

Only 14 per cent of investors educated by advisers on ETFs, says report

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Drew Corbett

Only a fraction of investors in [exchange-traded funds](#) (ETFs) have placed money there because of advice from or education by a financial planner, according to a new, comprehensive survey of investors.

The BetaShares/[Investment Trends](#) Dec 2010 *ETF Report* that surveyed over 7800 investors found that "only 14 per cent say they learned about exchange traded funds through a financial adviser".

Mark Johnston, principal of [Investment Trends](#) says that the number of investors who say they first learned about ETFs through any sort of adviser had doubled in the 12 months between studies.

"But we're still only at 14 per cent at the end of last year," he says.

"The interesting part for me about the growth of ETFs to date is that the early adopters of ETFs in Australia have been very much self-directed investors.

"This is beginning to change now, but most of that strong growth we've seen has really been initiated from the investor side rather than driven from the adviser side."

Drew Corbett, head of investment [strategy](#) and distribution at BetaShares, says that ETFs "enhance the adviser value proposition".

"Planners are now starting to be educated on the benefits of these products," he says.

"They are simply tools that give access to certain exposures that allow them to move through very liquid markets on the exchange.

"[ETFs] give advisers a lot more flexibility and more use of their bandwidth to address other issues in the relationship with their investors."

A red banner with white text on the left and a logo on the right. The text reads: "Small new fees. Big new ETF range. Vanguard's low-cost range of ETFs. Trading now." The logo on the right is for the "2010 FUND MANAGER OF THE YEAR" award, featuring the "Smart Investor" logo and "ELLE RIBBON AWARDS".

Corbett says the ETF sector needs to do more to increase the awareness of their benefits and how advisers can implement them within their practice.

"ETFs are very, very useful tools for SMSF portfolios," he says.

"Also the fee reforms for advisers are driving more practices towards fee for service, and ETFs being a low-cost investment tool dovetails nicely with that."

Addressing the concerns about whether the ETF marketplace is on the way to becoming a bubble or the "new theme fad", Corbett says they cannot be defined as one.

"ETFs have been around for 20 years overseas," he says.

"They have gone through the GFC and they've come through without a blemish.

"In times of volatility, people turned to ETFs for liquidity."

The report also revealed that the rise of ETFs is set to continue with a forecast to grow to between 72,000 and 80,000 investors by the end of 2012.

Johnston says: "According to our modelling, there were 53,500 Australians with one or more investments in ETFs at the beginning of 2011."

Furthermore, he says, "another 67,500 investors intended to make an ETF investment in [2011]".

"What's nice is the strong growth in investor numbers in spite of the uncertainty in the broader investor universe at the moment," he says.

Since the GFC, the Australian ETF industry has been the fastest growing of all major ETF markets.

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