

xDesign Metrics Inc.

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EzConjoint™ Example – Financial (Exchange Traded Fund) ETFs

Disclaimer...

This case study is solely an illustrative exercise and does not in any way reflect the position of any referenced company or product on this issue. Its aim is to show types of research projects one can design and execute using our research platform.

DO NOT QUOTE

CASE STUDY: Financial (Exchange Traded Fund) ETFs



Research Background

Financial investment products are managed to be style-pure to fulfill specific roles in your clients' asset allocation strategies

Which is why Financial is rethinking indexation to elevate your investing. Help strengthen your clients' portfolio and pursue better risk-adjusted returns

by capturing the research and insights of one of the world's leading asset managers.



Research Objectives

A Concept Model built to uncover answers to such questions as:

Which messages maximize portfolio managers likelihood to invest in the new ETF product?

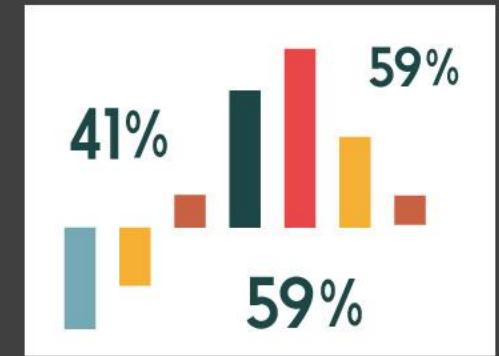
What key differences, if any, exist within different classification criteria such as geographical region?



Survey Deployment

Participants take surveys remotely via, field sites, online or in person.

EzConjoint™ is flexible to be deployed anywhere around the globe in secs.



Output & Analysis

Data is collected virtually and analyzed.

Marketing tools are then created from the analyzed response to create a tailored made marketing message.

DEMO STUDY: Financial (Exchange Traded Fund) ETFs

Key Terms Overview

What Is a Concept?

- ✓ Consumers/Respondents react to “concepts” comprised of systematically varied elements from different categories. Every combination is unique for each concept, so that if your design is for 100 concepts, there will be a total of 100 unique concepts. In EzConjoint™ concept modeling, every screen a respondent sees represents a concept.

What Is Category?

- ✓ Categories are a nice place to start when organizing elements. Think of categories as different files in a filing cabinet, organizing or grouping similar statements (elements) in one place. Categories aid our conceptualization process during stimuli (elements) creation. They are the building blocks for the design of EzConjoint™ concepts.

What Is An Element List?

- ✓ An element list is an “information bank” or constituent part. The list comprises of statements describing the characteristics and benefits of a product, service or idea being investigated. The list should tie back to the objectives of the study.
- ✓ It is the single most important component of a project. Well thought out elements, covering a wide range of ideas provide a strong foundation for a successful study

DEMO STUDY: Financial (Exchange Traded Fund) ETFs

Methodology

IDEATION PROCESS

FlexDesign™ messaging, an advance market research conjoint-based technique, which allows the testing of many different statements or phrases that are called elements is used.

Elements are stand-alone pieces of information (attributes) that communicate product attributes and descriptors. Elements that are related are arranged in buckets called categories

For this research demo, a total of 52 concept screens were developed from 21 elements (ideas/messages) and grouped into 6 categories.

Category	# of Messages
Portfolio construction	6
Security selection	5
PORTFOLIO	5
EXPERTISE & SUCCESS	5
Total # of Messages	21

Messages ... Portfolio construction & Security selection

Category 1: Portfolio construction

- ✓ Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile regions and sectors
- ✓ Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile sectors
- ✓ Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile sectors and stocks
- ✓ Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile regions
- ✓ Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile stocks
- ✓ Index that gives institutional and retail investors the ability to express and execute investment views in an efficient, low-cost and transparent way – something that was not previously available...

Category 2: Security selection

- ✓ Screens stocks based on factors — including value, size, momentum and low volatility — that have historically driven strong performance
- ✓ A creamy and smooth avocado spread Screens stocks based on factors — including value, quality and momentum — that have historically driven strong performance
- ✓ Index factors are combined so that risk and return outcomes can be improved
- ✓ Idea generation from powerful screening, tracking, and comparison tools

Messages ... PORTFOLIO & EXPERTISE & SUCCESS

Category 3: PORTFOLIO

- ✓ Tracks an index that aims to deliver higher risk-adjusted returns than a traditional market cap-weighted index through broad diversification of risk across regions and sectors
- ✓ Tracks an index that aims to deliver higher risk-adjusted returns than a traditional market cap-weighted index through broad diversification of risk across sectors and stocks
- ✓ Tracks an index that aims to deliver higher risk-adjusted returns than a traditional market cap-weighted index through broad diversification of risk across sectors
- ✓ Seeks to minimize exchange rate fluctuations by hedging out international currency exposure
- ✓ Seeks to minimize exchange rate fluctuations by hedging out European currency exposure

Category 4: EXPERTISE & SUCCESS

- ✓ Combines decades of company proven research and insights with FTSE Russell, a leader in global index construction
- ✓ Uses a multi-factor stock screening process that has historically driven strong performance
- ✓ Managed by a highly experienced company investment team
- ✓ Provides access to some of the most sophisticated fixed income investment capabilities available to investors
- ✓ Provides access to the most free independent research reports in the industry

THE RESEARCH PLATFORM: EzConjoint.com

Preview Live Demo Link: <http://author.ezconjoint.com/IdeaSpring/preview.aspx? p=2105& l=1>

The image displays the EzConjoint.com research platform interface. On the left, a sidebar lists various projects and designs, each with a thumbnail, title, language, creation date, and modification date. Projects include "Hillary Clinton 2016", "Criteria for evaluating US Military contractors", "U.S. Department of Defense Goals - Renewable Energy", "Lipstick KANO - French", "The Ideal Beer And Wine Pairings", "Bladder Weakness", "Banquet and Catering Ideas - DEI", "La Cantera Credit Card Offering -", "Lipstick - Kano Model", "Avocado - French", and "Avocado-English".

The main area features a detailed design editor. At the top, there are tabs for "Information", "Category(s)", "Starting Note", "End Note", "Rating(s)", and "Link". The "Information" tab is active, showing fields for "Language" (English-US), "Design" (6X4X5X5), "Title" (J.P. Morgan (Exchange Traded Fund) ETFs), "Description" (J.P. Morgan (Exchange Traded Fund) ETFs), and "Options". The "Options" section includes dropdown menus for "Orientation" (Horizontal), "Theme" (Boxed), "Re-Login" (None), "Text-Justify" (Center), "Data Type" (FlexDesign), and "Passcode". Below these are checkboxes for "Run Analytics", "Show End Page", and "PackageMap®".

At the bottom of the editor are buttons for "Home", "Save", and "Cancel". A copyright notice at the very bottom reads "© All rights Reserved 2017 xDesignMetrics".

On the right side of the interface, there is a larger panel showing a hierarchical tree structure of elements under categories like "Portfolio construction", "Security selection", "PORTFOLIO", and "EXPERTISE & SUCCESS". This panel also includes input fields for "Name", "Image", "Media", and styling tools. A preview window shows a list of elements with icons and a descriptive text: "Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile regions and sectors".

At the bottom of this panel are buttons for "Home", "Save", and "Cancel", along with a copyright notice: "© All rights Reserved 2017 xDesignMetrics".

THE RESEARCH PLATFORM: EzConjoint.com

Example of an Interview Screen
Rating Question: Investment Interest

The screenshot shows a web-based interview interface. At the top, a navigation bar includes a back arrow, a search field with placeholder text, and a user icon. Below the bar, the URL 'author.ezconjoint.com/IdeaSpring/Preview/Concepts/Horizontal' is visible. The main content area features a large text block with five bullet points describing an investment product, followed by a rating scale at the bottom.

Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile stocks

Screens stocks based on factors — including value, size, momentum and low volatility — that have historically driven strong performance

Seeks to minimize exchange rate fluctuations by hedging out European currency exposure

Provides access to some of the most sophisticated fixed income investment capabilities available to investors

Based on your expertise in this industry, how LIKELY are you to invest in this new ETF?

1 2 3 4 5 6 7 8 9

(1 = Not at all Likely, 9 = Very Likely)

Message from Portfolio construction category

Message from Security selection category

Message from PORTFOLIO category

Message from EXPERTISE & SUCCESS category

Messages which *Suppress* Investment Interest

Europe portfolio managers react strongly when wrong messages selected
US portfolio mangers DO NOT strongly react negatively to any message

Here is what Result Model Data Table looks like and How Easy It Is to Interpret.

The output is a measurement of utility or value and is perfect for answering questions such as:

- ✓ Which messages maximize portfolio manager likelihood to invest in the new ETF product?
- ✓ Etc.

In addition these utilities are used to build market models that enables forecasts to be made of what the market would choose given different product or service designs.

			Total Sample	US	EUROPE
	Base Size	<i>Do Not Quote – For Illustrative Purposes Only</i>	113	29	84
	(Constant)		45	77	33
A2	Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile sector		7	22	2
B1	Screens stocks based on factors — including value, size, momentum and low volatility — that have historically driven strong performance		-6	-1	-5
C2	Tracks an index that aims to deliver higher risk-adjusted returns than a traditional market cap-weighted index through broad diversification of risk across sectors and stocks		-3	-1	-4
D4	Provides access to the most free independent research reports in the industry		4	3	5

Question: How Likely would you be to invest in this new ETF product?

Concept-Response Segmentation

Look at how the portfolio managers respond to the different messages

- ✓ And...not what the managers say about themselves in the classification
- ✓ People in the same industry/region differ in what they want
- ✓ Why...because we're interested in different mind-sets
- ✓ And...mindsets come from the way people respond

So...you can create products and messages that strongly appeal

- ✓ Why...because you hit true, strong ideas
- ✓ Approach comes from attitudinal segmentation of the elements (messages)

We Applied The Method

Two radically different mind sets in the portfolio managers

- ✓ Mind set of Segment #1 = “Risk Averse portfolio managers”

Mind set of Segment #2 = “Concentration risk portfolio managers”

- ✓ *This provides new opportunities*

Messages which Segment Investment Interest

25% of portfolio managers highly motivated by risk-weighting process

		Total Sample	Risk Averse managers	Concentration risk managers
	Base Size	113	86	27
	(Constant)	45	45	42
A2	Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile regions	-4	-12	21
A5	Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile stocks	-7	-14	18
B2	Screens stocks based on factors — including value, quality and momentum — that have historically driven strong performance	5	1	18
C4	Seeks to minimize exchange rate fluctuations by hedging out international currency exposure	4	0	17
C5	Seeks to minimize exchange rate fluctuations by hedging out European currency exposure	5	2	15
D1	Combines decades of company proven research and insights with FTSE Russell, a leader in global index construction	4	2	12
D3	Provides access to some of the most sophisticated fixed income investment capabilities available to investors	1	-2	10

Question: How Likely would you be to invest in this new ETF product?

Who ...participated

Classification Distribution

Q1: Which attribute do you typically pick when investing in ETF?	
Weighting Methodologies	0%
Style vs. Pure Style	5%
Small Caps vs. Large Caps	31%
Hedged vs. Not-Hedged	13%
Front Month vs. Balanced	15%
Futures-Based vs. Physically-Backed	4%
Replication vs. Sampling	5%
Leverage Duration: Daily, Monthly, and Beyond	26%
Q2: Which of the following ETF factors do you usually choose?	
Cost	61%
Diversification	21%
Open Book	16%
User-Friendliness	45%
Underlying Index or Asset	15%
Total stock market	9%
Trading Activity	24%
Other	4%