



BetaShares

Exchange Traded Funds

Media release

BetaShares Australian ETF Review: Year End 2018 *ETF industry continues its growth trajectory*

SYDNEY, 15 January 2019: Despite dramatic sharemarket volatility in the last quarter of 2018, the Australian ETF industry grew 13% in the year, ending the year at \$41B in FUM, up \$5B from \$36B in 2017, according to the *BetaShares Australian ETF Review – End of Year Review 2018*.

As a result of sharp market falls at year's end, all the year's industry growth came from net inflows, with \$6.2B flowing into the industry - representing the second highest annual flows on record¹.

To put this result into context, the Global ETF industry also recorded its second highest year of inflows, receiving US\$516B². However, significant asset value depreciation caused total global ETF funds under management to end the year at US\$4.8T, approximately the same level as 2017.

BetaShares' CEO, Alex Vynokur, said: "In the year that just concluded, there has been a strong correlation between what we've seen happen in the local ETF market and globally, particularly as relates to net inflows."

In addition, the Australian industry did break a meaningful record in 2018, namely, annual trading values, with trading activity levels increasing 14% from 2017 to over \$36B.

"The liquidity benefits of ETFs are being increasingly appreciated by Australian investors. We expect trading values to continue growing as ETFs become an increasingly mainstream way to express investment views, both long term and tactical" added Mr Vynokur.

Australian investors continued 'going global' with asset allocations

For the fourth year in a row, international equities ranked as the number one category for inflows, attracting \$2.9B of net inflows during 2018. Australian equities followed with \$1.5B, with fixed income closely behind with \$1.3B of net inflows.

"Using ETFs for international exposure really illustrates many of their key benefits, for example, allowing investors to easily diversify portfolios, lower portfolio costs and access

¹ The highest level of annual flows was recorded in 2017 (\$7.8B)

² Source: ETFGI

opportunities in sectors which have historically been hard for Australians to access,” said Mr Vynokur.

In addition, with the growing number of Australians reaching retirement age, it is likely that defensive asset classes such as fixed income will continue to benefit from increased allocations during 2019.

“Australian investors typically hold an underweight exposure to fixed income, although more are starting to increase allocations to this asset class as a defensive shield for their portfolios,” said Mr Vynokur. “Given current product innovation, we believe that it’s very possible that fixed income ETFs could surpass Australian Equities products to become the second most popular category in 2019,” he added.

New product development remains strong

Product development was a defining feature of 2018, with 38 funds launched across the industry – the second highest number recorded, increasing from 31 in 2017.

2018 also saw a total of seven product closures from ETF providers iShares and ETF Securities, bringing the total number of exchange traded products trading on the ASX to 247.

Passive inflows remain stable

When looking at flows by style of exchange traded product, passive products captured the lion’s share of net inflows with 88%(\$5.4B), with vanilla index-tracking³ products remaining the dominant category at 78% of net flows in 2018. ‘Smart-beta’⁴ products received 9% (\$578m) during the year.

Interestingly, in 2018 smart-beta products were outsold by Active ETFs, which received 12% of net inflows. The Active ETF sector continued its growth trajectory with \$770m of net inflows recorded during the year, up from \$610m in 2017.

“As predicted in our 2017 review, Active ETFs have continued to grow in popularity with nine new products launched during the year. We expect further growth and more Active ETF products to be launched throughout 2019”, said Mr. Vynokur.

Outlook for 2019

“While the decline in asset prices muted the growth of the ETF industry in Australia during 2018, the strong unit growth means that as asset prices recover, we should see a bumper growth period ahead.”

³ ‘Passive’ products defined as passive/rules-based products and include products with an element of investment discretion, but exclude Active ETFs.

⁴ ‘Smart-beta’ defined as products which weigh constituents based on a methodology other than strictly market capitalisation/price.

“As such, we expect the ETF industry to end 2019 at approximately \$50 billion”, added Mr Vynokur.

A copy of the *BetaShares Australian ETF Review – End of Year Review 2018* is attached.

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About BetaShares

Awarded ETF Fund Manager of Year for 2017 and 2016 by Professional Planner/Zenith and 2016 ETF Manager of the Year by Money Management/Lonsec, BetaShares Capital Ltd ("BetaShares") is a leading Australian manager of exchange traded products ("ETPs") which are traded on the Australian Securities Exchange. BetaShares offers a range of ETPs which cover Australian and International equities, cash, currencies, commodities and alternative strategies. BetaShares currently has approximately \$6.2 billion in assets under management.

BetaShares is owned and managed by its Australian based management team along with a strategic shareholding from Mirae Asset Global Investment Group, one of Asia's largest asset management firms. As at September 2018, Mirae manages over US\$135 billion.

BetaShares' range of ASX-traded funds includes:

Product Series	Product	Ticker
Cash & Fixed Income ETFs	Australian Bank Senior Floating Rate Bond ETF	QPON
	Australian High Interest Cash ETF	AAA
	Australian Investment Grade Corporate Bond ETF	CRED
Hybrid Funds	Active Australian Hybrids Fund (managed fund)	HBRD
Commodity ETFs	Agriculture ETF – Currency Hedged (synthetic)	QAG
	Commodities Basket ETF – Currency Hedged (synthetic).	QCB
	Crude Oil Index ETF – Currency Hedged (synthetic)	OOO

	Gold Bullion ETF – Currency Hedged	QAU
Currency ETFs	British Pound ETF	POU
	Euro ETF	EEU
	U.S. Dollar ETF	USD
	BetaShares Strong U.S. Dollar Fund (hedge fund)	YANK
	BetaShares Strong Australian Dollar Fund (hedge fund)	AUDS
Equities ETFs	FTSE RAFI Australia 200 ETF	QOZ
	Financials Sector ETF	QFN
	Resources Sector ETF	QRE
	Australian Ex-20 Portfolio Diversifier ETF	EX20
	Australian Small Companies Select Fund (managed fund)	SMLL
	Australian Sustainability Leaders ETF	FAIR
	Australia 200 ETF	A200
Equity Income Funds	Australian Dividend Harvester Fund (managed fund)	HVST
	Equity Yield Maximiser Fund (managed fund)	YMAX
Geared Funds	Geared Australian Equity Fund (hedge fund)	GEAR
	Geared US Equity Fund – Currency Hedged (hedge fund)	GGUS
International Funds	Asian Technology Tigers ETF	ASIA
	FTSE RAFI U.S. 1000 ETF	QUS
	Global Agriculture ETF – Currency Hedged	FOOD
	Global Banks ETF – Currency Hedged	BNKS
	Global Cybersecurity ETF	HACK
	Global Energy Companies ETF – Currency Hedged	FUEL
	Global Gold Miners ETF – Currency Hedged	MNRS
	Global Healthcare ETF – Currency Hedged	DRUG
	Global Income Leaders ETF	INCM
	Global Quality Leaders ETF	QLTY

	Global Robotics and Artificial Intelligence ETF	RBTZ
	Global Sustainability Leaders ETF	ETHI
	NASDAQ 100 ETF	NDQ
	S&P 500 Yield Maximiser Fund (managed fund)	UMAX
	WisdomTree Europe ETF – Currency Hedged	HEUR
	WisdomTree Japan ETF – Currency Hedged	HJPN
Managed Risk Funds	Managed Risk Australian Share Fund (managed fund)	AUST
	Managed Risk Global Share Fund (managed fund)	WRLD
Short Funds	Australian Equities Bear Hedge Fund	BEAR
	Australian Equities Strong Bear Hedge Fund	BBOZ
	US Equities Strong Bear Hedge Fund – Currency Hedged	BBUS
Active	AMP Capital Dynamic Markets Fund (Hedge Fund)	DMKT
	AMP Capital Global Infrastructure Securities Fund (Unhedged) (Managed Fund)	GLIN
	AMP Capital Global Property Securities Fund (Unhedged) (Managed Fund)	RENT
	BetaShares Legg Mason Australian Bond Fund (managed fund)	BNDS
	BetaShares Legg Mason Equity Income Fund (managed fund)	EINC
	BetaShares Legg Mason Real Income Fund (managed fund)	RINC

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