2021 Global ETF Investor Survey Results

ETF Innovation Continues to Open Doors for More Dynamic Investing
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?

- Under $100 million: 26% (US), 36% (Europe), 13% (Greater China)
- US $100 million – $1 billion: 43% (US), 36% (Europe), 33% (Greater China)
- US $1 billion – $10 billion: 25% (US), 21% (Europe), 12% (Greater China)
- US $10 billion and above: 7% (US), 7% (Europe), 12% (Greater China)

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

- US: 1-10% (23%), 11-25% (33%), 26-50% (22%), 51-99% (1%), 100% (9%)
- Europe: 1-10% (21%), 11-25% (33%), 26-50% (42%), 51-99% (3%), 100% (1%)
- Greater China: 1-10% (24%), 11-25% (42%), 26-50% (39%), 51-99% (3%), 100% (1%)
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?

- **US**
  - Increase: 76%
  - Decrease: 5%
  - Stay the Same: 19%

- **Europe**
  - Increase: 62%
  - Decrease: 17%
  - Stay the Same: 21%

- **Greater China**
  - Increase: 76%
  - Decrease: 6%
  - Stay the Same: 18%

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**
  - Expense Ratio (Rank 2)
  - Historical Performance (Rank 1)
  - ETF Issuer (Rank 4)
  - Tax Efficiency (Rank 6)
  - Index Methodology (Rank 3)
  - Trading Volume (Rank 5)
  - Trading Spreads (Rank 7)
  - Tracking Error (Rank 8)

- **Europe**
  - Historical Performance (Rank 1)
  - ETF Issuer (Rank 3)
  - Expense Ratio (Rank 6)
  - Tax Efficiency (Rank 4)
  - Index Methodology (Rank 7)
  - Trading Volume (Rank 5)
  - Trading Spreads (Rank 8)

- **Greater China**
  - Historical Performance (Rank 1)
  - Expense Ratio (Rank 6)
  - ETF Issuer (Rank 5)
  - Tax Efficiency (Rank 7)
  - Index Methodology (Rank 8)
  - Tracking Error (Rank 7)
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?

<table>
<thead>
<tr>
<th>Method</th>
<th>TOTAL</th>
<th>US</th>
<th>Europe</th>
<th>Greater China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy shares of the best performing company in a sector</td>
<td>24%</td>
<td>18%</td>
<td>18%</td>
<td>35%</td>
</tr>
<tr>
<td>Buy a sector-specific ETF</td>
<td>21%</td>
<td>20%</td>
<td>23%</td>
<td>19%</td>
</tr>
<tr>
<td>Buy a sector-specific mutual fund</td>
<td>20%</td>
<td>18%</td>
<td>27%</td>
<td>18%</td>
</tr>
<tr>
<td>Buy shares in a handful of different companies in a sector</td>
<td>19%</td>
<td>25%</td>
<td>18%</td>
<td>14%</td>
</tr>
<tr>
<td>Buy a thematic ETF</td>
<td>16%</td>
<td>19%</td>
<td>14%</td>
<td>14%</td>
</tr>
</tbody>
</table>

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

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

- Yes: 18%
- No: 64%
- Not sure: 18%
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
- Market Cap Index
- Thematic
- Cryptocurrency
- Defined Outcome (Buffered ETF)
  - Managed Risk/Low Volatility
  - Active
  - ESG
  - Smart Beta
  - Leveraged/Inverse
  - Currency Hedged

Europe
- Cryptocurrency
- ESG
- Thematic
- Managed Risk/Low Volatility
- Leveraged/Inverse
- Currency Hedged

Greater China
- Active
- Defined Outcome (Buffered ETF)
  - Managed Risk/Low Volatility
  - ESG
  - Smart Beta
  - Leveraged/Inverse
  - Currency Hedged

72% of investors globally are using models from a third party or home office
How do you build your ETF portfolio?

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>US</th>
<th>Europe</th>
<th>Greater China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom up research of each ETF based on client plan</td>
<td>31%</td>
<td>33%</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>Use a proprietary / affiliated model</td>
<td>27%</td>
<td>26%</td>
<td>34%</td>
<td>24%</td>
</tr>
<tr>
<td>Use a 3rd party model (e.g. Morningstar)</td>
<td>21%</td>
<td>19%</td>
<td>18%</td>
<td>25%</td>
</tr>
<tr>
<td>Use ETF Issuer model (e.g. BlackRock)</td>
<td>21%</td>
<td>22%</td>
<td>28%</td>
<td>16%</td>
</tr>
</tbody>
</table>
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?

### Active ETFs are in demand

- **Increase**: 65%
- **Stay the Same**: 26%
- **Decrease**: 9%

### Investors favor fixed income in an active ETF wrapper

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

(2020 %)
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?**

<table>
<thead>
<tr>
<th>Concern</th>
<th>TOTAL</th>
<th>US</th>
<th>Europe</th>
<th>Greater China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>28%</td>
<td>21%</td>
<td>24%</td>
<td>32%</td>
</tr>
<tr>
<td>Manager Tenure/Experience</td>
<td>38%</td>
<td>32%</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Trading Volume</td>
<td>26%</td>
<td>22%</td>
<td>21%</td>
<td>32%</td>
</tr>
<tr>
<td>Expense Ratio</td>
<td>24%</td>
<td>24%</td>
<td>25%</td>
<td>27%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>I don’t invest in active ETFs</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

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?**

- Definitely: 4%
- Possibly: 5%
- No: 40%
- Not sure what a semi-transparent, active ETF is: 51%
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?

- Less than 5%: 3%
- 6-10%: 12%
- 11-20%: 41%
- Greater than 20%: 34%
- Do not use smart beta: 3%

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?

<table>
<thead>
<tr>
<th>Replacement Type</th>
<th>TOTAL</th>
<th>US</th>
<th>Europe</th>
<th>Greater China</th>
</tr>
</thead>
<tbody>
<tr>
<td>An actively-managed mutual fund</td>
<td>27%</td>
<td>22%</td>
<td>29%</td>
<td>30%</td>
</tr>
<tr>
<td>Allocated new investment dollars</td>
<td>24%</td>
<td>28%</td>
<td>18%</td>
<td>24%</td>
</tr>
<tr>
<td>Core index exposure</td>
<td>22%</td>
<td>16%</td>
<td>22%</td>
<td>27%</td>
</tr>
<tr>
<td>Index mutual funds</td>
<td>19%</td>
<td>26%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>I did not purchase smart beta</td>
<td>8%</td>
<td>8%</td>
<td>15%</td>
<td>4%</td>
</tr>
</tbody>
</table>

(2021 Global ETF Investor Survey Results)
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?

Seek Returns Above Benchmark
- Total: 30%
- US: 22%
- Europe: 24%
- Greater China: 41%
- 2020: 30%

Mitigate Risk
- Total: 24%
- US: 21%
- Europe: 27%
- Greater China: 24%
- 2020: 24%

Generate Income
- Total: 26%
- US: 16%
- Europe: 31%
- Greater China: 36%
- 2020: 26%

Reduce Volatility
- Total: 19%
- US: 19%
- Europe: 17%
- Greater China: 19%
- 2020: 19%

Other
- Total: 1%
- US: 1%
- Europe: 1%
- Greater China: 0%
- 2020: 1%
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?

<table>
<thead>
<tr>
<th>Total</th>
<th>US</th>
<th>Europe</th>
<th>Greater China</th>
</tr>
</thead>
<tbody>
<tr>
<td>33%</td>
<td>34%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

2021 Global ETF Investor Survey Results
Thematic ETFs may move beyond satellite opportunities

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

<table>
<thead>
<tr>
<th>Percentage</th>
<th>TOTAL</th>
<th>US</th>
<th>Europe</th>
<th>Greater China</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>5%</td>
<td>9%</td>
<td>17%</td>
<td>6%</td>
</tr>
<tr>
<td>1–5%</td>
<td>30%</td>
<td>26%</td>
<td>27%</td>
<td>34%</td>
</tr>
<tr>
<td>6–10%</td>
<td>40%</td>
<td>40%</td>
<td>35%</td>
<td>24%</td>
</tr>
<tr>
<td>11–20%</td>
<td>25%</td>
<td>23%</td>
<td>15%</td>
<td>26%</td>
</tr>
<tr>
<td>21–50%</td>
<td>4%</td>
<td>8%</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td>Above 50%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>
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?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Not Sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL 2020</td>
<td>82%</td>
<td>9%</td>
<td>92%</td>
</tr>
<tr>
<td>US</td>
<td>80%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Europe</td>
<td>86%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Greater China</td>
<td>67%</td>
<td>14%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Performance is top ESG concern

What is preventing you from adding ESG to your portfolio?

- Concerned about the performance of ESG ETFs
- Lack of client interest
- ESG ETFs are too expensive
- Lack of consistent methodology and framework

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>US</th>
<th>Europe</th>
<th>Greater China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concerned about the performance of ESG ETFs</td>
<td>42%</td>
<td>11%</td>
<td>17%</td>
<td>36%</td>
</tr>
<tr>
<td>Lack of client interest</td>
<td>28%</td>
<td>8%</td>
<td>31%</td>
<td>41%</td>
</tr>
<tr>
<td>ESG ETFs are too expensive</td>
<td>13%</td>
<td>19%</td>
<td>42%</td>
<td>46%</td>
</tr>
<tr>
<td>Lack of consistent methodology and framework</td>
<td>17%</td>
<td>31%</td>
<td>17%</td>
<td>18%</td>
</tr>
</tbody>
</table>
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?
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?

- **Bought fixed income ETFs**:
  - TOTAL: 42%
  - US: 42%
  - Europe: 31%
  - Greater China: 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%

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

- **Total**:
  - Increase: 10%
  - Stay the same: 66%
  - Decrease: 24%

- **US**: 24%
  - Increase: 24%
  - Stay the same: 67%
  - Decrease: 5%

- **Europe**: 17%
  - Increase: 52%
  - Stay the same: 31%
  - Decrease: 19%

- **Greater China**: 19%
  - Increase: 19%
  - Stay the same: 76%
  - Decrease: 5%
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?

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

**Liquidity remains chief concern**

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

<table>
<thead>
<tr>
<th>Concern</th>
<th>TOTAL</th>
<th>US</th>
<th>Europe</th>
<th>Greater China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity of underlying bonds</td>
<td>34% (32%)</td>
<td>29% (23%)</td>
<td>34% (35%)</td>
<td>40% (38%)</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>27% (25%)</td>
<td>30% (33%)</td>
<td>23% (29%)</td>
<td>26% (15%)</td>
</tr>
<tr>
<td>Trading volume</td>
<td>23% (24%)</td>
<td>26% (27%)</td>
<td>23% (17%)</td>
<td>21% (27%)</td>
</tr>
<tr>
<td>Tracking error</td>
<td>13% (15%)</td>
<td>12% (15%)</td>
<td>15% (13%)</td>
<td>12% (17%)</td>
</tr>
<tr>
<td>I don’t invest in fixed income ETF</td>
<td>3% (4%)</td>
<td>3% (2%)</td>
<td>5% (6%)</td>
<td>1% (3%)</td>
</tr>
</tbody>
</table>

(2020 %)
Volatility and Fixed Income ETFs

Asset allocation to fixed income ETF varies

What is your current portfolio weight to fixed income ETFs?

- 1–10%: 11%
- 11–20%: 18%
- 21–30%: 24%
- 31–40%: 24%
- 41–50%: 17%
- 51–60%: 4%
- >60%: 2%

US:
- 1–10%: 11%
- 11–20%: 13%
- 21–30%: 22%
- 31–40%: 23%
- 41–50%: 20%
- 51–60%: 9%
- >60%: 2%

Europe:
- 1–10%: 21%
- 11–20%: 23%
- 21–30%: 24%
- 31–40%: 21%
- 41–50%: 8%
- 51–60%: 2%
- >60%: 1%

Greater China:
- 1–10%: 4%
- 11–20%: 19%
- 21–30%: 25%
- 31–40%: 28%
- 41–50%: 21%
- 51–60%: 2%
- >60%: 1%