

VanEck ETF IQ Scorecard

August 2019

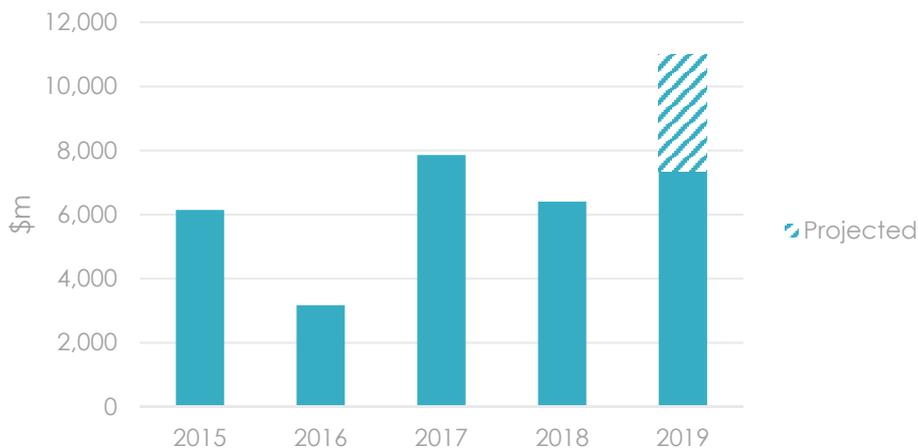
Highlights

- The Australian ETP industry experienced net flows of \$1,130.5m in August, the second highest on record after an all-time high in July of \$1,556.2m.
- The ETP industry grew 1.5% from the prior month and jumped 31% to \$53.8bn over the 12 months to 31 August.
- Reflecting the strong year for flows, the ETP industry is on track to beat the previous 2017 record of \$7.9bn.
- Australian fixed income ETPs were in strongest demand, drawing a record \$315.5m in net flows, as investors sought more defensive assets and alternative income sources given falling interest rates and recession fears.
- Top performing products on the ASX in August were gold mining ETPs, with the gold price and gold stocks rallying as investors flocked to the relative safety of the precious metal.
- The S&P/ASX 200 Index fell 2.4% over the month. The slowing growth outlook for the Australian economy and poor earnings season explained the weakness. Only the defensive sectors of healthcare and real estate managed to post gains for the month.
- Gold jumped 9.1% while oil fell 3.8% in AUD terms.
- Big falls were posted for iron ore, which fell 24.6% in August on the back of both rising supply and declining demand.

Chart of the month: Record flows expected for ETP industry in 2019

The Australian ETP industry is set for a record year of flows in 2019 and on target to beat the 2017 record of \$7.9bn. Net flows of \$1,130.5m were posted in August, the second highest on record after an all-time high of \$1,556.2m in July. August's flows represent a huge increase from \$532m a year earlier and cumulative flows this year have already surpassed 2018 levels of \$6.4bn. Investors are flocking to ETPs, including ETFs which make up around 90% of total ETP assets under management (AUM), due to low cost, convenience and in many cases, better performance than actively managed funds. Share market volatility has also contributed to growth as investors seek greater transparency and liquidity.

Australian ETP Industry Flows



Source: Bloomberg, VanEck

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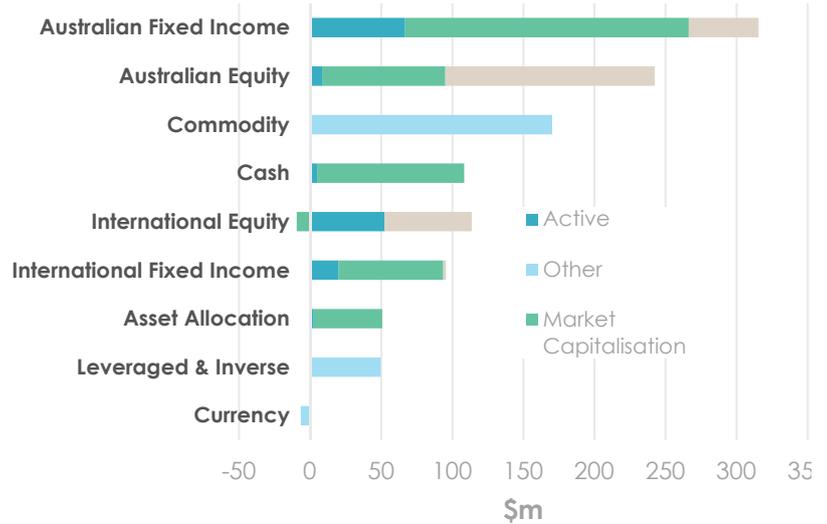
Fixed income ETPs attract most flows

Australian fixed income ETPs attracted the greatest net flows of any asset class at \$315.5m in August. Monthly flows were the highest on record and have more than doubled this year given defensive portfolio positioning. Net flows to international fixed income ETPs totalled \$95.7m.

Recession fears and a trend of global monetary easing pushed 10-year bond yields sharply lower over the month, with Australia's 10-year bond yield falling 30 basis points below 1% for the first time ever. Over the 12 months to 31 August, flows to Australian and international fixed income ETPs totalled \$2.8bn, outstripping the \$2.7bn that flowed into Australian equity ETPs. Those ETPs drew \$242.4m in net flows in August, a sharp drop from earlier months with volatility scaring off investors from equities. Just \$104.3m flowed into international equity ETPs.

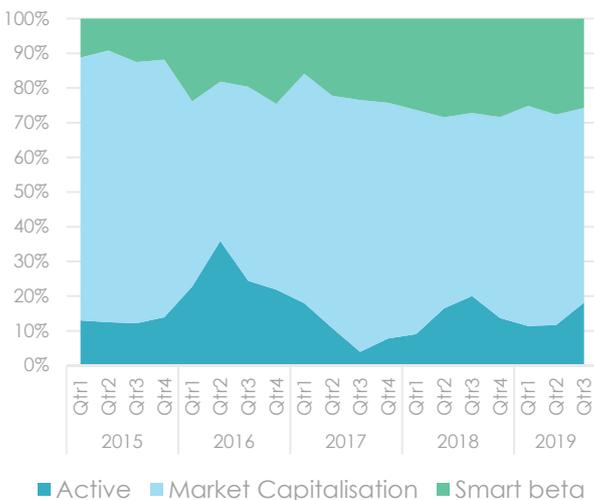
Commodity ETPs also attracted strong net flows of \$170.3 million, with most going to gold products.

Monthly flows



Source: VanEck, ASX, Bloomberg

Quarterly flows by strategy



Flows by strategy

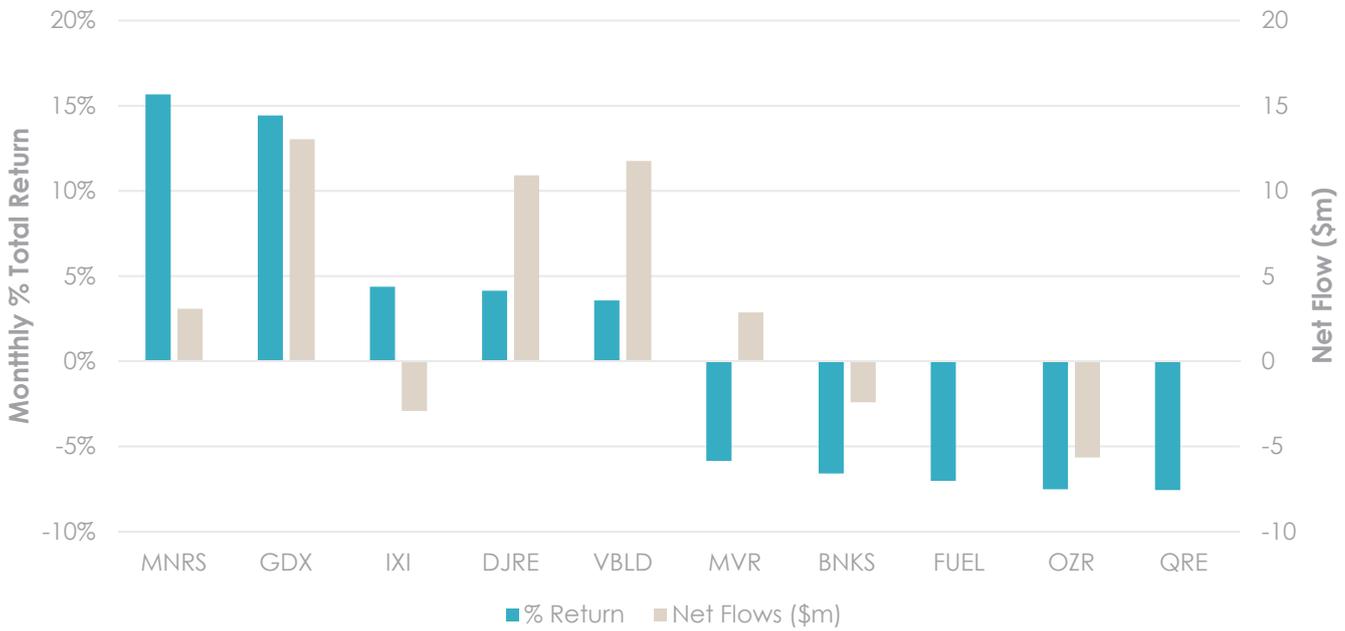
Smart beta ETFs attracted monthly net flows of \$259.3m, compared to \$502.0m flowing to market cap ETFs. That represents about 23% of net flows to ETPs, with investors seeking targeted investment outcomes and superior performance. VanEck's AUM jumped 64% from a year earlier to \$3.3bn, the greatest annual AUM growth rate of any ETF provider, as it expands its smart beta ETF range.

Active ETPs drew \$155.7m in net flows but are struggling to gain market share, as the chart shows. Smart beta ETFs are attracting greater flows due to lower management costs and greater transparency of their structure and holdings.

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Top and bottom ETF performers with net flows

Reflecting a flight to safer assets and a stronger gold price, GDX was a top performing ETF, returning 14.4%. Reflecting its leverage to the gold price, GDX rose more than the gold price's gain of 9.1% in AUD terms. Reflecting a sharp drop in the iron ore price and lower oil price as economic growth expectations were downgraded, resources ETPs experienced some of the largest losses and outflows.



Source: VanEck, ASX, Bloomberg. Returns are calculated on the last day of the month and assume reinvestment of dividends and are net of fees and other costs incurred in the funds but do not take into account broker fees and bid/ask spreads incurred when investing on ASX or any taxes payable by the investor. Past performance is not a reliable indicator of future performance.

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| VanEck Vectors ETF Performance | ASX code | Inception Date | 1 Mth % | 1 Yr % p.a. | 3 Yrs % p.a. | 5 Yrs % p.a. | Inception %p.a. |
|---|----------|----------------|---------|-------------|--------------|--------------|-----------------|
| Australian equity | | | | | | | |
| VanEck Australian Equal Weight ETF | MVW | 4 Mar 14 | -2.30% | 7.54% | 10.89% | 10.40% | 10.90% |
| VanEck Australian Banks ETF | MVB | 14 Oct 13 | -2.90% | 4.10% | 8.78% | 5.43% | 7.18% |
| VanEck Australian Resources ETF | MVR | 14 Oct 13 | -5.85% | 15.86% | 20.15% | 9.29% | 9.13% |
| VanEck MSCI Australian Sustainable Equity ETF | GRNV | 27 Apr 16 | -1.82% | 14.52% | 7.31% | | 6.88% |
| AREITs | | | | | | | |
| VanEck Australian Property ETF | MVA | 14 Oct 13 | 1.79% | 26.79% | 11.88% | 14.64% | 15.50% |
| Australian equity - small and mid caps | | | | | | | |
| VanEck S&P/ASX MidCap 50 ETF | MVE | 14 Oct 13 | -2.38% | 1.24% | 9.36% | 2.58% | 1.67% |
| VanEck Small Companies Masters ETF | MVS | 26 May 15 | -2.63% | 2.86% | 8.16% | | 8.00% |
| International equity - developed markets | | | | | | | |
| VanEck MSCI World ex Australia Quality ETF | QUAL | 29 Oct 14 | 0.86% | 11.63% | 16.47% | | 16.38% |
| VanEck MSCI World ex Australia Quality (Hedged) ETF | QHAL | 21 Mar 19 | -1.44% | | | | 3.91% |
| VanEck Morningstar Wide Moat ETF | MOAT | 24 Apr 12 | -0.10% | 14.37% | 17.49% | 17.90% | 20.78% |
| VanEck Gold Miners ETF | GDX | 16 May 06 | 14.42% | 73.22% | 9.97% | 9.89% | -0.55% |
| International equity - ESG | | | | | | | |
| VanEck MSCI International Sustainable Equity ETF | ESGI | 6 Mar 18 | 0.98% | 4.61% | | | 10.25% |
| International equity - infrastructure & property | | | | | | | |
| VanEck FTSE Global Infrastructure (Hedged) ETF | IFRA | 29 Apr 16 | 1.47% | 15.96% | 10.58% | | 10.76% |
| VanEck Vectors FTSE International Property (Hedged) ETF | REIT | 29 Mar 19 | 2.68% | | | | 3.89% |
| Emerging market equity | | | | | | | |
| VanEck MSCI Multifactor Emerging Markets Equity ETF | EMKT | 10 Apr 18 | -1.29% | -0.63% | | | -4.16% |
| VanEck ChinaAMC CSI 300 ETF | CETF | 13 Oct 10 | -1.82% | 17.90% | 6.76% | 14.73% | 6.07% |
| VanEck China New Economy ETF | CNEW | 8 Nov 18 | 1.48% | | | | 32.33% |
| Australian Fixed Income | | | | | | | |
| VanEck Australian Corporate Bond Plus ETF | PLUS | 9 May 17 | 1.04% | 10.95% | | | 7.05% |
| VanEck Australian Floating Rate ETF | FLOT | 5 Jul 17 | -0.06% | 2.77% | | | 2.67% |

Source: VanEck. Returns are calculated on the last day of the month and assume reinvestment of dividends and are net of fees and other costs incurred in the funds but do not take into account broker fees and bid/ask spreads incurred when investing on ASX or any taxes payable by the investor. Past performance is not a reliable indicator of future performance. For more information including up to date performance data and inception dates go to www.vaneck.com.au.

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