



**BetaShares**

Exchange Traded Funds

Media release

## **Exchange traded product industry trend predictions for 2017: BetaShares**

***Increasing take up amongst millennials, more active management, and new smart beta options***

**SYDNEY, 14 December 2016:** The Australian exchange traded product industry will build on the momentum generated in 2016, with a growing audience of younger users, a proliferation of active exchange traded managed funds, and a broader range of smart-beta options as the trends to watch in 2017, according to ETF manager BetaShares.

In 2016 so far, the exchange traded product industry has grown in FUM from \$21 billion to approximately \$25 billion, with 40 new funds launched, bringing the total number of products in Australia to 199.

“Exchange traded funds have cemented their position as a core part of many investors’ portfolios, and are increasingly being used by investors as a cost-effective, easy way to build balanced portfolios and or take tactical trading positions,” said BetaShares Managing Director, Alex Vynokur.

“In many ways the industry has come of age in 2016, and continues to follow in the footsteps of more mature ETF markets around the globe.”

### ***Prediction one: Millennials an important driver of growth of industry***

Accounting for almost a third of the global population, the millennial generation (those born between 1980 – 2000) are entering into their prime earning years and will soon be the largest client-base in the financial markets.

According to the Deloitte report [‘Millennials and wealth management’](#), millennials prefer self-directed investments, and they expect state of the art technological platforms that allow them to access investments quickly and easily throughout the investment cycle.

“Exchange traded products are a perfect fit for a millennial audience. They are cost effective, allow investors to back their own views across a number of asset classes and investment strategies,” said Mr Vynokur.

“In the more mature US market, the figures prove millennials are driving industry growth. According to [Schwab’s 2015 ETF Investor Study](#), younger investors in the US are more likely than older ones to use ETFs: 41% of millennials use ETFs, compared with 25% of Gen Xers and only 17% of baby boomers. Furthermore, 70% of millennials see ETFs as the core investment type in their portfolio in the future.”

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“We are confident this trend will translate to Australia, and we are already seeing an increase in the number of product enquiries from millennials.”

“The US trend towards ETF providers developing ETF model portfolios with automated distribution solutions could also play out in Australia – which would continue to empower millennials with innovative wealth management tools,” concluded Mr Vynokur.

***Prediction two: Active exchange traded managed funds will proliferate***

BetaShares predicts the number of active exchange traded managed funds to grow substantially next year.

“Despite only accounting for 9% of the industry’s funds under management, the active exchange traded managed funds sector has generated strong flows with just under \$1B invested to date,” said Mr Vynokur.

“We expect active exchange traded managed funds to continue to grow significantly in 2017, as both investors and fund managers recognise the benefit of the exchange traded product structure.

***Prediction three: More ‘smart beta’ products***

“ETFs have evolved from market capitalisation index trackers to investment solutions that answer a broad range of investor needs,” said Mr Vynokur.

“Smart beta products – or those not weighted based on the market capitalisation of their constituents – will be a product segment to watch in 2017 as more investors and advisers alike recognise the potential for these products to offer active-like returns for index-like costs.”

“A number of smart-beta products have performed exceptionally well in recent times, with many offering returns significantly above both market-cap indices while also placed amongst top quartile active managers. With an increased focus on ‘value for money’ in investment products, we believe smart-beta is very well positioned.”

***Across all predictions, growth remains a consistent theme***

“The growth of the ETF industry in Australia has been phenomenal in recent years, and we predict it will continue on this strong trajectory in 2017, ending the year with \$30 - \$33 billion funds under management and approximately 250 exchange traded products,” said Mr Vynokur.

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## About BetaShares

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 equities, cash, currencies, commodities and alternative strategies. BetaShares currently has approximately \$3.3 billion in assets under management.

BetaShares is a member of the Mirae Asset Global Investments Group, one of Asia's largest asset management firms. Mirae currently manages approximately US\$100B.

BetaShares provides the following Funds to Australian investors:

Product Series	Product	Ticker
Cash & Fixed Income ETFs	Australian High Interest Cash ETF	AAA
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
Equities ETFs	FTSE RAFI Australia 200 ETF	QOZ
	Financials Sector ETF	QFN
	Resources Sector ETF	QRE
	Australian Ex-20 Portfolio Diversifier ETF	EX20
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	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
	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

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