

VIDEO

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Focus on Funds: Another Strong Year for Exchange-Traded Funds

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Investors are increasingly incorporating exchange-traded funds (ETFs) into their portfolios, and 2016 has been another high-growth year for these funds. ICI Senior Economist Shelly Antoniewicz reviews ETF trends in the December 16, 2016, edition of *Focus on Funds*.

Transcript

Stephanie Orbals-Tibbs, ICI Director, Media Relations: Exchange-traded funds [ETFs] are an important and fast-growing sector of the fund industry. So what do the investment trends look like over the last year? I gained some insight from ICI Senior Economist Shelly Antoniewicz.

Shelly Antoniewicz, ICI Senior Economist: Well, ETFs are having a great year this year. In fact, we think they're on pace for a record year. December tends to be a strong month for ETFs, so if it comes in as it has in the past, we would definitely have record inflows to ETFs this year.

Orbals-Tibbs: So let's begin to break down the categories a bit. What do you see going on with bond ETFs?

Antoniewicz: Well, bond ETFs have had a spectacular year. We are definitely on pace for record inflows in bond funds. Now, we think there are a few factors behind that demand. So the first half of the year, bond prices were going up—we felt people were coming in because of the returns that were being generated.

The second half of the year, though, we saw bond prices decline. But demand for bond ETFs did not fall off precipitously. In fact, we saw inflows continue to come in. And that relates to the other two factors—one of which is a longer term trend with Baby Boomers moving into their retirement years, shifting more of their portfolios into fixed-income assets, and then also, just the fact that bond ETFs, investors seem to be attracted to the liquidity they offer and the cost effectiveness that they find, rather than sort of holding and trading bonds directly.

Orbals-Tibbs: Knowing that those are the factors that have been driving the bond ETF market, what do you see going on with the equity side of the market and what are some of

the drivers there?

Antoniewicz: Well, equity ETFs have had a flip in demand here in 2016. In 2015, we saw international equity ETFs have very strong inflows, and a much more modest amount go into domestic equity ETFs. This year has been the opposite. So, international equity ETFs have had very little money come in, we've seen outflows from single country equity ETFs, regional equity ETFs, and that has kind of overwhelmed any inflows that broad-based international equity ETFs have seen. On the other side, domestic equity ETFs have seen very strong inflows this year. Now, in a large part, that's probably related to the relative better performance of the US stock market.

Ortbals-Tibbs: Shelly, what's also really notable for both the industry and for investors is that within the last year, ICI research has begun publishing a lot more data on ETFs.

Antoniewicz: Well, last spring we started publishing data at a weekly frequency on ETF issuance and that's a little different from what we had before. We would publish monthly data, and we still publish our monthly data, and that *is* our benchmark data. Our weekly ETF issuance data is more of an estimate. But that said, it still has over 90 percent of ETF sponsors reporting to it, and it gives a great indication of what flows would be in the weeks after our monthly publication comes out.

We have a lot of stuff on our website. I really would recommend that people go on our website and look around.

Additional Resources

- [ICI Resources on Exchange-Traded Funds](#)
- [ETF Basics and Structure: FAQs](#)
- ICI Statistics: [Monthly Exchange-Traded Fund Assets](#) and [Weekly Estimated Flow Report](#)

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