

Planners turning away from managed funds

- **Geoffrey Newman, Wealth Editor**
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FINANCIAL planners and advisers are fleeing managed funds under pressure from their clients, according to a survey.

They are increasingly putting money directly into shares and other listed investments, the report finds.

Market research firm Investment Trends found the exodus from unlisted managed funds gained pace in the last year. Only half of clients' money was directed to managed funds, down from 62 per cent the year before, according to the survey of 700 planners in April and May.

Those same planners estimated just 39 per cent of inflows would be directed to managed funds by 2013.

Investment Trends principal Mark Johnston said the amount of new money going into direct equities was 20 per cent, and the proportion going into exchange-traded funds, real estate investment trusts and separately managed accounts had also increased.

"Planners have been gradually increasing their use of direct shares and other listed investments since 2008," Mr Johnston said. "But this year has seen a dramatically larger shift."

A third of planners were very high users of direct investments, putting half of new client funds into investments such as shares and ETFs, and among this group only 7 per cent of inflows went to managed funds.

"That appears in part to be a response to . . . increased investor fee aversion and dissatisfaction with managed fund performance," Mr Johnston said.

Recent figures from analysts at Mercer showed the average active manager of Australian shares performed slightly worse than the 13.1 per cent return on the sharemarket in the 12 months to June 30, after fees were deducted.

This has coincided with a surge in interest in market-tracking investments such as ETFs.

State Street Global Advisor's recently reported that funds under management, in its range of Australian ETFs, rose 50 per cent in the last financial year to \$3 billion. Most planners still use investment platforms such as BT Wrap and Asgard eWrap for share trading, with only 37 per cent using online brokers.

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