



BetaShares

Exchange Traded Funds

BETASHARES AUSTRALIAN ETF REVIEW

**HALF YEAR 2021 REVIEW
& MONTH ENDING JUNE 2021**



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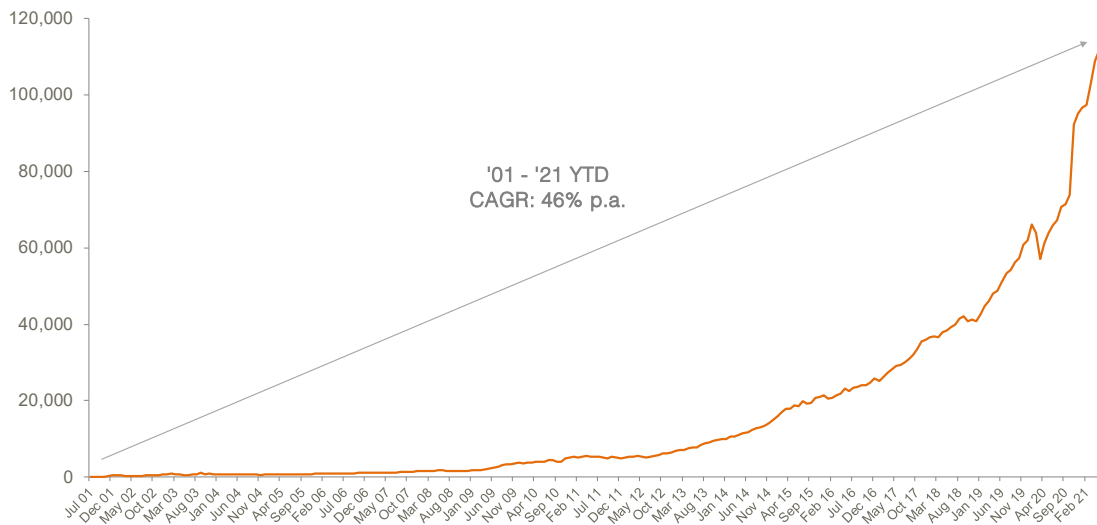
AUSTRALIAN EXCHANGE TRADED FUND INDUSTRY: HALF YEAR REVIEW 2021

A BIG HALF OF GROWTH AS THE INDUSTRY STEAMS PAST THE \$100B MARK

- 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 a lot lower than the previous six months (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.

MARKET SIZE AND GROWTH: HALF YEAR 2021

Australian ETP Market Cap: 2001 – June 2021



CAGR: Compound Annual Growth Rate

Source: ASX, BetaShares. Note, in November 2020, Magellan restructured to convert a large international unlisted exposure to an open class structure, which is included in the figures going forward

MARKET CAP

- ASX Exchange Traded Funds Market Cap: **\$115.7B**
- Market cap growth for half year: **22%, + \$20.6B**
- Market cap growth for last 12 months: **76%, + \$49.9B**

NEW MONEY

- Net new money for half year: **+\$8.8B** (6% more growth compared to \$8.3B in first half 2020)

PRODUCTS

- 266 Exchange Traded Products trading on the ASX
- New/closed products: 15 new products launched in the half year, 5 products matured, 2 products closed
- 7 new issuers joined the market, all of which were Active Managers, 4 funds converted into Active ETFs. There are currently 30 issuers of ETPs in Australia
- 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 with shortly (Magellan have already started the process for one of their LITs)

TRADING VALUE

- Trading value for this half was almost identical to the previous half year period, and remained high post the 'break out' we saw in trading during the initial reaction to COVID in Market 2020 and beyond

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)

TOP 10 PRODUCTS: HALF YEAR 2021

Ticker	Product	Issuer	Market Cap	Rank Movement
MGOC	Magellan Global Fund (Open Class) (Managed Fund)	Magellan	\$14,636,496,465	-
VAS	Vanguard Australian Shares Index ETF	Vanguard	\$8,780,842,529	-
STW	SPDR S&P/ASX 200	State Street	\$4,667,323,807	-
IVV	iShares S&P 500 ETF	iShares	\$4,528,960,450	+1
IOZ	iShares Core S&P/ASX 200 ETF	iShares	\$3,829,224,167	-1
VGS	Vanguard MSCI Index International Shares ETF	Vanguard	\$3,455,681,243	-
VTI	Vanguard US Total Market Shares Index ETF	Vanguard	\$2,640,620,059	+1
IOO	iShares S&P Global 100 ETF	iShares	\$2,319,287,605	+2
VEU	Vanguard All-World ex US Shares Index ETF	Vanguard	\$2,260,989,366	+3
VAP	Vanguard Australian Property Securities Index ETF	Vanguard	\$2,155,339,685	+1

There was not a great deal of change in the first half of the year on the league table of Australia's biggest ETFs. The most notable move was **GOLD** which dropped out of the top 10 as the performance of bullion waned and investors sold down positions. The fastest 'mover' was the All-World ex US ETF which rose 3 positions on the table.

Top 10 Inflows (by \$) - YTD

Ticker	Product	Inflow Value
VAS	Vanguard Australian Shares Index ETF	\$763,387,631
VGS	Vanguard MSCI Index International Shares ETF	\$400,496,454
VDHG	Vanguard Diversified High Growth Index ETF	\$389,535,985
XARO	ActiveX Ardea Real Outcome Bond Fund (Managed Fund)	\$304,119,662
IVV	iShares S&P 500 ETF	\$288,720,789
QUAL	VanEck Vectors MSCI World Ex-Australia Quality ETF	\$288,372,999
ETHI	BetaShares Global Sustainability Leaders ETF	\$272,807,801
HYGG	Hyperion Global Growth Companies Fund (Managed Fund)	\$264,900,540
HBRD	BetaShares Active Australian Hybrids Fund	\$252,438,344
NDQ	BetaShares NASDAQ 100 ETF	\$244,965,057

Vanguard's VAS ETF was once again the #1 fund for creations this half year although not by nearly as big a margin as we have seen in the past few halves. We believe it is significant that 3 of the top 3 funds for flow this half were Active ETFs, two of which were non-equities products. Once again we saw **ETHI** (our Global Sustainability Leaders ETF) in the top 10 flows, as ethical investing becomes increasingly mainstream.

Top 10 Outflows (by \$) - YTD

Ticker	Product	Inflow Value
MGOC	Magellan Global Fund (Open Class) (Managed Fund)	-\$320,129,791
IOZ	iShares Core S&P/ASX 200 ETF	-\$286,408,533
IHV	iShares S&P 500 AUD Hedged ETF	-\$192,596,891
BILL	iShares Core Cash ETF	-\$102,180,108
AAA	Betashares Australian High Interest Cash ETF	-\$87,189,319
QPON	BetaShares Australian Bank Senior Floating Rate Bond ETF	-\$83,306,714
MCSI	MFG Core Infrastructure Fund (Managed Fund)	-\$69,776,543
VAF	Vanguard Australian Fixed Interest Index ETF	-\$50,036,685
MVOL	iShares Edge MSCI Australia Minimum Volatility ETF	-\$46,308,572
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	-\$40,820,017

In what has been a real change of fortunes in 2021 to date, Magellan's flagship Global shares fund has sustained the highest amount of outflows in the industry this half, with its Infrastructure fund also appearing in the top 10 funds for outflows. iShares Australian shares product (IOZ) had the second highest level of outflows, due to selling from institutional clients.

Average Daily Trading Value (by \$) - Half Year

Ticker	Product	Issuer	ADTV	Rank Movement
VAS	Vanguard Australian Shares Index ETF	Vanguard	\$23,102,360	+3
IOZ	iShares Core S&P/ASX 200 ETF	iShares	\$21,700,160	
AAA	Betashares Australian High Interest Cash ETF	BetaShares	\$16,048,270	
STW	SPDR S&P/ASX 200	State Street	\$12,879,570	+1
BBOZ	BetaShares Australian Strong Bear (Hedge Fund)	BetaShares	\$12,376,070	-4
IVV	iShares S&P 500 ETF	iShares	\$8,852,454	+4
NDQ	BetaShares NASDAQ 100 ETF	BetaShares	\$8,834,060	+1
VGS	Vanguard MSCI Index International Shares ETF	Vanguard	\$7,180,644	+3
A200	Betashares Australia 200 ETF	BetaShares	\$7,078,588	+3
GOLD	ETFS Physical Gold	ETF Securities	\$6,800,773	-3

ANALYSIS OF INFLOWS: FIRST HALF 2021

Inflows (by \$) - YTD

Category	Inflow Value	%
Index	\$7,070,131,873	81%
Active	\$994,113,363	11%
Smart Beta	\$712,050,127	8%

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%), although the actual number of Active ETFs that are taking in substantial flows are few and far between – the top 3 Active ETFs for flows represented >80% of the category's flows.

Top 5 Category Inflows (by \$) - YTD

Category	Inflow Value
International Equities	\$4,976,136,510
Australian Equities	\$1,516,001,673
Fixed Income	\$1,334,218,236
Multi-Asset	\$751,065,393
Listed Property	\$241,557,210

The first half of 2021 continued to see Australian ETF investors heavily buy international equities exposures, with this category being by far the highest inflow category over the last 6 months. By comparison, flows into the next most popular categories, Australian equities and Fixed Income were far more muted. Notably, this half we saw the [multi-asset class](#) and Listed Property categories enter the top 5 categories for flows.

Top Category Outflows (by \$) - YTD

Category	Inflow Value
Cash	-\$162,881,502
Currency	-\$3,923,379

Top 5 Sub-Category Inflows – YTD

Category	Inflow Value
International Equities - Developed World	\$1,761,483,464
International Equities - Sector	\$1,085,390,287
Australian Bonds	\$1,026,443,217
Australian Equities - Broad	\$987,676,845
Multi-Asset	\$751,065,393

Top Sub-Category Outflows – YTD

Category	Inflow Value
Cash	-\$162,881,502
Oil	-\$40,820,017
Australian Equities - Geared	-\$16,504,639
Currency	-\$3,923,379
Australian Equities - Short	-\$3,605,494

PERFORMANCE

Top Performing Products – Half Year 2021

Ticker	Product Name	Performance
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	50.4%
GGUS	BetaShares Geared US Equity Fund Currency Hedged (Hedge Fund)	33.7%
LNAS	ETFS Ultra Long Nasdaq 100 Hedge Fund	29.1%
VVLU	Vanguard Global Value Equity Active ETF	28.3%
GEAR	BetaShares Geared Australian Equity Fund	28.0%

Best performing exposures for the half year came from the [Crude Oil Futures ETF \(ASX: OOO\)](#) followed by our [Geared U.S. Shares Fund \(ASX: GGUS\)](#).

AUSTRALIAN EXCHANGE TRADED FUND INDUSTRY: MONTH OF JUNE 2021

MARKET CAP & NEW MONEY

- Market cap growth for month: **3.6%, + \$4.0b**
- Net new money (units outstanding by \$ value): **\$994m** – lowest level of net flows for last 14 months
- This month we saw 4 new products launched – notably this included the first ever conversion of a LIC into an Active ETF with Monash converting its Absolute Return fund. Coolabah Capital also became an Active ETF issuer with the launch of its FIXD product on Chi-X.
- Two single bond products matured

TRADING VALUE

- Trading value remained stable this month, with levels of \$7B now the ‘new normal’ in terms of ETF trading on the ASX.

PERFORMANCE

- Best performing exposures this month were primarily those providing global technology exposure. In the BetaShares range our [Cloud Computing](#) (ASX: CLOU) and [Climate Change Innovation ETFs](#) (ASX: ERTN) were the best performers.

TOP 10 PRODUCTS: JUNE 2021

Average Daily Trading Value (by \$) - Month

Ticker	Product	Issuer	ADTV	Rank Movement
IOZ	iShares Core S&P/ASX 200 ETF	iShares	\$27,918,341	
VAS	Vanguard Australian Shares Index ETF	Vanguard	\$22,006,112	
AAA	Betashares Australian High Interest Cash ETF	BetaShares	\$19,264,082	
BBOZ	BetaShares Australian Strong Bear (Hedge Fund)	BetaShares	\$13,272,395	
STW	SPDR S&P/ASX 200	State Street	\$9,881,988	+1
VGS	Vanguard MSCI Index International Shares ETF	Vanguard	\$9,712,599	+4
NDQ	BetaShares NASDAQ 100 ETF	BetaShares	\$9,683,264	+4
IVV	iShares S&P 500 ETF	iShares	\$9,300,232	-3
GOLD	ETFS Physical Gold	ETF Securities	\$7,270,998	-2
VAP	Vanguard Australian Property Securities Index ETF	Vanguard	\$6,525,999	+12

Top 10 Inflows (by \$) - Month

Ticker	Product	Inflow Value
VGS	Vanguard MSCI Index International Shares ETF	\$112,068,742
VAS	Vanguard Australian Shares Index ETF	\$93,801,296
A200	Betashares Australia 200 ETF	\$81,788,999
HYGG	Hyperion Global Growth Companies Fund (Managed Fund)	\$74,548,417
VDHG	Vanguard Diversified High Growth Index ETF	\$70,784,303
XARO	ActiveX Ardea Real Outcome Bond Fund (Managed Fund)	\$52,627,808
QUAL	VanEck Vectors MSCI World Ex-Australia Quality ETF	\$47,533,722
VGE	Vanguard FTSE Emerging Markets Shares ETF	\$47,361,516
HBRD	BetaShares Active Australian Hybrids Fund	\$47,251,609
IVV	iShares S&P 500 ETF	\$41,753,819

Top 10 Outflows (by \$) - Month

Ticker	Product	Inflow Value
IOZ	iShares Core S&P/ASX 200 ETF	-\$356,710,335
AAA	Betashares Australian High Interest Cash ETF	-\$177,121,180
MGOC	Magellan Global Fund (Open Class) (Managed Fund)	-\$55,046,892
IHWL	iShares Core MSCI World ex Australia ESG Leaders (AUD Hedged) ETF	-\$21,933,507
BBOZ	BetaShares Australian Strong Bear (Hedge Fund)	-\$12,761,210
VAF	Vanguard Australian Fixed Interest Index ETF	-\$9,856,795
FANG	ETFS FANG+ ETF	-\$8,774,944
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	-\$8,403,790
SHYF	Switzer Higher Yield Fund (Managed Fund)	-\$7,746,089
QAU	BetaShares Gold Bullion ETF (AU\$ Hedged)	-\$6,870,001

Top 5 Category Inflows (by \$) - Month

Broad Category	Inflow Value
International Equities	\$838,598,136
Fixed Income	\$196,565,310
Multi-Asset	\$137,206,759
Listed Property	\$57,557,813
Commodities	\$19,415,201

Top Category Outflows (by \$) - Month

Broad Category	Inflow Value
Cash	-\$184,645,510
Australian Equities	-\$51,612,420
Short	-\$17,799,720
Currency	-\$798,583

Top Performing Products – Month

Ticker	Product Name	Performance (%)
LNAS	ETFS Ultra Long Nasdaq 100 Hedge Fund	15.3%
FANG	ETFS FANG+ ETF	13.1%
CLDD	BetaShares Cloud Computing ETF	12.4%
ERTH	BetaShares Climate Change Innovation ETF	11.0%
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	10.8%