

ETF quarterly report

September quarter 2023



Renewed interest in equities drives ETF industry past \$150 billion in assets under management

The Australian ETF industry continues to grow year on year despite global market and economic uncertainty, recording \$153 billion in AUM as at the end of September 2023.

A resurgence in Australian equity ETF flows in Q3 2023 saw the industry experience its strongest quarter this year. Australian equity ETFs have attracted \$1.85 billion in cash flows this year, with the number up 105% in Q3. Flows into international equity ETFs also picked up in Q3 with \$845 million allocated to the asset class, perhaps boosted by the strong performance in global equity markets.

Stronger flows into equity ETFs suggests investor confidence is returning, likely a result of stabilising interest rates over the last few months in Australia. That being said, markets are often navigating uncertainty so it's important for investors to maintain a long-term perspective. Market volatility due to further rate changes, or heightened sell-offs due to geopolitical unrest,

are usually short lived, while long term market performance remains resilient.

Fixed income markets remain robust. While there has been downward pressure on bond prices, the silver lining is that bonds are expected to produce higher returns over the long term for investors with a sufficient investment horizon. Also, investors in a diversified fixed interest ETF that has been impacted by recent selloffs, will likely benefit from having maturing bonds being reinvested at higher coupon rates given interest rates are likely to stay higher for longer.

Interestingly, despite the pickup in equity flows, fixed income flows did not drop in Q3—an encouraging sign that investors are also diversifying their portfolios and finding merit in a balanced asset allocation that includes both shares and bonds, and not simply fleeing to cash (the value of which erodes with inflation).



Adam DeSanctis
Head of ETF Capital Markets, Australia



The Australian ETF market attracted **\$4.7 billion** in net inflows in Q3.



ETF assets under management in Australia surpassed **\$150 billion**.



Vanguard attracted **\$1.5 billion** in net cash inflows in Q3.



Vanguard maintained its position as the leading Australian ETF issuer by AUM **with \$46 billion (31.07%)**.

Australian ETF update

ETF FACT

\$1.5B

Vanguard Australia Q3 2023 net cash flow.

Cash flow

The Australian ETF market recorded the strongest quarterly net cash flows of the year with \$4.7 billion in Q3, up from \$2.35 billion in Q2 and \$1.84 billion in Q1. For the third quarter, investors favoured equity products (\$2.8 billion) over fixed interest (\$1.86 billion). Within equities, domestic equities attracted 67% of the net cash flows, with the remainder flowing into international equities.

Vanguard ETFs attracted \$1.5 billion for the quarter, which was 31.71% of total net flows. The Vanguard Australian Shares Index ETF (VAS) received over \$613 million in Q3, making it the most popular Vanguard ETF for this year with \$777 million. The Vanguard MSCI Index International Shares ETF (VGS) has also been very popular with investors with this year attracting \$518 million in net flows in 2023.

Assets under management (AUM)

Over the third quarter of 2023 the total ETF AUM in Australia was up more than 5% with over \$150 billion invested across more than 300 ETFs. Vanguard retained its position as the top ETF issuer in Australia, managing 31% of assets, totalling \$46 billion in AUM across its 29 products. The Vanguard Australian Shares High Yield ETF (VHY) crossed a milestone of over \$3 billion in AUM, making it Vanguard's fourth largest index ETF. The Vanguard Australian Government Bond Index ETF (VGB) also passed \$1 billion in AUM, Vanguard's second fixed interest ETF to pass this milestone.

Figure 2. Industry net cash flow by asset class

ASSET CLASS	Q3		YTD	
	\$M	%	\$M	%
Australian Equity	1,844	39.1	3,393	38.2
Global Equity	878	18.6	302	3.4
Infrastructure	28	0.6	63	0.7
Australian Fixed Income	1,309	27.7	3,046	34.3
Global Fixed Income	395	8.4	1,158	13.0
Cash	161	3.4	850	9.6
Australian Property	55	1.2	36	0.4
Global Property	30	0.6	117	1.3
Commodity	-75	-1.6	-174	-2.0
Currency	4	0.1	-21	-0.2
Multi Asset	91	1.9	120	1.3
Total	4,720		8,889	

Sources: ASX monthly report and Vanguard as of 31 September 2023.

Performance

Vanguard's best performing ETF of the third quarter was the Vanguard Global Value Equity Active ETF (VVLU) which returned 5.16%, followed by the Vanguard Australian Corporate Fixed Interest Index ETF (VACF) returning 1.23% and VHY returning 0.96%. The best performing Vanguard ETFs over the past 12 months are the Vanguard FTSE Europe Shares ETF (VEQ) returning 28.25%, followed by VVLU returning 24.68% and the Vanguard Ethically Conscious International Shares Index ETF (VESG) returning 22.00%.

Figure 3. Industry net cash flow by issuer

ISSUER	Q2 NET CASH FLOW		AUM
	\$M	%	\$M
abdrn	0.1	0.0	1.2
Alphinity	38.3	0.8	497.8
AMP	82.6	1.8	92.4
Antipodes	-11.0	-0.2	325.4
Aoris Investment Management	16.7	0.4	23.6
Associate Global Partners	-13.0	-0.3	370.9
BetaShares	1,403.0	29.7	28,660.9
Daintree	4.0	0.1	30.1
Ellerston	-31.0	-0.7	46.8
Fat Prophets	-0.6	0.0	3.7
Fidante Active X	-94.3	-2.0	715.4
Fidelity	0.7	0.0	308.1
Firetrail	1.3	0.0	11.6
Franklin Templeton	170.1	3.6	738.7
Global X	220.8	4.7	5,885.5
Hejaz	3.2	0.1	99.8
Hyperion	-48.8	-1.0	2,124.8
Investors Mutual	0.3	0.0	1.0
InvestSMART	8.7	0.2	280.7
iShares	968.9	20.5	27,740.0
Janus Henderson	0.5	0.0	2.9
JPMorgan	19.0	0.4	38.3
K2	-2.2	0.0	20.4
Loftus Peak	46.8	1.0	254.4
Loomis Sayles	-0.2	0.0	40.0
Magellan	-625.6	-13.3	7,721.0
Milford	3.0	0.1	4.6
MonashInvestors	-1.2	0.0	17.2
Montaka	5.4	0.1	109.3
Morningstar	9.3	0.2	159.0
Munro Partners	-4.5	-0.1	194.7
Nanuk	0.6	0.0	694.0
Perennial	-69.5	-1.5	1.4
Perpetual	166.0	3.5	207.6
Perth Mint	2.4	0.0	698.7
Platinum	-12.0	-0.3	418.6
Resolution Capital	22.7	0.5	1,221.1
Russell	38.2	0.8	1,005.0
Schroders	-2.2	0.0	55.1
State Street	-11.3	-0.2	8,058.4
VanEck Vectors	917.9	19.4	13,586.2
Vanguard	1,496.6	31.7	46,187.4
Vaughan Nelson	0.0	0.0	10.9
	4,719.9	100.0	148,664.7

Sources: ASX monthly report and Vanguard, as of 30 September 2023.

Figure 4. Vanguard product summary

ASSET CLASS	ASX TICKER	LAST PRICE	MER %	QUARTER RETURN	1 YEAR RETURN	3 YEAR RETURN P.A.	QUARTERLY NET CASH FLOW \$M	FUM \$M
Australian Equity ETFs								
Broad Market	VAS	88.43	0.07	-0.85%	12.77%	10.78%	613	12,705
Property	VAP	74.37	0.23	-3.10%	11.67%	4.65%	72	2,304
High Yield	VHY	67.44	0.25	0.96%	15.96%	16.04%	142	3,105
Large Companies	VLC	71.93	0.20	0.32%	13.91%	13.22%	8	204
Small Companies	VSO	60.41	0.30	-1.23%	7.08%	7.05%	11	779
Ethical Australian Equities	VETH	54.26	0.17	-1.79%	10.90%	N/A	-15	369
International Equity ETFs								
Developed Markets	VGS	105.80	0.18	-0.44%	21.71%	11.99%	293	6,309
Developed (AUD hedged)	VGAD	84.55	0.21	-2.89%	19.44%	8.17%	146	2,457
All world Ex US	VEU	80.82	0.08	-1.07%	20.35%	7.66%	96	2,603
Total US Market	VTI	330.13	0.03	-0.25%	19.94%	13.14%	24	3,492
Developed Europe	VEQ	64.17	0.35	-2.88%	28.25%	9.75%	-54	181
Asia ex Japan	VAE	67.60	0.40	0.12%	10.49%	0.88%	-12	332
Emerging Markets	VGE	68.02	0.48	0.01%	9.44%	2.33%	-7	694
Global Infrastructure	VBLD	58.57	0.47	-5.58%	-2.77%	5.34%	-40	298
International Small Companies	VISM	56.68	0.33	-1.35%	14.05%	10.19%	3	258
Ethical International Equities	VESG	73.99	0.18	-0.76%	22.00%	10.19%	-11	683
Minimum Volatility - Active	VMIN	52.40	0.28	-2.01%	9.24%	2.98%	0	16
Global Value - Active	VVLU	64.54	0.29	5.16%	24.68%	22.92%	-262	502
Fixed Interest ETFs								
Australian Composite	VAF	44.24	0.10	-0.30%	1.52%	-4.06%	158	1,749
Australian Government	VGB	44.99	0.20	-0.62%	0.87%	-4.61%	113	1,019
Australian Corporate	VACF	49.30	0.20	1.23%	4.56%	-1.44%	3	638
International Treasury (AUD hedged)	VIF	37.26	0.20	-2.53%	-0.84%	-5.35%	110	892
International Credit (AUD hedged)	VCF	36.59	0.30	-1.99%	1.80%	-5.15%	-25	142
Global Aggregate (AUD hedged)	VBND	39.91	0.20	-2.54%	-0.10%	-5.53%	75	834
Ethical International Bonds	VEFI	40.62	0.26	-2.58%	-0.35%	-5.58%	-1	77
Diversified ETFs								
Conservative	VDCO	48.48	0.27	-1.35%	5.32%	-0.05%	-6	202
Balanced	VDBA	50.25	0.27	-1.49%	8.18%	2.32%	-1	616
Growth	VDGR	53.54	0.27	-1.33%	11.51%	5.42%	21	704
High Growth	VDHG	57.11	0.27	-1.17%	14.81%	8.56%	43	2,025
TOTAL							1,496.6	46,187.4

Note: Returns assume that an investor purchased shares at Net Asset Value and does not reflect transaction costs imposed on the creation and redemption of ETF units, the brokerage or the bid ask spread that investors pay to buy and sell ETF securities on the Australian Securities Exchange. Total returns are after management costs.

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