

 BROWN BROTHERS HARRIMAN

EXCHANGE THOUGHTS



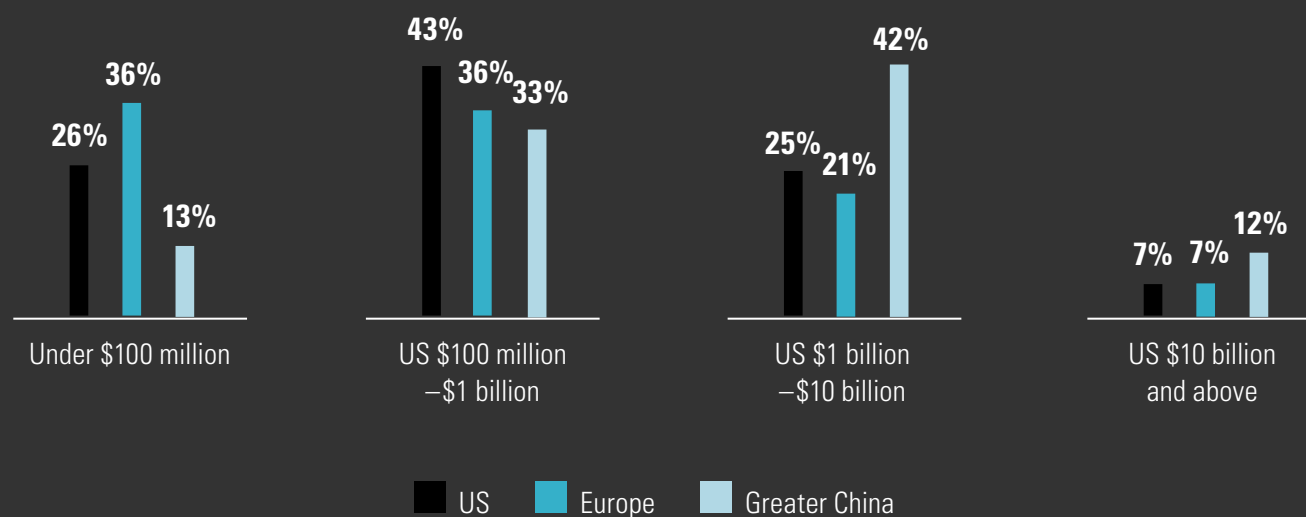
2021 Global ETF Investor Survey Results

ETF Innovation Continues to Open Doors for More Dynamic Investing

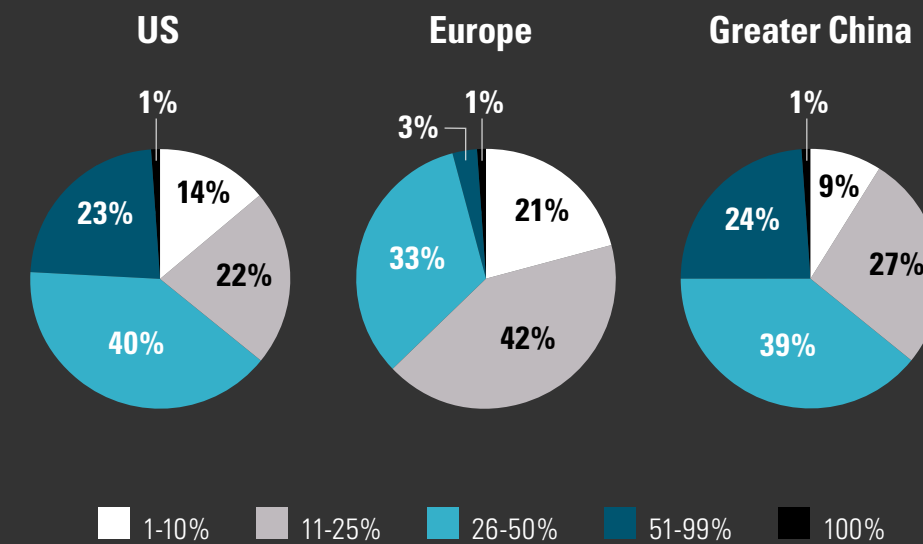
2021 Survey Methodology

2021 marks our eighth annual survey of investors across the globe where we seek to outline emerging trends in usage, selection, and demand for exchange-traded funds (ETFs). This year we captured responses from 382 financial advisors (44%), institutional investors (30%), and fund managers (26%) from the U.S., Europe, and Greater China to identify key trends, highlight changing sentiment, and explore areas of innovation in the dynamic ETF marketplace. All respondents invest in ETFs and are aware of their institution's overall investment strategy.

What is the total market value of investments you manage in USD as of today?



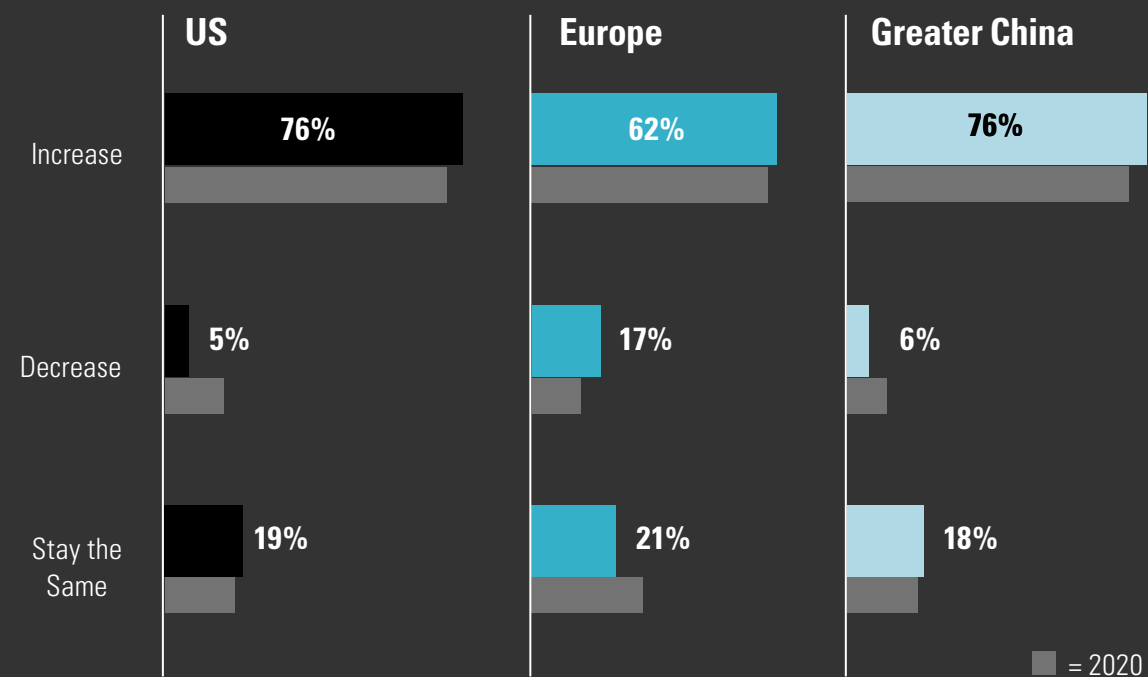
Please indicate the percentage of your AUM invested in ETFs/ETNs:



ETF Marketplace

ETF adoption continues its rapid ascent

Do you expect your use of ETFs to increase, decrease, or stay the same over the next 12 months?



Greater China is the only region where volume and spreads are in the top 3, while historic performance continues to trend globally

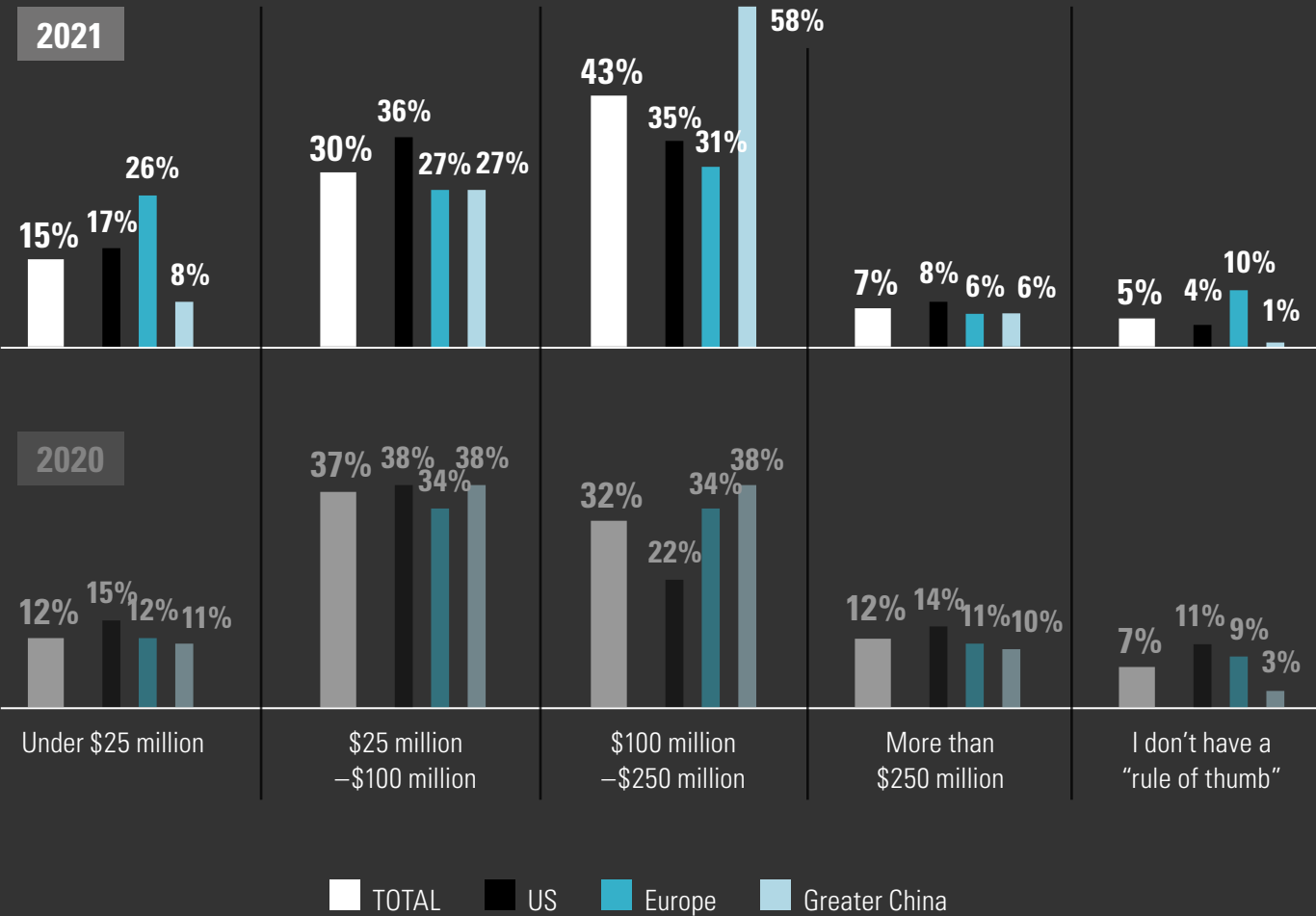
When selecting ETFs, please select and rank your top three of the following in terms of importance.

US	2020 Rank	Europe	2020 Rank	Greater China	2020 Rank
Expense Ratio	2	Historical Performance	2	Historical Performance	1
Historical Performance	1	ETF Issuer	3	Trading Volume	3
ETF Issuer	4	Expense Ratio	1	Trading Spreads	2
Tax Efficiency	2	Tax Efficiency	6	Expense Ratio	6
Index Methodology	6	Trading Spreads	4	Index Methodology	4
Trading Volume	3	Trading Volume	5	ETF Issuer	5
Trading Spreads	5	Tracking Error	7	Tax Efficiency	7
Tracking Error	7	Index Methodology	8	Tracking Error	8

ETF Marketplace

43% of respondents are looking for at least \$100 million before investing, up 11% from 2020

What is your “Rule of Thumb” for minimum AUM for a new ETF before you’ll invest?



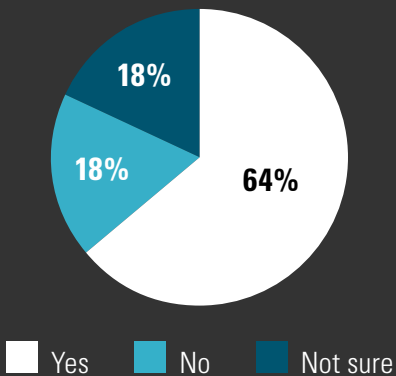
Achieving sector exposure varies

Which is your preferred method for achieving exposure to a specific sector for your portfolio?

	TOTAL	US	Europe	Greater China
Buy shares of the best performing company in a sector	24%	18%	18%	35%
Buy a sector-specific ETF	21%	20%	23%	19%
Buy a sector-specific mutual fund	20%	18%	27%	18%
Buy shares in a handful of different companies in a sector	19%	25%	18%	14%
Buy a thematic ETF	16%	19%	14%	14%

In Europe, most believe MiFID II has enhanced confidence in ETFs

Has MiFID II’s transparency requirements enhanced investor confidence in ETFs?



ETF Marketplace

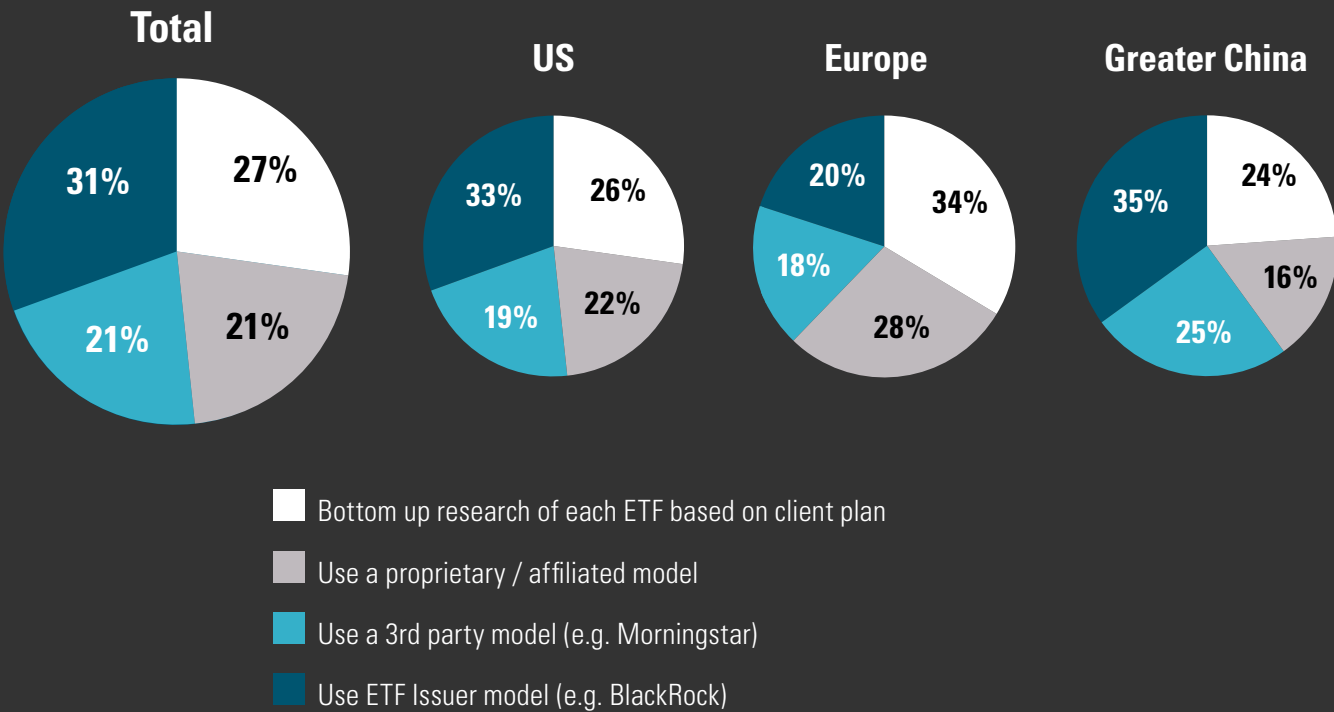
Investors would like to see cryptocurrency ETFs

Please select and rank the top 3 ETF strategies that you want to see more of in the market.

US	Europe	Greater China
Market Cap Index	Active	ESG
Thematic	Cryptocurrency	Cryptocurrency
Cryptocurrency	ESG	Thematic
Defined Outcome (Buffered ETF)	Defined Outcome (Buffered ETF)	Active
Managed Risk/ Low Volatility	Leveraged/Inverse	Managed Risk/ Low Volatility
Active	Thematic	Defined Outcome (Buffered ETF)
ESG	Managed Risk/ Low Volatility	Currency Hedged
Smart Beta	Market Cap Index	Market Cap Index
Leveraged/Inverse	Smart Beta	Smart Beta
Currency Hedged	Currency Hedged	Leveraged/Inverse

72% of investors globally are are using models from a third party or home office

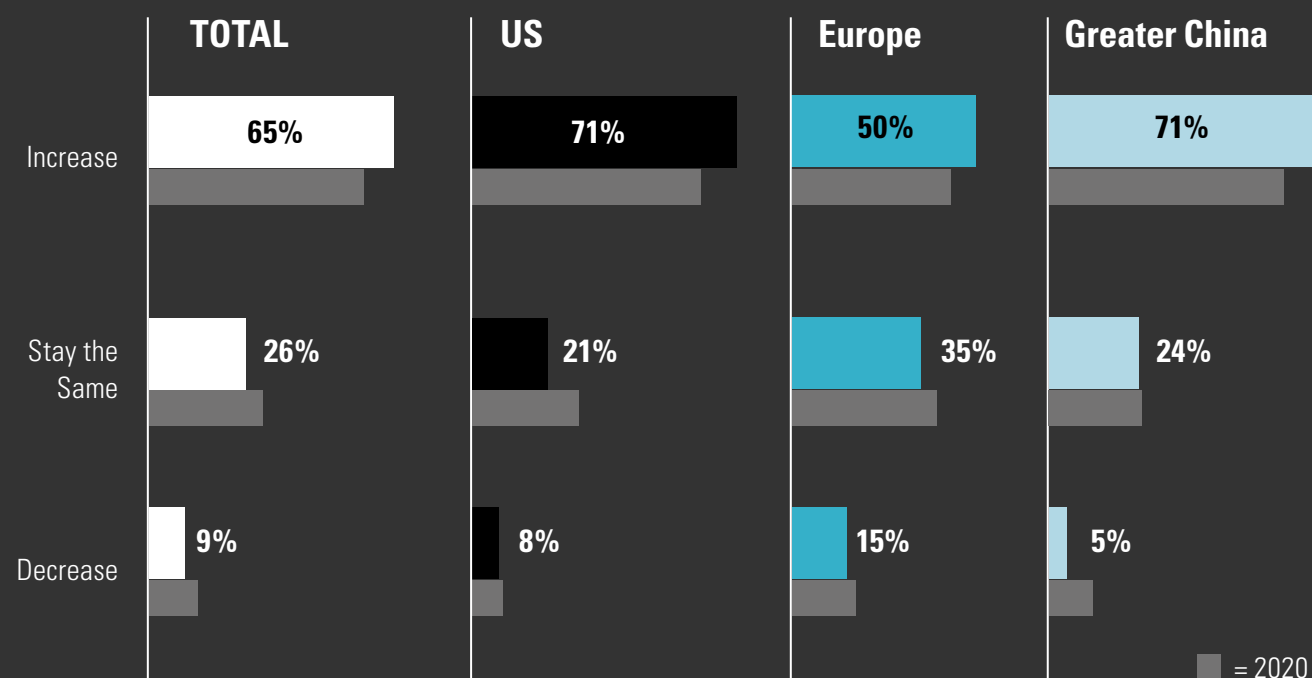
How do you build your ETF portfolio?



Active ETFs

Active ETFs are in demand

Do you expect your exposure to actively-managed ETFs to increase, decrease, or stay the same over the next 12 months?



Investors favor fixed income in an active ETF wrapper

In what asset class would you be most likely to look for in an actively-managed ETF?

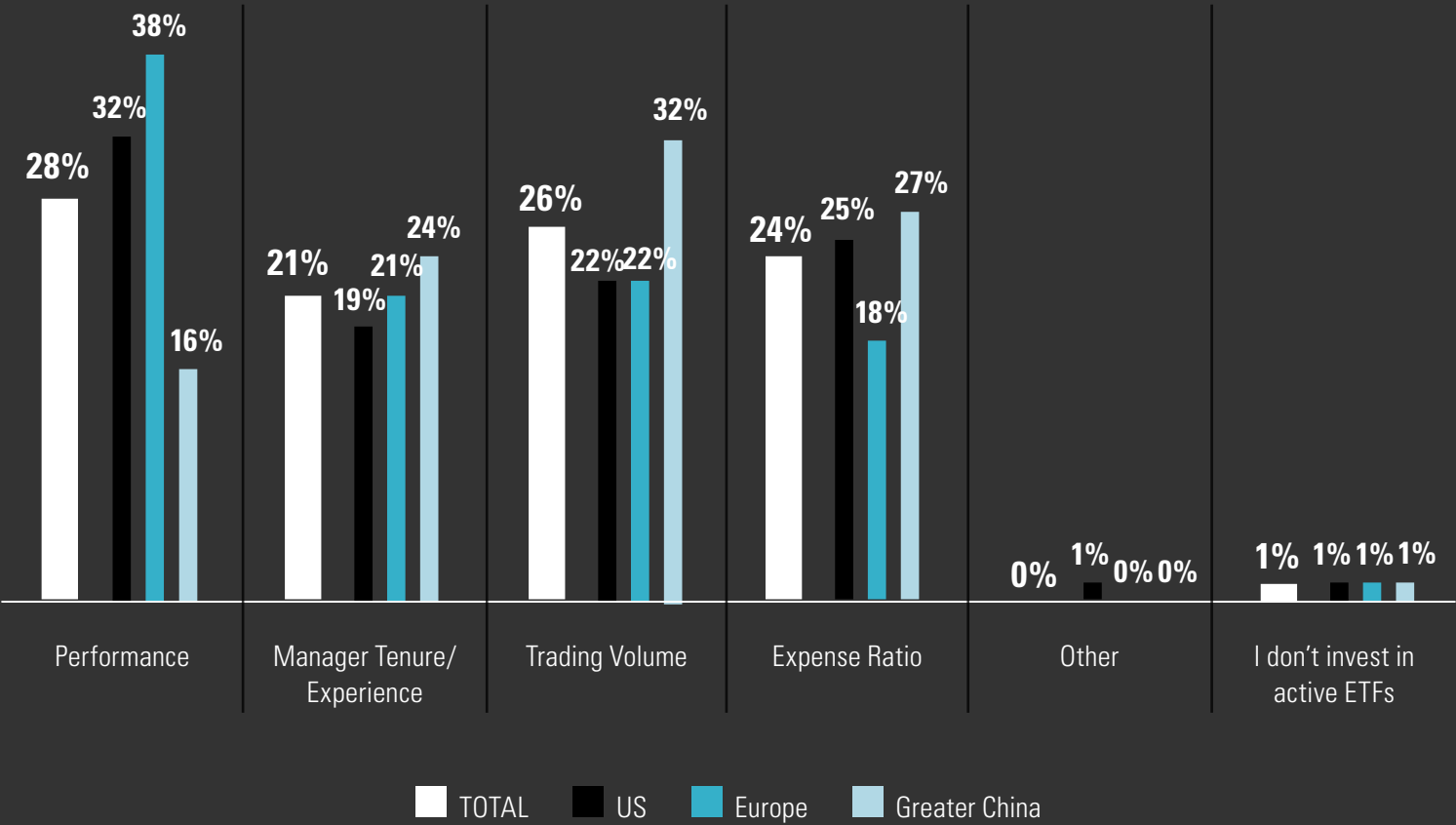
	TOTAL	US	Europe	Greater China
Fixed Income	18% (18%)	16% (21%)	16% (10%)	21% (20%)
Global Equity	17% (22%)	16% (17%)	21% (26%)	16% (24%)
Multi Asset	15% (18%)	13% (16%)	12% (12%)	18% (24%)
Buffered ETFs (e.g. Defined Outcome ETFs)	15% (—)	13% (—)	9% (—)	21% (—)
Currency	11% (16%)	16% (8%)	14% (6%)	5% (5%)
Domestic Equity	10% (16%)	12% (21%)	8% (12%)	10% (13%)
Commodities	7% (14%)	7% (12%)	10% (21%)	4% (10%)
Alternatives	7% (6%)	7% (5%)	10% (13%)	5% (4%)

(2020 %)

Active ETFs

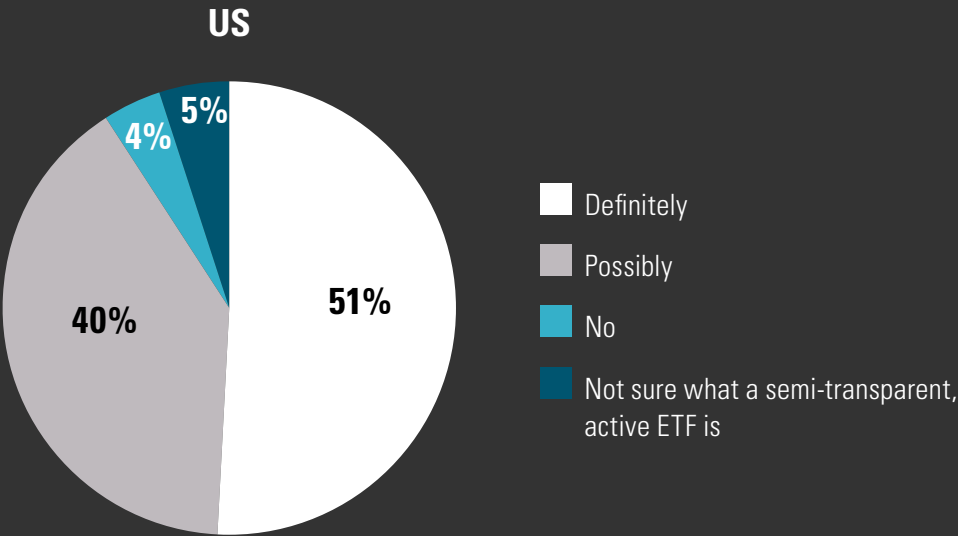
Investors may view active ETFs in a similar lens as other active wrappers, with a focus on performance, expenses, and manager experience

What concerns you most when investing in active ETFs?



More than 50% of U.S. ETF investors plan to buy semi-transparent, active ETFs

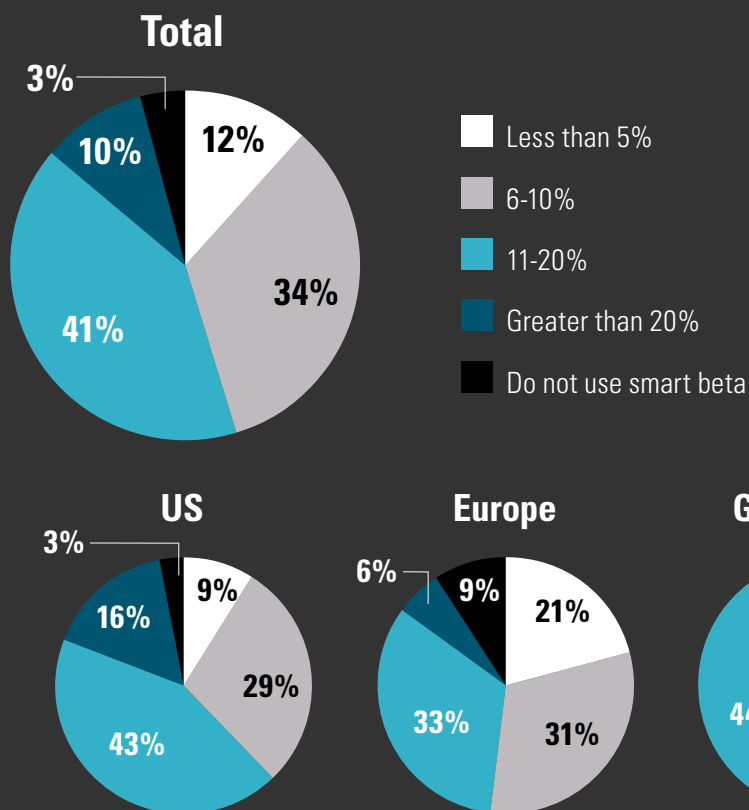
Will you buy a semi-transparent, active ETF in the next six months?



Smart Beta

Smart beta allocation appears relatively consistent with 2020, with 75% of global respondents allocating 6-20% of their portfolio

What share of smart-beta products currently make up your AUM?



Smart-beta allocations are replacing both passive and active strategies

If you purchased a smart beta ETF in the last 12 months, what did it replace in your portfolio?

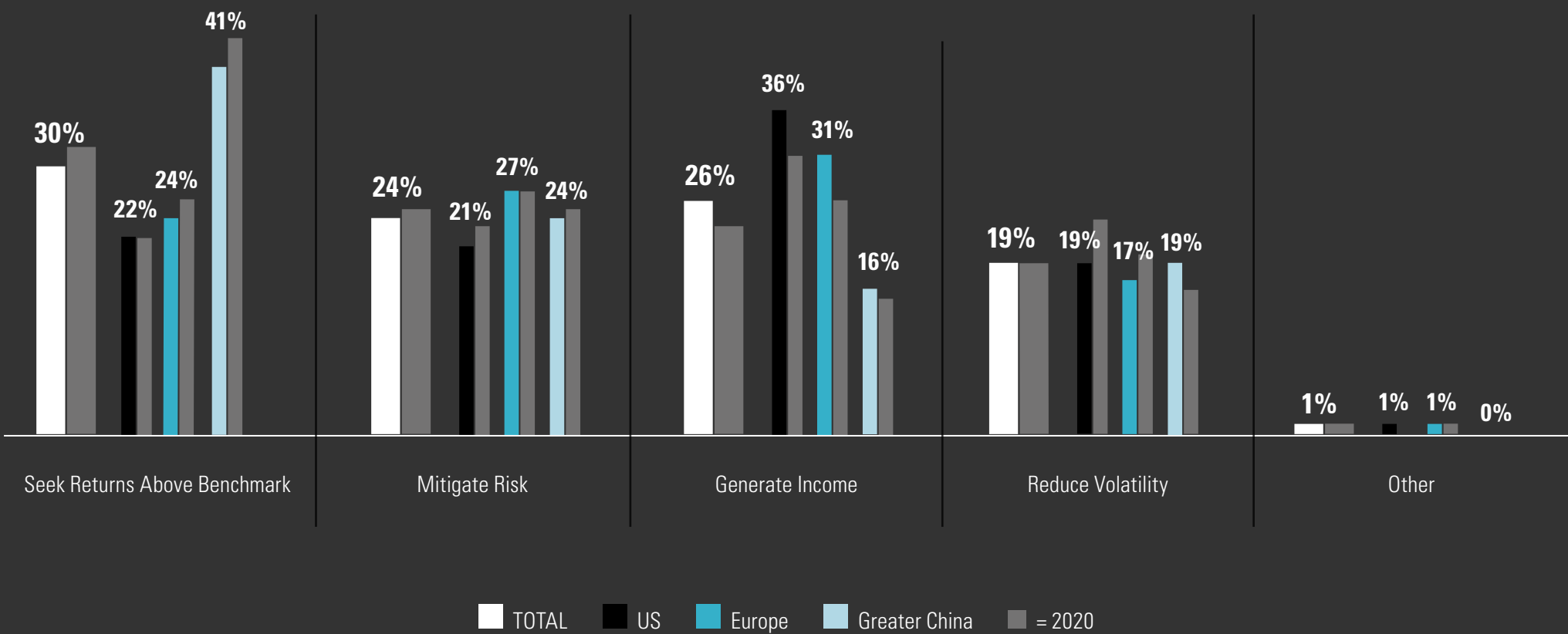
	TOTAL	US	Europe	Greater China
An actively-managed mutual fund	27% (25%)	22% (23%)	29% (24%)	30% (27%)
Allocated new investment dollars	24% (23%)	28% (27%)	18% (20%)	24% (21%)
Core index exposure	22% (17%)	16% (15%)	22% (105%)	27% (21%)
Index mutual funds	19% (24%)	26% (25%)	16% (22%)	15% (23%)
I did not purchase smart beta	8% (11%)	8% (10%)	15% (19%)	4% (8%)

(2020 %)

Smart Beta

Smart beta is used most for alpha and generating income

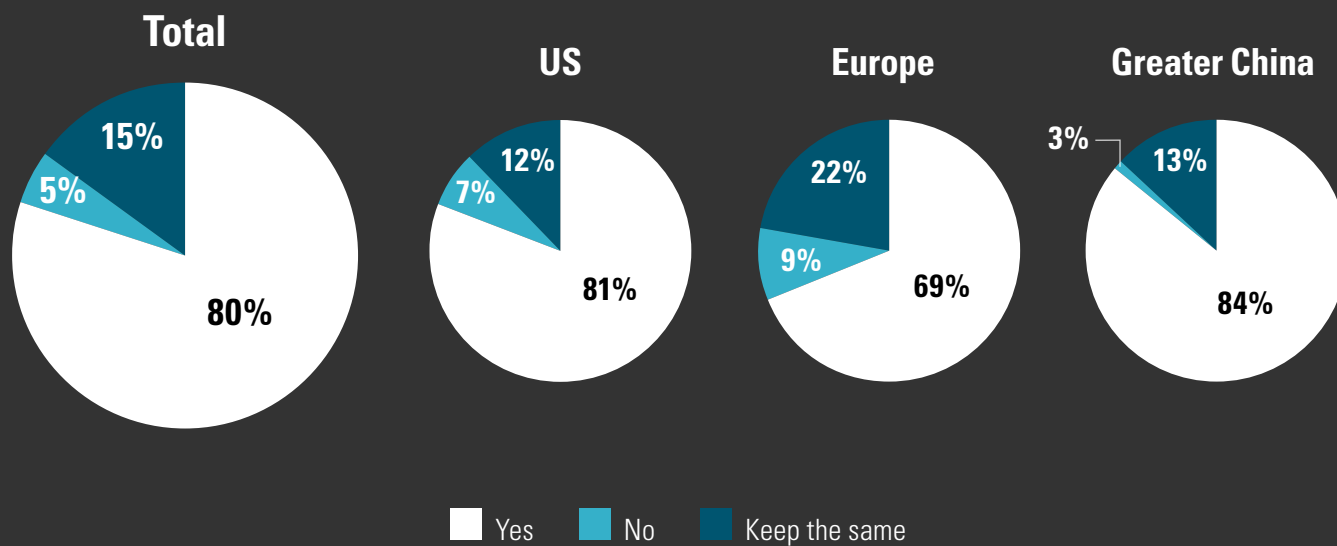
What is the top reason why you are using/considering using smart beta?



Thematic ETFs

Thematic ETFs do not appear to be a fad

Do you plan on increasing your exposure to thematic ETFs?



Internet and technology themes continue to generate investor interest

What type of thematic ETFs are you most interested in?

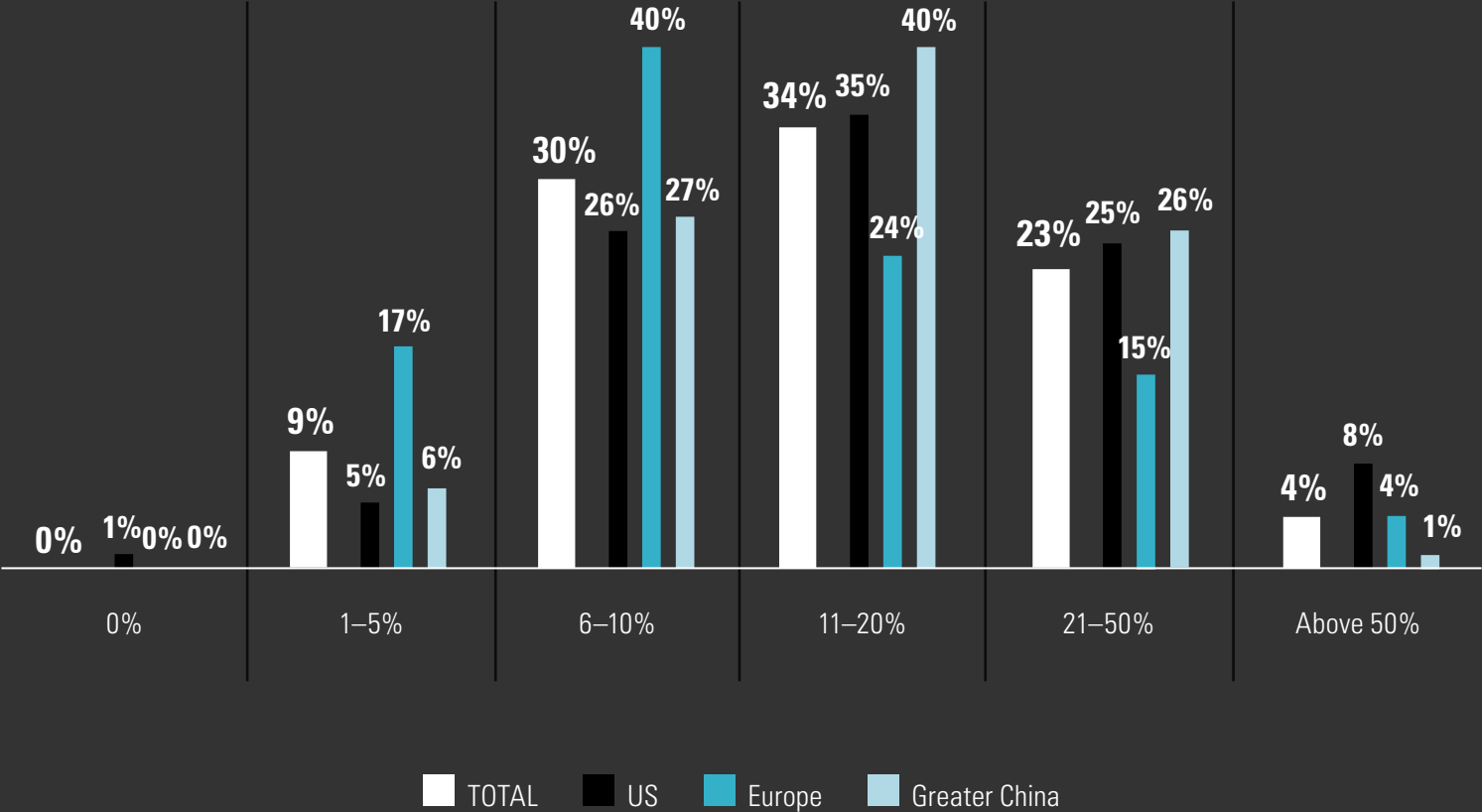
	TOTAL	US	Europe	Greater China
Internet/Technology	33% (27%)	34% (30%)	30% (25%)	30% (26%)
Robotics & AI	19% (19%)	11% (11%)	21% (24%)	25% (23%)
Environment/Sustainability	14% (18%)	22% (11%)	13% (20%)	9% (22%)
Healthcare	10% (13%)	13% (25%)	8% (3%)	10% (8%)
Digital Assets	15% (12%)	12% (10%)	18% (16%)	16% (12%)
Autonomous & Electric Vehicles	7% (7%)	5% (6%)	7% (8%)	10% (8%)
Cannabis	2% (4%)	3% (7%)	3% (4%)	0% (1%)

(2020 %)

Thematic ETFs

Thematic ETFs may move beyond satellite opportunities

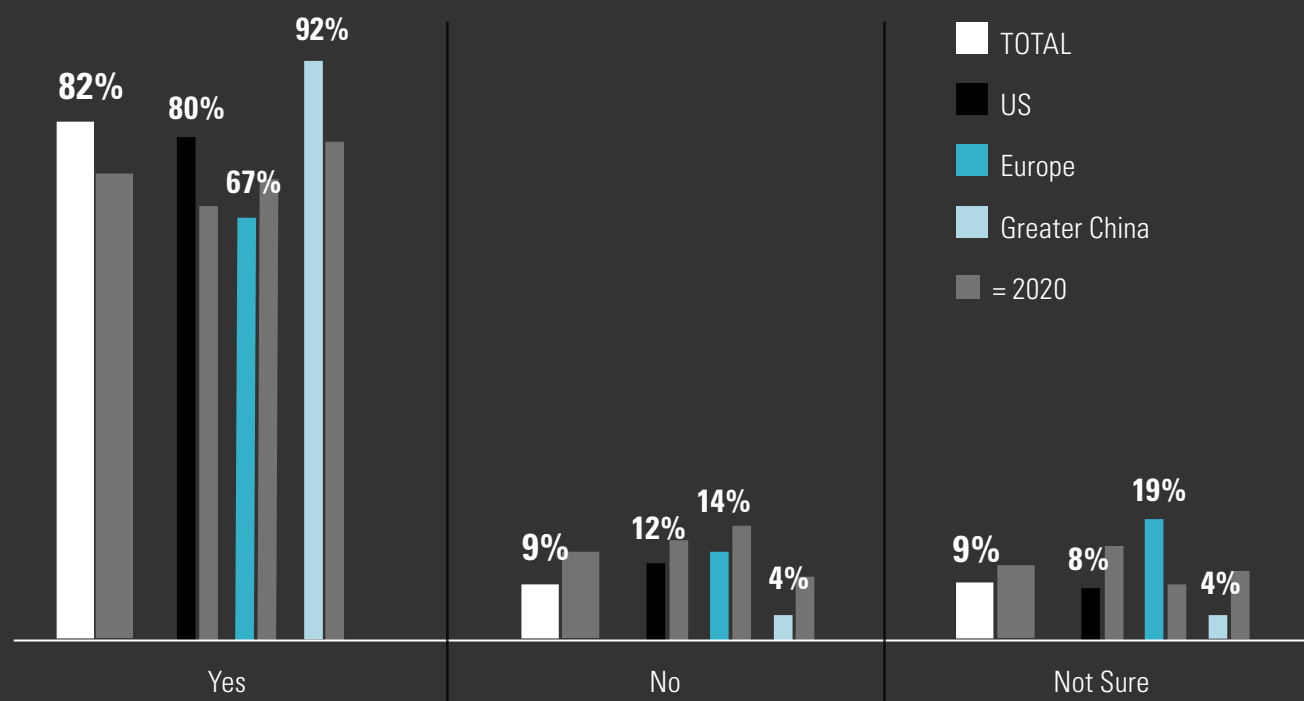
In five years, what percentage of your portfolio will be in thematic ETFs?



ESG

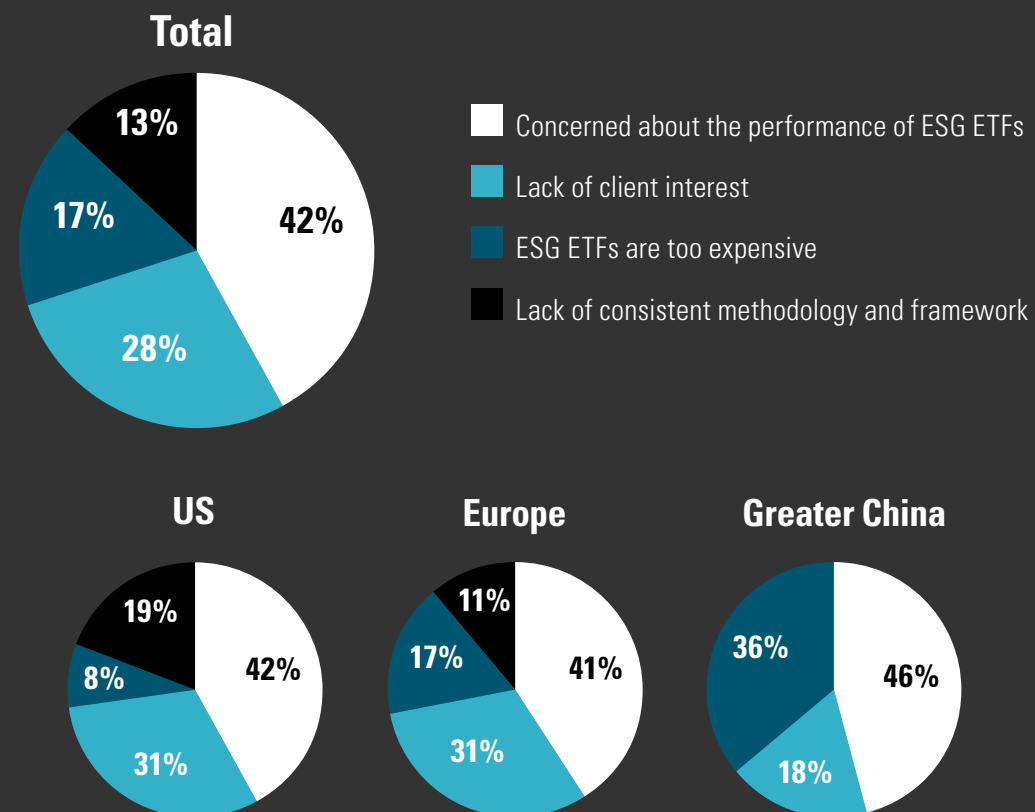
Investors continue to state planned increases to ESG strategies

Do you plan to increase your allocation to environmental, social, and corporate governance (ESG) investments (not limited to ESG ETFs) over the next year?



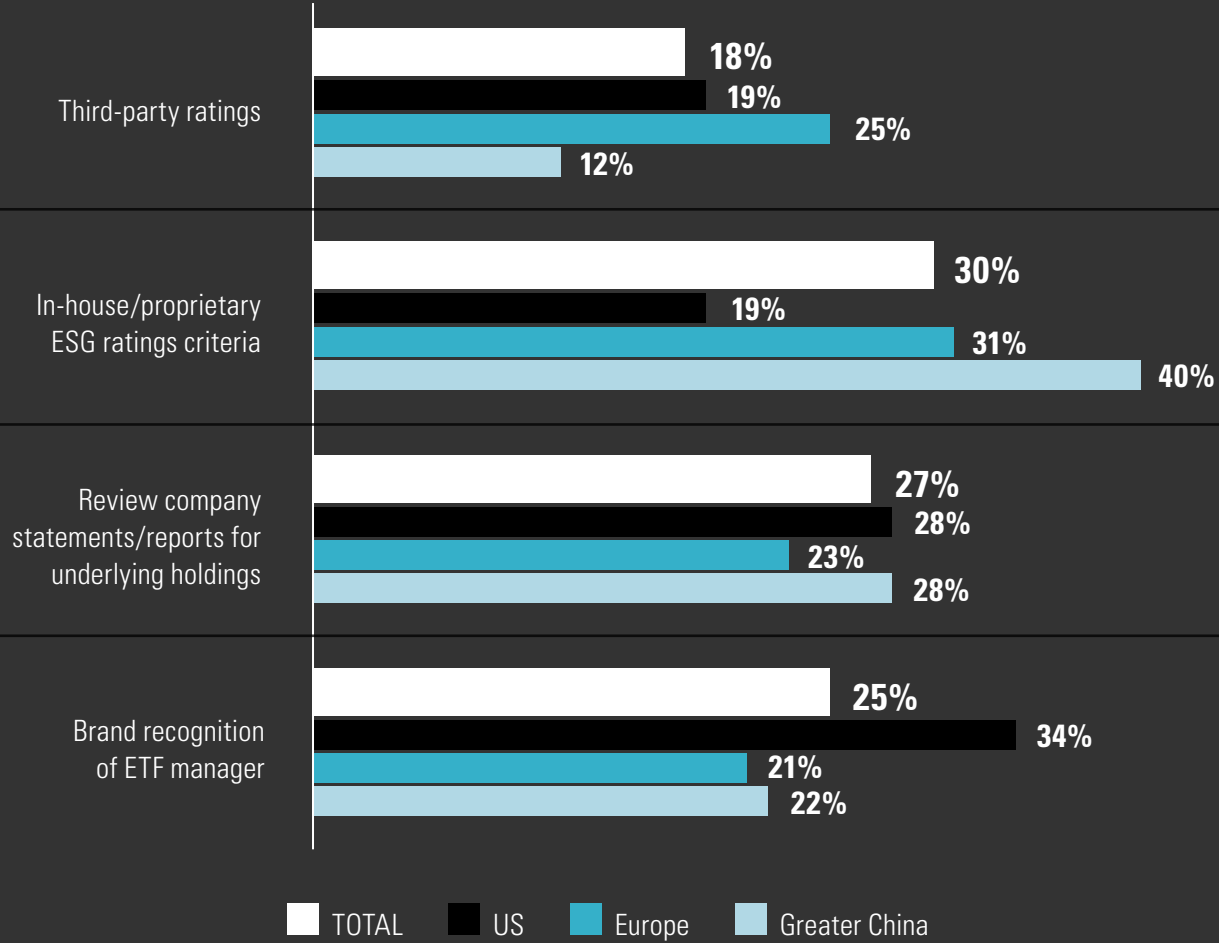
Performance is top ESG concern

What is preventing you from adding ESG to your portfolio?



Most investors rely on their own ESG research and methodology

How do you evaluate ESG ETFs?



Europe appears to be softening ESG allocations, while the U.S. and Greater China may increase ESG exposure over the next five years

In five years, what percentage of your portfolio will be ESG ETFs?

	US	Europe	Greater China
0%	5% (3%)	0% (1%)	0% (0%)
1–5%	10% (9%)	18% (19%)	6% (7%)
6–10%	21% (29%)	44% (35%)	33% (31%)
11–20%	29% (29%)	23% (31%)	42% (31%)
21–50%	26% (18%)	11% (10%)	16% (26%)
Above 50%	9% (12%)	4% (4%)	3% (5%)

(2020 %)

Volatility and Fixed Income ETFs

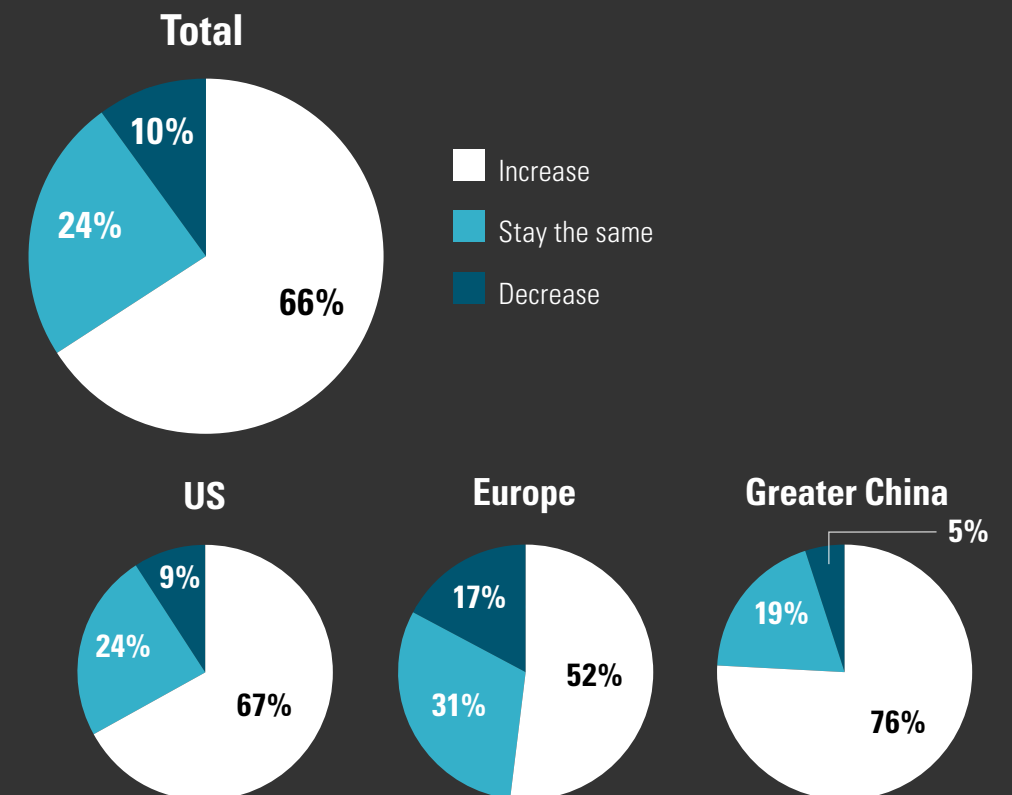
ETF liquidity and ease of trading are key wrapper benefits, even in periods of market stress

How did you use ETFs in your portfolio during periods of heightened market volatility, like March 2020?

	TOTAL	US	Europe	Greater China
Bought fixed income ETFs	42%	42%	31%	51%
Traded ETFs intraday to take advantage of market opportunities	38%	41%	32%	39%
Bought additional shares of your current ETF selection	36%	37%	28%	40%
Bought low volatility smart beta ETFs	32%	32%	17%	44%
Bought leveraged/inverse ETFs	30%	33%	23%	33%
Reduced ETF positions	28%	30%	25%	29%
Took no action	8%	8%	15%	3%

Fixed income exposure set to rise

Do you expect your exposure to fixed income ETFs to increase, decrease, or stay the same over the next 12 months?



Volatility and Fixed Income ETFs

U.S. Treasuries are top fixed income selection

What types of fixed income ETFs do you plan to add to your portfolio?

	TOTAL	US	Europe	Greater China
US Treasury ETF	40%	47%	27%	41%
Mortgage-Backed or Asset-Backed Securities (MBS/ABS) ETF	38%	41%	34%	37%
Treasury Inflation-Protected Securities (TIPS) ETF	36%	34%	30%	40%
Emerging Market Bond ETF	34%	40%	27%	33%
Corporate Bond – Investment Grade ETF	32%	34%	34%	29%
China Treasury ETF	31%	21%	23%	42%
Corporate Bond – “High Yield” ETF	30%	35%	25%	30%
Sovereign Debt	28%	26%	27%	31%
Short-duration bond ETF	25%	24%	21%	28%

Liquidity remains chief concern

What is your top concern when investing in fixed income ETFs?

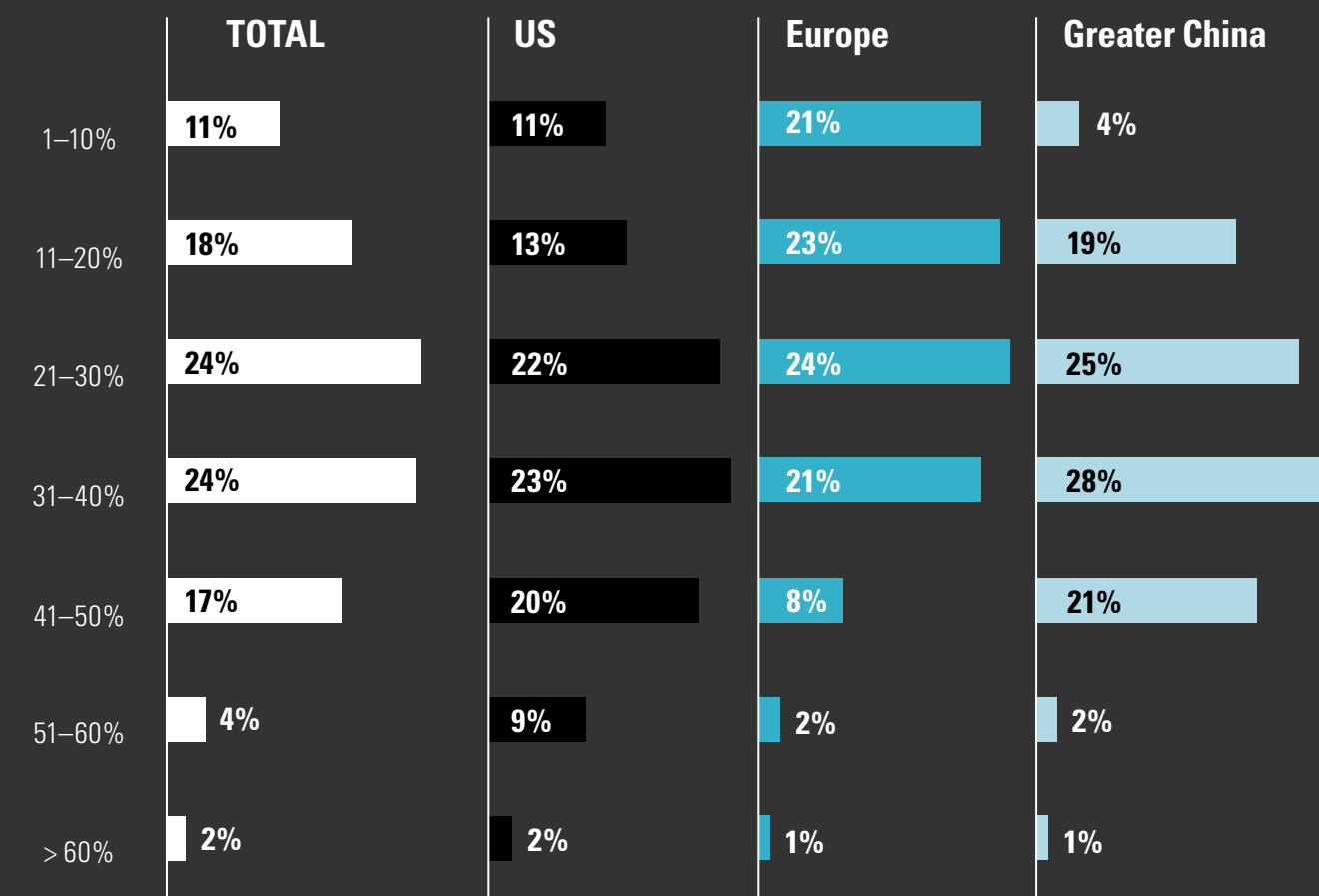
	TOTAL	US	Europe	Greater China
Liquidity of underlying bonds	34% (32%)	29% (23%)	34% (35%)	40% (38%)
Expense ratio	27% (25%)	30% (33%)	23% (29%)	26% (15%)
Trading volume	23% (24%)	26% (27%)	23% (17%)	21% (27%)
Tracking error	13% (15%)	12% (15%)	15% (13%)	12% (17%)
I don't invest in fixed income ETFs	3% (4%)	3% (2%)	5% (6%)	1% (3%)

(2020 %)

Volatility and Fixed Income ETFs

Asset allocation to fixed income ETF varies

What is your current portfolio weight to fixed income ETFs?



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Data as of 3/1/2021

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