

# ETF Evolution: Global and South African Trends Driving the Future of Index Investing



The exchange-traded fund (ETF) market continues to evolve at an unprecedented pace, reshaping global investment landscapes. By the close of 2024, global ETF assets under management (AUM) hit US\$14.85 trillion, marking a 17.1% compound annual growth rate (CAGR) over the past decade. South Africa is aligning with this trajectory, witnessing mass inflows into ETFs and index-tracking investments.

## South Africa's ETF Surge: A Paradigm Shift in Investing

Satrix, the dominant player in the local ETF market, captured 72.5%\* of all ETF flows in 2024, while its combined ETF and indexed unit trust flows accounted for 50.5%\* of total indexation flows. According to Fikile Mbhokota, CEO of Satrix\*\*, the group experienced 127% year-on-year ETF inflow growth from 2023 to 2024, adding nearly R5 billion in inflows and pushing Satrix's AUM beyond R240 billion^ as of December 2024.

This exponential growth reflects a fundamental shift: investors are embracing ETFs as core portfolio holdings, attracted by cost efficiency, transparency, and liquidity. The move toward indexation is accelerating—over the past 12 months, indexed strategies accounted for 87.8% of total industry net inflows. The structural shift away from actively managed funds highlights how local investors are recalibrating their portfolios to align with global trends.

## Key Global ETF Trends Shaping 2025 and Beyond

### 1. Explosive Growth in ETF Savings Plans

ETFs are becoming the default investment vehicle for long-term savings, particularly in Europe. ETF savings plans are projected to quadruple over the next five years, according to [BlackRock](#). This retail-driven trend signals a growing demand for automated, cost-effective investing, which could spill over into emerging markets like South Africa.

### 2. The Rise of Active ETFs

Active ETFs are outpacing traditional mutual funds, particularly in the US, with a staggering US\$3 trillion flow gap in favour of ETFs. This shift suggests that investors are seeking the flexibility of active management combined with the efficiency of ETFs—a trend that could see local asset managers responding with more innovative product offerings.

### 3. Institutional Acceleration in ETF Adoption

ETFs are no longer just a retail investment tool—institutional investors are increasing their allocations to ETFs for their cost efficiency, liquidity, and tactical portfolio management benefits. South African pension funds and asset managers are expected to follow global institutions in using ETFs for risk management, sector rotation, and exposure to international markets.

### 4. Thematic and Alternative ETFs Gaining Traction

Global ETF innovation is at an all-time high, with [1 787 new products](#) launched in 2024, a net increase of 1 234 after 553 closures. Cryptocurrency ETFs are experiencing robust asset accumulation, led by the iShares Bitcoin Trust.

### 5. Regulatory Tailwinds Supporting ETF Growth

Europe's ETF market is benefiting from regulatory frameworks, boosting transparency and digitalisation.

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## South Africa's ETF Industry: Breaking New Ground

Mbhokota concludes, "ETF adoption in South Africa will continue accelerating, driven by both retail and institutional investors seeking cost-effective, globally diversified investment solutions." She anticipates:

- Stronger inflows into equity and fixed-income ETFs
- A growing shift toward international diversification
- Increased demand for innovative, crypto- and active ETFs

As South Africa's financial ecosystem evolves, ETFs are becoming the backbone of modern portfolio construction, reinforcing their position as a core component of investor strategies in 2025 and beyond.

\*Source: Satrix and Morningstar, 31 December 2024 | ^Source: Satrix, 31 December 2024, AUM represents all assets managed in CIS vehicles (Satrix ETFs, Unit Trusts and UCITS), life pooled portfolios, assets managed via segregated mandates by Satrix as a division of Sanlam Investment Management and Satrix branded endowment funds managed by Sanlam Structured Solutions.

\*\*Satrix is a division of Sanlam Investment Management

### Other sources used:

- ETFGI
- Morningstar
- etfSA.co.za
- Introduction to ETFs: by State Street Global Advisers SPDR
- Goldman Sachs ETF Accelerator: The Growth of ETFs in Europe

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