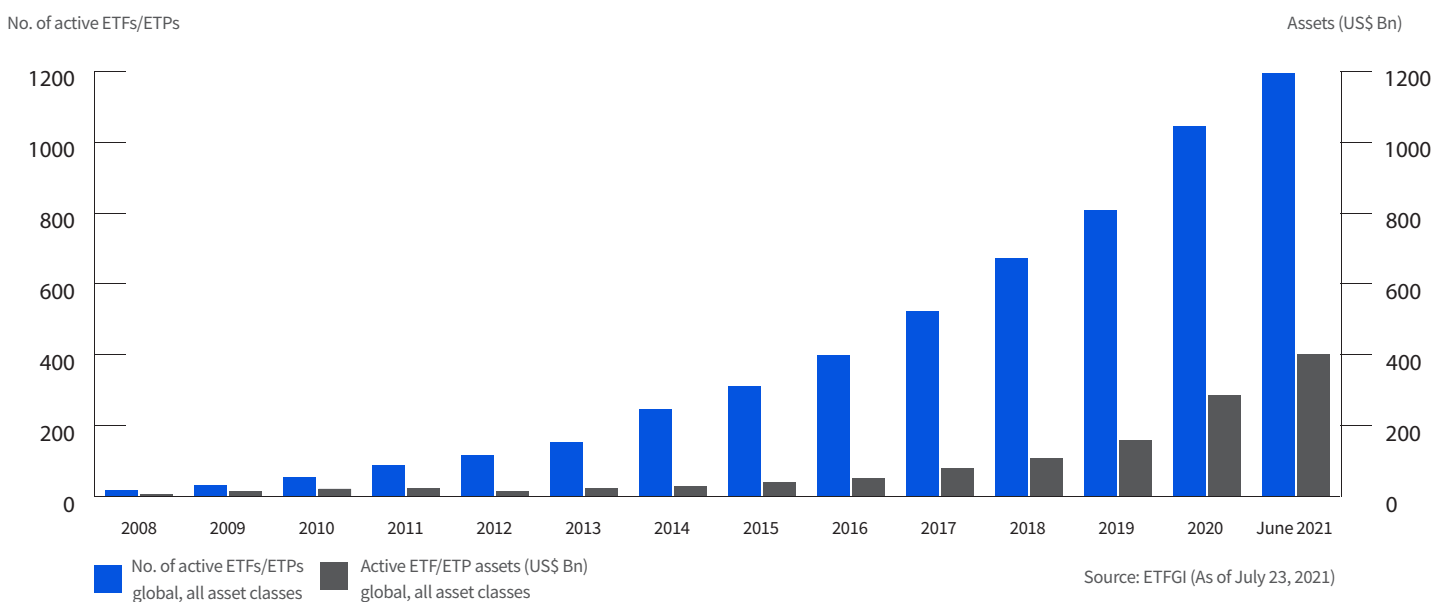


ACTIVE ETF

ADVISOR TRENDS

Active ETF adoption is on the rise, and advisors play a key role in educating retail investors.



Over the past three years, the number of active ETFs has almost doubled while assets under management have tripled. The rapid rise in active ETF usage gives investors—and their advisors—more options in this growing space. A recent survey of Mitre Media readers reflects the trend, with half of advisor respondents saying they own an active ETF and 84% percent saying they intend to buy one in the near future. The survey data also shows adoption of active ETFs by retail investors is low, underscoring an opportunity for advisors to educate their clients. Check out a summary of the survey findings.

SURVEY METHODOLOGY

The Mitre Media Active ETFs Reader Survey was conducted online and via email, on MutualFunds.com and Dividend.com, from June 30, 2021, through November 30, 2021. There were 343 US-based advisor respondents and 2,508 US-based retail investor respondents.

MitreMedia

Dividend.com

MutualFunds.com

ADVISORS ARE MORE AWARE OF ACTIVE ETFs THAN RETAIL INVESTORS

Active ETFs are well known among advisors. But while the vast majority of advisors (87%) say they are aware of active ETFs, more than a quarter (27%) say they don't understand how they differ from actively managed mutual funds. And just under a third of advisors aren't clear on the difference between the two primary types of ETFs:

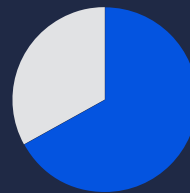
- **Transparent ETFs**, which publicly disclose the contents of their portfolios on a daily basis.
- **Non-transparent ETFs**, which do not disclose the contents of their underlying basket of securities on a daily basis.

This lack of basic knowledge suggests a need for better education and more resources so that advisors can get up to speed on this rapidly growing part of the market. This education is especially important for retail investors, who know significantly less about active ETFs currently.



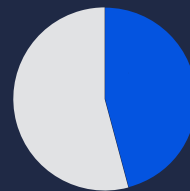
The vast majority of advisors say they are aware of active ETFs

RETAIL INVESTORS NEED HELP



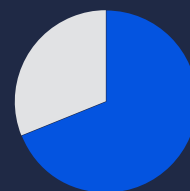
67%

Only 67% of retail investors report that they know what active ETFs are.



46%

Fewer than half understand the difference between active ETFs and active mutual funds.



69%

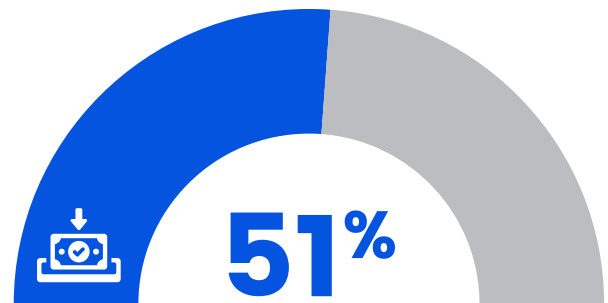
Of retail investors say they don't know the difference between transparent and non-transparent ETFs.

UPTAKE OF ACTIVE ETFS IS RISING RAPIDLY

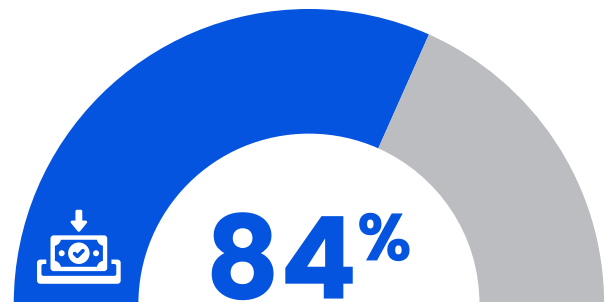
Usage patterns suggest a strong interest in active ETFs among advisors and retail investors alike.

Roughly half (51%) of advisors use them in their portfolios. Retail investors sit further behind the curve, at only 37%. However, those numbers have been changing — and they're likely to continue to do so. Advisors are exhibiting growing interest, as 84% anticipate buying active ETFs in the near future. This anticipation may reflect growing interest among retail investors as well: nearly two-thirds (63%) anticipate buying active ETFs in the future. Nevertheless, adoption rates among retail investors have remained persistently low: More than half (51%) have never bought shares in an active ETF.

The rising level of retail investor interest, coupled with low adoption rates, should act as an incentive for advisors to bolster their knowledge about this rapidly growing space.



of advisors currently use active ETFs



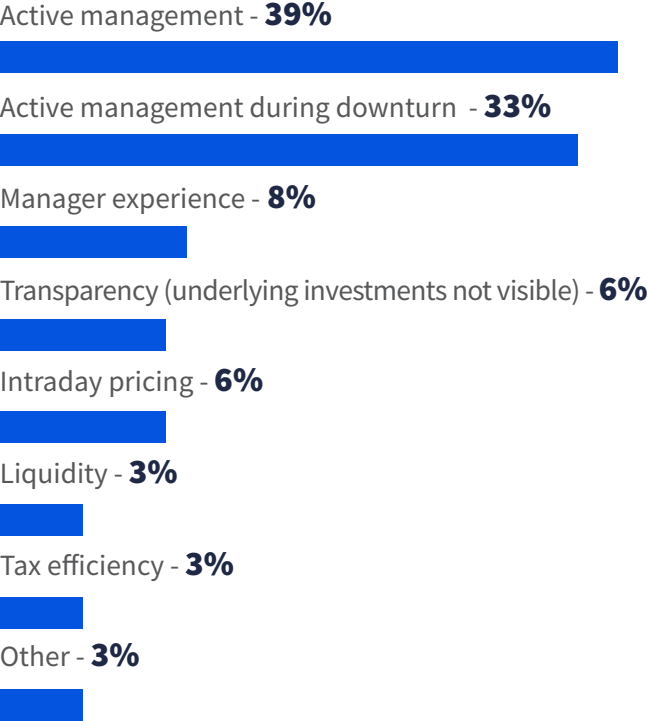
of advisors anticipate buying active ETFs in the future

MORE EDUCATION IS KEY TO IMPROVE ADOPTION AMONG RETAIL INVESTORS

Advisors see a competitive advantage in offering active ETFs. Nearly three in four (72%) indicate that they see the potential to generate alpha as the primary advantage provided by active ETFs. Retail investors are strongly interested in alpha as well, but for only one in five (19%), the ability to take advantage of a portfolio manager’s expertise offers another key benefit. Taken together, these results suggest retail investors may be less willing to adopt active ETFs without the support and guidance of advisors and asset managers.

Advisors have not given retail investors much reason to consider active ETFs to date, either: 67% of retail investors indicate that their advisor has yet to recommend an active ETF to them. These findings further underscore the importance of advisor education. Once advisors fully understand the potential uses and advantages of active ETFs, they will be better equipped to communicate that information to their clients. This educational component will likely be critical for the active ETF market to realize its growing potential.

REASONS FOR LIKING ACTIVE ETFS



67% of retail investors indicate that their advisor has yet to recommend an active ETF to them.



A BRIGHT FUTURE FOR ACTIVE ETFs

Our survey results suggest the rapid growth of the active ETF market is poised to continue.

Both financial advisors and retail investors anticipate turning to active ETFs in the near future, but a lack of deep knowledge about these products may be holding them back. **Increased attention to educational materials and resources that help advisors and retail investors better understand the active ETF space could further accelerate uptake.**