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### ADVISERS TURNING THEIR BACKS ON MANAGED FUNDS

By [Lucinda Beaman](#) on 17 August 2010 [0 comments](#) 832 views [1 retweet](#)

Managed funds appear to be losing ground to direct equity investments, according to research conducted by Investment Trends.

The research house said advisers are turning away from unlisted managed funds and investing more of clients' money in direct equities, with 2010 representing a "dramatically larger shift" in the trend, which has been emerging since 2008.

This was reflected in advisers reporting they had placed 20 per cent of all new client inflows into direct equities, with the net loser in that equation being unlisted managed funds.

Investment Trends principal Mark Johnston said "just half of recent inflows were directed to unlisted managed funds," down from 62 per cent in 2009.

Furthermore, Johnston said, adviser feedback suggested less than 40 per cent of new client inflows would be directed to unlisted managed funds by 2013.

Those already advising on direct shares expect to up their allocation from 23 per cent to 34 per cent of funds under advice by 2013.

Johnston said client demand was a major catalyst for the increase in direct equities use, with some adviser behaviour driven by increased investor fee aversion and dissatisfaction with managed funds performance.

The report found there was also growth in the proportion of new inflows being allocated to exchange traded funds, real estate investment trusts and separately managed accounts (SMAs), albeit from a low base for SMAs.

Johnston described the changes as "a massive shift in planner behaviour".

With two-thirds of the advisers surveyed now advising on direct shares, Johnston said these investments were no longer the "preserve of specialists", but are "now part of the standard financial planning offering".

The research found the shift towards direct equities use is not hurting investment platforms, with the majority of advisers using platforms as their main channel for direct equity transactions, above full service stockbrokers or online brokers outside the platform environment.

Investment Trends said BT Wrap, Macquarie Wrap and Asgard eWrap were the most widely used platforms for share trading purposes.

The report found an additional 10 per cent of advisers surveyed said they expected to begin advising on direct shares within the next three years, but there are a number of barriers holding them back.

They include barriers put in place by dealer groups and concerns about compliance risk, as well as the time taken to monitor stocks and the accompanying paperwork burden.

The report, the Investment Trends 2010 Planner Direct Equities (& SMA) Report, was based on a survey of 719 planners in April and May 2010.

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as a group.

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