

Asia's total ETF assets increased 47% year-on-year to a record US\$445 billion[^] in 2020 due to the growing adoption of ETFs in investment portfolios. The Asia ETF Survey 2020 examined the ETF allocation decisions made by institutional investors, the leading players in Asia's ETF market, and found that the appetite for ETFs continues to grow, indicating a further expansion of the market. Take a look:

Growing institutional allocation to ETFs

Are you using ETFs?
If not, do you plan to use ETFs in the future?

Allocations to ETFs by institutional investors continued to expand in 2020.

78% Yes

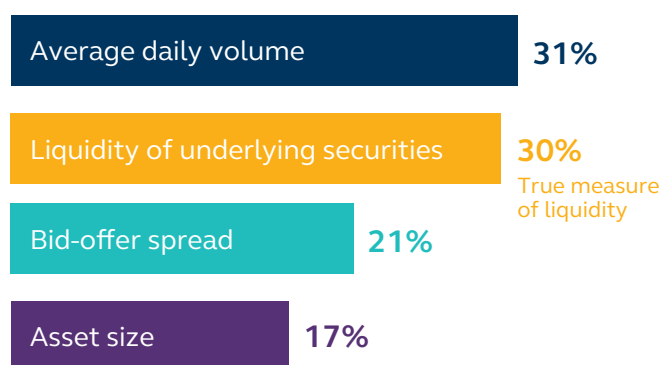
58%
of respondents
are using ETFs

20%
of respondents are planning
to start using ETFs

Recognising the hidden liquidity of ETFs

How do you gauge ETF liquidity?#

Investors assigned greater importance to average daily volume than they did to the liquidity of underlying securities, which is the true measure of ETF liquidity.



Changing investor priorities

What are your prime considerations when selecting ETFs?*

Tax efficiency grew in importance as an influencing factor while the expense ratio was no longer the primary criterion, and fewer investors considered it key to their ETF selection process.

	2019	2020
ETF Issuer reputation/experience	37%	57%
Past performance	29%	42%
Index provider reputation/experience	12%	41%
Expense ratio	53%	39%
Tracking error and/or tracking difference	47%	36%
Bid-ask spread	29%	30%
Tax efficiency	16%	25%
Onscreen turnover	17%	18%

[^] Source: ETFGI, assets in the Asia Pacific (ex-Japan) ETF/ETP industry at the end of December 2020

* Multiple selection is allowed and the figures may therefore not add up to 100%

Numbers may not add up to 100% due to rounding

Active funds competing with ETFs

What is the biggest obstacle to using ETFs?*

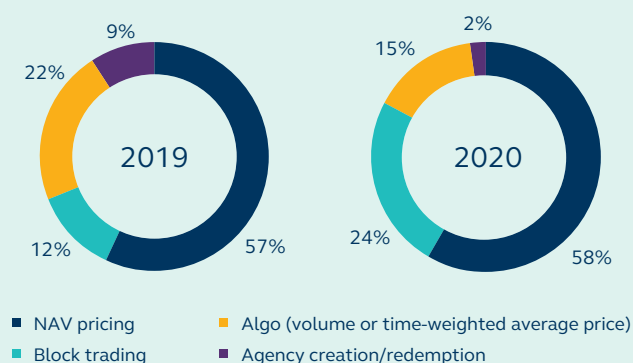
Investors' preference for actively managed funds remained the key hurdle to ETF adoption.

	2019	2020
Preference for active funds	36%	37%
Insufficient knowledge of ETFs	23%	29%
Difficult to obtain employer's compliance approval	8%	29%

Continuing to capitalise on transparent pricing

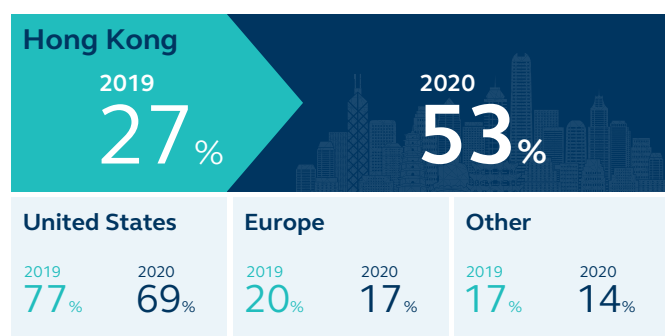
What is your preferred order type in ETF trades?#

A growing number of investors prefer NAV pricing over other order types when trading ETFs.



Growing awareness of TCO in Asia

Over half of all respondents prefer to trade ETFs in Hong Kong* versus only 27% in last year's survey. This reflects an improved understanding among investors of ETFs' total cost of ownership (TCO).



Playing a bigger role in institutional portfolios

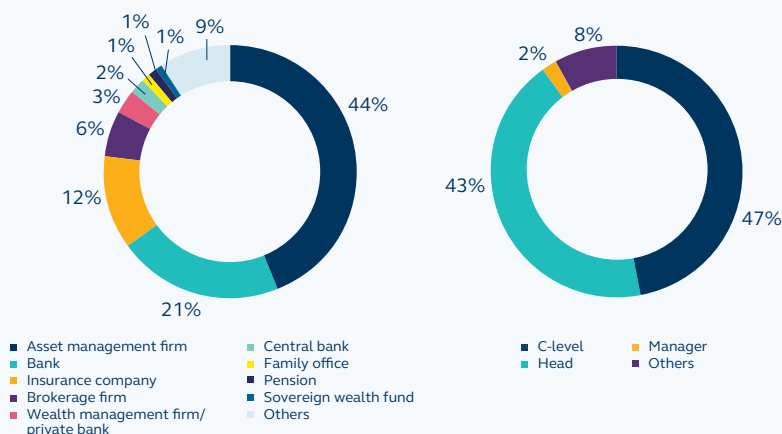
In future years, what would you expect your organisation's allocation to ETFs be?

A significant majority of the respondents expected to further increase their portfolio exposure to ETFs.



Respondent profile

The survey was conducted by the Asia ETF Forum from 24 November through 26 November 2020. A total of 128 forum attendees responded. The number of respondents to each question may differ.



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