Insights to better understand how institutional asset owners use smart beta.

A new, global smart beta survey of more than 250 asset owners survey published by FTSE Russell shows a growing awareness of smart beta’s diversification potential within overall portfolio construction and specifically through the use of factor combinations. It focuses on how asset owners perceive and use smart beta indexes and products as specialized tools to help enhance returns, reduce risk, increase diversification, cut costs, and achieve their investment objectives.

The following three key survey highlights provide encouraging, corroborative insights for those who are either considering whether to adopt smart beta investable products or increase their current allocation in them, and help illustrate how smart beta is transforming the investment landscape.

The evaluation of smart beta has doubled since the 2014 survey.

The 2016 results show accelerating interest in smart beta strategies among institutional asset owners globally. Growth is expected to be driven by asset owners who are either assessing smart beta or adding to their existing smart beta allocations over time.

Use of multi-factor combinations strategies is increasing.

High-quality and momentum strategies remain popular, but multi-factor strategies nearly doubled year-on-year while the usage of fundamentals declined. Determining the best strategy or combination of strategies and managing unintended factor biases remain the top two concerns with smart beta implementation.

“Cost savings” is gaining importance as an objective.

Most asset managers agree that “return enhancement” and “risk reduction” remain the primary objectives in smart beta across all AUM tiers, but survey results suggest that asset managers focused on “cost savings” view products based on smart beta indexes as an attractive alternative to “actively” managed products.

These findings represent only a few key highlights from the survey. The comprehensive analysis published in smart beta: 2016 global survey findings from asset owners provides greater detail and insight into the growing interest in and adoption of smart beta globally among asset owners.

The popularity of smart beta indexes continues to strengthen as asset owner decision makers across all asset tiers are increasingly evaluating and allocating more of their equity toward the indexes.
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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