

BROWN   
BROTHERS  
HARRIMAN

A scenic landscape featuring a vast tea plantation in the foreground, with rows of green tea bushes stretching across rolling hills. In the background, there are dense, lush green forests covering more hills under a bright, hazy sky, suggesting a sunrise or sunset. The overall color palette is dominated by greens and yellows, with a dark blue background at the top and bottom of the page.

# 2022 Greater China ETF Investor Survey

**Thematic Demand Accelerates Among Greater China  
Investors as ETF Adoption Ramps Up**









# Contents

Greater China ETF Marketplace ..... 5

---

Thematic ETFs ..... 7

---

China Cross-border/ETF Connect ..... 9

---

ESG ETFs ..... 12

---

Fixed Income and Active ETFs..... 14

Brown Brothers Harriman (BBH) recently surveyed Greater China-based institutional investors (42%), financial advisers (15%), and fund managers (43%) who invest in ETFs. The data was gathered as part of a broader survey, which also covered professional ETF investors in the United States and Europe.

## Greater China ETF Marketplace

157 respondents

in Greater China, representing

**Mainland, Hong Kong, and Taiwan**

---

**87% manage more than**

**\$100 million**

**(USD) in assets**

---

**66% have more than**

**25% of their  
portfolio**

**invested in ETFs**

## Big Changes

**Investors in Hong Kong (78%) and Taiwan (81%) plan material increases in their use of ETFs**

this year, **up from 65% and 58%**, respectively, last year.

---

**One third** of Mainland China investors plan to invest **up to 50% of their portfolios in thematic ETFs** in five years.

---

**ETF issuer** is the selection factor that increased the most. It ranked as the **2nd most important factor for investors** in Greater China, up from 6th last year.

# Key Findings



## The pace of ETF adoption continues to ramp up amid intense competition

84% of Greater China investors expect to increase their ETF allocation in the next 12 months, an increase of 8% from 2021. A staggering 95% of institutional investors in the region expect their allocations to increase, compared to 78% in 2021.



## The interest seen in thematic ETFs continues to grow, especially in Mainland

There's resounding interest across the region with 96% of Mainland investors, 78% of Hong Kong investors, and 70% of Taiwan investors looking to increase allocations to thematic ETFs this year.



## Investors across the region lean into digital assets/crypto

66% of investors across Greater China are planning to add them to their portfolios in 2022. In particular, in Mainland, investors rank crypto ETFs as second highest strategy in demand after defined outcome.



## Interest in ESG grows as policymakers enhance climate disclosure rules

88% of investors in Greater China plan to allocate more capital to ESG investments this year. Across all three markets, there is a pronounced uptick in demand for ESG products.



## Investor comfort with fixed income ETFs appears to have solidified

79% of respondents plan to increase their exposure to fixed income ETFs over the next 12 months compared to 76% in 2021. Notably, 88% of institutional investors plan to increase their exposure.



## In anticipation of the Mainland-Hong Kong ETF Connect, U.S. equity investments earn the highest demand from Mainland investors

U.S. equity and high yield fixed income are the top choice for Mainland investors when buying Hong Kong listed ETFs.

# Greater China ETF Marketplace

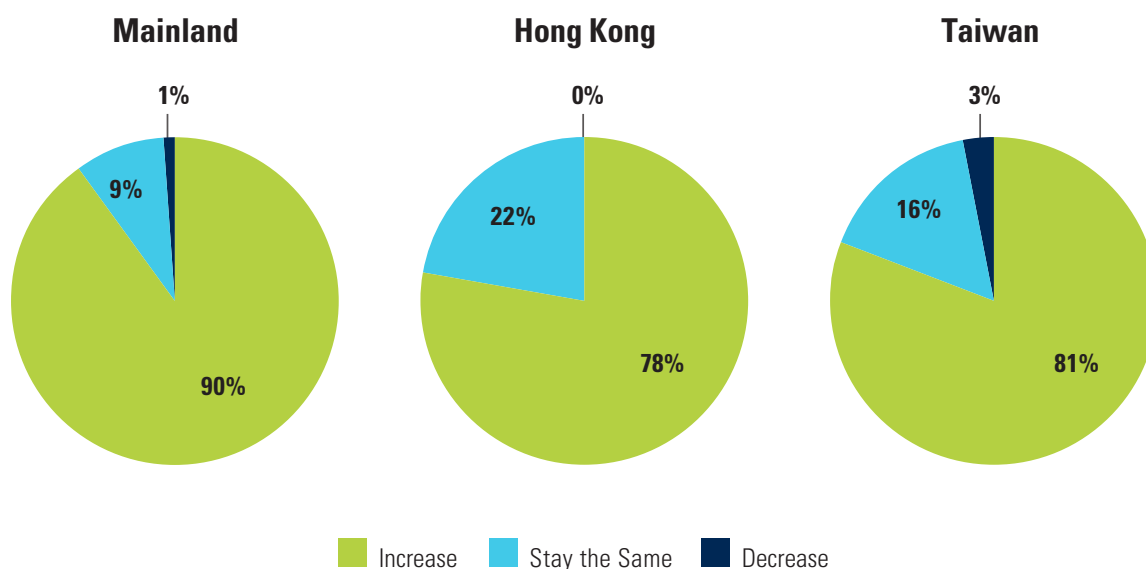
2021 proved to be another banner year for ETFs in Greater China with the region growing to \$300 billion USD of assets under management.<sup>1</sup> Ongoing education efforts across the region around the structural benefits of the ETF wrapper seem to be resonating with investors, while regional regulators and stock exchanges remain committed to developing the ETF infrastructure with a focus on enhancing liquidity and bringing more innovative products to investors in Greater China. This has led to the diversification of the respective product platforms in the region and an increase in the exposures that can be accessed on local exchanges.

As evident in the responses, ETF adoption and usage are at varying stages across Greater China. Investors in each market also have distinct views on key criteria for selecting ETFs.

84% of investors in the region expect to increase their allocation to ETFs in the next 12 months, up from 76% in 2021. A staggering 95% of institutional investors across the region expect to increase their allocations over the next 12 months.

## ETFs are expected to grow in the region

**Do you expect your use of ETFs to increase, decrease, or stay the same over the next 12 months?**



1. ETFGI

# Greater China ETF Marketplace

## Top considerations of investors

When selecting ETFs, please select and rank your top three of the following in terms of importance.

Mainland	2021 Rank	Hong Kong	2021 Rank	Taiwan	2021 Rank
ETF Issuer	6	Trading Volume	1	Historical Performance	1
Tax Efficiency	7	ETF Issuer	6	Trading Volume	2
Expense Ratio	4	Historical Performance	2	Index Methodology	5
Trading Volume	2	Index Methodology	3	Expense Ratio	4
Index Methodology	5	Tracking Error	7	Tax Efficiency	7
Historical Performance	1	Expense Ratio	4	ETF Issuer	6
Tracking Error	8	Trading Spreads	5	Trading Spreads	3
Trading Spreads	3	Tax Efficiency	8	Tracking Error	8

## Top ETF strategies

Please rank the top 3 ETF strategies that you want to see more of in the market.

Mainland	Hong Kong	Taiwan
Defined Outcome ETFs (Buffered ETFs)	Thematic	Fixed Income
Cryptocurrency	Defined Outcome ETFs (Buffered ETFs)	Managed Risk
Currency Hedged	Fixed Income	Real Estate
Factors (e.g. Value, Growth, Momentum)	Environmental, Social, and Governance (ESG)	Defined Outcome ETFs (Buffered ETFs)
Environmental, Social, and Governance (ESG)	Managed Risk	Environmental, Social, and Governance (ESG)
Commodity	Commodity	Commodity
Market Capitalization (e.g. Large Cap, Small Cap)	Currency Hedged	Cryptocurrency
Fixed Income	Market Capitalization (e.g. Large Cap, Small Cap)	Leveraged/Inverse
Leveraged/Inverse	Real Estate	Currency Hedged
Managed Risk	Factors (e.g. Value, Growth, Momentum)	Factors (e.g. Value, Growth, Momentum)
Real Estate	Leveraged/Inverse	Market Capitalization (e.g. Large Cap, Small Cap)
Thematic	Cryptocurrency	Thematic



# Thematic ETFs

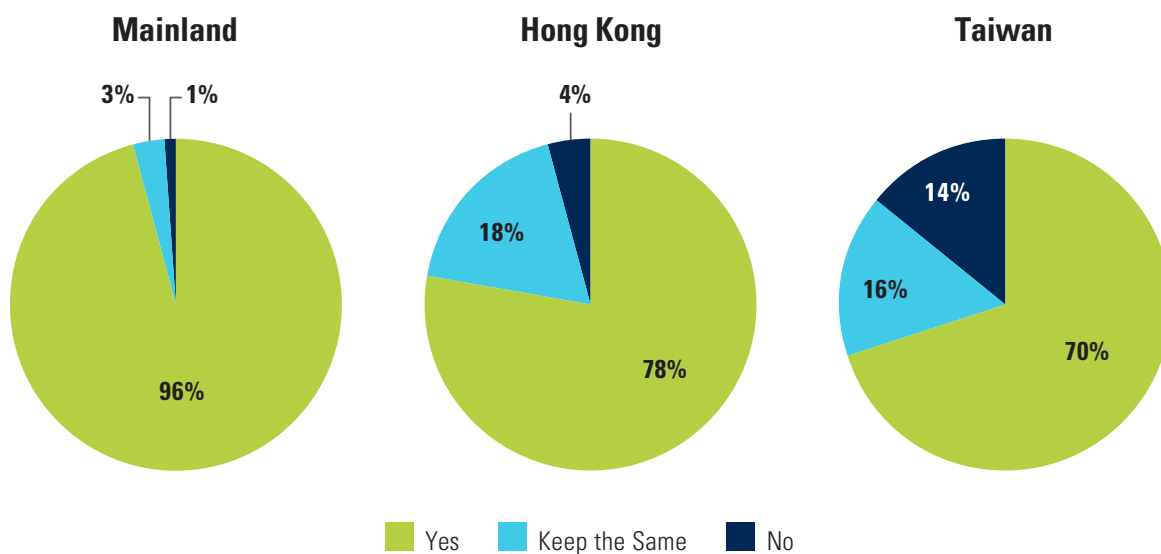
The significant interest seen in thematic ETFs continues to grow, especially in Mainland. 96% of Mainland ETF investors said they plan on increasing exposure to thematic ETFs this year (up 5% from 2021). Their interest is buoyed by structural trends, which avails them of promising sectors as the country continues to execute its plans and initiatives for the future.<sup>2</sup>

In addition, given the considerable media and overall market activity associated with digital assets throughout the past 18 months, it is not surprising that many investors are gravitating toward digital asset/crypto ETFs with 66% of investors in Greater China planning to add them to their portfolios in 2022. This will be an area to watch throughout APAC as there are limited locally listed digital asset ETFs and increasing interest from ETF issuers to capitalize on the first mover advantage and bring these products to regional exchanges.

Technology-focused thematic ETFs still command the most interest from ETF investors as technology is intertwined with these long-term trends, but there were other areas worth noting in the survey, including robotics/AI, electric vehicles and environmental, social and governance (ESG) ETFs. Consistent with 2021, the planned allocations affirm the staying power of thematic strategies in investors' portfolios.

## Thematic ETF allocation

Do you plan on increasing your exposure to thematic ETFs?



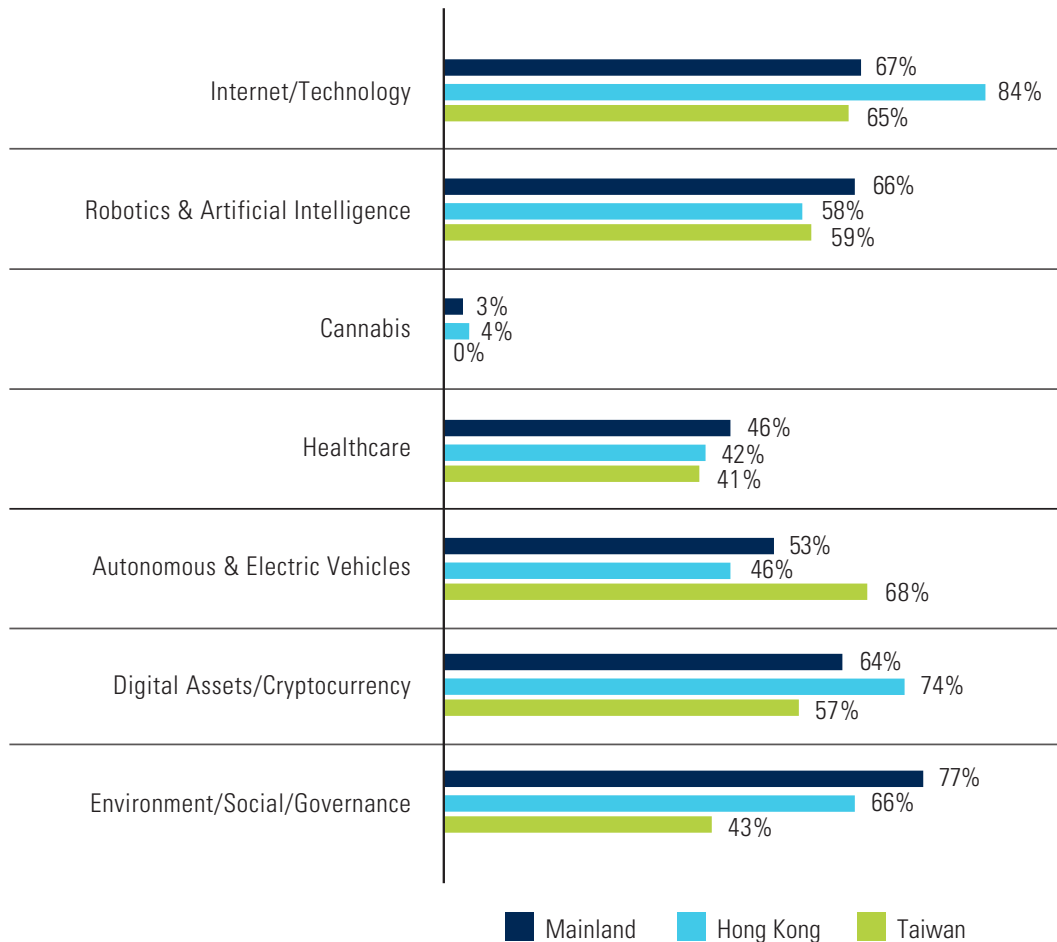
<sup>2</sup> <https://fifthperson.com/china-structural-trends-thematic-etfs/>

# Thematic ETFs

## Thematic ETF types

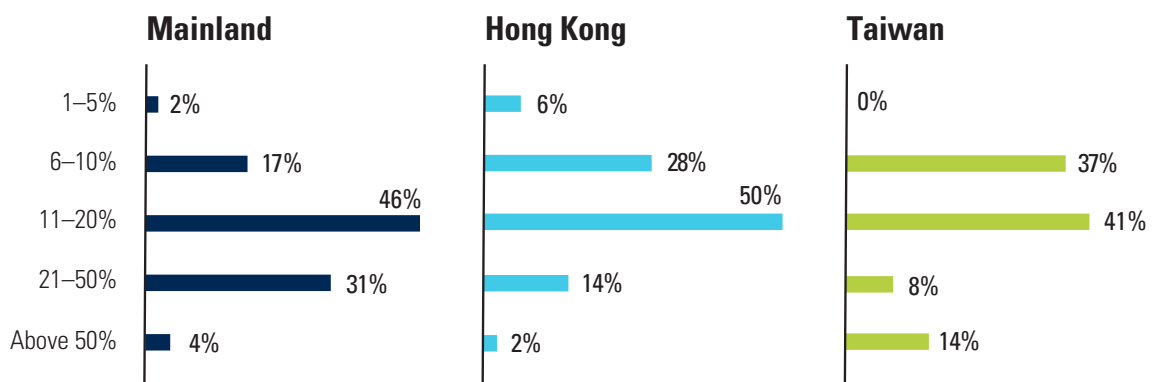
What type of thematic ETFs are you most interested in?

(Respondents could choose multiple responses)



## Thematic future portfolio allocation

In five years, what percentage of your portfolio will be in thematic ETFs?



# China Cross-border/ETF Connect

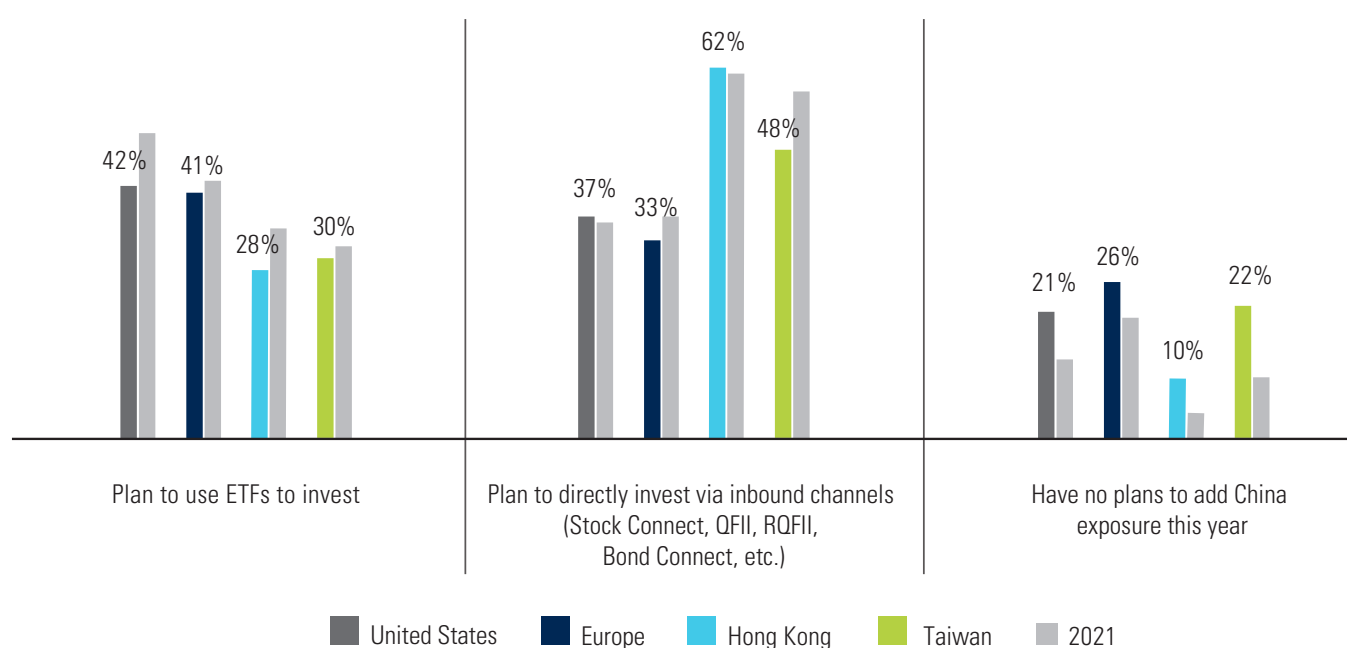
Investors continued their trend of increasing allocations to the Mainland equity and bond markets in 2021 with foreign net inflows into the equity market reaching \$65.5 billion USD. 79% of global respondents planned to increase their allocations to the China equity and bond markets in 2022 and 38% expected to use ETFs to facilitate their investment. China thematic ETFs were frequently noted by the survey respondents with 45% of global investors planning to allocate to these products in 2022.

In December 2021, Hong Kong, and Mainland regulators announced a plan for including ETFs in the Stock Connect Mutual Market access program. This will expand the investment channels and products available to investors at home and abroad.

With the forthcoming ability to buy Hong Kong listed ETFs through Stock Connect, Mainland investors were most interested in environmental, social and governance (ESG) strategies and managed risk/low volatility products. U.S. equity and high yield fixed income were the two asset classes most demanded by the respondents. While the market expectation is for only a subset of Hong Kong listed ETFs to be eligible at the launch, these responses provide insight into the type of products and exposures that Mainland investors prefer.

## Mainland China investment access

**If you are going to invest in China over the next 12 months, how do you plan to do so?**





# China Cross-border/ETF Connect

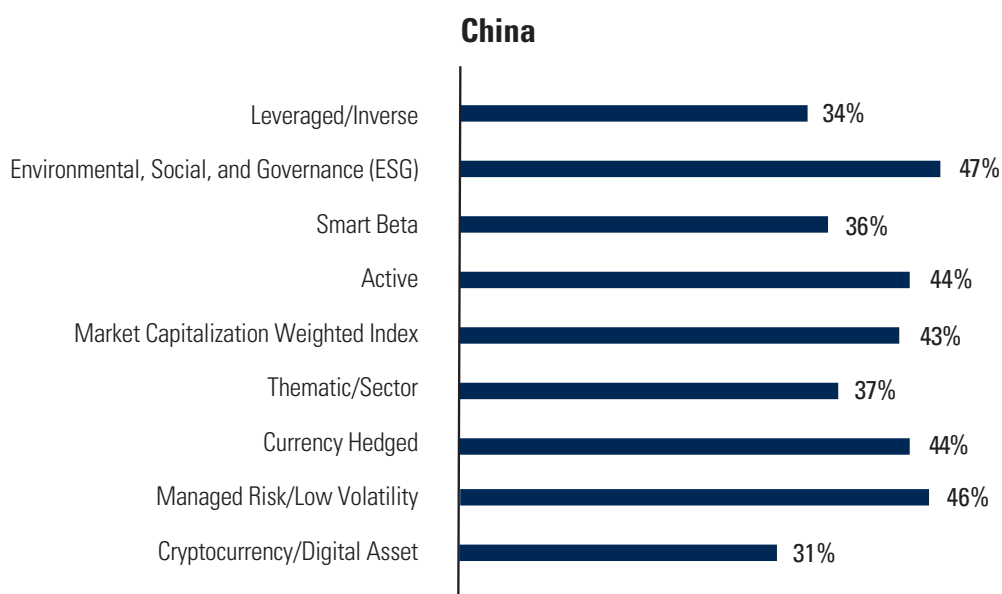
## Mainland China ETF strategies of most interest to global investors

What type of ETFs do you plan to purchase in the next 12 months to obtain your China exposure?

	U.S.	Europe	Hong Kong	Taiwan
China Equity (broad based index, example: CSI300, A50, etc.)	54%	14%	43%	55%
China Treasury/Policy Bank Bonds	28%	23%	43%	36%
China Short Duration Bond	28%	27%	21%	27%
China Thematic/Sector (example: technology, internet, robotics, etc.)	38%	48%	57%	55%
Emerging Market Equity	62%	48%	64%	45%
Other	0%	0%	7%	0%

## ETF strategies in demand by Mainland investors

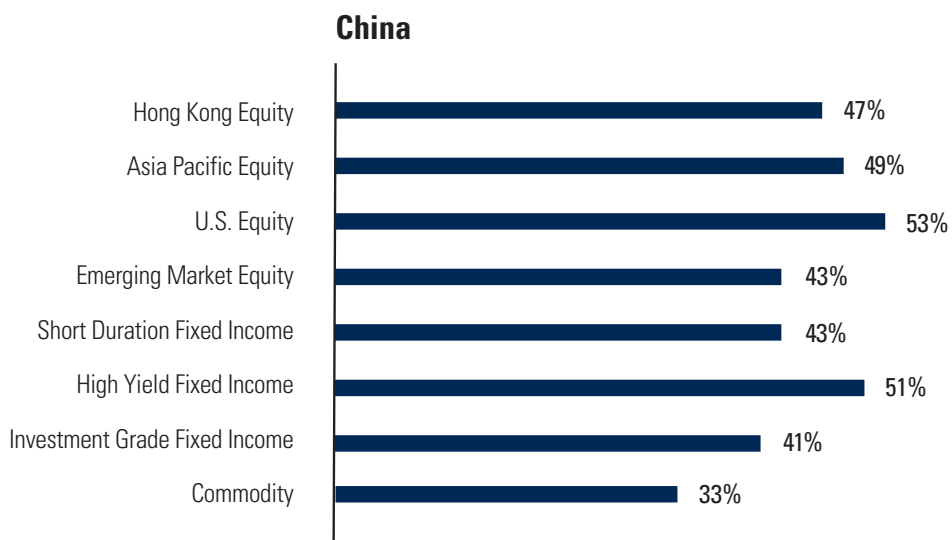
If allowed to invest cross border into Hong Kong listed ETFs, what type of ETF strategy could be in demand for your clients and your firm? (Respondents could choose multiple responses)



# China Cross-border/ETF Connect

## Mainland investors accessing Hong Kong Listed ETFs

If allowed to invest cross border into Hong Kong listed ETFs, what type of ETF exposure could be in demand for your clients and your firm? (Respondents could choose multiple responses)



# ESG ETFs

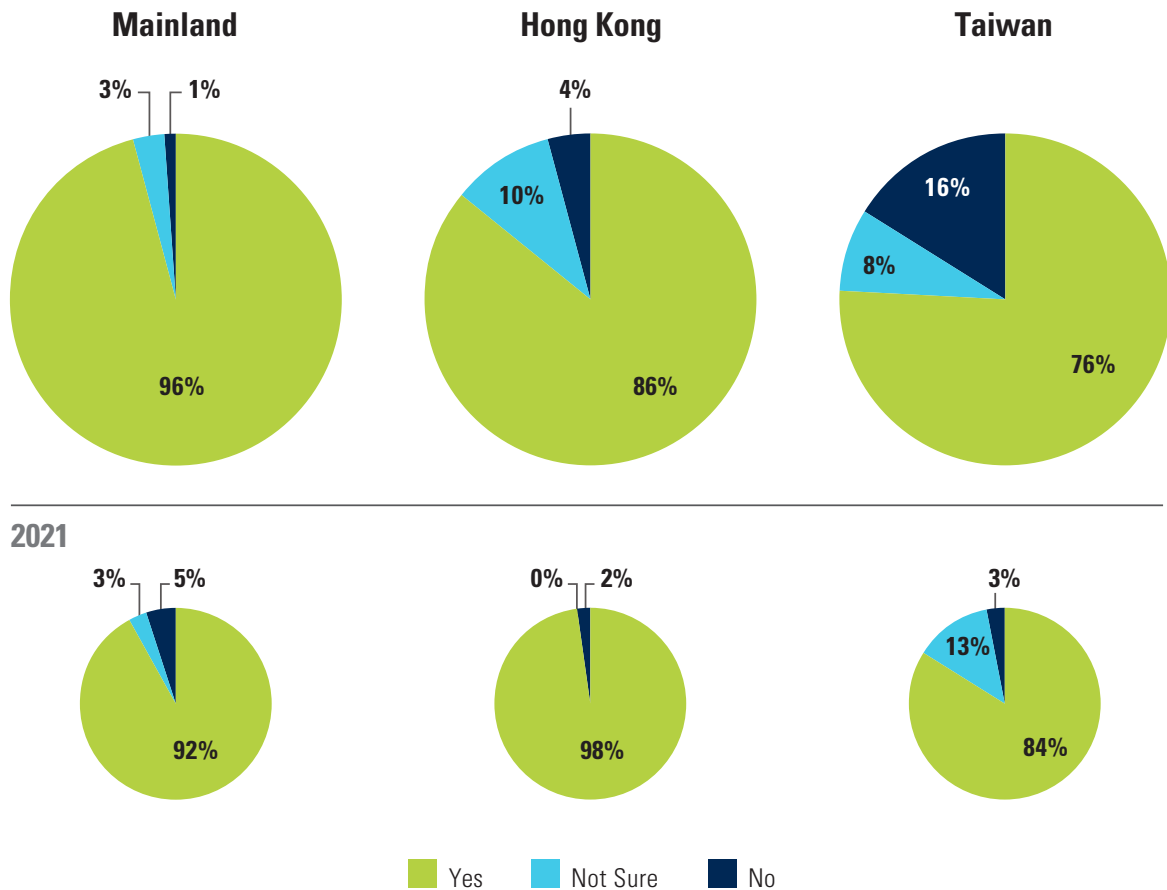
ESG ETFs attracted significant new assets in 2021 as the China A-share market and Hong Kong market face social pressure for investors to include ESG-related considerations in their decision-making process.

Many sustainability-themed ETFs were launched in 2021, driven mainly by Beijing’s pledge in September 2020 to transform China from the world’s largest carbon emitter into a carbon-neutral nation by 2060. Taiwan has also seen a rise in ESG and sustainability-themed ETF market share, with AUM growing more than 10 times from US\$101.4 million in 2018 to US\$1.2 billion in 2019 and US\$1.7 billion in 2020.

In terms of locally listed products, there is increasing interest from issuers to bring ESG ETFs to the regional market and ETF issuers have recently focused on sustainability within their product development strategies. Across all three markets, there is a pronounced uptick in demand for ESG products.

## ESG allocation

**Do you plan to increase your allocation to environmental, social, and corporate governance (ESG) investments (not limited to ESG ETFs) over the next year?**

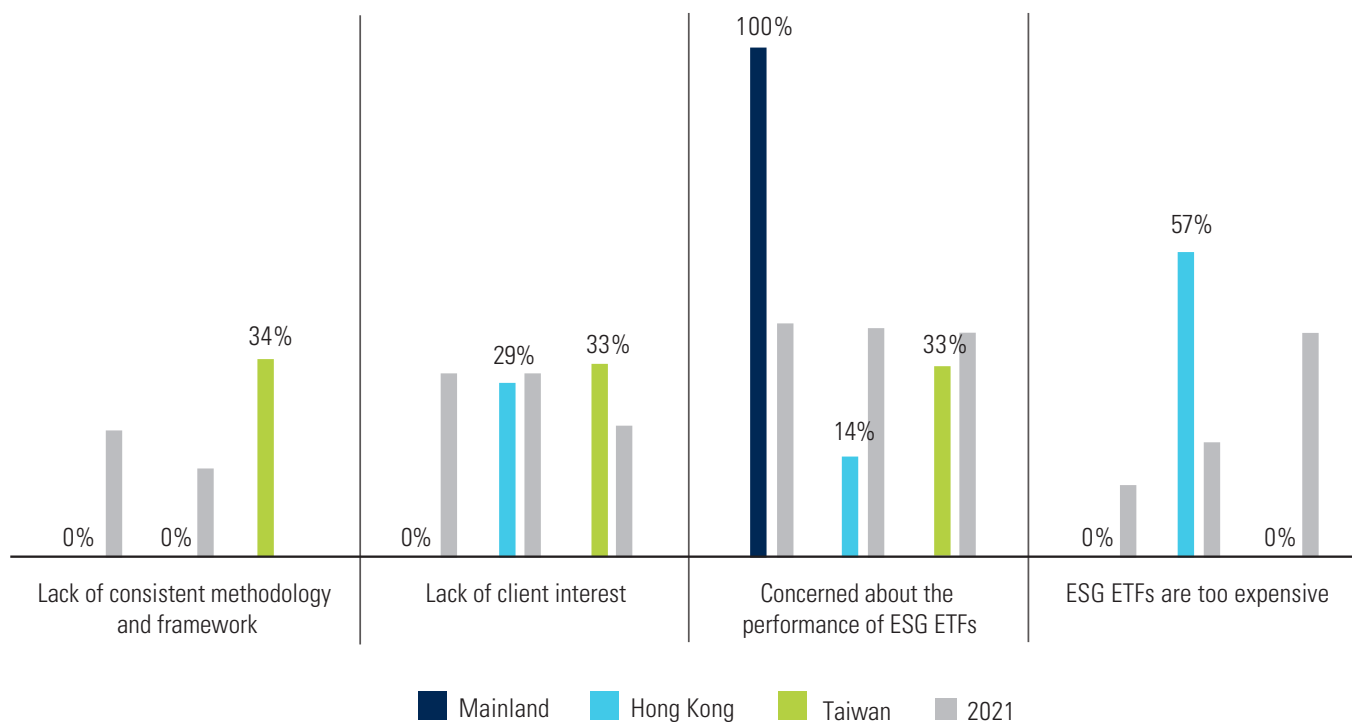




# ESG ETFs

## ESG headwinds

What is preventing you from adding ESG to your portfolio?



## ESG evaluation

How do you evaluate ESG ETFs?

	Mainland	Hong Kong	Taiwan
Third-party ratings	16%	6%	16%
In-house/proprietary ESG ratings criteria	39%	34%	33%
Review company statements/reports for underlying holdings	24%	30%	32%
Brand recognition of ETF manager	21%	30%	19%
Sustainable Finance Disclosure Regulation (SFDR) article classifications	0%	0%	0%

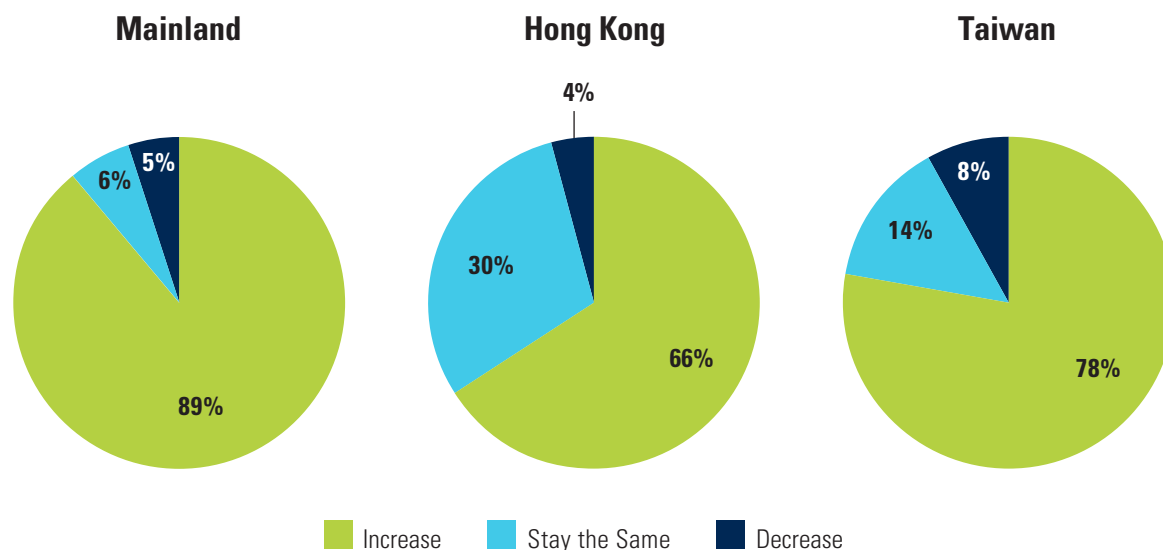
# Fixed Income and Active ETFs

In Greater China, an increasing number of institutional investors are turning to fixed income ETFs for different strategic or tactical use cases. As we look ahead, investor comfort with fixed income ETFs appears to have solidified, but managers should continue to educate their client base about how these products hold up in periods of stress in terms of wider spreads and more persistent discounts. Almost 80% of institutions have allocated more than 30% of their portfolio to fixed income ETFs and investors continued to allocate capital in 2021 with Greater China accounting for 65% of net new flows into bond ETFs across APAC, excluding Japan.

Meanwhile, actively managed ETFs remains a relatively new concept in Greater China, but new structures have been introduced through which active managers can deliver their investment strategies. It stands to reason that the segment will grow: across geographies, there was a pronounced uptick in surveyed investors' planned allocations to active ETFs.

## Fixed income allocation

**Do you expect your exposure to fixed income ETFs to increase, decrease, or stay the same over the next 12 months?**



# Fixed Income and Active ETFs

## What types of fixed income ETFs investors will add

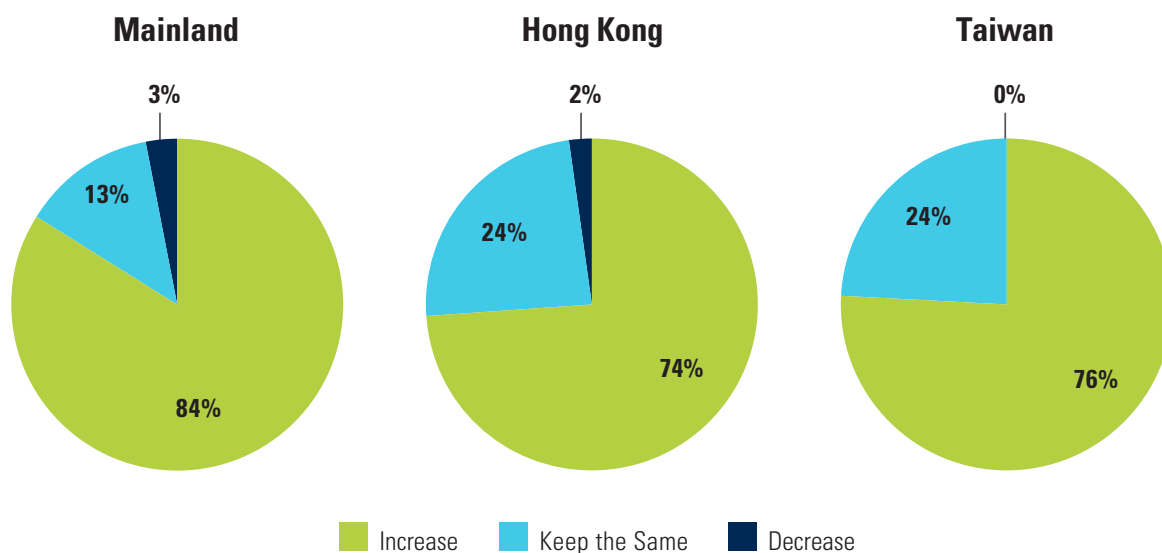
### What types of fixed income ETFs do you plan to add to your portfolio?

(Respondents could choose multiple responses)

	Mainland	Hong Kong	Taiwan
Short-Duration Bond ETF	21%	36%	31%
US Treasury ETF	39%	48%	31%
Treasury Inflation-Protected Securities (TIPS) ETF	34%	36%	34%
Mortgage-Backed or Asset Backed Securities (MBS/ABS) ETF	50%	39%	34%
Corporate Bond – Investment Grade ETF	34%	39%	45%
Corporate Bond – “High Yield” ETF	35%	48%	31%
Municipal Bond ETF	34%	45%	28%
Sovereign Debt	52%	42%	34%
Emerging Market Bond ETF	39%	61%	28%
China Treasury ETF	48%	55%	38%

## Active ETF exposure

### Do you expect your exposure to actively-managed ETFs to increase, decrease, or stay the same over the next 12 months?





# Fixed Income and Active ETFs

## Active ETF asset classes

In what asset class would you be most likely to look for in an actively-managed ETF?

	Mainland	Hong Kong	Taiwan
Fixed Income	14%	10%	11%
Domestic Equity	10%	6%	3%
Global Equity	17%	36%	24%
Asset Allocation	17%	12%	16%
Commodities	4%	4%	5%
Alternatives	3%	6%	14%
Currency	6%	2%	8%
Buffered ETFs (e.g. Defined Outcome ETFs)	29%	24%	19%

## Concerns with active ETFs

What concerns you most when investing in active ETFs?

	Mainland	Hong Kong	Taiwan
Performance	14%	22%	27%
Manager tenure/experience	40%	32%	22%
Trading volume	26%	16%	27%
Expense ratio	20%	30%	19%
Other (please specify)	0%	0%	0%
I don't invest in active ETFs	0%	0%	5%





For the latest insights visit:

**EXCHANGE**  
THOUGHTS

[BBH.com/exchangethoughts](http://BBH.com/exchangethoughts)

**ON THE**  
**REGS**

[BBH.com/ontheregs](http://BBH.com/ontheregs)

**Mind** on the **Markets**

[BBH.com/mindonthemarkets](http://BBH.com/mindonthemarkets)

**LinkedIn**®

Brown Brothers Harriman

 **BROWN BROTHERS HARRIMAN**

**NEW YORK BEIJING BOSTON CHARLOTTE CHICAGO DUBLIN GRAND CAYMAN HONG KONG JERSEY CITY KRAKÓW LONDON  
LUXEMBOURG NASHVILLE PHILADELPHIA TOKYO WILMINGTON ZÜRICH [WWW.BBH.COM](http://WWW.BBH.COM)**

Data as of January 2022

On September 7, 2021 State Street Corporation and BBH announced that they have entered into an agreement for State Street to acquire BBH's Investor Services business, including its custody, accounting, fund administration, global markets and technology services. Following the transaction, BBH will continue to independently own and operate its separate Private Banking and Investment Management businesses. We believe that regulatory reviews should be complete in the coming months.

Brown Brothers Harriman & Co. ("BBH") may be used as a generic term to reference the company as a whole and/or its various subsidiaries generally. This material and any products or services may be issued or provided in multiple jurisdictions by duly authorized and regulated subsidiaries. This material is for general information and reference purposes only and does not constitute legal, tax or investment advice and is not intended as an offer to sell, or a solicitation to buy securities, services or investment products. Any reference to tax matters is not intended to be used, and may not be used, for purposes of avoiding penalties under the U.S. Internal Revenue Code, or other applicable tax regimes, or for promotion, marketing or recommendation to third parties. All information has been obtained from sources believed to be reliable, but accuracy is not guaranteed, and reliance should not be placed on the information presented. This material may not be reproduced, copied or transmitted, or any of the content disclosed to third parties, without the permission of BBH. Pursuant to information regarding the provision of applicable services or products by BBH, please note the following: Brown Brothers Harriman Fund Administration Services (Ireland) Limited and Brown Brothers Harriman Trustee Services (Ireland) Limited are regulated by the Central Bank of Ireland; Brown Brothers Harriman Investor Services Limited is authorised and regulated by the Financial Conduct Authority; Brown Brothers Harriman (Luxembourg) S.C.A is regulated by the Commission de Surveillance du Secteur Financier. All trademarks and service marks included are the property of BBH or their respective owners. © Brown Brothers Harriman & Co. 2022. All rights reserved. IS-08128-2022-05-13 20220435