



Index Fund and ETF Usage in the Advisor Perspectives Universe

Data from the Advisor Perspectives (AP) Universe shows trends in high- and ultra-high net worth investors whose assets are managed by Registered Investment Advisors (RIAs). This study updates a previous [study](#) and looks at index and ETF usage in the AP universe during the third quarter of 2007. The methodology used in this study differs from the previous study in that this study uses data from [Index Universe](#) for its classification of index funds and ETFs.

Significant findings from this study include the following:

- Holdings of ETFs are significantly more than of index funds, with a split of 65% to 35%. This difference narrowed slightly from the beginning of Q3, when the split was 67.4%/32.6%. (See Table 1)
- Index funds and ETFs together represent 29% of mutual fund assets in the AP universe, up from 27% as of June 30.
- Index funds and ETFs together represent 4.6% of total assets in marketable securities, up from 3.85% as of June 30.
- Holdings of broad-based index funds and ETFs are relatively small. Index funds and ETFs tied to the S&P 500 represent 17.27% of all index funds and ETFs (down from 18.43% as of June 30). Index funds and ETFs tied to the MSCI EFA represent 17.52% of index and ETF assets (down from 18.0% as of June 30). Funds tied to these two indices represent the largest segment of index and ETF holdings, and together represent 1.6% of marketable securities in the AP universe as of September 30.
- Index funds and ETFs based on fundamentally weighted indices represent a small portion of index and ETF holdings:

	6/30/07	9/30/07	Change
RAFI indices	2.0%	.8%	-1.2%
Wisdom Tree Funds	.8%	.7%	-.1%



The RAFI indices represent index funds and ETFs that are officially licensed by Research Associates to use the RA methodology. We also show the Wisdom Tree Funds because these funds employ similar methodologies.

- As noted in a recent [study](#), holdings in sector-based ETFs and index funds (including those based on real estate indices) are relatively small, representing 3.97% of index fund and ETF assets, or approximately .2% of total marketable securities, as of September 30. (Note: this study differs from the previous [study](#) in that this study includes both index funds and ETFs, whereas the previous [study](#) examined only ETFs.)
- The top three index fund and ETF holdings in the AP universe parallel those in the market. In the AP Universe, the leading funds are the EFA, SPY, and the Vanguard S&P 500 Index Fund, in that order. However, numbers four, five and six reveal differences. In the AP universe, these are EWJ (iShares Japan), EEM (iShares Emerging Markets), and GLD (StreetTracks Gold). In the broader market these three funds are ranked below number 10, revealing the fact that advisors rely more heavily on ETFs to gain exposure to segments of the non-US markets, as well as to commodities such as gold.

Overall, this study reaffirms earlier findings and shows, most importantly, that HNW/UHNW investors hold very little broad-based market indices. Moreover, there were no significant shifts in allocations to funds based on specific indices or groups of indices. Within index funds and ETFs, investors maintained their asset allocations despite the high market volatility during the summer of 2007.

The AP Universe consists of approximately \$50 billion of assets held in approximately 50,000 individual accounts. The average account size in the AP Universe is \$901,000. Data from the AP Universe is divided into three tiers based on account size. In the tier containing the largest accounts, the average account size is \$3.5 million, and assets in this tier represent 94% of the assets in the AP Universe. Investors hold multiple accounts, and HNW and UHNW investors typically hold 10-20 or more accounts. For this reason, the AP Universe reveals trends predominantly in the UHNW segment.

Data from the study is shown below.



Table 1 - ETF versus Index Fund Usage

(Percentages shown are based on index funds and ETFs in the AP Universe.)

	6/30/07	9/30/07
ETFs	67.4%	65.0%
Index Funds	32.6%	35.0%

Table 2 - Usage by Asset Class

(Percentages shown are based on index funds and ETFs in the AP Universe.)

Asset Class	6/30/2007	9/30/2007	Change
Bonds - Corporate	0.10%	0.09%	-0.01%
Bonds - International	0.91%	1.08%	0.17%
Bonds - Long	0.17%	0.02%	-0.15%
Bonds - Mid	1.52%	1.62%	0.10%
Bonds - Municipal	0.02%	0.02%	0.00%
Bonds - Short	1.76%	2.02%	0.26%
Bonds - Total Market	1.70%	1.55%	-0.15%
Commodities - General	2.39%	2.85%	0.46%
Commodities - Precious Metals	2.98%	3.04%	0.06%
Currencies	0.29%	0.83%	0.54%
Dividend	0.95%	0.82%	-0.13%
International - Country - Developed	5.14%	4.17%	-0.97%
International - Country - Emerging	0.81%	1.28%	0.47%
International - Developed	21.44%	20.88%	-0.56%



International - Emerging	5.46%	5.74%	0.28%
International - Sectors	0.36%	0.67%	0.31%
Large Cap	21.33%	18.87%	-2.46%
Large Cap Growth	2.43%	2.70%	0.27%
Large Cap Value	2.92%	3.00%	0.08%
Leveraged	0.54%	0.27%	-0.27%
Micro Cap	0.01%	0.02%	0.01%
Mid Cap	2.92%	2.86%	-0.06%
Mid Cap Growth	0.36%	0.36%	0.00%
Mid Cap Value	1.43%	1.33%	-0.10%
Real Estate	1.38%	1.29%	-0.09%
Sector - Basic Materials	0.16%	0.17%	0.01%
Sector - Consumer Goods	0.25%	0.19%	-0.06%
Sector - Consumer Services	0.10%	0.07%	-0.03%
Sector - Energy	0.74%	0.70%	-0.04%
Sector - Financial	0.39%	0.31%	-0.08%
Sector - Healthcare	0.52%	0.45%	-0.07%
Sector - Industrial	0.16%	0.12%	-0.04%
Sector - Natural Resources	0.14%	0.22%	0.08%
Sector - Technology	0.26%	0.26%	0.00%
Sector - Telecommunications	0.02%	0.04%	0.02%
Sector - Utilities	0.18%	0.15%	-0.03%
Small Cap	3.97%	3.89%	-0.08%
Small Cap Growth	1.89%	1.62%	-0.27%
Small Cap Value	2.86%	2.43%	-0.43%
Socially Responsible	0.13%	0.13%	0.00%
Target Date	0.00%	0.00%	0.00%
Total Market	3.84%	4.46%	0.62%
(blank)	5.07%	7.45%	2.38%



Grand Total	100.00%	100.00%	
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Table 3 - Usage by Category

(Percentages shown are based on index funds and ETFs in the AP Universe.)

Category	6/30/2007	9/30/2007	Change
Bear-Market	0.24%	0.11%	-0.13%
Conservative Allocation	0.00%	0.00%	0.00%
Diversified Emerging Mkts	5.17%	5.44%	0.27%
Diversified Pacific/Asia	0.00%	0.00%	0.00%
Europe Stock	1.58%	1.57%	-0.01%
Foreign Large Blend	16.59%	16.17%	-0.42%
Foreign Large Growth	0.03%	0.06%	0.03%
Foreign Large Value	0.92%	1.13%	0.21%
Foreign Small/Mid Growth	0.01%	0.17%	0.16%
Foreign Small/Mid Value	0.99%	1.00%	0.01%
High Yield Bond	0.00%	0.00%	0.00%
Inflation-Protected Bond	0.33%	0.38%	0.05%
Intermediate Government	0.21%	0.18%	-0.03%
Intermediate-Term Bond	2.61%	2.40%	-0.21%
Japan Stock	5.38%	4.21%	-1.17%
Large Blend	25.63%	25.90%	0.27%
Large Growth	3.00%	3.25%	0.25%
Large Value	5.59%	4.57%	-1.02%
Latin America Stock	0.39%	0.60%	0.21%
Long Government	0.47%	0.40%	-0.07%
Long-Short	2.14%	2.67%	0.53%
Long-Term Bond	0.13%	0.12%	-0.01%



Mid-Cap Blend	3.21%	3.12%	-0.09%
Mid-Cap Growth	0.36%	0.36%	0.00%
Mid-Cap Value	1.46%	1.34%	-0.12%
Moderate Allocation	0.17%	0.14%	-0.03%
Muni National Short	0.02%	0.02%	0.00%
Pacific/Asia ex-Japan Stk	2.04%	2.22%	0.18%
Short Government	0.28%	0.77%	0.49%
Short-Term Bond	0.92%	0.79%	-0.13%
Small Blend	4.02%	3.94%	-0.08%
Small Growth	1.89%	1.62%	-0.27%
Small Value	2.83%	2.41%	-0.42%
Specialty-Communications	0.02%	0.04%	0.02%
Specialty-Financial	0.40%	0.31%	-0.09%
Specialty-Health	0.53%	0.47%	-0.06%
Specialty-Natural Res	3.54%	4.23%	0.69%
Specialty-Precious Metals	2.99%	3.04%	0.05%
Specialty-Real Estate	1.61%	2.10%	0.49%
Specialty-Technology	0.28%	0.27%	-0.01%
Specialty-Utilities	0.23%	0.19%	-0.04%
Target-Date 2000-2014	0.00%	0.00%	0.00%
Target-Date 2015-2029	0.00%	0.00%	0.00%
Target-Date 2030+	0.00%	0.00%	0.00%
Ultrashort Bond	0.35%	0.29%	-0.06%
World Allocation	0.01%	0.01%	0.00%
World Bond	1.21%	1.91%	0.70%
World Stock	0.23%	0.05%	-0.18%
(blank)	0.00%	0.03%	0.03%
Grand Total	100.00%	100.00%	



Table 4 – Usage by Index

(Percentages shown are based on index funds and ETFs in the AP Universe.)

Index	6/30/07	9/30/07	Change
DJ Financial	0.38%	0.30%	-0.08%
DJ Healthcare	0.35%	0.29%	-0.06%
DJ Moderate Port	0.01%	0.01%	0.00%
DJ Telecom	0.01%	0.01%	0.00%
DJ Utility	0.14%	0.11%	-0.03%
DJ Wil 4500	0.05%	0.05%	0.00%
DJ Wilshire REIT	1.25%	1.10%	-0.15%
GoldmanSachsNatRes	0.58%	0.55%	-0.03%
LB 1-5 Yr Gov/Cor	0.82%	1.32%	0.50%
LB 1-5 Yr Govt	1.25%	1.60%	0.35%
LB 5-10 Yr Gov/Cor	0.38%	0.34%	-0.04%
LB Aggregate	2.21%	2.03%	-0.18%
LB Credit	0.10%	0.09%	-0.01%
LB Government	0.63%	0.78%	0.15%
LB LT Government	0.17%	0.01%	-0.16%
LB LT Govt/Credit	0.00%	0.00%	0.00%
LB Muni 3yr(2-4)	0.02%	0.02%	0.00%
Lehman+Brothers+1-3+Yr+Govt	0.00%	0.00%	0.00%
Lehman+Brothers+Aggregate+Bond	0.00%	0.00%	0.00%
MSCI AC FEexJpFrID	0.36%	0.36%	0.00%
MSCI AC Wld FreeID	0.01%	0.00%	0.00%
MSCI EAFE NDTR_D	18.00%	17.52%	-0.48%
MSCI Eas NdD	0.03%	0.03%	0.00%
MSCI EMF ID	4.79%	5.08%	0.29%



MSCI EMF LatinAmID	0.33%	0.52%	0.19%
MSCI Eur NdD	1.39%	1.39%	0.00%
MSCI JAPAN Ndtr_D	4.93%	3.84%	-1.09%
MSCI Pac NdD	0.10%	0.06%	-0.03%
MSCI Pc xJND	1.04%	1.04%	0.00%
MSCI Wd x USN	0.00%	0.00%	0.00%
MSCI Wd xUSN	0.02%	0.02%	0.00%
MSCI Wld Met/MinID	0.01%	0.01%	0.00%
MSCI WORLD NDTR_D	0.23%	0.04%	-0.19%
MSCI Wrlld Ndtr_D	0.01%	0.01%	0.00%
MSCI+EAFE+IL	0.00%	0.00%	0.00%
Mstar Large Core	0.34%	0.26%	-0.08%
Mstar Large Growth	0.04%	0.07%	0.03%
Mstar Large Value	0.01%	0.01%	0.00%
Mstar Mid Core	0.66%	0.74%	0.08%
Mstar Mid Growth	0.02%	0.02%	0.00%
Mstar Mid Value	0.15%	0.16%	0.01%
Mstar Small Core	0.87%	0.84%	-0.02%
Mstar Small Growth	0.01%	0.01%	0.00%
Mstar Small Value	0.22%	0.16%	-0.07%
Mstar Srvs SuprTR	0.00%	0.00%	0.00%
Mstar US Mkt TR	0.00%	0.00%	0.00%
NASDAQ 100	0.54%	0.85%	0.31%
NYSE Tech 100	0.25%	0.25%	0.00%
Other	0.00%	0.01%	0.01%
Russ 1000	4.62%	5.16%	0.54%
Russ 1000 Growth	2.22%	2.13%	-0.09%
Russ 1000 Value	4.67%	5.00%	0.33%
Russ 2000	3.16%	3.03%	-0.13%
Russ 2000 Growth	2.34%	2.03%	-0.31%



Russ 2000 Value	1.54%	1.31%	-0.23%
Russ Midcap Growth	0.31%	0.29%	-0.02%
Russ Midcap Value	0.32%	0.29%	-0.03%
Russell+1000	0.00%	0.00%	0.00%
Russell+2000	0.58%	0.56%	-0.02%
S&P 500	18.43%	17.27%	-1.15%
S&P Midcap 400	4.19%	4.36%	0.17%
Standard&Poor's+500	0.07%	0.06%	-0.01%
Standard&Poor's+Midcap+400	0.00%	0.00%	0.00%
(blank)	14.85%	16.63%	1.77%
Grand Total	100.00%	100.00%	0.00%

Table 5 – Top 25 Index Funds and ETFs in the AP Universe (ranked by AUM)

(Percentages shown are based on index funds and ETFs in the AP Universe.)

Name	Tick er	Type	Asset Class	Category	Assets**	Index	6/30 pct	9/30 pct
iShares MSCI EAFE	EFA	ETF	International – Developed	Foreign Large Blend	46,023	MSCI EAFE NDTR_D	13.69%	12.42%
SPDRs (S&P 500)	SPY	ETF	Large Cap	Large Blend	72,426	S&P 500	6.57%	5.94%
Vanguard 500 Idx Adm	VFIAX	Fund	Large Cap	Large Blend	49,784	S&P 500	4.83%	4.11%
iShares Japan	EWJ	ETF	International - Country - Developed	Japan Stock	11,780	MSCI JAPAN NDTR_D	4.92%	3.84%
iShares MSCI Emerg Mkts	EEM	ETF	International – Emerging	Diversified Emerging Mkts	18,198	MSCI EMF ID	3.39%	3.71%
streetTRACKS Gold Shares	GLD	ETF	Commodities - Precious Metals	Specialty-Precious Metals	11,133		2.92%	2.97%
Gateway	GATE X	Fund		Long-Short	4,050	Russ 1000 Value	2.14%	2.67%
iShares S&P 500	IVV	ETF	Large Cap	Large Blend	17,321	S&P 500	2.37%	2.00%
DFA U.S. Core Equity I	DFEO X	Fund		Large Blend	1,054		1.08%	2.31%
Vanguard Total Intl Stk	VGTS	Fund	International – Developed	Foreign Large Blend	25,776	MSCI EAFE	1.47%	1.97%



	X					NDTR_D		
Vanguard Tot Stk Inst	VITSX	Fund	Total Market	Large Blend	13,495	Russ 1000	1.76%	1.45%
iShares R2000 Growth	IWO	ETF	Small Cap Growth	Small Growth	2,963	Russ 2000 Growth	1.62%	1.41%
iShares R1000 Growth	IWF	ETF	Large Cap Growth	Large Growth	11,525	Russ 1000 Growth	1.51%	1.47%
iShares Russell 2000	IWM	ETF	Small Cap	Small Blend	11,310	Russ 2000	1.48%	1.48%
iPath DJ-AIG Commodity	DJP	ETF	Commodities - General	Specialty-Natural Res	1,947		1.29%	1.51%
iShares R2000 Value	IWN	ETF	Small Cap Value	Small Value	4,171	Russ 2000 Value	1.53%	1.29%
PowerShares FTSE RAFI 1000	PRF	ETF	Large Cap	Large Value	1,191		1.98%	0.79%
Vanguard Total Stock Market	VTI	ETF	Total Market	Large Blend	8,971	Russ 1000	0.65%	1.58%
Vanguard Total Bd Idx	VBMF X	Fund	Bonds - Total Market	Intermediate-Term Bond	27,385	LB Aggregate	1.19%	1.11%
iShares S&P 400 MidCap	IJH	ETF	Mid Cap	Mid-Cap Blend	4,899	S&P Midcap 400	1.09%	1.06%
iShares R1000 Value	IWD	ETF	Large Cap Value	Large Value	9,879	Russ 1000 Value	1.08%	1.05%
MidCap SPDR (S&P 400)	MDY	ETF	Mid Cap	Mid-Cap Blend	9,655	S&P Midcap 400	1.04%	0.93%
iShares MSCI ex-Japn	EPP	ETF	International - Developed	Pacific/Asia ex-Japan Stk	3,536	MSCI Pc xJND	0.97%	0.98%
iShares Russell 3000	IWV	ETF	Total Market	Large Blend	3,129	Russ 1000	0.80%	0.88%
Dimensional US LgCpVal	DFLV X	Fund	Large Cap Value	Large Value	7,705	S&P Midcap 400	0.70%	0.96%

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