

Press Release

London, Nice, Paris, June 8, 2017

## **EDHEC-Risk's 10<sup>th</sup> European ETF and Smart Beta Survey brings new insights on drivers for product adoption & challenges faced by investors**

EDHEC-Risk Institute has announced the results of the 10<sup>th</sup> EDHEC European ETF and Smart Beta Survey, a comprehensive survey of 211 European ETF and Smart Beta investors, conducted as part of the Amundi research chair at EDHEC-Risk Institute on "ETF, Indexing and Smart Beta Investment Strategies". EDHEC-Risk Institute has conducted a regular ETF survey since 2006, providing a detailed account of European investor perceptions and practices in the domain of ETFs and smart beta strategies over the past decade.

Key findings of the latest survey included the following:

### *HOW DO INVESTORS SELECT AND USE ETFS?*

- **Since 2006, the increase of the percentage of respondents using ETFs in traditional asset classes has been spectacular:** in 2006, 45% of respondents used ETFs to invest in equities and 10% to invest in fixed income, compared with 91% and 65% respectively in 2016.
- **Gaining broad market exposure remains the main focus of ETF users for 71% of respondents** (despite variations, values obtained in 2016 are equal to the long-term mean, from 2009 to 2016).
- **Costs and quality of replication are the two criteria dominating investor preoccupations**, related to the main motivations for using ETFs: reducing the investment costs, while tracking the performance of the index. Qualitative criteria considered by investors are the **long-term commitment of the provider** and broadness of the range (38% of respondents for both criteria).
- **About two-thirds of respondents (67%) used ETFs to invest in smart beta in 2016**, a considerable increase compared to 49% in 2014.

### *KEY OBJECTIVES DRIVING THE USE OF SMART BETA STRATEGIES*

- **The most important motivation for adopting smart beta strategies is to improve performance and manage risk.**
- In terms of the actual product wrapper, **respondents favour passive funds replicating smart beta indices (64%) but also use active solutions**, albeit to a lesser extent (44%).
- **Replication of smart beta strategies are chosen for the following reasons:** costs, transparency of methodology and availability of information, which represent the main reasons why passive strategies are normally selected. **Discretionary strategies are preferred for the reactivity and dynamism they allow**, with 68% of respondents indicating the ease to change portfolio allocation as the principal advantage.

- The pieces of information respondents consider important for assessing smart beta products are **liquidity and capacity, index construction methodology and transaction costs. There is an important gap between required information and ease of access to this information.** For example, data-mining risk and liquidity and capacity, which are crucial for respondents, are among the most difficult pieces of information to obtain.

#### *FUTURE DEVELOPMENTS ON ETF & SMART BETA PRODUCTS*

- **63% of investors actually plan to increase their use of ETFs** in the future despite the already high maturity of this market and the current adoption rates (compared with 55% in 2014 and 57% in 2015).
- **Lowering investment cost is the primary driver behind investors' future adoption of ETFs** for 87% of respondents.
- Top concerns for the respondents (54%) are the developments of ETFs in at least one of the following three categories: **ETFs based on smart beta indices, on multi-factor indices, and on single-factor indices.** The development of **ETFs in the equity asset class** is also one of the top concerns of respondents.
- **The vast majority of respondents (94%) plan to increase their investment in smart beta products** over the next three years.
- When asked about the smart beta solutions they think required further product development from providers, results indicated the areas of **fixed-income and alternative classes. Respondents would also like more customised solutions to be developed.** The development of new products corresponding to these demands may lead to an even wider adoption of smart beta solutions.

Commenting on the results of the survey, Fannie Wurtz, Managing Director at Amundi ETF, Indexing & Smart Beta, said, “The 10<sup>th</sup> edition of the EDHEC-Risk Institute survey offers the industry powerful insights on the growing use of ETF and Smart Beta allocations and their increasing importance in investors' portfolios. Amundi, as the leading European asset manager, is a recognised player in the ETF, Smart Beta and Factor Investing field, which represents one of the Group's main growth drivers. We are fully committed to continue building innovative and customised solutions which respond to investors' needs.”

Professor Lionel Martellini, Director of EDHEC-Risk Institute, added, “The survey confirms that transparency and the possibility of making explicit choices on risk exposures are key drivers behind investors' growing appetite for smart beta. At the same time, the industry yet has to make progress on offering better insights into risks and more flexibility to allow investors to fully exploit the potential of smart beta strategies.”

A copy of the EDHEC-Risk Institute survey can be found here:

[EDHEC-Risk Institute Publication 10th EDHEC European ETF and Smart Beta Survey](#)

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## About EDHEC-Risk Institute

### Academic Roots & Practitioner Reach

Since 2001, EDHEC Business School has been pursuing an ambitious policy in terms of practically relevant academic research. This policy, known as “Research for Business”, aims to make EDHEC an academic institution of reference for the industry in a small number of areas in which the school has reached critical mass in terms of expertise and research results. Among these areas, asset and risk management have occupied privileged positions, leading to the creation in 2001 of EDHEC-Risk Institute, which has developed an ambitious portfolio of research and educational initiatives in the domain of investment solutions for institutional and individual investors.

This institute now boasts a team of close to 50 permanent professors, engineers and support staff, as well as 38 research associates from the financial industry and affiliate professors. EDHEC-Risk Institute is located at campuses in Singapore, which was established at the invitation of the Monetary Authority of Singapore (MAS); the City of London in the United Kingdom; Nice and Paris in France. The philosophy of the institute is to validate its work by publication in prestigious academic journals, but also to make it available to professionals and to participate in industry debate through its position papers, published studies and global conferences.

To ensure the distribution of its research to the industry, EDHEC-Risk also provides professionals with access to its website, [www.edhec-risk.com](http://www.edhec-risk.com), which is entirely devoted to international risk and asset management research. The website, which has more than 70,000 regular visitors, is aimed at professionals who wish to benefit from EDHEC-Risk’s analysis and expertise in the area of applied portfolio management research. Its quarterly newsletter is distributed to more than 200,000 readers.

EDHEC-Risk Institute also has highly significant executive education activities for professionals. In partnership with CFA Institute, it has developed advanced seminars based on its research which are available to CFA charterholders and have been taking place since 2008 in New York, Singapore and London.

In 2012, EDHEC-Risk Institute signed two strategic partnership agreements, with the Operations Research and Financial Engineering department of Princeton University to set up a joint research programme in the area of asset-liability management for institutions and individuals, and with Yale School of Management to set up joint certified executive training courses in North America and Europe in the area of risk and investment management.

As part of its policy of transferring know-how to the industry, EDHEC-Risk Institute has set up ERI Scientific Beta. ERI Scientific Beta is an original initiative which aims to favour the adoption of the latest advances in smart beta design and implementation by the whole investment industry. Its academic origin provides the foundation for its strategy: offer, in the best economic conditions possible, the smart beta solutions that are most proven scientifically with full transparency of both the methods and the associated risks.

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## About Amundi

Publicly traded since November 2015, Amundi is the largest European Asset Manager in terms of AUM(\*), with over €1.1 trillion worldwide. Headquartered in Paris, France, Amundi has seven investment hubs located in the world's key financial centres, and offers a combination of research depth and market experience that has earned the confidence of its clients.

Amundi is the trusted partner of 100 million retail clients, 1,000 institutional clients and 1,000 distributors in more than 30 countries, and designs innovative, high-performing products and services for these types of clients tailored specifically to their needs and risk profile.

Go to [amundi.com](http://amundi.com) for more information or to find an Amundi office near you.

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*Amundi figures as of 31 March 2017. (\*) No.1 European asset manager based on global assets under management (AUM) and the main headquarters being based in Continental Europe - Source IPE "Top 400 asset managers" published in June 2016 and based on AUM as at December 2015.*

## About Amundi ETF, Indexing & Smart Beta

The Amundi ETF, Indexing and Smart Beta business line is one of Amundi Group's strategic business areas and totalizes more than 70 billion€ AuM<sup>1</sup>.

Built on strong commitments on cost efficiency, innovation and transparency, the Amundi ETF platform ranks among the top-five European ETF providers with more than 100 ETFs and more than 500 listings across Europe<sup>2</sup>.

On Indexing and Smart Beta, innovation and customisation are at the core of the client-oriented approach. The objective is to provide investors with robust, flexible and highly cost efficient solutions, leveraging on Amundi pricing power and extensive resources, including first class research capabilities in SRI and Factor investing.

*1 Source: Amundi ETF, indexing & Smart Beta as of 31/03/2017*

*2 Source: Deutsche Bank European Monthly ETF Market Review, April 2017.*