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Strategic beta ETFs making their mark in Australia

VanEck's strategic beta flagship ETFs both exceed \$100 million

Sydney, 11 May 2016 – Australian investors are increasingly investing in strategic beta ETFs to achieve above market returns while retaining low costs. Innovation in Australia is following the global trend of basing new products on strategic beta strategies. Investors too are adopting this trend. ASX data shows that 24 percent of ETF inflows to 30 April 2016 are going into strategic beta ETFs.

Australian equity strategies have been the major recipient representing two thirds of strategic beta ETF inflows.

Arian Neiron, Managing Director, VanEck Australia said, “New innovations in index development are revolutionising ETF market both globally and here in Australia’s ETF market. Strategic beta strategies offer the best of both active and index tracking portfolio management while operating within a passive management framework which is rules based, transparent and cost effective,” he said.

‘Beta’ is the term used to describe the return of the market by reference to a market capitalisation weighted benchmark. Strategic beta, also referred to as ‘smart beta’, is an index strategy that is different from traditional market capitalisation weighted benchmark indices. Strategic beta can be thought of as the intersection between active and passive management. Examples include equal weighting, factor based and dividend focused indexing.

VanEck’s Australian equities flagship Equal Weight ETF (MVW) recently surpassed \$100 million in assets as investors benefit from its equal weighting methodology which provides equal exposure to 73 of the most liquid large and mid-cap ASX-listed securities.

“By equally weighting its holdings, MVW reduces the concentration risk prevalent in many Australian investment portfolios which are over exposed to the biggest shares on ASX. MVW provides exposure to the broad economy, offering diversification to sectors which will grow as we transition to a service and innovation economy,” Mr Neiron said

“When we launched MVW, equal weighting was a new offering for Australian investors. Since its launch in 2014 the strategic beta ETF has outperformed the S&P/ASX 200 Accumulation Index and delivered superior returns compared to both passive and actively managed Australian equity strategies,” he said.

VanEck’s strategic beta international equities ETF, MSCI World ex Australia Quality ETF (QUAL) also recently surpassed \$100 million in assets. QUAL gives investors instant access to a portfolio of 300 quality international companies which are based on analysis by MSCI on three key fundamentals: high return on equity, stable year-on-year earnings growth and low financial leverage.

“By only including companies based on MSCI’s Quality fundamentals, this strategic beta ETF gives investors access to a portfolio of international equities with historically strong performance and defensive characteristics. QUAL also gives Australian investors exposure to sectors where opportunities are limited if they only invest locally, such as information technology and healthcare,” Mr Neiron said.

“Strategic beta strategies can be viewed as a positive disruptor to the traditional investment management industry, delivering the returns of an active management strategy, while providing low fees and the transparency investors are seeking in a new world of investing,” Mr Neiron said.

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QUAL is indexed to a MSCI index. QUAL is not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to QUAL or the MSCI Index. The PDS contains a more detailed description of the limited relationship MSCI has with MVIL and QUAL.

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