

Firing on All Cylinders

ETF Dominance Reinforced in 2025

ETFs continued to dominate the global investment landscape in 2025, posting record highs in assets, flows, launches, and volume. The year closed with ETF assets reaching \$13.4 trillion in the U.S. and \$18.5 trillion globally, supported by several key drivers—including the accelerating adoption of active ETFs and the expansion of innovative strategies within the ETF structure, which unlocked access to new asset classes and exposures.

US ETF Records for 2025

AUM

\$13.4T

Flows

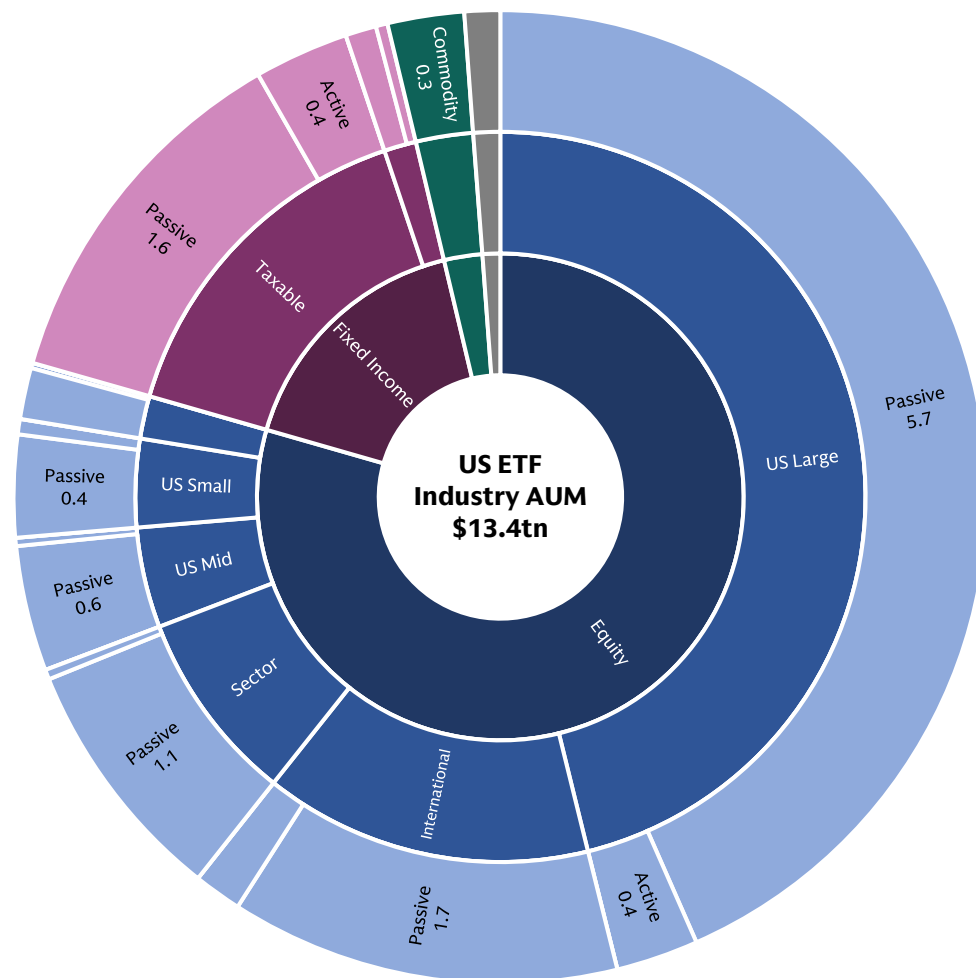
\$1.5T

Launches

1,162

Volume

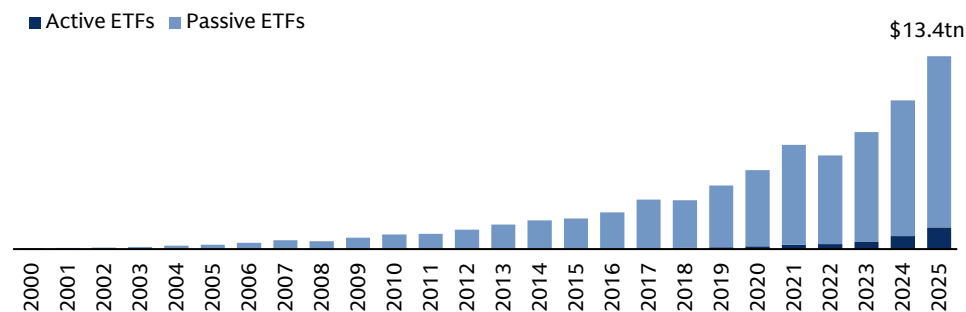
\$58.6T



ETFs Post Record Year on All Fronts

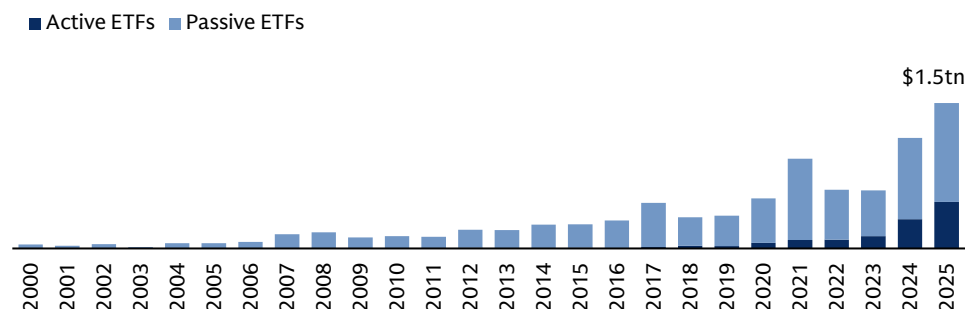
Record AUM

ETFs saw strong growth in 2025, driven by robust inflows and NAV support from underlying asset class performance - ranging from an 18% gain in U.S. equities and 7% in fixed income to a 65% surge in gold. In total, ETF AUM increased by more than \$3 trillion, representing a 30% expansion for the year.



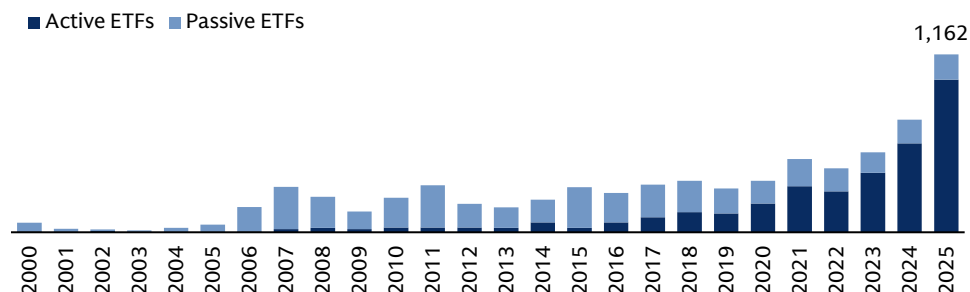
Record Flows

Record inflows of nearly \$1.5 trillion into U.S. ETFs—and more than \$2 trillion globally—reflect powerful structural forces reshaping investor behavior: the shift away from mutual funds, the acceleration of generational wealth transfer, and growing appreciation for the liquidity and transparency benefits of ETFs.



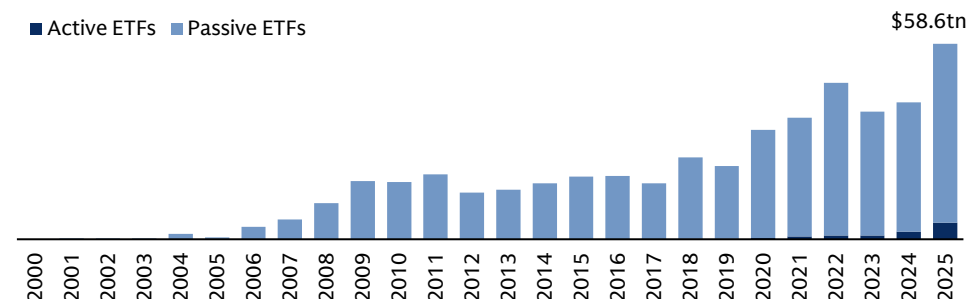
Record Launches

Actively managed ETFs have become an increasingly important driver of the next phase of ETF industry growth. Nowhere is this shift more evident than in new product launches: of the 1,162 ETFs introduced during the year, 998 were actively managed. The passive ETF landscape has been saturated for some time.



Record Volume

Volume in active ETFs constituted roughly 8.5% of all ETF volume, rising from 5.6% in 2024. This was slightly lower than active ETFs' 11.2% market share by AUM, but expected given that investors tend to use active ETFs for long-term holdings vs. passive ETFs which may be used more tactically.



Source for all data and charts: Morningstar, Goldman Sachs Asset Management, all data as of December 31, 2025.

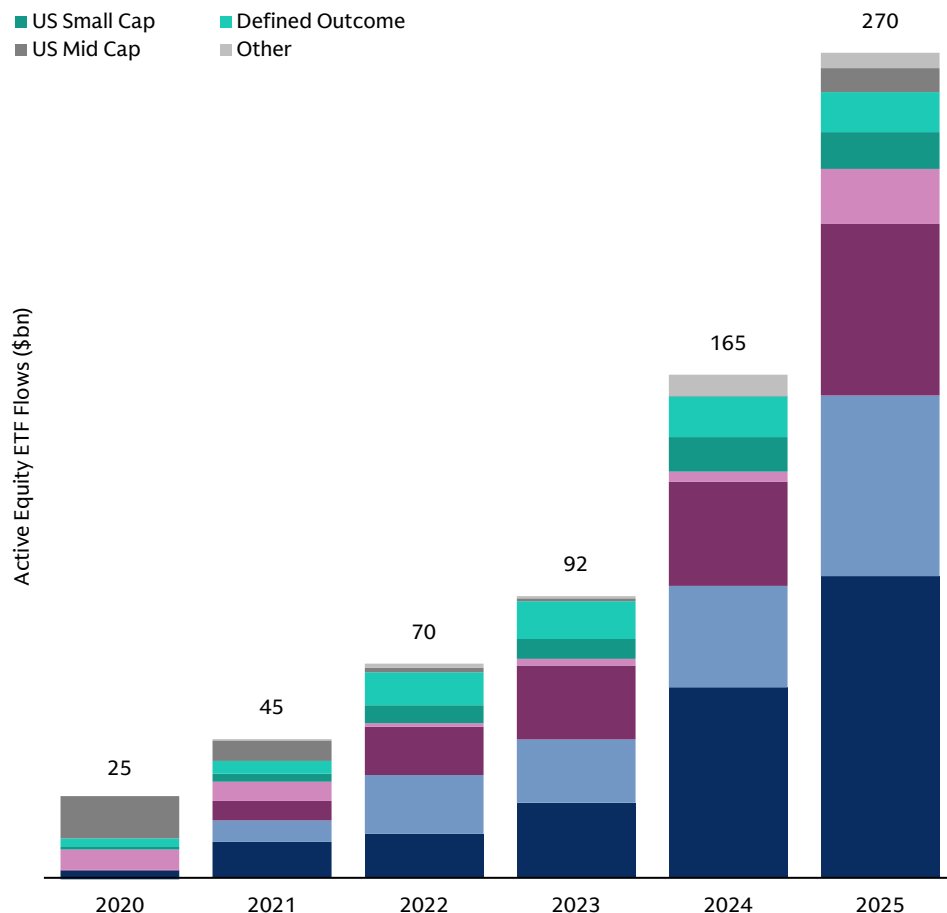
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Active ETFs Forging New Frontiers and Probing Deeper into Passive Territory in 2025

Active Equity ETF Flows

Flows in 2025 increased substantially to traditionally passive ETF territories including US large cap, international and sector ETFs, in addition to continued strong flows into derivative income ETFs.

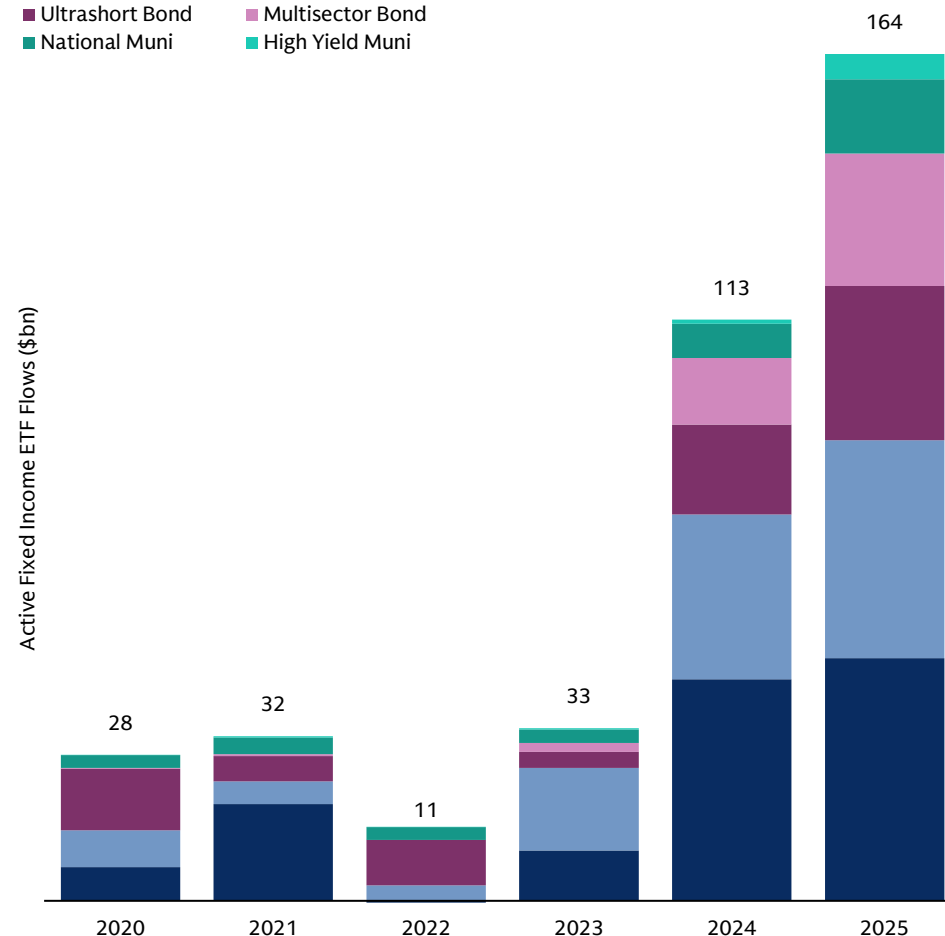
- US Large Cap
- Derivative Income
- US Small Cap
- US Mid Cap
- International
- Sector
- Defined Outcome
- Other



Active Fixed Income ETF Flows

Active fixed income ETFs are following equity's lead with flows into traditionally passive ETF areas picking up steam in 2025. Core, ultrashort, multisector and municipal bond ETF categories all saw substantial increases in flows in 2025.

- Other Fixed Income
- Ultrashort Bond
- National Muni
- Core Bond
- Multisector Bond
- High Yield Muni



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Q&A Corner – With Brendan McCarthy, Global Head of ETF Distribution

Q: What were the most notable developments in ETFs in 2025?

A: The defining ETF story of 2025, in our view, was its extraordinary growth—another year of record highs in AUM, flows, launches, and trading volume. For those of us who have been in the industry for decades, it can feel like we’ve grown accustomed to this ‘broken record’ of broken records. Yet the scale remains remarkable: 2025 marked the 30th year of AUM expansion in the ETF market’s 33-year history.

Market dynamics also played a meaningful role. Concerns around inflation, fiscal deficits, and geopolitical volatility boosted demand for traditionally perceived safe-haven exposures, particularly gold ETFs and, to a lesser extent, silver ETFs. Just as notable was the continued rise of actively managed ETFs. By year-end, active ETFs represented 11% of total assets but captured 32% of flows and an impressive 86% of all ETF launches—clearly punching well above their weight. We see this trend as still in the early innings.

Q: Let’s dive a bit deeper into 2025 active ETF flows. Do any trends jump out?

A: A closer look at 2025 active ETF flows reveals some striking dynamics within the industry, in our view. To start, the active ETF universe spans a diverse set of strategy types, from discretionary, alpha-seeking approaches to solutions-oriented, derivative-based strategies such as covered-call and buffer ETFs designed to meet specific investor objectives. Discretionary strategies captured the greatest inflows at \$235bn compared to \$119bn in 2024. Solutions-oriented strategies saw inflows of \$72bn compared to \$51bn in 2024.

Q: We saw a deluge of new ETFs in 2025. What were the key takeaways for ETF launches last year?

A: 2025 was notable not only for a surge in new ETF launches but also for a rise in ETF liquidations. The split between active and passive closures offers valuable insight into the industry’s internal dynamics. The 2019 ETF Rule lowered barriers to entry and enabled a wave of new products—many from smaller issuers whose funds were always unlikely to achieve sustainable scale. As a result, the industry has seen a healthy cycle of experimentation followed by rationalization. In 2025, 146 active ETFs were liquidated, while the more mature, passive segment saw 86 closures.

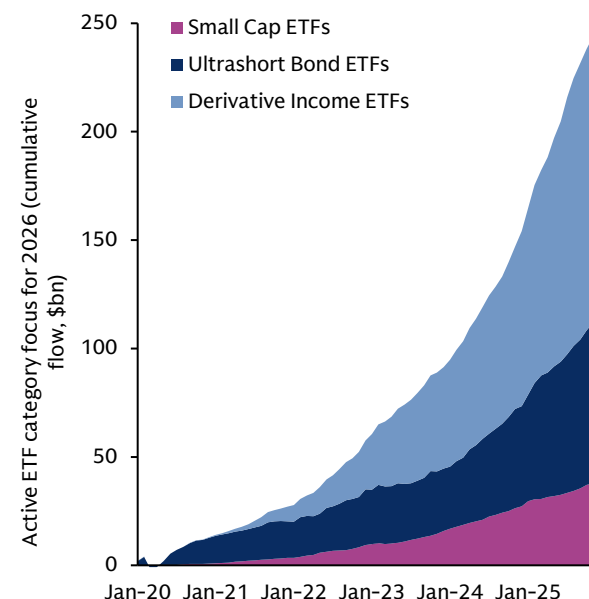
Q: Most of the talk around ETF growth is centered around AUM, flows and launches. How has secondary market volume played a role?

A: Volume often plays a quieter role compared with headline metrics like AUM, flows, and launches, but the steady rise in ETF trading volume carries important implications. In 2025, ETF secondary-market volume reached nearly \$60 trillion—a remarkable level of activity. Greater trading volume generally supports tighter bid-ask spreads, reinforcing the efficiency of the ETF structure, particularly for larger investors.

Q: What is on your radar for the ETF industry in 2026?

A: In our view, the outlook for ETFs remains exceptionally strong. In 2026, we expect continued robust growth across actively managed strategies, driven by both alpha-seeking approaches and

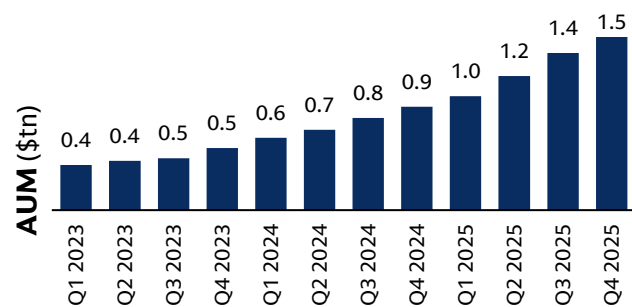
solutions-based offerings. Within alpha-seeking strategies, we anticipate an acceleration in conversions of traditional actively managed mutual funds into ETFs, as well as increased interest in ETF share-class structures—an area presenting both opportunities and operational complexities that we will be monitoring closely. On the solutions-based side, investor demand for differentiated, outcome-oriented strategies—such as derivative income and buffer ETFs—continues to expand, fueling further momentum across the active ETF landscape. And with the Federal Reserve cutting cycle front and center, we see broad implications for potential ETF beneficiaries in the active ultrashort bond, derivative income, and small cap ETF categories.



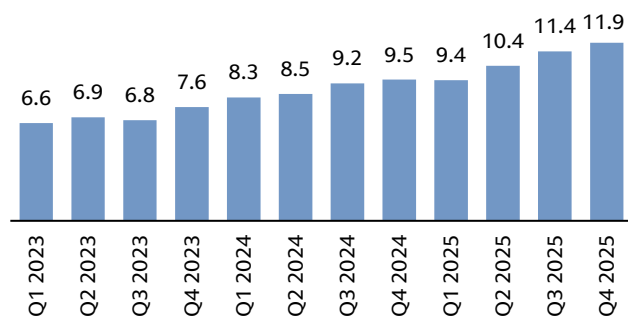
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US ETF Tracker – AUM, Flows & Launches

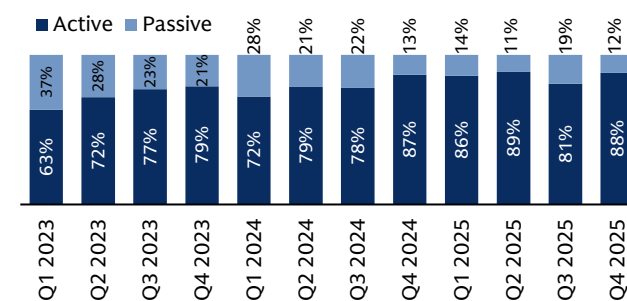
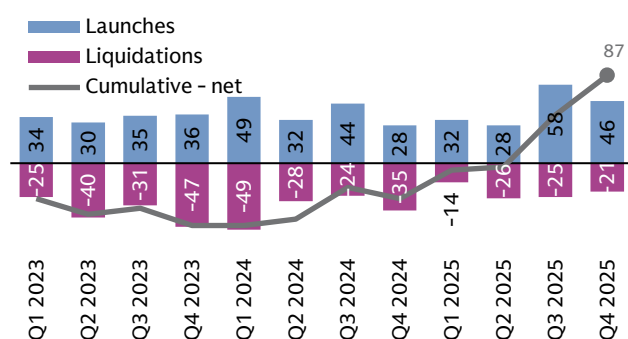
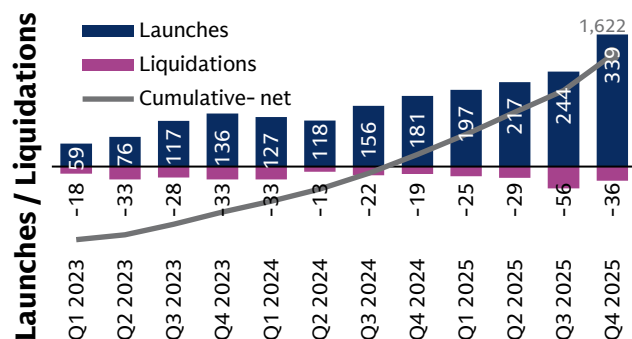
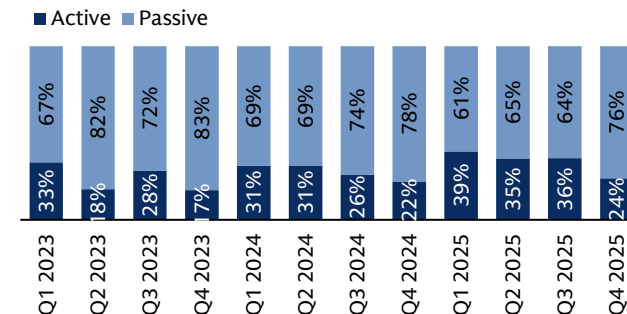
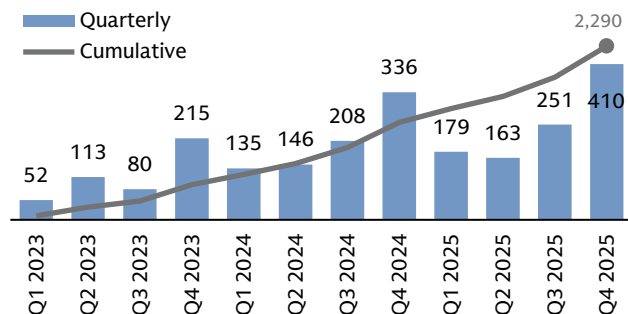
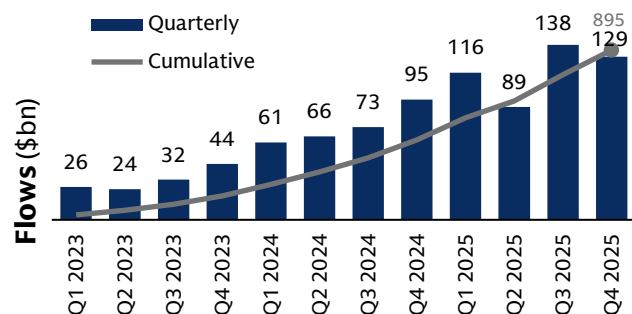
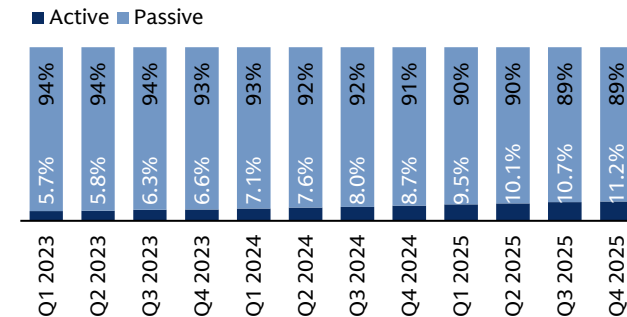
Active



Passive



Market Share



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Disclosures

Glossary

Defined Outcome or Buffer ETFs use options contracts to protect against initial losses while capping gains at preset levels, creating somewhat defined outcomes over set periods.

Derivative Income or Covered Call ETFs generate monthly income by selling call options against the fund's holdings, with professional managers handling the options strategies.

Active/Passive ETFs: Passive ETFs attempt to track an index's performance. Actively managed ETFs involve a fund manager or management team that researches investment opportunities and actively selects the ETF's portfolio securities and allocation, according to the investment goals that they seek to reach.

In-kind ETF refers to the ETF creation and redemption process where Authorized Participants exchange a basket of actual underlying securities with the ETF issuer for ETF shares, rather than using cash.

Option based strategies refers to ETFs that use options in their underlying investment strategy

Equity Hedged ETFs use a variety of means to protect the value of their equity exposure during times of market weakness. These funds may exchange equity risk for some other risk premium, such as volatility. They may also make opportunistic trades, like employing market-timing moves to exit the market altogether.

Long/Short Equity ETFs hold sizable stakes in both long and short positions in equities, exchange-traded funds, and related derivatives. Funds shift their exposure to long and short positions depending on the opportunities they uncover through bottom-up research.

Risk Considerations and General Disclosures

Exchange-Traded Funds are subject to risks similar to those of stocks. Investment returns may fluctuate and are subject to market volatility, so that an investor's shares, when redeemed, or sold, may be worth more or less than their original cost. ETFs may yield investment results that, before expenses, generally correspond to the price and yield of a particular index. There is no assurance that the price and yield performance of the index can be fully matched.

Equity investments are subject to market risk, which means that the value of the securities in which it invests may go up or down in response to the prospects of individual companies, particular sectors and/or general economic conditions. Different investment styles (e.g., "growth" and "value") tend to shift in and out of favor, and, at times, the strategy may underperform other strategies that invest in similar asset classes. The market capitalization of a company may also involve greater risks (e.g. "small" or "mid" cap companies) than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements, in addition to lower liquidity.

Investments in fixed income securities are subject to the risks associated with debt securities generally, including credit, liquidity, interest rate, prepayment and extension risk. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. The value of securities with variable and floating interest rates are generally less sensitive to interest rate changes than securities with fixed interest rates. Variable and floating rate securities may decline in value if interest rates do not move as expected. Conversely, variable and floating rate securities will not generally rise in value if market interest rates decline. Credit risk is the risk that an issuer will default on payments of interest and principal. Credit risk is higher when investing in high yield bonds, also known as junk bonds. Prepayment risk is the risk that the issuer of a security may pay off principal more quickly than originally anticipated. Extension risk is the risk that the issuer of a security may pay off principal more slowly than originally anticipated. All fixed income investments may be worth less than their original cost upon redemption or maturity.

In an effort to distinguish funds by what they own, as well as by their prospectus objectives and styles, Morningstar developed the Morningstar Categories. While the prospectus objective identifies a fund's investment goals based on the wording in the fund prospectus, the Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio and other statistics over the past three years).

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The ETF Rule of 2019: The ETF Rule, 6c-11, is a rule adopted by the U.S. Securities and Exchange Commission (SEC) that allows ETFs that meet certain conditions to go to market without the delay of obtaining an exemptive order. Passed in 2019, the rule also made custom creation/redemption baskets available for all ETFs.

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