



Media release

BetaShares Global ETF Review Q1 2019: Flocking to Fixed Income

First quarter sees global ETF investors rush into fixed income at the expense of equities

SYDNEY, 9 MAY 2019: Fixed income was the dominant investment theme of the first quarter of 2019, as investors tilted their portfolios to be more defensive, according to *BetaShares' Quarterly Global ETF Review Q1 2019*.

The *BetaShares Global ETF Review* looks at key trends and developments in the ETF industry outside of Australia, and accompanies the monthly *BetaShares Australian ETF Review*, which focuses on the local ETF industry.

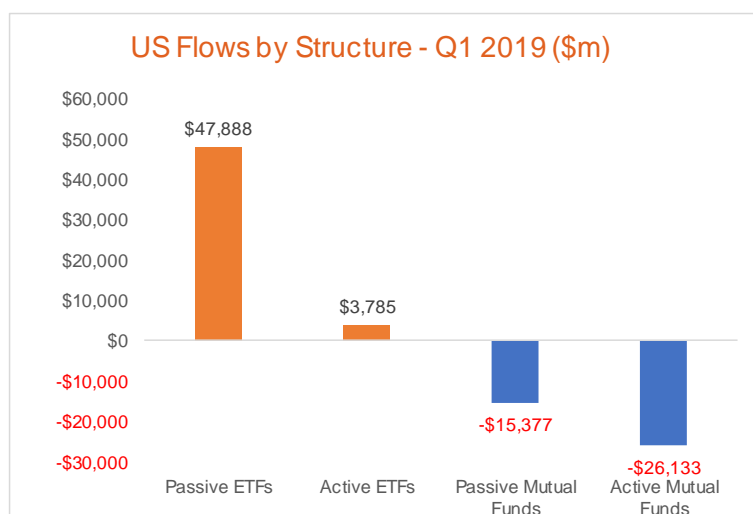
The global ETF industry ended the first quarter of 2019 at a record high of US\$5.4 trillion in assets under management (AUM), posting a strong quarterly growth rate of 12%.

BetaShares expects that in 2019 the global ETF industry will continue on a fast growth trajectory, in line with the average growth rate of 20% p.a. experienced in the last decade.

ETFs vs. traditional mutual funds

The rapid growth of the ETF industry reflects an investor preference for ETFs as an investment vehicle over traditional mutual funds, rather than necessarily a preference for passive over active investments.

In the U.S., for example, combined passive and active ETF net inflows were ~US\$52 billion in Q1 2019. By contrast, passive managed funds saw net outflows of ~US\$15 billion, which along with large net outflows in active managed funds (US\$26 billion) took total managed fund outflows in Q1 to US\$41 billion.



Source: Bloomberg, BetaShares Global ETF Review

“Investors are continuing to view the ETF structure as an evolved one compared to traditional managed funds, a trend we believe is likely to continue,” said BetaShares CEO, Alex Vynokur.

“The simplicity of access of ETFs makes them attractive to all investor types, including institutional asset allocators, financial advisers, high net worth individuals and millennials who are just starting to build an investment portfolio,” Mr. Vynokur added.

While the Australian ETF industry has not yet seen such a clear divergence in flows, Australian ETFs are nonetheless outgrowing their traditional managed fund counterparts. For example, according to Plan For Life, the \$900 billion Australian retail managed funds sector received net inflows of \$5B in 2018. By comparison, the far smaller ~\$40B Australian ETF industry’s 2018 net inflows were ~\$6.2B.

“We believe it is only a matter of time before Australia follows in the footsteps of its global counterparts and a similar picture emerges in our local market as has been seen in the U.S. and Europe,” Mr. Vynokur said.

U.S. ETF flows by asset class: favouring fixed income

Investors flocked into fixed income in Q1 2019 at the expense of equities, reflecting a clear risk-off sentiment, and despite strong performance in many global share markets.

“The flow into defensive fixed income ETFs during the March quarter likely reflected a carry-over of investor concern following heightened equity market volatility in the December quarter,” said Mr. Vynokur.

This trend is not confined to the U.S., with the European ETF market seeing record net inflows into fixed income ETPs of more than ~€14 billion.

The interest in fixed income was mirrored in Australia in the first quarter of the year, with the category receiving very strong support from local investors with over A\$500m of net inflows in the period. Within the BetaShares Fixed Income & Hybrid Suite, strong flows in particular were recorded in the Hybrid Active ETF (HBRD), the Australian Senior Bank Floating Rate Bond ETF (QPON) and the Australian Investment Grade Corporate Bond ETF (CRED).

A copy of the *BetaShares’ Quarterly Global ETF Review Q1 2019* can be found [here](#).

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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") 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 \$7.3 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 March 2019, Mirae manages over US\$130 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 |

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| | 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 |

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|--------|---|------|
| | 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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