



## VettaFi's Roxanna Islam On ETFs

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Roxanna Islam, Head of Sector and Industry Research at VettaFi, discusses exchange-traded funds (ETFs), the different types of ETFs and their evolution. ETFs have traditionally been passive and low-cost— factors that have always made them desirable, Islam said. But actively managed ETFs are skyrocketing in popularity, with some 90% of the more than 500 new ETFs launched this year fitting that bill, she added. But the indexes that underline passive ETFs are innovating and becoming more attentive to investor priorities, giving them an “active feel,” Islam continued, providing examples of these newer passive ETFs.

Learn more about Roxanna Islam (<https://www.linkedin.com/in/roxannai/>) and VettaFi (<https://www.vettafi.com/>)

**JANE KING:** Roxanna Islam is the head of sector and industry research for TMX VettaFi, and is with us here today and we're gonna talk about ETFs, which have just been so popular lately. I want you to explain, go into some depth here with ETFs. There's active versus passive ETFs, and things have changed, where are you seeing change and evolution in the ETF space?

**ROXANNA ISLAM:** Yeah, so first of all, great to be here, Jane. Great question. ETFs have definitely always been on the forefront of change, so traditionally these ETFs, they've been known as these passive vehicles, meaning they follow an index, and some of the larger passive ETFs that are household names to us, there's VOO for instance. If you're not familiar with that, by the way, that's Vanguard's S&P 500 ETF. These ETFs, they're straightforward, they're simple, low cost, and that's really what makes them desirable, but active ETFs have

really come into the spotlight recently and they've just seen higher and higher share each year. And in 2025, we've actually already seen 500 plus ETF launches this year, and almost 90% of those were active, so that really makes a lot of investors and advisors think, is all the new innovation now just in active strategies? But even though there are less of these passive ETF launches, these strategies are still innovative, and I think it's important to remember that passive just refers to the management style, meaning it's indexed to a benchmark, not that it lacks conviction or that it's a lazy idea, so I think that's key to remember when you're thinking about active versus passive.

**JANE KING:** Okay. Are there differences in fees between passive and active?

**ROXANNA ISLAM:** Yeah, so in general, passive are lower cost, and that's, as I explained, I think that's one of the key features, they're a little bit more simple, they're more straightforward, so that's why they have those lower costs. And active, you have the active management that goes behind them with the fund manager, so you typically pay a higher premium for those.

**JANE KING:** Now you mentioned innovation in the ETS space, so explain what's happening there.

**ROXANNA ISLAM:** Yeah, so I think there's still a lot of innovation happening in passive, and really the backbone of these ETFs are the indexes that underlie them. And index construction, it's been able to become more sophisticated, more targeted over the past few years, they've really just started to evolve to reflect investor priorities, so they're not always these large, plain vanilla funds, as you would call them, many of them actually do have an active feel now. There's three categories that I would categorize these new passive launches into. So the first is something I'd like to call a fresh take on new ideas, so it's tweaking traditional indexes with proprietary weighting or security selection methods, and then there's also access to these newer niche asset classes, crypto equities is a big one that a lot of people bring up. And then there's one that is probably my favorite, it's defining new thematic industries or defining boundaries of new areas, and that's using custom indexes to represent areas that are traditionally underrepresented and maybe don't fall into these traditional sector definitions.

**JANE KING:** Interesting. I just did an interview with somebody who started a music industry ETF and it's actually doing very well, so I think it fits perfectly with this new evolution. How are the passive ETFs evolving?

**ROXANNA ISLAM:** Yeah, so maybe I can give a few examples of, of these passive ETFs, because there's actually been quite a few that have launched this year in 2025 that have been good examples of this. So when you think about taking an older index and modifying it into something a little bit more complex, one of the ones that I like is the Alger Russell Innovation ETF, it's ticker INVN. That one is really interesting, prioritizes high free cashflow margin in the Russell 1000 Index constituents, and then it ranks the remaining ones by R&D as a percentage of enterprise value, so really a cool, creative way to focus on that innovation. Franklin also has two ETFs, there's one that's US and one that's international, the tickers are XUDV and XIDV, so those are dividend multiplier ETFs. They actually target two to three times the dividend of the underlying index, and that might sound like leverage but it's actually an optimization process that does that. And when you're talking about these new asset classes, I did mention crypto equities, so they actually target two to three times the dividend of the underlying index. And that might, a great example of that, something that came out earlier this year is Bitwise's [OWNB 0:04:43]. That one is a really cool product, it targets corporations that hold a thousand Bitcoin, so it's a new, interesting way to access crypto and companies that are on the forefront of embracing things like that. And then when you're looking at these, defining thematic, or even these faith-based areas, some of the ones that I think are interesting are JLens has an ETF with ticker TOV, it's a Jewish advocacy ETF, so it screens out companies that don't align with Jewish values, then the remaining ones are ranked by a Jewish scorecard. Then lastly, ALPS has an ETF with ticker ELFY, so that one focuses on electricity demand and the newly popular electrification theme. So if you look under the hood of that, it's utilities, industrials, technology, so it's a theme that doesn't quite fit into those traditional sector boundaries, which is why it's important to define that using these indexes. Yeah, in VettaFi, we actually provide, one of the services we provide asset managers is indexing, so we actually provide the underlying index for several of those ETFs I mentioned, XUDV, XIDV, TOV, and ELFY.

**JANE KING:** It almost feels like the number of ETFs could be unlimited with all these kind of specializations, absolutely fascinating. Now why does it matter? I mean, ETFs, there's

transparency, there's efficiency, there's a little bit of risk tolerance as well, so explain why this is important to investors.

**ROXANNA ISLAM:** Yeah, so innovation in passive ETFs in particular, I think it allows investors to align portfolios more with their goals without sacrificing some of the key characteristics that we love about ETFs, and that's transparency and efficiency. These are characteristics that are really major benefits of passive over active. And you know, as I mentioned in the beginning, it's not just these plain vanilla ETFs anymore, passive ETFs have become this dynamic toolkit for investors to express their views and express their choices. So while there is a lot of innovation in active ETFs, and I expect to see that continue, there's also a lot of innovation in these passive ETFs in their indexes, and this is also an area that I think will just grow and develop rapidly.

**JANE KING:** Fascinating. I had no idea there were so many, and it's wonderful for investors to have so many choices to pick from. Roxanna, thank you so much.

**ROXANNA ISLAM:** Yeah, thank you so much, Jane.

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