



Index Fund and ETF Usage in the Advisor Perspectives Universe

August 19, 2008

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). Periodically, we look at usage in index funds and ETFs throughout the AP Universe.

This study updates two previous studies:

[June 30, 2007](#)

[September 30, 2007](#)

[March 4, 2008](#)

and looks at index fund and ETF usage in the AP universe as of July 31, 2008. We use data from [Index Universe](#) for the classification of index funds and ETFs.

Significant findings from this study include the following:

- ETFs hold almost twice the assets of index funds (63.5% versus 36.5%). ETF assets decreased from 70.3% to 63.5% over the prior five months.
- ETFs and Index Funds now represent 31.5% of total mutual fund assets, down slightly from 32.9% on 2/28/08, and up from 29% on 9/30/07 and 27% on 6/30/07.
- ETFs and Index Funds now represent 6.9% of total marketable securities in the AP Universe, up from 6.4% on 2/28/08, and from 4.6% on 9/30/07 and 3.9% on 6/30/07.
- Holdings tied to broad-based indices increased, but still represent a relatively small portion of overall assets in the AP Universe. Holdings tied to the S&P 500 increased from 24.5% to 27.0% of total mutual fund assets from 2/28/08 to 7/31/08. Holdings tied to the EFA decreased from 20.4% to 13.8% over the same time period. Holdings tied to the total market increased slightly, from 4.3% to 5.1%.
- Holdings in sector-based ETFs decreased consistently from 9/30/07 to 2/28/08 (as a percentage of mutual fund assets) and continue to remain a small percentage of ETF holdings.



Across the mutual fund industry, index funds and ETFs represent approximately 15% of assets. It is noteworthy that index and ETF holdings as a percent of total assets in the AP Universe (at 6.9% and on the rise) are still significantly below the 15% level.

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 HNWI and UHNWI investors typically hold 10-20 or more accounts. For this reason, the AP Universe reveals trends predominantly in the UHNWI segment.

Table 1 - ETF versus Index Fund Usage

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

	6/30/2007	9/30/2007	2/29/2008	7/31/2008
ETFs	67.40%	65.00%	70.30%	63.50%
Index Funds	32.60%	35.00%	29.70%	36.50%

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	2/28/2008	7/31/2008	Change 6/30/07-7/31/08
Bonds – Corporate	0.10%	0.09%	0.10%	0.16%	0.06%
Bonds – International	0.91%	1.08%	0.95%	0.91%	0.00%
Bonds – Long	0.17%	0.02%	0.21%	0.30%	0.13%
Bonds – Mid	1.52%	1.62%	1.38%	3.41%	1.89%
Bonds – Municipal	0.02%	0.02%	0.05%	0.06%	0.04%
Bonds - Short	1.76%	2.02%	1.98%	2.29%	0.53%
Bonds - Total Market	1.70%	1.55%	1.97%	3.21%	1.51%
Commodities - General	2.39%	2.85%	2.70%	2.50%	0.11%
Commodities - Precious Metals	2.98%	3.04%	3.45%	3.28%	0.30%
Currencies	0.29%	0.83%	1.06%	0.66%	0.37%
Dividend	0.95%	0.82%	0.42%	0.33%	-0.62%
International - Country - Developed	5.14%	4.17%	3.30%	1.98%	-3.16%
International - Country - Emerging	0.81%	1.28%	0.50%	0.86%	0.05%
International - Developed	21.44%	20.88%	23.01%	16.83%	-4.61%
International - Emerging	5.46%	5.74%	6.79%	5.74%	0.28%
International - Sectors	0.36%	0.67%	0.56%	0.57%	0.21%



Large Cap	21.33%	18.87%	24.69%	34.00%	12.67%
Large Cap Growth	2.43%	2.70%	1.64%	1.96%	-0.47%
Large Cap Value	2.92%	3.00%	2.07%	2.22%	-0.70%
Leveraged	0.54%	0.27%	0.45%	0.87%	0.33%
Micro Cap	0.01%	0.02%	0.04%	0.04%	0.03%
Mid Cap	2.92%	2.86%	2.07%	2.07%	-0.85%
Mid Cap Growth	0.36%	0.36%	0.35%	0.42%	0.06%
Mid Cap Value	1.43%	1.33%	0.82%	0.97%	-0.46%
Real Estate	1.38%	1.29%	1.10%	1.24%	-0.14%
Sector - Basic Materials	0.16%	0.17%	0.13%	0.11%	-0.05%
Sector - Consumer Goods	0.25%	0.19%	0.09%	0.07%	-0.18%
Sector - Consumer Services	0.10%	0.07%	0.04%	0.01%	-0.09%
Sector - Energy	0.74%	0.70%	0.42%	0.46%	-0.28%
Sector - Financial	0.39%	0.31%	0.26%	0.27%	-0.12%
Sector - Healthcare	0.52%	0.45%	0.25%	0.22%	-0.30%
Sector - Industrial	0.16%	0.12%	0.07%	0.11%	-0.05%
Sector - Natural Resources	0.14%	0.22%	0.12%	0.32%	0.18%
Sector - Technology	0.26%	0.26%	0.13%	0.10%	-0.16%
Sector - Telecommunications	0.02%	0.04%	0.01%	0.01%	-0.01%
Sector - Utilities	0.18%	0.15%	0.11%	0.07%	-0.11%
Small Cap	3.97%	3.89%	3.01%	2.80%	-1.17%
Small Cap Growth	1.89%	1.62%	1.05%	0.63%	-1.26%
Small Cap Value	2.86%	2.43%	2.01%	1.06%	-1.80%
Socially Responsible	0.13%	0.13%	0.02%	0.02%	-0.11%
Target Date	0.00%	0.00%	0.00%	0.00%	0.00%
Total Market	3.84%	4.46%	4.34%	5.06%	1.22%
(blank)	5.07%	7.45%	6.31%	1.81%	-3.26%
Grand Total	100.00%	100.00%	100.00%	100.00%	

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	2/28/2008	7/31/2008	Change 6/30/07-7/31/08
Bear-Market	0.24%	0.11%	0.38%	0.65%	0.41%
Conservative Allocation	0.00%	0.00%	0.00%	0.00%	0.00%
Diversified Emerging Mkts	5.17%	5.44%	6.77%	5.61%	0.44%
Diversified Pacific/Asia	0.00%	0.00%	0.01%	0.00%	0.00%
Europe Stock	1.58%	1.57%	1.55%	1.20%	-0.38%
Foreign Large Blend	16.59%	16.17%	19.21%	13.27%	-3.32%
Foreign Large Growth	0.03%	0.06%	0.04%	0.21%	0.18%
Foreign Large Value	0.92%	1.13%	1.71%	1.72%	0.80%
Foreign Small/Mid Growth	0.01%	0.17%	0.21%	0.29%	0.28%



Foreign Small/Mid Value	0.99%	1.00%	0.88%	0.86%	-0.13%
High Yield Bond	0.00%	0.00%	0.01%	0.06%	0.06%
Inflation-Protected Bond	0.33%	0.38%	0.48%	1.35%	1.02%
Intermediate Government	0.21%	0.18%	0.14%	0.13%	-0.08%
Intermediate-Term Bond	2.61%	2.40%	2.65%	5.08%	2.47%
Japan Stock	5.38%	4.21%	2.16%	1.21%	-4.17%
Large Blend	25.63%	25.90%	31.87%	36.41%	10.78%
Large Growth	3.00%	3.25%	1.93%	2.33%	-0.67%
Large Value	5.59%	4.57%	2.53%	2.79%	-2.80%
Latin America Stock	0.39%	0.60%	0.15%	0.23%	-0.16%
Long Government	0.47%	0.40%	0.42%	0.50%	0.03%
Long-Short	2.14%	2.67%	2.22%	2.56%	0.42%
Long-Term Bond	0.13%	0.12%	0.14%	0.13%	0.00%
Mid-Cap Blend	3.21%	3.12%	2.39%	2.47%	-0.74%
Mid-Cap Growth	0.36%	0.36%	0.35%	0.42%	0.06%
Mid-Cap Value	1.46%	1.34%	0.84%	0.98%	-0.48%
Moderate Allocation	0.17%	0.14%	0.11%	0.13%	-0.04%
Muni National Interm	0.00%	0.00%	0.01%	0.00%	0.00%
Muni National Long	0.00%	0.00%	0.02%	0.00%	0.00%
Muni National Short	0.02%	0.02%	0.02%	0.01%	-0.01%
Pacific/Asia ex-Japan Stk	2.04%	2.22%	1.18%	1.15%	-0.89%
Short Government	0.28%	0.77%	0.83%	0.67%	0.39%
Short-Term Bond	0.92%	0.79%	0.78%	1.31%	0.39%
Small Blend	4.02%	3.94%	3.07%	2.89%	-1.13%
Small Growth	1.89%	1.62%	1.06%	0.64%	-1.25%
Small Value	2.83%	2.41%	1.99%	1.02%	-1.81%
Specialty-Communications	0.02%	0.04%	0.01%	0.01%	-0.01%
Specialty-Financial	0.40%	0.31%	0.26%	0.35%	-0.05%
Specialty-Health	0.53%	0.47%	0.33%	0.29%	-0.24%
Specialty-Natural Res	3.54%	4.23%	3.90%	3.61%	0.07%
Specialty-Precious Metals	2.99%	3.04%	3.48%	3.36%	0.37%
Specialty-Real Estate	1.61%	2.10%	1.34%	1.79%	0.18%
Specialty-Technology	0.28%	0.27%	0.14%	0.13%	-0.15%
Specialty-Utilities	0.23%	0.19%	0.11%	0.13%	-0.10%
Target-Date 2000-2014	0.00%	0.00%	0.00%	0.00%	0.00%
Target-Date 2015-2029	0.00%	0.00%	0.00%	0.00%	0.00%
Target-Date 2030+	0.00%	0.00%	0.00%	0.00%	0.00%
Ultrashort Bond	0.35%	0.29%	0.25%	0.21%	-0.14%
World Allocation	0.01%	0.01%	0.01%	0.01%	0.00%
World Bond	1.21%	1.91%	2.02%	1.56%	0.35%
World Stock	0.23%	0.05%	0.03%	0.10%	-0.13%
(blank)	0.00%	0.03%	0.02%	0.15%	0.15%
Grand Total	100.00%	100.00%	100.00%	100.00%	

Table 4 – Usage by Index



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

Index	6/30/2007	9/30/2007	2/28/2008	7/31/2008	Change 6/30/07-7/31/08
AMEX Gold Miners	0.00%	0.00%	3.38%	0.00%	0.00%
DJ Financial	0.38%	0.30%	0.22%	0.21%	-0.17%
DJ Healthcare	0.35%	0.29%	0.25%	0.21%	-0.14%
DJ Moderate Port	0.01%	0.01%	0.01%	0.03%	0.02%
DJ Telecom	0.01%	0.01%	0.00%	0.00%	-0.01%
DJ Utility	0.14%	0.11%	0.09%	0.05%	-0.09%
DJ Wil 4500	0.05%	0.05%	0.15%	0.18%	0.13%
DJ Wil REIT TR	0.00%	0.00%	0.46%	0.00%	0.00%
DJ Wilshire REIT	1.25%	1.10%	0.64%	0.73%	-0.52%
Dow Jones U.S. Oil & Gas Index	0.00%	0.00%	0.05%	0.00%	0.00%
GoldmanSachsNatRes	0.58%	0.55%	0.29%	0.33%	-0.25%
LB 1-5 Yr Gov/Cor	0.82%	1.32%	1.33%	1.37%	0.55%
LB 1-5 Yr Govt	1.25%	1.60%	1.38%	1.27%	0.02%
LB 5-10 Yr Gov/Cor	0.38%	0.34%	0.30%	0.29%	-0.09%
LB Aggregate	2.21%	2.03%	2.31%	4.57%	2.36%
LB Credit	0.10%	0.09%	0.09%	0.10%	0.00%
LB Government	0.63%	0.78%	0.71%	1.55%	0.92%
LB LT Government	0.17%	0.01%	0.20%	0.29%	0.12%
LB LT Govt/Credit	0.00%	0.00%	0.00%	0.00%	0.00%
LB Muni 3yr(2-4)	0.02%	0.02%	0.02%	0.01%	-0.01%
Lehman+Brothers+1-3+Yr+Govt	0.00%	0.00%	0.00%	0.00%	0.00%
Lehman+Brothers+Aggregate+Bond	0.00%	0.00%	0.00%	0.00%	0.00%
MSCI AC FEexJpFrID	0.36%	0.36%	0.25%	0.21%	-0.15%
MSCI AC Wid FreeID	0.01%	0.00%	0.00%	0.01%	0.00%
MSCI AcFe xJapanND	0.00%	0.00%	0.16%	0.00%	0.00%
MSCI EAFE NDTR_D	18.00%	17.52%	20.43%	13.78%	-4.22%
MSCI Eas NdD	0.03%	0.03%	0.02%	0.01%	-0.02%
MSCI EMF ID	4.79%	5.08%	6.33%	5.13%	0.34%
MSCI EMF LatinAmID	0.33%	0.52%	0.14%	0.20%	-0.13%
MSCI Eur NdD	1.39%	1.39%	1.24%	0.83%	-0.56%
MSCI JAPAN Ndtr_D	4.93%	3.84%	1.94%	1.02%	-3.91%
MSCI Pac NdD	0.10%	0.06%	0.11%	0.08%	-0.02%
MSCI Pc xJND	1.04%	1.04%	0.65%	0.40%	-0.64%
MSCI Wd x USN	0.00%	0.00%	0.00%	0.00%	0.00%
MSCI Wd xUSN	0.02%	0.02%	0.04%	0.03%	0.01%
MSCI Wld Met/MinID	0.01%	0.01%	0.84%	0.83%	0.82%
MSCI WORLD NDTR_D	0.23%	0.04%	0.01%	0.03%	-0.20%
MSCI WrlD Ndtr_D	0.01%	0.01%	0.01%	0.00%	-0.01%
MSCI+EAFE+IL	0.00%	0.00%	0.00%	0.00%	0.00%
Mstar Energy TR	0.00%	0.00%	0.17%	0.00%	0.00%



Mstar Indus Mater	0.00%	0.00%	0.00%	0.00%	0.00%
Mstar Large Core	0.34%	0.26%	0.13%	0.09%	-0.25%
Mstar Large Growth	0.04%	0.07%	0.07%	0.06%	0.02%
Mstar Large Value	0.01%	0.01%	0.02%	0.00%	-0.01%
Mstar Mid Core	0.66%	0.74%	0.72%	0.50%	-0.16%
Mstar Mid Growth	0.02%	0.02%	0.01%	0.00%	-0.02%
Mstar Mid Value	0.15%	0.16%	0.12%	0.11%	-0.04%
Mstar Small Core	0.87%	0.84%	0.44%	0.48%	-0.39%
Mstar Small Growth	0.01%	0.01%	0.00%	0.00%	-0.01%
Mstar Small Value	0.22%	0.16%	0.14%	0.23%	0.01%
Mstar Srvs SuprTR	0.00%	0.00%	0.00%	0.00%	0.00%
Mstar Telecom TR	0.00%	0.00%	0.01%	0.00%	0.00%
Mstar US Mkt TR	0.00%	0.00%	0.00%	0.00%	0.00%
NASDAQ 100	0.54%	0.85%	0.00%	0.34%	-0.20%
NYSE Tech 100	0.25%	0.25%	0.14%	0.13%	-0.12%
Other	0.00%	0.01%	0.00%	0.00%	0.00%
Pacific/Asia ex-Japan Stk	0.00%	0.00%	0.00%	0.01%	0.01%
Russ 1000	4.62%	5.16%	4.79%	5.50%	0.88%
Russ 1000 Growth	2.22%	2.13%	1.65%	1.70%	-0.52%
Russ 1000 Value	4.67%	5.00%	3.65%	4.39%	-0.28%
Russ 2000	3.16%	3.03%	2.45%	2.16%	-1.00%
Russ 2000 Growth	2.34%	2.03%	1.38%	1.04%	-1.30%
Russ 2000 Value	1.54%	1.31%	1.22%	0.30%	-1.24%
Russ Midcap Growth	0.31%	0.29%	0.24%	0.24%	-0.07%
Russ Midcap Value	0.32%	0.29%	0.07%	0.07%	-0.25%
Russell+1000	0.00%	0.00%	0.00%	0.00%	0.00%
Russell+2000	0.58%	0.56%	0.41%	0.24%	-0.34%
S&P 500	18.43%	17.27%	24.45%	27.03%	8.60%
S&P Midcap 400	4.19%	4.36%	2.96%	3.09%	-1.10%
Standard&&+Poor's+500	0.07%	0.06%	0.04%	0.00%	-0.07%
Standard&Poor's+Midcap+400	0.00%	0.00%	0.00%	0.00%	0.00%
(blank)	14.85%	16.63%	10.68%	18.50%	3.65%
Grand Total	100.00%	100.00%	100.00%	100.00%	



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.)

Ticker	Fund	AUM	%AUM	Type	Asset Class	Category	Index
SPY	SPDRS TRUST SERIES 1	\$422,287,542	14.69%	ETF	Large Cap	Large Blend	S&P 500
EFA	ISHARES TRUST MSCI EAFE INDEX FUND	\$285,674,676	9.94%	ETF	International - Developed	Foreign Large Blend	MSCI EAFE NDTR_D
EEM	ISHARES TRUST MSCI EMERGING MARKETS INDEX FUND	\$121,231,534	4.22%	ETF	International - Emerging	Diversified Emerging Mkts	MSCI EMF ID
VFIAX	VANGUARD 500 INDEX FUND	\$91,413,486	3.18%	Fund	Large Cap	Large Blend	S&P 500
GLD	SPDRS GOLD TRUST ETF	\$91,150,808	3.17%	ETF	Commodities - Precious Metals	Specialty-Precious Metals	
VINIX	VANGUARD INSTITUTIONAL INDEX FUND	\$89,393,572	3.11%	Fund	Large Cap	Large Blend	S&P 500
DFEOX	DFA UNITED STATES CORE EQUITY 1 FUND	\$85,109,797	2.96%	Fund	Large Cap	Large Blend	
GATEX	GATEWAY FUND	\$73,583,078	2.56%	Fund	Large Cap	Long-Short	Russ 1000 Value
VBMFX	VANGUARD TOTAL BOND MARKETS INDEX FUND	\$71,222,237	2.48%	Fund	Bonds - Total Market	Intermediate-Term Bond	LB Aggregate
VTI	VANGUARD TOTAL ETF	\$65,907,469	2.29%	ETF	Total Market	Large Blend	Russ 1000
VGTSX	VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	\$49,397,926	1.72%	Fund	International - Developed	Foreign Large Blend	MSCI EAFE NDTR_D
VITSX	VANGUARD TOTAL STOCK MARKETS INDEX FUND	\$41,205,837	1.43%	Fund	Total Market	Large Blend	Russ 1000
TIP	ISHARES TRUST LEHMAN TIPS BOND INDEX FUND	\$38,556,266	1.34%	ETF	Bonds - Mid	Inflation-Protected Bond	LB Government
FBIDX	FIDELITY UNITED STATES BOND INDEX FUND	\$36,800,273	1.28%	Fund	Bonds - Mid	Intermediate-Term Bond	LB Aggregate
IWF	ISHARES TRUST RUSSELL 1000 GROWTH INDEX FUND	\$33,317,713	1.16%	ETF	Large Cap Growth	Large Growth	Russ 1000 Growth
IVV	ISHARES TRUST S&P 500 INDEX FUND	\$33,205,245	1.16%	ETF	Large Cap	Large Blend	S&P 500



DJP	IPATH DOW JONES AIGCITR ETN	\$32,668,674	1.14%	ETF	Commodities - General	Specialty-Natural Res	
EWJ	ISHARES TRUST MSCI JAPAN INDEX FUND	\$29,236,103	1.02%	ETF	International - Country - Developed	Japan Stock	MSCI JAPAN NDTR_D
IWV	ISHARES TRUST RUSSELL 3000 INDEX FUND	\$27,677,923	0.96%	ETF	Total Market	Large Blend	Russ 1000
IWD	ISHARES TRUST RUSSELL 1000 VALUE INDEX FUND	\$26,676,938	0.93%	ETF	Large Cap Value	Large Value	Russ 1000 Value
IWM	ISHARES TRUST RUSSELL 2000 INDEX FUND	\$26,620,719	0.93%	ETF	Small Cap	Small Blend	Russ 2000
SVSP X	SSGA S&P 500 INDEX FUND	\$25,902,103	0.90%	Fund	Large Cap	Large Blend	S&P 500
EWC	ISHARES TRUST MSCI CANADIAN INDEX FUND	\$23,746,922	0.83%	ETF	International - Country - Developed	Foreign Large Value	MSCI Wld Met/MinID
VBIRX	VANGUARD SHORT TERM BOND INDEX FUND	\$21,854,191	0.76%	Fund	Bonds - Short	Short-Term Bond	LB 1-5 Yr Gov/Cor
FUSE X	FIDELITY UNITED STATES EQUITY INDEX FUND	\$21,748,774	0.76%	Fund	Large Cap	Large Blend	S&P 500

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