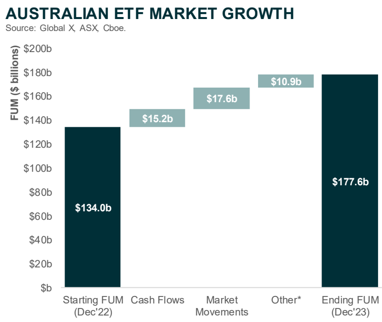
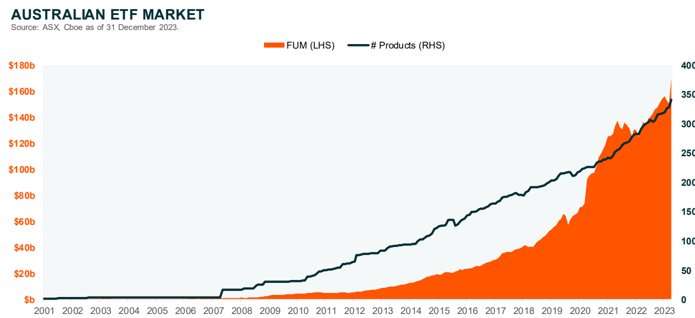
Global X Australian ETF Market Scoop December 2023

Industry Overview

The Australian Exchange Traded Fund (ETF) market grew 33% over the past year to $177.6 billion across 346 products. This was driven by over $15 billion in net inflows, positive market movements, and numerous unlisted active funds converting into active ETFs.





'Other' includes active ETFs that have launched via conversion from unlisted managed funds or dual-listed share classes.

Best Performing ETFs

Technology ETFs surged driven by mega-tech growth amid rapid artificial intelligence (AI) innovation and a promising economic outlook in the face of a potential recession. Cryptocurrency markets rebounded, with Bitcoin and Ethereum clawing back losses from 2022. Anticipation built for the eventual launch of spot Bitcoin ETFs in the US, following the successful model already in place in the Australian market.

Ticker	Fund Name	1-Year Total Return
CRYP	Betashares Crypto Innovators ETF	+214.5%
EBTC	Global X 21Shares Bitcoin ETF	+150.9%
LNAS	Global X Ultra Long Nasdaq 100 Hedge Fund	+134.9%
FANG	Global X FANG+ ETF	+94.4%
EETH	Global X 21Shares Ethereum ETF	+91.0%

Source: Bloomberg as of 31 December 2023.

Worst Performing ETFs

Energy transition and clean energy ETFs were the poorest performers, weighed down by higher interest rates which impacted borrowing costs given their long project timelines and higher reliance on debt. Palladium, used primarily in car exhausts to scrub pollutants from fumes, experienced a further decline due to the ongoing rise of electric vehicles, which do not rely on the metal.

Ticker	Fund Name	1-Year Total Return
SNAS	Global X Ultra Short Nasdaq 100 Hedge Fund	-64.0%
ETPMPD	Global X Physical Palladium	-38.1%
BBUS	Betashares U.S. Equities Strong Bear Hedge Fund	-36.2%
HGEN	Global X Hydrogen ETF	-21.6%
GMTL	Global X Green Metal Miners ETF	-21.2%

Source: Bloomberg as of 31 December 2023.

Most and Least Popular ETFs by Net Flows

The majority of net flows were directed toward low-cost vanilla ETFs, with the Vanguard Australian Shares Index ETF (VAS) leading the way by securing the highest calendar year net flows among all ETFs for six consecutive years. The bulk of the outflows were attributable to active ETFs and European shares.

Ticker	Fund Name	1-Year Net Flows
VAS	Vanguard Australian Shares Index ETF	$1.5b
A200	Betashares Australia 200 ETF	$1.1b
IOZ	iShares Core S&P/ASX 200 ETF	$937.8m
TLRA	Talaria Global Equity Fund (Managed Fund)	$908.2m
SUBD	VanEck Australian Subordinated Debt ETF	$772.2m

Source: ASX, Cboe as of 31 December 2023.

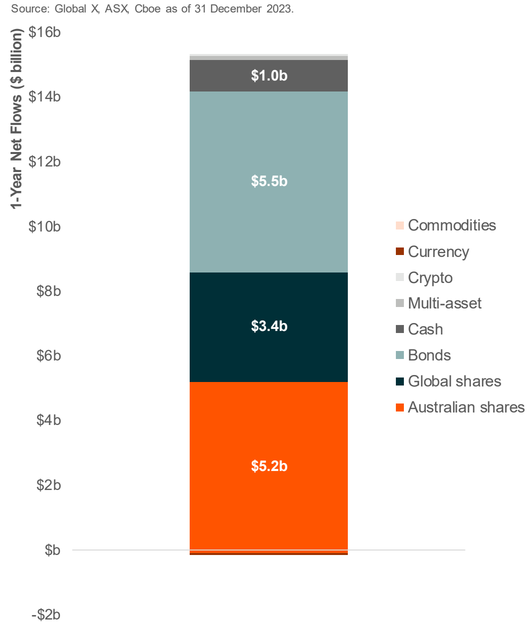
Ticker	Fund Name	1-Year Net Flows
MGOC	Magellan Global Fund - Open Class Units (Managed Fund)	-$2.5b
VVLU	Vanguard Global Value Equity Active ETF (Managed Fund)	-$272.3m
IEU	iShares Europe ETF	-$265.0m
HYGG	Hyperion Global Growth Companies Fund (Managed Fund)	-$264.0m
AMVE	AllianceBernstein Managed Volatility Equites Fund	-$221.1m

Source: ASX, Cboe as of 31 December 2023.

Bonds ETFs have been the most popular asset class for investors over the past year, attracting $5.5 billion in net flows (~37% of the market net flows compared to the prior years' 25% share). Cash ETFs saw significant popularity, garnering nearly $1 billion in net flows as investors were enticed by the prospect of higher interest rates.

ETF NET FLOWS BY ASSET CLASS

Source: Global X, ASX, Cboe as of 31 December 2023.



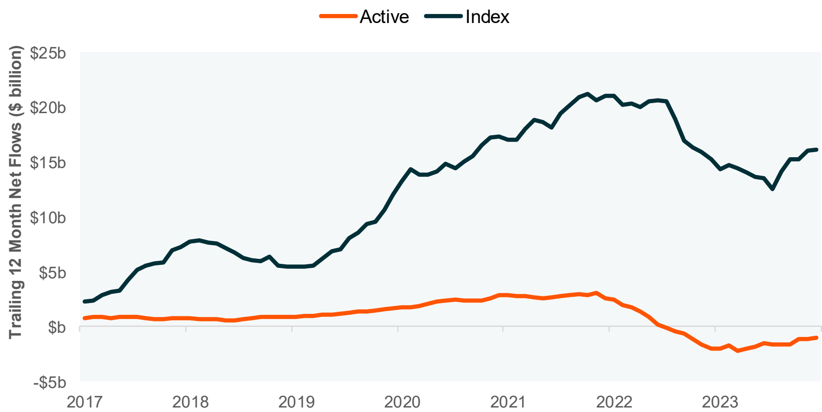
Money continues to go into low-cost strategies with ETFs charging under 0.25% per year in fees, attracting 77% of the net flows over the past year. ETFs charging more than 1% per year in fees saw net outflows, driven by investors pulling money out of active ETFs.

Feature Insight: Active ETFs Struggle

The bulk of the net flows continue to pour into index-based products, reflecting investors preference for passive investment strategies. While active ETFs made up 55% of the new fund launches in 2023, they have seen ~$1 billion in net outflows, primarily from the Magellan Global Fund (Open Class) (Managed Fund) (MGOC).

ACTIVE VS INDEX ETF NET FLOWS

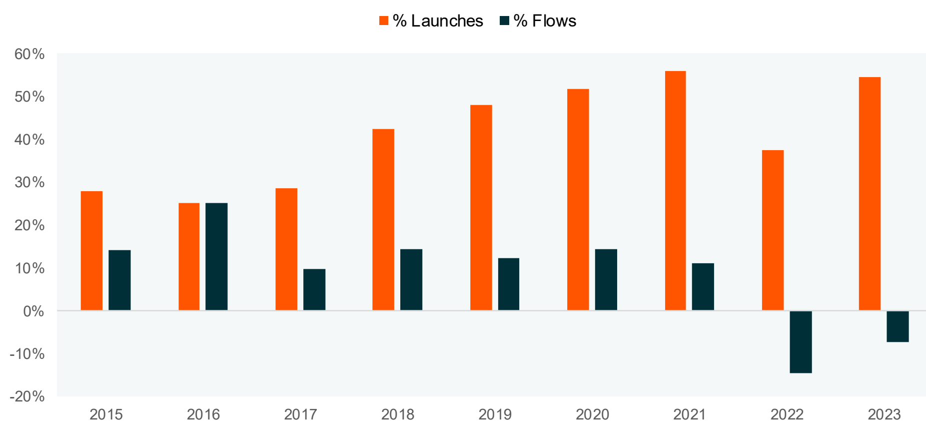
Source: Global X, ASX, Cboe as of 31 December 2023.



This is in stark contrast to other areas of the world, like the US where active ETFs made up a quarter of the net flows and a staggering 81% of new launches.[1] Active ETFs entering the Australian market have not gained the same level of resonance among local investors.

ACTIVE ETFS BY LAUNCHES AND FLOWS OF TOTAL ETF MARKET

Source: Global X, ASX, Cboe.



Despite the anticipated market volatility in 2023, which seemed favourable for active managers, research indicates that their optimal conditions for outperformance – characterised by low volatility, high correlations, and high stock dispersion – occur only 2% of the time.[2]

Considering the widespread underperformance of the majority of active managers and their low levels of persistence, the trend towards passive investing through low-cost vehicles like ETFs is likely to continue for many years to come.

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[1]Blackwater (2024). Global ETF and Digital Assets Outlook 2024
[2]S&P Global (2020). The Active Manager's Conundrum

About Global X

Global X ETFs is a leading ETF provider with a growing range of innovation-led products built to help Australian investors and their advisers achieve better investment outcomes. Global X's nuanced understanding of the local market is backed by an international network providing access to a successful pool of thematic, commodity, income, core, and digital asset ETFs. Our product lineup features 35 ETFs, with more than $6 billion in assets under management.