

What is Driving the Growth of the ETF Industry?

BNY Mellon ETF Symposium, Bloomberg Advantage Interview

Joe Keenan, Head of Global ETF Services at BNY Mellon

Kathleen Hayes, Host, The Bloomberg Advantage

Vonnie Quinn, Host, The Bloomberg Advantage

Vonnie Quinn: Why is it becoming such an area of investment? Something like \$2 trillion is going to be invested or at least under management in the ETF space this month.

Joe Keenan: Yeah, you know, Vonnie, it's funny, you mention the \$2 trillion...way back in 2011, we commissioned a study with Strategic Insight that predicted that ETFs would grow to \$2 trillion by 2015, and it looks like we were only about three weeks off, so it was a very prescient study.

But I'll tell you there are a number of things that have been driving that. At the fundamental basis, the products are generally more tax efficient. They're very easy vehicles to use to build portfolios, so if you want to actively manage a passive portfolio, you can do it through ETFs. Really, what's driven the growth, I think, has been the ability of the structure to evolve, to offer access to a wide variety of asset classes.

Kathleen Hayes: It seems to me, a lot of people, you get down to the retail level, right. Somebody who wants to be hands on with his or her money. People like them because someone without a huge portfolio or huge wealth can trade more actively. You certainly saw the gold ETFs getting very popular. Is that part of what's fueled the growth?

Joe: Well, active, but I think you'll see in the retail space is a lot of buy-and-hold investing. I mean, if you take a look at these products, a vast majority of them are passive or pure index products. They're ideal for long-term investing.

The beauty, though, is you can trim your portfolio very easily. As easy as selling just simply one share. The other benefit, of course, is the ability to trade throughout the day as opposed to waiting until the end of the day to buy or sell your traditional mutual fund.

Vonnie: The fact that there are so many more now, how does that change the space? Does it mean that people are getting more diversified in the ETF space or are they still all going to the top 10 with just a very few investors picking the more...

Joe: Well, there's been growth across the board, but certainly the traditional core beta products, the S&P 500s, the NASDAQ 100s, known as the QQQs, today still have the bulk of the assets. The large providers are dominant players in the space, because they have broad-based

beta products. However, there's been extraordinary amount of innovation, I would say, on the periphery. Smart beta products, fundamentally weighted products, products that are designed to have a particular outcome, for instance, a low-volatility product or high dividends are all becoming very popular to augment your portfolio.

Vonnie: Alright. We're going to continue this conversation, very fascinating conversation with Joe Keenan, Head of Global Exchange Traded Fund Services at BNY Mellon. We're here at Dana Point at the 2014 ETF Symposium.

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally.

Products and services may be provided under various brand names and in various countries by subsidiaries, affiliates, and joint ventures of The Bank of New York Mellon Corporation where authorized and regulated as required within each jurisdiction, and may include The Bank of New York Mellon, One Wall Street, New York, New York 10286, a banking corporation organized and existing pursuant to the laws of the State of New York and operating in England through its branch at One Canada Square, London E14 5AL, England. Registered in England and Wales with FC005522 and BR000818. Supervised and regulated by the New York State Department of Financial Services and the Federal Reserve. Authorized by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority of the United Kingdom (and any successor regulatory entity). Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Not all products and services are offered at all locations.

Material contained within this audio recording is intended for information purposes only. It is not intended to provide legal, tax, accounting, investment, financial or other professional advice on any matter, and is not to be used as such. You should contact your independent financial advisor prior to acting on any information mentioned in the audio recording. This is not a financial promotion. No statement or expression is an offer or solicitation to buy or sell any products or services mentioned. The contents may not be comprehensive or up-to-date, and BNY Mellon will not be responsible for updating any information contained within this audio recording.

To the extent this audio recording may be deemed to be a financial promotion under non-US jurisdictions, it is provided for use by professional investors only and not for onward distribution to, or to be relied upon by, retail investors.

No statement or expression is an offer or solicitation to buy or sell any products or services mentioned. This audio recording is not intended for distribution to, or use by, any person or entity in any jurisdiction or country in which such distribution or use would be contrary to local law or regulation. Similarly, this audio recording may not be distributed or used for the purpose of offers or solicitations in any jurisdiction or in any circumstances in which such offers or solicitations are unlawful or not authorized, or where there would be, by virtue of such distribution, new or additional registration requirements. The contents may not be comprehensive or up-to-date, and BNY Mellon will not be responsible for updating any information contained within this audio recording.

BNY Mellon assumes no liability whatsoever (direct or consequential or any other form of liability) for any action taken in reliance on the information contained in this audio recording. Any unauthorized use of material contained in this audio recording is at the user's own risk.

The views expressed herein are those of the speaker(s) only and not those of BNY Mellon or any of its subsidiaries or affiliates. They reflect conditions as of the date of the video and are subject to change.

This program is not to be reproduced in whole or in part without the authorization of BNY Mellon.

Trademarks, service marks and logos belong to their respective owners.

© 2014 The Bank of New York Mellon Corporation. All rights reserved.