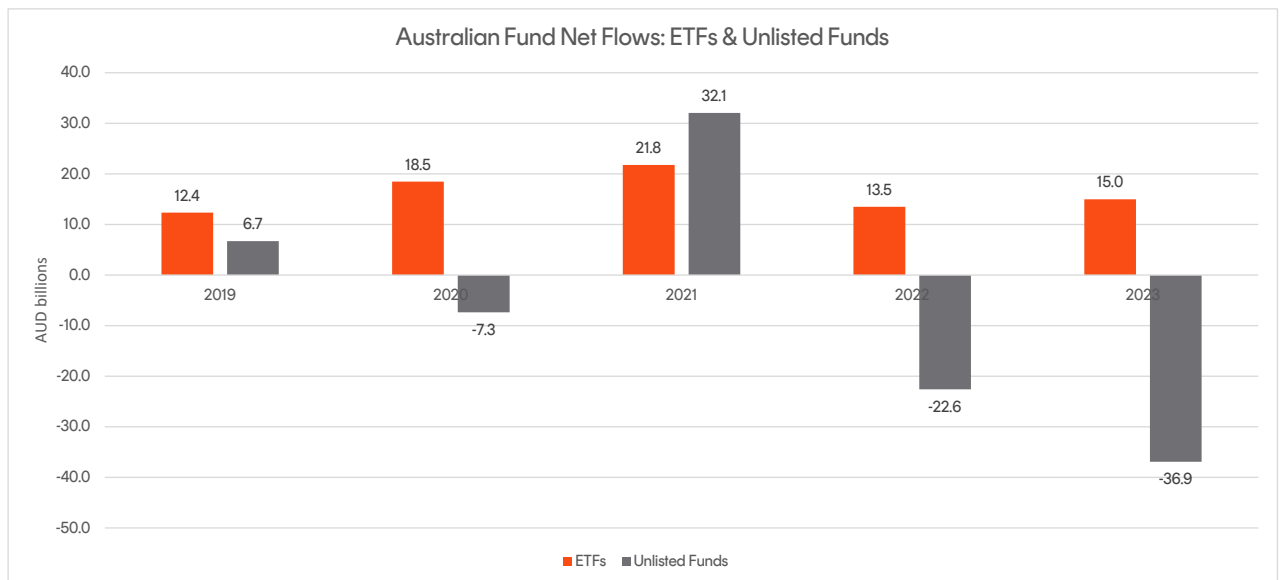


Betashares Australian ETF Review: End Year 2023

“Changing of the guard” - a record year for ETF growth as unlisted funds falter

- The Australian ETF industry recorded its highest annual funds under management (FUM) increase in 2023.
- In total, the Australian ETF industry received **\$15.0B** of net inflows, in a year where the unlisted funds industry sustained net outflows of **-\$36.9B**, marking the **worst year on record for Australian managed funds**¹.
- As the chart below illustrates, with the exception of 2021, ETFs have received higher flows than unlisted funds in 4 of the last 5 years.

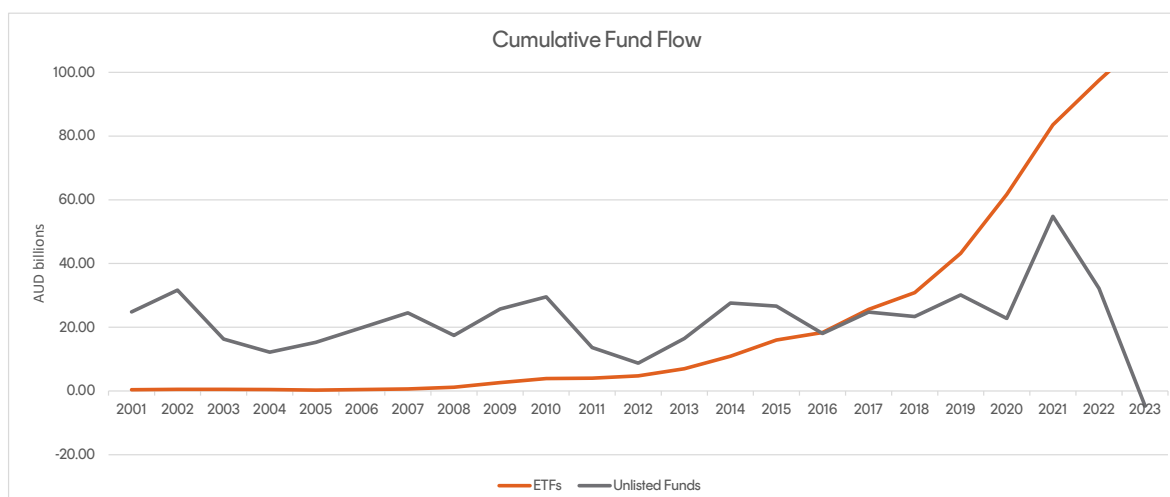


Source: Morningstar, Betashares

- Most strikingly of all, looking across a longer period – since the launch of the Australian ETF industry in 2001, **cumulative net flows** in the **Australian unlisted managed funds industry are now negative**². This clear investor preference for ETFs, plus the increasing ‘conversion’ activity we’re seeing of unlisted managed funds into Active ETFs, represents a significant ‘**changing of the guard**’ in the Australian asset management industry.

¹ Unlisted Fund data according to Morningstar, as at 31st December 2023. Where managers have not reported December figures, November 2023 figures are utilised. ETF flow data per BetaShares, as at 31st December 2023

² Morningstar, as at 31st December 2023 – includes retail (unitised) managed funds – excludes institutional/non-unitised mandates



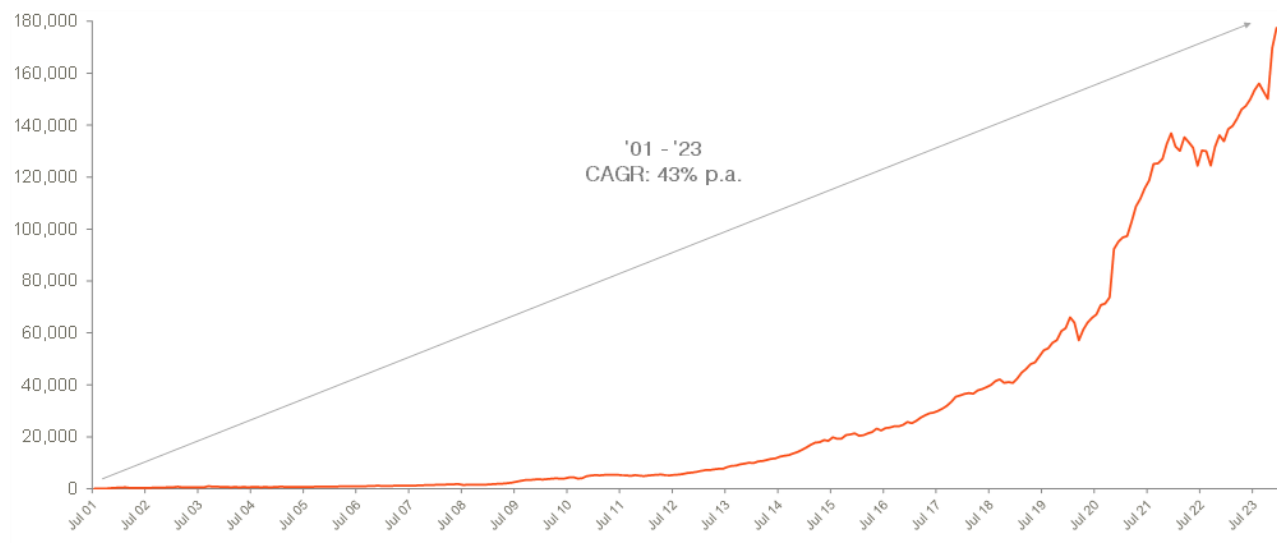
Source: Morningstar, Betashares

- FUM:** The Australian ETF industry ended the year **at an all time high**, with total industry market capitalisation as at end 2023 of **\$177.5B**, representing **33%** year on year growth. The industry grew **\$43.7B** in 2023 – **an industry record in terms of \$ annual growth**. 2/3 of this growth came from market appreciation with the remainder deriving from investor inflows and unlisted fund conversion activity.
- Net Flows:** ETF industry flows were strong, with net new money for the year of **\$15.0B**, 12% higher than the \$13.5B of net flows received in 2022.
- Investors:** Consistent with the positive net flow activity, we continued to see good growth in the number of Australian ETF investors, with our recently released BetaShares/Investment Trends ETF Report noting that there are now over 2 million Australians investing in ETFs, representing investor growth of 7% v. the year before.
- Trading:** The Australian ETF industry continued to experience strong **trading values**, with annual **ASX ETF trading value** remaining stable after a record year in 2022. In total **\$115B** of ETF value was traded on the ASX (compared to \$117B in 2022, the current record)
- Issuer Flows:** There have never been more participants in the Australian ETF industry, but the flows remain concentrated. **Betashares was the #1 issuer for net flows this year**, recording ~\$5.6B in net inflows. **Collectively the top 4 issuers this year (Betashares, Vanguard, Van Eck and iShares) accounted for over 100% of the industry's flows**. There are currently **47** issuers of ETFs in Australia, with **8** new issuers joining the market in 2023, all of which were Active Managers.
- Product Launches:** In terms of **product launches**, 2023 was the **biggest year on record**, with **56 new exchange traded funds** launched on Australian exchanges in 2023 (v. 52 in 2022) and 'net product growth' of 48 funds. In what is certainly an accelerating trend, a large proportion of the new launches in 2023 were Active ETFs (46% or 26 funds), with the majority of these launches being via the creation of traded classes of existing unlisted funds (which we call "conversions").
- Active ETFs:** There are now **94** Active ETFs trading on Australian exchanges with a total of ~\$**35B** of FUM, however the vast majority of these assets comes from existing FUM that has been 'converted' to the exchange via the 'open class' structure with only **\$9.5B** currently held on CHESS. We expect continued growth of this category but to date we haven't seen true widespread adoption 'on exchange' of Active ETFs.
- Active/Passive flows:** In terms of product types, this year was all about **passive investing**, with ~\$1B in outflows recorded in Active ETFs, meaning more than 100% of the flows came from passive

products. This trend is particularly striking given the large number of Active ETF launches, with the actual flow activity seemingly not dissuading managers from launching Active ETF classes of their unlisted funds. **Market-cap index-tracking funds** once again dominated over smart-beta alternatives, although the **smart beta category received 15% of total flows**.

- **Flows by Category:** With investors seeking out a more defensive stance in their asset allocations, together with elevated income/yield opportunities, **Fixed Income ETFs** were the number one broad category for inflows in 2023, marking the first time this has occurred over the course of a year since this report has been published. **Australian Shares ETFs** were the second most popular category. **International Equities** once again took 3rd place (as it did in 2022) – we expect this to change in 2024 as the rate environment changes, and we would fully expect investors to adopt more meaningfully growth oriented exposures typically found in global equities ETFs going forward:
 - **Fixed Income ETFs** received the largest amount of net flows, with **\$5.3B** received. (v. \$3.6B in 2022)
 - **Australian Equities ETFs** came in 2nd in 2023 with **\$5.2B** in flows (v. \$4.4B in 2022)
 - **International equities ETFs** had a very quiet year receiving **\$2.9B** of net inflows (v. \$3.3B in 2022)
- **Performance:** After a particularly strong second half it was growth exposures that topped the performance tables in the ETF industry in 2023. **Betashares Crypto Innovators ETF (ASX: CRYP)** took the number one slot for performance, with total return of ~215% for the year. This was followed by other crypto and technology exposures.
- **Industry Forecast:** In our year-end report for 2022, following a year where industry market capitalisation fell, I wrote, regarding 2023: *“we believe that market conditions will continue to act as a hinderance to industry growth but expect net inflows to remain consistently positive and ultimately that the industry will return to a growth footing. As such, we forecast total industry FuM at end 2023 to exceed \$150B in assets”*. While I was correct regarding positive inflows, I did not predict that ultimately market conditions would be nearly as positive as they were and thus underestimated by quite some margin, total industry size.
- In terms of 2024, we believe that the industry will continue to benefit from increased investor adoption and inflows combined with positive markets. As such, we forecast total industry FuM at end 2024 to exceed \$200B and could reach as high as \$220B depending on market conditions.

Market Size and Growth: End Year 2023



Source: ASX, CBOE, Betashares

Market Cap

- Australian Exchange Traded Funds Market Cap (ASX + CBOE): **\$177.5B – new all time high**
- ASX CHES Market Cap: \$151.1B³
- Market Cap increase for Year: **33%, \$43.7B – industry record \$ annual growth**

Net Flows

- Net flows for the year: **\$15.0B** - 12% year on year increase v. 2022

New Products

- **367** Exchange Traded Products trading on the ASX & CBOE
- New/closed products: **56** new products launched in the half year (compared to 52 in 2022), **8** products closed (compared to 13 closures in 2022)
- **8** new issuers joined the market in 2023, all of which were Active Managers
- There are currently **47** issuers of ETFs in Australia

Trading Value

- Annual ASX trading value remained broadly stable v 2022 (**2%** less compared to 2022) – with **\$115B** of value traded on the ASX (v. \$117B in 2022)

Performance

- After a particularly strong second half it was growth exposures that topped the performance tables in the ETF industry in 2023. **Betashares Crypto Innovators ETF (ASX: CRYP)** took the number one slot for performance, with total return of ~215% for the year. This was followed by other crypto and technology exposures.

³ Since February 2023, the ASX started reporting additional data on a CHES-only basis. The primary use of such data is that it will exclude, amongst other things, the FuM and Flows in 'dual class' Active ETFs and potentially provide a more accurate picture of exchange traded activity.

Top 10 products: End of Year 2023

Ticker	Product	Issuer	Market Cap	Rank Movement
VAS	Vanguard Australian Shares Index ETF	Vanguard	\$14,383,988,211	-
VGS	Vanguard MSCI Index International Shares ETF	Vanguard	\$6,490,459,995	+1
IVV	iShares S&P 500 ETF	iShares	\$6,457,601,550	+1
MGOC	Magellan Global Fund (Open Class) (Managed Fund)	Magellan	\$6,057,669,707	-2
STW	SPDR S&P/ASX 200	State Street	\$4,919,280,667	-
DACE	Dimensional Australian Core Equity Trust (Managed Fund)	Dimensional	\$4,845,381,510	NEW
IOZ	iShares Core S&P/ASX 200 ETF	iShares	\$4,826,845,202	-1
QUAL	VanEck MSCI World Ex-Australia Quality ETF	VanEck	\$4,466,839,386	-1
A200	Betashares Australia 200 ETF	Betashares	\$3,978,313,933	NEW
NDQ	Betashares NASDAQ 100 ETF	Betashares	\$3,780,904,479	NEW

There was a bit of jostling in position year on year amongst the top 10 largest products. Strong inflows and robust performance caused the [Nasdaq 100 ETF \(NDQ\)](#) to enter the top 10 largest products this year. Other new entrants into the top 10 were [Betashares Australia 200 ETF \(A200\)](#) and, due to converting itself into an Active ETF this year, Dimensional's Australian Core Equity Trust (DACE).

Top 10 Inflows (by \$) - 2023

Ticker	Product	Inflow Value
VAS	Vanguard Australian Shares Index ETF	\$1,532,264,758
A200	Betashares Australia 200 ETF	\$1,071,095,701
IOZ	iShares Core S&P/ASX 200 ETF	\$947,201,874
TLRA	Talaria Global Equity Fund (Managed Fund)	\$889,991,090
SUBD	VanEck Australian Subordinated Debt ETF	\$770,115,052
AAA	Betashares Australian High Interest Cash ETF	\$728,571,634
VHY	Vanguard Australian Shares High Yield ETF	\$603,917,837
QUAL	VanEck MSCI World Ex-Australia Quality ETF	\$594,070,890
USTB	Global X US Treasury Bond (Currency Hedged) ETF	\$538,795,749
VBND	Vanguard Global Aggregate Bond Index (Hedged) ETF	\$526,052,609

Investors retreated to **core** allocations in 2023, given market volatility, with the largest flows going to the three largest broad Australian Equity ETFs (VAS, [A200](#) and IOZ). Fixed Income products also experienced strong inflows, with 4 of the largest 10 products for inflows being in the **cash & fixed income** category.

Top 10 Outflows (by \$) - 2023

Ticker	Product	Inflow Value
MGOC	Magellan Global Fund (Open Class) (Managed Fund)	-\$2,506,513,214
HYGG	Hyperion Global Growth Companies Fund (Managed Fund)	-\$282,157,400
IEU	iShares S&P Europe ETF	-\$261,709,556
VVLU	Vanguard Global Value Equity Active ETF (Managed Fund)	-\$261,583,323
GOLD	Global X Physical Gold	-\$249,583,077
AMVE	AB Managed Volatility Equities Fund (Managed Fund)	-\$193,726,660
XARO	ActiveX Ardea Real Outcome Bond Fund (Managed Fund)	-\$183,042,573
MHHT	Magellan High Conviction Trust (Managed Fund)	-\$127,654,347
MICH	Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)	-\$122,691,384
F100	Betashares FTSE 100 ETF	-\$111,186,748

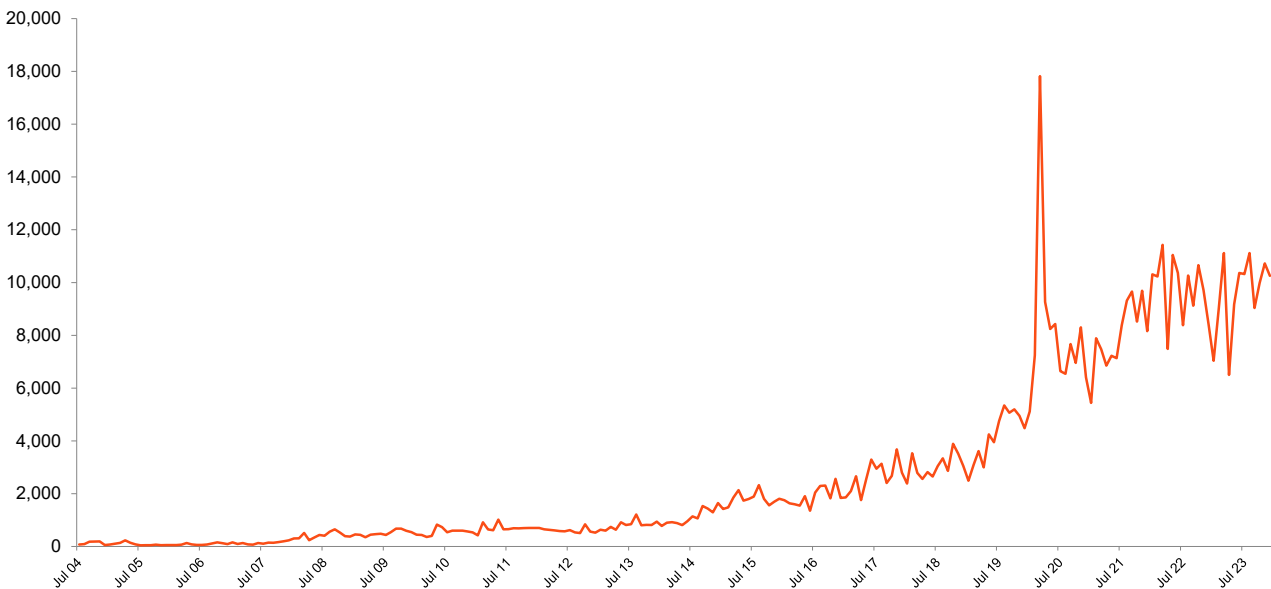
The table of largest outflows at a product level provides a stark illustration of the demand for passive rather than active ETFs by investors over the course of 2023. Notably, 7 of the top 10 funds for net outflows were Active ETFs, with Magellan's MGOC fund receiving net redemptions every month of the year for a total of \$2.5B as well as meaningful outflows in their other Active ETFs.

By Average Daily Trading Value (12 month)

Ticker	Product	Issuer	ADTV 12 month	Rank Movement
VAS	Vanguard Australian Shares Index ETF	Vanguard	\$36,746,980	+1
IOZ	iShares Core S&P/ASX 200 ETF	iShares	\$31,112,535	+1
BBOZ	BetaShares Australian Strong Bear (Hedge Fund)	BetaShares	\$24,765,775	-2
AAA	Betashares Australian High Interest Cash ETF	BetaShares	\$19,393,590	+1
STW	SPDR S&P/ASX 200	State Street	\$14,293,185	-1
BBUS	BetaShares US Equities Strong Bear Currency Hedged (Hedge Fund)	BetaShares	\$13,998,295	-
A200	Betashares Australia 200 ETF	BetaShares	\$13,605,577	+1
VGS	Vanguard MSCI Index International Shares ETF	Vanguard	\$13,379,050	+2
IVV	iShares S&P 500 ETF	iShares	\$12,504,945	-
NDQ	BetaShares NASDAQ 100 ETF	BetaShares	\$11,535,855	+2

ETF trading activity remained elevated in 2023, with overall trading value only marginally below the record levels experienced in 2022. In terms of the most traded ETFs for the year, the table remained largely the same year on year, with broad Australian shares ETFs featuring strongly, along with [geared short exposures](#).

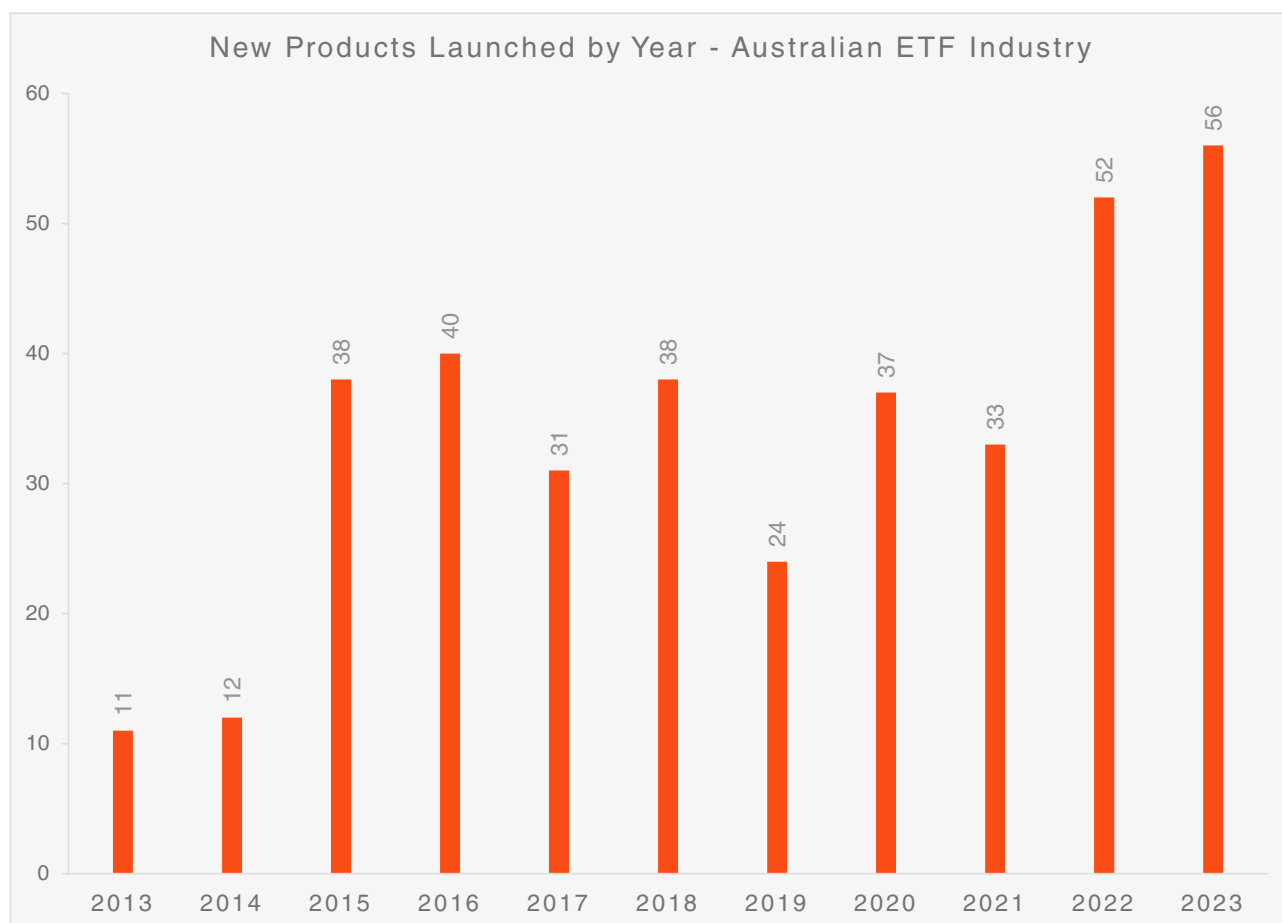
Australian ETF Industry – ASX Monthly Trading Value



Source: ASX, Betashares

The longer term ‘monthly ASX value traded’ chart illustrates the upward trend we have been experiencing over time in ETF Trading – a trend we fully expect to continue into the future as the industry matures and becomes more mainstream.

New Product Launches – 2023



It was the biggest year on record for new product development, with **56 new exchange traded funds** launched on Australian exchanges in 2023 (v. 52 in 2022) and 'net product growth' of 48 funds. 8 products were closed (v. 13 in 2022). 26 (46%) of the new launches were Active ETFs, with the majority being launched via the creation of traded classes of existing unlisted funds ("conversions").

There are now **94** Active ETFs on Australian exchanges with a total of ~\$35B of funds under management. Importantly, however, the vast majority of these assets is existing FUM that has been 'converted' to the exchange via the 'open class' structure. Actual FUM of Active ETFs currently being held on CHES (which gives us the best view on the extent to which investors are using the 'listed' version of the product) is ~\$9.5B. This CHES FUM is very concentrated with the largest 10 products representing >70% of this figure. The largest Active ETF for CHES FUM (the [Active Australian Hybrids Fund, HBRD](#)), represents 22% of total Active ETF CHES FUM. We expect continued growth of this category but the data illustrates the extent to which Australian ETF investors are currently preferencing passive exposures.

Analysis of Inflows: 2023

Product Style	Inflow Value	2023 (%)	2022 (%)	2021 (%)	2020 (%)
Index	\$13,731,113,082	91%	99%	83%	83%
Smart Beta	\$2,195,349,063	15%	19%	9%	7%
Active	-\$915,229,713	-6%	-19%	8%	10%

Consistent with the broader funds management industry, passive exposures led the way for flows in 2023, largely via market cap oriented passive ETFs, which received >90% of total flows. [Smart beta](#) products received ~15% of flows with Active ETFs in total receiving net outflows of ~\$1B, driven primarily by sustained redemptions from Magellan's Active ETF range

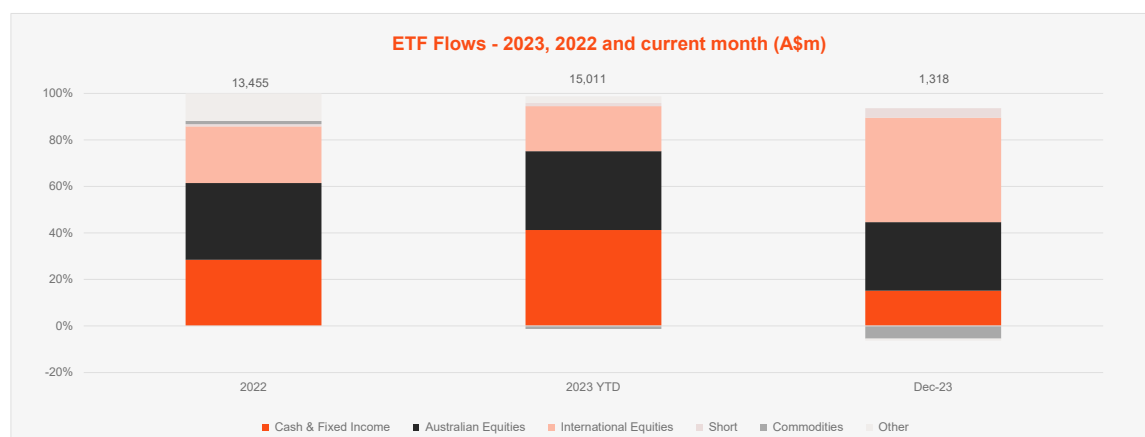
Top 5 Category Inflows (by \$) - 2023

Category	Inflow Value	Rank Movement
Fixed Income	\$5,317,048,063	+1
Australian Equities	\$5,213,292,873	-1
International Equities	\$2,981,229,993	-
Cash	\$1,039,285,859	+2
Listed Property	\$314,524,642	-

Top 5 Sub-Category Inflows (by \$) - 2023

Sub-Category	Inflow Value	Rank Movement
Australian Equities - Broad	\$3,919,265,684	+1
Australian Bonds	\$3,534,363,748	-1
Global Bonds	\$1,583,979,257	+2
International Equities - US	\$1,459,249,366	-1
International Equities - Developed World	\$1,405,352,759	+29

With investors seeking out a more defensive stance in their asset allocations, together with elevated income/yield opportunities, **Fixed Income ETFs** were the number one broad category for inflows in 2023, marking the first time this has occurred over the course of a year since this report has been published. **Australian Shares ETFs** were the second most popular category. **International Equities** once again took 3rd place (as it did in 2022) – we expect this to change in 2024 as the rate environment becomes more accomodative, and we would fully expect investors to adopt more meaningfully growth oriented exposures typically found in global equities ETFs going forward. The change in flow activity can be seen starkly in the composition of flows in December 2023, a phenomenon we would expect to continue across 2024.



Top 5 Category Outflows (by \$) - YTD

Category	Inflow Value
Commodities	(\$192,519,479)
Currency	(\$32,730,895)

Sub-Category	Inflow Value
International Equities - Europe	(\$444,766,616)
Gold	(\$156,124,985)
International Equities - Sector	(\$86,007,721)
Oil	(\$37,756,271)
Currency	(\$32,730,895)

There were very limited outflows at a category level – with **gold** and **European equities** the categories with the highest level of outflows in 2023.

Performance

Top Performing Products –2023

Ticker	Product Name	Performance (%)
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%
SEMI	Global X Semiconductor ETF	69.7%
HYGG	Hyperion Global Growth Companies Fund (Managed Fund)	69.3%
LPGD	Loftus Peak Global Disruption Fund (Managed Fund)	61.2%
MOGL	Montgomery Global Equities Fund (Managed Fund)	57.9%
MKAX	Montaka Global Extension Fund	57.6%

After a particularly strong second half it was growth exposures that topped the performance tables in the ETF industry in 2023. **Betashares Crypto Innovators ETF (ASX: CRYP)** took the number one slot for performance, with total return of ~215 for the year. This was followed by other crypto and technology exposures.

ETF Manager Inflows –2023

Provider	Inflow Value	% Industry
Betashares	\$5,634,741,672	37.5%
Vanguard	\$4,478,855,747	29.8%
VanEck	\$2,954,203,227	19.7%
iShares	\$2,899,361,132	19.3%
Talaria Asset Management	\$1,067,494,023	7.1%
Global X	\$604,491,681	4.0%
Perpetual	\$243,113,980	1.6%
Pinnacle	\$124,539,397	0.8%
Russell	\$115,612,369	0.8%
JPMorgan	\$75,539,441	0.5%
Coolabah Capital Investments	\$74,564,743	0.5%
Loftus Peak	\$47,617,138	0.3%
Janus Henderson	\$41,013,931	0.3%
Aoris	\$40,024,656	0.3%
Investsmart	\$28,738,303	0.2%
Perennial	\$28,726,016	0.2%
Morningstar	\$24,866,097	0.2%
Milford	\$21,589,654	0.1%
Montgomery	\$15,419,973	0.1%
Hejaz	\$14,813,398	0.1%
Elstree	\$7,134,849	0.0%
L1 Capital International	\$5,494,708	0.0%
Perth Mint	\$5,223,689	0.0%
Macquarie	\$5,048,447	0.0%
Fidelity	\$2,048,299	0.0%
Investors Mutual Limited	\$1,906,016	0.0%
Australian Ethical	\$959,115	0.0%
K2 Asset Management	\$508,536	0.0%
abrdn	\$246,132	0.0%
Fat Prophets	\$36,353	0.0%
Apostle Funds Management	-\$1,091,927	0.0%
Kapstream	-\$1,441,982	0.0%
Monash Investors	-\$4,123,937	0.0%
Dimensional	-\$6,979,067	0.0%
Schroder	-\$8,996,066	-0.1%
Platinum	-\$23,369,456	-0.2%
Nanuk Asset Management	-\$29,963,271	-0.2%
Munro Partners	-\$31,523,039	-0.2%
Ellerston	-\$35,167,405	-0.2%
Antipodes	-\$40,433,272	-0.3%
Switzer	-\$71,371,173	-0.5%
Fidante	-\$78,373,224	-0.5%
ACBC	-\$84,367,506	-0.6%
State Street	-\$104,931,030	-0.7%
AllianceBernstein	-\$193,726,660	-1.3%
Hyperion	-\$282,157,400	-1.9%
Magellan	-\$2,554,683,875	-17.0%

There have never been more participants in the Australian ETF industry, but the flows remain concentrated. Collectively the top 4 issuers this year (Betashares, Vanguard, Van Eck and iShares) accounted for over 100% of the industry's flows.

Industry Report: December 2023

Market Cap & Net Flows

- Market Cap growth for month: **4.5%**, **\$7.7B**
- Industry Net Flows: **\$1.3B**
- New/closed products: 5 new ETFs launched this month including the [first geared long and short bond funds](#) on the ASX. There were 2 closures.

Trading Value

- ASX ETF trading value decreased **4% month on month**, but stayed over \$10B

Performance

- [Betashares Crypto Innovators ETF \(ASX: CRYP\)](#) ended the year extremely strongly, returning **35%** for the month of December. With strong performance in the Australian market, our [Geared Australian Shares Fund \(ASX: GEAR\)](#) also performed strongly (16% for the month)

Top 10 Products: December 2023

Top 10 Inflows (by \$) - Month

Ticker	Product	Inflow Value
VBND	Vanguard Global Aggregate Bond Index (Hedged) ETF	\$273,513,161
VAS	Vanguard Australian Shares Index ETF	\$246,993,683
QUAL	VanEck MSCI World Ex-Australia Quality ETF	\$213,678,391
QSML	VanEck MSCI International Small Companies Quality ETF	\$93,599,711
TLRA	Talaria Global Equity Fund (Managed Fund)	\$73,704,262
IVV	iShares S&P 500 ETF	\$72,002,167
BGBL	Betashares Global Shares ETF	\$58,116,249
BBOZ	Betashares Australian Strong Bear (Hedge Fund)	\$54,138,921
SUBD	VanEck Australian Subordinated Debt ETF	\$54,058,072
QHAL	VanEck MSCI World Ex-Australia Quality (Hedged) ETF	\$49,214,975

Top 10 Outflows (by \$) - Month

Ticker	Product	Inflow Value
VIF	Vanguard International Fixed Interest Index (Hedged) ETF	-\$235,767,724
MGOC	Magellan Global Fund (Open Class) (Managed Fund)	-\$156,811,284
GOLD	Global X Physical Gold	-\$79,015,286
AMVE	AB Managed Volatility Equities Fund (Managed Fund)	-\$77,152,241
IXJ	iShares S&P Global Healthcare ETF	-\$75,016,471
QPON	Betashares Australian Bank Senior Floating Rate Bond ETF	-\$70,369,185
GEAR	Betashares Geared Australian Equity Fund (Hedge Fund)	-\$52,087,700
IXI	iShares S&P Global Consumer Staples ETF	-\$48,337,961
VDBA	Vanguard Diversified Balanced Index ETF	-\$41,297,715
VGB	Vanguard Australian Government Bond Index ETF	-\$30,327,543

Industry Net Flows: December 2023

Top 5 Category Inflows (by \$) - Month

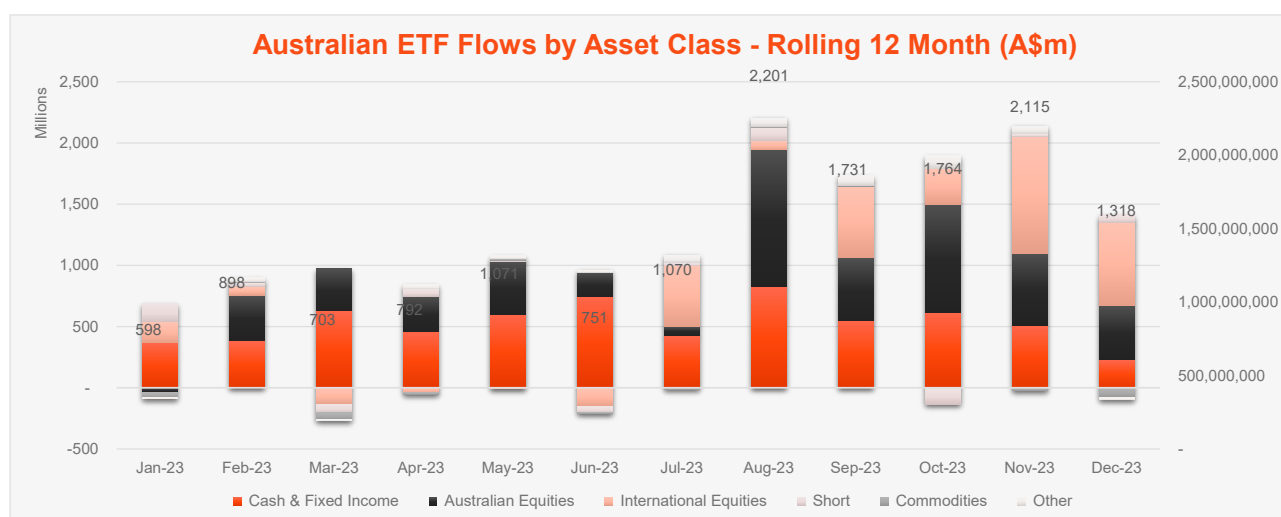
Broad Category	Inflow Value
International Equities	\$677,953,870
Australian Equities	\$444,135,751
Fixed Income	\$211,956,843
Short	\$62,343,729
Listed Property	\$55,777,994

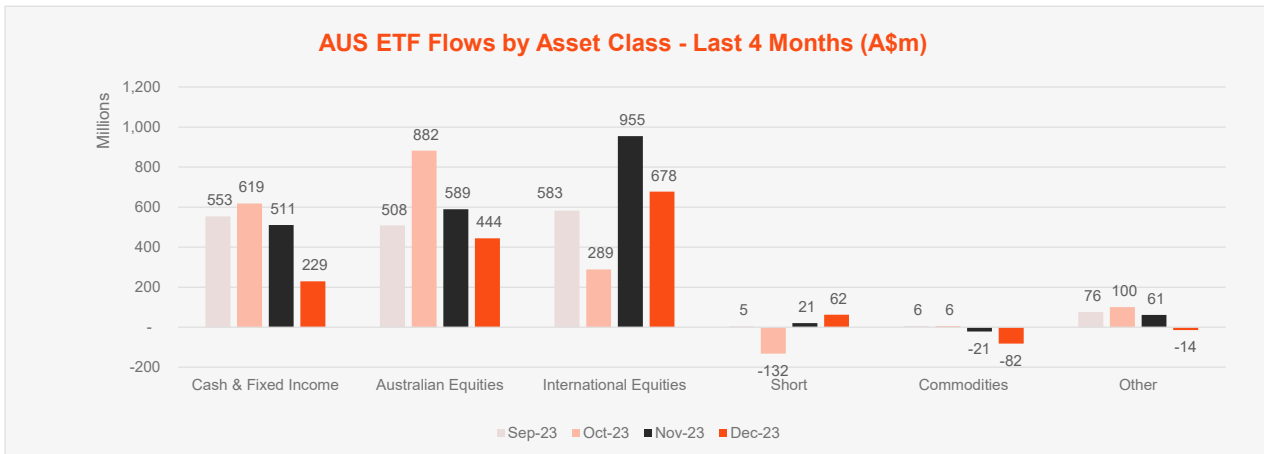
Sub-Category	Inflow Value
International Equities - Developed World	\$457,972,501
Australian Equities - Broad	\$315,497,714
International Equities - US	\$209,117,703
Australian Bonds	\$122,849,173
Global Bonds	\$78,277,929

Top 5 Category Outflows (by \$) - Month

Broad Category	Inflow Value
Commodities	(\$81,646,411)
Multi-Asset	(\$61,967,659)
Currency	(\$8,087,033)
Cash	\$17,541,404
Listed Property	\$55,777,994

Sub-Category	Inflow Value
Gold	(\$80,094,681)
International Equities - Sector	(\$72,955,005)
Multi-Asset	(\$64,556,110)
Australian Equities - Geared	(\$52,087,700)
International Equities - Geared	(\$11,608,549)





Performance

Top Performing Products – Month

Ticker	Product Name	Performance (%)
CRYP	Betashares Crypto Innovators ETF	35.4%
GEAR	Betashares Geared Australian Equity Fund (Hedge Fund)	16.5%
CURE	Global X S&P Biotech ETF	14.9%
LNAS	Global X Ultra Long Nasdaq 100 Hedge Fund	12.0%
TANN	Betashares Solar ETF	11.6%