



Financial Advisors Poised to Allocate Assets to Active Nontransparent ETFs, Broadridge Survey Reveals

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NEW YORK, July 16, 2019 /PRNewswire/ -- A vast majority of financial advisors find the concept of actively managed, nontransparent exchange traded funds (ETFs) appealing, according to new data released today by [Broadridge Financial Solutions, Inc.](#) (NYSE: BR), a global Fintech leader and part of the S&P 500® Index that tracks \$4 trillion of intermediary-held ETF assets under management. Actively managed nontransparent ETFs, which recently received SEC approval via Precidian ActiveShares in June 2019, allow fund managers to disclose holdings on a quarterly basis, ultimately keeping holdings more confidential than with traditional transparent ETFs.

The survey reveals that financial advisors are ready to allocate assets to active nontransparent ETFs, with more than 4 in 5 advisors (83%) currently hoping their favorite active mutual funds become available in a nontransparent ETF structure. These solutions have been referred to within the industry in a variety of additional ways, including: active ETFs, opaque ETFs, nontransparent ETFs and semi-transparent ETFs.

Low Awareness, High Appeal, Promising Opportunity

Advisors currently have a low level of awareness of ActiveShares but find the concept and definition of active nontransparent ETFs appealing. Only 4% of advisors report being "very familiar" with ActiveShares, while 37% are entirely not aware and another 37% have heard of the name but know nothing about the technology. Nevertheless, when presented with the concept of active nontransparent ETFs, 85% of advisors stated that they were interested in the concept.

"There is a clear awareness and learning curve among financial advisors given how recently the SEC has approved active nontransparent ETF technology," said Matthew Schiffman, principal for Distribution Insight, Broadridge Financial Solutions. "What is interesting is the level of comfort advisors already have with the concept of active, opaque ETFs – and how quickly they would plan to allocate assets to these products."

The adoption timeline for nontransparent ETFs among financial advisors generally correlates with their current awareness levels, with 22% of advisors stating they would use such products within 12 months and an additional 64% stating they would do so after 12 months of introduction to the market. Key influences on an advisor's confidence in using this type of solution include product performance record (69%), good liquidity/daily trading volume (68%) and asset manager brand strength (55%). Advisors' top concern is that active nontransparent ETFs are too new and untested in the market.

Opportunities for Asset Managers to Educate, Gain Market Share

Advisors' usage expectations are already high, with 85% of advisors stating they are likely to use active nontransparent ETFs and 72% expecting asset managers to introduce funds on the ActiveShares platform. Nearly 1 in 2 advisors (46%) foresee allocating new, not-yet-invested assets to nontransparent ETFs, underlining the opportunity for active managers and investors alike. Meanwhile, 63% of advisors foresee active nontransparent ETF assets being re-allocated from actively managed open-end mutual funds.

More than 4 in 5 advisors (82%) are interested in learning more about semi-transparent ETFs, and they are most likely to seek product information and education via in-person meetings with wholesalers (49%), followed by email (35%), webinars (27%) discussions with portfolio consultants (27%) and asset manager websites (26%). Advisors who are most interested in learning more about active nontransparent ETFs also prefer one-to-one personal discussions over automated digital interactions.

"Active nontransparent ETFs are likely to be additive to the asset management landscape, as the advisors we surveyed expect to allocate entirely new assets as well as assets from other ETFs and passive open-end mutual funds," added Schiffman. "Asset managers shouldn't let this moment pass, as they now have a prime opportunity to further engage with advisors, primarily through wholesalers and other one-to-one channels."

To download a summary of the survey results, click [here](#).

Methodology

This Broadridge survey was conducted by Q8 Research, LLC to gauge advisor interest in nontransparent ETFs following recent action by the SEC. A total of 200 financial advisors across channels completed the survey, which was fielded in June 2019. For further details on survey methodology, please contact a Broadridge media representative.

About Broadridge

Broadridge Financial Solutions, Inc. (NYSE: BR) a \$4 billion global Fintech leader and a member of the S&P 500, is a leading provider of investor communications and technology-driven solutions to banks, broker-dealers, asset managers and corporate issuers globally. Broadridge's investor communications, securities processing and managed services solutions help clients reduce their capital investments in operations infrastructure, allowing them to increase their focus on core business activities. With over 50 years of experience, Broadridge's infrastructure underpins proxy voting services for over 50 percent of public companies and mutual funds globally, and processes on average more than US \$5 trillion in fixed income and equity trades per day. Broadridge employs over 10,000 full-time associates in 18 countries.

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