



ETF Market Dynamics: 2025 in Review

The key benefits that ETFs deliver; liquidity, ease of access, cost and transparency consistently resonate with investors, both institutional and retail, that drove their decision to purchase the product. Below we summarise some of the key themes in the European market over the past year, which despite some macro headwinds has again proved to be very positive.

Growth
Following the same trend as previous years, ETF assets continue to grow rapidly. In 2025 inflows peaked at >\$333bn, representing significant

36.7%YTD growth. September marked a new milestone with total ETP assets rising above the \$3trn mark. Many commentators point to ETF assets doubling by 2030 with 2025 certainly viewed as a building block to reach that target.

New kids on the block
The influx of new asset managers entering the ETF space has continued with 25 new entrants over the past year. This was largely comprised of US managers looking beyond their borders to distribute product into Europe and domestic European managers stepping into the ETF space for the first time.

The flexibility and recognition of

the UCITS wrapper is important in these decisions. UCITS products can be sold across Europe and there are also a number of markets outside of Europe where they can be distributed, such as Hong Kong, Singapore, Chile and Mexico.

Ireland continues to be the domicile of choice now holding >75% of all European ETF assets.

Active
Many new market entrants are opting to launch active ETFs. The active ETF market has continued to witness significant growth, although from a low base. European active ETFs now account for 3.1% of the overall market. Estimates range between \$1-1.5trn of

new assets flowing into active ETFs over the next 5 years.

Many view the active space as one in which they can gather market share without the need to challenge the large incumbents in the low margin passive space. Others have identified that they can deliver the benefits of their in-house active management expertise in the ETF wrapper and sell this alongside their existing fund range.

Digital assets
Continue to be very topical with investors. However, with a mere \$3.2bn of inflows in Europe and \$39bn in the US, there hasn't been a rush to the door to buy. This will be an



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interesting space to watch over the coming years including whether new ETF investors of a younger age profile will opt to buy this asset class.

Digital trading platforms
Digital trading platforms and neo-brokers continue to rise in terms of their importance for investors, primarily retail, in purchasing ETFs. The lure of the platforms is enhanced with the technology they deploy such as model portfolios and robo-advisors. These developments are really speaking to investors, with platforms increasing the ease of access which ETFs inherently have and driving the net outcome of greater inflows into ETFs.

Issuers have become cognisant of their importance, evidenced through some of the partnerships that have started to unfold. In August DWS partnered with Levler launching a suite of six products which are tailored to the local Swedish market. This is on top of a partnership they entered in late 2024 with Scalable Capital targeting distribution in Germany.

Retail
interest in ETFs by retail investors continues to gain momentum, driven mainly by the use of savings plans. The European retail market accounts for circa 15% with market commentators indicating that this can double to 30% in the coming years. Germany is the most active retail market, but this trend appears to be spreading to other regions across Europe.

Saving Investment Accounts
SIAs are becoming increasingly popular at policy level in Europe. This trend is fuelled by the EU looking to unlock some of the \$17trn in assets which are sitting in low interest earning deposit accounts and move this into investment accounts. They plan to execute on this by promoting the use of SIAs. The benefits are clear for investors, providing performance above their current low levels of gains in the bank accounts, and at EU level, it will reduce the potential burden on state pensions and promote domestic capital markets – a key goal of the initiative.

The next chapter
As we look to 2026, there is a lot of optimism about the future growth of ETFs as an investment product. We will likely see continued momentum in growth with investors gaining traction as they realise the key benefits of the wrapper: liquidity, ease of access, transparency and cost.

Was 2025 a year with few groundbreaking events? Or was it a year which confirmed what many have been saying about the benefits and durability of the wrapper? With ETF assets currently hovering at 25% of mutual funds, and forecasts it can grow to 40%, this points to a promising 2026 and beyond.

