



BetaShares

Exchange Traded Funds

Media release

Australian ETF industry set for a blockbuster 2019: BetaShares

ETF model portfolios, increased allocations to fixed income ETFs and global growth themes to spur growth

SYDNEY, 14 December 2018: Australia's ETF industry is expected to continue its rapid growth trajectory in 2019, driven by investor demand, product innovation and the evolving requirements of advice models, according to BetaShares' annual predictions, released today.

This year to November, the Australian ETF industry continued its growth trajectory, finishing the month at \$41.1 billion, up from \$35.5 billion in 2017 and in line with BetaShares' 2018 predictions made in late 2017¹.

"It's been a year of exciting new milestones for the industry, the growth and adoption of ETFs by investors and advisers being just one of these," said BetaShares' CEO, Alex Vynokur.

"More investors are recognising the benefits of ETFs, including the ability to diversify portfolios, lower costs and access opportunities in international sectors which have historically been hard for Australians to access."

Prediction one: Adoption of ETF model portfolios

Adoption of ETF model portfolios is predicted to increase, as advisers seek to create efficiencies in their businesses and lower costs for clients, and as more ETF strategists, investment consultants, portfolio construction specialists and robo advisers enter the market.

2018 has seen a significant rise in the number of advisers and investors seeking to implement expert portfolios via models.

"We're seeing an increase in demand for model portfolios and asset allocation services, particularly from advisers and dealer groups who can use such services to offer efficient and cost-effective access to diversified investment portfolios, at much lower costs for clients than had been previously available", said Mr. Vynokur.

It is becoming increasingly understood in the Australian market that the combination of low-cost index building blocks and active asset allocation can result in a compelling investment solution that delivers value for both the end client and the adviser.

Prediction two: Fixed income ETFs growing in popularity

¹ BetaShares' 2018 annual predictions forecast end of year industry funds under management of \$40-45B.

The adoption of ASX-traded fixed income funds is expected to rise significantly in 2019, signalling changing sentiment from investors looking to position portfolios more defensively.

“Australian investors typically hold an underweight exposure to fixed income, although, with growing market volatility, investors are starting to increase allocations to fixed income as a defensive shield for their portfolios,” said Mr Vynokur.

In addition, the growing number of Australians reaching retirement age means that defensive asset classes such as fixed income will continue to benefit from increased allocations.

Product innovation is also predicted to continue, after this year’s significant growth in the BetaShares Australian Bank Senior Floating Rate Bond ETF (QPON) and the recent launch of Australia’s first fixed income Active ETF, the BetaShares Legg Mason Australian Bond Fund (managed fund) (BNDS), which offers investors access to an actively managed bonds portfolio via the ASX.

“Fixed income has long been an overlooked allocation, primarily due to access issues. ETFs are reducing barriers to adoption across a variety of different asset classes, including fixed income,” said Mr Vynokur.

Prediction three: Thematic investing will continue to grow

A record number of thematic ETFs were launched during 2018 and have experienced strong take-up to date. This trend is predicted to continue into 2019.

BetaShares continues to see strong demand for its funds offering access to a range of global growth themes, including global cybersecurity (HACK), global healthcare (DRUG) and global robotics and artificial intelligence (RBTZ).

At the same time, the bellwether BetaShares Nasdaq 100 ETF, NDQ, has seen a record year of inflows in 2018. Together, the technology range has combined assets of over half a billion dollars as at 30 November².

“More recently, valuations in the Asian technology sector have become more attractive which has underpinned a strong period of growth in the adoption of the Asian Technology Tigers ETF (ASX: ASIA), which allows investors to access a portfolio of the largest Asian tech companies at once,” said Mr Vynokur.

Overall, Australia’s ETF industry is headed into another strong year for growth.

“The growth of the ETF industry in Australia has been impressive in recent years, and we predict it will continue on this trajectory in 2019. We expect the ETF industry to end 2019 at \$55-60 billion”, said Mr Vynokur.

(ends)

² Source: BetaShares. As at 30 November 2018.

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About BetaShares

Awarded ETF Fund Manager of Year for 2017 and 2016 by Professional Planner/Zenith and 2016 ETF Manager of the Year by Money Management/Lonsec, BetaShares Capital Ltd ("BetaShares") is a leading Australian manager of exchange traded products ("ETPs") which are traded on the Australian Securities Exchange. BetaShares offers a range of ETPs which cover Australian and International equities, cash, currencies, commodities and alternative strategies. BetaShares currently has approximately \$6.2 billion in assets under management.

BetaShares is owned and managed by its Australian based management team along with a strategic shareholding from Mirae Asset Global Investment Group, one of Asia's largest asset management firms. As at September 2018, Mirae manages over US\$135 billion.

BetaShares' range of ASX-traded funds includes:

Product Series	Product	Ticker
Cash & Fixed Income ETFs	Australian Bank Senior Floating Rate Bond ETF	QPON
	Australian High Interest Cash ETF	AAA
	Australian Investment Grade Corporate Bond ETF	CRED
Hybrid Funds	Active Australian Hybrids Fund (managed fund)	HBRD
Commodity ETFs	Agriculture ETF – Currency Hedged (synthetic)	QAG
	Commodities Basket ETF – Currency Hedged (synthetic).	QCB
	Crude Oil Index ETF – Currency Hedged (synthetic)	OOO
	Gold Bullion ETF – Currency Hedged	QAU
Currency ETFs	British Pound ETF	POU
	Euro ETF	EEU
	U.S. Dollar ETF	USD
	BetaShares Strong U.S. Dollar Fund (hedge fund)	YANK

	BetaShares Strong Australian Dollar Fund (hedge fund)	AUDS
Equities ETFs	FTSE RAFI Australia 200 ETF	QOZ
	Financials Sector ETF	QFN
	Resources Sector ETF	QRE
	Australian Ex-20 Portfolio Diversifier ETF	EX20
	Australian Small Companies Select Fund (managed fund)	SMLL
	Australian Sustainability Leaders ETF	FAIR
	Australia 200 ETF	A200
Equity Income Funds	Australian Dividend Harvester Fund (managed fund)	HVST
	Equity Yield Maximiser Fund (managed fund)	YMAX
Geared Funds	Geared Australian Equity Fund (hedge fund)	GEAR
	Geared US Equity Fund – Currency Hedged (hedge fund)	GGUS
International Funds	Asian Technology Tigers ETF	ASIA
	FTSE RAFI U.S. 1000 ETF	QUS
	Global Agriculture ETF – Currency Hedged	FOOD
	Global Banks ETF – Currency Hedged	BNKS
	Global Cybersecurity ETF	HACK
	Global Energy Companies ETF – Currency Hedged	FUEL
	Global Gold Miners ETF – Currency Hedged	MNRS
	Global Healthcare ETF – Currency Hedged	DRUG
	Global Income Leaders ETF	INCM
	Global Quality Leaders ETF	QLTY
	Global Robotics and Artificial Intelligence ETF	RBTZ
	Global Sustainability Leaders ETF	ETHI
	NASDAQ 100 ETF	NDQ
	S&P 500 Yield Maximiser Fund (managed fund)	UMAX
	WisdomTree Europe ETF – Currency Hedged	HEUR

	WisdomTree Japan ETF – Currency Hedged	HJPN
Managed Risk Funds	Managed Risk Australian Share Fund (managed fund)	AUST
	Managed Risk Global Share Fund (managed fund)	WRLD
Short Funds	Australian Equities Bear Hedge Fund	BEAR
	Australian Equities Strong Bear Hedge Fund	BBOZ
	US Equities Strong Bear Hedge Fund – Currency Hedged	BBUS
Active	AMP Capital Dynamic Markets Fund (Hedge Fund)	DMKT
	AMP Capital Global Infrastructure Securities Fund (Unhedged) (Managed Fund)	GLIN
	AMP Capital Global Property Securities Fund (Unhedged) (Managed Fund)	RENT
	BetaShares Legg Mason Australian Bond Fund (managed fund)	BNDS
	BetaShares Legg Mason Equity Income Fund (managed fund)	EINC
	BetaShares Legg Mason Real Income Fund (managed fund)	RINC

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