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Double Trouble

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One area of active ETFs attracting investors in droves is single stock ETFs. More than 660 of these were launched between January 2025 and August 2026.

As the name suggests, these funds give investors exposure to the performance of one particular stock. Most are based on household name stocks. Over 73% of the assets held by single stock ETFs are focused on popular tech stocks like Nvidia, Tesla, or SpaceX.

You might be wondering what's the point of a single stock ETF when you can just buy shares of the company directly. Well, the vast majority[1] of single stock ETFs are levered, meaning when the price of the underlying stock changes, the ETF's value moves by a multiple of that change. For example, a 2X ETF gains double the value of a positive return on the stock. But the door swings both ways—a decline in the stock means double the drop for a 2X ETF.

Amplified volatility can lead to unexpected outcomes for levered ETFs because magnifying stock price drops carve a hole that takes disproportionately longer to recover. For example, let's say a hypothetical stock gains 10% in one day and loses 9% the next. The cumulative return with zero leverage (1X) is slightly positive, at 0.1%. But leveraging by 2X produces a negative cumulative return. The triple levered outcome is even worse.

Consequently, leverage may not always lift long-term performance even if average returns are strong. The largest levered single stock ETF tracks a stock that returned 23.0% as of September 28. The 2X ETF based on that stock returned 25.8%—an improvement but not as dramatic as some investors might have expected.[2]

Hypothetical 2-Day Return Scenario With Leverage

	1x	2x	3x
Day 1	▲ 10.00%	▲ 20.00%	▲ 30.00%
Day 2	-9.00% ▼	-18.00% ▼	-27.00% ▼
Cumulative Over 2 Days	0.10%	-1.60%	-5.10%

For illustrative purposes only.

1.About 82% of assets under management as of August 31, 2026. Source: Morningstar
2. Source: Morningstar

Glossary
Cumulative Return: The total percentage change in an investment's value over time.

Leverage: Using borrowed money to buy securities with the aim of increasing potential returns. Leverage can also increase losses.
Volatility: A statistical measure of the dispersion, or variability, of returns for a given security or portfolio. Volatility is often measured using standard deviation.

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