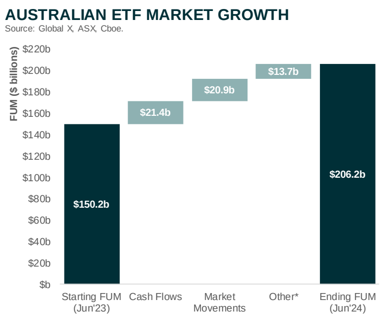
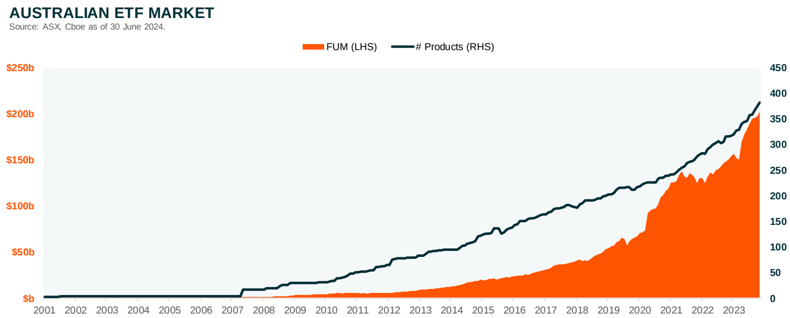
June 2024

Global X Australian ETF Market Scoop

Industry Overview

The Australian Exchange Traded Fund (ETF) market grew 37.3% over the past year to $206.2 billion across 380 products. This was driven by over $21.4 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

Cryptocurrency ETFs, including those for Bitcoin and Ethereum, have been the top performers over the past year, fuelled by risk-on sentiment driving prices higher. Global demand for bitcoin ETFs has surged, with over $30 billion in net inflows since the debut of US spot bitcoin ETFs. Companies exposed to artificial intelligence, especially in the semiconductor sector, have also shown strong performance. Nvidia, a market stalwart in this field, has become the world's most valuable company with a market capitalisation of over $3 trillion.

Ticker	Fund Name	1-Year Total Return
EBTC	Global X 21Shares Bitcoin ETF	+ 99.2%
EETH	Global X 21Shares Ethereum ETF	+ 81.9%
CRYP	Betashares Crypto Innovators ETF	+ 62.1%
SEMI	Global X Semiconductor ETF	+ 56.6%
LNAS	Global X Ultra Long Nasdaq 100 Hedge Fund	+ 56.6%

Source: Bloomberg as of 30 June 2024.

Worst Performing ETFs

Renewable energy ETFs have continued their weak performance into 2024, making them the worst performers over the past year. Despite the ongoing focus on net-zero targets, companies in this sector have faced challenges from higher borrowing costs and inflationary pressures. Inverse ETFs have also suffered, losing over a third of their value in the past 12 months due to the strong rise in markets reaching all-time highs.

Ticker	Fund Name	1-Year Total Return
SNAS	Global X Ultra Short Nasdaq 100 Hedge Fund	- 43.9%
TANN	Betashares Solar ETF	- 39.9%
BBUS	Betashares U.S. Equities Strong Bear Hedge Fund	- 33.6%
HGEN	Global X Hydrogen ETF	- 29.5%
CLNE	VanEck Global Clean Energy ETF	- 27.8%

Source: Bloomberg as of 30 June 2024.

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Most and Least Popular ETFs by Net Flows

The bulk of ETF investor flows continue to go into low-cost broadly diversified ETFs. VAS and A200 continue to be two of the most popular ETFs in Australia while investors continue to use ETFs to gain exposure to overseas markets such as the US and high-quality companies. Notably, all but one of the bottom five least popular ETFs were active ETFs, highlighting that index-based strategies remain preferred by Australian investors.

Ticker	Fund Name	1-Year Net Flows
VAS	Vanguard Australian Shares Index ETF	$2.0b
A200	Betashares Australia 200 ETF	$1.7b
IOZ	iShares Core S&P/ASX 200 ETF	$1.2b
QUAL	VanEck MSCI World Ex-Australia Quality ETF	$1.1b
IVV	iShares S&P 500 ETF	$1.0b

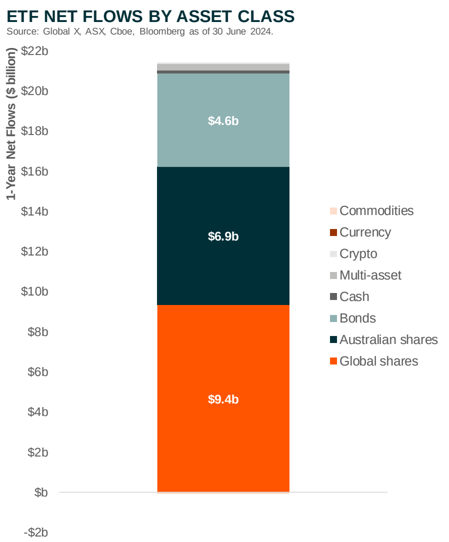
Source: ASX, Cboe, Bloomberg as of 30 June 2024.

Ticker	Fund Name	1-Year Net Flows
MGOC	Magellan Global Fund - Open Class Units (Managed Fund)	-$1.9b
XARO	ActiveX Ardea Real Outcome Bond Fund (Managed Fund)	-$264m
AMVE	AllianceBernstein Managed Volatility Equities Fund (Managed Fund)	-$243m
VVLU	Vanguard Global Value Equity Active ETF (Managed Fund)	-$205m
F100	Betashares FTSE 100 ETF	-$184m

Source: ASX, Cboe, Bloomberg as of 30 June 2024.

ETF net flows so far for 2024 have marked the best start to the year ever for the Australian market at $10.8 billion. If the strong momentum continues, by year-end, the Australian ETF market could exceed the calendar year net flow record of $23.6 billion set in 2021.

Global shares have been the most popular asset class among Australian investors, with over $9 billion allocated to this category over the past year. While commodity ETFs have seen modest outflows, bonds and Australian shares remain key pillars in client portfolios.



So far in 2024, 97% of net flows have gone into ETFs charging less than 0.50% p.a. in fees. On the other hand, ETFs with fees over 1% p.a. continue to see money leaving their funds. This trend highlights the cost-conscious nature of investors, who increasingly and seemingly prefer lower-cost investment options to simplify their investments and get asset class exposure at a cheaper fee tier.

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Feature Insight: ETFs Could Save Australian Investors in Managed Funds Up to Four Billion Dollars

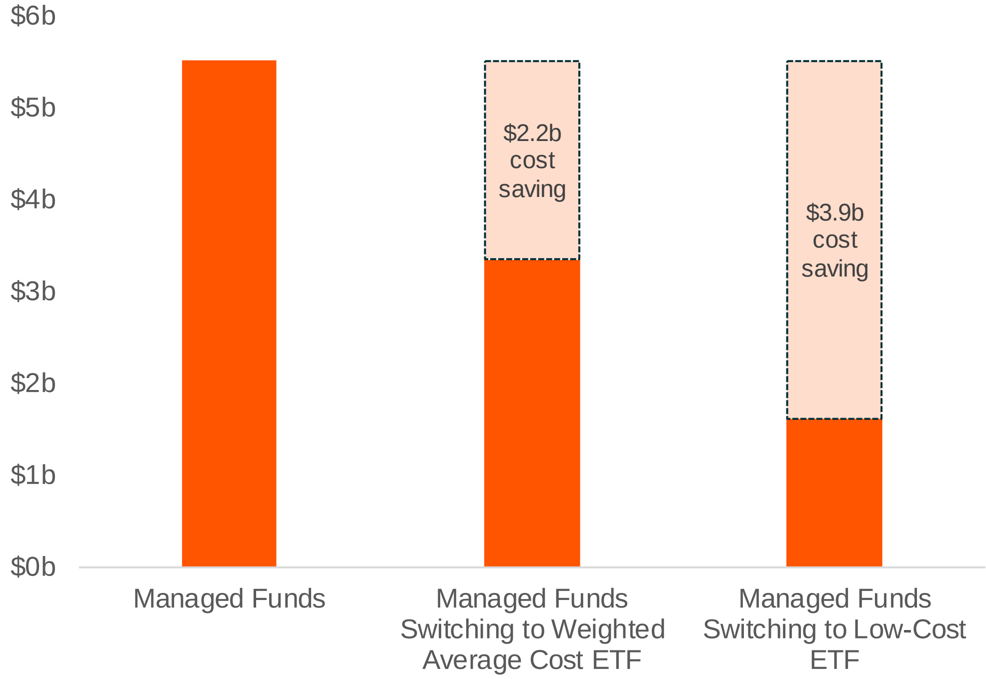
The Australian ETF market continues to grow exponentially, yet it remains a small portion of Australia's overall investment universe. Data from the Investment Company Institute indicates that the managed fund industry in Australia is valued at approximately $3.9 trillion, meaning ETFs comprise less than 5% of this total.[1] While the changing of the guard may be some time, ETFs are growing at a five-year compound annual growth rate (CAGR) of 32% per year, compared to the managed fund industry's 7% per year growth.

With so much money still sloshing around in managed funds, Australians may be unknowingly paying more to active managers than they need to for a similar investment exposure via a passive ETF. Investing is one of the few things in life where the more you pay the less you get. Every saved dollar is more money in investors' pack pockets.

We've crunched the numbers in terms of the amount of the fees paid by Australian investors in unlisted managed funds. We found that by switching to lower-cost ETFs, investors could save up to $3.9 billion dollars per year.

Industry Annual Run Rate (ARR) Revenue

Source: Global X, Morningstar as of June 2024 using lowest and weighted average fee for respective ETF and managed fund category.



While not every investor will switch to the lowest-cost ETF, even transitioning to the weighted average fee of a similar investment category within the ETF ecosystem would save managed fund investors over $2 billion per year.

This is because ETF fees are substantially lower than those of managed funds, particularly actively managed strategies. The average managed fund in Australia charges 0.93% per year, with some funds charging several per cent per year.[2] In contrast, the average ETF fee is half of this, with some ETFs charging less than 0.10% per year.

[1] Investment Company Institute (Q4 2023).
[2] Morningstar Australian-Domiciled Open-Ended Managed Funds Universe

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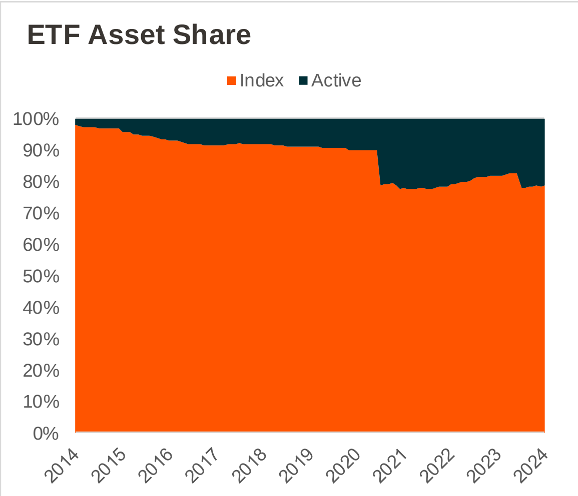
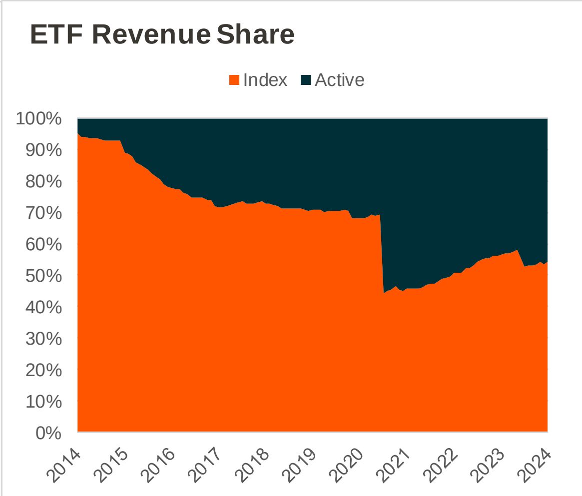
The annual revenue run rate for the Australian ETF industry has recently surpassed $700 million, but this is only a small fraction of the $5.5 billion that is paid to managed funds. While ETF fee revenue has increased substantially over the years, most of this surge has come from the launch of active ETFs. The majority of index-based ETFs aren't costing investors too much money relative to their more expensive managed fund counterparts. Even though active ETFs account for 21% of the total ETF assets, they generate 46% of the total industry fee revenue.





Source: ASX, Cboe, Bloomberg as of June 2024

Since Jack Bogle introduced the first index fund in 1976, the indexing revolution is estimated to have saved global investors around one trillion dollars. As the industry continues to expand, incremental savings of US$150 to US$200 billion per year are estimated to be realised by investors.[3] ETFs represent the next layer in this evolution, poised to exponentially increase the cost savings for investors. There are estimates that ETFs could seize at least half of the mutual fund assets over the next decade.[4]

The migration from high-cost to low-cost investing is likely set to continue, with investors increasingly seeking alternative cheaper vehicles to traditional unlisted managed funds. ETFs are attractive due to their low cost, transparency, liquidity, and ease of use. As more capital moves from managed funds to ETFs, not only will the ETF market grow, but the overall fees paid to the financial industry will likely decrease. While this may not be favourable for traditional fund managers, it's a great outcome for investors.

[3]The Evidence Based Investor (17 January 2023): $1 Trillion and Counting – Jack Bogle's Legacy to Investors
[4]Financial Times (19 June 2024): ETFs could seize half of current US mutual fund assets, says Citi

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 line-up features 38 ETFs, with more than $7 billion in assets under management.

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