

VIDEO

July 15, 2016

Focus on Funds: Latest Trends in Exchange-Traded Funds

Focus on Funds

Latest Trends in Exchange-Traded Funds

Exchange-traded funds (ETFs) are an important tool for many asset managers. In the July 15, 2016, edition of *Focus on Funds*, Shundrawn Thomas, head of funds and managed accounts business at Northern Trust, outlines the latest trends influencing ETFs and their investors.

Transcript

Stephanie Ortvals-Tibbs, Director, ICI Media Relations: Exchange-traded funds are an increasingly significant aspect of the asset management business. At ICI's General Membership Meeting, I gained some fresh perspective.

Shundrawn Thomas, Head of Funds and Managed Accounts Group, Northern Trust: Well, there are three trends I would point out specific to ETFs—and they are significant. First of all, what you're seeing is this move toward what I would call, ETFs maybe 3.0. We started with basic equity indexes, we moved to various asset classes, and today you hear a lot of terms like "smart beta" or "strategic beta." But what you're effectively seeing is the ETF is an incredibly efficient and democratizing vehicle for delivering these sophisticated investment strategies that, in a sense, are not only cheaper in terms of cost, but often are giving us an opportunity to provide more transparent and simple outcomes. So, that's the first thing that you see.

The second thing, with respect to ETFs, is how institutions are changing their use. So, it used to be that institutions primarily looked toward interim uses of ETFs, like hedging or monetization of cash that they had on hand. Now, institutions, more than not, are buy-and-hold investors. They're increasingly using these as core building blocks of their portfolio. So that's significant and I think that trend will continue.

The final thing is just, advisers have already embraced ETFs, but the advisers'—and then this institutional—use has led to more multi-asset-class products. And what you're seeing is, to the tune of about 51 percent—in terms of the fulfillment—ETFs make up the fulfillment of multi-asset-class products. So, I think those trends are really important for anybody in the industry and certainly anyone that's looking at the utilization of ETFs.

Additional Resources

- [2016 ICI General Membership Meeting Highlights](#)
- [ICI Viewpoints Blog on ETFs](#)
- [Frequently Asked Questions About ETF Basics and Structure](#)

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.