

“ETFs in 2025: Defining Market Themes and Innovation Trends”

Transcript, 23 December, 2025

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Kristin Myers

Hello and welcome to the ETF show taped right here at the New York Stock Exchange. I'm your host, Kristin Myers, ETF editor in chief for asset TV. Now, we are just days away from the Christmas holiday. We decided to use today's show to take a look back at some of the biggest trends for 2025. So joining me today we have Christine Berg, head of Americas Index for MSCI.

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Kristin Myers

Christine, thanks so much for joining me.

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Christine Berg

So thank you for having me. I'm delighted for the conversation today.

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Kristin Myers

And I should also note that this is not going to be our first conversation. We will be bringing you back in the New year for a little bit more of a day to dive into some of the trends that we saw in 2025, but also maybe a look as well at 2026. So I'm going to be really excited for that conversation.

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Kristin Myers

So for everyone watching, make sure you tune back into what we're going to call part two, I guess, of this conversation. So let's first start with what happened in 2025. This is a pretty interesting year in the market. Talk to me about some of, you know, the defining trends and themes that we saw this year.

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Christine Berg

Yeah, absolutely. I mean, I don't know where to begin, but maybe I'll just try to narrow it down to a couple. And I think stepping back, one of the defining themes of 2025 was that ETFs, I think, were used not just to capture returns or performance, but also for investors to navigate some of the structural changes that are going on in the market.

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Christine Berg

Right. The markets have become even more fragmented. And so we saw that across regions, sectors, themes and what have you. And I think the ETFs, and many times the indexes behind the ETFs really helped investors navigate those changes. And those structural shifts in a very precise way, and also in a way that they could intentionally manage risk. So that is something that I would say was quite a significant theme.

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Christine Berg

And then I think, you know, on behalf of MSCI, you know, very pleased to say that ex-u.s. exposures certainly regain their relevance. U.S. listed ETFs and U.S. equity exposures by far and away, you know, remain very, very strong delivered returns. And it was great for investors. Right. But to navigate some of those structural shifts, whether it's responding to geopolitics or valuation gaps or some of the other, you know, growth shifts that we're seeing, really, the ex-u.s. exposure has helped investors do that.

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Christine Berg

So when you look at interestingly, when you look at MSCI Emerging Markets Index and say a Europe, IFA, and a few other single countries, the performance for those ex-u.s. indexes significantly outpaced on a year to date basis for November. The, the US exposures sometimes it was double digits. And then there's actually a few countries where it for their returns were four times larger than U.S. securities.

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Christine Berg

So that would certainly, be a standout theme. That also in part international the year of 2025. Yeah. Very exciting. I mean, I don't think any conversation about themes, you know, would be complete without talking about AI and I it's not a brand new theme, but it's shifted the demand equation for ETFs. And I think when we looked at AI early on, it was just about, you know, the chips and the hardware providers.

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Christine Berg

But throughout the course of 2025 especially, there was a significant expansion AI into those helping with the build out. So infrastructure, utilities, materials, energy and what ETFs allowed investors to do, I think was to both, have concentration as well as diversification at the same time as the theme broadened out. And so that was, you know, a great example of how ETFs, were driving demand, but also served as tools for investors to kind of lean into AI but also expand and diversify.

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Christine Berg

And I think diversification was a big theme. Yes.

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Kristin Myers

Yes, that was a big question for for this year in general, especially with so many folks really honing in and still concentrating quite a bit on some

of those mega caps and some of those tech stocks. Okay. So I want to kind of maybe pop the hood a little bit, on the ETF wrapper and like, talk a little bit about MSCI is all about the indexes.

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Kristin Myers

So I want to talk now about custom indexes because a lot of these ETFs are built around these custom indexes. Huge growth and explosion. What we're seeing that what do you think is driving some of that recent growth for you know wrapping these ETFs around these custom indexes. And and what do you think that means for the products that are, you know, being designed and now brought to the market?

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Christine Berg

Yeah. I think the the growth of custom indexes, especially, you know, in the ETF market, it it just resembles, you know, maturity. Right. We have we have a long way to go. But the industry is maturing and market data right. Market cap weighted beta products. They're well entrenched widely available in the market. And the differentiation is becoming more and more important, but also an ability to express certain themes or include certain risk controls or income oriented outcomes.

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Christine Berg

These are things that can build upon those market cap indexes that are very well entrenched. So to build upon what's in the market and the ecosystem, you know, to express those sorts of different risk controls as well as, themes. And then I think, importantly for the US, especially, certain regulatory requirements related to diversity and concentration and the like.

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Christine Berg

And so the custom index, which, you know, through a lot of investment in infrastructure and technology, has become, you know, a scalable solution. It brings efficiency, allows for some of these strategies to be transparent, rules based, efficient in that particular wrapper. And I think, as you know, we see the market continue to grow and themes especially, the custom index solution, it'll it'll allow for faster innovation cycles with products.

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Christine Berg

And that is without, you know, sacrificing the rigor and the quality. Again, because it's building on this foundation. So more to come.

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Kristin Myers

So about themes, right. You were talking about AI a second ago. How is that indexing? You kind of are just touching on it just a little bit. But how are you seeing in the construction really changing really to increase some of that thematic exposure?

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Christine Berg

And I think AI is a perfect example because AI is not only a theme thing captures great.

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Kristin Myers

Yeah.

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Christine Berg

In indexes, but also it's enabling, right, right. The. Yes. Yes. So early early days thematic ETFs I mean more often than not they were structured in a way that they use screens or were focused on pure place. And the world has certainly evolved not just because of, you know, technology, but the themes themselves. And I think AI is the great example.

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Christine Berg

Well beyond, you know, the chips and hardware providers to the infrastructure. Even thinking through, you know, the downstream, right, the, the downstream enablers and adopters of AI. And so tech oriented ETFs or themes that may have been where things started, but now in finding ways to capture that entire value chain across again, AI using that as an example is something that is now enabled through indexation.

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Christine Berg

And at MSCI we have our Investment Strategy Explorer tool. Sounds super cool. Only the researchers get to use it right now. But what that does is it allows you to take natural language inputs, large language models, agents, and identify. Right. An objective or a strategy map that to companies, figure out their exposures and now create an index that can do all those things.

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Christine Berg

And it's not just static. So going back to AI, our team did some research in that area, and they ended up identifying about 230 companies linked to the AI value chain and ecosystem. So that is that allows for scale in an index and and or in a product, you know, in a way that we had not seen in the past and is not as narrow is just, you know, a very specific index.

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Christine Berg

So we're excited about that. Not only what it could bring to, I think, types of indexes, but beyond. And I think that'll lead to a lot of innovation in the next generation of indexes and themes.

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Kristin Myers

Right? Okay. So we're talking about next generation, because one of the things that you did not mention as one of the bigger trends or themes of 2025 is active ETFs, even though we already know active, we've seen 2025

even more active ETFs than we saw in 2020. For every single year everyone is so excited about active. How is MSCI really helping the next generation of these active ETFs?

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Kristin Myers

That we keep seeing being brought to market.

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Christine Berg

Yeah. And I think active ETFs I would say are well beyond a theme. Yeah.

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Kristin Myers

They're not a new trend or new theme anymore.

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Christine Berg

Yeah. And look it's quite exciting. I think the records were probably broken this year in terms of count as well as volume, and certainly the capture of market share growth amongst active ETFs. Over time, it's not just investment strategies and alpha that will drive success, efficiency, the infrastructure and everything, you know related to a successful products are going to be equally as important.

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Christine Berg

And I do think that the investments that are being made across data analytics and other tools to help issuers, you know, behind the scenes will only allow for greater growth. And bringing these additional strategies to market and options to investors. I think what the number roughly today in equity oriented, active ETFs is, let's say a trillion, just to use some round numbers.

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Christine Berg

That's going to grow, especially with the new dual share class. And so we've been monitoring we're having lots of conversations with clients. And I would say that when you look at that trillion in AUM, about 25% of that AUM is leveraging MSCI indexes or tools or data in some way, shape or form. And so active asset managers and use of MSCI tools has long been, you know, entrenched in the industry.

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Christine Berg

And so now we're finding new ways with clients, whether it's through, strategy design, for example, leveraging our universities or classification systems like Gics sectors or other things in the actual strategy design process to portfolio management. We're very well known for our risk tools, stress testing, the optimizer rate. A lot of times with the active portfolios, the, the, the need to reduce the constituent count becomes very important, right?

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Christine Berg

For implementation and scalability in the market. Tools like optimizers are very helpful there. And then finally, I would say the third way that we're helping our clients is through just general engagements, and sales enablement. So whether it's AI insights that we can offer them through some of our tools or our on the ground folks who are constantly educating market participants, we offer those sorts of tools to our clients to help enable them through the entire lifecycle of their active, their active products.

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Kristin Myers

Well, I'm excited for our next conversation as well, to dive even further into some of the data, because you have so many numbers, even we were able to kind of talk about briefly before, but thank you so much. Christine Berg, head of Americas Index for MSCI. Thank you so much for tuning in to the ETF show at asset TD.

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