ETF Ownership explained:
Why AUM doesn't matter

1

LOOK AT OVERALL OWNERSHIP, NOT FUND OWNERSHIP

Exchange-traded funds (ETFs) are a wrapper, and although an investor may hold a large percentage of an ETF, one must look at the percentage owned of the underlying asset class. As an example: using WisdomTree Europe Equity UCITS ETF, an investor owning $10 billion of this product would own only 0.32% of the total market cap of the companies that comprise the Index underlying the Fund.

2

NOT IMPACTED BY OTHER INVESTORS

The ETF structure is unique in that all investors transact independently on an exchange. Being a large or small owner in a fund does not mean you're more or less impacted by the actions of other investors.

3

NO PRINCIPAL RISK IN CLOSURE

If a fund were to close, neither large nor small investors would have any additional principal risk on closure. The fund would be liquidated by the portfolio manager, and the investors would receive back NAV of the fund, minus costs, at the time of liquidation.

4

TRADING IN & OUT

Investors can trade in and out of a fund regardless of the fund's AUM. ETF liquidity providers (market makers) can easily transfer the liquidity of the underlying basket in to ETF shares. Implied liquidity quantifies a conservative baseline for how many ETF shares can be traded through the underlying basket in a single day, without impacting any of the stocks in the basket. For WisdomTree Europe Equity UCITS ETF, the implied liquidity currently stands at 19.58 million ETF shares or $349 million notional. This liquidity works the same on the way in and the way out as market makers are providing liquidity on both sides of the bid and offer.

Source: Bloomberg as of 6 December 2018

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