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European Asset Managers Innovate with ETFs

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Executive Summary:

European asset managers are at the forefront of a move by institutional investors to integrate exchange-traded funds (ETFs) into their investment portfolios.

Although other European institutions have built large and growing allocations to ETFs in equities, European asset managers are leading the charge into ETFs in fixed income and other asset classes, such as commodities.

Asset managers participating in a new study from Greenwich Associates are using ETFs in traditional institutional and retail mandates and in funds.

Large numbers of managers are also employing ETFs in increasingly popular multi-asset funds, and more than half the managers interviewed say they are likely to manage ETF-only funds at some point in the future.

In all these vehicles asset managers use ETFs both to make tactical adjustments to portfolios and to achieve broad strategic goals, such as portfolio diversification and obtaining core investment exposures.

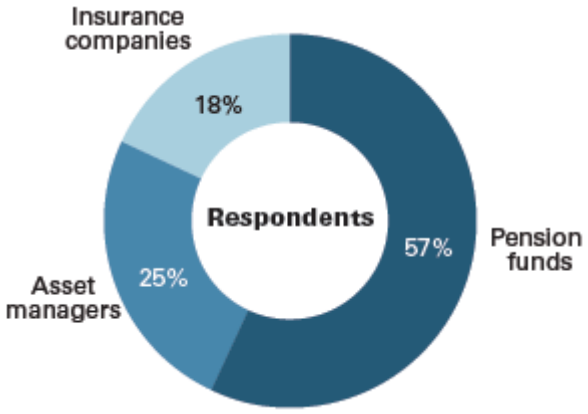
Greenwich Associates projects significant growth for ETF allocations among European asset managers.

Half the asset managers in the study expect to increase allocations to equity ETFs and nearly one-third expect to boost allocations to bond ETFs.

Growth will be boosted by increased traction for ETFs in commodities and other asset classes, and also by the relaxation of internal investment guidelines and restrictions that currently constrain investment among asset managers and other institutions.

Methodology:

Greenwich Associates interviewed a total of 120 European-based institutional investors, 83 of which were exchange-traded fund users and 37 were non-users, in an effort to track usage behaviors and examine perceptions associated with exchangetraded funds. The respondent base consisted of 68 pension funds (corporate and public funds, and other institutional investors), 30 asset managers (firms managing assets to specific investment strategies/guidelines) and 22 insurance companies.



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