



THE BLACK SKY REPORT 2016

Part 3:

ETFs

The surge continues

Introduction

Recently, AMP Capital commissioned Investment Trends to conduct research into the behaviours and attitudes of SMSF Trustees. We've analysed and interpreted that research data to create this conclusive, three part narrative: Black Sky Report 2016.

The purpose of this three part report is to identify professional opportunities that exist within the ever-changing SMSF category – giving you useful, relevant, actionable insights.

Part 3

ETFs – The surge continues

In Part 3, we examine the ongoing growth in the Exchange Traded Products market and consider why investors are drawn to this investment. According to the ASX, total market capitalisation of the Exchange Traded Products market at February 2016 was \$20.62 billion, up from \$16.98 billion in February 2015.

ETFs: the investment for today

Amongst the SMSF Trustees we surveyed, ETFs are the strongest growing sector of interest for SMSF Trustees. In fact, the research shows that **ETF adoption soared an astounding 55%** from last year's Black Sky Report.

With change comes opportunity

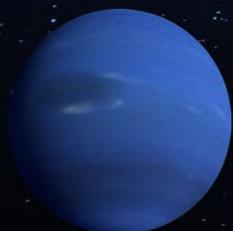
Ongoing share-market volatility has led to significant changes in traditional SMSF investment strategy. Of investors who've shifted asset allocation, they list "adopting a more defensive stance, increasing diversification and having a negative outlook on Australian shares" as the reasons why.

The survey highlights current investor attitudes towards the share market. Here's why SMSF Trustees changed their asset allocation:



↑ **28%**

of Trustees now use ETFs as a portion of their SMSF, up from 18% in 2015



↑ **25%**

because they viewed Australian shares negatively, up from 11% last report



↑ **8%**

because they viewed international shares negatively, up from 3% in 2015



↓ **12%**

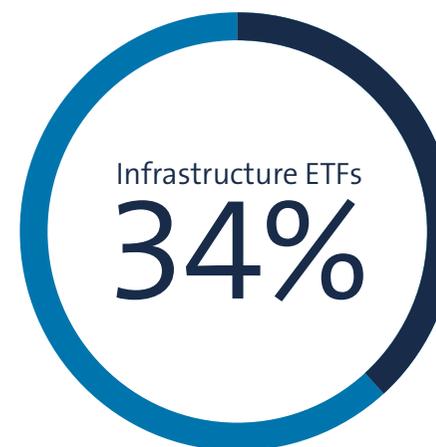
because they had a positive outlook on Australian shares, down from 24% in 2015 – a 50% drop

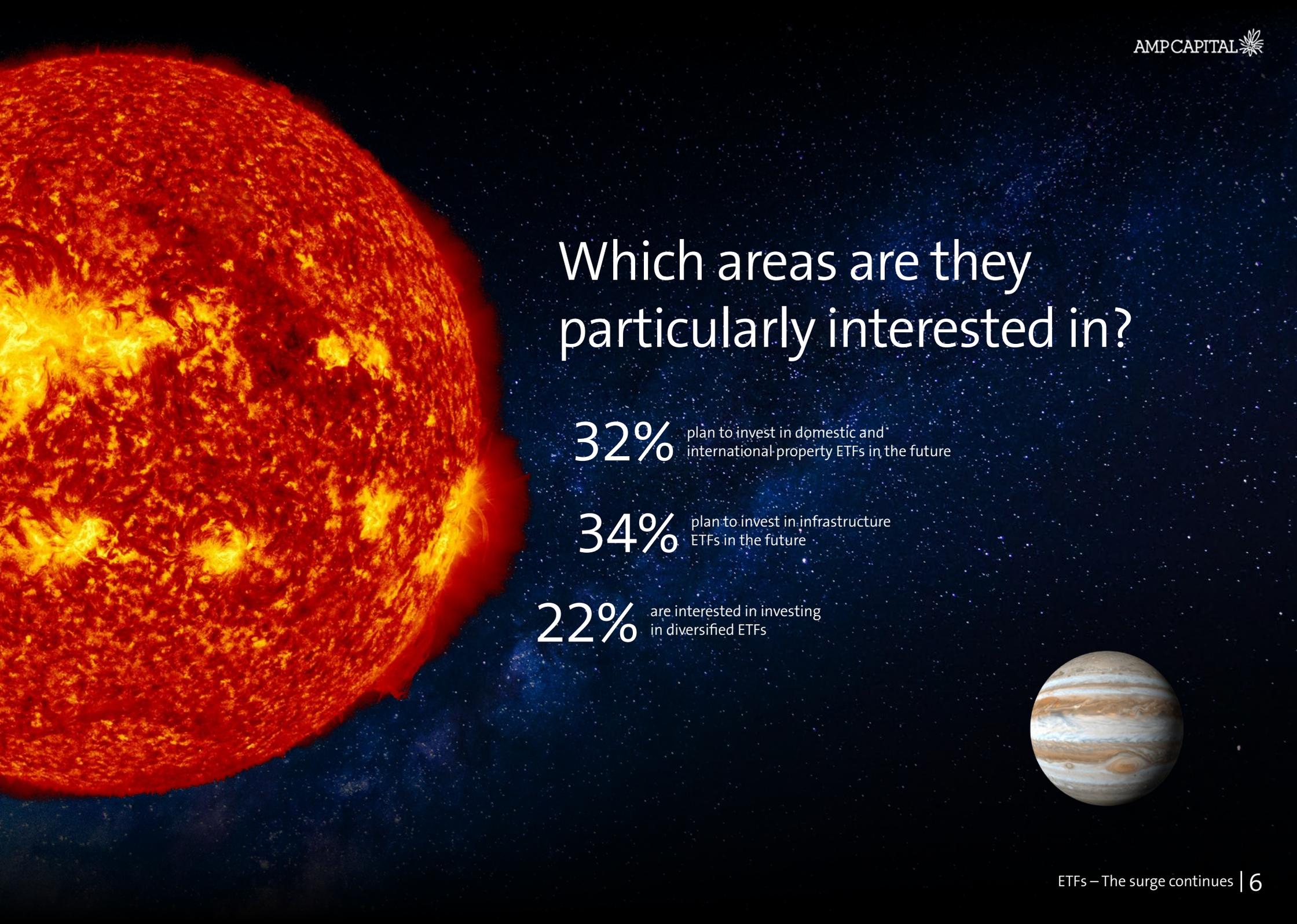
Further growth predicted for ETFs in 2016

A further **25% of Trustees surveyed intend on investing in ETFs** in the future, including 18% who intend to do so in the next 12 months.

Inside the investor's head – 2016

So why do investors want to use ETFs? One reason is that they see them as a way to more easily access hard-to-reach assets, with a particular appetite for:





Which areas are they particularly interested in?

32% plan to invest in domestic and international property ETFs in the future

34% plan to invest in infrastructure ETFs in the future

22% are interested in investing in diversified ETFs

As ETFs surge, so does your value

In this latest research, **29% of Trustees say they're hesitant to invest** in ETFs due to a **"lack of knowledge"**. This is a key barrier to entering this burgeoning asset class – presenting an opportunity for you to fill the gap with your product knowledge and market expertise. Even among Trustees who aren't interested in managed funds, ETFs could be a solution for 46% of these Trustees.

With this big shift in asset allocation and the increased adoption of ETFs, there's a huge opportunity for you to act as an educator on this asset class for your clients. In fact, **14% of all SMSF investors surveyed said they'd be willing to invest further if they had access to "professional advice relating to ETFs and more education"**.

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Black Sky thinking:

Adding value in times of turbulence

The growing interest in Managed Fund investments is not surprising, given market conditions. With Australian shares being viewed increasingly negatively, diversification away from the Australian equities market is a key driver for investors looking to achieve income and growth goals.

As Trustees become more nervous about making investment decisions, they are seeking guidance in the direction they should take. As such, they are actively seeking external sources of advice to validate their decisions and access new investment classes – including ETFs. In fact, ETFs directly demonstrate the value you bring to clients, as they are effective in reducing overall cost of a client's portfolio and provide diversification opportunities.

There's more where this came from

If you found Black Sky Report 2016,
Part 3: ETFs – The surge continues valuable,
you can [download the other reports here](#)



Part 1: SMSFs
Trends and challenges



Part 2: Asset allocation
From offensive to defensive