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## Why research matters for ETFs

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### Robin Bowerman

Tuesday, September 14, 2010 at 11:30am

In a significant move for Exchange Traded Funds (ETFs), fund researcher Morningstar has released its first series of research on ETFs listed on the Australian market.

Armed with such research, more financial planners will no doubt feel more comfortable about considering ETFs for inclusion in their clients' portfolios.

Indeed, investment researcher Investment Trends had reported last year in its publication The Exchange Trade Funds Report that a large percentage of advisers were not giving advice about ETFs because of a lack of knowledge or experience with them.

Many of the investors in ETFs at that stage had invested in the funds without first seeking professional advice.

Mark Johnston, principal of Investment Trends, had also then discussed his expectations that more advisers would recommend ETFs to their clients when they no longer charged commissions to retail investors. And, of course, ETFs are no-commission products.

Morningstar's co-head of fund research Tim Murphy picked up similar themes when he said last week: "By providing comprehensive, independent analyst research, we can help investors and advisers better evaluate the relative strengths and weaknesses of ETFs, and how they should be used most effectively in portfolios."

“Additionally, the shift from commission to fee-for-service advice businesses in Australia will make ETFs a more attractive proposition to recommend to their clients.”

The first series of Morningstar reports examines 13 ETFs from three providers which account for 96% of assets in Australian-listed ETFs.

Significantly, the research discusses the method used by the ETFs to provide their market exposure, their portfolio construction, their fees and the managers’ experience.

In order to make proper investment decisions, it is crucial for investors to be as fully informed as possible about investment products.

For more on Morningstar’s methodology for its ETF research, see:

[http://www.morningstaradviser.com.au/documents/methodology/ETF\\_Methodology\\_Report\\_1008.pdf](http://www.morningstaradviser.com.au/documents/methodology/ETF_Methodology_Report_1008.pdf)

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[etfmate of Sydney \(Reply\)](#)

Wed 15 Sep 10 (01:27pm)

I have read of investors who have used advisers in the past but have gone there own way with ETFs. Perhaps they couldn’t get the advice.

[Seeker \(Reply\)](#)

Wed 15 Sep 10 (04:37pm)

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**Robin Bowerman**

Robin Bowerman discusses personal finance strategies and issues that can make the difference between success and failure. Learn from his 20 years experience in the finance industry.