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**E\*TRADE STUDY OF EXPERIENCED INVESTORS  
BUCKS THE TRADITIONAL UNDERSTANDING OF ETF USE**



**Two out of five investors feel ETFs  
are more for short-term trading  
than long-term investing**

*Traditionally thought of as buy-and-hold investing products, in reality, many ETFs  
are created to be—and exclusively used as—vehicles for active traders*

**NEW YORK, November 16, 2016** — E\*TRADE Financial Corporation (NASDAQ: ETFC) today announced results from the most recent wave of *StreetWise*, E\*TRADE's quarterly tracking study of experienced investors. Results indicate that many investors do not equate ETFs with long-term investing:

- Two out of five investors believe ETFs are better suited for short-term trading than long-term investing.
- Only about one in four investors believe ETFs are *entirely* or *mostly* better suited for long-term investing over short-term trading.
- Millennials are more likely than Boomers to gravitate towards the less popular, yet more opportunistic ETFs like foreign currency, derivative, and inverse ETFs.
- The top three types of ETFs selected by the total surveyed population remained consistent q/q with U.S. market index ETFs, dividend ETFs, and sector- and industry-specific ETFs.

“While ETFs are traditionally associated with long-term investing solutions that mirror indexes, the data suggests a far more nuanced picture,” said Rich Messina, SVP of Investment Product Management at E\*TRADE Financial. “Many investors are also using ETFs opportunistically for short-term trading strategies. Additionally, as these products are increasingly being developed

to serve a wide variety of purposes, investors are wise to research them closely to learn how they might fit into their long-term investing and short-term trading goals.”

Mr. Messina offered the following observations on ETF strategies:

- **U.S. market index ETFs remain popular for investors and traders alike.** U.S. market index ETFs remain the most popular ETF sector for the second straight quarter, according to the survey. These ETFs often serve as the core foundation of a balanced portfolio, offering investors broad access to the U.S. market, and often come with relatively low expense ratios. However, while U.S. market index ETFs are often used as passive vehicles, they are also among the most frequently traded,<sup>1</sup> favored by active investors for their liquidity and efficiency.
- **ETF usage is not either/or.** Three out of five investors feel ETFs are either somewhat long-term or somewhat short-term vehicles, which suggest many may be employing a hybrid strategy, in which they utilize passive ETFs to capture general market returns, as well as vehicles like sector, volatility, and style ETFs to capitalize on short-term themes.
- **For younger investors, time is on their side to seize opportunity.** Foreign market index, foreign currency, derivative, and inverse ETFs are more popular among younger investors than older investors. This could be attributable in part to the higher risk tolerances developed by some younger investors as a result of their longer time horizons.

Visit E\*TRADE’s [Newsroom](#) for the full Q4’16 StreetWise study results.

E\*TRADE helps investors balance today’s needs with tomorrow’s goals, through pioneering digital tools coupled with guidance online and from financial consultants. To learn more about E\*TRADE’s trading and investing platforms and tools, visit [etrade.com](#).

For useful insight from E\*TRADE and third-party investment professionals, follow the Company on Twitter, [@ETRADE](#).

### About the Survey

This wave of the survey was conducted from October 1 to October 10 of 2016 among an online U.S. sample of 954 self-directed active investors who manage at least \$10,000 in an online brokerage account. The survey has a margin of error of  $\pm 3.18$  percent at the 95 percent confidence level. It was fielded and administered by ResearchNow. The panel is broken into thirds of active (trade more than once a week), swing (trade less than once a week but more than once a month) and passive (trade less than once a month). The panel is 65 percent male and 35 percent female with an even distribution across online brokerages, geographic regions, and age bands.

### Referenced Data

If you had to choose, do you believe that ETFs are more for short-term trading or long-term investing strategies?				
	TOTAL Q4’16	AGE: 25–34	AGE: 35–54	AGE: 55+
Long-term (Net)	60%	59%	62%	61%

<sup>1</sup> <http://www.marketwatch.com/tools/screener?exchange=Nyse&report=MostActive>

Entirely long-term	3%	4%	2%	2%
Mostly long-term	23%	23%	25%	22%
Somewhat long-term	34%	32%	35%	37%
Somewhat short-term	28%	29%	28%	26%
Mostly short-term	10%	10%	9%	12%
Entirely short-term	2%	2%	1%	1%
<b>Short-term (Net)</b>	<b>40%</b>	<b>41%</b>	<b>38%</b>	<b>39%</b>

<b>In what types of ETFs of are you most interested?</b>					
	<b>TOTAL Q4'16</b>	<b>TOTAL Q3'16</b>	<b>AGE: 25-34</b>	<b>AGE: 35-54</b>	<b>AGE: 55+</b>
U.S. market index ETFs	48%	48%	40%	50%	54%
Dividend ETFs	42%	43%	34%	44%	51%
Sector- and industry-specific ETFs	30%	31%	27%	30%	39%
Bond ETFs	22%	20%	22%	22%	17%
Foreign market index ETFs	19%	15%	24%	19%	14%
Commodity ETFs	18%	19%	19%	19%	12%
Style or market cap ETFs	13%	13%	15%	12%	13%
Actively managed or smart beta ETFs	13%	12%	14%	13%	13%
Leveraged ETFs	12%	11%	15%	14%	6%
Foreign currency ETFs	12%	10%	15%	12%	4%
Derivative ETFs	9%	7%	15%	9%	3%
Inverse ETFs	8%	8%	12%	8%	3%
ETNs (exchange-traded notes)	7%	6%	8%	6%	3%
Other (i.e., vol. ETFs, ETFs of ETFs, equal weight ETFs)	2%	3%	3%	1%	3%

**“Millennials” defined as age 25–34 // “Gen X” defined as age 35–54 // “Baby Boomers” defined as age 55+**

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