ETF Transparency: Why Daily Holdings Disclosure Matters

Understanding what makes ETFs different from mutual funds, and why transparency matters for evaluating active strategies

KEY TAKEAWAYS

- Most ETFs publish their full portfolio holdings every business day. Most mutual funds disclose their portfolio holdings quarterly with a 30- to 60-day lag.
- Daily transparency lets advisors verify what they own, monitor risk in real time, and confirm a manager's stated thesis is being followed.
- For actively managed ETFs, daily holdings disclosure can provide greater visibility into portfolio positioning, making the strategy's implementation more transparent to investors.

Overview

One of the structural differences between ETFs and traditional mutual funds is the level and frequency of portfolio disclosure. Most ETFs publish their full holdings every business day. Most mutual funds report quarterly with a 30- to 60-day reporting lag, which means investors are often looking at a snapshot of where the portfolio was, not where it is.

For passive index ETFs, transparency can help investors understand how the portfolio reflects the ETF's underlying index. For actively managed ETFs, transparency can also provide insight into the manager's portfolio positioning, investment decisions, and how the strategy evolves over time.

Why It Matters

For an advisor building or monitoring a client portfolio, daily disclosure changes what's possible. Without it, you are relying on a prospectus description, a manager letter, or a stale snapshot. With it, you can answer questions that actually drive portfolio decisions.

This matters most when:

- An advisor needs to verify there is no unwanted concentration or overlap across a client's full book of holdings
- A risk team wants to monitor exposure to a specific sector, factor, or geography in near real time
- A due diligence process requires confirming that a manager is doing what they said they would do

For active strategies in particular, daily transparency turns the value proposition from "trust us" into "check us."

How It Works

The mechanics of transparency are tied to how each wrapper trades.

ETFs

DAILY · FULL HOLDINGS

Each business day, the issuer publishes the full creation basket. Market makers, advisors, and investors all see the same portfolio in real time.

Mutual Funds

QUARTERLY · 30- TO 60-DAY LAG

Full holdings are disclosed on a 90-day cycle, with a permitted reporting lag. The published snapshot is already out of date by the time investors see it.

Each business day, an ETF issuer publishes a creation basket, the list of securities and weights that authorized participants[1] exchange for new ETF shares. This basket is also the published holdings file. It is the same information used by market makers to quote prices throughout the trading day, which is why ETF bid-ask spreads[2] can stay tight: nobody is guessing what's held in the portfolio.

Mutual funds operate differently. They are priced once daily at net asset value (NAV)[3], and they are required to publish full holdings only on a quarterly basis. Some funds disclose top holdings more frequently as a courtesy, but the full picture is delayed. A small number of active ETFs use a "semi-transparent" proxy basket structure[4] and are not required to disclose their holdings daily. Most actively managed ETFs, including those from Clough Capital, publish full daily transparency.

Practical Implications

For advisors and investors, three potential takeaways follow.

1. **Verify holdings before you invest, and check them periodically.**
A two-minute scan of an ETF's holdings file can confirm sector tilts, concentration, and how the portfolio actually looks today, not how it was described in a marketing piece.

2. **Watch for changes in positioning.**
If a manager's stated strategy is energy infrastructure conviction but daily holdings start moving away from that exposure, that is worth asking about. Daily disclosure makes those shifts easy to see.

3. **Use holdings overlap analysis at the portfolio level.**
When a client owns multiple funds, daily holdings let you check that you aren't doubling up on the same names through different wrappers. Quarterly disclosure cannot support this reliably.

At Clough Capital

Clough Capital manages two actively managed ETFs, CBLS and CBSE, that publish their full holdings every business day. The portfolios' conviction-driven positioning across energy infrastructure, defense, and the capital-intensive buildout behind artificial intelligence is visible to any advisor or investor who wants to verify what they own.

Definitions

Authorized Participants (APs) are large financial institutions authorized to create and redeem ETF shares directly with the fund. To create shares, an AP delivers a basket of the ETF's underlying securities to the fund and receives ETF shares in return; to redeem, the process reverses. This creation/redemption mechanism allows an ETF's share supply to expand or contract with investor demand, and ties the fund's tradable size to the liquidity of its underlying holdings.

Bid-ask spread is the difference between the highest price a buyer is willing to pay for a security (the bid) and the lowest price a seller is willing to accept (the ask). It is a cost of trading borne by the investor and is not reflected in a fund's expense ratio. Spreads vary with market conditions and with the liquidity of the security being traded.

Net asset value (NAV) is the value of a fund's assets less its liabilities, divided by the number of shares outstanding. A mutual fund is bought and sold at NAV, calculated once per business day. An ETF is bought and sold on an exchange at a market price that may be above or below its NAV.

A semi-transparent proxy basket structure is an ETF structure in which the fund publishes a representative or proxy basket rather than its actual portfolio holdings. Semi-transparent active ETFs are not required to disclose their holdings daily, so their investors do not have the same daily view of the portfolio that a fully transparent ETF provides.

IMPORTANT DISCLOSURES

Investors should consider the investment objectives, risks, charges, and expenses carefully before investing. This and other information are contained in the prospectus, which may be obtained by visiting www.cloughcapital.com/etfs or by calling 855-393-0559. Please read the prospectus carefully before you invest.

The Clough Capital ETFs are distributed by Paralel Distributors, LLC. Paralel Distributors, LLC and Clough Capital are not affiliated.

This material is for informational and educational purposes only and does not constitute investment advice, an offer to sell, or a solicitation of any offer to buy. The views expressed represent the opinions of Clough Capital and are subject to change without notice.

Portfolio transparency does not indicate that an active investment strategy is superior to a passive investment strategy, nor does it guarantee better investment performance or results.

Passive investment strategies generally seek to track the performance of a specified index rather than actively select securities or attempt to outperform the market. A passive strategy typically will not take defensive positions in response to market conditions and may decline in value when the index it tracks declines. The performance of an index does not reflect fees, expenses, transaction costs, or other costs associated with investing. An investment cannot be made directly in an index.

BOND188