



Investor trust in fund managers slides

Investors should look closely and determine the robustness and potential risks of firms that are managing their savings, according to a Russell Investments release detailing the 10 warning signs of fund managers in difficulty.

The list comes at a time when investor trust in the financial services industry continues to suffer.

According to Russell's 'health check', investors should be looking more closely at fund managers' revenue and profitability; the situation within the company, such as staff cuts and whether the company is retaining its key investment talent; and whether there are any risks around the manager's ownership structure. They should also consider the manager's product strategy, and whether new products being introduced are part of a revenue-seeking exercise or actual innovation that will add value for investors.

Increasing lack of trust

According to recent research launched by endgame communications and Investment Trends, investors are more likely to invest directly in a rebounding share market due to an erosion of trust in the funds management industry.

Of the 1,173 respondents questioned in

November, 42 per cent felt that their trust in fund managers has been damaged and would prefer to invest directly in the share market going forward.

The research found that one in four active managed fund investors are either considering switching or planning to move their money away from their main fund manager over the coming year.

Super fund switches

Nearly one in five active investors are considering switching their super fund provider over the next 12 months, with retail super members more likely to be contemplating switching than industry super fund members.

Self-managed super funds are likely to see increased growth.

"We believe another significant surge in SMSF establishment is likely to occur over the coming years, which would be consistent with the last bear market," said Investment Trends' principal Mark Johnston.

"This will be more pronounced if the negative returns persist through a number of reporting cycles." ❖

