



BetaShares/Investment Trends 2017 Exchange Traded Funds Summary Report

Deep Insights Research

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Audience: Current and next wave investors of ETFs
Financial planners

Data collected: August to September 2017

Collection method: Online surveys

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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 2017 Exchange Traded Funds Report* is the **9th 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 2017 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

Over 6,000 valid responses were received, including 1,093 respondents who were currently using exchange traded funds (ETFs), with a further 291 next wave ETF investors (who were currently considering, but not yet using ETFs). The maximum sampling error for current ETF investors at the 95% confidence interval (centre of the range) is +/- 3.0%. 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 2017. 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 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=459 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 +/-4.5%.

Where appropriate, respondents were post weighted slightly to remove any sampling bias and ensure correct distribution by main fund manager, deal group channel and preferred platform.



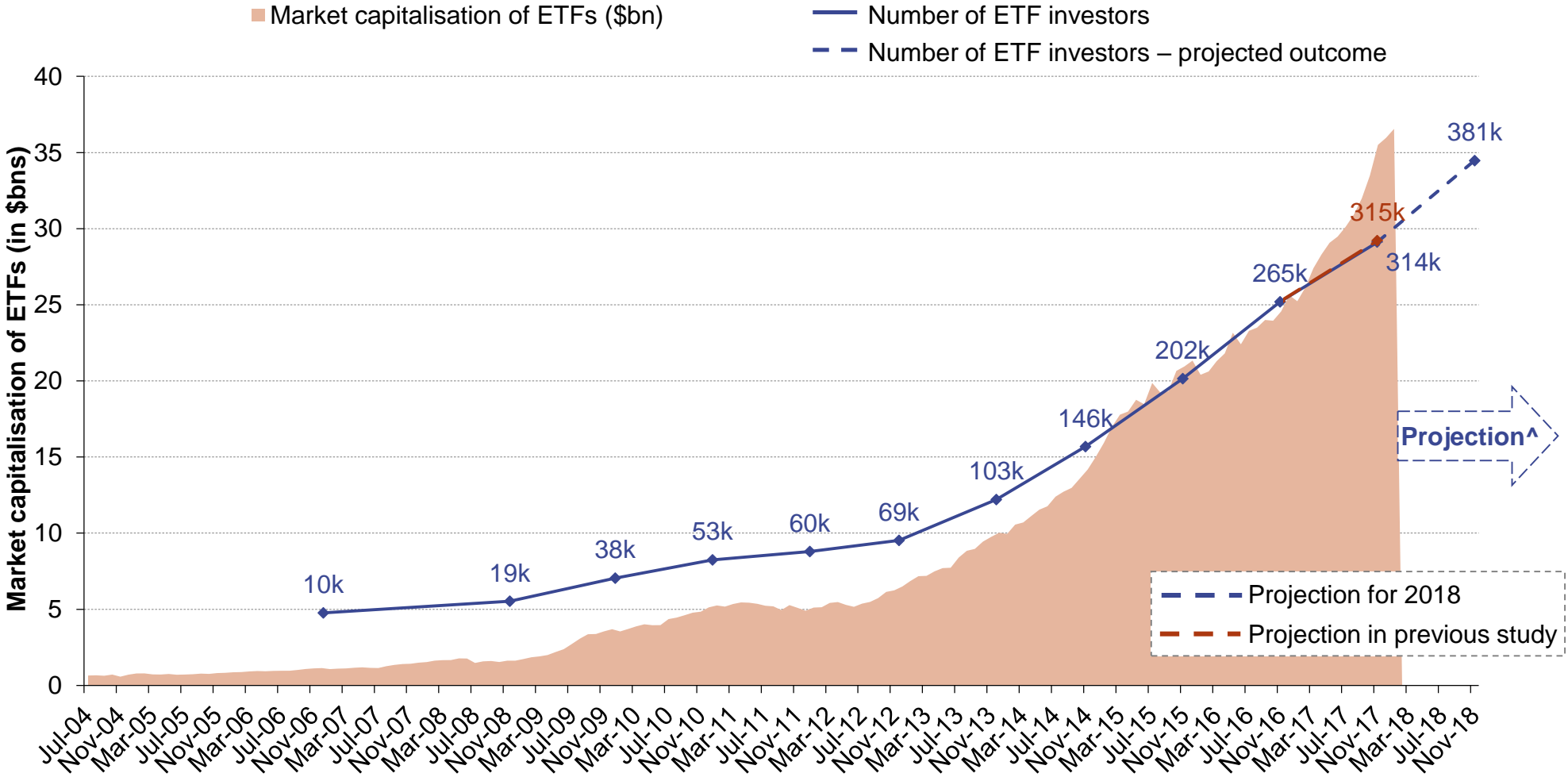
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Dynamics and growth of the ETF market

ETF assets and investor numbers continue to grow. September 2017 saw ETF investor numbers reach 314,000, up 18% from September 2016

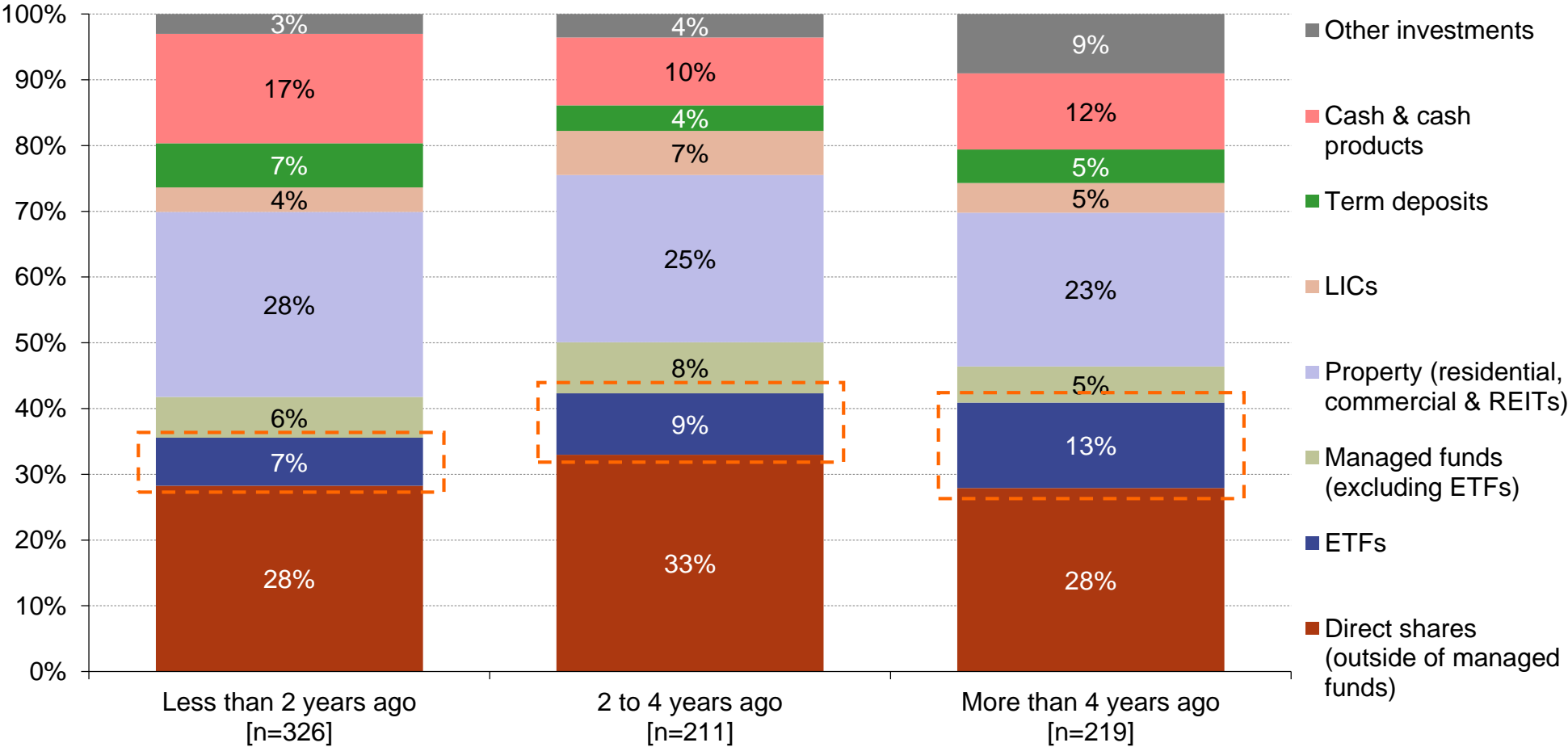
ETF market size



^Note: Projected figures based on Investment Trends modelling. Note that actual outcomes will be influenced by a range of factors, but particularly share market performance. Sourced from Investment Trends 2017 ETF Report.

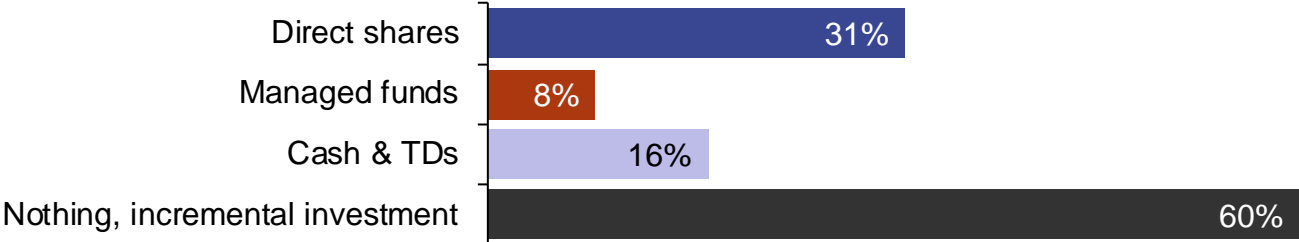
ETFs play a more prominent role in the investment portfolio as investors gain more experience using these products

Asset allocation - Proportion of total assets invested in each asset class
By Q111 When did you first start investing in ETFs? Among current ETF investors

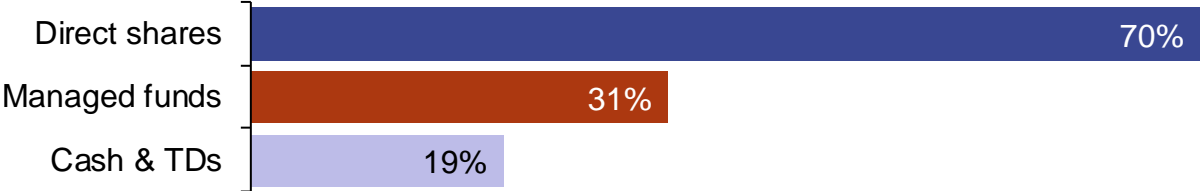


The majority of investments into ETFs represent new money into the industry

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)

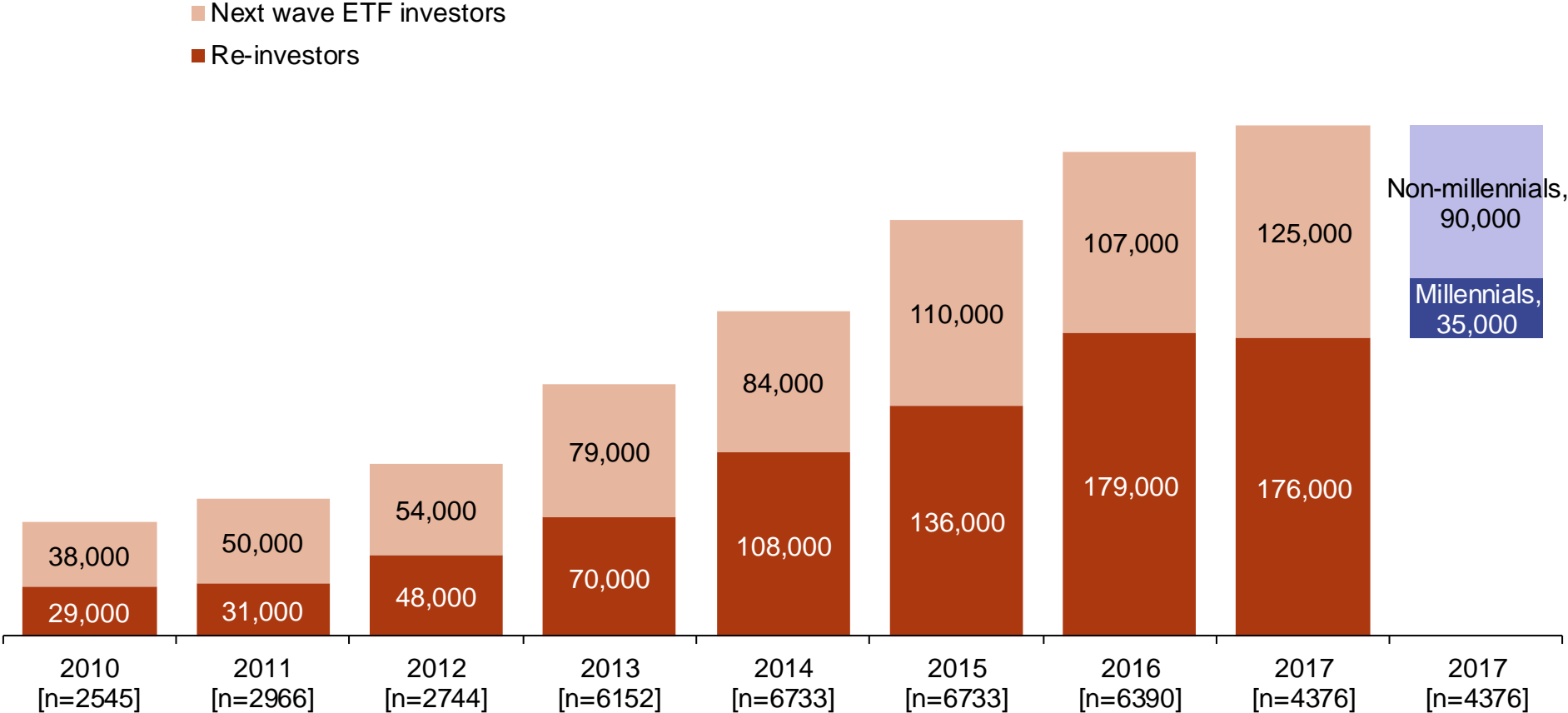


What investments do **next wave ETF investors** plan to sell down to invest in ETFs? (proportion citing each)



Just under a third of next wave investors are millennials

Investors planning to invest in ETFs in the next 12 months





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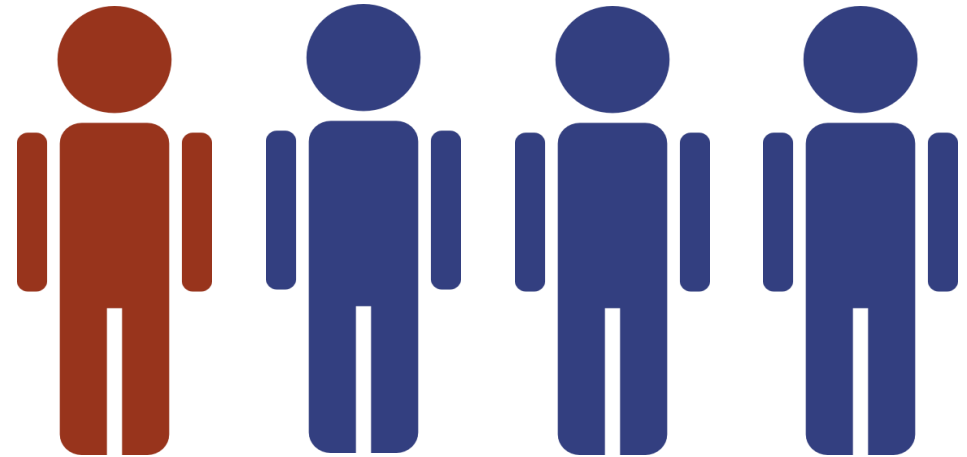
Profile of ETF users

Just over one in four ETF investors are currently retired, with the typical ETF investor being 49 years old

Profile of current ETF investors:

49 years old, on average

Just over one in four are retired

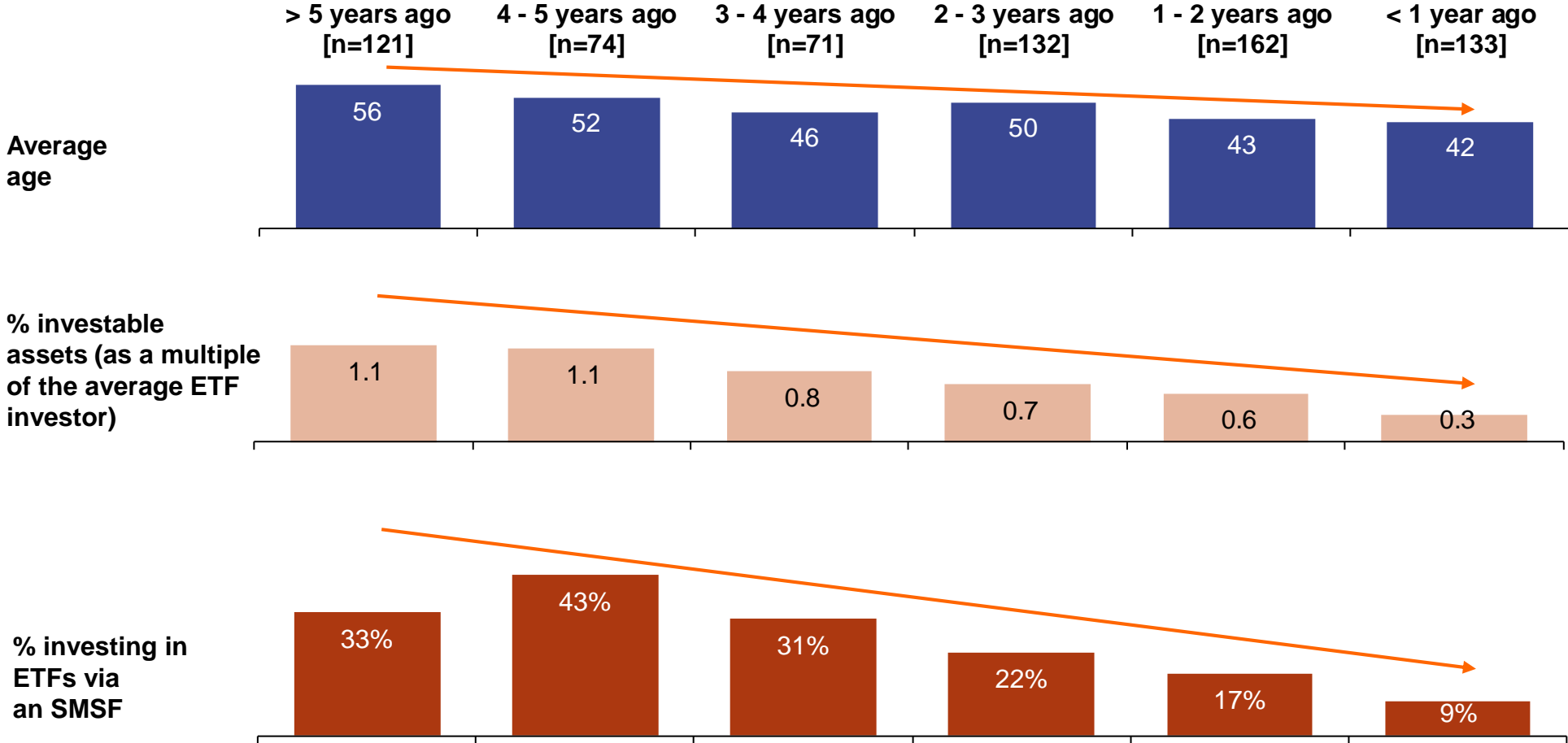


33% invest in ETFs via an SMSF

56% intend to re-invest in ETFs in the next year

Younger investors are embracing ETFs

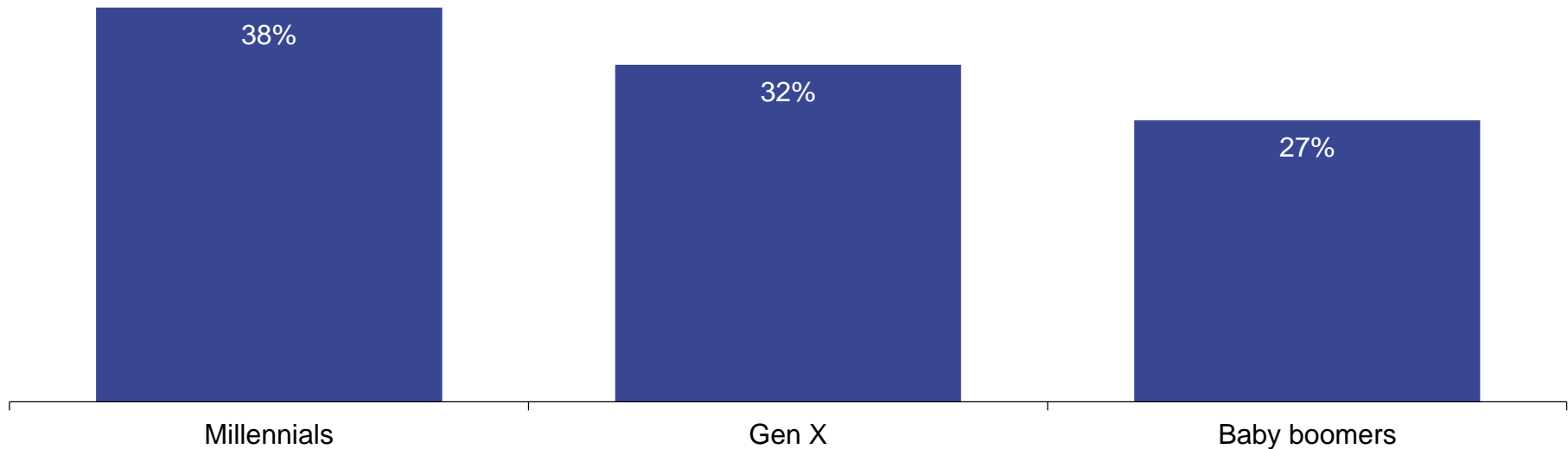
**Profile of current ETF investors
By When investors first started investing in ETFs**



Interest in ETFs is higher among Millennial investors

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

Source: Investment Trends 2017
Australian Online Broking Report





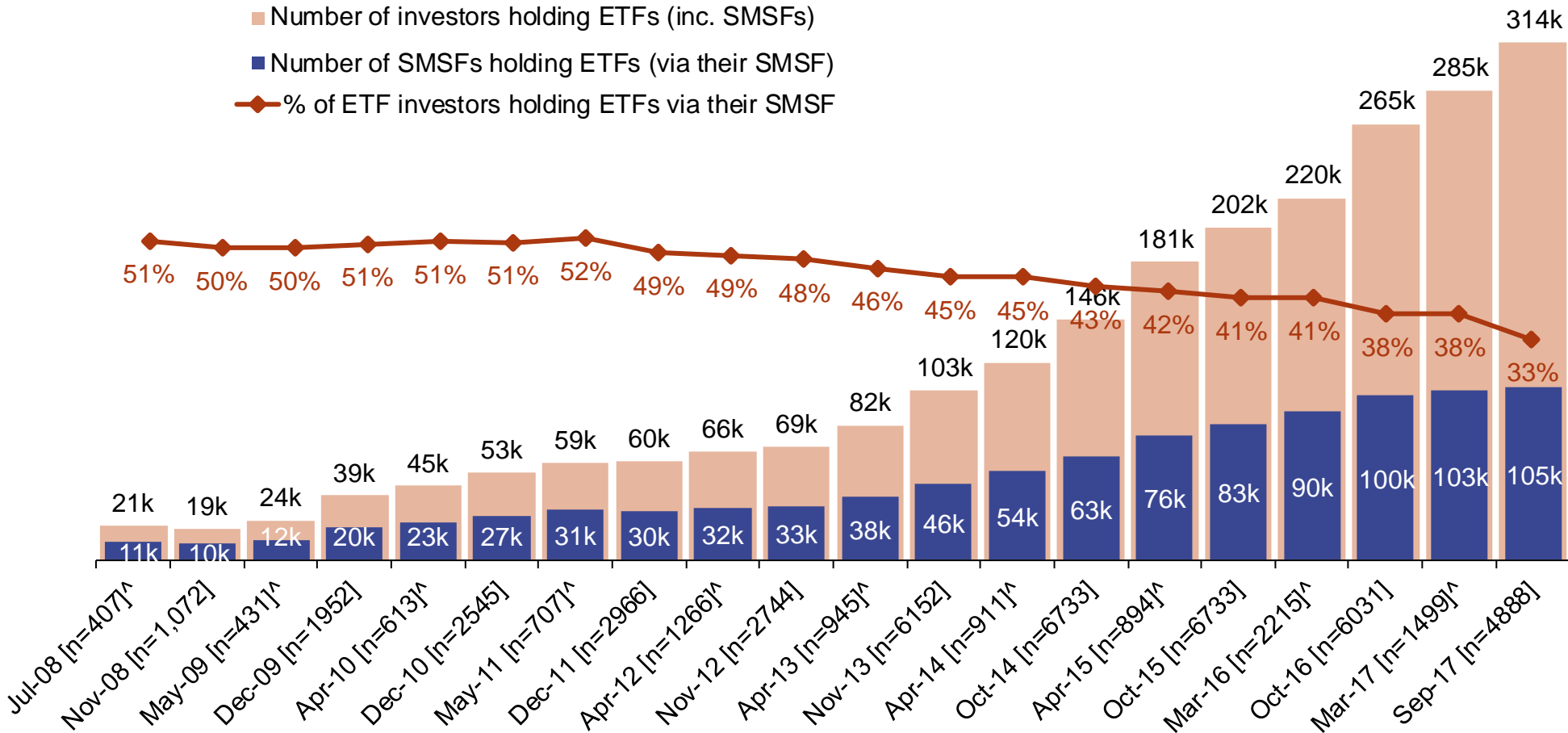
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SMSF use of ETFs

Use of ETFs among SMSFs and non-SMSFs continues to grow strongly

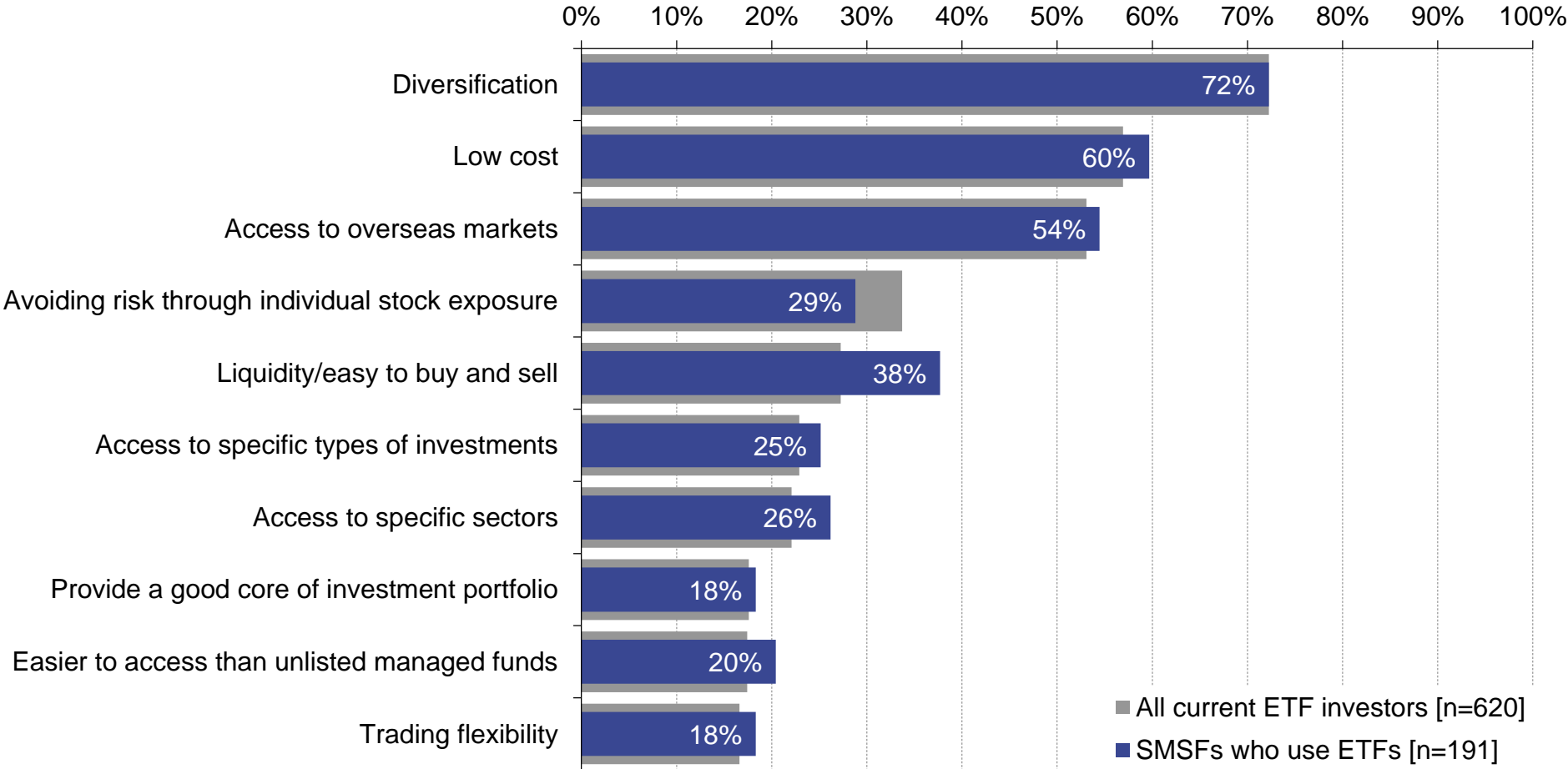
ETF market size among SMSFs



^Source: Investment Trends SMSF Investor Reports

Diversification, cost and access to overseas markets are the top drivers of investing in ETFs among SMSFs and regular investors. SMSF investors are more likely to also value the liquidity ETFs provide

Q113 Why do you use ETFs? (Multiple responses permitted)
SMSFs who hold ETFs versus **Current ETF investors** (Top 10 reasons shown)





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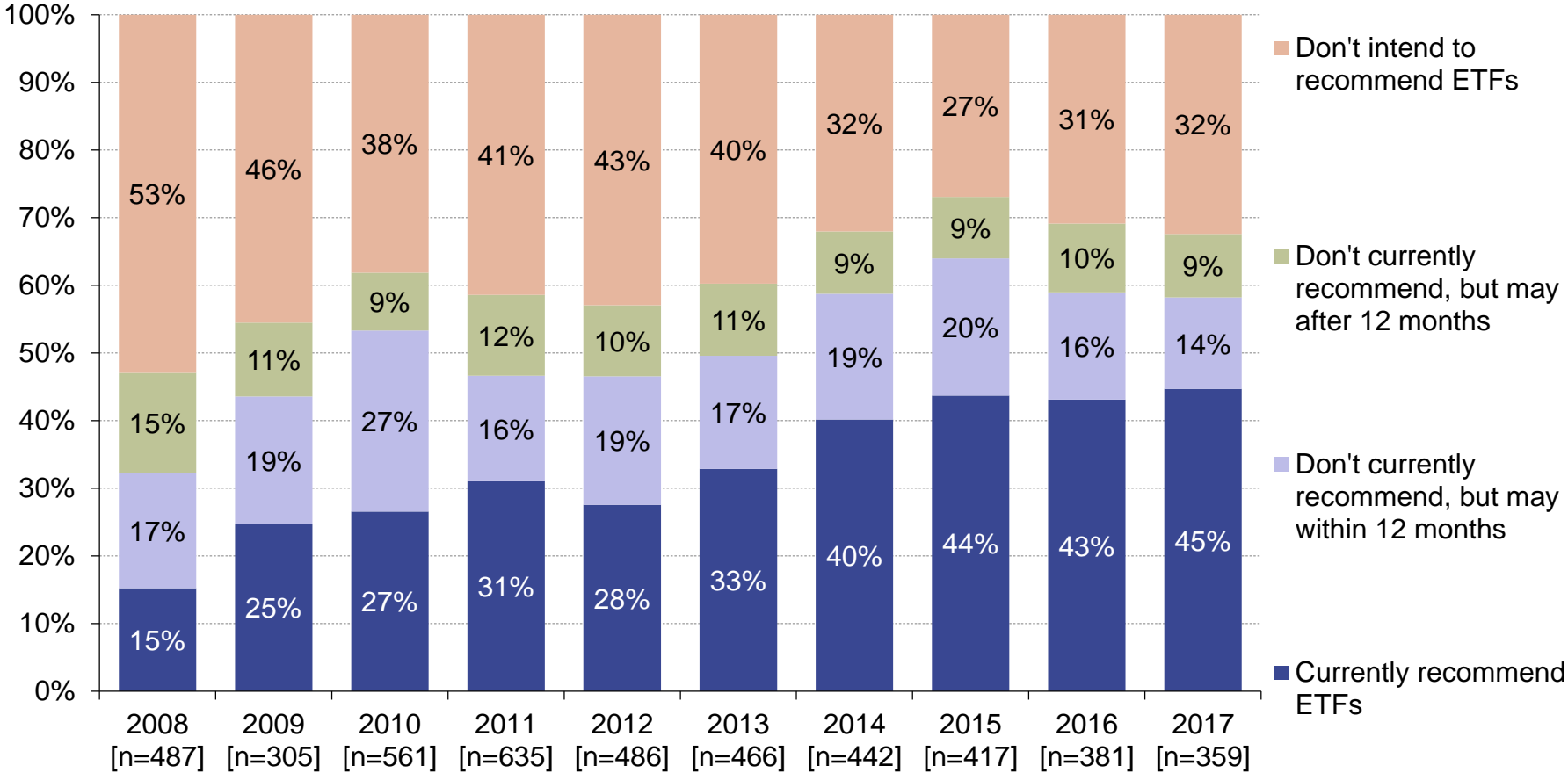
Financial planners' use of ETFs

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

**Q50 Have you used ETFs or active ETFs for your client investments?
Among financial planners**

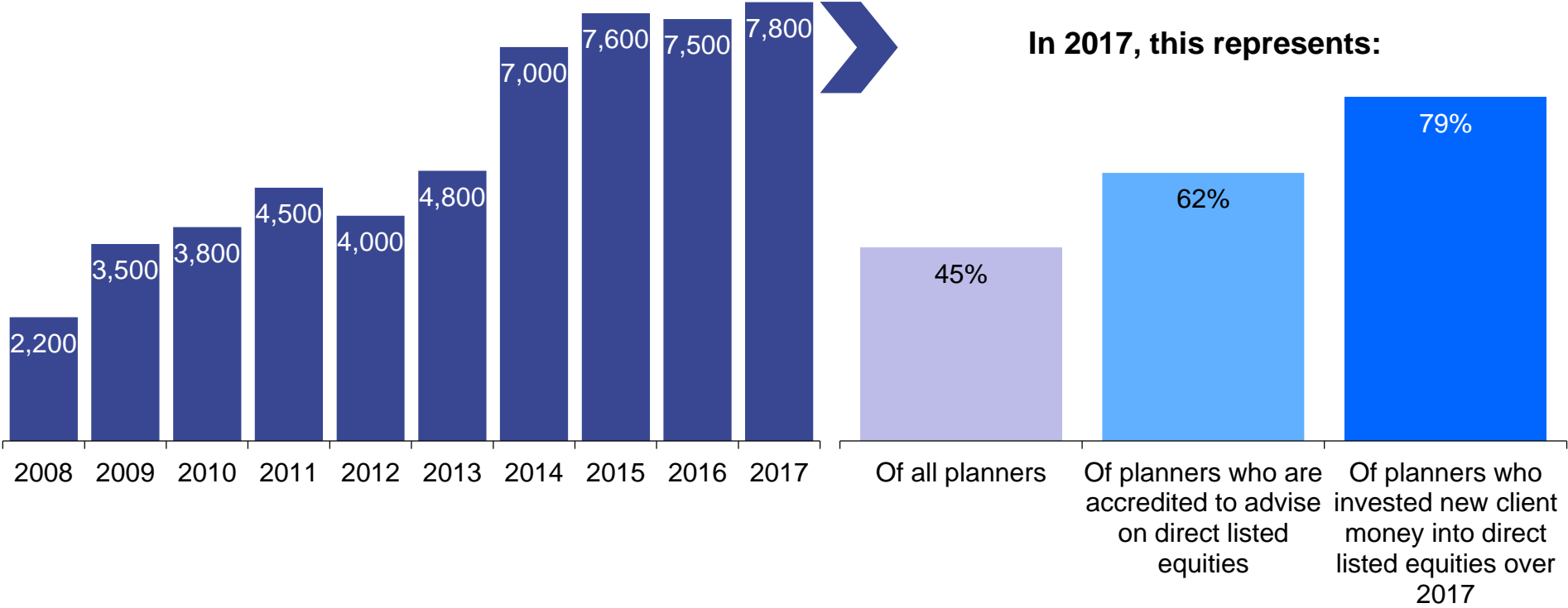
Currently recommend/
intend to recommend:

47% 55% 62% 59% 57% 60% 68% 73% 69% 68%



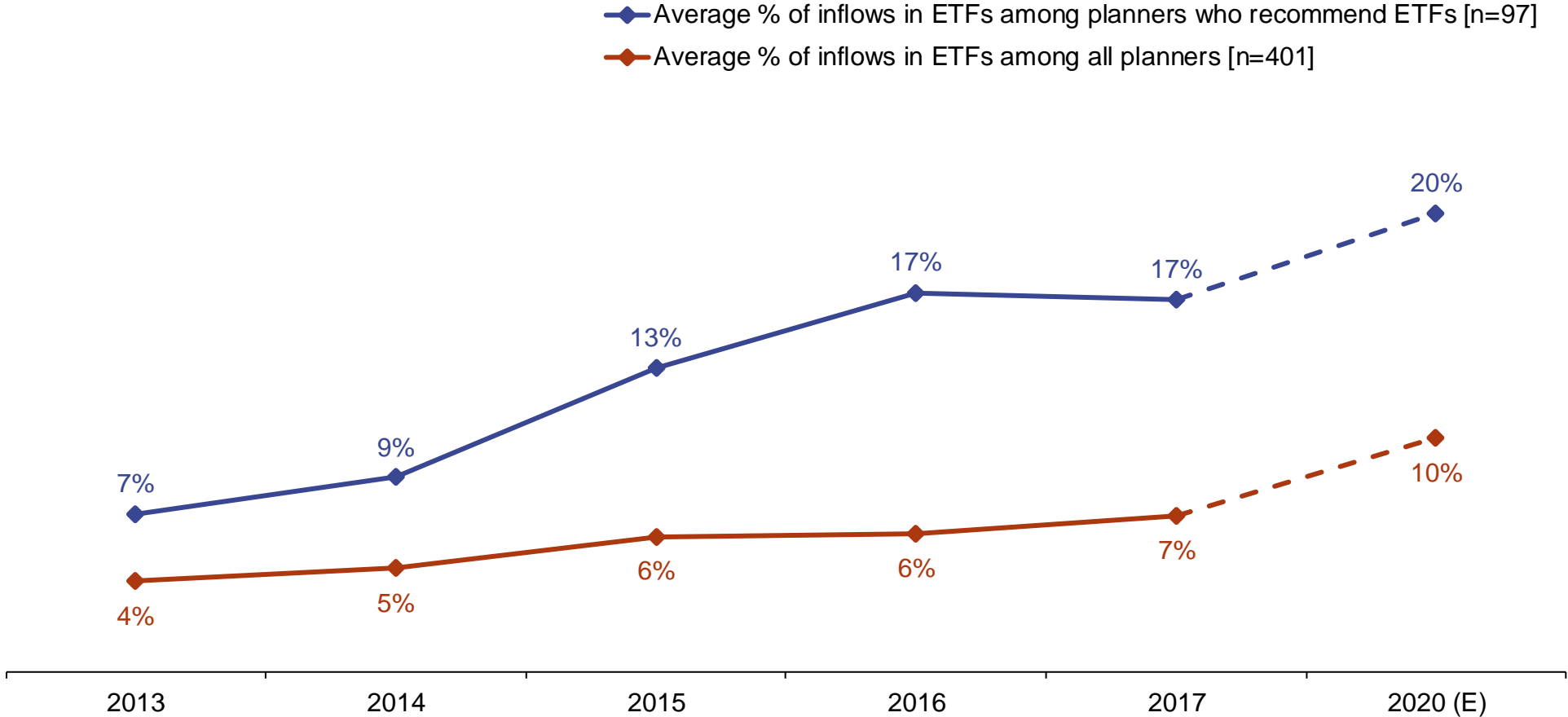
The 7,800 planners currently advising on ETFs represent 79% of planners who invested new client money in direct equities over the past year

Planners currently advising on ETFs



Planners who currently recommend ETFs typically invest 17% of new client money through ETFs (steady). They see this increasing to 20% by 2020

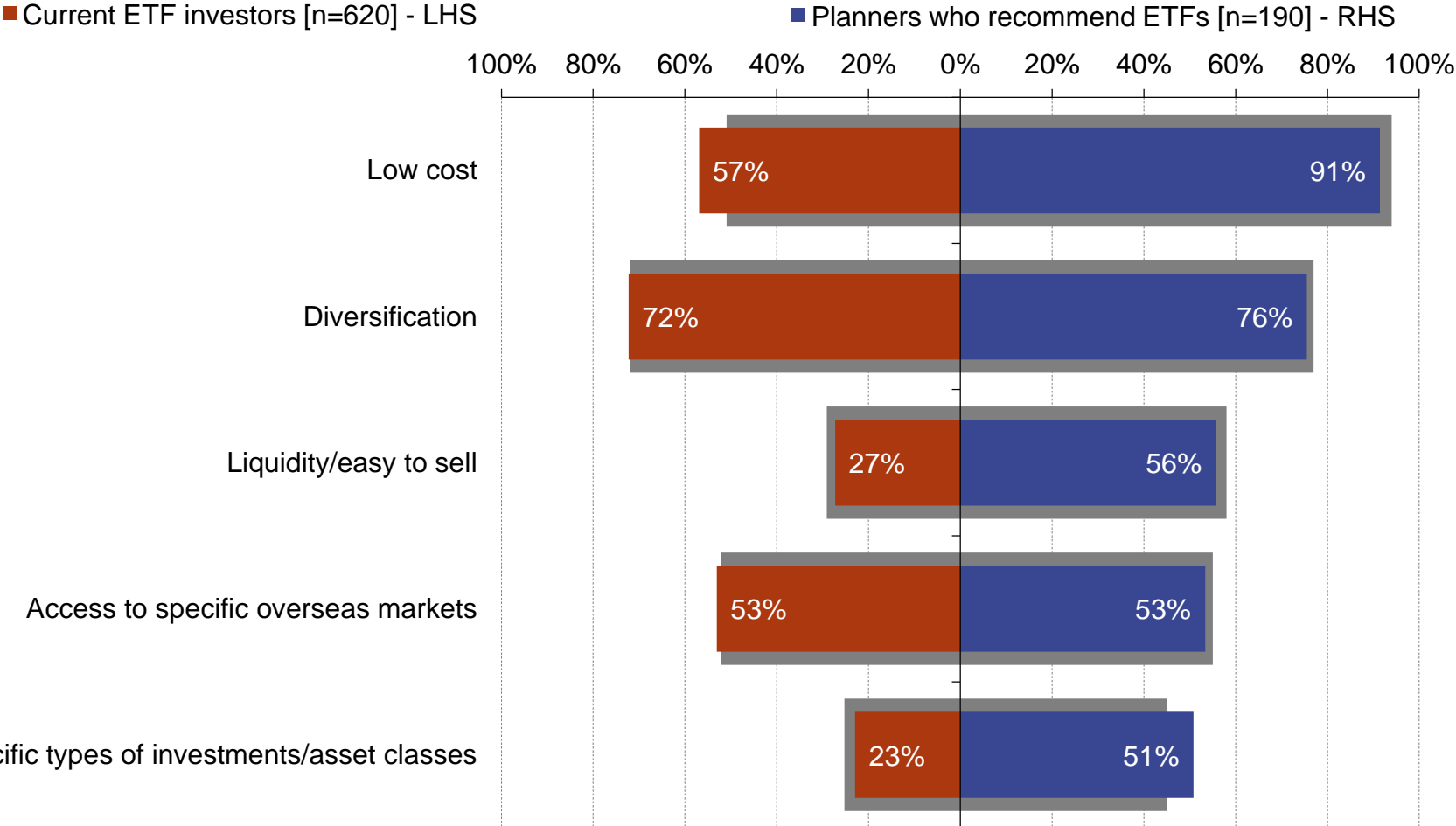
Q13 In the last year, roughly what proportion of the new client inflows you advised on went into ETFs? & Q14 What do you think these figures will be in 3 years' time? **Averages** among financial planners



(E) = Planners' estimates for three 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 2016 results

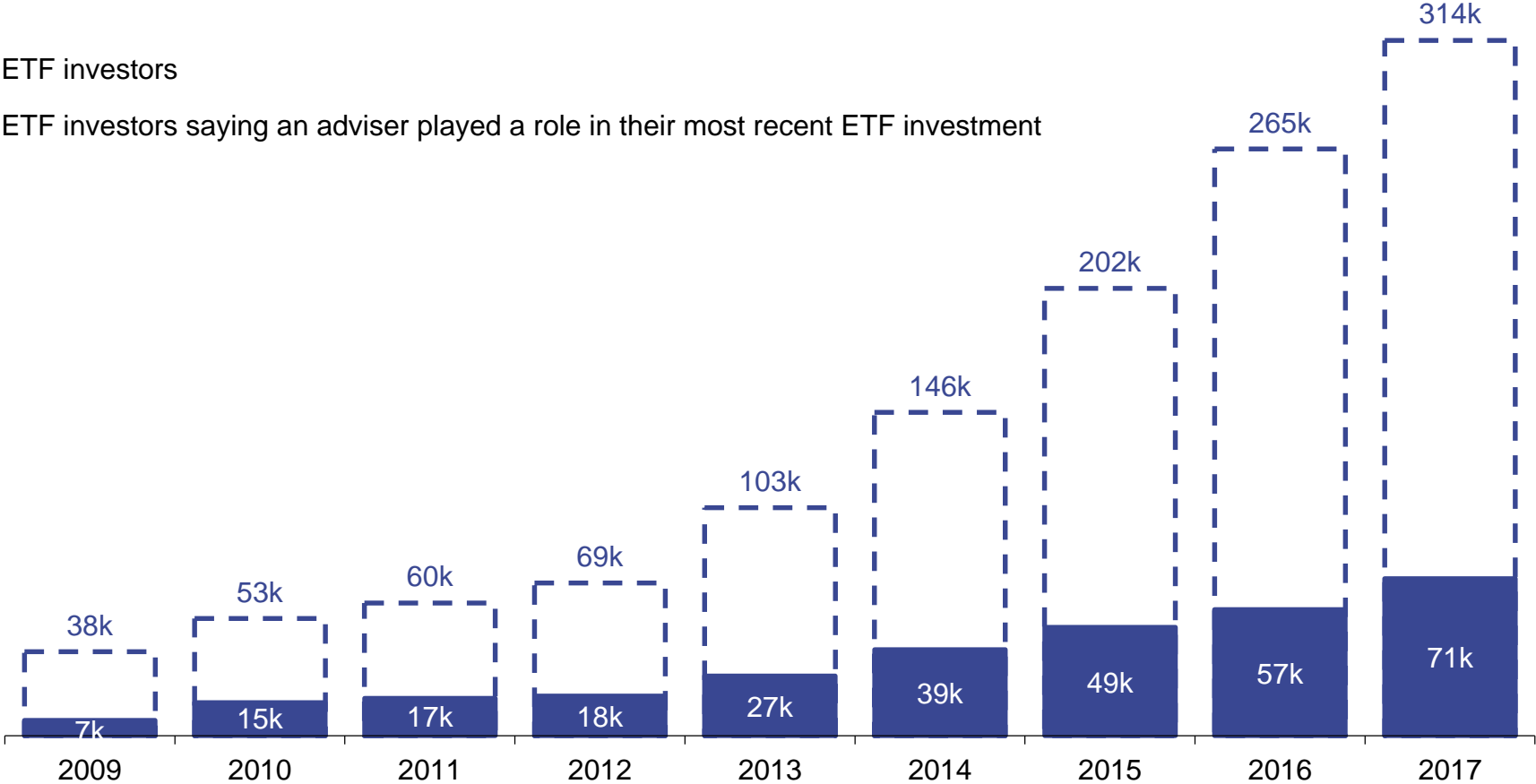
There is significant opportunity for advisers to be more involved in ETF investments

Involvement of advisers in most recent ETF investment

% saying an adviser played a role in most recent ETF inv.:

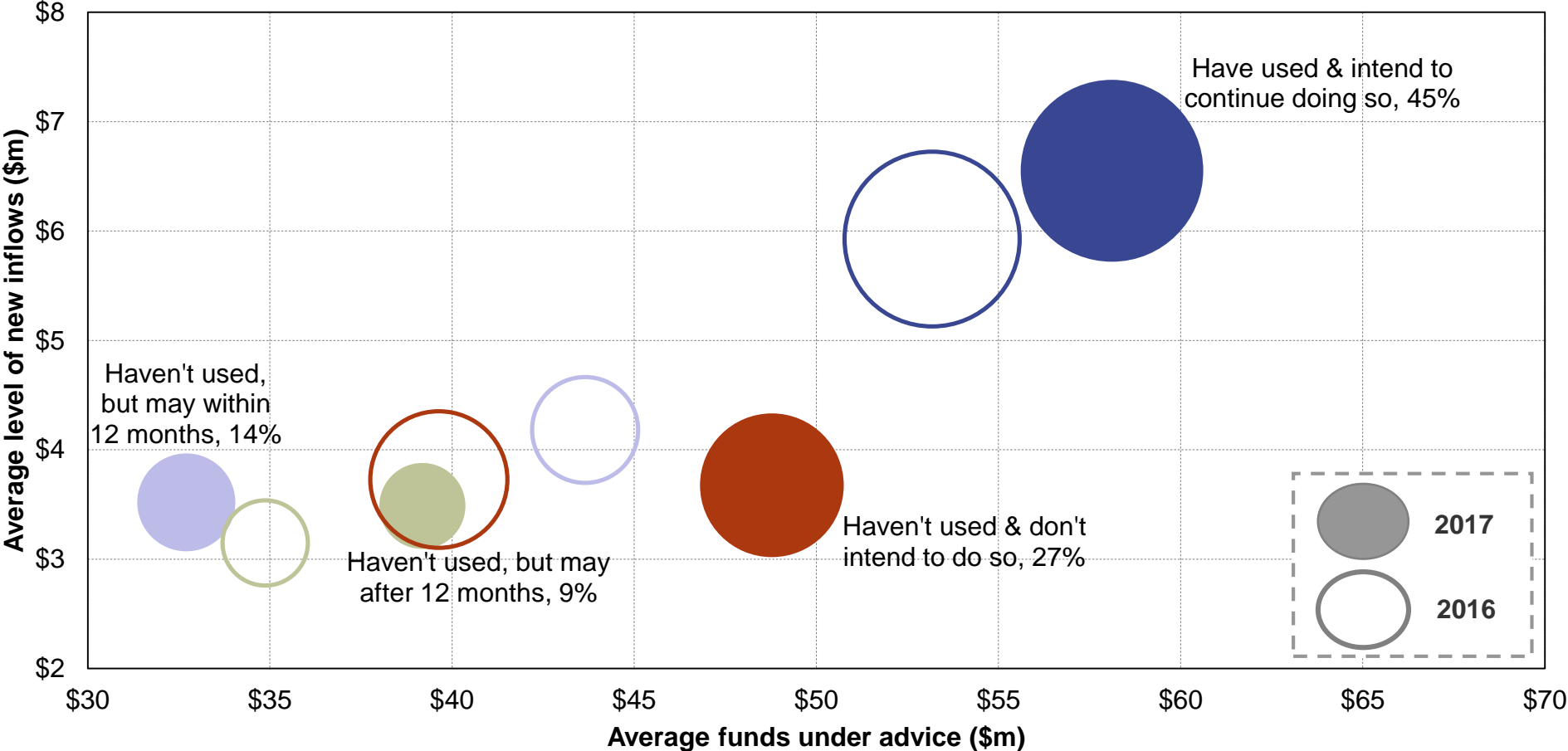
2009	2010	2011	2012	2013	2014	2015	2016	2017
18%	29%	29%	27%	26%	27%	24%	21%	23%

- No. of ETF investors
- No. of ETF investors saying an adviser played a role in their most recent ETF investment



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

**Q50 Have you used ETFs or active ETFs for your client investments?
By Average FUA and new inflows (Bubble size represents proportion of planners in each category)
Among financial planners [n=359]**



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. Only one in eight investors say a planner was involved in their most recent decision to invest in ETFs



BetaShares

Exchange Traded Funds

BetaShares is a leading 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, our range of Funds is one of the largest and most diverse available in the market. We offer investors simple to use and cost-effective access to equities, cash, currencies, commodities and alternative strategies. As at February 2018, BetaShares manages approximately \$5.1 billion in assets.

BetaShares is a member of the Mirae Asset Global Investments Group, one of Asia’s largest asset management firms. As at November 2017, Mirae manages over US\$122 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