

## 20 years on, the Australian ETF industry surpasses A\$100 billion

**MELBOURNE 14 April:** Vanguard Australia has recorded its strongest first quarter for cash flows on record with A\$1.56 billion in ETF inflows, according to the latest figures released by the Australian Securities Exchange (ASX) and Vanguard.

More broadly, the Australian ETF industry has surpassed the A\$100 billion milestone with A\$102 billion in AUM as at the end of March 2021.

“Investor confidence has greatly improved since this time last year when markets were first rocked by COVID-19. While domestic equity, niche and leveraged ETFs were favoured in the first half of 2020 as investors sought to navigate market volatility, a year on we are seeing better diversification across both asset classes and ETF types, with a notable increase in flows to international equity and actively managed ETFs,” said Minh Tieu, Head of Capital Markets for Asia-Pacific.

Vanguard’s actively managed ETFs saw A\$44.5 million in inflows (more than double the previous quarter), while our international equity ETFs saw A\$660.6 million in inflows.

2021 also marks 20 years since the first ETF was launched in Australia. Reflecting on its history, Mr Tieu said “the Australian ETF industry has come a long way since the first ETF was listed in August 2001. We’ve seen impressive market growth over the last few years in particular, evidenced by the industry surpassing A\$100 billion in assets across the now 220 and growing ETFs listed on the ASX when just ten years ago we had only 50.

“Australian investors and advisers have embraced ETFs as low-cost, easy to access building blocks for diversified portfolios.”

### **Bonds still have a place in portfolios**

Across the market, fixed income ETFs experienced slight outflows in Q1, drawing in A\$729.1 million less than the previous quarter. Australian bond ETFs (Q1: A\$298.9 million) and international bond ETFs (Q1: A\$311.9 million) experienced similar inflows, suggesting investors are further diversifying their portfolios by seeking exposure to international markets where there is a broader spectrum of economic and political environments.

“Although the RBA has put official rates on hold, the market is still anticipating rising inflation coupled with falling bond prices as a result of government stimulus and economic growth. Consequently, some investors may be a little hesitant to invest in or hold onto their fixed income securities. It’s worth remembering in times like these that bonds still play an important role in a diversified portfolio,” said Mr Tieu.

“Equity returns may be stronger right now but markets are cyclical. Should equity markets dip, the fixed income portion of a portfolio can act as a shock absorber and cushion any adverse movements.

“Ultimately however, investors should determine their strategic asset allocation according to their individual goals and risk profile. Getting the right balance of bonds and shares is important, but adhering to it in the long-run is just as crucial,” said Mr Tieu.

### **ESG investing continues to grow**

ESG ETFs attracted A\$442.6 million in Q1 2021, a 6.8 per cent increase since Q4 2020 and a 15.3 per cent increase year on year.

“We’ve observed a continued interest in investment products that factor in environmental, social and governance considerations. ESG ETFs can provide investors with the option to invest according to their values but in a simple, diversified way.

“Vanguard Australia will continue to assess new opportunities to offer our investors low-cost, high-quality products with long-term return potential, including in the ESG space,” said Mr Tieu.

**Australian ETF market net cash flow by asset class (Q1 2021 vs Q4 2020)**

<b>Asset class</b>	<b>Q1 2021 Cash Flow (\$m)</b>	<b>Q4 2020 Cash Flow (\$m)</b>
Global equity	<b>2173.8</b>	3264.1
Australian equity	<b>1092.3</b>	2001.1
Australian fixed income	<b>297.6</b>	771.7
Commodity	<b>-0.8</b>	83.6
Global fixed income	<b>311.9</b>	390.6
Cash	<b>-101.3</b>	76.2
Multi asset	<b>315.9</b>	242.1
Infrastructure	<b>77.1</b>	123.0
Australian property	<b>138.2</b>	146.3
Global property	<b>27.4</b>	40.5
Currency	<b>-5.5</b>	-58.5

**Top 5 Vanguard Australia ETFs by cash flow (Q1 2021)**

<b>Product</b>	<b>ASX Code</b>	<b>Cash Flow (\$m)</b>
Vanguard Australian Shares Index ETF	VAS	337.7
Vanguard Diversified High Growth Index ETF	VDHG	172.3
Vanguard MSCI Index International Shares ETF	VGS	151.5
Vanguard MSCI Index International Shares (Hedged) ETF	VGAD	148.7
Vanguard All-World ex-US Shares Index (ETF)	VEU	95.9

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