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ETF numbers to rise in Australia

ETFs gaining traction with investors

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Research firm Investment Trends expects several more providers to enter the exchange-traded funds (ETF) market in the coming two years, the group's principal Mark Johnston said.

"ETFs have historically had limited traction here," he said.

"This is finally beginning to change, and the change is gathering pace. While the numbers here are still small, we are moving toward the hockey-stick part of the growth curve."

The Investment Trends report released this week, based on data to November 2008, said Australians investing in exchange-traded funds (ETFs) could be set to double.

The report found that ETFs were growing strongly from a small base, with the number of Australian ETF investors already doubling to 19,000 in the two years to the end of 2008.

But the report also found that figure could easily double again, with another 33,000 Australian investors considering their first ETF investment.

Although the report found that the ETF market is currently dominated by direct investors, there are indications that financial planners were becoming more interested in ETFs.

While 16 per cent of planners intend to increase their use of ETFs in the coming year, only 4 per cent plan a decrease.

Johnston said it was unlikely that the product's popularity would drive active fund managers out of the market.

The report came as Barclays Plc said it had held discussions regarding a potential disposal of its iShares unit with a number of potentially interested parties.

Macquarie Group, Commonwealth Bank of Australia, Westpac Banking Corporation and National Australia Bank declined to comment when asked if they were interested or in talks to acquire iShares from Barclays. Australia and New Zealand Banking Group was unable to comment by press deadline.

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