

VanEck ETF IQ Scorecard

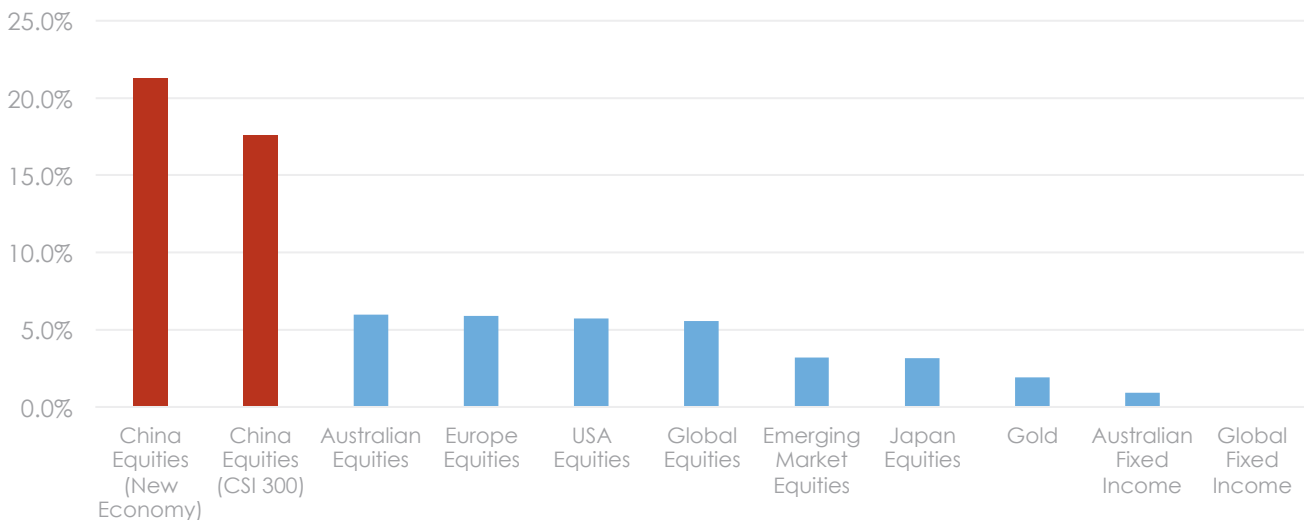
February 2019

Highlights

- The Australian ETP industry experienced net inflows of \$396.8m.
- The ETP industry grew 21% to \$44.4bn over the 12 months to 28 February, and 31% p.a. over two years.
- ETFs make up around 90% of total ETP assets under management (AUM).
- International equity ETPs attracted \$188.5m in net flows, compared to a drop of \$49.8m for Australian equities.
- International equity ETPs were easily the most popular over the 12 months to 28 February, with \$3.0bn in net inflows, almost double the \$1.6bn that flowed to Australian equities.
- Smart beta ETFs are gaining in popularity for equities and fixed income asset allocations, with monthly net flows of \$118.9m.
- The S&P/ASX 200 Index rose 5.98%, while the MSCI World ex Australia Index in AUD terms increased 5.56%. The MSCI Emerging Markets Index rose 3.19% in AUD terms.
- The benchmark China A-shares index, the CSI 300, returned a whopping 17.55% in AUD terms over the month.
- The Bloomberg AusBond Composite Index and Bloomberg Barclays Global Aggregate Bond \$A Hedged Index returned 0.94% and 0.07%, respectively.
- Oil returned 8.97% while gold bullion returned 1.91% in AUD terms.

Chart of the month: China A-shares outperform major assets as trade tensions diminish

The returns on China A-shares in February easily outstripped gains in major equity markets. The benchmark China A-shares index, the CSI 300, jumped 17.55% in AUD terms over the month, while the CSI MarketGrader China New Economy Index, which underpins CNEW, the best performing ETP over the month (see below), jumped 21.24%. The strong outperformance of China A-shares against other major asset classes could continue through 2019 if US-China trade tensions ease further and given Chinese stimulus measures.



Source: VanEck, ASX, Bloomberg, returns in Australian dollars. China Equities (New Economy) is the CSI MarketGrader China New Economy Index, China Equities (CSI 300) is the CSI 300 Index, Australian Equities is the S&P/ASX 200 Index, Europe Equities is MSCI Europe Index, USA Equities is S&P 500 Index, International Equities is MSCI World ex Australia Index, Japan Equities is Nikkei 225 Index, Gold is Gold Spot AUD\$/oz, Australian Equities is Bloomberg AusBond Composite Index, Global Fixed Income Equities is Bloomberg Barclays Global Aggregate Composite Hedged to AUD.

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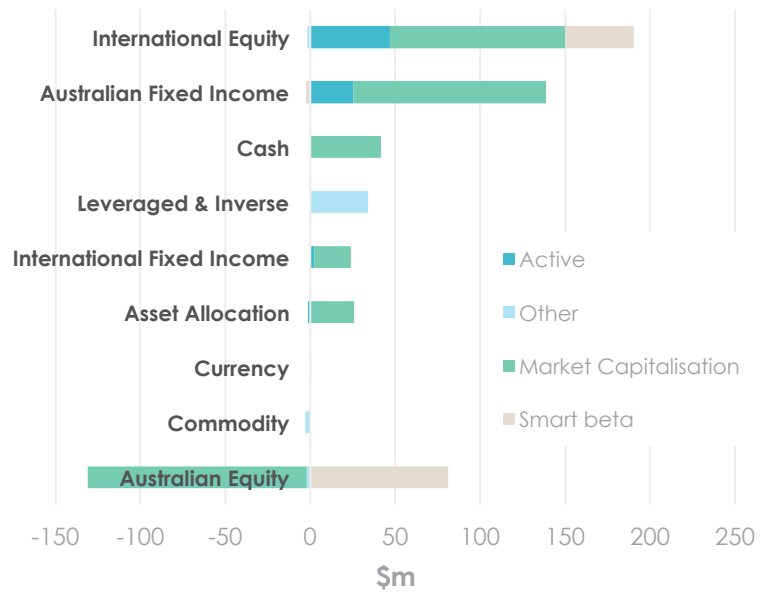
International equity ETPs dominate flows

International equity ETPs again attracted the greatest flows totalling \$188.5m, compared to outflows of \$49.8m for Australian equities, as offshore assets, especially US shares, drew investors.

Over the 12 months to February 28, international equity ETPs saw net flows of \$3.0bn, up 23% from the same period in 2018. That easily outstripped the \$1.6bn that flowed to Australian equity ETPs, with AUM up 13% from a year earlier.

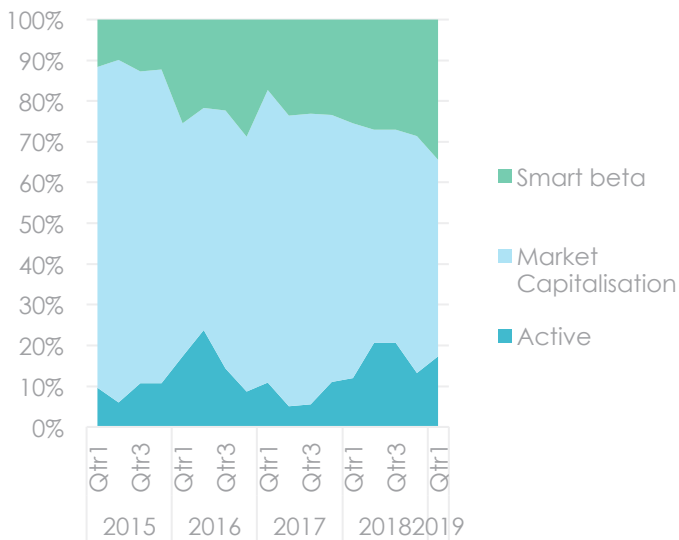
Investors poured \$136.4m into Australian fixed interest ETPs in February, easily beating local equities and accounting for 34% of all ETP flows. Over the year, AUM was up 54%, reflecting more defensive portfolio positioning by investors given market volatility. Flows to international fixed income are rising too, up \$24.4m over February, to be up 29% from a year earlier.

Monthly flows



Source: VanEck, ASX, Bloomberg

Quarterly Net Flows By Strategy



Source: VanEck, ASX, Bloomberg

Flows by strategy

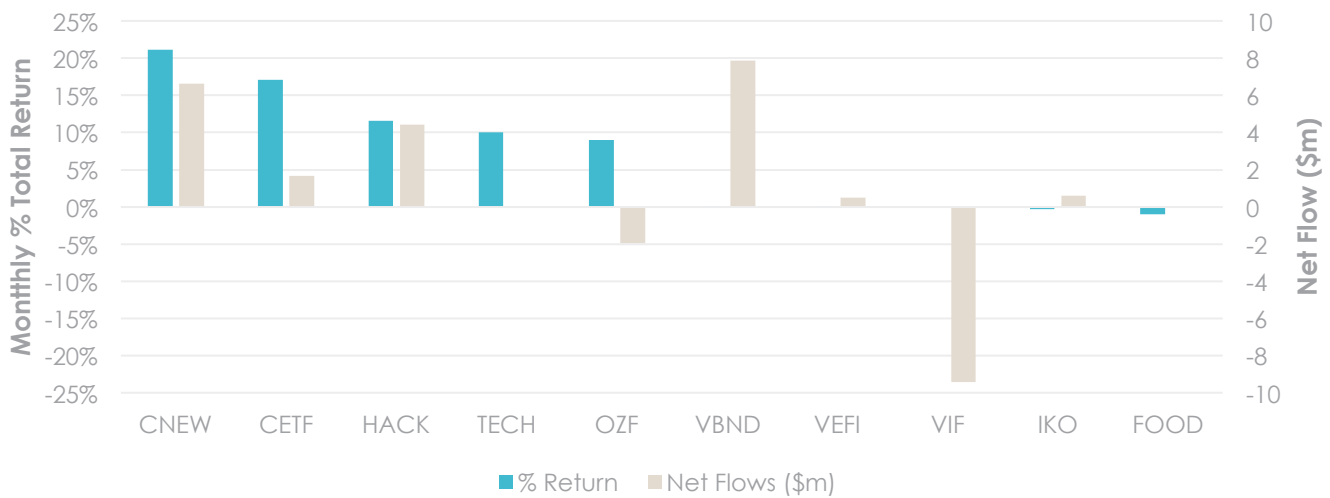
Flows to smart beta ETFs in February attracted around 30% of all ETP inflows at \$118.9m. Smart beta ETFs have steadily gained market share since 2017, taking flows away from market cap ETFs as investors seek targeted investment outcomes.

Reflecting this, VanEck's FUM jumped 60% from a year earlier to \$2.4bn in January, the greatest annual FUM growth rate of any ETF provider. This trend could persist in 2019 and beyond as smart beta ETFs attract investors due to their lower cost and greater transparency than actively managed funds and in many cases, superior performance. As examples, the VanEck Vectors Morningstar Wide Moat ETF and VanEck Vectors Australian Property ETF delivered strong returns of 21.1% and 25.1%, respectively, over the 12 months to 28 February 2019.

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Top five and bottom five (return %) ETF performers

The highest returns in February were delivered by VanEck's China A-shares ETFs, CNEW and CETF. A-shares jumped over the month as the trade war between the US and China eased. Further gains are possible as the Chinese government announces stimulus measures including tax cuts and more infrastructure spending. The greatest flows in February were to VBND, with investors continuing to gravitate to fixed income ETFs given ongoing market volatility.



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	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	5.36%	6.14%	13.75%		10.17%
VanEck Australian Banks ETF	MVB	8.39%	1.22%	12.03%	5.77%	6.74%
VanEck Australian Resources ETF	MVR	6.08%	17.52%	27.12%	8.85%	9.39%
VanEck S&P/ASX Franked Dividend ETF	FDIV	6.89%	6.76%			4.03%
AREITs						
VanEck Australian Property ETF	MVA	1.72%	25.11%	11.53%	14.10%	13.74%
Australian equity - small and mid caps						
VanEck S&P/ASX MidCap 50 ETF	MVE	5.01%	0.40%	19.55%	0.73%	0.51%
VanEck Small Companies Masters ETF	MVS	7.10%	5.36%	12.41%		7.79%
International equity - developed markets						
VanEck MSCI World ex Australia Quality ETF	QUAL	6.93%	13.67%	13.47%		15.11%
VanEck Morningstar Wide Moat ETF	MOAT	6.21%	21.11%	19.01%	16.91%	20.87%
VanEck Gold Miners ETF	GDX	0.72%	14.94%	5.57%	2.22%	-3.25%
International equity - Sustainable/Ethical						
VanEck MSCI International Sustainable Equity ETF	ESGI	5.27%				5.95%
Global Infrastructure						
VanEck FTSE Global Infrastructure (Hedged) ETF	IFRA	3.40%	14.95%			9.44%
Emerging market equity						
VanEck MSCI Multifactor Emerging Markets Equity ETF	EMKT	2.49%				-6.64%
VanEck ChinaAMC CSI 300 ETF	CETF	17.11%	-4.47%	9.28%	15.02%	6.03%
VanEck China New Economy ETF	CNEW	21.15%				22.39%
Australian Fixed Income						
VanEck Australian Corporate Bond Plus ETF	PLUS	1.06%	5.19%			4.72%
VanEck Australian Floating Rate ETF	FLOT	0.41%	2.37%			2.58%

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