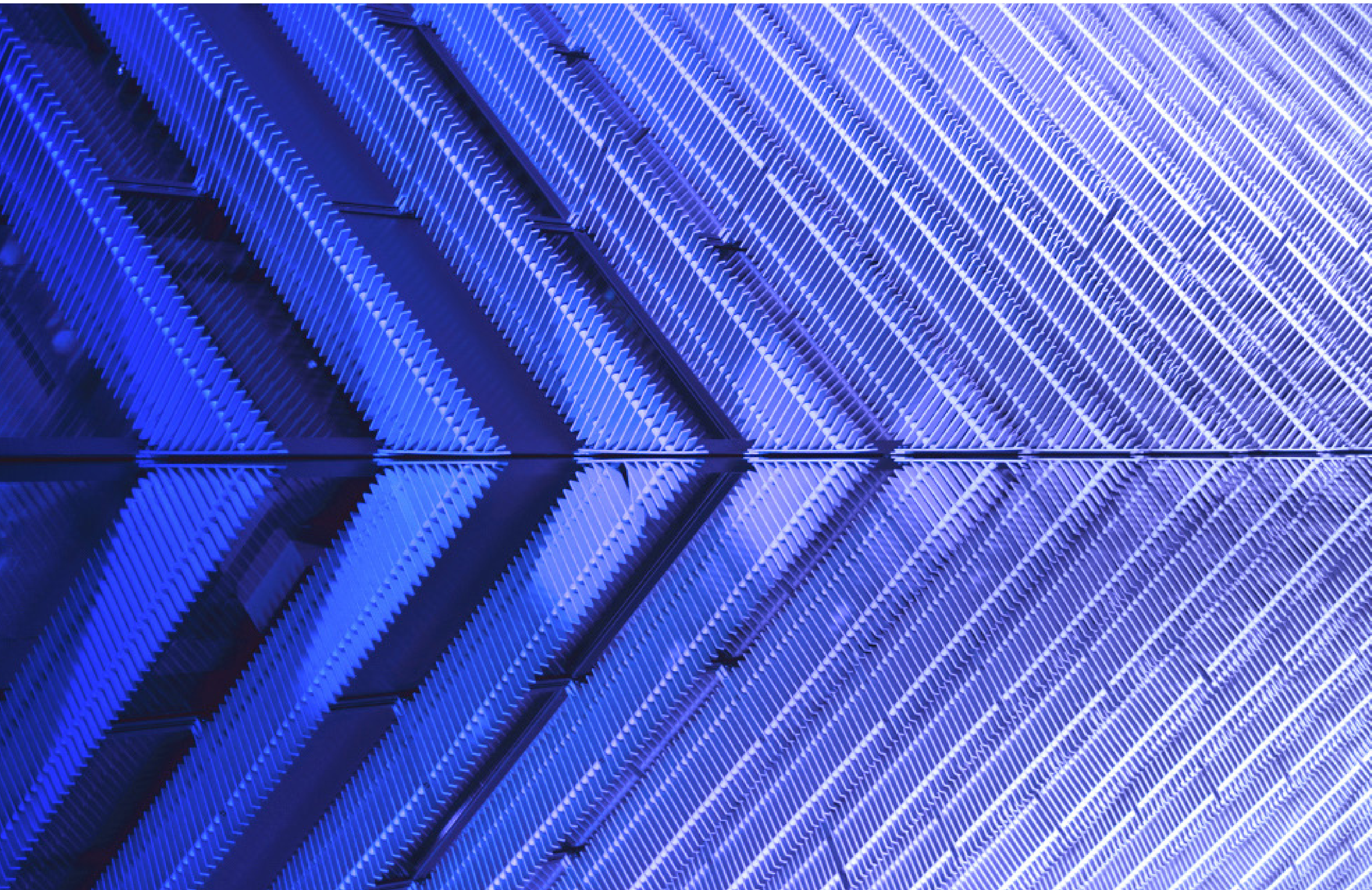
2026 GLOBAL ETF OUTLOOK

From wrapper to backbone

April 2026



Contents

Preface

In 2025, the global ETF marketplace climbed to almost US$20 trillion, with record inflows and a record number of new ETFs listed globally — clear signals that ETFs are scaling not just in size, but in reach and relevance.

That momentum — and our vantage point on it — sets the foundation for this 2026 report. Informed by State Street's internal research, ongoing client and stakeholder discussions, and participation in industry committees and innovations, this report synthesizes the major forces shaping ETF markets in 2026 and outlines strategic imperatives for issuers, investors, and ecosystem partners.

This year, the most important ETF story won't be simply "more"— it will be "more" and "fundamentally different." ETFs are expanding the investable universe, bringing increasingly sophisticated strategies and asset classes into a liquid, transparent wrapper. As that universe broadens, however, so do the practical questions that determine who wins: how to manage product complexity, how to manage capacity and liquidity constraints, and how to translate innovation into repeatable distribution.

This outlook is designed to be practical — an input you can use across planning conversations, product roadmaps, and stakeholder engagements. You'll find:

- A global outlook that frames what's changing
- Regional megatrends to highlight how growth drivers diverge across major geographies
- Our market predictions for 2026
- A curated set of external partner perspectives across the ecosystem
- Our 2025 predictions revisited — what held and what shifted

With so much in motion, our focus is on helping you move from insights to execution. The State Street ETF team is ready to engage — globally and locally — to support the strategic and operational decisions that will shape ETF growth, scale, and resilience in 2026.

Anna Bernasek
Head of Insights

About the authors

Frank Koudelka
Global Head of ETF Solutions

Jeff Sardinha
Head of ETF Solutions, North America

Ken Shaw
Head of ETF Solutions, EMEA

Ahmed Ibrahim
Head of ETF Solutions, APAC

Global outlook for ETFs

We titled State Street's 2025 Global ETF Outlook "The expansion accelerates." As the year unfolded, the framing proved to be spot on. Multiple records were set in 2025, powered by shifting investor preferences, structural and product innovations, and the expansion of ETF use cases across both institutional and retail channels (See Box 1).

The ETF story is resonating, and many global asset managers have moved from viewing ETFs as a "side experiment" to embracing them as a core component of their distribution strategy.

ETF managers are broadening access to asset classes and increasingly complex strategies previously limited to private wealth, institutional channels, or hedge funds.

This expansion is well timed as advisors are leaning more heavily on ETFs as core building blocks, capable of anchoring nearly every component of modern advisory solutions.

The market has responded with a wave of new entrants and product launches, including several industry firsts. And while regulatory tailwinds continue to support innovation, expectations are rising around stronger oversight, clearer frameworks, and enhanced investor protections.

What does all this growth, innovation, and increasing complexity mean for 2026?

We see three key trends shaping the ETF marketplace globally:

1. **A growing tension between access and structure.** As ETFs broaden investor access to new strategies and asset classes within a liquid wrapper, complexity — and the need to manage capacity constraints — are becoming increasingly critical.
2. **Accelerating active adoption.** Active ETFs, particularly active fixed income and outcomes- and derivatives-based strategies, remain the global product center of gravity.
3. **The rising importance of infrastructure and distribution.** Share classes, conversions (351s), and distribution economics are the infrastructure story that will determine the pace of adoption.

In 2026, the ETF growth and innovation story continues — with a twist. While new constraints are emerging, ETFs are still advancing across markets and geographies. No longer just a wrapper, ETFs are becoming the backbone of portfolios and market structure.

Box 1. ETF records set in 2025

Key ETF metrics to understand the breadth of acceleration in 2025 include:[1]

The global ETF marketplace now stands at

$19.85T

a US$4.9 trillion increase from the end of 2024.

ETFs saw record inflows of US$2.4 trillion globally, an increase

26%

from the previous record in 2024 (US$1.9 trillion)

ETFs are not growing off the back of market performance alone

48%

of the change in global AUM came in the form of net new money.

December of 2025 was both the first

$300B

inflow month (US$330 billion) and the first US$200 billion inflow month for equity.

A record

2,795

new ETFs listed globally, 997 more than 2024.

Actively managed ETFs recorded

70%

increase in inflows (US$638 billion) over the previous record of US$374 billion.

Actively managed fixed income ETFs recorded

46%

surge of inflows (US$459 billion) amid shifting rate regimes.

US actively managed inflows in 2025

$515B

eclipsed total passive ETF inflows from 2023 (US$464 billion).

Megatrends by region

Across North America, Europe, and Asia Pacific , the 2026 outlook for ETFs converges on a common theme: ETFs are evolving from core beta tools into the default distribution and implementation layer for modern investing. While the direction is consistent, the "why" and "where" momentum concentrates differ by region.

North America is defined by scale and innovation. After back-to-back years of US$1 trillion[2] inflows in the United States and record Canadian inflows, issuers are pushing the wrapper into ever more complex territory.

In Europe, the outlook is one of market maturation and broadening adoption. A record 2025 sets the stage for 2026, with active ETFs emerging as the defining product momentum story[3] — still representing only approximately 3 percent of assets, but accounting for a rapidly growing share of flows and new launches. The investor narrative is increasingly retail-led, as ETFs become more deeply embedded in long-term savings and retirement structures. This momentum is reinforced by supportive policy direction and new access routes, including white-label solutions and renewed focus on share-class structures.

APAC also shares the growth narrative, but it's more market-diverse and regulation-shaped. The region's ETF base is expanding from a larger passive foundation, with active adoption accelerating unevenly across markets. Australia is scaling rapidly as global managers import active lineups; China's growth is driven by low-cost and thematic demand, supported by policy tailwinds; Japan's adoption is structurally underpinned by tax-advantaged programs; and markets such as South Korea and Taiwan combine high retail participation with education and risk-management guardrails as active, leveraged, and thematic strategies proliferate.

North America

North America enters 2026 in a clear growth phase. The US ETF market begins the year on strong footing after two consecutive years of inflows exceeding US$1 trillion, while Canada recorded a market first with US$100 billion in annual inflows.[4] Across both markets, ETF usage continues to expand as investors and advisors increasingly rely on ETFs for liquidity, broad and thematic exposure, ease of access, and cost efficiency — delivered within a tax-efficient wrapper.

Against this backdrop, our North America focus centers on three themes: the continued expansion of the ETF wrapper into new use cases, additional growth engines for active ETFs, including share-class structures, fixed income, conversions, and 351 exchanges; and evolving distribution dynamics.

What haven't we put into an ETF?

In our 2025 paper, we discussed the growth of defined-outcome ETFs and expanding use of derivatives in ETFs. That trend accelerated through 2025, particularly in options-based income strategies — covered calls, put-write, and hybrid approaches — reflecting sustained investor demand for yield and downside protection. Issuers continue to proliferate these strategies, a trend underscored by Goldman Sachs's acquisition of Innovator, a leading provider of defined-outcome ETFs.

A new frontier is now emerging: simplifying and democratizing access to structured products that were previously limited to private wealth or institutional channels. Investors can increasingly use ETFs to access exposures once reserved for hedge funds or private markets.

Areas gaining traction include multi-coin diversified crypto ETFs beyond Bitcoin and Ethereum, private market-style ETFs, pre-IPO exposure, and auto callable income strategies.

Adoption of these more complex strategies will hinge on investor education — both around how the strategies work and the trade-offs involved in delivering them through a publicly traded vehicle designed for continuous price discovery. ETFs are open-ended structures, allowing shares to be created throughout the trading day.

Managing capacity within this framework becomes increasingly challenging as strategies move up the complexity ladder, raising important questions about scalability and suitability. Ultimately, it will be up to ETF issuers to determine whether strategies with inherent capacity constraints are appropriate for broad public distribution.

These increasingly sophisticated strategies also provide ETF issuers with the ability to charge a premium in a wrapper known for low cost. Active ETFs carry an asset-weighted average expense ratio of 42 basis points, with some of the most complex strategies priced at 70+ basis points.

The gravitational pull of active ETFs

Active ETFs have been a defining force in ETF growth and innovation since the adoption of the ETF rule in 2019, and they remain a center of gravity for product development today (See Box 2).

Active ETFs are at the center of the industry's most consequential shifts — reshaping product design, scale, and distribution. While the industry develops new strategies, the entrepreneurial wing of the ETF ecosystem has been determining how to scale both products and assets while also providing additional avenues for wealth managers and registered investment advisors (RIAs) to use ETFs.

There are several areas of activity that will lead to an increase in active ETFs across North America in 2026:

1. **Mutual fund to ETF conversions:** Conversions remain a powerful growth engine. More than 50 conversions occurred in 2025 (another record), bringing the total to over 170 conversions with assets exceeding US$125 billion. ETF issuers are finding ways to build out their ETF distribution strategy by leveraging assets they already have in-house. For example, a decision is reached that a particular strategy has the potential to work as an ETF and the fund carries forward the track record and performance. This also amplifies the reality that external seed capital is much harder to procure and internal funding, known as BYOA (bring your own assets), can come in many forms. This momentum shows no signs of slowing: in a recent survey,[5] 50 percent of ETF issuers indicated plans to convert at least one mutual fund into an ETF in the next 12 months.

2. **351 exchanges:** The expanding use cases of the ETF wrapper also extend to wealth management via 351 exchanges. While fewer than 40 exchanges occurred between 2021 and 2025, interest from asset managers has accelerated sharply. Under Internal Revenue Code Section 351, investors can contribute securities into a diversified fund without triggering the recognition of capital gains, effectively allowing wealth managers to serve as external seeding partners that a newly listing ETF would require within a specific rule set around diversification. The benefits to the fund include external seeding at scale, while the benefits to wealth manager clients include diversification into a tax-efficient wrapper, all with no recognition of gains. 351 exchanges are yet another use case of an ETF that also brings with it seeding benefits.

   However, the structure is not without friction. First, the cost associated with the contributed assets will be the cost of the in-kind transfer to the ETF. This is not a problem as the ETF wrapper has many levers to work through the gains. Second, regulatory guidance on 351 exchanges is limited, making it challenging to differentiate between down-the-middle usage of the rule versus usage that would bring IRS scrutiny.

3. **Fixed income:** ETFs are particularly well suited to fixed income investing. The characteristics of bonds and investor preference naturally create a benefit for active fixed income. Active management of fixed income provides flexibility to adjust duration, quality, and sector exposure, all in response to a volatile rate environment. The typical dealing method of the ETF wrapper supporting negotiated or custom baskets daily, or cash allows managers to operate efficiently in an investable universe where individual bonds have limited life span and liquidity, while trading/pricing is not continuous. While we expected parity between active and passive fixed income ETF inflows in 2025 (slightly early, in hindsight), the trend is unmistakable.

According to our analysis, between 2022 and 2024, passive fixed income saw net inflows of more than US$527 billion. During the same time frame active ETFs had net inflows of more than US$161 billion. That started to change in 2025 when passive inflows were more than US$258 billion versus active inflows of more than US$192 billion. The overall pie for fixed income ETF inflows is growing, but active is taking a far larger slice of that pie than ever before. About 42 percent of all inflows into fixed income ETFs went to active fixed income in 2025 compared to only 6 percent in 2022.

Two forces are converging: the active fixed income narrative resonates with investors, and the ETF market now offers active solutions across core, tactical, and manager-driven exposures.

Box 2. Key metrics around active ETFs in 2025 in the US

84%

of new launches that were active

34%

of inflows that were active

11.2%

market share of active ETFs out of total ETF assets

2,696

2,696 vs. 2,187: active ETF tickers vs. passive ETF tickers

4. **ETF share class:** The industry spent a lot of time in 2025 on education, problem solving, and outlining the costs and benefits of the share class structure. There is no shortage of documentation on ETF share classes. (See "our guide to the next wave of ETFs") For the purposes of this report, we look at ETF share classes as yet another potential growth engine for actively managed ETFs.

The ETF share class structure increases choice and ETF accessibility. The class exchange privilege is essentially a cross-channel path to exchange active mutual fund shares for equivalent value ETF shares. While these exchanges are not net new money, they signal the industry's evolving direction. That said, broader adoption of class exchanges remains a work in progress. Depository Trust and Clearing Corporation (DTCC) has made significant strides in extending longstanding mutual fund class exchange capabilities to incorporate ETF classes. Yet, gatekeeper economics, rooted in differing revenue models between mutual funds and ETFs, could slow innovation.

Large businesses have been developed over time based on existing mutual fund revenue models. These businesses will have to justify a change to the revenue model or have limited participation.

Ultimately, ETF share classes will launch in early 2026 and grow via the same channels as stand-alone ETFs. While the potential for a large shift from the mutual fund class to ETF class exists, it's unlikely to occur in 2026.

The new era of infrastructure and distribution

ETFs are one of the dominant investment vehicles in North America, offering lower costs, tax efficiency, liquidity, and ease of use. They also resonate strongly with younger investors: On average, ETFs represent 30 percent of Millennials' portfolios, 26 percent for Gen X, and 21 percent for Baby Boomers, with surveys pointing to a further 20 percent increase or more in portfolio allocations to ETFs across cohorts with a 31 percent increase for Gen X.

On the advisor side of the equation, the story is also positive for ETFs. Most ETF assets in the US are now distributed through financial advisor channels.[6]

Intermediary platforms like RIAs and wire-house broker/dealers hold substantial ETF assets driven by advisors' preference for ETFs as well as growth of fee-for-service advisory models.

Digital distribution is accelerating as well. PwC identified the "digital take-off" as a defining trend for global ETF distribution entering 2026, broadening access for younger and digitally native investors.[7]

When we widen the aperture, we see product development, systems, and advisories all leaning into these generational trends, or in other words, skating to where the puck is headed. ETFs is where the puck has been — and where it continues to head.

Europe

2025 was yet another landmark year in Europe, as ETFs celebrated their 25th anniversary with record assets under management (AUM) and historic highs in both investor flows and fund launches. Investor adoption continued to broaden well beyond efficiency-driven use cases, supported by new access routes for issuers and a clear rotation in investor preferences amid shifting macroeconomic and geopolitical conditions.

This multi-faceted evolution — in product growth, access, exposure, and structuring — is expected to continue and expand during 2026. This outlook is supported by advisory surveys, and forecasts from regulators and industry participants that we have consulted and is further evidenced by record-setting statistics already emerging in the first quarter of 2026.[8]

Active ETFs: The product momentum story

Active ETFs are set to be one of the most important, if not THE most important local-market product stories of 2026, continuing the trend set in 2025. Although they only represent 3 percent of total European ETP assets, active strategies saw record inflows of more than US$38 billion during 2025 (close to 10 percent of all flows), with asset managers increasingly embracing the wrapper, evidenced by a surge in new product launches with over 36 percent of new funds — in a record year for fund launches in general — having an active tilt.[9]

For the first time, active ETF launches outpaced passive equity ETF launches in Europe, a symbolic turning point for an industry long defined by index replication. If recent history is to be repeated, we predict active ETF launches will outpace all passive product launches in 2026, marking another milestone in product diversification and maturity for the industry. According to Deutsche Boerse, in the first two months of 2026, active launches took an increasing share of product listings from what was an already impressive 40 percent of listings in the previous 12 months.[10]

Equity-focused active ETFs have dominated asset gathering thus far, but fixed income active ETFs are also gaining traction, expanding in areas such as corporate credit, emerging market debt, and other specialized bond exposures such as convertible and inflationary bonds — so much so that we estimate fixed income launches and flows will both exceed 40 percent of all active metrics in 2026.[11]

The wider ecosystem is responding in parallel. Managers traditionally associated with passive outcomes are entering the market with active offerings, while regulators are acting as enablers, notably through the decisions by the CBI and CSSF approving reduced portfolio transparency for the first time.

The implication is clear: Asset managers no longer view ETFs as a threat to active management, but as its most scalable distribution enabler.

The macro environment and ETF impacts

The uncertain macroeconomic environment and persistent geopolitical risk heading into 2026 is driving a renewed appetite for defined-maturity and short duration bond ETFs, as investors seek to capture yield while limiting duration risk.[12]

Investors are also increasingly rotating toward European and ex-US equities, reversing a long period of US equity dominance. This rotation became particularly visible in the second half of 2025 and defense was the standout theme of 2025. Escalating geopolitical tensions and sharply higher European military spending pushed defense-focused ETFs to the top of the performance and inflow tables at various points throughout the year, with precious metals similarly finding favor.

Factor and dividend ETFs also staged a modest comeback, as investors sought income and diversification in a lower-rate but still uncertain macro environment. Early 2026 indications suggest we may be in for a year with an even greater focus on resiliency themes such as energy, defense, cyber and commodities.[13]

Investor revolution — Retail ramps up (Again!)

If active ETFs are projected to be the product story, retail investors are shaping up to be the investor story of 2026 — building on strong momentum from 2024 and 2025.

In 2025, the evolution of the European retail ETF investor was defined by rapid mainstream adoption, younger demographics, and the institutionalization of ETFs as long-term savings tools. The number of ETF investors in Europe rose to 32.8 million, up from 19.3 million in 2022, representing a 69 percent increase in just three years, with ETFs now held by 25 percent of all European investors and 10 percent of the adult population. Growth was fastest among 25- to 34-year-olds (+52 percent) and women (+60 percent), underlining the structural broadening of the investor base.[14]

This behavioral shift is mirrored in Germany. In 2025, 14.1 million people held shares, equity funds or ETFs, two million more than in 2024, with ETFs and funds identified as the “backbone” of equity saving, and savings plans the dominant entry point for younger investors.[15] In France, in Q1 2025, 435,000 retail investors traded ETFs, generating 2.3 million ETF transactions, up 130 percent year-on-year, while by Q3 2025 around 400,000 individuals were active in ETFs, a 45 percent increase versus 2024.[16]

Collectively, these datapoints show that by 2025, European retail ETF investors had shifted from niche adopters to a broad, younger and more savings-oriented population, embedding ETFs at the core of household investing across major European markets.

While 2025 was a year of strong growth and adoption in ETFs, surveys continue to reflect a substantially untapped demographic that will be a driver of growth in 2026. For example, on-exchange trading is often a bellwether for retail adoption with Euronext already reporting a 26 percent increase in such trading in the first quarter of 2026.

Regulation will continue to offer tailwinds to the retail market, with political agreement recently reached at European Union (EU) parliament level on an updated retail investment framework (RIS) aimed at strengthening retail protection and stimulating retail participation.[17]

RIS directly targets problems that many ETFs are well positioned to solve: high costs, poor transparency, conflicts of interest, and complex products. Several countries have signaled their intention to adopt national investment plans, and we expect this will further help solidify ETFs as a default investment strategy for all retail investors.[18]

Access and distribution routes

Build, buy, or rent remains the prevailing framework, however, the build path now increasingly incorporates ETF share classes, allowing entrants to retain performance history, shareholder base and minimize the overhead of launching an ETF range.

While operational complexity, tax considerations, and cost spillovers remain concerns, demand, particularly in outlook, shows that workable models are emerging.

There is an ever-growing range of white label solutions. These are evolving beyond adding funds to an umbrella structure hosted by a third party, to now retaining full brand and structural control but delegating a more expansive set of front-office services, including the likes of portfolio management and capital markets. And all of this is making it easier than ever for an issuer to come to market.

From a distribution perspective, chatter has also picked up in respect to tokenizing ETFs. We called it early in 2025; too early, in fact, as no approvals were forthcoming, but 2026 could be different. As a matter of public record, regulators have made it known that they're willing to discuss tokenization, however, what type of tokenization structure will be approved remains the subject of much debate as is the question of whether additional legislative changes will be required. Even if approved, we expect the number of pioneering issuers to be limited in 2026.

Asia Pacific (APAC)

The APAC region sustained strong ETF growth trajectory in 2025, with AUM surpassing an impressive US$2 trillion and net inflows reaching approximately US$300 billion. Passive ETFs remain the preferred investment vehicle for many investors; however, active ETFs continue to gain momentum and popularity across the region.

Large global investment managers launched active ETF strategies in key markets such as Australia and Taiwan, reflecting growing investor demand for expanding the ETF investment wrapper beyond index-tracking products.

This trend is expected to continue during 2026, as investment managers increasingly view APAC as an attractive region for expanding ETF product offerings.

There are several key factors underpinning the success of the APAC ETF market, and these drivers will support continued growth in the year ahead.

The following section highlights some of the primary reasons behind the strong performance of the region's largest ETF markets and what we expect in 2026.

Australia

The Australian ETF market recorded strong growth in 2025, with total assets rising to over AU$320 billion, up from AU$240 billion in 2024. Additionally, net inflows exceeded AU$52 billion and the market is nearing 500 ETF products. Several new global asset managers entered the market launching active ETF strategies similar to successful strategies launched in the US and EMEA. Dual access and ETF share class models remain the popular choice among these new active ETF manager entrants.

Investor demand has remained robust, led by international equities, with growing allocations to fixed income, commodities, gold, and crypto ETFs.[19] An estimated 2.7 million Australians now invest in ETFs, with particularly strong adoption among younger investors seeking efficient, long-term wealth-building solutions.[20]

Looking ahead to 2026, the Australian market is trending toward AU$400 billion in AUM, with January already delivering record inflows of just over AU$5 billion. Product breadth continues to expand, with the number of listed ETFs expected to exceed 500.

With regards to the active ETF space, we will continue to see existing investment managers launching funds with the external market-making model being the popular choice, however, as we have seen in recent years there has been mixed success of these strategies.

Investment managers will need to ensure their product offering is both attractive and enticing enough for individual investors, Self-Managed Super Funds (SMSFs) and advisors to add to their portfolios. Additionally, issuers will have to rethink their distribution strategy, which has historically tilted toward unlisted managed funds.

ETF distribution channels are different and require dedicated expertise. Investment managers will need to learn from their experience in the North American (and/or European) market, and hire ETF sales specialists to supplement existing teams.

They will also need to understand the importance of capital markets and their impact on price to ensure their clients get a fair market price when trading in the secondary market. This has traditionally been the key challenge for active ETF issuers in Australia. The ability to list and see inflows based on the popularity of the ETF as an investment wrapper has proven to be a misnomer from the start.

Japan

Last year saw muted growth, with a year-to-date increase in AUM of 13 percent, bringing the total AUM to approximately US$650 billion. Product innovation nonetheless continued, with the launch of over 50 new ETFs and the entry of two major investment managers into the ETF market.[22] Market flows were mixed across asset classes. Equity flows were flat, while fixed income experienced net outflows, reflecting selective risk positioning. In contrast, commodity and real estate ETFs attracted net inflows, highlighting investor demand for diversification and inflation-resilient exposures.

Retail participation remained a key structural driver. The ongoing expansion of Nippon Individual Savings Account (NISA) policies and enhanced tax exemptions continued to channel household savings into ETFs. Retail investors are increasingly favoring ETFs over traditional mutual funds and private investment vehicles, recognizing their transparency, liquidity, and cost efficiency.

Looking ahead to 2026, the active ETF segment, while still relatively small, is showing clear signs of gaining traction. The easing of regulatory constraints has enabled investment managers to broaden active ETF offerings, while growing investor familiarity with the product structure is supporting adoption. As confidence in active ETF strategies improves, the segment is expected to contribute meaningfully to the next phase of ETF market growth.

China

China surpassed Japan as the largest ETF market in APAC during 2025, with total assets under management exceeding US$850 billion.[21] The record year was driven by a wave of new ETF launches, strong investor demand for low-cost strategies and continued adoption across both retail and institutional channels.

Key themes driving growth include:

Policy and regulatory tailwinds: Regulatory reforms, including China Securities Regulatory Commission (CSRC) measures allowing foreign investors to trade onshore ETF options, materially improved market access and accelerated ETF adoption.

Key investment themes: Investor flows focused on thematic ETFs — notably AI, technology, and gold/alternative assets — alongside sustained demand for high-dividend/yield and technology equities, which were among the strongest performers.

Active and fixed income growth: Active ETF strategies gained traction, with fixed income ETFs a major growth driver, accounting for approximately 30 percent of fixed income ETF flows, reflecting rising acceptance of active management within the ETF wrapper

Looking ahead into 2026, we expect continued growth in broad-based passive and thematic ETFs, albeit at a more moderate pace following several years of record expansion. While policy and regulatory frameworks will continue to support ETFs, geopolitical uncertainty may temper momentum across the broader market. We do expect policy changes to support “full active” ETFs, not tied to a benchmark and as a result new issuers and innovation.

China surpassed Japan as the largest ETF market in APAC during 2025, with total assets under management exceeding US$850 billion.

South Korea

The South Korean ETF market experienced another year of strong growth, with AUM reaching approximately US$150 billion. More than 1,000 ETF products are now listed, highlighting the intensity of competition among ETF issuers.[23] This competitive environment continues to drive product innovation, which in turn contributes to lower costs for end investors.

Retail investors remained a key driver of ETF market growth throughout the year, with participation rising across both domestic and foreign investors, further broadening the investor base and deepening market liquidity.

Investor inflows were directed toward a wide range of ETF strategies. US equities attracted significant capital, often accessed through leveraged products, while thematic ETFs — particularly those focused on artificial intelligence, defense, and energy — also saw strong demand. This momentum is likely to carry in 2026. Furthermore, as part of South Korea's growth strategy its likely we will see digital asset ETFs being launched, which will attract investment from the younger generation.

Since the initial approval of active ETFs in 2022, the South Korean market has experienced substantial growth, a trend that continued throughout 2025 and is likely to be the same throughout 2026. Investors have allocated capital to both domestic and international active strategies, with South Korean investors adopting active ETFs at a faster pace than any other APAC market.

In response to the strong demand and the elevated risk profile of certain active, leveraged, and alternative ETF strategies, regulators have introduced investor education requirements aimed at improving risk awareness and driving more informed investment decisions.

Taiwan

The Taiwan market experienced another year of growth, although more muted than previous years. AUM exceeded US$240 billion, but net inflows (US$23 billion) were only a third of the previous high-water mark of 2024 (US$66 billion).[24] It is estimated that between 65 and 70 percent of Taiwan's ETF market assets are held by retail investors — the highest proportion in the APAC region.

Consistent with other APAC markets, high-yield and dividend ETFs remained particularly popular among Taiwanese investors, strong inflows into technology and AI-focused strategies.

Following the approval of active ETFs in 2024, the active ETF market has continued to gain traction, particularly among younger, digitally sophisticated investors. This growing demand prompted several large global investment managers to launch active strategies in 2025, a trend expected to continue throughout 2026. Currently, approximately 8 percent of the total number of funds listed in Taiwan are active ETF strategies, and this proportion is anticipated to rise steadily over the coming years. This development closely mirrors trends emerging across the wider APAC region.

Our market predictions

We now move beyond broad megatrends to make clear, trackable calls on how ETF markets are likely to evolve in 2026. These predictions reflect where momentum is building, where inflection points are emerging, and where change may arrive sooner — or later — than consensus expects. We will revisit these calls through the year to assess how market dynamics, regulation, and investor behavior are reshaping the global ETF landscape in real time.

North America in 2026

- US$2.1 trillion of inflows in US ETFs
- More US ETFs than mutual funds (ex MMF, and MF FOF)
- The top 10 issuers in the US on January 1 will not be in the same order by December 31
- We will see multiple acquisitions in the ETF space
- We will see the first US$1 trillion ETF
- US$750 billion inflows into active ETFs in the US, a 50 percent increase
- 85 percent of launches will be active
- Active fixed income will eclipse passive fixed income inflows
- Global and emerging market equity inflows will double in the US from 2025
- At least 12 firms will add ETF share class of a mutual fund or mutual fund share class of an ETF
- 100 mutual funds to ETF conversions will occur
- Canada will nearly double its ETF inflows from US$109 billion in 2025 to US$200 billion+ in 2026
- Active ETFs in Canada will eclipse US$200 billion in the first half of the year

Europe in 2026

- The European Exchange Traded Investment Product (ETP) market will grow by over 25 percent and reach US$4 trillion in AUM by the end of 2026
- 12-month European ETP net inflows to surpass US$500 billion
- Retail adoption will accelerate yet again, with average ownership rates increasing by at least 5 percent to 30 percent (from 25 percent average as of November 2025)
- Active ETF launches in region will outpace all passive product launches in 2026
- Active fixed income launches and flows will both exceed 40 percent of all active metrics in 2026
- A minimum of 15 new entrants, some with presence in other jurisdictions, others new to ETFs, with the majority coming to market doing so through active strategies
- Further potential consolidation in Europe with traditional managers and existing ETF issuers looking to acquire existing ETF issuers
- ETF issuer-led white label solutions to facilitate new issuers entering the market, will continue to expand, with at least one new issuer entering the space in 2026
- Continued utilization of the listed and unlisted share class model by both ETF issuers adding ETF classes and mutual funds managers adding ETF classes: At least four managers will do so in 2026
- At least two new entrants will launch product in the Digital Asset ETP space. However, growth will continue to lag other jurisdictions (Crypto will remain an ineligible asset within the guise of the Eligible Assets Directive, though more regulators will follow the CSSF and allow Undertakings for Collective Investment in Transferable Securities (UCITS) , within the limits of the 10 percent trash bucket, access crypto via crypto ETPs)
- An issuer will receive approval to launch a tokenized ETF

US$4T

The European Exchange Traded Investment Product (ETP) market will grow by over 25 percent and reach US$4 trillion in AUM by the end of 2026

APAC in 2026

Australia

- Net inflows to surpass AU$40 billion, bringing total AUM close to AU$380 billion
- Both domestic and international fixed income strategies to increase market share
- Number of Australian that will hold ETFs in their portfolio to exceed three million
- At least two large global investment managers to enter the ETF market
- Established investment managers to increase adoption of dual access/ETF share class models to their existing suite of product offerings

China

- China to remain the biggest ETF market in region
- Growth to continue, however it will be at a slower pace than 2025
- Updates to regulation will lower barriers to entry for foreign investors
- Active ETF strategies to see positive inflows through 2026

Japan

- Foreign inflows into Japan equities to remain positive throughout 2026
- Active ETF strategies to become more attractive to retail investors

South Korea

- Active ETF demand to remain the highest in APAC
- Total ETF AUM to exceed US$270 billion

Taiwan

- Total ETF AUM to exceed US$260 billion
- At least two large global investment managers to launch active ETF strategies
- Cryptocurrency ETF to debut in 2026

Hong Kong

- AUM to surpass US$100 billion
- Investor demand for active ETFs will likely see products on the Hong Kong Exchanges and Clearing Limited (HKEX) exceed 50 offerings
- Increase in investments in crypto/digital products will be evident through 2026

Industry predictions

Over the years, continuous innovation in the ETF industry has fostered deeper collaboration across the ecosystem, as stakeholders work closely together to deliver value for shared clients. We reached out to many of our industry partners to get their outlook for ETFs in 2026. Here is a selection of what they said curated according to key themes:

1. ETF share classes: benefits, adoption path, and the implementation hurdle

"The SEC's 2025 approval of exemptive relief allowing mutual funds and ETFs to operate as share classes in a single portfolio is significant for registered funds. The dual share class structure offers many investor benefits, including economies of scale, tax-efficient exchanges between product wrappers, and access to different liquidity profiles within a single investment strategy. However, achieving interoperability between ETF and mutual fund operations across the full range of stakeholders introduces a level of complexity the industry has not faced in years.

"Given the industry's focus on obtaining ETF Share Class relief, the launch of ETF Share Classes will undoubtedly be a major innovation story. ETF Share Class launches may start slowly and increase modestly by the end of 2026, but will accelerate as distribution and operational obstacles, including whether and how to facilitate share class exchanges, are overcome."

Ed Baer

Counsel, Ropes & Gray LLP

"As a seasoned ETF Distributor/legal underwriter, we believe all signs point to another bullish year for ETF growth with launches possibly eclipsing 1,500 and the arrival of ETF share class approvals. These developments continue to make ETFs more accessible to a wider audience."

Chris Lanza

Partner, Co-Head ACA Foreside Distributor Solutions

"Unlisted Share Class in an ETF (in Ireland) has been slow to take off. We believe that this is largely due to a number of factors including (a) the need to update fund documents and infrastructure (which is as much work as establishing a full new ETF), (b) the Ireland-US DTT is very unlikely to be available and (c) operational challenges."

Brian Higgins

Partner, Dillon Eustace LLP

2. Infrastructure and interoperability: recordkeeping, processing, and operational plumbing

"ETF share classes represent a significant innovation in the financial industry. Securities Industry and Financial Markets Association (SIFMA) has worked closely with market participants to address critical operational considerations, including the handling of residual shares, transaction timing, freeze periods, cost basis tracking, error correction protocols, dividends, and NAV pricing, among others.

"As ETF adoption accelerates and US ETF assets are projected to approach $20 trillion by 2030, dual share class structures are emerging as an important bridge between mutual funds and ETFs. DTCC is supporting this evolution by enhancing Fund/SERV, the industry solution that processes more than 85 percent of US mutual fund transactions, to automate mutual fund to ETF share class conversions. These enhancements streamline manual, multi-day processes into scalable and interoperable infrastructure that enables firms like State Street to expand dual share class offerings more efficiently and support improved cost, tax, and operational outcomes for investors."

Josephine Torelli
Executive Director of Fund Solutions,
DTCC Wealth & Investment Solutions

"The continued growth of Europe's ETF market will not be decided solely by new products or rising investor demand. It will depend on whether the underlying infrastructure can evolve to keep pace, connecting fragmented markets, reducing settlement risk, and enabling liquidity to flow seamlessly across borders.

"This is the essential role that post-trade providers, like Clearstream, must play. When the post-trade ecosystem functions efficiently, investors experience simplicity; when it falters, costs rise and confidence erodes. An integrated approach that bridges international and domestic settlement models (ICSD and T2S), strengthens fail-mitigation tools, and prepares for the industry's shift to T+1 is fundamental to enabling European ETFs to scale and remain resilient. The next phase of growth will require precisely this kind of resilient and integrated backbone.

"Another key focus for us is to create a settlement environment of choice for both cleared and non-cleared transactions from trading venues across all European markets. The goal is to allow market participants to consolidate the settlement of their trading activity in one place, thereby concentrating their liquidity and cash needs. To this end, active engagement between post-trade providers, trading venues, and CCPs is underway to expand and harmonize the existing offering."

Allan Stewart
Director ETF Sales & Relationship Management, Clearstream

3. Distribution economics and incentives: fees, compensation, and best interest frictions

"Recognizing the need for quick results, managers may also want to consider adding some type of accelerator incentive in the first year. Some managers have tried to gamify the process with creative multipliers tied to new funds, new intermediaries, and/or new financial advisors. Other managers prefer to let advisors determine the optimal vehicles and so do not differentiate compensation."

Davis Walmsley
Head of US Distribution Solutions, Asset Management, Broadridge Financial Solutions, Inc.

"To a certain extent, the ETF share class is the new shiny penny in the ETF industry. It is incumbent upon members of the industry to engage in a self-analysis as to what their ambitions are with an ETF share class. Industry participants from ETF sponsors, broker wire houses, financial advisor network distribution platforms, and wealth managers should fundamentally think through what they hope to achieve and how they will operate, especially where ETF share classes operate at lower fee levels and at different prices than mutual fund classes."

Robert Kurucza
Partner, Seward & Kissel LLP

"ETF share classes, which traditionally have not charged rule 12b-1 plan sales loads, will cause the ETF industry to seriously consider the use of 12b-1 plans to address wire house and distribution platform fees. The scale of these fees will make ETF advisor revenue sharing arrangements economically untenable. The use of so-called payment for data sharing arrangements coupled with an ETF advisor's unitary fee agreement (under which the advisor pays all ETF ordinary expenses) has real limitations under the current regulatory environment that disfavors 'distribution in guise' payments.

"A hallmark of the ETF industry has been the swift adoption of new technologies and systems to overcome business and regulatory hurdles so that ETFs are available to meet investor demand. We saw in January 2026 a couple of brokers' wire houses coming to grips with the dilemmas of Regulation BI when there is simultaneous distribution of mutual fund classes and ETF share classes that have different prices and fees. This effort by the wire houses will be commensurate with efforts in 2026 by ETF sponsors making advances to implement 12b-1 plans for ETFs."

Peter Shea
Partner, Seward & Kissel LLP

"Distribution may prove even more decisive. Traditional broker compensation models — anchored in 12b-1 fees and revenue-sharing arrangements — do not translate neatly to the ETF wrapper, especially where an ETF share class is priced below a corresponding mutual fund class. That mismatch raises best-interest and recommendation challenges for intermediaries and could limit adoption absent structural change."

"As a result, 2026 may mark a turning point: increased experimentation with ETF-compatible revenue-sharing and servicing arrangements, designed to align distributor incentives with lower-cost ETF structures. Whether these mechanisms gain regulatory and market acceptance may ultimately determine how broadly ETF share classes are embraced — and how quickly they reshape the fund distribution landscape."

Lance C Dial and Kevin R Gustafson

Partners, K&L Gates LLP

"Momentum is supported not only by strong growth expectations for the European ETF industry, but also by an evolving retail distribution landscape. New, digitally savvy investors are turning to ETFs as their preferred vehicle for long-term wealth building and retirement planning. This shift is reinforced by the emergence of cost-effective savings plan models and by government sponsored initiatives under the EU Savings and Investment Union, which aim to further boost retail participation in capital markets."

Stephan Kraus

Head of ETF & ETP, Deutsche Börse AG

4. Active ETFs and wealth adoption: models, demand signals, and go-to-market pressure

"Retail ETF assets have grown substantially over the past decade, fueled initially by passive investments and now driven by a shift toward active investments in the tax-advantaged wrapper. In the paper we published last year entitled "Active ETFs: Achieving escape velocity," we noted that managers with successful fund launches reached US$100 million in AUM in their first year. Given the importance of reaching "escape velocity" in year one of an active ETF launch, ensuring that sales teams are motivated to push hard for fast wins is critically important."

Davis Walmsley

Head of US Distribution Solutions, Asset Management, Broadridge Financial Solutions, Inc.

"We anticipate long-term ETF assets surpassing US$15 trillion in 2026, as the vehicle continues its relentless ascent toward parity with long-term mutual funds. Recent FUSE advisor survey results noted Active ETFs and Passive ETFs rank among the top three products expected to see increased usage in the coming year, which has been a consistent theme in recent years.

"Model portfolio adoption will be a key driver for ETFs in US wealth. Almost 70 percent of financial advisors report using models in some capacity today. The vast majority incorporate (or use pre-built models that have) ETFs as an underlying investment.

We expect Active ETFs to be a beneficiary of model use as domestic equity and international developed markets focused strategies are a primary focus of model builders, particularly as active ETFs replace mutual funds as an allocation preference.”

Pat Newcomb

Director, Relationship Management, FUSE Research

“2026 will be a significant year for ETFs (in Europe) as we see further development of the ETF wrapper and continued expansion of active ETFs, with some adoption of portfolio disclosure flexibilities...”

Tara O’Reilly

Head of ETF Strategy, Arthur Cox LLP

“We expect 2026 to be the breakout year for active ETFs in Australia. Momentum from the second half of last year — heightened volatility, a broader range of institutional-grade investment strategies and wider adoption — could drive a record US$10 billion flow into active ETFs.”

Oran D’Arcy

Head of Listings – Cboe Australia

“For the Japanese ETF market, we expect the continued rapid expansion of the market, along with an increase in active ETFs.”

Kei Okazaki,

Head of ETF Secondary Trading,
Tokyo Stock Exchange, Inc.

“One of the key trends we expect to carry forward into 2026 is the continued rise of Active ETFs in Europe. In 2025, Active ETFs accounted for more than 40 percent of all new ETF listings on Deutsche Börse Xetra, with this share increasing even further during the first two months of 2026. We clearly see growing interest among traditional mutual fund providers in tapping the ETF ecosystem to bring their active investment strategies to market.”

Stephan Kraus

Head of ETF & ETP, Deutsche Börse AG

“We are focused on the growth in Active ETFs for 2026. The trend of product development in this space is accelerating, and we believe 2026 active ETF launches will exceed those of passive ETFs for the first time in Europe. There is an increasing sophistication in the type of product strategy we see being wrapped in active ETFs. We see increasing demand from US issuers coming to Europe as well as UK and continental European asset managers embracing active ETFs, leading to a number of new market entrants. Net flows, number of new issuers, new products and overall industry AUM will continue to hit new records in 2026. We see a consolidation in the white label ETF market as the strong established players gather scale while newer entrants find it difficult to gather market share.”

Paul Heffernan

CEO Waystone ETFs, Waystone

5. Product innovation and oversight: crypto, engineered outcomes, structured credit, private assets

"With more than 45 spot crypto-focused ETFs representing over US$130 billion in assets under management, the regulatory framework for crypto-based exchange-traded products has evolved immensely over the course of 2025, with more change expected in 2026.

"Looking forward, regulatory developments in the new year may introduce frameworks for evaluating novel product features, including innovative structures that could be listed and traded under product-specific rules. Such an approach would allow both regulators and market participants to observe performance and risk characteristics before considering inclusion within broader generic standards. Advancing a thoughtful, evidence-based regulatory digital asset framework that balances innovation with investor protection will remain a core priority for this segment of the ETF community throughout 2026."

Victor Wemby

Head of North American Exchange Traded Product Listings, Cboe Global Markets

"Active ETFs, especially derivatives-based products that target specific investment outcomes like enhanced income, growth, and protection, should continue to see significant growth in both assets and number of ETFs. Given the increasing use of derivatives for these products, their sponsors and fund boards will need to be mindful of related derivatives and counterparty risks.

"In addition, there will likely be significant growth in crypto and leveraged and inverse single-asset ETFs. Crypto innovations will include ETFs investing in additional crypto assets, multiple crypto assets and combinations of crypto and more traditional assets, and we expect leveraged and inverse ETFs focused on additional issuers and non-US assets. These funds raise regulatory issues such as custody and trading for crypto ETFs and derivatives, and liquidity issues for leveraged and inverse ETFs."

Ed Baer

Counsel, Ropes & Gray LLP

"Looking forward, we expect more income-focused and structured credit products, tax management solutions, digital asset frameworks, and private investment-focused ETFs in 2026."

Tim Reilly

Head of Exchange Traded Solutions, NYSE

"2026 will likely see ETFs continue to expand into new strategies and asset classes, in particular cryptocurrency. Following the SEC's acceptance of in-kind creation and redemption mechanics for certain crypto ETPs, 2026 is likely to shift the regulatory dialogue from threshold questions of permissibility to more practical assessments of market behavior, operational resilience, and stress performance.

"That same supervisory lens will remain firmly trained on leveraged, options-based, and engineered-outcome ETFs, where product complexity intersects directly with retail accessibility."

"In 2026, the winners in complex and crypto ETFs are likely to be those who treat regulatory scrutiny not as a constraint, but as a design parameter."

Lance C Dial and Kevin R Gustafson

Partners, K&L Gates LLP

"Two relatively new trends the industry should keep an eye on. First, there is growing interest in offshore access to US ETFs. This interest is coming from various jurisdictions. Second, there is growing interest in having private assets in an ETF. We have seen this in 2025 with certain ETFs investing in private assets having recourse to a private source of liquidity to allow the ETF to still function under the portfolio liquidity requirements imposed on open-end funds like ETF."

Paul Miller

Partner, Seward & Kissel LLP

"Active, outcome driven strategies are gaining traction. Income oriented products, particularly covered call ETFs, recorded more than 3,400 percent AUM growth to US$2.6 billion. Meanwhile, technology, biotech, and other structural growth themes continue to draw strong flows, supported by rising investor sophistication. At the same time, demand for tactical tools remains high. Our expanding suite of single stock leveraged, and inverse products is enabling investors to express market views and manage risk with precision, in line with global shifts toward intraday agility and volatility aware strategies."

Jean-Francois Mesnard-Sense

Head of Exchange Traded Products HKEX

"Strategies like defined outcome, buffered and target income are gaining momentum within ETFs, reflecting investor demand for greater predictability and risk management, and reflecting regulatory emphasis on value for money, product governance, and suitability."

Tara O'Reilly

Head of ETF Strategy, Arthur Cox LLP

6. Asset migration pathways: conversions, 351 exchanges, and cross border access

"There will be continuation and strengthening of a variety of ETF trends apart from the adoption of ETF share classes...wider use of Internal Revenue Code section 351 exchanges, which involve transferring portfolio securities from private accounts into ETFs, between private accounts and ETFs, given the tax efficiencies of ETFs. This will drive more assets into ETFs."

Paul Miller

Partner, Seward & Kissel LLP

"Two other product trends relating to ETFs should continue and perhaps even expand. First, mutual fund to ETF conversions will continue as ETFs increasingly become the vehicle of choice for investors and intermediaries. Second, the pace of IRS Section 351 conversions of separately managed accounts to ETFs, which has become a popular way of seeding ETFs, may increase."

Ed Baer

Counsel, Ropes & Gray LLP

"We also expect to see a vigorous trend of more digital funds and mutual funds to ETF conversions, both advancing new growth in the industry."

Chris Lanza

Partner, Co-Head ACA Foreside Distributor Solutions

"Cross border initiatives are strengthening Singapore's position as a regional ETF hub, enabling global investors to access regional and international opportunities. Frameworks such as the ICSD Euroclear UCITS cross listing arrangement and the China-Singapore ETF link expand the investable universe and support deeper ETF innovation across APAC."

Serene Cai

Head of Securities Market and Depository, SGX Group

"Europe's ETF market remains fragmented which can disperse liquidity and add complexity for trading and distribution. Euronext ETF Europe is intended to reduce some of that complexity by offering a more unified, pan-European framework for ETF listing and trading, with the aim of improving liquidity and price formation, and simplifying access for issuers, intermediaries, and investors."

Aurelien Narminio

Head of Indices, ETFs and Securitized Derivatives, Euronext

7. Scaling the ecosystem: venues, capacity, and market structure modernization

"Looking ahead, ETF growth will continue to accelerate at a pace that requires a rethinking of how markets scale and innovate. Supporting this growth will require additional capacity across all facets of the ecosystem.

"As product innovation advances, market infrastructure must evolve alongside it. The rise of multi-share class ETFs, in particular, underscores the need to expand the market ecosystem with modern venues built for scale, flexibility, and innovation.

"That evolution is exactly what TXSE is designed to support. We are building a venue designed to expand the system responsibly — pairing innovation with strength, stability, and the pro-growth mindset that Texas brings to global markets."

Rob Marrocco
Global Head of Exchange Traded Products, Texas Stock Exchange

"These efforts are helping to create the infrastructure and regulatory confidence necessary for broader market acceptance and scalability. This foundation positions ETF share class structures for accelerated adoption and meaningful expansion across the asset management landscape."

"The ETF industry growth has continued to accelerate, with total flows into ETFs rising by 33 percent in 2025 to US$1.49 trillion, up from US$1.12 trillion in 2024."

Steve Byron
Head of Operations, Technology, Cyber & BCP, SIFMA

"Issuers, in particular, are encouraging a greater share of ETP activity to move onto order books, contributing to a shift away from traditional off-book, RFQ-style trading models. A key factor behind this shift also appears to be the wider adoption of ETP algorithmic liquidity-seeking solutions, alongside increased participation from proprietary trading firms, a trend expected to continue through 2026."

Alex Watkins
ETP Business Development Manager,
London Stock Exchange

"Trading volumes are rising: On-exchange ETF activity strengthened notably, with trade counts rising 32 percent year-on-year and turnover increasing by nearly 43 percent, underscoring sustained client engagement on the order book. Execution methods are also changing: Client adoption of algorithmic execution continued to broaden with 32 percent of non-prop/non-MM flow executed via algos, up from 23 percent in 2024, reflecting an ongoing shift toward more systematic execution strategies."

Danielle Reischuk
Senior ETFs & ETPs Sales Manager, SIX Group

8. Launch execution essentials: APs, market makers, data/benchmarks/ liquidity readiness

"Regardless of the ETF launch strategy — an old fashion ETF launch, mutual fund conversion to an ETF or adding an ETF share class — key stakeholder relationships with APs and market makers, seasoned ETF and capital markets talent, and a long-term strategic plan will be important ingredients for success."

Paul Kraft

Investment Management Marketplace Excellence Leader, Deloitte & Touche LLP

"These days sales, regulatory considerations, data services, benchmarks, and liquidity programs must be well defined prior to launch.

"ETFs have proven to be a magnet for innovation. This multiyear trend is improving outcomes for investors and driving collaboration with our clients."

Tim Reilly

Head of Exchange Traded Solutions, NYSE

"(In Europe) Operational readiness, however, is lagging. Only 23 percent of managers feel confident they can support active ETF launches in-house, and 60 percent say they need to be faster to compete. As a result, outsourcing is accelerating: 93 percent expect to rely more on third-party ManCos (management companies) over the next three years and 70 percent will increase outsourcing in 2026 alone."

Patrick O'Brien

Head of Business Development,
Carne Ireland (Management Company)

9. Europe: ETFs as policy-enabled retail savings infrastructure

"New, digitally savvy investors are turning to ETFs as their preferred vehicle for long-term wealth building and retirement planning. This shift is reinforced by the emergence of cost-effective savings plan models and by government sponsored initiatives under the EU Savings and Investment Union, which aim to further boost retail participation in capital markets."

Stephan Kraus

Head of ETF & ETP, Deutsche Börse AG

"Retail ETF adoption across Europe continues to rise, with on-exchange trading also increasing. This trend is often linked to improving financial literacy, the growth of digital investing platforms, and regulation emphasizing transparency and costs."

Aurélien Narminio

Head of Indices, ETFs and Securitized Derivatives, Euronext

10. Europe: Post-trade integration and settlement resilience as binding growth constraints

"The continued growth of Europe's ETF market will not be decided solely by new products or rising investor demand. It will depend on whether the underlying infrastructure can evolve to keep pace, connecting fragmented markets, reducing settlement risk, and enabling liquidity to flow seamlessly across borders.

"An integrated approach that bridges international and domestic settlement models (ICSD and T2S), strengthens fail mitigation tools, and prepares for the industry's shift to T+1 is fundamental to enabling European ETFs to scale and remain resilient."

Allan Stewart

Director ETF Sales & Relationship Management, Clearstream

11. APAC: Exchanges as ecosystem builders and cross-border gateways

"Hong Kong's ETP ecosystem sits at the convergence of global capital, innovation, and cross-border access. As investor needs evolve, we expect continued progress across product breadth, participation, and market infrastructure, further reinforcing Hong Kong's role within the regional and global investment landscape."

Jean Francois Mesnard Sense

Head of Exchange Traded Products, HKEX

"At the same time, cross-border initiatives are strengthening Singapore's position as a regional ETF hub, enabling global investors to access regional and international opportunities. Frameworks such as the ICSD Euroclear UCITS cross-listing arrangement and the China Singapore ETF link expands the investable universe and supports deeper ETF innovation across APAC."

Serene Cai

Head of Securities Market and Depository, SGX Group

12. APAC (and emerging in Europe): Outcome-oriented ETFs as mainstream risk-management tools

"Active, outcome-driven strategies are gaining traction. Income-oriented products, particularly covered call ETFs, recorded more than 3,400 percent AUM growth to US$2.6 billion...demand for tactical tools remains high."

Jean Francois Mesnard Sense

Head of Exchange Traded Products, HKEX

"Strategies like defined outcome, buffered and target income are gaining momentum within ETFs, reflecting investor demand for greater predictability and risk management."

Tara O'Reilly

Head of ETF Strategy, Arthur Cox LLP

13. Japan outlook

"Excluding the Bank of Japan's holdings, Japan's ETF market saw approximately 100 percent growth in AUM from 2022 to 2025. This growth was driven by a shift by domestic institutional investors from private funds, as well as inflows from retail investors, including those related to the NISA, tax exemption, program. In addition to the expectation that AUM growth driven by these investors will continue, there has also been an increase in flows from overseas investors.

"Against the backdrop of rising AUM, the number of new listings has been increasing. In 2025, two asset managers newly entered the market, and 52 ETFs were listed. In 2026, we expect an even larger number of listings and additional new market entrants.

"Active ETFs have been gradually accumulating assets, and regulatory changes, such as the anticipated relaxation of restrictions on the use of OTC derivatives, are expected. As a result, a greater number of strategies such as covered call ETFs and buffer ETFs are likely to be introduced to the market."

Kei Okazaki

Tokyo Stock Exchange, Inc.

14. Australia outlook

"We expect 2026 to be the breakout year for active ETFs in Australia. Momentum from the second half of last year — heightened volatility, a broader range of institutional-grade investment strategies and wider adoption — could drive a record AU$10 billion flow into active ETFs."

Oran D'Arcy

Head of Listings, APAC at Cboe

"We expect the ASX ETF market to maintain its strong growth momentum in 2026, supported by investors' increasing use of ETFs as core building blocks within diversified portfolios. While bouts of market volatility and sector rotation may introduce short-term noise, the structural shift toward index, smart-beta and outcome-oriented active strategies remains firmly intact. Notably, 2026 also marks 25 years of ETFs in Australia — a milestone that highlights how deeply embedded ETFs have become in the investment landscape. Taken together, these forces position the ASX ETF ecosystem for continued expansion throughout 2026."

Rory Cunningham

Senior Manager, Investment Products, ASX

“The ETF market in Australia had another solid year of growth in 2025. The integration of ETFs within the wealth management industry continues at a strong pace with platforms and model portfolios contributing a large percentage of the growth.

ETF flows clearly indicate that international equity ETFs are the most popular form of investment, giving Australians access to an international basket of securities in a single trade. At the same time fixed income ETFs are gaining increased traction and continue to grow as a percentage of the overall market.

We expect 2026 to continue the upward trajectory of the Australian ETF market as pension fund assets, managed by local advisors continue to grow the pool of investable money.”

Lisa Lautier and Matthew Watts

Partners, K&L Gates

“Strong demand in 2025 across international equities, fixed income, gold, and emerging crypto exposures saw net flows in Australian ETFs exceed market expectations, and we expect these themes to continue in 2026. We have already seen several local and offshore managers expressing interest in entering the Australian ETF market or expanding their existing product range this year. The continued growth and maturity of the ETF sector have also recently been recognized by Australia’s securities regulator (ASIC) through the release of updated guidance supporting more efficient pathways for issuers to enter the Australian ETF market and ensure compliance with their regulatory obligations.”

Jamie Hannah

Deputy Head, Investments & Capital Markets

“Active fixed income ETFs are a large and growing part of the Australian fixed income landscape because they combine the benefits of active bond management with the accessibility and efficiency of the ETF structure.

“Unlike equities, where passive ETFs dominate assets under management (AUM), within fixed income, active ETFs are the predominant choice, reflecting investor preference for active management in bond markets.

"Active management remains well suited to fixed income due to:

- **Index construction:** Entities that increase bond issuance and grow their index representation are often increasing leverage and, over time, may experience deteriorating credit quality. As a result, passive index replication can tilt toward weaker credit profiles. Active management is more risk aware, assessing attributes such as liquidity, credit quality, and relative value, and can screen out or underweight issuers where compensation for risk is insufficient.
- **Off-exchange trading:** Fixed income securities typically trade over the counter (OTC) rather than on centralised exchanges, making liquidity and price discovery opaquer than in equity markets. This creates information inefficiencies that active managers can seek to exploit through security selection, curve positioning and sector rotation as market conditions change.

"Managed funds provide fixed income investors with the added benefit of market access, diversification, and professional research. Investors are increasingly valuing the accessibility, flexibility, and risk management capabilities that active fixed-income ETFs can offer."

Vivek Prabhu

Head of Credit and Fixed Income, Perpetual Asset Management Australia

15. Ireland outlook

"New authorisations of ETFs, even this early in the year is exceeding the level of authorisations during the same period in 2025. The Central Bank expects the ETF landscape in 2026 to be defined by rapid innovation, a strong pivot toward active management, and significant "validation" tests regarding liquidity, environmental standards, and operational resilience. From a structural perspective, we continue to discuss proposals relating to tokenisation of ETFs and are interested to see this meaningfully develop. Importantly, the need for enhanced and meaningful transparency for retail investors remains a key area of focus and this, together with the need for clearly defined and appropriate distribution channels, remains a cornerstone of investor protection. We continue to be supportive of ETFs as innovations that have the potential to lower costs and broaden investor choice, provided they are balanced with a strong governance and risk oversight and robust operational resilience."

Gavin Curran

Head of Division – Capital Markets & Funds, Central Bank of Ireland

“Ireland’s position as the number-one European domicile for ETFs can be attributed to a mature 25-year ETF ecosystem, strong regulatory support and innovation from the regulator, a tax-neutral UCITS regime, and extensive professional services infrastructure. In order to enhance our market-leading position, Irish Funds will be engaging with industry leaders and policymakers on issues such as digital assets and fund tokenisation, the growth in active ETFs, the ongoing Eligible Assets Directive review, the European move to T+1, and domestic and European initiatives to increase retail participation including the European Commission proposals on Savings and Investment Accounts. As global competition intensifies, it’s critical that Ireland continues to strengthen its position through innovation, regulatory engagement, and global reach.”

Geraldine Brehony

Senior Manager – Policy and Regulatory, Irish Funds (Irish Funds Industry Association)

16. Luxembourg outlook

“A combination of regulatory and market factors makes Luxembourg a highly attractive domicile for the launch and scaling of active ETFs.

To begin with, the legal and regulatory framework has evolved in a pragmatic and supportive way. Enhancements to product structuring rules, combined with a responsive supervisory approach, have created a stable, innovation-friendly environment.

“In particular, the faster approval process for new ETF products by the regulator has significantly reduced time to market, enabling sponsors to respond swiftly to investor demand and changing market conditions. Luxembourg also offers structural advantages. For example, synthetic replication on US equities can benefit from withholding tax optimization, enhancing overall performance for investors. This feature remains a strong differentiator for Luxembourg-domiciled ETFs distributed on a cross-border basis. At the same time, product innovation is accelerating. Active ETFs incorporating CLO-based fixed income strategies are gaining traction, reflecting strong demand for differentiated yield within a liquid, transparent ETF wrapper. More broadly, a series of active ETFs was successfully launched in 2025, demonstrating both operational readiness and investor acceptance of actively managed ETFs. These developments are reflected in the market’s growth trajectory. Luxembourg ETF assets under management surpassed EUR 500 billion at the end of 2025, a clear milestone underscoring its role as a leading European ETF hub. The positive momentum continues into 2026, supported by sustained inflows, expanding product ranges and increasing adoption of active ETF solutions. Taken together, these factors position Luxembourg not just as a competitive ETF domicile, but as a leading platform for the next phase of active ETF growth.”

François Baratte (MSc, LLM)

Senior Vice President Industry Affairs, ALFI (Luxembourg Funds Industry Association)

"Luxembourg continues to consolidate its position as a leading European hub for ETFs, supported both by regulatory developments and evolving product innovation.

"The update to the Luxembourg law of 17 December 2010 on undertakings for collective investment (2010 UCITS Law) introduced a tax exemption for actively managed ETFs, extending the existing exemption that previously applied only to passive ETFs. The CSSF updated its FAQ on the 2010 UCITS Law to introduce greater flexibility around portfolio transparency, reducing the mandatory disclosure of ETF portfolios to end investors from monthly to quarterly, addressing concerns from managers — particularly those running active strategies — about the potential impact of frequent disclosure on portfolio management.

"The most notable development in the Luxembourg ETF market, however, is the rapid rise of active ETFs. Asset managers have shown increasing interest in entering this segment, often by launching active ETF share classes within existing UCITS funds to leverage an established track record and significant assets under management.

"Another approach has been the creation of standalone active ETF sub-funds within existing umbrella structures to tailor specific ETF-suitable strategies while still benefitting from the umbrella fund's existing operational structure.

"While investor demand for active ETFs continues to grow and the CSSF appears poised to facilitate the creation of such products, the main challenge for managers remains the operational setup, including trading infrastructure, distribution arrangements and portfolio management processes adapted to the ETF model. From a strategic perspective, active ETFs launched in Luxembourg have often focused on more specialised or complex approaches compared to their passive counterparts. These include strategies involving less traditional asset classes — such as collateralised loan obligations (CLOs) or significant use of derivatives — as well as more targeted or boutique strategies seeking to outperform benchmark indices by focusing on less efficient segments of the markets they represent."

Florence Stainier

Partner (Investment Management),
Arendt & Medernach SA

17. Canada outlook

“Canada’s ETF industry closed 2025 on an impressive note as once again assets under management (AUM), net new flows, and new product launches all reached points not seen before. The future opportunity for the Canadian ETF industry should not be measured by historical growth or the number of products currently available, but by what lies ahead.

“While growth in ETF assets has caught a lot of attention and adoption continues to climb, the overall market remains significantly under-penetrated. According to data published by Canada’s Securities and Investment Management Association in late 2025, ETF assets in Canada still represent only 22 percent of the total fund industry in Canada. The long-term runway for ETF expansion is real and suggests the underlying trend is far from peaking.

“Aside from the issuers expanding their product suites to match competition and finding innovative ways to solve investors’ needs, we expect to see an increasing use of Canada’s equivalent to the ETF share class, the ETF series.

“The genuine excitement for the Canadian ETF industry’s future will dictate the number of new products and issuers, but the economic and market dynamics of 2026 will undoubtedly determine how the year gets measured.”

Graham MacKenzie

Managing Director, Exchange Traded Products, Toronto Stock Exchange

“From the vantage point of the Canadian ETF Association (CETFA), the growth trajectory for ETFs in Canada remains strong. Over the last five years, we have seen the assets in Canadian-listed ETFs nearly triple. Increasingly, Canadians are choosing the ETF structure as the foundation for their investment portfolios. However, growing headwinds are now clearly upon us, and we cannot afford to ignore them.

“We operate in a market that is structurally tilted against Canadian investors. The expansion of ETF share classes in the United States will sharpen that imbalance and widen the competitive gap between Canada and the US. Layered on top of that are long-standing structural, tax, and regulatory frictions that influence where Canadians invest their dollars.

“Another challenge is speed. Capital is global and mobile, but policy change in Canada is often slow and incremental, even when the costs of inaction are clear and compounding.

“The future of ETFs in Canada should be one of growth, innovation, and global relevance, but realizing that future will require deliberate action to fix structural disadvantages, modernize our tax and regulatory framework, and move with the urgency that today’s competitive environment demands.”

Eli Yufest

Executive Director, Canadian ETF Association (CETFA)

2025 predictions revisited

In this section we identify which predictions we got right and where we were off target in 2025.

North America predictions	Outcome	Details
Spot crypto products will expand to cover the top 10 coins based on market cap.	Nailed it! ✓	To date, we have the top 11 digital assets as holdings in various spot and multi-coin ETFs
Crypto ETFs will expand to multi-coin products well beyond BTC and ETH.	Nailed it! ✓	Grayscale and Bitwise converted their multi-coin digital asset strategies into ETFs in Q3.
Digital asset ETF AUM will grow larger than precious metals ETF AUM by the end of 2025.	We were wrong. ✗	US Precious metal $310B + Canada $5B = $315B. US Crypto $135B + Canada $6B = $141B. Precious metals had an unprecedented year with 12X the inflows year-over-year, and +50 percent performance in 2025. Crypto still saw generous flows of $40B but that was a drop off from the $60B in 2024. BTC performance was flat to down in 2025.
Approval of in-kind capabilities for digital assets.	Nailed it! ✓	SEC voted to approve in-kind trading of spot cryptocurrency on July 29. https://www.sec.gov/newsroom/press-releases/2025-101-sec-permits-kind-creations-redemptions-crypto-etps
Canadian active ETF AUM eclipses US$150B by year end.	Nailed it! ✓	Active AUM US$173B.

North America predictions	Outcome	Details
ETF share classes will not launch in 2025. We expect first products in the first half of 2026.	Nailed it! ✔	SEC issued its first order of approval on November 17. https://www.dimensional.com/us-en/newsroom/dimensional-receives-sec-approval-for-etf-share-classes
ETF share classes will receive a similar blanket approval as digital assets instead of individual approvals.	Nailed it! ✔	We have seen three groupings of approvals thus far, encompassing 48 filers.
Active ETF in the US will collect over 30 percent of all inflows in the US.	Nailed it! ✔	Active ETFs ended the year with over 34 percent of flows.
Active ETFs will eclipse total AUM of US$1T by the end of first quarter.	Nailed it! ✔	Active ETFs exceeded US$1T in assets for the first time on March 26.
Three ETF providers will eclipse US$200B in AUM.	Nailed it! ✔	Dimensional Fund Advisors, First Trust and JPMorgan have exceeded US$200B in AUM.
Three new top 50 active managers will enter the ETF arena in 2025.	Nailed it! ✔	Apollo, Lazard and Russell Investment entered the ETF marketplace in 2025.
Active fixed income will come close to parity with passive fixed income net flows in 2025.	We were wrong. ✘	Passive fixed income flows = \$275B. (US\$258B, CN\$17B). Active fixed income flows = \$206B (US\$192B, CN\$14B). We will take the loss although we believe we were just a bit early with this prediction.

Europe predictions	Outcome	Details
The European ETF market will grow by at least 25 percent and surpass US$2.8T in assets.	Nailed it! ✓	European ETP AUM eclipsed $3.2T in 2025 (~42 percent growth since 2024 year-end).
New product launches will exceed 400.	Nailed it! ✓	New launches ended 2025 at 508.
Actively managed ETFs will have the highest percentage of overall launch	Nailed it! ✓	Actively managed ETFs (184) exceeded passive equity (156) for the highest percentage of new launches.
There will be a growth of ETF issuer-led and other new white label solutions to facilitate new issuers entering the market.	Nailed it! ✓	SSIM partnered with CTI with its EaaS offering. Allfunds, Amundi, Citi, Velocity and Universal have announced white label platforms, although Citi shuttered their offering in Q1 2026.
A minimum of 10 new entrants will launch ETFs or expand from passive to active ETFs.	Nailed it! ✓	Amerant, Bellevue, Columbia, Deka, Dimentional Fund Advisors, Eldridge, Elevate, Eurizon, Fineco, GSAM, iM Global, Jupiter, Leo Wealth, M&G, Middlefield, Morgan Stanley, ODDO BHF, OFI Invest Asset Management, Quoniam, SSIM, Tidal Investments, UBS
At least one new entrant will launch a product in the digital asset ETP space.	Nailed it! ✓	HanETF, iShares have launched digital asset ETFs.

Europe predictions	Outcome	Details
The majority of these new entrants will be coming to market primarily with active strategies.	Nailed it!	90 percent of the new entrants have come to market with active strategies.
At least two of the new entrants will do so by adding ETF share classes to an existing mutual fund range.	Nailed it!	Eurizon and State Street Investment Management have launched listed/unlisted ranges.
Existing issues will use acquisition to gain additional scale, or traditional fund managers will use acquisition of an existing ETF issuer to enter the ETF market.	Nailed it!	BNP Paribas acquired AXA IM.
Reduced portfolio transparency requirements will be expanded to Ireland (currently enabled in Luxembourg) with at least one manager leveraging the capability.	Nailed it!	In April, the CBI relaxed its daily portfolio transparency requirements. Fidelity launched a STA ETF on September 3 and PIMCO launched a STA ETF on December 18.
Active ETFs will grow from 3 percent of AUM and 7 percent of flows to 4 percent of AUM and 10 percent of flows.	We were close.	Active ETF AUM has risen to 3.2 percent and flows to 9.7 percent.
A mutual fund manager will expand into ETFs by adding a listed share class to its unlisted fund range.	Nailed it!	Eurizon and State Street Investment Management launched listed ETFs as a share class of unlisted funds.

Europe predictions	Outcome	Details
An ETF issuer will expand into mutual funds by adding an unlisted share class to its listed ETF range.	We were wrong. ✗	No, but some public filings are now embedding language to allow for such structures (future proofing).
Retail adoption will continue to accelerate, with ownership rates increasing from 20-25 percent to 30-35 percent across the Continent and the UK.	We were close. =	The latest BlackRock-YouGov survey indicates that an average of 25 percent of all retail investors now hold an ETF, although that number is significantly higher in the likes of Germany where it stands at 55 percent.
Digital asset growth will lag other jurisdictions based on crypto assets remaining an ineligible asset within the guise of the Eligible Assets Directive.	Nailed it! ✓	5 percent AUM growth for the six months through June, made up of 6 percent flows and -1 percent performance. Lagging the wider ETP market performance (in aggregate terms); By year end, AUM was down 5 percent (US$1B) relative to December 2024, was primarily led by asset performance (products had inflows particularly in Q3).
The first issuer will receive approval to launch a tokenized ETF.	We were wrong. ✗	No white smoke in the market — this was always the biggest “stretch” prediction and seems to remain the case.

Asia Pacific predictions	Outcome	Details
Australia:		
At least three US$100B asset managers will enter the ETF market.	Nailed it! ✓	American Century, First Sentier and PIMCO entered the market.
Net inflows will exceed US$30B.	Nailed it! ✓	Net inflows came in at US$35B.
The cryptocurrency market will be expanded by at least one new coin.	Nailed it! ✓	Monochrome expanded to ETH.
China:		
The China ETF market will become the largest in the Asia-Pacific region.	Nailed it! ✓	China is the largest APAC market with over US$860B in AUM. Japan clocks in with US$712B.
Assets under management will exceed US$700B.	Nailed it! ✓	China ETFs have reached US$860B in AUM.
Japan:		
Growth continues with at least two new global asset managers entering the ETF market.	Nailed it! ✓	Nissay Asset Management launched its first ETFs in Japan locally in October. State Street Investment Management launched its first ETFs locally in November.

Asia Pacific predictions	Outcome	Details
South Korea:		
Active ETFs will make up over 33 percent of the total ETF market.	Nailed it!	Active ETFs make up 33 percent of AUM
Total ETF assets will exceed US$150B.	Nailed it!	South Korea ETFs have reached US$219B in AUM.
Taiwan:		
At least five asset managers will launch active ETFs.	Nailed it!	AllianceBernstein, Allianz, CTBC Ark, Nomura, PGIM, Uni-President have launched active ETFs.
Total ETF assets will exceed US$250B.	We were close.	Total ETF assets ended 2025 at US$245B in AUM.
ETFs will encompass 75 percent of the investment trust fund market.	Nailed it!	As of September, 76.5 percent of the investment trust fund market (minus money markets) is made up of ETFs.

Endnotes

1. ETFGI Reports Assets in the Global ETF Industry Hit Record US$19.85 Trillion as Industry Posts Highest Ever Annual Net Inflows, ETFGI, January 20, 2026.

2. U.S. ETFs Pull in a Record $1.49 Trillion in 2025, ETF.com, January 1, 2026.

3. Europe's ETF Industry Surpassed the $3 Trillion Milestone for the First Time, ETFGI, October 10, 2025.

4. Canadian ETF industry records more than US$100 billion in annual inflows, ETFGI, January 21, 2026.

5. ETF issuers ramp up active product development, Cerulli Associates, October 30, 2025.

6. ETF Assets Surpass $11 Trillion, Hovering at Record High, Cerulli Associates, October 15, 2025.

7. ETFs 2026: The Next Big Leap, PwC, January 1, 2022; ETFs 2029: The Path to $30 Trillion, PwC, March 4, 2025.

8. ETFs 2030: Capitalising on Disruptive Innovation, PwC, March 2, 2026; ETF Roadshow Report, EY Financial Services Ireland, February 26, 2025; ETFGI Reports ETFs Industry in Europe Hits All Time High of US$3.40 Trillion in Assets and Record US$58.67 Billion Inflows, ETFGI LLP, February 16, 2026.

9. European Active ETF Market Trends, Morningstar, February 24, 2026; ETFGI – European ETF Industry Year End 2025, January 19, 2026.

10. European Active ETF Market Trends, Morningstar, February 24, 2026; ETFGI – European ETF Industry Year End 2025, January 19, 2026.

11. European Active ETF Trends: What's Driving the Boom?, Morningstar, December 15, 2025.

12. Is the ECB Done Cutting Interest Rates?, Morningstar Europe, November 21, 2025.

13. Defending Opportunities: The Rise of European Defense ETFs, S&P Global, March 27, 2025; European Defense ETFs: 2025 Market Leaders, ETF.com, June 3, 2025; Defense Industry: What 2025 Might Signal for 2026, VanEck, January 20, 2026; European Investors Shift Towards ETFs and Equities in 2025, Morningstar Europe, November 18, 2025; People and Money: ETF Investment in Europe, ETFBook, September 30, 2025; Shareholder Figures for 2025: Equity Investment on the Rise, Deutsches Aktieninstitut (DAI), December 11, 2025.

14. People and Money: ETF Investment in Europe, ETFBook, September 30, 2025.

15. Shareholder Figures 2025: Share Investments Continue to Gain Momentum, Deutsches Aktieninstitut, January 13, 2026.

16. Retail Investor Activity Up Again, AMF, May 28, 2025.

17. Retail Investment Strategy: Council and Parliament Agree on Package to Empower Consumers While Boosting Markets, Council of the European Union (Consilium), December 18, 2025.

18. ETF Market Nears $300bn as International Equities Lead Inflows, Investor Daily, September 10, 2025.

19. Australians Maintain Fascination for Investing, ASX Australian Investor Study, June 23, 2023; Aussie ETFs Exceed 2025 FUM Forecast, Investor Daily, December 11, 2025.

20. China ETF Market Surpasses Japan as Asia's Largest ETF Ecosystem, ETFGI, August 25, 2025.

21. Martin: Ireland Ready to Progress with EU Savings Union, Government of Ireland, February 12, 2026.

22. Assets Invested in the ETFs Industry in Japan Reached a New Record of US$648.38 Billion, ETFGI, July 15, 2025.

23. Korea's ETF Market Tops 1,000 Listings, Hits Record ₩222 Trillion in Assets, The Korea Herald, July 23, 2025.

24. Taiwan Stock ETFs Lead Inflows in Asia with US$19 Billion Haul, The Business Times, July 7, 2025.

8839217.2.1.GBL.RTL

Expiration date: March 24, 2027

State Street Corporation
One Congress Street, Boston, MA 02114-2016

www.statestreet.com