To bring you the latest insights and analysis, we canvassed the views of 38 senior executives from the ETF community at the recent 2019 Inside ETFs, Florida. Our survey explored the areas where ETF issuers and investors are focusing their efforts and their main concerns for this year.

Results at a glance: ETF issuers

1. What size is your ETF line-up by AUM today (globally)?
   Respondents to our survey ranged from $1bn in AUM up to $10bn+ providing us a diverse set of views from across ETF issuers.

   - $1mm - $1bn: 62%
   - $1bn - $5bn: 8%
   - $5bn - $10bn: 15%
   - $10bn+: 15%
What are the different ETF products you have launched or wish to?
We asked ETF issuers participating at the conference what products they have launched or wish to launch this year. The top ranked strategy was active followed by smart beta. This seems to fall in line with recent trends whereby AUM in active ETFs hit an all-time high this past January. Interestingly, rounding out the top three in a tie, were bond and fixed income strategies, commodity and passive equity. Even with the continued focus on ESG investing, our survey results reflected ESG as a lower priority coming in ranked last.

54% of the respondents (ETF issuers) have either launched or plan to launch active ETFs in 2019.

Source: ETFGI.com, February 21, 2019

What are the main challenges for you in 2019?
We asked of the ETF issuers what challenges they see potentially impacting their 2019 plans. Across the list, the topic that was most top of mind and chosen by 62% of respondents was market volatility. The impact market volatility can have on passive investing outflows remains a key concern. Following market volatility, regulation continues to impact ETFs with new initiatives such as the finalization of the transaction fee pilot, and the passing of the “ETF Rule”. The final challenge for issuers was seeing another downturn in the emerging markets.

Note: Click here to access our comment letter.

Market volatility tops as the main concern for 62% of the respondents (ETF issuers).
Do you plan to issue any new ETFs over the next 12 months? If yes, will you launch in a specific region?

Our survey asked ETF issuers if they would launch new products over the next 12 months and if so, where. Not surprisingly, the results were strong towards launching new products in the United States (U.S.) with the majority of respondents hailing from the U.S. Outside of the U.S., Canada and EMEA were tied for second.

Results at a glance: ETF investors

**Why do you invest in ETFs?**

Across our respondents, the mantra of ETFs as a lower cost vehicle continues to be at the forefront of an investor's decision in using ETFs, as reflected in its number one ranking. This feedback has been heard by ETF issuers, who have dropped their asset weighted average management fee by 26% over the past three years.\(^2\) While low fees were number one, tax efficiency took the second spot followed by liquidity. Based on the results it is clear that education by ETF issuers on how ETFs work and the benefits they provide is resonating with investors.

\(^2\) ETFGI.com, average expense ratio.

Low fees (48%) and tax efficiency (36%) are the top two reasons why respondents (ETF investors) invest in ETFs.
Do you plan to allocate any new investments to ETFs over the next 12 months?

From the results, it seems that issuers have been listening to their investors, as the top three selections aligned perfectly with what ETF issuers are looking at in 2019. The increased market volatility at the end of 2018 may have played a role into 2019’s demand for active strategies. Additionally, momentum may now be building for the new active ETF models in review with the SEC.
What are the main challenges for you in 2019?

Investors continue to be concerned with political instability, which was ranked as the number one challenge expected by investors in 2019. This ranking is not surprising given the ongoing trade talks between the U.S. and China, which was a regular headline in the news cycle. Following political instability, market volatility at number two was followed by regulation at number three. Issuers, while in line with market volatility and regulation, diverged with concerns over an emerging market downturn versus investors who are concerned with political instability.

Political instability (48%) and market volatility (44%) are the top two main challenges for respondents (ETF investors) in 2019.
Do you think ETFs behave as expected, during times of market stress and volatility?

Since ETFs were brought to the market place over 25 years ago, one constant concern raised has been the ability of ETFs to behave as expected during increased market volatility. As such, ETF issuers and other integral parts of the ETF ecosystem have continued to focus on educating investors on how ETFs work. As a result, we asked investors if ETFs behave as expected during times of market stress. ETF investors are hearing ETF issuers and other key participants loud and clear. Our results show that 88% of our respondents, believe that ETFs either always or frequently behave as expected.

88% of respondents (ETF investors) think ETFs can handle market stress and volatility.