Novel Exchange-Traded Funds

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Novel Exchange-Traded Funds. Investor One-Pager

Investment Thesis. This proposal introduces an investment ecosystem designed to improve governance, reduce fraud-related losses, and increase transparency for long-term institutional investors. This ecosystem uses project-based investment structures and integrated risk protection.

Market Opportunity. Institutional investors are increasingly exposed to governance failures, conflicts of interest, and valuation-driven investment decisions. The proposed framework improves capital allocation by aligning incentives with long-term project performance rather than short-term market appreciation.

Core Innovations. SGAC (Special Goal Achievement Companies): A project-centric corporate structure that aligns investors, suppliers, customers, and strategic partners around clearly defined project objectives and measurable cash flows.

Guardrails Shares. A new class of shares that combines governance responsibilities with insurance-backed protection and legal recovery mechanisms, creating additional safeguards against fraud and breaches of fiduciary duty.

Risk-Driven Portfolio Construction. Projects are evaluated using cash-flow quality, market maturity, and governance risk, enabling investors to build portfolios based on transparent risk–reward characteristics.

Novel ETFs. These exchange-traded funds hold diversified SGAC-related assets, including project finance, insurance, litigation funding, and other project-linked instruments. Real-time project analytics support pricing transparency and impact measurement.

Vision. Create a new generation of institutional investment products that combine project finance, governance, insurance, and transparent analytics to support more resilient long-term investing while improving protection for pension and other institutional capital.

I. The great KPI conflict of interest

By definition, pension funds are financial institutions that collect, pool, and invest worker and employer contributions to provide regular income upon retirement. But…

- Pension fund managers' compensation depends on increases in the valuation of companies in their portfolios.
- The remuneration of managers at financial companies that create financial products for pension funds depends on the profit generated from selling those financial instruments.
- Fund managers who provide companies with financing, ranging from angel investments to pre-IPO funding, are compensated based on profits from share sales.
- The compensation of management at a company whose shares are included in financial products for pension funds following an IPO depends on the growth of those shares.

Such KPIs give rise to personal gain models that can take the form of white-collar schemes for creating 'zombie assets' — assets purchased in large volumes at high prices, but which are impossible to sell due to a lack of demand.

Or shady schemes that siphon money out of a public company under the guise of investments in companies in which the company's managers are early investors or debt holders.
Proxy shell companies are, of course, used to conceal and dilute the stakes of beneficiaries with clear conflicts of interest.

No one in this group receives compensation based on the flow of dividends into retirees' accounts for ten years after the manager's retirement.

CalPERS an example of what this leads to https://edworkforce.house.gov/

This market structure raises concerns among forward-thinking managers of national pension funds.

Norway's $2.3 trillion sovereign wealth fund is raising concerns about what it sees as a steady erosion of shareholder rights across major markets. https://www.reuters.com/

"We're also seeing that it's changing the reporting requirements, making it more voluntary, and also in certain places, restricting access to sue the companies and the boards," said Carine Smith Ihenacho, the fund's chief governance and compliance officer.

II. What kind of strategic vision shift do we need?

To feel protected, institutional investors need access to comprehensive information and the necessary tools to safeguard against negative scenarios. Insurance has long been a means of providing such protection. Insurers have always mitigated their risks through reinsurance.

This encourages insurers to invest time and money in preventing threats, such as incomplete information, by inspecting equipment, components, talents and suppliers to ensure that no event occurs that would result in multi-billion payouts.

This requires not only a deep understanding of an individual company's business model, but also of the entire ecosystem of any given market.

It requires an understanding of the business processes and operations of all types of market participants: the demand side, the market maker side, the supply side, the shadow side, and, especially, proxy-landromats.

Today, every asset is either digital or digitized, which means that an understanding is required not only at the level of companies and departments, but also at the level of high-frequency, commoditized transactions.

Guardians should be experts in fraud as a business model, but they should be unmotivated to join the dark side of power. Motivation is rooted in a sense of ethical duty and integrity, which encourages people to report violations.

The second part, 'strategic thinking', is based on the idea that it is more beneficial to expose shadow operations than to try to recreate them yourself.

Where else does a similar mechanism operate? In qui tam litigation and whistleblower reward programs.

The automated creation of simulated digital assets is a multibillion-dollar and extremely profitable market.

When JPMorgan asked for user data after the acquisition, Javice and chief growth officer Olivier Amar paid a data science professor on the open market to buy a fake list of 4.5 million students for a fraction of the cost. [www.justice.gov]

Clearly, company management will invest tens of millions of dollars in their own legal defense. This creates a need for specialized law firms that represent whistleblowers. Until a court ruling is issued, litigation funding investors will be needed to cover the costs of litigation.

III. Strategic legislative vision shift

Where should we start when rebuilding the ecosystem that protects the interests of institutional investors?

The Department of War's level of scrupulous regulation should be adopted by both Federal Government Pensions (FERS) and the State, County and Municipal Employees Retirement System (PERS).

I. The Defense Federal Acquisition Regulation Supplement (DFARS) - for assets acquisition.
II. The National Defense Authorization Act (NDAA) for a fiscal year - for disclosure of asset provenance across the supply chain.
III. Foreign Ownership, Control, or Influence (FOCI) - for disclosure of conflict of interest.

Pension funds should be treated as a matter of the same national importance as the military budget.

After updating the set of regulations, the False Claims Act should be extended to include asset acquisition for both the Federal Employees Retirement System (FERS) and the State, County and Municipal Employees Retirement System (PERS).

This would establish a framework for qui tam whistleblower lawsuits. This would allow a private individual to file a lawsuit on behalf of government pension funds against an individual or company for fraud based on a breach of trust resulting in damage to pension fund assets.

The Litigation Funding Transparency Act of 2026 (S. 3826) requires the disclosure of third-party litigation funding (TPLF) in federal class action lawsuits and multidistrict litigations (MDLs). These amendments are necessary to regulate the FERS and PERS asset acquisition and ownership whistleblowing process.

Appropriate amendments to Dodd-Frank Wall Street Reform and Consumer Protection Act (2010): Title V of this act established the Federal Insurance Office (FIO) within the U.S. Department of the Treasury to monitor the insurance industry and identify regulatory gaps are necessary to develop insurance products for institutional investors and to establish a chain of insurance payments.

An amendment must be made to Section 43 of the Companies Act 2013 or the general corporate statutes to introduce a third class of shares and their subtypes.

IV. SGAC and Guardrails shares concept

Guardrails shares refer to the simultaneous and proportional issuance of several subtypes of shares to different types of buyers with varying responsibilities and authorities.

Certain types of shares may only be sold to specific types of buyers. Purchasers of shares are obligated to fulfill their responsibilities as owners. Failure to do so shall result in a fine, while willful failure shall result in the forfeiture of the shares.

This type of stock necessitates a change in the relationship between institutional investors and company management. These are companies that are created specifically to manage a project. This new type of company is structured around the project's objectives.

Special Goal Achievement Companies (SGACs).

They are shell companies that raise funds through an initial public offering (IPO) to carry out a specific project until the stated goals of its beneficiaries are achieved.

Companies of this type include representatives of key stakeholders from the demand-side, market-maker side, and supply-side on their boards of directors — from both public and private companies.

Guardrails shares evaluation strictly based on project cash-flow and EBITA with public disclosure of the model of evaluation.

On the investor side, representatives of institutional investors, insurers and reinsurers, litigation investors, and internal investigators are required.

Sub-types of guardrails class of shares

I. For institutional investors;
II. For insurers and re-insurers;
III. For litigation funding and for whistleblower representative firms.

Guardrails Shares covered by breach-of-trust insurance as a risk hedge. If a fraudulent scheme involving a corporate digital asset occurs, institutional investors will receive payment from the insurer.

In turn, the insurer will receive payment from the reinsurer. The reinsurer will recoup its funds through litigation funding.

The investment target is derivative lawsuits against the company’s management and its affiliates And the pursuit of withdrawn capital.

This structure mitigates the risks faced by institutional investors and provides built-in loss-compensation mechanisms.

V. Risk-Revard matrix for SGAC Guardrails shares

The structure of a stock offering aligns with the critical path of the project across the entire supply and demand chain. As a result, small and medium-sized companies have significantly increased access to capital.

The critical path for a stock offering considers companies' business models. Companies have two categories of expenses: CAPEX and OPEX. Contractual relationships form a cash flow chain—what constitutes an expense for one company is revenue for another. Each pair of business models in the cash flow chain has its own key market with its own stage of maturity in terms of growth rate and profitability. For simplicity, one can use the classic BCG matrix: "Stars," "Cash Cows," "Question Marks," and "Dogs."

For example, SGAC is involved in a project in the "question mark" stage of the market. The main source of cash flow in the value chain is the client companies' CAPEX, which has a complex structure for evaluating return on investment. This project is high-risk with a high probability of KPI-based "fraud-as-a-business-model" behavior by SGAC management.

On the other hand, the SGAC for this project is in the "cash cow" stage of the market. In this stage, the main source of cash flow in the value chain is the OPEX of client companies. This stage has a straightforward structure for evaluating return on investment. It is a low-risk project with a low probability of management engaging in KPI-based "fraud-as-a-business-model" behavior.

When constructing a risk-reward matrix, it is important to consider whether the project's cash flow source includes government operating (OPEX) or capital (CAPEX) expenditures, or even household OPEX or CAPEX. These factors all affect the institutional stability of the foundation. However, they also imply different scenarios for whistleblower firm operations, varying levels of investment in litigation, and the possibility of class-action derivative lawsuits.

Why so complicated? We're seeing simple solutions right now. A publicly traded supplier buys a stake in the buyer company, and the two enter into a multibillion-dollar option for future supplies.

The buyer company's valuation rises, as does the supplier company's valuation, since the supplier company now owns a stake that has appreciated in value. It's financial heroin. What could go wrong?

VI. OLAP Exchange-Traded Funds

The "An Novel" ETF (Exchange Traded Fund) is a single investment fund whose portfolio consists of a variety of SGAC assets, including loans related to major projects, factoring contracts, RWA tokens, bonds, insurance contracts, and investments in litigation funding.

Depending on the desired risk-reward ratio, investment firms will be able to offer institutional investors Novel ETFs with varying asset allocations based on different market scenarios. For example, a “Doomsday ETF,” whose assets consist of financial instruments related to litigation funding, qui tam whistleblower rewards, and rewards for recovering stolen funds.

The new asset class of SGAC and Guardrails shares, organized around projects, was created to promote transparency and accountability. Changes to a project can be tracked online and analyzed using Online Analytical Processing (OLAP) tools. For institutional investors, this provides sufficient raw data for fair pricing. This approach mitigates the risk of manipulating the valuation of both individual SGAC shares, due to their small free float, and SGAC-based ETFs.

Another benefit of this structure is impact tracking. When institutional investors invest in companies going public, they create hundreds or thousands of cash-out millionaires. However, this drives up real estate prices in cities with a high concentration of capital and fuels a race for bonuses and valuations. Consequently, the purchasing power of retirees and civil servants declines. Conversely, the concentration of capital and talent accelerates, reducing the tax base of surrounding cities. To mitigate long-term risks, the SGAC structure enables impact tracking across the demand, market maker, and supply chains.

It won’t happen overnight, but after a series of crises and fine-tuning of legislation and judicial practice, the Novel SGAC-based ETF will shift the culture from “fake it till you make it” and “winner takes all” to one of reinvesting in the purchasing power of local communities. In doing so, it will reinvent index investing in the era of the internet and protect investors from the industry of fake digital assets, which has been the subject of previous publications.

About author

Vlad Shevtsov's profile

Vlad's years of experience in media relations, business analysis and software development have been transformed into the audit of digital assets. Advertising fraud, e-commerce fraud, investment fraud reports were covered by: New York Post, WSJ, USA Today, Newsweek, BBC and other broadcast and infosec media.

Now Vlad focuses on digital asset risks for institutional investors.

Consequences of the investigative report on Newsweek & IBT

- https://nypost.com/2018/02/08/advertising-staffers-latest-to-depart-newsweek/
- https://www.wsj.com/articles/ad-tech-firms-blacklist-newsweek-sites-alleging-website-traffic-manipulation-1520462337
- https://nypost.com/2018/02/09/newsweek-troubles-starting-to-affect-digital-advertising/

Stay in touch

Feel free to ask Vlad Shevtsov about the full report.

Comments on Draft FY 2026 – FY 2030 SEC Strategic Plan
https://www.sec.gov/comments/DSP-3/dsp3-919039-2821115.pdf

Litigation foresight waiting list.

Inspired by epic regulation wins

The Standard Oil scandal, 1911. The Big Tobacco scandal, 1998. The Enron scandal, 2001. The WorldCom scandal, 2002. The IndyMac, AIG, Lehman Brothers, Bear Stearns, scandals, 2008. The Bernard L. Madoff Investment Securities scandal, 2008. The Theranos scandal, 2018. The FTX scandal, 2022. The BigTech scandal, coming soon…