

Talking Heads – Quarterly ETF podcast with Daniel Dornel

Daniel Moris: Welcome to the BNP Paribas Asset Management Talking Heads podcast. Every week, Talking Heads brings you in-depth insights and analysis through the lens of sustainability on the topics that really matter to investors. In this episode, we'll be discussing the evolution of the ETF markets. I'm Daniel Morris, Chief Market Strategist, and I'm joined today by Daniel Dornel, Head of ETF Research. Welcome, Daniel, and thanks for joining me.

Daniel Dornel: Very happy to be here and thank you for the invitation.

DM: We spoke last October and talked then about how it had been a good quarter for UCITS ETFs. What can you tell us about the last quarter of 2025?

DD: For the third time, we had a quarter above €80 billion of inflows and with exactly €88 billions in Q4, we reached a record-breaking level for 2025 at €325 billions. This is an increase of 20% compared to 2024 which was already an all-time high for flows.

Looking at the split by asset classes in Q4, we are just under €60 billion on equities and this is slightly down compared to [the previous] quarter. On fixed income, we had the highest quarter ever with over €28 billion. This is significantly up compared to Q3.

DM: Could you give us more detail of what you think has attracted investors in terms of regions, but maybe also sectors and themes?

DD: On equities, over €25 billion in inflows were on global exposures in Q4, which is in line with the impressive trend during the whole year with over €100 billion in inflows into global equities in 2025. This was followed by emerging markets with just under €13 billion in Q4, of which €2.5 billion were on China equities. This was a record year for emerging markets with roughly €35 billion in inflows and this was mostly in the second part of the year.

On European equities, with €10 billion in Q4, it was in line with the previous quarter, and this is setting a new yearly record at 60 billion for European equities. And to put figures into perspective, the previous record was at 35 billion and it was in 2015. Flows were also positive on US equities, but at only 7 billion roughly. This is a relatively low level compared to previous years.

In terms of sub-asset classes, we observed interesting flows on sector and thematic exposures with just under 8 billion. This was led mostly by IT and more specialist China tech, followed by healthcare, which is a sector that had one of the best performances in Q4. And finally, financials and more especially European banks, which also had an interesting performance last quarter.

DM: At the beginning, you mentioned that fixed income flows were at record highs and we appreciate that that's a category within ETFs that's developing quickly. What are the categories of products that have been driving the flows?

DD: In Q4, flows were heavily biased towards euro-denominated bonds with just under €15 billion

followed by global and US bonds. In terms of sub-asset classes, the lead is shared between ultrashort and corporate investment-grade [bonds] at around €8 billion over the quarter. For ultrashort, this was the conclusion of an outstanding year with over 27 billion in 2025, which represents over a third of the total fixed income flows last year. As a reminder, we are talking here about ultrashort duration products such as government bonds with a maturity from zero to one year or overnight exposures on corporate investment-grade. The flows were mostly directed towards euro-denominated short duration. Government bonds gathered around 6 billion, mostly on global and Eurozone exposures. And for the first time this year, we saw significant flows on aggregate exposures with over 2 billion over the quarter.

DM: We've covered equities, we've talked about fixed income. Any other interesting trends in the last quarter?

DD: The first one is definitely active ETFs with over 8 billion in flows this quarter to finish the year at around 25 billion, which is by far the highest level for active ETFs. Active ETFs represented just under 9% of the flows last year. To put that into perspective, the market share of active ETFs in terms of assets under management is only 3%. So, it's an outstanding share of the flows that this product category have represented. The trend on active ETFs is not only about flows, but also about product launches, and that's something I wanted to mention. Around 40% of the ETF launches in Europe have been on active strategies and this shows the important focus of ETF providers on this product category.

Finally, a word on ESG. Here we are talking about products that embed environmental, social or governance aspects in the selection process of the indices. We've almost 25 billion in flows into this category in Q4. This was the highest quarter for ESG since the end of 2022. In terms of market share, it represents around 25-30% of the overall flows this quarter, which is a lot higher than what we observed in the last two years. It's also interesting to see that it's also true about equity product. This was a lot more difficult over the last few years.

DM: If I can summarise some of the key points, you started with the observation that we had a record level of inflows into ETFs in 2025. In the mix then between fixed income and equities, you had higher flows into fixed income, slightly lower flows into equities, but interestingly within equities increasing flows to non-US funds, EM and Europe, for example, but somewhat lower for the US. You also highlighted increasing interest in active ETFs, with active ETFs representing a meaningful share of new launches. And finally, you pointed out that despite concerns that some have had about the outlook for ESG investing, you had one of the highest quarters of flows to ESG funds. Well, Daniel, thank you very much for joining me.

DD: Thank you very much. It was a pleasure.

DM: That's it for this week's episode of Talking Heads. If you would like more information about our ETF capabilities, please reach out to your asset management contact or check out Viewpoint, our website for investment insights at viewpoint.bnpparibas-am.com. Just before we go, I'd like to mention that the Talking Heads podcast is available on Spotify and YouTube. For YouTube, visit youtube.com/BNPP AM slash playlist and tap or click on Talking Heads. You've been listening to the BNP Paribas Asset Management Talking Heads podcast with me, Daniel Morris, and Daniel Dornel, Head of ETF research. Please do join me next week. Until then, take care.

This week on the Talking Heads podcast, we discussed recent flows into ETFs with Daniel Dornel, Head

of ETF Research. For more, listen to the full episode on the BNP Paribas Asset Management YouTube channel. You'll find the link in the description.