

2023 BBH Global ETF Survey - Key Findings



ETF allocation keeps pace

ETFs saw global inflows of \$856 billion in 2022, the second highest total ever. Interestingly, the number of investors who plan to increase their ETF allocations in 2023 dropped 23% YoY, but overall allocations remain strong with 89% planning to maintain or increase.



Appetite for fixed income is growing

62% of investors say they are extremely or very interested in fixed income, while 40% expect to direct even more of their portfolios toward short duration fixed income allocations.



Commodity ETFs boom as investors seek diversification

69% plan to maintain or increase allocations to commodity ETFs. This is not surprising given that seven out of the top 10 best performing ETFs in 2022 were commodity products.²



Active ETFs on the rise

82% of investors plan to increase or maintain their exposures to active ETFs this year as conversions from mutual funds into actively managed ETFs intensifies. 92% of investors bought an active ETF in the last 12 months with 46% allocating from index mutual funds and 42% allocating from active mutual funds.



Semi-transparent structures gaining more visibility

Investor interest in semi-transparent active ETFs is reflected in the growing awareness of these ETF structures, which are still in their nascent phase. 80% of investors know what these structures are, and 70% of investors say they will or may buy one.



Investors are favoring alternative and managed risk strategies

To enhance diversification and manage risk in volatile markets, 59% of investors favor defined outcome ETFs, which cap their exposure to broad equity markets and offer a downside protection. 67% of investors favor strategies based on specific factors of return such as value, growth or momentum and around 70% of investors favor managed risk strategies.



ESG ETFs are becoming a leading source of demand

Over the last five years, AUM has grown at a phenomenal 40% CAGR, with 43 consecutive months of inflows, to reach \$403 billion invested in ESG ETFs at the end of November 2022.³ 53% of respondents are planning to add ESG exposures this year.



Crypto ETF demand persists amid market chaos

Despite a tumultuous market and value destruction, a quarter of respondents expect to allocate more of their portfolios to ETFs with cryptocurrency related exposure, compared to 33% in 2022. Institutional investors are particularly keen, with 74% saying they are extremely/very interested in this strategy. 48% of investors still plan to add cryptocurrency and digital asset-themed ETFs.



Investors prefer virtual to in-person meetings

62% of investors prefer to engage digitally with sponsors, and 53% prefer having digital content and insights pushed to them. Enhancing digital engagement strategies will be key for industry participants going forward.

² <https://www.etf.com/sections/features-and-news/energy-etfs-dominate-2022s-top-performers>

³ https://eyfinancialservicesthoughtgallery.ie/wp-content/uploads/2023/02/ETF-Report-2023_20th-Feb_FINAL-V3.pdf

