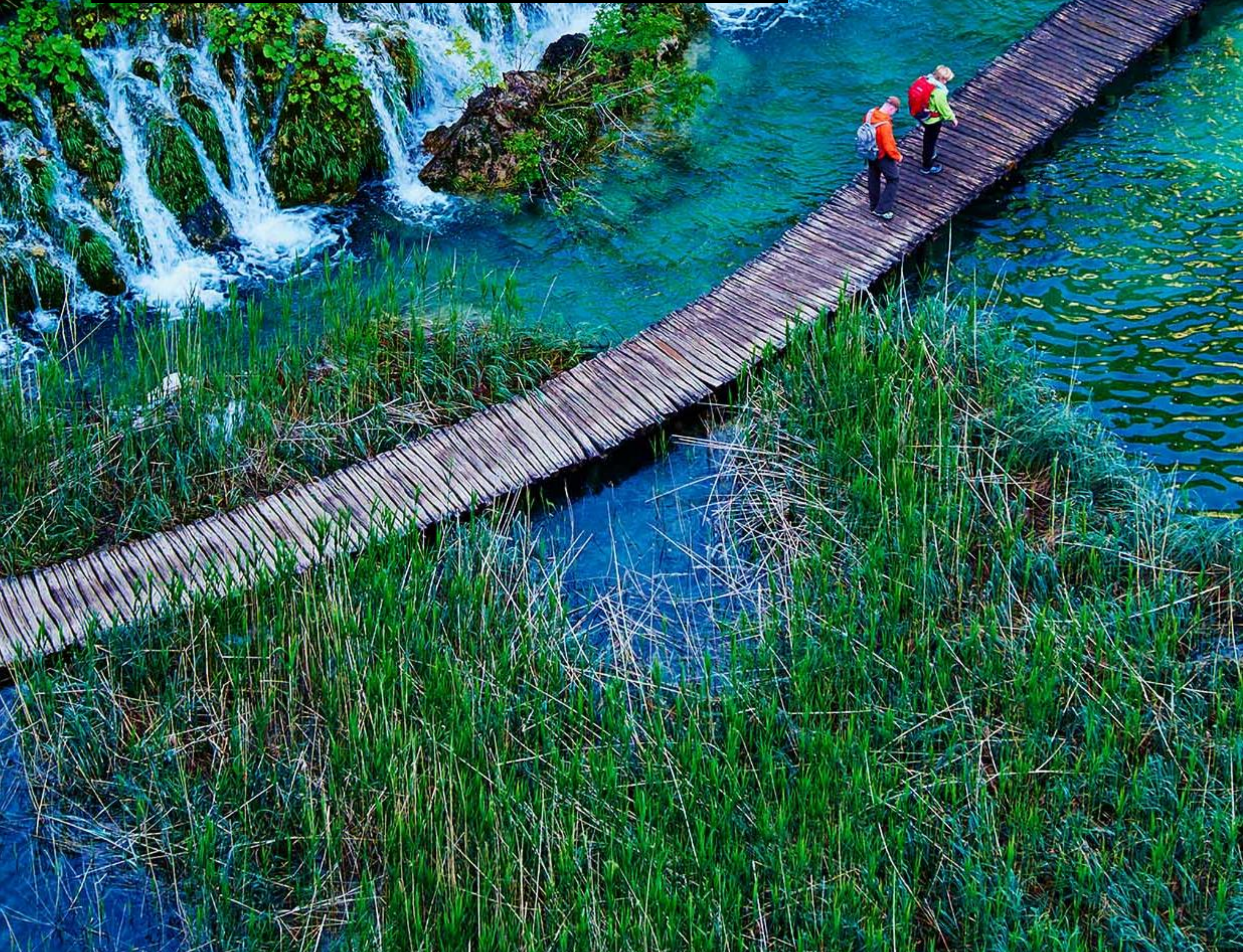
BlackRock

Decoding active ETFs

How the growth of active ETFs is unlocking innovation and opportunity for investors



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Foreword

Stephen Cohen
Chief Product Officer,
BlackRock

Rich Kushel
Head of the Portfolio
Management Group,
BlackRock

The Exchange-Traded Fund (ETF) industry has been innovating seemingly non- stop since its creation in the 1990s. Starting with just a handful of ETFs, there are now over 15,000 globally, providing access to an ever-widening range of asset classes, sectors, and geographies.[1]

ETFs are now firmly mainstream — and they've moved well beyond their roots in indexing. Investors are choosing ETFs because of the wrapper's key benefits, offering operational efficiencies and liquidity that investors now see can be extended across a range of assets.

Amid a market environment of higher volatility, investors are pivoting to active management and its specialist insights, differentiated strategies, and actively managed risk. While active management has been available in mutual funds for years, investors are increasingly turning to the ETF wrapper to access these strategies and blending them with an index approach.

This dynamic is giving rise to what we see as a new era of active ETF innovation. Across the industry, and within our own firm, the growth of new offerings in active ETFs is accelerating. In 2021, about a quarter of global ETF launches were actively managed; through June 2025, 51% of all ETFs launched were active.[2] Given these trends, we expect global active ETF assets under management to reach $4.2 trillion by 2030 — a three-fold increase in about five years.[3]

We believe the asset management industry is at an inflection point, where active ETFs are becoming an integral part of investor portfolios worldwide.

BlackRock's oldest actively managed ETF dates to 2013.[4] In the past decade, we've expanded what the wrapper could do to help investors, from individuals to financial advisors to institutions. Because of actively managed strategies, ETFs can now be used to seek above-benchmark returns or look to achieve certain outcomes or gain unique exposures. This dynamic coincides with changing investment priorities as a new market regime of higher macro volatility means a potential to benefit from a more active approach. Indeed, more investors across institutional and wealth are leveraging the ETF wrapper to pursue actively managed strategies that seek to deliver consistent and differentiated alpha, across both fundamental and systematic investment styles.

BlackRock was created on the foundation of risk management, technology, and democratizing access to financial markets for investors. All of this comes together as we innovate around actively managed ETFs to meet this demand. Technology is key as we leverage insights from expert portfolio managers to develop new products and expand existing ones, and research and integrate AI, machine learning, and natural language processing technologies into our investment process — many of which we have been doing for years.

This is an exciting time of growth in the industry. We are committed to expanding the boundaries of what's possible in the ETF wrapper and helping equip investors as they seek to navigate today's markets and those for decades to come.

1 BlackRock Global Business Intelligence. There are 15,383 globally as of June 30, 2025. **2** BlackRock Global Business Intelligence as of June 30, 2025. Globally in the first half of 2025, there were 627 active ETF launches and 600 index ETF launches; in 2021: 406 active ETF launches, and 1,097 index. **3** BlackRock, as of June 30, 2025. Estimates are for global figures and include 2027 and 2030 scenario calculations based on proprietary research by BlackRock Global Product Solutions. Subject to change. The figures are for illustrative purposes only and there is no guarantee the projections will come to pass. **4** The iShares Short Duration Bond Active ETF (NEAR) launched Sept. 25, 2013. Any opinions, forecasts represent an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation.

Key points

1

Growth to $4.2 trillion[5]

- **BlackRock projects that global active ETF AUM will triple to $4.2 trillion by 2030, from $1.4 trillion as of June 2025.**
- Investors are increasingly seeking actively managed strategies amid today's markets of higher volatility, and they're frequently choosing to access them through ETFs due to the wrapper's benefits, including efficiency and transparency.
- Key changes across U.S. regulations, wealth advisors' growing use of model portfolios, the rise of individual investors through digital wealth and growing appetite for the strategies by institutions have combined to catalyze active ETFs.
- While active ETFs are growing fast, they're still a fraction of the size of active mutual funds, which see continued demand , especially in the U.S., in brokerages and remain highly represented in certain platforms like retirement.

2

Active ETFs: Alpha-seeking, outcomes, exposures

- **The active ETF universe is broad, with three distinct categories: alpha-seeking, outcomes, and exposures.**
- They're an increasingly important part of investor toolkits, alongside mutual funds, closed-end funds (including private markets), separately managed accounts, and index ETFs. Investor objectives and preferences drive vehicle selection.
- Active ETFs comprise the majority of new strategy innovation within the ETF industry, accounting for 88% of all U.S.-listed ETF launches in 2025 through June.[6]

3

ETFs: A wrapper of choice

- **We believe active ETFs have earned a place in portfolios by helping investors to access more strategies and differentiated returns through the convenience of the ETF wrapper.**
- Investors continue to seek competitive performance and costs with convenience and ease of use. We believe that mutual funds delivering those benefits will continue to compete with active ETFs.

Note: All $ refers o USD. There is no guarantee that any forecasts made will come to pass. **5.** Estimates are for global figures and include 2027 and 2030 scenario calculations based on proprietary research by BlackRock Global Product Solutions. Subject to change. The figures are for illustrative purposes only and there is no guarantee the projections will come to pass. **6.** BlackRock Global Business Intelligence as of June 30, 2025.

Authors

Samara Cohen
Global Head of Market Development, BlackRock

Jorge del Valle
Head of Americas Active Investments, Global Product Solutions, BlackRock

Jay Jacobs
U.S. Head of Equity ETFs, BlackRock

Lisa O'Connor
Global Head of Model Portfolio Solutions, BlackRock

Jessica Tan
Head of Americas for Global Product Solutions, BlackRock

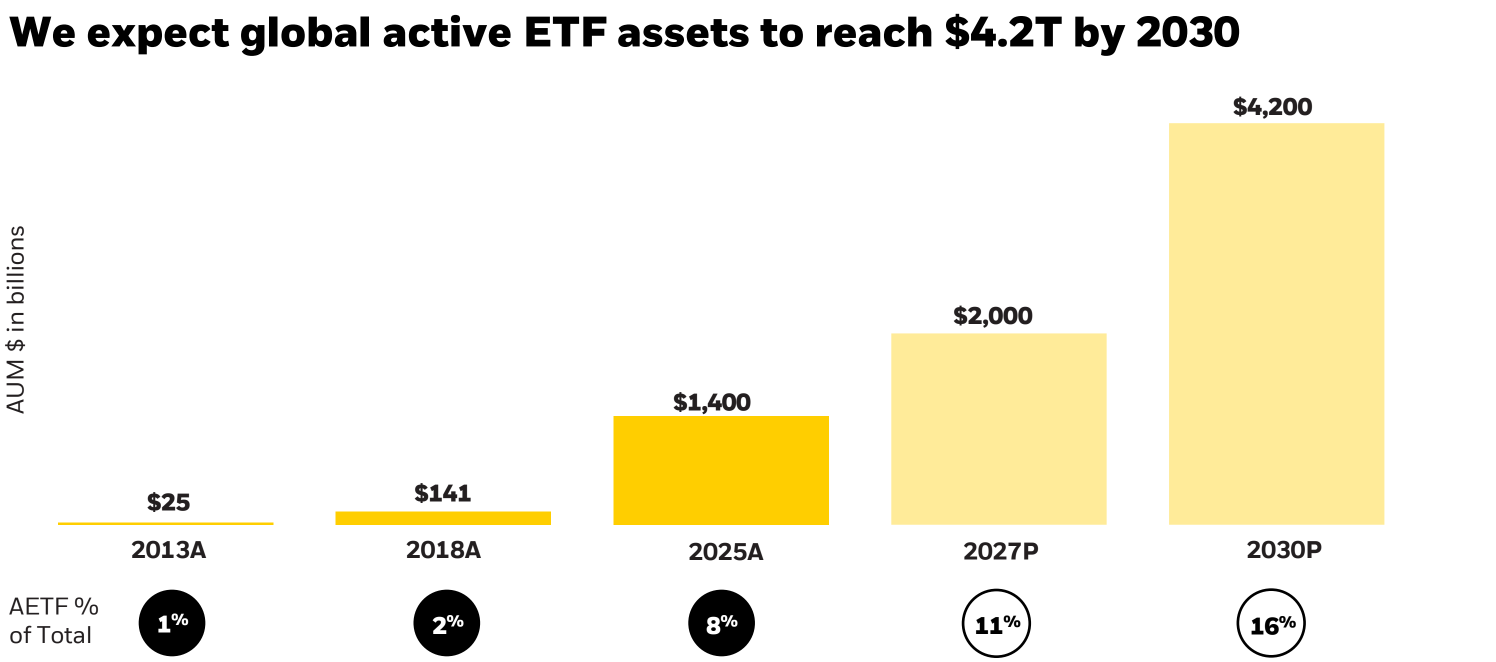
Introduction

The landscape of actively managed ETFs is rapidly transforming, with a marked expansion in capabilities and offerings to meet investors' rising demand as they navigate a new market regime of greater volatility and uncertainty. As more innovation has been brought to market through the active ETF wrapper, institutional and individual investors, as well as wealth managers, are increasingly considering ETFs as another vehicle to pursue active management, often to complement other fast-growing categories like alternative investing, direct indexing, or traditional mutual funds or ETFs. Investors are turning to active ETFs to provide an additional layer of potential alpha, blending them with index ETFs and other strategies.

Active ETF assets under management reached $1.4 trillion globally through the first half of 2025.[7] Although active ETFs comprise 8% of total ETF assets, they're rising fast.[8] We expect this pace to continue given increasing innovation and demand, and for global active ETF AUM to triple to $4.2 trillion by 2030 (Figure 1). This would constitute 16% of the global ETF industry, which we expect to grow to $27 trillion by 2030 from $16.7 trillion today.[9] Stronger regulatory tailwinds could drive faster growth in active ETFs. And ETFs themselves are becoming a wrapper of choice, expanding from 15% of total fund assets in 2013 to 30% in 2025.[10]

We expect active ETFs to reach **$4.2T** in AUM globally by 2030

Figure 1: Actual and projected growth of active ETFs (USD billions)

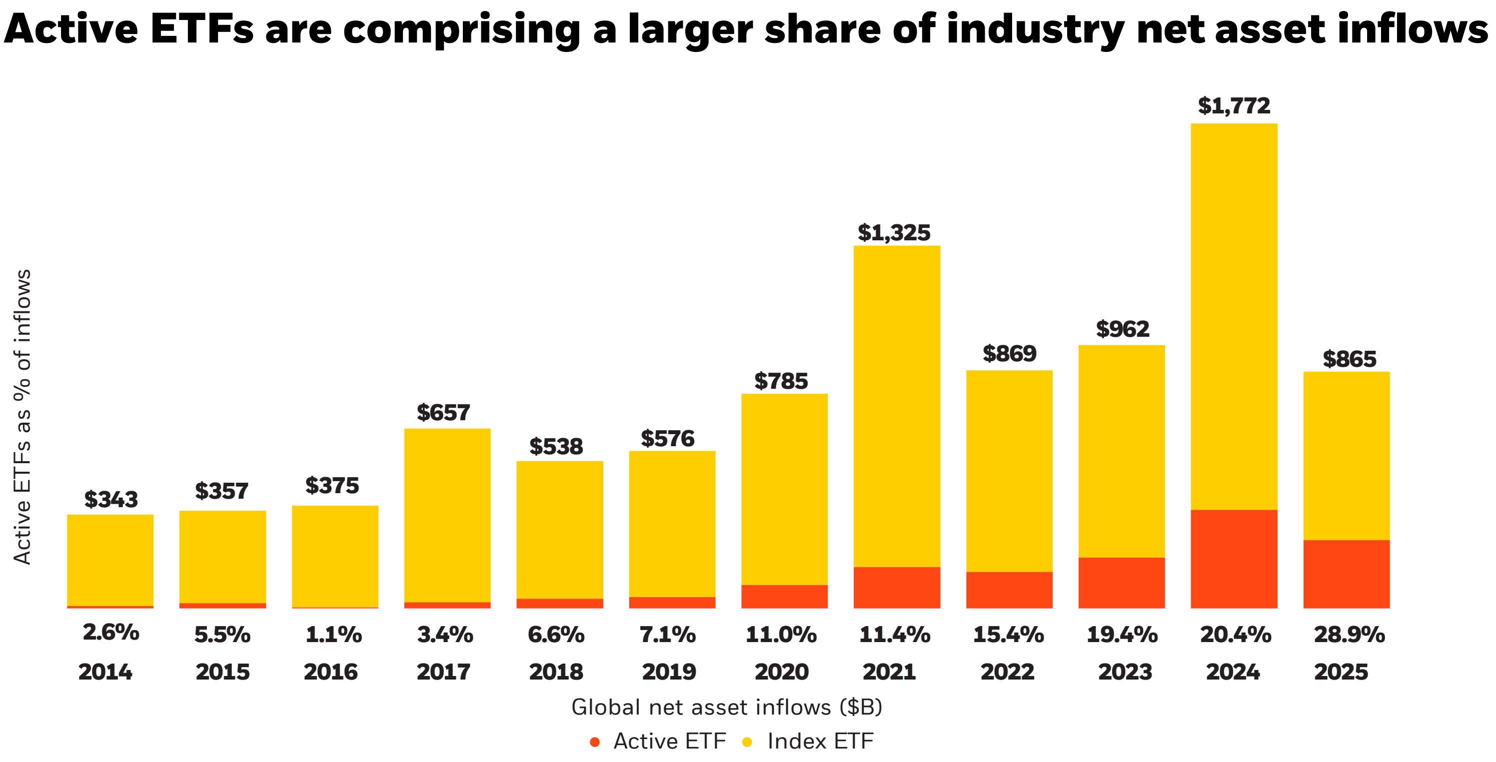


Source: BlackRock, as of June 30, 2025. The 2025 number is actual through the first half of the year. Estimates are for global figures and include 2027 and 2030 scenario calculations based on proprietary research by BlackRock Global Product Solutions. Subject to change. The figures are for illustrative purposes only and there is no guarantee the projections will come to pass.

7 BlackRock Global Business Intelligence. Data as of June 30, 2025. **8** BlackRock Global Business Intelligence as of June 30, 2025. Active ETF AUM had a 39% three-year compound annual organic growth rate globally through 2024 calculated by dividing net new business (NNB) over beginning of period AUM and compounding annual growth rates over the 36-month period of July 1, 2022, to June 30, 2025. Active ETF growth rates exclude the NNB impact of active mutual fund to active ETF conversions over the three-year period. Organic growth excludes the impact of market movement. **9** BlackRock, as of June 30, 2025. Estimates include 2025 and 2030 scenario calculations based on proprietary research by BlackRock Global Product Solutions. Subject to change. The figures are for illustrative purposes only and there is no guarantee the projections will come to pass. **10** Simfund for US MFs, as of June 2025, Broadridge for Non-US MFs, as of May 2025, GBI for Global ETFs, as of June 2025. Fund AUM includes ETFs and Mutual Funds only.

This expected growth trajectory reflects how active ETFs are at the nexus of innovation within the asset management industry, accounting for 51% of global ETF launches through June 2025; in the U.S., active ETF launches outnumbered index launches by a margin of nearly 7:1.[11] Competition among issuers is strong given today's volatile markets, with issuers numbering roughly the same for active and index ETFs globally.[12] As Figure 2 shows, active ETFs are also taking a larger share of global ETF net asset inflows and organic asset growth.
This is especially true in the U.S., home to over three-quarters of global active ETF AUM, where 38% of net asset inflows come from actively managed strategies.[13]

Figure 2: Global active ETF net asset inflows (USD billions, %), 2014–2025



Source: ETF groupings determined by BlackRock Global Business Intelligence as of June 2025. Numbers for 2025 are through June.

11 BlackRock Global Business Intelligence as of June 30, 2025. Through the first half of 2025, there were 385 U.S.-listed active ETF launches vs. 53 index ETF launches. Globally, including the U.S. there were 627 active ETF launches and 600 index ETF launches. **12** BlackRock Global Business Intelligence as of Dec. 31, 2023. There were 393 issuers for active ETFs globally in 2023, while index ETF issuers numbered 399. **13**BlackRock Global Business Intelligence as of June 2025. Through the first half of 2025, active ETFs had $1.1 trillion of AUM in the U.S.

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> One of the most remarkable trends I've witnessed in my career is the rapid rise of active ETFs – especially in fixed income. Navigating the bond market can be complex for most investors. Identifying the winners from laggards requires deep expertise, and that's where active management can make a real difference.”
>
> **Rick Rieder**
> BlackRock’s Chief Investment Officer of Global Fixed Income, Head of Global Allocation Team

While active ETFs are growing rapidly, they are still far smaller than the actively managed mutual fund universe (Figure 3). But as investors seek to access these strategies through ETFs, issuers are converting existing mutual funds into ETFs. Since March 2021, over 130 mutual funds with some $120 billion in AUM have converted into ETFs.[14]

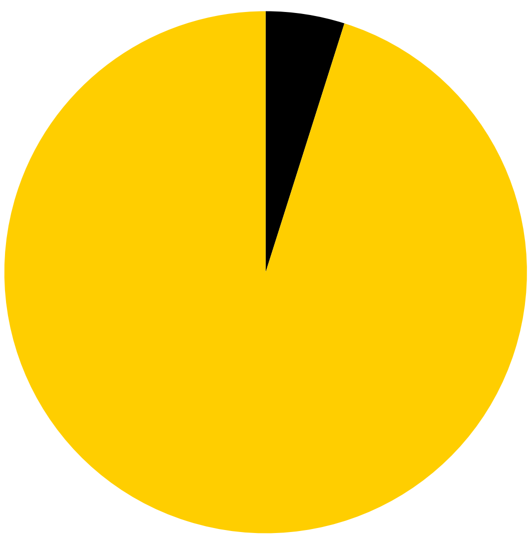
We believe both wrappers have a place in portfolios depending on investor goals. ETFs can offer tax efficiency and transparency. Mutual funds see continued demand in brokerages and remain highly represented in certain platforms, including retirement in the U.S., and they also allow investors to access capacity constrained segments.[15]

In this paper, we will explore the factors that have propelled the active ETF category, the types of actively managed ETFs, who is using them and how they are doing so.

Figure 3: Global active ETF assets as % of active mutual fund assets

Active ETFs are a small but growing portion of overall active assets

% of total global active industry AUM



● Active ETF **5%** ● Active Mutual Fund **95%**

Source: All data through June 30, 2025. BlackRock Global Business Intelligence for global active ETFs; Simfund for U.S. active mutual funds; Broadridge for non-U.S. active mutual funds. Total figures are as follows: $1.4 trillion for global active ETFs and $27.9 trillion for global active mutual funds.

14 BlackRock Global Business Intelligence as of June 30, 2025. **15** Investment Company Institute as of March 14, 2024. Through year-end 2023, there were $4.8 trillion in mutual funds within 401(k)s, comprising 65% of the $7.4 trillion total assets.

Understanding the active ETF universe

Active ETFs are investment funds managed by professional portfolio managers who actively select and adjust the fund's holdings in an effort to outperform the market, deliver a specific outcome or gain exposure to hard-to-index markets. This involves ongoing analysis and decision- making based on market conditions. Many active ETFs are blended with index funds. On a standalone basis, index ETFs seek to replicate the performance of a specific index. **Not all active ETFs are created equal – scale and quality are important. Investor education is also necessary, particularly given the rapid rise in the number of products.**

Our clients are telling us navigating the active ETF universe can be difficult because it is so broad. We see three distinct categories within active ETFs that help describe each category's use case: alpha-seeking, outcomes, and exposures.

Alpha-seeking

Alpha strategies seek to outperform a benchmark based on proprietary research and insights. These include both fundamental and systematic strategies, such as:

- Core, thematic and rotation strategies
- Multi-sector, credit, securitized, ultra-short bond and loans
- Liquid alternatives, including portable alpha strategies

Active factor strategies that seek to outperform by tilting toward broad, persistent drivers of return

Outcomes

Options-based strategies offer targeted investment objectives combining or modifying market exposures via the use of derivatives or portfolio construction, including:

- Income strategies, such as buy-writes, covered calls and risk-managed income strategies
- Protection strategies, such as buffered, convexity and tail risk strategies
- Growth strategies, such as accelerators and step-ups

Goal-based strategies including target income, target risk, target date

Exposures

Non-index strategies feature access to segments of the market that are difficult to index, such as cash or commodities

- **Derivative-based** exposures, including leveraged, inverse and single stock products

"It's essential to maintain our quality standards while wrapping new, innovative strategies in iShares ETFs. This requires the best technology, and that is our ETF engine. Our iShares engine enables us to deliver performance and innovation, while maintaining the product integrity at scale that clients should expect."

Stephen Cohen
Chief Product Officer, BlackRock

Investment comparisons are for illustrative purposes only. To better understand the similarities and differences between investments, including investment objectives, risks, fees and expenses, it is important to read the products' prospectuses.

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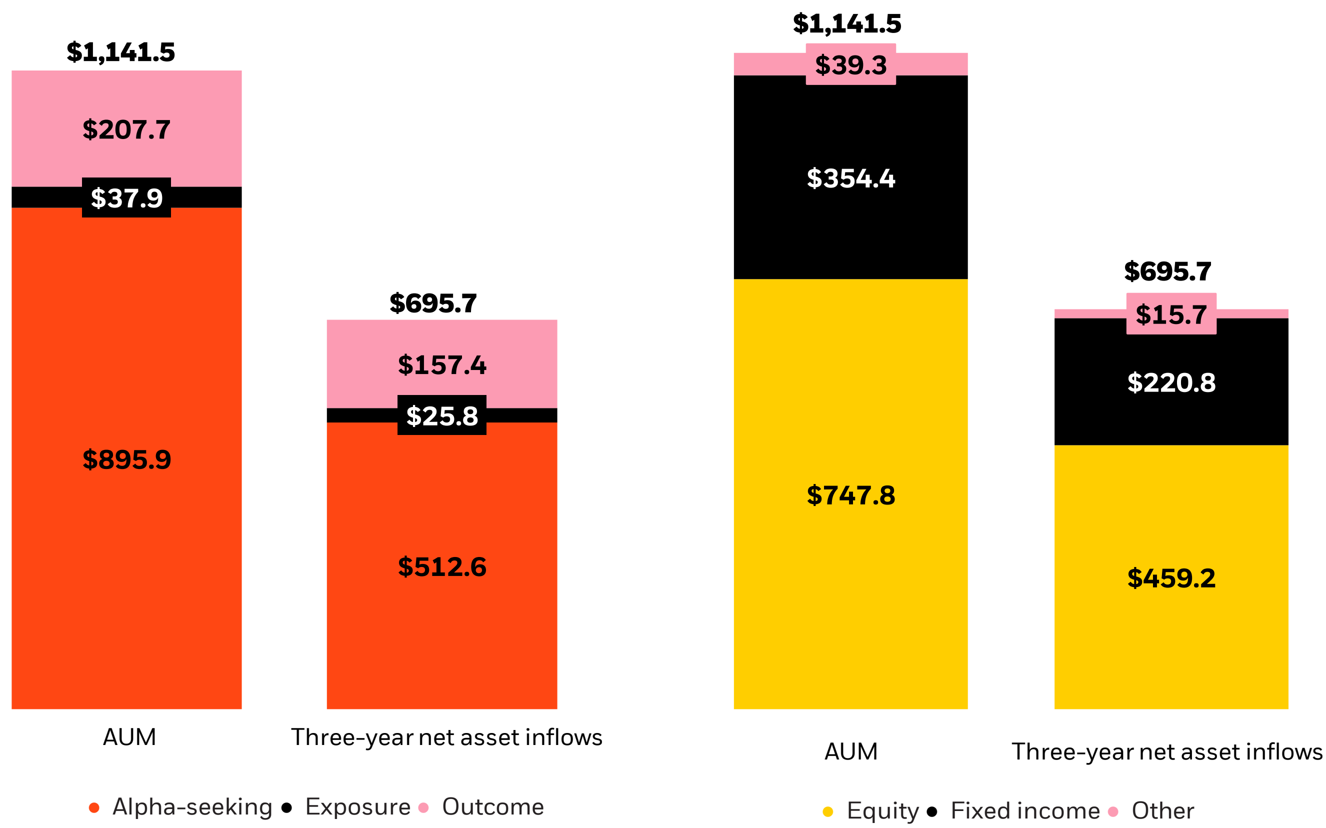
> **Research is at the heart of everything we do. We turn data and insights into alpha by uncovering informational advantages others may overlook. Staying ahead means building strategies that move with the news and events shaping markets. Active ETFs allow us to deliver these strategies to a broader range of investors, helping to enhance portfolio outcomes across client segments.”**
>
> **Raffaele Savi**
> Global Head of BlackRock Systematic
> and Co-Head of Systematic Active Equities

Any asset class can be managed within alpha-seeking, outcome, and exposure ETFs (Figure 4). Outcomes strategies replicate defined outcomes previously available in vehicles such as structured notes, which can be opaque, costly, and difficult for individual investors to access. Meanwhile, alpha-seeking strategies are often similar to those previously delivered only in mutual funds. Exposures can offer investors access to markets that are not easily investible via indexing.

Figure 4: U.S. active ETF Industry by strategy type and asset class (USD billions)

Active ETFs in the U.S. cut across strategies and asset classes



Source: BlackRock Global Business Intelligence as of June 30, 2025. Three-year net asset inflows covers the period from July 1, 2022 to June 30, 2025. Note: Initial conversion asset amount subtracted from year-to-date and three-year flows. The information on funds not managed by BlackRock or securities not distributed by BlackRock is provided for illustration purposes only, and should not be construed as an offer or solicitation from BlackRock to buy or sell any securities. All flows/AUM depicted are for Active ETFs. Left-hand side breaks down by fund objective, right-hand side displays at the asset class level.

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Benefits of active management and ETFs

Being active in this market environment can look different depending on investors' needs, spanning index and actively managed ETFs.

Incorporating active insights can help investors in many ways

Market dispersion can unlock alpha: Increased macro and geopolitical uncertainty has led to higher market volatility in recent years. Greater differences in the performance among and between companies, sectors, geographies and asset classes is creating opportunities for skilled managers to seek above benchmark returns, or alpha. Active management can broaden the investment universe and increase flexibility, which may enable managers and funds with strong records of performance to be able to capture more alpha opportunities.

Risk management: Portfolio managers of active ETFs can incorporate proprietary research and react in real-time to evolving market conditions. This gives managers freedom to respond to market inflection points as they seek to outperform benchmarks, target certain investment outcomes, or react to a changing market.

ETFs as a category have many benefits

Whole portfolio convenience: ETFs are fully transparent and disclose their full portfolio holdings each day, which can help advisors see how the ETFs they're using relate to a whole portfolio.[16] Additionally, there is a structural convenience for advisors to use the same vehicle across portfolios for consistency in custody, settlement, and reporting — and for many, that's ETFs.

Easy to trade: ETFs trade like stocks during market hours on exchanges. Investors can exit at any time with minimal liquidity concerns or lockups of the fund, making it easy to manage an overall portfolio.

Tax-efficient: Because of ETFs' multiple layers of liquidity, they can help investors control when they realize capital gains distributions.

No minimums: ETFs are widely available on most online brokerage accounts and through investment professionals. Active ETFs, like other ETFs, typically do not carry transaction costs and they have no investment minimum.

Even as active ETFs grow, we expect them to co-exist with active mutual funds and other strategies, given that mutual funds will be the preferred vehicle by some investors, remain highly represented in certain platforms (such as retirement), and allow access to strategies that are capacity-constrained or less liquid.

16 BlackRock Global Business Intelligence data as of Dec. 31, 2023. Transparent active ETFs comprised about 98% of total ETF AUM globally.

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The evolutionary efficiency of the ETF wrapper

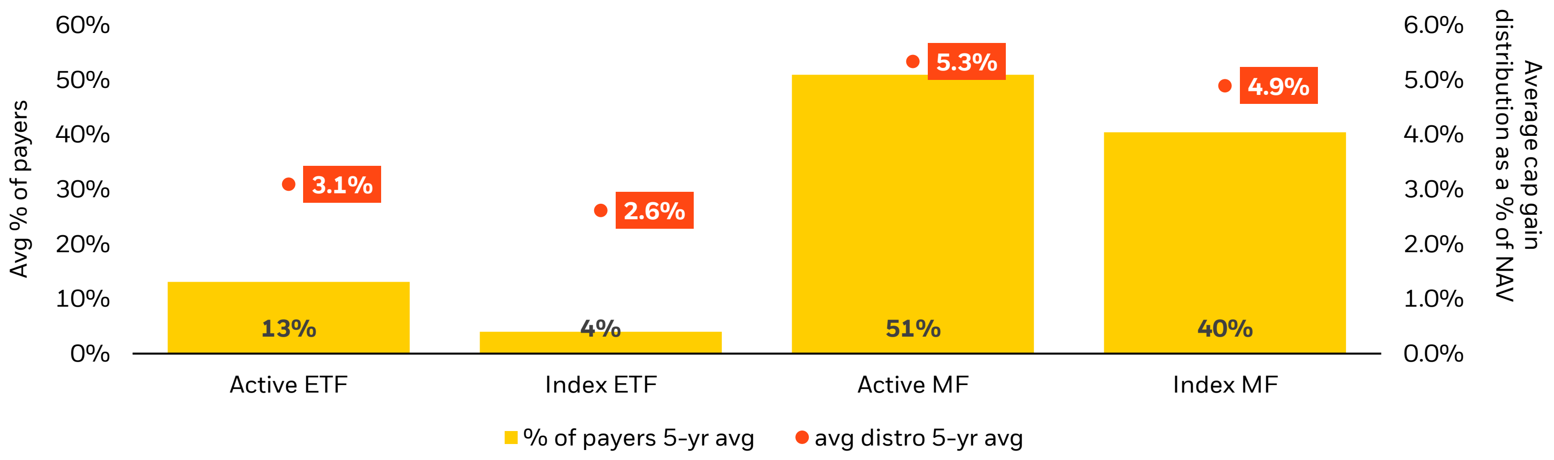
A major feature of ETFs that investors appreciate is their potential for greater tax efficiency. Because of the unique structure of the ETF, there are two distinct ways in which they can provide greater tax efficiency relative to other fund structures or direct ownership in single securities. First, investors buy and sell ETF shares on an exchange — transacting with other investors. As a result, the ETF manager doesn't have to sell holdings — potentially creating realized capital gains for remaining investors — to meet investor redemptions.[17] Second, the in-kind creation and redemption process utilized by some active equity ETFs means that the ETF manager may have the opportunity to deliver shares that would otherwise have been sold in a portfolio rebalance, limiting the number of taxable events that occur within the fund. This process may help make active ETFs more tax efficient than their mutual fund peers (Figure 5). Active equity strategies in particular are best suited to take advantage of all of the efficiencies of an ETF wrapper whereas other strategies, including fixed income and certain international markets, may be more limited in their ability to use the in-kind mechanism while still benefiting from on-exchange trading.

The portfolio composition of ETFs can change without taxes being realized. That is true for both index and active ETFs, but matters even more for actively managed strategies that tend to change more often.

In fact, the more active the strategy, the bigger the benefit of the ETF structure.

Figure 5: Percentage of funds that paid capital gains and average capital gains size (%) from 2020–2024

Active ETFs have tended to pay out less in capital gains vs. active mutual funds



Source: Morningstar Direct, as of Dec. 31, 2024. Avg % of payers = avg % of funds that have paid out cap gains in each year from 2020-2024. Average cap gain distribution as a % of NAV = average cap gain distribution from 2020-2024. Analysis includes U.S. mutual funds and U.S.-listed ETFs with available NAVs as of 11/30 in each applicable year. Mutual fund universe includes only oldest share class funds. Past distribution not indicative of future distributions.

Performance data represents past performance and does not guarantee future results. Investment return and principal value will fluctuate with market conditions and may be lower or higher when you sell your shares. Current performance may differ from the performance shown.

17 ETF shareholders may incur capital-gain related tax consequences when they sell shares, but that tax consequence is not passed on to other ETF shareholders.

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Decoding growth in active ETFs

Although active ETFs are available worldwide, the U.S. is by far the biggest market, with 79% of total industry AUM.[18] Investors elsewhere, including across Europe and Asia-Pacific, are in earlier stages of adoption, but AUM in both regions has doubled since 2023.[18]

The first U.S.-listed active ETF was launched in 2008, although the category was initially slow to grow while ETFs as an investment vehicle gained broader adoption. It wasn't until a decade later that key changes catapulted active ETFs to their current growth trajectory.

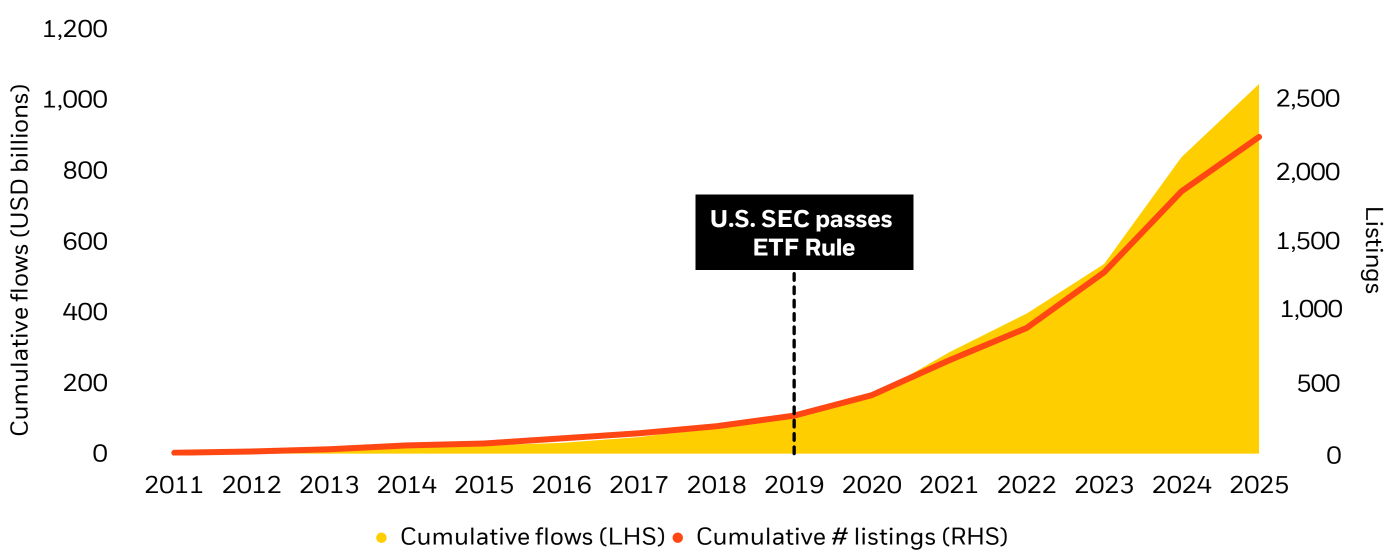
> **AI evolves at a rapid pace; dynamic adaptation is essential, and active ETFs make it possible to capitalize on this change."**
>
> **Tony Kim**
> Head of the Fundamental Equities Technology Group, BlackRock

1 U.S. regulatory changes

In 2019, the U.S. Securities and Exchange Commission passed what has since become known as the "ETF Rule," paving the way for a wider range of ETF strategies, such as those found in active products. The rule created a consistent framework and added additional flexibility for issuers to launch and manage active ETFs.[19] It also lowered barriers to entry for new ETF issuers, resulting in a flood of new entrants and a wider range of strategies across the U.S. ETF landscape (Figure 6). Of the more than 2,200 U.S.-listed active ETFs, nearly 2,000 of them were listed after adoption of the ETF Rule.[20] In the years since this regulatory unlock, active ETF assets under management in the U.S. have surged from about $100 billion in 2019 to $1.1 trillion as of June 2025.[21]

Figure 6: U.S. active ETF cumulative flows and listings since 2011 (USD billions, number of listings)

Active ETF growth has surged since the ETF Rule took effect



Source: BlackRock Global Business Intelligence as of June 30, 2025. Cumulative flows since '11 include mutual fund to ETF conversions. 2025 numbers go through June 30. Active ETF industry has a three-year compound annual growth rate (CAGR) of 49% excluding conversions, as of June 30, 2025. 3YR CAGR determined by calculating the growth rate of net new assets gained (or lost) between 2021– June 2025 (2025 net new assets are annualized) against the starting active ETF AUM base at the end of June 2022.

18 BlackRock Global Business Intelligence as of June 30, 2025. EMEA AUM from $31 billion to $69 billion, APAC AUM from $47 billion to $80 billion. **19** For more information on Rule 6c-11, see https://www.sec.gov/news/press-release/2019-190. **20** BlackRock Global Business Intelligence as of June 30, 2025. **21** BlackRock Global Business Intelligence as of June 30, 2025.

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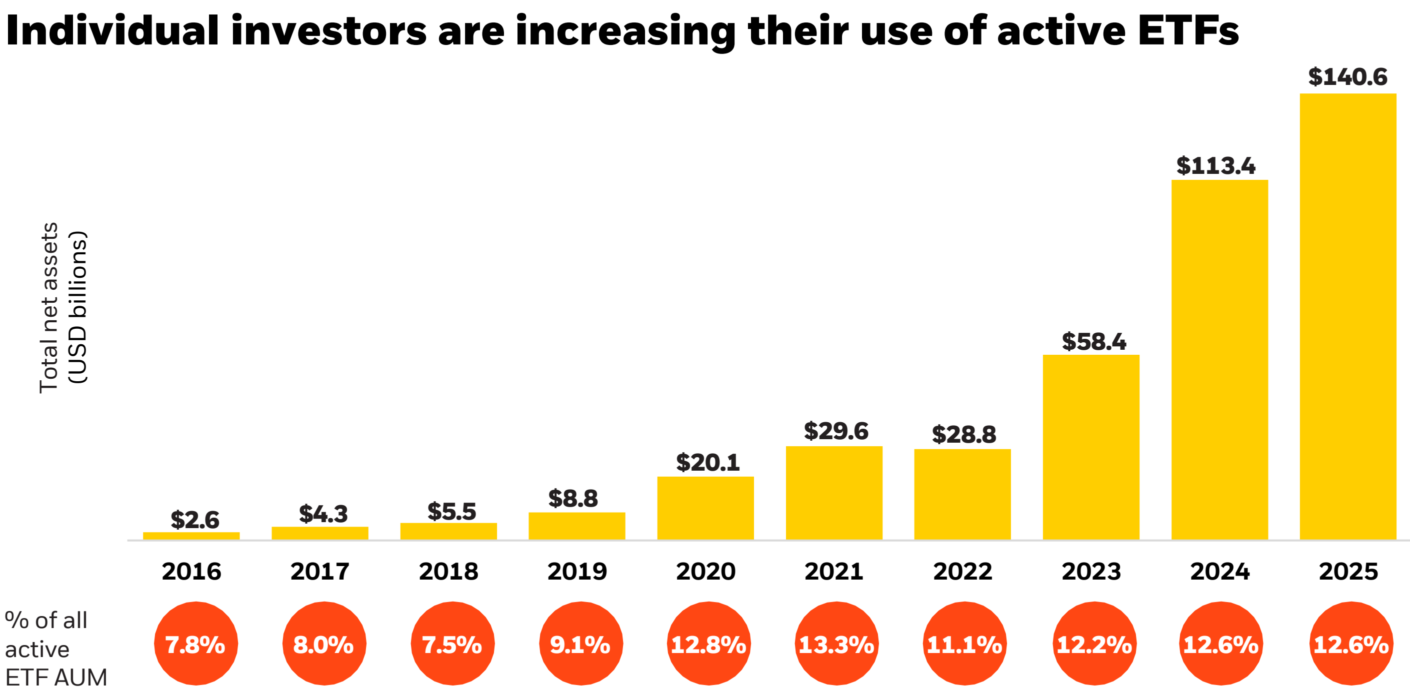
2 The rise of self-directed investors through online brokerage platforms

The shift to commission-free trading by digital wealth platforms in 2019 has prompted more people to invest their own money to save for retirement or to meet other financial goals.[22] While many investors use mutual funds to access active strategies, ETFs can often provide accessibility to such strategies. ETFs have no minimum investments and are cost-effective because they do not have the same layers of distribution fees that can accompany mutual funds. As Figure 8 shows, in recent years individual investors have greatly expanded their exposures to active ETFs.

Figure 8: U.S. active ETF assets under management by individual investors (USD billions), 2016–2025



Source: Broadridge Global Market Intelligence as of May 30, 2025. Numbers for 2025 go through May. Measures total net assets invested in active ETFs across discount platforms (inferred to mean individual investors, who are the only ones to have access to those platforms) through year-end of each year.

22 Cerulli report, 'U.S. Retail Investor Products and Platforms 2023.' The number of client accounts held at Charles Schwab/TD Ameritrade, Fidelity, Robinhood, Morgan Stanley/E*TRADE, Interactive Brokers and Ally Bank, cumulatively, rose from 43.3 million in 2019 to 104.5 million in 2022.

3 Institutional Investors turn to active ETFs

Asset managers, pensions, official institutions, insurers, family offices, endowments, foundations, healthcare systems, and other institutional investors, have been using ETFs for years, likely finding value in their easy access, liquidity and efficient investment implementation. Now, active ETFs are also seeing rapid growth in institutional portfolios, as they can achieve what previous institutional- pooled vehicles or separate accounts historically did, but with the ease of access of the ETF wrapper. While active fixed income strategies have seen rapid growth in institutional portfolios, active equities and alternatives are increasingly used as well. Today, hundreds of institutional investors utilize over 50 different active ETFs, with AUM surging in recent years (Figure 9). Nearly a quarter of institutional investors surveyed plan to add more active ETFs in the next 2 years.[23] Their increasing adoption will help drive innovation through co-creation of strategies.

We see active ETFs serving three primary use cases in institutional client portfolios:

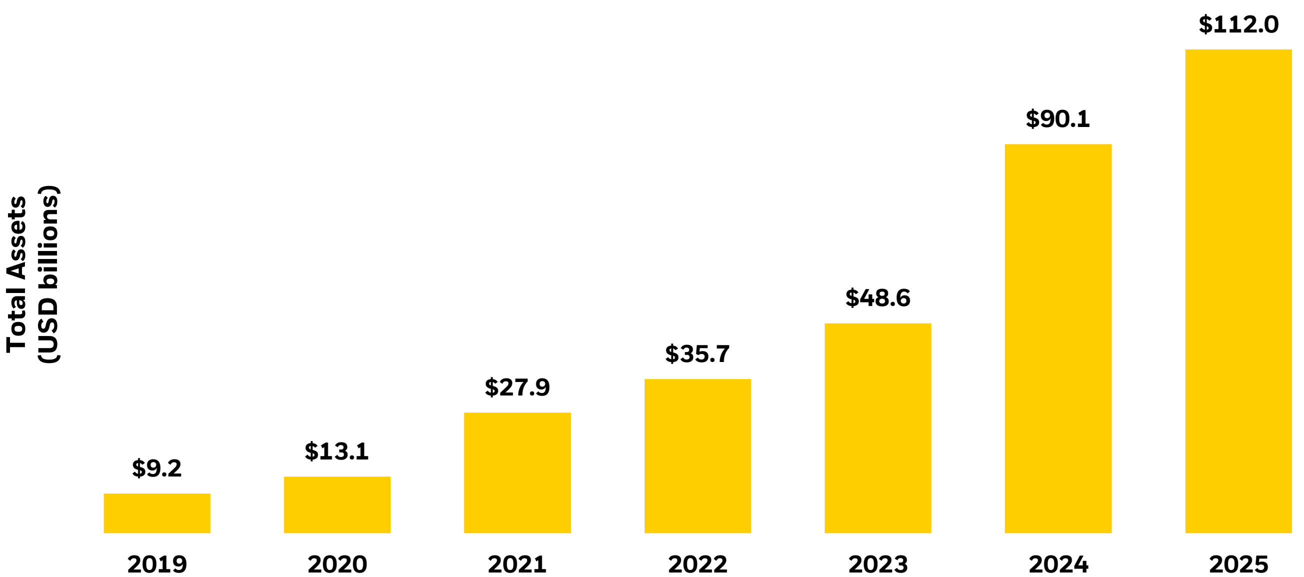
1. **Strategic access to active expertise, outcomes and hard to reach markets:** No longer do institutional investors have to solely rely on the vehicles they have historically used to access today's best portfolio managers, and the alpha, outcomes, or exposures they can provide. Today, a long-term strategic allocation to an asset class managed by industry experts can be implemented using ETFs, without sacrificing the risk-adjusted returns they seek.

2. **Easy to implement tactical views:** Markets are moving faster than ever, and institutional investors need to act quickly to implement short-term views. Tactical exposure for institutional investors to any asset class and the experts becomes easier to access given ETFs do not require operational setup or build, and are easily accessed on exchange at any time.

3. **Efficient cash and liquidity management**: Active ETFs, with their intra-day trading and ability to produce alpha even in the shortest duration and most liquid segments of markets, is now an additional tool for institutions to help meet the daily, operational needs of their cash businesses.

Figure 9: U.S. active ETF assets under management by institutional investors (USD billions), 2019-2025

Institutional investor use of active ETFs is growing rapidly



Source: BlackRock Global Business Intelligence as of June 30, 2025. Measures total net assets invested in active ETFs across institutional investors covering asset managers, pensions, family offices, insurance, foundations, and endowments.. Data for 2025 through June 30.

23 PWC' report: "ETF 2027: A World of New Possibilities." Published March 2023. Forward looking estimates may not come to pass.

A varied global landscape

In EMEA, active ETFs are still nascent, at 2.5% of ETF AUM at about $69 billion.[24] But the market is growing, with the percentage share of total ETF AUM doubling since 2021.[25] Overall active ETF AUM was up 33% from year-end 2024 to the first half of 2025.[26] We expect adoption to accelerate owing to changes in the investing landscape including the increasing adoption of ETFs overall, the rise of digital wealth platforms — empowering end-investors, and the shift to fee-based investing and models.

In Latin America, the landscape for active ETFs is evolving, with varying degrees of engagement across the region. We're seeing early adoption rates increase among Latin American pensions as regulation has paved the wave for active ETF use. The offshore market is starting to engage with U.S.-domiciled active ETFs and we expect adoption to accelerate as the UCITS active ETF platform grows, given the favorable tax treatment leveraging the regulatory framework from the EU.

In Asia-Pacific, active ETFs are relatively new. Japan and Singapore implemented rules for active ETFs in 2023, while Australia has the longest history of active ETFs with the first listing in 2015. Locally domiciled active ETFs are also offered in China, Hong Kong, and South Korea. Regulatory approaches across APAC differ, which can create complexities for certain active ETF structures, such as those that incorporate derivatives."

24 BlackRock Global Business Intelligence as of June 30, 2025. **25** BlackRock Global Business Intelligence as of June 30, 2025. **26** BlackRock Global Business Intelligence. In 2025 through June 30, active ETFs had $69 billion of AUM in Europe, Middle East and Africa, up 33% from $52 billion at year-end 2024.

"We invest with a blended approach, with index and active ETFs. Active ETFs can give us access to skilled active management and agile positioning – because the holdings within ETFs can be adjusted between model portfolio rebalances with greater frequency and potentially more tax efficiency than can be effected with direct model trades."

Michael Gates
Head of Model Portfolio Solutions in the Americas within BlackRock's Multi-Asset Strategies & Solutions group

Looking ahead

We believe active ETFs are enabling a broad set of investors to efficiently access the next frontier in investing innovation, including liquid alts, private markets, and targeted outcomes as innovation expands what can be achieved in the wrapper. This is all helping to shape the future of the industry, giving investors the potential to unlock value and opportunities by accessing new strategies and markets in the ETF wrapper.

The record growth of active ETFs witnessed over the past five years is expected to continue as more investors, from individuals to institutions, seek out the wrapper to access active strategies amid a new market regime of greater volatility, uncertainty, and divergence in market performance. Worldwide, active ETFs are taking a larger share of asset inflows, with issuers bringing new ideas and established strategies to the ETF wrapper. Active ETFs still have a fraction of the assets held within actively managed mutual funds, and we expect the two wrappers will continue to coexist given investor preferences, investing platforms, or strategies.

Contributors

Kristy Akullian

Jillian Canning

Huiyun Cao

Emily Fredrix Goodman

Esther Li

Casie Maurer

Mark Pedersen

Alissa Small

Connor Stack

Alec Woodworth

Important notes

Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses, which may be obtained by visiting the iShares Fund and BlackRock Fund prospectus pages. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

BuyWriteETFs: Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in the value of debt securities. Credit risk refers to the possibility that the debt issuer will not be able to make principal and interest payments. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency and its return and yield will fluctuate with market conditions. Investment in a fund of funds is subject to the risks and expenses of the underlying funds. A BuyWrite Strategy ETF's use of options may reduce returns or increase volatility. During periods of very low or negative interest rates, the Underlying Fund may be unable to maintain positive returns. Very low or negative interest rates may magnify interest rate risk. In a falling interest rate environment, the ETF may underperform the Underlying Fund. By writing covered call options in return for the receipt of premiums, the ETF will give up the opportunity to benefit from increases in the value of the Underlying Fund but will continue to bear the risk of declines in the value the Underlying Fund. The premiums received from the options may not be sufficient to offset any losses sustained from the volatility of the Underlying Fund overtime. The ETF will be subject to capital gain taxes, ordinary income tax and other tax considerations due to its writing covered call options strategy.

Buffer ETFs: There can be no guarantee that the Buffered Funds will be successful in their strategy to provide downside protection against UnderlyingETF losses. The Funds do not provide principal protection or non-principal protection, and, despite the Approximate Buffer (the "Buffer"), an investor may experience significant losses on their investment, including the loss of their entire investment. In the event an investor purchases Fund shares after a Hedge Period begins or sells Fund shares prior to the end of the Hedge Period, the returns realized by the investor will not match those that the Funds seeks to provide. In periods of extreme market volatility, the Funds' return may be subject to downside protection significantly lower than the Buffer and an upside limit significantly below the Approximate Cap (the "Cap"). A new Cap is established during each Rebalance Period and is dependent upon current market conditions. As such, the Cap is likely to change, sometimes significantly, from one Hedge Period to the next
Accelerated ETFs: There can be no guarantee that the Accelerated Funds will be successful in the investment strategy, and investors may lose some or all of their money. The outcomes are intended to be realized only by investors who hold Fund shares at the outset of the Outcome Period (as defined in the prospectus) and continue to hold the shares through the end of the Outcome Period. An investor who buys Fund shares after the start of an Outcome Period may experience lesser returns and may be exposed to greater losses than that of the Underlying ETF. An investor who sells Fund shares before the end of an Outcome Period may not fully realize the Accelerated Return. The Accelerated Funds do not provide a buffer, floor or other protection against losses experienced by the Underlying ETF. The Funds are subject to an Approximate Cap (the "Cap"), whose level depends on prevailing market conditions at the time the Capis set at the beginning of the Outcome Period and may vary, sometimes significantly, from one Outcome Period to the next. The Accelerated Funds will not participate in gains of the Underlying ETF that are above the Cap. The Buffered and Accelerated Funds invest in FLEX Options that derive their value from the Underlying ETF. FLEX Options are subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation and may be less liquid than other securities. The value of FLEX Options may be affected by interest rate changes, dividends, actual and implied volatility levels of the Underlying ETF's share price, and the remaining time until the FLEX Options expire. Because of these factors, the Funds' NAV may not increase or decrease at the same rate as the underlying ETF's share price.

Actively managed funds do not seek to replicate the performance of a specified index, may have higher portfolio turnover, and may charge higher fees than index funds due to increased trading and research expenses. Investment comparisons are for illustrative purposes only. To better understand the similarities and differences between investments, including investment objectives, risks, fees and expenses, it is important to read the products' prospectuses.

This material represents an assessment of the market environment as of the date indicated; is subject to change; and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any issuer or security in particular.

Diversification and asset allocation may not protect against market risk or loss of principal.

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