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**E*TRADE STUDY REVEALS WHAT INVESTORS WORRY ABOUT MOST
WHEN INVESTING IN ETFS**



The biggest challenge among ETF investors is likely also the most fundamental: choosing which to purchase

NEW YORK, March 27, 2017 — 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 highlight what is most likely to keep investors up at night when investing in exchange-traded funds (ETFs). The top three concerns are:

1. **Choosing the right ETF.** With roughly 2,000¹ ETFs to choose from, and more coming to market at a rapid pace, investors may be beginning to feel overwhelmed.
2. **The complexity of ETFs.** Investors can be challenged with understanding the increasingly complex strategies providers are bringing to the market as they seek to deliver on both wide and narrow objectives alike. Given this complexity, investors are concerned that the fund's actual performance may not align with expectations.
3. **The tracking difference between the ETF and its underlying assets.** Many ETFs aim to mirror the returns of a specific index. Yet in some cases ETF returns can lag the index's, which can come as an unwanted surprise.

"ETFs have experienced extraordinary growth in recent years, allowing investors easy access to virtually any asset class and investing strategy," said Rich Messina, SVP of Investment Products at E*TRADE Financial. "With more choices than ever before, it's no surprise that investors can experience selection fatigue. Before investing in any ETF, investors are wise to

research the underlying positions of the ETF, the bid-ask spread, and the market capitalization, which can go a long way in helping to reduce concerns. There are many tools available to help investors. For example, at E*TRADE we offer a comprehensive screener that can sort by rating, category, characteristics, and commission-free status so investors can choose the funds that may be right for their objectives and risk tolerance.”

Mr. Messina also offered some observations on how ETF concerns can vary by age based on survey findings:

- **Millennials are more concerned than other age groups about delisting.** This group is significantly more concerned about their ETFs getting delisted; however, it hasn't dissuaded Millennials from gravitating toward less traditional ETFs like commodity, style, foreign currency, derivative, or inverse funds.
- **Boomers appear to be more concerned about choice.** Boomers are most likely to gravitate to the types of ETFs that can serve as the bedrock of a retirement portfolio, such as U.S. market index and dividend funds. Given the critical role these funds can play in a retiree's investment mix, it is understandable that this age group tends to be more sensitive about picking the right ones.
- **Gen Xers are more likely to look overseas and to smart beta for their fund selection.** While Gen Xers show similar interest in mainstream ETFs like U.S. market index and dividend ETFs as other age groups, they show greater interest in foreign market index ETFs and smart beta ETFs than Boomers and Millennials.

1. Source: E*TRADE's [ETF Screener](#), which allows customers to evaluate and compare virtually every ETF on the market

Visit E*TRADE's [Newsroom](#) for the full Q1'17 StreetWise study results.

E*TRADE aims to enhance the financial independence of traders and investors through a powerful digital offering and professional guidance. To learn more about E*TRADE's trading and investing platforms and tools, visit [etrade.com](#).

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About the Survey

This wave of the survey was conducted from January 1 to January 10 of 2017 among an online U.S. sample of 904 self-directed active investors who manage at least \$10,000 in an online brokerage account. The survey has a margin of error of ± 3.18 percent at the 95 percent confidence level. It was fielded and administered by Research Now. 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

| Which of the following concerns you the most about investing in ETFs? | | | | |
|---|-------|-------|-------|-----|
| | | Age | | |
| | Total | 25–34 | 35–54 | 55+ |
| Choosing the right one | 53% | 43% | 52% | 64% |
| Will not perform as expected because the strategy is more complex than it appears | 41% | 38% | 41% | 42% |
| A tracking difference between the ETF and the index it means to follow | 35% | 37% | 32% | 33% |
| Large 'bid-ask spread' when buying and selling | 28% | 31% | 30% | 21% |
| The ETF getting delisted or liquidated | 22% | 36% | 21% | 10% |
| Other | 2% | 0% | 3% | 3% |

| In what types of ETFs are you most interested? | | | | |
|--|-------|-------|-------|-----|
| | | Age | | |
| | Total | 25–34 | 35–54 | 55+ |
| U.S. market index | 48% | 41% | 49% | 54% |
| Dividend ETFs | 40% | 32% | 39% | 50% |
| Sector- and industry-specific ETFs | 28% | 22% | 28% | 36% |
| Foreign market index | 19% | 17% | 24% | 15% |
| Bond ETFs | 18% | 20% | 18% | 16% |
| Commodity ETFs | 18% | 29% | 17% | 10% |
| Style or market cap ETFs | 17% | 23% | 13% | 12% |
| Actively managed or smart beta ETFs | 13% | 13% | 15% | 11% |
| Leveraged ETFs | 10% | 14% | 11% | 6% |
| Foreign currency | 10% | 19% | 11% | 2% |
| Derivative ETFs | 10% | 16% | 10% | 3% |
| Inverse ETFs | 8% | 14% | 7% | 4% |
| ETNs (exchange-traded notes) | 7% | 10% | 5% | 5% |
| Other (i.e. Vol ETFs, ETFs of ETFs, equal weight ETFs) | 3% | 2% | 5% | 1% |

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

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