

# VanEck ETF IQ Scorecard

September 2019

## Highlights

- The Australian ETP industry experienced record net flows of \$1.62bn in September.
- The ETP industry grew 33% to \$55.9bn over the 12 months to 30 September. The market is going to have a record year, having already surpassed 2017 and it is likely to reach \$60bn by 31 December.
- Australian equity ETPs attracted the greatest net monthly flows of \$658.7m, well ahead of international equities at \$328.4m.
- Australian fixed interest ETPs were popular, attracting \$234.5m after several strong months. Over the year to date fixed income ETPs have attracted almost one quarter of all ETP flows.
- Smart beta ETFs attracted monthly net flows of \$228.4m.
- The S&P/ASX 200 Index returned 1.84%, while the MSCI World ex Australia Index in AUD terms increased 2.01%. The S&P 500 rose 1.55% in AUD terms in September.
- The Bloomberg AusBond Composite Index fell 0.49% and Bloomberg Barclays Global Aggregate Bond \$A Hedged dropped 0.56%.
- Oil fell 2.17% while gold bullion fell 3.21% in AUD terms.

## Chart of the month: quality investing delivers the returns over the short and long run

The table below shows that quality factor investing in global equities delivers a consistent performance over time compared to other factors. Quality ranks the second highest over 1, 3, 10 and 15 years. Momentum investing has also put in a strong performance, being ranked the highest returning factor over 3, 5, 10 and 15 years. Investors looking for quality investing have been drawn to the VanEck Vectors MSCI World ex Australia Quality ETF, which has returned 12.6% over 12 months to 30 September and 19.3% over two years, 17.4% over three years and 16.1% over five years. The top performing factor this year has been minimum volatility, which is no surprise given big swings in global markets.

Factor	1 year	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)	15 years (p.a.)	20 years (p.a.)
Benchmark	6	4	5	6	8	8
Growth	5	3	4	3	5	10
High Dividend	3	8	9	9	9	7
Minimum Volatility	1	5	2	5	4	4
Momentum	7	1	1	1	1	3
Quality	2	2	3	2	2	6
Value	8	10	10	10	10	9
Equal Weight	9	9	8	8	7	5
Multi-Factor	10	7	6	4	3	1
Risk Weight	4	6	7	7	6	2

Source: Bloomberg, performance to 30 September, returns in Australian Dollars. Value is MSCI World Value Index, Momentum is MSCI World Momentum Index, Quality is MSCI World Quality Index, Equal Weight is MSCI World Equal Weight Index, Minimum Volatility is MSCI World Minimum Volatility Index, Diversified Multi-Factor is MSCI World Diversified Multi-Factor Index, Risk Weight is MSCI World Risk Weight Index, Growth is MSCI World Growth Index, High Dividend Yield is MSCI World High Dividend Yield Index and Benchmark is MSCI World Index.

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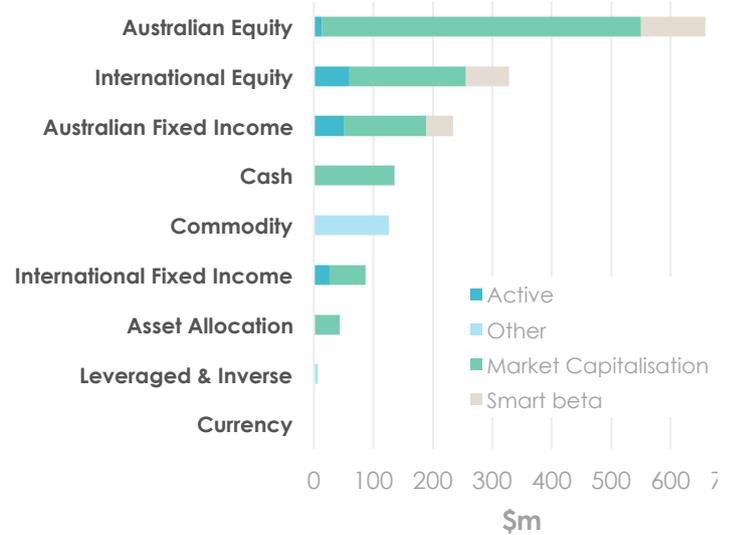
## Australian equity ETPs dominate flows

Australian equity ETPs attracted the greatest net flows in September at \$658.7m, compared to inflows of \$328.4m for international equities. Flows increased after the ASX 200 gained 1.84% over the month after a 2.4% drop in August during a lacklustre reporting season.

Over the 12 months to 30 September, Australian equity ETPs led net inflows at \$3.13bn. That pipped the \$3.06bn that flowed to international equity ETPs. Australian fixed income ETPs attracted \$2.50bn in flows over the year, while international fixed income ETPs drew \$482.5m. Cash ETPs also attracted \$933.3m in net flows.

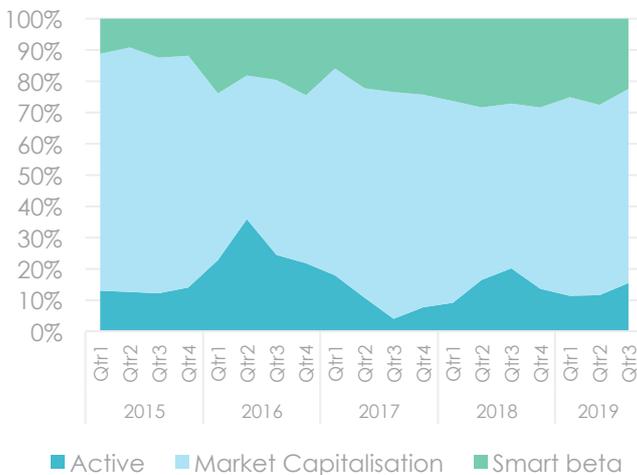
The relatively high level of flows to fixed income and cash ETPs reflects more defensive portfolio positioning by investors. This is unsurprising given ongoing equity market volatility and fears of a global economic slowdown amid the ongoing US-China trade war. Slowing growth in Europe has added to recession fears. Investors, however, are now more confident that Australia's economy is stabilising after three interest rate cuts this year from the RBA, which has boosted equities.

## Monthly flows



Source: VanEck, ASX, Bloomberg

## Quarterly flows by strategy



Source: VanEck, ASX, Bloomberg

## Flows by strategy

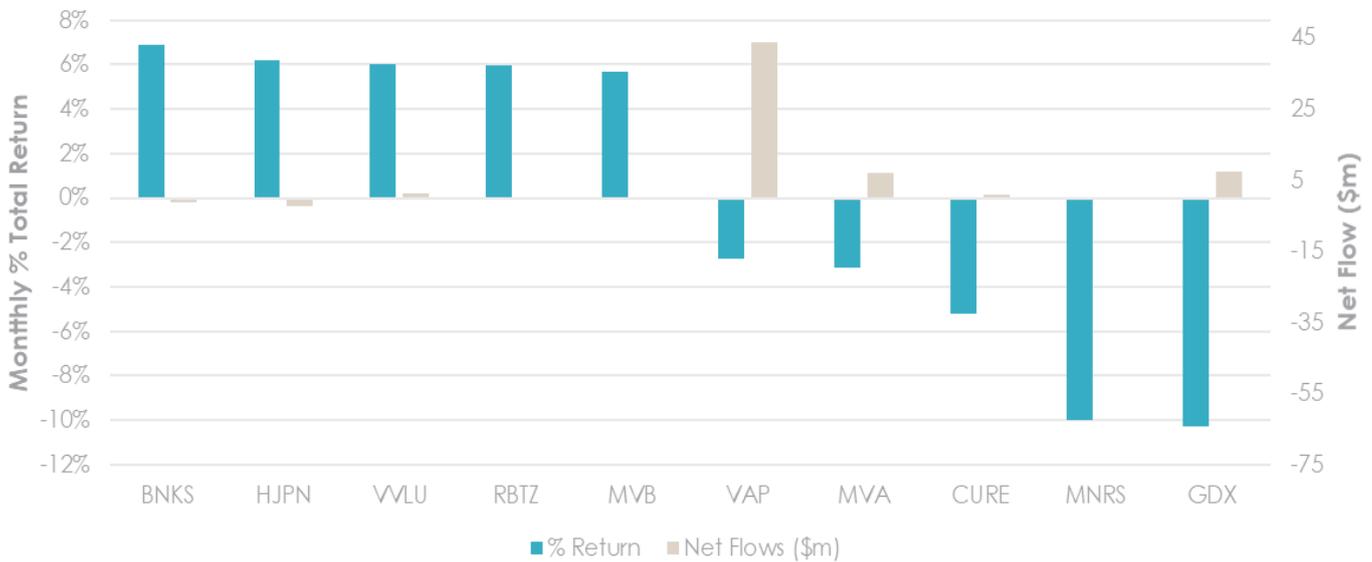
Flows to smart beta ETFs in September attracted around 14% of all ETP inflows at \$228.4m, compared to the \$1.1bn flowing to market cap ETFs and \$150.8m to active ETPs. ETFs make up around 90% of total ETP assets under management (AUM).

The chart to the left reveals that smart beta ETFs have steadily gained market share since 2015 as investors chase more targeted investment outcomes as well as asset and geographic diversification. Reflecting this, VanEck's FUM jumped 64% from a year earlier to \$3.4bn in September 2019, the greatest annual FUM growth rate of any ETF provider. Investors are favouring smart beta ETFs over unlisted and listed managed funds due to lower management costs, greater transparency of holdings and in many cases, outperformance.

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## Top and bottom ETF performers and their net flows

Reflecting the renewed appeal of the finance sector due to a rally in bank prices, BNKS and MVB posted strong returns in September. VVLU rallied too with value stocks, based on expectations that value investing could continue to deliver strong returns following stock market volatility and yield curve inversion. Reflecting a fall in the gold price after very strong gains this year, GDX fell around 10% over the month, but still attracted flows from investors given ongoing global recession fears and speculators buying on price weakness.



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 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.

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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	1.49%	10.22%	11.68%	11.75%	11.03%
Australian Banks ETF	MVB	14 Oct 13	5.69%	12.64%	10.26%	8.09%	8.08%
Australian Resources ETF	MVR	14 Oct 13	2.57%	13.65%	19.88%	11.35%	9.47%
MSCI Australian Sustainable Equity ETF	GRNV	27 Apr 16	-0.56%	13.86%	8.10%		6.53%
<b>AREITs</b>							
Australian Property ETF	MVA	14 Oct 13	-3.15%	23.86%	12.13%	15.28%	14.66%
<b>Australian equity - small and mid caps</b>							
S&P/ASX MidCap 50 ETF	MVE	14 Oct 13	0.83%	2.90%	10.06%	5.64%	1.79%
Small Companies Masters ETF	MVS	26 May 15	1.82%	7.71%	8.43%		8.29%
<b>International equity - developed markets</b>							
MSCI World ex Australia Quality ETF	QUAL	29 Oct 14	1.12%	12.61%	17.44%	16.05%	16.35%
MSCI World ex Australia Quality (Hedged) ETF	QHAI	21 Mar 19	1.28%				5.24%
Morningstar Wide Moat ETF	MOAT	24 Apr 12	3.61%	17.16%	20.29%	17.51%	21.10%
Gold Miners ETF	GDX	16 May 06	-10.30%	56.27%	5.42%	10.91%	-1.35%
<b>International equity - ESG</b>							
MSCI International Sustainable Equity ETF	ESGI	6 Mar 18	2.63%	6.15%			11.51%
<b>International equity - infrastructure &amp; property</b>							
FTSE Global Infrastructure (Hedged) ETF	IFRA	29 Apr 16	1.70%	18.68%	10.63%		11.04%
FTSE International Property (Hedged) ETF	REIT	29 Mar 19	2.79%				6.79%
<b>Emerging market equity</b>							
MSCI Multifactor Emerging Markets Equity ETF	EMKT	10 Apr 18	1.45%	3.77%			-2.99%
China CSI 300 ETF	CETF	13 Oct 10	0.60%	15.84%	8.27%	12.28%	6.09%
China New Economy ETF	CNEW	8 Nov 18	0.35%				32.79%
<b>Australian Fixed Income</b>							
Australian Corporate Bond Plus ETF	PLUS	9 May 17	-0.16%	11.09%			6.73%
Australian Floating Rate ETF	FLOT	5 Jul 17	0.10%	2.67%			2.62%

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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