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65% of Australian equity managers to be disrupted: VanEck

Sydney, 28 May 2019 –The majority of Australian active managers charge fees that are too high and they will be forced out of existence by disruptive smart beta investment strategies unless they evolve. This is because investors can achieve the same or a better outcome at a lower cost, according to a new VanEck analysis, *When are fees too high? The potential impact of smart beta to disrupt active Australian equity strategies*.

The analysis has found that most Australian equity funds should be charging fees between 0.35% p.a. and 0.65% p.a. as most of their performance can be explained by factors, the same factors used in smart beta strategies. Yet many active managers charge at least double that.

Russel Chesler, Director – Investments, VanEck, said: "Smart beta is disrupting active management. This is evident in Australian equities with most active managers charging too much for the outcomes they provide and our analysis shows most of those managers, or 65%, will potentially be displaced by smart beta strategies.

"Only those active managers who can demonstrate identifiable and persistent 'real' alpha will prevail," said Chesler.

"Active managers must also differentiate themselves and provide what smart beta cannot. If this differentiation can't be achieved, then investors will continue to question the fees they are being charged.

"Australian equity managers that continue to offer benchmark-like performance for high fees face some hard decisions. They must evolve to survive," said Chesler.

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