper breaks down why this segment of retail matters, how cult followings form in asset management, and what ETF firms need to do to build and maintain them.

The Retail Factor

- Retail is energy, liquidity and a key audience for brand building.
- Institutional capital may always anchor ETFs, but the truth is that retail investors can fuel momentum. Meme stocks proved it— retail drove the Reddit threads and made Robinhood the most downloaded investing app.
- Retail traders drive social chatter. They create storylines. They turn tickers into dank memes, and sometimes rally them into movements. Grassroot rallies spark media attention which can fuel flows.
- In an industry where attention is survival, that can be the difference between growth and closure. According to Morningstar, funds that shutter tend to do so within the first 5-6 years after launch.
- For asset managers, this alone underscores the fact that there's no time to waste: Don't Sleep on Retail.



Key Insight: Retail investors don't just participate in markets — they shape narratives that move them.

Cult Followings Matter

A cult following is about **intensity**. It's not about size.

The intermediate and advanced retail segment of the market are price conscious. Some ETFs will never be the cheapest - especially active and leveraged/inverse funds. Some will never have the broadest mandate. But if they can inspire loyalty, lean into a niche, become meme-worthy, they can survive.

Retail-driven loyalty is different from institutional flows: It's messy. It's volatile. But it's sticky in its own way.

Funds tied to crypto, cannabis, or clean energy aren't just 'cool'. Many of the most successful funds have built loyal bases of investors who care about the story as much as the returns.

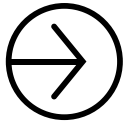
Those investors post on X. They 'shill' anonymously on Reddit. They even show up in earnings calls asking questions compliance dreads.

A cult following gives your fund an edge. It creates organic marketing. It builds resilience during market downturns. And it signals to institutions that your product has cultural relevance beyond performance metrics. Hell, it could also spark a rally during a market selloff if they have 'diamond hands'!



Retail loyalty often starts as cultural relevance - and ends as organic marketing power.

What Asset Managers Get Wrong



The next wave of ETF growth won't come from institutions. It will come from the retail investors firms still underestimate.

HERE'S WHERE MOST ETF FIRMS FAIL:

They assume retail only wants broad-market, diversified exposure.

Wrong. Retail wants stories. They want conviction. They want to invest in something that feels alive. It's cool to lean into innovative themes like quantum computing, nuclear energy and crypto. But it's uncool to dilute the 'pure play exposure' with an 80% allocation to the Nasdaq.

They only talk to institutions.

Many firms focus their PR and marketing on pensions, endowments, and RIAs. **Yes, smart but incomplete.** Retail investors aren't just passive buyers. They are the spark that brings it to the forefront of news outlets. They produce the kind of critical mass and entertainment value that CNBC, Bloomberg and FOX Business producers can't ignore.

They treat retail like amateurs

The old narrative that retail is uninformed and reckless is lazy. The reality is that many retail investors are deeply researched, hyper-focused, and willing to take risks institutions won't. Plain and simple: **if you ignore them, they'll ignore you.** Your competitors that embraces them will capture their attention and win a spot in their portfolio.

Forming Cult Followings

A cult following doesn't happen by accident.
It forms when product, timing, and narrative collide.



PRODUCT FIT

An ETF has to reflect something bigger than “exposure.” It must connect to a theme investors care about: AI, Space, Crypto, Semiconductors, Sustainability, etc. Your fund probably isn't powered by the most ‘innovative’ strategy out there... which is hard medicine to swallow. Narratives, not tickers, are the most important vital sign for ETFs today.



TIMING

Yes, launching at the right moment matters. Funds that debut when retail sentiment is strong often benefit from that going forward. In the increasingly crowded ETF ecosystem, being first to market is great. But what happens if a newer, cooler, cheaper fund debuts with a target audience in mind? Reallocation and tax loss harvesting could quickly render your fund irrelevant. If you don't take bold steps to stay culturally relevant, why should assets flow into your fund?



NARRATIVE

Narrative is a differentiator. Alongside research, retail investors build portfolios and tend to allocate to funds/ issuers with appealing stories. This means they want to be part of a movement. Your narrative needs a clear, emotional, and easy to repeat message. It needs followers, fun and boldness to stand out among the pack.

The best cult ETFs tell a story investors can believe in.

Media Engines Power Retail Attention ➡

Retail movements operate outside a vacuum. Their flows are influenced and amplified by the media. The media's job is to entertain and deliver news.

**Retail creates stories. Media spreads them.
Together, they capture attention.**

ETF issuers often underestimate how important it is to build a PR engine that connects product to culture. Press releases often fall short. You need a human touch. Connect your ETF to financial headlines- there are thousands of them published on a daily basis.

If you can make your ETF relevant in the news cycle, the media will pick it up. Retail will take notice. And with retail on your side, advisors and institutions will also take notice.

The Tactical Playbook for Asset Managers



So how do asset managers actually capture retail? **Here's the playbook:**

1. Speak and be human: Kill the jargon. No one cares about “innovative exposure to a unique basket of securities”. They care about how it fits their worldview. They care about cultural relevance. ‘YOLO’, if you will.

2. Use media and social-first storytelling: X, TikTok, LinkedIn, Reddit and YouTube are where narratives are born. Show your face and use conversational language.

3. Create hooks for media: I hate to break it to you: financial journalists don't care about your product launch and your firm's AUM milestone. Why should they? They want to cover a trend, a relatable news story. Frame your ETF as part of it.

4. Interact with retail: Gone is brand loyalty. Individuals, influencers, personalities, podcasters, and newsletter writers are the microphone you need to build loyal audiences. They can promote your fund better than traditional ads. They can even tell the story for you. Lean in.

5. Build consistency: Paid media budgets are astronomical. But another harsh truth: money can't buy a cult following. Show up often. Add a human touch. Engage with personalities that like your funds. Keep your ETF in the conversation.

Retail loyalty grows when you treat attention like capital.

Risks & Realities ➔

Yes, it's true that not every ETF or issuer should chase retail. Retail-driven flows can be dangerous and volatile. Cult followings can turn toxic if performance lags. Compliance teams and regulators watch retail-driven hypes closely.

In a crowded market, silence is riskier than noise. Playing it too safe and conservative guarantees you'll be ignored. The firms and funds that win are the ones that can balance compliance with creativity and building a narrative that resonates without overpromising.

Conclusion: Don't Sleep on Retail

Nobody can predict if the 'ETF wave' is cresting or crashing.

However, we do know that today the ETF market is flooded with funds that look and feel the same. In your own words... and without the pressure of compliance breathing down your neck:

- What is the value of your ETF?
- Why should investors care?

Once you define the narrative, you can then build a following.

Without a retail following, many funds are doomed to irrelevance. Retail investors are not an 'uninformed' sideshow. Retail investors are a force. They create momentum that keep funds alive.

For asset managers, the choice is simple. Keep playing it safe and disappear into the noise. Or lean into the narrative game, capture attention, and build a following that actually cares and safeguards previous assets under management.

In an era where products are commodities, attention is alpha.
Don't Sleep on Retail!



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.

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

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

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