



The ETF Landscape: A Look Back at 2011's ETP Flows

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So 2011 was a very strong year for flows into exchange-traded products. So even in a year where we had a lot of volatility and negative equity environment, we saw 150 billion dollars come into exchange-traded products globally, which takes the category of exchange-traded products or ETPs to over a trillion and a half dollars at the end of 2011. So very strong growth.

Particularly interesting in 2011 was a trend towards the use of fixed-income ETPs. So in the fixed-income space, if we go back a couple of years -- in 2009, in 2010 -- maybe one in every 10 dollars of new money was coming into fixed income ETPs; the rest into mutual funds or other instruments.

In 2011, one of every three new dollars was coming into ETPs in the case of fixed-income. So there's a very strong trend that we're seeing in 2011. And it makes a lot of sense if you think about the market environment we're in, where within a fixed-income portfolio you're looking to manage risk carefully; you want flexibility to move around as the markets move; and in the low-yield environment, low cost is very, very important.

So ETPs are great vehicles, and we're seeing that trend of more money moving into ETPs borne out in 2011.

Jennifer Grancio: In answer to the question with fixed-income of, "What's the solution for clients that like to get in and actively manage the fixed-income part of their portfolio?" and, "Is that a place to use ETFs, yes or no?" I would say absolutely it is. So we tend to see two types of fixed-income clients. There are a group of clients that like, in the fixed-income part of their portfolio, to set it, have it be very comfortable -- not set it and forget it, but really have a very stable portfolio. In that scenario, you can pick a small number of ETFs, set the portfolio.

For people that like to be more active in managing the fixed-income part of their portfolio, there are such a variety of iShares that you can use -- iShares are actually great building blocks if you want to manage munis and come in and out of different takes on the muni sector. Or if you are looking for a global fixed-income portfolio and looking to take up or down your level of, let's say, emerging market exposure, ETFs let you do that. They're great tools to also actively manage the portfolio.



Disclosure:

Call 1-800-iShares to request a prospectus, which includes investment objectives, risks, fees, expenses and other information that you should read and consider carefully before investing.

Investing involves risk, including possible loss of principal.

Jennifer Grancio is associated with BlackRock Investments, LLC

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