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Consulting firm launches ETF model portfolios

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By Krystine Lumanta



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ETF Consulting has launched a suite of exchange-traded fund (ETF) model portfolios after experiencing growing demand from advisers and dealer groups.

Offered through its associated business, ETF Portfolio Solutions, four Core ETF Model Portfolios will be available to advisers and clients from today.

The suite was constructed in conjunction with asset consultant Atchison Consultants and offers diversified and growth ETF models, as well as an international shares portfolio. It will gradually be expanded.

ETF Consulting managing director Tim Bradbury said the business had been increasingly asked by advisers, dealer groups and brokers for assistance with building ETF portfolios.

"We developed the model portfolios based on adviser feedback and it is our business view that the ETF segment in Australia has reached a level of maturity and the adviser market is now ready for more comprehensive ETF solutions," Bradbury told *financialobserver*.

The growing view on portfolio construction among advisers was to blend active with passive, he said.

"Our Core ETF portfolios enable advisers, accountants and brokers to do this in a cost-effective and compliant manner and they can use the portfolio blended with stocks or active managed funds or simply as a stand-alone, one-stop portfolio solution," he said.

"ETF-only portfolios are here – among advisers more generally there is uncertainty about how to put them all together, coupled with a desire to use ETFs more."

The portfolios will be available initially through annual subscription to provide flexibility for adviser but would be available on a leading separated managed account platform, to be announced in September.

Bradbury said while larger research houses were capable of building ETF model portfolios, they were likely to charge a high price to dealer groups and advisers.

Van Eyk asset consultant Jonathan Tolub said the research firm was very much supportive of active

management, however, as part of its consulting service took into consideration the demands of clients.

“We’re working with some planners who have ETF-only model portfolios in place, so we’re helping them improve those in the context of our Portfolio X-ray service,” Tolub said.

“I haven’t heard of any dealer groups, either large or medium, mentioning ETF-only model portfolios but we have had interest from independent financial advisers.

“When it comes to blending ETFs and active management, that’s an area we’re very comfortable with and we’ve worked with dealer groups on that.”

Zenith Investment Partners national sales manager John Nicoll said the research house had worked on ETF models in the past 12 months and was running and tracking ETF models internally to compare with its other models.

“Though we’re not currently delivering them to clients, there’s certainly some interest out there for ETF-only model portfolios,” Nicoll said.

However, he said Zenith believed well-constructed managed fund portfolios could still provide a better net performance.

“Most people are looking at ETF models really for cost benefits because they appear much cheaper, but we believe that it’s not necessarily the most cost-effective way and there are still limitations around diversification,” he said.

“We use a lot of alternatives in our portfolios, for example, which you obviously can’t get access through ETFs and even though they have fixed-income ETFs available, there still is some limitation around your portfolio construction capabilities.”

The Australian ETF segment grew by more than 40 per cent in assets under management in the past 12 months to \$8 billion.

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