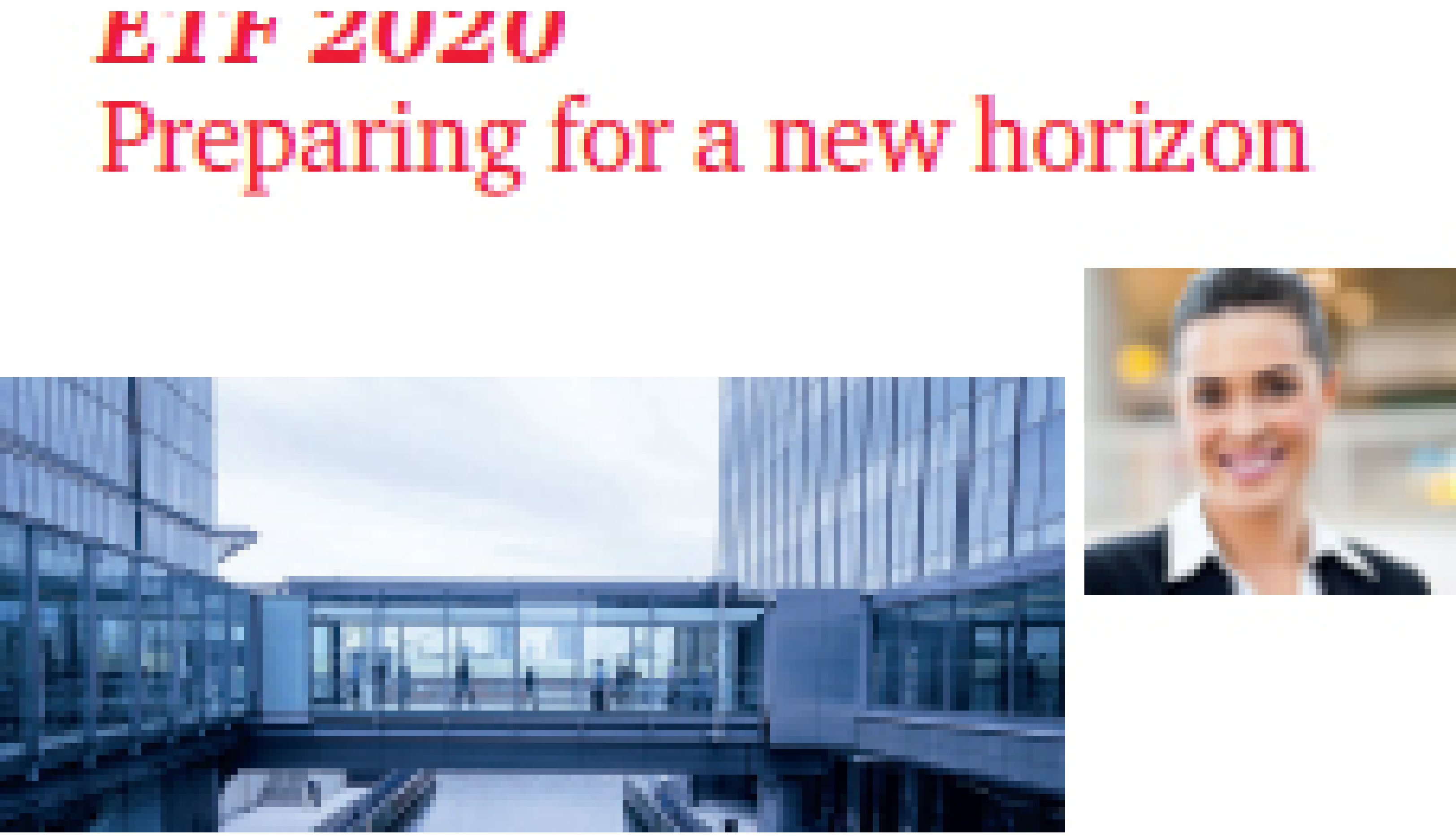


Jan 27, 2015 08:01 +08

PwC: Exchange Traded Fund Assets Under Management to exceed $5 Trillion globally by 2020

News release

Date	27 January 2015, 8:01am (Sin/HK) / 12:01am GMT

Contact Pages	Candy Li Tel: +65 6236 7429Mobile: +65 8613 8820 e-mail:candy.yt.li@sg.pwc.com 3

PwC: Exchange Traded Fund Assets Under Management to exceed $5 Trillion globally by 2020

Fragmented opportunities exist in Asia; fund passports could have profound impact on success

Singapore, 27 January 2015 -- Professionally managed financial investments globally are predicted to grow at 6% per annum to reach $100 trillion by 2020, according to a new report by PwC. Exchange traded funds (ETFs) will pay a prominent role in this growth, as new investor segments continue to integrate them into their portfolios and fund sponsors continue to introduce more products.

The report, **'ETF 2020: Preparing for a new horizon'** ("ETF 2020"), which surveyed executives from 60 ETF sponsors, asset managers and service providers around the world that account for over 70% of global assets, reveals more than three out of four executives expect ETF assets to at least double, to reach $5 trillion or more by 2020.

Global overview of key findings

According to ETF 2020, asset flows in the developed markets of the U.S and Europe will continue to dominate the ETF landscape. However, the highest rates of growth will be found in the less mature markets.

Globally, institutional investors are widely expected to be the primary growth driver with insurance companies, pension plans and hedge funds in particular, projected to be significant sources of demand for ETFs.

New types of indexing (also referred to as "smart beta") represent a hotbed of product development activity with 46% of firms surveyed identifying this as the most important area of innovation. PwC expects this to continue for the near term. Active ETFs (34%) and alternatives (29%) are also expected to be sources of significant ETF growth between now and 2020.

ETF sponsors are bullish on their financial prospects with 59% saying they expect their ETF business to become more profitable this year. According to PwC, upgrading technology, resources and processes will be critical as the ETF landscape becomes more global and advanced, with a wider array of investors and new investment strategies offered in ETF form.

ETF 2020 highlights that service providers will need to continue to adapt their business model by adding resources, streamlining processes, introducing more automation, globalising operations and upgrading technology.

The regulatory environment is widely believed by the survey participants to have a significant impact on the growth and innovation of ETFs over the next few years. 91% indicated that regulations and taxes impact ETF growth. PwC notes, however, that whilst new regulations could spark further growth if they permit further product innovation or lower distribution barriers; they could also dampen demand, particularly if new tax rules make ETFs less tax efficient.

Nigel Brashaw, Global ETF Leader, PwC, commented:

“Shifts in the regulatory environment will continue to produce opportunities that will favour firms with local market knowledge. The ability to transform ETFs into effective solutions that address the needs of specific investor segments will be a particularly important factor in competing successfully.”

Asia: Challenges and Fragmented opportunities

The competitive landscape can differ markedly from one country to another within the region. For example, ETF providers in China, Japan and Korea are dominated by domestic firms, while in Singapore and Hong Kong, the market is dominated by large global ETF sponsors. Still, many new ETF providers have emerged in Hong Kong over the past three years as Chinese asset managers establish funds under the Renminbi Qualified Foreign Institutional Investors (RQFII) programme.

While new regulatory initiatives will be some of the biggest drivers of change in the ETF business in Europe, in Asia traditional forms of passively managed ETFs, typically indexed products, are still viewed as a major growth opportunity in a market which is still relatively young. The survey has also found that product innovation is not generally viewed as an immediately priority in Asia, due to the immaturity of the markets and regulatory hurdles. In addition, a lack of experience and talent in the region could also be a critical factor holding back the successful development of innovative products.

Distribution remains a challenge in Asia, exacerbated by the fact that many markets are closed with only a limited number of Asian ETFs cross-listed in other markets in Asia. In addition, Asia's commission-driven sales channels form a hurdle when it comes to effective distribution of ETFs, where the traditional distributors are less keen to promote products which don't generate sufficiently high revenues for them. Fund passports could have a profound impact on the success of ETFs in Asia. For example, the ASEAN passport for Malaysia, Singapore and Thailand, operational since August 2014, means retail funds (including physical ETFs), can be offered directly to investors in any three of these markets. Additionally, there is the Shanghai-Hong Kong Stock connect market access programme which could create additional opportunities for ETFs if they are added to its scope.

Justin Ong, Asia Pacific Asset Management Leader, PwC Singapore concluded:

"Despite these challenges, opportunities abound for existing ETF sponsors as well as other asset managers willing to develop a thoughtful and informed strategy as they prepare to address the Asian market.

"However, as more types of investment strategies become operationally feasible and are permitted by regulators, firms will need to develop and retain deep expertise, differentiated products, investor education, and effective distribution channels to achieve success with their ETF offerings."

ENDS

Notes to Editors:

Survey methodology:

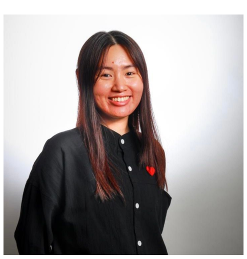
PwC surveyed executives from 60 firms around the world in 2014 using a combination of structured questionnaires and in-depth interviews. Two-thirds of the participants were ETF managers or sponsors, with the remaining participants divided between asset managers not currently offering ETFs and service providers. Participating firms account for more than 70% of global ETF assets.

To download a copy of PwC's report, '**ETF 2020: Preparing for a new horizon**', please visit www.pwc.com/ETF2020.

About PwC
PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

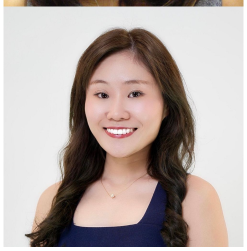
PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Contacts



Siew Ling Ong
Press Contact
Manager, Brand and Communications
siew.ling.ong@pwc.com

Candy Li
Press Contact
Team Lead - Brand & Communications
candy.yt.li@pwc.com



Verlynn Heng
Press Contact
Senior Associate
Brand & Communications
verlynn.wy.heng@pwc.com
81251483