

ETFs and Products Hit \$1 Trillion in U.S.

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Assets in U.S.-listed exchange-traded funds and exchange-traded products have surpassed the \$1 trillion milestone for the first time, according to [BlackRock](#) Inc.'s research and implementation strategy group.

The combined assets in U.S.-listed ETFs and ETPs reached \$1.027 trillion late Thursday, BlackRock said. That includes 894 ETFs with assets of \$887.2 billion from 28 providers on two exchanges and 185 ETPs with assets of \$115.5 billion from 20 providers on one exchange, it said.

ETFs are index-based open-ended funds that can be bought and sold on a stock exchange. ETPs include other exchange-traded product structures, such as trusts, partnerships, commodity pools and notes.

Combined assets in the nation's ETFs and ETPs are still dwarfed by those in the nation's mutual funds—\$11.508 trillion as of the end of October, according to the Investment Company Institute, the mutual-fund trade group—but they are quickly expanding.

The growth of ETFs and ETPs reflects their expanded use in individual-investor, or “retail,” channels as well as the continued popularity among institutional investors, Deborah Fuhr, global head of research and implementation strategy at BlackRock, said Friday.

“Increasingly, both retail and institutional investors are building global, multiasset portfolios that are designed to capture the performance of key benchmarks for attractive market sectors—an application for which ETFs and ETPs are particularly well-suited,” Ms. Fuhr said.

At the end of 2009, the U.S. ETF industry had 772 ETFs with assets of \$705.5 billion from 29 providers on two exchanges, according to BlackRock. So far this year, 171 new ETFs have been launched in the U.S., 828 remain in the pipeline and 49 have been delisted, BlackRock said. There were 142 ETPs listed in the U.S. at the end of 2009 with \$88.1 billion in assets, from 17 providers on one exchange, according to BlackRock.

The nation's mutual funds had \$11.120 trillion in assets at the end of 2009, according to the ICI.

Many established mutual-fund companies, including BlackRock, which bought [Barclays](#) PLC's iShares ETF line, have entered the ETF business over the past few years. In 2008, investors withdrew a net \$226 billion out of conventional mutual funds, while depositing a net \$177 billion into ETFs, according to the ICI. Financial advisers are increasingly embracing ETFs, which offer them the flexibility to implement short-term tactical strategies as well as longer-term strategies.

Inflows to ETFs so far this year indicate increasing interest in developed and emerging-markets equity ETFs and ETPs and less focus on fixed-income and commodities investments, BlackRock said. Through November, a net \$21 billion has flowed into North American equity ETFs and ETPs, compared with just \$2 billion in 2009. A net \$29 billion has flowed into emerging-markets equity ETFs and ETPs over the same time period, up from \$27 billion last year, it said.

Over the same time period, net inflows to fixed-income and commodity ETFs and ETPs has declined, BlackRock said. A net \$31.2 billion has flowed into fixed-income products, down from \$44.8 billion last year, while a net \$11.4 billion has flowed into commodity products, compared with \$32.6 billion last year, the company said.