A History of ETFs

1924

The Massachusetts Investors was created in 1924. For the first time, U.S. traders could pool their assets into an investment vehicle managed by professionals traders.

1975

Vanguard launches its initial index mutual fund, tracking the S&P500. The idea behind index funds was to buy overall market performance rather than trying to beat it by investing in individual stocks.

1993

SDPR SPY introduces ETFs in the modern sense of of the word. With the advent of electronic trading in the 1980s, investors could now purchase an entire investment pool with a single trade.

2000

Factor ETFs enter the scene. By measuring and analyzing the attributes – or "factors" – of specific companies that shared certain characteristics, investors could enjoy greater returns compared to traditional mutual funds and ETFs.

2002

Fixed income assets come to be traded as ETFs. Because bonds are traded in large quantity in OTC markets, it was difficult to index this particular asset class. These previously illiquid assets achieved liquidity.

2006

With the arrival of leveraged ETFs in 2006, investors could double and triple their returns with the addition derivatives and debt to the underlying fund. While conventional ETFs matched the index, leveraged ETFs attempt to outpace them.

2010

Bear Stearns sets up the first fully transparent ETF. Transparent ETFs disclose their entire portfolio at the end of each trading day. Semi-transparent ETFs, approved by the S.E.C. in 2019, disclose part of their securities holdings.

2021

As of February, 2021, with financial markets making a comeback from the coronavirus, there are over 7,000 ETFs totaling $8 trillion in total value.