

Q1 2022

# Active ETF landscape update

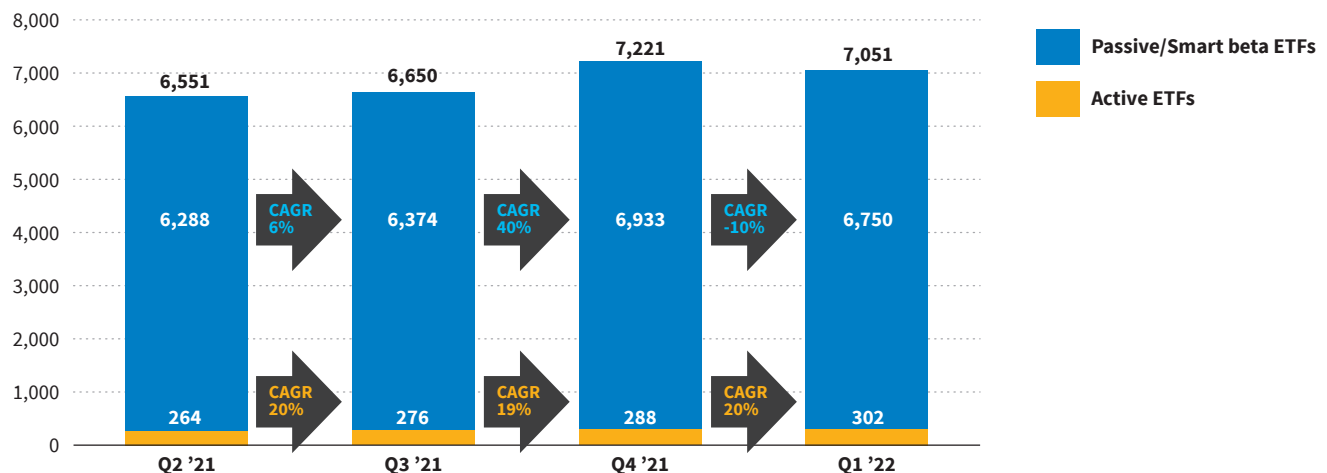
The first quarter of 2022 was marked by massive organic growth in the active ETF space. Though challenging market conditions dampened headline AUM figures, active ETFs experienced their second-strongest quarterly inflows ever, behind only Q1 2021. Across nearly every product bucket, active ETFs generated strong, broad-based inflows. Investors bracing for continued economic challenges turned to active ETFs in areas with established active cohorts, like short/ultrashort and options trading (especially “defined outcome” or “buffered” ETFs), but also in areas traditionally dominated by passive ETFs, like commodities. At a time of meaningful commercial momentum in the active ETF space, the challenging market conditions that often lead to active inflows could meaningfully accelerate active ETFs’ already rapid growth.

In Q1 2022, two of the most successful and well-known active managers in the U.S. market — Capital Group and DoubleLine — issued their first ETFs. While DoubleLine had

previously participated in the ETF market via sub-advisory arrangements, its decision to issue its own ETFs marked yet another major active manager’s commitment to winning in this ever-growing space. Capital Group, primarily known in the U.S. for its American Funds-branded mutual funds, is widely considered a bellwether for active management, so its entry into the ETF market is a good sign of just how far active ETFs have come and how far they can still go.

Thanks to market action, overall ETF assets contracted in Q1 despite positive net flows across both the active and passive/smart beta cohorts. Despite performance headwinds, active ETFs continued their steady asset growth thanks to strong inflows (8.2% of average AUM during the quarter vs. 2.5% for passive/smart beta ETFs). Active ETF assets increased from \$288B to \$302B, breaching the \$300B mark for the first time at a quarter-end, while passive/smart beta ETF assets decreased modestly from their Q4 peak.

## Quarterly ETF assets (\$B) and compound annual growth rates (CAGR) by management style



Sources: Putnam; ISS Market Intelligence Simfund.

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## Quarter in review

### Overall

Net flows across the active ETF space were roughly \$25.2B in Q1 2022, a more than 60% improvement on Q4 2021 and more than double the pace from Q3 2021. For the quarter, 16 of 19 broad product buckets generated positive net flows and roughly two thirds of active ETFs generated positive net flows.

Overall, active ETF flows remain healthy and continue to outpace overall ETF flows on a percentage-of-AUM basis.

### Notable flow trends

**By asset class:** Broadly, fixed income ETFs generated net inflows of \$3.7B, equity ETFs generated \$8.0B, and all other ETFs generated \$10.9B.

**By sponsor:** JPMorgan and DFA led the net flow competition for the quarter, generating \$3.9B and \$3.5B in net inflows, respectively. KraneShares and PIMCO experienced the most severe net outflows at \$0.6B and \$0.2B, respectively.

**By product:** Among individual products, Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF and JPMorgan Equity Premium Income ETF generated the strongest net flows at \$2.3B and \$2.1B, respectively. Conversely, Quadratic Interest Rate Volatility and Inflation Hedge ETF and First Trust Low Duration Opportunities ETF generated \$0.6B and \$0.4B outflows, respectively.

Quarterly ETF flows continued Q4 2021's themes of broad diversification, risk awareness, and a focus on income, but the most notable trend was the commodities bucket's jump from experiencing the heaviest outflows last quarter to attracting the strongest inflows this quarter.

### Notable product launches

Q1 2022 ETF launch trends included an increased emphasis on non-U.S. equity ETFs, with ESG and systematic investing leading the way. American Century's Avantis brand launched its first sustainable ETFs, Capital Group and DoubleLine both entered the ETF space with multiple ETFs, and new issuer BondBloxx launched 7 different flavors of high-yield ETF. Other notable launches included a B-BBB flavor of Janus Henderson's fast-growing CLO strategy, a high-yield ETF that expands SPDR's partnership with Blackstone, a high-yield ETF that adds to BNY Mellon's growing sustainable lineup, and a semiconductor ETF that brings Columbia's well-known Seligman brand to the ETF market.

Q1 2022 was marked by new issuers entering the market and existing issuers expanding their lineups to stake out specific corners of the active ETF market.

### Other industry news

Three semi-transparent active ETFs launched during the quarter, with Gabelli expanding its semi-transparent lineup in January and Columbia and DoubleLine both entering the space for the first time in March. While Capital Group's decision to enter market with fully transparent ETFs made industry headlines, the expansion of the semi-transparent ETF universe to include major active players like Columbia and DoubleLine may be equally notable. In February, Convergence Investment Partners entered the ETF market with the year's first fund-to-ETF conversion, leveraging an approach most notably employed by DFA.

As active ETFs have continued their massive growth and structural impediments to emerging concepts like semi-transparency and fund-to-ETF conversions have begun to fade, investors' product choices have expanded apace.

## Active ETF flows by product category and individual product

	ETF type	Net flows (\$M)	Top 3 ETF by positive flows	Flows (\$M)	Bottom 3 ETF by negative flows	Flows (\$M)
1	Commodities	4,338	1 Invesco Optm Yd Dvrs Cdty Stra No K1 ETF	2,314	1 InfraCap MLP ETF	-19
			2 First Trust Global Tact Cmdty Strat ETF	1,717	2 —	—
			3 GraniteShares Blmbgr CmdtyBrdStr NoK1ETF	82	3 —	—
2	Non-U.S. equity	3,329	1 Dimensional International Cr Eq Mkt ETF	424	1 Principal Intl Adptv Mlt-Fac ETF	-80
			2 Horizon Kinetics Inflation Bnfrs ETF	386	2 Davis Select International ETF	-58
			3 JPMorgan ActiveBuilders EM Eq ETF	383	3 Davis Select Worldwide ETF	-42
3	U.S. large cap	2,737	1 Dimensional U.S. Core Equity 2 ETF	790	1 BlackRock U.S. Carbon Transition Rdnss ETF	-86
			2 Dimensional U.S. Core Equity Market ETF	402	2 First Trust Multi-Manager Large Gr ETF	-43
			3 Avantis® U.S. Equity ETF	254	3 AdvisorShares DW FSM All Cap World ETF	-30
4	Options trading	2,678	1 Innovator U.S. Equity Power Buff ETF™ Jan	280	1 Innovator S&P 500 Power Buffer ETF July	-35
			2 Innovator U.S. Equity Ultra Buff ETF™ Jan	181	2 Innovator S&P 500 Power Buffer ETF™ May	-30
			3 Innovator U.S. Equity Power Bfrr ETF™ Feb	180	3 AllianzIM U.S. Lrg Cp 6M Bfr10 Apr/Oct ETF	-28
5	Derivative income	2,508	1 JPMorgan Equity Premium Income ETF	2,104	1 First Trust BuyWrite Income ETF	-3
			2 Amplify CWP Enhanced Dividend Income ETF	304	2 Nationwide Russell 2000 Rsk-Mngd Inc ETF	0
			3 Aptus Collared Income Opportunity ETF	46	3 —	—
6	FI — Short/ Ultrashort term	2,331	1 Janus Henderson AAA CLO ETF	808	1 iShares Short Maturity Bond ETF	-470
			2 JPMorgan Ultra-Short Income ETF	659	2 PIMCO Enhanced Short Maturity Active ETF	-276
			3 PGIM Ultra Short Bond ETF	566	3 Invesco Ultra Short Duration ETF	-265
7	FI — Credit	2,233	1 SPDR Blackstone Senior Loan ETF	1,474	1 First Trust Tactical High Yield ETF	-220
			2 First Trust Senior Loan ETF	722	2 JPMorgan High Yield Research Enh ETF	-74
			3 SPDR® Blackstone High Income ETF	129	3 Franklin Liberty High Yield Corp ETF	-43
8	FI — Muni	1,585	1 JPMorgan Ultra-Short Municipal Inc ETF	1,290	1 IQ MacKay Municipal Insured ETF	-65
			2 Dimensional National Municipal Bond ETF	90	2 PIMCO Short Term Municipal Bond Actv ETF	-38
			3 First Trust Managed Municipal ETF	72	3 Franklin Liberty Federal Tax-Free Bd ETF	-10
9	U.S. small cap	1,410	1 Avantis® U.S. Small Cap Value ETF	591	1 Motley Fool Small-Cap Growth ETF	-27
			2 Dimensional U.S. Targeted Value ETF	429	2 Morgan Creek Exos SPAC Originated ETF	-3
			3 Dimensional U.S. Small Cap ETF	309	3 AdvisorShares Dorsey Wright Micro-Cp ETF	-1
10	U.S. mid cap	1,100	1 ARK Innovation ETF	837	1 LeaderShares® AlphaFctr® Tctcl Fcstd ETF	-79
			2 Cambria Shareholder Yield ETF	169	2 LeaderShares® Equity Skew ETF	-36
			3 Vanguard U.S. Value Factor ETF	127	3 Alpha Architect U.S. Quantitative Val ETF	-22
11	Allocation	659	1 Cabana Target Leading Sector Cons ETF	191	1 Cabana Target Leading Sector Aggr ETF	-94
			2 SPDR® SSgA Multi-Asset Real Return ETF	102	2 Cabana Target Drawdown 7 ETF	-15
			3 AXS Astoria Inflation Sensitive ETF	56	3 SPDR® SSgA Income Allocation ETF	-12
12	Trading	480	1 Tuttle Capital Short Innovation ETF	241	1 Innovator Triple Stacker ETF January	-29
			2 ProShares Bitcoin Strategy ETF	156	2 Valkyrie Bitcoin Strategy ETF	-19
			3 Cambria Tail Risk ETF	64	3 Innovator Triple Stacker ETF October	-6
13	FI — Nontraditional/ Multisector	392	1 First Trust TCW Unconstrained Pls Bd ETF	307	1 First Trust TCW Securitized Plus ETF	-43
			2 JPMorgan Income ETF	28	2 FormulaFolios Tactical Income ETF	-9
			3 FolioBeyond Rising Rates ETF	25	3 WBI BullBear Global Income ETF	-3
14	FI — Core/Core plus	379	1 Fidelity® Total Bond ETF	401	1 First Trust TCW Opportunistic Fxd Inc ETF	-336
			2 Hartford Total Return Bond ETF	208	2 SPDR® DoubleLine Total Return Tact ETF	-242
			3 Capital Group Core Plus Income ETF	141	3 PIMCO Active Bond ETF	-209
15	FI — Other	257	1 Dimensional Core Fixed Income ETF	252	1 First Trust Preferred Sec & Inc ETF	-38
			2 First Trust Instl Pref Secs and Inc ETF	23	2 Principal Spectrum Pref Secs Actv ETF	-30
			3 First Trust SSI Strat Convert Secs ETF	17	3 Preferred-Plus ETF	0
16	Alts	243	1 Invesco S&P 500® Downside Hedged ETF	61	1 WisdomTree Managed Futures Strategy ETF	-15
			2 Aptus Drawdown Managed Equity ETF	55	2 SPAC and New Issue ETF	-15
			3 iMGP DBi Managed Futures Strategy ETF	38	3 Franklin Liberty Systematic Sty Prm ETF	-2
17	FI — Non U.S.	-7	1 First Trust Emerging Mkts Lcl Ccy Bd ETF	27	1 Franklin Liberty Intl Aggt Bd ETF	-19
			2 Gavekal Asia Pacific Government Bond ETF	10	2 SPDR® DoubleLine® Emerg Mkts Fxd Inc ETF	-12
			3 WisdomTree Emerging Markets Corp Bd ETF	7	3 First Trust TCW Emerging Mkts Dbt ETF	-9
18	Sector equity	-547	1 AdvisorShares Pure U.S. Cannabis ETF	117	1 ARK Next Generation Internet ETF	-413
			2 Amplify Transformational Data Shrg ETF	61	2 ARK Autonomous Technology&Robotics ETF	-251
			3 Dimensional U.S. Real Estate ETF	51	3 ARK Genomic Revolution ETF	-123
19	FI — Government	-891	1 Dimensional Inflation-Protected Sec ETF	81	1 Quadratic Intrst Rt Vol & Infl H ETF	-607
			2 Quadratic Deflation ETF	39	2 First Trust Low Duration Oppos ETF	-436
			3 Simplify Interest Rate Hedge ETF	33	3 Franklin Liberty Short Dur U.S. Govt ETF	-32

Sources: Putnam; ISS Market Intelligence Simfund.

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