

ChatETP

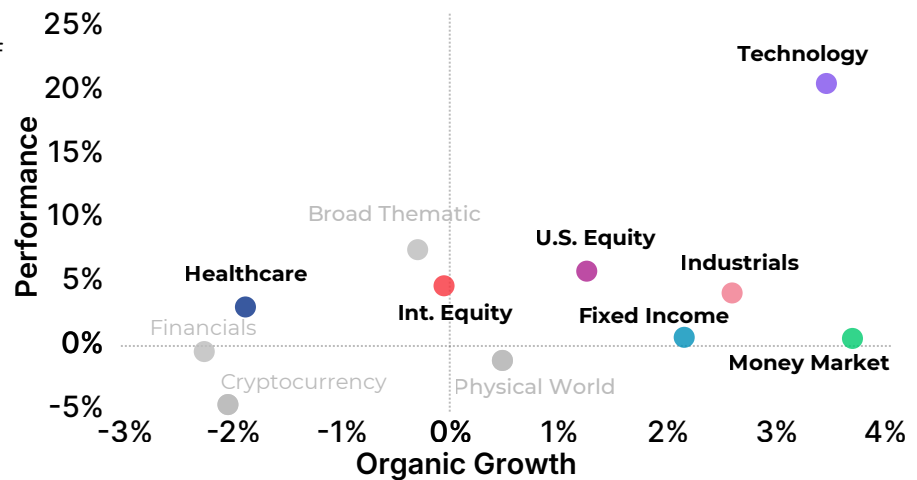
May Highlights

- Technology ETFs continue to surge with over 20% total return in May based on aggregate ETF category performance
- Total global ETF launches pass 1000 launches year to date at the fastest pace ever.
- Retail investors rotate aggressively into semiconductors from crypto and precious metals.

The State of the Market

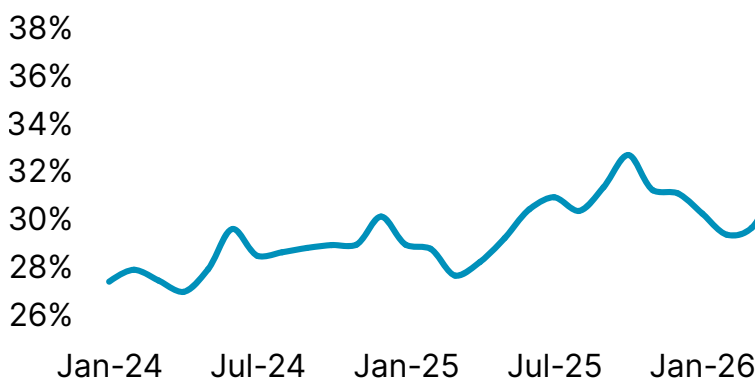
May continued April's momentum. Markets climbed higher on the back of the ever present semiconductor and AI trades. While macro headwinds such as geopolitical tensions and sticky inflation continue to bubble up, investors, supported by strong fundamentals and earnings from Q1 continue to push forward. Technology funds once again led the pack with over 20% returns this month after returning over 20% in April. Fixed income is experiencing very healthy growth. In fact, the funds with the largest organic growth were money market funds with nearly 4% organic growth this month. This is a stark reversal from the slight outflows seen from money market funds last month. Investors are once again bifurcating between true believers going all in on AI and the hardware required and those who seem to be increasingly skeptical of the ability of the market to reach new heights.

U.S. Monthly ETP Organic Growth and Performance



Technology's recent rapid gains have led to a large increase in the concentration of securities in the technology sector within U.S. ETFs. The chart below shows the value of stocks within market and thematic ETFs with an ICB sector classification of technology relative to total U.S. equity ETFs. Since March the sector's representation has increased from 29% to 37%. Investors who are risk-on are heavily invested in technology whether it's through large-cap or specific thematic or sector. It increasingly appears like AI is the only trade investors are interested in. Outside of healthcare and

Technology Stock Concentration in U.S. ETFs

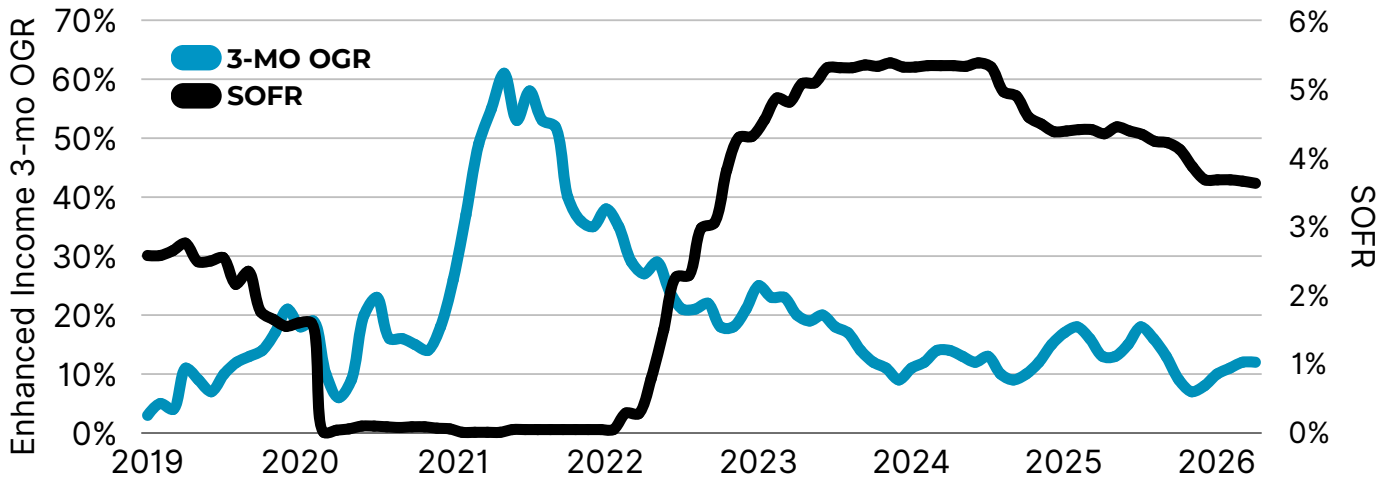


industrials which are benefitting indirectly from AI, other sectors are neutral or slightly down. As a result, the market is consolidating around a handful of companies that have experienced meteoric growth this year. Artificial intelligence continues to receive favorable news and capital expenditures on AI related investments continue to rise. There may be further concentration in technology if this trend continues.



Enhanced Income Buoyed by Low Interest Rates

Enhanced Income 3-mo Organic Growth Rate vs. SOFR



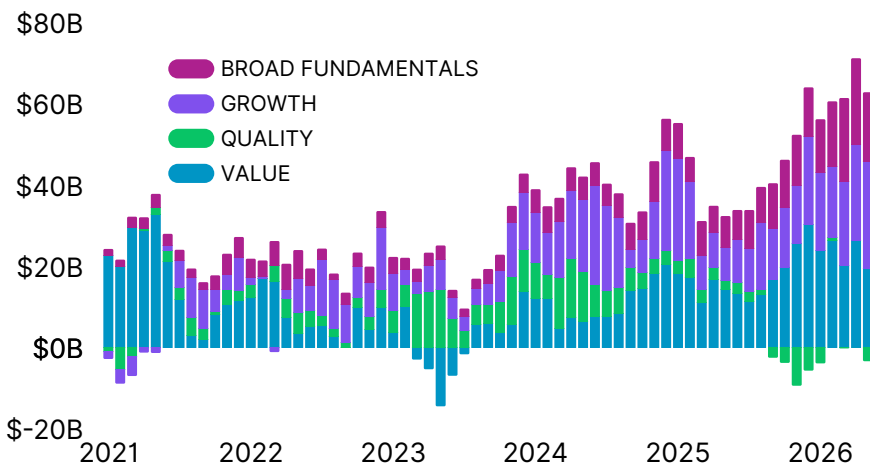
Source: Nasdaq ETF Market Intelligence, New York FED, Morningstar, Data as of 5/31/26

Enhanced income products first took off in the zero interest rate period (ZIRP) in the early 2020s as investors looked for alternatives to traditional fixed income distributions. As fixed income yields steadily climbed back, enhanced income growth has cooled off. However, a category maturing and reaching a larger AUM tends to naturally slow organic growth as well. ZIRP combined with the U.S.'s aging population led to a perfect storm for these products to thrive.

As the ZIRP era ended and the category began to mature, organic growth slowed. The higher rate environment means that there is more potential for fixed income products to compete on income. At the same time we have seen the rise of higher yielding products like autocallables to satisfy investors increasing demand for income generation. If rates rise and fixed income distributions continue to rise, enhanced income ETFs may lose a bit of their luster. [Read more about option overlay ETFs here.](#)

U.S. Growth Factor Fund Cashflow Growing While Quality Shrinks

Fundamental Factor ETF's 3mo Rolling Cashflow



Since cash flows for quality factor funds peaked in 2023, they have trended steadily lower, ultimately turning negative toward the end of 2025 and again in the most recent month. In contrast, growth factor fund cash flows have accelerated meaningfully since the start of 2025, becoming the primary driver of overall fundamental factor inflows. Meanwhile, value and broad fundamental exposures have remained relatively stable.

The divergence between rising growth allocations and weakening quality demand suggests a shift in investor preference toward higher-beta, forward-looking opportunities. In other words, fundamentals-focused investors appear increasingly willing to prioritize earnings momentum and upside potential over balance sheet strength or profitability stability. This rotation aligns with a broader risk-on tone, where capital is being directed toward segments with greater sensitivity to future growth expectations rather than current fundamentals.

Source: Nasdaq ETF Market Intelligence, Factset, Morningstar Data as of 5/31/26



The U.S. Retail Report

May was the month the semiconductor conviction trade went mainstream. Self-directed investors had been early and contrarian buyers of semiconductor ETFs since January, accumulating \$4B in May alone representing a 146% surge from April, even as the category's Retail Participation Rate (RPR) compressed from -77% to 35%, signaling that the broader market validated what retail investors had been positioning for all along.

This same pattern echoed across AI infrastructure plays: compute and data retail flows surged 276%, technology infrastructure doubled, and broad technology grew 42%, collectively

capturing over \$6B in retail capital. The thematic conviction that began as a concentrated retail bet in Q1 can be considered the consensus trade of May, with AUM in semiconductors alone swelling 39% in a single month to \$188B.

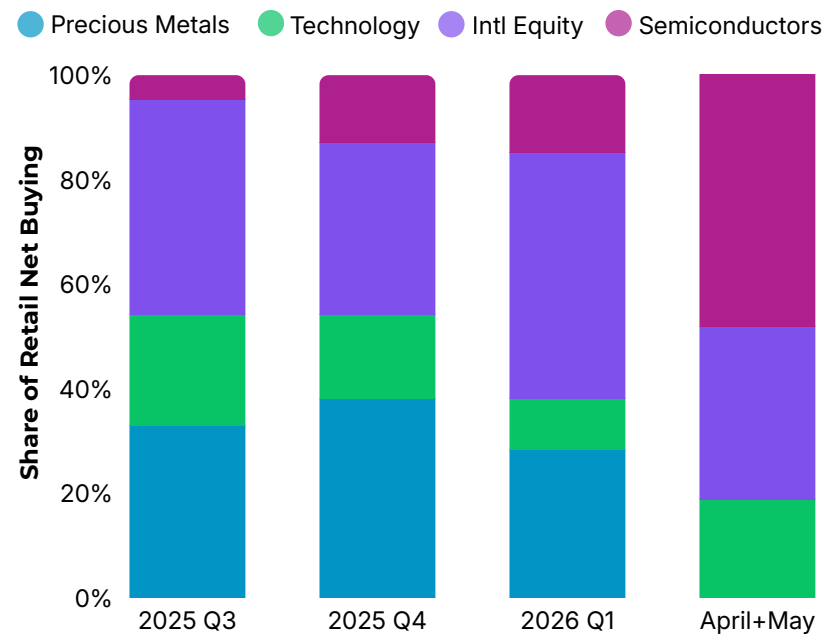
Beneath the surface optimism, retail investors revealed a more nuanced posture than simple risk-on enthusiasm. Money market inflows from retail exploded from \$140M in April to \$942M in May, a 573% increase, suggesting that even the most aggressive thematic buyers were simultaneously building cash reserves.

Meanwhile, the exits were equally telling: bitcoin flipped from +\$262M to -\$248M, ethereum reversed from +\$81M to -\$80M, and precious metals outflows doubled to -\$229M. Retail wasn't simply rotating into risk, they were making a deliberate choice to fund AI and semiconductor exposure by liquidating speculative crypto positions and profit-taking on the Q1 gold rally.

Self-directed retail investors showed they aren't passive allocators but instead thematic rotators with a clear thesis: AI infrastructure appears to be increasingly viewed by some investors as the generational trade, and other asset classes may be serving as a funding source

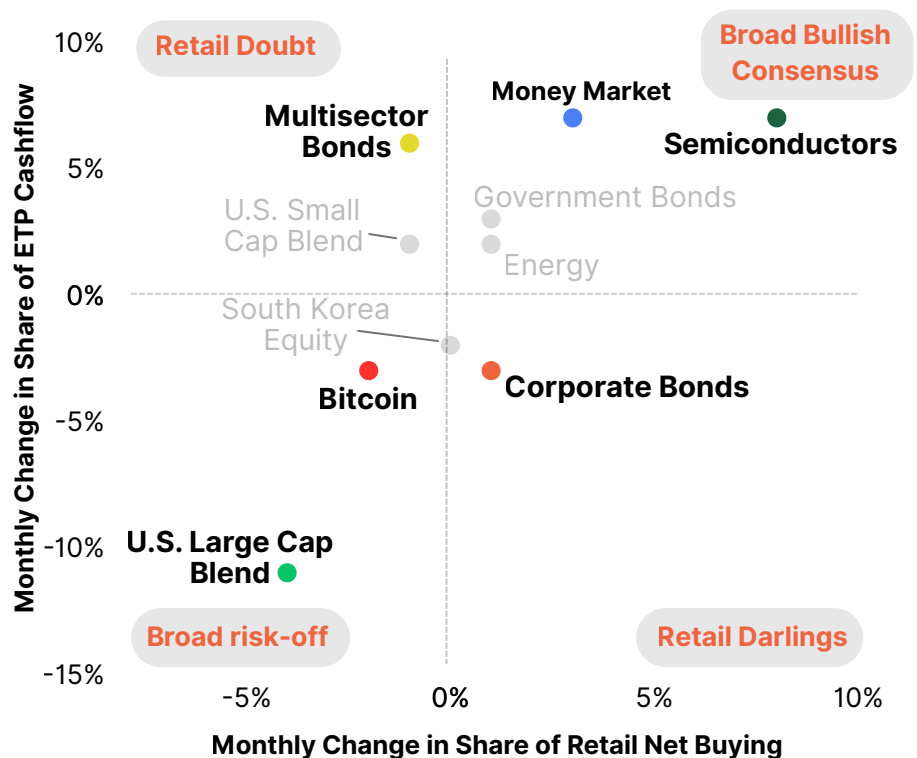
Semiconductors Sizzle Going Into Early Q2 2026

Share of Retail Quarterly Net Buying by Category



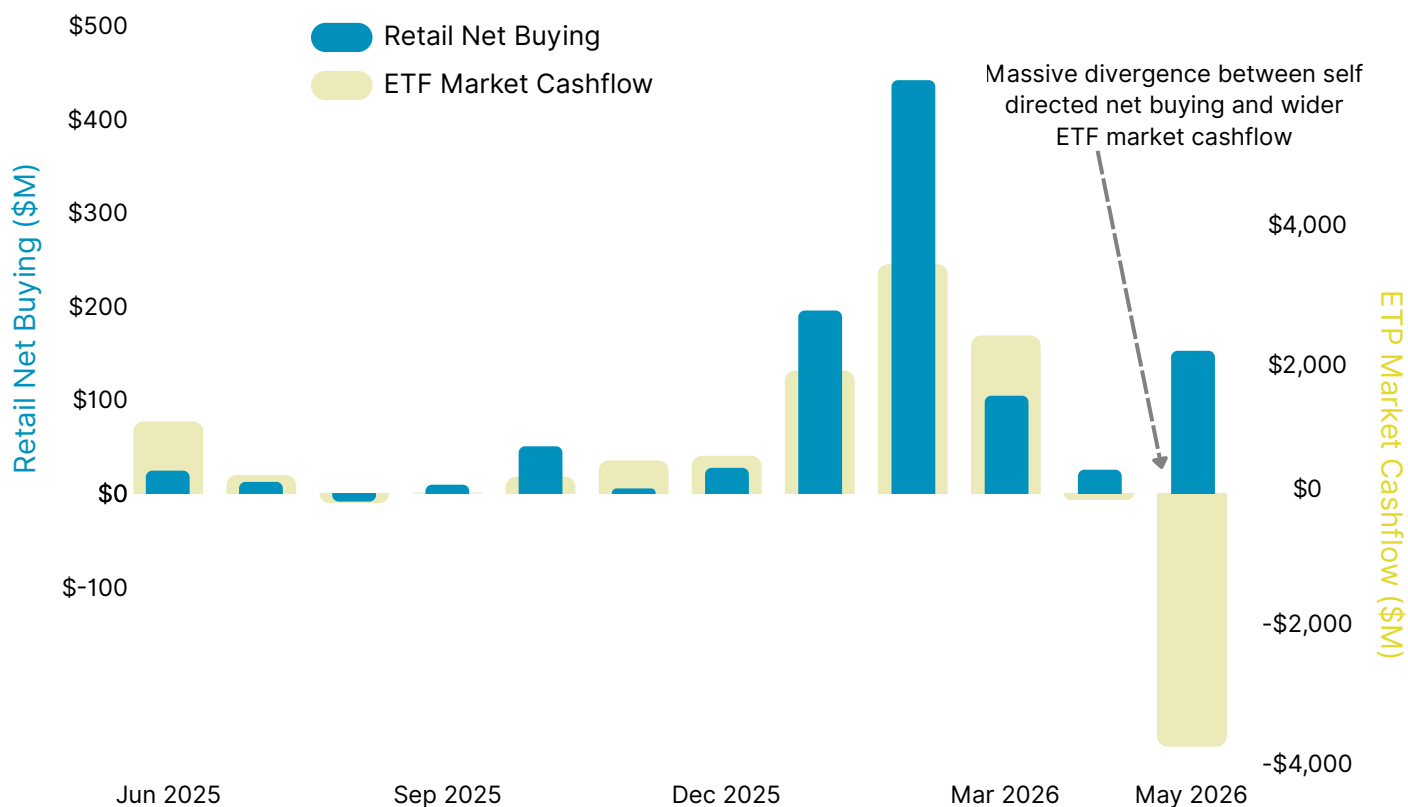
U.S. Large Cap Blend Is Consensus Seller in May

Apr → May: Change in Share of Retail & ETP Market Flows



Retail and ETF Market Flows Split Over South Korean ETFs

South Korea ETFs: Retail Net Buying vs Overall ETF Market Cashflow



Over the past twelve months, US-listed South Korean Equity ETFs delivered extraordinary but highly volatile returns, transforming from a steady performer into one of the most dynamic segments in the international ETF space. From June 2025 through February 2026, the story was one of broad conviction: monthly returns frequently exceeded 10% – 20%, with capital from the larger market pouring in at an accelerating pace with a peak of \$3B in ETF market flows during February 2026 alone. Retail investors followed the momentum with increasing enthusiasm, scaling from modest single-digit-million inflows to over \$441M in February 2026. The March 2026 extreme drop of –23% briefly interrupted the rally but didn't shake overall ETF market positioning, as overall market flows still registered a robust \$2B inflow that month, suggesting large players viewed the pullback as temporary.

The critical inflection came between April and May 2026. In April, the ETFs surged +37%, yet overall market flows quietly turned negative for the first time since the rally began (–\$98M) which was an early signal that the conviction of the market was cracking even as prices soared.

By May, the divergence became extreme: a +34% return was met with a massive \$4B overall market exodus which was the largest single-month outflow in the dataset, while retail investors enthusiastically added \$152M. This April-to-May sequence represented a textbook distribution pattern where sophisticated capital used the strength of back-to-back 30%+ months to offload positions into eager retail demand. The acceleration from a modest \$98M ETF market outflow in April to a \$4B liquidation in May suggests something fundamental shifted in the market risk assessment, raising the question of whether retail investors are now absorbing positions at what could prove to be a cyclical peak.

While South Korean equities clearly have powerful structural and momentum tailwinds behind them, the flow data suggests the risk-reward calculus has shifted materially, and the next one to two months will likely determine whether this is a temporary repositioning by the broad market or the beginning of a more sustained reversal that leaves performance-chasing retail capital exposed to significant downside.

New Kids on the Block

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

	Q3-25	Q4-25	Q1-26	Apr-26	May-26	Jun-26*	Jul-26*
1	Equity Option Overlay	Single Stock	Single Stock	Equity Option Overlay	Theme Equity	Single Stock	Single Stock
2	Single Stock	Equity Option Overlay	Fixed Income	Fundamental Factors	Single Stock	Fundamental Factors	Theme Equity
3	Fixed Income	Fixed Income	Equity Option Overlay	Single Stock	Equity Option Overlay	Equity Option Overlay	Equity Option Overlay
4	Fundamental Factors	Fundamental Factors	Fundamental Factors	Cryptocurrency	Fundamental Factors	Fixed Income	Fundamental Factors
5	Signal Factors	Cryptocurrency	Theme Equity	Theme Equity	Cryptocurrency	Theme Equity	Signal Factors

*June/July 2026 launch numbers are estimates using SEC filings data and average launch rate.

U.S. Filing Trends

Filings continued the trend of focusing on technology. Over two thirds of theme equity and single stock filings had exposure to technology. The themes are becoming more targeted including photonics, compute, fab equipment, and data center cooling. Issuers have continued to file for leveraged and autocallable versions of the Roundhill Memory ETF (DRAM) piggybacking off of the success of the product in both flows and performance.

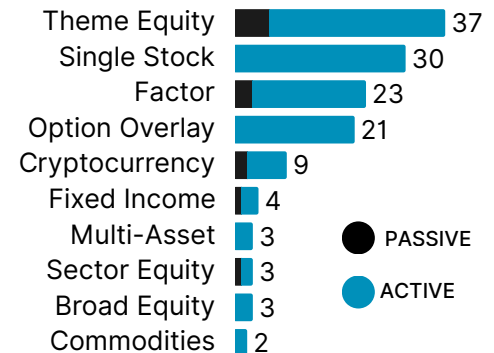
CME and Silicon Data announced the creation of compute futures. By the next week Rex Shares and Roundhill had filed for the REX AI Compute Power ETF and Roundhill Compute ETF holding compute futures. Issuers are shortening the time from inception of the underlying asset to the filing and launch of an ETF providing exposure. In June, we'll see SpaceX IPO and immediately afterwards multiple issuers may seek to launch SpaceX single stock funds they have filed for.

ETF Launch Rate Continues to Increase

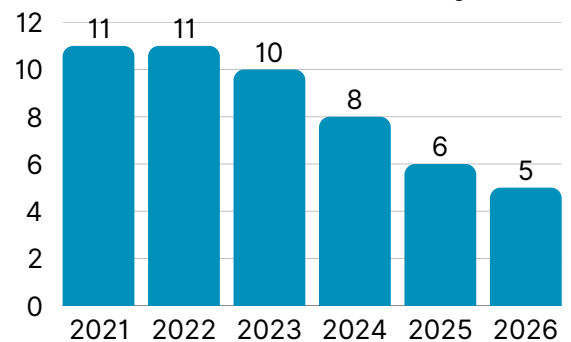
The ETF industry reached 1,000 launches globally in just five months during 2026, the fastest pace in the dataset and a sharp acceleration from the roughly 11 months required to reach the same threshold in both 2021 and 2022. The timeline has steadily compressed in recent years, with the industry reaching 1,000 launches in 10 months during 2023, eight months in 2024, and six months in 2025 before accelerating further this year. While launch activity increased across all major regions between 2021 and 2025, the United States expanded materially faster than EMEA, APAC, and broader Americas markets, reflecting the continued concentration of ETF product development in the U.S. Declining barriers to launching ETFs in the U.S. enabled a broader range of issuers to enter the market with differentiated product suites.

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US PRODUCTS
LAUNCHED

Active vs. Passive US Launches



Months to Reach 1000 Launches Globally



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