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ETFs: the next stage of their popularity

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The recommendations of financial planners will help drive Exchange Traded Funds (ETFs) to the next stage of their popularity, which has already been growing at an extraordinary pace in Australia over recent years.

Two of the key factors to consider here are the Government's plan to bar advisers from receiving commissions relating to retail products and an apparent increasing willingness of advisers to recommend listed investments.

As the US experience shows, fee-charging advisers are not surprisingly more prepared to recommend non-commission investments including ETFs. And ETFs – which trade on the market just like a share – are almost inevitable beneficiaries as advisers recommend more listed investments.

“Planners have been gradually increasing their use of direct shares and other listed investments since 2008,” according to Mark Johnston, principal of investment researcher Investment Trends. “But this year has seen a dramatically larger shift,” he emphasises.

Johnston was commenting this week on the findings of the 2010 Planner Direct Equities (and Separately Managed Accounts) Report, published by his firm.

“Direct equities spiked to 20% of new inflows invested for clients, with the growth also seen in the proportion going into ETFs, real estate investment trusts (REITs) and separately managed accounts (SMAs),” he notes.

The market capitalisation of ETFs trading on the Australian market has reached \$3.74 billion – up 69.3% over the 12 months to July, reports the Listed Managed Investments Monthly Update, published by the ASX.

Globally, 2282 ETFs are listed on 42 exchanges. And the global market capitalisation of ETFs has reached US\$1.095 trillion, reports ETF Landscape, published by the UK-based research team with the BlackRock financial group.

Relatively speaking, it's still early days in Australia for ETFs.

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Once advisers stop concerning themselves with commissions and commission-paying products, they can give more attention to use ETFs for asset allocation purposes - among others.

[ETF investor \(Reply\)](#)

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