

Q1 2023

Active ETF landscape update

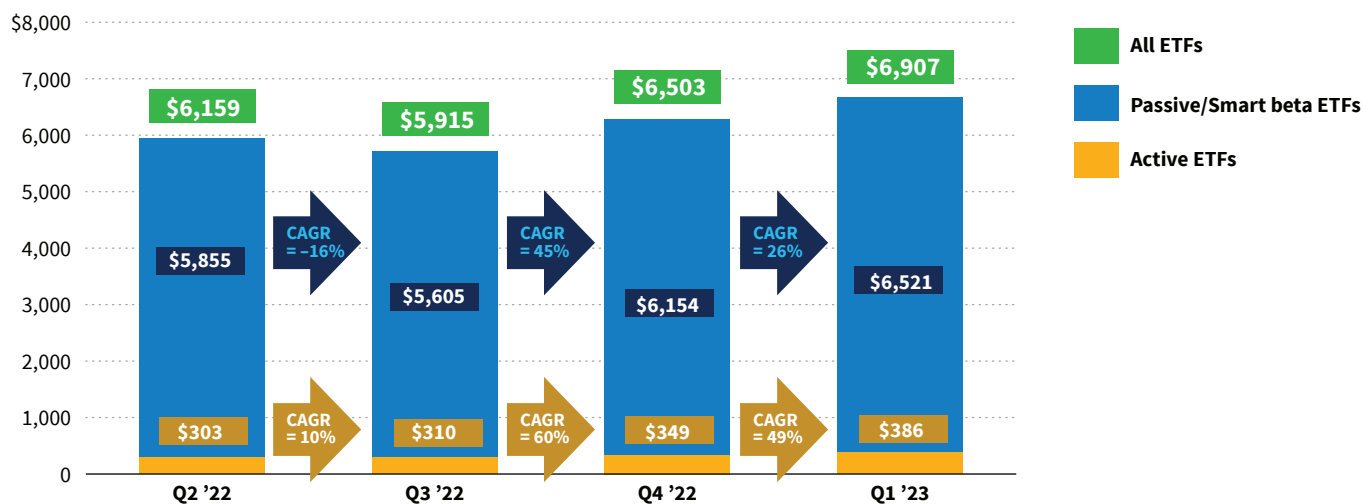
The first quarter of 2023 represented a major bounce back for the active ETF market. Despite sometimes choppy markets, active ETF flows remained steady after a strong bounce back in Q4 2022. Overall, ETF assets continued their strong recovery, inching closer to the record \$7.2T they reached in Q4 2021. Active ETF assets burst through the record \$350B mark for the first time and ended the quarter well above it at \$386B. Within the active ETF space, flow winners and losers emerged from all areas of the market, with inflowing ETFs spread across several categories and outflowing ETFs concentrated in allocation, alts, commodities, and credit-focused fixed income ETFs. As the active ETF market grows, the long-term, secular trend toward ETF usage continues to trump short-term market gyrations.

The sheer breadth of commercially successful products in Q1 2023 was remarkable, with 73 ETFs generating quarterly net inflows exceeding \$100M. This cohort of significant flow gatherers comprised ETFs from nearly all product areas, with meaningful representation for “plain vanilla” core/core

plus bond, U.S. large-cap equity, and short/ultrashort bond ETFs. Despite the success of such straightforward products during the quarter, issuers’ new launches during the quarter tended to emphasize more targeted, idiosyncratic offerings.

In a continuation of Q4 2022’s trend, both passive/smart beta ETFs and active ETFs grew meaningfully during the quarter, though at a somewhat more muted pace relative to Q4 2022. Active ETF assets grew at a faster pace than passive/smart beta ETF assets during the quarter, driven by strong absolute and relative inflows (6.9% of average AUM vs. 0.8% for passive/smart beta ETFs). Active ETFs increased from \$349B to \$386B, their first quarter ever above \$350B, while passive/smart beta ETFs returned to \$6.5T for the first time since Q1 2022.

Quarterly ETF assets (in billions) and compound annual growth rates (CAGR) by management style



Sources: Putnam; ISS Market Intelligence Simfund. Data as of March 31, 2023.

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Quarter in review

Overall

Net flows across the active ETF space were roughly \$24.7B in Q1 2023, a similar figure to Q4 2022 and a continuation of the trend that Q2 2022's sluggish pace interrupted. 15 of 19 broad product buckets and slightly less than 55% of active ETFs generated positive net flows for the quarter, with both figures roughly in line with previous quarters.

Active ETF flows continue to meaningfully outpace overall ETF flows on a percentage-of-AUM basis.

Notable flow trends

By asset class: Broadly, fixed income ETFs generated net inflows of \$4.1B, equity ETFs generated net inflows of \$12.5B, and all other ETFs generated net inflows of \$8.1B.

By sponsor: JPMorgan and DFA led the net flow competition for the quarter, generating \$7.7B and \$7.1B in net inflows, respectively. BlackRock and PIMCO experienced the most severe net outflows at \$1.2B and \$0.6B, respectively.

By product: Among individual products, JPMorgan Equity Premium Income ETF and Dimensional US Core Equity 2 ETF generated the strongest net inflows at, respectively, \$5.7B and \$1.2B. Conversely, SPDR Blackstone Senior Loan ETF and iShares Ultra Short-Term Bond ETF generated \$0.9B and \$0.8B of outflows, respectively.

Quarterly ETF flows strengthened for fixed income ETFs and slowed for equity ETFs, with flows into all other ETFs increasing quarter over quarter. Equity ETFs continued to lead the pack despite slowing moderately from their \$15.6B in Q4 2022 inflows.

Notable product launches

In Q1 2023, issuers launched new active ETFs at a meaningfully slower pace than they did in Q4 2022, with equity and fixed income ETF launches slowing down most meaningfully. Q1 2023's active equity ETF launches were notably skewed toward ESG, thematic, and otherwise differentiated strategies. Though active fixed income ETF launches were relatively light in Q1 2023, newly launched products covered a wide range of product types. Notably, Calvert and Calamos both launched their first ETFs during the quarter, and AB expanded its ETF lineup from 2 to 5 products.

Though issuers continued to launch “big bucket” ETFs offering exposure to large asset classes, they largely returned to their earlier trend of launching highly differentiated active ETFs targeting highly specific, sometimes niche, exposures.

Other industry news

In February, Perpetual Group filed an application with the SEC to launch ETF “share class” companions to certain mutual funds in emulation of an arrangement currently exclusive to Vanguard. Also in February, several European exchanges announced an initiative to create a consolidated equity and ETF tape that would align European ETF market structure more closely with U.S. ETF market structure.

While Q1 2023 offered relatively little active ETF news, the stories that broke — particularly that of Perpetual's application — were highly significant. If the prevalence of “ETF shares” for U.S. mutual funds were to expand, the line between ETF and mutual fund would likely be irrevocably blurred. While the path to such a future remains uncertain, its potential impact on U.S. wealth management highlights the importance of Perpetual's application.

Active ETF flows by product category and individual product

		Sort	Top 3 by positive flows			Bottom 3 by negative flows		
		Q1 '23 ETF type net flows (\$M)	ETF		Flows (\$M)	ETF		Flows (\$M)
1	Derivative Income	7,028	1	JPMorgan Equity Premium Income ETF	5,686	1	Nationwide S&P 500 Risk-Managed Inc ETF	-8
			2	JPMorgan Nasdaq Equity Premium Inc ETF	930	2	First Trust Nasdaq BuyWrite Income ETF	-6
			3	Amplify CWP Enhanced Dividend Income ETF	274	3	ZEGA Buy and Hedge ETF	-2
2	Non-U.S. Equity	5,470	1	Dimensional International Core Eq 2 ETF	725	1	JPMorgan ActiveBuilders EM Eq ETF	-120
			2	Dimensional Emerging Markets Cr Eq 2 ETF	441	2	Horizon Kinetics Inflation Bnfrs ETF	-93
			3	Avantis® International Small Cap Val ETF	415	3	Martin Currie Sustainable Intl Eq ETF	-15
3	U.S. Large Cap	5,048	1	Dimensional US Core Equity 2 ETF	1,119	1	Simplify US Equity PLUS Dwnsd Cnvxty ETF	-113
			2	Avantis® U.S. Equity ETF	537	2	Overlay Shares Large Cap Equity ETF	-84
			3	Dimensional US High Profitability ETF	499	3	Day Hagan/Ned Davis Rsrch Smrt Sect ETF	-42
4	FI — Core/Core Plus	3,526	1	Fidelity® Total Bond ETF	713	1	Franklin U.S. Core Bond ETF	-43
			2	Dimensional Core Fixed Income ETF	527	2	PIMCO Active Bond ETF	-25
			3	First Trust TCWOppportunistic Fxd Inc ETF	499	3	Build Bond Innovation ETF	-15
5	Options Trading	1,904	1	Innovator US Equity Power Bffr ETF™ Feb	354	1	Innovator U.S. Equity Power Buf ETF™ Oct	-161
			2	Innovator US Equity Power Buff ETF™ Jan	268	2	FT Cboe Vest US Equity Deep Bffr ETF Mar	-130
			3	Innovator S&P 500 Power Buffer ETF™ Mar	217	3	FT Cboe Vest US Equity Dp Bffr ETF Sep	-105
6	U.S. Small Cap	1,301	1	Avantis® U.S. Small Cap Value ETF	794	1	Principal US Small Cap Mlt-Fac ETF	-49
			2	Dimensional US Small Cap Value ETF	249	2	JPMorgan Market Expansion Enh Eq ETF	-10
			3	Dimensional US Targeted Value ETF	149	3	Motley Fool Small-Cap Growth ETF	-5
7	FI — Short/Ultrashort Term	1,082	1	JPMorgan Ultra-Short Income ETF	701	1	iShares Ultra Short-Term Bond ETF	-837
			2	Janus Henderson AAA CLO ETF	523	2	PIMCO Enhanced Short Maturity Active ETF	-462
			3	First Trust Ltd Drtn Inv Grd Corp ETF	454	3	First Trust Low Duration Oppos ETF	-315
8	U.S. Mid Cap	520	1	Putnam Sustainable Future ETF	149	1	LeaderShares® AlphaFctr® Tctcl Fcsd ETF	-8
			2	Gotham 1000 Value ETF	99	2	Motley Fool Mid-Cap Growth ETF	-7
			3	Cambria Shareholder Yield ETF	72	3	Vanguard US Value Factor ETF	-5
9	Trading	454	1	Direxion Daily TSLA Bull 1.5X Shares	167	1	Cambria Tail Risk ETF	-57
			2	AXS Short Innovation Daily ETF	129	2	AXS 2X Innovation ETF	-32
			3	AXS 1.25X NVDA Bear Daily ETF	95	3	AdvisorShares Ranger Equity Bear ETF	-12
10	FI — Non U.S.	190	1	Franklin International Aggregate Bd ETF	80	1	ETC Gavekal Asia Pacific Govt Bd ETF	-3
			2	Dimensional Global Sstby Fxd Inc ETF	41	2	WisdomTree Emerging Markets Corp Bd ETF	0
			3	Global X Emerging Markets Bond ETF	19	3	Virtus Stone Harbor Emr Mkt Hi Yld BdETF	0
11	Sector Equity	164	1	Dimensional Global Real Estate ETF	158	1	JPMorgan Realty Income ETF	-176
			2	Dimensional US Real Estate ETF	122	2	ARK Genomic Revolution ETF	-76
			3	ETFMG US Alternative Harvest ETF	78	3	ARK Next Generation Internet ETF	-32
12	FI — Gov't	152	1	Janus Henderson Mortgage-Backed Sec ETF	274	1	Quadratic Intrstr Rt Vol & Infl H ETF	-210
			2	Quadratic Deflation ETF	55	2	Simplify Interest Rate Hedge ETF	-87
			3	JPMorgan Inflation Managed Bond ETF	50	3	Franklin Short Duration US Govt ETF	-5
13	FI — Nontraditional/Multisector	126	1	JPMorgan Income ETF	84	1	FolioBeyond Rising Rates ETF	-21
			2	Capital Group U.S. Multi-Sector Inc ETF	27	2	Virtus Newfleet Multi-Sect Bd ETF	-20
			3	First Trust TCW Unconstrained Pls Bd ETF	15	3	JPMorgan International Bond Opps ETF	-14
14	FI — Other	74	1	First Trust Instl Pref Secs and Inc ETF	105	1	First Trust Preferred Sec & Inc ETF	-145
			2	Principal Spectrum Pref Secs Actv ETF	58	2	First Trust SSI Strat Convert Secs ETF	-28
			3	PIMCO Preferred and Cp Sec Act Exc-Trd	51	3	Preferred-Plus ETF	0
15	FI — Muni	25	1	Dimensional National Municipal Bond ETF	79	1	JPMorgan Ultra-Short Municipal Inc ETF	-126
			2	JPMorgan Municipal ETF	74	2	iShares Short Maturity Municipal Bd ETF	-84
			3	AB Tax-Aware Short Duration ETF	40	3	PIMCO Intermediate Municipal Bd Actv ETF	-55
16	Allocation	-175	1	RPAR Risk Parity ETF	117	1	Cabana Target Drawdown 10 ETF	-123
			2	Fairlead Tactical Sector	26	2	UPAR Ultra Risk Parity ETF	-61
			3	Alpha Architect Gdsdn Dynmc Mlt-Asst ETF	18	3	SPDR® SSgA Multi-Asset Real Return ETF	-47
17	Alts	-332	1	Unlimited HFND Multi-Strgy Ret Trckr ETF	18	1	iMGP DBi Managed Futures Strategy ETF	-95
			2	ProShares Bitcoin Strategy ETF	17	2	Cambria Value and Momentum ETF	-59
			3	Simplify Bitcoin Strategy PLUS Inc ETF	13	3	Aptus Drawdown Managed Equity ETF	-53
18	Commodities	-802	1	Neuberger Berman Commodity Stgy ETF	82	1	First Trust North Amer Engy InfrsETF	-309
			2	USCF Midstream Energy Income ETF	11	2	First Trust Global Tact Cmdty Strat ETF	-308
			3	VanEck Commodity Strategy ETF	10	3	Invesco Optm Yd Dvrs Cdy Stra No K1 ETF	-237
19	FI — Credit	-1,036	1	Harbor Scientific Alpha High-Yield ETF	109	1	SPDR Blackstone Senior Loan ETF	-923
			2	Putnam ESG High Yield ETF	101	2	First Trust Senior Loan ETF	-374
			3	Panagram BBB-B Clo ETF	68	3	Principal Active High Yield ETF	-111

Sources: Putnam; ISS Market Intelligence Simfund. Data as of March 31, 2023.

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