

Media release

Assets in U.S. actively managed funds overtaken as global ETF industry reaches new record high: BetaShares Global ETF Review

SYDNEY, 8 November 2019: The global ETF industry ended the third quarter of 2019 at a record high, with US\$5.8T¹ in assets under management - reflecting growth of 20% YTD.

According to the *BetaShares Global ETF Review Q3 2019*, another significant milestone was passed during the quarter, with assets in U.S. passive managed funds and index ETFs topping those in U.S. active managed funds for the first time.

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

Investors sought out commodities and fixed income

Continuing the trend from previous quarters, the fixed income asset class received the highest inflows with 48% of total inflows, which, although solid, was significantly less than the 61% of flows that were received last quarter. Equity ETFs maintained ~38% share of inflows, consistent with the previous quarter. The largest change in terms of investor preference was in commodities, whose share of inflows rose from just 0.3% of total inflows in Q2 to ~10% of inflows in Q3. In this category, most of the demand was for gold and silver, with investors seeking out safe havens due to increased geopolitical risk.

U.S. ETF flows by asset class: Q3 2019

Equity Fund Flows by Asset Class (\$US m)	2019-Q3	%	2019-Q2	%
Fixed Income	\$37,818	48.4%	\$39,388	61.2%
Equity	\$29,488	37.8%	\$24,371	37.8%
Other	\$10,766	13.8%	\$638	1.0%

BetaShares CEO, Alex Vynokur, said: "Defensive exposures are continuing to attract investor funds, reflecting concerns about the US-China trade conflict, and caution around equity market valuations. The marked change from last quarter, however, was the more diversified approach taken, with investors allocating significant funds to precious metals alongside fixed income."

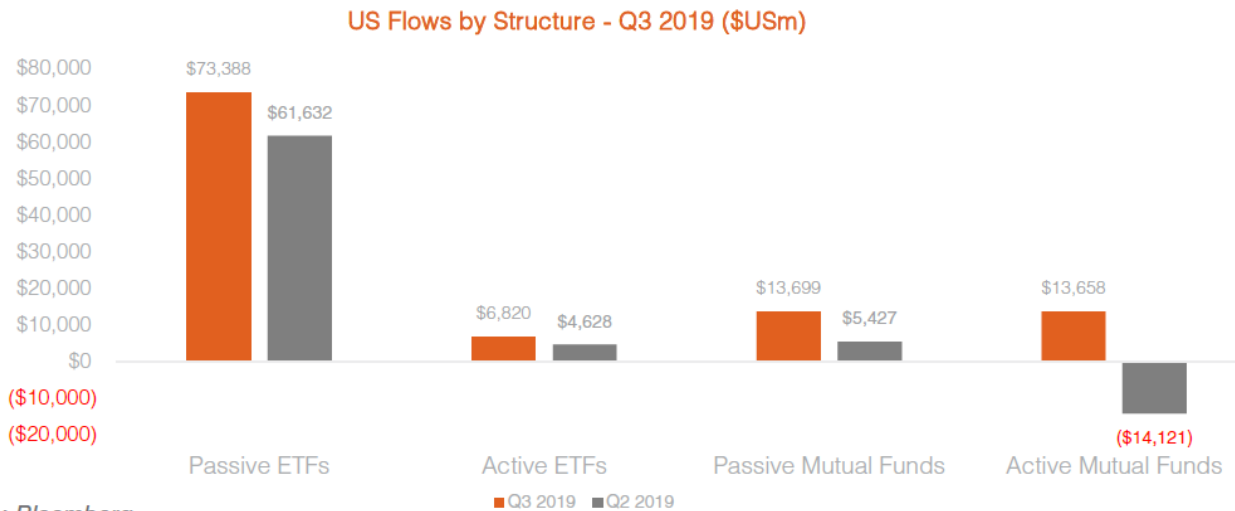
The global trends were mirrored locally, with fixed income being the highest category for inflows over the year to date, receiving ~\$A2.5B of net flow in the year to September 2019. Additionally, Australian Gold ETFs have been popular, with approximately \$300m of net flows over this period.

Positive trend towards ETFs continues

ETFs captured 75% of flows in the US investment management industry in the quarter. Passive ETFs were particularly strong, taking in ~US\$73B.

As a result of this continued preference by investors, assets in U.S. passive managed funds and index ETFs topped those in U.S. actively managed funds for the first time in August.

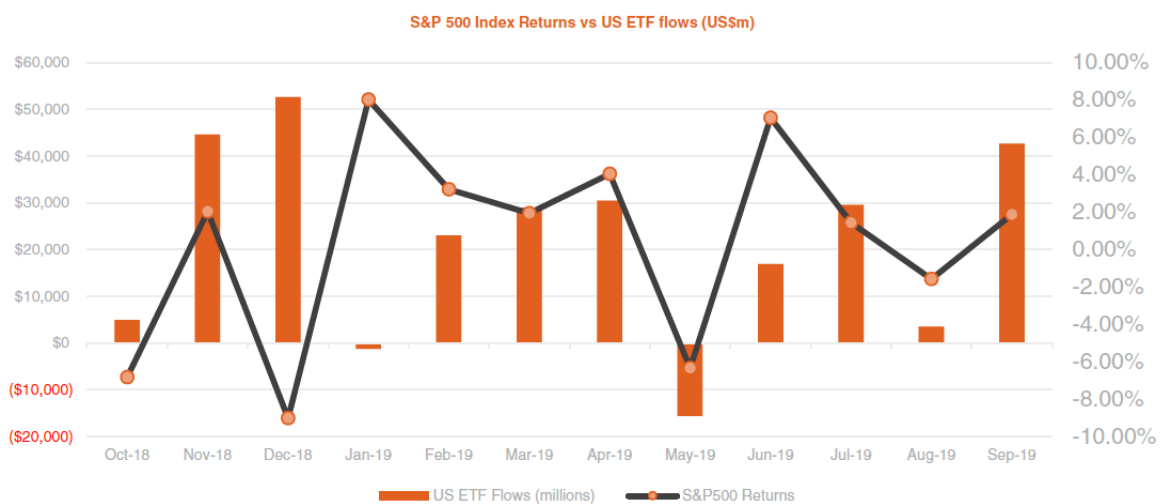
Mr. Vynokur said: “What is particularly striking in the data is the continued investor preference towards ETFs, both active and passive, with ETFs outselling mutual funds 3 to 1 in the September quarter.”



Spotlight: ETFs and market ‘bubbles’

In a recent interview with Bloomberg, hedge fund manager Michael Burry, of *The Big Short* fame, argued that inflows into index funds including ETFs are distorting prices for stocks and bonds, just like CDO purchases did for subprime mortgages more than a decade ago.

In a clear illustration of the fallacy of such an argument, the BetaShares Review pointed to the independent relationship between ETF flows and market pricing, as demonstrated by a comparison of US ETF flows with returns from the S&P 500.



Mr. Vynokur said: “The idea that the growth of ETFs is causing market distortions or bubbles is not a new one, and so, in our quarterly spotlight, we decided to use data to refute this myth. We also provided evidence that, despite the rapid growth in the ETF industry, ETFs still own a relatively small market share of underlying securities globally. As such, there is a lack of solid evidence to support the price distortion argument, currently being espoused by a number of theorists.”

A copy of the *BetaShares Quarterly Global ETF Review Q3 2019* can be found [here](#).

¹ Source: ETFGI

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About BetaShares

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 \$9.3 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 November 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 Government Bond ETF	AGVT
	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
	FTSE 100 ETF	F100
	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
	Europe ETF – Currency Hedged	HEUR
	Japan ETF – Currency Hedged	HJPN
	BetaShares FTSE 100 ETF	F100
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 Emerging Markets Fund (managed fund)	EMMG
	BetaShares Legg Mason Real Income Fund (managed fund)	RINC

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