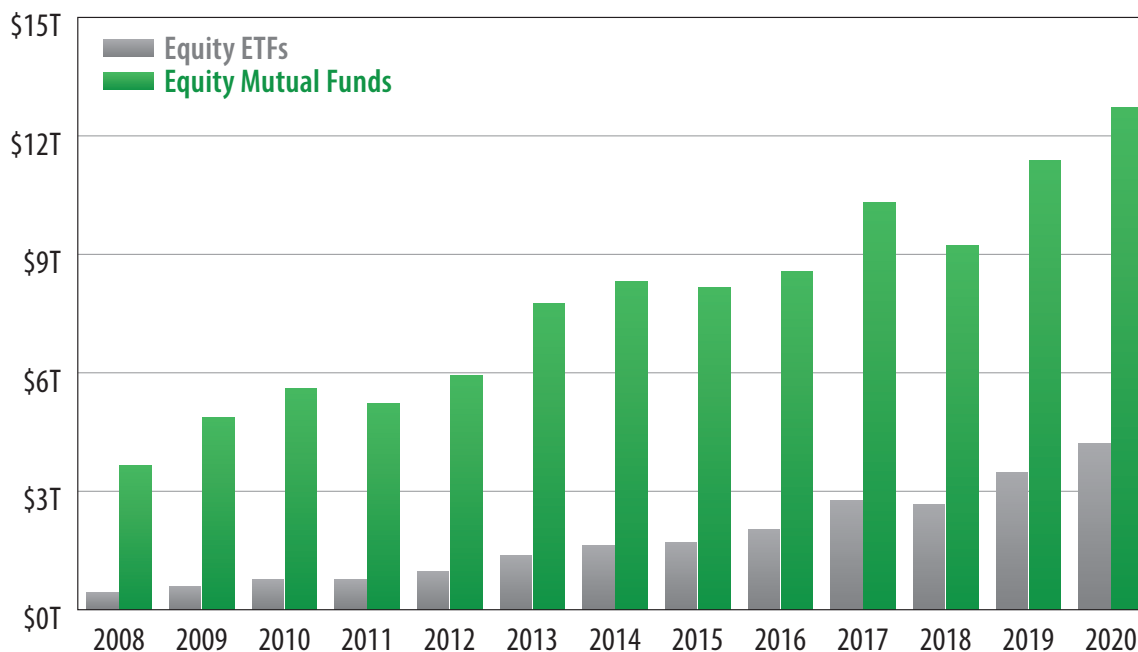


Assets Held By Equity ETFs And Equity Mutual Funds Have Surged

Total Net Assets: Equity ETFs vs. Equity Mutual Funds (In Trillions)



Source: Investment Company Institute (ICI). ETFs = Exchange-Traded Funds.

View from the Observation Deck

1. As far back as 2004, it was theorized by some that the advantages offered by equity ETFs (145 out of the 152 ETFs in 2004 were equity funds), such as transparency, access to liquidity/real-time pricing throughout the trading day and the potential for greater tax-efficiency, might incentivize equity mutual fund investors to steer a good chunk of their capital towards equity ETFs.
2. While a decent amount of capital has likely rotated from equity mutual funds to equity ETFs through the years, the disparity in assets under management (see chart) suggests the flows from equity funds have been more tempered than perhaps originally thought, in our opinion. We intend to monitor this relationship moving forward.
3. It appears that diversification also extends to investment vehicles. As recently as 2019, 96% of ETF-owning households also owned equity mutual funds, individual stocks, or variable annuities, according to the ICI.
4. The chart above reflects the asset growth in both U.S. equity ETFs and U.S. equity mutual funds from 2008 through 2020 (13 years), so we captured the 2008-2009 financial crisis.
5. Total assets invested in equity ETFs rose from \$438 billion at the end of 2008 to \$4.211 trillion at the close of 2020.
6. Total assets held by equity mutual funds rose from \$3.655 trillion to \$12.728 trillion over that same period.
7. Domestic Equity and Global/International Equity ETFs accounted for 75.6% and 24.4% of total equity ETF assets, respectively, as of the close of 2020, according to ICI data.
8. Domestic Equity and World Equity mutual funds accounted for 74.8% and 25.2% of total equity mutual fund assets, respectively, as of the close of 2020, according to ICI data.
9. Interesting. Two different vehicles that essentially reflect the same basic allocation approach to investing in equities.

This chart is for illustrative purposes only and not indicative of any actual investment.

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