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Media Contacts

Nicki Bourlioufas
Director, Spot On Content & PR
nicki@spotoncpr.com
+61 411 786 933

Brad Livingstone-Foggo
Head of Marketing
bfoggo@vaneck.com
+61 2 8038 3321
+61 422 794 035

ETP industry grows despite market volatility

VanEck ETF IQ Scorecard

Sydney, 12 December 2018 – The Australian exchange traded product (ETP) industry experienced solid growth in November despite the share market fall and the industry will likely experience strong growth in 2019 as the outcome of the Hayne Royal Commission encourages even more people to invest in transparent and cost-effective exchange traded funds (ETFs). ETFs make up just over 90% of ETPs, in terms of assets under management.

The Australian ETP industry experienced net inflows of \$586 million over the month as the S&P/ASX 200 Accumulation Index fell 2.21%, underperforming the MSCI World ex Australia Index in AUD terms which rose 1.29%. The ETP industry grew 15.4% to \$40.7 billion over the 12 months to 30 November 2018.

Over the year to 30 November, international equity ETFs attracted \$3.0 billion in net inflows, compared to \$1.5 billion for Australian equities. This reflects the trend for Australian investors to diversify portfolios.

Arian Neiron, VanEck Managing Director and Head of Asia Pacific, said: “Investors took advantage of broad market weakness in November to broaden their portfolios and invest in international assets in particular, but also Australian equities and fixed income. VanEck’s IFRA saw strong flows, as investors sought the relative defensiveness of global infrastructure assets.

“We also saw more active managers enter the market. Of the seven new products in November, four were exchange traded funds (ETFs) and three active ETFs, which are introducing more competition for ETFs, which make up almost 90% of the ETP industry. All of this is contributing to the growth of the sector,” said Neiron.

“We expect the ETP industry to keep growing in 2019. The revelations at the Hayne Royal Commission highlight the conflicts of interest and high fees. One of the biggest beneficiaries of any increased regulation will be ETFs as investors and their advisers seek transparent, cost-effective and targeted investment outcomes,” said Neiron.

“Of particular note, smart beta ETFs are attracting greater market share as investors seek targeted investment outcomes. VanEck’s funds under management has jumped 58.4% over the year to 30



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November, the fastest of any ETF provider, with our rapid growth reflecting the popularity of smart beta ETFs,” said Neiron.

“We expect the value of the ETP market will continue to rise given their clear benefits on price, transparency, liquidity and in many cases, superior performance,” said Neiron.

Read more at VanEck ETF IQ Scorecard

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