

BROWN BROTHERS HARRIMAN

140 Broadway
New York, NY 10005-1101

**FOR IMMEDIATE RELEASE**

Contact: Arielle Patrick
Weber Shandwick
apatrick@webershandwick.com
(212) 445-8470

**BBH & Inside ETFs Second Annual Survey Finds Innovation a Top Attraction for European ETF Investors
As the industry matures in Europe, non-traditional products continue to secure the future of ETFs**

NEW YORK, NY, October 5, 2016 – Brown Brothers Harriman & Co. (BBH), a market leading ETF custodian and fund administrator, together with research firm Inside ETFs, announced today the results of their “2016 European Investor Survey”, which gauges the sentiment of investors toward ETF product and distribution strategies.

Survey respondents confirmed that as the European ETF landscape matures investment priorities are changing. As a result, product innovation is a core aspect of the industry’s evolution and the participants can only expect demand for non-traditional products to increase. Traditionally, investors have used core index products in their portfolios, but this year’s data suggests that investors are now attracted to additional options that are weighted toward factors such as income or low volatility, rather than just market-cap.

According to the survey results, smart beta, socially responsible investment strategies and multi-asset investing are asset classes where managers may seek to differentiate their products to reflect the rapidly growing importance and popularity of these criteria with investors. Respondents also highlighted investor education and robo-advisor platforms as potential areas of focus for distribution strategy. This data indicates that while the market has continued to add traditional passive products, a new wave of growth is likely to come from smart beta and active ETFs as advisors look for excess returns in Europe.

“In recent years, ETFs have enjoyed significant growth and are quickly becoming a sizeable portion of the overall global mutual fund market, said Andrew Craswell, Vice President and Head of European ETF Business Development at BBH. “As European ETF AUM sets to pass \$550 billion, the market is poised for a period of accelerated growth as new entrants come in and the market surpasses a point of scale. With the pace of demand set to increase, the European ETF market will remain a key strategic focus for many of the world’s largest asset managers.”

"This year's survey confirms that the demand for new ideas in the ETF space is accelerating," said Matt Hougan, Chief Executive Officer of Inside ETFs. "Investors are looking ahead to a market characterized by the potential for both higher volatility and lower returns, and they are demanding more out of ETF product development to solve those challenges. It's an exciting time for the market."

Key findings include:

Socially responsible ETFs are en vogue: 52% of respondents consider ESG factors when making a new investment.

Smart beta is gaining traction: 78% of respondents have less than 5% of their portfolio in smart beta, yet 49% view it as an alternative to active strategies.

Perceived investor criteria for investing in ETFs: 68% of respondents will invest in an ETF with a track record of less than 1 year; only 20% of respondents will invest in an ETF with less than €50 million in AUM.

Robos help, not hurt traditional financial advisors: 54% of respondents see robo-advisors as an opportunity for their business.

Survey Methodology:

Brown Brothers Harriman partnered with Inside ETFs to conduct the Annual European ETF Investor Survey from May to June 2016. The European online survey received 180 responses from 102 independent financial advisors, 37 banking and insurance professionals, 32 mutual fund managers, and 9 hedge fund managers. This survey represents advisors and institutional investors with over €3.8 trillion in combined global assets.

About Brown Brothers Harriman

BBH is a privately held financial institution that has been a thought leader and solutions provider for nearly 200 years. The Firm serves businesses, institutions, and families in its three business lines: Investor Services, Investment Management, and Private Banking.

BBH's Investor Services business provides cross-border custody, accounting, administration, and execution services in close to 100 markets for many of the world's leading asset managers and financial institutions. The Firm has \$4.6 trillion in assets under custody and administration, including \$340 billion of ETF assets (as of June 30, 2016). As a leading ETF service provider, BBH works with both experienced ETF managers and new, innovative market entrants to introduce and grow their ETF products across the globe. BBH operates in eighteen locations, including New York, Boston, Beijing, Charlotte, Chicago, Denver, Dublin, Grand Cayman, Hong Kong, Kraków, London, Luxembourg, Nashville, New Jersey, Philadelphia, Tokyo, Wilmington, and Zürich. For more information about Brown Brothers Harriman, please visit www.bbh.com. BBH is a registered service mark of Brown Brothers Harriman & Co. in the United States and other countries.

About Inside ETFs

Inside ETFs is the world's leading ETF event company, hosting the largest ETF conference in both the U.S. and Europe (and expanding to Asia in 2017). The company uses live events, virtual events, webinars and other tools to play a central role in educating financial advisors, registered reps, institutional investors and other professionals in how to understand, evaluate and use ETFs in portfolios.

For more information please contact Weber Shandwick or visit www.bbh.com/etfsurvey