Millennials shun active managers

Wealthy 18-35-year-olds opt for index trackers

June 10th, 2016

by: **Aime Williams**

Wealthy millennial investors prefer passive funds to those run by stockpickers, according to new research that deals another blow to active managers.

A survey of more than 5,000 affluent investors found that millennials — people aged between 18 and 35 — allocate more than 90 per cent of their equity portfolios to exchange traded funds.

The figure is significantly higher than for wealthy investors over 40, who hold around three-quarters of their stocks through an ETF.

European investors are less likely to hold passive funds compared to the global average, the research from US asset manager Legg Mason found. Affluent European investors over the age of 40 allocated 60 per cent of their equity exposure to ETFs compared to 86 per cent of millennials.

Low-cost passive funds have exploded in popularity in recent years as concerns over high fees and underperformance of markets have hit active houses.

According to figures from Morningstar, the fund data provider, assets managed in passive funds have grown four times faster than traditional active products since 2007.

ETFs that track equity indices have proved far more popular than actively managed equity funds this year, despite the turbulent performance of markets.

Active equity funds suffered net outflows of $34.9bn globally this year, but stock market ETFs have taken in another $7.6bn, according to research company EPFR.

In 2015, ETFs attracted nearly $200bn while actively managed equity funds lost $124bn.