

New FTSE Russell Survey Measures Financial Advisor Use of Smart Beta

- **Two thirds of financial advisors using ETFs using smart beta**
- **Advisors utilising smart beta younger with more AUM in ETFs and alternatives**
- **More than 70% of advisors adopting more than one smart beta approach**

FTSE Russell, the global index provider, today issued research findings showing that 68% of financial advisors using ETFs are incorporating smart beta investment products into their client portfolios.

According to FTSE Russell's first US retail financial advisor market survey - [Smart Beta: 2015 survey findings from U.S. financial advisors](#) - advisors utilizing smart beta products tend to be younger, have a higher share of AUM in ETFs and alternative investments, and have practices which extend beyond the core activities of investment selection, asset allocation and financial planning.

In addition, the survey found that registered investment advisors (RIAs) are more likely than regional, independent and wire house advisors to be aware of the term "smart beta." Notably, more than 70% of financial advisors who adopt smart beta utilize more than one product, with dividend, high quality, equal weight and fundamental the most popular products.

Rolf Agather, Managing Director of North America Research for FTSE Russell, said:

"Factor-based and alternatively-weighted indexes have transformed the investment landscape. It is clear that retail advisors are embracing investment products based on these indexes as a way of incorporating new ideas into their clients' portfolios. Our findings indicate that retail financial advisors view smart beta as an important portfolio tool for addressing investment challenges."

Summary of Key Findings:

Advisors are using "smart beta" strategies, even if they are not always familiar with the term

- Without the help of descriptive examples, 35% of advisors reported having used a smart beta investment product yet, when prompted by specific product names, 68% identified themselves as users
- When shown examples of smart beta investment products, 89% of non-users of smart beta expressed an interest in trying these products
- Advisors express an interest in using smart beta investment products to protect portfolios in down markets, control volatility and increase alpha, objectives often associated with active management

Dividend, high quality, equal weight and fundamental smart beta approaches are most popular

- Advisors are most likely to use a smart beta approach that weights companies by historical dividend yield, with 36% adopting this type of smart beta investment product and 35% interested in using it
- High quality (27%), equal weight (26%) and fundamental (23%) are the next most widely used smart beta investment products after dividend
- More than 70% of financial advisors using smart beta apply more than one type of approach

Smart beta-using financial advisors younger, more holistic and have RIA designations



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- Advisors using smart beta investment products tend to be younger and have a higher share of assets in ETFs and alternative investments
- Advisors using smart beta investment products are more likely to have practices that extend beyond the core activities of investment selection, asset allocation and financial planning
- 46% of RIAs provided unaided affirmation of using investment products based on smart beta indexes, compared to 32% for other types of financial advisors

About the Survey:

FTSE Russell partnered with Greenwald & Associates to conduct its first survey on smart beta perception and usage among retail financial advisors. To be eligible for the study, which was conducted in June 2015, advisors had to have more than \$20 million in assets under management, at least 4% of assets invested in ETFs and at least 20% in fee-based annual revenue.

There were 307 survey respondents drawn primarily from wire houses (29%), regional broker dealers (23%), RIAs (23%) and independent broker dealers (21%). Ninety-nine percent of respondents had more than five years experience as a financial advisor and 84% had more than 10 years experience. Eighty-one percent of respondents manage more than \$50 million and 52% manage more than \$100 million.

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About FTSE Russell:

FTSE Russell is a leading global provider of benchmarking, analytics and data solutions for investors, giving them a precise view of the market relevant to their investment process. A comprehensive range of reliable and accurate indexes provides investors worldwide with the tools they require to measure and benchmark markets across asset classes, styles or strategies.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

FTSE Russell is focused on applying the highest industry standards in index design and governance, employing transparent rules-based methodology informed by independent committees of leading market participants. FTSE Russell fully embraces the IOSCO Principles and its Statement of Compliance has received independent assurance. Index innovation is driven by client needs and customer partnerships, allowing FTSE Russell to continually enhance the breadth, depth and reach of its offering.

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For more information, visit www.ftserussell.com

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The Group operates a broad range of international equity, bond and derivatives markets, including London Stock Exchange; Borsa Italiana; MTS, Europe's leading fixed income market; and Turquoise, a pan-European equities MTF. It is also home to one of the world's leading growth markets for SMEs, AIM. Through its platforms, the Group offers international business and investors unrivalled access to Europe's capital markets.

Post trade and risk management services are a significant part of the Group's business operations. In addition to majority ownership of multi-asset global CCP operator, LCH.Clearnet Group, LSEG operates CC&G, the Italian clearing house; Monte Titoli, the T2S-ready European settlement business; and globeSettle, the Group's newly established CSD based in Luxembourg.

The Group is a global leader in indexing and analytic solutions. FTSE and Russell Indexes offer thousands of indices that measure and benchmark markets around the world. The Group also provides customers with an extensive range of real time and reference data products, including SEDOL, UnaVista, Proquote and RNS.

Following the acquisition of Russell Investments, LSEG conducted a comprehensive review of the investment management business to analyse its strategic fit with the Group. This was concluded in February 2015, and LSEG is now exploring a sale of the business in its entirety.

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