



# Understanding the ETF Ecosystem

**FTSE  
RUSSELL**



# ETFs in Volatile Times



In the wake of periods of volatility, ETF trading volumes have increased sharply as investors have looked to ETFs for their key attributes of transparency and liquidity.



ETFs can function as price discovery tools, providing insights into the market's view on correct market pricing, even during periods when the underlying liquidity for an asset class is diminished.

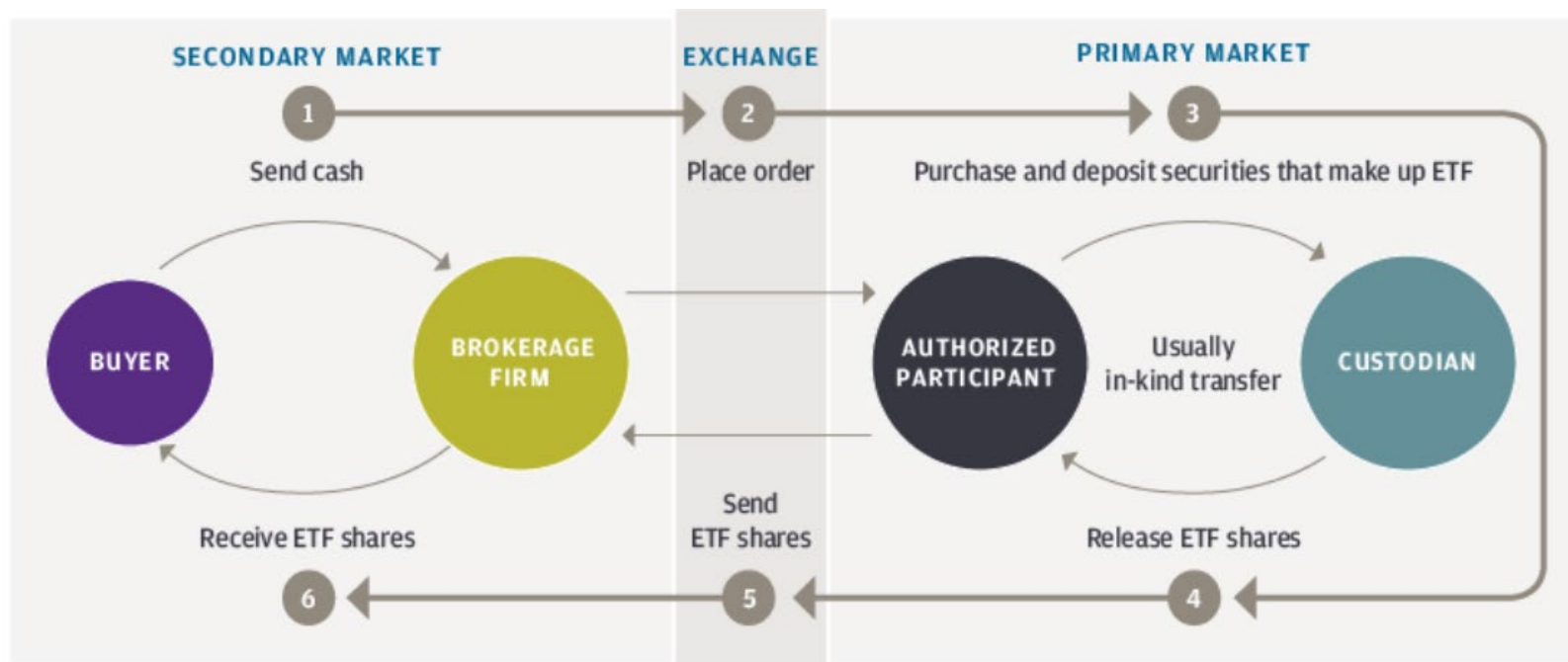


As a result of uncertainty in the broader markets, one may see bid-ask spreads or premiums/discounts to ETF NAVs widen for periods of time.



This unique creation and redemption mechanism means that ETF liquidity is much deeper and much more dynamic than stock liquidity.

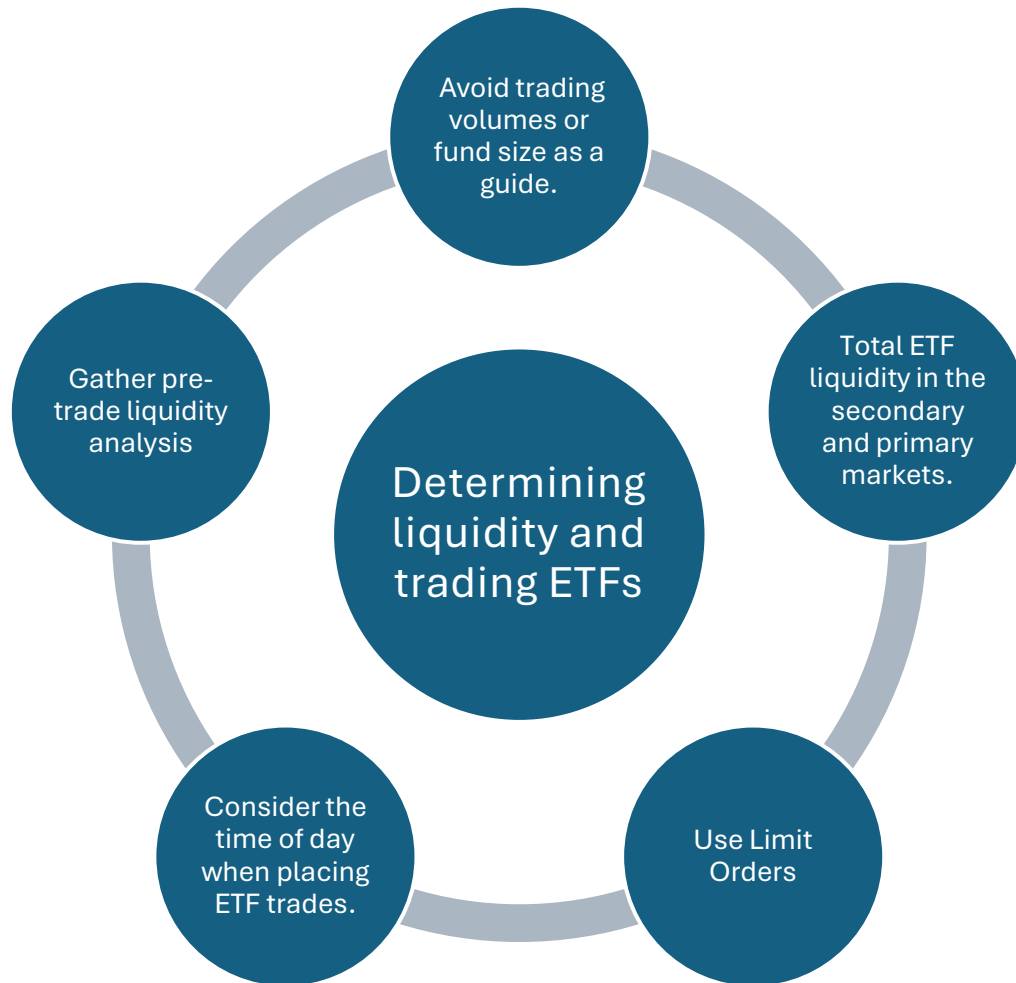
# ETF Mechanics



**1.Primary Market Liquidity:** ETFs have a unique creation/redemption mechanism, which allows Authorized Participants (APs) to build baskets of ETF shares when demand increases (creation) or disassemble the baskets of ETF shares back into single securities should demand decrease (redemption). This happens in the primary market and allows the liquidity of an ETF's underlying securities to enhance the liquidity of the ETF.

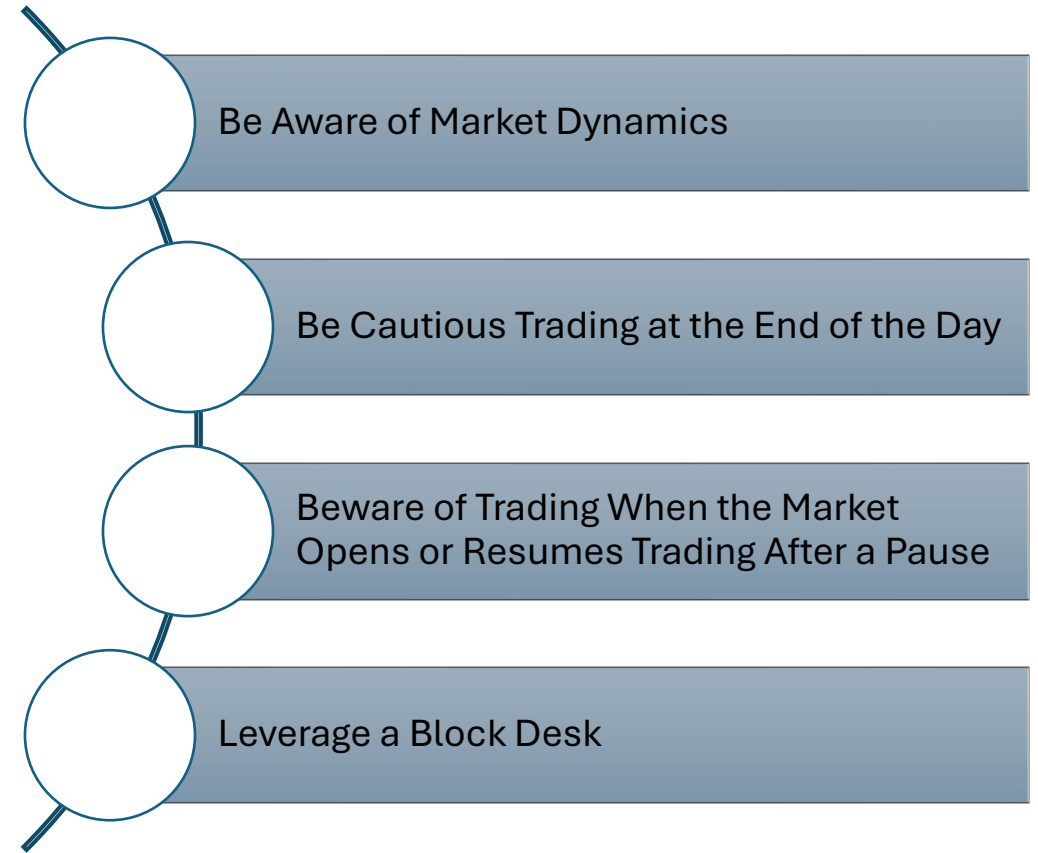
**2.Secondary Market Liquidity:** Because they trade throughout the day on an exchange, or in the secondary market, investors can make timely investment decisions and quickly execute based on shifting market conditions.

# ETF Trading & Liquidity



Source: J.P. Morgan Asset Management

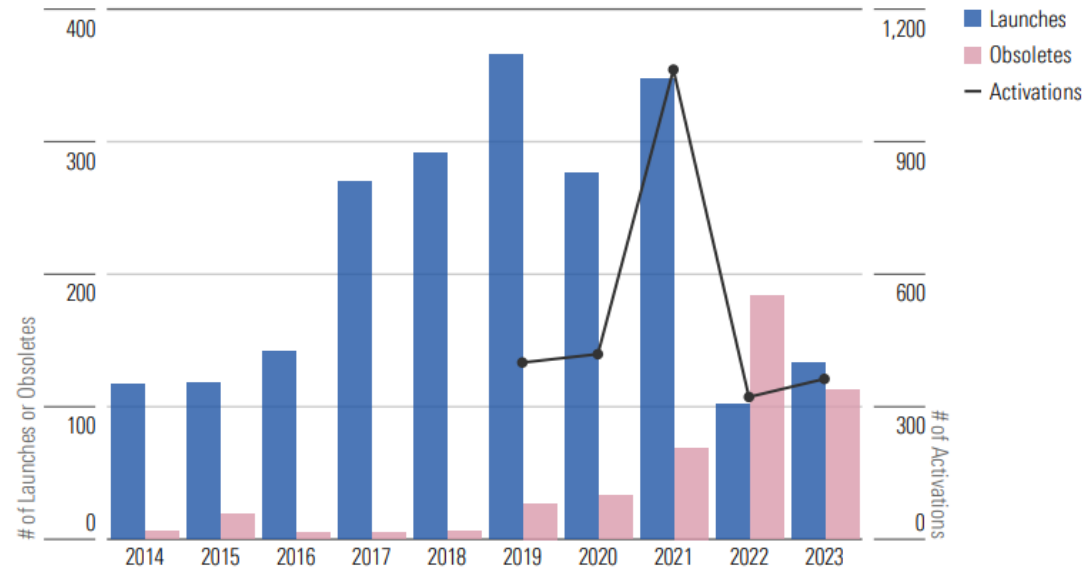
During  Volatility



# Model AUM/ Growth

## Model Launches/Deletes

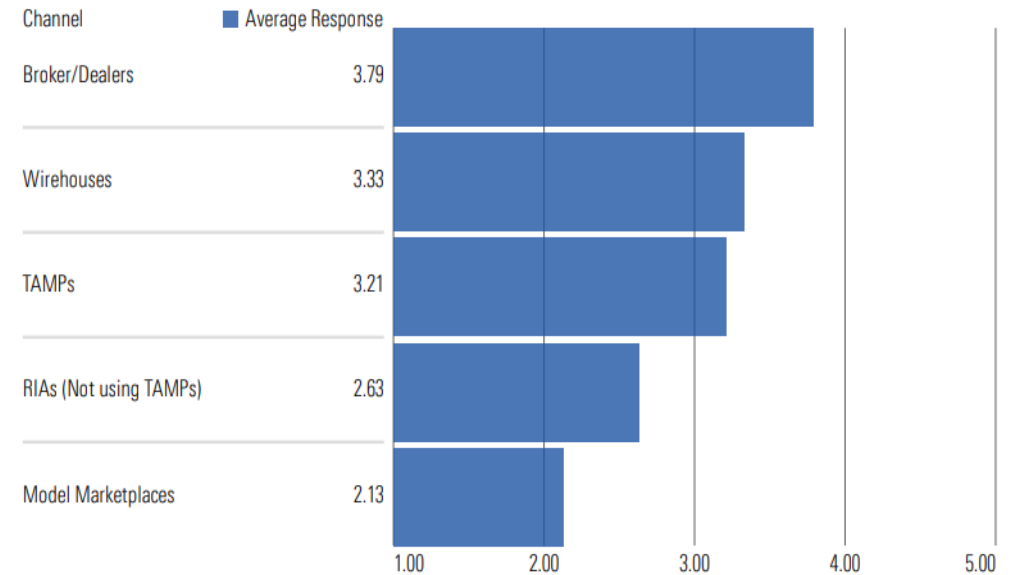
**Exhibit 5** Model Portfolio Launches, Activations, and Obsoletes



Source: Morningstar Direct, Authors' Calculations. Data as of Dec. 31, 2023.

## Model Growth by Channel

**Exhibit 4** Growth Opportunity by Channel

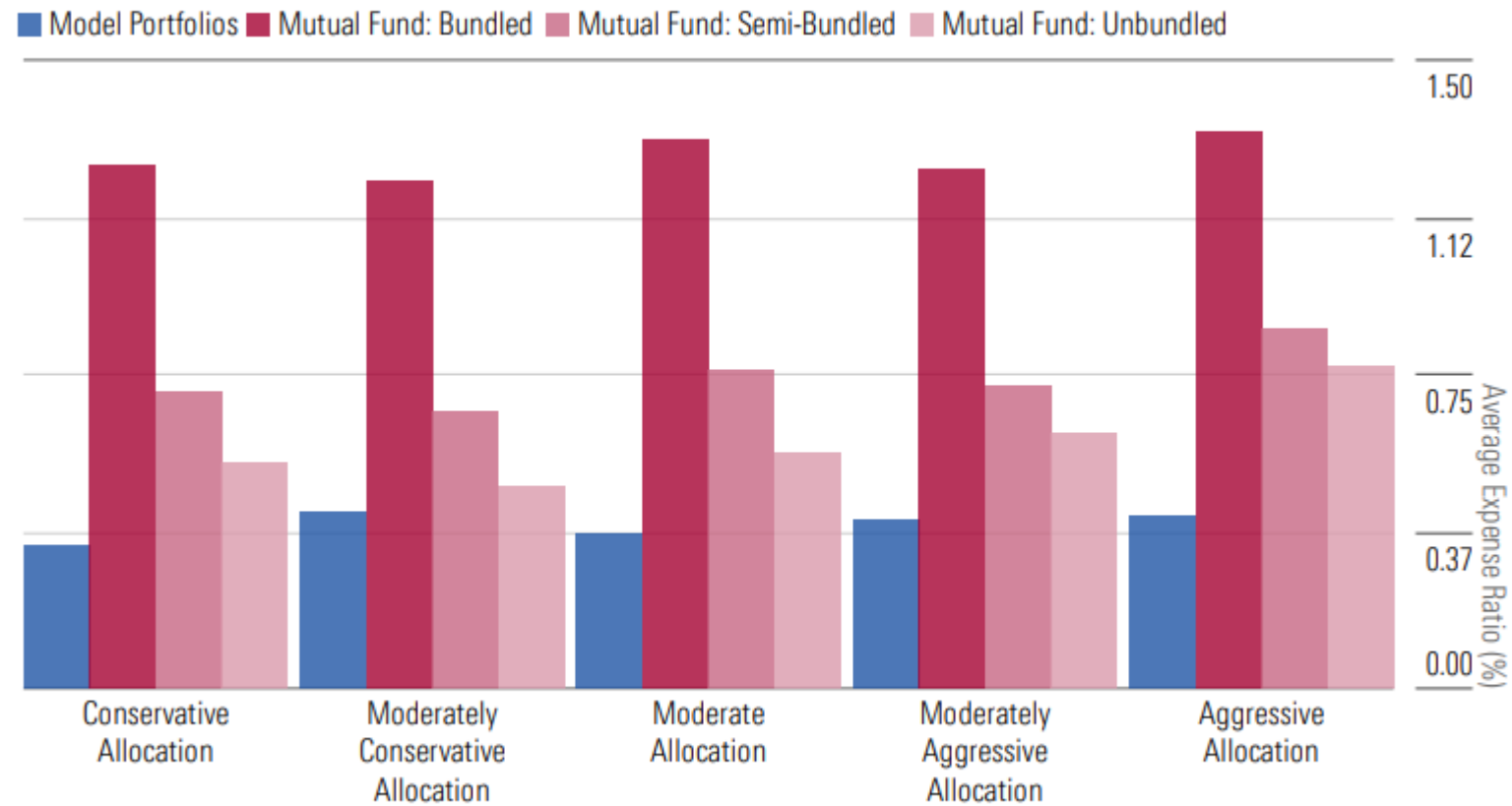


Source: Surveyed Data. Results as of August 2023.

As of June 30, 2023, model portfolios guided nearly USD 424 billion, an increase of over 21% since March 2022 and 48% since Morningstar began tracking assets in June 2021.

# Fees by Wrapper

**Exhibit 7** Fees by Morningstar Allocation Category



Source: Morningstar Direct, Authors' Calculations. Data as of Dec. 31, 2023.



## Q&A

Thank you and feel free to reach out to us via LinkedIn or the remainder of the event!

