



BetaShares/Investment Trends 2016 Exchange Traded Funds Summary Report

Deep Insights Research

Report released: December 2016

Reproduction Prohibited

Disclaimer

Analysis:	Mark Johnston, Executive Chairman & Founder Michael Blomfield, CEO Dr Borhan Uddin, Director of Statistical Research Recep III Peker, Research Director Calvin Yap, Analyst Minh Phan, Analyst
Audience:	Current and next wave investors of exchange traded funds Financial planners
Data collected:	August – September 2016
Collection method:	Online surveys

© Copyright 2017 Investment Trends Pty Limited. All rights reserved.

*The material in this Report ("**BetaShares/Investment Trends 2016 Exchange Traded Funds Report: Summary Report**") contains proprietary information including copyright material and trademarks, the rights to which must be respected. Investment Trends owns the copyright in the design, selection, arrangement, production, and presentation of the Report, as well as in the material originally developed by or for Investment Trends. You may use copyright material for your personal or internal use within your business. Otherwise, and except as permitted by law, no copying, publication, modification or commercial exploitation of the Report is permitted without the prior written permission of the owner.*

Except for any rights under any legislation in Australia or any other relevant jurisdiction which cannot be excluded or limited, Investment Trends does not provide a warranty with the Report or give an assurance as to its accuracy or reliability. Investment Trends shall not be liable for any damages you suffer, or which are claimed against you by a third party, arising out of use of the Report. You should particularly note that most of the issues covered in our Report(s) are in a continuous state of change and are likely to be appropriate only for the timeframe indicated. As such you must make your own enquiries regarding any aspect of the Report or research that you may seek to rely on and not rely solely on the Report for any purpose. You should also note that we rely on information provided to us through various research and data collection methods and whilst we have made our best endeavours to ensure reasonableness and accuracy, we have not audited the information and do not audit claims.

Agenda

Research methodology

Dynamics and growth of the ETF market

Profile of ETF users

SMSF use of ETFs

Financial planners' use of ETFs

Recap of key themes

Research methodology

The *September 2016 Exchange Traded Funds Report* is the **8th annual study** into the Australian ETF market and is based on two detailed online surveys.

1. The *Investor Product and Marketing Needs* survey

This survey was conducted between August and September 2016 among two main groups of investors:

- i) Respondents from Investment Trends' opt-in panel who had taken part in previous investment related research.
- ii) Investors recruited from Investment Trends' institutional clients, including a diverse range of investor information providers, product providers, private banks, advice networks, and online brokers.

Close to 9,000 valid responses were received, including 1,400 respondents who were currently using exchange traded funds (ETFs), with a further 378 next wave ETF investors (who were currently considering, but not yet using ETFs). The maximum sampling error for current ETF investors at 95% confidence interval (centre of the range) is +/- 2.6%. Analysis of smaller subgroups will have a higher sampling error.

2. The *Adviser Product and Marketing Needs* survey

This was a detailed quantitative survey of financial planners, dealer group managers and RG146 compliant accountants conducted between July and August 2016. The survey was conducted in two phases:

- i) Core sample: Invitation emails were sent to planners who had previously participated in Investment Trends' research. This was supplemented with invitations sent by Financial Standard, Money Management and Morningstar to their full databases of financial planners and associated professionals.
- ii) Additional sample: Once the core sample was completed, a number of individual fund managers, ETF providers, and platform providers also invited planners on their own database to participate. These responses have been utilised where appropriate.

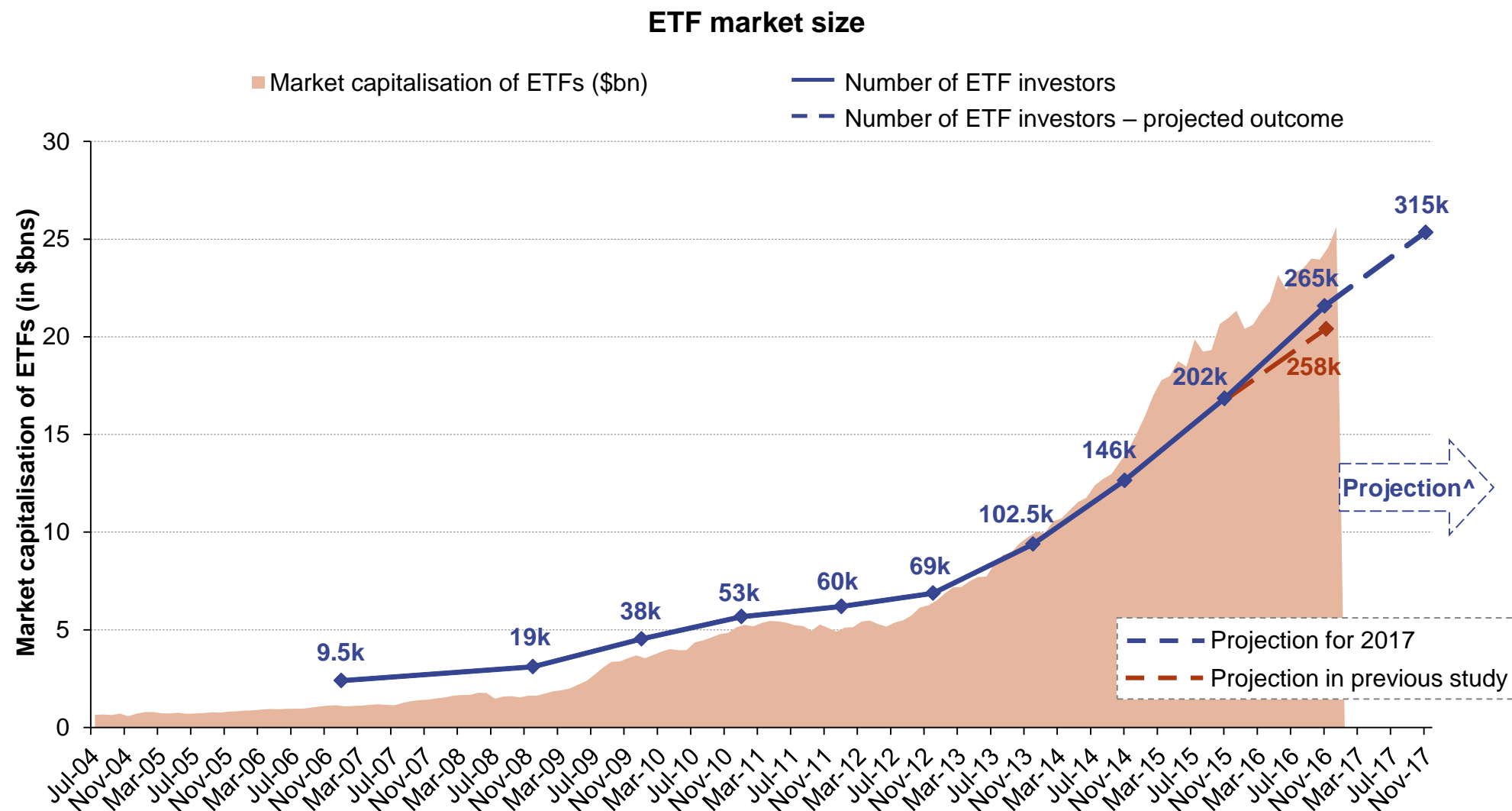
Total responses after data cleaning, de-duplication, and validation: n=592 financial planners, including RG146 compliant accountants, and dealer group managers who personally provide advice. The maximum sampling error (centre of the range) at the 95% confidence interval for this sample is +/-4.0%.

Responses to the survey were post weighted to ensure a representative sample with correct distribution by platform used, planning software used and dealer group.

Dynamics and growth of the ETF market



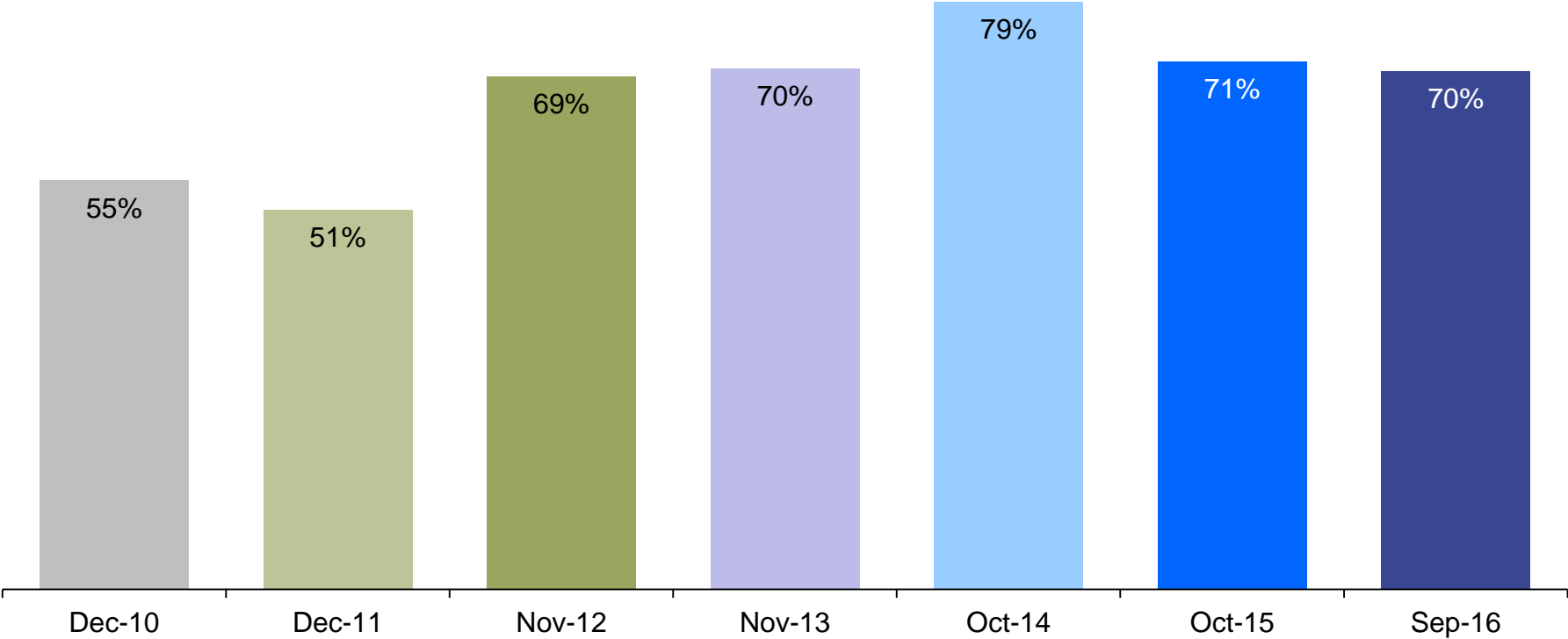
The number of ETF investors grew at an annualised rate of 31% in the 12 months to September 2016



[^]Note: Projected figures based on Investment Trends modeling. Note that actual outcomes will be influenced by a range of factors, but particularly share market performance. Sourced from Investment Trends 2016 ETF Report.

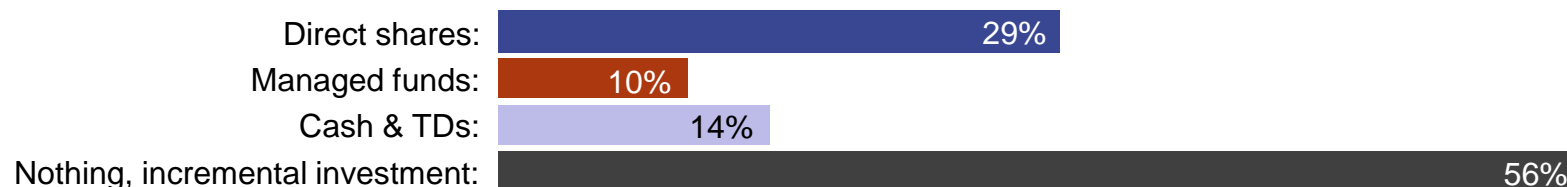
Repeat investment into ETFs remains very high among current ETF investors

Proportion of current ETF investors who are considering re-investing in ETFs in the next 12 months

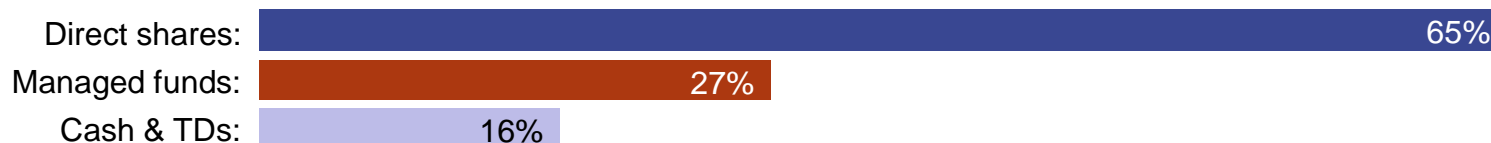


The majority of investments into ETFs represent new money into the industry

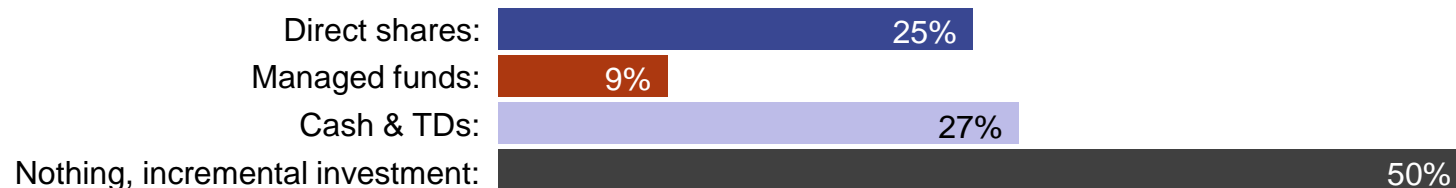
What investments did **current ETF investors** reduce usage in order to invest in ETFs?
(proportion citing each)



What would **current ETF investors** have invested in, were ETFs not available?
(proportion citing each)



What investments do **next wave ETF investors** plan to sell down to invest in ETFs?
(proportion citing each)



Profile of ETF users

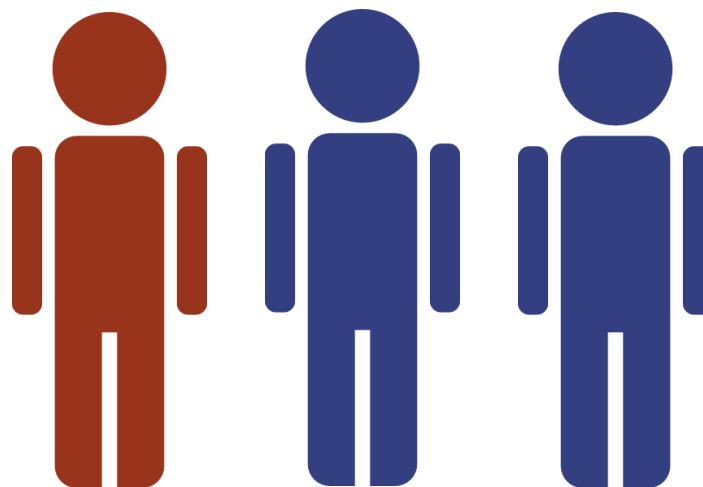


A third of ETF investors are currently retired, with the typical ETF investor being 51 years old

Profile of current ETF investors:

51 years old, on average

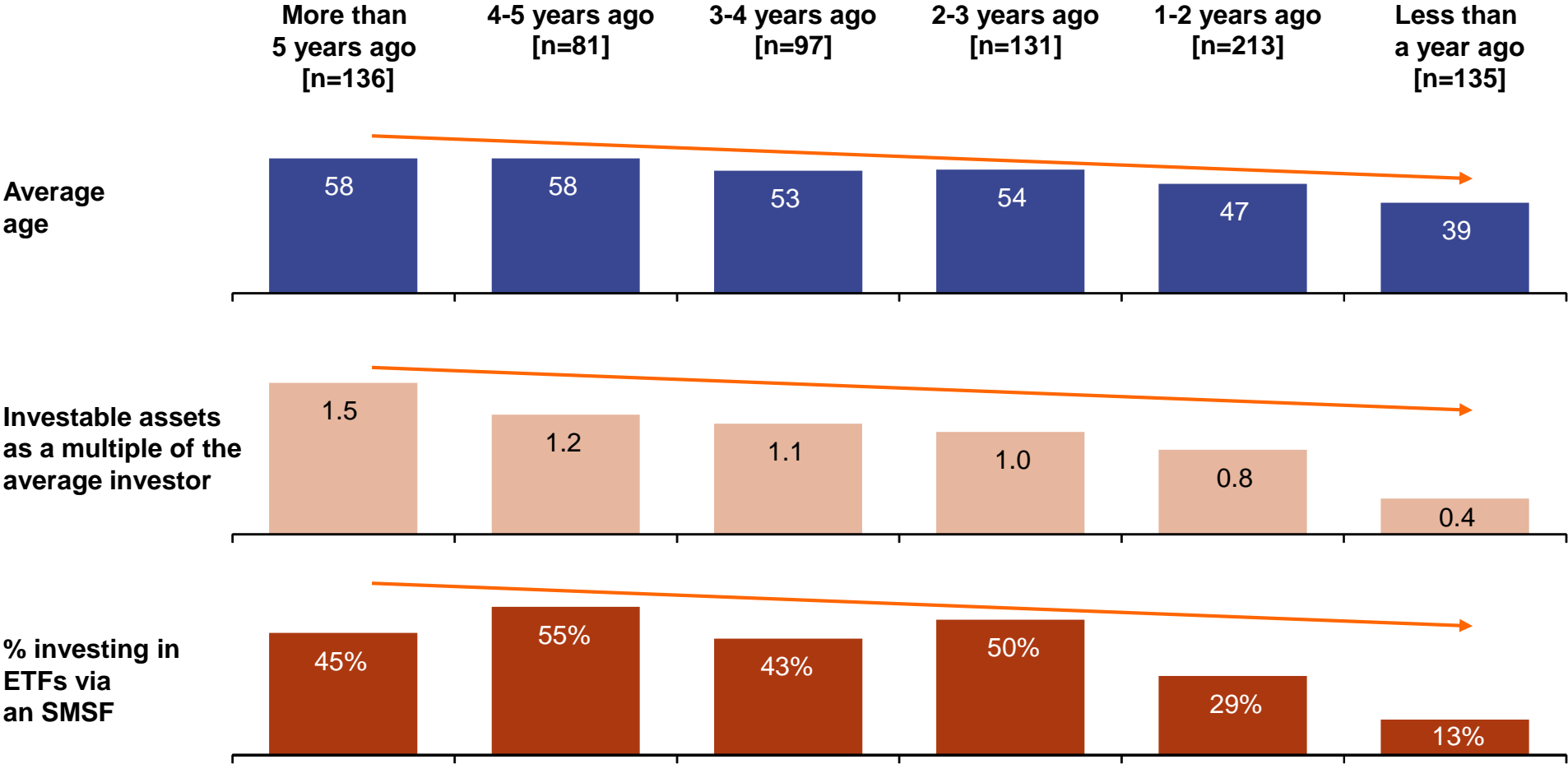
One in three are retired



38% invest in ETFs via an SMSF

ETFs are becoming more mainstream, with younger investors increasingly embracing these products

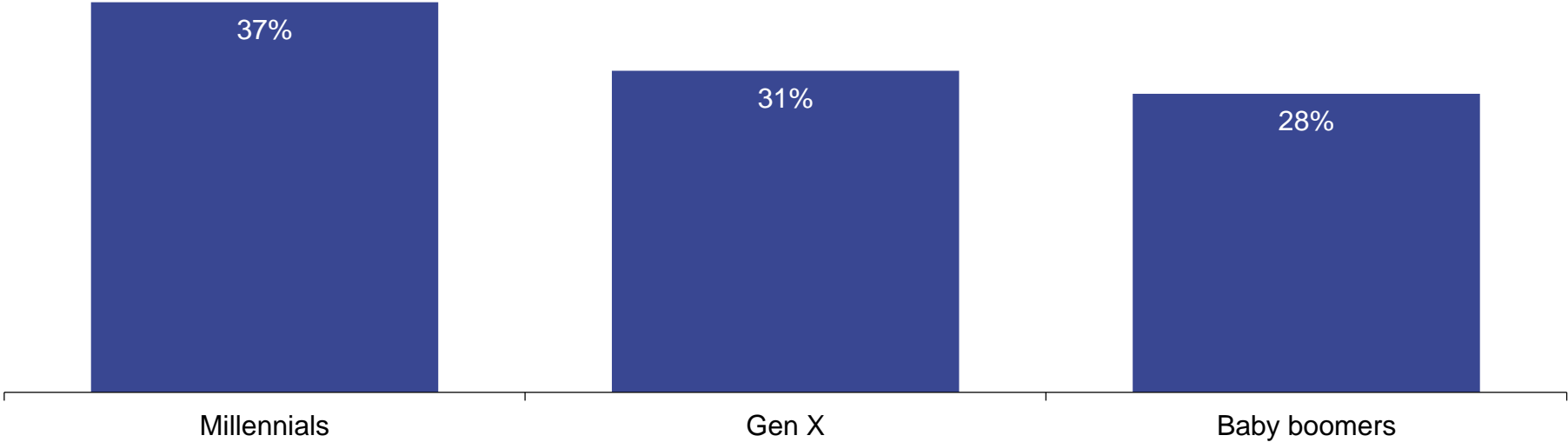
Profile of current ETF investors
By When investors first started investing in ETFs



Usage by millennial investors is expected to be a significant driver of future ETF growth

Proportion of online investors who currently use or intend to use ETFs in the coming year

Source: Investment Trends 2016
Australian Online Broking Report



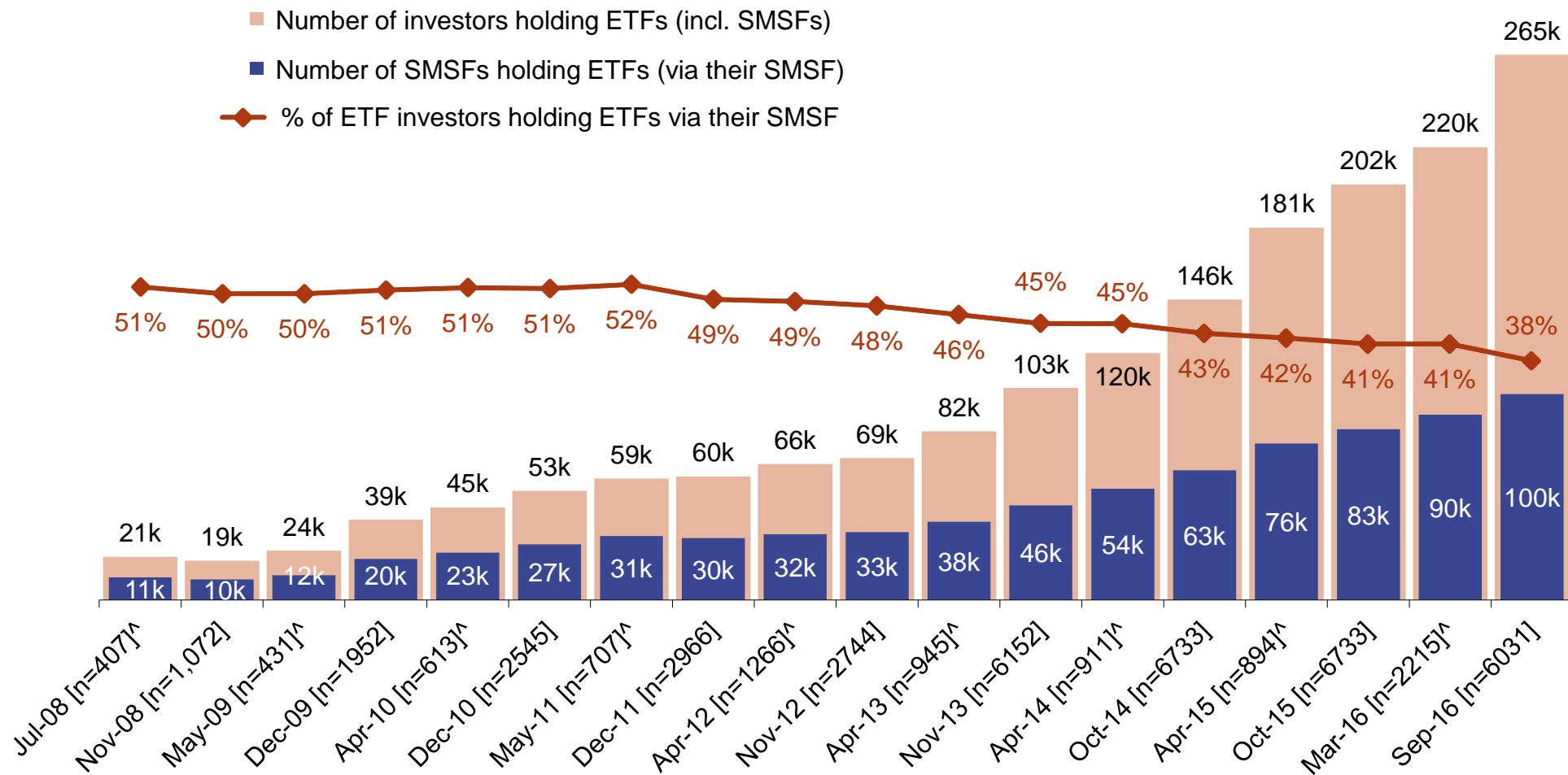


SMSF use of ETFs



Use of ETFs among SMSFs and non-SMSFs continues to grow strongly (more so among non-SMSFs)

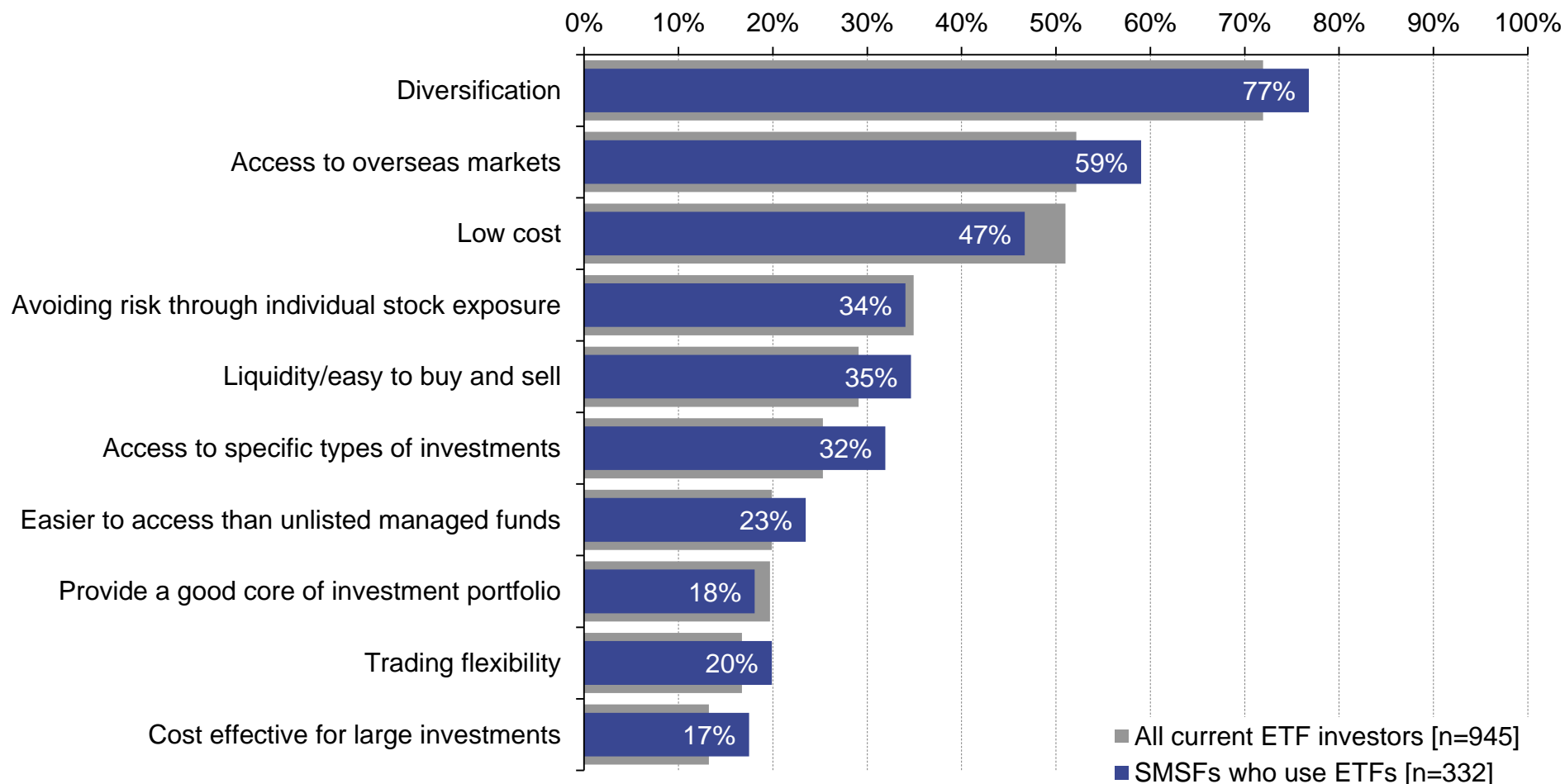
ETF market size among SMSFs



[^]Source: Investment Trends SMSF Investor Reports

SMSFs who use ETFs typically cite a wider range of reasons for using them, especially for access to overseas markets and access to specific investment types

Q125 Why do you use ETFs? (Multiple responses permitted)
SMSFs who hold ETFs versus **current ETF investors** (Top 10 reasons shown)

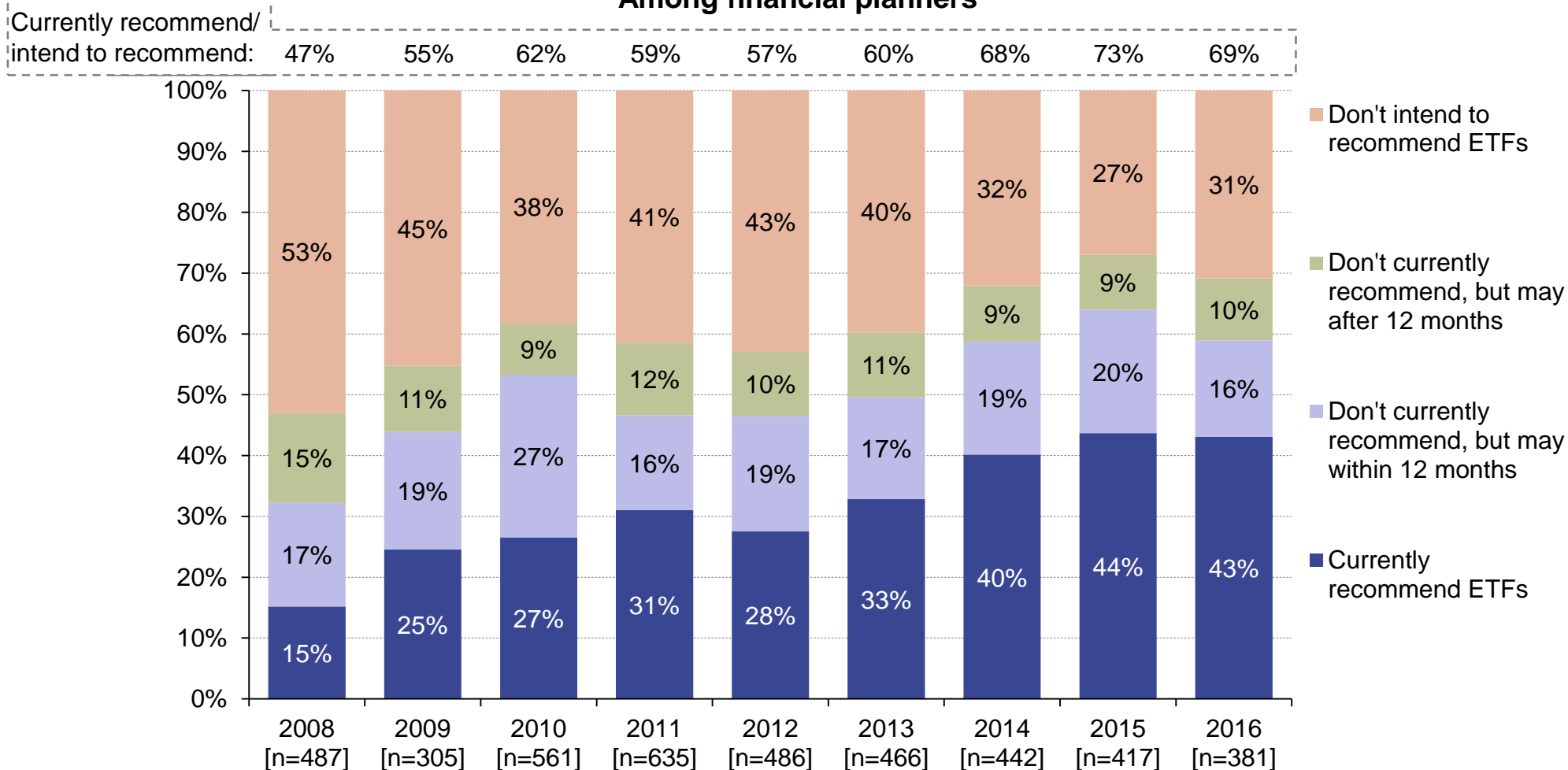


Financial planners' use of ETFs



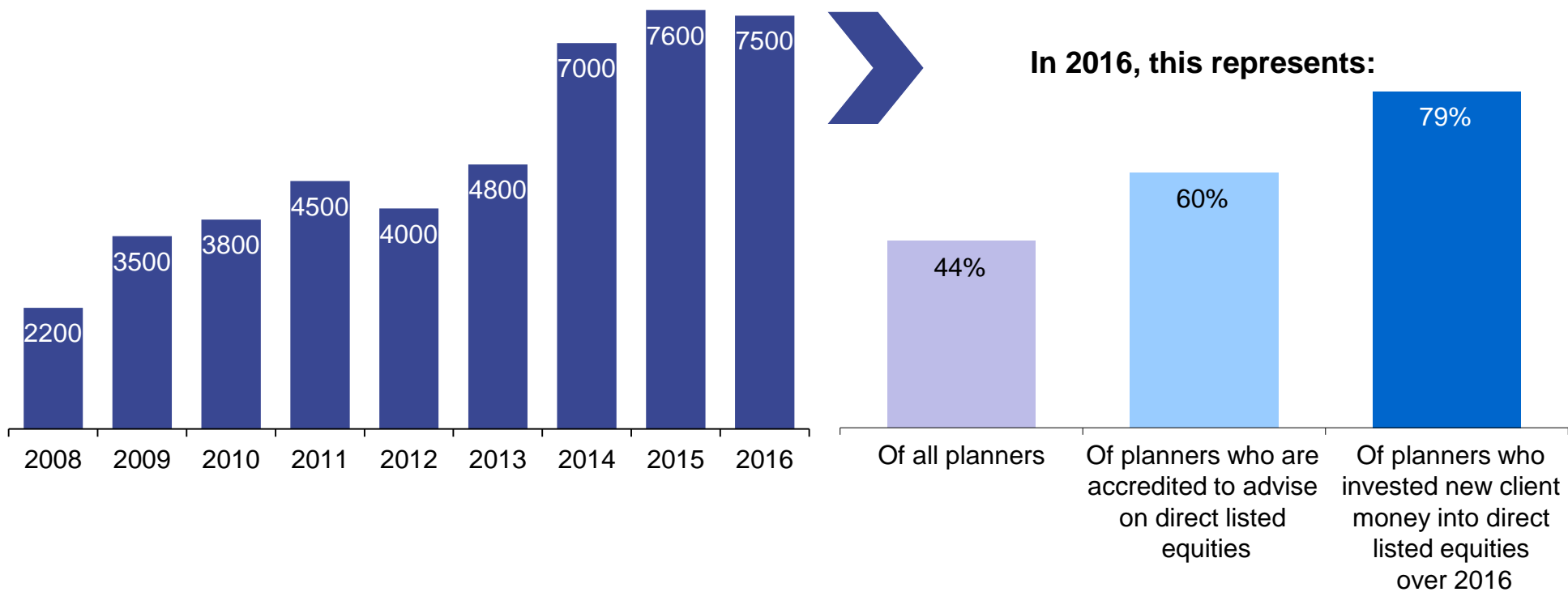
Seven out of ten planners currently recommend ETFs or intend to do so in the future

Q56 Have you used exchange traded funds/exchange traded managed funds for your client investments? Among financial planners



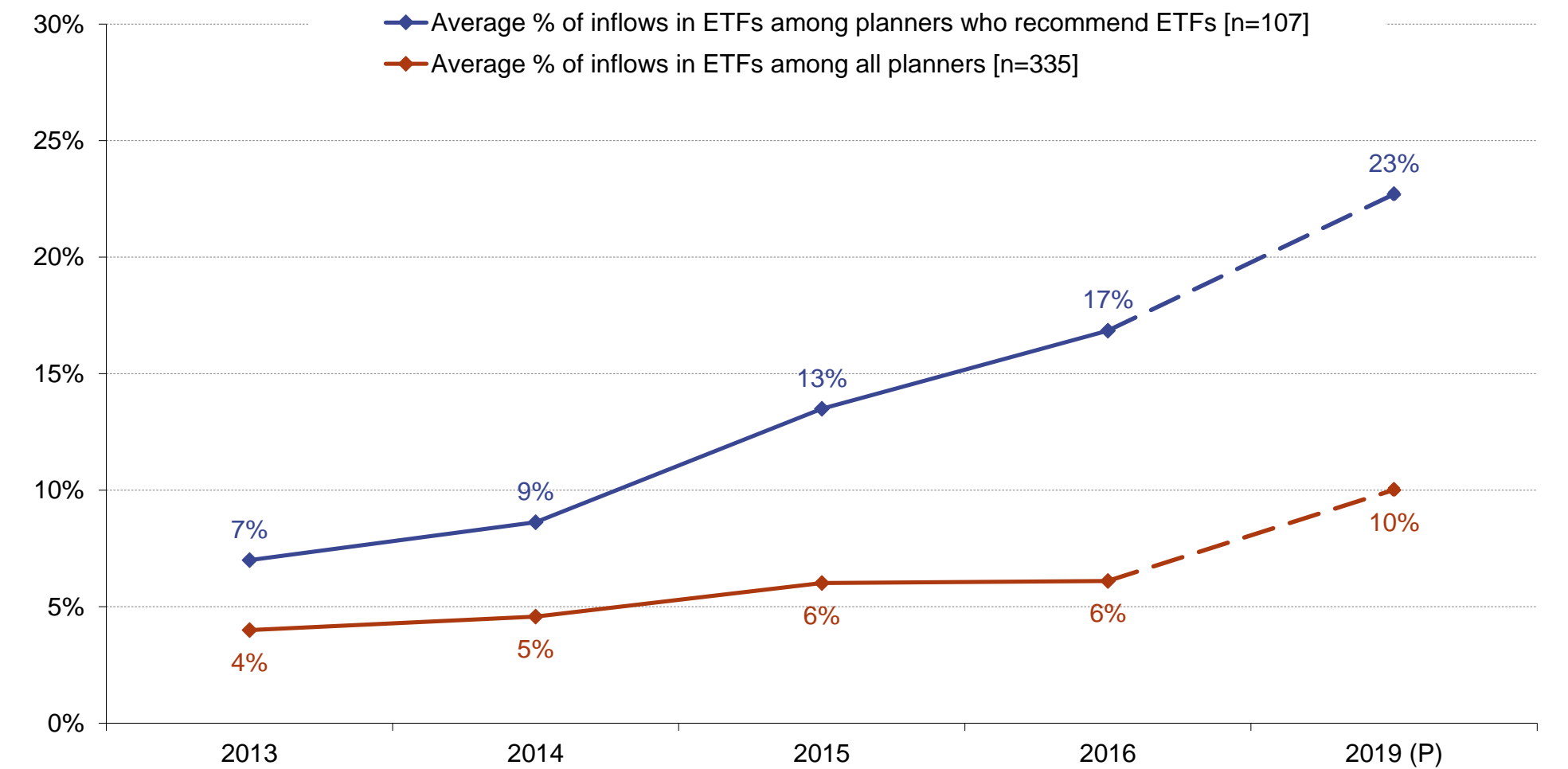
Use of ETFs is widespread among financial planners, with 7500 advising on ETFs

Planners currently advising on ETFs



Planners who currently recommend ETFs are using these products more extensively for new inflows, and plan to continue to grow their use

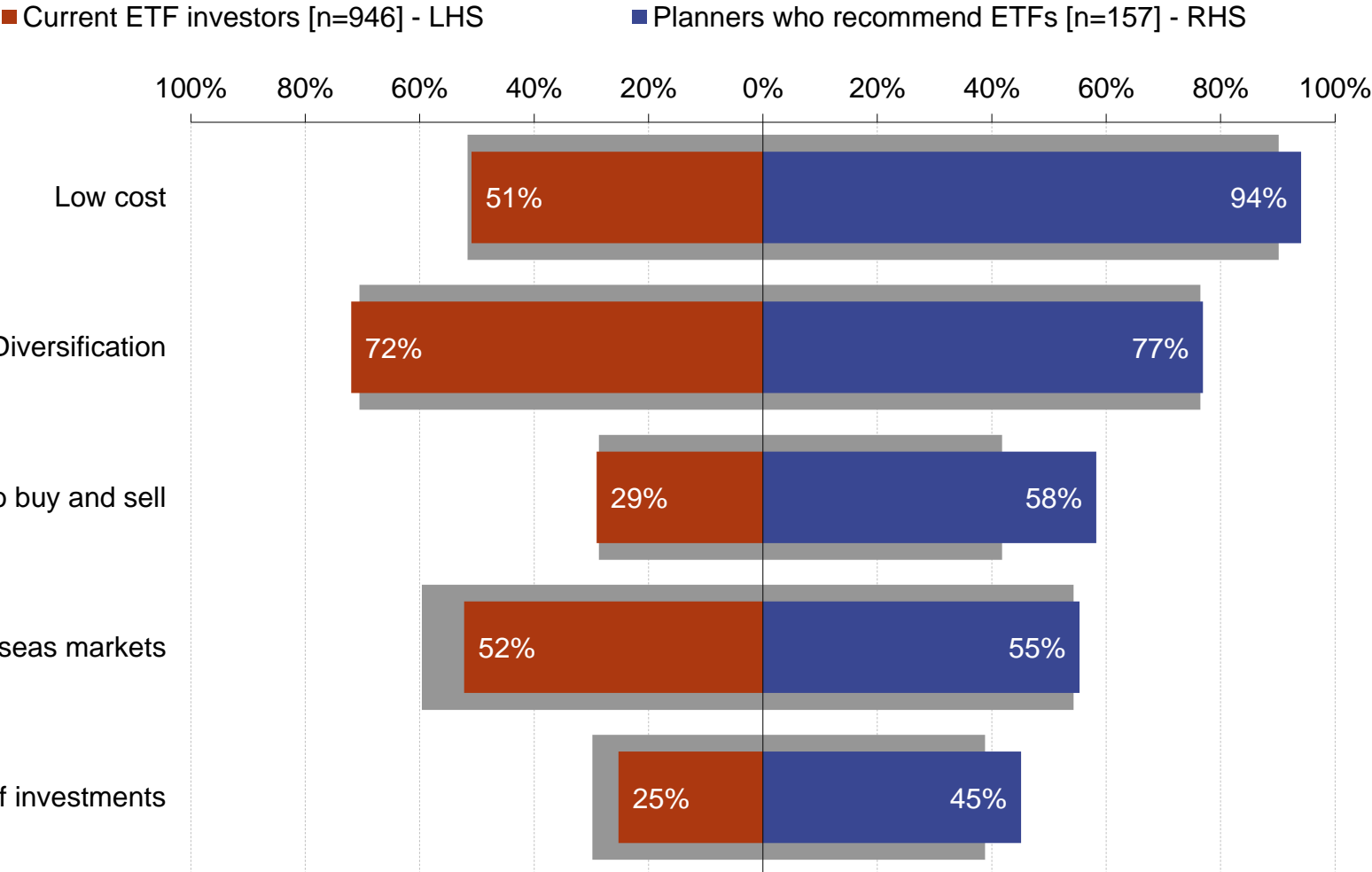
Q16 In the last year, roughly what proportion of the new client inflows you advised on went into ETFs? & Q17 What do you think these figures will be in 3 years? Averages among financial planners



P = Planners estimate of figures in 3 years' time

Planners who recommend ETFs cite low cost as the top reason for using ETFs, while diversification is the stand out driver among ETF investors

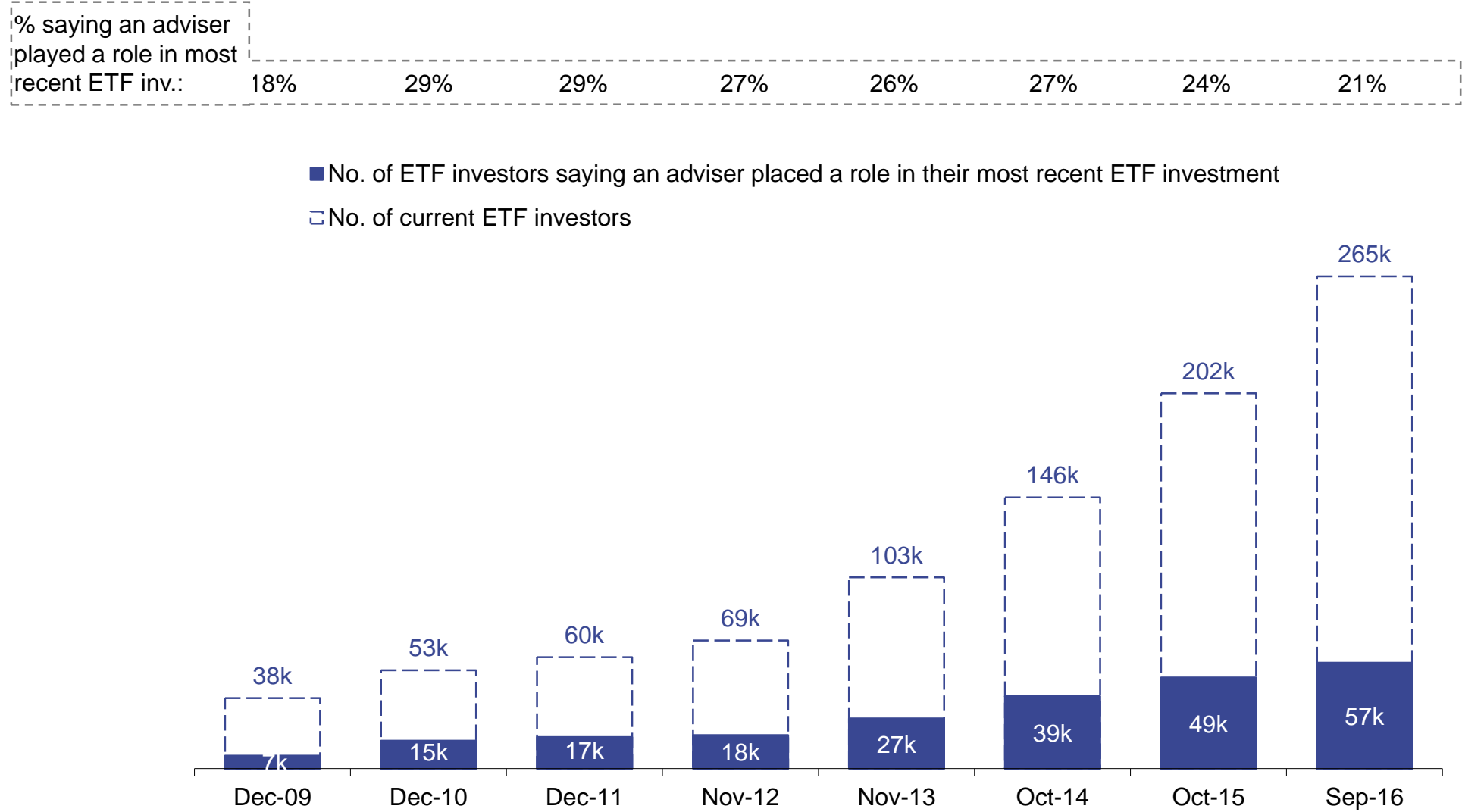
Top 5 reasons for using ETFs
Current ETF investors versus Planners who recommend ETFs



Note: Background represents 2015 results

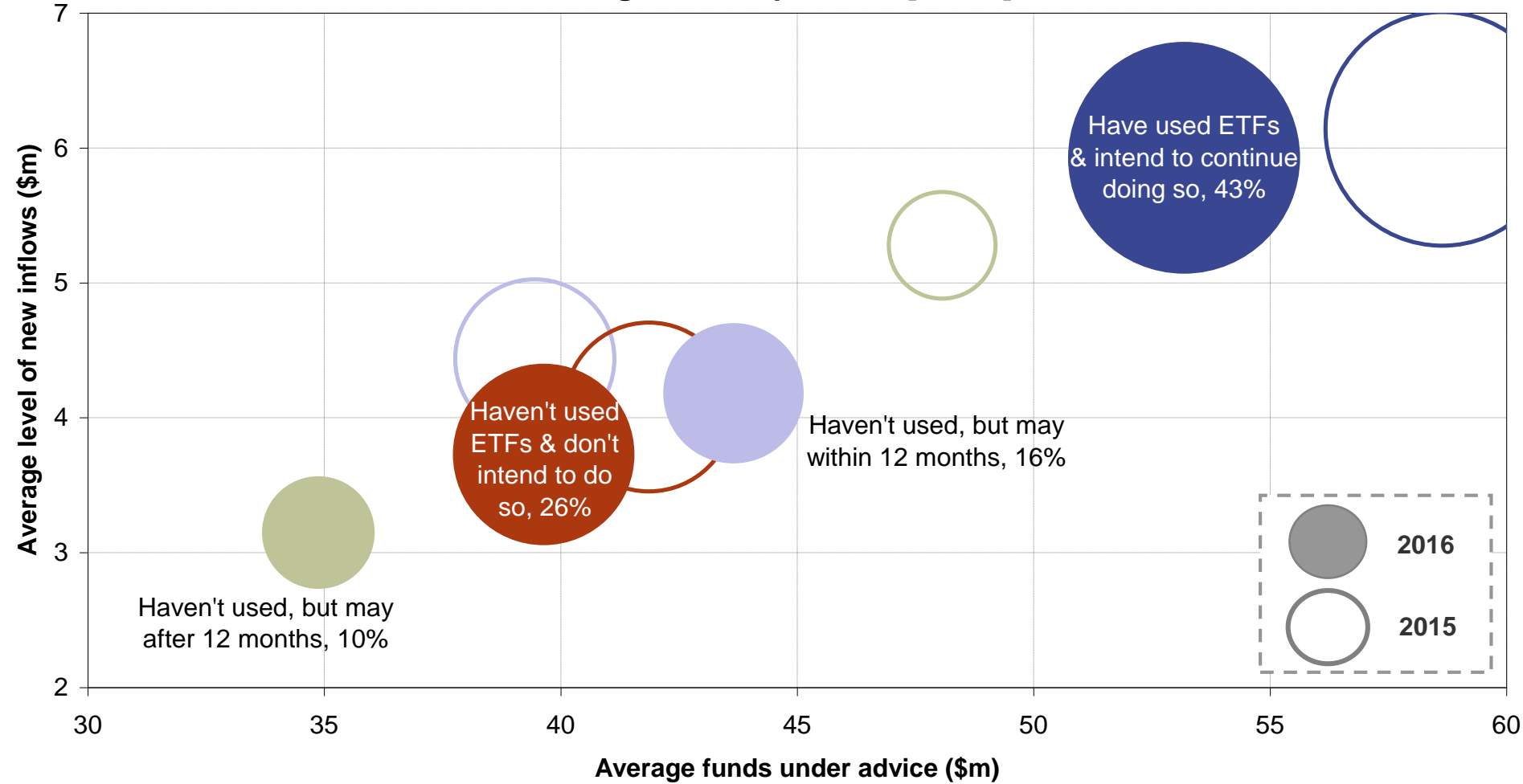
There is significant opportunity for advisers to be more involved in ETF investments

Involvement of advisers in most recent ETF investment



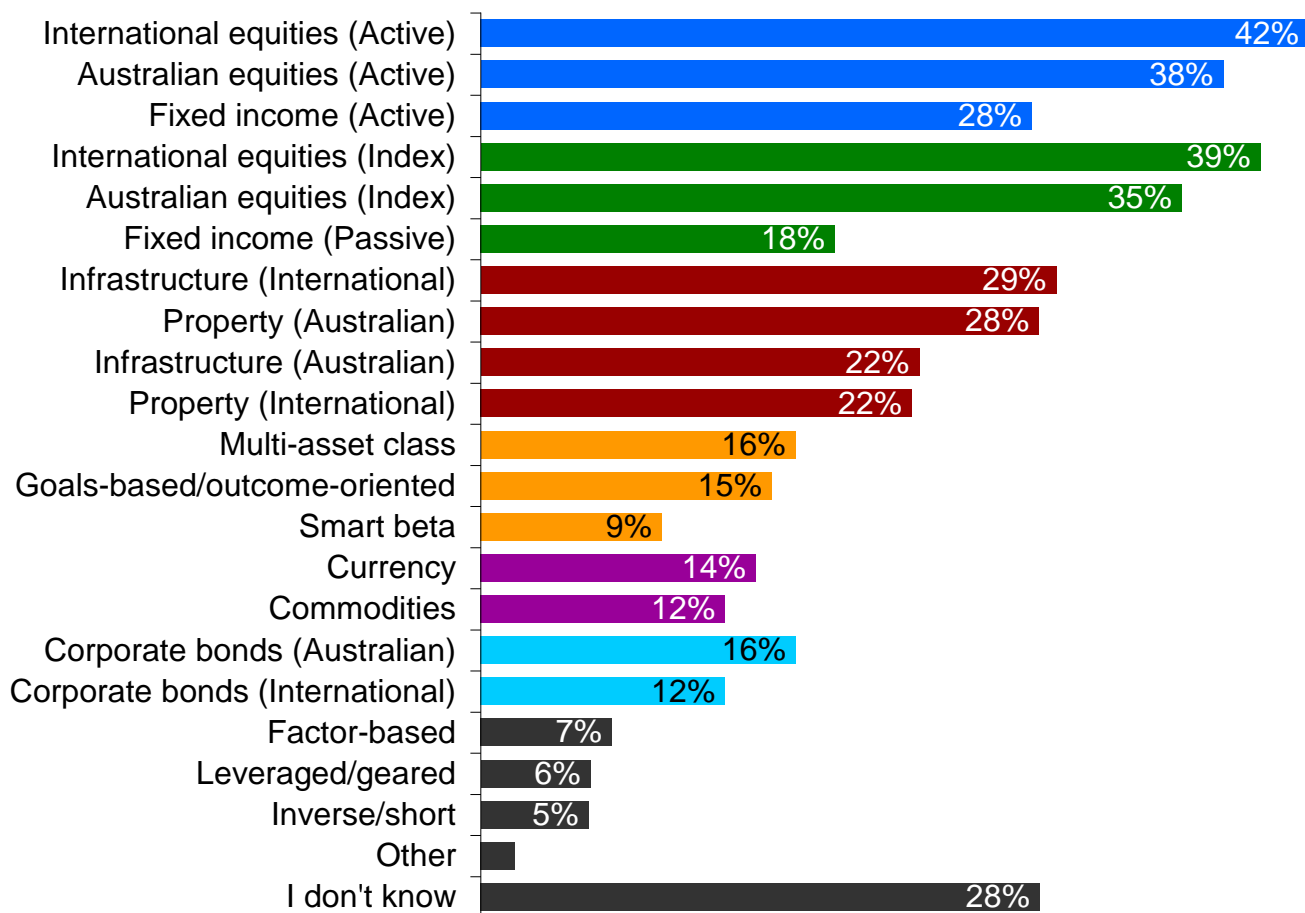
Planners who currently recommend ETFs typically have a higher level of funds under advice and higher inflows

Q56 Have you used exchange traded funds/exchange traded managed funds for your client investments?
By Average FUA and new inflows (Bubble size represents proportion of planners in each category)
Among financial planners [n=381]



Planners have a strong interest in actively managed ETFs

Q71 Which of the following types of ETFs/ETMFs would you like to use in the next 12 months, assuming they were available to you? (Multiple responses permitted) Among financial planners [n=379]



Note: Planners might perceive a lack of availability of these ETFs if they are not available via their dealer group/investment platform/APL etc.

Clusters^:

Active (52%)

Passive (44%)

Alternatives (42%)

Innovative (20%)

Currency & commodities (20%)

Bonds (18%)

Not part of any cluster

^Percentages account for overlaps

Key themes

Retail ETF investor numbers continue to rise rapidly despite headwinds posed by market conditions

ETFs' ability to provide low cost, diversified solutions are being embraced by investors across the wealth spectrum, from lower balance investors to SMSFs. Usage by millennial investors is expected to be a significant driver of future ETF growth

Seven in ten planners currently recommend ETFs or intend to do so in the future. Planners who do recommend ETFs continue to allocate larger inflows into the product and plan to continue this growth

There is significant opportunity for advisers to be more involved in ETF investments

Looking forward, there is a broad appetite among planners to use a wider range of ETFs, especially products providing exposure to actively managed equities, infrastructure and property



Thank you!

Questions?





BetaShares

BACK YOUR VIEW.

BetaShares is a leading Australian manager of ETFs and other Funds that are traded on the Australian Securities Exchange ('ASX').

BetaShares' aim is to provide intelligent investment solutions, which help Australian investors meet their financial objectives.

With a broad range of products now trading on the ASX, the BetaShares range of Funds is one of the largest and most diverse available in the market.

BetaShares offer investors simple to use and cost-effective access to equities, cash, currencies, commodities and alternative strategies.

As at December 2016, BetaShares manages over \$3.3 billion in assets.

BetaShares is Australian owned and managed, and is a member of the Mirae Asset Global Investments Group, one of Asia's largest asset management firms. As at December 2016, Mirae manages approximately US\$100 billion globally.

About Investment Trends

Investment Trends is a specialist research organisation which provides new business insights and decision support information to many of the world's leading financial services organisations. We combine analytical rigour and strategic thinking with the most advanced market research and statistical techniques to help our clients gain competitive advantage.

Investment Trends is a multi-national research organisation servicing clients in Australia, Asia, Europe and the US.

Our clients include the industry regulators, peak industry bodies, all of the top 6 Australian banks, top 10 investment platform providers, top 6 online brokers, as well as most leading fund managers and industry super funds, margin lenders, dealer groups and financial planning software providers.

Our work is focused on helping clients answer three fundamental questions:

1. How does the market currently work?
2. How is the market evolving?
3. How do I improve business outcomes:
 - Acquire more customers
 - Retain more existing customers
 - Increase revenue per customer
 - Prioritise technology and process investments



Investment Trends

Sydney

Investment Trends
23.02 Tower 3, International Towers
300 Barangaroo Ave, Sydney NSW 2000
Australia

+61 2 8248 8000
sales@investmenttrends.com

London

Investment Trends
6 London Street
London, EC3R 7LP
United Kingdom

+44 203 741 9569
sales@investmenttrends.co.uk