

# Growth in ETFs set to continue

PUBLISHED: 22 Jun 2011

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Growth in the Australian exchange-traded funds market looked set to continue with between 72,000 and 80,000 individuals expected to be invested in the financial products by the end of next year.

According to the BetaShares/Investment Trends ETF report released today, there were 53,500 ETF investors as of December 31, 2010, with 67,500 contemplating an investment in the products over the next 12 months.

BetaShares Capital head of investment strategy and distribution Drew Corbett argued the main benefits of ETFs were their ability to gain exposure to a broad range of assets in one product and their low cost.

The survey also found individuals had on average \$53,000 invested in ETFs. The average size of each trade was \$22,000. A quarter of ETF users were retired, with the average age of investors 48.

Financial planners have previously warned of the risks of investing in certain types of ETFs, particularly those known as synthetic ETFs.

Like normal exchange-traded funds, these products also invest in shares and other assets but they do not necessarily match the index or benchmark being tracked.

Instead, synthetic ETFs enter into other, more complicated financial arrangements.

The research found few investors had problems investing in ETFs, with just one in 10 saying they had encountered an issue. This has led to a very high reinvestment rate by existing users, with 60 per cent stating that an ETF would be their next non-mainstream investment.

"It appears the main barriers to ETF investment are solvable, being lack of familiarity and understanding of the products, which indicates importance of continued investor education on the benefits and use of ETFs," said Mr Corbett.

The research, conducted in late 2010, surveyed 7811 investors and 778 financial advisers.

The Australian Financial Review

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