

2017 ETF Investor Study

September 2017

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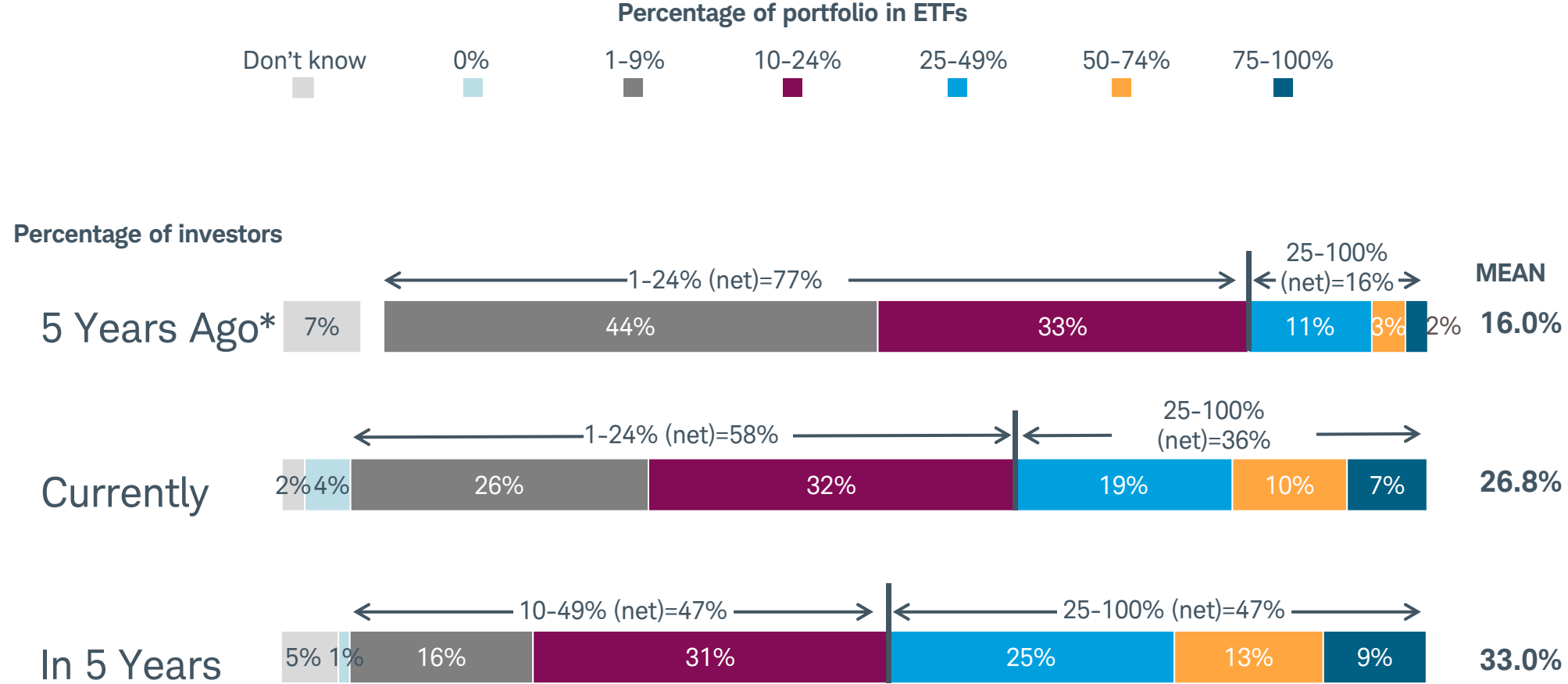
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About the study

What	<ul style="list-style-type: none">▪ An online study among a national sample of ETF investors was conducted by Koski Research▪ Koski Research is neither affiliated with, nor employed by, Charles Schwab & Co., Inc.
When	<ul style="list-style-type: none">▪ The survey was fielded June 6 to June 15, 2017
Who	<ul style="list-style-type: none">▪ 1,264 ETF investors completed the study▪ 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 an ETF in the past two years

ETF Allure

Investors nearly doubled allocations to ETFs in five years, and see more growth ahead

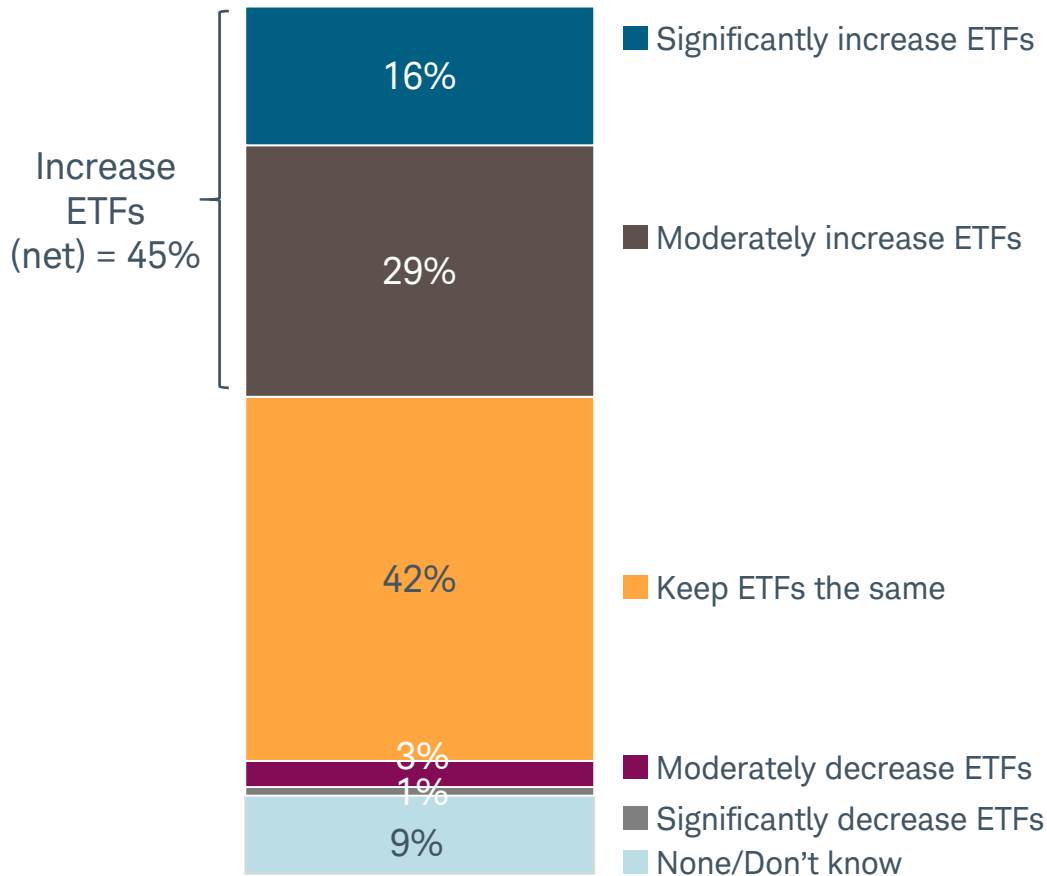


* Investors ranked the percentage of their portfolios currently in ETFs in 2012; data is from the 2012 ETF Investor Study by Charles Schwab.

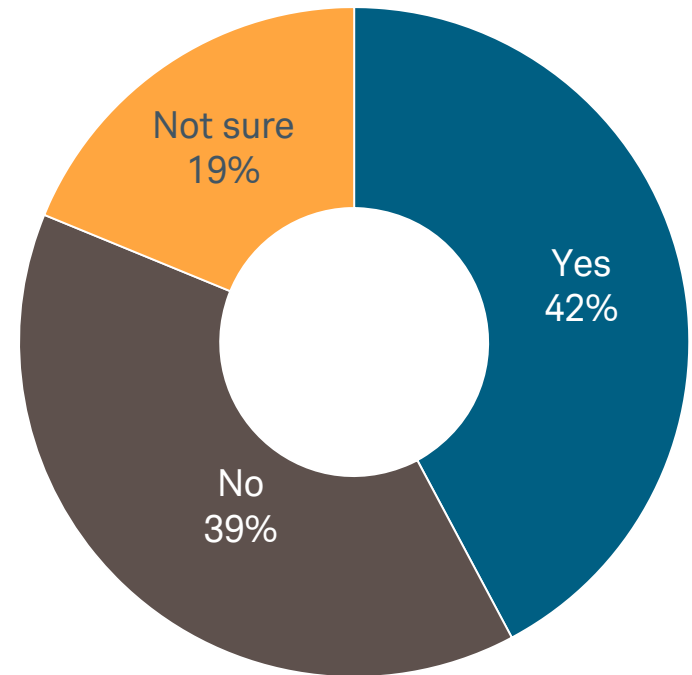
Q12 What percent of all of your investments is in ETFs today, if any?
 Q18 Looking ahead five years, what percentage of your portfolio do you expect will be in ETFs (Base: ETF Investors=1,264)

Two in five investors say ETFs will be their primary investment in the future

Change in investments expected in the next year in portfolio



ETFs primary investment in the future in portfolio

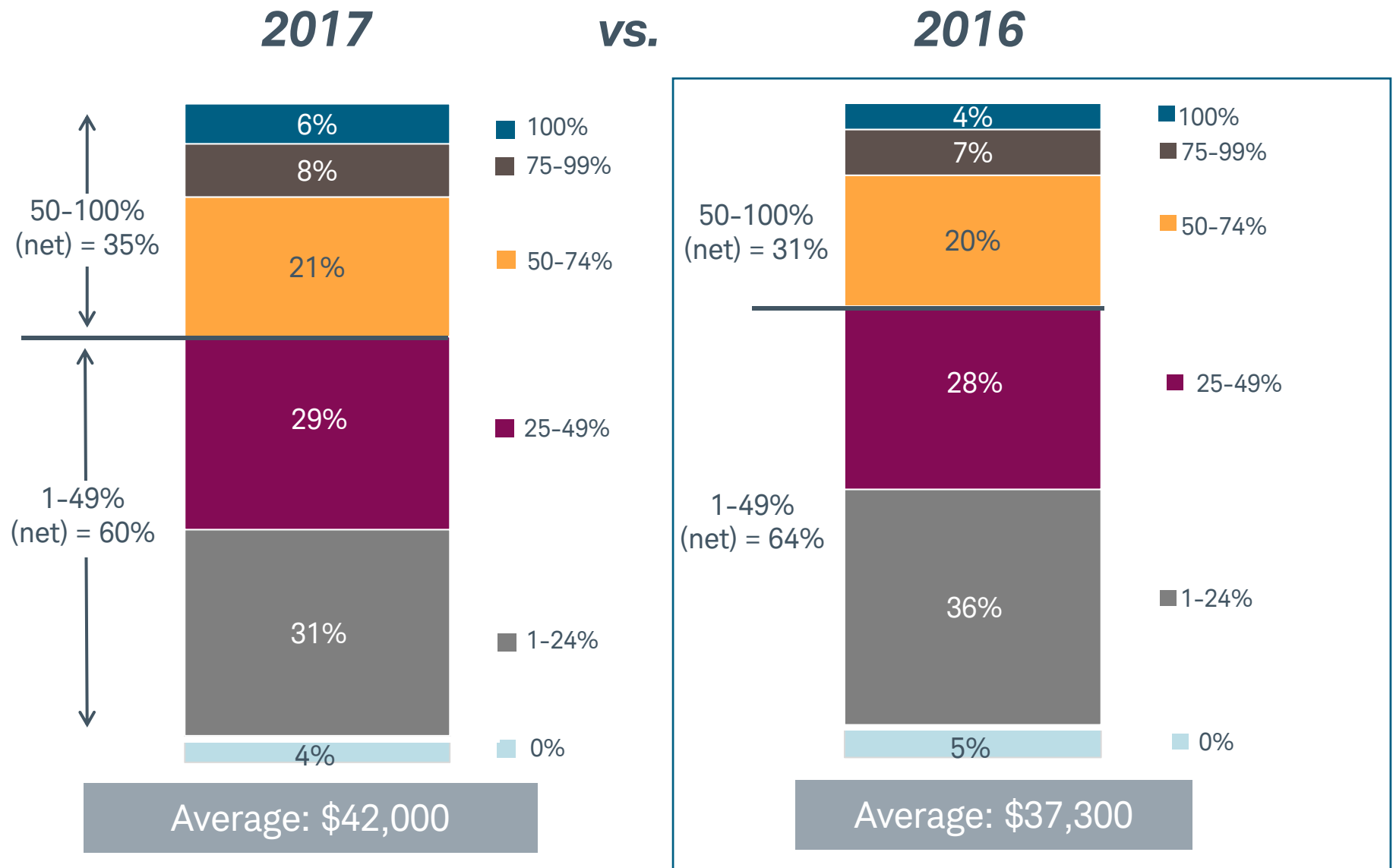


Q15. In the next year, which of the following do you expect to do, if any?

Q17. Do you see ETFs as being the primary investment type in your portfolio in the future? (Base: ETF Investors=1,264)

With an extra \$100k to invest, the average ETF investor would put \$42k in ETFs – more than in years past

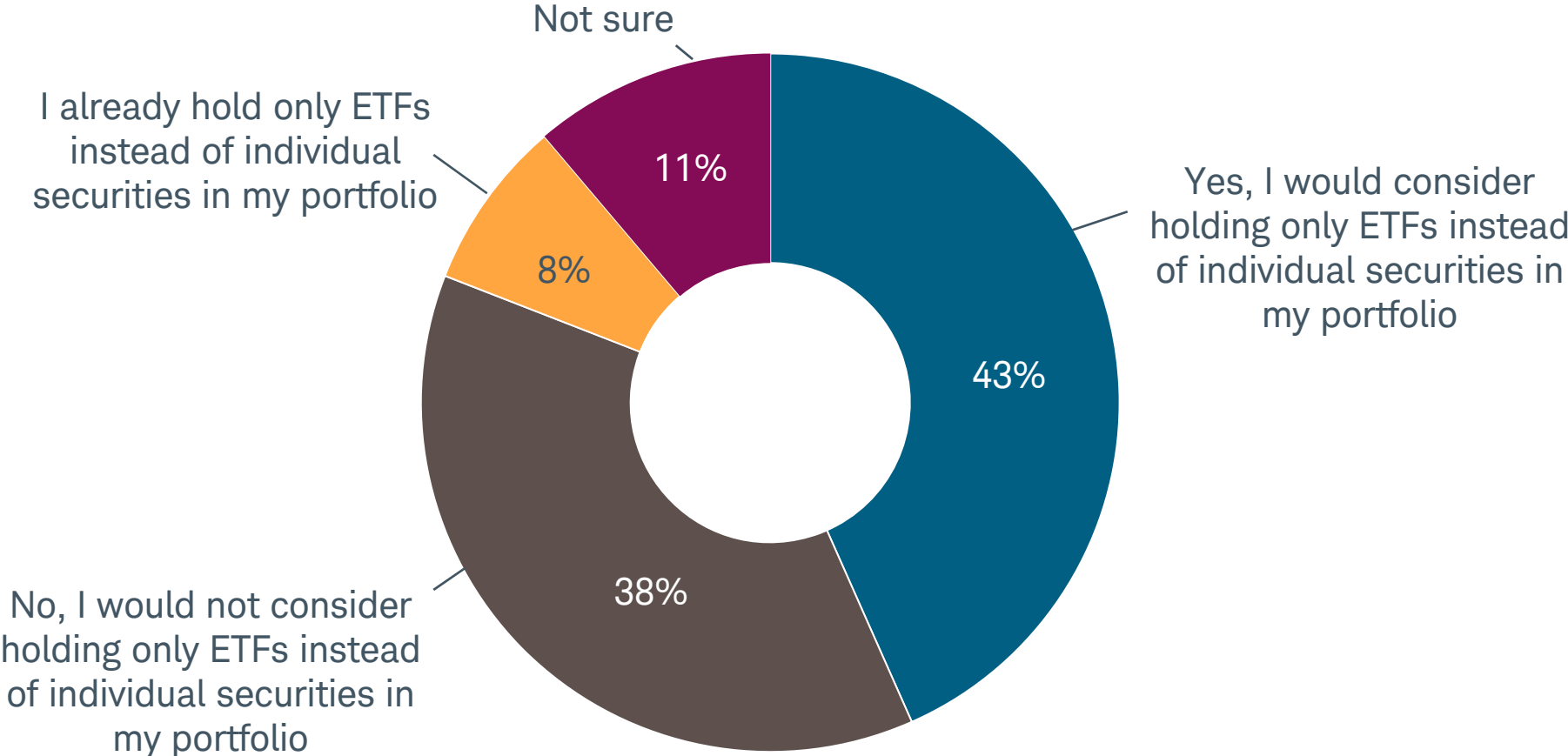
Percent of \$100,000 would invest in ETFs



Q20. If you had another \$100,000 to invest, how much would you put into ETFs? (Base: ETF Investors=1,264)

Over two in five ETF investors would consider holding only ETFs in their portfolio instead of individual securities

Consider holding only ETFs instead of individual securities in portfolio

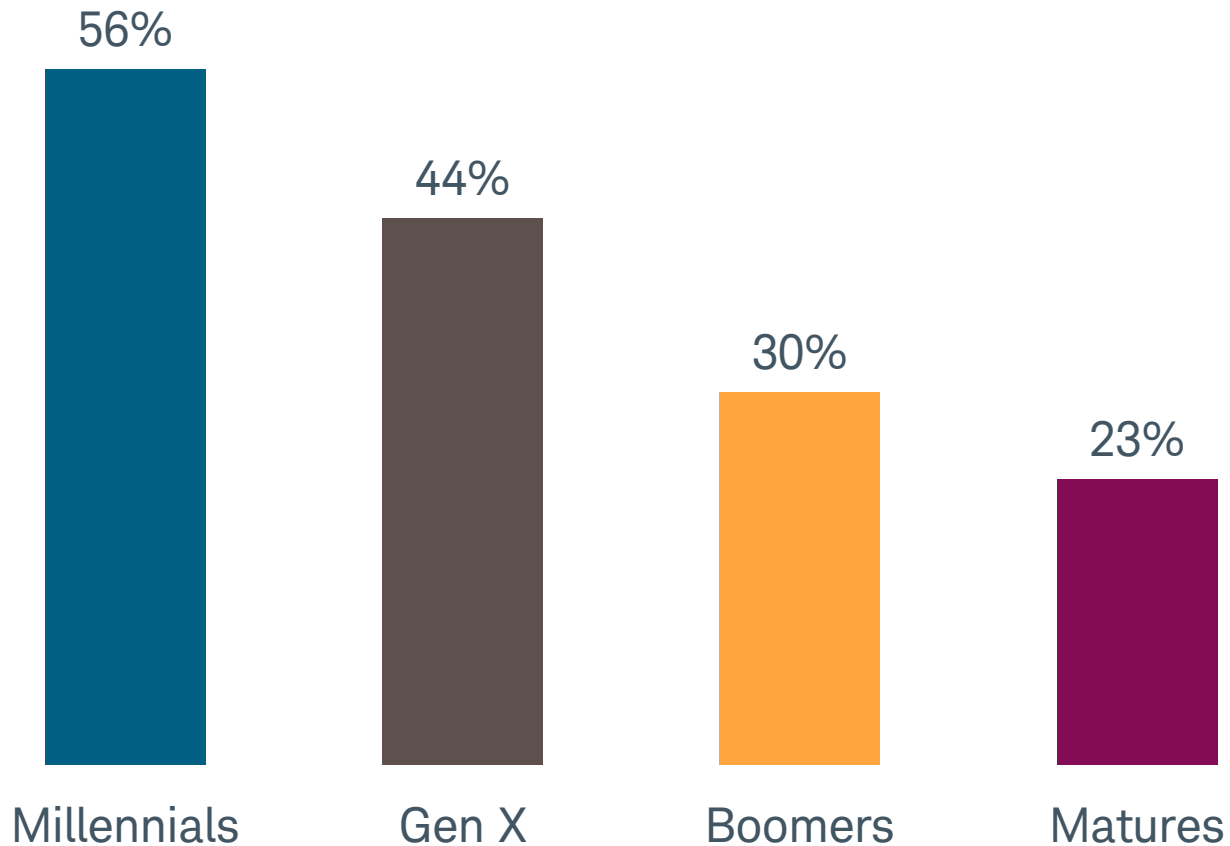


Q22. Would you consider holding only ETFs instead of individual securities in your portfolio? (Base: ETF Investors=1,264)

Millennials and ETFs: the love story continues

More than any other generation, Millennials say ETFs are their investment vehicle of choice

Best description for ETFs:
My investment vehicle of choice

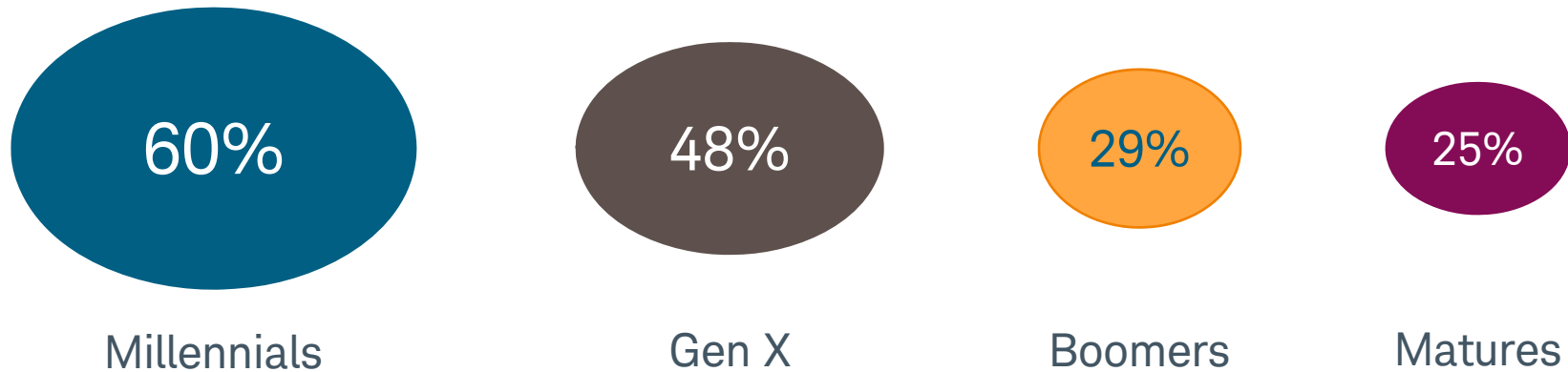


Q23. Please choose the statements below that best describe each investment vehicle. (Base: ETF Investors=1,264)

Millennials are more likely to increase investments in ETFs in the next year

Change in investments expected in the next year in portfolio:

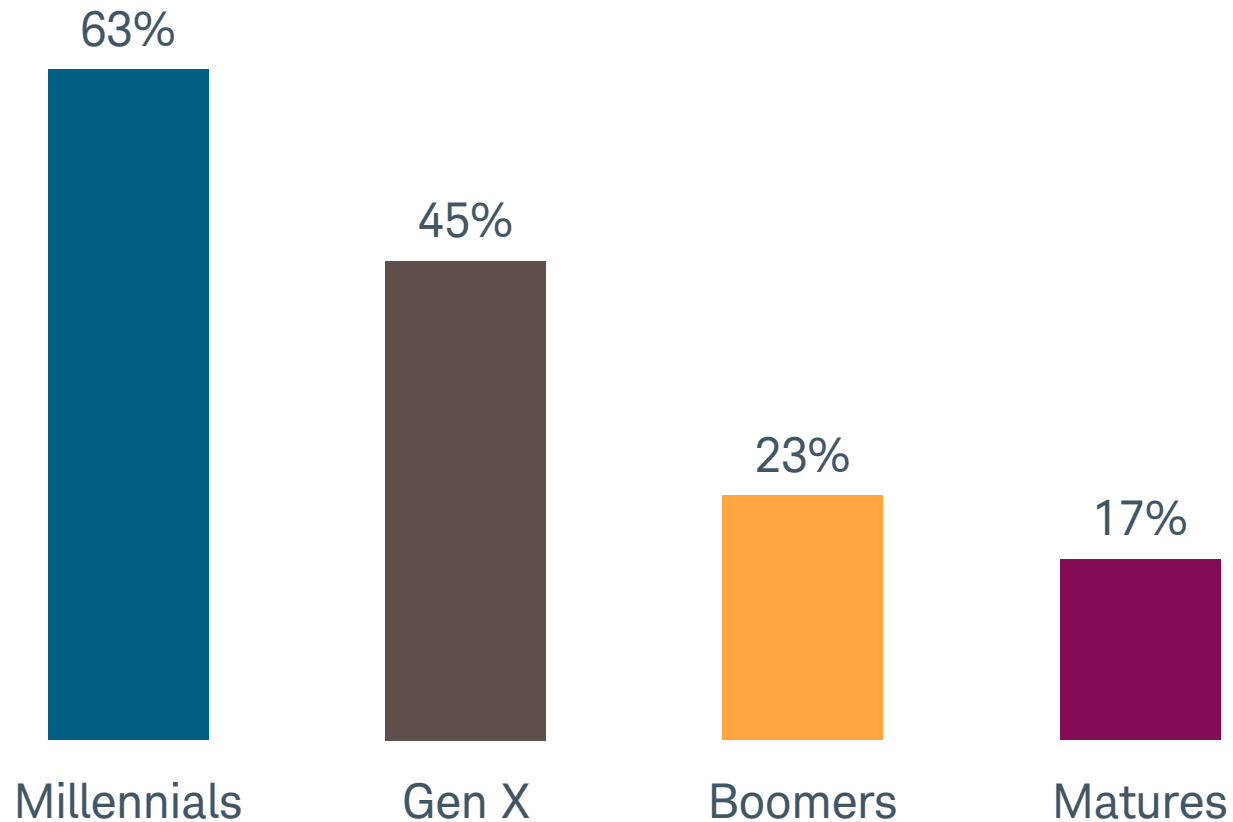
Increase investments in ETFs



Q15. In the next year, which of the following do you expect to do, if any?

Most Millennials expect ETFs to be their primary investment vehicle in the future

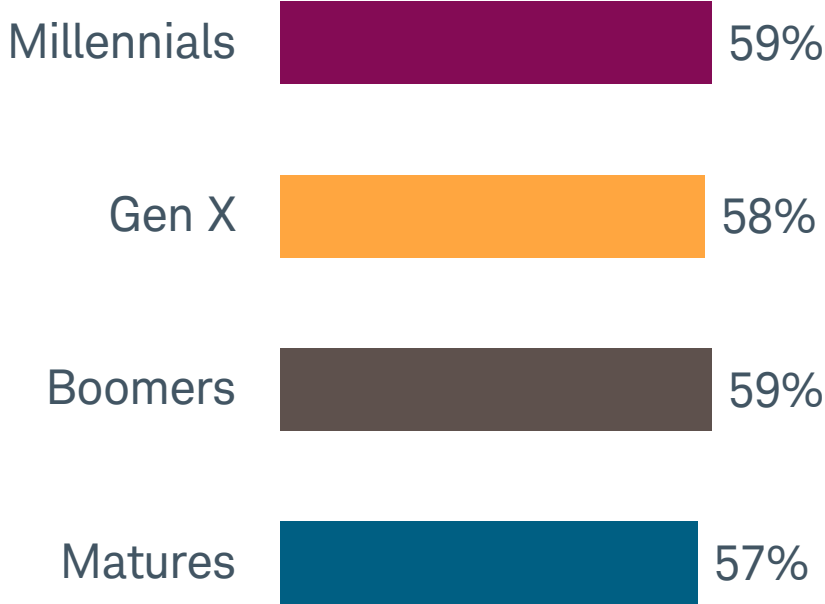
Expect ETFs to be primary investment in the future



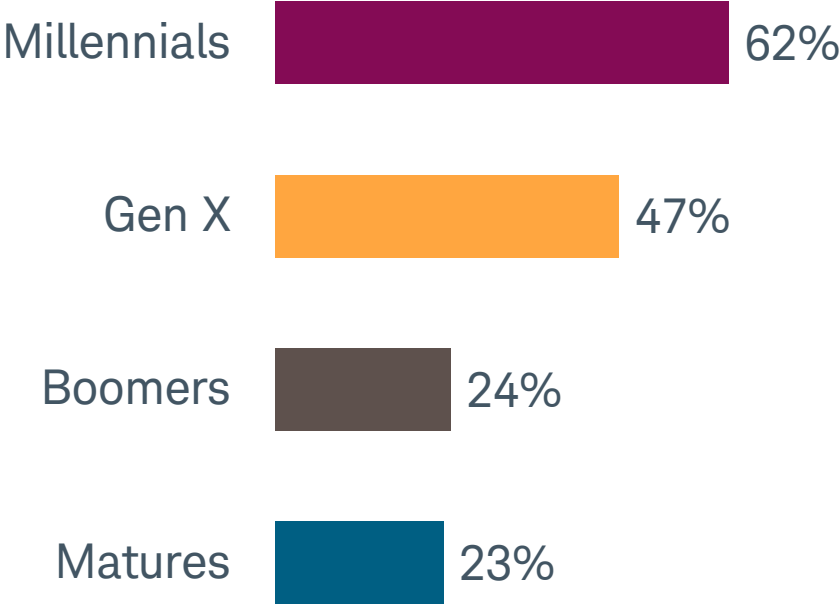
Q17. Do you see ETFs as being the primary investment type in your portfolio in the future?

Millennials' use of ETFs is similar to other generations in some respects, but clear differences exist

How ETFs are Used in Portfolio:
To reach long-term goals



Would Consider Holding ETFs Rather than Individual Securities

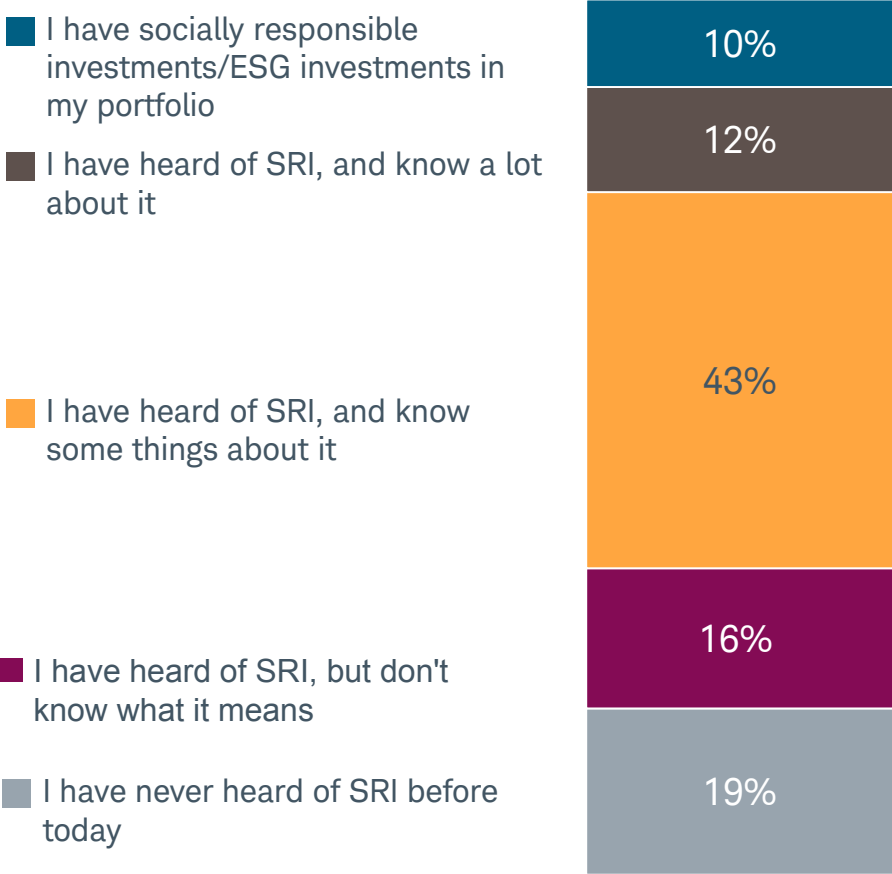


Q16. How do you use ETFs in your portfolio?
Q22: Would you consider holding only ETFs instead of individual securities in your portfolio?

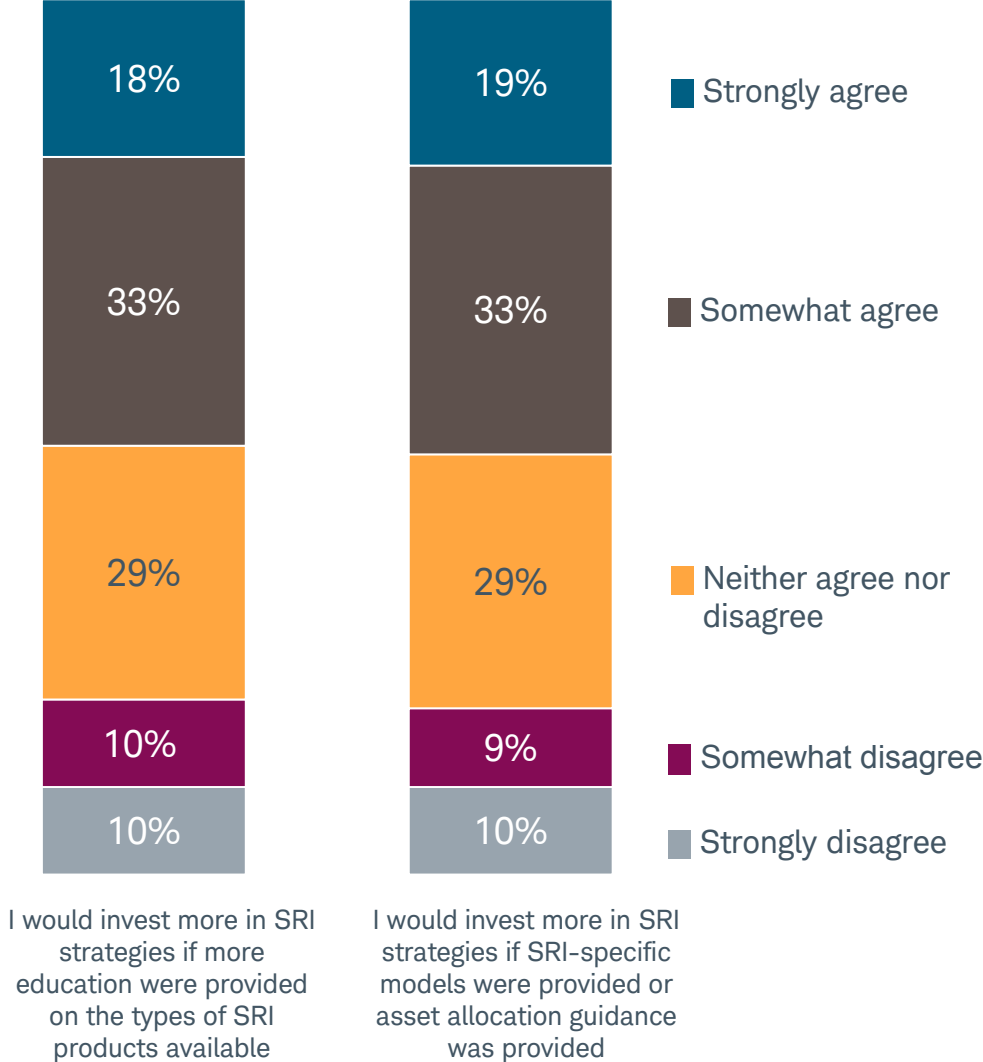
Socially responsible investing: ETF investors test the water

Only one in 10 ETF investors is currently invested in socially responsible investments (SRI), yet interest appears to be growing

Level of familiarity of SRI



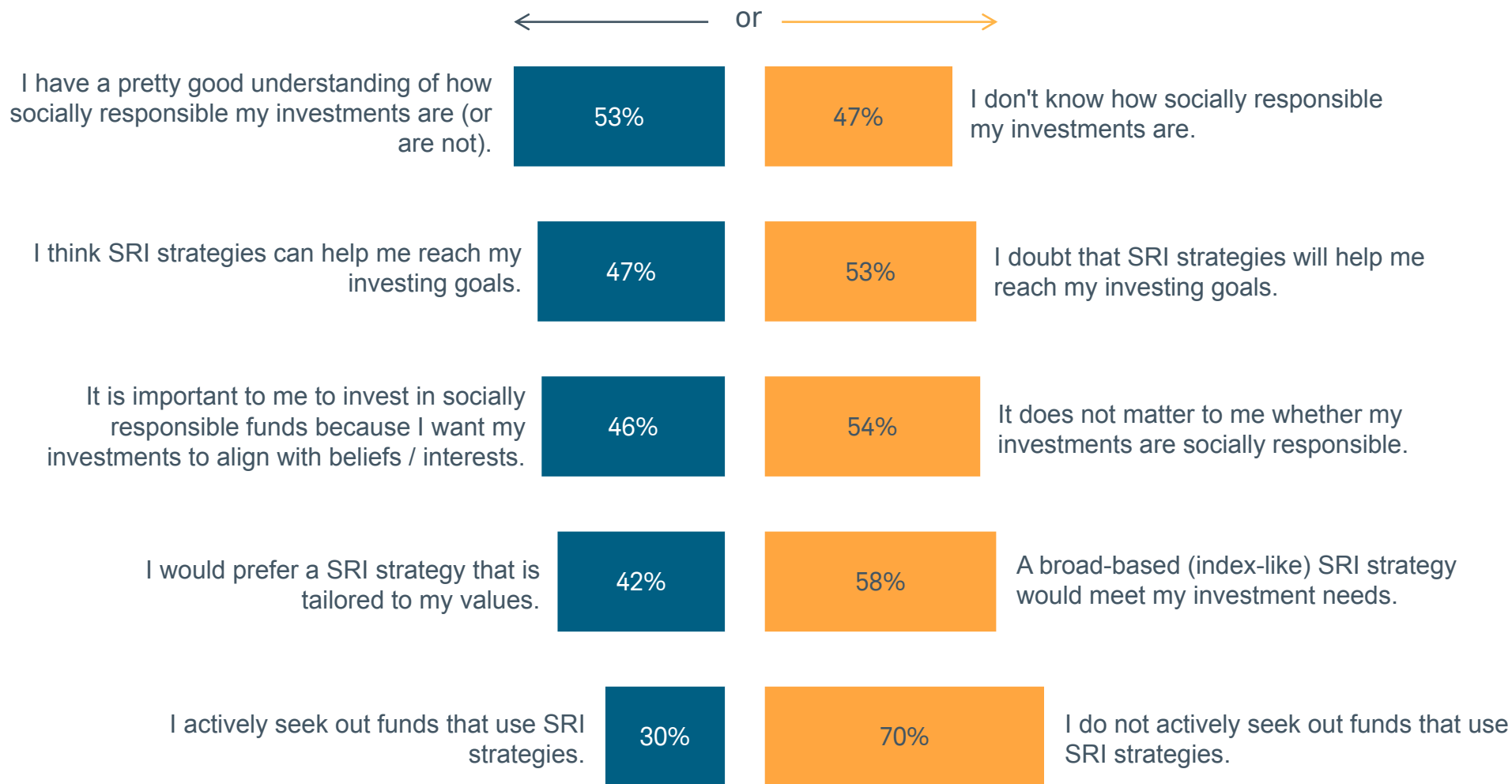
Investment in SRI strategies



Q30. Which of the following describes your level of familiarity with socially responsible investments (SRI)?
 Q32. Please rate how much you agree or disagree with each statement below.
 (Base: ETF Investors=1,264)

Almost half of ETF investors say it is important to invest in socially responsible funds that align with their beliefs

Self description of “SRI” strategies

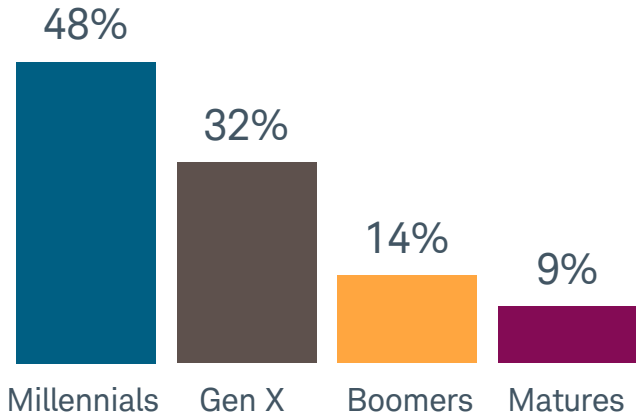


Q31. Please select which of the following statements describes you best. (Base: ETF Investors=1,264)

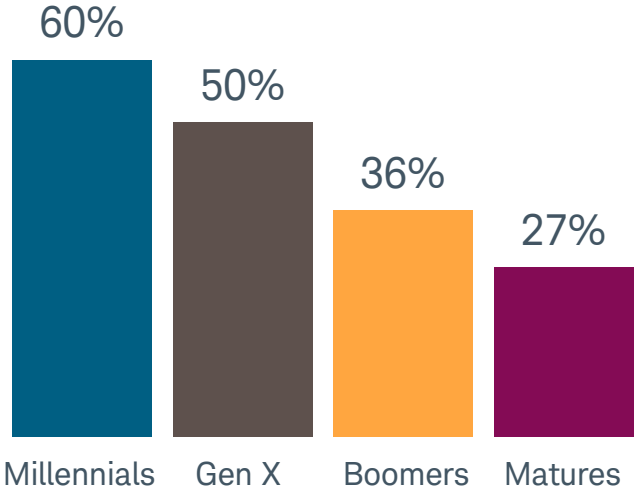
Taking the lead: traction for SRI is greater among Millennials with about half seeking out funds that use SRI strategies

Statements that best describe you

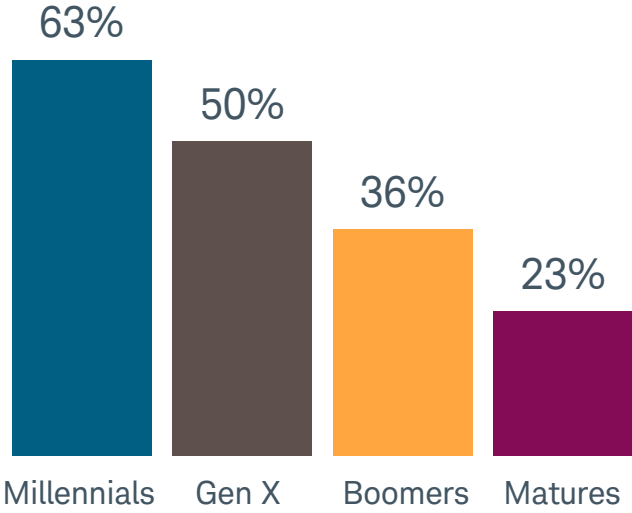
I actively seek out funds that use SRI strategies



It is important to me to invest in socially responsible funds because I want my investments to align with beliefs / interests



I think SRI strategies can help me reach my investing goals

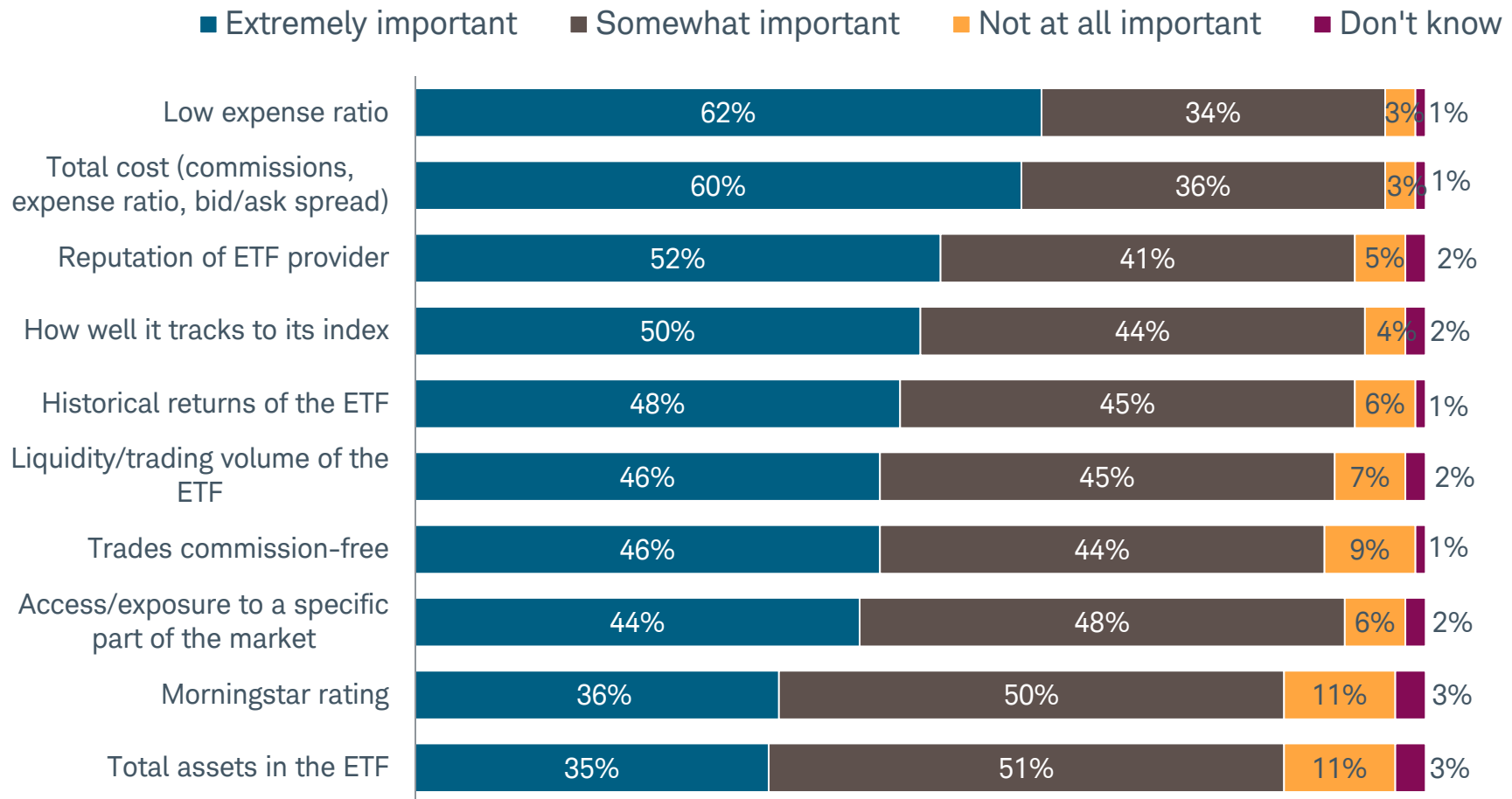


Q31. Please select which of the following statements describes you best.

Cost is king for ETF investors

When evaluating ETFs, investors prioritize low expense ratio and total cost above all else

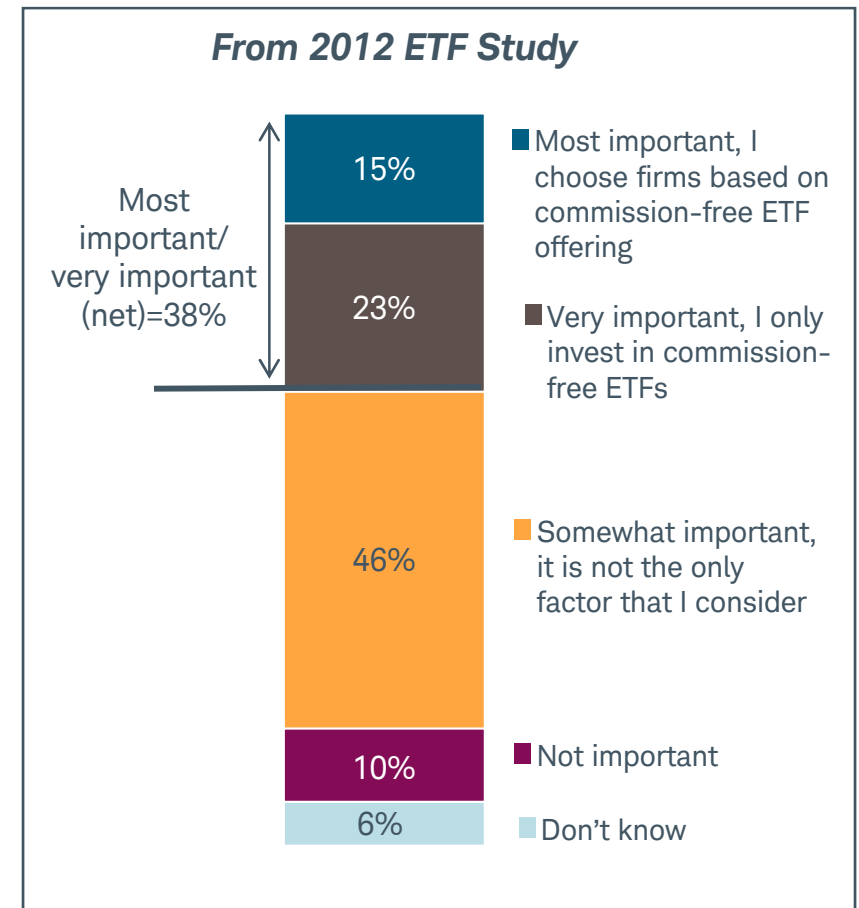
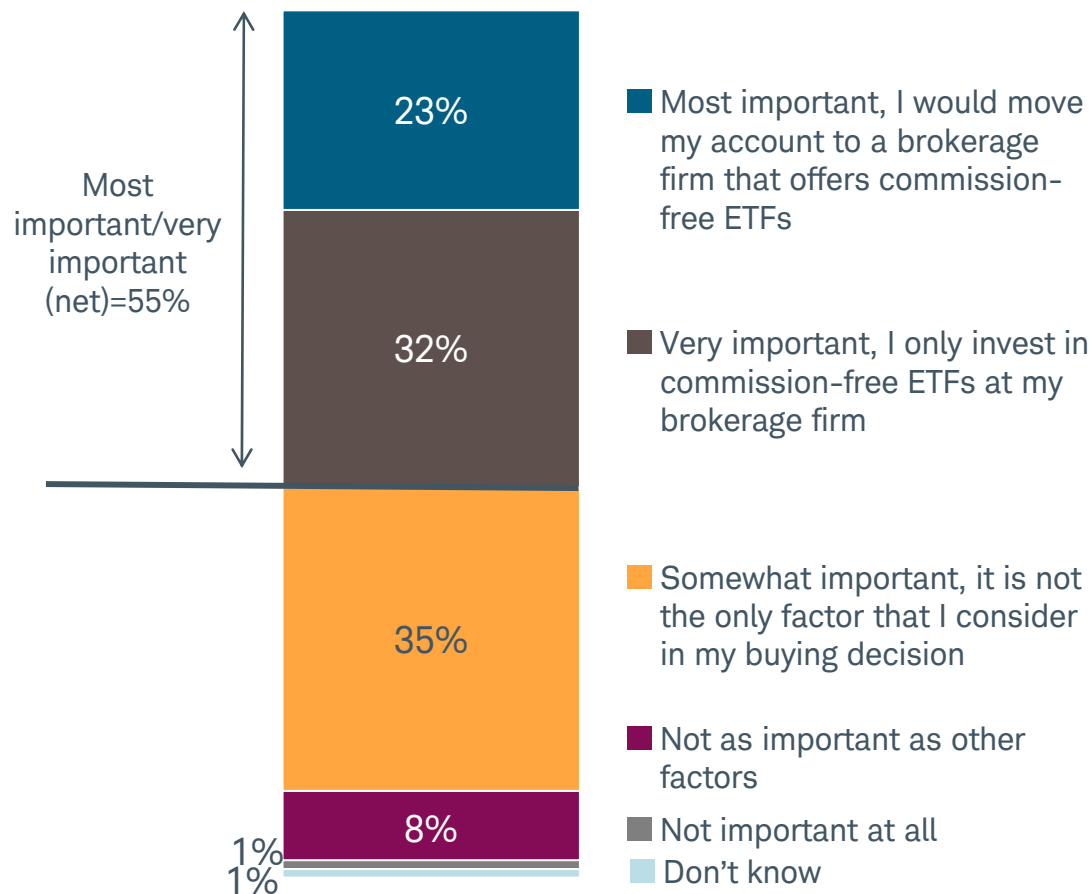
Importance when choosing an ETF



Q25. When choosing an ETF, how important to you is each of the following? (Base: ETF Investors=1,264)

The importance investors place on the ability to trade ETFs without commissions or fees has risen significantly

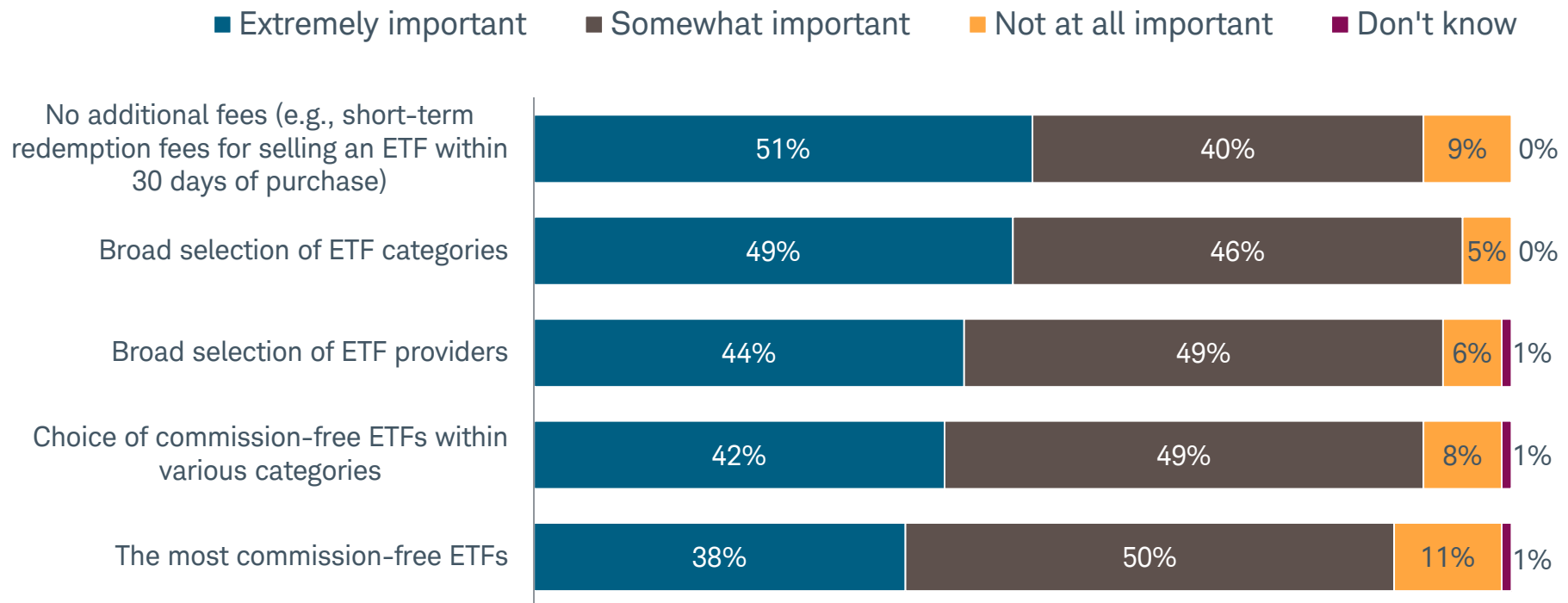
Importance of ability to trade ETFs without commissions or other brokerage fees



Q26. How important is the ability to trade ETFs without commissions or other brokerage firm fees? (Base: ETF Investors=1,264)

When choosing a brokerage that offers commission-free ETFs, investors avoid additional fees and look for a broad selection of ETF categories

Importance when evaluating brokerages that offer commission-free ETFs

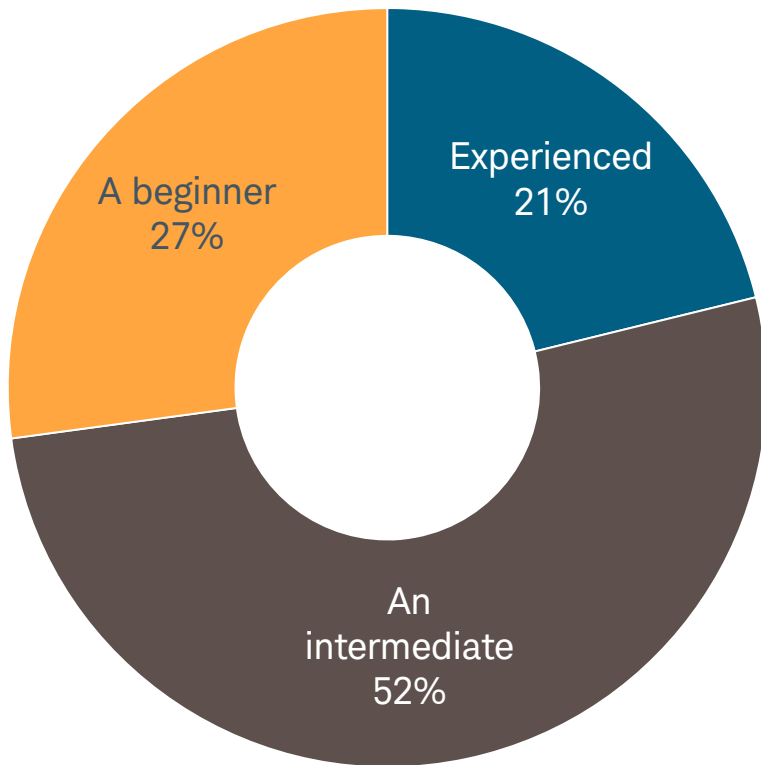


Q27. How important to you is each of the following when evaluating brokerages that offer commission-free ETFs/a commission-free ETF platform? (Base: ETF Investors=1,264)

Other findings

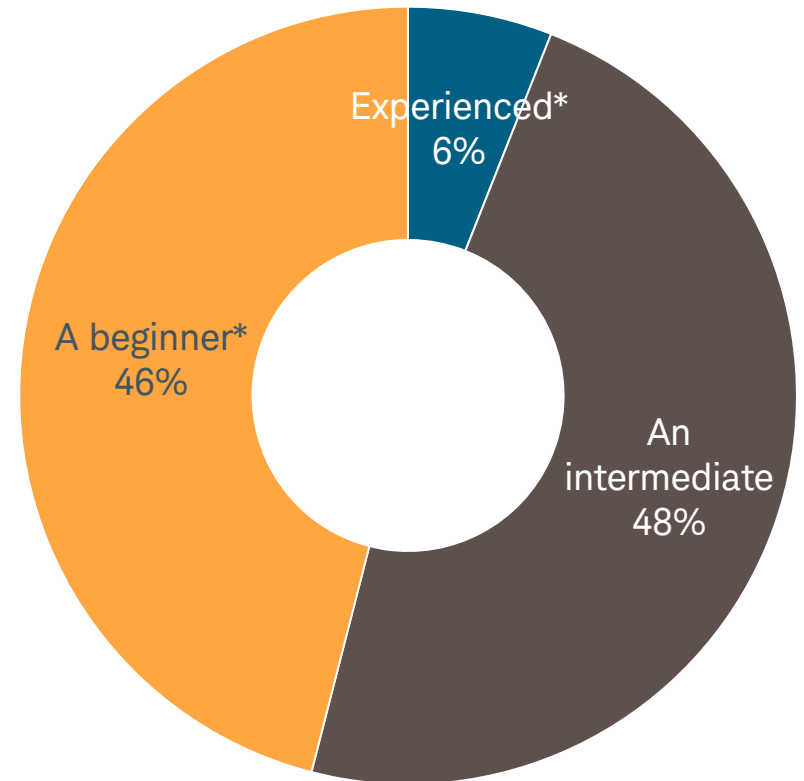
Understanding of ETFs has increased significantly since the survey launched; almost all are confident in their ability to choose an ETF that is right for their investment objective

2017



vs.

2011

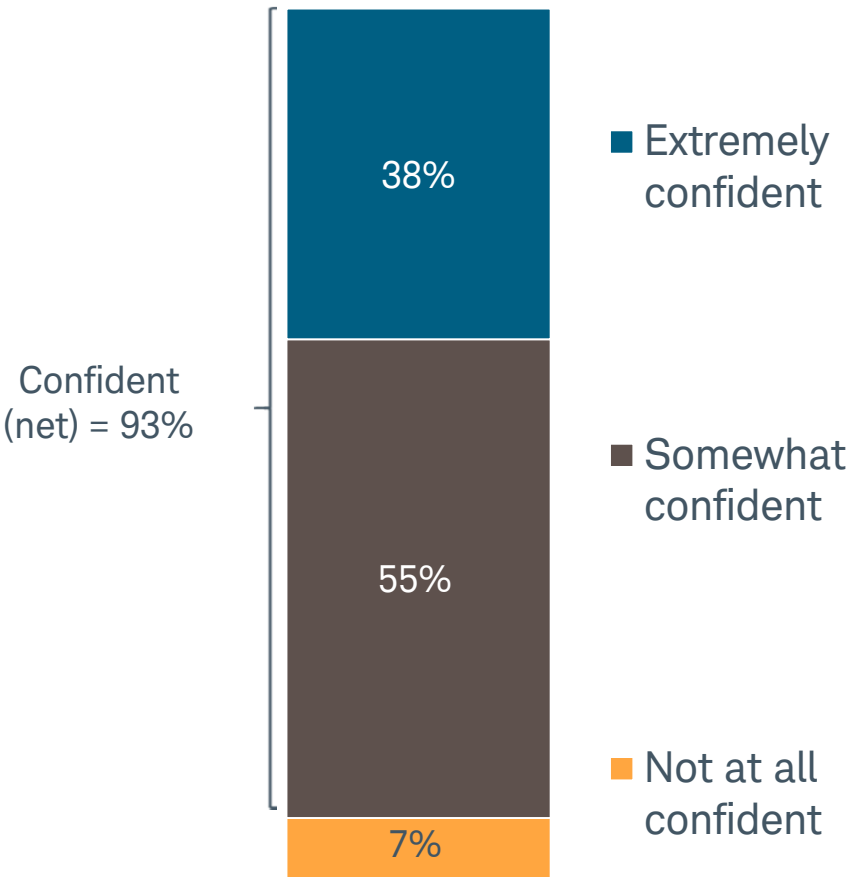


Q9. When it comes to your understanding of ETFs, do you consider yourself ...?

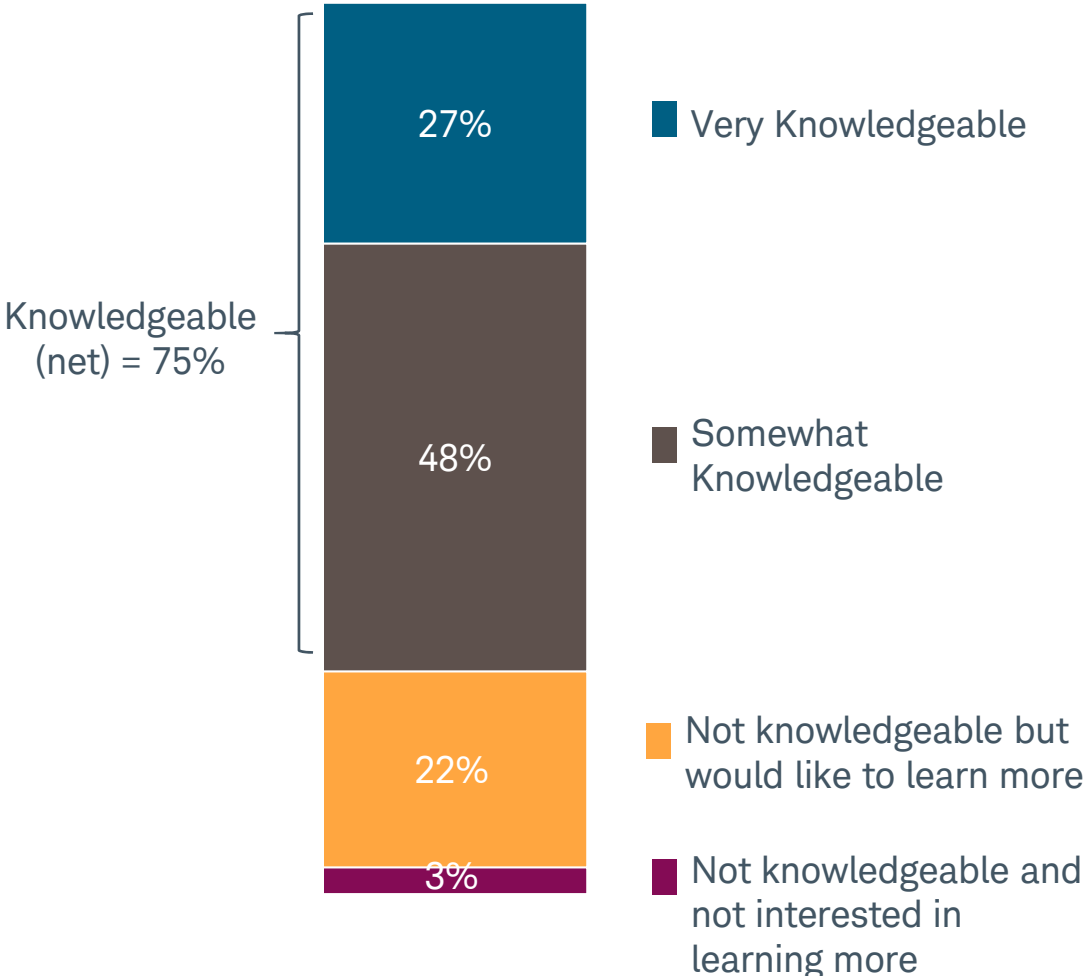
*Note: in the 2011 ETF Investor Study by Charles Schwab, we asked investors if they considered themselves a novice (instead of a beginner) or an expert (instead of experienced)

93% of ETF investors say they are confident in their ability to choose an ETF and 75% say they're knowledgeable about the differences between ETFs and comparable mutual funds

Confidence in ability to choose an ETF

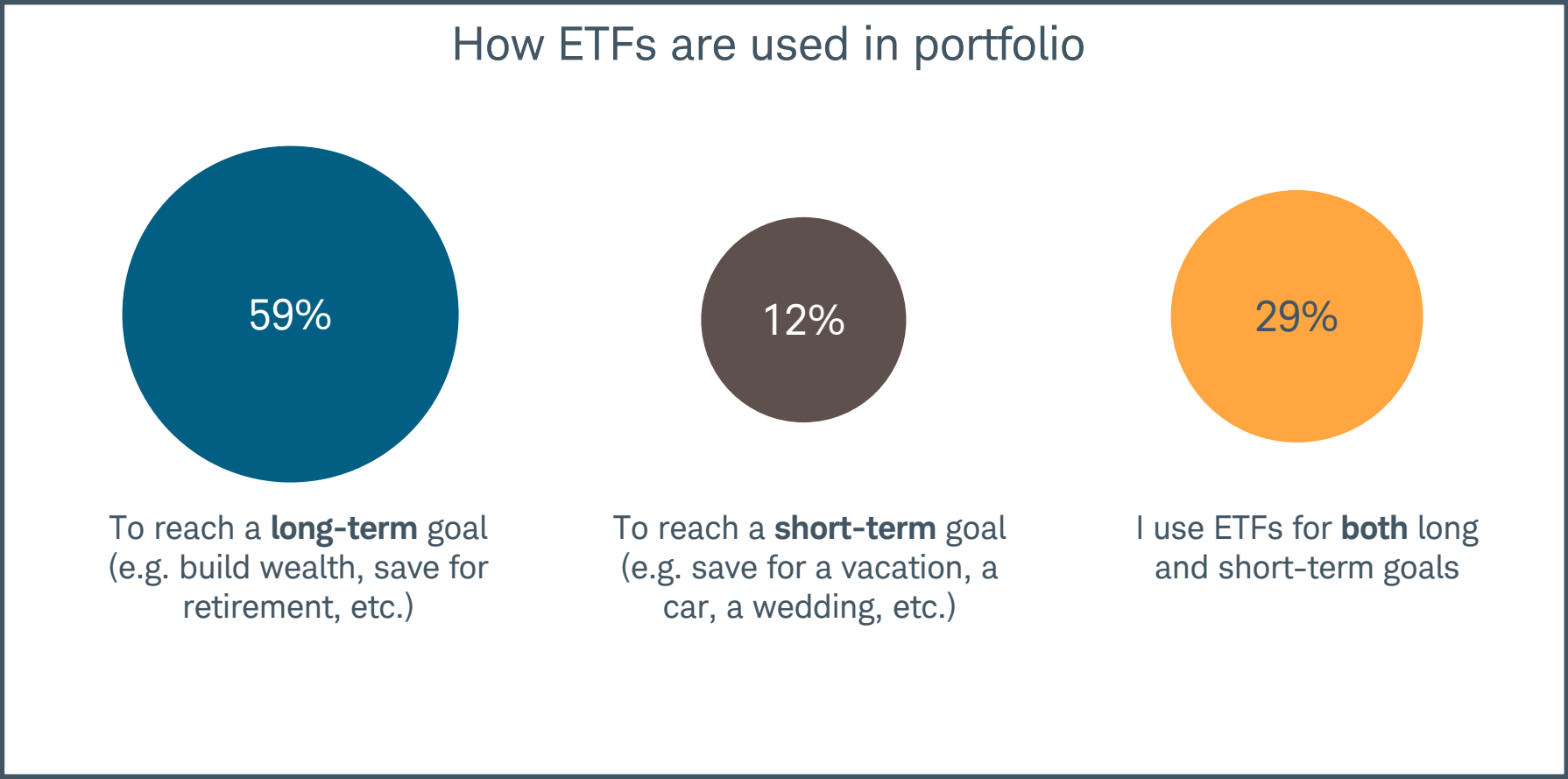


Knowledge of differences between ETFs and comparable mutual funds



Q28. How confident are you in your ability to choose an ETF that is right for your investment objectives? (Base: ETF Investors=1,264)
 Q11. How knowledgeable are you regarding differences between ETFs and comparable index mutual funds? (Base: ETF Investors=1,264)

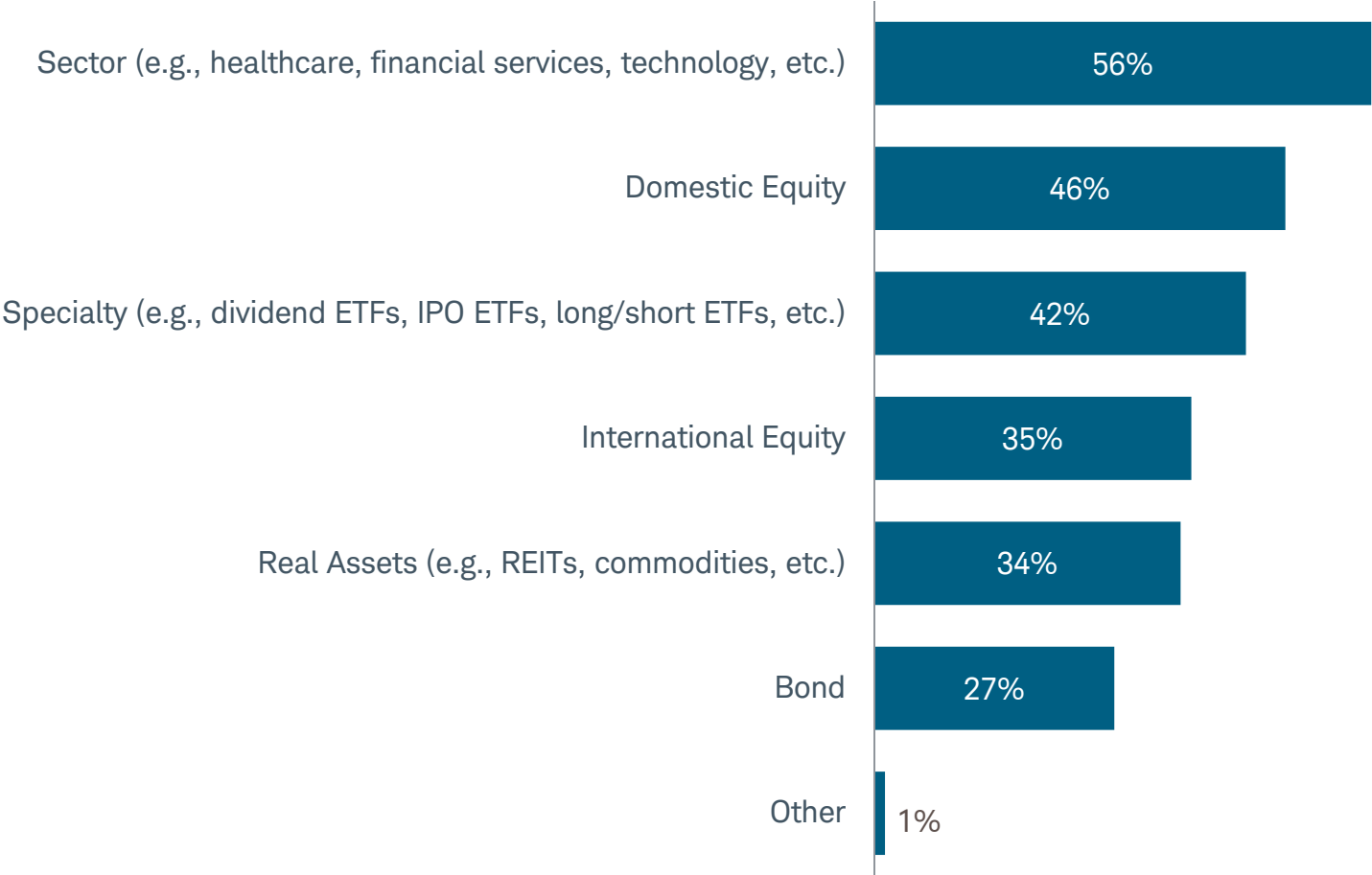
Invested for the long haul: ETF investors are most likely to use ETFs to reach a long-term goal



Q16. How do you use ETFs in your portfolio? (Base: ETF Investors=1,264)

ETF investors invest the most in sector, domestic equity and specialty asset classes or segments

Asset classes or segments invest in ETFs



Q19. In which asset classes or segments do you invest in ETFs? (Base: ETF Investors=1,264)

Smart beta gains ground

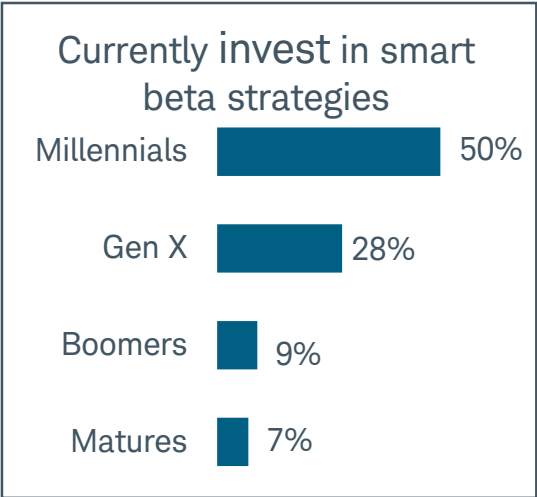
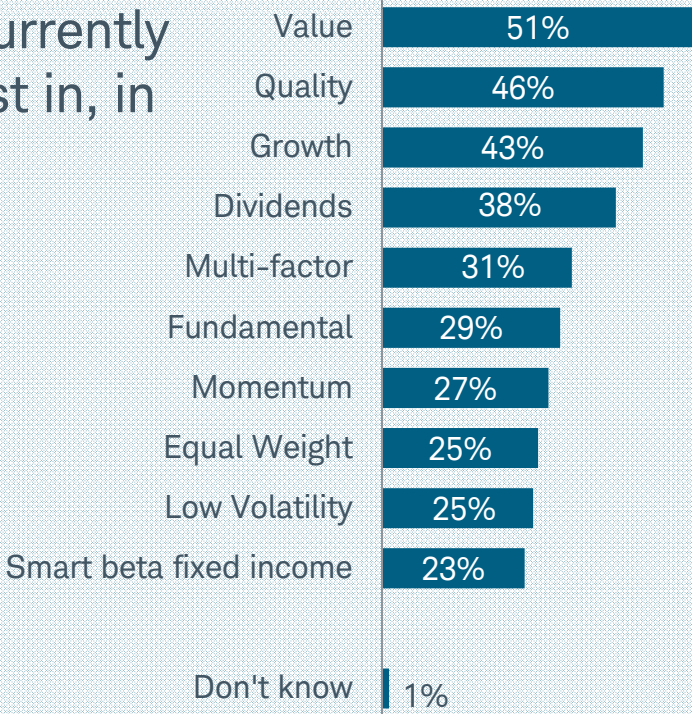
Three in 10 ETF investors use smart beta products, mainly value, quality and growth

Investments in smart beta strategies



Smart beta strategies currently invest in or plan to invest in, in near future

Among those who invest in smart beta ETFs

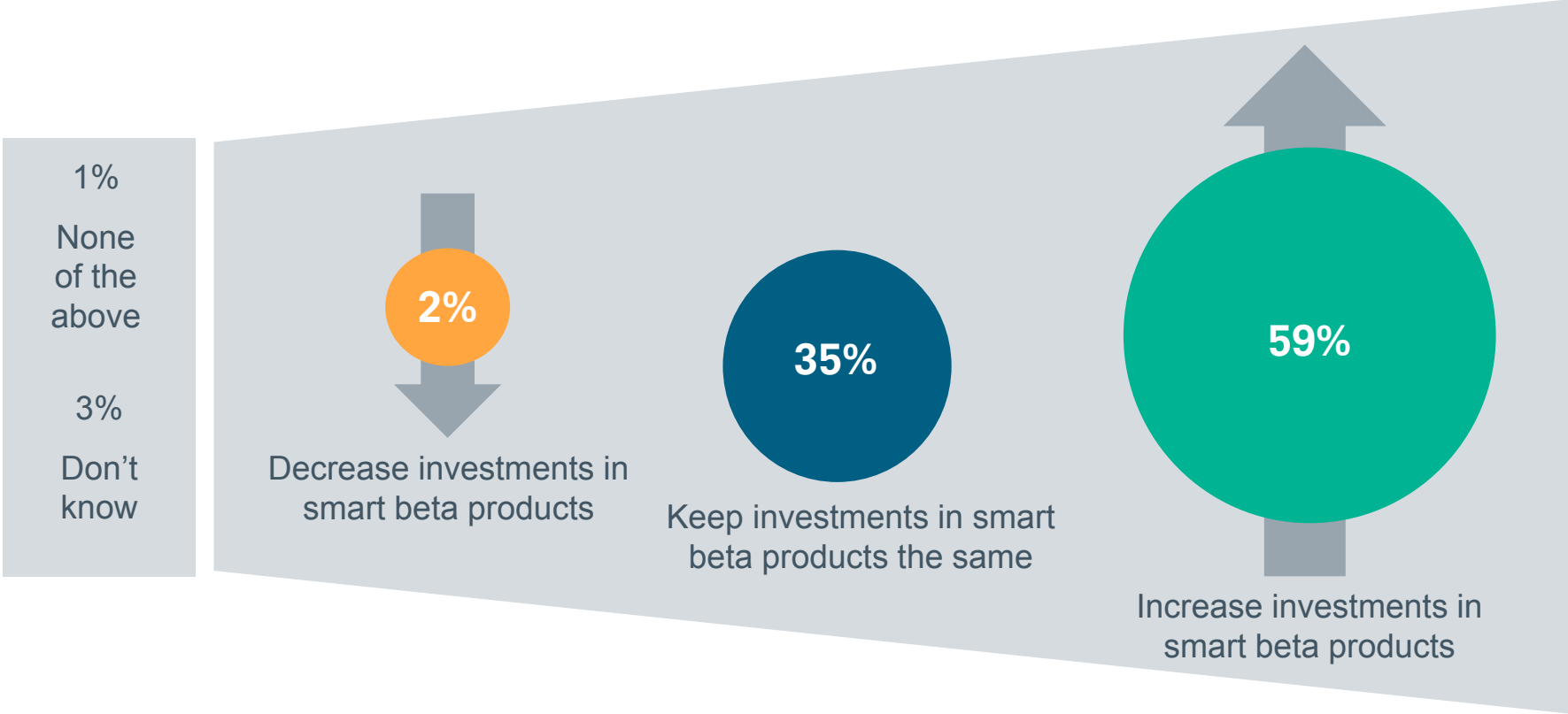


Q33. Do you currently invest in any smart beta strategies? (Base: ETF Investors=1,264)

Q35. Which type of smart beta strategies do you currently invest in, or plan to invest in, in the near future? (Base: ETF Investors who invest in smart beta products=362)

Six in 10 ETF investors plan to increase investments in smart beta products

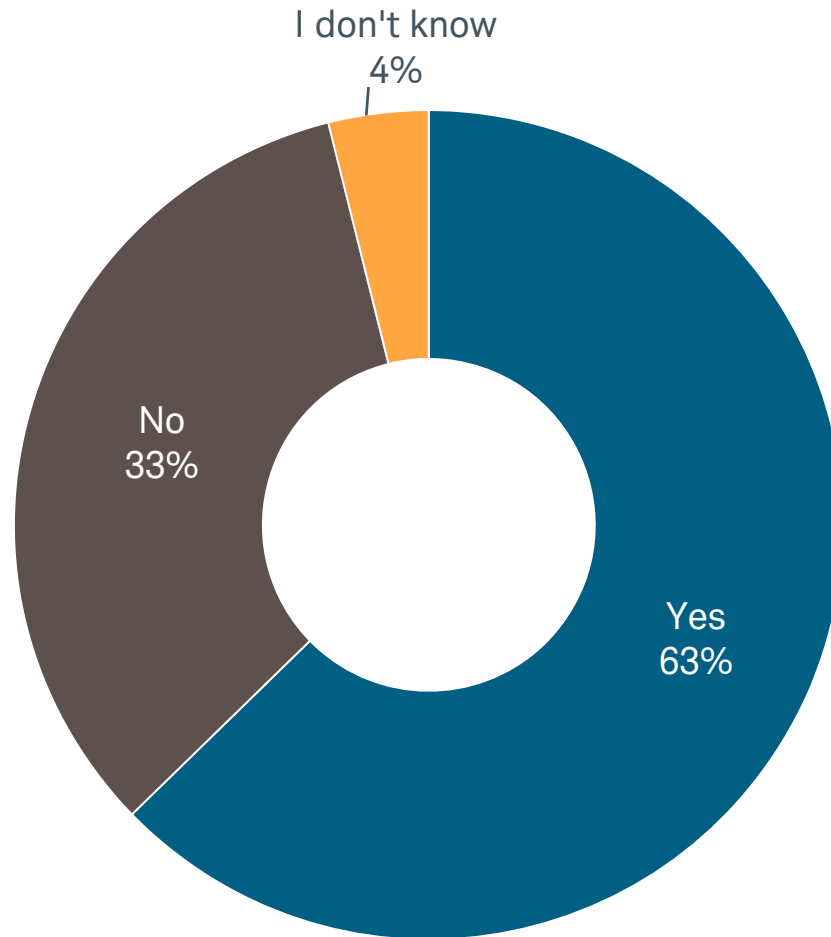
Expect to do in next year
Among those who invest in smart beta ETFs



Q38. In the next year, which one do you expect to do, if any? (Base: ETF Investors who invest in smart beta products=362)

About two-thirds of ETF investors have reduced active exposures, replacing them with smart beta exposures in the last three years

Reduced active exposures and replaced with smart beta exposures
Among those who invest in smart beta ETFs

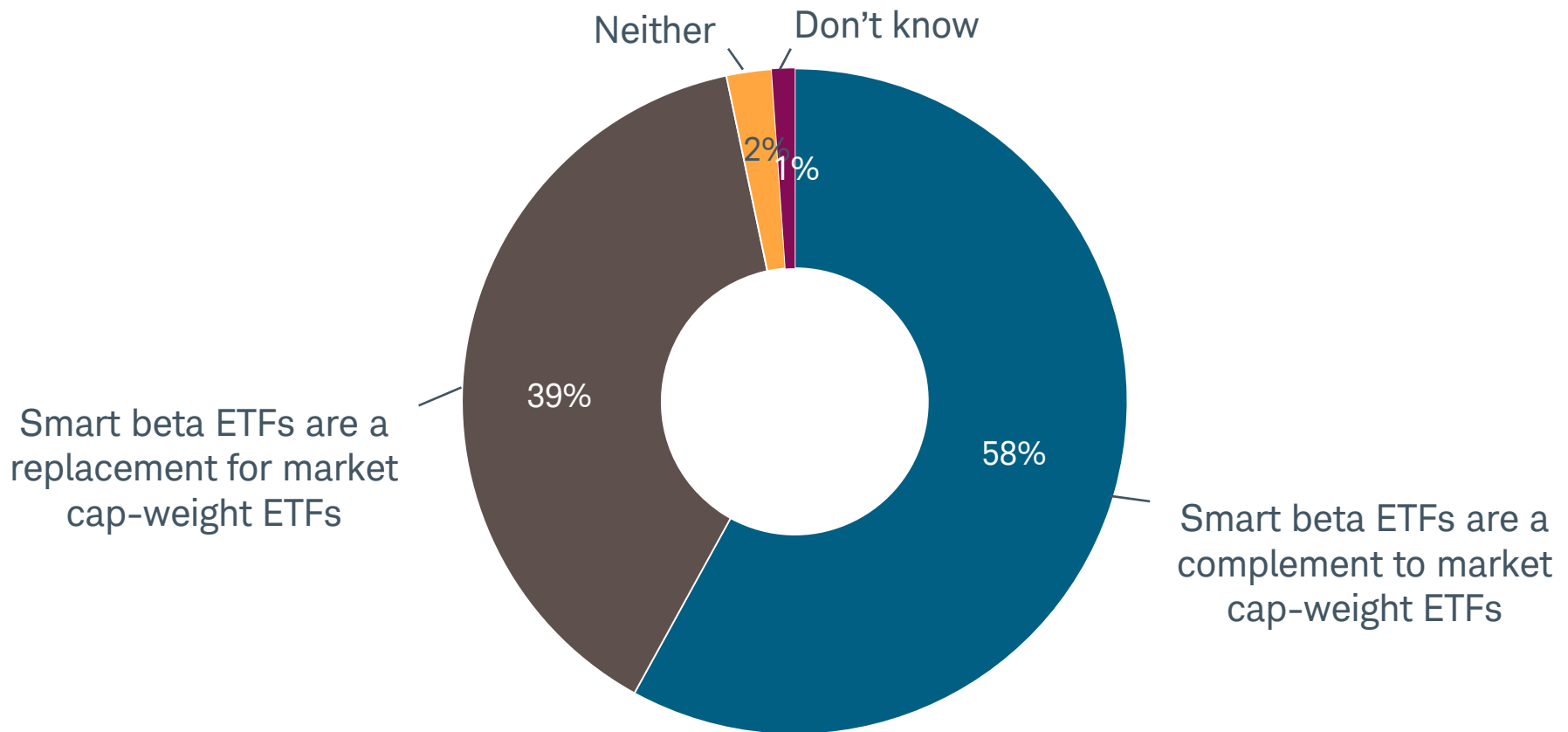


Q39. Have you reduced your active exposures and replaced them with smart beta exposures in the last three years? (Base: ETF Investors who invest in smart beta products=362)

About six in 10 ETF investors say smart beta ETFs are a complement to market cap-weight ETFs

View of smart beta ETFs

Among those who invest in smart beta ETFs



Q34. Do you see smart beta ETFs as a complement to market cap-weight ETFs, or a replacement for market cap-weight ETFs?
(Base: ETF Investors who invest in smart beta products=362)

ETF investor profile

	ETF Investors (n=1,264)
Gender	
Male	70%
Female	30%
Age	
Millennials	40%
Generation X	20%
Boomers	22%
Matures	18%
Mean	48 years
Employed	
Full time	62%
Part time	9%
Retired	25%
Other	4%
Region	
East	25%
Midwest	19%
South	25%
West	31%
Decision Making	
You do all the research and decision-making yourself without the assistance of a financial advisor or broker	40%
You make all of your own investment decisions but want to be able to discuss them with a friend or family member	16%
You make all of your own investment decisions but want to be able to discuss them with a financial advisor or broker	21%
You make most decisions yourself, but rely heavily on a financial advisor or broker	13%
You delegate decision-making to a financial advisor or broker for some or all of your investments	10%

	ETF Investors (n=1,264)
Personal Income	
<\$50K	4%
\$50K-\$74.9K	17%
\$75K-\$99.9K	23%
\$100K-\$149.9K	31%
\$150K+	25%
Mean (in thousands)	\$122.6
Investable Assets	
<\$100K	15%
\$100K-\$499.9K	38%
\$500K-\$999.9K	20%
\$1M+	27%
Mean (in thousands)	\$99.8
Amount of Times Placed Trade in Past Year	
None	4%
1-11 times	40%
12-23 times	22%
24-35 times	17%
36-119 times	11%
120 or more times	4%
Don't know	2%
MEAN	25 times

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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