

ABOVE THE FRAY

ETFs Can Get Expensive

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Many investors think of ETFs as low-cost alternatives to mutual funds. This is likely because, up until the past few years, the vast majority of ETF assets were invested in traditional broad-market index strategies. But as Bob Dylan said, the times they are a-changin'. And investors' preconceived notions of what ETFs hold may need to be updated as well.

Active strategies have captured 32% of the ETF flows over the one year ending September 30, 2025, despite representing just 10% of total ETF assets under management. Many of these flows were directed to niche categories ranging from downside protection to levered, individual stock positions. The wide gamut of active products is reflected in higher expense ratios. The median for active ETFs is almost twice as high as that of index ETFs, at 0.70% versus 0.39%. And if 2025 is anything to go by, that number could be trending up as niche categories grow in popularity.

The takeaway here is that investors should think of the ETF structure for what it is: a wrapper that may not tell you much about the underlying investments. The variety of strategies available as ETFs is expanding and so, too, will the range of characteristics across the landscape.

Exhibit 1
Net Expense Ratios (%)
As of September 30, 2025



Source: Dimensional, using Morningstar data; based on the latest available data as of October 6, 2025.

The sample includes US-domiciled, USD-denominated exchange-traded funds as of September 30, 2025, that had expense ratio data available. Funds of funds are excluded from the sample. Classification of active funds provided by Morningstar.

This article originally appeared in Above the Fray, a weekly newsletter for Dimensional clients.

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