



BetaShares

Exchange Traded Funds

Media release

Insights into a multi-trillion dollar industry: BetaShares launches new Global ETF Review

New quarterly research sheds light on passive investment patterns outside of Australia

SYDNEY, 14 February 2019: BetaShares, a leading Australian ETF Manager, has launched the first edition of the quarterly *BetaShares Global ETF Review* - highlighting the significant growth of passive investment strategies globally.

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

Index strategies dominate investor preferences

The global ETF industry ended 2018 at US\$4.8 trillion in assets under management (AuM), posting a robust annual growth rate of 20% since 2005.

The strength of the ETF industry can be largely explained by the growing preference for passive strategies, which still dominate the global ETF space. More broadly, unlisted funds (known as 'mutual funds' in the U.S.) are also evidencing a tilt towards passive strategies.

In the U.S. in 2018, *passive funds (including traditional unlisted mutual funds and passive ETFs)* attracted net inflows of US\$431 billion.

In comparison, *active mutual funds* in the U.S. reported net outflows of US\$418 billion, the highest level of annual outflows for this category on record.

Commenting on the launch of the review at a media event in Sydney, BetaShares' CEO, Alex Vynokur, said: "As is the trend in Australia, investors around the world are continuing to focus their attention on asset allocation, which has been demonstrated, over time, to be responsible for the vast majority of investors' returns. The cost-effectiveness, transparency and accessibility offered by ETFs makes them appealing for all investor types, whether an institutional asset allocator, a financial advisor, a high net worth individual, or a millennial who is just starting to build an investment portfolio.

Compared to larger and more mature markets, such as the US and Canada, Australia sits behind in terms of net inflows and size.

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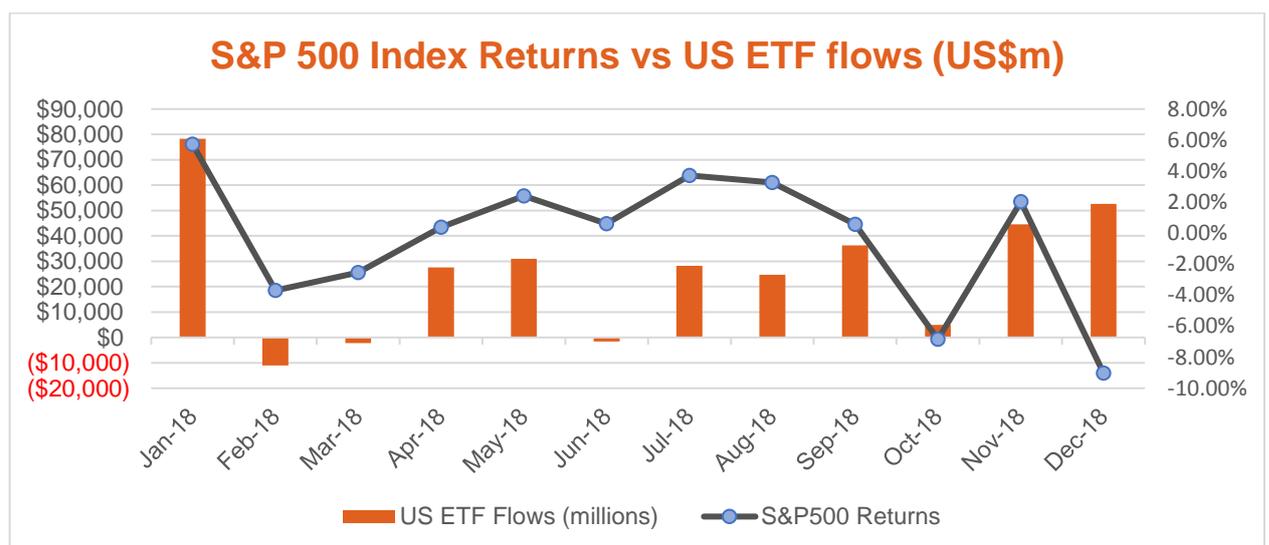
Putting the size of the industry in context, BetaShares illustrated that in the most mature industry globally, the U.S., ETFs represented about 16% of the size of the broader mutual fund industry. In Australia, the penetration is far smaller, at about 1.5%, evidencing the growth opportunity in our local market.

“While recent growth has been fast, we believe Australian investors are just starting to scratch the surface when it comes ETF usage and believe that the local ETF industry is positioned for a period of strong growth”, Vynokur added.

Who owns the sharemarket? Not ETFs.

The popularity of ETFs has raised concerns that they themselves are fuelling sharemarket volatility, but these fears are unfounded. BetaShares’ observations from 2018 assisted with disproving this myth.

As per the graph below, which compares the flows of U.S. Equity ETFs traded in the U.S. vs the performance of the S&P 500 Index, market moves were entirely independent from flows into and out of exchange traded funds.



Source: Bloomberg

December 2018, for example, saw a strong market decline, despite the positive inflows coming from ETFs. The opposite was also true. In August 2018, the U.S. Equity market had positive performance and was not influenced by the ETF outflows seen during that month.

“Saying ETFs can move markets makes little sense. ETFs are designed to replicate what their underlying securities do. Nothing more, nothing less”, commented Alex Vynokur.

Spotlight: ESG and smart beta on the rise

Two of the key trends observed by BetaShares over 2018 were the rise of ESG/Ethical orientated products and smart beta strategies.

In the U.S. last year, ESG ETF AuM grew by 26% year-on-year, while inflows grew even more rapidly – 57% annual growth.

Smart beta exchange-traded products also grew fast in 2018. Smart beta exchange-traded products – funds which weight constituents based on a methodology other than market capitalisation- recorded growth in flows of 10% compared with 2017, reaching a record high of \$86B in 2018.

Between 2009 to 2018, flows into Smart Beta strategies have experienced a compounded annual growth rate of 60%.

“As the popularisation and sophistication of the ETF industry and of investors around the world continue to grow, we predict the uptake of funds with differing methodologies to continue to be adopted”, Vynokur concluded.

Copy of the first edition of the *BetaShares Global ETF Review* is attached.

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About the *BetaShares Global ETF Review*

This will be a quarterly publication, examining the key trends and developments in the global ETF industry.

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") 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 \$6.4 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 December 2018, Mirae manages over US\$125 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
	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
	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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