



BetaShares

Exchange Traded Funds

BETASHARES AUSTRALIAN ETF REVIEW

**HALF YEAR 2020 REVIEW
& MONTH ENDING JUNE 2020**



Ilan Israelstam
Head of Strategy and Marketing, BetaShares

www.betashares.com.au

AUSTRALIAN EXCHANGE TRADED FUND INDUSTRY: HALF YEAR REVIEW 2020

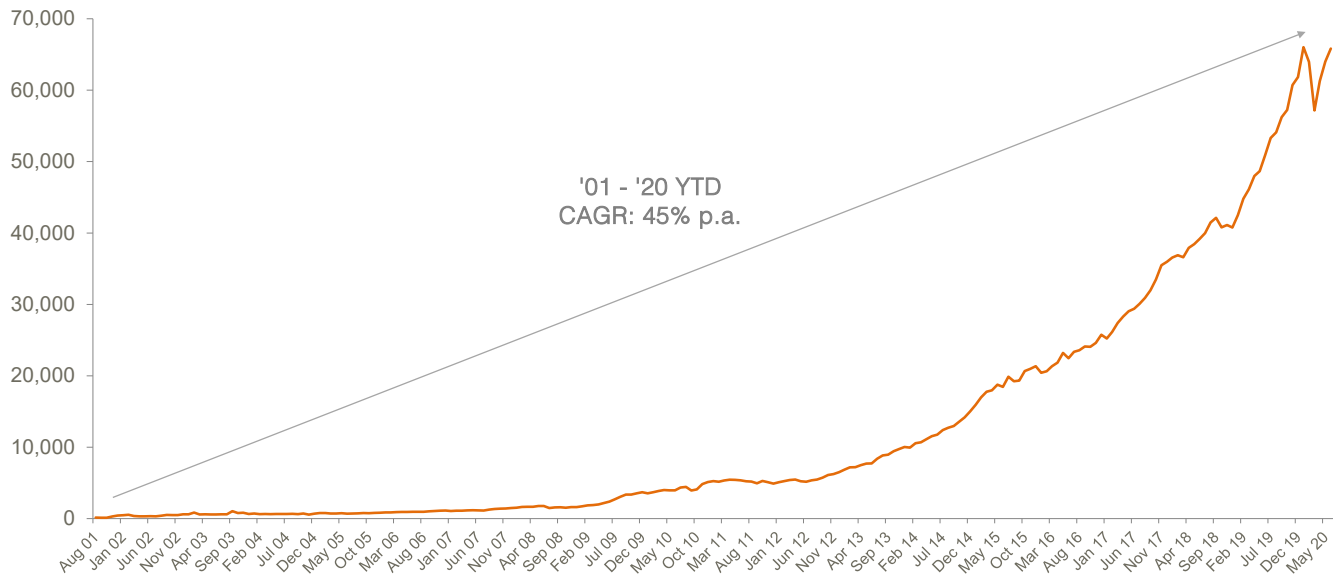
AUSTRALIAN EQUITIES DOMINATE FLOWS & SHORT EXPOSURES DOMINATE TRADING

- In what will go down in history as one of the most volatile periods in sharemarket history, Australian investors turned to exchange traded products in record numbers in the first half of 2020.
- **FUM:** Due to falls in asset values the industry's **funds under management increased relatively slowly - 6%** for the half, to end the financial year at **\$65.8B**, a touch below the \$66B record figure achieved at the end of January 2020. Industry FuM grew ~\$4B in the first half of the year, all of which came from net inflows.
- **Net Flows:** The drop in asset values was more than made up by **record inflows into the industry**, with net new money for the half year of **\$8.3B**. This represents an increase of 90% compared to the first half of 2019, where net flows were \$4.4B and is 3x the amount of money that entered in the industry in the first half of 2018 (\$2.7B)
- **Trading:** Apart from the very high level of inflows into the industry, the other big story so far this year has been the incredible growth in **trading values**. Compared to the previous half year period, Australian exchange traded products have experienced **88%** more trading value, with the industry appearing to have hit a new 'normal' in trading values over the last few months and maintaining over \$8B in trading values since March.
- **Issuer Flows:** Flows by issuer remained as concentrated as 2019, with the top 2 issuers (**Vanguard & BetaShares**) once again receiving ~60% of the industry flows. We also note a significant gap between the top two players starting to emerge, with the 3rd ranked player for flows receiving less than 1/3 of the 2nd ranked player. The last month of the half (June) was additionally notable in that we saw a record broken in terms of the **highest level of monthly flows recorded by an individual issuer** with over \$700m of inflows received (not-so-humble brag: it was us!)
- **Product launches:** Product development activity remained robust in the first half of 2020, with **10 new products launched**. The half-year was also notable in that we saw **two ETF issuers leave the market**, with UBS terminating/converting 6 products in May and Pinnacle's 2 aShares products being terminated in June. With the industry becoming increasingly competitive and given the concentration we are seeing in terms of flows, we would not be surprised to see more consolidation in the industry over time.
- **Flows by Product Type:** **Passive index products** took in the vast majority of flows for this half year (86%), which took share away from Smart Beta and Active exposures which received 8% and 6% of industry flows respectively.
- **Flows by Category:** The first half of 2020 saw a complete reversal of the flow picture by category, compared to 2019:
 - While 2019 saw the Fixed Income category receive highest amount of flows, 2020 has seen **Australian broad equity products** dominate in terms of flows – the category receiving more than 1.5x the flows of the next biggest category, global equities (\$3.5B and \$2.1B respectively)
 - By contrast, we saw very limited flows in **Fixed Income** over the half year (\$263m) with investors reducing allocations to bonds as yields continued to fall.
 - We also saw significantly more flow in commodities ETF than in previous periods, particularly [gold bullion](#) and [oil exposures](#).
 - Outflows were generally very low, with no broad category receiving net selling. The selling we did see this year so far has been in European equities, which remains an exposure which appears to be shunned by Australian investors.
- **Trading by product:** Like most markets around the world, post March, we saw tremendous amounts of trading in the Australian ETF industry. In particular, geared-short exposures were traded in high volumes, with [BBOZ](#) receiving a great deal of attention by investors looking to profit from, or protect against a falling Australian sharemarket. Showing that there are always two sides to every trade, we also saw our [GEAR](#) fund traded heavily.

- **Performance:** The best performing exposures for the half year were [Chinese & Asian Equities exposures](#) and [Gold Miners](#).
- **Industry Forecast:** Given the trajectory of the industry to date, we retain the forecast we made at the end of last year and continue to expect total industry FuM at end 2020 to be in the range of \$72-\$78B.

MARKET SIZE AND GROWTH: HALF YEAR 2020

Australian ETP Market Cap: 2001 – June 2020



CAGR: Compound Annual Growth Rate
Source: ASX, BetaShares

MARKET CAP

- ASX Exchange Traded Funds Market Cap: **\$65.8B**
- Market cap growth for half year: **6%, + \$4.0B**
- Market cap growth for last 12 months: **29%, + \$14.9B**

NEW MONEY

- Net new money for half year: **+\$8.3B** (90% growth compared to \$4.4B in first half 2019)

PRODUCTS

- 243 Exchange Traded Products trading on the ASX
- New products: 10 new products launched in the half year, 16 products matured, 9 products closed
- 2 ETF issuers left the market – UBS (6 funds terminated or converted to unlisted funds) & Pinnacle aShares (2 funds terminated)

TRADING VALUE

- Increase in trading value of 88% compared to previous half year period as trading values 'broke out' to new levels in March 2020, with sustained high trading values in April, May and June

PERFORMANCE

- Best performing exposures for the half year were [Chinese & Asian Equities exposures](#) and [Gold Miners](#)

TOP 10 PRODUCTS: HALF YEAR 2020

By Market Cap

Ticker	Product	Issuer	Market Cap	Rank Movement (half year)
VAS	Vanguard Australian Shares Index ETF	Vanguard	\$5,563,883,587	-
STW	SPDR S&P/ASX 200	State Street	\$3,707,989,031	-
IVV	iShares S&P 500 ETF	iShares	\$3,130,437,893	-
IOZ	iShares Core S&P/ASX 200 ETF	iShares	\$2,193,344,639	+1
VGS	Vanguard MSCI Index International Shares ETF	Vanguard	\$2,093,604,954	-1
AAA	Betashares Australian High Interest Cash ETF	BetaShares	\$1,969,078,897	+1
GOLD	ETFS Physical Gold	ETF Securities	\$1,801,535,634	+7
VTS	Vanguard US Total Market Shares Index ETF	Vanguard	\$1,791,495,054	-
IOO	iShares S&P Global 100 ETF	iShares	\$1,765,441,202	-3
MGE	Magellan Global Equities Fund (Managed Fund)	Magellan	\$1,691,574,991	-

There was not a great deal of change in the first half of the year in Australia's biggest ETFs. The most notable move was **GOLD** which entered the top 10 given the tremendous rise in value of gold and, more broadly, investor interest in this asset class.

Top 10 Inflows (by \$) - YTD

Ticker	Product	Inflow Value
VAS	Vanguard Australian Shares Index ETF	\$1,442,182,833
IOZ	iShares Core S&P/ASX 200 ETF	\$546,095,336
GOLD	ETFS Physical Gold	\$458,022,991
STW	SPDR S&P/ASX 200	\$428,859,015
BBOZ	BetaShares Australian Strong Bear (Hedge Fund)	\$387,672,903
BBUS	BetaShares US Equities Strong Bear Currency Hedged (Hedge Fund)	\$314,788,976
VGAD	Vanguard MSCI Index International Shares (Hedged) ETF	\$277,717,882
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	\$244,141,766
VAP	Vanguard Australian Property Securities Index ETF	\$237,458,149
QUAL	VanEck Vectors MSCI World Ex-Australia Quality ETF	\$218,897,784

Vanguard's VAS ETF was the #1 fund for creations this half year by a very large margin, as Australian investors sought out domestic equities as a buying opportunity, particularly from March onwards. In fact there were three broad Australian equities ETFs in the Top 10 funds for flows. However, the volatility also caused investors to seek out ways to hedge portfolios, with significant inflows into our Bear suite of funds, including **BBOZ** (Strong Bear – Australian equities) and **BBUS** (Strong Bear – U.S. Equities). Together these two products have received ~\$700m in flows, YTD.

Top 10 Outflows (by \$) - YTD

Ticker	Product	Inflow Value
IVV	iShares S&P 500 ETF	-\$165,572,996
IHEB	iShares J.P.Morgan USD Emerging Markets Bond (AUD Hedged) ETF	-\$108,735,208
IXI	iShares S&P Global Consumer Staples ETF	-\$64,743,666
VACF	Vanguard Australian Corporate Fixed Interest Index ETF	-\$52,924,130
VEQ	Vanguard FTSE Europe Shares ETF	-\$51,576,384
IHHY	iShares Global High Yield Bond (AUD Hedged) ETF	-\$47,876,586
PLUS	VanEck Vectors Australian Corporate Bond Plus ETF	-\$45,745,765
QPON	BetaShares Australian Bank Senior Floating Rate Bond ETF	-\$44,500,040
BILL	iShares Core Cash ETF	-\$43,267,804
FLOT	VanEck Vectors Australian Floating Rate ETF	-\$41,605,456

The IVV ETF sustained the most selling so far this year, with investors apparently taking the opportunity to take profits after the significant rebound post the March "crash". We have also seen a number of fixed income exposures sold down by investors as yields fall to record lows. This is particularly the case in higher yield global fixed income exposures as well as Australian floating rate bond products.

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

Ticker	Product	Issuer	ADTV - 6 months	Rank Movement
BBOZ	BetaShares Australian Strong Bear (Hedge Fund)	BetaShares	\$44,402,698	+8
VAS	Vanguard Australian Shares Index ETF	Vanguard	\$35,879,737	+1
STW	SPDR S&P/ASX 200	State Street	\$26,768,228	-2
IOZ	iShares Core S&P/ASX 200 ETF	iShares	\$23,858,661	+2
AAA	Betashares Australian High Interest Cash ETF	BetaShares	\$20,421,541	-3
BBUS	BetaShares US Equities Strong Bear Currency Hedged (Hedge Fund)	BetaShares	\$16,674,653	+17
GOLD	ETFS Physical Gold	ETF Securities	\$14,157,384	+9
GEAR	BetaShares Geared Australian Equity Fund (Hedge Fund)	BetaShares	\$11,839,836	+25
IVV	iShares S&P 500 ETF	iShares	\$11,650,808	-5
A200	Betashares Australia 200 ETF	BetaShares	\$10,462,209	-5

There was substantial change in the way investors used exchange traded products this half year, reflected by the list of the top 10 most traded products above. In particular, geared-short exposures were traded in high volumes, with [BBOZ](#) receiving a great deal of attention by investors looking to profit from, or protect against a falling Australian sharemarket. Showing that there are always two sides to every trade, we also saw our [GEAR](#) fund rise up the trading charts by 25 places compared to its position in the second half of 2019.

ANALYSIS OF INFLOWS: FIRST HALF 2020

Inflows (by \$) - YTD

Type of Exposure	Inflow Value	%
Index	\$7,144,839,292	86%
Smart Beta	\$660,987,673	8%
Active	\$540,895,683	6%

Passive index products took in the vast majority of flows for this half year, and remains the dominant category by a very wide margin. Its share has grown at the expense of other categories (2019 Index flows were 79% of total). In a similar vein to last year, we are seeing approximately equal flows between smart-beta ETFs and active products, with both these categories remaining relatively muted so far this year.

Top 5 Category Inflows (by \$) - YTD

Broad Category	Inflow Value
Australian Equities	\$3,532,524,634
International Equities	\$2,075,197,284
Commodities	\$981,736,089
Short	\$768,012,841
Fixed Income	\$263,744,245

The first half of 2020 has shown a complete reversal of the flow picture by category, with fixed income flows very slow compared to equities, and with Australian equities rocketing up the charts in terms of investor demand and receiving a full \$1.5B more flows than the 2nd most demanded category, international equities. We have also seen significantly more flow in commodities ETFs, particularly [gold bullion](#) and [oil exposures](#).

At a broad category level, we have seen no outflows, with all major categories receiving some level of inflows this year to date.

Top 5 Sub-Category Inflows – YTD

Sub-Category	Inflow Value
Australian Equities - Broad	\$2,712,364,535
International Equities - Developed World	\$1,063,426,499
Gold	\$701,593,905
Australian Equities - Short	\$453,223,865
International Equities - Sector	\$443,449,483

Top Sub-Category Outflows – YTD

Sub-Category	Outflow Value
International Equities - Europe	-\$22,399,165
International Equities - Asia	-\$14,696,401
Australian Equities - Australian Equities - Sector	-\$2,808,876

PERFORMANCE

Top Performing Products – Half Year 2020

Ticker	Product Name	Performance
CNEW	VanEck Vectors China New Economy ETF	27.9%
GDX	VanEck Vectors Gold Miners ETF	27.4%
MNRS	BetaShares Global Gold Miners ETF - Currency Hedged	26.9%
ASIA	BetaShares Asia Technology Tigers ETF	21.6%
CURE	ETFS S&P Biotech ETF	19.3%

With a very strong end to the half year, it is Chinese and Asian equities exposures that led the way so far to date, followed by Global Gold Miners exposures.

AUSTRALIAN EXCHANGE TRADED FUND INDUSTRY: MONTH OF JUNE 2020

MARKET CAP & NEW MONEY

- Market cap growth for month: **2.8%, + \$1.8b**
- Net new money (units outstanding by \$ value): **\$1.66B** – fourth largest net flows to date
- This month we saw 3 new products launched, including a currency-hedged version of the [BetaShares Global Quality Leaders ETF \(ASX: HQLT\)](#) and two new Active ETFs – a new Australian equities product from Magellan and the first long-short Active ETF from Montarka.
- We also saw an ETF issuer leave the industry this month, with Pinnacle terminating its two Active products

TRADING VALUE

- Trading value increased 2% month on month, sustaining its very high level of >\$8B in trading value for the month

PERFORMANCE

- Products providing exposure to Asian and Chinese equities were the best performers this month, led by [BetaShares Asia Technology Tigers ETF](#) which returned ~10.5% for the month. Crude Oil also rebounded strongly, with our [OOO ETF](#) returning ~8% for the month of June.

TOP 10 PRODUCTS: JUNE 2020

Average Daily Trading Value (by \$) - Month

Ticker	Product	Issuer	ADTV	Rank Movement
BBOZ	BetaShares Australian Strong Bear (Hedge Fund)	BetaShares	\$44,538,501	
VAS	Vanguard Australian Shares Index ETF	Vanguard	\$31,383,712	
AAA	Betashares Australian High Interest Cash ETF	BetaShares	\$27,954,711	+4
BBUS	BetaShares US Equities Strong Bear Currency Hedged (Hedge Fund)	BetaShares	\$19,450,701	-1
IOZ	iShares Core S&P/ASX 200 ETF	iShares	\$18,149,333	-1
STW	SPDR S&P/ASX 200	State Street	\$18,045,422	-1
GOLD	ETFS Physical Gold	ETF Securities	\$14,117,839	+1
GEAR	BetaShares Geared Australian Equity Fund (Hedge Fund)	BetaShares	\$13,683,153	+2
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	BetaShares	\$10,492,775	+2
IXJ	iShares S&P Global Healthcare ETF	iShares	\$10,036,268	-1

Top 10 Inflows (by \$) - Month

Ticker	Product	Inflow Value
AAA	Betashares Australian High Interest Cash ETF	\$270,530,589
VAS	Vanguard Australian Shares Index ETF	\$165,612,393
BBOZ	BetaShares Australian Strong Bear (Hedge Fund)	\$75,566,742
GOLD	ETFS Physical Gold	\$73,158,995
IHWL	iShares Core MSCI World All Cap AUD Hedged ETF	\$52,751,136
BILL	iShares Core Cash ETF	\$52,150,067
MVB	VanEck Vectors Australian Bank ETF	\$52,071,967
IAF	iShares Core Composite Bond ETF	\$44,146,795
A200	Betashares Australia 200 ETF	\$41,843,795
BBUS	BetaShares US Equities Strong Bear Currency Hedged (Hedge Fund)	\$41,723,311

Top 10 Outflows (by \$) - Month

Ticker	Product	Inflow Value
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	-\$28,370,852
IXI	iShares S&P Global Consumer Staples ETF	-\$20,202,537
WDMF	iShares Edge MSCI World Multifactor ETF	-\$17,746,255
IHVV	iShares S&P 500 AUD Hedged ETF	-\$17,217,385
IJH	iShares S&P Midcap ETF	-\$11,226,733
VEU	Vanguard All-World ex US Shares Index ETF	-\$8,831,547
IJP	iShares MSCI Japan ETF	-\$8,235,766
IEM	iShares MSCI Emerging Markets ETF	-\$6,835,869
PIXX	Platinum International Fund (Quoted Managed Hedge Fund)	-\$5,731,267
USD	BetaShares U.S Dollar ETF	-\$5,649,728

Top 5 Category Inflows (by \$) - Month

Broad Category	Inflow Value
Australian Equities	\$457,979,299
International Equities	\$387,415,881
Cash	\$327,703,169
Fixed Income	\$204,696,734
Short	\$125,809,519

Top Category Outflows (by \$) - Month

Broad Category	Inflow Value
Currency	-\$11,143,464

Top Performing Products – Month

Ticker	Product Name	Performance (%)
ASIA	BetaShares Asia Technology Tigers ETF	10.5%
CNEW	VanEck Vectors China New Economy ETF	9.8%
PAXX	Platinum Asia Fund (Quoted Managed Hedge Fund)	8.3%
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	7.8%
AUDS	BetaShares Strong Australian Dollar Fund (Hedge Fund)	7.3%