

2025

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# Global ETF Investor Survey

ASCENDING TO NEW HEIGHTS



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# Welcome

Our 12<sup>th</sup> annual Global ETF Investor Survey captures the views and sentiments of a sophisticated group of investors and provides a window into the continued evolution of Exchange Traded Funds (ETFs).

The story is consistent with previous years: growth. While the sustained growth of ETFs is unquestioned, in this year's report we look to uncover why the market continues to see success year after year, and how it is evolving to meet investor needs.

We see investors increasingly turning to ETFs as an efficient tool to manage market volatility. In the following pages, you'll learn more about the global trends they are most concerned about potential of ETFs in helping them deliver consistent performance, achieve long-term growth, and manage costs, risk and volatility in an increasingly uncertain world.

The overwhelming majority of investors participating in this survey – 96% – intend to increase their ETF allocations over the next 12 months. This number came in at 82% in our survey last year.

While ETFs began as a niche, novel investment product largely utilized to house passive strategies, they have since transformed, with the emergence of smart beta strategies, active ETFs, derivative-based ETFs, alternative ETFs and cryptocurrency ETFs, to name a few examples.

Our survey indicates a thirst for new categories that will fuel future growth. An ETF market established on the foundation of passive investment is seeing a marked shift in allocations towards specialized investment strategies and managers.

Investor due diligence has evolved as well. Emphasis on expense ratio has subsided – finishing lower than expected in relative importance across all ETF attributes. Active investors also demonstrated a strong preference for the benefits of the ETF vehicle, such as access to institutional asset managers or strategies, over potential cost factors.

International popularity is also burgeoning. In fact, this year marks the 25<sup>th</sup> anniversary of ETFs in Europe. Since Merrill Lynch launched the first ETF on the German exchange Deutsche Börse, European consumers have slowly started shifting from savers to investors. ETFs provide an unencumbered access point for investment by the mass retail market. As a result, we are now seeing more ETF issuers targeting European retail investors, expanding beyond the institutional market.

Regulation is also evolving to support European ETF growth, with Luxembourg and Ireland taking steps to create a conducive environment for both active ETFs and listed and unlisted (multi-share class) structures.

As we progress through 2025, our survey demonstrates that there is no ceiling in sight when it comes to ETFs' potential.

# We surveyed



**325**  
**ETF Investors**

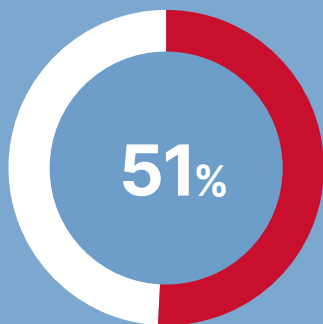
United States: **100**

Europe: **125**

Greater China: **100**

From the following  
investor classifications:

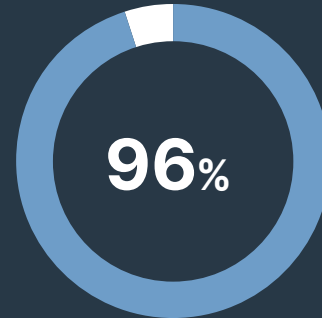
- ▶ Institutional Investor
- ▶ RIA/Financial Advisor
- ▶ Fund Management
- ▶ Private Bank
- ▶ Wealth Management



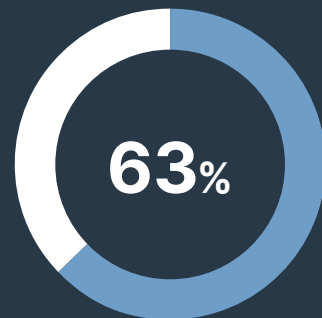
manage more  
than \$1 billion  
in assets

# Standout stats

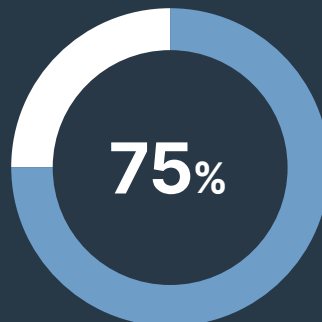
## The landscape



predict they will increase  
their use of ETFs in the  
next 12 months

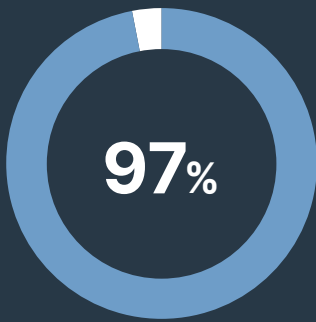


rate ETFs as the top  
choice for fresh capital

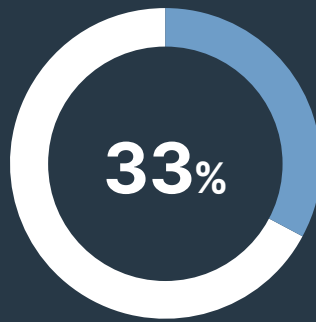


have grown their  
ETF allocations over the  
past five years

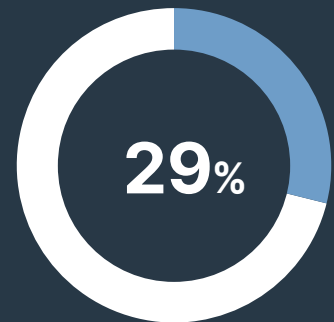
## Strategies in play



of investors plan to increase their exposure to active ETFs in the next 12 months

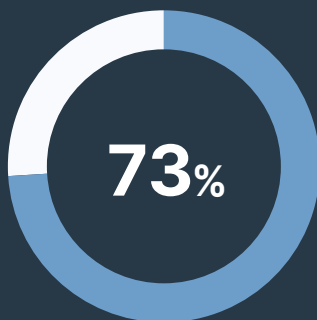


plan to shift their passive allocation (mutual funds and ETFs) to active ETFs over the next 12 months

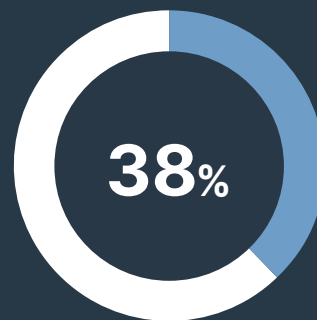


rank buffered and fixed income ETFs at the top of their interest list

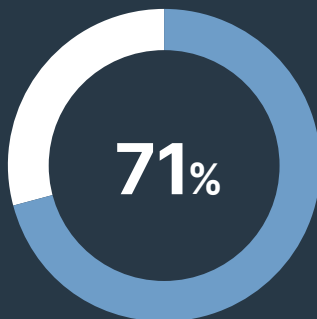
## Issuer attention



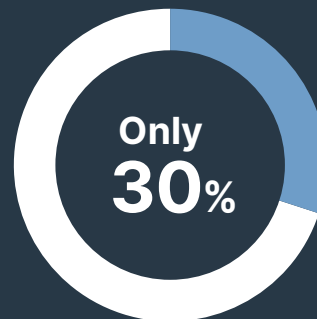
of investors plan to increase the number of issuers they work with



of US investors see the growth of alternatives as the top investment trend



aim to increase their allocations to cryptocurrency ETFs in the next 12 months



rank expense ratio as one of their top three considerations when looking at an ETF



# The macro backdrop

Rising geopolitical uncertainty and the shifting macroeconomic dynamics of the US, Europe, and China could hold major implications for ETF markets in 2025.

While a period of strong US stock market performance buoyed US equity ETFs throughout 2024, the market is witnessing major change. The unpredictability of US trade policy has sent shockwaves through markets, even as investors welcome the prospect of greater deregulation.

In contrast, aggressive interest rate cutting by the European Central Bank and stated local commitments to boost defense and infrastructure spending point to a potential new investment paradigm, with European ETF markets seeing robust inflows.

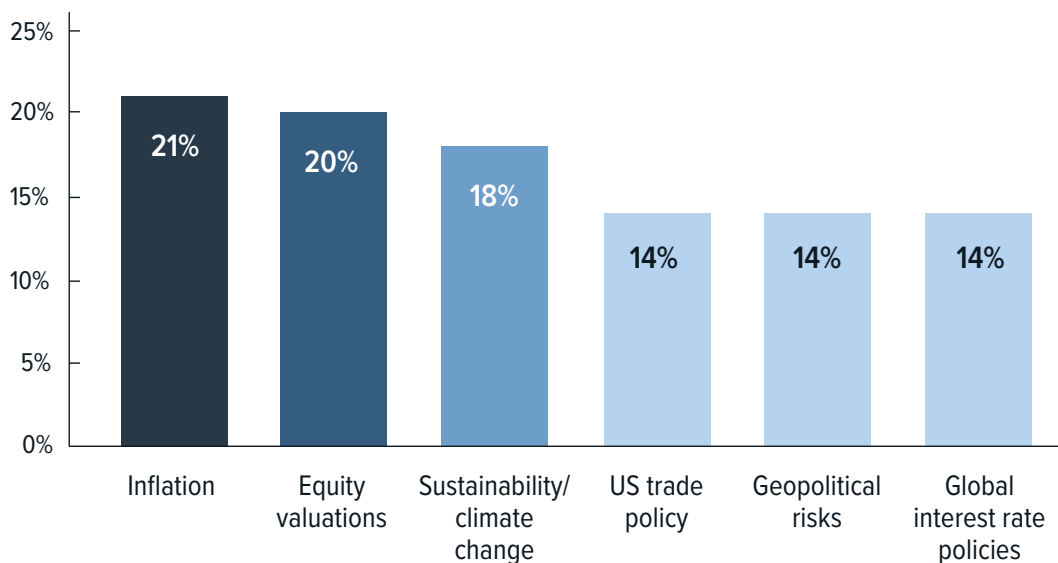
Going forward, the relative growth story between the US and Europe – and their respective monetary policy dynamics – will be a key driver and determinant of geographic ETF flows.

Elsewhere, China is also taking big steps to stimulate its economy, which could provide a major tailwind for local equity markets and potentially ETFs, across the broader region.

Beyond equities, the global fixed income picture looks more mixed. Despite lingering inflationary doubts – which our survey identified as a concern for many respondents – there are signs inflation is coming under control.

In turn, greater fiscal spending from a range of governments looks likely, prompting both fresh bond issuance and higher yields. Against this backdrop, we expect to see more turbulence in bond markets and among fixed income ETFs in the months ahead.

## Which global trends do you believe will most significantly influence your investment strategy in 2025?



**Global trends as seen by survey respondents:** Investment decisions will be swayed by a variety of global trends. ETF investors believe that inflation (21%) will most significantly influence their investment strategies in 2025, with European (22%) and American (24%) investors keeping an especially close eye on inflation. Investors in Greater China, though, are more focused on equity valuations (28%), which 20% of investors across the regions chose as the factor that will most significantly influence their investment strategies in 2025.



# The ETF landscape

Overall, assets invested in ETFs increased by a staggering 27.7% last year, jumping from \$11.51 trillion to \$14.70 trillion with support from by strong market performance and significant cash flows.<sup>1</sup>

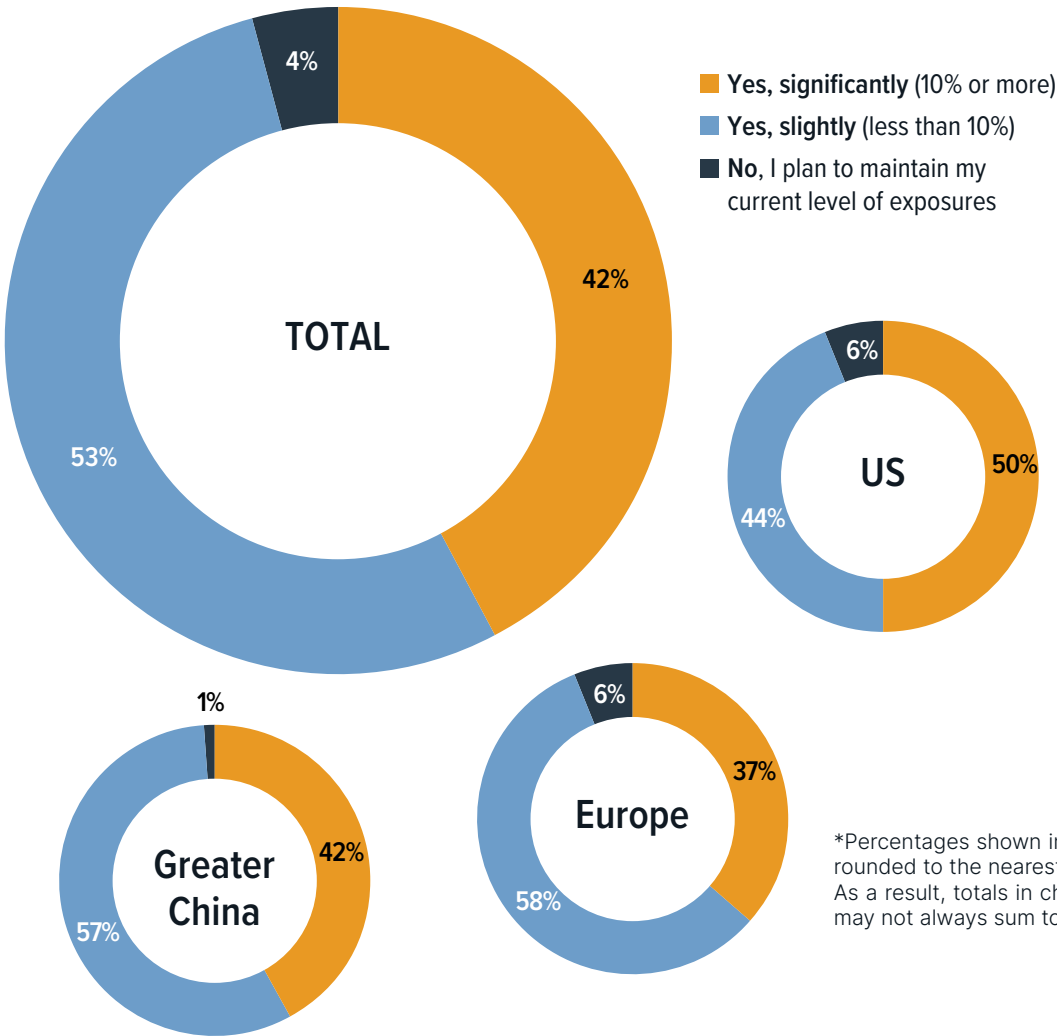
Our survey findings point to more record years ahead.



When asked to rank their top three targets for fresh capital, 63% had ETFs at the top of their list, followed by stocks and bonds at 51%, and mutual funds at 49%. Investors in Greater China (69%) and the US (62%) were the most bullish on ETFs.

We also found 50% of US investors plan to increase their ETF holdings by more than 10% over the next 12 months, as do 42% of investors in Greater China.

Do you plan to increase your exposure to ETFs in the next 12 months?\*



\*Percentages shown in this report are rounded to the nearest whole number. As a result, totals in charts and tables may not always sum to exactly 100%.

<sup>1</sup> ETFGI – January 16, 2025-ETFGI reports the global ETFs industry gathered a record 1.88 trillion US dollars during 2024.



## Why the growth?

Investors are buying ETFs for a variety of reasons, highlighting the versatility of the vehicle. When asked why they will increase their allocations to ETFs in the next 12 months:

- 32% of investors said portfolio outperformance through tactical, niche, or narrow sectors of the market was the biggest driver for increasing their ETF exposures
- 31% said they are ramping up their ETF holdings to benefit from long-term portfolio growth through efficient, lower-cost core exposures, especially in Greater China (35%)
- 23% said they are buying ETFs for volatility management or risk management, or to provide downside protection, rising to 26% in Europe

|  | TOTAL | US  | Europe | Greater China |
|--|-------|-----|--------|---------------|
| To provide portfolio outperformance through tactical, niche, or narrow/speculative sectors of the market | 32%   | 35% | 30%    | 32%           |
| To provide long-term portfolio growth through core exposures   | 31%   | 32% | 28%    | 35%           |
| Volatility management, risk management, or to provide downside protection                                | 23%   | 23% | 26%    | 20%           |
| Desire to generate income  | 13%   | 10% | 16%    | 13%           |

There are a host of other reasons investors are turning to ETFs. A fifth (20%) plan to continue to purchase ETFs over the next 12 months because of the transparency of the ETF holdings and performance.

Investors also noted cost efficiency of ETFs compared to other investment vehicles (18%), as well as on the flexibility and ease of trading (liquidity) of ETFs (16%).

Another selling point for ETFs is anonymity. A small fraction of investors (15%) mostly buy ETFs because of the anonymity they bring to portfolio holdings and investment movements.

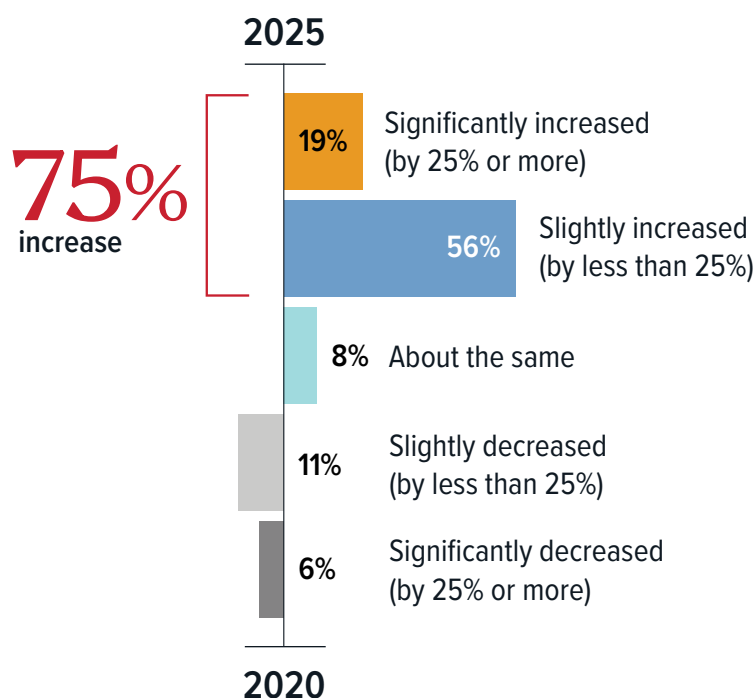
### Potential in Europe

Many leading issuers view the European investor market as still developing, making it a major source of new growth in the years ahead.

There are several factors contributing to that potential, including:

- Growth of retail adoption
- Evolving technology enhancing the ability of investors to trade digitally
- Newcomers to the ETF market promoting increased education and awareness of ETFs

**Seventy five percent of investors said their ETF allocation buckets have increased over the previous five years**, with 19% adding theirs had grown by over 25%. Adoption of ETFs has been especially pronounced in the US, where 85% of investors have increased their exposure – 22% of those raised their ETF holdings by 25% or more.



## Money in motion

ETFs may also benefit from inter-generational wealth transfers.

According to Vanguard, \$18.3 trillion of wealth is expected to be transferred globally by 2030,<sup>2</sup> with tech-savvy Millennials and Generation Z'ers among the biggest recipients.

The ETF industry's excellent track record with digitalization and willingness to embrace product innovation positions it well to win over these younger allocators.

<sup>2</sup> Vanguard – September 18, 2024 – Navigating the great wealth transfer

## Shifting capital

As ETFs continue to gain market share, and investors understand how to integrate them into their portfolios, we are seeing more turnover within ETF portfolios, where competition for investor dollars is strong yet there is still room for organic growth. Among investors who plan to increase exposure to ETFs in the next 12 months, 29% are most likely to fund those purchases by reallocating capital from mutual funds – both index and active. Another 23% would first pull from other ETFs in their portfolio.

Even hot products will see some reductions, depending on shifting investor appetite and the prevailing vagaries of the market:

- 14% of ETF investors plan to reallocate capital from alternative investments to buy more ETFs
- A similar proportion of investors - 13% - plan to move capital from individual stocks and bonds into ETFs
- 11% plan to first allocate fresh investment dollars to ETFs
- 10% expect to move capital from SMAs into ETFs

These shifts highlight the dynamic nature of ETF investing, where portfolio reallocation, alongside new capital, are driving increased exposure. This also represents a maturing of the ETF industry as a whole where investors are no longer drawing from other vehicles in their portfolio and dipping into the larger pool of ETF assets.

**When considering the ETFs you plan to purchase in the next 12 months, what are the top two sources of capital you plan to reallocate from?**

|   | TOTAL | US  | Europe | Greater China |
|---|-------|-----|--------|---------------|
| Other ETFs in your portfolio                      | 23%   | 21% | 19%    | 29%           |
| Index mutual funds                                | 15%   | 19% | 12%    | 16%           |
| Active mutual funds                               | 14%   | 13% | 14%    | 15%           |
| Alternative investments<br>(e.g., private equity) | 14%   | 13% | 18%    | 10%           |
| Individual stocks/bonds                           | 13%   | 10% | 15%    | 12%           |
| Allocate new investment dollars                   | 11%   | 15% | 12%    | 7%            |
| Separately managed accounts                       | 10%   | 10% | 10%    | 10%           |



# Strategies in play



Investors intend to gain exposure to a wide-ranging mix of ETF strategies over the coming 12 months, broadly mimicking what we saw in 2024, when diversification was also a key priority.

## Buffered ETFs for risk management

For the second year in a row, defined outcome, or buffered ETFs, are at the top of investors' target lists. More than a quarter (29%) of allocators expect to invest in buffered ETFs over the next year, just one point lower than 2024's results. As an asset class currently representing \$45 billion,<sup>2</sup> defined outcome or buffered ETFs seek to provide investors with limited downside protection against equity market downturns, while also enabling them to capture the upside in rising markets, although the return upside is generally capped. The strategy appeals to allocators who may be more focused on limited downside protection than growth potential.

### Which of the following ETF strategies do you plan to invest in over the next 12 months?

|                                      | TOTAL | US  | Europe | Greater China |
|--------------------------------------|-------|-----|--------|---------------|
| Defined outcome ETFs (Buffered ETFs) | 29%   | 27% | 30%    | 29%           |
| Fixed income                         | 29%   | 28% | 30%    | 27%           |
| Cryptocurrency                       | 27%   | 26% | 30%    | 26%           |
| Commodity                            | 22%   | 27% | 22%    | 19%           |
| Dividend/Income                      | 22%   | 25% | 20%    | 23%           |
| Sector or thematic equity exposure   | 18%   | 19% | 18%    | 18%           |
| Multi-asset                          | 18%   | 13% | 18%    | 22%           |
| Leveraged/Inverse                    | 16%   | 18% | 18%    | 11%           |
| Liquid alternatives                  | 14%   | 14% | 10%    | 18%           |

Accessibility is another factor behind buffered ETFs' recent popularity. Historically, these sorts of investment strategies were only available to retail investors via structured products or through an intermediary, i.e. an institutional fund manager or insurance product, but this is now changing.

“

A lot of investors believe that US equity markets are overvalued and are looking to manage risk accordingly through buffered ETFs.

– **Andrea Murray**

Vice President, Exchange Traded Fund Services, Investor Services, BBH

<sup>3</sup> EY – February 17, 2025 – How ETF trends are shaping market growth and innovation for 2025



As these strategies are being wrapped into ETFs, it has become easier for investors of all sizes to gain exposure.

– John Hooson

Managing Director, Exchange Traded Fund Services, Investor Services, BBH

## Fixed income

Appetite for fixed income is equally strong – hovering at 29% – with the strategy also more popular today than in 2024.

Within the fixed income ETF space, investors are displaying conservative traits. Fourteen percent of allocators – rising to 22% in the US – are purchasing US investment grade bonds, perhaps reflecting home bias. This is followed by US treasuries ETFs (12%), high yield corporate bonds (12%), asset-backed or mortgage-backed securities (11%), and structured products (10%), especially in Greater China (14%).

### Which of the following fixed income ETF products are you most likely to purchase in 2025?

|  | TOTAL | US  | Europe | Greater China |
|--|-------|-----|--------|---------------|
| US investment grade corporate bonds                                | 14%   | 22% | 8%     | 14%           |
| US Treasuries  | 12%   | 12% | 14%    | 10%           |
| High yield corporate bonds   | 12%   | 10% | 15%    | 9%            |
| Asset-backed or mortgage-backed securities                         | 11%   | 13% | 9%     | 13%           |
| Structured products (e.g. CLOs<br>Collateralized Loan Obligations) | 10%   | 5%  | 12%    | 14%           |
| Non-US developed market<br>sovereign debt                          | 9%    | 10% | 9%     | 8%            |
| Treasury inflation protected securities                            | 9%    | 10% | 9%     | 7%            |
| Non-US investment grade<br>corporate bonds                         | 8%    | 5%  | 10%    | 9%            |
| Short-dated bonds  | 8%    | 5%  | 10%    | 8%            |
| Emerging market sovereign debt                                     | 7%    | 8%  | 5%     | 8%            |

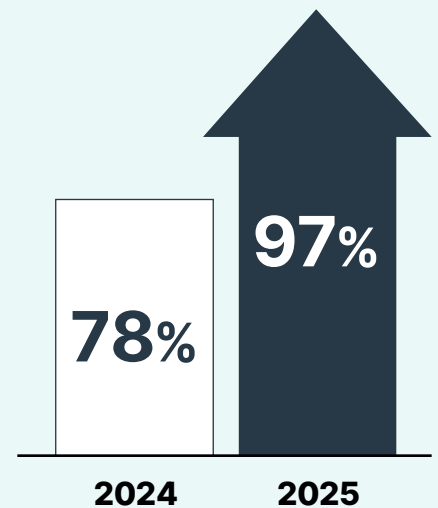
# THE FLIGHT TO ACTIVE ETFs CONTINUES

All signs point to active ETFs growing their market share.

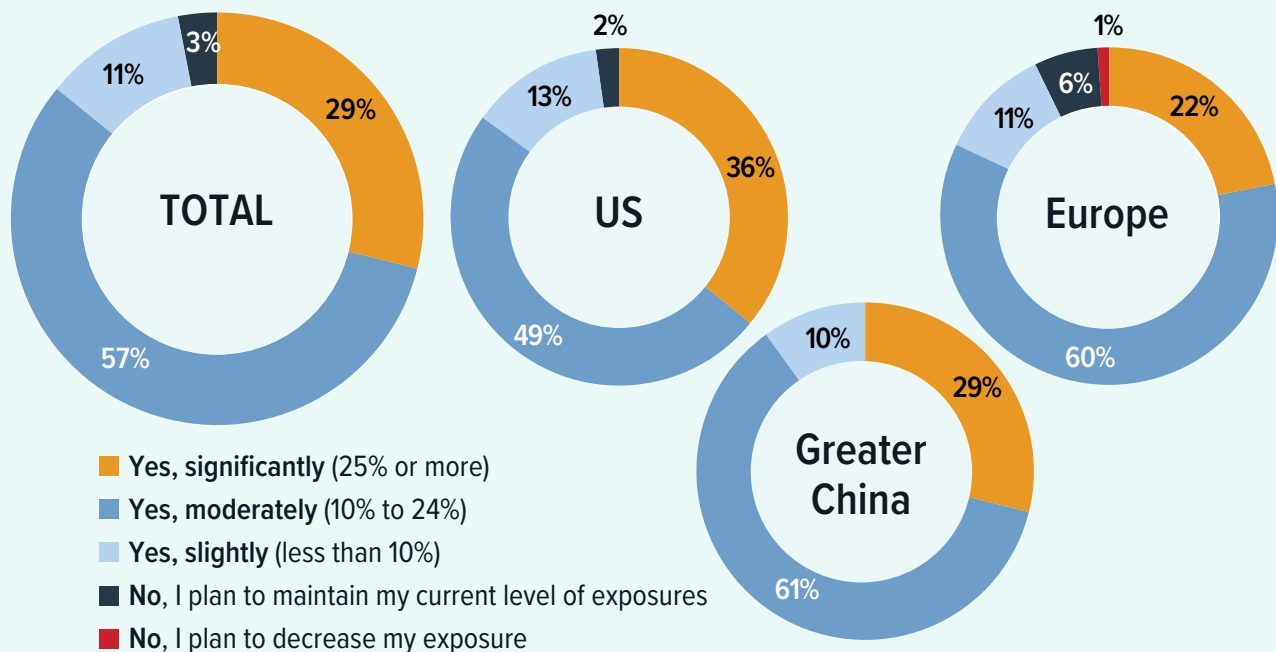
2024 was a record fundraising year for actively managed ETFs, with the asset class seeing net inflows of \$374.30 billion, resulting in a significant AUM bump to a record \$1.17 trillion.<sup>3</sup>

Active ETFs account for only 8% of the assets of the total global ETF market but we are witnessing strong growth across regions.<sup>4</sup> This buoyant activity reflects what we are seeing in the survey. Nearly all - 97% - of investors across the three regions plan to increase their current exposures to active ETFs over the next 12 months. This number stood at 78% last year, marking a significant potential increase in active traction. Will 2025 flows follow this prediction?

There are slight geographical nuances too. In the US, 36% of investors said they would raise their active ETF exposures by more than 25%, versus 22% in Europe. This could serve as a sign that investors are preparing to nimbly reposition themselves in volatile markets, using actively managed ETFs to seek relative outperformance.



## Do you plan to increase your current exposure to active ETFs in the next 12 months?



<sup>4</sup> EFTGI – January 30, 2025 - EFTGI reports that assets invested in actively managed ETFs listed globally reached a new record of US\$1.17 trillion at the end of 2024

<sup>5</sup> EY – February 17, 2025 – How ETF trends are shaping market growth and innovation for 2025

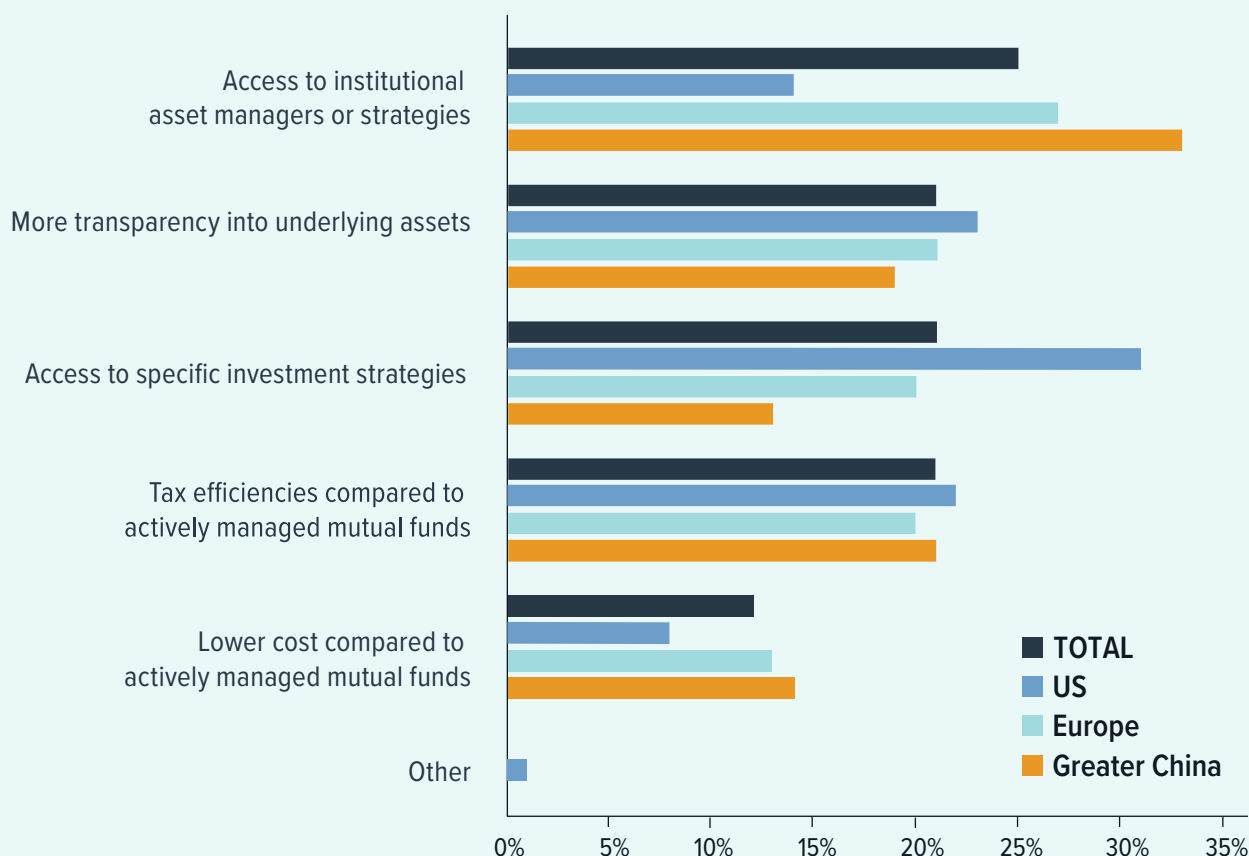
Among those investors who plan to increase their active ETF exposures, more than half (56%) expect to add equity, multi-asset products (53%), and fixed income ETFs (52%). Issuers should note an opportunity to increase product availability in this space to align product development with investor demand.

## Why are active ETFs thriving?

We see investors leaning towards active products to help secure specific outcomes, access professional investment strategies, seek relative outperformance, and help manage market volatility. As of January 2025, there was a broadly 50/50 split between active and passive ETF flows. Our survey shows this trend continuing, with 33% of investors planning to shift their passive allocation (mutual funds and ETFs) to active ETFs over the next 12 months.

Twenty-five percent of investors said they are using active ETFs to access institutional asset managers or strategies, rising to 33% in Greater China. Meanwhile, 21% said they like active ETFs because they offer more transparency into the underlying assets. A further 21% respectively said that access to specific investment strategies and the tax benefits compared to actively managed mutual funds were the main drivers for investing in active ETFs.

### What is the primary reason you utilize active ETFs?





While investors are buying more active ETFs, they are simultaneously reducing their exposures to other products:

- More than half (53%) plan to sell index-based ETFs as they dive deeper into active ETFs
- 48% plan to sell actively managed SMAs potentially due to accessibility, lower investment minimums, or ease of use
- 48% plan to sell index mutual funds

Investors are redeeming from index trackers and buying more active ETFs as they are seeking alpha, which they believe active ETFs will deliver on. Even though index ETFs are significantly cheaper than active ETFs, with the former charging investors around 0.43% and the latter 0.73%,<sup>5</sup> investors are still happy to pay a premium for the opportunity to access superior performance.

**Which of the following products do you plan to reduce allocations to as you increase your exposure to active ETFs?**

|                               | TOTAL | US  | Europe | Greater China |
|-------------------------------|-------|-----|--------|---------------|
| Index-based ETFs              | 53%   | 53% | 45%    | 63%           |
| Actively managed SMAs         | 48%   | 52% | 44%    | 49%           |
| Index mutual funds            | 48%   | 48% | 47%    | 48%           |
| Actively managed mutual funds | 46%   | 49% | 47%    | 41%           |
| Cash or Treasuries            | 39%   | 36% | 45%    | 34%           |
| Single stock/bond             | 34%   | 33% | 35%    | 33%           |
| Alternatives                  | 33%   | 30% | 36%    | 32%           |

<sup>6</sup> Fidelity – ETFs versus mutual funds: Cost comparison

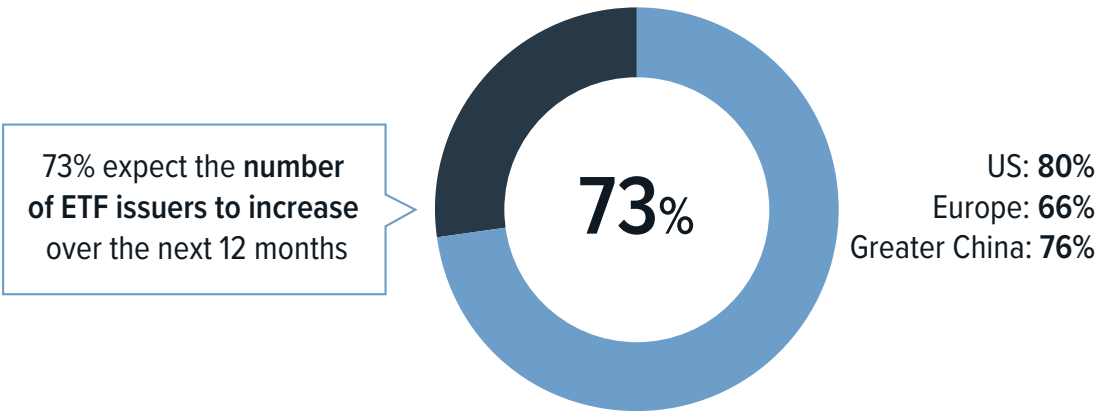


# Signals for issuers

With new entrants to the ETF market and ongoing product development, competition for investor assets is only trending upwards. As more asset managers enter the ETF space, investors are looking to take advantage of the additional expertise and optionality within their product line up.

In fact, 73% of allocators expect the number of ETF issuers they invest with will increase over the next 12 months.

**In what way do you expect the number of ETF issuers that you are investing with to change over the next 12 months?**

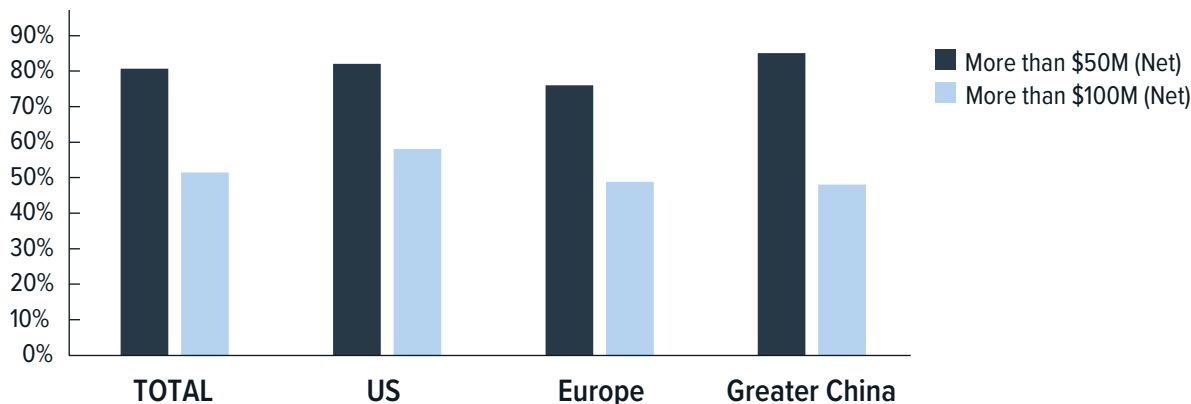


**Attracting investors**

In today's market, size is important.

Our survey found 81% of investors will only consider allocating to an ETF if it has more than \$51 million in AUM, while 51% require ETFs to have a minimum of \$101 million. Larger investors are even more demanding, with 15% of allocators running more than \$1 billion saying they will not consider an ETF with less than \$250 million in AUM. Larger institutions typically lean towards bigger ETFs, as they do not want the concentration risk which comes with investing in smaller ETFs.

**What is the minimum assets under management (AUM USD) that you require for a new ETF before considering an investment?**



As investors add products, 36% said they are most concerned with selecting ETFs with the right strategy or sector focus, while a further 36% said the same about ETFs' liquidity and trading costs.

Priorities vary according to region, however. In the US, strategy and sector focus are most important (42%) whereas in Europe the emphasis is on liquidity and trading costs (43%). Across the regions, brand reputation, historical performance, tax efficiency, and fund size tie for third place (34%) among the top three selling points for a new ETF.

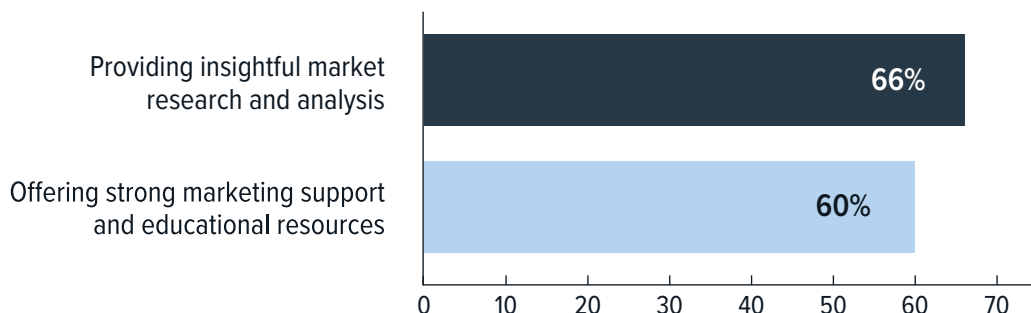
Despite headline expense ratios being a perceived factor, professional investors that we surveyed globally highlighted expense ratio as the 8<sup>th</sup> most important factor when selecting an ETF. As ETFs have moved beyond core beta ETFs, cost featured less prominently for investors. In the US, expense ratios finished last in relative importance across all ETF attributes. Additionally, only 12% of respondents invest in active ETFs due to lower costs when compared with their mutual fund counterparts.

### What are the most important selling points for you when considering an ETF?

|   | TOTAL | US  | Europe | Greater China |
|---|-------|-----|--------|---------------|
| Strategy or sector focus                    | 36%   | 42% | 30%    | 39%           |
| Liquidity and trading costs                 | 36%   | 29% | 43%    | 33%           |
| Brand reputation                            | 34%   | 34% | 34%    | 35%           |
| Historical performance                      | 34%   | 33% | 34%    | 36%           |
| Tax efficiency                              | 34%   | 34% | 33%    | 36%           |
| Fund size                                   | 34%   | 35% | 40%    | 24%           |
| Tracking error/difference with target index | 32%   | 33% | 31%    | 33%           |
| Expense ratio                               | 30%   | 28% | 27%    | 37%           |
| Index methodology                           | 29%   | 32% | 28%    | 27%           |

To thrive, ETF issuers need to differentiate themselves from their peers beyond their product offering to build brand and trust with advisors. Bringing forth additional resources supports ETF wholesaling teams in their discussions and influences the purchase decision.

### What are the top ways you think ETF issuers can add the most value?





Investors in the US place a higher priority on insightful market research and analysis (70%) whereas investors in Greater China (65%) or those with \$1 billion-\$10 billion in AUM (63%) prefer strong marketing support and educational resources.

As young people start investing more regularly, the role of education will only get more important. Investors as a whole are tapping the knowledge and expertise of issuers to understand the complexities and nuances of the ETF market.

## Transparency

We asked investors about transparency to understand how critical it is in buying decisions. Fifty-eight percent of allocators would be comfortable investing in an ETF that does not provide daily transparency. Conversely, 30% of respondents are not comfortable in the same scenario.

Semi-transparent and non-transparent ETFs have existed in the US since 2019 and have proved attractive with asset managers who are concerned with disclosing their portfolio holdings and thus revealing their “secret sauce.” However, ETFGI data suggests that investors are not yet convinced by this, with these products accounting for just \$14 billion in AUM.\*

Despite this, managers should not rule out launching semi-transparent or non-transparent ETFs in the future. In Europe, issuers who have ETFs domiciled in Luxembourg, can avail of the policy change from the regulator, the CSSF, in late 2024 and launch products that have reduced transparency. Strong demand is clear with more than half of European investors indicating that they would invest in a product with reduced transparency. The issue is under review with the CBI. This will likely provide further tailwinds for new asset managers entering the market who had concerns regarding portfolio transparency.

\* ETF Stream – November 11, 2024 – Non-transparent ETFs to woo managers, not investors

## Keeping up with investor demand

Allocations into alternative and cryptocurrency focused ETFs are also on the rise, and this is something issuers should take into consideration.

Our survey found that 26% of investors expect alternative assets to continue as an area of interest in 2025. In the US, 38% predict alternatives will maintain their popularity, although this is less pervasive in Greater China (22%) and Europe (21%).

### Which investment trend from 2024 do you expect to continue in 2025?

|   | TOTAL | US  | Europe | Greater China |
|---|-------|-----|--------|---------------|
| Continued growth of alternative investments | 26%   | 38% | 21%    | 22%           |
| Artificial intelligence                     | 25%   | 22% | 23%    | 31%           |
| The dominance of the “Magnificent Seven”    | 24%   | 21% | 24%    | 26%           |
| Digital assets                              | 16%   | 10% | 22%    | 14%           |
| Rising US treasury yields                   | 8%    | 8%  | 10%    | 7%            |
| Other                                       | 0%    | 1%  | –      | –             |

Over the last 18 months, there has been a notable increase in the number of private market focused ETF products, i.e. private equity and private credit ETFs. Interest in alternative assets skewed towards more institutional channels and ultra high net worth clients. Institutions, asset managers, and wealth managers thought that continued growth in alternatives will be the top investment trend in 2025.

As allocators look for new return sources, these alternative-type ETFs could see greater traction.

“

Accessing private markets through ETFs represents a new way to democratize access to private market investments. By bundling private market assets into ETFs, investors gain exposure to unique, high-growth opportunities without locking up their capital or being restricted by the high investment minimums typically associated with private-equity style investment funds. At the same time, we are working with clients through other considerations, including potential liquidity mismatches and valuation practices – particularly during periods of market turbulence and uncertainty.

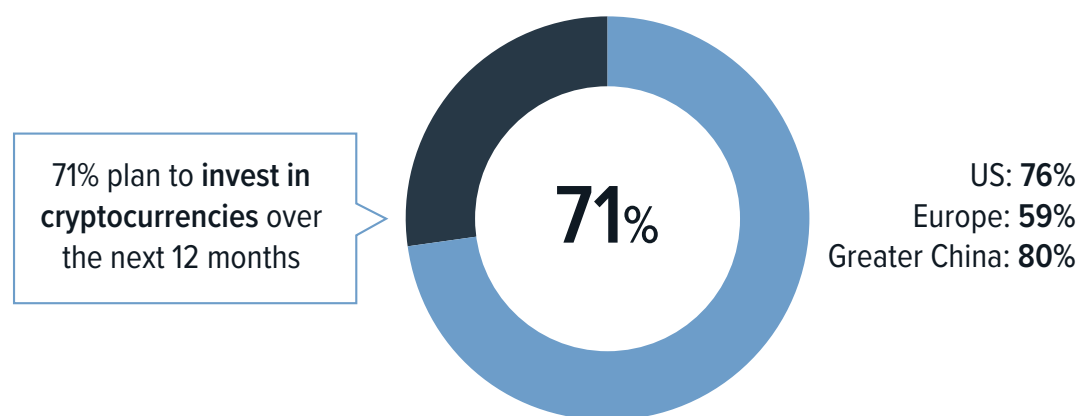
– Jeff Dorigan  
Managing Director, Alternative Fund Servicing, BBH

While alternative ETFs are certainly innovative and will provide retail investors with access to assets which have traditionally only been available to institutions, regulators, including the Securities and Exchange Commission (SEC), have voiced concerns about their liquidity risk and the ability for issuers to properly value private assets.<sup>6</sup>

Issuers should also be assessing the merits of developing cryptocurrency ETF solutions.

A whopping 71% of allocators expect to increase their investments in cryptocurrency-focused ETFs over the next 12 months. Demand is highest in Greater China (80%) and the US (76%), in contrast to Europe (59%).

Whereas 76% of institutional investors said they will bump up their investments in cryptocurrency ETFs over the next 12 months, private banks (68%) and fund managers (65%) appear to be slightly more cautious.



Investor interest is mostly being driven by performance, with 26% of allocators anticipating that cryptocurrencies will deliver the best returns over the next 12 months, putting them on a par with equities.

However, it's a quickly changing space and sentiment could change based on regulatory and political changes in the US.

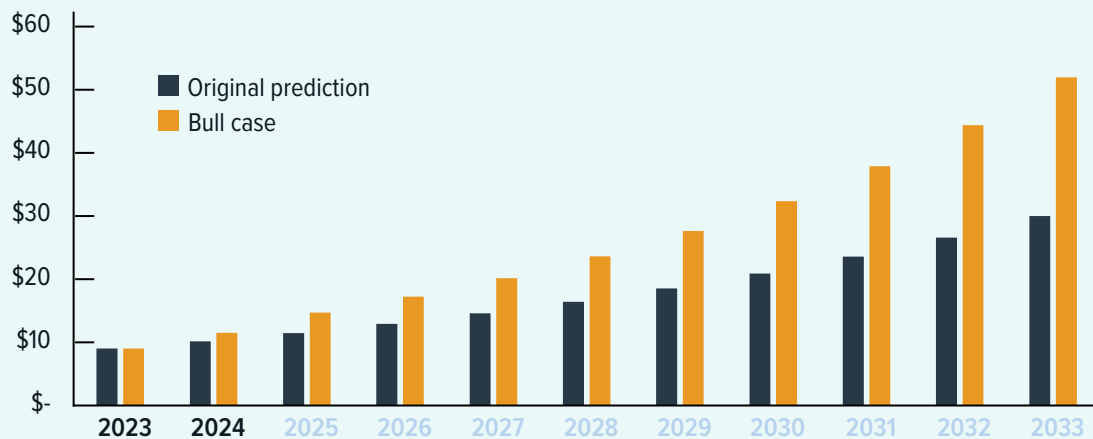
Many investors are piling into cryptocurrency ETFs to gain more efficient exposure to cryptocurrencies, i.e. because they do not want to go through the motions of setting up a digital wallet or they might be reluctant to store assets at crypto-exchanges, due to their perceived cyber-security weaknesses.

Although there have been some well-publicized cryptocurrency ETF launches over the last 12 months, there are not that many products available on the market. This could be an opportunity for issuers to capitalize on.

In terms of themes and sectors, technology, including Artificial Intelligence (AI), continues to be a hot topic for investors in 2025. When asked what investment trends they expect to continue in 2025, 25% of allocators said AI will be a major investment theme in 2025, while 24% said the same for the 'Magnificent 7', i.e. Microsoft, Amazon, Apple, Alphabet, Meta, Nvidia, Tesla, and 16% for digital assets.

<sup>6</sup> Financial Times – February 28, 2025 – US regulator flags concerns with State Street and Apollo private credit ETF

## THE \$30 TRILLION TRAJECTORY



In our 2023 survey, we made a bold prediction that global ETF assets would reach \$30 trillion by 2033. We are well on our way to reaching that milestone, and potentially exceeding it based on current market conditions.

Here's why:

- At the time of the prediction, global ETF assets sat at \$9 trillion. Just two years later they have grown to \$14.7 trillion.
- On average, this would require \$2.1 trillion a year in growth. In 2023 and 2024, global ETFs grew by \$2.51 trillion and \$3.19 trillion, respectively.
- The compound annual growth rate (CAGR) of the last two years (27.8%) has far exceeded the CAGR of the previous 10 years (17.4%).
- ETF assets need to grow at a 9.3% CAGR over the next eight years to reach \$30 trillion by 2033, only half of the 10-year CAGR.

Record inflows and excellent market performance have convinced us that we'll reach \$30 trillion by 2033.

All data sourced/derived from ETFGI.



## ETFs AND AI: THE STATE OF PLAY

Similar to many other facets of financial services, the ETF industry is not immune from disruption.

Our study found 31% of firms are using AI-driven tools to make investment decisions, while a similar proportion - 30% - are deploying AI for market analysis or research purposes, but not for decision-making. A further 26% said their firms rely on financial advisors or fund managers who use AI in their strategies.

However, 10% say their firms are interested in using AI but have not started yet, with that percentage rising to 13% in the US.

Caution should be exercised with AI responses, however, as the level and nature of AI adoption will vary widely across different firms.

# Conclusion

With most of our survey participants intending to increase their ETF allocations in the year ahead, this evolving market looks set for further growth. Increasingly, investors appreciate the evolution and innovation in the ETF market, with ETF products embracing an ever-wider asset pool and range of investment strategies with expanding geographic reach. Competitive costing, flexibility, transparency, and the strong diversification potential of ETFs are proving attractive features in an uncertain world. With record inflows in 2024 and compelling market performance, the ETF market looks set to reach new horizons with no let-up in its innovation, creativity, investor appeal, and growth potential.

For over 20 years, BBH has been a leading global provider of ETF services for the largest established global asset managers and new asset managers entering the ETF market in the US, Europe and Asia. BBH provides a comprehensive service model of solutions (accounting, administration, custody, and transfer agency) to power our clients' ETF businesses. In addition, BBH supports its clients with deep expertise and unique insights to inform our clients' ETF strategies.

**Want to know more?**

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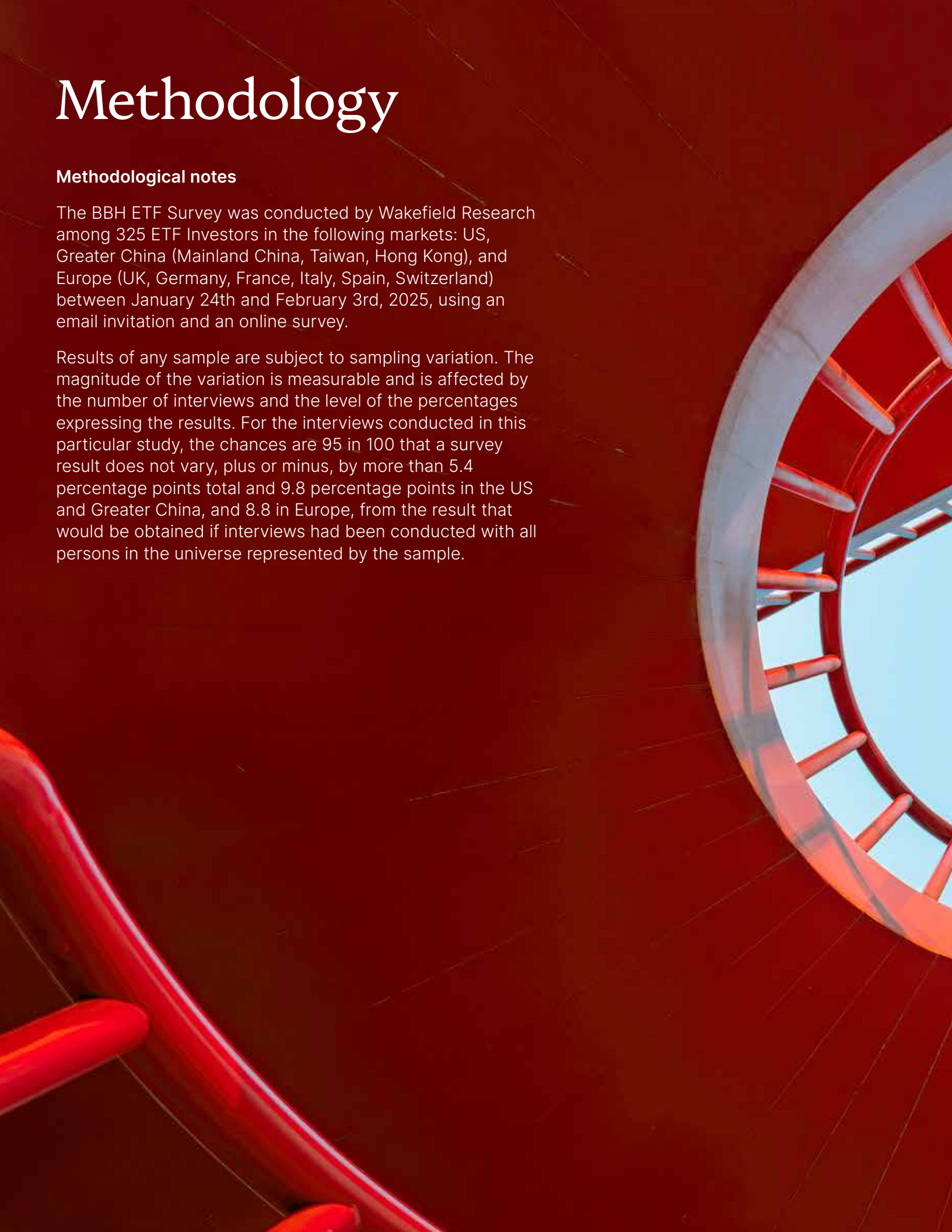
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# Methodology

## Methodological notes

The BBH ETF Survey was conducted by Wakefield Research among 325 ETF Investors in the following markets: US, Greater China (Mainland China, Taiwan, Hong Kong), and Europe (UK, Germany, France, Italy, Spain, Switzerland) between January 24th and February 3rd, 2025, using an email invitation and an online survey.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 5.4 percentage points total and 9.8 percentage points in the US and Greater China, and 8.8 in Europe, from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.





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