



**BetaShares**

Exchange Traded Funds

# **BETASHARES AUSTRALIAN ETF REVIEW**

**HALF YEAR 2019 REVIEW  
& MONTH ENDING JUNE 2019**



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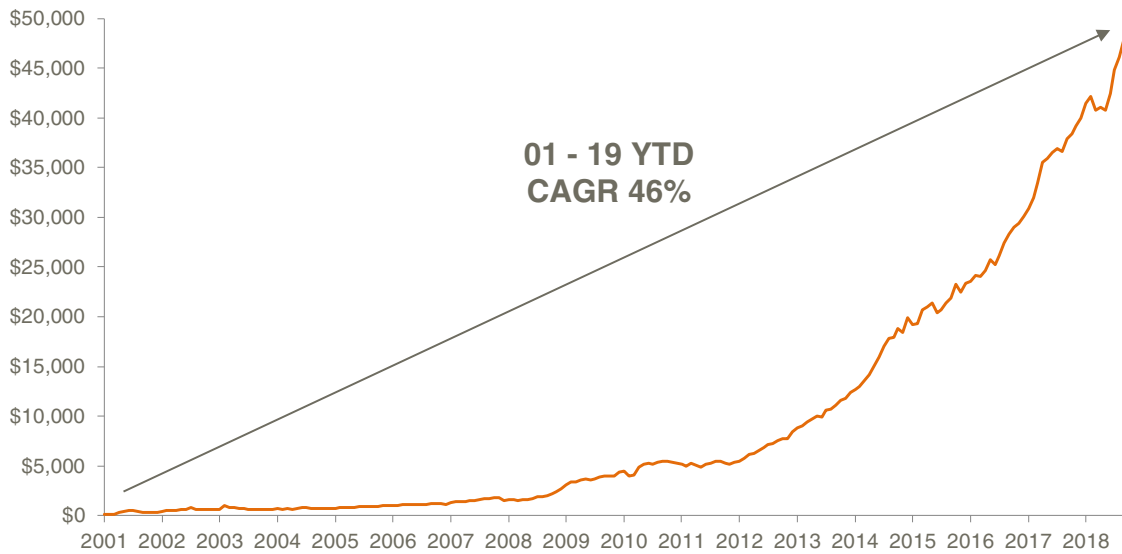
## AUSTRALIAN EXCHANGE TRADED FUND INDUSTRY: HALF YEAR REVIEW 2019

### INDUSTRY BREAKS THE \$50B MILESTONE!

- The first six months of 2019, saw a number of records broken in the ETF industry, which broke the \$50B milestone as at end June.
- The industry's **funds under management increased a very significant 25%** for the half to end the financial year at a **new record high of \$50.9B**, with the industry growing FuM by a full **\$10.1B**
- The source of growth for the industry was approximately split evenly, with 43% of the growth coming from net inflows (i.e. rather than asset appreciation) - **\$4.4B** flowing into the industry over the course of the half-year. This compares to a figure of \$2.7B for the first half of 2018, showing that the pace of industry growth is well and truly on the rise
- Trading value remained strong and increased 11% compared to the previous half
- Flows by issuer were relatively more concentrated than 2018 with the top 2 issuers (**Vanguard & BetaShares**) receiving ~60% of the industry flows and the largest 3 issuers combined receiving ~80% of flows (being **Vanguard, BetaShares and iShares**)
- Product development activity was somewhat muted for the first half of 2019, with only **7 new products launched** (compared to 10 new products launched in the first half of 2018). That said, we do expect significantly more product launches in the second half of the year.
- By inflows, **passive index products** took in the vast majority of flows for this half year (82%), which took share away from both Active and Smart Beta exposures which each took 9% of industry flows
- Exchange Traded Funds capturing the largest amounts of new money over the course of 2019 to date were, as always, revealing in terms of the prevailing investment themes for the year:
  - While 2018 saw International equities receive the lion's share of flows, 2019 has seen a noticeable **uptrend in the take up of Fixed Income products**, with **Australian Bonds** in particular seeing significant flows. Fixed Income flows were almost \$1.4B, followed by International equities exposures at \$1.3B
  - Outflows were generally very low, with profit taking by investors in U.S. Dollar exposures. We also saw redemptions in Gold products, as the price of gold rallied particularly in the last few months.
- Best performing exposures for the half-year were **Geared shares exposures**, including [the Geared Australian](#) and the [Geared U.S. equities](#) funds which each recorded **+40% performance for the first 6 months of the year**
- Given the fast growth of the industry this year to date, we are upgrading the forecast we made at the end of last year (\$50-\$55B) and now expect total industry FuM at end 2019 to be in the range of \$55-\$60B.

# MARKET SIZE AND GROWTH: HALF YEAR 2019

## Australian ETP Market Cap: 2001 – June 2019



CAGR: Compound Annual Growth Rate  
Source: ASX, BetaShares

## MARKET CAP

- ASX Exchange Traded Funds Market Cap: **\$50.9B** – new record high
- Market cap growth for half year: **25%, + \$10.1B**
- Market cap growth for last 12 months: **30%, + \$11.7B**

## NEW MONEY

- New unit growth for half year (units outstanding by number): **10%**
- Net new money for half year (units outstanding by \$ value): **+\$4.4B**

## PRODUCTS

- 244 Exchange Traded Products trading on the ASX
- New products: 7 new products launched in the half year, 8 products matured, 1 product converted

## TRADING VALUE

- Increase in trading value of 11% compared to previous half year period

## PERFORMANCE

- Geared share exposures the top two performing products of the half-year – [BetaShares Geared Australian Equity fund \(hedge fund\) \(ASX: GEAR\)](#) up 45% and [BetaShares Geared U.S. Equity Fund \(hedge fund\) \(ASX: GGUS\)](#) up 41%

## TOP 10 PRODUCTS: HALF YEAR 2019

### By Market Cap

Ticker	Product	Issuer	Market Cap (this month)	Rank Movement (half year)
STW AU Equity	SPDR S&P/ASX 200 Fund	State Street	\$3,915,160,000	-
VAS AU Equity	Vanguard Australian Shares Index ETF	Vanguard	\$3,811,970,000	-
IVV AU Equity	iShares S&P 500	iShares	\$3,099,000,000	-
VGS AU Equity	Vanguard MSCI Index International Shares ETF	Vanguard	\$1,643,070,000	+3
IOO AU Equity	iShares S&P Global 100	iShares	\$1,616,420,000	-1
VTS AU Equity	Vanguard US Total Market Shares Index ETF	Vanguard	\$1,525,900,000	-1
AAA AU Equity	Betashares Australian High Interest Cash ETF	BetaShares	\$1,494,840,000	-1
VAP AU Equity	Vanguard Australian Property Securities Index E	Vanguard	\$1,399,000,000	+2
MGE AU Equity	Magellan Global Equities Fund (Mgd Fund)	Magellan	\$1,357,000,000	-
VEU AU Equity	Vanguard All-World ex-US Shares Index ETF	Vanguard	\$1,325,500,000	-2

**VGS** jumped 3 slots in the half year and is now the fourth largest fund in Australia. We expect **VAS** to become the largest ETF in Australia within the next month or so, overtaking **STW**

### Top 10 Creations (by \$) - YTD

Ticker	Product	Creation Value
VAS AU Equity	Vanguard Australian Shares Index ETF	\$246,186,057
VGS AU Equity	Vanguard MSCI Index International Shares ETF	\$227,620,571
AAA AU Equity	Betashares Australian High Interest Cash ETF	\$207,851,025
VAF AU Equity	Vanguard Australian Fixed Interest ETF	\$207,031,911
MVW AU Equity	Market Vectors Australia Equal Weight	\$157,064,594
HBRD AU Equity	BetaShares Active Australian Hybrids Fund	\$149,857,214
BILL AU EQUITY	iShares Core Cash ETF	\$149,147,697
IAF AU Equity	iShares UBS Composite Bond Index Fund	\$147,941,434
VAP AU Equity	Vanguard Australian Property Securities Index ETF	\$140,445,399
IOZ AU Equity	iShares Core S&P/ASX 200 ETF	\$129,729,534

Vanguard's VAS ETF was the #1 fund for creations this half year, followed by VGS. [AAA](#) has received over \$200m of net flows and we've also seen strong growth in our Active Hybrids fund, [HBRD](#).

### Top 10 Redemptions (by \$) - YTD

Ticker	Product	Redemption Value
USD AU Equity	BetaShares US Dollar ETF	(\$55,821,000)
IEU AU Equity	iShares S&P Europe 350	(\$52,501,162)
GEAR AU Equity	BetaShares Geared Australian Equity Fund	(\$48,770,600)
YMAX AU Equity	BetaShares Equity Yield Maximiser Fund	(\$30,216,729)
Gold AU Equity	ETFS Physical Gold	(\$20,465,306)
HJPN AU Equity	BetaShares WisdomTree Japan ETF - Currency Hedge	(\$16,422,000)
IEM AU Equity	iShares MSCI Emerging Markets	(\$15,434,976)
YTMF06 AU Equity	XTB UNITS F06	(\$13,977,641)
HVST AU Equity	BetaShares Australian Dividend Harvester	(\$11,638,549)
BNKS AU Equity	BetaShares Global Banks - Currency Hedged	(\$11,372,743)

### By Average Daily Trading Value (20 days)

Ticker	Product	Issuer	ADTV 6 months
STW AU Equity	SPDR S&P/ASX 200 Fund	State Street	\$14,368,330
AAA AU Equity	BetaShares Australian High Interest Cash ETF	BetaShares	\$13,081,230
VAS AU Equity	Vanguard Australian Shares Index ETF	Vanguard	\$11,390,070
IVV AU Equity	iShares S&P 500	iShares	\$6,893,220
A200 AU Equity	BetaShares Australia 200 ETF	BetaShares	\$5,674,148
IOZ AU Equity	iShares Core S&P/ASX 200 ETF	iShares	\$4,737,752
VGS AU Equity	Vanguard MSCI Index International Shares ETF	Vanguard	\$4,636,411
BBOZ AU Equity	BetaShares Australian Equities Strong Bear Hedge Fund	BetaShares	\$3,914,848
VAP AU Equity	Vanguard Australian Property Securities ETF	Vanguard	\$3,290,500
VTS AU Equity	Vanguard U.S. Total Market ETF	Vanguard	\$3,022,215

Products with highest trading value are 'the usual subjects' this half year, and are largely core exposures. A notable inclusion, however, in the top 10 most traded products was our [Strong Bear Hedge Fund \(BBOZ\)](#), which experienced significant trading as investors sought to profit from, or protect against a falling Australian sharemarket.

## ANALYSIS OF INFLOWS: FIRST HALF 2019

### Inflows (by \$) - YTD

Category 1	Inflow Value	%
Index	\$3,635,536,838	82%
Active	\$393,004,436	9%
Smart Beta	\$392,948,517	9%

Passive index products took in the vast majority of flows for this half year, and remains the dominant category. Its share has grown at the expense of other categories (2018 Index flows were 78% of total). In addition, unlike last year, we are seeing approximately equal flows between smart-beta ETFs and passive products. By contrast, 2018 saw Active ETFs take 12% of flows.

### Top 5 Category Inflows (by \$) - YTD

Category 3	Inflow Value
Fixed Income	\$1,377,451,652
International Equities	\$1,317,047,327
Australian Equities	\$852,041,235
Cash	\$375,087,194
Australian Listed Property	\$220,776,169

2019 has been notable in the significant growth in flows in Fixed Income ETFs, which have become the #1 category for flows for the first time ever in the first half of the year. International equities flows remain strong as a clear #2 category

### Top Category Outflows (by \$) - YTD

Category 3	Outflow Value
Currency	(\$54,957,207)
Commodities	(\$12,688,894)

From an outflows perspective, only two broad categories have experienced outflows over the last 6 months, and both appear to have done so due to profit taking by investors - US ETFs saw selling as the Australian dollar remained range bound relative to the US and, in commodities, gold ETF investors saw the opportunity to take profits as the gold price rallied strongly in the first half of the year.

### Top 5 Sub-Category Inflows – YTD

Category 4	Inflow Value
Australian Bonds	\$1,171,959,510
International Equities - Developed World	\$726,299,530
Australian Equities - Broad	\$718,959,801
Cash	\$375,087,194
International Equities - Sector	\$256,862,831

### Top Sub-Category Outflows – YTD

Category 4	Outflow Value
Currency	(\$54,957,207)
International Equities - Europe	(\$53,986,147)
Australian Equities - Geared	(\$48,770,600)
Gold	(\$9,131,044)
Australian Equities - Resources Sector	(\$6,056,013)

Breaking down the broad categories into sub-categories provides a more nuanced view on where the money flows went so far this year. For example, looking at sub-category inflows we see that Australian bonds were very much the dominant sub-category for flows, with the next sub-category, Developed World equities, trailing quite far behind. From an outflows perspective, we also see that, when broken down into sub-categories, we saw outflows in European equities, mirroring global ETF flows which have also been negative for that region.

## PERFORMANCE

### Top Performing Products – Half Year 2019

Ticker	Product Name	Performance
GEAR	BetaShares Geared Australian Equity Fund (hedge fund)	45.2%
GGUS	BetaShares Geared US Equities Fund (hedge fund)	41.2%
CNEW	Van Eck Vectors China New Economy ETF	29.6%
CETF	Van Eck Vectors China AMC A-Share ETF	28.2%
GLIN	AMP Capital Global Infrastructure Fund	26.1%

Due to strong sharemarket performance, geared share exposures were by far the strongest performing products for this half year, with [BetaShares Geared Australian Equity fund \(hedge fund\) \(ASX: GEAR\)](#) up 45% and [BetaShares Geared U.S. Equity Fund \(hedge fund\) \(ASX: GGUS\)](#) up 41% for the half year.



# AUSTRALIAN EXCHANGE TRADED FUND INDUSTRY: MONTH OF JUNE 2019

## MARKET CAP & NEW MONEY

- Market cap growth for month: **4.6%,+ \$2,250m** – 2<sup>nd</sup> highest monthly growth of all time
- New unit growth for month (units outstanding by number): **5.3%**
- Net new money (units outstanding by \$ value): **\$821.7m**
- A relatively busy month for product launches/closures with the launch of 3 new funds this month – we launched our fourth fund in partnership with Legg Mason, the [BetaShares Legg Mason Emerging Markets Fund \(managed fund\) \(ASX: EMMG\)](#). Others launches included an India ETF and an Actively managed ethical fund by InvestSmart.

## TRADING VALUE

- Trading value decreased 7% month on month after May's record month of trading – although it still ended up being the **2<sup>nd</sup> highest month on record for trading value**

## PERFORMANCE

- Products providing exposure to gold stocks were the number one performers, including our currency hedged [Global Gold Miners ETF \(ASX: MNRS\)](#) which had a monthly return of ~16%

## TOP 10 PRODUCTS: JUNE 2019

By Average Daily Trading Value (20 days)

Ticker	Product	Issuer	ADTV 20 days	Rank Movement
AAA AU Equity	Betashares Australian High Interest Cash ETF	BetaShares	\$20,345,974	-
STW AU Equity	SPDR S&P/ASX 200 Fund	State Street	\$17,996,177	-
VAS AU Equity	Vanguard Australian Shares Index ETF	Vanguard	\$10,743,941	-
A200 AU Equity	BETASHARES AUSTRALIA 200 ETF	BetaShares	\$9,271,748	+2
IVV AU Equity	iShares S&P 500	iShares	\$7,186,674	-1
IOZ AU Equity	iShares Core S&P/ASX 200 ETF	iShares	\$5,840,464	-1
QPON AU Equity	BetaShares Australian Senior Bank Floating Rate Bond ETF	BetaShares	\$5,442,110	-
VAP AU Equity	Vanguard Australian Property Securities Index ETF	Vanguard	\$5,430,186	+2
VGS AU Equity	Vanguard MSCI Index International Shares ETF	Vanguard	\$4,779,752	-
VAF AU Equity	Vanguard Australian Fixed Interest ETF	Vanguard	\$3,993,002	+2

Top 10 Creations (by \$) - Month

Ticker	Product	Creation Value
VAS AU Equity	Vanguard Australian Shares Index ETF	\$71,642,386
VGS AU Equity	Vanguard MSCI Index International Shares ETF	\$59,732,880
QPON AU Equity	BetaShares Australian Senior Bank Floating Rate Bond ETF	\$57,568,153
HBRD AU Equity	BetaShares Active Australian Hybrids Fund	\$50,286,971
MVV AU Equity	Market Vectors Australia Equal Weight	\$48,549,440
VAF AU Equity	Vanguard Australian Fixed Interest ETF	\$43,018,070
IAF AU Equity	iShares UBS Composite Bond Index Fund	\$41,015,844
VAP AU Equity	Vanguard Australian Property Securities Index ETF	\$36,981,480
CREG AU Equity	BetaShares Australian Investment Grade Corporate Bond ETF	\$36,837,643
VGB AU Equity	Vanguard Australian Government Bond Index ETF	\$27,461,512

Top 10 Redemptions (by \$) - Month

Ticker	Product	Redemption Value
AAA AU Equity	Betashares Australian High Interest Cash ETF	(\$94,114,843)
A200 AU Equity	BetaShares Australia 200 ETF	(\$89,645,616)
BOND AU Equity	SPDR S&P/ASX Australian Bond Fund	(\$21,940,720)
GEAR AU Equity	BetaShares Geared Australian Equity Fund	(\$15,359,177)
ILC AU Equity	iShares S&P/ASX 20	(\$11,663,190)
HJPN AU Equity	BetaShares WisdomTree Japan ETF - Currency Hedged	(\$9,190,480)
USD AU Equity	BetaShares US Dollar ETF	(\$7,812,420)
QFN AU Equity	BetaShares S&P/ASX 200 Financials-x-A-REIT ETF	(\$6,918,780)
BNKS AU Equity	BetaShares Global Banks ETF - Currency Hedged	(\$6,348,800)
FUEL AU Equity	BetaShares Globl Energy Companies ETF - Currency Hedged	(\$5,682,800)

**Top 5 Category Inflows (by \$) - Month**

Broad Category	Inflow Value
Fixed Income	\$302,393,231
International Equities	\$296,267,227
Australian Equities	\$167,491,070
Australian Listed Property	\$49,881,816
Multi-Asset	\$41,781,709

**Top Category Outflows (by \$) - Month**

Broad Category	Outflow Value
Cash	(\$69,020,630)
Currency	(\$6,806,283)

**Top Performing Products – Month**

Ticker	Product Name	Performance (%)
GDX	Van Eck Vectors Gold Miners ETF	17.4%
MNRS	BetaShares Global Gold Miners ETF – Currency Hedged	16.1%
GGUS	BetaShares Geared US Equities Fund (hedge fund)	15.5%
ETPMPD	ETFS Physical Palladium	9.8%
CURE	ETFS S&P BIOTECH ETF	9.2%