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BRIEF

A ROUND-UP OF ETFs IN 2023

All data as of 31 December 2023

Completing 30 years, the ETF industry continues to experience surging growth

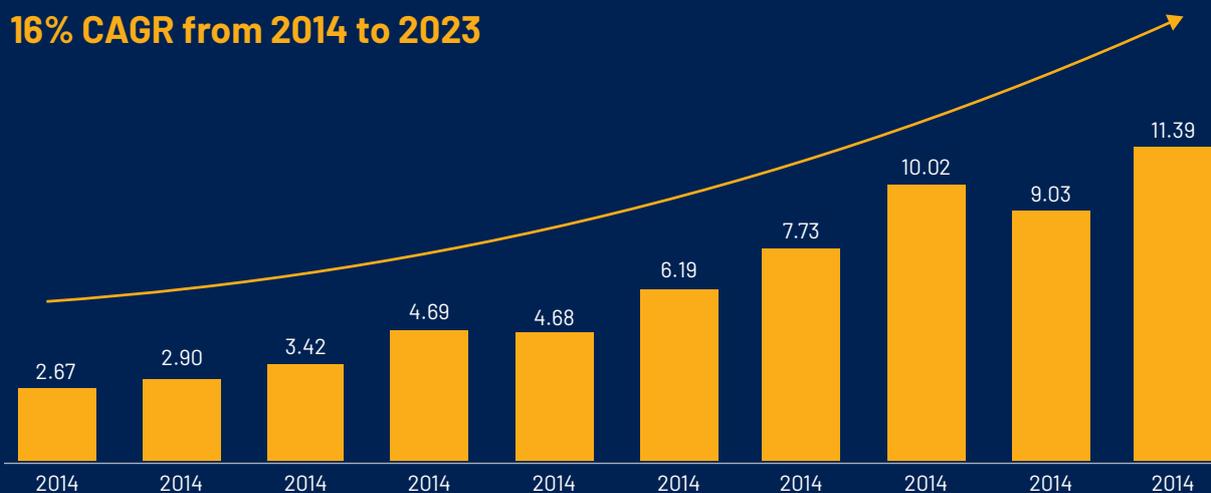
ETFs have demonstrated remarkable resilience and value over the past three decades, enduring market strength and stress. Offering investors diversification, flexibility and resilience in their portfolios, ETFs have proven their ability to deliver value across market cycles, making them particularly useful during volatile times. The industry has also enjoyed the interest of new diverse investor groups, specifically retail investors, in certain regions and categories.

ETFs have not only endured but thrived over the past decade. Up 26% from last year, the industry reached a colossal c.USD11.4tn in assets under management (AuM) as 2023 came to an end.



ETF industry AuM (USDtn)

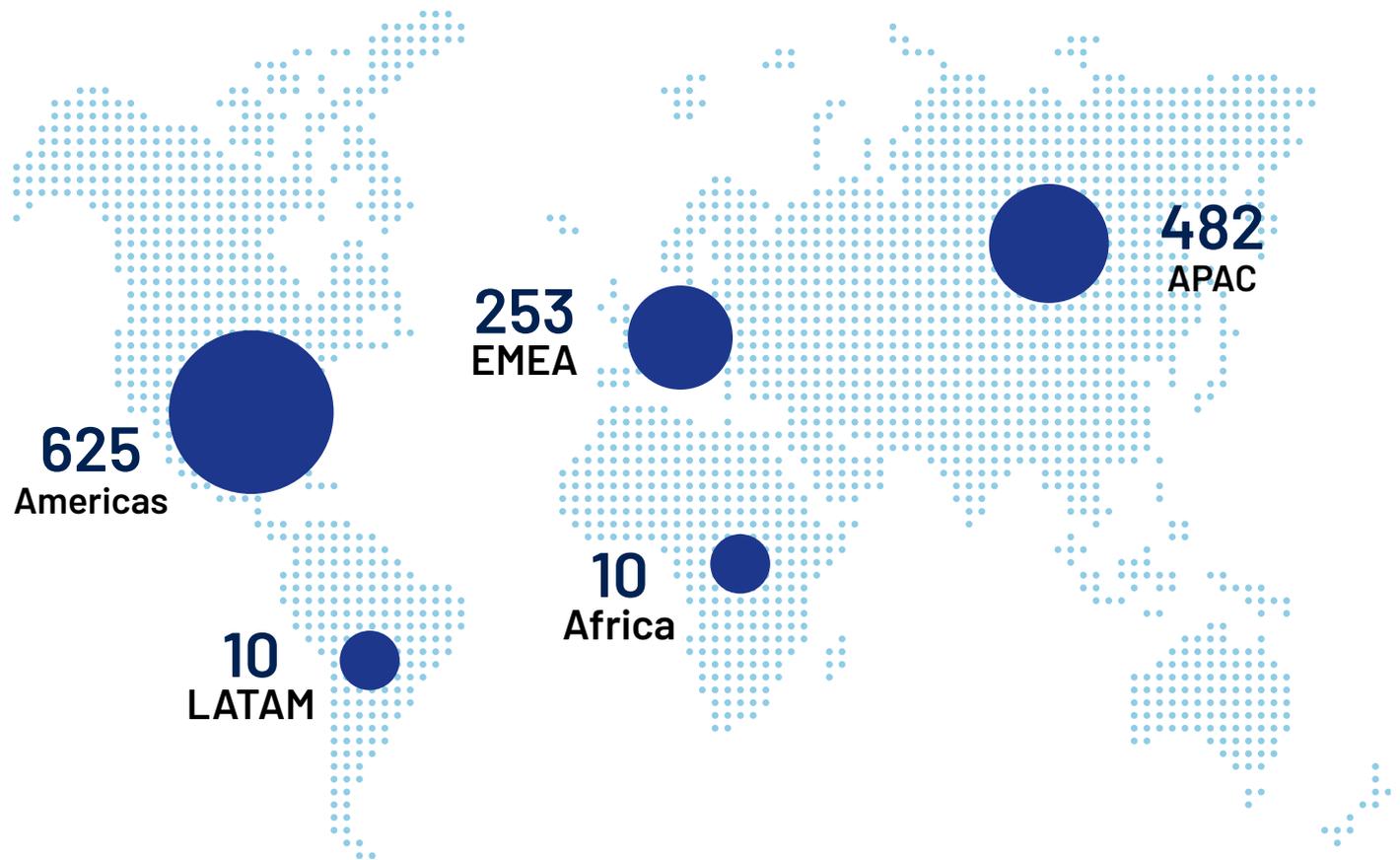
16% CAGR from 2014 to 2023



Source: ETFGI press release

Asian issuers continue to compete for investors

The Asian market continues to compete with its developed counterparts as the number of issuers there keeps growing. While the US was undoubtedly the largest issuer, with 625 new ETFs, Asia Pacific (APAC) accounted for c.35% of global launches in 2023.



Source: Bloomberg

Where is the money flowing to?

The Americas were a leading market for ETF launches in the year ended December 2023, followed by Africa, with 48% and 25% y/y increases in the number of newly launched ETFs, respectively. In contrast, LATAM and EMEA saw significant y/y declines in new ETF launches. Although APAC seems to be a large market for new issues, the y/y number for the period is small.

Y/y change in new launches

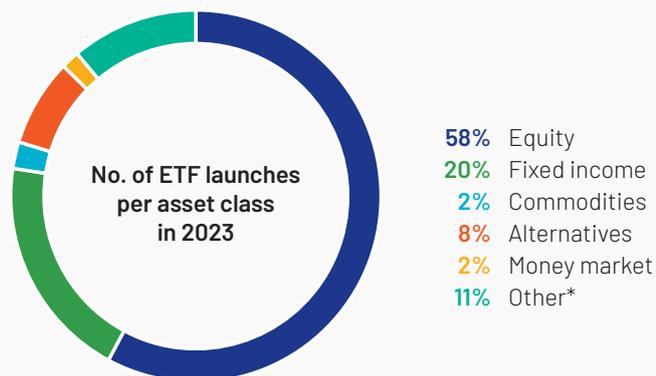


Source: Morningstar Direct

Investors' top product picks

Equities continued to take the largest share of ETF launches in 2023 as well, bagging a c.58% share of the c.1,380 new market launches. Fixed income strategies were in second place as usual, but alternative investments emerged as the third-largest category for ETF investments in 2023.

ESG ETFs also reported high inflows, but commodities experienced outflows in the year.

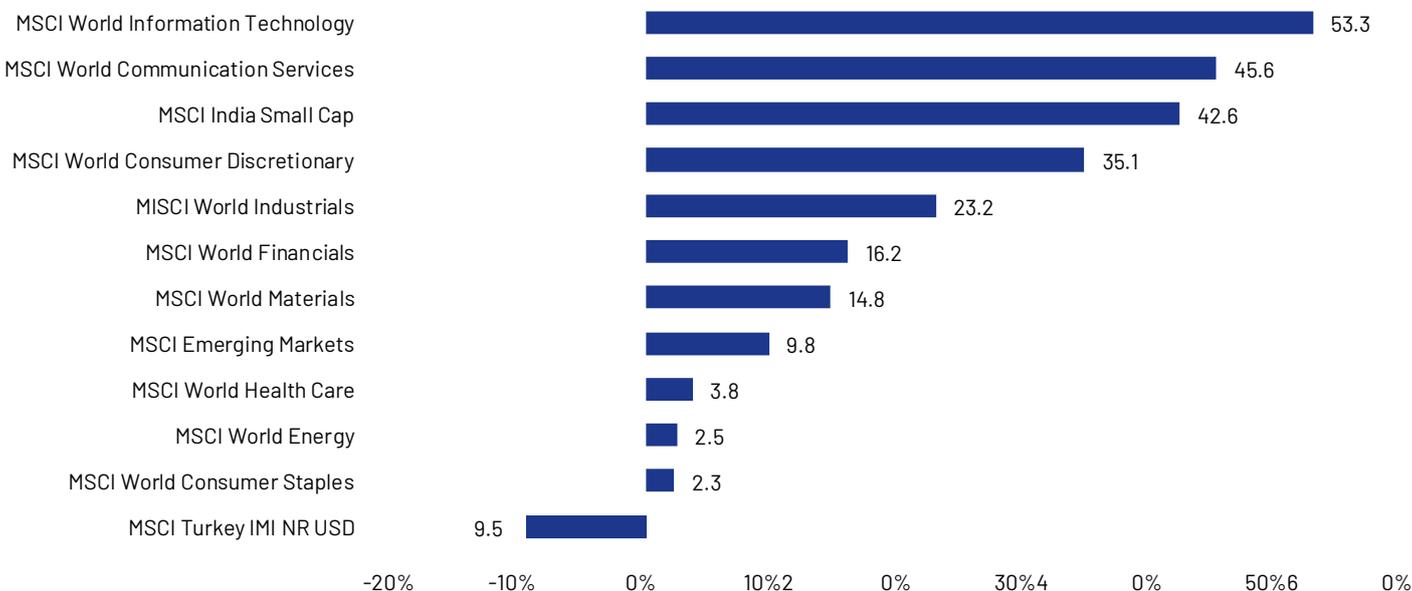


Source: Morningstar Direct

*Other includes investment types such as allocation funds, convertibles and miscellaneous investments

How ETFs fared in 2023

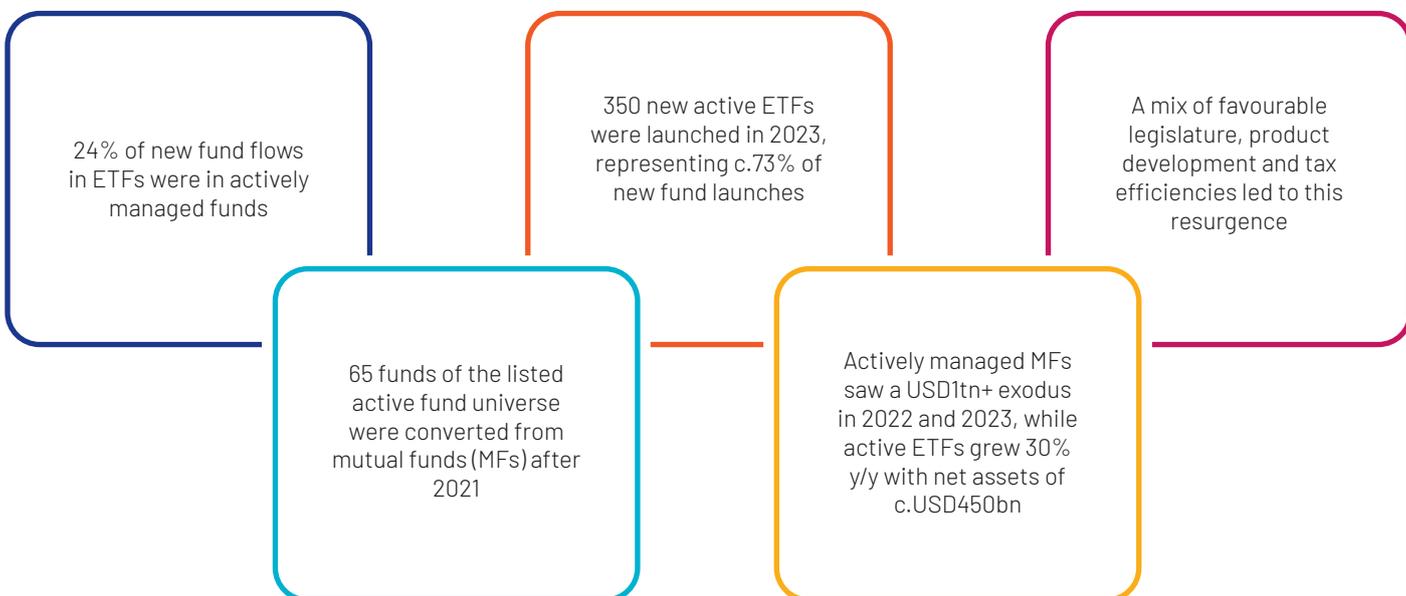
Investors continued to pour in over USD 300 billion into the ETF industry in 2018. The slide in oil prices post U.S. sanctions on Iran resulted in Energy ETFs being one among the worst performers of the year. Meanwhile, the twin effects of the ongoing U.S.-China trade war and the slump in U.S. equity markets left emerging market ETFs in the red. Global Industry Classification Standard's (GICS) recategorization of telecommunication services to include the sought-after FANG stocks (Facebook, Amazon, Netflix, Google) makes Telecom ETFs an attractive investment avenue.



Source: Categories represent world sector performance.

Resurgence of active ETFs

The next trend could be a race to zero-cost ETFs, with currently ~20 ETFs charging 5bps or lower. While the feasibility of such a model is being evaluated, a new issuer looking to shake the stronghold of few large issuers could preponderate the loss of revenue through higher net asset inflows and trading volumes. Presently, Fintech company SoFi is collaborating to launch ETFs in 2019 at no cost during the initial few years.

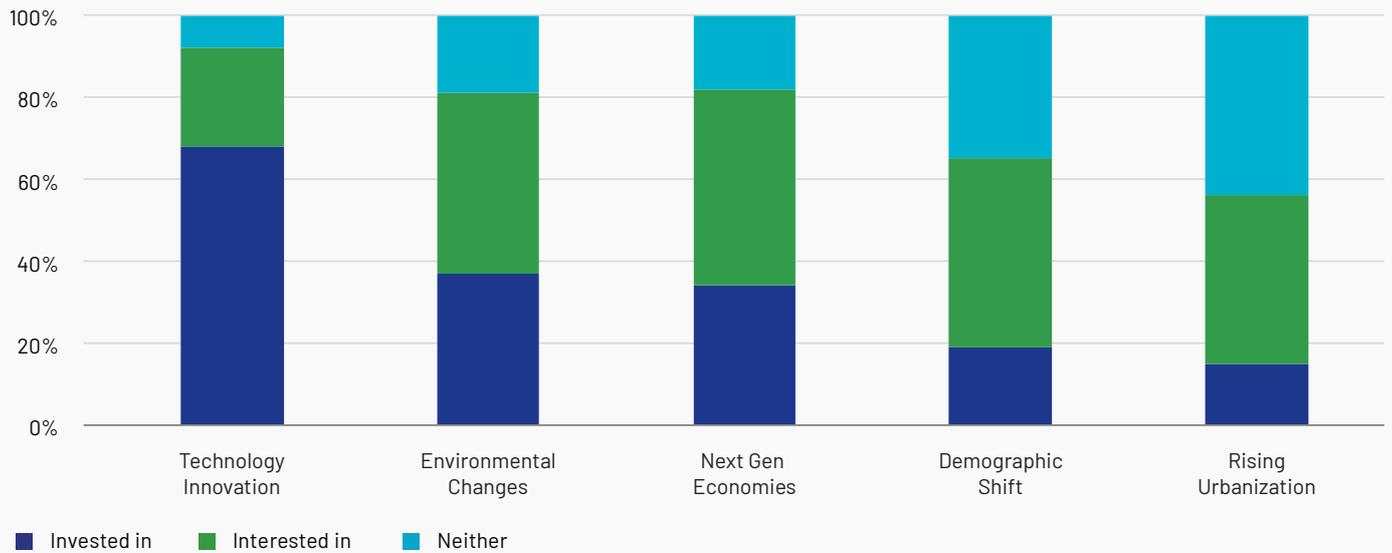


Style	Net assets (USDm)	% of ETF market	2023 net flows (USDm)	% of 2023 net flows
Active	531,900	6.5	131,100	21.9
Passive	7,599,200	93.5	467,100	78.1

In the race for actively managed ETFs, four major providers emerged as frontrunners:

1. Dimensional	2. JP Morgan	3. Avantis	4. Capital Group
Led the pack with an impressive USD31bn influx to its active ETF lineup. It blends systematic portfolios, bridging the gap between active and passive strategies	Relies on its covered-call ETFs to attract investors. Its approach combines active management with options strategies	Also adept at weaving systematic portfolios, saw substantial inflows, although its MFs have a shorter history than Dimensional's	Known for its discretionary strategies, has successfully transitioned its expertise from open-end funds to the world of ETFs

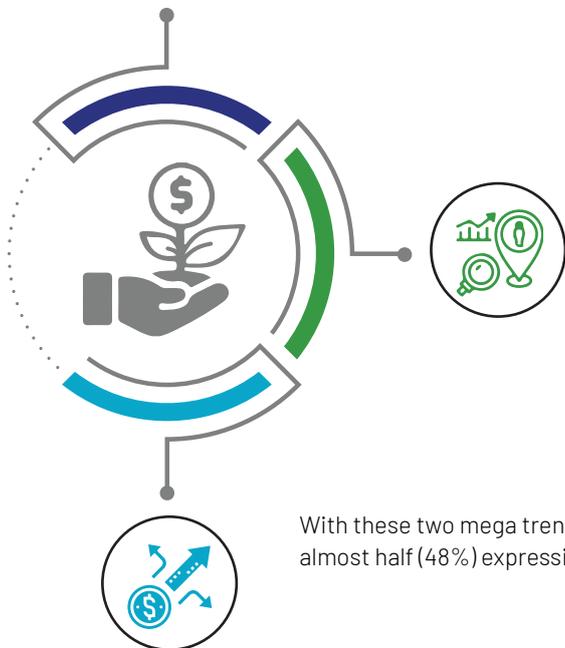
Investor interest in mega trends



Source: Trackinsight



These trends may indicate that investors see a synergy between technological innovations that drive environmental solutions and the need for breakthroughs in green technology companies.



A demographic shift (46%) and rising urbanisation (41%) are of great interest, but these concerns are still poorly reflected in investment strategies, and the investments account for only 19% and 15%, respectively.

With these two mega trends, the next-generation economy is an emerging mega trend, with almost half (48%) expressing interest and over a third (34%) investing in this trend.

New kid on the block

A large viable market with high growth potential

The cryptocurrency market grew c.13x to over USD2.6tn in 2021 from USD200m in 2018.

Total cryptocurrency market cap¹

Total market cap (USDbn)



Data as of 31 December 2023

1. Source: CoinMarketCap, 2023

Cryptocurrency

Global AuM of cryptocurrency ETFs grew at a 19% premium compared to the value of the underlying digital assets, while the growth rate of digital assets was 123%. The premium was driven by Bitcoin's share of ETF AuM, which stood at 72%, larger than its share of the overall digital assets market (53%).



Themes that played out

End of 2023

	Assets (USDm)	Share	1yr VAR	ETF count	1yr VAR
Net zero 2050	62,372	21.6%	56.8%	206	+42
Global infrastructure	22,535	7.8%	19.1%	49	+8
Digital infrastructure and connectivity	19,554	6.8%	48.5%	68	+15
Disruptive technology	17,664	6.1%	42.4%	50	+5
Cybersecurity	15,345	5.3%	25.1%	29	+3
Artificial intelligence and big data	5,514	1.9%	190.3%	16	+0
Cloud computing	5,204	1.8%	17.4%	20	+0
Nuclear energy	4,973	1.7%	99.8%	11	+2
Future mobility	4,683	1.6%	4.4%	34	+2
Green projects	2,895	1.0%	22.7%	40	+8

01



BULZ

BULZ provides 3x leveraged exposure to an index of 15 large, innovative companies. The index includes eight "core" components – Apple, Amazon, Meta, Alphabet, Microsoft, Netflix, Nvidia and Tesla – and seven other top-traded tech stocks.

YTD return – 191.5%

02



BKCH

BKCH holds stocks of companies that seek to capture growth of blockchain tech, as well as its sister fund, the Global X Blockchain, and Bitcoin Strategy ETF (BITS), which invests in a combination of blockchain stocks and Bitcoin futures, two of the top gainers in this category.

YTD return – 113.8%

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QQMG

Invesco ESG NASDAQ 100 ETF (QQMG) is a US equity large-growth ETF that tracks the performance of companies in the Nasdaq 100 Index that meet ESG criteria.

YTD return – 55.34%

2023 in numbers

Top-10 ETF issuers	AuM (USDm)
BlackRock, Inc.	2,635,067
Vanguard	2,424,752
State Street	1,152,714
Invesco	482,463
Charles Schwab	325,220
First Trust	155,856
JPMorgan Chase	138,016
Dimensional	121,730
WisdomTree	74,008
ProShares	68,537

Top-10 bond ETF by AuM	AuM (USDm)
Vanguard Total Bond Market ETF	104,125
iShares Core U.S. Aggregate Bond ETF	100,687
Vanguard Total International Bond ETF	54,219
iShares 20+ Year Treasury Bond ETF	49,236
Vanguard Intermediate-Term Corporate Bond ETF	45,311
iShares National Muni Bond ETF	36,637
Vanguard Short-Term Corporate Bond ETF	36,424
iShares iBoxx \$ Investment Grade Corporate Bond ETF	33,849
Vanguard Tax-Exempt Bond ETF	31,563
SPDR Bloomberg 1-3 Month T-Bill ETF	31,437

Top-10 ETFs by AuM	AuM
SPDR S&P 500 ETF Trust	\$487,593,000
iShares Core S&P 500 ETF	\$428,888,000
Vanguard S&P 500 ETF	\$401,637,000
Vanguard Total Stock Market ETF	\$365,413,000
Invesco QQQ Trust Series I	\$246,141,000
Vanguard FTSE Developed Markets ETF	\$121,535,000
Vanguard Growth ETF	\$111,936,000
Vanguard Value ETF	\$106,623,000
iShares Core MSCI EAFE ETF	\$105,384,000
Vanguard Total Bond Market ETF	\$104,125,000

Top-10 equity ETF by AuM	AuM
SPDR S&P 500 ETF Trust	\$487,593,000
iShares Core S&P 500 ETF	\$428,888,000
Vanguard S&P 500 ETF	\$401,637,000
Vanguard Total Stock Market ETF	\$365,413,000
Invesco QQQ Trust Series I	\$246,141,000
Vanguard FTSE Developed Markets ETF	\$121,535,000
Vanguard Growth ETF	\$111,936,000
Vanguard Value ETF	\$106,623,000
iShares Core MSCI EAFE ETF	\$105,384,000
iShares Russell 1000 Growth ETF	\$85,702,800

Top-10 bond ETFs by performance	2023 return
iShares Global High Yield Corp Bond CHF Hedged UCITS ETF (Dist)	18.7%
UBS ETF (LU) SBI Foreign AAA-BBB 5-10 ESG UCITS ETF (CHF) A-dis	18.2%
Lyxor EuroMTS 10Y Italy BTP Government Bond (DR) UCITS ETF - Acc	17.3%
Lyxor iBoxx GBP Liquid Corporates Long Dated UCITS ETF - Dist	16.5%
iShares Broad EUR High Yield Corporate Bond UCITS ETF EUR (Dist)	16.1%
iShares J.P. Morgan USD EM Bond UCITS ETF CHF (Acc)	16.0%
SPDR Bloomberg Sterling Corporate Bond UCITS ETF	16.0%
iShares J.P. Morgan USD EM Bond CHF Hedged UCITS ETF (Dist)	15.9%
SPDR Bloomberg Euro High Yield Bond UCITS ETF	15.9%
Xtrackers EUR High Yield Corporate Bond UCITS ETF 1C	15.6%

Top-10 equity ETFs by performance	2023 return
VanEck Crypto and Blockchain Innovators UCITS ETF	277%
Global X Blockchain UCITS ETF USD Accumulating	267%
iShares Blockchain Technology UCITS ETF USD (Acc)	198%
HANetf Grayscale Future of Finance UCITS ETF	141%
HANetf ETC Group Digital Assets & Blockchain Equity UCITS ETF	136%
WisdomTree Blockchain UCITS ETF USD Acc	120%
Amundi MSCI Semiconductors ESG Screened UCITS ETF Acc	78%
Amundi MSCI Semiconductors ESG Screened UCITS ETF Dist	78%
Franklin Metaverse UCITS ETF	76%
VanEck Semiconductor UCITS ETF	73%

Acuity Knowledge Partners is a leading provider of bespoke research, analytics, and technology solutions to the financial services sector. With nearly two decades of experience and a specialist workforce of 6,000+ analysts, we have the expertise to deliver high-quality reports.

In 2023, investors displayed a strong interest in megatrends such as technology, innovation, environmental changes, demographic shifts, and rising urbanization. However, the investment strategies did not reflect these trends well, with these themes accounting for only a small percentage. Actively managed ETFs made a comeback, with record-high inflows, comprising ~22% of net flows. The cryptocurrency market experienced significant growth, with their global AuM growing at a premium compared to the value of the underlying assets. Equities continued to dominate ETF launches, followed by fixed-income strategies and alternative investments. The ETF industry reached a colossal \$11.4 trillion in AuM, demonstrating its resilience and value over the past three decades. The future looks promising for ETFs, with continued growth, innovation, and investor interest in various asset classes.

Unlock the Power of Informed Decisions: Dive into the insights of our 2023 ETF landscape report to stay ahead of the curve. Acuity Knowledge Partners is poised to provide asset managers with ongoing, tailored analysis that harnesses emerging trends, adapts to investor preferences, and fine-tunes ETF selections across asset classes. Partner with us to empower your strategy and ensure you're not just keeping pace but setting the pace in an ever-evolving market.





For more details scan the QR code or visit
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Acuity was established as a separate business from Moody's Corporation in 2019, following its acquisition by Equistone Partners Europe (Equistone). In January 2023, funds advised by global private equity firm Permira acquired a majority stake in the business from Equistone, which remains invested as a minority shareholder.