# ETF SPECIAL

## **Defined outcome, broader reach:** The evolution of European buffer ETFs



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# Introduction



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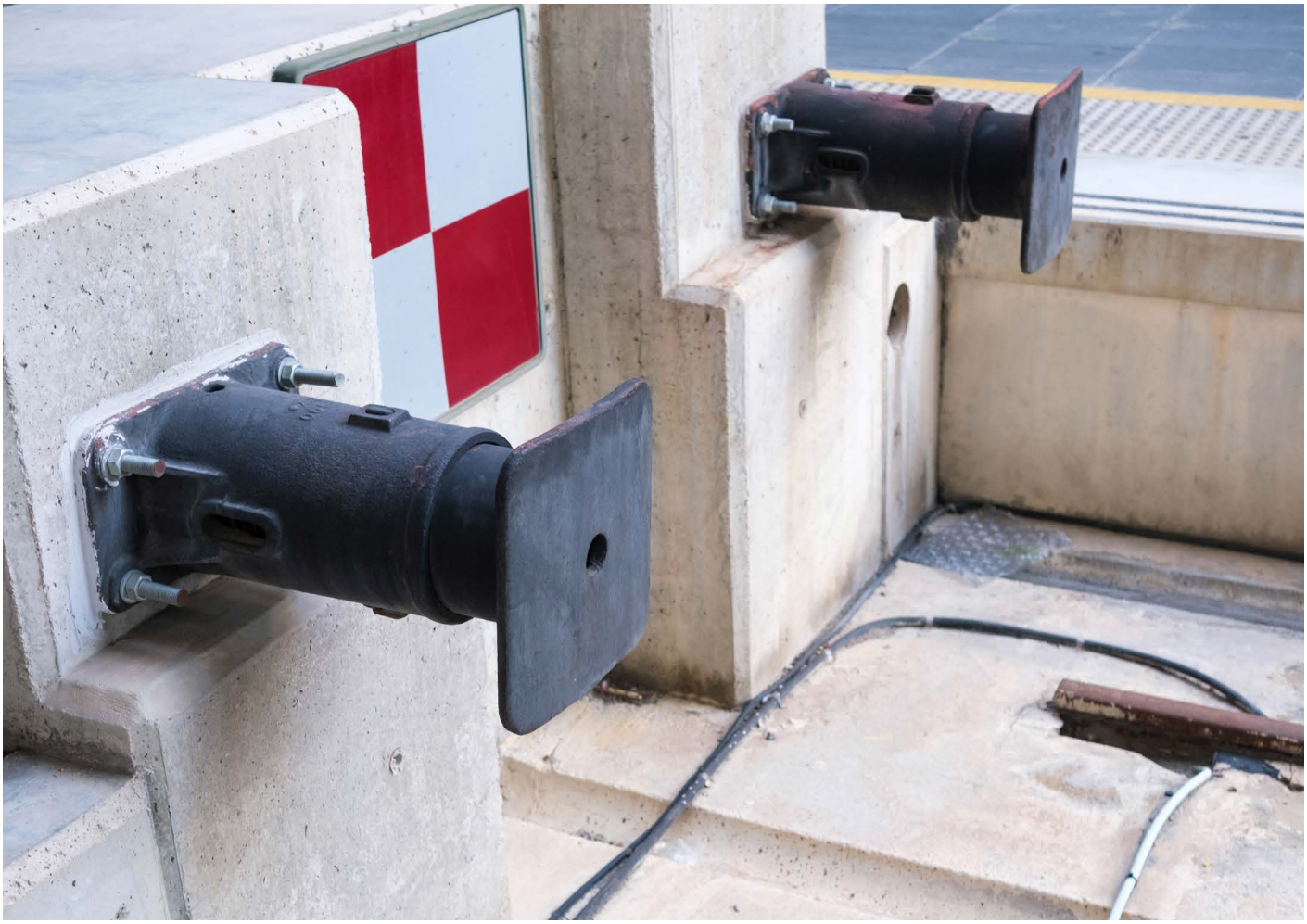
**Welcome to this *ETF Stream* special report uncovering the expansion and adoption of buffer ETFs among professional investors in Europe.**

Buffer ETFs, an evolution of the familiar defined-outcome segment, offer investors a predefined risk-reward balance by capping upside potential in exchange for downside protection. Having established a sizeable foothold in the US, these vehicles are beginning to see uptake on this side of the Atlantic while becoming a key focus of new product development for ETF issuers.

The nascent segment of Europe-domiciled products housed nearly $560m in total assets at the end of Q3. Although a strong equity market slowed overall demand earlier this year, investor interest is beginning to be piqued as markets move from a multi-year momentum phase and into volatile, sideways territory, with growing questions asked about inflation, monetary policy and the longevity of substantial AI-linked capex programmes.

As the product set matures, investors face a choice between active and rules-based implementation. Active implementations currently dominate Europe with $526m in AUM compared to $33m in passive vehicles, yet transparent indexing frameworks promise to drive the next phase of growth by making these complex strategies easier for investors to understand and compare across the region.

In this report, we explore how buffer ETFs are carving out a distinct position between traditional equity allocations and structured products. By offering clear downside protection alongside equity upside, they give investors a practical new tool for managing risk in volatile markets.



# Buffer ETFs in Europe: Can indexing accelerate adoption?

Buffer ETFs have emerged as one of the fastest-growing segments in the US over the past several years. Also known as defined-outcome strategies, the funds have grown into a sizeable category as investors increasingly look for ways to balance participation in equity markets with greater control over investment risk.

Now, the category is beginning to gain traction in Europe, where issuers are launching the first generation of buffer ETFs. As they explore how these strategies can evolve alongside the region's investment landscape, indexing is emerging as one area where greater efficiency and transparency can support further growth.

## Reducing upside potential for downside protection

The concept behind buffer ETFs is relatively straightforward: investors give up a portion of potential upside in exchange for a degree of downside protection over a specified outcome period.

The growing interest in buffer ETFs comes as markets have been shaped by heightened geopolitical uncertainty, shifting interest-rate expectations and periodic bouts of volatility. At the same time, European equity benchmarks such as the EURO STOXX 50® and STOXX® Europe 600 have reached record levels, prompting some investors to question how much upside remains while wanting to maintain exposure to equities. Against this backdrop, strategies offering a predefined balance between risk and reward are attracting greater attention.

## Explainer: What is a buffer ETF?

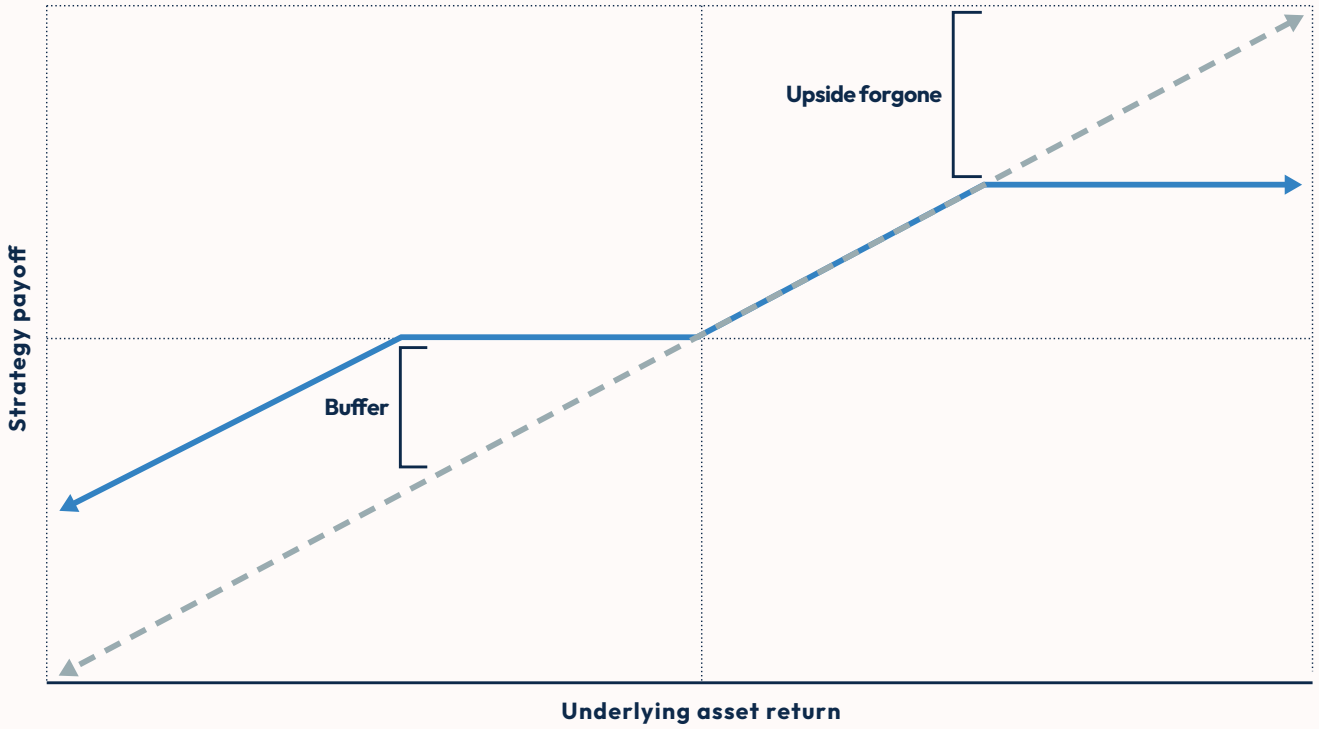
Buffer ETFs seek to provide investors with a predefined balance between downside protection and upside participation over a specified period. Most strategies achieve this outcome through a combination of an equity exposure and an options overlay that effectively reshapes the return profile of the underlying investment. Protective or put options help absorb a portion of market declines, while selling a call option helps finance that insurance even as it limits gains in strong rallies.

In summary, the buffer strategy is constructed as follows:

- **Equity exposure:** long position in underlying index.
- **Protection layer:** a put or bear put spread structure, which involves buying a higher strike put and writing a lower strike put with the same expiry to partially mitigate the cost.
- **Financing layer:** a short call position that collects premiums.

The result is downside protection up to a given buffer, typically between 5% and 20%, and an upside cap determined by the cost of the options. The exact terms depend on prevailing conditions, option pricing and methodology design, but the principle remains the same.

**Payoff profile of a buffer strategy**




Source: Ying-Lin Chen, STOXX, "Buffer strategies for downside protection? A short- and long-term perspective," July 2025.

Buffer ETFs can be purchased and sold throughout the outcome period. However, the advertised buffer and upside cap apply to an investment committed at or near the beginning of the period and held until its conclusion. Investors entering part-way through may experience different results depending on how the underlying market has evolved.

## The US market is leading the way

Morningstar data shows the number of US-listed buffer ETFs has expanded from fewer than 100 products in 2020 to 581 in 2026. Assets under management have increased more than twelvefold over the same period, reaching approximately $75bn.

Europe's buffer ETF market remains small by comparison, but growth is clearly underway. There are now 26 buffer ETFs domiciled in Europe, according to Morningstar, compared with none in 2022. While the segment is still in its early stages, the pace of development suggests increasing interest from both issuers and investors.

The counting of buffer ETFs, however, comes with a caveat. Because the stated buffer and cap are designed around specific outcome periods, issuers often list multiple funds offering effectively the same strategy but with different start and end dates. The large number of products therefore partly reflects the structure of the market itself. Nevertheless, continued launches indicate defined-outcome investing has moved well beyond its experimental phase.

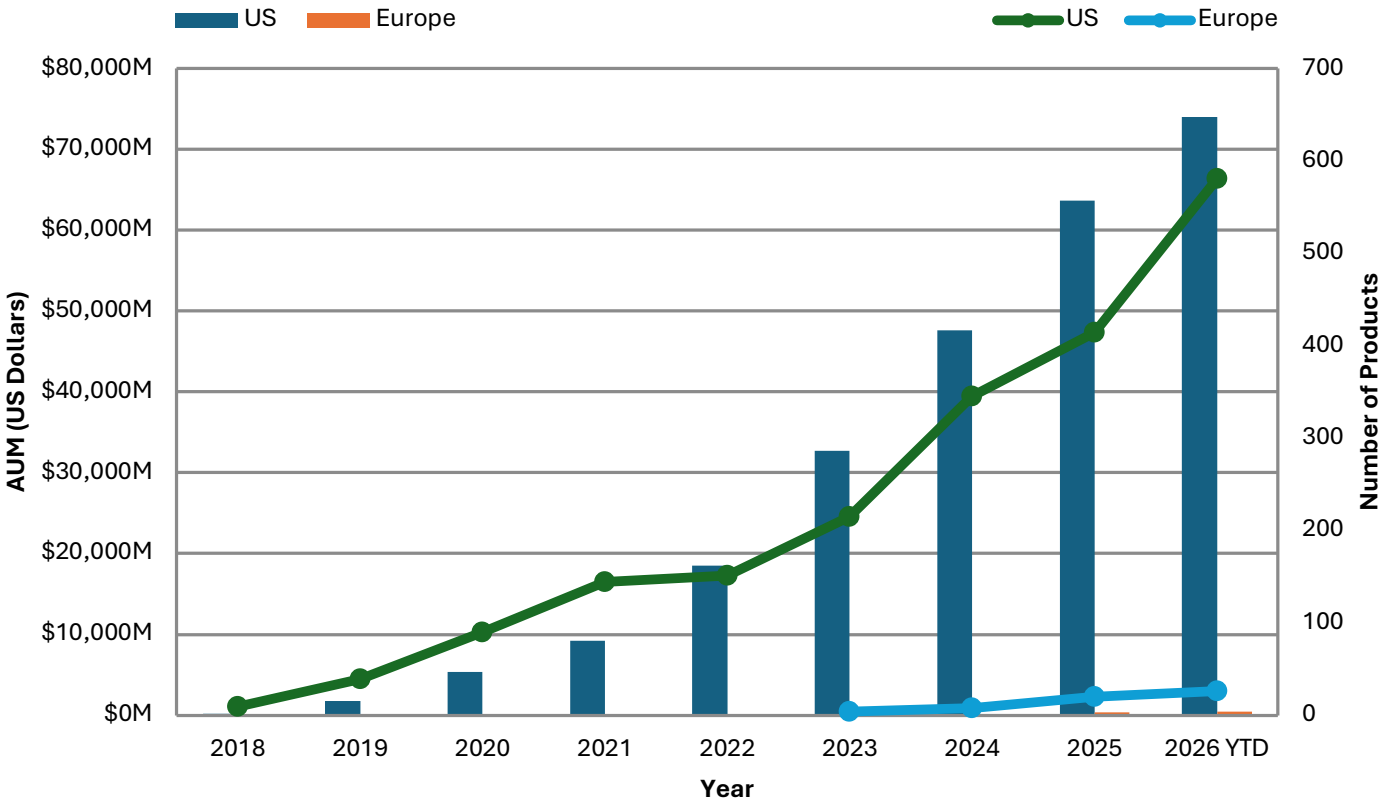
The growth reflects a broader evolution in investor behaviour. For many years, ETF adoption was driven largely by participants seeking low-cost access to broad markets. More recently, however, investors have shifted their focus toward portfolio outcomes rather than asset classes alone. As a result, buffer ETFs are frequently being discussed as part of a wider shift toward outcome-oriented investing, where buyers look beyond market exposure to the investment experience they want to achieve.

The popularity of thematic ETFs, covered-call strategies, target-maturity products and active ETFs all point to the same trend: investors are looking for tools that address specific portfolio needs. Buffer ETFs fit naturally into that landscape.

## First defined-outcome ETF on European equities launched in June

The emergence of buffer ETFs in

**Buffer/defined-outcome ETFs: AUM and number of products (US & Europe)**




Source: Morningstar Direct. Data as of July 31, 2026.

> We are seeing a growing interest in passive buffer ETFs in Europe.
>
> *Thomas Shuttlewood, head of strategy and digital asset indices, product development at STOXX.*

Europe is not happening in isolation but rather reflects a convergence of structural and cyclical trends, according to Marie-Sophie Pastant, head of ETF and index funds portfolio management at BNP Paibas Asset Management.

"Cyclically, investors are in an environment where they still want equity participation but are increasingly conscious of valuations and drawdown risk," says Pastant. "The market infrastructure has also caught up. ETF liquidity and the ETF wrapper have made it much easier to manufacture and distribute this type of strategy."

In June 2026, BNP Paribas Asset Management launched the BNP Paribas Easy European Equity Buffer ETF, the region's first defined-outcome ETF focused on European equities. The actively managed ETF provides exposure to large-cap stocks through the EURO STOXX 50 price index while seeking to deliver a predetermined level of downside protection and a capped upside return over a one-year outcome period.[1]

"Buffer ETF investors typically look for strategies that can deliver more resilient, more predictable, risk-adjusted returns across various market regimes," says Pastant. "They have resonated most strongly with those who are cautious about market volatility or are entering a phase of capital preservation."

As a balance between growth potential and risk mitigation, the ETFs can be integrated into multi-asset portfolios to enhance overall stability, she adds. "Within a broader equities allocation, buffer ETFs serve as a complementary tool rather than a full replacement for core holdings."

## Europe's structured-products heritage

While buffer ETFs are relatively new to Europe, the investment concept itself is not. For decades, European investors have used structured products that offer combinations of capital protection and capped upside participation. Therefore, many of the principles underpinning defined-outcome investing are already familiar across the region.

This familiarity may prove to be a significant advantage as the market develops. Rather than introducing an entirely new proposition, issuers are effectively adapting an established idea to the ETF format and its familiar structural advantages. Compared with some structured products, ETF-based solutions can offer greater flexibility in portfolio construction, increase transparency and provide the ability to trade positions throughout the day on an exchange.

The combination of a mature structured-products market and a rapidly growing ETF ecosystem creates an interesting backdrop for the expansion of buffer ETFs. Europe may therefore represent a market where adoption is driven not by education alone, but by the migration of existing investor demand into a more transparent and scalable vehicle.

## Buffer strategies as a new defensive approach

Investors' resolve was seriously tested in recent years. The sharp sell-off during the COVID-19 pandemic, followed by subsequent episodes of volatility linked to inflation, rising interest rates and geopolitical tensions, were all reminders that equity markets rarely move in a straight line.

At the same time, traditional defensive approaches face their own challenges. The classic 60/40 portfolio has long served as a cornerstone of asset allocation, yet a breakdown in the negative correlation between equities and bonds has led investors to explore alternative methods of managing risk.

Finally, technological and operational improvements have made these strategies more accessible. The ETF wrapper has simplified distribution and improved liquidity compared with some traditional structured-product solutions. As a result, approaches that were once largely confined to bespoke products are becoming available in a format that many investors already know and use.

## Can indexing drive the next phase of growth?

Today, most European buffer ETFs are actively managed. Yet many of the elements that define these strategies can also be implemented through transparent, rules-based index methodologies, creating an

[1] Downside protection range is -5% to -15%. Cap: predefined (approximately 15-20% based on initial terms). Source: BNP Paribas AM.

opportunity for indexing to play a larger role as the market develops.

"We are seeing a growing interest in passive buffer ETFs in Europe," says Thomas Shuttlewood, head of strategy and digital asset indices, product development at STOXX.

The potential function of indexing extends beyond simply providing a reference benchmark. Rules-based methodologies offer established frameworks for implementing defined-outcome strategies, including the selection of options, management of outcome periods and construction of payoff profiles. By codifying these decisions, index methodologies can make complex strategies easier to understand and compare.

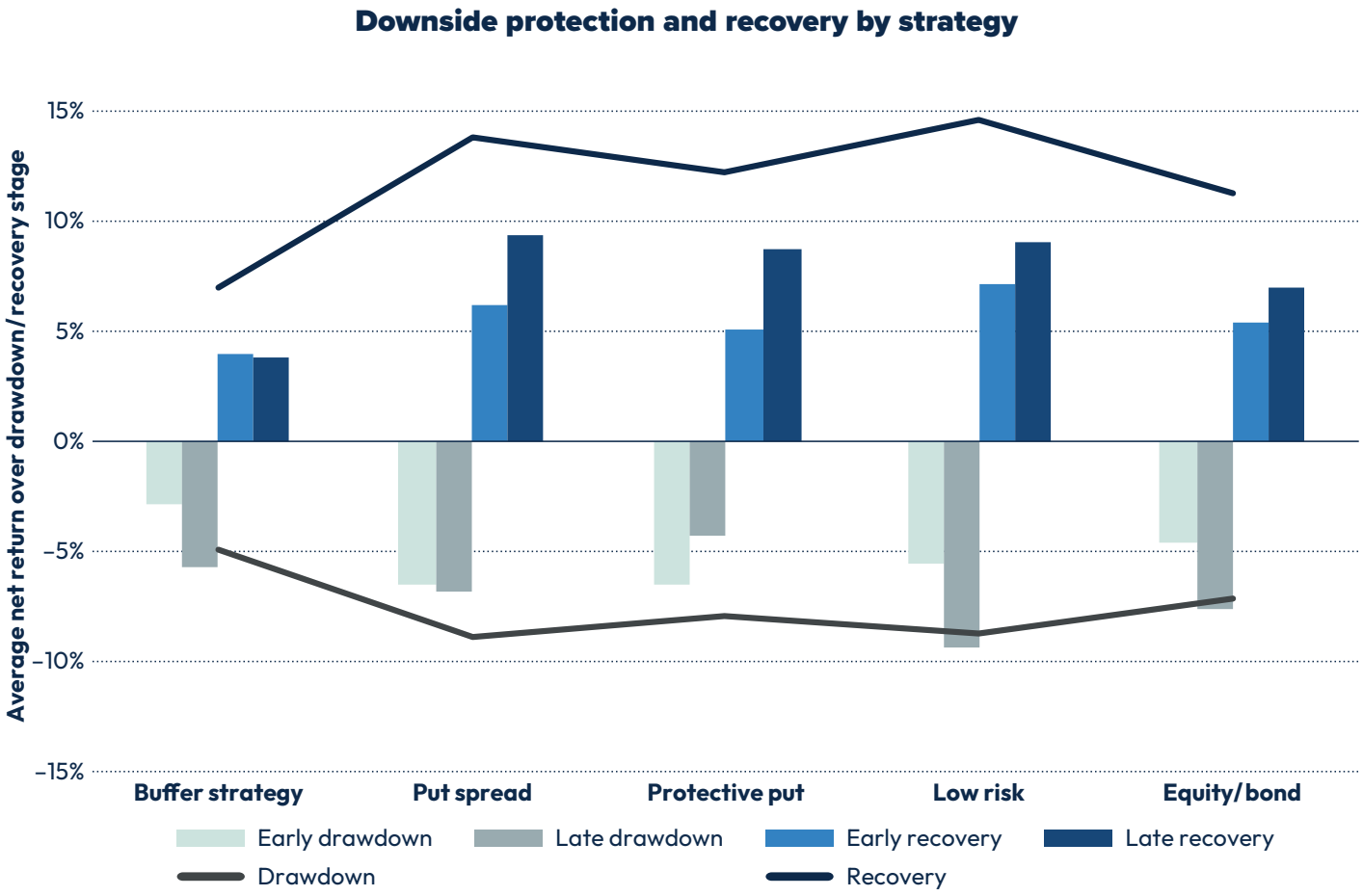
This will likely become increasingly important as the market expands. Investors and advisers often seek reliable reference points when evaluating investment products. A clear index methodology serves as a basis for benchmarking performance and estimating how a strategy is intended to behave under different market conditions. Greater standardisation can also support market growth by facilitating product development across multiple regions, exposures and outcome structures.

In many ways, the opportunity mirrors the impact indexing had in traditional equity investing. Benchmark indices helped transform portfolio construction through efficiency, scalability and consistency. While defined-outcome investing is fundamentally different, similar principles can contribute to wider adoption.

## Customisation as a defining feature

Because of the nature of the strategies, buffer ETFs are characterised by high customisation, says STOXX's Shuttlewood. Methodology decisions can include buffer levels, upside caps, outcome periods, replication techniques, underlying benchmarks and laddered






Source: Ying-Lin Chen, STOXX, "Buffer strategies for downside protection? A short- and long-term perspective," July 2025.

structures that stagger entry dates across multiple periods.

"Increasingly, clients are looking beyond off-the-shelf products," states Shuttlewood. "They are looking for nuanced solutions, perfectly tailored to their needs. This evolution has coincided with greater financial sophistication among retail investors, who now seek more innovative, long-term protection products."

Laddered approaches are a good example of this trend. By combining multiple staggered outcome periods, systematic indices can facilitate different designs to reduce reliance on a single entry date and provide a more consistent investment experience. Such innovations highlight the extent to which the category is still evolving and suggest there is considerable room for product development in the years ahead.

## How are buffer strategies performing?

To understand buffer strategies' relative advantage, a 2025 STOXX study[2] looked at 19 drawdowns and 18 recoveries in the EURO STOXX 50 between June 2016 and April 2025. On average, the blue-chip benchmark fell 7.4% in an early sell-off phase, extending the decline to 10.9% in a late stage. Recoveries ensued – with an early rebound accumulating on average an 8.7% gain and a late-stage recovery extending the advance to 11.1%.

Those levels of downturn suggest that a typical 10% buffer strategy would have shielded investors from most of the average loss. The above chart, taken from the study, exemplifies this profile, showing the performance of a buffer strategy on the EURO STOXX 50 vs. four other strategies: a put spread, a protective put, low-risk equities and a 60/40 allocation.

The buffer strategy provided the greatest protection in the initial market

[2]Ying-Lin Chen, STOXX, "Buffer strategies for downside protection? A short- and long-term perspective," July 2025.



downturn, and the second-largest in the late-stage sell-off. Once the recovery ensued, however, it captured less of the market rebound than did the other alternatives.

Timing, as ever, is of utmost importance. For some investors, however, the forgone upside may be a price worth paying for a smoother ride during periods of stress. The same STOXX study showed that for the period considered, the buffer strategy had the lowest annualised return but also the lowest overall annualised volatility among the five defensive strategies.

This is part of the trade-off that comes with buffer ETFs and will shape the segment's trajectory. Downside protection has obvious attractions but comes at a cost.

## Outlook: A new category begins to emerge

Buffer ETFs are carving out a position between conventional passive investing and structured products, offering investors greater control over the level of risk they take.

The experience in the US suggests that significant demand exists for this type of solution. Europe's deep-seated structured-products market, combined with a sophisticated ETF ecosystem and greater emphasis on portfolio outcomes, indicates the region may be well positioned for further adoption.

The market will need to navigate questions around investor education, product design and implementation. Active approaches currently dominate, but index-based strategies have a lot to offer as issuers seek new ways to develop and bring these products to market. In either case, demand for customisation is likely to continue driving innovation across the category.

What is becoming clear is that buffer ETFs are part of a broader shift in how portfolios are built. Investors are no longer focused solely on gaining exposure to markets. They are instead asking what type of investment experience they want, how much downside risk they are willing to accept and what sacrifice they are prepared to make in pursuit of their objectives. The growth of defined-outcome investing suggests those questions are becoming central to portfolio construction, and Europe's buffer ETF market is only at the beginning of its development.

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# Unpacking Europe's nascent appetite for buffer ETFs



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A prolonged bull market in equities and a yield-volatility trade-off in fixed income is prompting portfolio managers in Europe to look for new sources of risk-adjusted return, with equity allocations taking on a new role with option-based strategies.

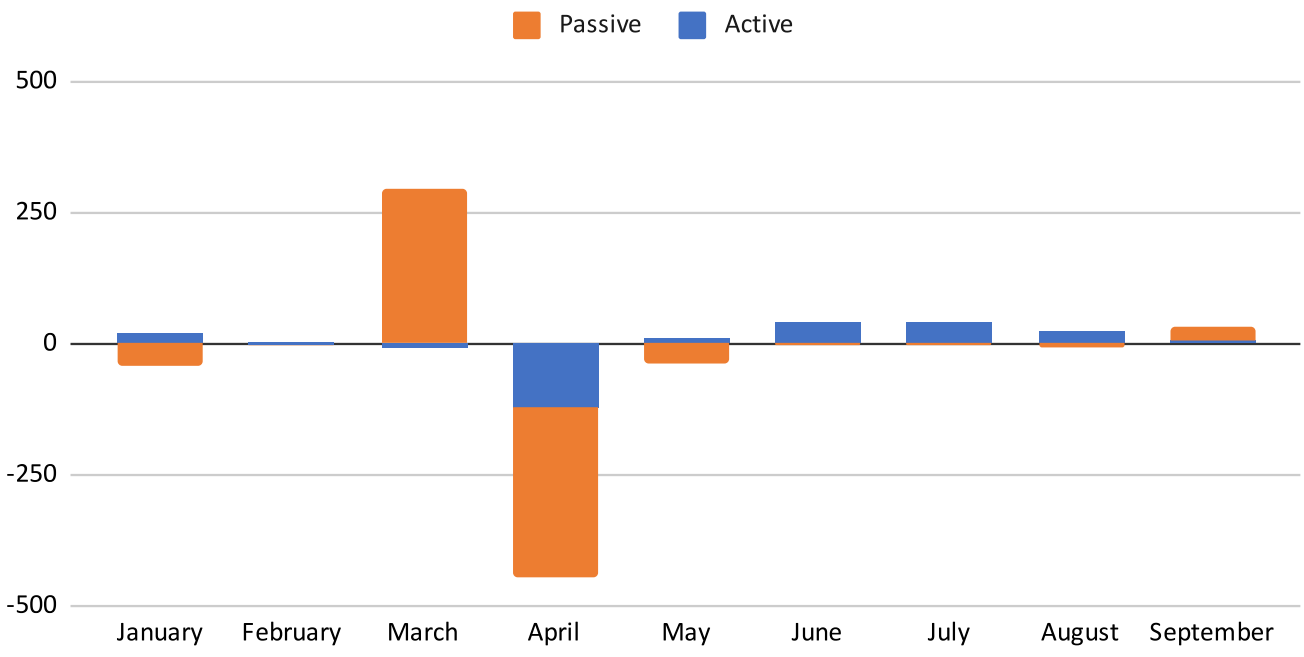
Buffer ETFs, which use options to build predefined payoff profile, have emerged as a key alternative for managing equity downside, though European flows remain highly tactical as allocators move in and out of defined-outcome wrappers depending on market sentiment.

"As volatility rose in March with the US-Iran war, we saw inflows into our buffer ETFs," said Alexander Roll, investment strategist at Global X ETFs Europe. "But as resolution talks got underway and the prospect of a strong V-shaped recovery emerged, investors wanted to add risk again and we saw assets leaving the products."

This demand has so far been met primarily through active products. According to data from ETFBOOK, the total AUM for actively managed buffer ETFs stands at $526m while passive strategies hold $33m as at 29 September.

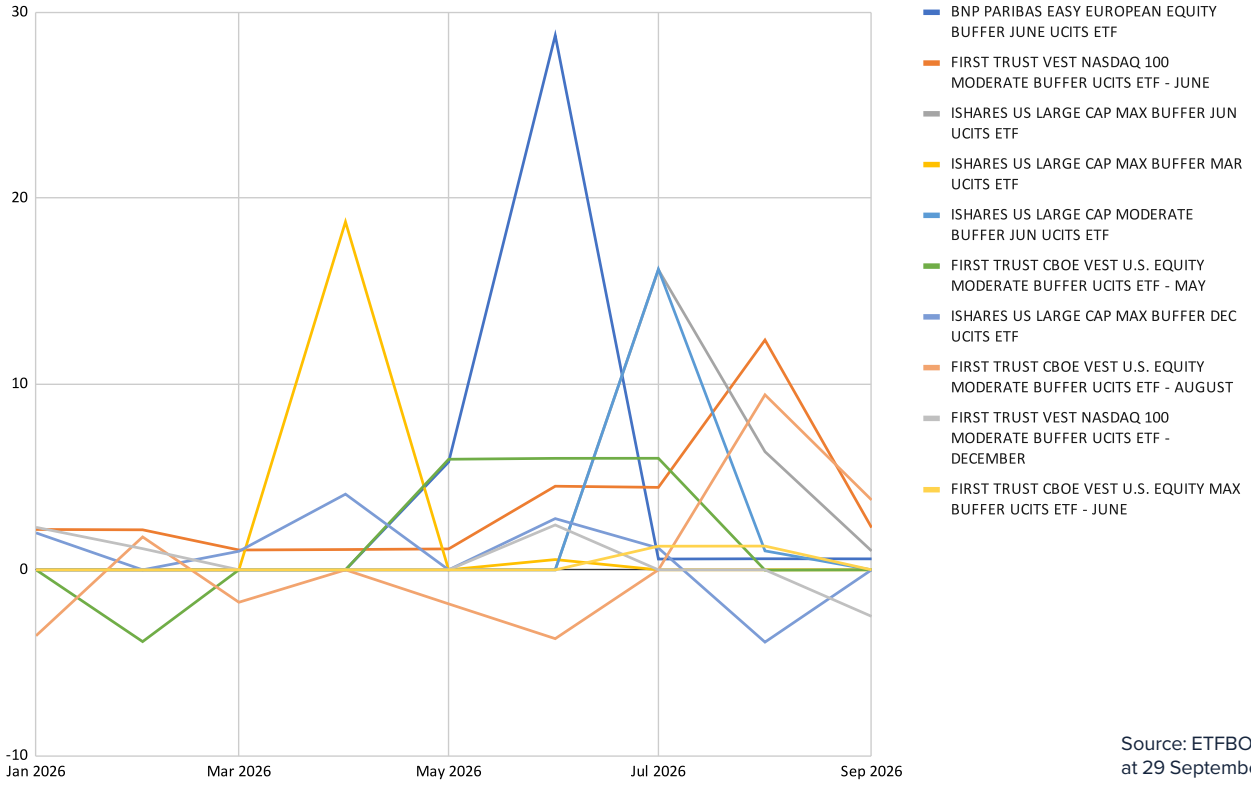
Flow dynamics across 2026 reflect this structural divergence: actively managed implementations maintained steady demand with continuous net positive monthly flows from May through September – including $42m in June and $40m in July. Conversely, flows into passive buffer vehicles concentrate around quarterly reset windows, headlined by a $296m inflow spike in March 2026 followed by $324m in rebalancing outflows in April, before

**Net flow for active and passive European buffer ETFs in 2026 (m USD)**




Source: ETFBOOK. Data as at 29 September 2026.

## Top 10 European buffer ETFs by net flows in 2026 (m USD)




Source: ETFBOOK. Data as at 29 September 2026.

returning to positive net flows of $24m in September.

Timing remains a critical consideration when initiating an allocation. The primary entry point into buffer ETFs occurs just after launch or at the start of an outcome period, when the buffer and upside cap reset to desired levels.

Investing after the upside cap has been breached generally makes less sense, as there is no further upside to capture alongside increased downside exposure until the protective buffer kicks in.

Despite broader market headwinds, demand for European equity exposure has sparked notable activity among newly launched products.

The BNP Paribas Easy European Equity Buffer June UCITS ETF, which provides long exposure to the EURO STOXX 50 index, registered the highest monthly net flow among individual buffer ETFs in 2026, pulling in nearly $29m in June, according to ETFBOOK figures.

The strategy grew to $36m AUM, making it the third-largest buffer ETF in Europe behind First Trust Vest Nasdaq 100 Moderate Buffer June UCITS ($110m) and the First Trust Cboe Vest US Equity Moderate Buffer May UCITS ETF ($55m).

This inflow performance is largely driven by a unique structural mechanism. While the strategy provides core long exposure to the EURO STOXX 50 index with a predefined downside buffer and an upside cap, it sets itself apart from competitors by incorporating a de-risking feature.

> “Timing remains a critical consideration when initiating an allocation. The primary entry point into buffer ETFs occurs just after launch or at the start of an outcome period, when the buffer and upside cap reset to desired levels.



## Top 10 European buffer ETFs by AUM

| Fund Name | AuM ($) |
|---|---|
| FIRST TRUST VEST NASDAQ 100 MODERATE BUFFER UCITS ETF - JUNE | 109,872,045 |
| FIRST TRUST CBOE VEST U.S. EQUITY MODERATE BUFFER UCITS ETF - MAY | 55,051,731 |
| BNP PARIBAS EASY EUROPEAN EQUITY BUFFER JUNE UCITS ETF | 36,054,699 |
| FIRST TRUST CBOE VEST U.S. EQUITY MODERATE BUFFER UCITS ETF - NOVEMBER | 35,917,675 |
| ISHARES US LARGE CAP DEEP BUFFER UCITS ETF | 30,739,313 |
| ISHARES US LARGE CAP MAX BUFFER SEP UCITS ETF | 30,673,624 |
| FIRST TRUST CBOE VEST U.S. EQUITY MODERATE BUFFER UCITS ETF - AUGUST | 28,295,325 |
| FIRST TRUST CBOE VEST U.S. EQUITY MODERATE BUFFER UCITS ETF - FEBRUARY | 28,107,180 |
| GLOBAL X S&P 500 QUARTERLY BUFFER UCITS ETF | 27,835,138 |
| ISHARES US LARGE CAP MAX BUFFER JUN UCITS ETF | 23,685,705 |
| ISHARES US LARGE CAP MAX BUFFER DEC UCITS ETF | 22,900,177 |

Source: ETFBOOK. Data as at 29 September 2026.

More specifically, if the index level rises above the upside cap during the June to June outcome period, the initial 'buffer' of 5-15% is extended to 0-100%, meaning investors who bought at the beginning can end up no worse than flat compared to where they started.

These structural innovations reflect broader changes in how investors utilise wrapped products. "The usage of ETFs has been changing over the years," said Olivier Paquier, global head of ETF distribution at BNP Paribas Asset Management. "The market context is becoming even speedier. ETF users are looking for a different way of using the wrapper - they want specific outcomes and portfolio enhancements."

This growing appetite is also being reflected in investor conversations. Christophe Joye, passive and smart beta analyst at Lombard Odier & Cie SA said: "In terms of products to invest in today, currently, the only specific request I have received is for ETFs with a covered call overlay to enhance income, particularly on US equities, or buffer ETFs."

As European buyers navigate changing market conditions, buffer ETFs are establishing a permanent role within multi-asset portfolio construction.


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