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ETFs: The flows don't lie

From warehouse receipts to USD 20 trillion: A look into the past, the present and the future of ETFs

UBS

The modern ETF story has two beginnings: the idea took shape in the US, but the first product launched in Canada.

In 1990, the Toronto Stock Exchange introduced Toronto 35 Index Participation Units, widely regarded as the first exchange-traded index product and the prototype for the ETF structure that followed. Three years later, Nathan Most, the product developer widely credited with helping create the first US-listed ETF, brought the concept to the American market with the launch of the SPDR S&P 500 ETF in 1993.

Drawing on ideas from commodity warehouse receipts, Most and his collaborators developed a structure that allowed investors to trade a basket of securities on exchange, while keeping the creation and redemption mechanism in large blocks behind the scenes.

This origin story helps explain why and how ETFs became such a powerful force in finance. The wrapper combined elements investors already valued – diversification, transparency and index exposure – with something mutual funds could not offer in the same way: intraday tradability. What began as a neat solution to a market-structure problem gradually became a much broader portfolio tool.

Fast forward to today, and ETFs sit much closer to the center of modern portfolio construction: they are larger, broader, and used in far more ways than the early market could have imagined. Global ETF assets moved past USD 20 trillion in early 2026 after years of compounding growth, with net inflows staying positive for 81 consecutive months through February 2026.[1]

In Europe, the market has also reached meaningful scale, with ETF assets surpassing USD 3 trillion by late 2025[2] while still showing room for deeper adoption relative to the United States.

In search of lessons and key insights, and to mark 25 years of our involvement in ETFs, we take a look back at the start of the ETF journey, consider the present moment and then try to imagine what the future might hold.

1 ETFGI Reports Record USD 21.24 Trillion in Global ETF Assets, ETFGI, March 2026
2 Global ETF Industry Review 2025, LSEG Lipper, March 2026

The past

In many respects, the early ETF proposition was straightforward: transparent, liquid and efficient access to an index. This simplicity helped the structure gain traction, but the pace of expansion over time is what turned it into a structural force in asset management.

It took the global ETF industry 16 years to reach its first USD 1 trillion in assets, from the launch of the first US-listed ETF in 1993 to the end of 2009. It then took another seven years to reach USD 4 trillion, before growth accelerated sharply again, with assets approaching USD 20 trillion by end-2025 –a near fivefold increase in under a decade.[3]

The numbers, however, only tell part of the story. Perhaps more revealing than the growth is what happened during the moments when growth stopped or at least slowed. Moments like the 2008 financial crisis and the March 2020 Covid crash when global markets lost a third of their value in weeks. Or equally, the 2022 rate shock; one of the worst years for a traditional 60/40 portfolio in a generation.

In each case, the ETF wrapper was stress-tested in ways its creators could not have fully anticipated. And in each case, it held.

Liquidity – the concern most frequently raised by sceptics, particularly for fixed income ETFs – proved more resilient than many critics had predicted. Indeed, ETFs actually expanded through these episodes, emerging with a broader investor base and greater institutional credibility. This is, arguably, what turned a clever product design into a permanent feature of the financial landscape.

Such growth reflected a deeper change in investor behavior: ETFs were no longer viewed only as low-cost beta instruments, but increasingly as practical tools for allocation, implementation and liquidity management. As the market matured, providers also broadened their ranges beyond core equity building blocks into fixed income, commodities, factors, currency-hedged exposures and sustainable strategies.

Our own story sits inside this broader market evolution. Spanning over 40 years, we now have around USD 1.1 trillion in index and rules-based assets, and our ETF platform has roughly USD 200 billion in ETF assets.[4]

> ETFs have brought institutional investment opportunities to a broader audience in a competitive and efficient format – that's been one of the major drivers of their success.

André Mueller,
Head of Client Coverage,
UBS Asset Management

3 ETFGI Reports Record USD 21.24 Trillion in Global ETF Assets, ETFGI, March 2026
4 UBS Asset Management internal data, May 2026

Present

Today's ETF market is broader, deeper and more global than the one that existed even a decade ago. While the US accounts for around two thirds of global ETF assets, some of the most striking growth has been happening in Europe and Asia-Pacific.

Indeed, Europe illustrates both progress and headroom. European ETF assets reached USD 3.2 trillion by the end of 2025 – growing at 41 percent, faster than the US market – with clear room to grow further given assets remain well below the USD 13.4 trillion held in US ETFs. This gap is also visible at the retail level: while over half of German investors now hold ETFs, ownership rates in France, Italy and the UK stand at just 21, 14 and 12 percent respectively.[5]

The product mix has changed as well. Remarkably, active ETFs accounted for just ten percent of global ETF assets at the end of 2025, and yet captured roughly 25 percent of net inflows during the year.[5] Meanwhile in Europe, active ETFs accounted for 8.5 percent of flows, while only representing 3 percent of total assets. Fixed income has also become a more important part of the story; equity ETFs still make up around three quarters of global assets, but fixed income already represents about 17 percent and continues to gain share.[6,7]

This broadening toolkit is one reason ETFs matter more now than they did in their early years. Investors are using them for far more than mere market exposure, with use cases ranging from tactical allocation, portfolio transitions, liquidity sleeves, sustainable implementation and increasingly precise portfolio construction. The importance of design choices beneath the wrapper has also grown, with greater focus on index methodologies and providers, replication approaches, liquidity characteristics and trading quality.

> It's not just about access to beta, it's a more complicated discussion about how to allocate, liquidity and tactical or strategic exposures.
>
> André Mueller,
> Head of Client Coverage,
> UBS Asset Management

5 ETFs: Rising growth and 2026 momentum, EY, February 2026
6 Global ETF Industry Review 2025, LSEG Lipper, March 2026
7 ETFGI Reports Record USD 21.24 Trillion in Global ETF Assets, ETFGI, March 2026

Future

The next phase of ETF growth is unlikely to be a simple extension of the last one. With the wrapper firmly established, the more important question now is which use cases, asset classes and investor needs will define the next decade.

Active management will clearly be part of the answer. As product launches (particularly in Europe) proliferate, industry projections from PricewaterhouseCoopers (PwC) suggest global active ETF assets could rise from about USD 1.7 trillion in 2025 to around USD 4 trillion by 2030[8], while some forecasts are even more bullish. This reinforces a shift already underway in that investors increasingly want the operational advantages of the ETF wrapper without limiting themselves to plain-vanilla benchmark exposure.

Regional growth is worth watching closely. The same PwC survey data suggests total European ETF assets could more than double or more by 2030 (with some projections reaching USD 5.5 trillion), while total Asia-Pacific ETF assets could rise toward USD 5 trillion over the same period.[8] If that happens, the global ETF market will look less US-centric, more competitive and potentially more diverse in structure and use case than it does today.

When thinking about the future it can be tempting to focus on the flashy and shiny aspects of product development. However, it is worth remembering that the bulk of ETF flows go into core benchmarks and this is unlikely to change. Serving as a key portfolio building block for investors of all shapes and sizes, allocations to core index exposures via the ETF wrapper is likely to remain a key driver of growth. Equally, if geopolitical tension and currency volatility stay elevated then more operational and risk management focused areas like currency hedged share classes should be in demand.

All of this creates both opportunity and responsibility for providers. A wider ETF toolkit gives investors more ways to express views, manage risk and build portfolios efficiently, but it also increases the need for clarity around structure, liquidity, index construction and suitability. As we know, wrapper standardization does not translate to interchangeable underlying exposures.

In which case, scale alone won't be enough. The next phase of ETF competition is likely to depend on combining product breadth with research, implementation quality, trading expertise with the ability to help clients use ETFs well.

It is worth pausing, at this point, to ask what Nathan Most might make of all this.

His original insight was architectural. He saw that the mechanics of a commodity warehouse receipt – the way physical goods could be represented by a tradeable certificate without moving the underlying stock – could solve a problem that decades of mutual fund innovation had not. The basket could trade, the creation and redemption mechanism could operate in the background and the structure could be simultaneously efficient for institutions and accessible for individuals. It was an elegant solution to a specific market-structure problem, and Most pursued it for years before regulators and exchanges were persuaded.

Whether he could have imagined spot Bitcoin ETFs, buffer strategies with options overlays, or active managers migrating entire mutual fund ranges into his wrapper is an open question. But the principle he applied – find a cleaner structure for something investors already want to do – has never stopped being relevant.

> There are still a lot of active strategies that are not in an ETF wrapper that could migrate across in the coming years. It's a huge opportunity.

Ian Ashment,
Head of Portfolio Engineering
and Trading, UBS Asset Management

8 ETFs 2030: Capitalising on Disruptive Innovation, PwC, March 2026

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