News Release

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Expense Ratio Ranks as Top ETF Selection Criteria for the First Time in 5th Annual Brown Brothers Harriman and ETF.com Survey

Nearly Two-Thirds of Advisors and Institutional Investors Say Expense Ratio is Very Important When Selecting ETFs; ESG and Active ETFs Gain in Popularity

Boston, MA, December 1, 2017 – **Brown Brothers Harriman & Co. (BBH)**, a market leading ETF custodian and administrator, in partnership with **ETF.com,** a leading independent authority on exchange-traded funds, today announced that expense ratio ranked as the top criteria for ETF selection for the first time in their ETF market survey's 5-year history.

Nearly two-thirds (64%) of advisors and institutional investors ranked expense ratio as "very important" when selecting ETFs, ahead of the 9 other factors evaluated for importance. Expense ratio ranked No. 2 among the most-important factors in the 2014-2016 surveys and No. 3 in 2013.

This year's survey, which measures the expectations and preferences of sophisticated ETF investors in the US, found greater interest in Environmental, Social and Governance (ESG) ETFs, with 51% of investors finding ESG at least somewhat important vs. 37% last year. These investors also showed a greater intention than in prior years to use actively-managed ETFs for emerging markets equity (54% in 2017), international developed markets equity (45%), US equity (44%) and commodities (31%). Fixed income active ETFs (6%) declined in popularity. The 2017 survey polled 360 financial advisors and institutional investors on their ETF selection process and criteria, including their comfort with newly launched ETFs, portfolio construction strategies, and plans for investing in emerging ETF strategies.

"Expense ratio ranked as the top selection criteria for ETF investors for the first time in our survey's 5-year history, this year coming in ahead of index methodology, historic performance, tax efficiency and other factors. Expense ratio also ranked above all other criteria in selecting actively-managed ETFs. This reflects a continuation of the trend toward low-cost investing that has been underway for some time, and it will be interesting to see how this evolves in 2018 and beyond," said Shawn McNinch, Global Head of ETF Services at BBH.

"Overall, the survey results also point to increasing demand for emerging ETF strategies and an opportunity for established and emerging ETF managers to launch new, differentiated products. That's great news for the market, which has consistently posted strong growth numbers. It doesn't look like the race has slowed," McNinch continued.

"As always, we learn something when we talk to ETF-focused advisors and institutions," said Dave Nadig, CEO of ETF.com. "In 2017, we see an increase in focus on costs, which makes sense when you look at both the asset flows, and the growing ETF fee war. We also see a higher awareness and interest in ETFs focused on Environmental, Social and Governance issues," he continued. "For next year, respondents made it clear that they are interested in moving beyond the plain vanilla, into alternatives, international equities, and even actively managed ETFs. Look for product launches meeting that need in 2018."

Other key findings include:

- **The opportunity is ripe for smart beta products, but more industry education is needed:** 65% view smart beta as a versatile, hybrid strategy, but one-third (34%) of respondents are still unfamiliar with it.
- **Demand is up for multi-factor ETFs:** 60% are currently using or most likely to use a multi-factor strategy and 32% plan to increase their allocation.
- **Investors are concerned about bond liquidity:** 30% say they're very concerned and 53% somewhat concerned.
- **Investors are waiting longer to add new ETFs to their portfolio:** 36% preferred to wait 1-3 years after launch before adding an ETF to their portfolio.
- **ETF managers are outsourcing portfolio construction and leveraging robo advisors:** For those who outsource their asset allocation, third party models were the most popular (37%) and 17% are already leveraging robo advisors.

For more information, please contact Weber Shandwick at csciarrino@webershandwick.com, or visit: www.bbh.com/etfsurvey.

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, individuals 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 $4.7 trillion in assets under custody, including $500 billion of ETF assets (as of September 30, 2017). 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.

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