

Who is Investing in ETFs and What is Their Attraction to Investors

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: We're at BNY Mellon's annual ETF Symposium. This year, we're at Dana Point, California, and we are taking a laser look at global ETFs and that marketplace, which is really booming. ETFs have been around since the early 90s, Joe, and I should mention that we're speaking with Joe Keenan, Head of Global Exchange Traded Fund Services at BNY Mellon, but they've really been embraced in the last few years. Where is the money coming from that's going into ETFs now? Where is it coming out of?

Joe Keenan: Well, it's actually in the retail space. It's primarily new money. So even over the last five or six years when we've had very challenging markets, almost every month, net inflows have been positive into the ETF space. So, I think you've got millennial investors and others who are absolutely embracing the product.

Vonnie: So, it's not coming out of mutual funds?

Joe: No. There's been a view that ETFs would cannibalize existing mutual fund assets, but, of course, that's a very mature industry and lots of assets have been there.

Kathleen Hayes: So, Joe, what is attracting people? Again, is it because they have this sense, that you say, you can trade if you want during the day, you can buy and sell? It seems to me a lot of the regular people get the sense it puts me more on a footing with people whose money is run by professionals or have the kind of money that they can do that. And maybe they do buy and hold, but they have that option.

Joe: Well, they do have the option, and I would say when you take a look at the industry broadly, I'd break up the investor classes into three groups. I think you have the do-it-yourself investors. You know the traditional discount broker investors who might buy as little as one share.

Then you have, of course, the large institutions who are also driving asset growth. Big pension funds are using these products, both for short-term cash equitization, as well as longer term, within say core satellite strategies and to diversify these big institutional portfolios.

In the middle, and many of the attendees at the conference are fee-based planners. What we call RIAs. And they have really built a practice around using ETFs to manage portfolios.

Kathleen: That was a big deal in the evolution of ETFs, right? Twenty years ago, the people who were on Wall Street, a lot of them now have become wealth managers or RIAs, as you say, who started figuring out how to use ETFs as a key part of their portfolios for their clients.

Joe: Yes, it's absolutely the case. In fact, many of the attendees here have built significant practices using what we would call managed account programs, where they will do research to decide which ETFs to buy or which even to short within portfolios to give their clients very specific exposure. And again, these ETFs are excellent tools to build these portfolios.

Vonnie: So, what you're saying is the smart money, as well as the dumb money is going into ETFs.

Joe: Yes.

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.