

U.S. Exchange-Traded Fund Markets 2020

Broadening Product Use

OVERVIEW & METHODOLOGY

This report continues to provide holistic coverage of the U.S. exchange-traded fund (ETF) competitive landscape with a focus on product development and distribution trends as the industry shifts from one focused on passive products to one offering increasingly active transparent and semi-transparent exposures.

The theme of this year's report is broadening product use, covering increased ETF adoption across exposure types beyond the passive traditional U.S. and international equity core where such products first took hold. Increasingly, advisors are taking to not only fixed-income products, but also using thematic, defined outcome, and environmental, social, and governance (ESG) ETFs. Cerulli believes that as the industry grows—and it's expected to multiply over the next decade—issuers will have an opportunity to generate meaningful revenues via a greater variety of differentiated exposures beyond the commoditized core.

The report also focuses on the challenges faced by competing firms. Beyond the well-covered fee compression and product saturation, issuers also must focus on creating effective strategic partnerships with intermediaries (or generate end-investor enthusiasm for products) as securing shelf space and advisor mindshare becomes increasingly difficult.

USE THIS REPORT TO

- Understand key trends in the U.S. ETF competitive landscape, including which products and asset classes ETF issuers are focusing product development on and the ETFs that advisors are looking to use
- Analyze a blueprint for sizing the semi-transparent ETF market opportunity and review key factors that can either speed up or slow down adoption
- Explore the key tenets of successful thematic product differentiation and development, and understand trends related to thematic ETF flows, alongside ways in which these products can provide opportunity for managers
- Review recommendations for successful strategic partnerships in light of increasing intermediary requests for revenue sharing
- Gain insight into the Canadian ETF market, strategic product development plans, distribution channel sizing, and challenges surrounding growth and distribution

QUESTIONS ANSWERED

- What types of ETFs are issuers looking to develop in both the U.S. and Canada?
- Which channels should ETF issuers be targeting and what is the size of those channels?
- How much do advisors allocate to ETFs, which strategies do they use, and what strategies do they plan to commence use of?
- For what roles are ETF sales organizations looking to increase or decrease headcount?
- What are the key ETF asset growth drivers and challenges to greater use?

PRODUCT DETAILS

Included with Purchase

- Digital report in PDF format
- Unlimited online firm-wide access
- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

Interactive Report Dashboards

Interact and explore select report data with Cerulli's visualization tool.

- **ETF Projections:** Benchmark Cerulli's semi-transparent active equity asset projections and product uptake rate against customizable user projections. Additionally, compare total U.S. ETF asset and flow projections with customizable inputs for capital market and flow growth rates.
- **U.S. vs. Canadian ETF Issuers Comparison:** Explore a side-by-side comparison of U.S. and Canadian ETF issuer product development plans by management type, sentiments on the greatest driver of ETF asset growth, and estimated product launches by management type.
- **Issuers vs. Advisors Comparison:** Compare ETF issuer and advisor sentiments on why they are using strategic beta ETFs and where they are seeing unmet demand.
- **Investor ETF Ownership:** Customize side-by-side charts comparing ETF ownership and reasons behind household purchases of ETFs with filters by investor age range and investable assets.
- **SEC 13F Leaderboard:** Analyze Cerulli's proprietary SEC 13F filing database that illustrates ETF holders by assets as of 1H 2020 alongside a detailed breakdown of each firm's holdings. Additionally, examine the details surrounding each firm's mix of management types (active, passive, and strategic beta) and their share of assets distributed across categories (e.g., equity, taxable bond, alternative).



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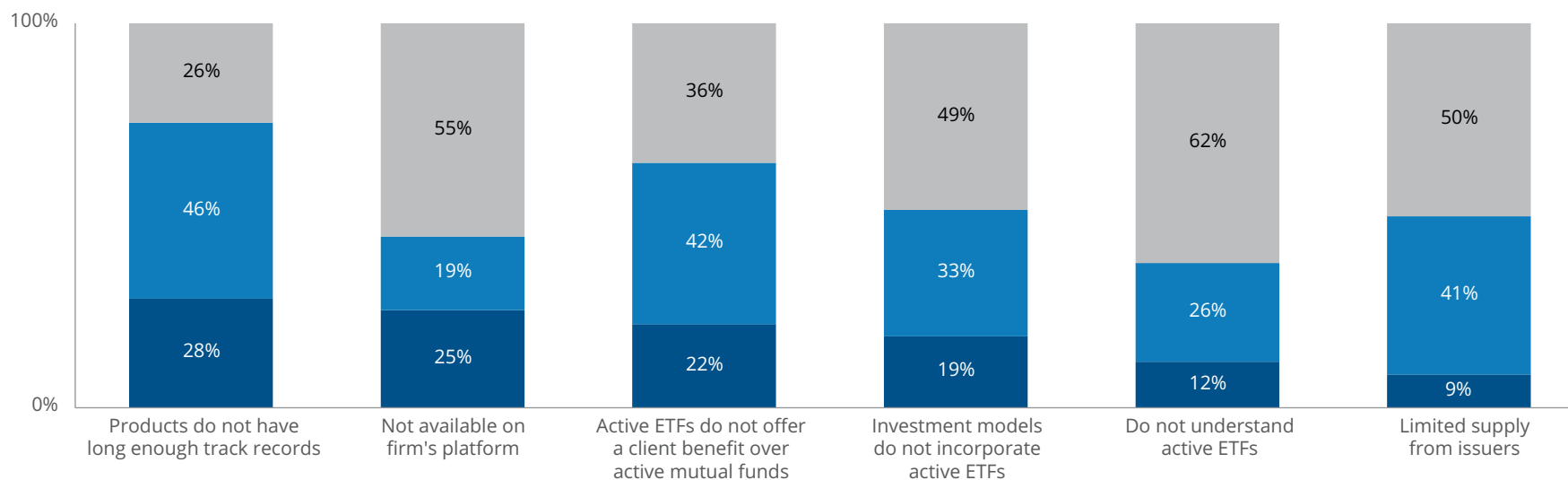
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Exhibit 5.12**Active ETF Non-Users: Factors Preventing Use, 2020**

Source: Cerulli Associates

Analyst Note: Advisors who don't use active ETFs were asked to rate the significance of potential factors.

■ Significant factor ■ Moderate factor ■ Not a factor



- Advisors not using active ETFs are most likely to attribute this to the products not having long enough track records (28% rate this as a significant factor) as opposed to product supply (9%).

Key Implication: Asked what is preventing their use of active ETFs, advisors point to their shorter tenure in the market versus other factors, including the more limited supply of offerings (semi-transparent active ETFs are just now coming to market and transparent active equity ETF offerings are still limited). One way for issuers to overcome this challenge is by offering ETFs that all but back into the track records of existing strategies (e.g., Fidelity's offering its Magellan fund as an ETF). Cerulli believes that this is a wise approach given the importance advisors place on time-in-market as well as the ETFs having substantial AUM—a concern related to product bid-ask spreads.

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