



# BetaShares/Investment Trends November 2013 Exchange Traded Funds Report

## SUMMARY REPORT

Survey conducted: September - November 2013

Report released: December 2013

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Analysis: Mark Johnston, Principal  
Dr Borhan Uddin, Director of Statistical Research  
Recep Peker, Senior Analyst  
King Loong Choi, Analyst  
Calvin Yap, Analyst

Audience: Current and next wave investors in exchange traded funds  
Financial planners

Data collected: September – November 2013

Collection method: Online surveys

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# Agenda

**Research methodology**

**Size of growth of ETF market**

**Drivers of growth**

**Financial planners & ETFs**

# Research methodology

The *November 2013 Exchange Traded Funds Report* is based on two detailed online surveys.

## 1. The *Investor Product and Marketing Needs* survey

This survey was conducted between September and November 2013 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, online brokers and the ASX.

Over \$10,000 in survey prizes were offered as incentives to participate.

10,421 valid responses were received, including 691 respondents who were currently using Exchange Traded Funds (ETFs), with a further 485 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 +/- 3.7%. 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 2013. 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 the Financial Planning Association (FPA) 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 databases to participate. These responses have been utilised where appropriate.

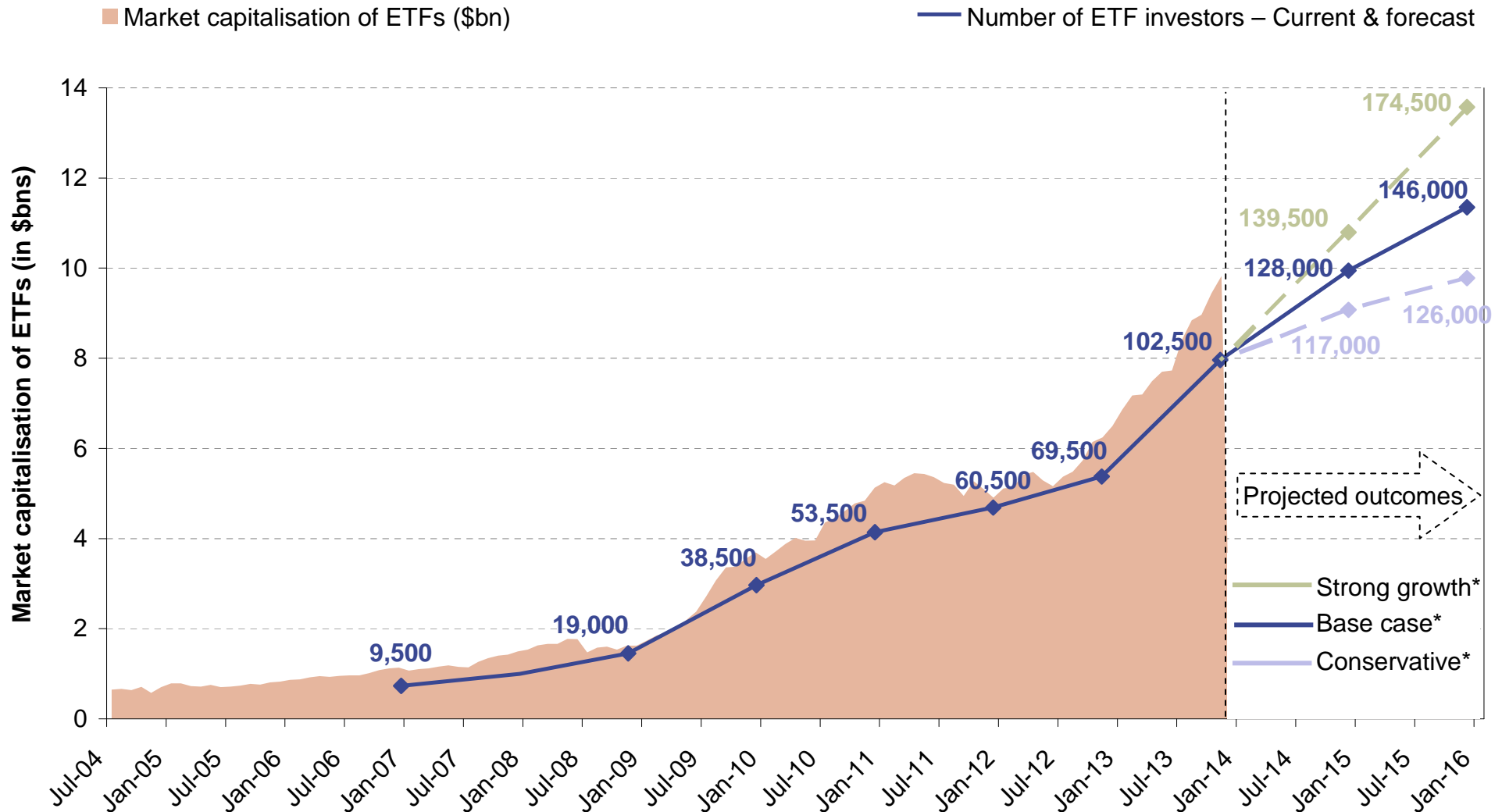
Total responses after data cleaning and validation: n=734 financial planners, including RG146 compliant accountants, and dealer group managers who personally provide advice. The maximum sampling error (centre of the range) at the 95% confidence interval for this sample is +/-3.5%.

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

## **Size of growth of ETF market**

# Total current ETF investors were up nearly 50% in the 12 months to November 2013, the fastest growth seen in last four years

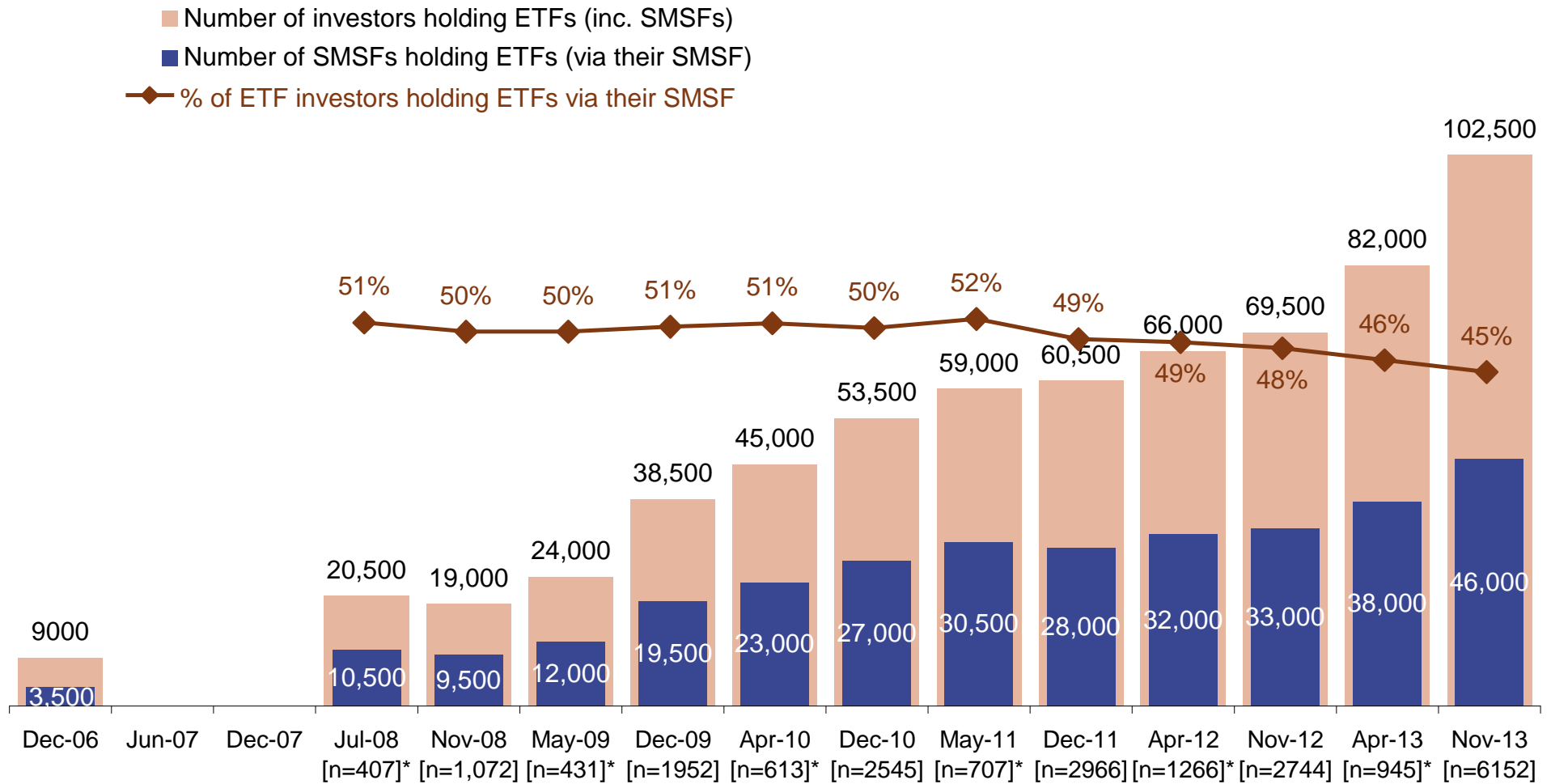
## ETF market size



\*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 Nov 2013 ETF Report.

# The number of SMSFs holding ETFs has increased in line with the number of ETF investors

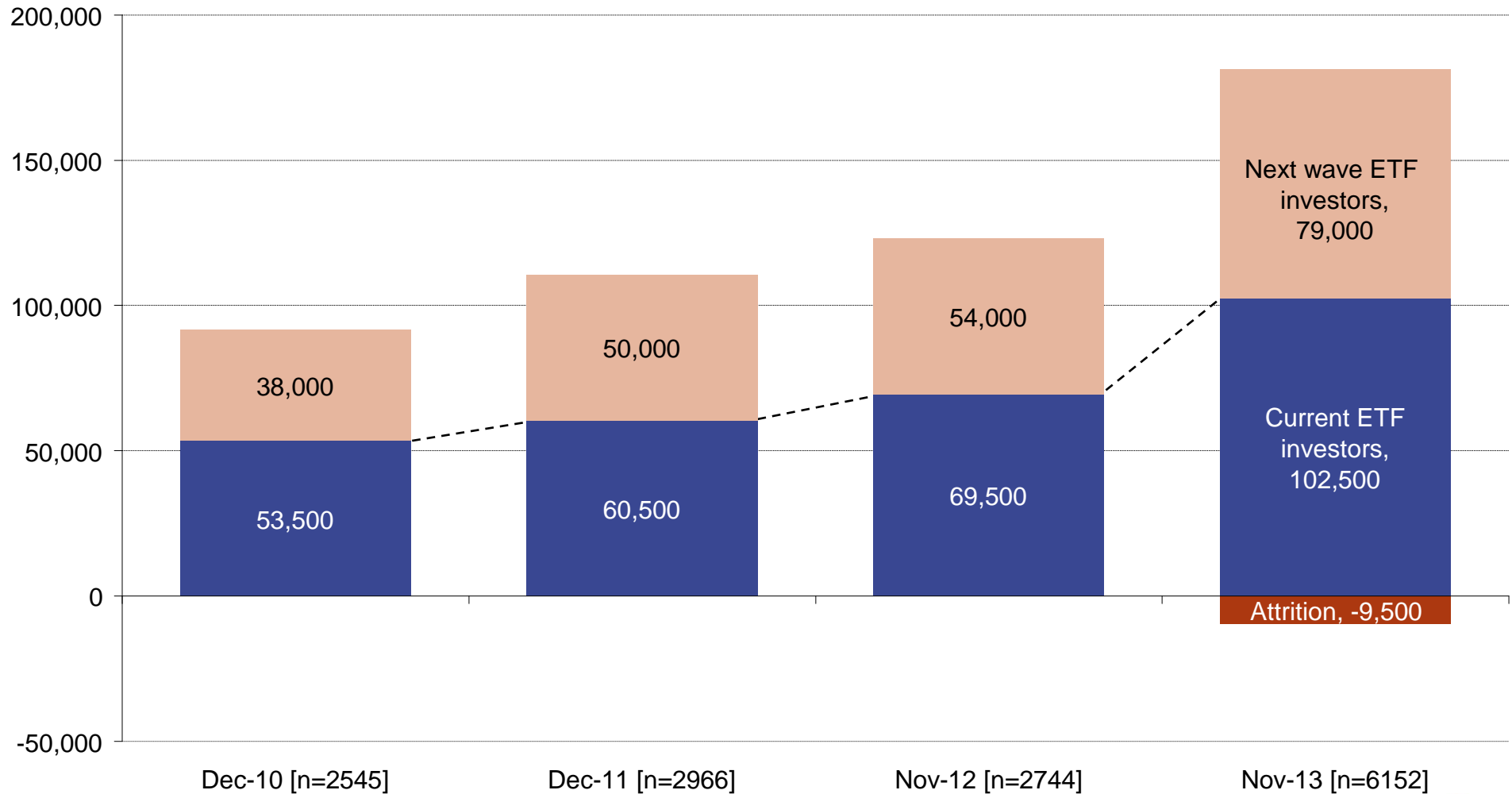
## ETF market size among SMSFs



\*Source: Investment Trends SMSF Investor Reports

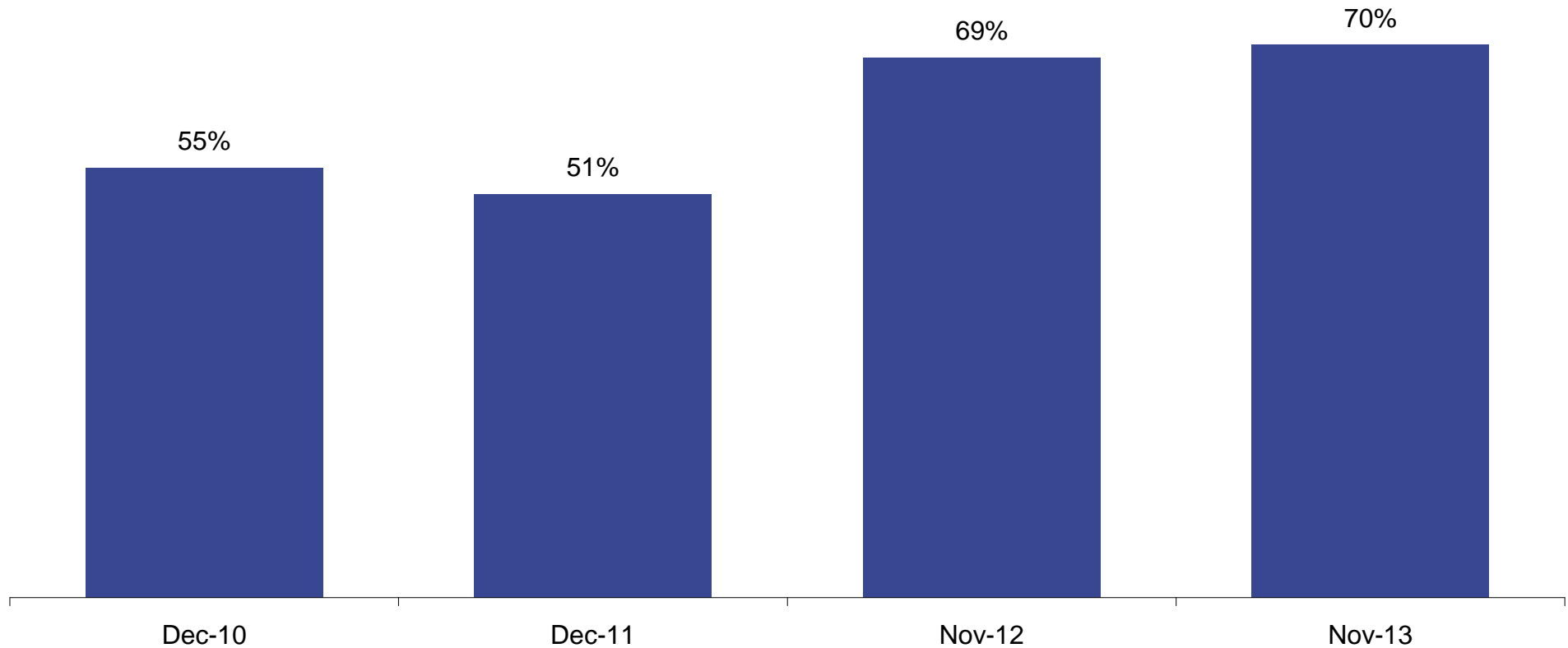
# A record number of non-ETF investors said they plan to invest in ETFs in the next 12 months

## ETF market dynamics



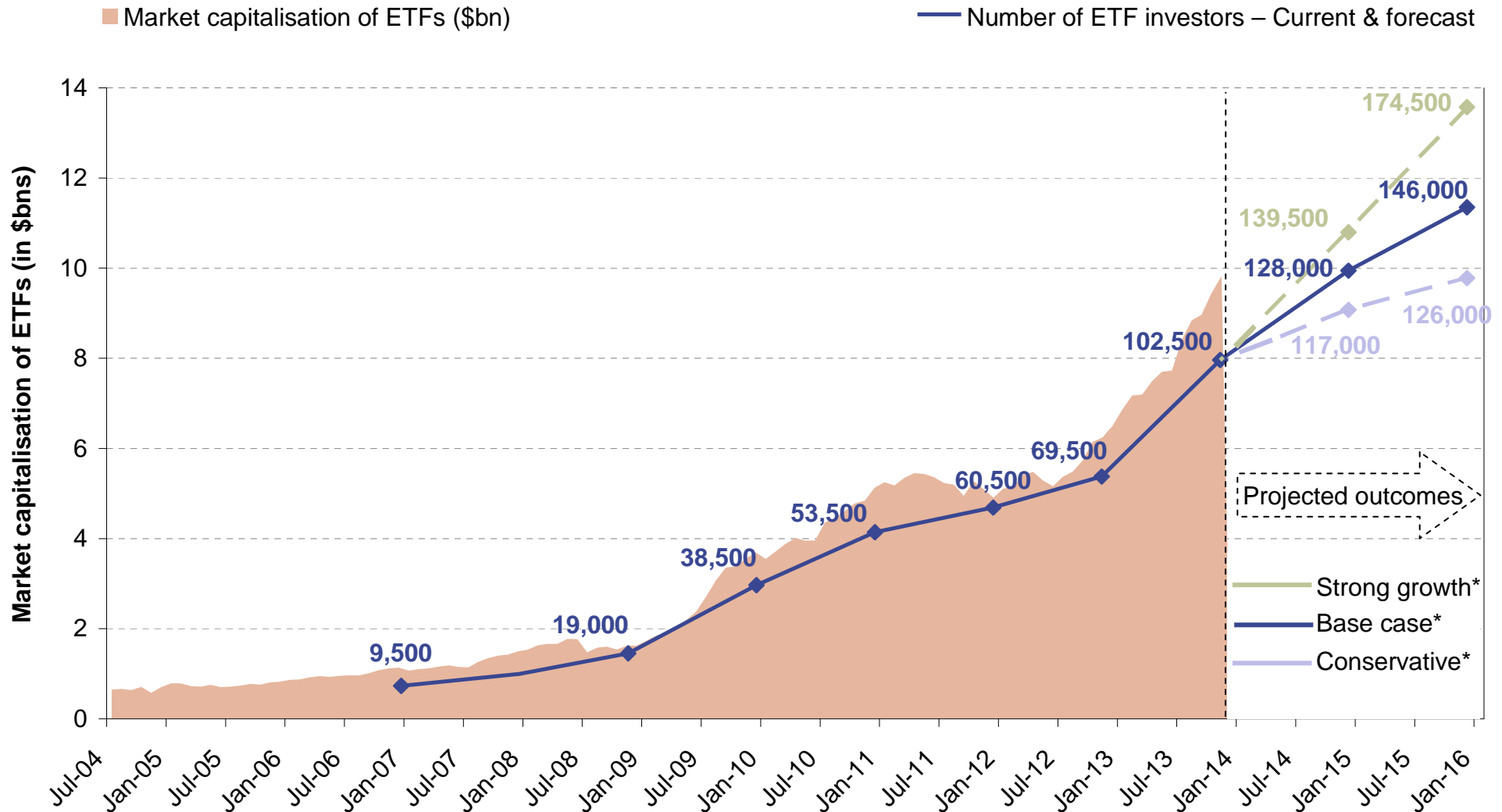
## Repeat investment into ETFs is high among current ETF investors

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



# Looking forward: Based on the number of next wave ETF investors and recent conversion and attrition rates, our modelling indicates potential net growth of a further 25,000 ETF investors in the coming year\*

## ETF market size



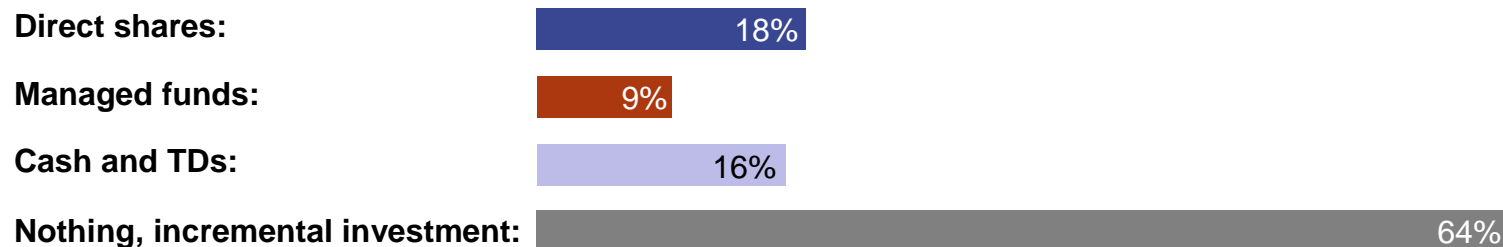
\*Note: Projected figures based on Investment Trends modeling. Note that actual outcomes will be influenced by a range of factors, but particularly share market performance. Sourced from Investment Trends Nov 2013 ETF Report.

## **Drivers of growth**

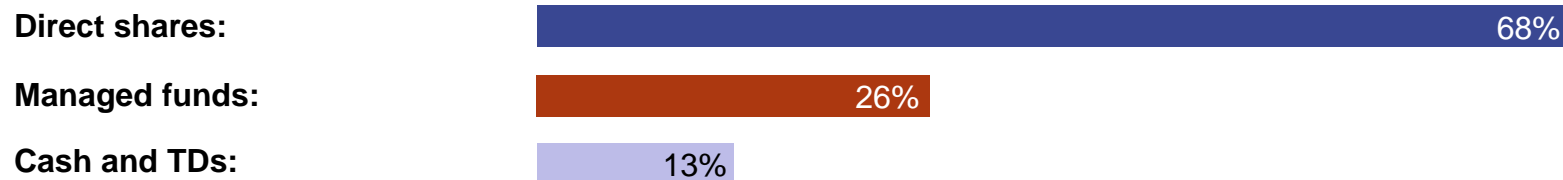
## The majority of ETF investing is new money being placed into the investment landscape

**% of ETF investors who:**

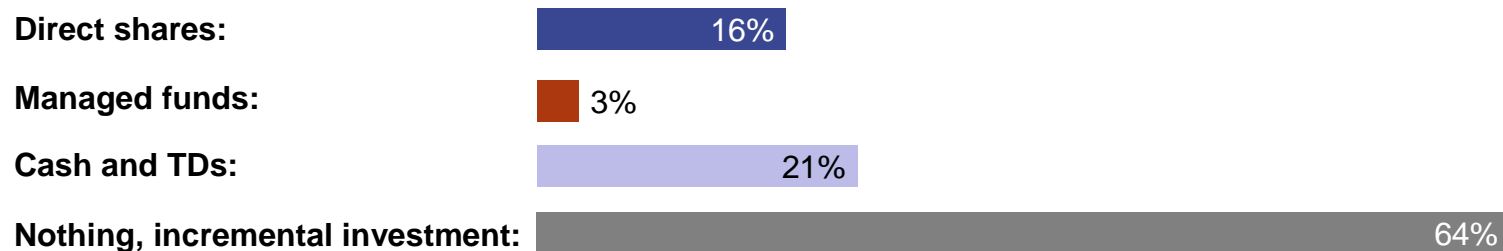
**Reduced usage of these assets classes in order to invest in ETFs over 2013:**



**Would have invested in ... (if ETFs weren't available):**

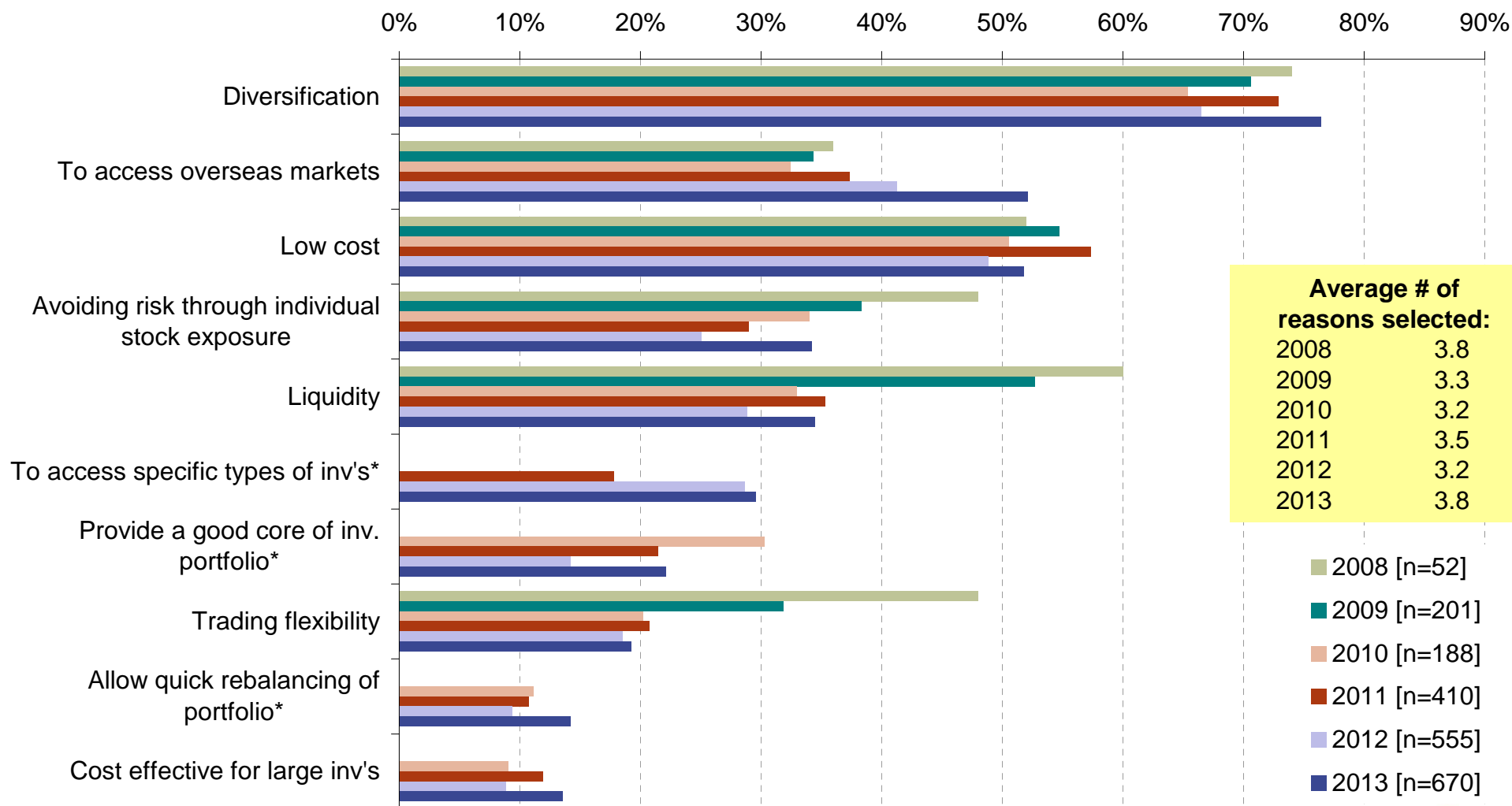


**Plan to sell down ... to invest in ETFs next year:**



## Accessing overseas markets has overtaken low cost to be the second-most commonly cited reason for using ETFs

Q84 Why do you use ETFs? (Multiple responses permitted)  
Among current ETF investors (Top 10 reasons shown)

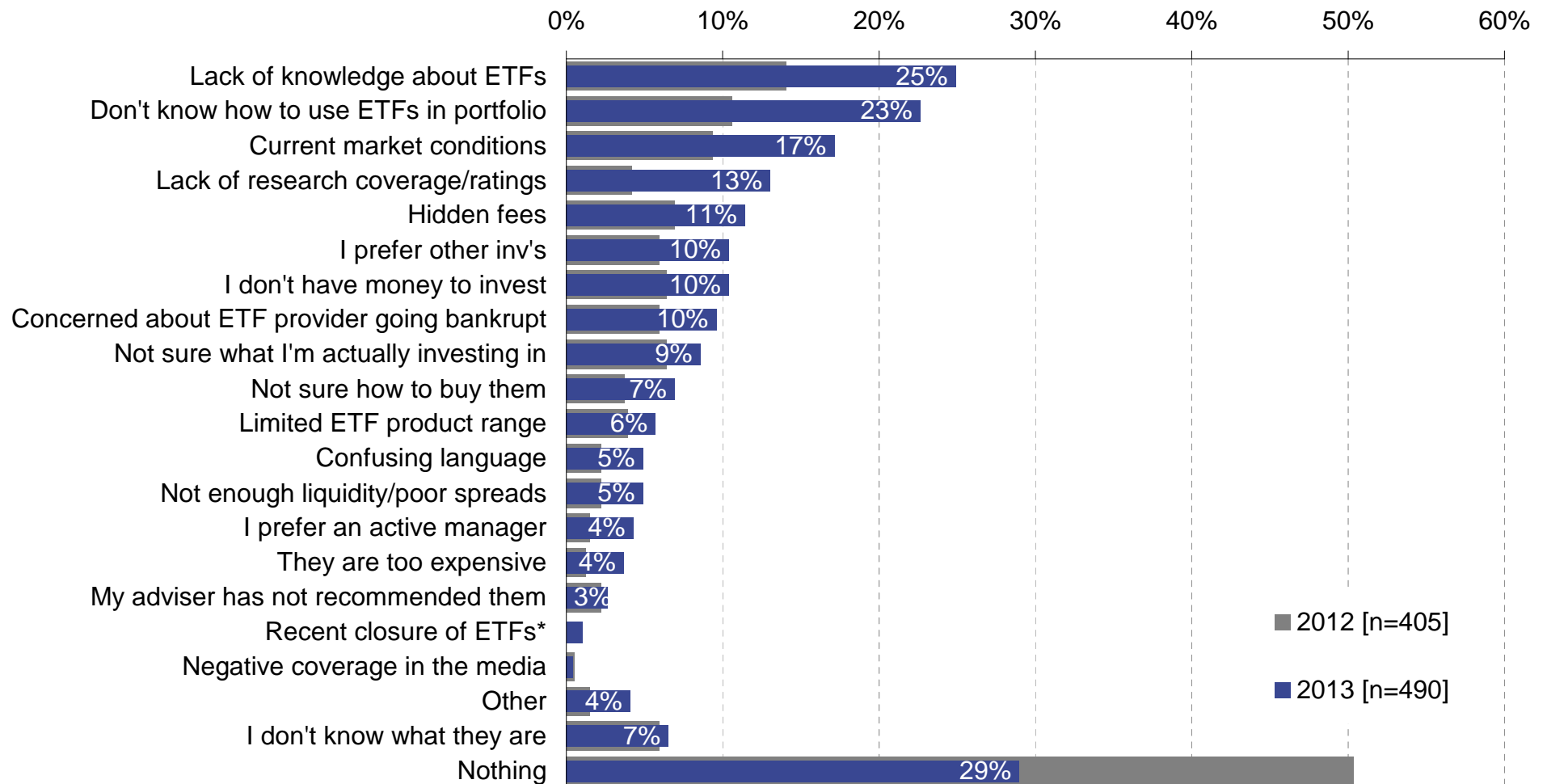


\*New options added in later years

## Education-related barriers are still the most commonly cited reasons for not investing in ETFs

**Q81 What stops you from investing in exchange traded funds (ETFs), or limits you from investing more in ETFs? (Multiple responses permitted)**

Among **next wave ETF investors**



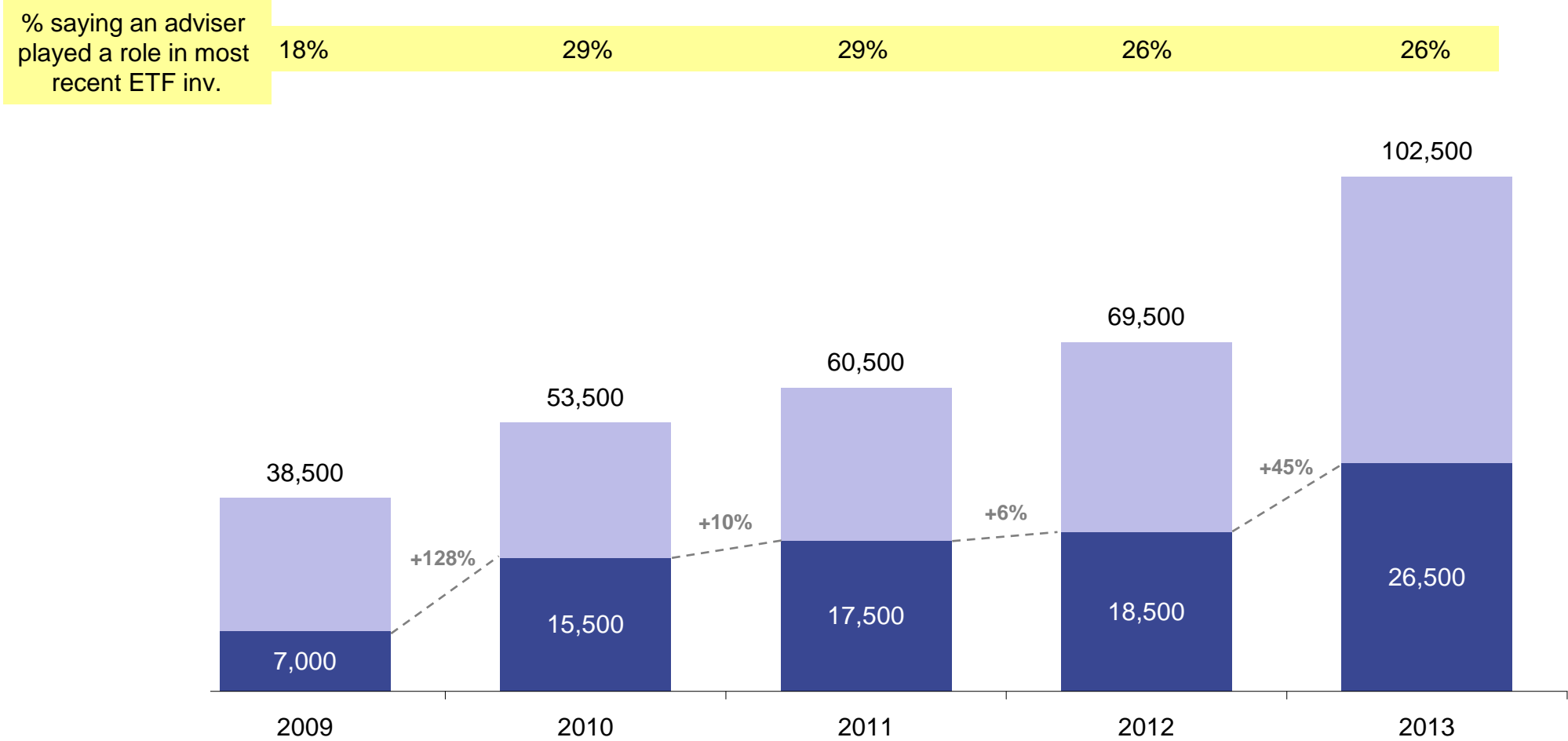
\*New option added

## **Financial planners & ETFs**

# Advisers have influenced the most recent ETF investment decision of 26% of ETF investors (steady)

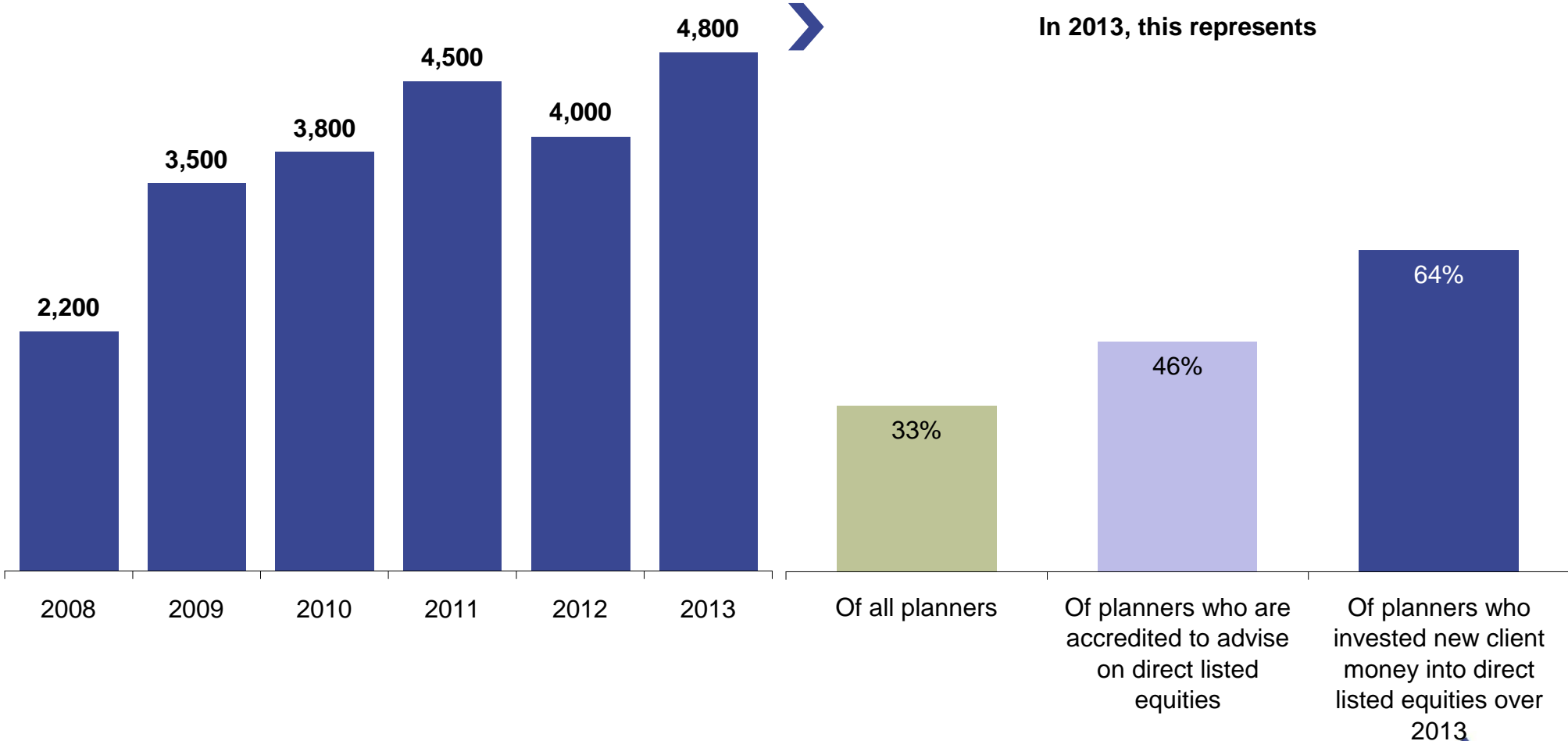
## Involvement of advisers in most recent ETF investment

- # of current ETF investors
- # of ETF investors saying an adviser influenced most recent ETF inv.



# The 4,800 planners currently advising on ETFs represents 64% of those currently recommending direct share investments to clients

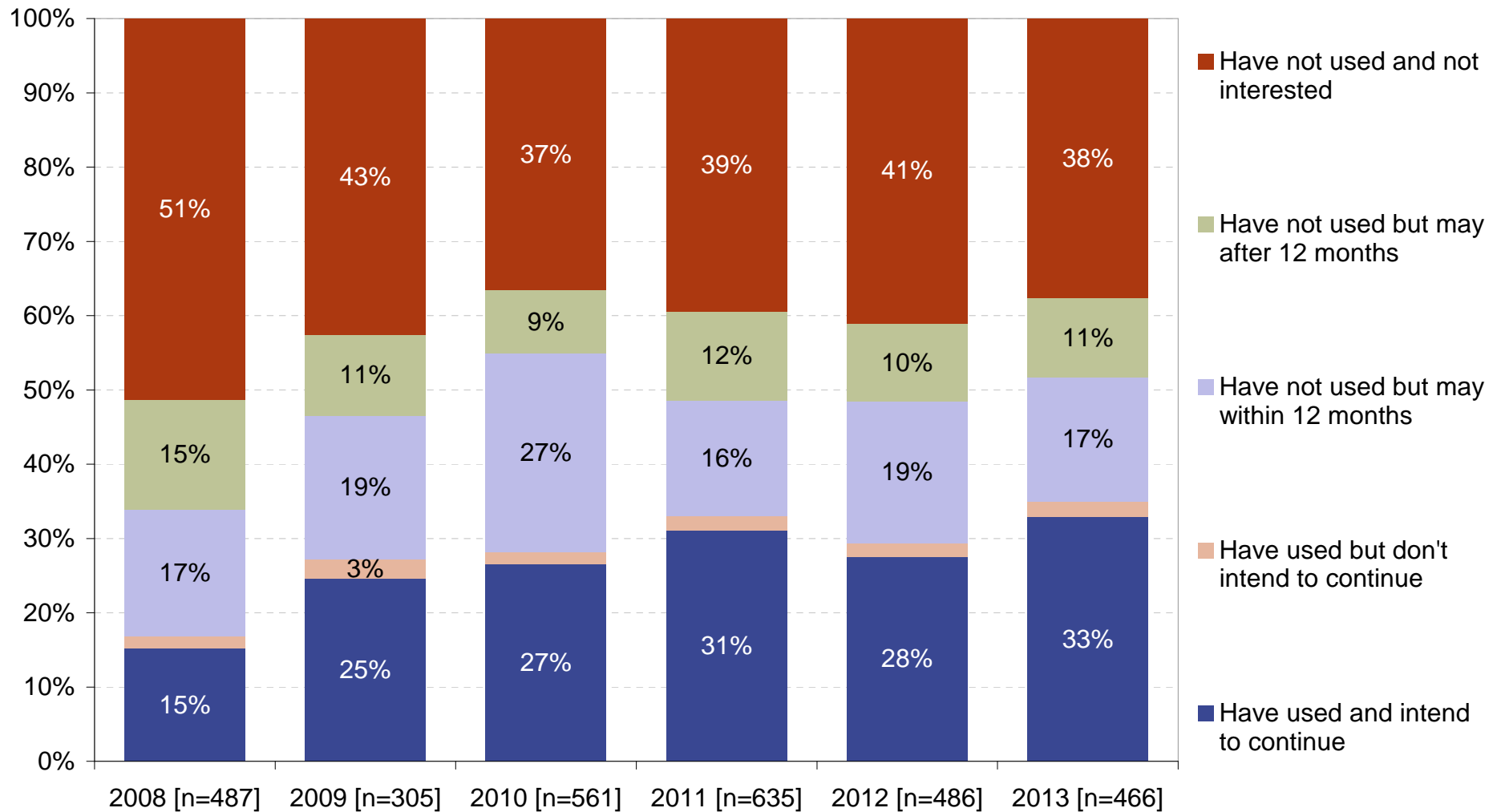
Planners\* currently advising on ETFs



\*excluding bank branch advisers

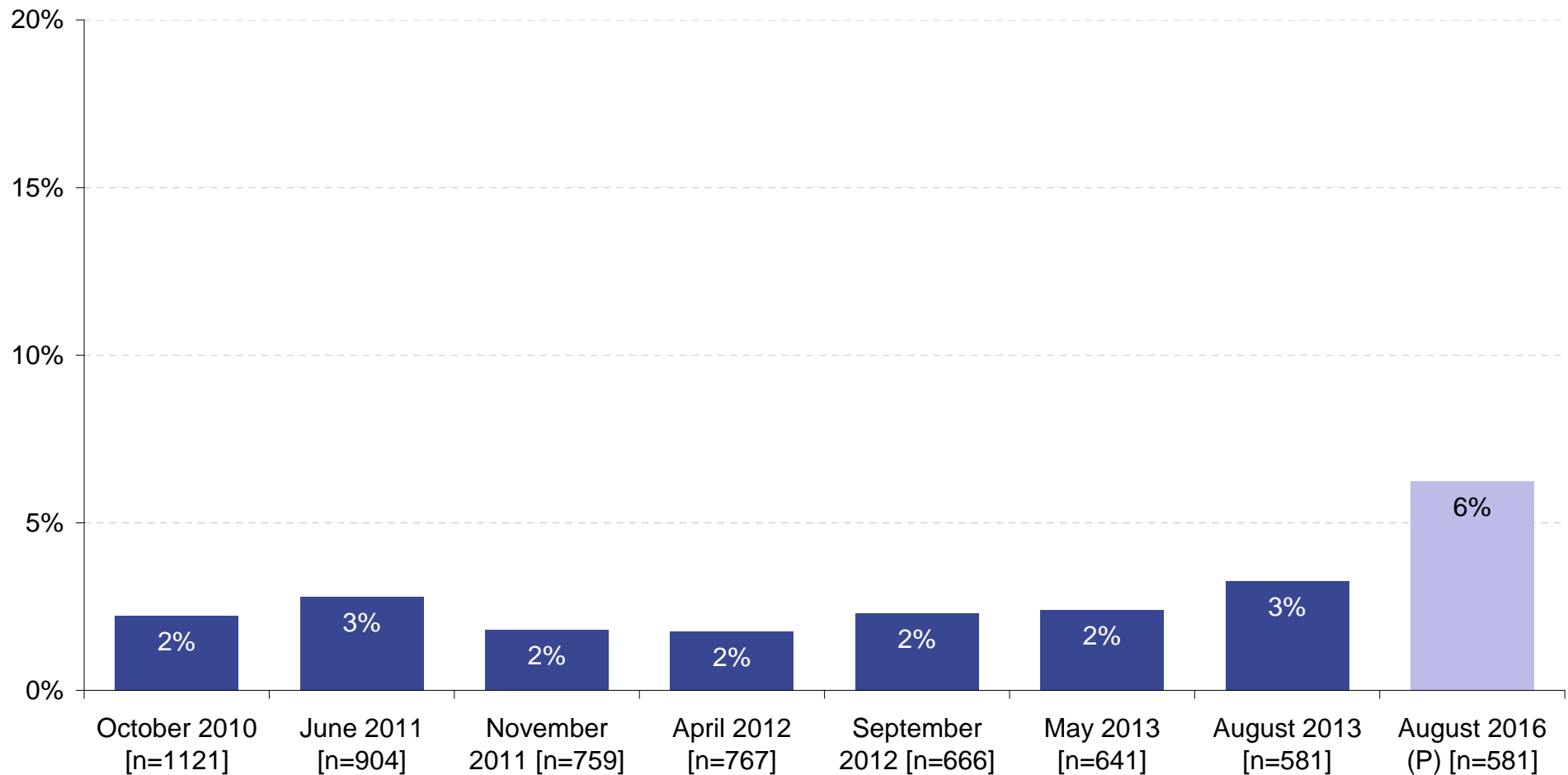
## 33% of planners say they provide advice on ETFs and intend to continue doing so, up from 28% in 2012. 17% say they may start using ETFs in the next 12 months

### Q48 Have you used exchange traded funds for your client investments?



## The proportion of new client flows invested via ETFs increased to 3% in August 2013

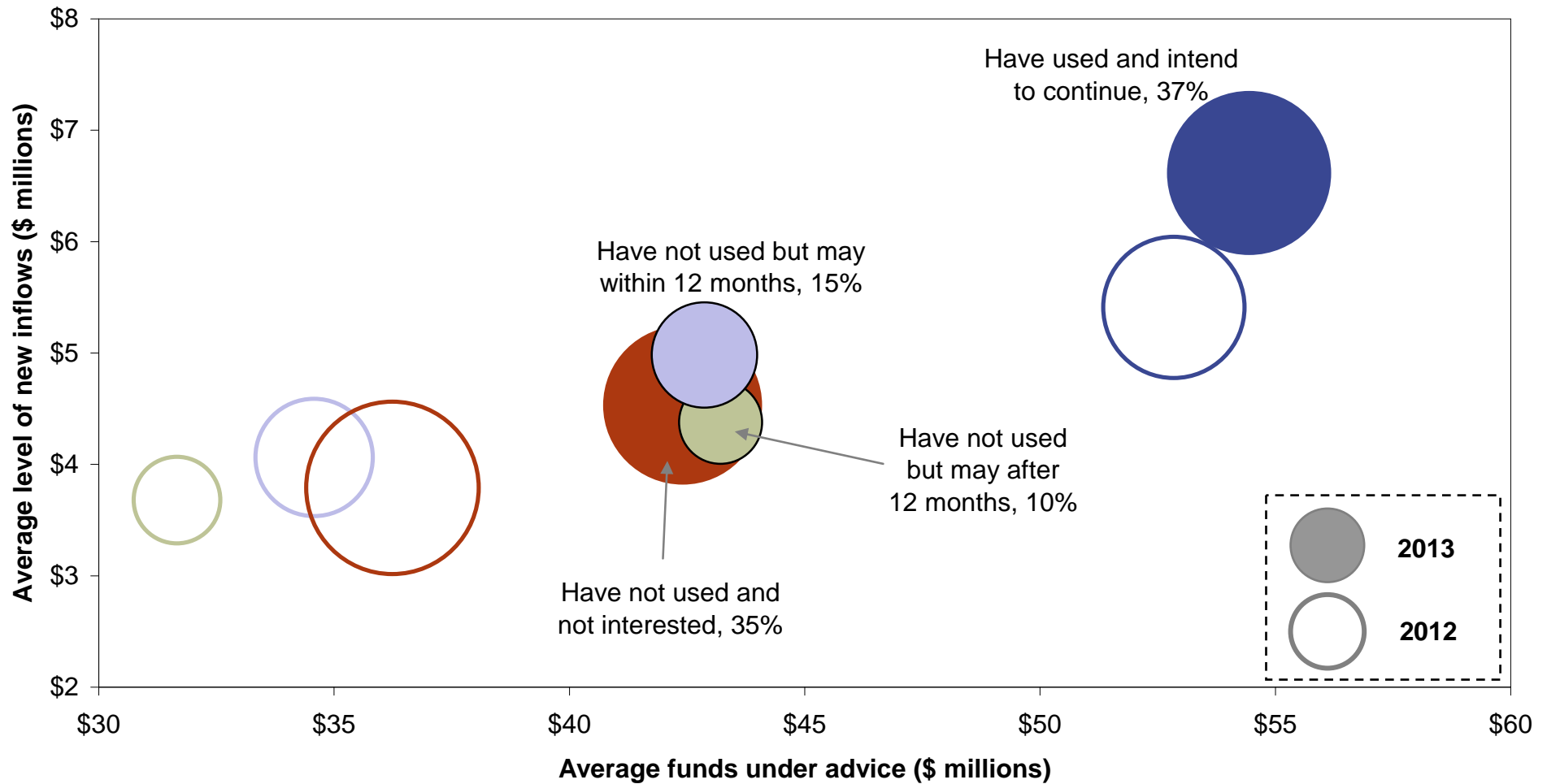
% of new client inflows invested via ETFs in the last 12 months, and expected level in 2016  
**Averages**



P = Planners' estimate of figures in 3 years time

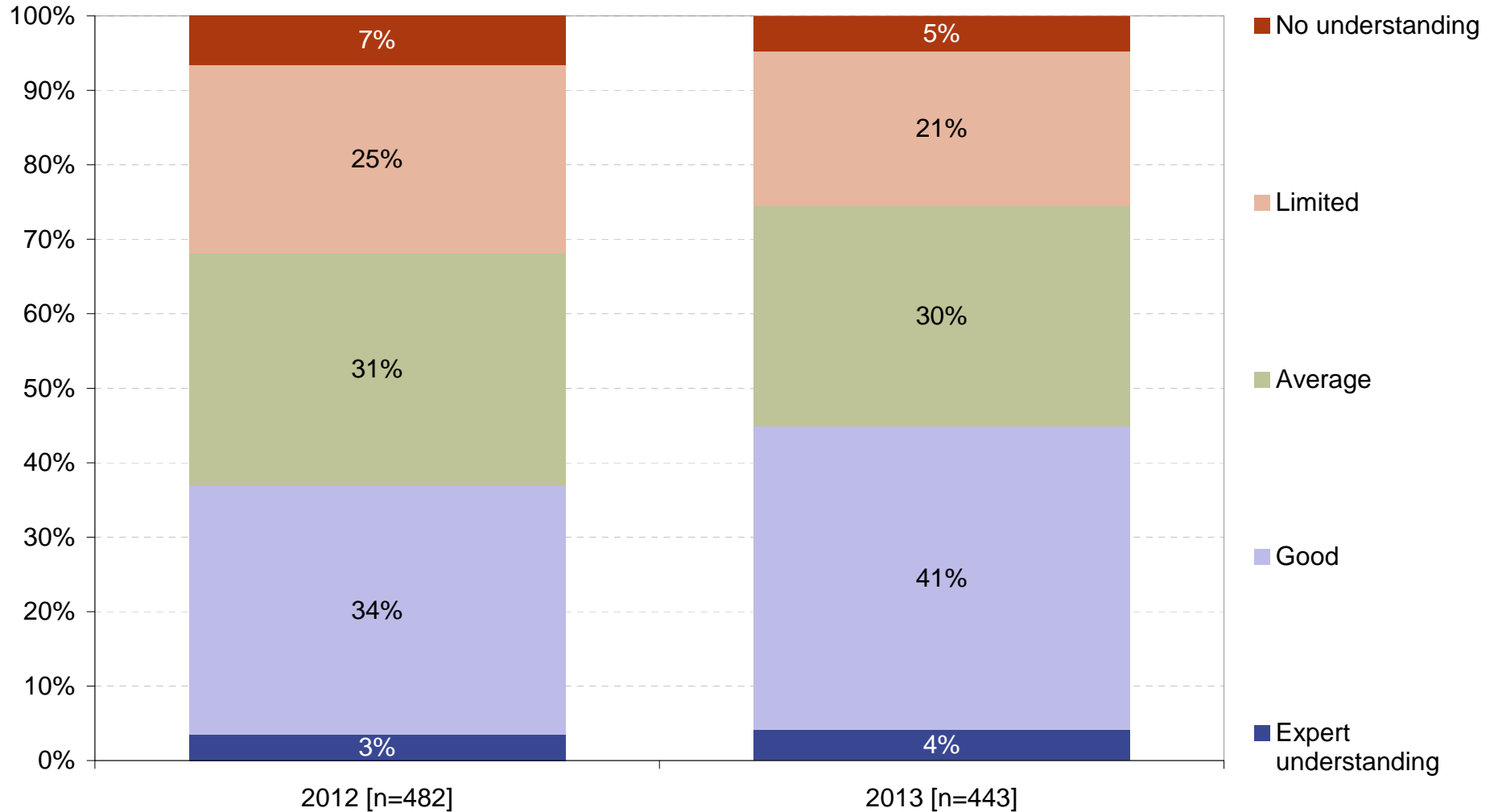
## Current ETF users typically have a higher level of funds under advice and higher inflows

**Q48 Have you used exchange traded funds for your client investments? By FUA and new inflows (Bubble size represents proportion of planners in each category) [n=458]**



## More planners rate their understanding of ETFs as good/expert (45%) than in 2012 (37%)

Q68 How would you rate your overall understanding of ETFs overall?  
Among financial planners



## Key themes

The number of current ETF investors has surged 48% to 102,500, with improved investor sentiment contributing to this growth.

More are seeing ETFs to be an effective way of gaining international exposure:

- Investors' intention to gain international exposure has increased and remains high.
- Accessing overseas markets has overtaken low cost to be the second-most commonly cited reason for using ETFs.

ETFs are poised for further growth:

- 70,500 current investors plan to make an additional investment and a further 79,000 investors plan to make their first investment in the next 12 months (though not all will).
- Lack of knowledge is a key barrier for next wave investors.

The majority of ETF investing is new money being placed into the investment landscape.

The growth in the number of planners recommending ETFs has resumed (33%, up from 28%), and a further 17% say they may recommend ETFs in the next 12 months.

**Thank you.**

**Questions?**

Investment  Trends

## About BetaShares



# BetaShares

## BACK YOUR VIEW.

BetaShares is an Australian based specialist provider of exchange traded funds (ETFs) which are traded on the Australian Stock Exchange.

BetaShares' objective is to expand the universe of investment possibilities open to investors:

- Provide funds that empower investors to implement investment strategies with ease
- Products designed with the interests of Australian investors in mind

BetaShares funds are listed on the Australian Securities Exchange and deliver simple access to a broad range of market indices and asset classes.

- Bought and sold just like a share

Executive team has strong experience in ETFs and funds management.

BetaShares is part of the Mirae Asset Global Investment Group, one of the largest asset managers in Asia, currently managing in excess of US\$50B, including over US\$7B in ETFs.

## About Investment Trends

Investment Trends is a specialist research organisation which provides new business insights and decision support information to many 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 headed by Mark Johnston. Mark has been a leading industry analyst in the brokerage, wealth management and financial planning industry since 1999.

Investment Trends was started in Australia and is now a multi-national research organisation servicing clients in Australia, Asia, UK, Germany and the US.

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' clients include all of the top 5 Australian banks, the top 10 investment platform providers, the top 5 online brokers, the top 10 margin lenders, as well as industry regulators, leading dealer groups and financial planning software providers.

# Investment Trends

Investment Trends Pty Limited

ABN: 14 107 485 656

ACN: 107 485 656

Suite 2102, Gold Fields House

1 Alfred Street

Sydney NSW 2000

Phone: +61 2 8248 8000

Fax: +61 2 8248 8080

E: [sales@investmenttrends.com.au](mailto:sales@investmenttrends.com.au)

[www.investmenttrends.com.au](http://www.investmenttrends.com.au)