

DIY funds grow fond of ETFs

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Research shows that do-it-yourself superannuation funds are increasingly favouring exchange-traded funds over managed funds as part of their investment repertoire.

Tria Investment Partners, which was commissioned by Australia's four largest providers of ETFs, found that self-managed super funds accounted for 30 per cent to 40 per cent of all unit holders in locally managed ETFs.

Financial planners said they were not surprised by the growth in ETFs among DIY funds as they provided a number of benefits over traditional managed funds.

The national technical manager at OnePath, Graeme Colley said: "I agree that ETFs are becoming more popular with investors, including SMSFs."

Aaron Dunn, director of education and training provider the SMSF Academy, said ETFs were "easier to use than managed funds, are more transparent because they are listed on the stock exchange and have lower entry prices".

Recep Peker, an analyst from research firm Investment Trends, said: "The number of SMSFs holding ETFs almost doubled to 23,000 between April 2010 and May 2009, whereas the willingness to use managed funds among SMSF investors has been on the decline since 2007 and troughed in 2009."

ETFs give investors a greater selection of underlying assets to invest in and the ability to control their tax position.

Mr Dunn said: "Investors can be in control of their tax situation in an ETF, whereas they can't in managed funds because the fund manager decides when to buy and sell."

The Tria study said that while Australia was in the early stages of its ETF growth cycle, assets in the local ETF market rose 45 per cent to almost \$5 billion in the year ending 2010, representing growth of 70 per cent a year over three years.

The research, which was unable to provide a like-for-like comparison, said managed funds accounted for 15 per cent of assets held in SMSFs.

Like managed funds, ETFs are open-ended unit trusts – but are listed on a stock exchange.

However, certain ETFs can be quite risky and offer a range of specialised and exotic investment exposures which are often more volatile.

State Street Global Advisers is Australia's largest ETF provider.

The Australian Financial Review

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