
ETF liquidity mystifies advisors: Cerulli

By Editor Test *Sun, Jul 21, 2013*

ETF sponsors should focus on new advisors in order to further increase advisor adoption, Cerulli recommends. More advanced educational initiatives will help increase ETF allocations among advisors who already using ETFs.

Many advisors don't understand the liquidity aspect of exchange-traded funds very well and need assistance in that area, according to new research from Boston-based analytics firm Cerulli Associates. Advisors understand the risks of ETFs and their role in portfolios much better.

Alec Papazian, associate director at Cerulli Associates, said in a release: "ETF sponsors view liquidity as the top growth challenge in 2013 as nearly two-thirds (63%) rated it as such."

The July 2013 issue of *Cerulli Edge-U.S. Asset Management Edition* examines retail educational strategies, focusing on whitepapers, ETF education, and organizational structure and staffing.

"ETF risks and the use of ETFs in portfolio construction were ranked as the top two topics that advisors understood the best. Liquidity and trading ranked the lowest, suggesting these two topics should remain top of mind for providers when developing educational programs," the release said. "Creating programs to meet educational needs of advisors across the spectrum of adoption and sophistication is a difficult task, but it will be necessary for some time."

ETF sponsors should focus on new advisors in order to further increase advisor adoption, Cerulli recommends. More advanced educational initiatives will help increase ETF allocations among advisors who already using ETFs. Sponsors should continue to educate advisors and clients on ETF basics.

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