

## **Australian Exchange Traded Fund Industry: Half Year Review 2021**

### **A big half of growth as the industry steams past the \$100b mark**

**SYDNEY, 12 July 2021:** In what was a milestone first half-year, we saw Australia's ETF industry break the \$100B mark in March '21, and then steam ahead beyond that point.

- **FUM:** With strong sharemarket performance as a tail-wind we saw industry funds under management increase rapidly. We saw Australian ETF industry growth of 22% for the half, to end the financial year at \$115.7B, an all-time high. Industry FuM grew ~\$20B in the first half of the year, just under half of which came from net flows, and the remainder from asset value appreciation.
- **Net Flows:** While asset value growth was far more meaningful as a proportion of growth when compared to previous periods, we did continue to see robust inflows into the industry, with net new money for the half year of \$8.8B. This represents an increase of 6% compared to the first half of 2020, where net flows were \$8.3B. That said, flows were significantly lower than the immediate six month period prior to this half (which were a record for the industry) – in the second half of 2020, flows were >\$14B.
- **Trading:** ETF trading values continued to be strong. Trading value for this half was almost identical to the previous half year period and we are now seeing sustained ETF monthly trading values \$7B-\$8B on the ASX.
- **Issuer Flows:** Flows by issuer became even more concentrated in the first half year of '21 when compared to 2020, with the top 2 issuers (Vanguard & BetaShares) receiving ~65% of the industry flows (compared to 53% in 2020).
- **Product launches:** Product development activity remained robust in the first half of 2021, with 15 new products launched. Perhaps most notably this included 7 new issuers entering the market, all of which were Active Managers. Strikingly, in this last half we saw the first conversion of a Listed Investment Company into an Active ETF (Monash Investors) – this is a trend that we believe many more will follow into the future (Magellan have already started the process for one of their LITs), as the LIC/LIT industry continues to languish.
- **Flows by Product Type:** Passive index products took in the vast majority of flows for this half year, and remains the dominant category by a very wide margin. Active ETFs

saw their share of flows marginally improve (1 percentage point difference to the 2020 share of 10%). It is important to note that the absolute number of Active ETFs that are taking in substantial flows are few and far between – for example, the top 3 Active ETFs for flows represented >80% of the category's flows this half.

- Flows by Category: The first half of 2021 largely saw a continuation of flow patterns that we saw in 2020.
  - Like 2020, the first half of 2021 has seen Global Equities products dominate in terms of flows – the category receiving more than 3x the flows of the next biggest category, Australian equities (\$5.0B and \$1.5B respectively)
  - Notably, this half we saw the multi-asset class and Listed Property categories enter the top 5 categories for flows.
  - Outflows were generally very low, with only the cash category receiving minor outflows
- Performance: Best performing exposures for the half year came from the Crude Oil Futures ETF (ASX: OOO) (50% return for half year) followed by our Geared U.S. Shares Fund (ASX: GGUS) (34% return for half year)
- Industry Forecast: At the end of 2020 (when the industry was \$95B) we forecast the industry to end 2021 at \$110-\$120B. It appears as though our forecasts were too conservative and are now revising our forecast upward and expecting total industry FuM at end 2021 to be in the range of \$132-\$138B.

The full Australian ETF Review report is attached

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**About BetaShares**

BetaShares Capital Ltd ("BetaShares") is a leading Australian manager of exchange traded products ("ETPs") traded on the Australian Securities Exchange. BetaShares offers the broadest range of ETPs on the ASX, covering Australian and international equities, cash, currencies, commodities, and alternative strategies. BetaShares currently has over \$16 billion in assets under management