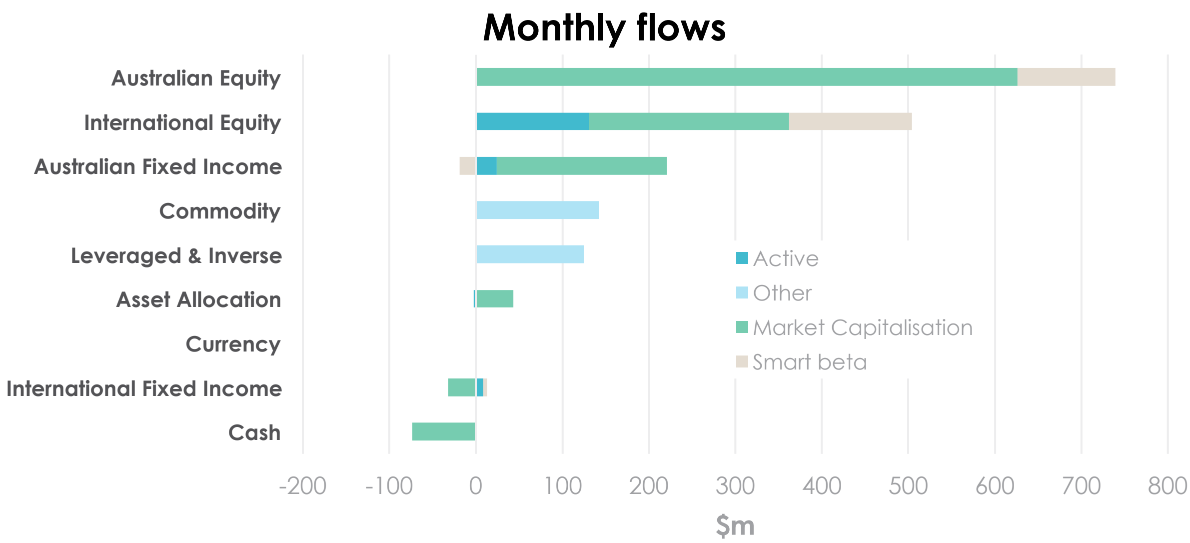
Money pours into Australian ETFs as market rallies

Sydney, 11 June 2020 – The Australian exchange traded product (ETP) industry experienced strong inflows of $1.66 billion in May, the fourth highest monthly level, and a large increase from $1.07 billion last month, with significant flows once again directed at Australian equity ETPs.

The Australian ETP industry currently stands at $63.77 billion, a jump of 32% from May 2019, highlighting the appeal of exchange traded funds (ETFs), which make up almost 90% of the ETP industry. Much of investors' money has flowed into developed markets, especially Australian equity ETPs, which attracted $739.6 million in May, with the S&P/ASX 200 Index rallying 4.36%. Over the year to 31 May, almost half of all ETP net flows have gone into Australian equities, or $3.16 billion.

Arian Neiron, VanEck Managing Director and Head of Asia Pacific, said: "Local and offshore investors are investing heavily in Australian companies, which are still relatively undervalued compared to more expensive share markets such as the US. Gold ETFs too remained popular as a defensive strategy, drawing $109 million of inflows, while fixed income ETFs staged a rebound after outflows during March and April," said Neiron.

Flows into commodity ETPs totalled $142.4 million in May, while fixed income ETP flows totalled $182.7 million dollars, with the majority going into Australian fixed income ETFs. International equity ETPs drew inflows of $504.3 million, with most flowing into developed markets such as the US.



Source: VanEck, ASX

"The healthy inflows into ETFs highlight the ease with which investors can build well diversified portfolios, across asset classes and geographies. Smart beta strategies, in particular, have allowed investors to pursue targeted investment outcomes into asset classes such as quality shares or themes such as environmental, social and governance (ESG) investing," said Neiron.

Reflecting the appeal of smart beta strategies, VanEck's funds under management grew 57% over the year to 31 May 2020, with much of the flow going into its smart beta ETFs.

"Increasingly, investors are using smart beta strategies to boost portfolio performance, as a substitute for more expensive actively managed funds. In addition to providing investors with lower fees, smart beta ETFs have been delivering above average returns when compared to their active peers," said Neiron.

"In addition, ETFs are also more liquid, lower cost and transparent. Investors don't need thousands of dollars to make an investment and can buy and sell the exact amount they need on the Australian Securities Exchange. No longer will Australian investors be as willing to accept poor returns from active fund managers, nor will they accept high fees. ETFs are positioned to grab even greater market share through 2020 and well into 2021."

ENDS

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ABOUT VANECK

VanEck is one of the world's largest issuers of ETFs (exchange traded funds), managing in excess of $50 billion globally for individual and institutional investors. Founded in New York in 1955, VanEck is a pioneer in international investing and in gold funds, launching the first gold equities fund and the first gold ETF in the US.

In Australia, VanEck is the fastest growing ETF provider in the country and a leader in 'smart beta' investment strategies. We have 21 exchange traded funds on ASX that focus on delivering superior performance through beyond-the-usual approaches and providing access to asset classes typically unavailable to Australian investors.

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