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ETP industry reaches all-time high: Smart beta and active ETPs attract lion's share

Sydney, 09 September 2016 – Investors are increasingly investing in smart beta and active exchange traded products (ETP) to improve portfolio outcomes and navigate volatility in global and domestic markets according to VanEck.

Australia's ETP industry reached a record high in August ending the month at \$23.49 billion. The modest growth of \$283m in August reflected investor's ongoing risk aversion towards global markets. Almost 70% or \$197m of total Australian ASX ETP assets was invested in smart beta and active ETPs in August.

Arian Neiron, Managing Director, VanEck Australia said, "Investors are recognising that alternative index approaches can provide improved risk adjusted returns or targeted outcomes. Smart beta indices, such as equal weighting, can address concentration challenges inherent in market capitalisation indices. Smart beta is the intersection between active and passive management seeking to achieve targeted investment outcomes at low cost."

Not surprisingly, investors continued to favour defensive assets in August. Gold bullion and gold miners ETFs attracted \$65m YTD and \$25 million was invested in August, reflecting investors' aversion to risk assets. Inflows into fixed income ETPs were also high, attracting \$63 million in August.

"Investors are still concerned about the outlook of the current low growth and low rate global environment and the unintended consequences of central bank intervention. This is reflected in ETP flows. There was heavy investment demand for gold following the 2008 financial crisis and we are seeing a similar level of investment demand in 2016. This current activity in the gold markets indicates that investors have become more proactive, buying gold as a hedge against potential market turmoil."

Despite modest flows into the ETP industry, product development was strong with 5 products launched in August across thematic and active strategies, taking total ETP products to 145.

"Product issuers understand that Australia's ETP industry is relatively immature compared to the United States and other northern hemisphere markets, they are looking more at the long-term opportunities in Australia," Mr Neiron said.

"Australia's ETP market has plenty of room to grow, however given subdued investor confidence, we forecast the ETP industry will end the year at about \$26 billion," Mr Neiron said.

ENDS

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