ETFS | JUL 31, 2025

$6.8bn Dakota Wealth launches active equity ETF

The fund was originally designed to help the RIA relieve some of its clients' concentrated stock positions.

BY **IAN WENIK**

Florida RIA Dakota Wealth Management is getting into the ETF business.

The $6.8bn wealth manager officially launched an active equity ETF – the Dakota Active Equity ETF – on the Nasdaq Thursday, which will trade under the ticker DAK.

In an interview with Citywire, Dakota chief executive Peter Raimondi said the ETF was launched in part to help some of its clients manage some of their concentrated stock positions through what is known as a '351 transfer.'

Using the Internal Revenue Service's '351 exchange rule,' the fund lets investors swap concentrated stock positions, which they may have held for some time and which might have appreciated greatly, for shares in the ETF's diversified portfolio while not booking a sale (and so triggering a capital gains tax event) and continue to defer taxes until they sell shares in the ETF.

'The ETF allows us to take some of those tax-trapped positions, put them in the ETF and diversify them now, tax-free, into a portfolio— having maybe 30-35 names in it – that is very similar to one of the strategies that we already manage,' Raimondi said. 'We manage it, but we manage it now in a more diversified way.'

Raimondi – best known in industry circles as the founder of RIAs The Colony Group and Boston Private – launched Dakota in 2018 using his legacy book of business and a pair of small acquisitions. The company has since grown to nearly $7bn in assets and attracted multiple rounds of investment from Emigrant Partners, a minority investor in RIAs which is an affiliate of billionaire Howard Milstein's New York Private Bank & Trust.

Dakota, which is headquartered in Palm Beach Gardens, generally manages its clients' money in-house, and the ETF will be no different. Raimondi and Dakota CIO Tim Melly said the ETF will primarily consist of blue-chip large cap US equities.

'It's going to look and feel a bit like the S&P 500,' Melly said. 'It's really that index-plus kind of methodology. We use a combination of an in-house built quantitative process – how we score the fundamentals in the universe, what we look for is really the fastest-growing companies residing in the fastest-growing industries. We pair that with some valuation metrics and some technical overlays, as well.'

Melly said the fund will ideally carry an expense ratio of roughly 40 basis points, though the ETF has some initial acquired fund fees.

'We didn't launch this with an intention of it being a profit center,' Melly said. 'We wanted to take a solution-first approach of solving the tax-trapped positions on the front end and then provide what we really feel is a competitive offering now that it is going to be an actively traded solution out there where we are lining up with anyone else in the industry from a fee standpoint.'

The concept of building a fund to facilitate equity exchanges is not new, and there are mutual funds designed to do the same thing. For example, prior to a revamp in January 2023, the Eaton Vance Tax-Managed Growth fund (CAPEX) was one such offering.

The problem with mutual funds based on this rule is that, while they can pool different appreciated contributions into a diversified portfolio, the resulting portfolio is haphazard, an amalgam of whatever random stocks wealthy investors have contributed that remains static. A mutual fund can't make sales and rearrange its portfolio without distributing taxable gains to fund shareholders (the very things they are trying to avoid), so it is relegated to shepherding this random collection of contributions.

This is where the ETF vehicle makes this strategy so much more robust than its previous mutual fund iterations. Trades inside an ETF, with its creation and redemption basket mechanism, don't result in capital gains for holders of the ETF.

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