

Media release

BetaShares Australian ETF Review – Mid-Year 2020

Record inflows and trading volumes power ETF industry through a turbulent six months

SYDNEY, 10 July 2020: At the halfway mark of 2020, the Australian ETF industry emerged from a tumultuous six months in a strong position, as investors turned to exchange traded products in record numbers. Through one of the most volatile periods in sharemarket history, there were record inflows into the industry, and huge increases in trading values, according to the *BetaShares Australian ETF Review – Half Year 2020 Review*.

Funds under Management (FuM) rose by 6% for the half to end the financial year at \$65.8B, just below the \$66B record figure achieved at the end of January 2020.

However, the relatively muted nature of the increase was due to significant falls in asset values, which have disguised the rapid underlying growth taking place in the industry. A record \$8.3B in new money flowed into the industry – nearly double the net inflows for the first half of 2019, and triple net inflows for the corresponding period in 2018.

Apart from robust flows, the other big story so far this year has been the dramatic increase in trading values. Australian exchange traded products have experienced 88% more trading value than in the previous six months, and following the record \$18B traded in March, trading values have been maintained at over \$8B each month since then.

BetaShares CEO, Alex Vynokur, said: “The last six months have been a turbulent time for investors, but the continued strength in both inflows and trading volumes is a big positive for the ETF industry. The record trading volumes over recent months in particular indicate that Australian investors are increasingly turning to ETFs to express their investment views, attracted by the liquidity ETFs have provided in some of the most volatile markets we have ever seen.”

Increased issuer concentration

Flows by issuer remained as concentrated as in 2019, with the top two issuers (Vanguard and BetaShares) once again receiving ~60% of industry net inflows for the half-year. June also saw the record for monthly flows recorded by an individual issuer broken, with over \$700m of net inflows received by BetaShares.

Australian equities dominate flows

The first half of 2020 saw a reversal of 2019’s category flows.

While the Fixed Income category received the highest level of inflows in 2019, Australian broad equity products have been dominant in 2020, receiving more than 1.5 times the flows of the next biggest category, global equities (receiving inflows of \$3.5B and \$2.1B respectively). In contrast, only \$263M flowed into Fixed Income over the half year, with investors appearing to reduce allocations to bonds as yields continued to fall.

Inflows into commodities ETFs also jumped, as investors turned to gold as a safe haven exposure, and increased their exposure to oil in response to global oil market volatility.

From the perspective of product style, inflows were dominated by passive index products which received 86% of total monthly flows, with the remainder split fairly evenly between Smart Beta and Active exposures.

Trading volumes remain robust

As well as the substantial increase in overall trading volume, there were also marked changes to the most-traded products for this half year when compared to the previous half.

In particular, short products were heavily traded, with BetaShares' BBOZ, which offers short exposure to the Australian sharemarket, topping the list of the most traded products in the month.

Mr. Vynokur continued: "We have seen a significant increase in demand for short products as both investors and advisers seek out ways to hedge their portfolios. We saw this initially in March as the market declined but have seen sustained interest through June notwithstanding the strong market rebound, with many investors continuing to believe that fundamentals remain fragile."

Outlook for the rest of 2020

Looking forward for the rest of the year, BetaShares retains the forecast it made at the end of 2019, and continues to expect total industry FuM at end 2020 to be in the range of \$72-\$78B.

A copy of the *BetaShares Australian ETF Review – Half Year 2020 Review* can be found [here](#).

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About BetaShares

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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 June 2020, Mirae manages over US\$130 billion.

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