

**FOR IMMEDIATE RELEASE**

Loren Fox, Senior Research Analyst, (212) 944-4460, [Loren@sionline.com](mailto:Loren@sionline.com)  
Sonia Mata, Associate Director of US Research, (212) 217-6947, [Sonia@sionline.com](mailto:Sonia@sionline.com)

## **New Strategic Insight ETF Report: Global ETF Assets to Hit \$1 Trillion by 2012**

### **Audience for Exchange-Traded Products is Deepening, Broadening**

NEW YORK, NY – February 20, 2009 – Assets in global Exchange Traded Funds topped \$725 billion at the end of 2008, and, given industry trends, **worldwide ETF assets should eclipse the \$1 trillion mark within two years**, according to a new report from Strategic Insight, a business intelligence provider to the mutual fund industry.

Exchanged-Traded Products (ETPs), which include ETFs, trusts, partnerships and ETNs, have grown tremendously. US-listed ETPs held more than \$530 billion at the end of last year, and drew a record \$176 billion in net inflows last year, impressive gains in a very difficult market environment. And ETFs in Asia and Europe captured more than \$90 billion last year. **Taken together, investors worldwide put nearly \$270 billion into ETFs in 2008.**

A broadening buyer pool has propelled growth, as awareness and use of the ETP structure has risen among both institutional and retail intermediary-driven and individual clients, according to the just-published, 200-page report, *'ETFs: Growth, Innovation, Competition'*.

“The ETP business has grown steadily through bull and bear markets,” said Sonia Mata, co-author of the report and associate director of US Research at Strategic Insight. “These flexible vehicles can be used for short-term tactical positions and as building blocks for diversified investor portfolios.”

While the ETF sector may offer asset managers opportunities in both passive and active products, this sector's growth is affecting even those firms not directly involved in the managing and selling of ETFs. “ETFs are making their presence felt both in how our business is currently being conducted and how firms think about the future of investment management,” said Loren Fox, co-author of the report and senior research analyst at SI.

Some of the report's key findings include:

- **Some 40% to 50% of ETF assets reside with institutions**, including pension funds, hedge funds, endowments, foundations, proprietary trading desks, and mutual funds. And **50% to 60% of ETF assets reside with retail users**, including financial advisors and the direct retail channel. This suggests a gradual deepening and broadening of the retail ETF market.
- **ETFs offer access to a variety of asset classes and strategies; there are now 820+ different ETFs trading in the US.** And investors can use them to track everything from US corporate bonds to Brazilian stocks, and from gold to revenue-weighted versions of

popular stock indexes. **ETFs started since the beginning of 2006 account for three-quarters of all ETPs.** Among the areas of growth have been inverse and long-leveraged ETFs, whose US assets are approaching \$23 billion.

- **The simultaneous growth in the industry of asset allocation and fee-for-advice compensation models help support ETF growth.** More investors see ETFs as vehicles for simple index-tracking exposure in asset-allocation. And expanded use of fee-based distribution (including the growth of RIAs and brokerage wrap programs) creates a larger framework within which financial advisors can use ETFs.
- Registered Investment Advisors (RIAs), the early retail adopters of ETFs, generally plan to boost their use of ETFs, according to SI's proprietary survey. Among RIAs that use ETFs, half indicated in our survey that their ETF use had increased by a whopping 25% or more in the past two years, and **70% plan to increase their ETF use even further.**
- After many years of development, **2008 saw the US launch of the first “actively managed” ETFs** – products that do more than just track an index. More “transparent” active ETFs are in the pipeline, and several firms have filed for ETFs that would more closely resemble a fully active mutual fund. Active ETFs will no doubt be attractive to some mutual fund firms.
- **ETF use is also growing rapidly in Europe and Asia,** which are mostly institutional markets and are several years behind the US ETF market in terms of development.

Investment industry trends, including the increasing emphasis on a diversified asset-allocation strategy, are helping support growing use of ETFs. In addition, more firms will enter the ETF business, including PIMCO and Schwab. And a wild card is how well actively managed ETFs are received in the next few years. The bottom line is that further expansion of ETFs is certain. “ETFs have entered the investment management mainstream,” Fox said.

\* \* \*

*In its 23rd year, Strategic Insight is respected research firm for the mutual fund and wealth management industry, providing clients with in-depth studies, consultation, and electronic decision support systems .**Strategic Insight assists over 250 organizations worldwide, including the largest mutual fund management companies operating in the U.S. and the largest insurance companies serving the VA business. SI clients are responsible for about 90% of all U.S. mutual fund assets.** Strategic Insight also serves many equity research/banking firms, service companies, and many of the largest asset managers in Europe and Asia. For more information, visit us at [www.sionline.com](http://www.sionline.com).*