Prescient
FUND SERVICES

ETF EVOLUTION *REPORT* 26

Shaping the future of
South Africa's ETF market.

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ETF EVOLUTION
REPORT'26

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LIST OF ABBREVIATIONS

AMETF	Actively Managed Exchange Traded Funds
AUM	Assets Under Management
CIS	Collective Investment Scheme
DFM	Discretionary Fund Manager
DIY	Do It Yourself
ETF	Exchange Traded Fund
EY	Ernst & Young
FX	Foreign Exchange
iNAV	Intra-day Net Asset Value
IFA	Independent Financial Adviser
JSE	Johannesburg Stock Exchange
LISP	Linked Investment Service Provider
ManCo	Management Company
NAV	Net Asset Value
RHF	Retail Hedge Fund
TER	Total Expense Ratio
UCITS	Undertakings for Collective Investments in Transferable Securities
US/USA	United States / United States of America

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ETF EVOLUTION *REPORT'26*

The 2026 Prescient ETF Evolution Report provides insights that reinforce a central theme: the next phase of ETF growth will depend on more than product innovation alone.

Craig Mockford,
Chief Executive Officer

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FOREWORD

A word from the CEO

Craig Mockford, Chief Executive Officer
Prescient Fund Services



In February 2020, the outgoing CEO of S&P Dow Jones Indices, Alex Matturri, gave an interview to Moneyweb in which he called exchange traded funds (ETFs) "the most disruptive concept in financial history in many ways". He spoke about how ETFs around the world were disrupting the asset management business model, and changing the world of active management.

At the time, many South African investors may have been a bit sceptical of Matturri's assertion. The local ETF market was still almost exclusively composed of index trackers and regulation limited innovation. Today, however, we are in a very different world.

South Africa's ETF landscape has entered a phase of rapid and exciting development in which new strategies are coming to market every month. The broad market index trackers and commodity ETFs remain the core of the industry, but product innovation, particularly in actively managed ETFs (AMETFs), is delivering exactly the kind of disruption that Matturri was talking about.

Our goal with the Prescient ETF Evolution Report is to explore this evolution, and the diverse and compelling opportunities that the ETF market now offers to players across the investment industry. Now in its second year, this report aims to become a key point of reference for any investment business wanting to understand the market and how to approach it.

What's inside?

The 2026 Prescient ETF Evolution Report brings together insights from across Prescient Fund Services, covering strategy, distribution, capital markets, management company expertise and product structuring. We are thrilled to bring this depth of knowledge together in one place.

This year's report explores how ETFs are evolving from simple investment products into powerful portfolio management tools, while examining the rapid growth of AMETFs and their increasing appeal to both retail and institutional investors.

Our ETF specialists unpack the key decisions facing asset managers considering an ETF launch, from product structure and disclosure models to distribution strategies, capital market requirements and platform choices. The report also highlights the critical role of capital markets support in ensuring ETF success, examines lessons from Europe's ETF boom, and shares findings from our industry survey on ETF adoption in South Africa.

Together, these insights reinforce a central theme: the next phase of ETF growth will depend on more than product innovation alone. Success will require the right structures, strong distribution, robust capital markets support and continued investor education.

Empowering global investing success remains at the core of what we do. We hope this report provides the local industry with valuable perspectives on where South Africa's ETF market stands and where it is going. There is certainly plenty to be excited about.

South Africa's ETF market enters its next growth phase



The Rise of AMETFs

Ben Meyer,
Managing Director
Prescient Capital Markets







The ETF market added approximately R60 billion in market capitalisation during 2025 alone.

South Africa's ETF market has entered a new phase of development. Since our last report, it has continued to broaden beyond its traditional passive, index-tracking roots into a more diverse universe that now includes actively managed exchange traded funds (AMETFs) with global feeder exposure, fixed income strategies and balanced portfolios.

Two important factors are driving this growth. Firstly, investors are increasingly looking for transparency, liquidity, cost efficiency and the ability to access diversified strategies through a listed instrument. At the same time, asset managers are recognising that the ETF structure can serve as a new distribution channel alongside traditional collective investment schemes and investment platforms.

The result is a market that is no longer defined only by passive, index tracking exposure, but by a wider range of building blocks that can support different investment outcomes.

This is evident in the way the JSE's ETF market has expanded. In 2024, the exchange surpassed 100 listed ETFs and reached a market capitalisation of more than R200 billion, excluding ETNs and AMCs.

Last year, this total ETF market capitalisation increased by a further 29%, adding R60 billion year-on-year. This growth trend is continuing through 2026, with the total number of ETFs listed at 141 and total assets under management of R275 billion.

The most important structural development over this time has been the emergence of AMETFs. The first AMETF was listed on the JSE in May 2023 following changes to the exchange's listing requirements. Before this, ETFs were required to track a published index, with the exception of commodity ETFs that tracked the price of a specific commodity like gold or platinum. The new framework has allowed portfolio managers to apply investment discretion within a listed vehicle, creating a bridge between the traditional unit trust market and the exchange traded environment.

The speed of adoption has been notable. At the beginning of August 2024, there were 10 AMETFs listed on the JSE. By the end of August 2026, this had increased to 52, with AMETF assets reaching approximately R25 billion. This growth trajectory indicates that AMETFs have moved beyond the proof-of-concept stage and are now becoming an important product category in their own right.

Over the last 12 months, the range of new AMETF listings has also demonstrated the flexibility of the structure.

STATE OF THE MARKET

South Africa's ETF market enters its next growth phase

These listings have included income-focused strategies, multi-asset funds, global feeder strategies and long-only active solutions. Examples include the Amplify Strategic Income Satrix Feeder AMETF, listed in February 2026, which provides investors with exposure.
These listings have included income-focused strategies, multi-asset funds, global feeder strategies and long-only active solutions. Examples include the Amplify Strategic Income Satrix Feeder AMETF, listed in February 2026, which provides investors with exposure to an actively managed South African income strategy; the Prescient China Balanced Feeder AMETF, listed in March 2026, which provides exposure to Chinese equity, bonds and money market instruments; and the ETFSA Oyster Global Balanced Prescient AMETF, listed in April 2026, which provides access to a globally diversified multi-asset portfolio. We also saw EasyETFs list three CPI-linked AMETFs in May 2026, namely the EasyETFs CPI + 3 AMETF, EasyETFs CPI + 5 AMETF and EasyETFs CPI + 7 AMETF, offering investors actively managed outcome-based strategies aligned to different risk and return objectives.

Income-focused AMETFs are likely to remain one of the key growth areas as South African investors continue to seek yield, stability and capital preservation. Income AMETFs provide a listed alternative to traditional income unit trusts, while offering the benefits of intraday trading, transparent pricing and access through stockbroking and investment platforms. For investors managing the AMETF structure this may become an increasingly useful tool for blending liquidity, yield, and professional active management.

Balanced and multi-asset AMETFs represent another major growth opportunity. Balanced funds have historically played a central role in the South African savings and retirement market because they provide diversified exposure to equities, bonds, property, cash and offshore assets in a single portfolio. The introduction of balanced AMETFs brings this familiar investment approach into the listed environment.

This is particularly relevant given the size of the South African multi-asset market. The collective investment scheme industry has traditionally had a large allocation to multi-asset portfolios, reflecting the importance of balanced funds in retirement and discretionary savings. AMETFs give asset managers an opportunity to repackage these proven strategies in a format that is easier for certain investors to access and trade.

Long-only active equity strategies should also gain momentum. The AMETF structure allows active equity managers to bring their established investment processes to the listed market, providing investors with access to manager skills in a transparent and tradeable format. This is relevant for both domestic equity strategies and global feeder funds. The listing of AMETF versions of established global equity and global balanced strategies by leading managers shows that the structure is being adopted not



AMETFs have moved beyond the proof-of-concept stage and are now becoming an important product category in their own right.

South Africa's ETF market enters its next growth phase

only by new entrants, but also by established investment houses looking to broaden access to their capabilities.

Trading activity is another important indicator of ETF market development. As market capitalisation grows and product choice expands, trading volumes and the number of trades should also increase.

A deeper secondary market improves investor confidence, supports more efficient execution, and helps the ETF ecosystem mature. The average trading value of AMETFs at the end of August 2026 was R41 million per day, compared to ETFs of R562 million per day.

The growth of AMETFs is supported by a clear value proposition. For investors, AMETFs offer access to professional active management through a listed instrument. These funds can be bought and sold during the trading day, held through existing brokerage accounts and incorporated into portfolios alongside shares, bonds, and traditional ETFs. For asset managers, AMETFs create an additional route to market and provide a way to reach investors who prefer listed instruments or who operate through platforms where ETFs are already well understood.

Looking ahead, the outlook for South African ETFs remains positive. The market is likely to continue expanding as investors become more familiar with exchange traded products and as asset managers bring more strategies to market. Growth is expected to be strongest in areas where the ETF structure solves a clear access problem or improves investor convenience. These include income funds, balanced funds, global feeder strategies, long-only active funds, and outcome-based portfolios.

Prescient Fund Services expects this momentum to continue, supported by a solid pipeline of new listings. The continued development of AMETFs creates an opportunity to broaden investor choice and deepen the South African listed investment market. We are also working with regulators and industry stakeholders to explore the possibility of listing Retail Hedge Fund (RHF) AMETFs in the future. If permitted, RHF AMETFs could represent an important next step in the evolution of the market by providing regulated access to alternative investment strategies through a transparent, listed structure.

The South African ETF market has therefore moved into a new growth phase. Passive ETFs remain an important foundation, but the next chapter is increasingly about active management, broader investment outcomes and more flexible listed access. AMETFs are central to this development. They combine the familiarity of collective investment portfolios with the efficiency of exchange trading, and they are likely to become an increasingly important part of how South African investors access different strategies in the years ahead.

The South African ETF market has moved into a new growth phase. Passive ETFs remain an important foundation, but the next chapter is increasingly about active management, broader investment outcomes and more flexible listed access.

ETF ADOPTION

How institutional investors are currently using ETFs: Insights from practical experience



Ben Meyer,
Managing Director
Prescient Capital Markets





When thinking about institutional investors, we tend to imagine large pension funds, insurers, asset managers, endowments, or discretionary fund managers (DFMs) managing billions of rand. However, it is important to remember that behind most institutional assets sit the savings of ordinary individuals: retirement fund members, policyholders, medical aid members, and retail investors. Institutional investing is therefore ultimately about managing and deploying the collective savings of millions of people as efficiently as possible.

In that light, it's worth reflecting on how ETFs have evolved from simple index-tracking products into versatile investment tools with a range of applications. Internationally, institutions increasingly use ETFs not only for strategic asset allocation but also for transition management, liquidity management, cash equitisation, tactical exposures, and portfolio implementation. Institutional ETF adoption continues to accelerate as investors seek liquidity, operational efficiency, cost savings, and rapid market access.

From a South African perspective, many of these same use cases are becoming increasingly relevant. Based on our experience, several practical applications have emerged where ETFs can create meaningful efficiencies for institutional investors.

DFM model portfolio implementation

One of the more compelling use cases is in the DFM space, where many DFMs manage model share portfolios that are replicated across multiple client stockbroking accounts. Traditionally, whenever the model portfolio changes, each underlying client account must be rebalanced individually. This creates operational complexity, transaction costs, and administrative burden. However, wrapping the model share portfolio within an ETF can solve many of these challenges:

Operational efficiency

Instead of rebalancing every individual client account, the portfolio manager only needs to rebalance the ETF portfolio itself. All investors automatically participate in the updated portfolio through their ETF holdings. This significantly reduces trading activity and operational workload.

Wrapping the model share portfolio within an ETF can solve many of these challenges.

ETF ADOPTION

How institutional investors are currently using ETFs: Insights from practical experience

Tax efficiency

A particularly attractive feature is the tax treatment of the structure. Portfolio adjustments within the ETF do not generally trigger capital gains tax events for the underlying investors. Investors generally only face capital gains tax consequences when they dispose of their ETF holdings, although income distributions remain taxable in the investor's hands. This can improve after-tax investment outcomes compared to directly managing model share portfolios across multiple client accounts.

Simplified client reporting

Clients and advisers often prefer viewing their consolidated portfolio through their stockbroking platform, creating complexity when investing in unlisted collective investment schemes. An ETF appears alongside equities and other listed securities within the same account, making portfolio administration and reporting more straightforward.

Trading and settlement efficiency

Because ETFs trade on the exchange like ordinary shares, they settle within the same market infrastructure and settlement cycle. In South Africa, this enables efficient matching of subscriptions, redemptions, and portfolio cash flows with other listed securities transactions. This becomes particularly valuable for wealth managers and stockbrokers managing large numbers of client accounts.

Scalability

As assets under management grow, the operational advantages become even more significant. Whether the ETF has R100 million or R10 billion in assets, the portfolio manager is operating a single portfolio rather than multiple individual share portfolios.

Cash and liquidity management

ETFs can also assist institutional investors with cash management.

Institutions frequently experience temporary cash balances arising from portfolio transitions, client inflows, benefit payments, manager changes, or asset allocation adjustments. Leaving these large amounts of cash uninvested can create performance drag.

Income fund ETFs provide an efficient solution. They offer immediate exposure to cash-equivalent and short-duration fixed-income instruments while retaining daily liquidity and exchange tradability.

For example, during a manager transition, assets may need to be held temporarily in cash before being redeployed into a strategic mandate. Rather than leaving funds in cash, institutions can invest in an income ETF and maintain market exposure while preserving liquidity.

Transition management

Institutional portfolios are not static. Pension funds regularly replace managers, restructure mandates, or adjust strategic asset allocations.

Historically, these transitions often resulted in periods where assets sat in cash while mandates were implemented. ETFs enable institutions to maintain immediate market exposure during these transitions, reducing timing risk and helping portfolios remain aligned with investment objectives. Internationally, this application is often referred to as "cash equitisation" and remains one of the most widely used institutional ETF applications.

ETF ADOPTION

How institutional investors are currently using ETFs:
Insights from practical experience

Tactical and strategic portfolio exposures

Institutional investors also use ETFs to gain immediate exposure to asset classes, sectors, countries, or investment themes.

Instead of building exposure security by security, an institution can access an entire market through a single transaction. The growing range of local and international ETFs has made this approach increasingly attractive, particularly where speed, diversification, and cost efficiency are important.

The big picture

While ETFs are often associated with retail investors, their role within institutional portfolios continues to expand. Globally and increasingly in South Africa, institutions are utilising ETFs not simply as investment products but as portfolio management tools that improve operational efficiency, liquidity management, tax outcomes, and implementation effectiveness.

Ultimately, whether the investor is a pension fund, insurer, DFM, or wealth manager, the objective remains the same: to manage underlying client assets as efficiently as possible. ETFs are proving to be one of the most effective vehicles available to do this.

It is important to remember that behind most institutional assets sit the savings of ordinary individuals: retirement fund members, policyholders, medical aid members, and retail investors.



RETAIL ADOPTION

Retail adoption of ETFs in South Africa: What the market is telling us



Niki Giles,
Head of Strategy
Prescient Fund Services

South African retail investors are warming to ETFs faster than at any point in our market's history. However, the base is still small and how we close that gap is the real opportunity for issuers.

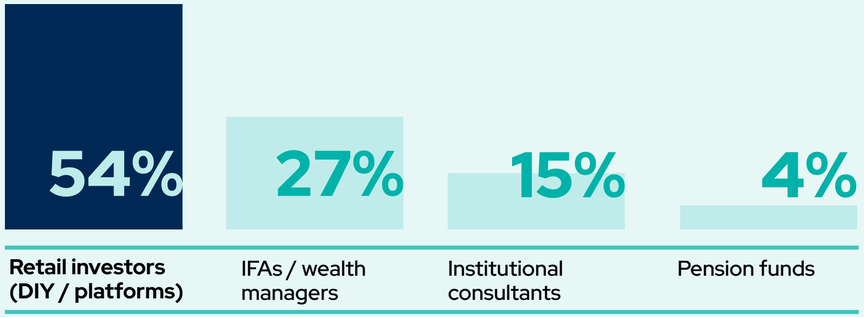
Retail was almost invisible on the JSE before the pandemic, with private investors making up only about 3% of trading volumes before 2020. That share has grown meaningfully, driven largely by the introduction of actively managed ETFs (AMETFs) and a new generation of trading platforms that stripped out minimum investments and jargon. The local market has grown with it: the SA exchange-traded product market, which includes ETNs and AMCs alongside ETFs, reached almost R295 billion by the end of 2025, up around 31% for the year.

The demand is real, but the scale is not: South Africa remains predominantly institutionally driven. Retail is catching up, but we're nowhere near a market like the US, where ETFs are embedded in everyday retirement savings. We're also arguably still behind Europe where ETF savings plans are growing fast.

We asked some industry professionals which investor segment they thought was driving the current ETF growth in South Africa.

The answer was clear: the majority named retail investors, with IFAs and wealth managers a distant second and institutional channels barely registering. The sample may be small, but the signal sits comfortably with what we see in the market – institutions still hold the assets, while retail is setting the pace of growth. It also places the adviser channel squarely in the middle of the story – seen as the second-largest driver today but held back by the platform and settlement frictions discussed further below.

Which investor segment do you believe is currently driving ETF growth in South Africa? (26 respondents)



How retail investors access ETFs

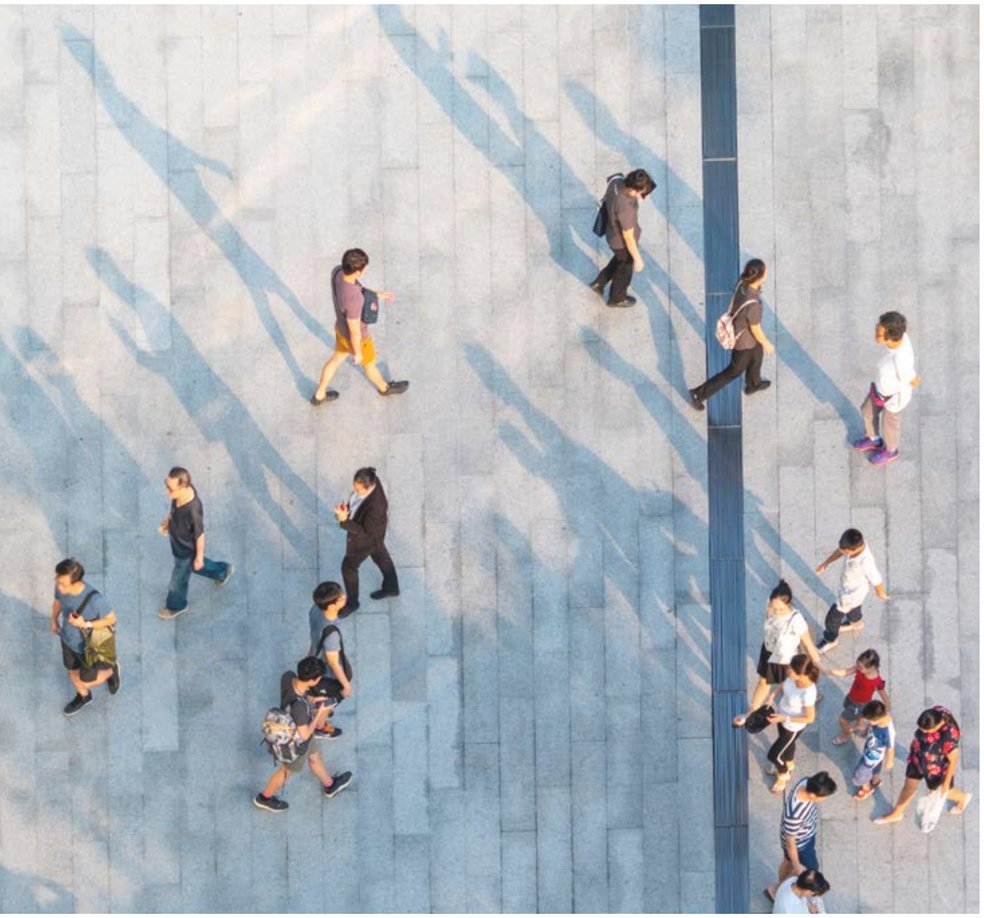
There are two main routes for retail investors to access ETFs. The first is through a traditional stockbroking account, buying ETFs directly on the JSE. The second – and the one doing the heavy lifting – is using investment platforms and apps like EasyEquities and SatrixNOW. EasyEquities hosts over a million accounts and lets clients invest from as little as R5 through fractional shares. SatrixNOW opens the door from R10. Those low entry points have drawn in many first-time investors.

ETFs are also increasingly available inside tax-friendly wrappers (tax-free savings accounts and retirement annuities on platforms like ETFSA), pairing the tax efficiency of the wrapper with the low cost of the ETF.

The opportunity gap remains on the advised side. LISP platform access remains limited. ETFs are mostly available via share portfolios on LISPs, but not yet in most of the fund-of-funds or model portfolios that advisers use. This holds back adviser-driven distribution. However, most LISPs are now building some form of access, working through different trading models to solve the fractional-share problem.

RETAIL ADOPTION

Retail adoption of ETFs in South Africa: What the market is telling us



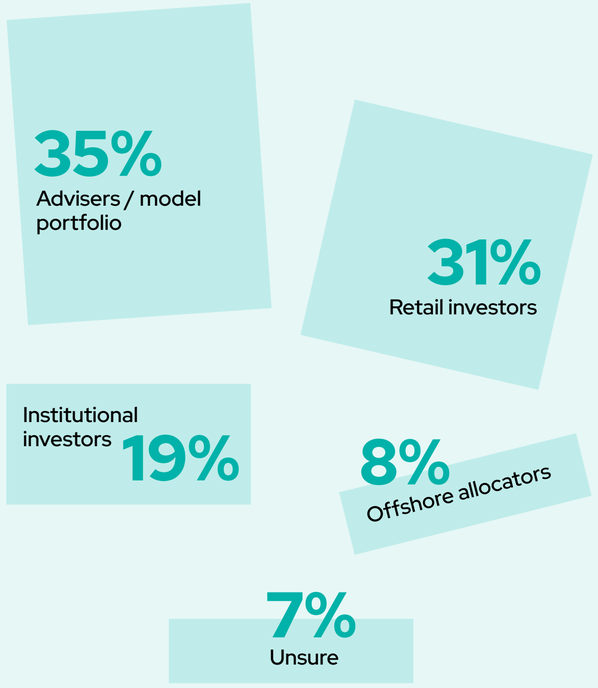
What's coming to market?

The product shelf is widening, and is starting to look familiar to anyone used to unit trusts. We're seeing income funds with regular distribution cycles, balanced and Regulation 28-compliant offerings, and a broader spread of asset classes, much of it offshore-focused. More of the "household name" managers that the industry associates with CIS and LISP platforms are now launching ETFs.

AMETFs are a big part of this trend. New categories have moved well beyond equities. We are seeing listings of multi-asset income funds, inflation-beating strategies (CPI +3%, +5% and +7%), global fixed income and even AI-themed funds. Globally, more than half of 2025's ETF launches were active, and BlackRock has estimated that global active ETF assets are expected to reach around US$4.2 trillion by 2030. South Africa is tracking that trend, just from a smaller base, which raises a fair question for the industry: who are AMETFs really intended for in this market - retail, advisers or institutions? Increasingly, the answer looks like all three.

We also asked some industry professionals who they thought AMETFs were best suited to, and here the answer was far less clear-cut. Advisers and model portfolios came out marginally ahead, with retail investors close behind and institutions some way back. No single segment commanded a majority, which supports the view that AMETFs are not a product built for one audience. The split is also telling in itself: the adviser channel clearly sees the opportunity, even where the platform infrastructure has yet to catch up.

In your view, who are AMETFs most suitable for in South Africa? (26 respondents)



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RETAIL ADOPTION

Retail adoption of ETFs in South Africa: What the market is telling us

Why retail is buying

The drivers for retail adoption are consistent: low cost and fee transparency, easy access and intraday liquidity, and diversification in a single trade. For AMETFs specifically, investors want the chance of alpha with ETF efficiency, plus the real-time pricing and transparency they don't always get from a unit trust. Add the macro backdrop (the desire for offshore exposure and currency hedging, and an appetite for flexible allocation), and the appeal is clear.

What's holding it back?

At the same time, three barriers stand out. First, adviser hesitance is structural, not just out of habit. Many IFAs still default to unit trusts. They know the product, while the platform plumbing and fee structures favour it, and ETFs don't generate the same trail commissions. Second, the JSE's T+3 settlement cycle (versus T+1 in the US, with the EU and UK both committed to T+1 by October 2027) creates real friction when advisers try to manage ETFs alongside unit trusts in a blended portfolio. Third, education remains the big challenge: our 2025 Prescient ETF Evolution Report put the knowledge gap at the centre of the challenge, with investors and even some advisers still conflating ETFs with unit trusts or misreading the AMETF structure.

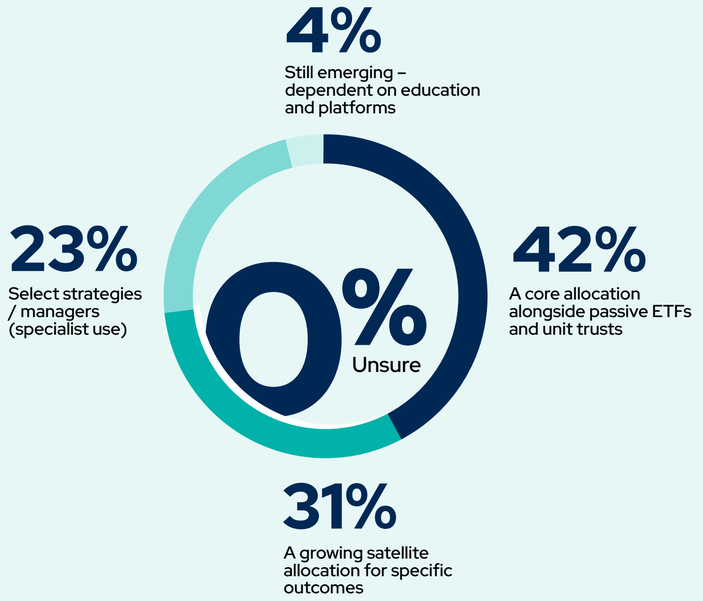
What needs to happen?

Two structural changes come to mind to improve uptake: moving toward T+1 settlement, and broader LISP integration. Together they would let advisers, DFMs and fund-of-funds use ETFs as freely as unit trusts and build genuinely blended portfolios of unit trusts and ETFs. Beyond that, the levers most likely to have an impact are deeper investor and adviser education, continued product innovation, more inward listings of global ETFs on the JSE, and ongoing platform competition to push costs lower still.

One significant underlying driver is generational. Millennial and Gen Z investors are digital-first, cost-conscious and entirely comfortable investing from an app. They are the natural ETF audience. As the great intergenerational wealth transfer plays out over the coming decades, we would expect flows to tilt structurally toward ETFs.

Finally, we asked the industry professionals where they saw AMETFs in five years' time. Not one respondent expected them to still be on the fringe: a plurality said AMETFs would be a core allocation held alongside passive ETFs and unit trusts, with the balance split between a growing satellite allocation and specialist use for select strategies. Only one respondent thought adoption would still hinge on education and platform support, and nobody was unsure. That is a striking level of conviction for a product set this young, and it puts the onus back on the industry: the market has already decided AMETFs belong in the core, so the work now is making the platform and settlement infrastructure keep up.

In five years' time, AMETFs in South Africa are most likely to be: (26 respondents)



Prescient FUND SERVICES

SNAPSHOT

Results from the 2026 Prescient ETF Survey

The 2026 Prescient ETF Survey, conducted in August 2026, gathered insights from 26 industry participants, with all 16 survey questions completed in full, providing a comprehensive view of market sentiment. Respondents were primarily investment managers (69%), followed by DFMs and multi-managers (15%), wealth managers (8%), and service providers (8%).

AMETF FAMILIARITY

Everyone in the room knows AMETFs

100%

81% describe themselves as very familiar

MARKET MATURITY

15%	69%	12%
Still niche	Growing, but misunderstood	Mainstream

Only 1 respondent considers the SA ETF market fully established and comparable to unit trusts

The sample is small and self-selected, so results are indicative of sentiment among participating professionals rather than statistically representative of the market. Figures may not sum to 100% due to rounding

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AMETFs VS UNIT TRUSTS

0% see AMETFs as a threat

8% Defensive necessity

15% Not applicable

77% see AMETFs as an opportunity

- 31% – Complementary wrapper
- 46% – An opportunity for new clients / distribution

GROWTH EXPECTATIONS

89% Expect meaningful growth

35% Expect rapid growth

54% Expect gradual growth

11% Only in niche strategies

CURRENT ETF GROWTH DRIVER

54%	Retail investors (DIY / platforms)
27%	IFAs / wealth managers
15%	Institutional consultants
4%	Pension funds

FIVE-YEAR OUTLOOK

96% expect a defined role for AMETFs

42% Core allocation | 31% Satellite | 23% Specialist | 4% Still emerging

0% Unsure about AMETFs' future role

ETF USAGE IN PORTFOLIOS TODAY

19% Not yet used

23% Satellite holdings

27% Core building blocks

31% Used occasionally

HOW CRITICAL IS DAILY DISCLOSURE

Transparency is accepted. Only its degree is debated.

92% of respondents view transparency positively

- 46% view daily portfolio disclosure as essential
- 46% see it as helpful but not critical
- Only 8% believe the emphasis on daily disclosure is overstated

No respondents views it as a concern

The ETF opportunity is clear. Execution is the barrier

Results from the 2026 Prescient ETF Survey show a market ready for growth but practical barriers remain.



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ADOPTION BARRIERS AND REMEDIES

The barrier is execution, not demand

46% cite pricing and spreads as the **most common market concern.**

38% identify platform constraints as **the biggest barrier in advised portfolios.**

46% say broader product availability would **most improve ETF adoption.**

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KEY ETF FINDINGS

The Prescient ETF Survey



Niki Giles,
Head of Strategy
Prescient Fund Services

Based on responses from 26 industry professionals across investment managers, DFMs, wealth managers, and service providers, South Africa's ETF market stands at an interesting juncture. The products are no longer new. The regulatory framework for actively managed ETFs (AMETFs) is in place. And awareness across the professional investor community appears high. Yet a persistent sense lingers that the market has not fully arrived. Our survey puts some shape around that feeling and points clearly to where the real work lies.

Growing, but still misunderstood

Nearly seven in ten respondents (69%) describe the South African ETF market as "growing, but misunderstood". Only one respondent in 26 considers it fully established and comparable to unit trusts. This is a telling signal from an audience that skews heavily toward investment professionals – 69% of our respondents work at investment managers, with the remainder split across DFMs, wealth managers, and service providers. These are not retail investors unfamiliar with the wrapper. They are the very people who decide whether ETFs feature in portfolios, and their view is that the market, while gaining traction, has not yet shed its fringe associations.

Retail investors are seen as the primary growth engine for ETFs at present – 54% of respondents identify the DIY and platform channel as the segment currently driving adoption. But retail momentum alone is not a route to institutional scale. The deeper opportunity lies in the professional channel, and that is precisely where friction remains.

AMETF readiness is real

The survey paints an unusually bullish picture on AMETFs. Every single respondent reports at least some familiarity with the structure, and 81% describe themselves as "very familiar" – a figure that possibly reflects both the concentrated, well-informed nature of our respondent pool and the genuine progress the industry has made in building awareness since South Africa's first AMETFs listed. On growth expectations, 89% believe AMETFs will see meaningful growth in South Africa, with 35% expecting that growth to come rapidly. Not a single respondent believes AMETFs will have limited relevance.

Perhaps most striking is the absence of defensive sentiment. When asked how AMETFs relate to their active unit trust business, not one respondent described them as a threat. Instead, 46% see AMETFs as an opportunity for new clients and expanded distribution, and a further 31% view them as a complementary wrapper. The commercial instinct, at least in this audience, has moved well past resistance and toward participation.

Not one respondent describes AMETFs as a threat – 77% see a complementary wrapper or an opportunity for new client distribution.

The barrier is execution, not demand

Where the survey delivers its sharpest insight is on what is actually holding adoption back – and the answer is less about awareness than many in the industry might assume. Pricing and spreads emerge as the most common concern respondents hear in the market (46%), followed by education (35%). At the portfolio level, platform constraints are cited by 38% as the single biggest barrier to greater ETF adoption in advised portfolios, ahead of limited client understanding, adviser incentives, and product availability.

The demand signal is there. The structural and operational plumbing is where the gap sits. When asked what would most improve ETF adoption, broader product availability was the top answer at 46%, followed by better education at 27%. Adviser training and improved data and analytics each attract 12% – areas where professional market participants see a clear role for the industry to do more.

KEY ETF FINDINGS

The Prescient ETF Survey



Looking ahead: a place in every portfolio

The five-year outlook from respondents is confident. 42% of respondents expect AMETFs to become a core allocation alongside passive ETFs and unit trusts, with a further 31% anticipating a growing satellite role. Only one respondent in 26 expects AMETFs to still be emerging in five years – a remarkably low figure, and one that sits alongside near universal agreement (96%) that AMETFs will have a defined and meaningful role in the South African market.

On transparency, respondents are pragmatic: 46% consider daily portfolio disclosure essential in an AMETF, and an equal 46% describe it as helpful but not critical. No respondent views it as a concern – a signal that the structural features of the AMETF wrapper are broadly understood and accepted within this audience.

The picture that emerges from this survey is one of a professional market that has largely resolved its questions about whether AMETFs belong in South Africa. The conversation has moved on to how – and the answers point to practical work on platform access, product breadth, pricing transparency, and the adviser education that will allow the professional channel to close the gap between awareness and allocation.

42%

expect AMETFs to become a core allocation alongside passive ETFs and unit trusts, with a further 31% anticipating a growing satellite role.

STRUCTURING

To feed or not to feed?



Kim Gibb,
Chief Executive Officer
Prescient Management Company



One of the earliest and most consequential decisions an asset manager faces when launching an ETF is whether they should build a feeder structure into an existing onshore or offshore fund, or establish a standalone ETF holding the underlying assets directly.

At face value, both routes provide access to the market, operational efficiencies, and scalable product design. In practice, however, the choice between "feeding" and "owning" carries profound implications for cost, control, liquidity, and ultimately, the long-term success of the ETF.

As the South African ETF market continues to mature and integrates more deeply with global investment structures, this decision is becoming a defining feature of product strategy rather than a purely operational consideration.

In a market defined by increasing sophistication, the winners will be those who align structure with intent and who recognise that, in ETFs, how you build the product is often as important as what the product delivers.

STRUCTURING

To feed or not to feed?

The case for feeding: Speed, simplicity and scale

Feeder ETFs, where the local ETF invests into an existing offshore fund (typically a UCITS structure) or an existing onshore unlisted long-only fund, offer a compelling entry point for asset managers seeking efficiency.

The appeal is clear in that they offer:

Accelerated time-to-market

Leveraging an established fund bypasses the complexity of building a portfolio from scratch.

Operational simplicity

Portfolio management, trading, and rebalancing remain centralised in the existing fund, reducing the operational burden.

Proven track record

Investors gain exposure to a strategy with an existing performance history, which is an important credibility lever in a competitive landscape.

Lower initial scale requirements

Given that portfolio liquidity is effectively outsourced to the underlying fund, feeder ETFs can launch and operate at smaller AUM levels more efficiently.

In a market where ETF adoption is still expanding and education remains key, the feeder model can therefore act as a practical bridge for global funds, connecting local distribution with global capability.

The trade-off: Layers, costs and control

However, simplicity rarely comes without compromise. Feeder ETFs inherently introduce an additional layer between the investor and the underlying assets and, with that, a set of structural considerations:

Cost layering
Investors can be exposed to fees at both the ETF and underlying fund level, placing pressure on total expense ratios in a market highly sensitive to cost, unless the structure is designed to avoid duplication.

Reduced transparency
While ETFs are typically praised for their transparency, a feeder model can dilute this by limiting visibility into underlying holdings at the ETF level.

Limited flexibility
The ETF is constrained by the mandate, liquidity terms, and operational decisions of the underlying fund.

Dependency risk
Changes at the offshore fund level, whether strategic or operational, directly impact the ETF.

For asset managers positioning themselves as differentiated product providers rather than distributors, these limitations can become increasingly material over time.

STRUCTURING

To feed or not to feed?

The case for direct holdings: Control, efficiency and identity

By contrast, ETFs that hold underlying assets directly offer a purer expression of the ETF model. This route is operationally more complex but strategically more powerful.

Its key advantages include:

Full portfolio control

The manager retains discretion over asset selection, rebalancing, and execution.

Enhanced transparency

Direct holdings align with the traditional ETF value proposition of daily portfolio disclosure.

Cost efficiency at scale

Eliminating an underlying fund layer removes duplication of fees, improving competitiveness over the long term.

Stronger product identity

The ETF becomes the primary investment vehicle, rather than a wrapper around somebody else's strategy.

As ETFs evolve from simple index trackers to more sophisticated instruments, including actively managed and thematic strategies, this control becomes increasingly important.

The reality: Complexity, scale and execution risk

Yet the direct route is not without its own challenges:

Higher operational demands
From portfolio construction to market-making and liquidity management, the ETF must stand on its own.

Greater reliance on capital markets infrastructure
The success of the strategy hinges on market makers, and efficient primary-secondary market functioning.

Seeding requirements
While there may not be formal minimums, achieving meaningful scale early is critical to ensure tight spreads and product viability. Reaching sufficient AUM to sustain listing costs and support liquidity matters more than the headline launch figure.

Execution risk in early stages
Smaller ETFs can face tracking challenges, wider spreads, and limited investor adoption if not carefully managed.

For newer entrants, these hurdles can represent a significant barrier, particularly in a market still building institutional ETF adoption.

STRUCTURING

To feed or not to feed?

A strategic lens: Not either/or, but when and why

Given all these considerations, framing this decision as a binary choice risks oversimplification.

In practice, the most successful ETF strategies often reflect a **phased or hybrid approach:**

- They launch as **feeder structures** to establish initial market presence, test investor appetite, and build scale.
- They then **transition to direct holdings** as assets grow and the economics justify internalisation.
- They may also have **dual offerings** where feeder ETFs complement flagship direct strategies across different investor segments.

This reflects a broader shift in the ETF landscape from viewing ETFs as products, to recognising them as strategic platforms for distribution, access, and innovation.

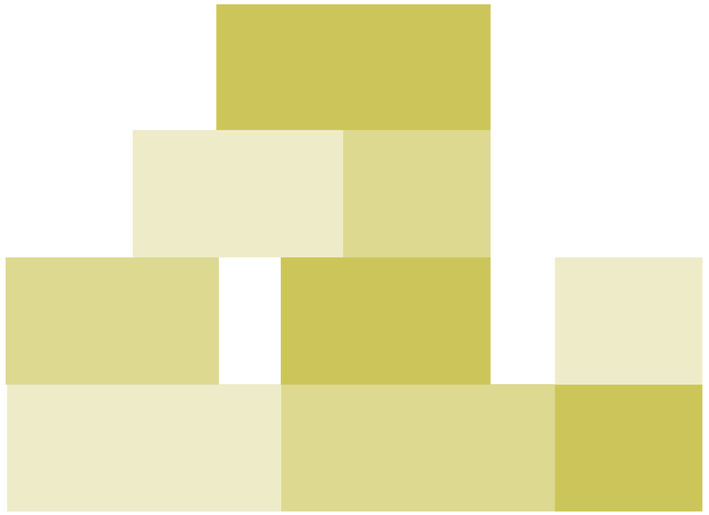
Structure as strategy

As actively managed ETFs continue to move from niche to mainstream in South Africa, the question is no longer simply how to launch an ETF but how to position it for long-term relevance and growth.

The choice between feeding into an offshore fund and building a direct holdings ETF is therefore not just structural. It is strategic.
It speaks to how an asset manager views:

- Control versus convenience
- Cost versus speed
- Distribution versus differentiation

In a market defined by increasing sophistication, the winners will be those who align structure with intent and who recognise that, in ETFs, how you build the product is often as important as what the product delivers.



ETF LISTING FAQS

The three most frequently asked questions when listing an ETF in South Africa



Kim Gibb,
Chief Executive Officer
Prescient Management Company



Joanne Duncan,
Product Lead
Prescient Fund Services



The growing attractiveness of the ETF market has piqued the interest of many asset managers, particularly those considering the advantages of AMETFs. However, potential issuers need to navigate this space carefully, and there are three particular questions that they need to consider before embarking on a listing. While each fund is unique, the answers to these questions often have a far greater impact on the success of an ETF than the investment strategy itself.

Should the fund be structured as a fully disclosed or non-disclosed ETF?

This is often the first strategic decision an asset manager must make.

Historically, ETFs were built around transparency. Market makers relied on daily disclosure of portfolio holdings to facilitate efficient pricing, liquidity, and creation and redemption activity. For passive strategies, this model works exceptionally well because the underlying index is made publicly available.

For active managers, however, transparency introduces a dilemma. Publishing portfolio holdings daily can expose proprietary research, security selection decisions, and portfolio positioning to competitors. For managers whose value proposition is built on differentiated investment insights, daily portfolio disclosure runs counter to one of the fundamental principles of active management: generating and protecting intellectual property that delivers an investment edge.

A non-disclosed ETF offers an alternative. Rather than fully revealing holdings every day, non-disclosed ETFs publish an independently calculated intraday net asset value (iNAV) to the market, allowing investors and liquidity providers to monitor the ETF's fair value throughout the trading day. This allows managers to protect their intellectual property while still maintaining the mechanisms necessary to support secondary market trading and liquidity.

Neither approach is inherently better. Managers who are less sensitive to their competitors replicating their investment selections, such as index tracking strategies, may favour a fully disclosed structure. Managers seeking to preserve a differentiated investment process may find a non-disclosed structure more attractive.

The real question is which structure best aligns with your investment philosophy and value proposition.

Should we establish the ETF on our own ManCo or through a co-name arrangement?

Many ETF issuers underestimate the operational complexity involved in bringing a product to market.

An ETF requires far more than an investment management capability. It demands regulatory oversight, governance structures, liquidity provision arrangements, listing administration, and an ecosystem of service providers working together seamlessly.

ETF LISTING FAQS

The three most frequently asked questions when listing an ETF in South Africa

For this reason, one of the most common decisions facing prospective issuers is whether to launch through their own management company (ManCo) or partner with an established ETF platform on a co-named basis.

Launching on your own ManCo provides greater independence and control. You own the infrastructure, the operating model, and the strategic direction of the platform. For managers with a long-term ambition to build a meaningful ETF business, this can be an attractive proposition.

However, ownership comes with responsibility. Establishing and maintaining ETF infrastructure requires ongoing investment of both capital and resources. Regulatory requirements, governance frameworks, operational oversight, and specialist expertise all need to be maintained regardless of the size of the ETF range.

A co-name arrangement offers a different path. Rather than building every component from scratch, managers can leverage existing ETF infrastructure and market expertise while maintaining responsibility for investment management and distribution.

For many first-time issuers, the question is not whether they can build an ETF platform. It is whether they should. If speed to market, operational efficiency, and cost management are priorities, partnering with an established platform may provide a more practical route to launching an ETF.

What is a reasonable size to seed an ETF?

Perhaps no question generates more debate than the amount of seed capital required at launch.

Many managers assume that a successful ETF needs hundreds of millions of rand on day one, but in reality, there is no universal minimum. The appropriate seed amount depends on several factors, including the liquidity of the underlying portfolio, anticipated investor demand, distribution capability, and the profile of early investors.

What significant seed capital does provide is operational functionality and cost efficiency. A reasonable seed allows market makers to support efficient trading, helps establish tighter spreads, reduces the burden of managing upfront fund costs and creates confidence among investors evaluating the product.

However, the industry often places too much emphasis on launch size and too little emphasis on distribution strategy. An ETF seeded with a substantial amount of capital but lacking a clear route to attract additional assets may struggle to achieve long-term relevance. Conversely, an ETF launched with a modest seed and backed by strong distribution relationships, adviser support, and institutional demand can gain momentum quickly.

While each fund is unique, the answers to these questions often have a far greater impact on the success of an ETF than the investment strategy itself.

ETF LISTING FAQS

The three most frequently asked questions when listing an ETF in South Africa

The more important question is often not how much capital is available at launch, but where the next R100 million will come from.

Successful ETF launches typically have a well-defined growth plan that includes anchor investors, adviser engagement and ongoing marketing support. Seed capital starts the journey. Distribution ultimately determines where it ends.

Shaping a successful listing

For asset managers seeking to bring innovative investment solutions to market, the ETF opportunity has never been more tangible. Yet successful listings are rarely defined solely by the quality of the investment strategy. They are often shaped by a handful of critical decisions made long before the first trade occurs:

- Should the ETF prioritise transparency or intellectual property protection?
- Should the asset manager build its own ETF infrastructure or leverage an existing platform?
- And does the launch have a sustainable growth strategy beyond the initial seed investment?

Asset managers that answer these questions early and honestly are typically better positioned to build ETFs that not only list successfully, but gather assets, attract investors, and remain relevant for years to come.

Seed capital starts the journey. Distribution ultimately determines where it ends.



ETF DISTRIBUTION

ETF distribution: It's so simple, so why isn't everyone doing it?



Hayden Reinders,
Head of Business Development
Prescient Fund Services

We are in the midst of an ETF revolution in South Africa. The ETF structure is giving active asset managers the ability to not just distribute their funds across traditional platforms but also directly on trading platforms within share portfolios.

A question worth asking, however, is whether this will lead to a new wave of distribution. One of the most common things we hear in the market is that people expect ETFs to be cheaper. However, there is not always a recognition of what the fee should be compared to. This is particularly because it is not just about the price of the product, but the ability it gives you to increase market access and reach.

In my discussions with market participants about actively managed ETFs (AMETFs) over the past two years, certain questions keep coming up. I would like to unpack some of these, share my experience around the current perception of ETFs and where I believe we are going based on my daily interaction with asset managers and other industry stakeholders.

Firstly, AMETFs are not a new concept. They are merely an established idea in a new distribution mechanism. Put simply, an AMETF is the same pooled collective investment portfolio that investors already know and trust, managed by asset managers within set investment parameters, delivered through a listed wrapper. The AMETF wrapper simply provides a different means of distribution.

Why it's attractive

For asset managers thinking about how they could take advantage of this opportunity, there are some important considerations to take into account:

- Investors can purchase an AMETF as easily as buying a share. It is listed on an exchange and traded in the same way as any listed security.
- Since AMETFs are tradable intraday, investment portfolios can react in real time to market changes, movements and macro events.
- Advisers can use AMETFs in basket portfolios to manage risk and adjust portfolios to meet the risk profiles of their clients. Advisers with risk metrics and monitoring tools can make instant adjustments simply by buying or selling securities. This can be more efficient than switching investments on a Linked Investment Service Provider (LISP).



- AMETFs can house different kinds of strategies, and can also be offered by banks and derivative providers in offering bespoke solutions blended for enhanced structured products.
- Foreign active ETFs can now register to be marketed under section 65 of the Collective Investment Schemes Control Act and list as AMETFs (inward listed onto exchanges like the JSE). This allows for direct distribution, saving costs and effort for investors seeking instant, direct access without the need for local feeder fund structures or having to send money offshore.

ETF DISTRIBUTION

ETF distribution: It's so simple, so why isn't everyone doing it?

If you want to distribute a fund more directly, across more markets and in real time, listing an AMETF offers a way to rethink distribution.

The world is trading directly and in real time. AMETFs enable the unit trust world to stay current and relevant. Just as asset managers can now make trading decisions from anywhere, the financial adviser of the future will do the same – using this new product set to make real-time portfolio decisions with clients. Europe provides an interesting case study highlighting what we are likely to see in South Africa too. There has been an explosion of ETF role-players, stakeholders, issuers, providers and AMETF products coming to market. Looking at the recent "2025 European ETF Market Landscape Report" by EY Ireland, published in 2025:

- AUM in ETFs has surpassed $3 trillion, driven by $390 billion in net inflows over the last year and strong market performance. (EY Ireland, 2025)
- The region has recorded 39 consecutive months of inflows. (EY Ireland, 2025)
- Investors used ETFs to navigate volatility rather than to exit markets.
- One in four new European exchange traded products launched is now actively managed.
- The TER that investors are prepared to pay seems to be increasing, possibly because of more AMETFs coming to market.
- And importantly, for this discussion, EY projects growing retail participation across markets and investment fund types.

Where to from here?

While we have seen significant growth at Prescient Fund Services and other ETF providers, the universe in South Africa is still relatively small.

At the moment, this means investors have limited options, and this lack of options limits the market's ability to showcase this story. However, the converse is also true: the more growth we see, the more evident the use cases will be.

The traditional investment platforms are now starting to realise that there is a risk in excluding ETFs. They are working on adding these products to their offering, and this will naturally create more of a market for the end investor.

A final question we are often asked is whether we will be introducing more alternative strategies in ETFs, such as listed hedge funds. We believe this is coming. The European market is demonstrating that if you get the basics right first, then more listing options within countries can also open up and growing awareness will allow for a wider range of options.

For asset managers, the opportunity is clear: if you want to distribute a fund more directly, across more markets and in real time, listing an AMETF offers a way to rethink distribution. Given global trends, South Africa won't be far behind in taking up this opportunity.

CAPITAL MARKETS

The role of the capital markets division of an ETF issuer



Ben Meyer,
Managing Director
Prescient Capital Markets

The success of an ETF issuer is often judged by visible measures such as assets under management, fund performance, listings, distribution partnerships and headline trading volumes. Behind those measures sits a less visible, but strategically critical function: the capital markets division.

In mature ETF markets such as Europe, the capital markets team is a central bridge between portfolio management, authorised participants, market makers, exchanges, brokers, platforms, custodians, administrators and end-investors. Its job is to ensure that the ETF trades efficiently, that primary-market creation and redemption activity works reliably, and that investors receive fair and transparent access to liquidity.

What the capital markets team does inside an ETF issuer

The capital markets division is responsible for the trading and liquidity ecosystem around the ETF, in both the primary and secondary markets. It complements the portfolio management activity as it assists in cash flow management from market activity. This ensures that portfolio management decisions can be translated into an investment product that trades efficiently and can be created and redeemed in the primary market.

A strong capital markets team understands both sides of the ETF: the fund portfolio and the exchange-traded instrument. It monitors spreads, order-book depth, market-maker performance, creation and redemption activity, settlement cycles, cash components, fair-value pricing, and investor experience in the secondary market.

In practical terms, capital markets is the issuer's operational and commercial nerve centre for ETF liquidity. It coordinates internal teams and external counterparties so that the ETF's exchange price remains closely aligned with its net asset value (NAV), ensuring both institutional and retail investors can trade with confidence.

Lessons from the European ETF market

Experience in the European ETF market demonstrates that liquidity is built through an ecosystem. Issuers compete not only on index exposure and fees, but also on execution quality, market-maker coverage, platform access, securities-lending efficiency, primary-market reliability and investor education.

Europe also shows that scale and operational discipline matter. As ETF penetration increases, investors become more sensitive to bid-offer spreads, tracking difference, trading costs and the reliability of creations and redemptions. The capital markets function therefore becomes a key differentiator between issuers that just list products and those that build sustainable trading franchises.

Another European lesson is the importance of cross-border distribution and multiple liquidity channels. A UCITS ETF can be listed on more than one exchange and trade in multiple currencies and venues. Although South Africa is a smaller and more domestically concentrated market, the same principle applies: liquidity improves when issuers coordinate market makers, brokers, platforms and end-investors around a clear operating model.

Application to the South African ETF and AMETF market

South Africa's ETF market has evolved from a narrow range of broad equity index products into a more diverse ecosystem that includes offshore feeder ETFs, commodity-linked products, fixed income ETFs and actively managed ETFs. This increases the need for specialist capital markets oversight.

CAPITAL MARKETS

The role of the capital markets division of an ETF issuer

For local ETFs and AMETFs, the capital markets team must understand JSE trading conventions, local settlement infrastructure, the roles of market participants, secondary market liquidity arrangements, exchange-control considerations for offshore exposures, and the operational requirements of collective investment scheme portfolios.

Capital markets should also help issuers manage the practical realities of a smaller market.

These include lower secondary-market depth in some products, concentration of flow through a limited number of brokers and platforms, sensitivity to large creations or redemptions, and the need to educate advisers and wealth managers on ETF execution.

Main responsibilities of the capital markets division

The capital markets team has a range of key responsibilities:

Primary market management

Coordinating creation and redemption activity with investors, portfolio managers, administrators, custodians and the central securities depository (Strate Limited in South Africa). This includes reviewing baskets, cash components, settlement timing, and operational readiness.

Secondary market quality

Monitoring spreads, on-screen depth, trading volumes, execution outcomes and market-maker performance. The team should identify when liquidity appears weak and work with market makers or brokers to improve the investor experience.

Relationships with liquidity providers

Monitoring and maintaining relationships with market makers and other liquidity providers. This includes ensuring counterparties understand the product mechanics and have the operational capacity to support the ETF.

Product launch support

Advising product and portfolio management teams on whether a proposed ETF or AMETF can be traded efficiently and assisting issuers with regulatory requirements for listings of ETFs. Capital markets should be involved before launch, during product development and after the listing.

Execution education

Helping advisers, discretionary fund managers, institutional investors, and platforms understand how to trade ETFs effectively. This includes the use of NAV-based execution, block trades, and primary-market access.

Fair value and pricing oversight

Assessing whether the ETF's exchange price is consistent with fair value. This is especially important where underlying markets are closed, offshore, less liquid or subject to currency movements.

Regulatory and exchange interaction

Supporting issuer obligations to the exchange, sponsor, management company and regulators by providing market-quality information and practical feedback from the trading ecosystem.

Why capital markets is especially important for AMETFs

Actively managed ETFs add complexity because the portfolio may change more frequently and may not be fully transparent in the same way as a traditional index-tracking ETF. This places greater emphasis on robust basket processes, communication with market makers, and disciplined management of portfolio liquidity.

For AMETFs, capital markets must work closely with the portfolio manager to understand the liquidity profile of the underlying holdings and the likely impact of flows. It should also help design processes that protect existing investors from the transaction costs of subscriptions and redemptions.

CAPITAL MARKETS

The role of the capital markets division of an ETF issuer

A South African AMETF issuer that wants to compete credibly should therefore treat capital markets as part of the investment proposition. Investors must know not only what the strategy is, but whether the product can be traded efficiently and primary-market flow can be handled fairly.

Strategic value for an ETF issuer

A capable capital markets division improves investor confidence. It lowers friction for brokers and platforms, supports tighter spreads, reduces operational failures and gives the issuer better intelligence on market demand.

It also supports product development. By observing trading behaviour and investor demand, capital markets can identify where new exposures may be viable, where existing products need support, and where large clients require bespoke execution solutions.

In competitive markets, capital markets is also a sales enabler. Institutional investors and discretionary fund managers often care as much about execution quality as they do about the fund's headline fee. A strong capital markets team can therefore help convert product interest into actual assets.

Recommended operating model for South African ETF issuers

South African ETF issuers should establish a formal capital markets operating model with clear accountability for stakeholder relationships, market-maker coverage, trading analytics, product launch readiness and investor execution support.

The model should include daily monitoring of spreads, premiums and discounts, traded value, indicative NAV behaviour, order-book depth, and creation/redemption activity. These metrics should be discussed regularly with the issuer, manager, sponsor, and market makers.

For offshore feeder ETFs, the operating model should include clear procedures for time-zone differences, FX rates, underlying fund dealing cycles, holiday calendars, and settlement mismatches. For AMETFs, the model should include portfolio-liquidity review and flow management controls.

Looking ahead

The capital markets division is one of the most important functions within a modern ETF issuer. It connects product design with market reality. It ensures that ETFs and AMETFs are not only listed, but are tradeable, scalable and credible investment vehicles.

Europe's ETF market shows that long-term success depends on more than product proliferation. It depends on liquidity infrastructure, authorised participant and market-maker partnerships, execution quality, operational discipline and investor confidence. South Africa's ETF and AMETF market is moving in the same direction, and issuers that invest early in a capital markets capability will be better positioned to grow assets and support a deeper, more resilient listed funds market.



UCITS ETFS

A closer look at UCITS ETFs in the European market



Niki Giles,
Head of Strategy
Prescient Fund Services

Europe's UCITS ETF market has grown up quickly. After years of steady expansion, the region recorded its strongest year yet in 2025, with net inflows of roughly $396.8 billion, lifting total assets to around $3.2 trillion. The momentum has carried into 2026, with record year-to-date flows and more than 45 consecutive months of net inflows. The pace is striking: Europe's ETF market has reached $3.8 trillion in AUM at the end of July 2026. This looks like structural growth rather than a passing cycle, and for issuers it changes the question from whether to take part to how to reach investors.

Flows remain equity-led, with global, US and, increasingly, European exposures dominating. There has been a clear rotation back into European equities as macro and policy shifts play out. Short-duration fixed income and thematic strategies have added breadth.

Passive still accounts for the overwhelming majority of assets, at around 97–98%, but the active segment is where the growth rate now sits. Active UCITS ETFs grew close to 80% last year, and several hundred percent over five years. In some periods active launches have outpaced passive. This is, however, off a small base. Active flows are still only around 7% of the European total, against roughly a third in the US, which is why so many expect the segment to keep growing.

The bigger shift is in who is buying. The market is still predominantly institutional, with banks, wealth managers and allocators holding the lion's share, but retail is where the next leg of growth appears to lie. Digital platforms have opened the door: neobrokers (low-cost, app-based brokerages that let people trade and run savings plans straight from their phones, with little or no commission) have rebuilt access from the ground up. The largest of these now serve millions of customers and offer savings plans from as little as €1.

These savings plans have proven to be the most effective way for retail investors. In Germany, the number of these accounts grew from 7.1 million to 9.5 million in a single year, because small, regular, automatic contributions turn savers into investors far more reliably than lump-sum broking. That matters in a region still holding vast balances in bank deposits. Uptake is also being reinforced by pension reform, a generational wealth transfer, and younger investors who manage money through apps and gravitate to transparent, low-cost products.

A new era for distribution

Distribution is where the strategic conversation now sits, and it is raising new questions. Finfluencers are both a regulatory concern and, when handled well, a genuine education channel that issuers can use to inform rather than mislead. Tokenisation is being floated as a way to reach younger investors already comfortable with crypto. However, neobroker partnerships raise an old tension: issuers want to sit on the platforms that own the client relationship, yet they also need to protect their own brand and decide whether they are willing to pay to play.

The drivers are familiar enough. The UCITS wrapper continues to deliver on transparency, liquidity and low cost, with strong investor protection and cross-border credibility that make pan-European scale possible. Product innovation across active, thematic, fixed income and income strategies has also widened the toolkit. ETFs are now built into model portfolios and discretionary mandates rather than sitting on the fringe. Infrastructure has improved too, with settlement efficiencies and better data supporting liquidity.

The challenges are equally clear. Europe's retail market is fragmented by country, platform and exchange, and the absence of a single capital market adds operational complexity and feeds doubt about liquidity across multiple listings. Active ETFs carry their own barriers, including limited track records, constrained product availability, and transparency concerns around semi-transparent models.

Europe's single biggest constraint is distribution, not product.

Prescient FUND SERVICES

UCITS ETFS

A closer look at UCITS ETFs in the European market

There is also a persistence of legacy behaviour in Europe, with continued reliance on mutual funds and a wait-and-see posture in some markets. The top three providers still control well over half the market. Regulation adds to the near-term burden even as it delivers longer-term benefits. The move to T+1 , which the EU and UK have both committed to by October 2027, is a good example: it's manageable where the underlying assets settle on the same cycle, but genuinely complex for global funds still holding assets that settle at T+3. The planned consolidated tape, meanwhile, should over time give a clearer picture of liquidity across a fragmented trading landscape.

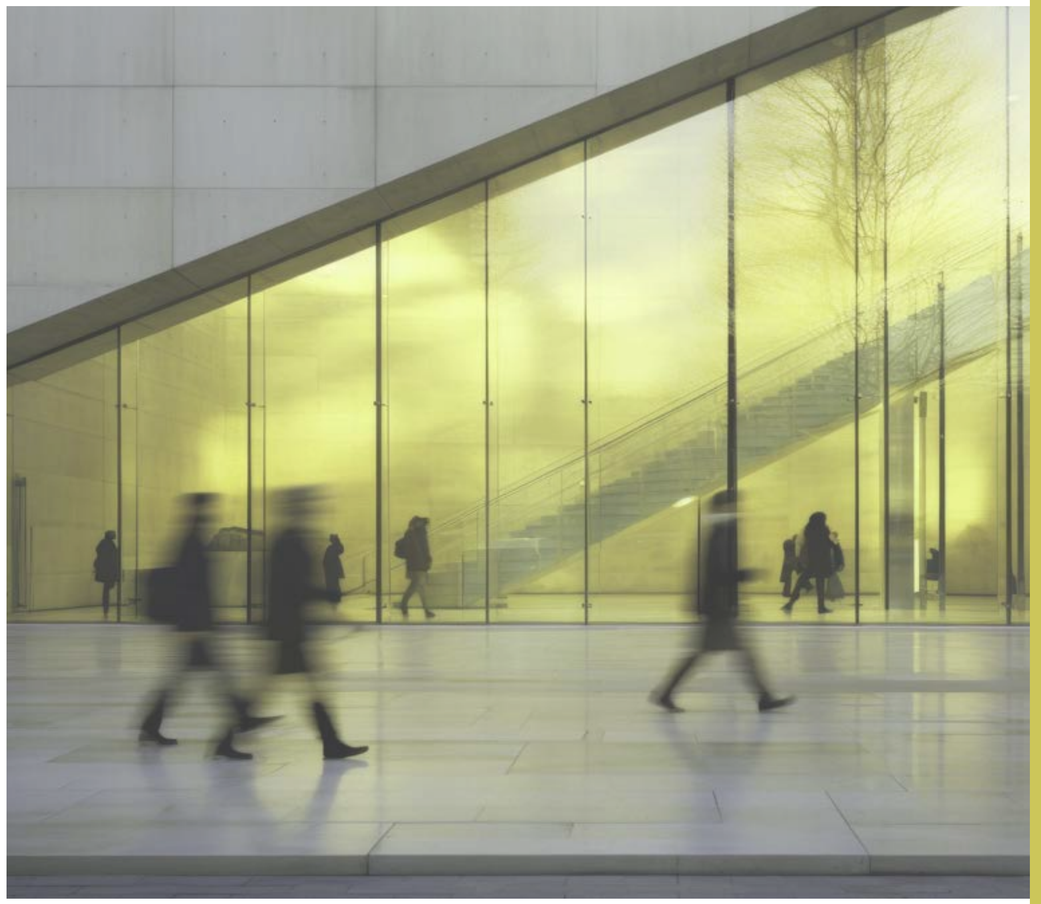
The lessons for the local market

For South Africa, the parallels are worth drawing out. Europe is well ahead on scale and sophistication, yet it still trails the US on retail take-up and active adoption. Europe's single biggest constraint is distribution, not product. South Africa is earlier in the lifecycle but structurally advantaged. We have a centralised market in the JSE, and strong local retail trading platforms that already give the country a head start in retail engagement that Europe is still working towards. The lesson is to put distribution first by getting onto LISP platforms, winning over advisers and making access seamless, rather than chasing a wave of new product launches. AMETFs should be treated as a genuine chance to move ahead rather than a follower's afterthought.

However, there is more to do to leverage these advantages. Education remains the quiet enabler: ETFs are under-used even in Europe, often simply because they are misunderstood. Clear positioning against unit trusts therefore matters as much as the products themselves. Scale helps as well, since a handful of flagship funds with real assets behind them will achieve more than a long tail of thinly traded listings.

Institutional adoption, still thin locally, is the next frontier. Wider use of ETFs and AMETFs in retirement funds and multi-asset portfolios, supported by enabling rules around offshore access, tax and Regulation 28, would broaden the base well beyond the retail platforms. Done well, this could see South Africa lead on retail-driven, active-led adoption rather than simply follow Europe's path.

The lesson is to put distribution first by getting onto LISP platforms, winning over advisers and making access seamless, rather than chasing a wave of new product launches.



About the Report

This report is an educational initiative by Prescient Fund Services to educate and empower the South African investment community on the evolving landscape of Exchange Traded Funds (ETFs). Drawing on the expertise of our ETF specialists and enriched by market data, client insights, and global perspectives, the report offers an exploration of South Africa's ETF ecosystem – from its origins to its emerging frontiers.

As ETFs continue to reshape portfolio construction globally, South Africa is experiencing a surge in innovation, accessibility, and investor interest. This report aims to bridge the knowledge gap by unpacking the structures, strategies, and regulatory frameworks that define the local market, while also highlighting opportunities for inward listings and thematic investing.

Whether you're an institutional investor seeking portfolio efficiency, a retail investor exploring transparent and cost-effective vehicles, or an investment manager considering a listing in South Africa or Europe, this report provides practical guidance and forward-looking insights to help you navigate the ETF opportunity with confidence.

Prescient Fund Services is proud to be a part of this conversation as a trusted partner to those in the ETF space. Through this report, we invite stakeholders across the financial ecosystem to engage, learn, and contribute to the growth of South Africa's ETF market.



THE **CONSTANT** BEHIND
YOUR **INVESTING SUCCESS**

About Prescient Fund Services

Prescient Fund Services is a global full-suite fund services firm that has been a reliable and trusted investment-related fund platform, administration and management company partner to successful investment managers worldwide for over 28 years. Supporting more than 135 investment manager clients across South Africa, Ireland, the United Kingdom and Guernsey, Prescient Fund Services delivers a comprehensive range of platform, administration, management company and capital markets solutions.

We employ over 235 staff globally, and our Dublin office has become a hub for serving European investment managers, particularly in the United Kingdom and Ireland. With more than USD 120 billion in assets under administration as at June 2026, Prescient Fund Services is recognised for its exceptional solutions, partnership and constancy. The business has received multiple industry accolades, including Best Hedge Fund Administrator in South Africa (2021-2025) and Best Overall Fund Administrator (2024) at the Africa Global Funds Service Provider Awards.

Through our platform and management company offering, clients have access to a broad range of collective investment scheme solutions, including unit trusts, hedge funds and exchange-traded fund (ETF) structures, as well as white-label hosting arrangements and representative office services. Through our presence in Dublin, we further enable managers by providing access to global fund structures and investment opportunities.

Complementing these capabilities, our capital markets solution provides specialist regulatory advisory, listing and consulting services to issuers of specialist securities listed on the Johannesburg Stock Exchange (JSE), helping clients navigate regulatory requirements and bring innovative investment products to market efficiently.

Our commitment to enduring relationships, consistent excellence and real, measurable results has made us the constant behind global investing success for investment managers seeking a partner who is as invested in their success as they are.

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