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**E*TRADE STUDY REVEALS THAT AMID HIGH VALUATIONS AND MARKET PEAKS,
MANY INVESTORS SEEK INDIVIDUAL STOCKS OVER ETFs**



More than three out of five investors prefer buying an individual stock or multiple stocks for sector exposure rather than mutual funds or ETFs

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Surveyed investors are drawn to individual stocks for sector exposure, despite the growing prominence of sector-specific funds

NEW YORK, August 24, 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 indicate that even amid the rise in passive investing strategies, when it comes to sector exposure, many investors still seek out individual companies to achieve their desired allocations:

- More than three out of five investors (62 percent) prefer buying shares of one or a handful of companies to gain exposure to a sector, as opposed to purchasing a sector-specific fund.
- About one out of five investors (21 percent) prefer buying a sector-specific ETF to gain exposure to a sector.
- At only 17 percent of the total population, the least popular method to gain sector exposure is buying a sector-specific mutual fund.

"Often investors are interested in a specific sector because they're looking for outperformance or diversification. Amid lofty valuations and recent market highs, many investors may be pursuing best-of-breed sector stocks as a way to help generate returns beyond what the sector indexes typically generate," said Rich Messina, SVP, Investment Products at E*TRADE Financial. "We're also seeing many investors using broad index funds—like ETFs or mutual

funds—as their portfolio's foundation, and then turning to other investments, like stocks or sector-specific funds, as satellite positions in their pursuit of higher returns or added diversity.”

Mr. Messina also offered observations into how the preferences vary by age:

- **Millennials are the most likely to choose individual stocks...**Nearly half (48 percent) of the Millennial population prefers to buy shares in a handful of different companies to achieve sector exposure. With their longer time horizons—and perhaps greater tolerance for risk—this generation may deploy individual stocks as satellite positions as they seek superior sector returns.
- **...and Millennials are also most likely to use ETFs.** Nearly three out of ten (27 percent) Millennials believe buying a sector-specific ETF is the best way to achieve sector diversification—the highest among all age groups. Many Millennials are just starting out in the investing world and likely have less investable capital compared to older generations. Millennials may view ETFs as a cheap and efficient way to build the foundation of their portfolio.
- **Boomers are most likely to gravitate towards mutual funds.** Boomers—unlike younger generations—show the most enthusiasm for sector-specific mutual funds, at 26 percent. Since mutual funds have been around for several decades, many Boomers may have a greater level of familiarity with these vehicles compared to younger generations.

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.

For useful trading and investing insights from E*TRADE, follow the company on Twitter, [@ETRADE](https://twitter.com/ETRADE).

About the Survey

This wave of the survey was conducted from July 1 to July 10 of 2017 among an online U.S. sample of 959 self-directed active investors who manage at least \$10,000 in an online brokerage account. The survey has a margin of error of ± 3.16 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 60 percent male and 40 percent female with an even distribution across online brokerages, geographic regions, and age bands.

Referenced Data

| <i>What is your preferred method for achieving exposure to a specific sector for your portfolio?</i> | | | | |
|--|------------|------------|------------|------------|
| | | AGE | | |
| | TOTAL | 25–34 | 35–54 | 55+ |
| Stock(s) | 62% | 67% | 62% | 51% |
| Buy shares in a handful of different companies in the sector | 41% | 48% | 46% | 31% |
| Buy shares of the best performing company in the sector | 21% | 19% | 16% | 20% |
| Fund(s) | 38% | 33% | 38% | 49% |
| Buy a sector-specific ETF | 21% | 27% | 19% | 23% |
| Buy a sector-specific mutual fund | 17% | 6% | 19% | 26% |

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

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