



## **Index Fund and ETF Usage in the Advisor Perspectives Universe**

*March 4, 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](#)

and looks at index fund and ETF usage in the AP universe as of February 28, 2008. We use data from [Index Universe](#) for the classification of index funds and ETFs.

Significant findings from this study include the following:

- ETFs now hold twice the assets of index funds (70.3% versus 29.7%). ETF assets increased from 65.0% to 70.3% over the prior five months.
- ETFs and Index Funds now represent 32.9% of total mutual fund assets, up from 29% on 9/30/07 and 27% on 6/30/07.
- ETFs and Index Funds now represent 6.4% of total marketable securities in the AP Universe, up 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 17.3% to 24.5% of total mutual fund assets from 9/30/07 to 2/28/08. Holdings tied to the EFA increased from 17.5% to 20.4% over the same time period. Holdings tied to the total market decreased slightly, from 4.5% to 4.3%.
- 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.



The shift in assets to broad-based market indices is consistent with our recent [study](#) of asset allocation, which showed a flight to quality in US and non-US equities. That study analyzed individual security holdings as well as mutual fund and ETF holdings, whereas this study looks only at index fund and 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 6.4% 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 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.)

	6/30/2007	9/30/2007	2/29/2008
<b>ETFs</b>	67.4%	65.0%	70.3%
<b>Index Funds</b>	32.6%	35.0%	29.7%

### 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	Change	
				6/30-9/30	9/30-2/28
<b>Bonds – Corporate</b>	0.10%	0.09%	0.10%	-0.01%	0.01%
<b>Bonds – International</b>	0.91%	1.08%	0.95%	0.17%	-0.13%
<b>Bonds – Long</b>	0.17%	0.02%	0.21%	-0.15%	0.19%
<b>Bonds – Mid</b>	1.52%	1.62%	1.38%	0.10%	-0.24%
<b>Bonds – Municipal</b>	0.02%	0.02%	0.05%	0.00%	0.03%
<b>Bonds - Short</b>	1.76%	2.02%	1.98%	0.26%	-0.04%
<b>Bonds - Total Market</b>	1.70%	1.55%	1.97%	-0.15%	0.42%



<b>Commodities - General</b>	2.39%	2.85%	2.70%	0.46%	-0.15%
<b>Commodities - Precious Metals</b>	2.98%	3.04%	3.45%	0.06%	0.41%
<b>Currencies</b>	0.29%	0.83%	1.06%	0.54%	0.23%
<b>Dividend</b>	0.95%	0.82%	0.42%	-0.13%	-0.40%
<b>International - Country - Developed</b>	5.14%	4.17%	3.30%	-0.97%	-0.87%
<b>International - Country - Emerging</b>	0.81%	1.28%	0.50%	0.47%	-0.78%
<b>International - Developed</b>	21.44%	20.88%	23.01%	-0.56%	2.13%
<b>International - Emerging</b>	5.46%	5.74%	6.79%	0.28%	1.05%
<b>International - Sectors</b>	0.36%	0.67%	0.56%	0.31%	-0.11%
<b>Large Cap</b>	21.33%	18.87%	24.69%	-2.46%	5.82%
<b>Large Cap Growth</b>	2.43%	2.70%	1.64%	0.27%	-1.06%
<b>Large Cap Value</b>	2.92%	3.00%	2.07%	0.08%	-0.93%
<b>Leveraged</b>	0.54%	0.27%	0.45%	-0.27%	0.18%
<b>Micro Cap</b>	0.01%	0.02%	0.04%	0.01%	0.02%
<b>Mid Cap</b>	2.92%	2.86%	2.07%	-0.06%	-0.79%
<b>Mid Cap Growth</b>	0.36%	0.36%	0.35%	0.00%	-0.01%
<b>Mid Cap Value</b>	1.43%	1.33%	0.82%	-0.10%	-0.51%
<b>Real Estate</b>	1.38%	1.29%	1.10%	-0.09%	-0.19%
<b>Sector - Basic Materials</b>	0.16%	0.17%	0.13%	0.01%	-0.04%
<b>Sector - Consumer Goods</b>	0.25%	0.19%	0.09%	-0.06%	-0.10%
<b>Sector - Consumer Services</b>	0.10%	0.07%	0.04%	-0.03%	-0.03%
<b>Sector - Energy</b>	0.74%	0.70%	0.42%	-0.04%	-0.28%
<b>Sector - Financial</b>	0.39%	0.31%	0.26%	-0.08%	-0.05%
<b>Sector - Healthcare</b>	0.52%	0.45%	0.25%	-0.07%	-0.20%
<b>Sector - Industrial</b>	0.16%	0.12%	0.07%	-0.04%	-0.05%
<b>Sector - Natural Resources</b>	0.14%	0.22%	0.12%	0.08%	-0.10%
<b>Sector - Technology</b>	0.26%	0.26%	0.13%	0.00%	-0.13%
<b>Sector - Telecommunications</b>	0.02%	0.04%	0.01%	0.02%	-0.03%
<b>Sector - Utilities</b>	0.18%	0.15%	0.11%	-0.03%	-0.04%
<b>Small Cap</b>	3.97%	3.89%	3.01%	-0.08%	-0.88%
<b>Small Cap Growth</b>	1.89%	1.62%	1.05%	-0.27%	-0.57%
<b>Small Cap Value</b>	2.86%	2.43%	2.01%	-0.43%	-0.42%
<b>Socially Responsible</b>	0.13%	0.13%	0.02%	0.00%	-0.11%
<b>Target Date</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Market</b>	3.84%	4.46%	4.34%	0.62%	-0.12%
<b>(blank)</b>	5.07%	7.45%	6.31%	2.38%	-1.14%
<b>Grand Total</b>	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	Change				
	6/30/2007	9/30/2007	2/28/2008	6/30-9/30	9/30-2/28
Bear-Market	0.24%	0.11%	0.38%	-0.13%	0.27%
Conservative Allocation	0.00%	0.00%	6.77%	0.00%	6.77%
Diversified Emerging Mkts	5.17%	5.44%	0.00%	0.27%	-5.44%
Diversified Pacific/Asia	0.00%	0.00%	0.01%	0.00%	0.01%
Europe Stock	1.58%	1.57%	1.55%	-0.01%	-0.02%
Foreign Large Blend	16.59%	16.17%	19.21%	-0.42%	3.04%
Foreign Large Growth	0.03%	0.06%	0.04%	0.03%	-0.02%
Foreign Large Value	0.92%	1.13%	1.71%	0.21%	0.58%
Foreign Small/Mid Growth	0.01%	0.17%	0.21%	0.16%	0.04%
Foreign Small/Mid Value	0.99%	1.00%	0.88%	0.01%	-0.12%
High Yield Bond	0.00%	0.00%	0.01%	0.00%	0.01%
Inflation-Protected Bond	0.33%	0.38%	0.48%	0.05%	0.10%
Intermediate Government	0.21%	0.18%	0.14%	-0.03%	-0.04%
Intermediate-Term Bond	2.61%	2.40%	2.65%	-0.21%	0.25%
Japan Stock	5.38%	4.21%	2.16%	-1.17%	-2.05%
Large Blend	25.63%	25.90%	31.87%	0.27%	5.97%
Large Growth	3.00%	3.25%	1.93%	0.25%	-1.32%
Large Value	5.59%	4.57%	2.53%	-1.02%	-2.04%
Latin America Stock	0.39%	0.60%	0.15%	0.21%	-0.45%
Long Government	0.47%	0.40%	0.42%	-0.07%	0.02%
Long-Short	2.14%	2.67%	2.22%	0.53%	-0.45%
Long-Term Bond	0.13%	0.12%	0.14%	-0.01%	0.02%
Mid-Cap Blend	3.21%	3.12%	2.39%	-0.09%	-0.73%
Mid-Cap Growth	0.36%	0.36%	0.35%	0.00%	-0.01%
Mid-Cap Value	1.46%	1.34%	0.84%	-0.12%	-0.50%
Moderate Allocation	0.17%	0.14%	0.11%	-0.03%	-0.03%
Muni National Interm	0.00%	0.00%	0.01%	0.00%	0.01%
Muni National Long	0.00%	0.00%	0.02%	0.18%	0.02%
Muni National Short	0.02%	0.02%	0.02%	0.00%	0.00%
Pacific/Asia ex-Japan Stk	2.04%	2.22%	1.18%	0.18%	-1.04%
Short Government	0.28%	0.77%	0.83%	0.49%	0.06%
Short-Term Bond	0.92%	0.79%	0.78%	-0.13%	-0.01%
Small Blend	4.02%	3.94%	3.07%	-0.08%	-0.87%
Small Growth	1.89%	1.62%	1.06%	-0.27%	-0.56%
Small Value	2.83%	2.41%	1.99%	-0.42%	-0.42%
Specialty-Communications	0.02%	0.04%	0.01%	0.02%	-0.03%
Specialty-Financial	0.40%	0.31%	0.26%	-0.09%	-0.05%
Specialty-Health	0.53%	0.47%	0.33%	-0.06%	-0.14%
Specialty-Natural Res	3.54%	4.23%	3.90%	0.69%	-0.33%



Specialty-Precious Metals	2.99%	3.04%	3.48%	0.05%	0.44%
Specialty-Real Estate	1.61%	2.10%	1.34%	0.49%	-0.76%
Specialty-Technology	0.28%	0.27%	0.14%	-0.01%	-0.13%
Specialty-Utilities	0.23%	0.19%	0.11%	-0.04%	-0.08%
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%	-0.06%	-0.04%
World Allocation	0.01%	0.01%	0.01%	0.00%	0.00%
World Bond	1.21%	1.91%	2.02%	0.70%	0.11%
World Stock	0.23%	0.05%	0.03%	-0.18%	-0.02%
(blank)	0.00%	0.03%	0.02%	0.03%	-0.01%
Grand Total	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	Change				
	6/30/2007	9/30/2007	2/28/2008	6/30-9/30	9/30-2/28
AMEX Gold Miners	0.00%	0.00%	3.38%	0.00%	3.38%
DJ Financial	0.38%	0.30%	0.22%	-0.08%	-0.08%
DJ Healthcare	0.35%	0.29%	0.25%	-0.06%	-0.04%
DJ Moderate Port	0.01%	0.01%	0.01%	0.00%	0.00%
DJ Telecom	0.01%	0.01%	0.00%	0.00%	-0.01%
DJ Utility	0.14%	0.11%	0.09%	-0.03%	-0.02%
DJ Wil 4500	0.05%	0.05%	0.15%	0.00%	0.10%
DJ Wil REIT TR	0.00%	0.00%	0.46%	0.00%	0.46%
DJ Wilshire REIT	1.25%	1.10%	0.64%	-0.15%	-0.46%
Dow Jones U.S. Oil & Gas Index	0.00%	0.00%	0.05%	0.00%	0.05%
GoldmanSachsNatRes	0.58%	0.55%	0.29%	-0.03%	-0.26%
LB 1-5 Yr Gov/Cor	0.82%	1.32%	1.33%	0.50%	0.01%
LB 1-5 Yr Govt	1.25%	1.60%	1.38%	0.35%	-0.22%
LB 5-10 Yr Gov/Cor	0.38%	0.34%	0.30%	-0.04%	-0.04%
LB Aggregate	2.21%	2.03%	2.31%	-0.18%	0.28%
LB Credit	0.10%	0.09%	0.09%	-0.01%	0.00%
LB Government	0.63%	0.78%	0.71%	0.15%	-0.07%
LB LT Government	0.17%	0.01%	0.20%	-0.16%	0.19%
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%	0.00%	0.00%
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 FExJpFrID	0.36%	0.36%	0.25%	0.00%	-0.11%
MSCI AC Wld FreeID	0.01%	0.00%	0.00%	0.00%	0.00%



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<b>MSCI AcFe xJapanND</b>	0.00%	0.00%	0.16%	0.00%	0.16%
<b>MSCI EAFE NDTR_D</b>	18.00%	17.52%	20.43%	-0.48%	2.91%
<b>MSCI Eas NdD</b>	0.03%	0.03%	0.02%	0.00%	-0.01%
<b>MSCI EMF ID</b>	4.79%	5.08%	6.33%	0.29%	1.25%
<b>MSCI EMF LatinAmID</b>	0.33%	0.52%	0.14%	0.19%	-0.38%
<b>MSCI Eur NdD</b>	1.39%	1.39%	1.24%	0.00%	-0.15%
<b>MSCI JAPAN Ndtr_D</b>	4.93%	3.84%	1.94%	-1.09%	-1.90%
<b>MSCI Pac NdD</b>	0.10%	0.06%	0.11%	-0.03%	0.05%
<b>MSCI Pc xJND</b>	1.04%	1.04%	0.65%	0.00%	-0.39%
<b>MSCI Wd x USN</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>MSCI Wd xUSN</b>	0.02%	0.02%	0.04%	0.00%	0.02%
<b>MSCI Wld Met/MinID</b>	0.01%	0.01%	0.84%	0.00%	0.83%
<b>MSCI WORLD NDTR_D</b>	0.23%	0.04%	0.01%	-0.19%	-0.03%
<b>MSCI Wld Ndtr_D</b>	0.01%	0.01%	0.01%	0.00%	0.00%
<b>MSCI+EAFE+IL</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Mstar Energy TR</b>	0.00%	0.00%	0.17%	0.00%	0.17%
<b>Mstar Indus Mater</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Mstar Large Core</b>	0.34%	0.26%	0.13%	-0.08%	-0.13%
<b>Mstar Large Growth</b>	0.04%	0.07%	0.07%	0.03%	0.00%
<b>Mstar Large Value</b>	0.01%	0.01%	0.02%	0.00%	0.01%
<b>Mstar Mid Core</b>	0.66%	0.74%	0.72%	0.08%	-0.02%
<b>Mstar Mid Growth</b>	0.02%	0.02%	0.01%	0.00%	-0.01%
<b>Mstar Mid Value</b>	0.15%	0.16%	0.12%	0.01%	-0.04%
<b>Mstar Small Core</b>	0.87%	0.84%	0.44%	-0.02%	-0.40%
<b>Mstar Small Growth</b>	0.01%	0.01%	0.00%	0.00%	-0.01%
<b>Mstar Small Value</b>	0.22%	0.16%	0.14%	-0.07%	-0.02%
<b>Mstar Srvs SuprTR</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Mstar Telecom TR</b>	0.00%	0.00%	0.01%	0.00%	0.01%
<b>Mstar US Mkt TR</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>NASDAQ 100</b>	0.54%	0.85%	0.00%	0.31%	-0.85%
<b>NYSE Tech 100</b>	0.25%	0.25%	0.14%	0.00%	-0.11%
<b>Other</b>	0.00%	0.01%	0.00%	0.01%	-0.01%
<b>Russ 1000</b>	4.62%	5.16%	4.79%	0.54%	-0.37%
<b>Russ 1000 Growth</b>	2.22%	2.13%	1.65%	-0.09%	-0.48%
<b>Russ 1000 Value</b>	4.67%	5.00%	3.65%	0.33%	-1.35%
<b>Russ 2000</b>	3.16%	3.03%	2.45%	-0.13%	-0.58%
<b>Russ 2000 Growth</b>	2.34%	2.03%	1.38%	-0.31%	-0.65%
<b>Russ 2000 Value</b>	1.54%	1.31%	1.22%	-0.23%	-0.09%
<b>Russ Midcap Growth</b>	0.31%	0.29%	0.24%	-0.02%	-0.05%
<b>Russ Midcap Value</b>	0.32%	0.29%	0.07%	-0.03%	-0.22%
<b>Russell+1000</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Russell+2000</b>	0.58%	0.56%	0.41%	-0.02%	-0.15%
<b>S&amp;P 500</b>	18.43%	17.27%	24.45%	-1.15%	7.18%
<b>S&amp;P Midcap 400</b>	4.19%	4.36%	2.96%	0.17%	-1.40%
<b>Standard+&amp;+Poor's+500</b>	0.07%	0.06%	0.04%	-0.01%	-0.02%



<b>Standard&amp;Poor's+Midcap+400</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>(blank)</b>	14.85%	16.63%	10.68%	1.77%	-5.95%
<b>Grand Total</b>	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.)

Name	Ticker	Type	Asset Class	Category	Index	AUM	% AUM
<b>iShares MSCI EAFE</b>	EFA	ETF	International - Developed	Foreign Large Blend	MSCI EAFE NDTR_D	\$489,360,009	16.58%
<b>SPDRs (S&amp;P 500)</b>	SPY	ETF	Large Cap	Large Blend	S&P 500	\$431,340,645	14.61%
<b>iShares MSCI Emerg Mkts</b>	EEM	ETF	International - Emerging	Diversified Emerging Mkts	MSCI EMF ID	\$157,854,624	5.35%
<b>streetTRACKS Gold Shares</b>	GLD	ETF	Commodities - Precious Metals	Specialty-Precious Metals	AMEX Gold Miners	\$98,942,670	3.35%
<b>Vanguard 500 Idx Adm Gateway</b>	VFIAX	Fund	Large Cap	Large Blend	S&P 500	\$89,017,682	3.02%
<b>DFA U.S. Core Equity I</b>	GATEX	Fund		Long-Short	Russ 1000 Value	\$65,576,261	2.22%
<b>iShares Japan</b>	DFEOX	Fund		Large Blend		\$63,459,728	2.15%
<b>Vanguard Total Stock Market</b>	EWJ	ETF	International - Country - Developed	Japan Stock	MSCI JAPAN NDTR_D	\$57,205,557	1.94%
<b>iShares S&amp;P 500</b>	VTI	ETF	Total Market	Large Blend	Russ 1000	\$52,144,613	1.77%
<b>iPath DJ-AIG Commodity</b>	IVV	ETF	Large Cap	Large Blend	S&P 500	\$49,952,677	1.69%
<b>Vanguard Total Intl Stk</b>	DJP	ETF	Commodities - General	Specialty-Natural Res		\$47,039,873	1.59%
<b>Vanguard Total Bd Idx</b>	VGTSX	Fund	International - Developed	Foreign Large Blend	MSCI EAFE NDTR_D	\$46,393,295	1.57%
<b>Vanguard Tot Stk Inst</b>	VBMFX	Fund	Bonds - Total Market	Intermediate-Term Bond	LB Aggregate	\$45,380,516	1.54%
<b>iShares R2000 Value</b>	VITSX	Fund	Total Market	Large Blend	Russ 1000	\$36,424,269	1.23%
<b>iShares Russell 2000</b>	IWN	ETF	Small Cap Value	Small Value	Russ 2000 Value	\$35,691,278	1.21%
<b>iShares R1000 Growth</b>	IWM	ETF	Small Cap	Small Blend	Russ 2000	\$35,602,125	1.21%
<b>Vanguard Inst Idx</b>	IWF	ETF	Large Cap Growth	Large Growth	Russ 1000 Growth	\$34,725,636	1.18%
<b>iShares Russell 3000</b>	VINIX	Fund	Large Cap	Large Blend	S&P 500	\$32,870,674	1.11%
<b>iShares R2000 Growth</b>	IWV	ETF	Total Market	Large Blend	Russ 1000	\$27,681,477	0.94%
<b>iShares Canada Index</b>	IWO	ETF	Small Cap Growth	Small Growth	Russ 2000 Growth	\$26,595,882	0.90%
	EWC	ETF	International - Country - Developed	Foreign Large Value	MSCI Wld Met/MinID	\$24,656,315	0.84%



<b>SSgA S&amp;P 500 Index</b>	SVSPX	Fund	Large Cap	Large Blend	S&P 500	\$23,841,526	0.81%
<b>Vanguard Sh-Tm Bd Idx Ad</b>	VBIRX	Fund	Bonds - Short	Short-Term Bond	LB 1-5 Yr Gov/Cor	\$21,655,712	0.73%
<b>Dimensional US LgCpVal</b>	DFLVX	Fund	Large Cap Value	Large Value	S&P Midcap 400	\$21,325,668	0.72%
<b>iShares Lehman 1-3 Treas</b>	SHY	ETF	Bonds - Short	Short Government	LB 1-5 Yr Govt	\$21,002,857	0.71%

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