

2019 ETF Investor Study by Charles Schwab

May 2019

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Table of Contents

| | Page |
|---|------|
| About the study | 3 |
| ETF investing in the current market environment | 4 |
| Volatility and ETFs | 10 |
| ETF enthusiasm continues to grow | 13 |
| A deeper look by generation | 20 |
| ETF investors care about cost, but that's not all | 25 |
| Other findings | 29 |
| ETF investor profile | 33 |
| Disclosures | 35 |

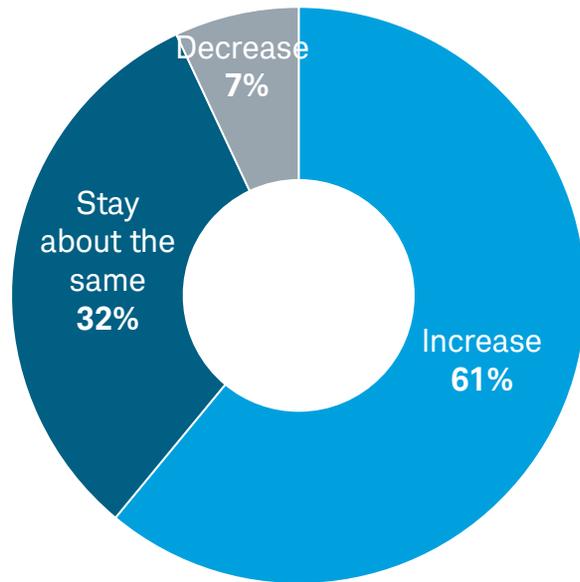
About the study

| | |
|-------------|---|
| | |
| What | <ul style="list-style-type: none">▪ An online study among a national sample of ETF Investors was conducted by Logica Research.▪ Logica Research is neither affiliated with, nor employed by, Charles Schwab & Co., Inc. |
| When | <ul style="list-style-type: none">▪ The ETF Investor survey was fielded February 20 to March 4, 2019. |
| Who | <ul style="list-style-type: none">▪ 1,500 ETF Investors completed the study<ul style="list-style-type: none">▪ 1,000 general ETF investors▪ Oversample of Millennial ETF investors to reach 500▪ Oversample of women ETF investors to reach 500▪ To qualify for the study, ETF Investors had to<ul style="list-style-type: none">▪ Be 25 to 75 years old▪ Have a minimum of \$25,000 in investable assets▪ Have purchased or sold an ETF in the past 2 years▪ Be at least somewhat familiar with ETFs▪ Generational definitions<ul style="list-style-type: none">▪ Millennials: age 25-38▪ Gen X: age 39-54▪ Boomers: age 55-73▪ Matures: age 74+ |

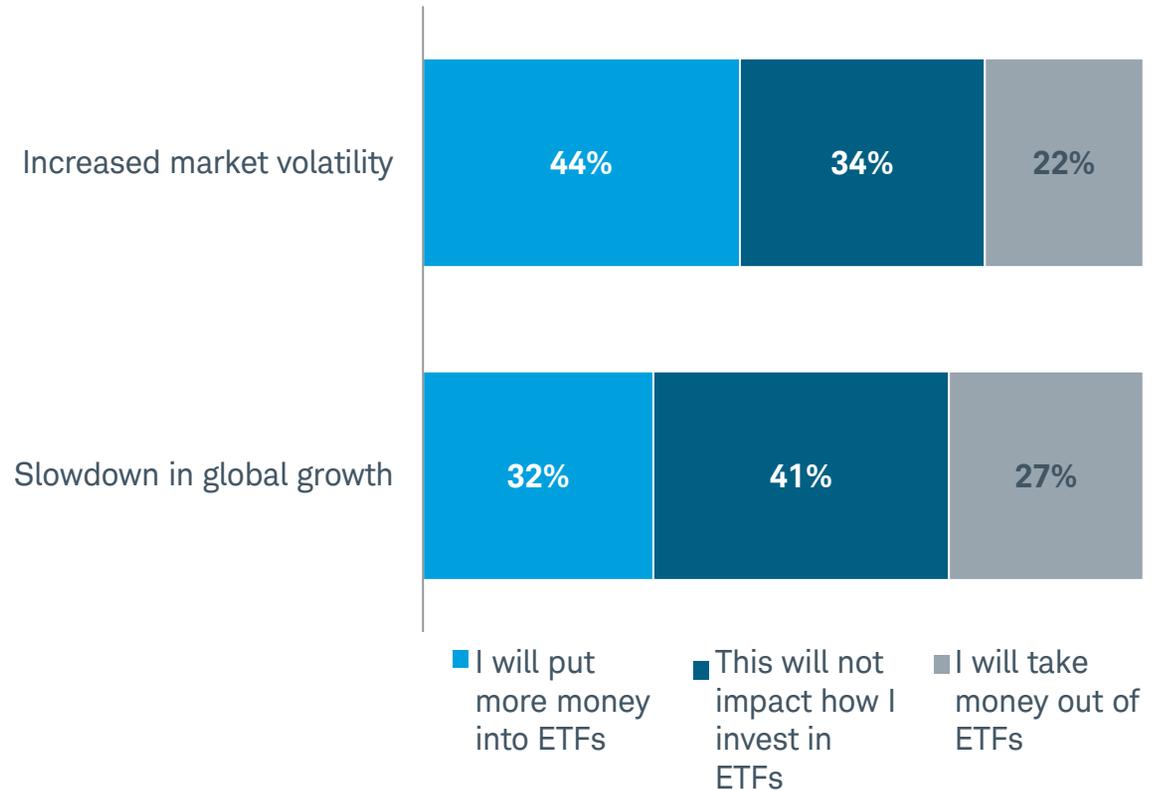
ETF investing in the current market environment

ETF investors anticipate a turbulent market; almost half say they will put more money into ETFs as a result

Expectations for market volatility in next six months



Increased market volatility and slowing global growth are prompting investors to allocate more money into ETFs

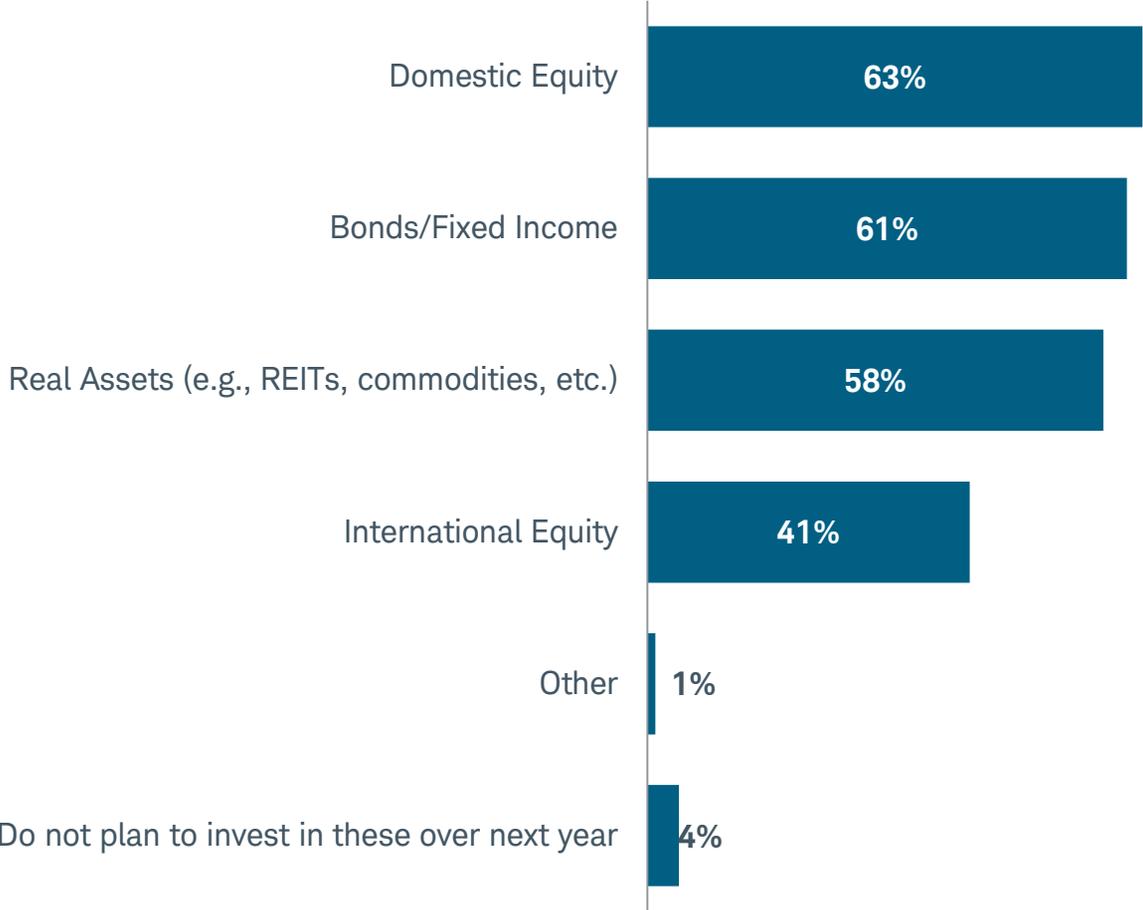


Q29. Do you expect market volatility in the next six months to...? (Base: ETF Investors=1,000)

Q32. How do you expect each of the following potential events in 2019 to impact your ETF investing? (Base: ETF Investors=1,000)

In next year, ETF investors say domestic equities, bonds/fixed income and real assets top the list of investments

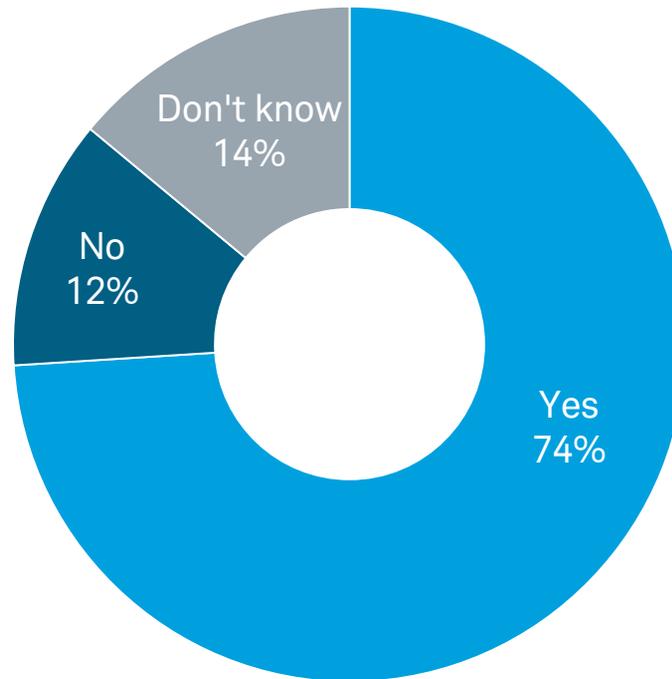
Asset classes ETF Investors plan to invest in over the next year



Q17. Which ETF asset classes do you plan to invest in over the next year? (Base: ETF Investors=1,000)

Three-quarters of ETF investors say now is a good time for fixed income ETFs

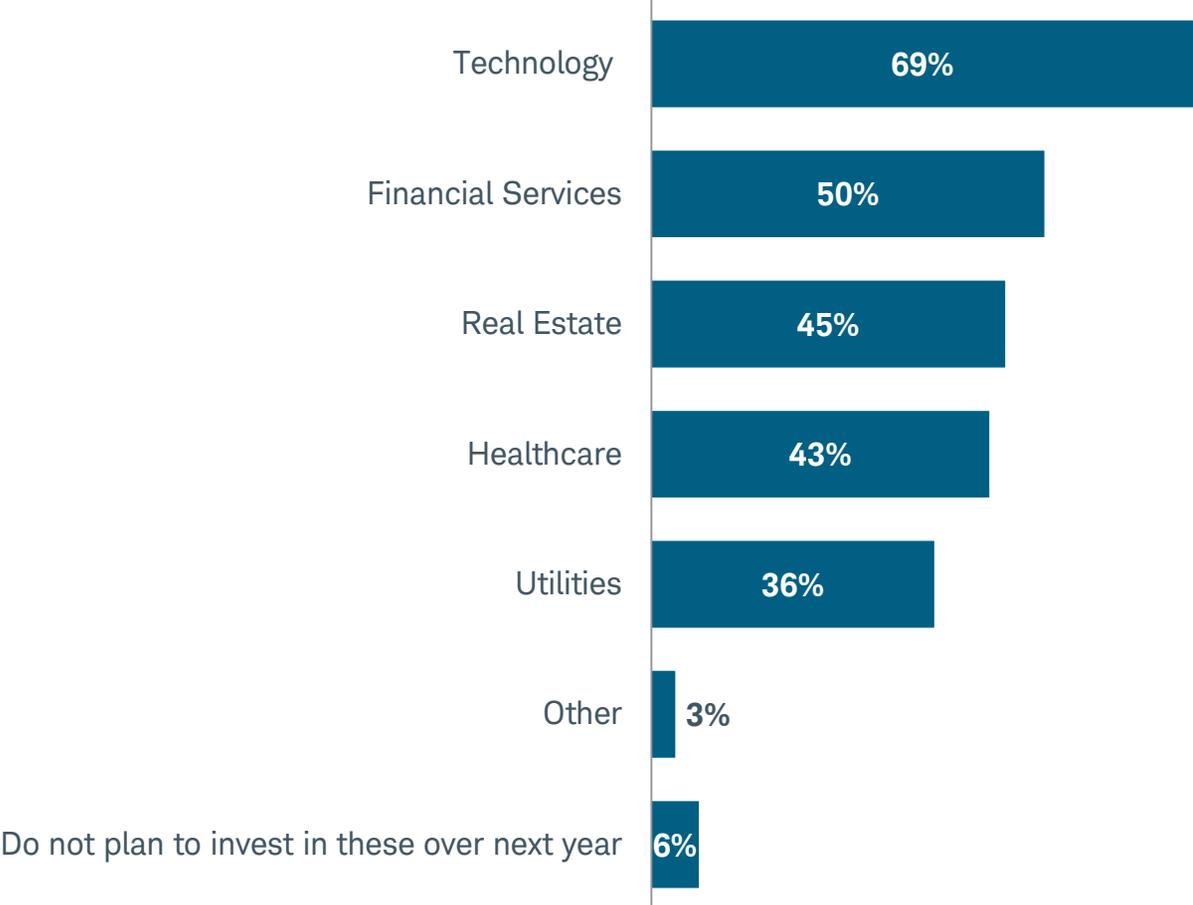
Now is a good time to invest in fixed income ETFs



Q20. Do you believe now is a good time to invest in fixed income ETFs? (Base: ETF Investors=1,000)

Technology is the most preferred sector for ETF investors over the next year

Investors plan to invest in these sector ETFs over the next year



Q18. Which sector ETFs do you plan to invest in over the next year? (Base: ETF Investors=1,000)

Investors say they'll look to invest in specialty ETFs over the next year

Investors plan to invest in these specialty ETFs over the next year

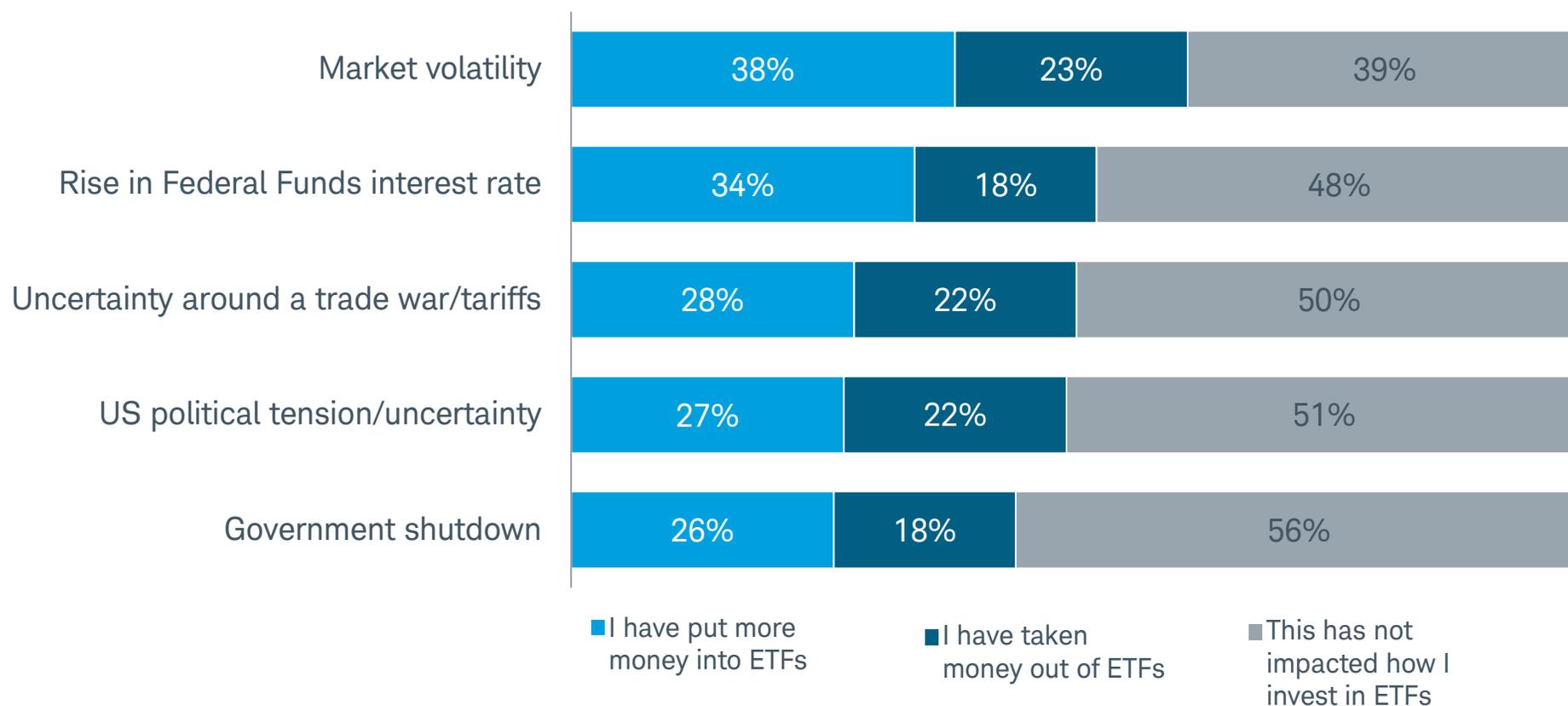


Q19. Which types of specialty ETFs do you plan to invest in over the next year? (Base: ETF Investors=1,000)

Volatility and ETFs

Looking backward, market volatility tops list of events that drove investors to put more money into ETFs

Impact of events on ETF investing in the past



Q14. How have each of the following events had an impact on your ETF investing? (Base: ETF Investors=1,000)

Expectations for market volatility have an impact on how investors plan to use ETFs in the coming year

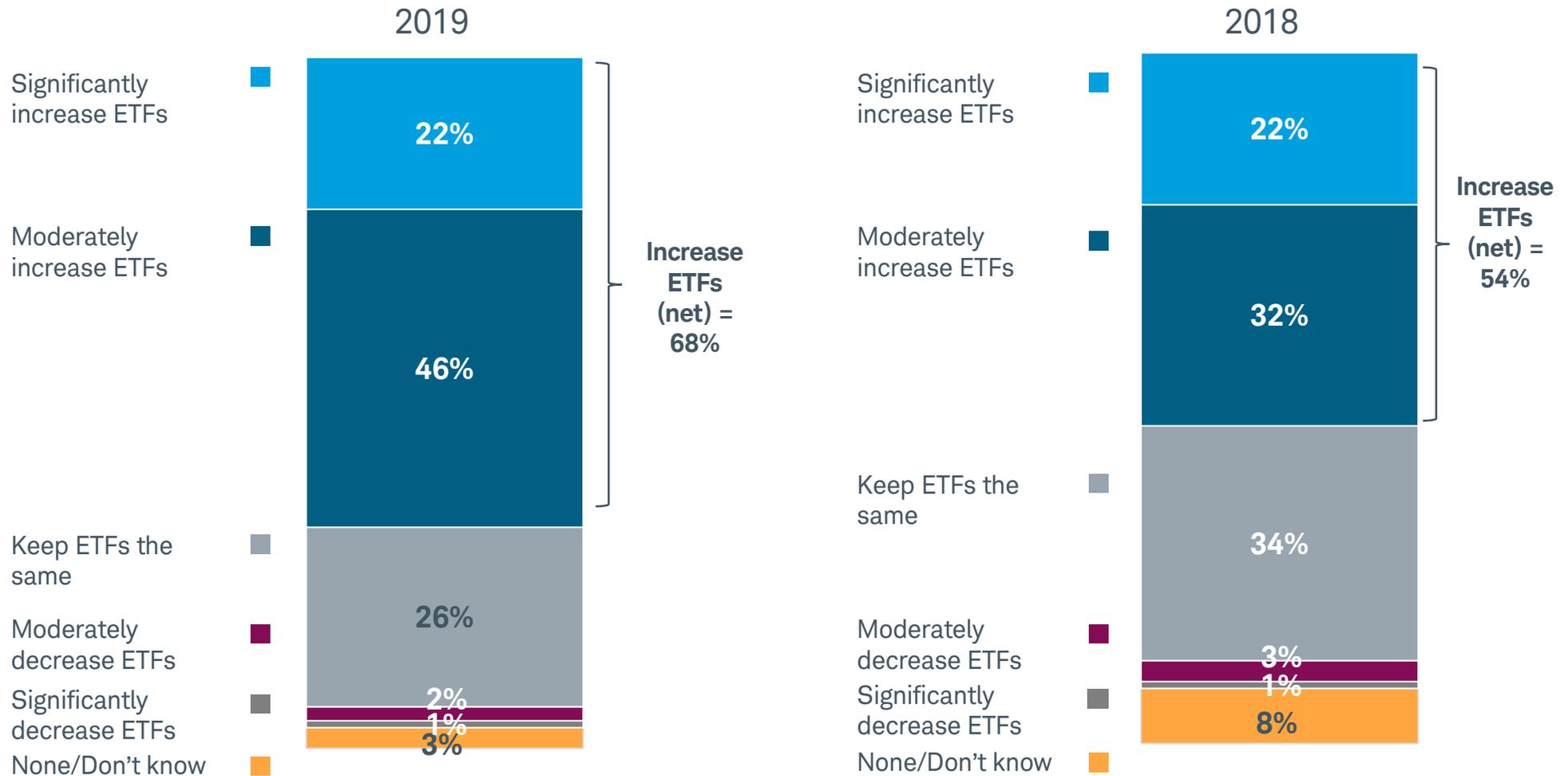
Volatility expectations and impact on ETF sentiment

| | Total N=1000 | Investors who expect market volatility will increase in next six months n=606 | Investors who do not expect market volatility will increase in next six months n=71 | Don't know n=323 |
|--|-----------------|--|--|-------------------------|
| Expect to increase ETF investments in next year | 68% | 73% | 69% | 57% |
| Would consider placing their entire investment portfolio (excluding cash holdings) in ETFs in next year | 31% | 37% | 20% | 21% |
| Intend to invest in international equity ETFs | 41% | 46% | 30% | 34% |

ETF enthusiasm continues to grow

Two-thirds of ETF investors plan to increase their ETF investments in the next year – up from about half in 2018

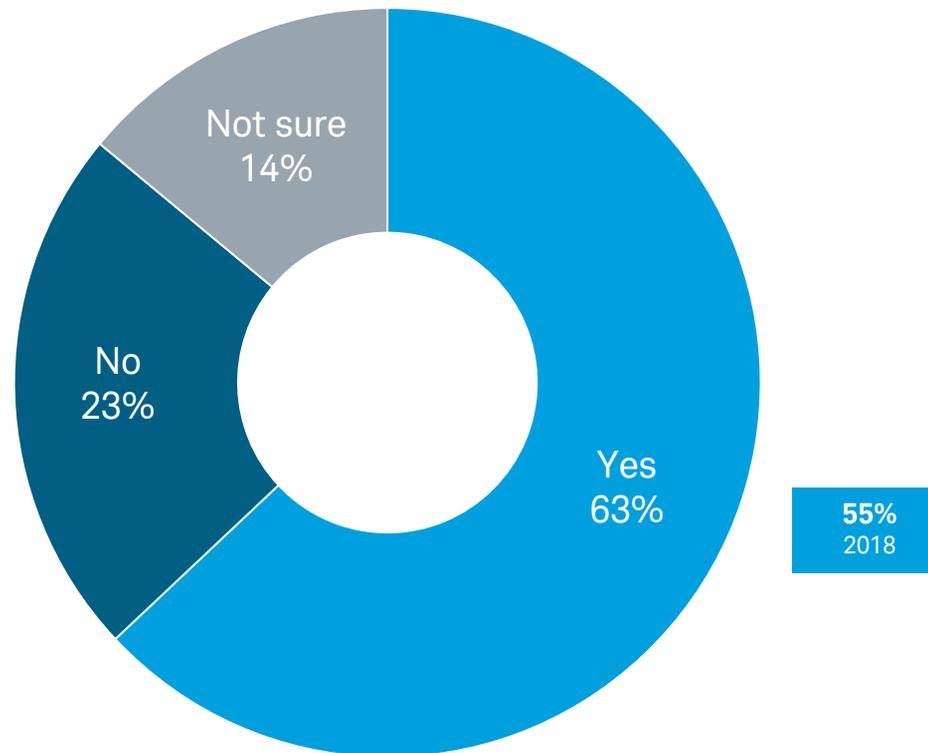
Expected changes to ETF investments in the next year



Q11. In the next year, which of the following do you expect to do, if any? (Base: ETF Investors=1,000)

Two-thirds of ETF investors see ETFs as the primary investment in their portfolios in the future

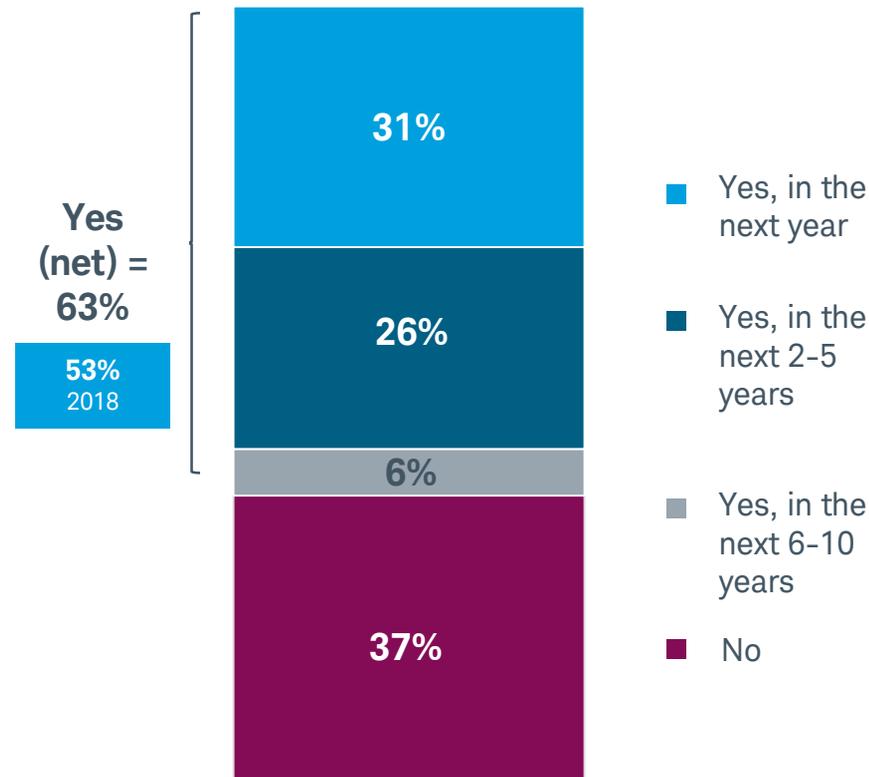
ETFs expected to be primary investment in portfolio in the future



Q13. Do you see ETFs as being the primary investment type in your portfolio in the future? (Base: ETF Investors=1,000)

Two-thirds of ETF investors would consider placing their entire investment portfolio, excluding cash, in ETFs

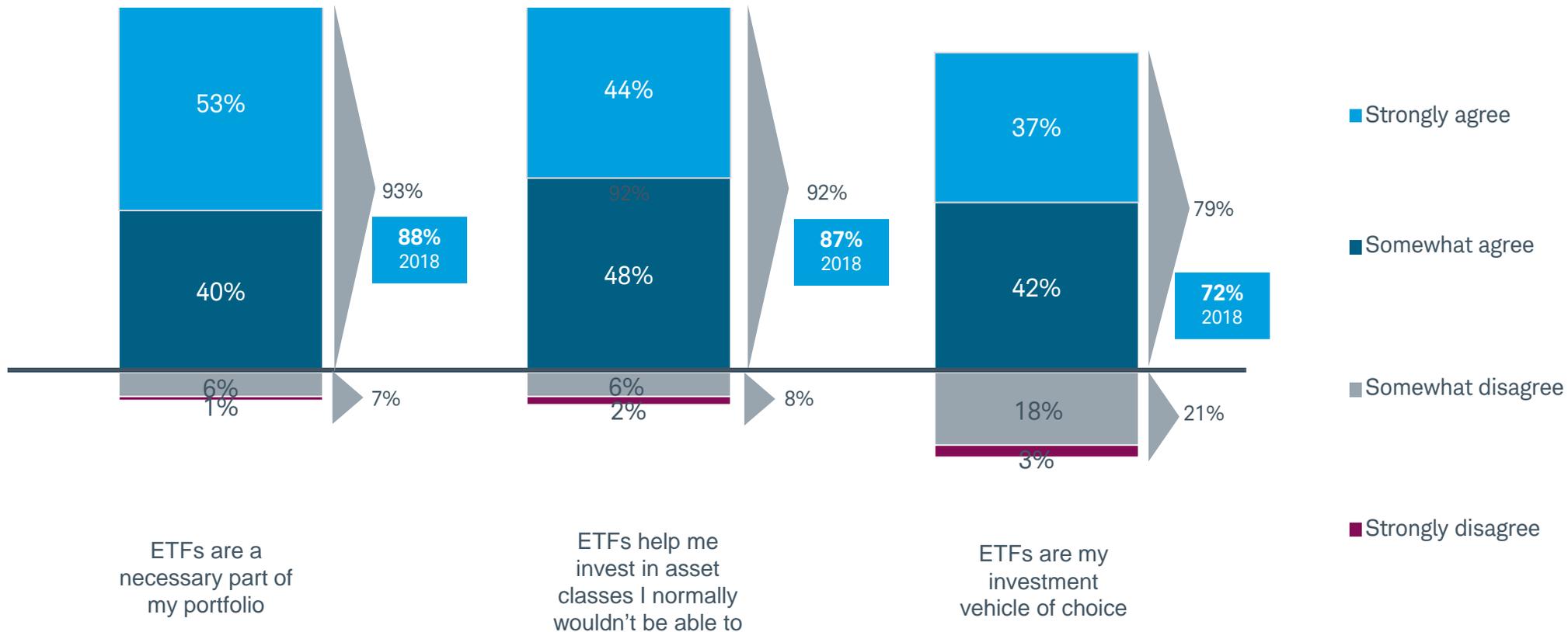
Would consider placing entire portfolio in ETFs



Q15. Would you consider placing your entire investment portfolio (excluding cash holdings) in ETFs? This means it would not include any individual stock, bond or mutual fund holdings. (Base: ETF Investors=1,000)

8 in 10 ETF investors say ETFs are their investment vehicle of choice

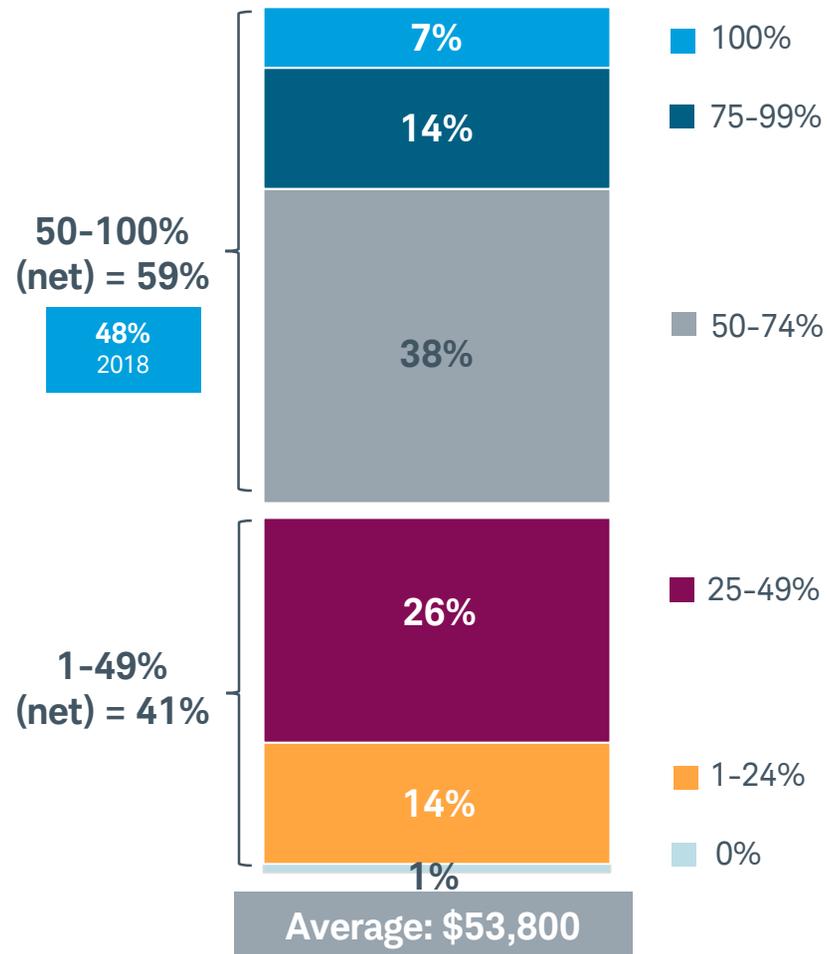
Agreement with statements about ETFs



Q23. Please select how much you agree or disagree with the following statements. (Base: ETF Investors=1,000)

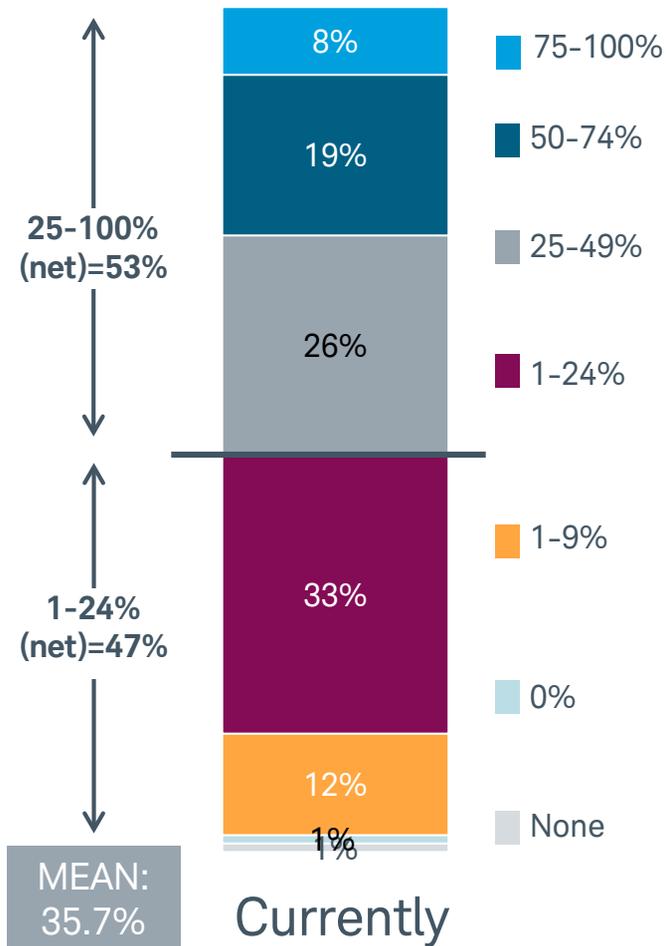
If provided with an additional \$100,000, most ETF Investors would put 50% or more in ETFs

Percent of \$100,000 ETF Investors would invest in ETFs

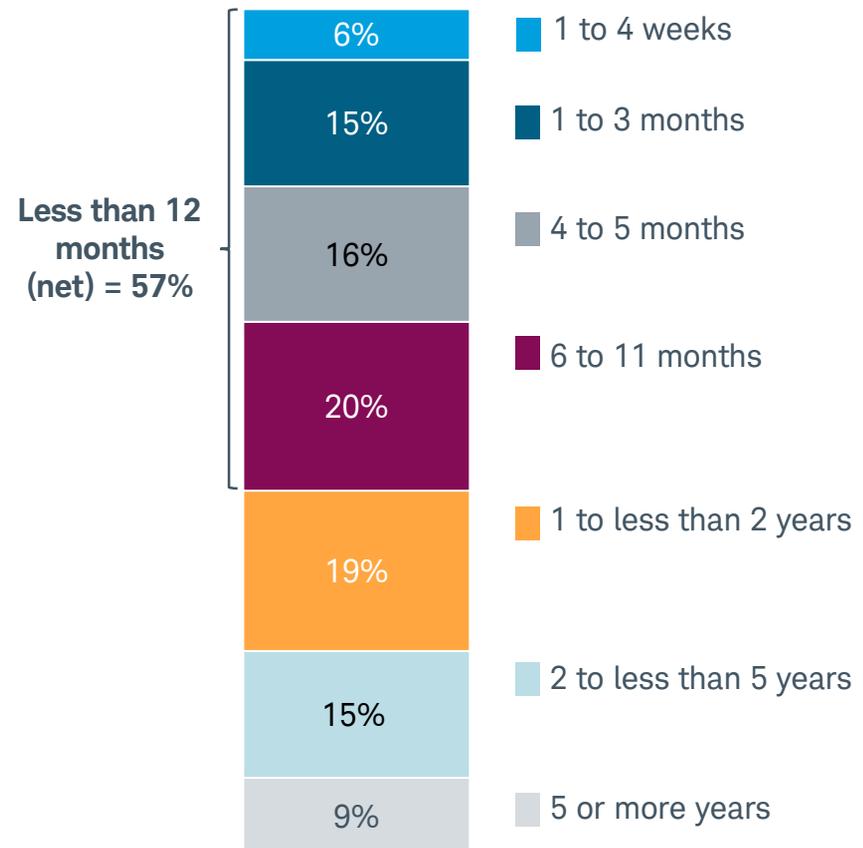


ETFs make up just over one-third of ETF investors' portfolios

Percentage of portfolio in ETFs



How long ETFs typically held



Q8. What percent of all of your investments is in ETFs today, if any? (Base: ETF Investors=1,000)
 Q10. How long do you typically hold ETFs? (Base: ETF Investors=1,000)

A deeper look by generation

Four in five Millennials and three in five Gen Xers expect ETFs to be the primary investment in their portfolio in the future

ETFs expected to be primary investment in portfolio in the future

| Millennials (N=500) | Gen X (N=285) | Boomers (N=226) |
|------------------------|------------------|--------------------|
| 79% | 59% | 37% |

ETFs are my investment vehicle of choice

| Millennials (N=500) | Gen X (N=285) | Boomers (N=226) |
|------------------------|------------------|--------------------|
| 90% | 80% | 55% |

Q13. Do you see ETFs as being the primary investment type in your portfolio in the future? (Base: ETF Investors=1,000)

Q23. Please select how much you agree or disagree with the following statements. (Base: ETF Investors=1,000)

Millennials currently hold more ETFs in their portfolios than any other generation, but Gen X is not far behind

Mean percentage of portfolio in ETFs

| Millennials (N=500) | Gen X (N=285) | Boomers (N=226) |
|------------------------|------------------|--------------------|
| 42% | 34% | 24% |

Mean percentage of \$100,000 ETF Investors would invest in ETFs

| Millennials (N=500) | Gen X (N=285) | Boomers (N=226) |
|------------------------|------------------|--------------------|
| 61% | 53% | 40% |

Q8. What percent of all of your investments is in ETFs today, if any? (Base: ETF Investors=1,000)

Q16. If you had another \$100,000 to invest, how much would you put into ETFs? (Base: ETF Investors=1,000)

Almost half of Millennials put more money into ETFs last year due to volatility; three-quarters plan to increase ETF investments in the next year

Increased allocations to ETFs in past year due to volatility

| Millennials (N=500) | Gen X (N=285) | Boomers (N=226) |
|------------------------|------------------|--------------------|
| 46% | 38% | 22% |

Expect to increase ETF investments in next year

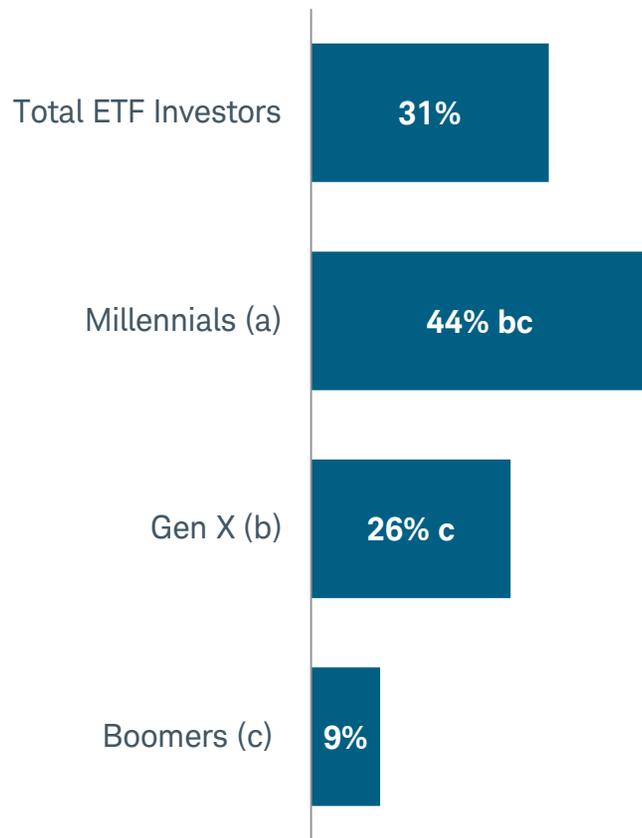
| Millennials (N=500) | Gen X (N=285) | Boomers (N=226) |
|------------------------|------------------|--------------------|
| 78% | 71% | 43% |

Q14. How have each of the following events had an impact on your ETF investing? (Base: ETF Investors=1,000)

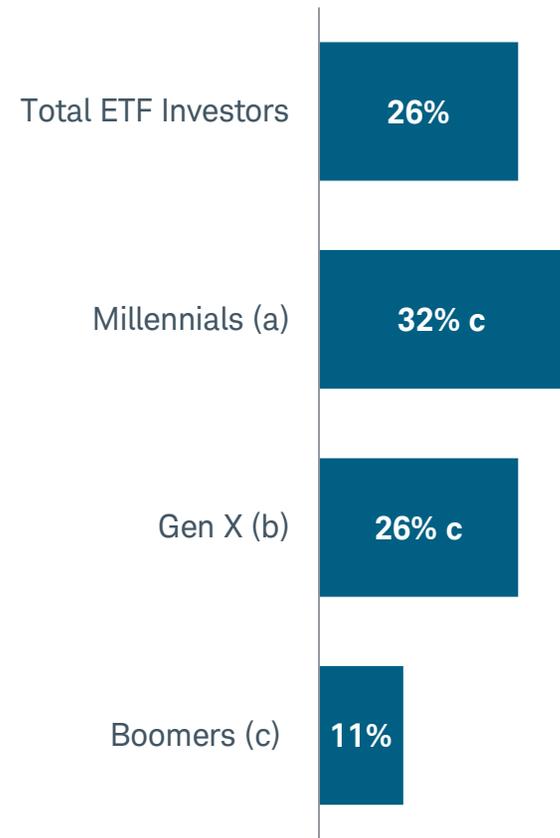
Q11. In the next year, which of the following do you expect to do, if any? (Base: ETF Investors=1,000)

Millennials are by far the most likely to consider placing their entire portfolio in ETFs in the next year

Would consider placing entire portfolio in ETFs **in the next year**



Would consider placing entire portfolio in ETFs **in the next 2-5 years**

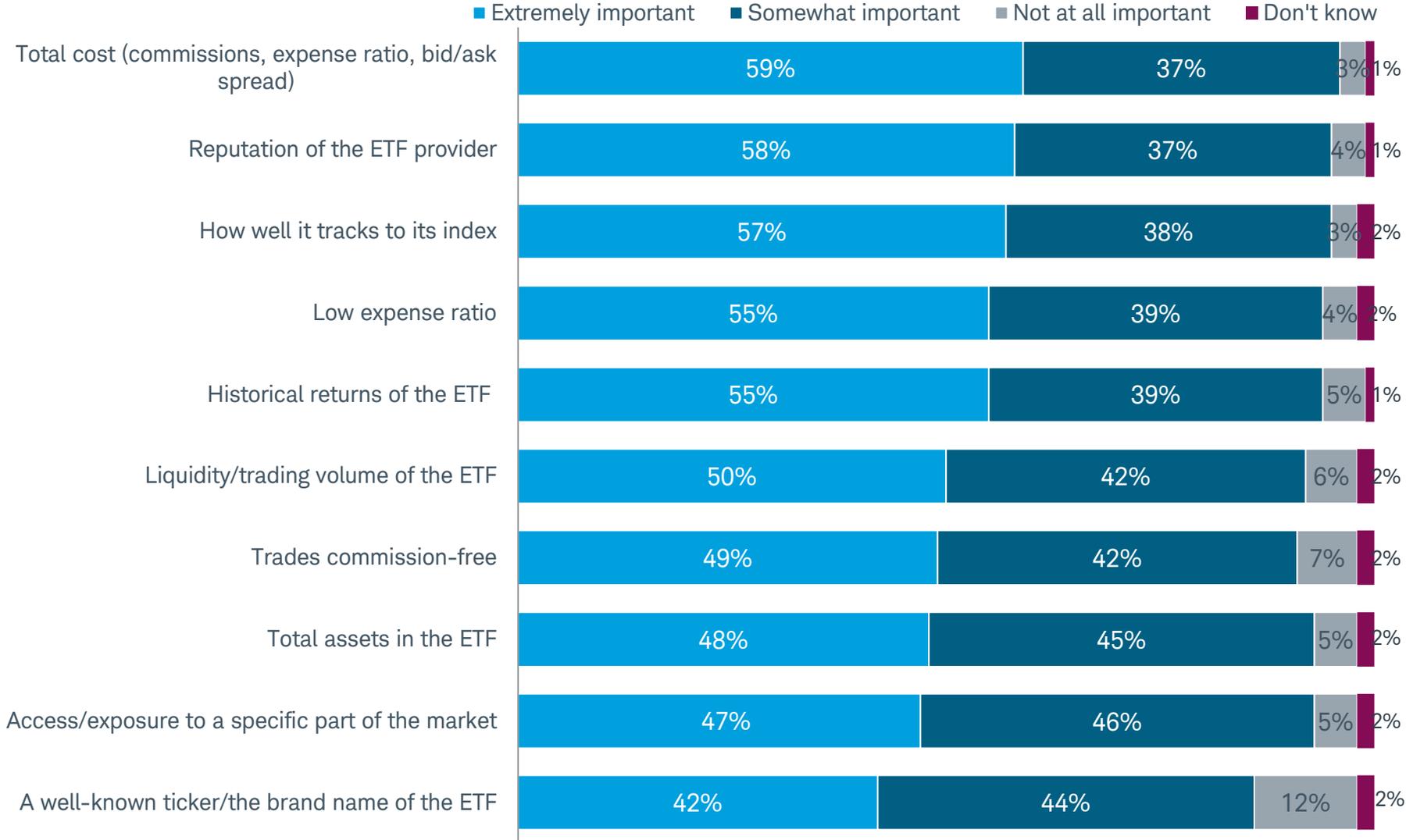


Q15. Would you consider placing your entire investment portfolio (excluding cash holdings) in ETFs? This means it would not include any individual stock, bond or mutual fund holdings. (Base: ETF Investors=1,000)

ETF investors
care about
cost, but that's
not all

Total cost, ETF provider reputation and an ETF's ability to track its index are most important to ETF investors when choosing an ETF

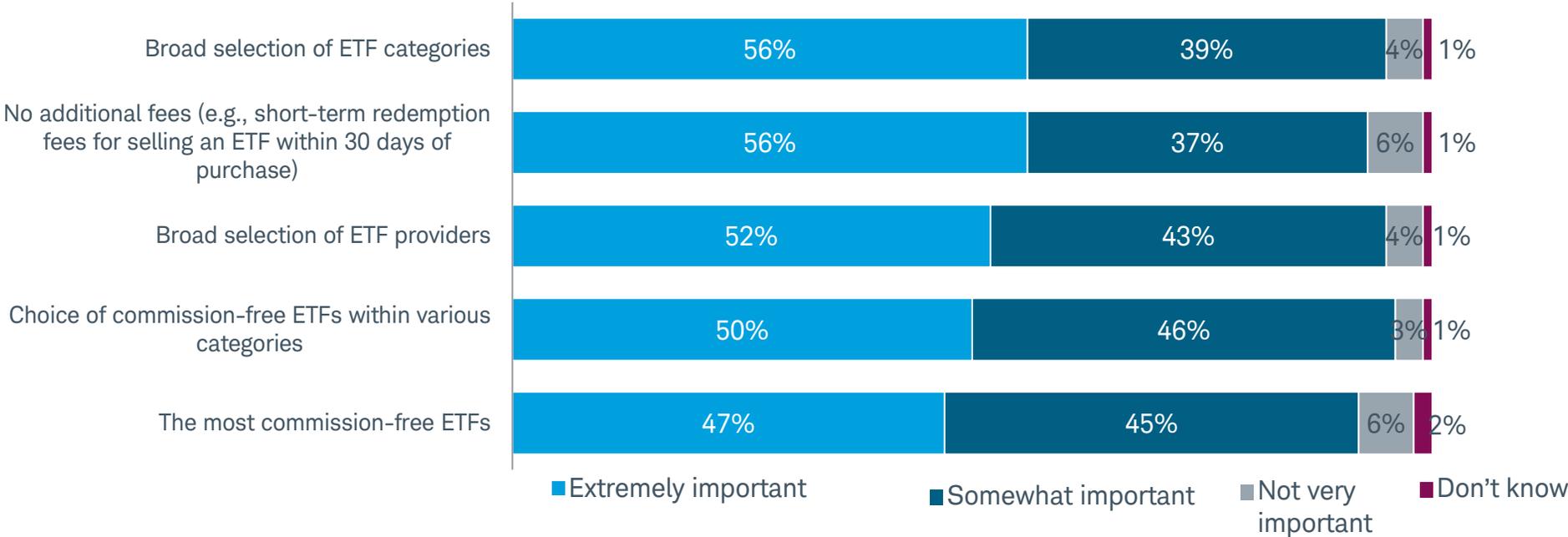
What investors say is important when choosing an ETF



Q24. When choosing an ETF, how important to you is each of the following? (Base: ETF Investors=1,000)

A broad selection of ETF categories and no additional fees are the most important criteria when evaluating brokerages with commission-free ETFs

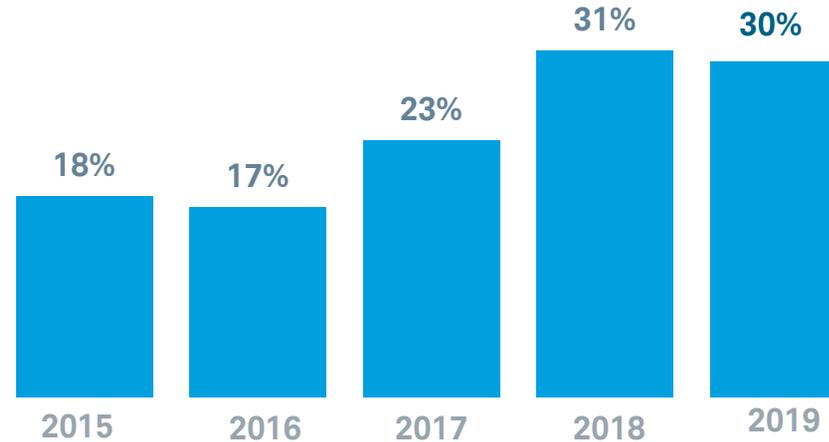
What investors say is important when evaluating brokerages that offer commission-free ETFs



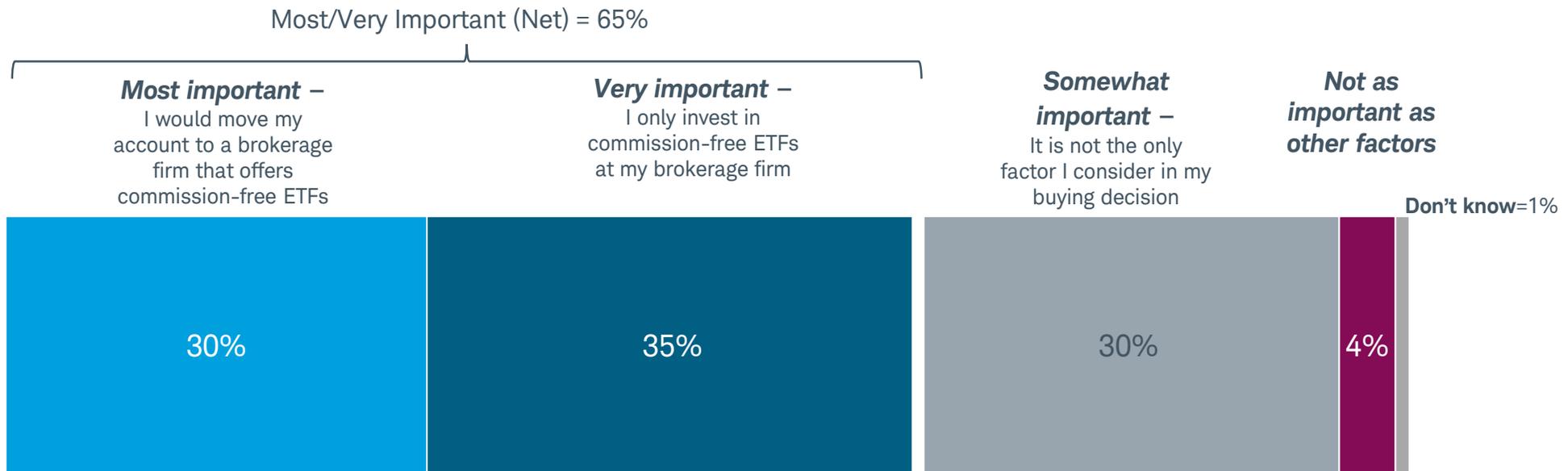
Q26. How important to you is each of the following when evaluating brokerages that offer commission-free ETFs/a commission-free ETF platform? (Base: ETF Investors=1,000)

The importance of commission-free ETF trading holds steady

Investors who say that commission-free ETFs are “most important” and they’d move their account to a brokerage firm that offers commission-free ETFs:



Importance of ability to trade ETFs without commissions or fees

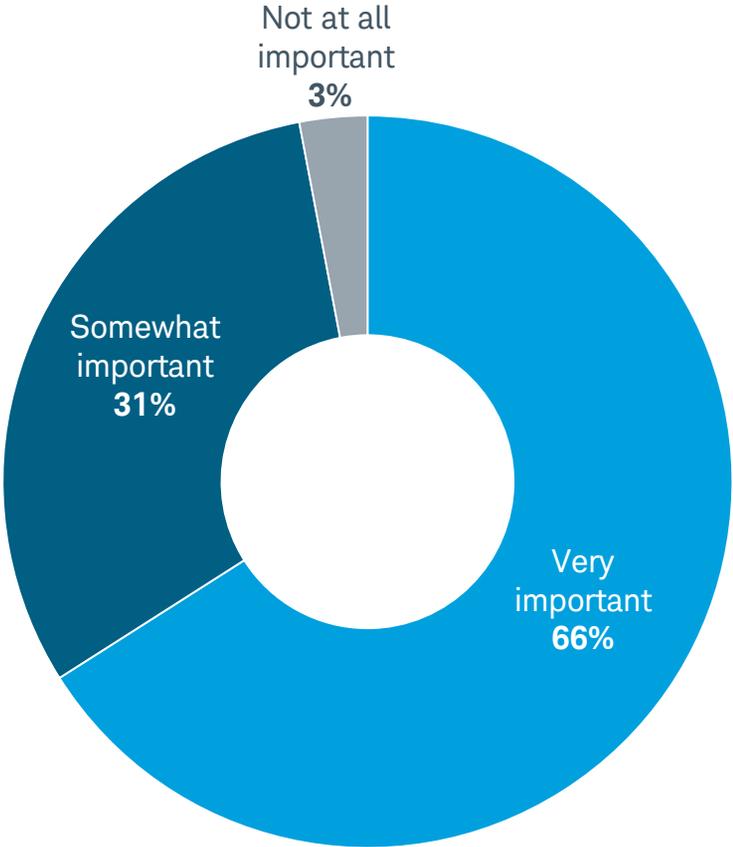


Q25. How important is the ability to trade ETFs without commissions or other brokerage firm fees? (Base: ETF Investors=1,000)

Other findings

The majority of ETF Investors feel it is important for the ETF industry to continue to innovate

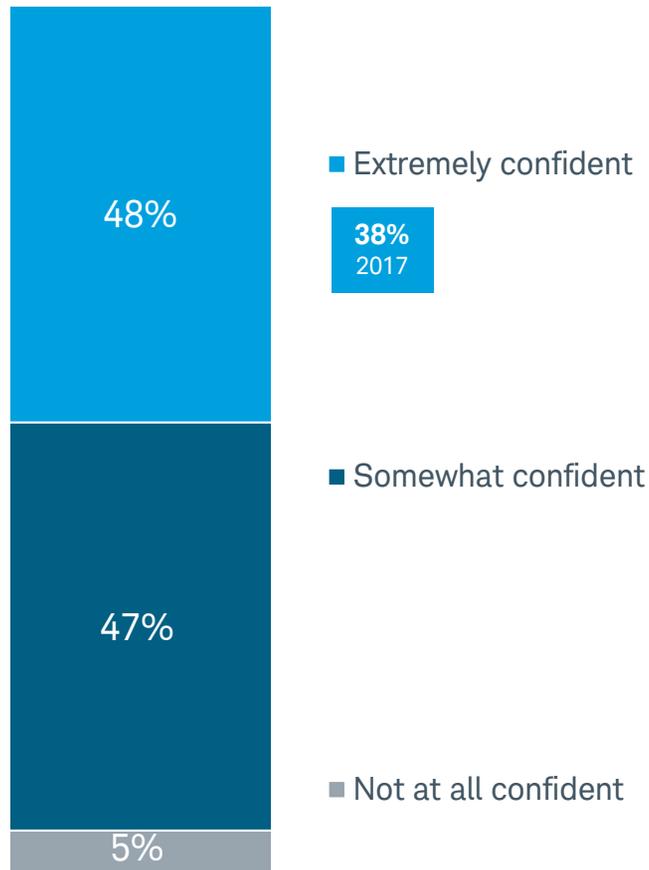
Importance of ETF innovation



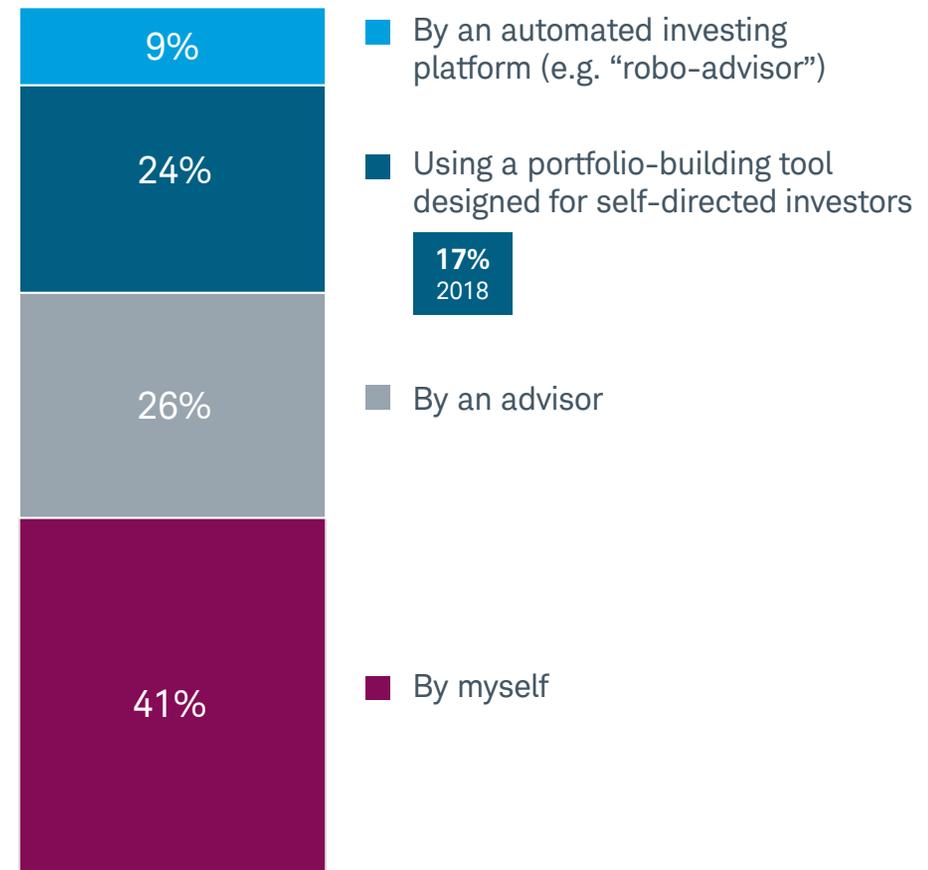
Q33. How important is it to you that the ETF industry continue to innovate and develop new ETFs that address different needs? (Base: ETF Investors=1,000)

ETF investors have a high level of confidence in choosing ETFs; more are using portfolio-building tools

Confidence in ability to choose an ETF



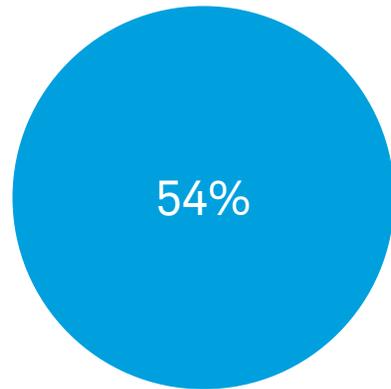
How most ETFs are selected



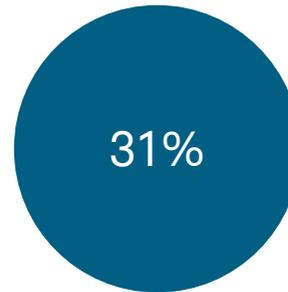
Q28. How confident are you in your ability to choose an ETF that is right for your investment objectives? (Base: ETF Investors=1,000)
Q9. How are most of the ETFs in your portfolio selected? (Base: ETF Investors=1,000)

Using ETFs exclusively for long-term goals is more common than short-term usage

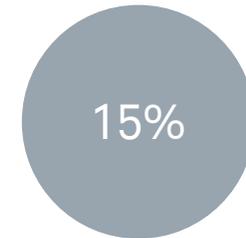
How ETFs are used in portfolio



To reach a **long-term** goal
(e.g., build wealth, save for retirement, etc.)



I use ETFs for **both** long
and short-term goals



To reach a **short-term** goal
(e.g., save for a vacation, a car, a wedding, etc.)

ETF Investor profile

ETF Investor Profile

| | ETF Investors (n=1,000) |
|--|----------------------------|
| Gender | |
| Male | 62% |
| Female | 38% |
| Age | |
| Millennials | 48% |
| Generation X | 28% |
| Boomers | 23% |
| Matures | 1% |
| Mean | 43 |
| Employed | |
| Full-time | 79% |
| Part-time | 5% |
| Retired | 10% |
| Other | 6% |
| Region | |
| Northeast | 23% |
| Midwest | 21% |
| South | 39% |
| West | 17% |
| Decision Making | |
| You do all the research and decision-making yourself without the assistance of a financial advisor or broker | 35% |
| You make all of your own investment decisions but want to be able to discuss them with a friend or family member | 21% |
| You make all of your own investment decisions but want to be able to discuss them with a financial advisor or broker | 27% |
| You make most decisions yourself, but rely heavily on a financial advisor or broker | 10% |
| You delegate decision-making to a financial advisor or broker for some or all of your investments | 7% |

| | ETF Investors (n=1,000) |
|--|----------------------------|
| Personal Income | |
| <\$50K | 9% |
| \$50K-\$74.9K | 19% |
| \$75K-\$99.9K | 22% |
| \$100K-\$149.9K | 29% |
| \$150K+ | 21% |
| Mean (in thousands) | \$113.5 |
| Investable Assets | |
| <\$100K | 22% |
| \$100K-\$499.9K | 42% |
| \$500K-\$999.9K | 19% |
| \$1M+ | 17% |
| Mean (in thousands) | \$687.5 |
| Amount of Times Placed Trade in Past Year | |
| None | 2% |
| 1-11 times | 24% |
| 12-23 times | 25% |
| 24-35 times | 21% |
| 36-119 times | 18% |
| 120 or more times | 7% |
| Don't know | 3% |
| MEAN | 36 trades |
| Self-described Investor Experience | |
| Beginner | 18% |
| Intermediate | 40% |
| Experienced | 32% |
| Highly experienced | 10% |
| Self-described ETF Understanding | |
| Novice | 24% |
| Intermediate | 48% |
| Advanced | 28% |

Disclosures

Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares are bought and sold at market price, which may be higher or lower than the net asset value (NAV).

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