

# VanEck ETF IQ Scorecard

## November 2019

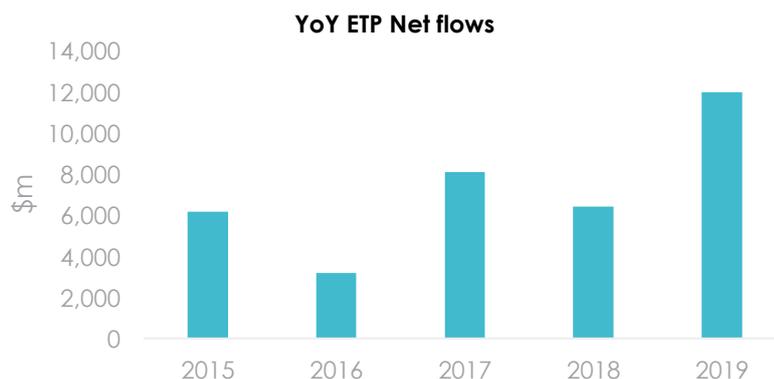
### Highlights

#### Commentary by Arian Neiron, Managing Director - Head of Asia Pacific, VanEck

- Over the 12 months to 30 November 2019, the ETP industry surged ahead, increasing in size by 48% to a record \$60.39bn. We expect this strong momentum to continue in 2020 as more investors realise the benefits of ETFs including but not limited to ease of investing, transparency, cost effectiveness and liquidity.
- The Australian ETP industry experienced record net flows of \$1.76bn in November and record YTD net inflows of \$11.95bn, with many investors lured by strong share market gains. Volatility too pushed many investors to fixed income ETPs for the first time in 2019.
- Australian equity ETPs attracted the greatest net monthly flows of \$851.0m, ahead of international equities at \$519.5m. Over the YTD, net flows to Australian equity ETPs totalled \$3.70bn, surpassing international equity ETFs flows of \$3.55bn. This is a strong sign of confidence in the Australian share market and reverses the trend seen earlier in 2019 when flows to international equity ETPs dominated over local ones.
- Australian fixed interest ETPs were less popular than in prior months, with net flows of \$209.0m, as equity markets settled and confidence returned to markets as fears of a drawn-out US-China trade war faded.
- However, over the year, flows to Australian and international fixed income ETPs have struck a record \$3.33bn, around 25% of all ETP flows, with investors using ETPs not only for exposure to growth assets, but also to build out the defensive part of their portfolios.
- Renewed signs of a settling of US-China trade tensions saw Chinese equities rally. Over the last 12 months, the Chinese equity market, as measured by the CSI 300, was the strongest performing major market, up by 31.78%, compared to 25.26% for US equities, as measured by the S&P 500.
- The S&P/ASX 200 Index rose 3.28% in November, while the MSCI World ex Australia Index in AUD terms rallied 4.74%. The S&P 500 jumped 5.53% in AUD terms.
- As equity fears diminished, gold bullion dropped 4.79% in AUD terms. The AUD fell 1.90% while oil rose 3.69%.

#### ETP flows surge in 2019

It has been a record year for flows into ETPs despite high levels of volatility. Several factors have fed the inflows. Many investors turned to Australian fixed income ETPs in 2019 for the first time to wait out equity market volatility and seek income. This has seen record inflows into this sector for the YTD. In later months, renewed confidence in the Australian equity market has seen domestic equity flows overtake international equity ETFs in recent months. Investors too have pumped money into property and infrastructure ETPs for income in an era of record low interest rates. All of this has fed record net flows YTD of \$11.95bn, well ahead of 2018 net flows of \$6.40bn and 2017's record of \$8.09bn. With an expanding diversity of assets being offered by ETPs, including developed and emerging market equity, even more funds will likely flow into the market in 2020.



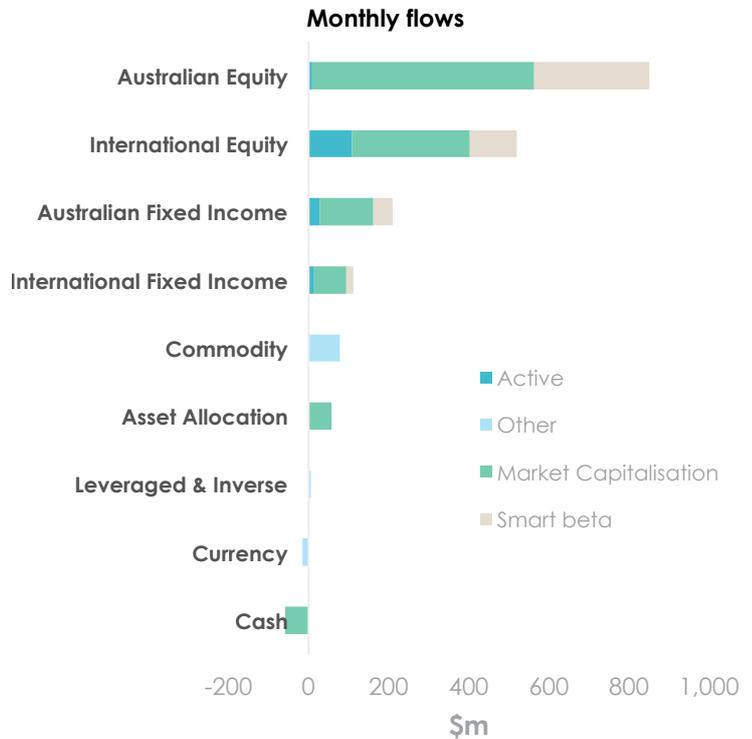
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## Australian equity ETPs dominate flows

Australian equity ETPs attracted the greatest net flows in November at \$851.0m, well ahead of inflows of \$519.5m for international equities. Flows rose after the ASX 200 gained 3.28% over the month after slipping modestly in October. Over the YTD, net flows to Australian equity ETPs totalled \$3.70bn, surpassing flows to international equity ETFs of \$3.55bn.

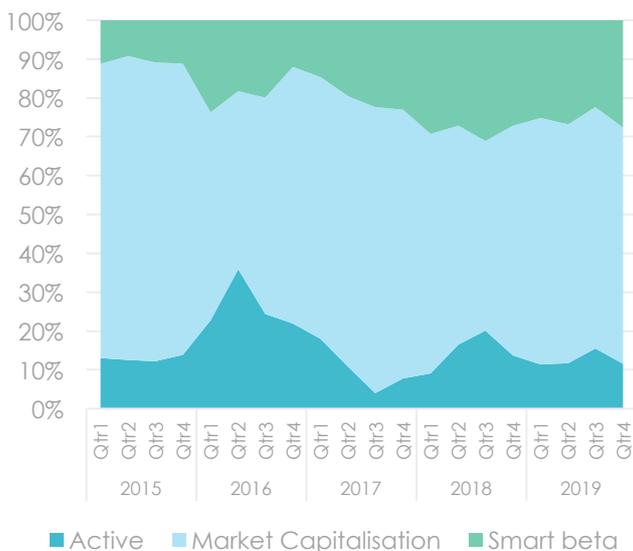
As fears diminished about US-China trade tensions, flows to fixed income ETPs fell to just \$320.0m in November, the lowest level for several months. However, YTD new flows are sitting at a record \$3.33bn, which represents around 27% of all ETP flows. Including cash ETPs, that represents one third of all ETP flows.

That highlights an important point – ETPs are being used by investors not only to grow their exposure to growth assets such as shares, but also to build out the defensive part of their portfolios. This is unsurprising given ongoing equity market volatility and fears of a global economic slowdown.



Source: VanEck, ASX, Bloomberg

## Quarterly flows by strategy



Source: VanEck, ASX, Bloomberg

## Flows by strategy

Flows to smart beta ETFs were strong in November, striking \$468.7m, just over one quarter of all ETP inflows. That compared to \$1.06bn flowing to market cap ETFs and \$158.5m to active ETPs.

The chart to the left reveals that smart beta ETFs have almost doubled market share since 2016 while active ETPs market share has more than halved, as investors chase more targeted investment outcomes, portfolio diversification, improved performance and lower costs through smart beta strategies. Smart beta ETFs now account for around 15 per cent of the overall ETP market.

Reflecting that growth, VanEck's FUM jumped 81% from a year earlier to \$3.81bn in November, once again the greatest annual FUM growth rate of any ETF provider.

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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.
<b>Australian equity</b>							
Australian Equal Weight ETF	MVW	4 Mar 14	3.72%	26.73%	13.79%	12.44%	11.48%
Australian Banks ETF	MVB	14 Oct 13	-3.11%	9.96%	5.33%	5.61%	6.68%
Australian Resources ETF	MVR	14 Oct 13	4.64%	31.41%	20.02%	14.20%	9.81%
<b>Australian equity - ESG</b>							
MSCI Australian Sustainable Equity ETF	GRNV	27 Apr 16	3.74%	28.73%	10.22%		7.59%
<b>A-REITs</b>							
Australian Property ETF	MVA	14 Oct 13	1.24%	30.58%	15.65%	14.47%	14.75%
<b>Australian equity – small- and mid-caps</b>							
S&P/ASX MidCap ETF	MVE	14 Oct 13	4.06%	20.86%	12.73%	10.76%	2.34%
Small Companies Masters ETF	MVS	26 May 15	1.84%	17.49%	10.42%		8.19%
<b>International equity - developed markets</b>							
MSCI World ex Australia Quality ETF	QUAL	29 Oct 14	5.82%	30.91%	19.89%	15.73%	17.37%
MSCI World ex Australia Quality (Hedged) ETF	QHAL	21 Mar 19	4.12%				12.63%
Morningstar® Wide Moat ETF	MOAT	24 Apr 12	6.16%	29.60%	20.85%	18.15%	21.85%
Gold Miners ETF	GDX	16 May 06	-1.80%	53.68%	13.03%	13.76%	-1.30%
<b>International equity - ESG</b>							
MSCI International Sustainable Equity ETF	ESGI	6 Mar 18	3.93%	23.86%			14.01%
<b>International equity - infrastructure &amp; property</b>							
FTSE Global Infrastructure (Hedged) ETF	IFRA	29 Apr 16	-0.94%	15.73%	11.85%		10.15%
FTSE International Property (Hedged) ETF	REIT	29 Mar 19	-1.02%				7.47%
<b>Emerging markets equity</b>							
MSCI Multifactor Emerging Markets Equity ETF	EMKT	10 Apr 18	1.20%	14.48%			-0.55%
China CSI 300 ETF	CETF	13 Oct 10	0.66%	29.73%	5.95%	9.11%	6.15%
China New Economy ETF	CNEW	8 Nov 18	1.27%	34.45%			32.74%
<b>Australian Fixed Income</b>							
Australian Corporate Bond Plus ETF	PLUS	9 May 17	0.88%	11.00%			6.48%
Australian Floating Rate ETF	FLOT	5 Jul 17	0.15%	2.67%			2.55%
Australian Subordinated Debt ETF	SUBD	30-Oct-19	0.14%				0.15%

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 fund 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, go to [www.vaneck.com.au](http://www.vaneck.com.au).

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