Getting active: The next chapter in European ETFs

Research with 40 European institutions and wealth managers shows how active ETFs are gaining traction, where demand is strongest and which barriers still limit broader adoption.

UBS Asset Management, in collaboration with NMG Consulting

Executive summary
The active ETF market represents a significant evolution in how European asset owners access active management. Based on research by NMG Consulting with 40 institutional investors and retail gatekeepers managing EUR 3 trillion across the UK, Germany, Italy and Switzerland, this report examines the current state of active ETF adoption, the key drivers and barriers to uptake and how investors are approaching this opportunity.

Active ETFs bridge the gap between traditional active management and the operational efficiency of ETF structures, offering the potential for alpha generation with enhanced transparency, lower costs and improved liquidity. This study reveals both strong momentum and the challenges to be overcome as the market matures.

Key findings:
- **Strong adoption momentum:** 48% of asset owners are already using active ETFs, with another 30% seriously considering them
- **Substantial growth potential across asset classes:** While equity active strategies show highest interest (94%), fixed income (89%) shows the largest gap between interest and current usage, indicating substantial untapped demand in both categories
- **Alpha efficiency:** 58% cite alpha opportunity as the primary driver of interest, with active ETFs seen as cost-effective tool for accessing active management
- **Demand for dual approach:** 47% want both enhanced indexing and unconstrained active strategies, indicating demand across the active spectrum
- **Barriers remain significant:** Limited product availability (88% institutions, 70% wholesale), short track records (65-80%) and transparency concerns (76-60%) are current constraints on faster adoption.

Methodology
This study was based on in-depth qualitative interviews with 40 senior decision-makers across four European markets, with equal representation (25%) from the UK, Germany, Italy and Switzerland. Research was conducted in July and August 2025, capturing perspectives from asset owners with combined assets under management of EUR 3 trillion.

All respondents were required to use ETFs to at least some extent to ensure relevant perspectives on active ETF implementation. Throughout this report, we distinguish between "institutional" investors (pensions, insurers, foundations) and "wholesale" investors (private banks and wealth managers) to highlight important differences in needs and preferences.

The active ETF adoption landscape

Key findings:

- Nearly half (48%) of European asset owners already use active ETFs, with wholesale clients showing particularly strong adoption at 57%
- Active equity strategies show highest overall interest (94%), with 46% already invested; fixed income (89%) shows similarly high interest, but only 11% current usage
- Investors view active ETFs as an efficient mechanism for accessing alpha, with cost considerations forming part of a broader value assessment rather than being the primary driver

Current adoption levels

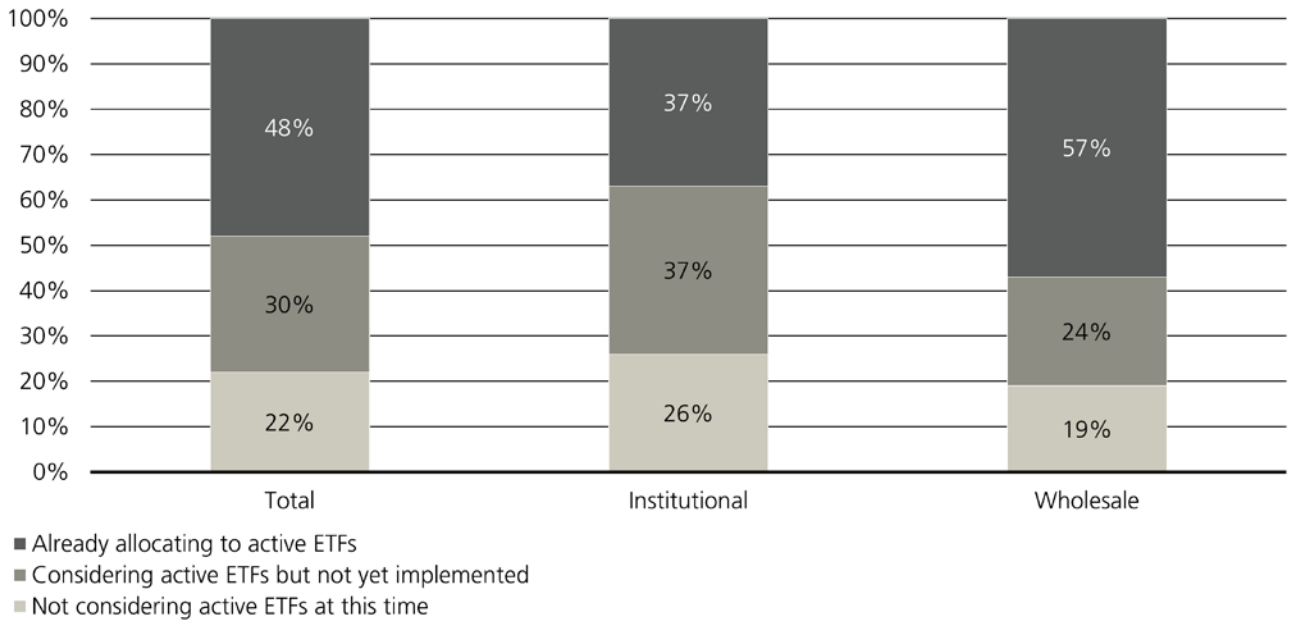
Active ETF uptake has reached a critical inflection point in European markets. Nearly half (48%) of asset owners surveyed are already allocating to active ETFs, demonstrating that these products have moved beyond early-adopter status to achieve meaningful market penetration. An additional 30% are actively considering implementation, while only 22% report no current interest (Figure 1).

Wholesale clients show notably stronger current usage at 57%, compared to 37% among institutional investors. This reverses the typical pattern where institutions lead product adoption, highlighting that the operational advantages of active ETFs resonate particularly strongly with wealth managers seeking efficient solutions for client portfolios.

For some, active ETFs already represent a significant part of allocations. A wealth manager in Italy noted: "We use active ETFs extensively across equities and fixed income – they offer the flexibility we need for client portfolios." For others, adoption remains contingent on seeing more evidence. A private bank in Switzerland explained: "We're watching the space closely but want to see more established track records before committing significant assets."

This divide between enthusiastic early adopters and more cautious observers captures where the market stands: proven enough to attract serious capital, but still young enough that many investors want to see longer performance histories before committing.

Figure 1: Use of active ETFs, % citations



Source: NMG Consulting, September 2025

Strategy type preferences
Adoption and interest also vary by asset class and strategy, revealing distinct growth trajectories. Active equity strategies attract the highest interest at 94%, with 46% of respondents already invested (Figure 2). This combination reflects that equity active ETFs are the most established category, though the 48-percentage-point gap between interest and current usage indicates considerable room for continued growth.

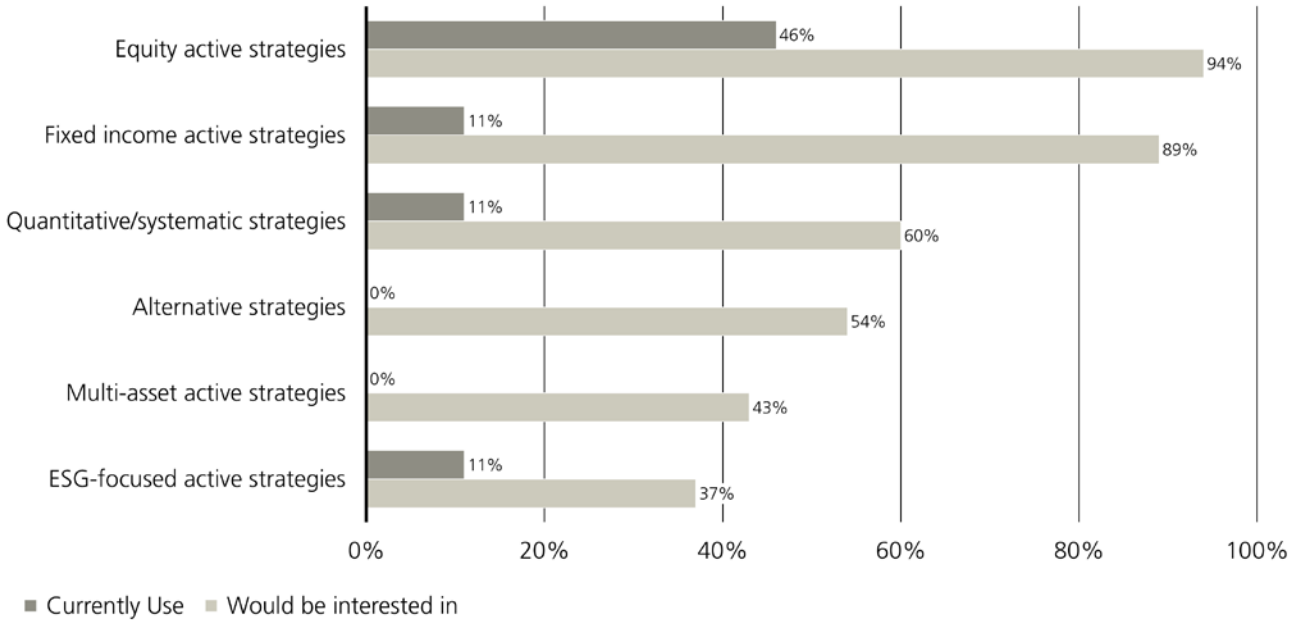
Fixed income active strategies command 89% interest – approaching equity levels – but with only 11% currently invested, representing a 78-percentage-point gap. A wealth manager in Italy explained: "Active fixed income strategies are of particular interest – this is where we see the clear opportunity for managers to add value beyond what indices can provide."

An insurer in Germany added: "Fixed income markets are less efficient than equities, which creates more scope for active management to work. The ETF structure can make this more accessible at reasonable cost."

Quantitative and systematic strategies appeal to 60% of respondents, with 11% currently invested. A DB pension fund in the UK explained: "We'd be interested in systematic active approaches in ETF format – enhanced indexing with low tracking error. For fully active management we'd still typically use a fundamental manager in a mutual fund or segregated mandate."

Alternative strategies attract 54% interest, though with no current usage among respondents. A wealth manager in Switzerland noted: "Active alternative strategies in ETF wrappers are conceptually interesting, but we still have questions about whether daily liquidity is really compatible with these asset classes."

Figure 2: Active ETF asset classes and strategies of interest, % citations



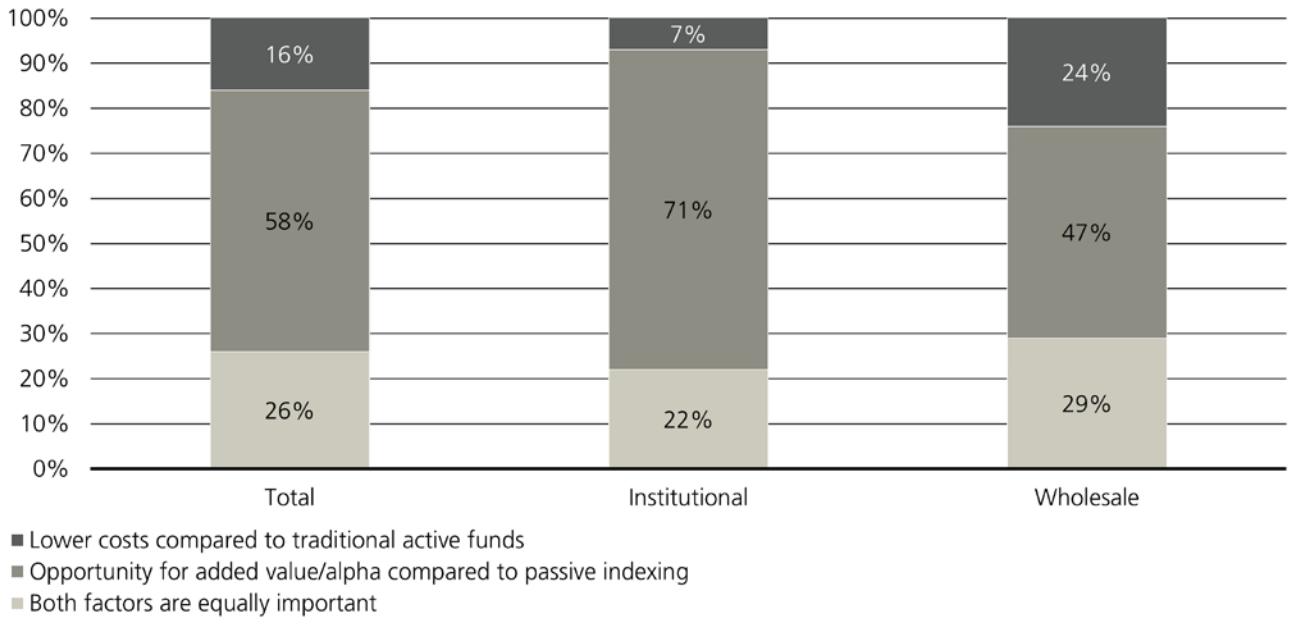
Source: NMG Consulting, September 2025

What's driving interest?
Alpha emerges as a key driver of interest in active ETFs, with 58% citing the opportunity for added value compared to passive indexing (Figure 3). However, the framing requires careful interpretation. While 16% prioritise lower costs and 26% see both alpha and cost as equally important, investors are generally seeking a more efficient mechanism for accessing active management. A private bank in Switzerland explained: "We're not looking for the absolute cheapest option – we're willing to pay reasonable fees for genuine active management. But active ETFs need to demonstrate they can deliver value beyond what we can get from other active vehicles."

Structural advantages over mutual funds represent a secondary but important motivation. A wealth manager in the UK emphasised: "The ETF structure would make it much easier for us to get into active funds that we like – with a mutual fund it can take weeks to complete subscriptions, whereas ETFs can be traded immediately."

An insurer in Italy highlighted liquidity advantages: "During market stress periods, we've seen that ETFs can actually provide better liquidity than mutual funds because of the creation-redemption mechanism. For active strategies, this matters enormously."

Figure 3: Drivers of interest in Active ETFs, % citations



Source: NMG Consulting, September 2025

Enhanced vs unconstrained active

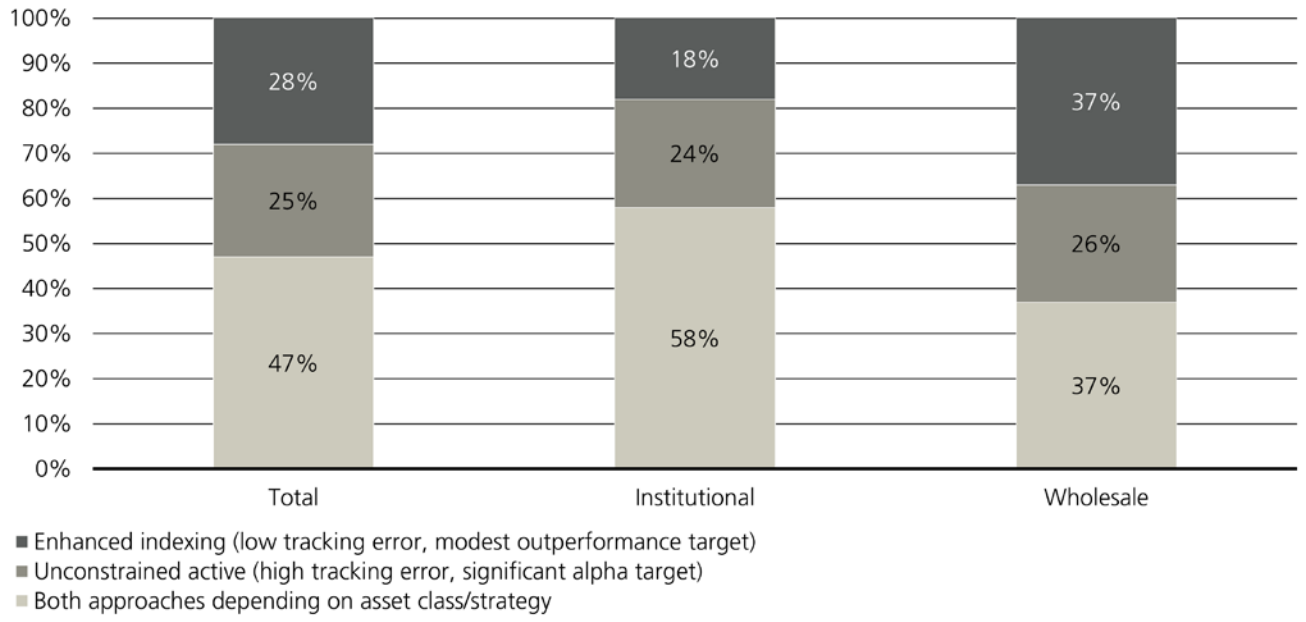
The study revealed that investors have varied preferences for the types of active management they are seeking within active ETFs. Nearly half (47%) want access to both enhanced indexing and unconstrained active strategies, depending on asset class and strategy context. Among those with a stated preference, 28% favour enhanced indexing while 25% prefer fully unconstrained active approaches (Figure 4).

Institutional investor perspectives lean slightly towards unconstrained active. A DB pension fund in the UK explained: "I would have said it was closer to being fully active in an ETF wrapper rather than enhanced indexing. We already have access to passive strategies at very low cost, so for active ETFs to be interesting they need to offer genuine alpha potential, not just modest tilts."

Wholesale client preferences tilt towards enhanced indexing. A wealth manager in the UK stated: "I think it would be the enhanced indexing approach – low tracking error with modest outperformance potential. Our clients are looking for better risk-adjusted returns than pure passive can provide, but they're not comfortable with the volatility that comes from high-conviction active bets."

Context matters significantly. A foundation in Italy explained: "For developed market equities, where markets are highly efficient, enhanced indexing probably makes more sense. But in fixed income, particularly in credit markets or emerging markets, we'd be more interested in genuinely active approaches because there's more opportunity for skilled managers to add value."

Figure 4: Preferred approach for active ETFs, % citations



Source: NMG Consulting, September 2025

Implementation considerations and barriers

Key findings:

- Investment methodology ranks as the most important selection criterion (94% of institutions, 89% of wholesale), with investors demanding clear articulation of how strategies generate alpha
- Limited product availability represents the primary adoption barrier (88% of institutions, 70% of wholesale)
- Insufficient track records rank as the second most important constraint (65% of institutions, 80% of wholesale), with investors seeking evidence of performance through different market conditions.

Selection priorities

When choosing an active ETF, investment methodology ranks as the most important consideration, cited by 94% of institutional investors and 89% of wholesale clients (Figure 5). A DB pension fund in the UK emphasised: "The most important decision would be the specific investment approach – how exactly is the manager seeking to generate alpha? What's their edge? Then we'd look at cost and liquidity, and critically, we'd want to see a live track record rather than just back-tested results."

Cost relative to traditional active funds matters significantly, cited by 71% of institutions and 84% of wholesale clients. An insurer in Germany noted: "We're currently paying 75-100 basis points for active fixed income strategies in mutual fund format. If active ETFs can deliver comparable capability at 40-60 basis points, that's compelling."

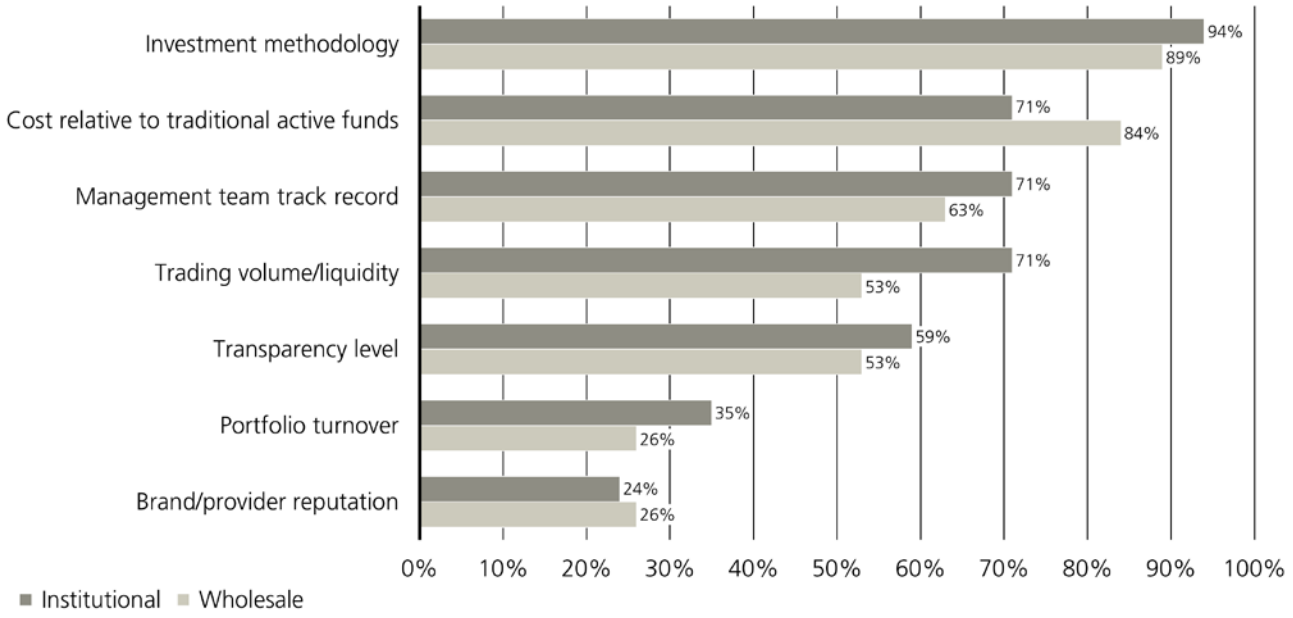
Management team track record ranks highly, particularly among institutions (71%) compared to wholesale (63%). A foundation in Italy explained: "We'd look very carefully at who's actually managing the strategy – their experience, their tenure together as a team, their incentive structures. Active management is ultimately about people, so even in an ETF format, the team matters enormously."

Trading volume and liquidity matter to 71% of institutions and 53% of wholesale clients. An insurer in Italy noted: "We need confidence that we could exit a position of meaningful size without moving the market significantly."

Transparency level represents a complex consideration, prioritised by 59% of institutions and 53% of wholesale clients. While active ETFs generally provide daily holdings disclosure, investors emphasise the importance of understanding the underlying investment strategy and process.

A wealth manager in Switzerland articulated this need: "Transparency is the most important element for us – we would not invest in something where we don't know what's inside. Our clients expect to understand what they own." This extends beyond simply seeing current holdings to understanding the investment rationale, decision-making framework and how the strategy might evolve.

Figure 5: Prioritised considerations when selecting active ETFs, % citations



Source: NMG Consulting, September 2025

Barriers to adoption

Despite evident enthusiasm for active ETFs, investors identified several important barriers that currently constrain adoption. Limited product availability ranks as the primary concern, cited by 88% of institutional investors and 70% of wholesale clients (Figure 6). A DB pension fund in Germany explained: "We'd be interested in expanding our use of active ETFs, but the product range is simply too limited right now. We need more options across fixed income sectors, more geographic coverage and more style diversity within equities."

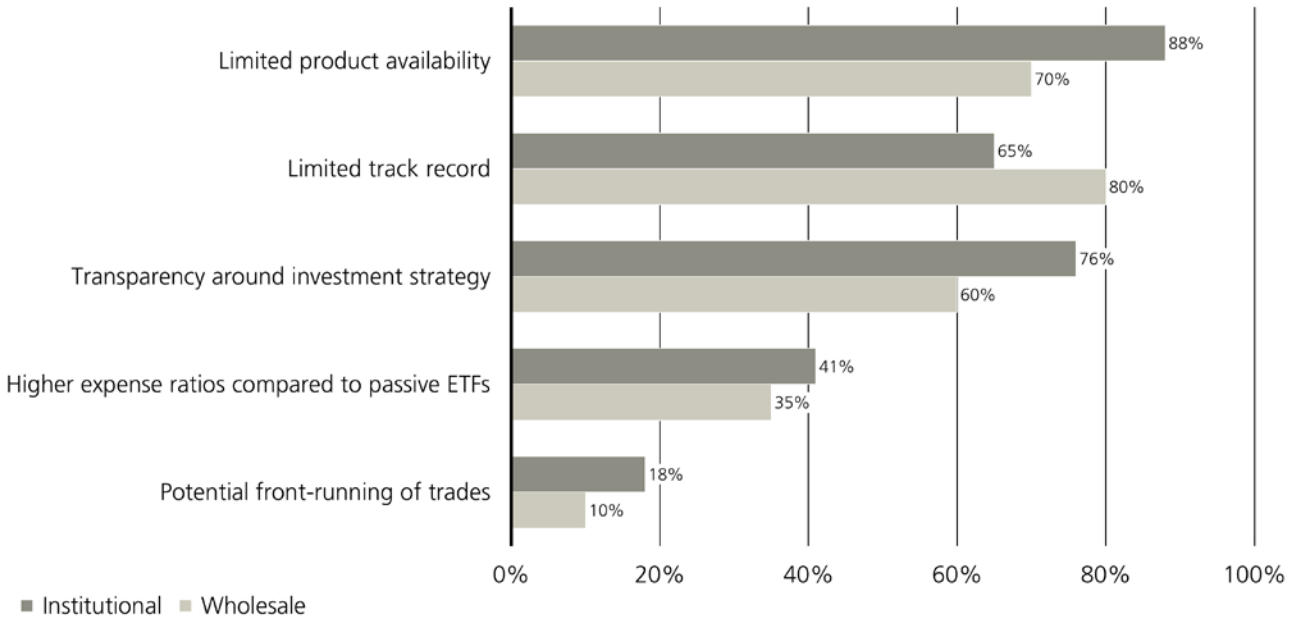
Limited track record also represents a barrier, cited by 65% of institutions and rising to 80% among wholesale clients. A DC pension fund in the UK emphasised: "We need at least three years of live performance, preferably five, before we'd commit significant assets to an active ETF. Back-tested results are interesting but not sufficient."

Some respondents suggested that parallel track records from mutual fund versions of the same strategy could help. An insurer in Germany noted: "If an established active mutual fund strategy is being made available in ETF format with the same team and same process, we'd be willing to consider that track record as relevant evidence."

Transparency around investment strategy creates concerns for 76% of institutions and 60% of wholesale clients. A DB pension fund in Switzerland explained: "We need sufficient transparency to understand the approach and monitor risk. Active strategies are ultimately about manager judgment and conviction, which is harder to evaluate than a rules-based methodology."

Higher expense ratios compared to passive ETFs concern 41% of institutions and 35% of wholesale clients. A wealth manager in the UK explained: "If a passive equity ETF costs 5-10 basis points and an active equity ETF costs 60-80 basis points, that's a big hurdle to overcome. The active strategy needs to consistently outperform by at least the fee difference, preferably by significantly more."

Figure 6: Concerns around use of active ETFs, % citations



Source: NMG Consulting, September 2025

Growth opportunities across asset classes

Key findings:

- Active equity ETFs benefit from market maturity with established track records, supporting continued expansion into systematic strategies and thematic approaches
- Fixed income markets' structural inefficiencies and tactical use cases make them particularly attractive for active management
- Alternative exposures through ETFs attract significant interest, with private credit, commodities and hedge fund strategies leading demand.

Active equity strategies: Building on existing momentum

As identified in Figure 2, active equity strategies command the highest overall interest at 94%, with 46% of respondents already invested – a 48-percentage-point gap that indicates substantial room for continued growth.

Several factors support continued expansion. The existing user base provides proof of concept and helps address track record concerns for newer strategies. A wealth manager in the UK noted: "We've had good experiences with our active equity ETFs, which makes us more open to considering new offerings in this space."

Systematic and factor-based strategies represent a particularly promising segment. A DB pension fund in the UK explained: "Systematic active approaches work well in ETF format – the rules-based nature means transparency doesn't undermine the strategy. We'd be interested in seeing more options here, particularly strategies that combine multiple factors or adapt factor exposures based on market conditions."

Thematic equity strategies also attract interest, offering exposure to secular trends while maintaining the operational advantages of the ETF structure. Geographic diversification presents additional opportunities, with respondents indicating gaps in European active equity strategies, emerging market approaches and regional specialisations. An insurer in Germany noted: "We'd be interested in active European equity strategies that can navigate the complexities of different markets and regulatory environments across the region."

Fixed income: The opportunity in focus

Fixed income active strategies attract 89% interest but with only 11% currently invested, representing a 78-percentage-point gap (Figure 2).

Multiple structural factors explain both the high interest and substantial room for growth. Unlike developed market equities, fixed income markets retain meaningful inefficiencies. An insurer in Germany explained: "Bond markets, particularly in credit, are less efficient than equity markets. There's real scope for managers who understand credit fundamentals to add value through security selection and sector allocation."

Tactical duration positioning emerged as an important use case. A wealth manager in the UK explained: "ETFs are a great way on the fixed income side to take duration calls and adjust them quickly, which is harder with direct bonds. Active fixed income ETFs give us tools to implement these views efficiently."

Specific opportunities span multiple sectors. In corporate credit, investors see meaningful dispersion in quality and spreads where skilled managers can add value. High-yield bonds attract interest from investors seeking enhanced yield with maintained liquidity. A foundation in Germany noted: "In high yield, avoiding defaults matters as much as picking winners. We'd be interested in active ETFs that can demonstrate disciplined credit selection and risk management."

Emerging market debt offers opportunities for both hard currency and local currency strategies. An insurer in Switzerland explained: "Emerging market debt is complex enough that we believe active management can genuinely add value, but we don't have the internal expertise to manage it ourselves. Active ETFs could provide an efficient access point."

Specialised sectors, including securitised credit and bank loans, represent additional areas where investors see potential for active approaches. A wealth manager in the UK noted: "There are parts of the fixed income market that are difficult to access efficiently through passive strategies or direct holdings."

Alternative exposures: Active by nature
Alternative asset class exposure through ETFs represents an emerging opportunity, with 54% of investors expressing interest despite no current usage among respondents (Figure 2).

While commodities and certain digital assets do offer the ability to invest in indexed exposures, most alternative strategies require active management by definition – there are no investable indexes for private credit, hedge fund strategies or real estate, for example. This makes alternatives a natural potential extension of the active ETF opportunity.

The most demanded exposures reveal clear priorities. Private credit leads institutional demand at 82%, with 50% interest among wholesale clients (Figure 7). A DB pension fund in the UK noted: "Private credit ETFs would certainly be of interest and something we would explore." An Italian private bank added: "Private credit would be interesting – access is limited today and ETFs could make this more investable."

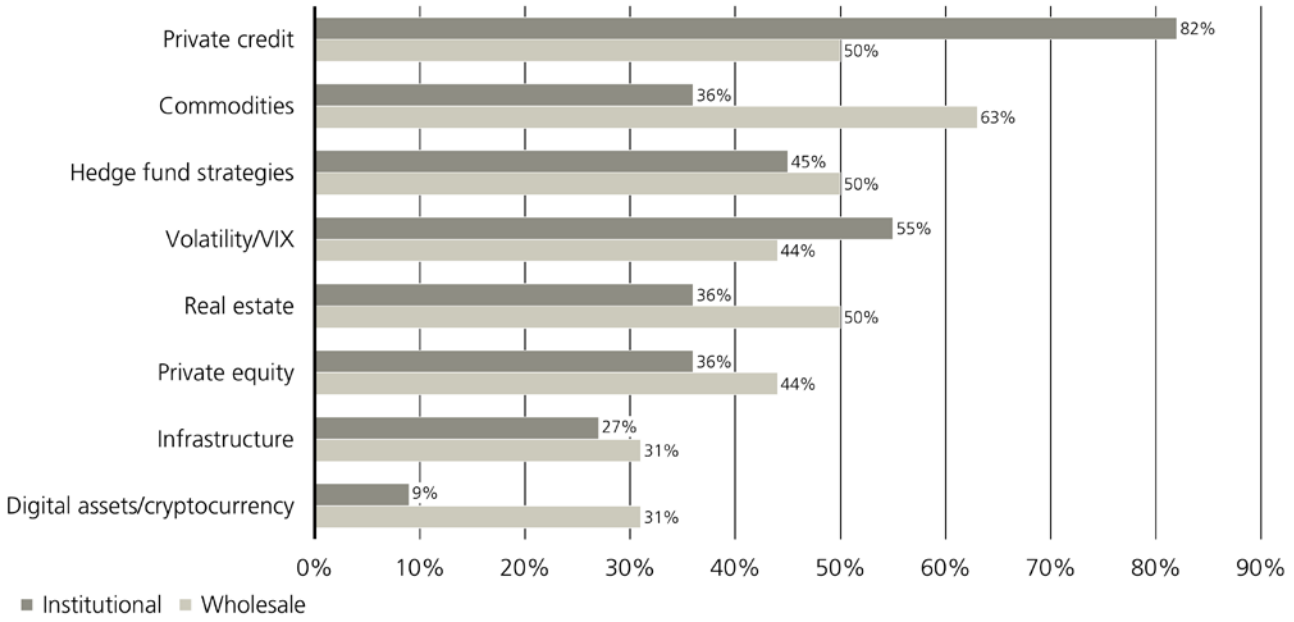
This strong appetite reflects both the attractive returns private credit has delivered and the operational complexity of accessing it through traditional fund structures.

Commodities attract 36% institutional interest and 63% wholesale interest, representing one of the few alternative categories where passive exposure is possible but where active management can potentially add value through timing and selection decisions. Hedge fund strategies show balanced appeal at 45% institutional and 50% wholesale interest, while volatility/VIX strategies attract 55% institutional and 44% wholesale interest.

The barriers to adoption in alternatives are more pronounced than in traditional asset classes. Investors highlight the fundamental tension between daily liquidity and illiquid underlying assets. A wealth manager in Switzerland captured the dilemma: "Alternative strategies in ETF wrappers are conceptually interesting, but we have questions about whether daily liquidity is compatible with most alternative asset classes. These vehicles currently have a limited track record, so we remain cautious."

Product availability represents an even more acute challenge in alternatives than in fixed income. The current market remains thin with limited diversity across strategies, geographies and manager styles. However, strong interest – particularly in private credit – suggests significant opportunity for well-structured solutions that can credibly address the liquidity question, while providing genuine exposure to alternative risk premia.

Figure 7: Alternative asset classes currently access or would like to access via ETFs, % citations



Source: NMG Consulting, September 2025

Active management on new terms
For decades, accessing active management often meant accepting trade-offs: skilled portfolio managers came bundled with the constraints of mutual funds or the scale requirements of segregated mandates.

Investors often faced a choice between operational simplicity with limited flexibility or bespoke solutions that demanded significant allocations. Active ETFs are dismantling this forced choice, offering active management within a wrapper that provides daily liquidity, transparent holdings and seamless portfolio integration.

The research reveals investors embracing this shift while remaining selective about where and how they deploy funds. Investors continue to seek alpha, applying the same rigorous standards they use elsewhere: clear investment methodologies, proven track records and strategies that take genuine active positions. The substantial gaps between interest and current usage across asset classes reflect not scepticism about the concept but rather the practical realities of limited product ranges and short performance histories. As these barriers diminish, the latent demand is likely to be realised.

What makes this moment compelling is the breadth of opportunity across the active spectrum. Active equity ETFs have demonstrated the model can work for some investors and continue to expand into systematic strategies, thematic approaches and geographic specialisations. Fixed income represents acute untapped potential where market inefficiencies are seen as persistent and tactical positioning offers clear value. Quantitative strategies find a natural home in transparent structures based on a rules-based approaches. Even alternatives – long the preserve of opaque vehicles – are seen as having potential for adapting to daily-dealing formats.

The active ETF market sits at an inflection point with investors increasingly refusing to accept that accessing skilled active management should require sacrificing the operational advantages they have come to expect from modern investment structures.

For marketing and information purposes by UBS.
For qualified investors / professional clients only.

Before investing in a product please read the latest prospectus and key information document carefully and thoroughly.

Any decision to invest should take into account all the characteristics or objectives of the fund as described in its prospectus, or similar legal documentation. Investors are acquiring units or shares in a fund, and not in a given underlying asset such as building or shares of a company. The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith, but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the document. Members of the UBS Group may have a position in and may make a purchase and / or sale of any of the securities or other financial instruments mentioned in this document. Units of UBS funds mentioned herein may not be eligible for sale in all jurisdictions or to certain categories of investors and may not be offered, sold or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The calculated performance takes all costs on the fund level into consideration (ongoing costs). The entry and exit costs, which would have a negative impact on the performance, are not taken into consideration. If whole or part of the total costs to be paid is different from your reference currency, the costs may increase or decrease as a result of currency and exchange rate fluctuations.

Commissions and costs have a negative impact on the investment and on the expected returns. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency and exchange rate fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient. Future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future. The details and opinions contained in this document are provided by UBS without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document may not be reproduced, redistributed or republished for any purpose without the written permission of UBS Asset Management Switzerland AG or a local affiliated company. Source for all data and charts (if not indicated otherwise): UBS Asset Management. Any Index referenced in this document is not administered by UBS.

This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

A summary of investor rights in English can be found online at: *ubs.com/funds-regulatoryinformation*
More explanations of financial terms can be found at *ubs.com/glossary*

© UBS 2025. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.