

ChatETP

February Highlights

- Investors are reducing exposure to technology and financials amid AI fears.
- Money market funds remain dominant in cashflow with over 10% organic growth this month.
- South Korean markets are up over 50% YTD with U.S. retail flows doubling over the past month.

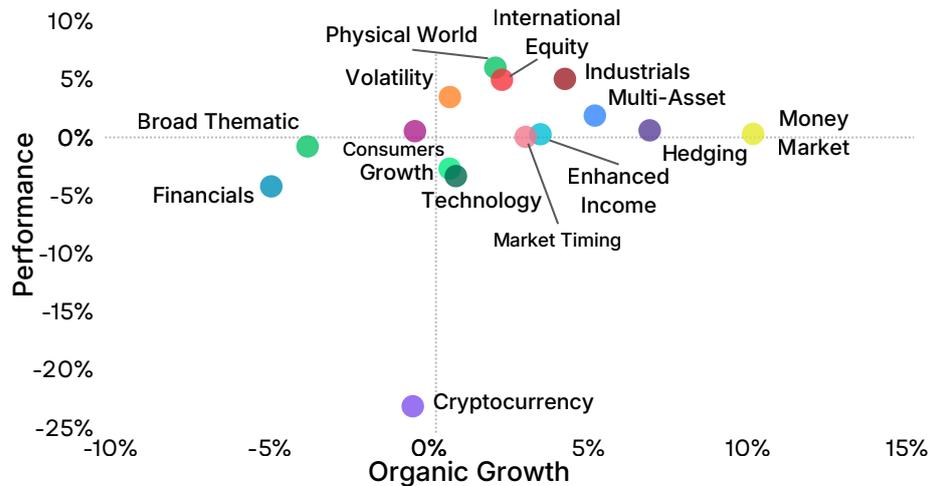
The State of the Market

February cashflows accelerated the pace set in January, pushing through increasing global volatility. U.S. fund flows passed \$344B year to date, an increase of 70% year over year. International equity continues to outperform the United States in both performance and cashflow. Sector interest appears to be shifting with heavy outflows from financials and poor performance from technology, extenuated by fears of artificial

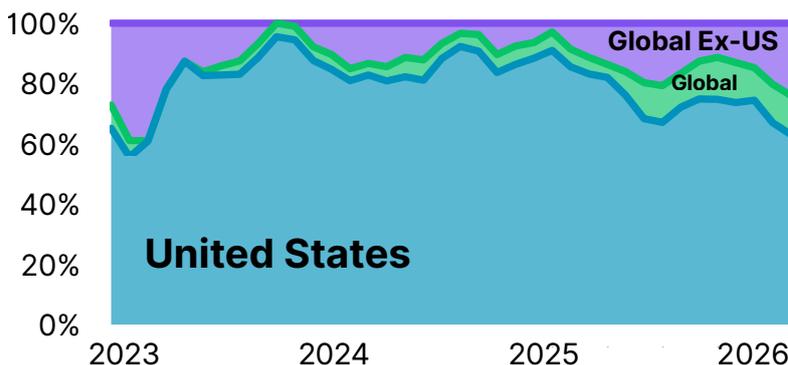
intelligence replacing or restructuring existing companies. Additionally, the rush into precious metals and other commodities is slowing though interest in and overall performance of physical world funds remains strong. On the other hand, cryptocurrency continues its rapid decline.

Money market funds, buoyed by fund issuers using their own funds as cash management tools, continue to have a stand-out performance in flows. Investors continue to pay attention to fixed income with interest rates remaining in focus. Rumbblings in private assets and sector underperformance are also pushing investors towards safe haven assets. While cashflows continue to increase, fixed income is gaining at a faster pace than equities overall, signaling increased caution in the market. Further signaling investor caution, hedging strategies are the second fastest growing fund category in the U.S. this month.

U.S. Monthly ETP Organic Growth and Performance



Share of 3-mo U.S. Flows by Investment Region

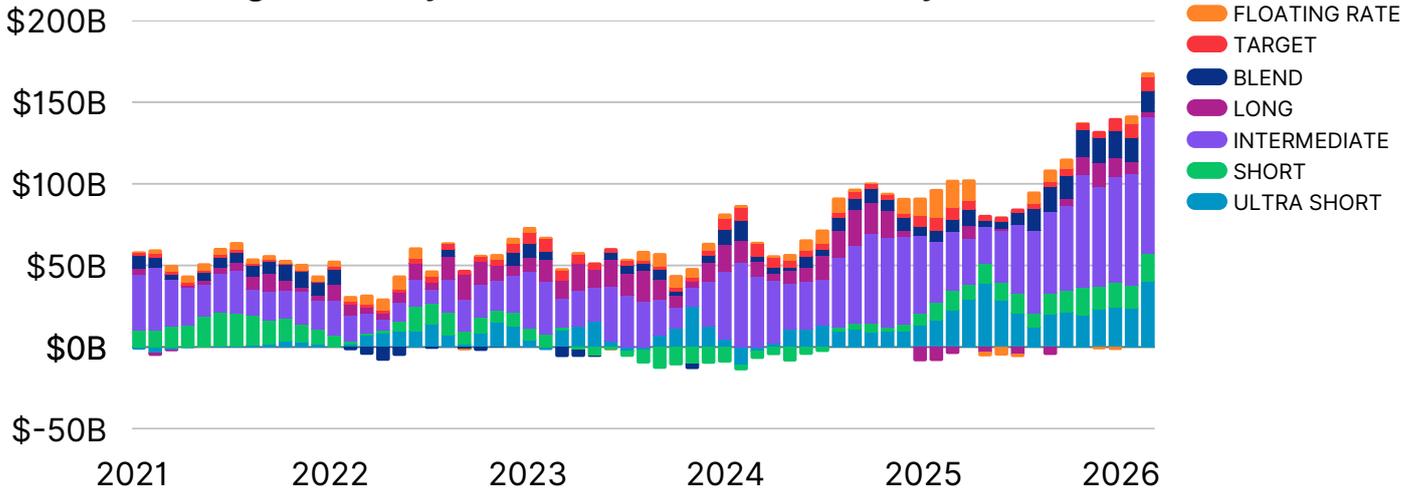


U.S. investors have been steadily increasing their allocation to global funds. Importantly, buying global has not yet shifted into selling the United States. Additionally, global funds' internal weights dramatically skew towards the U.S. Even though U.S. investors are diversifying, they are still heavily invested in their home turf. When U.S. investors seek international exposure they tend to invest in broad global funds as opposed to specific regions, with nearly no flows going to specific countries.



Fixed Income Frenzy

Rolling Quarterly U.S. Fixed Income Flows by Duration

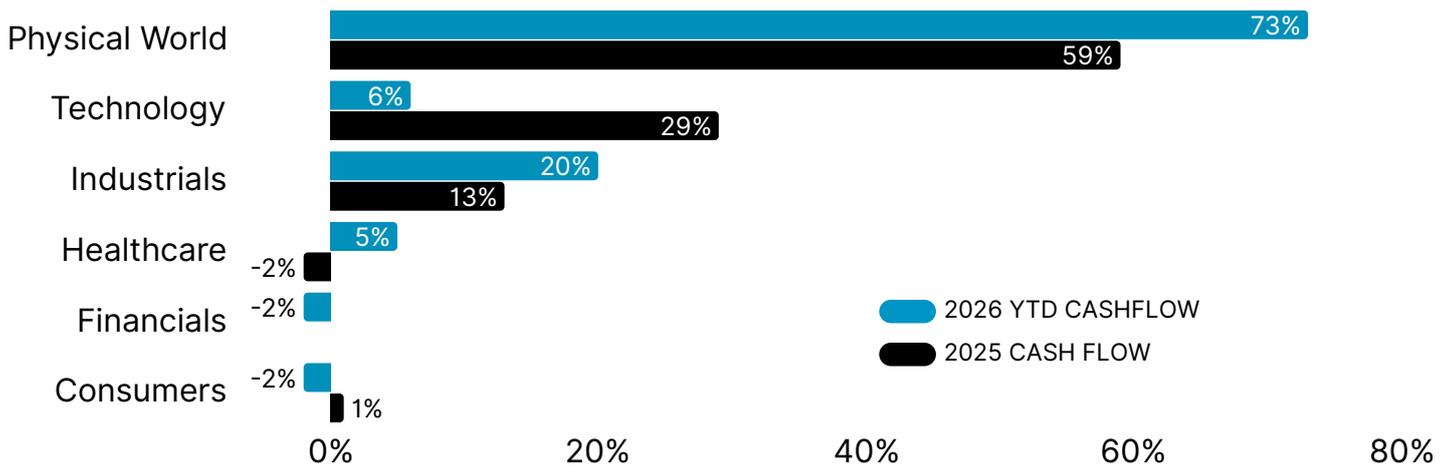


Fixed income flows have been steadily increasing over the past year as higher interest rates, rising yields at the front end of the curve, and increased market volatility have piqued investor interest in the asset class. By duration, short and intermediate-term fixed income funds have consistently attracted the largest share of flows, reflecting a preference for curve-positioning towards the front end. In contrast, investors have continued to avoid long-duration exposure relative to prior periods, suggesting skepticism that future rate cuts will be large or predictable enough to justify the additional volatility of the long end.

At the same time, elevated short-term rates have driven a notable increase in flows to short and especially ultra-short-duration ETFs, where money market and cash-like exposures allow investors to earn attractive yields while maintaining liquidity and flexibility.

Sector Rotation

Market Share of U.S. Thematic Cashflow to Categories by Year



There has been a significant shift between 2025 and the first quarter of 2026 in sector and thematic allocations in equity and commodity funds. Interest in physical-world funds has continued and increased into 2026. Industrials have emerged as the new "picks and shovels" trade as data centers and infrastructure become increasingly important for AI development and the semiconductor theme has largely matured. On the other hand, the direct AI play through technology has struggled. Technology funds have experienced a golden decade that is now being challenged by worries around AI disruption of software and other technology industries as well as fears of technology overvaluation.



The U.S. Retail Report

Self directed retail investors took a breather after a very strong month of net buying activity in January, shedding some of the white hot precious metals ETFs as well as increasing their allocation for international exposure. Gold, silver, and copper funds saw a 71% decline from their cumulative \$2 billion notional buy volume in the prior month, as retail investors chose to realize profits after notable price increases in January.

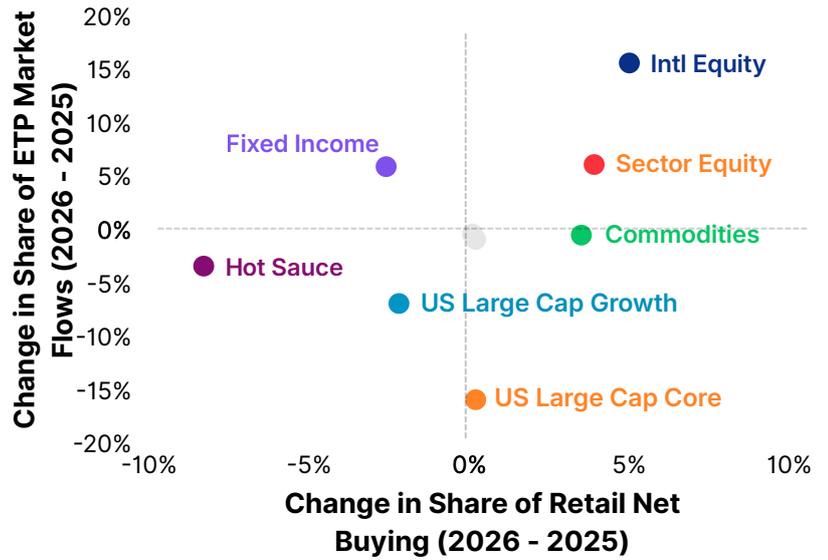
Semiconductors, and the broader technology sector, had a strong February, and start to 2026, due to sustained, massive investments in AI infrastructure, with tech giants forecasted to spend over \$650B on AI-related capital expenditures in 2026 alone.

Conversely, the “Hot Sauce” category funds have taken a step back with their change in share of net buying among both retail investors and the wider ETP market when compared to last year. This category consists of funds that are specialized, high-volatility, or pure thematic designed to provide aggressive growth or premiums, and are often used to complement a more conservative, passive core portfolio. They typically focus on niche, high-momentum, or speculative areas of the market, such as single-stock funds, leveraged/inverse, crypto, and option income ETFs.

Self directed investors are also following suit in increasing their allocation to international equity. They shifted their focus to South Korea, which has been the momentum trade of late. South Korean funds have seen net inflows tick up in Q4 of last year but so far this year, growth has been exponential. February saw an increase of 148% in net buying into South Korean funds, led by the iShares MSCI South Korea ETF (EWY). Investors are flocking to the fund primarily to capitalize on a massive rally due to AI-driven semiconductor demand.

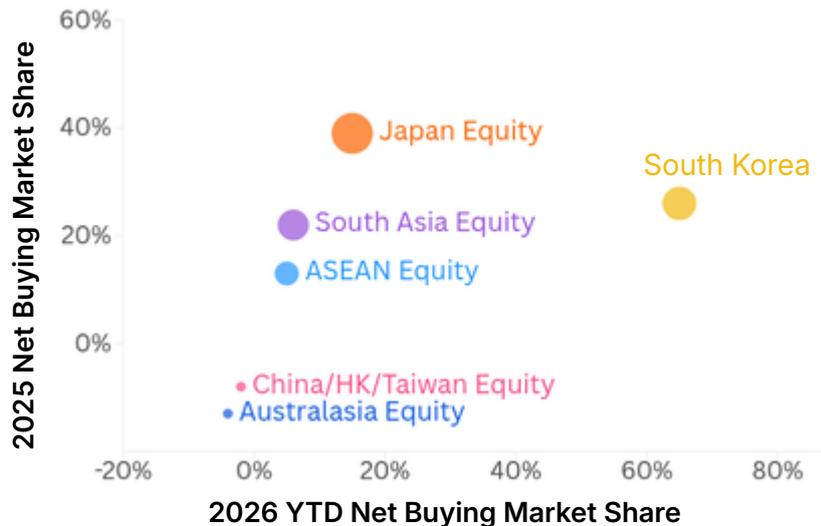
International & Sector Equity Gain Share

Change in Retail Share & Share of ETP Market Net Flows



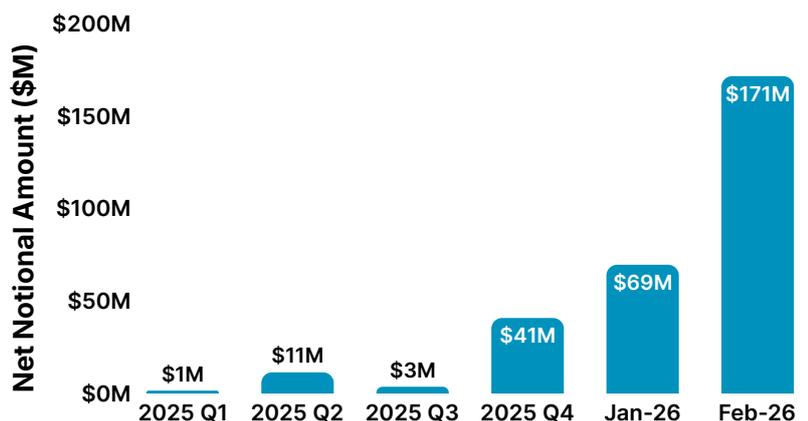
Retail Popularity Chips Into South Korea

Net Buying Activity of ETFs with APAC Exposure



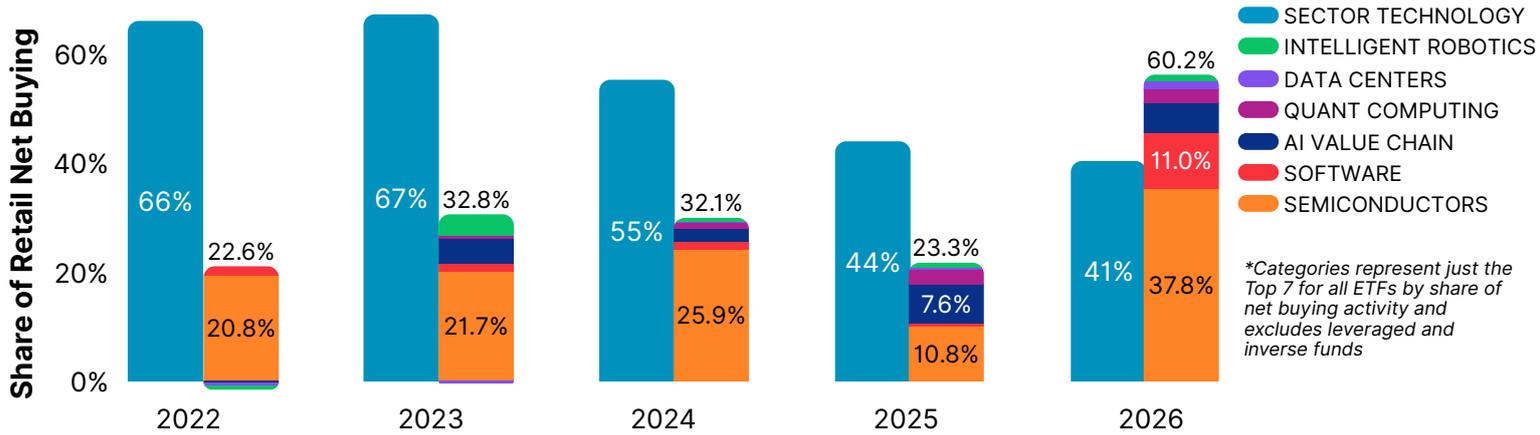
*Size of dot represents relative 2025 performance of categories

South Korea ETFs Surge Into 2026



Retail Tech Sector Flows Decline at the Expense of Thematic Tech

Share of Retail Net Buying of Technology Sector ETFs

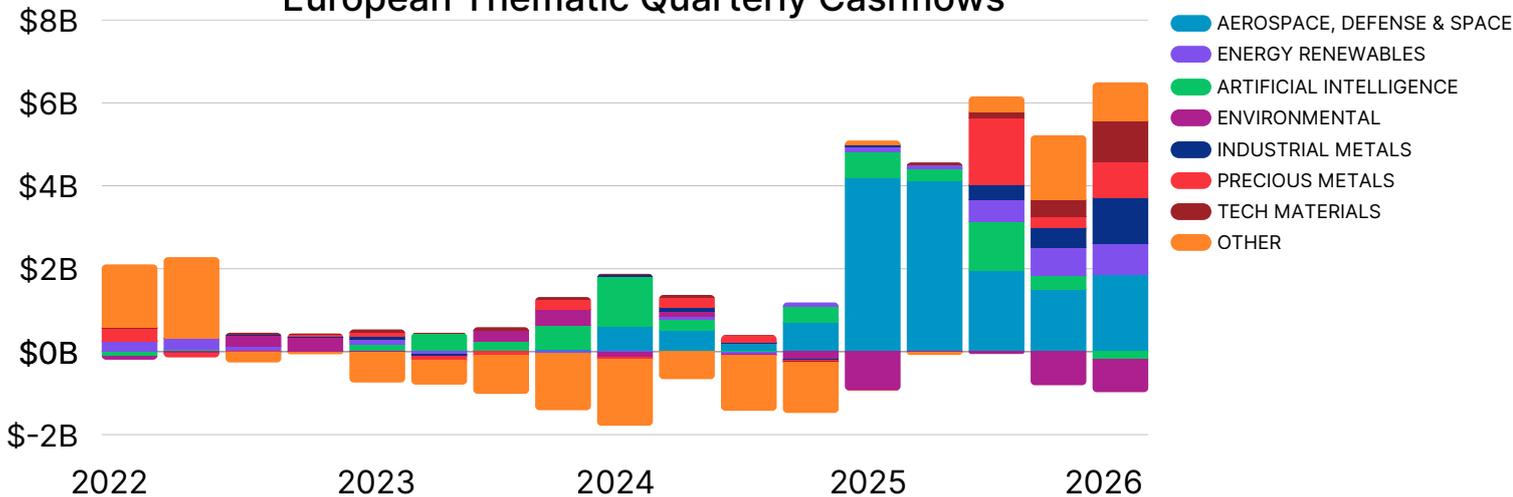


Sector ETFs target a defined, traditional industry with a top down approach, which typically offer lower diversification and the higher risk due to single industry classification. These funds have historically gathered the lion's share of net buying, although that's been shifting over the last several years with retail investors beginning to diversify and buy into more niche and cutting edge corners of the technology room. These have become the thematic products and are built on disruptive, forward-looking trends or social shifts and can cut across various sectors. Retail investors have taken advantage of rapidly moving technology shifts such as AI, quantum computing, robotics and semiconductors. The steady share decline of broad sector technology ETFs likely reflects a wider trend towards pure thematic investing. ETFs that focus on these themes have seen consistent inflows, as investors seek to align their portfolios with the future direction of the global economy.

International Lens

European Thematics are Back on the Menu

European Thematic Quarterly Cashflows



Led by aerospace, defense, and space, European markets have seen a surge in thematic buying over the past year. European nations have made commitments to increase military spending, jumpstarting the trend. Aerospace cashflows are slowing but have been replaced by a combination of artificial intelligence and physical world themes including industrial and precious metals. Interestingly, the themes used in the previous thematic wave are not the ones currently surging. Thematic flows in 2020-2022 were primarily towards cybersecurity, consumer themes, infrastructure, and agriculture. The thematic drought from 2022-2024 saw outflows from these categories as broad, large cap, US funds experienced outperformance. As those same funds begin to stall, European investors are increasingly interested in high volatility plays on specific categories.

New Kids on the Block

US ETP Threads | Ranked Launches and Filings by Nasdaq ETP Taxonomy

	Q2-25	Q3-25	Q4-25	Jan-26	Feb-26	Mar-26*	Apr-26*
1	Equity Option Overlay	Equity Option Overlay	Single Stock	Single Stock	Equity Option Overlay	Equity Option Overlay	Theme Equity
2	Fundamental Factors	Single Stock	Equity Option Overlay	Equity Option Overlay	Single Stock	Fixed Income	Equity Option Overlay
3	Single Stock	Fixed Income	Fixed Income	Fixed Income	Fixed Income	Signal Factors	Fundamental Factors
4	Fixed Income	Fundamental Factors	Fundamental Factors	Multi-Asset	Fundamental Factors	Theme Equity	Sector Equity
5	Signal Factors	Signal Factors	Cryptocurrency	Theme Equity	Theme Equity	Cryptocurrency	Fixed Income

*April/March 2026 launch numbers are estimates using SEC filings data and average launch rate.

U.S. Launch and Filing Trends

66 issuers filed for 599 funds this month. Corgi led the way with 124 filings switching from thematic leverage to mainly structured buffers overlaid on equities separated by region and market capitalization. Corgi filed 105 of the 128 option overlay product filings. Theme filings are generally on an uptrend, but the April numbers are heavily inflated by Corgi's leveraged thematic filing spree.

Autocallable ETF filings are continuing to trickle in. Alaia Capital and Proshares each filed for three while Wedbush filed for one. All of the funds use a laddered autocallable strategy. The three Proshares products will use the Nasdaq-100, S&P 500, and Russell 2000 as their underlying index.

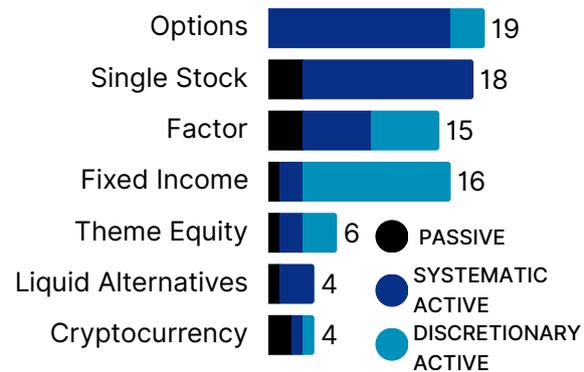
17 products were filed with white labelers. Tidal filed seven products with three issuers. 16 of the products launched with white labelers were option overlay funds.

SEC Shuts Down 3x-5x Leveraged Filings

Since October 2025, U.S. ETF issuers have filed for over 600 proposed funds offering 3x-5x leveraged exposure to single stocks and narrow thematic categories. While some non-U.S. markets permit higher leverage levels, the SEC has historically taken a more restrictive approach. In the beginning of March, the SEC effectively halted the recent wave of 3x-5x single-stock and thematic filings, reportedly issuing brief no-comment notices to cease filing the products to sponsors on a call. As a result, higher-leverage concentrated ETFs appear unlikely in the near term. That said, investor appetite for leveraged exposure remains strong. Recent filings suggest the market's next phase of growth may come less from higher leverage levels and more from expanding 2x exposure beyond single stocks into sector-level and thematic ETFs.

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US PRODUCTS
LAUNCHED

Active vs. Passive US Launches



3x-5x Leveraged Filings

