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## Smart beta entering the mainstream: VanEck survey

**Sydney, 9 September 2019** –Financial professionals using smart beta strategies overwhelmingly believe they represent good value for money, while almost two thirds (62%) believe smart beta strategies will outperform active strategies, according to VanEck's fourth annual smart beta survey.

The most motivating reasons to use smart beta are strong performance (74%), reduced volatility (61%), portfolio diversification (56%) and increased transparency and lower cost (both 54%). The survey reveals the majority of respondent (66%) use smart beta as a substitute or replacement for active management.

**Arian Neiron, VanEck's Managing Director and Head of Asia Pacific**, said: "Strong performance is the number one motivation for using smart beta. Investors and their advisers are realising that active funds often underperform their benchmarks, so investors they are shifting to smart beta strategies as they are more effective in helping them achieve their investment and performance objectives.

"As the shift to smart beta gains momentum, typical better investment outcomes and greater value for money. Most respondents, or 71%, agree that smart beta represents good value for money, an increase from 54% in 2016," said Neiron.

The annual Australian Smart Beta Survey is the largest survey of its kind, capturing the trends of Australian financial professionals about smart beta products and strategies. This year, respondents comprised 221 Australian-based financial professionals working in an advisory capacity in Australia.

Many financial professionals (46%) are now using smart beta strategies in client's portfolios according to the survey, compared to only a third (37%) in 2016. Most financial professionals use smart beta strategies for Australian equity (79%) and international equity (78%) exposure. The most popular smart beta strategies used by financial professionals are equal or alternative weighted strategies (58%), single factor quality strategies (45%), multi-factor combinations (41%) and dividend, income or yield weighted strategies (24%).

"Regardless of size or how much money one has to invest, any investor can employ smart beta strategies in their portfolio to achieve superior performance and broader diversification. This is drawing people to smart beta ETFs: 65% of financial professionals plan to increase their smart beta allocation in the next 12 months. It is this push towards smart beta that is disrupting active management," Neiron said.

The persistent underperformance of active managers is backed by research from S&P Dow Jones Indices. The SPIVA Australia Scorecard recently found that over the one-year period ending June 2019, 93.2% of Australian large-cap equity funds underperformed the S&P/ASX 200 index.

"Those are staggering numbers. In contrast, what we are seeing with smart beta is very high satisfaction, with seven out of 10 advisers using smart beta strategies very satisfied or extremely satisfied with their smart beta investments, the survey reveals."

Awareness of smart beta strategies has increased considerably since the survey began, with 93% of respondents familiar with smart beta, an increase from 81% in 2016.



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The rapid growth in smart beta is illustrated by the high number of listed products. One in four exchange traded products (ETPs) listed on ASX are smart beta strategies. At the end of June 2019, 15% of assets managed by the ETP industry were in smart beta products, up from 9.5% in 2015. This represents 19.5% of cumulative flows into ETPs since January 2015.

"Smart beta ETFs combine the best aspects of active and passive management by tracking indices that deliver a chosen investment outcome, while retaining the low cost, transparency and liquidity of passive investing. Smart beta ETF adoption rates have reached record highs globally with Australian investors as key players. As we enter more volatile markets in 2020, we expect to see more investors turn to smart beta ETFs to achieve targeted investment outcomes," Mr Neiron said.

**ENDS**

#### **About VanEck Smart Beta Survey**

The fourth annual VanEck Smart Beta Survey was conducted in July and August 2019. The first survey was launched in July 2016. The survey is based on the responses of 221 Australian-based financial professionals working in an advisory capacity in Australia. The majority of respondents in this survey work for independent financial services firms (61%), larger organisations owned by a bank or wealth manager (17%), broking firms (17%) and other (6%). The average respondent is an IFA and has approximately 20 years' experience in the industry.

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