



BetaShares

Exchange Traded Funds

Media release

BetaShares/Investment Trends ETF Report: Industry goes from strength to strength with ETF adoption at record highs

In partnership with Investment Trends, leading Australian ETF Manager, BetaShares, releases findings of its annual industry research.

SYDNEY, 4 December 2019: The ETF industry continues its rapid rise in Australia, with ETF adoption at record highs among investors, SMSFs and financial advisers, according to the *BetaShares/Investment Trends ETF Report for 2019*, released today at a media briefing in Sydney.

Key findings:

- The number of ETF investors in Australia has reached a record 455,000, growing 18% year on year.
- Millennials make up 43% of new ETF investors, up from 12% more than five years ago, with the average age of an ETF investor getting progressively younger.
- The number of SMSFs using ETFs continues to rise, up ~12% since 2018.
- 58% of financial advisers are now providing advice on ETFs (up from 53% in 2018).
- Compared to their peers, self-licensed advisers allocate double the amount of new inflows to ETFs (14% vs 7%), largely at the expense of managed funds and direct shares.

The Report is the leading quantitative study of the Australian ETF industry. Based on responses of approximately 8,000 investors and 800 financial planners, the study contains insights into the size and growth of the industry as well as the investment behaviour and preferences of current and 'next wave' ETF investors, SMSFs and financial advisers.

The rise, and rise of ETFs in Australia

As the turn of the decade approaches, Australian ETF investors continue to hit record numbers across self-directed investors, SMSFs and financial planners, along with significant changes to their demographic profiles.

According to the Report, ETF investor numbers reached 455,000, up from 385,000 in 2019

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(+18%), and this number is forecast to reach over 521,000 investors in the next 12 months.

Notably, ETF investors continue to get younger – for example the average age of a ‘first time’ ETF investor more than five years ago was 56, whereas current ‘first time’ ETF investors have an average age of just 42. Indeed, 43% of new entrants to the ETF market (defined as those who started investing in ETFs within the last two years) are now in the Millennial age-bracket, versus 12% more than five years ago.

The number of SMSFs using ETFs continues to rise too, up 6% since 2018 to a total of 135,000 SMSFs. However, as the industry becomes increasingly mainstream, the proportion of SMSFs to total ETF investors remained relatively flat at 30%, versus 31% in 2018.

BetaShares CEO, Alex Vynokur, said: “Consistent with trends globally, we continue to see a broadening demographic profile across ETF investors, highlighting the accessibility they offer Australians to help achieve their financial objectives - regardless of age, experience levels or wealth.”

Investors increase defensive positions

While around half of ETF investors made no significant changes to their asset allocation in the last 12 months, of those who had, 40% made changes in order to increase defensive positioning in their portfolios.

Reflective of these trends is the growth in the Fixed Income & Cash ETF category, which has attracted over \$2.8B of inflows since December 2018 to end October 2019, making it the top category year-to-date for flows. Since 2012, the annual growth rate for Fixed Income ETFs in Australia has been 79.2%.

Mr. Vynokur said: “Investors are recognising that they can use ETFs as a convenient and cost-effective way to implement asset allocation decisions, and gain exposure to previously hard to access securities, fixed income being a prime example of this.”

In its own business BetaShares has observed significant growth amongst its defensive offerings, with its cash, fixed income and hybrids range attracting ~\$1.6B in net inflows so far this year to reach a combined AUM of \$3.5B.

“We have seen significant growth in our cash and fixed income offerings, with investors seeking out income-oriented exposures with defensive and diversification benefits, which have been particularly relevant in the current low interest rate environment.”

Adviser use on the rise

Financial advisers are increasingly adopting ETFs with clients, with 58% now providing advice on ETFs, up from 53% in 2018. Since 2010, this figure has risen dramatically from 27%.

The Report also provided statistics that around a quarter of financial advisers now have their own AFSL, up from 20% in 2018, and that these self-licensed advisers allocate double the share of client money to ETFs (14% of new inflows), compared to their aligned peers (7% of new inflows).

Self-licensed advisers also expect their allocation to ETFs to increase to 19% of client inflows over the next three years, compared to 11% for other advisers.

“In an age of unprecedented regulatory scrutiny on their practices, financial advisers are increasingly adopting ETFs within their advice business,” Mr. Vynokur continued.

“ETFs are transparent, low cost and help instantly diversify portfolios. Furthermore, the use of ETFs can significantly reduce the time an adviser spends on constructing client portfolios, freeing them up to maintain existing and gain new client relationships, while maintaining high portfolio construction integrity.”

Predictions for the Australian ETF Industry

Despite the strong growth of the last few years, there remains plenty of scope for the industry to continue to power ahead, with over 135,000 investors planning to enter the ETF market within the next 12 months, and reinvestment amongst current ETF investors at a high 58%.

“As the end of the decade approaches, it’s clear that Australia’s ETF industry is in a very healthy state. We broke through the \$50 billion barrier only in June this year, but given the industry’s strong underlying fundamentals, we expect AuM in Australian ETFs to reach more than \$75 billion by the end of 2020”, concluded Mr Vynokur.

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About BetaShares

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 \$9.6 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
	Sustainability Leaders Diversified Bond ETF – Currency Hedged	GBND
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
	Europe ETF – Currency Hedged	HEUR
	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
	India Quality ETF	IIND
	Japan ETF – Currency Hedged	HJPN
	NASDAQ 100 ETF	NDQ
	S&P 500 Yield Maximiser Fund (managed fund)	UMAX
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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