

Millennial investment trends show ETFs on top

BetaShares releases findings from its annual ETF research report

- *The number of investors using ETFs in Australia rose 58% in 2020, from 455,000 to 720,000, the largest yearly increase ever recorded.*
- *Almost two-thirds (65%) of new ETF investors entering the market between March and August 2020 were Millennials and 'Gen Zers'*
 - *Accessing growth exposures is a top priority for millennial investors during 2021*
- *Diversification remains the biggest reason for using ETFs (63%), followed by access to overseas markets (42%), and avoiding individual stock risk (42%)*
- *190,000 Australians are expected to invest in ETFs for the first time over the coming 12 months, the biggest influx of first-time ETF investors on record*

SYDNEY, 18 May 2021: Research released today by leading Australian ETF provider BetaShares shows the groundswell of millennial investors is here to stay, with those under the age of 40 accounting for around two thirds of new ETF investors in 2020.

The *BetaShares/Investment Trends ETF Report 2020* surveyed almost 8,000 investors and over 800 financial planners between May and August 2020. It found 40% of those surveyed made substantial asset allocation changes (10% or more of their portfolio) to gain exposure to market movements during the height of the pandemic¹.

Commenting on the findings, Alex Vynokur, CEO of BetaShares, said: “The average age of the ETF investor continues to fall, as first-time investors increasingly are made up of those under the age of 40. This continues a long-term trend and demonstrates that the wealthier early SMSF adopters of ETFs are now joined by younger Australians, who are also turning to ETFs to help them achieve their financial goals.

“Investing can be daunting, particularly in times of volatility, such as during the pandemic-related market turmoil or more recently, during the GameStop controversy. The fact that investors, particularly younger investors, continued to invest in ETFs throughout 2020 suggests that not only are investors attracted to the liquidity ETFs offer in volatile markets, they also appreciate a simple, cost-effective way to diversify portfolios and minimise single stock risks.”

Diversification remains the biggest reason for using ETFs, with 63% of investors reporting this as their top reason for investing. Other popular benefits mentioned by respondents

include access to specific overseas markets (42%), avoiding risk to individual stock exposure (42%), and efficiency (39%).

Australian equities and ESG in high demand in 2020

Investors reignited their home bias during 2020, with Australian equities taking the lion's share of investor inflows (34%) throughout the year.

According to the *BetaShares/Investment Trends ETF Report 2020*, the top three investments that ETF investors sought during COVID-19 included: high growth ETFs, which 26% of investors ranked as the most desired ETF after COVID hit, sector specific ETFs (24%), and global equities, which one in five (22%) investors looked to for their ability to provide diversification and access to companies not found in Australia.

The Report found that socially responsible products are also in high demand, particularly among younger investors, with over one quarter (28%) of millennials requesting more socially responsible investment products, compared to 20% of all current ETF investors.

“The increased interest in socially responsible investing coincides with widespread and growing concern around the environment and global warming,” Mr Vynokur said. “The COVID-19 pandemic has also brought social and governance considerations strongly into focus. We think this trend is likely to continue as the global economy emerges from the pandemic, and investors favour portfolios and companies whose practices align with their ethical values.

“Our research shows that investors are looking to allocate a quarter of their portfolios to socially responsible funds. We believe ethical ETFs will continue to outpace the growth of traditional ETFs and more ethical products will be launched in 2021 to tap into that demand,” Mr Vynokur forecast.

More new ETF investors on the horizon

According to the Report, the total number of ETF investors rose by 58% from 455,000 to 720,000 in the 12 months to August 2020.

Looking ahead, a further 190,000 Australians are expected to invest in ETFs for the first time over the coming 12 months, the biggest potential cohort of first-time ETF investors on record. If the proportion of new ETF investors represented by millennials and Gen Z-ers remains consistent with the pattern observed since the start of the pandemic, more than 120,000 of these first time ETF investors will be under the age of 40.

Mr Vynokur continued: “The increasing participation of younger investors in the ETF industry calls for an increased focus on investor education. We believe it is essential to educate investors about market volatility and other risks, and the importance of investing for the long

term. Investor education is something that BetaShares has been committed to since our founding over ten years ago, and we intend to continue building up our education offering.”

“We are excited to see, and participate in, the rise and rise of the Australian ETF industry each year. We are preparing for another strong year of growth, and believe the industry is on track to hit \$120 billion in FUM by the end of 2021,” Mr Vynokur concluded.

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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.

ⁱ Between March and August 2020