

CHAPTER FOUR

US Exchange-Traded Funds

ETFs are a convenient, cost-effective tool for investors seeking to gain or shed exposure to broad markets, particular sectors or geographical regions, or specific investment strategies. Demand for ETFs has grown markedly as investors—both institutional and retail—increasingly turn to them as investment options. In the past 10 years, net share issuance of ETFs has totaled \$6.6 trillion. As investor demand has increased, sponsors have offered more ETFs with a greater variety of investment objectives. With \$13.4 trillion in total net assets at year-end 2025, the US ETF industry remained the largest in the world.

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What Is an ETF?

An exchange-traded fund (ETF) is a pooled investment vehicle with shares that investors can buy and sell throughout the day on a stock exchange at a market-determined price. Investors may buy or sell ETF shares through a broker or in a brokerage account just as they would trade shares of any publicly traded company. ETFs have been available as an investment product for more than 30 years in the United States. Most ETFs are structured as open-end investment companies (like mutual funds) or unit investment trusts (UITs) and are governed by the same regulations. Other ETFs—primarily those investing in commodities, currencies, and futures—have different structures and are subject to different regulatory requirements.

ETF Total Net Assets

At year-end 2025, the US ETF market—with 4,495 funds and \$13.4 trillion in total net assets—remained the largest in the world, accounting for 70% of the \$19.2 trillion in ETF net assets worldwide.* Within the United States, total net assets in ETFs accounted for 30% of assets managed by investment companies at year-end 2025 (see Figure 2.1). ETFs have been available for more than 30 years, and throughout that time, large-cap domestic equity ETFs have accounted for a substantial proportion of ETF net assets. At year-end 2025, net assets in large-cap domestic equity ETFs totaled \$5.0 trillion, or 38% of ETF net assets (Figure 4.1). Bond ETFs, which have been fueled by strong investor demand over the past several years, accounted for \$2.2 trillion (17%) of ETF net assets.

Learn More About ETFs

ETFs have proven to be a successful financial innovation among registered investment companies since the first one was created in 1993. The demand for ETFs has grown markedly as both institutional and retail investors have gravitated toward them because of their appealing features. For an introduction to the creation, operation, and evolution of the regulation of ETFs, as well as information about authorized participants (APs) and the key similarities and differences between ETFs and mutual funds, see the ETF Resource Hub, available at www.ici.org/ResourceHubs/exchangetraded-funds.

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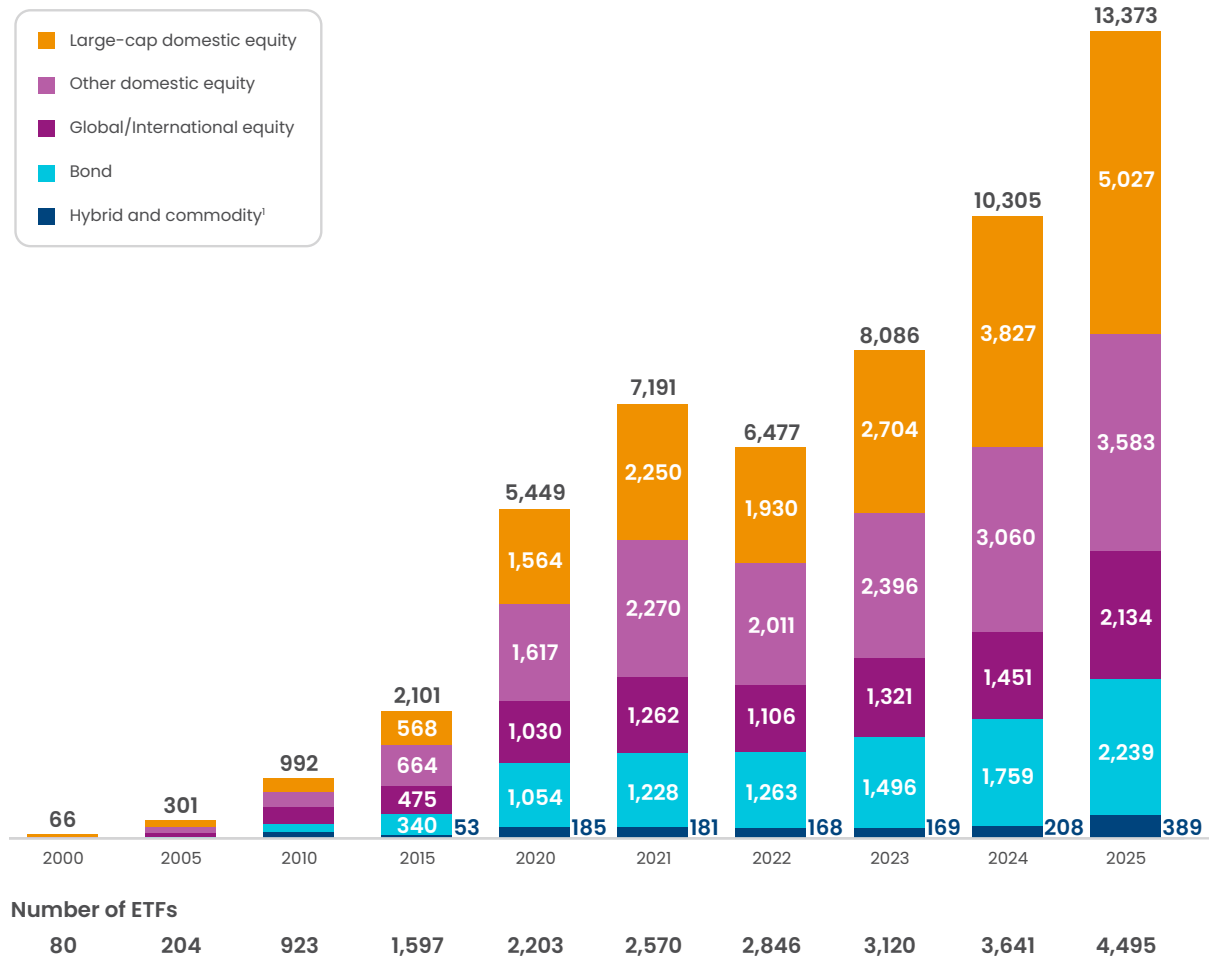
A Close Look at Exchange-Traded Funds and Their Investors
www.ici.org/system/files/2025-09/per31-07.pdf

* Based on ICI calculations of data from the International Investment Funds Association (IIFA).

FIGURE 4.1

Total Net Assets of ETFs Surpassed \$13 Trillion in 2025

Billions of dollars, year-end



¹ Commodity ETFs include funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

Note: The first bond, hybrid, and commodity ETFs were opened in 2002, 2007, and 2004, respectively.

Secondary Market Trading in ETF Shares

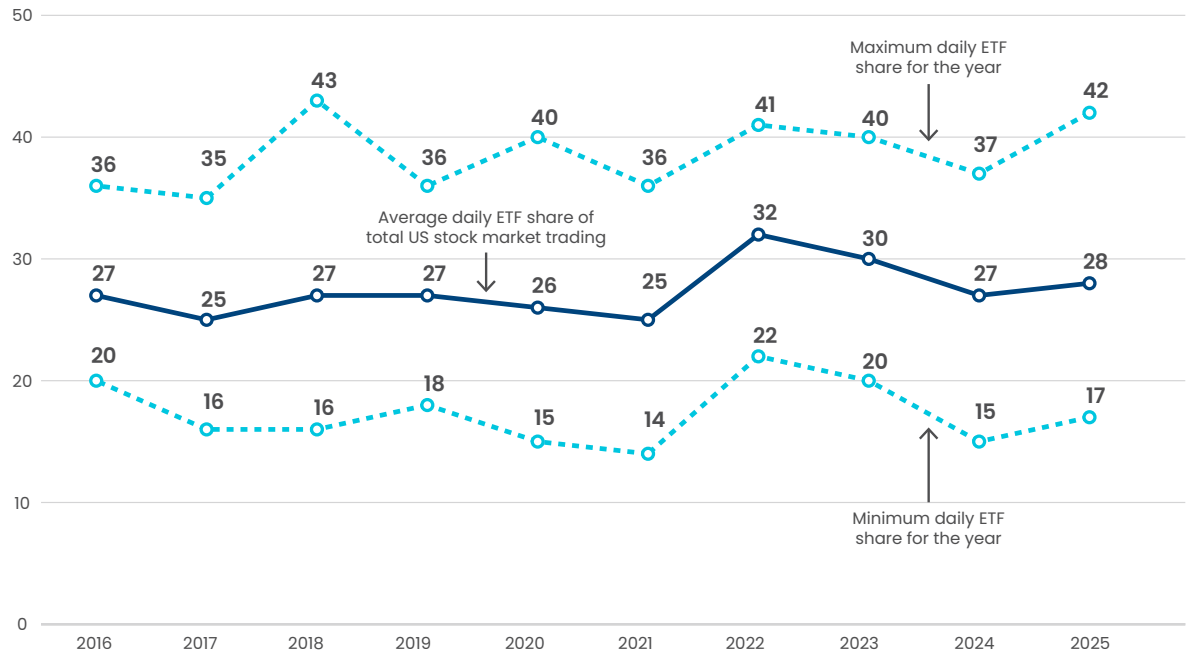
Many investors access ETFs through the secondary market (e.g., on an exchange). Although many large institutional investors can access ETFs in both the primary market (i.e., through creations and redemptions of ETF shares via an AP) and the secondary market, retail investors generally can access them only in the secondary market. ETF investors trading in the secondary market generally are not motivated by arbitrage. They are using ETFs to gain or reduce exposure to specific asset classes or investment strategies, diversify their portfolios, or hedge investment risks. Thus, these funds provide investors with an efficient means to transfer risk. Therefore, it is not surprising that ETF secondary market trading volumes (as measured by the value of shares traded) are a substantial share of total trading on US stock exchanges and other venues. But despite tremendous growth in ETFs in the past decade, their average daily share of total stock market trading remained relatively flat through 2021 (Figure 4.2). In 2022, ETFs' share of trading volume increased to 32%, which was likely related to elevated market volatility. This share declined from its 2022 peak as market volatility eased and averaged 28% in 2025.

During periods of market turbulence, ETF secondary market trading volumes rise—both in absolute terms and as a share of total stock market trading—as investors, especially institutional investors, turn to ETFs to quickly and efficiently transfer and hedge risks. For example, in late 2018, stock market volatility jumped, largely reflecting market participants' concerns about slowing global growth and intensifying trade tensions. On December 24, 2018, when the S&P 500 index neared bear market territory following its September peak, ETF trading volume accounted for 43% of total stock market trading—its highest share in the past decade (Figure 4.2). Similarly, during the regional banking crisis in March 2023, the share reached 40%. More recently, in April 2025, amid rising global trade uncertainty in the wake of revised US tariff policies, ETF trading volume increased to 42% of total stock market trading.

FIGURE 4.2

ETF Secondary Market Trading Averaged 28% of Daily US Stock Trading in 2025

Percentage of total US stock market trading volume, annual



Date of maximum

Sep 13 Dec 1 Dec 24 Jan 2 Mar 3 Nov 26 Jun 13 Mar 10 Aug 5 Apr 7

Date of minimum

Jul 28 Jun 23 Jun 22 Nov 26 Dec 18 Jun 25 Dec 16 Sep 15 Jun 21 Mar 21

Sources: Investment Company Institute, Bloomberg, Refinitiv, and Cboe Exchange, Inc.

Most ETF activity is conducted in the secondary market (trading ETF shares) rather than the primary market (creations and redemptions of ETF shares through an AP). On average, 88% of the total activity in ETFs occurred on the secondary market in 2025. Even for ETFs focused on narrower asset classes—such as emerging market equity, domestic high-yield bond, and emerging market bond—the bulk of the trading occurred on the secondary market (96%, 79%, and 97%, respectively).*

Most ETF secondary market trades represent investors exchanging shares of ETFs among themselves. Unlike primary market activity, these trades do not affect the ETF’s underlying securities. In 2025, domestic equity ETFs had a total of \$8.3 trillion in primary market activity, which represented only 5.6% of the \$148.1 trillion traded in company stocks during the year (Figure 4.3). Even in years with significant market volatility, such as 2018, 2020, and 2022, creations and redemptions of domestic equity ETFs accounted for only a modest share of trading in company stocks.

* Based on ICI calculations of data from ICI and Refinitiv.

FIGURE 4.3**Domestic Equity ETFs Have Had Minimal Impact on Underlying US Stocks**

Annual

Year	Domestic equity ETF primary market activity ¹	Value of company stock traded	Domestic equity ETF primary market activity as a share of company stock traded
	Trillions of dollars	Trillions of dollars	Percent
2016	2.2	49.7	4.4
2017	2.2	51.3	4.2
2018	3.5	65.1	5.4
2019	2.9	59.4	5.0
2020	4.2	88.9	4.7
2021	4.9	106.3	4.6
2022	5.2	97.0	5.3
2023	4.9	90.6	5.5
2024	7.0	112.5	6.2
2025	8.3	148.1	5.6

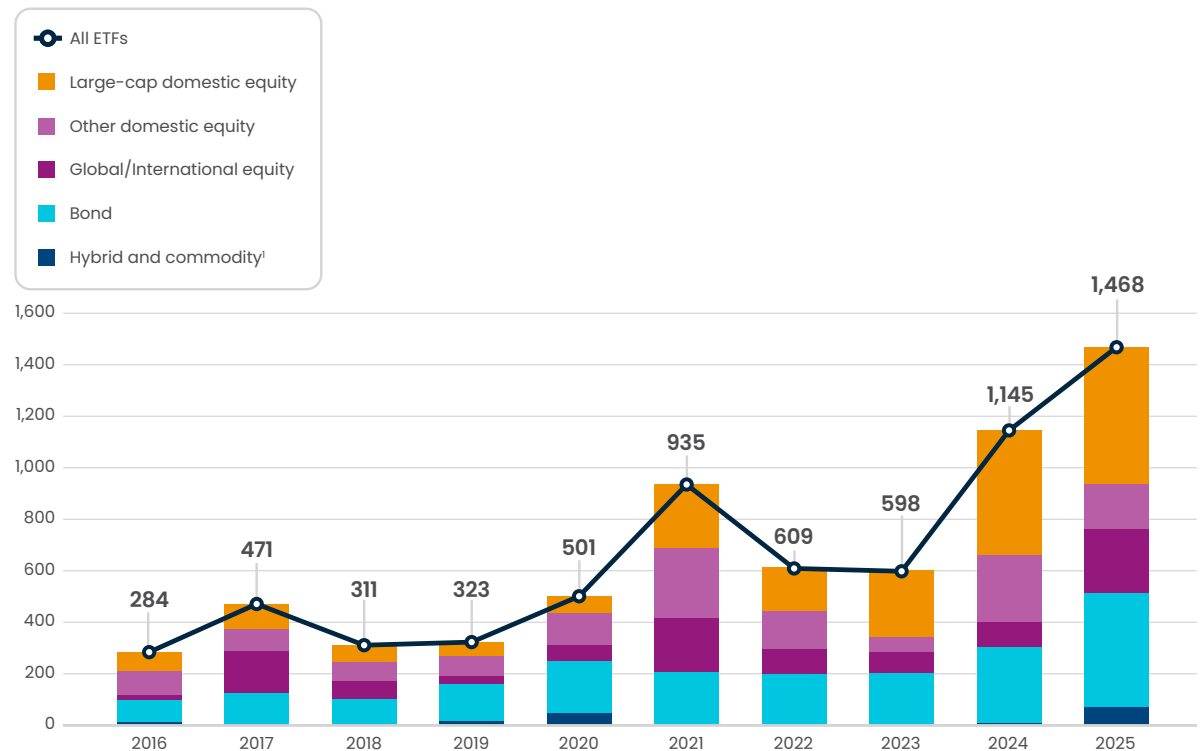
¹ Primary market activity is measured as the total of gross issuance and gross redemptions.

Sources: Investment Company Institute, Bloomberg, Refinitiv, and Cboe Exchange, Inc.

Demand for ETFs

In recent years, demand for ETFs has grown as institutional investors have found ETFs to be a convenient vehicle for participating in, or hedging against, broad movements in the stock market. Additionally, more financial advisers are incorporating ETFs into their clients' portfolios, driven in part by the growing use of model portfolios to manage client assets (see Figure 3.10). Net issuance of ETF shares (including reinvested dividends) surged to a record \$1.5 trillion in 2025, up from a robust \$1.1 trillion in 2024 (Figure 4.4).

FIGURE 4.4
Net Share Issuance of ETFs Surged to a Record \$1.5 Trillion in 2025
 Billions of dollars, annual



¹ Commodity ETFs include funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

Note: Data for net share issuance include reinvested dividends.

Demand for ETFs varied across all asset classes in 2025. For example, net issuance of domestic equity ETFs declined modestly from \$743 billion in 2024 to \$708 billion in 2025, while net issuance of global/international equity ETFs rose sharply from \$97 billion in 2024 to \$248 billion in 2025. The higher demand for global and international equity ETFs likely reflected the stronger performance of international stocks in 2025 (33%)* compared with domestic stocks (17%)[†]. Demand for bond ETFs, likely boosted by the aging of Generation X and the Baby Boom Generation, also increased in 2025, with net share issuance increasing from \$295 billion in 2024 to \$443 billion in 2025.

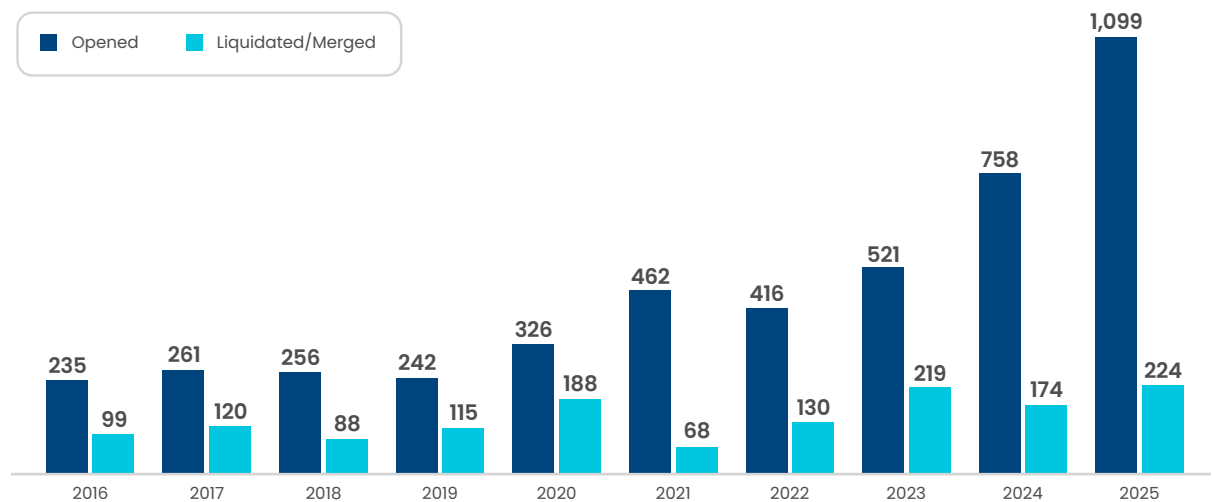
* As measured by the MSCI ACWI Ex USA Index (expressed in US dollars).

[†] As measured by the FT Wilshire 5000 Total Return Index..

More brokers and financial advisers using ETFs in their clients' portfolios has contributed to the growing popularity of ETFs. In 2024, full-service brokers and fee-based advisers had 35% and 49%, respectively, of their clients' household assets invested in ETFs, up sharply from 10% and 17% in 2014 (see Figure 3.10). Additionally, in recent years, some of the net share issuance represents mutual funds converting to ETFs. From the beginning of 2021 through 2025, 191 mutual funds, which held \$113 billion in total net assets at the time of conversion, have converted to ETFs. These conversions, however, represented only 2.4% of ETFs' net issuance (\$4.8 trillion) over the same period.

Strong investor demand for ETFs has led to a substantial increase in the number of ETFs created by fund sponsors, with 4,576 new ETFs offered to investors in the past decade (Figure 4.5). Over the same period, 1,425 ETFs were liquidated or merged with another fund. In any given year, fund sponsors liquidate or merge ETFs that have failed to attract sufficient demand. In 2025, 1,099 ETFs—mostly domestic equity ETFs—were launched. Meanwhile, 224 ETFs were liquidated or merged as sponsors streamlined their product lineups.

FIGURE 4.5
Number of ETFs Entering and Exiting the Industry



Note: Data include ETFs that invest primarily in other ETFs.

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Profile of ETF-Owning Households
www.ici.org/etf-owning-households

Characteristics of ETF-Owning Households

About 15% of US households (19.8 million) held ETFs in 2025 (see Figure 7.1). Households that own ETFs come from all demographic groups—more than half are 35 to 64 years old—and nearly two-thirds are employed (Figure 4.6). ETF-owning households are often focused on saving for retirement: 81% had individual retirement accounts (IRAs), 78% had defined contribution (DC) plan accounts, and 79% indicated that saving for retirement is a household financial goal for their ETF investments. Indeed, 59% of ETF-owning households indicated that they held ETFs in their IRAs.

In 2025, the vast majority of ETF-owning households reported that they invest in ETFs for diversification and their cost-effectiveness (Figure 4.6). Additionally, 91% of ETF-owning households indicated they appreciate their ability to sell their ETF shares any time during the day.

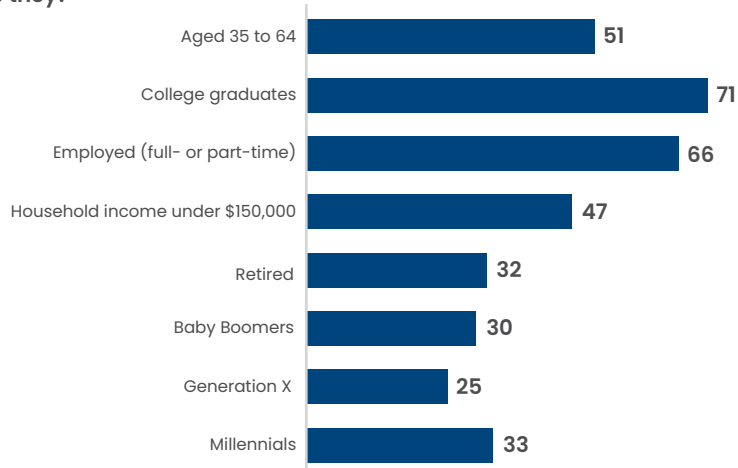
ETF-owning households tended to include investors who owned a range of equity and fixed-income investments. Of households that owned mutual funds, 23% also owned ETFs (see Figure 7.3). Conversely, 86% of ETF-owning households also owned mutual funds (Figure 4.6).

FIGURE 4.6

ETF-Owning Households Are From All Demographic Groups

Percentage of ETF-owning households, 2025

Who are they?



What do they own?



Where do they hold ETFs?



Why do they invest in ETFs?



¹ Percentage of ETF-owning households indicating the feature was "very important", "somewhat important", or "not very important" in their ETF purchase decision.

Source: ICI Research Data Release, "Profile of ETF-Owning Households, 2025"

Some ETF-owning households' characteristics are similar to those of mutual fund-owning households and those that own stocks directly. For instance, ETF-owning households—like mutual fund-owning households and those owning individual stocks—tended to have household incomes above the national median (Figure 4.7).

ETF-owning households also exhibit certain characteristics that distinguish them from other households. For example, ETF-owning households tended to be more likely to own IRAs than households that own mutual funds or those that own individual stocks (Figure 4.7). Additionally, 33% of ETF-owning households were Millennials, compared with 26% of mutual fund-owning households.

ETF-owning households also indicated they were more willing to take investment risk. In 2025, 54% of ETF-owning households were willing to take substantial or above-average investment risk, compared with 25% of all US households and 34% of mutual fund-owning households (Figure 4.7). This result aligns with the predominance of equity ETFs, which make up 80% of ETF total net assets (Figure 4.1). Investors who are more willing to take investment risk are more likely to invest in equities. Indeed, 95% of ETF-owning households owned equity ETFs (Figure 4.6), compared with 81% of mutual fund-owning households owning equity mutual funds (see Figure 7.3).

FIGURE 4.7
Characteristics of ETF-Owning Households
2025

	All US households	Households owning ETFs	Households owning mutual funds	Households owning individual stocks
Median				
Age of household survey respondent	52	51	55	55
Household income ¹	\$87,000	\$150,000	\$125,000	\$130,000
Household financial assets ²	\$115,000	\$500,000	\$370,400	\$500,000
Percentage of households				
Household survey respondent				
Millennials	29	33	26	27
Married or living with a partner	63	72	71	72
College or postgraduate degree	40	71	54	61
Employed (full- or part-time)	58	66	64	65
Retired from lifetime occupation	33	32	35	35
Household owns				
IRA(s)	44	81	68	71
DC retirement plan account(s)	60	78	81	79
Household's willingness to take financial risk				
Substantial risk for substantial gain	6	11	7	7
Above-average risk for above-average gain	19	43	27	34
Average risk for average gain	38	37	46	44
Below-average risk for below-average gain	12	7	11	10
Unwilling to take any risk	25	2	9	5

¹ Total reported is household income before taxes in 2024.

² Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.