

## Fee Saving or Increasing Risk?

Melbourne, Friday 4th August, 2017: There has been a significant move towards Exchange Traded Funds (ETFs) as investors have switched en-mass to passive style investments, often at the expense of active investment. This may supercharge potential future drawdowns.

ETFs are index funds listed on the exchange that replicate a nominated benchmark or index. Proponents of ETFs espouse the attractiveness of lower fees for exposure to equity markets/sectors/thematic investing as an alternative to active management via the traditional path of a managed fund.

The risks of passive investments are discussed in the recently released Whitepaper "The Rise of Passive Investing: Fee Saving or Increasing Risk?"

Published by Providence Independent Investment Advisory, the Whitepaper asserts the view that while ETFs can play a role in portfolios as a low-cost beta allocation, investors should be mindful of how ETFs will perform in a falling market.

The Whitepaper author, James Smith (Head of Melbourne and Senior Investment Adviser at Providence) stated "The perennial argument of whether active managers can outperform the index usually reappears towards the top of investment cycles. This is a result of active managers underperforming their relevant benchmarks when markets are driven by momentum and also the fear of missing out on a rising market. We are once again at this juncture and hence this Whitepaper is a timely discussion of the attraction and risks of ETFs".

"With careful due diligence and a focus on what part of the cycle we are entering, we believe investment advisors can identify those active fund managers that will outperform an index, particularly during a sharp market correction."

The Whitepaper is available at <http://www.providencewealth.com.au/providence-whitepaper-rise-passive-investing-fee-saving-increasing-risk/>.

Currently in its 16th year of operation, and with a 185% growth of Funds Under Management (FUM) over the past 5 years, Providence has \$1bn of funds under management on behalf of Australian individuals, families and not-for-profit organisations from its Sydney and Melbourne offices.

-ENDS-

Note to the editor: James Smith, Head of Melbourne, Providence, is available for comment.

About Providence: Providence was established in 2000 as an independent advisory firm providing independent, expert advice and investment strategies to high net worth individuals, families and not-for-profit organisations. For more information, please visit [www.providencewealth.com.au](http://www.providencewealth.com.au)

### Contacts

James Smith

+61 3 8793 8383

mailto: [james@providencewealth.com.au](mailto:james@providencewealth.com.au)