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BIG JUMP IN ETF USERS PREDICTED

By [Chris Kennedy](#) on 23 June 2011 [0 comments](#) [1 retweet](#)

There will be a surge in the number of investors embracing exchange-traded funds (ETFs) in the next two years, since they are increasingly being taken up by financial advisers, according to an ETF report from [BetaShares](#) and [Investment Trends](#).

At the end of 2010 there were 53,500 investors with some exposure to ETFs, but the report tipped that number to rise to 72,000 or potentially as high as 80,000 by the end of 2012.

Surges in ETF usage typically follow two to three years after a spike in product issuances, a pattern seen clearly in more developed ETF markets such as the US, according to Investment Trends principal Mark Johnston.

It happened in Australia after a round of new products were released around 2005 and the number of users roughly doubled in the following two years, he said.

The survey was based on responses from 7,811 investors and 778 advisers at the end of 2010, and found the average ETF investor had \$53,000 invested in ETFs at an average of \$22,000 per trade. Three in five investors stated their next alternative investment was likely to be in ETFs.

The proportion of investors who discussed ETF use with their adviser jumped from 18 per cent in 2009 to 30 per cent in the current survey, and the proportion of advisers who stated they currently recommended ETFs increased from 15 per cent in 2008 to 27 per cent in 2010.

"Planners who are embracing the structure typically have above average funds under advice and inflows," said Drew Corbett, head of investment strategy and distribution at BetaShares.

The main barriers to more advisers taking up ETFs were a lack of knowledge, a preference for other investments and not having ETFs on their Approved Product List (APL). When selecting a non-mainstream ETF provider, access to research and availability on the in-house APL and platform were the main considerations among advisers.

"Although being on an approved product list was important for advisers, a third of planners were comfortable using ETFs off platform or via another platform," Corbett said.



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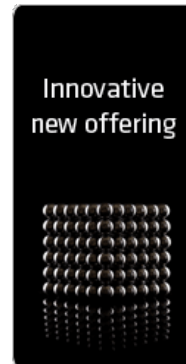
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