Crisil
Coalition
Greenwich

Global Trends in Institutional ETF Adoption

Drivers for Growth Through 2020

June 14, 2016

Executive Summary:

2015 was a record-breaking year for ETFs, which attracted more than $350 billion in new assets globally. Institutional investors are primary contributors to the steady growth in ETF demand, and over the last five years Greenwich Associates has conducted studies in the U.S., Europe, Asia, and Canada to identify the key trends behind their increasing ETF adoption.

In this paper we take a long-term view and explore how trends we are seeing today can be expected to impact ETF demand in 2020.

To arrive at projected growth in institutional ETF demand, we relied on survey data from the 2015 Global Exchange-Traded Funds Study to identify five key trends driving global ETF demand. We then built a growth model projecting ETF asset growth over the next five years. Using current asset levels as a starting point, the model examined respondents' future plans for increasing usage, broadening usage, increasing holding periods, and adopting new products among ETF users and non-users.

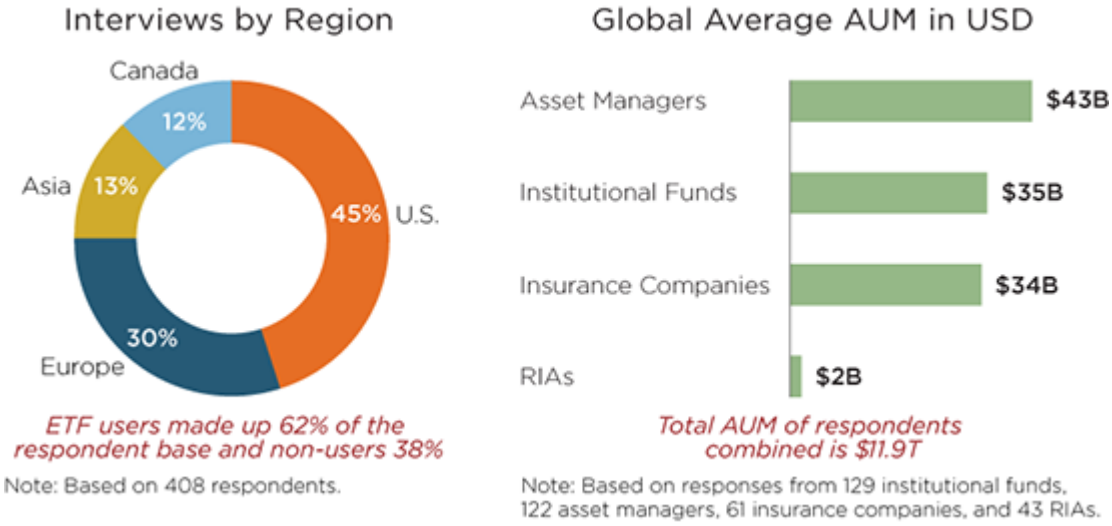
By the year 2020, we expect the following five drivers will collectively produce approximately $300B in annual institutional ETF flows:

1. The broadening use of ETFs across applications and asset classes will drive $132 billion in new demand in five years' time.
2. The migration toward using ETFs to obtain core exposures and achieve strategic goals will produce $42 billion in annual flows.
3. Liquidity needs will fuel demand for ETFs in fixed income, driving $68 billion in new annual flows.
4. Institutions using ETFs to replace derivatives positions will produce $28 billion in flows annually.
5. Innovative exposures like smart-beta ETFs will attract $25 billion in annual flows.

Methodology:

Greenwich Associates interviewed a total of 408 institutional investors globally, of which 253 were exchange-traded fund users and 155 were non-users, in an effort to track and uncover usage trends. The respondent base included 137 institutional funds (corporate pensions, public pensions, foundations and endowments), 141 asset managers (firms managing assets to specific investment strategies/guidelines), 63 insurance companies, 20 investment consultants, and 47 registered investment advisors (RIAs). RIAs are advisors or firms providing investment advice/recommendations that are registered with the U.S. Securities and Exchange Commission.

The Greenwich Associates growth model projects respondent data about assets currently invested in ETFs and future plans for increasing usage, broadening usage, increasing holding periods, and adopting new products among users and non-users. Assumptions about current assets are based on BlackRock's 2015 Global ETF Landscape report, while assumptions about levels and pace of future adoption are modeled on adoption levels observed through Greenwich Associates ETF research over the past six years.



Crisil
Coalition Greenwich

---

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and

Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL

OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., a company of S&P Global. ©2026 Crisil Ltd. All rights reserved.

greenwich.com ContactUs@greenwich.com Ph +1203.625.5038