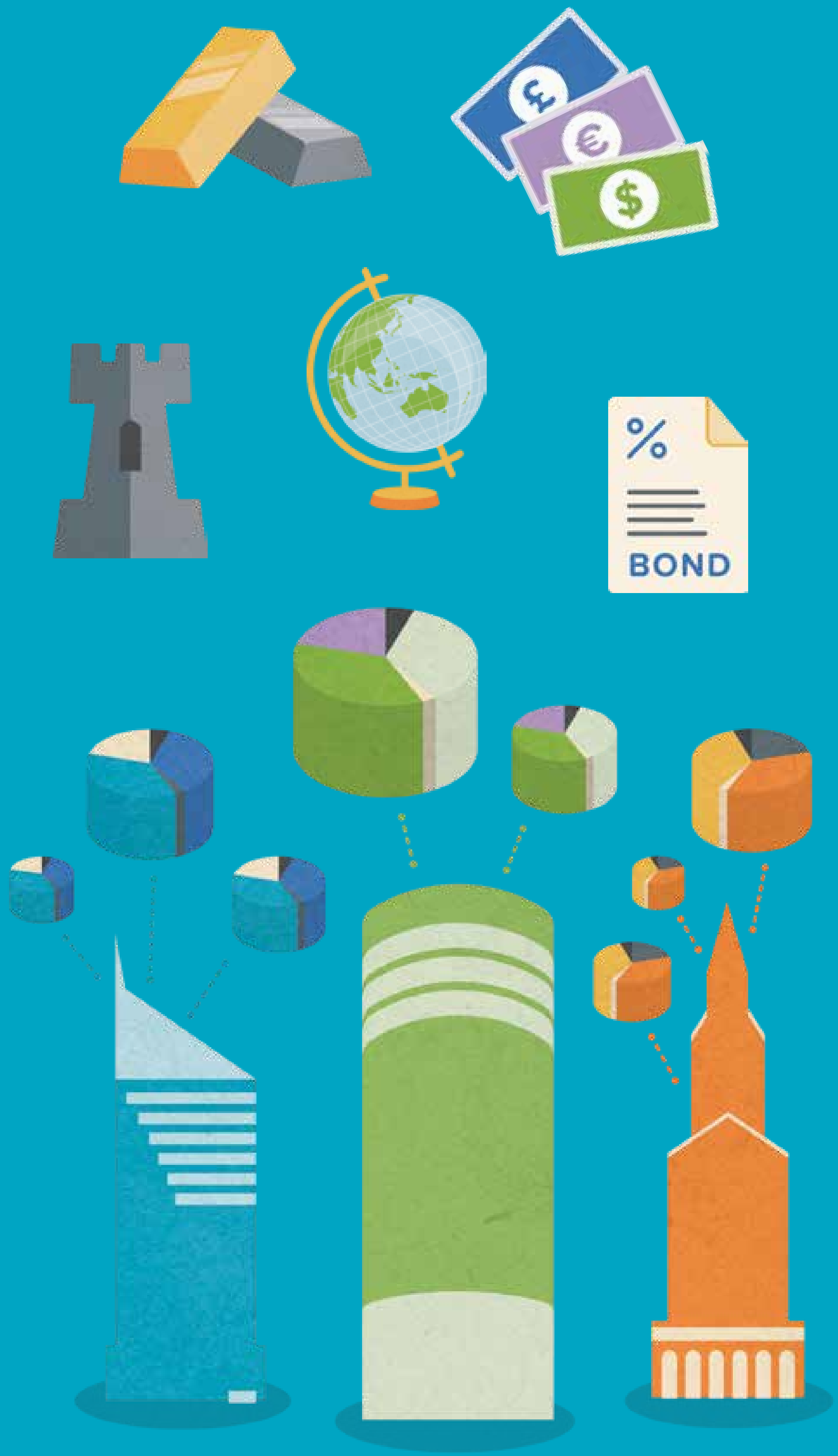
Australian ETF Report

2018

stockspot


BOND

Contents

About this report

Welcome to our fourth Australian exchange traded fund (ETF) report which aims to help investors understand and compare ASX listed ETFs. We want to provide consumers with an objective, independent view of the ETF landscape.

ETFs continue to be the biggest disruptor to the asset management industry and at the same time are blurring the lines between different styles of investing. Over the past 15 years, over US$2 trillion has moved out of active funds and into index funds and ETFs. Globally the ETF market is projected to reach US$10 trillion by 2020 and be larger than the active managed fund market by 2027 [1].

The use of ETFs in Australia continues to grow at a phenomenal rate. The local ETF market grew from $27.2 billion to $36.2 billion (33% growth) over the past year. In Australia ETFs have become popular with individual investors, advisers and Self Managed Super Fund (SMSF) trustees due to their low-cost, transparency and diversification benefits, as well as being available on the ASX.

SMSFs and older Australians are turning to ETFs to earn a better return than cash or term deposits but with lower risk than direct shares. ETFs are giving Australian retirees and pre-retirees exposure to global shares and bonds, improving their overall diversification while reducing risk.

Meanwhile ETFs are becoming the first investment experience for many younger Australians via robo advisers or round up apps.

Recently the Royal Commission into Banking Misconduct has put a spotlight on the conflicts caused by the vertical integration of the banks and typical investment products that they recommend to clients. The beneficiaries of this likely to be independent non-aligned advisers – many of whom recommend ETFs.

Over the past year 23 new ETFs have been listed on the Australian Securities Exchange (ASX), with a significant increase in the number of global share ETFs and fixed income ETFs. Active funds have started joining the ETF bandwagon by launching their own ETF-like funds, known as exchange traded managed funds (ETMFs). This is a double edged sword for them, while it may give them access to new distribution channels via the ASX it also makes their typical underperformance vs indexing more visible to the general public.

We've analysed over 175 ETFs by looking at factors like **fees**, **performance**, **size** and **activity**. We also look at recent ETF market trends including the continued growth in **global ETFs**, the wide gap between the **performance of different sectors and styles** and the mixed performance of active and **smart beta ETFs**.

We hope you find the report useful and please let us know your feedback.

Chris Brycki
Founder & CEO, Stockspot

[1] Reshaping around the investor: Global ETF Research 2017 (EY)

About Stockspot

Stockspot is Australia's largest and most experienced online investment adviser.

Since 2013, we have helped thousands of Australians grow their savings and have been actively campaigning to increase transparency in the financial industry for consumers.

We make investing easy and affordable. Whether you're growing your wealth, saving for a home, a family or retirement, we help you do it with the right investment portfolio and guidance.

Your money is managed by experts with an established track record. We look after your investments so you can focus on other important things in life.

Our investment strategies have built a 4 year track record of consistent returns.

Find out more:
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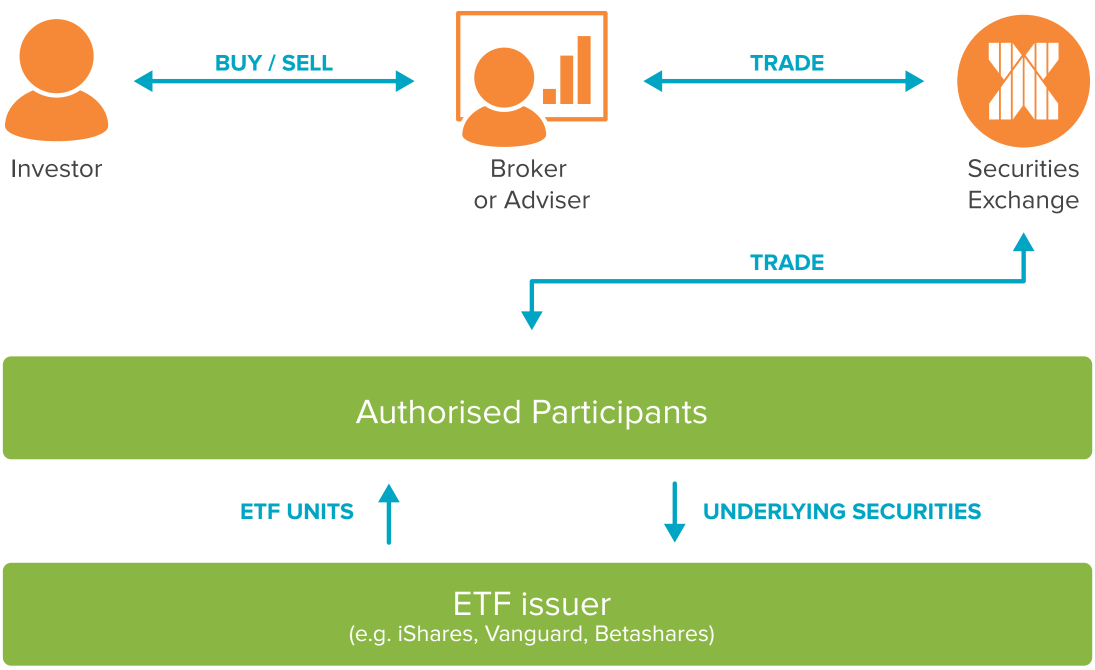
What are ETFs?

An exchange traded fund (ETF) is an open-ended investment fund that is traded on a stock exchange. ETFs first emerged in the USA in the early 1990s and their recent explosive growth has led to more options being available across the world, including Australia since their introduction in 2001.

COMMON TYPES OF ETFS

ETFs can be traded on the ASX in the same way as shares in a company. Rather than owning shares in a business, an ETF tracks an asset class, such as Australian shares or global shares, and provides direct exposure to a wide range of investments within that asset class.

HOW IT WORKS



Types of ETF

INCLUDED IN THIS REPORT

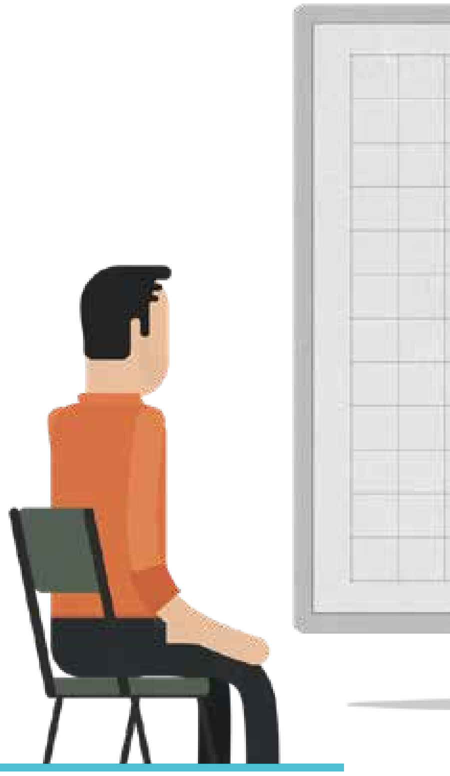
We have covered several types of exchange traded products (ETPs) in this report. Broadly they are all described as exchange traded funds (ETFs), however the ASX has more specific naming conventions to capture some of the subtle differences between exchange traded products:

Exchange traded fund (ETF) — Under ASX naming conventions, ETF technically refers only to funds that passively track an index. These are usually structured as a managed investment scheme, where investors hold units in a trust. The majority of ETPs are indeed ETFs and the remaining ETPs are types of actively managed funds with additional identifying characteristics.

Exchange traded structured products (SP) — These exchange traded products do not typically invest in the underlying asset, but instead aim to mimic the performance of an index synthetically via a structured agreement or derivative over futures contracts. This structure is most commonly used by issuers creating commodity indices as it is not feasible to hold most physical commodities. Where investors are exposed to counterparty risk of more than 10% of the fund's net asset value structured products must have the word 'synthetic' as part of their name for easy identification.

Exchange traded managed fund (ETMF) — These are also admitted to trading status on the ASX like ETFs, but are actively managed funds. Similarly to ETFs they are typically structured as managed investment schemes.

Exchange traded hedge fund (ETHF) — These are a specific type of exchange traded managed fund that fits within the regulations set out by ASIC criteria and class orders. These are funds that use complex instruments such as borrowing, options and short selling and are required to have the words 'hedge fund' in their title for identification. The 'hedge fund' title is a little confusing since these funds are not actually hedge funds as most people know them to be, but rather funds that offer leverage like the Geared Australian Equity Fund (GEAR) – or an inverse pay-off to the market like BetaShares Australian Equities Bear Fund (BEAR).



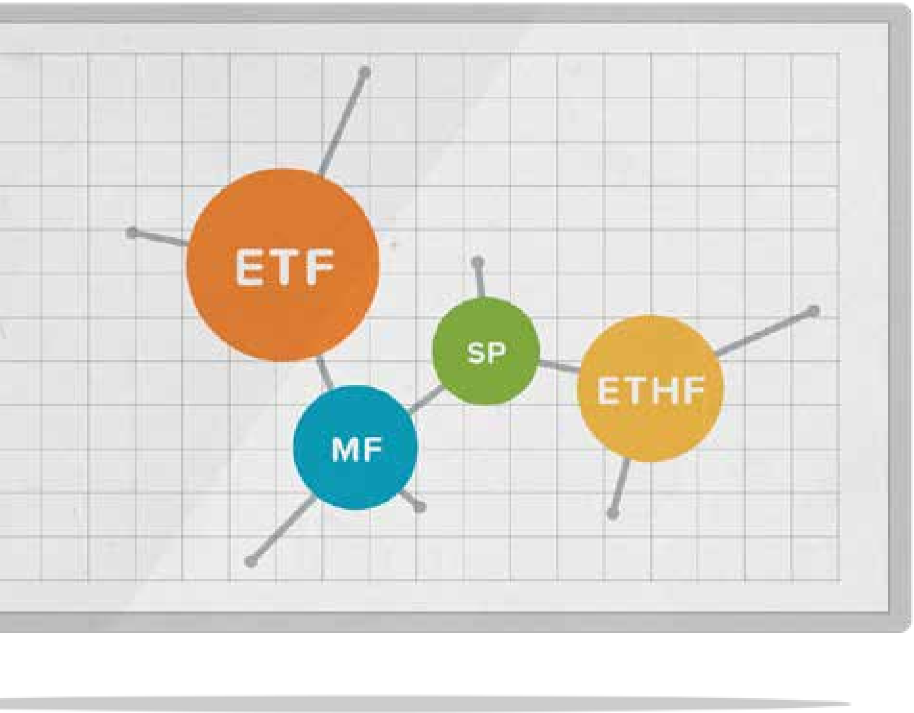
NOT INCLUDED IN THIS REPORT

There are also other investment fund options available on the ASX, which this report does not cover:

mFunds — This is an ASX-linked platform which enables investment in a range of unlisted managed funds via the ASX CHESS system. However there is no standard settlement timeframe across issuers and products. In addition there is no live pricing so investors must wait until after the close of trading each day to know the price of units that have been bought or sold.

Listed Investment Companies (LICs) — These are usually managed funds which are actively managed in a closed ended structure, which means that there is no unit creation/redemption process. Investors in LICs own shares in a company, which may trade at premium or discount to net asset value so there is no guarantee that the prices of LICs will resemble the value of underlying investments. As a result LICs often vary considerably from their Net Asset Value (NAV).

Infrastructure funds and Real Estate Investment Trusts (REITs) — These give investors exposure to portfolios of infrastructure or property assets. Similar to LICs, they can trade at a premium or discount to their Net Asset Value (NAV).



Share Market ETF Groupings

Our report categorises share market ETFs into three distinct groupings which relate to the underlying indices that they track. It is important that investors understand the differences between these groups as the products have significant differences in their risk, cost, transparency and performance characteristics.

MARKET-CAP BASED ETFS

The first share market indices were designed to measure the broad market and serve as a point of comparison for 'active' (stock-picking) fund managers.

They typically weight stocks by size – the stocks with the biggest market value make up a larger portion of the index. Examples of size-weighted indices include popular ones you've probably heard of such as the the S&P500 (started in 1957) or S&P/ASX200 (started in 2000).

When John Bogle launched the first index fund in 1975, it was intended as a sensible and low-cost way for individuals to invest into such indices. The Vanguard 500 Index was not intended to beat the market, but simply ensure investors kept up with the stocks in it. Over forty years later, market-cap based indices and ETFs continue to be the most popular ETFs globally.

RULES BASED ETFS (NON MARKET-CAP / 'SMART BETA')

All index funds, by definition, are passive investments. There's no fund manager making trading decisions, all buying and selling is done according to a strict set of rules. However, smart beta indices aim to fix some of the perceived shortcomings of weighting investments by market size when building an index.

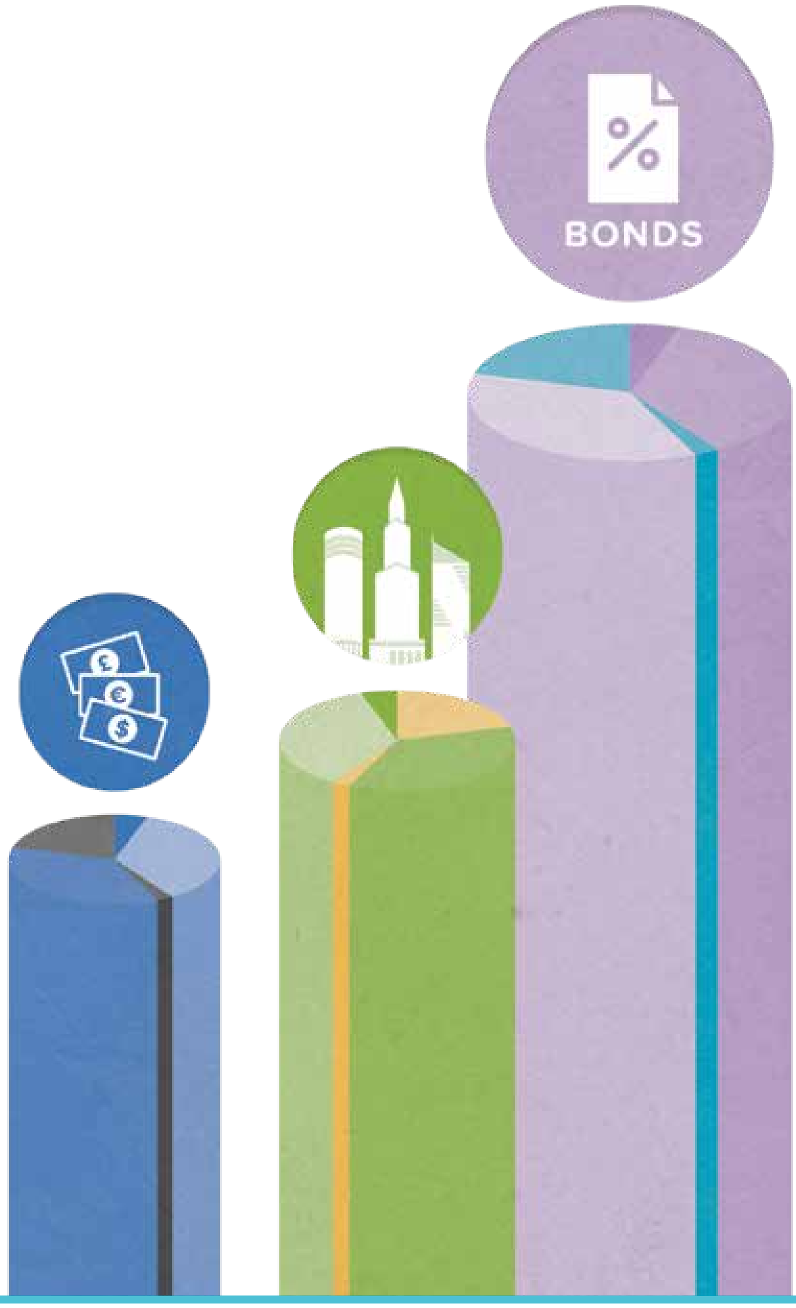
One example is that during a bubble, some shares can make up a larger and larger proportion of the index, like technology stocks did during the 'tech boom' in the late 1990s, or mining stocks when commodity prices rocketed in 2006-2011. This can cause traditional size-weighted indices to 'overshoot' during booms and busts.

To address this and other similar observations about size-weighted indices, new ways of constructing indices have emerged – with weights determined by different approaches such as dividends, research ratings, simple averages, or consistency of cash flows. While rules based ETFs are becoming more popular, their ability to outperform market-cap weighted ETFs on a risk-adjusted basis is questionable.

ACTIVE ETFS

These products don't track an index, they are much more similar to actively managed funds since their investment process is based on the discretionary decisions of fund managers.

They are called active ETFs because they are listed on the ASX within an ETF-like wrapper which typically provides better liquidity and price transparency compared to a listed investment company (LIC) structure. These are actively managed funds.


BONDS

ETF Market Summary

+33% ››› $36.2B

ETF FUNDS UNDER MANAGEMENT

ETF funds under management grew 33% over the past year to $36.2 billion

NEW

18

OUT OF

23

Global ETFs and Fixed Income ETFs made up 18 out of 23 new listings

+$715m

BIGGEST WINNER

Biggest winner was Vanguard Australian Shares Index ETF which grew by $715 million

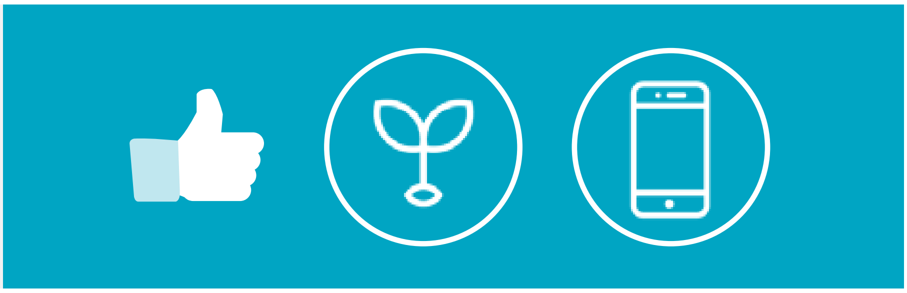
-$218m

BIGGEST LOSER

Biggest loser was BetaShares Australian Dividend Harvester Fund which lost $218 million

In Australia small cap and growth shares outperformed banks and dividend shares

Globally tech shares and emerging markets outperformed other sectors and developed markets



Vanguard continued its dominance with $3 billion of ETF growth (45%)

Several active ETFs listed on the ASX but their performance has been lacklustre

ETF Market Summary

By Sector Group

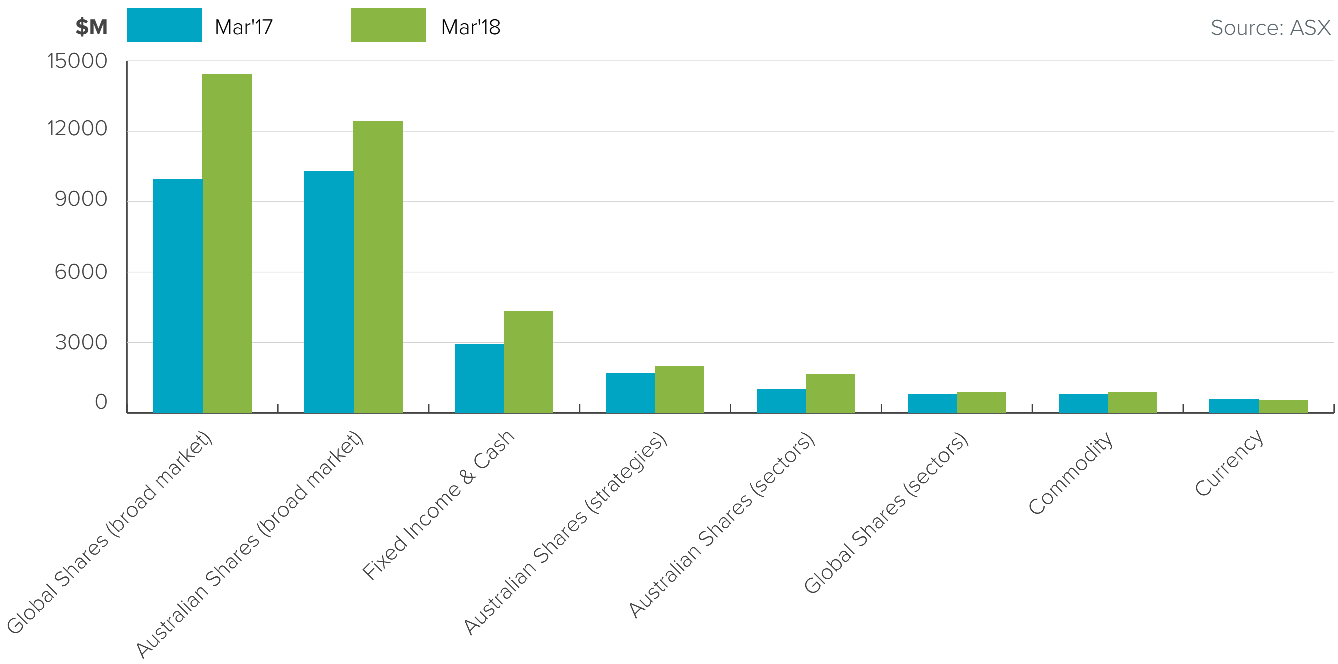
Sector	Number of Products	FUM ($M) Mar'17	FUM ($M) Mar'18	Annual change in FUM ($M)	Annual change in FUM (%)
Global Shares	66	9,943	14,447	4,504	45%
Australian Shares	41	10,317	12,425	2,104	20%
Fixed Income & Cash	25	2,946	4,340	1,395	47%
Australian Shares (sectors)	9	1,687	2,000	313	19%
Global Shares (sectors)	19	1,005	1,666	660	66%
Commodity	11	780	893	113	14%
Currency	7	569	541	-28	-5%
Totals	**178**	**27,248**	**36,313**	**9,065**	**33%**

Source: ASX

ETF Market Summary

By Sector Group

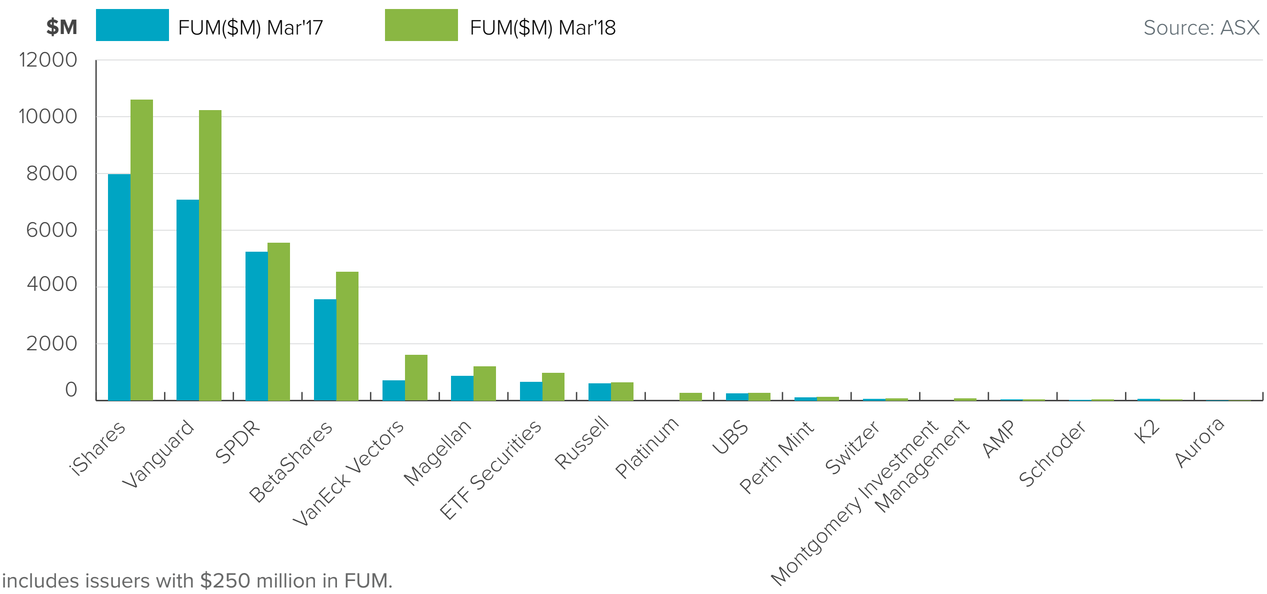
ETF GROWTH BY SECTOR



ETF Market Summary

Issuer	FUM($M) Mar'17	FUM($M) Mar'18	Annual change in FUM ($M)	Annual change in FUM%
iShares	7,976	10,594	2,618	33%
Vanguard	7,067	10,230	3,163	45%
SPDR	5,247	5,556	309	6%
BetaShares	3,560	4,543	982	28%
VanEck Vectors	708	1,602	894	126%
Magellan	873	1,211	338	39%
ETF Securities	665	975	310	47%
Russell	603	642	38	6%
Platinum	-	275	275	n/a
UBS	244	270	25	10%
Perth Mint	116	134	18	16%
Switzer	60	76	15	25%
Montgomery Investment Management	-	72	72	n/a
AMP	35	49	14	41%
Schroder	28	46	17	61%
K2	54	33	-20	-38%
Aurora	11	7	-3	-32%
Totals	**27,248**	**36,313**	**9,065**	**33%**

ETF GROWTH BY ISSUER



Only includes issuers with $250 million in FUM.

These issuers are the businesses that build and 'issue' the ETPs to the public. The largest four issuers, iShares, Vanguard, SPDR and BetaShares account for 85% of funds under management but smaller issuers have also experienced strong growth over the past year. Eight issuers grew by more than $100 million and two issuers by more than $1 billion.

iShares (owned by BlackRock) has retained its position as the leading issuer in Australia with $2,618 million in new FUM. Their globally focused ETFs gained from strong share market returns. It launched two new fixed income ETFs in the past the year.

Vanguard continued its rapid growth by growing FUM by 45% and is now just behind iShares with 28% of all FUM compared to iShares' 29%. It launched four new multi-asset ETPs and a new global bond ETF to expand their fixed income offerings.

SPDR had a relatively low growth rate of 6%, it has struggled to keep up with competitive pressures on fees over the past few years. Australia's largest ETF by FUM, the SPDR S&P/ASX 200 (STW) received 40% of SPDR's total inflows. SPDR now hasn't launched any new ETFs or changed any fees for two years.

BetaShares had strong FUM growth of just under $1 billion as well as launching six new funds. BetaShares has partnered with several active managers to launch new active ETMFs this year. BetaShares has always focused on more actively managed ETF strategies so it's a natural move for them to partner with other active managers to help manufacturer and distribute their products within an ETMF wrapper.

VanEck Vectors more than doubled its FUM over the year with the highest rate of FUM growth of any issuer at 126%. Its new fixed income ETFs – VanEck Vectors Australian Floating Rate ETF (FLOT) and VanEck Vectors Australian Corporate Bond Plus ETF (PLUS) – accounted for a fifth of their growth.

Magellan continued to attract funds to its actively managed products with a 40% growth rate of FUM. Its flagship international shares fund (Magellan Global Equities Fund [Managed Fund] [MGE]) received majority of the funds and its infrastructure option (Magellan Infrastructure Fund [Currency Hedged] [Managed Fund] [MICH]) also grew by nearly $100 million.

Russell had a low, but positive growth rate for FUM of 6%. Its corporate bond ETF (Russell Australian Select Corporate Bond ETF [RCB]) captured 97% of total FUM growth. Their smart beta value ETF (Russell Australian Value ETF [RVL]) will close down in May due to lack of demand.

Platinum listed its two managed hedge fund products in September 2017. Its Asia focused fund (Platinum Asia Fund [Quoted Managed Hedge Fund] [PAXX]) launched with $30 million under management and global shares fund (Platinum International Fund [Quoted Managed Hedge Fund] [PIXX]) with $40 million. Both products have continued to grow strongly, coinciding with a period of outperformance for their funds.

ETF Securities inherited eight ETFs from their dismantled joint venture with ANZ in May 2017, which are included in the final figures and growth rates. It launched two new sector specific ETFs, an infrastructure product (ETFS Global Core Infrastructure ETF [CORE]) as well as one ETF product that invests in companies associated with robotics and automation. (ETFS ROBO Global Robotics and Automation ETF [ROBO])

The following ETFs were affected by ANZ's departure from ETFs and are referred to as ETF Securities products throughout the report:

- ETFS Physical Gold ETF (ZGOL)
- ETFS Physical Renminbi ETF (ZCNH)
- ETFS Physical US Dollar ETF (ZUSD)
- ETFS S&P 500 High Yield Low Volatility ETF (ZYUS)
- ETFS S&P/ASX 100 ETF (ZOZI)
- ETFS S&P/ASX 300 High Yield Plus ETF (ZYAU)
- ETFS EURO STOXX 50 ETF (ESTX)
- ETFS Morningstar Global Technology ETF (TECH)

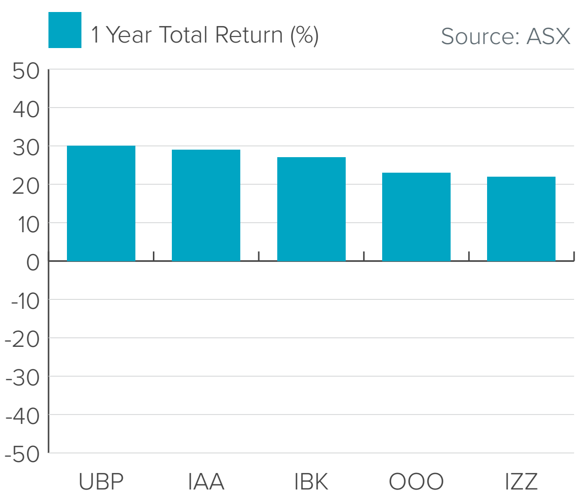
UBS continued its gradual FUM growth and launched one new cash ETF (UBS IQ Cash ETF [MONY]).

These ETFs are the five best and worst performers by returns over the 12 months to March 2018.

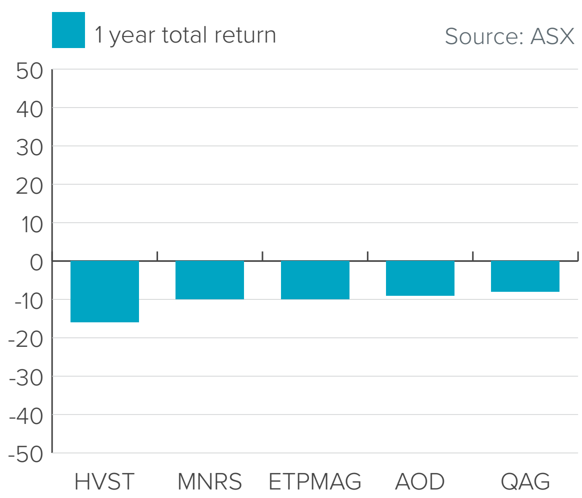
ASX Code	ETF Name	Issuer	FUM($M) Mar'18	1 Year Total Return
Positive performance				
UBP	UBS IQ MSCI Asia APEX 50 Ethical ETF	UBS	9	30.1%
IAA	iShares S&P Asia 50 ETF	iShares	423	29.1%
IBK	iShares MSCI BRIC ETF	iShares	39	27.0%
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	BetaShares	30	22.9%
IZZ	iShares FTSE China Large-Cap ETF	iShares	99	22.1%
Negative performance				
HVST	BetaShares Australian Dividend Harvester Fund (Managed Fund)	BetaShares	209	-16.2%
MNRS	BetaShares Global Gold Miners ETF - Currency Hedged	BetaShares	5	-10.4%
ETPMAG	ETFS Physical Silver	ETF Securities	57	-10.1%
AOD	Aurora Dividend Income Trust	Aurora	7	-9.2%
QAG	BetaShares Agriculture ETF-Currency Hedged (Synthetic)	BetaShares	3	-8.8%

Source: ASX

We exclude 'geared ETFs' from this list as they will generally outperform or underperform similar unlevered funds due to leverage.



Top 5 ETFs by returns



Worst 5 ETFs by returns

ETF Market Summary

POSITIVE PERFORMANCE

Asian shares ETFs, in particular Chinese shares, featured heavily this year accounting for four out of the top five ETFs by annual returns. Asian shares had underperformed other regions like the US since the financial crisis. The decision to reduce oil supplies and ongoing political tensions have aided a rising oil price for the BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic) (OOO).

NEGATIVE PERFORMANCE

The worst performances of the year came from The BetaShares Australian Dividend Harvester Fund (Managed Fund) (HVST). This fund invests in large ASX shares that are about to pay dividends while also selling futures contracts as a form of hedging to reduce risk. The HVST product has significantly underperformed the Vanguard Australian Shares High Yield ETF (VHY) and generated an annual return of -16.2%.

ETF Market Summary

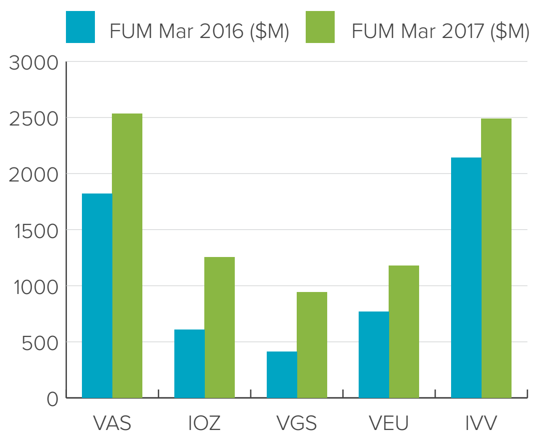
By Funds Under Management (FUM)

These ETFs are the five best and worst performers by FUM growth over the 12 months to March 2018.

ASX Code	ETF Name	Issuer	FUM($M) Mar'17	FUM($M) Mar'18	Annual change in FUM ($M)	1 Year Total Return
Increases in FUM						
VAS	Vanguard Australian Shares Index ETF	Vanguard	1,819	2,534	715	2.7%
IOZ	iShares Core S&P/ASX 200 ETF	iShares	608	1,255	647	2.0%
VGS	Vanguard MSCI Index International Shares ETF	Vanguard	414	941	527	12.6%
VEU	Vanguard All-World ex US Shares Index ETF	Vanguard	771	1,177	406	14.1%
IVV	iShares S&P 500 ETF	iShares	2,143	2,490	347	11.7%
Decreases in FUM						
HVST	BetaShares Australian Dividend Harvester Fund (Managed Fund)	BetaShares	427	209	-218	-16.2%
IXI	iShares S&P Global Consumer Staples ETF	iShares	146	108	-37	1.8%
USD	BetaShares U.S Dollar ETF	BetaShares	512	476	-37	-0.1%
ILC	iShares S&P/ASX 20 ETF	iShares	339	306	-33	-2.7%
SLF	SPDR S&P/ASX 200 Listed Property Fund	SPDR	586	554	-31	-1.3%

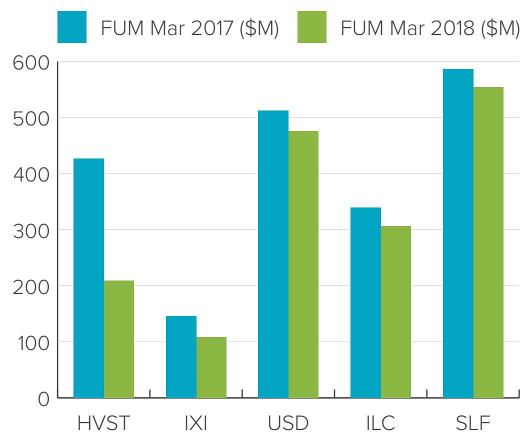
Source: ASX

ETF GROWTH BY FUM



Source: ASX

Top 5 by FUM growth



Source: ASX

Worst 5 by FUM growth

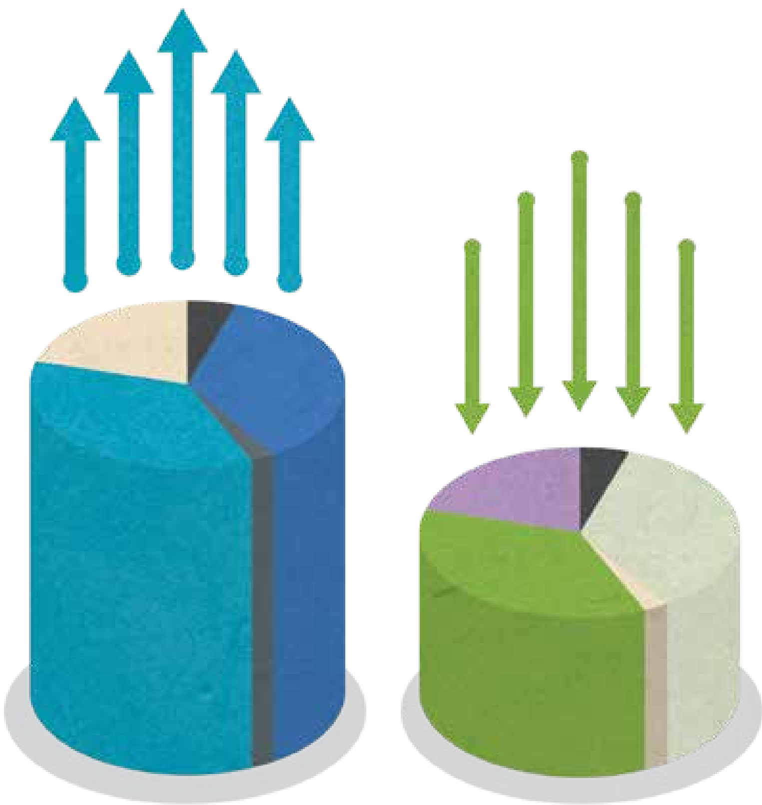
INCREASES IN FUM

The highest fund inflows this year were once again into the large, broad market ETFs. The broad Australian sharemarket ETFs remained popular with Vanguard Australian Shares Index ETF (VAS) and iShares Core S&P/ASX 200 ETF (IOZ) taking the top two places, despite relatively low returns compared to global shares this year.

This continued popularity of Australian share market ETFs is likely coming from switching out of direct shares and underperforming active funds. This group of ETFs that attracted the top inflows demonstrates how Vanguard and iShares have cemented their place and built up a strong reputation for offering low cost, broad market index ETFs.

DECREASES IN FUM

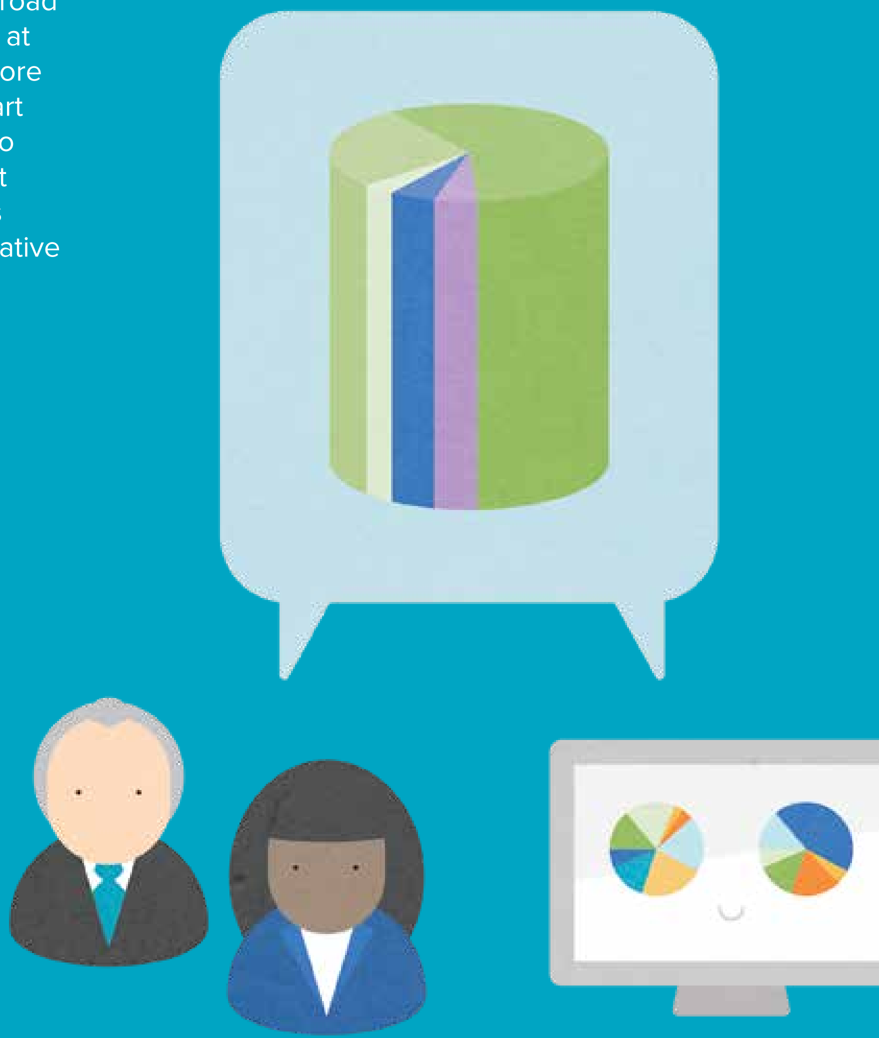
BetaShares' Dividend Harvester ETF (HVST) was the only ETF to lose more than $200 million of funds this year. There were also outflows from a more defensive iShares S&P Global Consumer Staples ETF (IXI), SPDR S&P/ASX 200 Listed Property Fund (SLF) and BetaShares U.S Dollar ETF (USD).



Rules-based ETFs (non market-cap / smart beta

Smart beta is growing investment trend, marketed as a new way to diversify and reduce risk. Here we look at smart beta ETFs in Australia – what they are, how they are built and how they've performed.

Smart beta – also known as strategic beta, alternative beta, fundamental beta, advanced beta, enhanced beta, and probably a few other names – aims to combine elements of passive index investing and active fund management to deliver the best of both worlds: transparency, broad diversification, and market-beating returns – all at low cost. What more could you ask for? But before you throw all of your savings into the latest smart beta product, it's worth digging a bit deeper into what smart beta really is. Smart beta is all about index construction which refers to which stocks (or other assets) make up an index and their relative size within that index.



EMERGENCE OF SMART BETA

All index funds, by definition, are passive investments. This includes smart beta. There is no fund manager making trading decisions and all buying and selling is done according to a strict set of rules.

However, smart beta indices aim to fix some of the believed shortcomings of weighting investments by market size when building an index. One example is that during a bubble, some shares can make up a larger and larger share of the index, like technology stocks did during the 'tech boom' in the late 1990s, or mining stocks when commodity prices rocketed in 2006-2011. This can cause traditional size-weighted indices to 'overshoot' during booms and busts.

To address this and other similar observations about size-weighted indices, new ways of constructing indices have emerged – with weights determined by different approaches such as dividends, research ratings, simple averages, or consistency of cash flows. This is what's meant by smart beta.

COMMON SMART BETA STRATEGIES

There are four common smart beta approaches to building indices:

- High dividend strategies that aim to pick stocks with higher dividend yields to boost investor income.
  e.g. Vanguard Australian Shares High Yield ETF (VHY)
- Other fundamental indices that focus on measures like sales revenue or free cash flow as a more accurate measure of economic contribution rather than using market capitalisation.
  e.g. Russell Australian Value ETF (RVL) or
  BetaShares FTSE RAFI Australia 200 ETF (QOZ)
- Equal weighting – the simplest form of index construction that just averages an entire universe of stocks, thus giving each stock the same importance.
  e.g. VanEck Vectors Australian Equal Weight ETF (MVW)
- Low volatility strategies which target a smoother ride by carefully selecting less risky stocks.
  e.g. ANZ/ETFS S&P 500 High Yield Low Volatility Fund (ZYUS)

While some of these funds may advertise a new paradigm of investment thinking, they all use fairly transparent, rules-based approaches to prioritise exposure to certain market factors. These factors include style (growth and value), size (large, mid, small), or momentum (consistency). The challenge for investors is in deciding which factors to want exposure to (if any).

SMART BETA BETS ON MARKET FACTORS

At their core, all smart beta ETFs are taking a bet on certain market factors being more important than others:

- Low volatility and high dividend stocks tend to have a bias towards value stocks that have lower growth and more stable earnings since they tend to be less volatile than companies with less predictable profits like mining businesses or biotechnology. However, when investors crowd into low-volatility or high dividend stocks, as they've been doing over the past few years, it can push valuations in some sectors (e.g. telecommunications, utilities, and property) to the point that they actually become more risky. This can, perhaps counterintuitively, make low volatility or high dividend strategies dangerous after a period of good returns.
- Fundamental indices may use operating cash flow as a better indication of economic size. Analysis shows these approaches have a strong value stock bias as well.
- An equal weighting methodology introduces a significant bias towards small companies because the stocks that have a lower market size have the same weight in the index as bigger businesses like Commonwealth Bank (CBA). The portfolio will likely also have a value bias because equal weighting will expand the weight of value stocks, which tend to trade at lower price compared to their profit.

Shortcomings of smart beta

FACTORS USED TO ESTIMATE A COMPANY'S VALUE

- Profits
- Regulatory environment
- Competitive landscape
- Management effectiveness
- Expected growth
- New products / business
- Counterparty exposure
- Supply chains
- Corporate governance controls
- Liquidity
- International operations
- Hedging activity
- Input Prices
- Natural disasters
- Market Share
- Business Model
- Industry outlook
- Expectations
- Off-balance sheet items
- Share re-purchases
- Accounting irregularities

- Dividends
- Assets
- Cash flow
- Book value
- Sales
- Volatility

Factors that smart beta focus on

Source: Vanguard

HOW SMART IS IT REALLY?

By offering enhanced exposure to some factors, like value and size, smart beta strategies must also be de-prioritising other factors. Because current price reflects every factor used by any investor to estimate a company's value, a market-size-weighted index also represents an all-factor approach to investing. On the other hand, smart-beta is essentially taking a bet that a few select factors are more important than an all factor (market value) approach.

BACKTESTING CAN GIVE FALSE CONFIDENCE

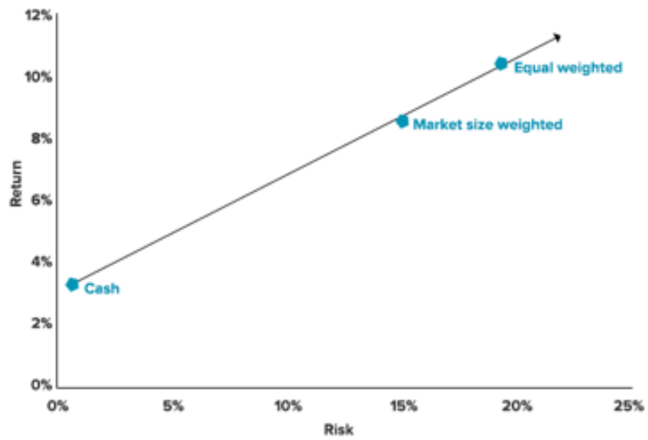
Smart beta strategies are often marketed as being able to 'beat the market'. However the truth is often a lot more murky. Many have only outperformed from backtesting over a select, historical time period which introduces a few significant issues.

Think of an index like a deck of cards. Backtesting lets you shuffle a deck of cards thousands of times until a favourable "shuffle" emerges to match the order you want to show. In essence, backtesting lets the smart beta strategies and ETFs 'stack a deck' of stocks in a way that outperformed the index in the past. But there's no guarantee that the same strategy will work going forward. As a result, many smart beta strategies could have simply worked in the past by chance.

Let's say you rebuilt S&P/ASX 200 but weighted the companies according to the birthday of their CEOs and found that this new index outperformed a size weighted index by 20% over 15 years. This would not be because January-born CEOs are better at managing businesses than December ones. This would just be an example of how you can use a random set of data to prove any hypothesis when backtesting.

WHAT ABOUT RISK?

Some smart beta strategies have been able to outperform the index over the long-term, but the differences in return can usually be explained simply by risk. For example, equal-weight indices of stocks do tend to outperform market-size weighted indices over the long-term. However this can be explained entirely due to equal weight taking more risk (due to having more small stocks). On a risk versus returns basis, you're no better off owning the equal weight index even though it generated higher returns. Also, there are sometimes lower-cost ways to get the same factor exposure (small companies) and return profile.

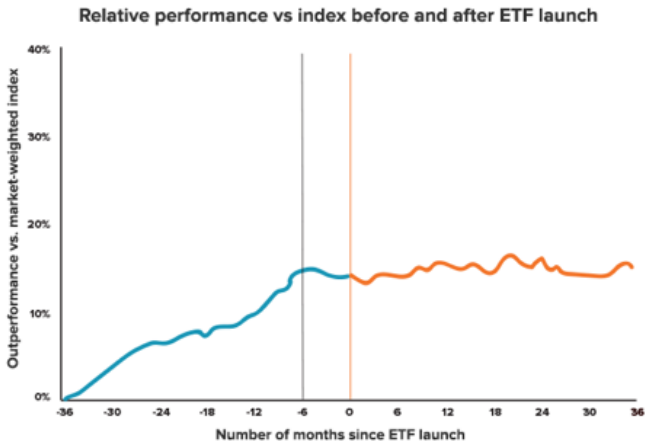


Sources: CRSP US Stock and Index Database, S&P Dow Jones Indexes, Federal Reserve

SMART BETA FOLLOWS IN-VOGUE STYLE TRENDS

It's no coincidence that many of the smart beta funds launched over the past couple of years in Australia have been dividend focused. This is because dividend investment strategies had a great run of performance between 2011 and 2014. ETF issuers know that it's much easier selling strategies that have done well recently than those that haven't since people tend to chase returns.

In fact research has shown that on average, new funds launch about 6 months after the peak in their particular strategy compared to the broad index. This is not a coincidence – the product teams launching new funds usually take about 6 months to get them launched so when they decide to launch a fund it is usually at exactly the point that the particular strategy is showing its best results compared to benchmarks. Unfortunately, outperformance tends to end soon after smart beta ETFs are launched. The underperformance of many 'dividend' themed ETFs which all launched around the peak of the 'yield' theme in 2014/2015 is evidence of this.



Source: Research Affiliates

PERFORMANCE OF SMART BETA ETFS

ASX Code	ETF Name	MER	1 Year Total Return
Market benchmark			
VAS	Vanguard Australian Shares Index ETF	0.14%	2.7%
Dividend focused			
DIV	UBS IQ Morningstar Australia Dividend Yield ETF	0.30%	-1.3%
FDIV	VanEck Vectors S&P/ASX Franked Dividend ETF	0.35%	-3.5%
IHD	iShares S&P/ASX High Dividend Yield ETF	0.30%	-3.7%
RDV	Russell High Dividend Australian Shares ETF	0.34%	-2.6%
STI	SPDR MSCI Australia Select High Dividend Yield Fund	0.35%	-3.2%
VHY	Vanguard Australian Shares High Yield ETF	0.25%	-2.5%
Averages		**0.32%**	**-2.8%**
Ethical			
UBA	UBS IQ MSCI Australian Ethical ETF	0.17%	1.2%
FAIR	BetaShares Australian Sustainability Leaders ETF	0.49%	n/a
RARI	Russell Australian Responsible Investment ETF	0.45%	-0.8%
Averages		**0.37%**	**0.2%**
Value focused			
ETF	UBS IQ Morningstar Australia Multifactor ETF	0.30%	2.1%
RVL	Russell Australia Value ETF	0.34%	-2.1%
Averages		**0.32%**	**0.0%**
Other factors			
AUMF	iShares Edge MSCI Australia Multifactor ETF	0.30%	7.1%
MVOL	iShares Edge MSCI Australia Minimum Volatility ETF	0.30%	9.3%
QOZ	BetaShares FTSE RAFI Australia 200 ETF	0.40%	1.0%
ZYAU	ETFS S&P/ASX 300 High Yield Plus ETF	0.35%	3.7%
Averages		**0.34%**	**5.3%**

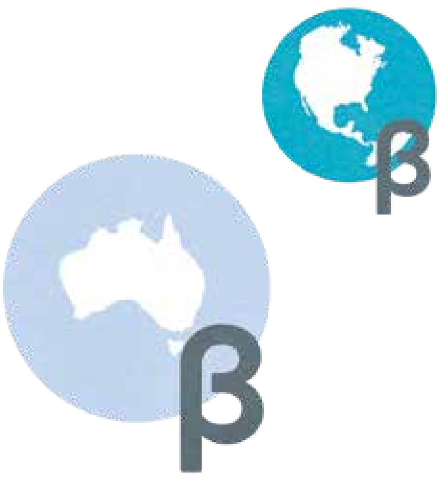
ASX Code	ETF Name	MER	1 Year Total Return
Market benchmark			
VSO	Vanguard MSCI Australian Small Companies Index ETF	0.30%	13.0%
Small-cap focused			
EX20	BetaShares Australian Ex-20 Portfolio Diversifier ETF	0.25%	11.8%
MVS	VanEck Vectors Small Companies Masters ETF	0.49%	9.0%
MVW	VanEck Vectors Australian Equal Weight ETF	0.35%	6.8%
Averages		**0.36%**	**9.2%**

Source: ASX

AVERAGE RETURNS

Over the last year 'smart beta' ETFs have had mixed performances compared to the traditional market cap weighted ETF such as Vanguard Australian Shares Index ETF (VAS).

- Dividend and value focused strategies performed poorly, generally with negative returns
- Ethical ETFs had slightly positive returns but underperformed the broad market
- Small and mid cap focused smart beta ETFs including Ex-20 and Equal Weight ETFs outperformed the market but underperformed vanilla small cap ETFs like Vanguard MSCI Australia Small Companies Index ETF (+13.0%)



CONCLUSION

Most smart beta strategies don't hold up to any analytical rigor as tools for outperformance – typically they pick a factor that has performed well in recent history and launch at the peak of that factors relative performance. We have seen this with dividend themed ETFs over recent years. P-hacking makes it easy to get studies to 'work' so ETF manufacturers can come up with an appealing story and then sell a new product. Factors are actually very hard to predict and if they persist they are arbitraged out of the market by more sophisticated investors, or simply reflect different amounts of risk.

Smart beta ETFs give investors the ability to tilt their portfolios towards certain factors. But if you are considering investing in an smart beta ETF, it is important to understand that you are actually taking bets on certain market factors beating others. You should be comfortable with what those factor bets are, and why you are taking them. If you don't understand the bets you are taking and the only reason you are investing in smart beta is backtesting or recent performance, then what you're buying into isn't smart beta as much as it is smart marketing, and that is not smart investing.

Active Managed Fund ETFs (Australian shares)

ASX Code	ETF Name	MER	1 Year Total Return
Market benchmark			
VAS	Vanguard Australian Shares Index ETF	0.14%	2.7%
Managed funds			
AUST	BetaShares Managed Risk Australian Share Fund (Managed Fund)	0.49%	0.9%
AOD	Aurora Dividend Income Trust	0.97%	-9.2%
HVST	BetaShares Australian Dividend Harvester Fund (Managed Fund)	0.90%	-16.2%
SWTZ	Switzer Dividend Growth Fund (Managed Fund)	0.89%	-1.1%
YMAX	BetaShares Australia Top20 Equity Yield Max Fund	0.79%	-1.7%
HBRD	BetaShares Active Australian Hybrids Fund	0.55%	n/a
EINC	BetaShares Legg Mason Equity Income Fund (Managed Fund)	0.85%	n/a
RINC	BetaShares Legg Mason Real Income Fund (Managed Fund)	0.85%	n/a
SMLL	BetaShares Australian Small Companies Select Fund (Managed Fund)	0.39%	n/a

Source: ASX

COMMENTARY

Several new Australian active ETFs listed during the year. Of the Australian active ETFs that have been listed for more than a year, all of them underperformed the broad market. This shows how difficult it is for active managers to beat the market after their costs are subtracted from gross investment returns.

Active Managed Fund ETFs (Global shares)

ASX Code	ETF Name	MER	1 Year Total Return
Market benchmark			
IOO	iShares S&P Global 100 ETF	0.40%	12.1%

Managed funds			
MGE	Magellan Global Equities Fund (Managed Fund)	1.35%	11.9%
MHG	Magellan Global Equities Fund Currency Hedged (Managed Fund)	1.35%	10.9%
WRLD	BetaShares Managed Risk Global Share Fund (Managed Fund)	0.54%	10.2%
UMAX	BetaShares S&P 500 Yield Maximiser Fund (Managed Fund)	0.79%	5.8%
MOGL	Montgomery Global Equities Fund (Managed Fund)	1.32%	n/a

Source: ASX

COMMENTARY

Global share actively managed ETFs followed a similar trend to Australian managers with none able to outperform the broad market iShares S&P Global 100 (IOO).

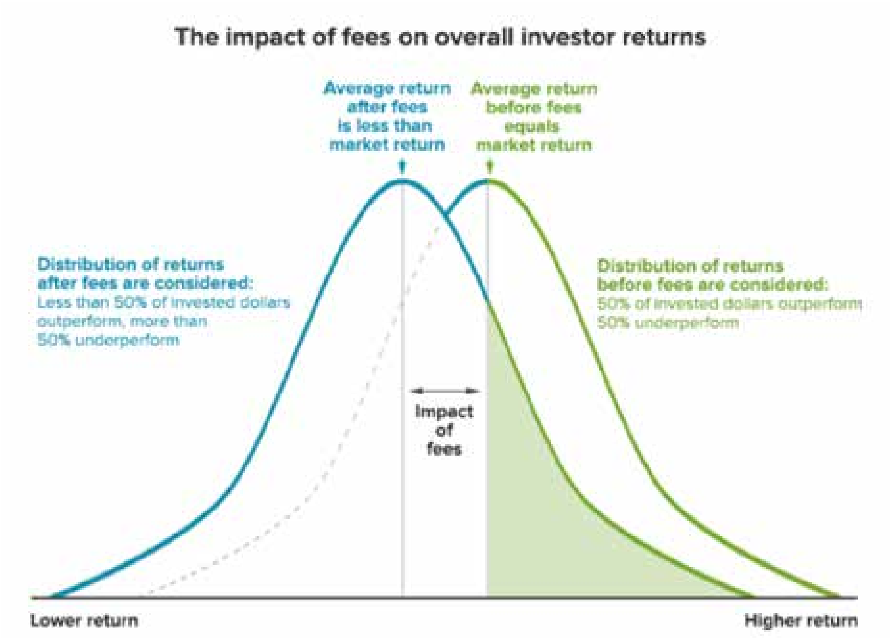
While it is unusual for not a single active manager to outperform the broad market, we would expect the average return of active managers to be below their indexed counterparts over longer periods of time due to the impact of fees. This year the unhedged Magellan Global Equities fund would have beaten index funds if it weren't for its fees.

Why Stockspot avoids active ETFs

Investing is a zero sum game – every BHP, Telstra and Facebook share is owned by someone. If you only own a few shares and they're the good ones that went up by more than the market, then it must be true someone else owns the bad stocks that went up less than the market.

All the active managers own all the stocks, so as a group they can only ever deliver the market return before their fees, and less than that after fees. Research including the SPIVA® Australia Scorecard and Stockspot Fat Cat Funds Report consistently shows that ~75% of active managers underperform the market each year. The ~25% that does well tends to be different each year so it's very difficult to pick winners in active investing.

The shaded green area shows why on average, only 25% of active managers beat the market on any year.



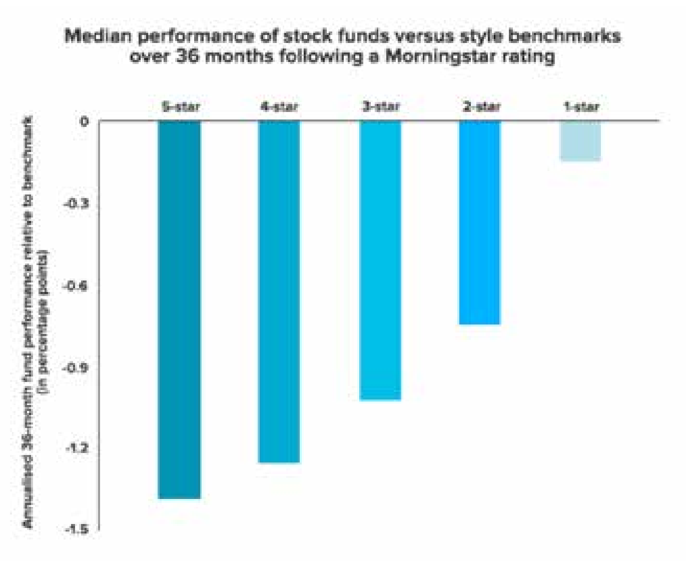
Source: Vanguard. Note that these distributions are theoretical and do not reflect any set of actual returns.

That doesn't mean that some professionals don't have a good run. Fund managers can often have a great period of success, but performance tends to 'revert to the mean' over the long run. A period of good relative performance by a fund manager is often followed by a period of poor relative performance. There are exceptions where fund managers have been consistent for decades, however it takes 22 years of performance data to have 90% confidence that their performance was actually due to skill and not luck.[2]

Good active managers do exist but they are rare and by the time they have built a reliable track record they're often closed to accepting new money, or retired.

Unfortunately because of investor herd chasing behaviour, top performing funds tend to attract lots of money after good performance and before they start to lag. The same happens with 'hot' asset classes or sectors of the market – inflows tend to be largest at the top which is exactly when they should be avoided!

Vanguard recently addressed this phenomenon in a research paper. They looked at fund performance for the 36 months after funds received a rating from Morningstar. **Their surprising discovery was that the highest 5-star funds actually under-performed the lowly rated 1-star funds by about 1.30%.**



Ratings agencies tend to put a lot of weight on recent fund performance. However, fund managers who have performed well over the recent past often perform badly in subsequent years because investment styles are 'mean reverting'. For example, a 'value' fund that beats the market for a few years is prone to underperformance when 'growth' stocks excel for a few years. In the Fat Cat Funds Report we found very few managers who were able to consistently outperform the market, even over 5 years.

Similarly S&P Dow Jones Indices analysed 715 past top-performing funds, focusing on U.S. stock funds between 2010 and 2014. It found only 2 funds stayed in the top 25% through the four-year period.

Fund managers struggle to stay on top for an extended period, as most favour a certain investment style (like value or growth) and these styles tend to come in and out of favour with the market.

The lower the fee you pay to have your funds invested, the more money there is left for you. Every dollar you pay in commissions, funds management fees, adviser fees or brokerage come directly out of your returns. Active fund managers as a group have average performance over the long run, so paying them large fees destroys your long term earning potential. This is why Stockspot has avoided recommending active funds to our clients.

[2] The Pension Institute Discussion Paper PI-1401

Ethical investing

Known as ethical investing, sustainable investing or green investing, socially responsible investing is an investment strategy that considers both financial return and social good to bring about social change.

Its history is believed to date back to the Quaker Society in the late 18th Century when members were banned from participating in the slave trade. Seems fair enough today. Back then, it was a bold statement.

Fast forward a few hundred years we saw people question the ethics of companies during the Vietnam War. Dow Chemical, a napalm producer, was boycotted and the subject of protests across America for its war profiteering when a photo was released of a nine-year-old girl running naked and screaming with her back on fire from the napalm dropped on her village. Recently fast fashion brands like H&M and Zara are under scrutiny for labour rights violations, so some ethical funds have stopped investing in these brands.

WHAT IS ETHICAL?

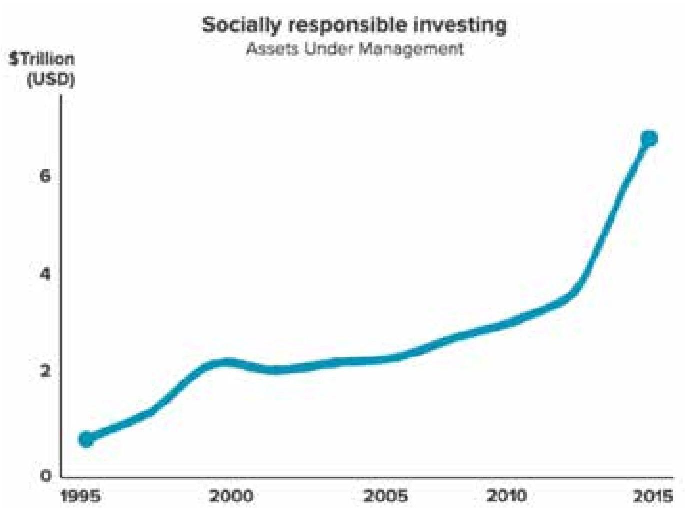
People's idea of what socially responsible investing is can often be different. This makes ethical investing tricky because funds can invest quite differently. You may want a fund that avoids fossil fuels. There are plenty. However those funds may invest in companies involved in gambling or cigarettes – which you may oppose. The IQ MSCI Australian Ethical fund states it doesn't invest in ammunition or tobacco – both serious killers. That's great, apart from the small fact there are no ASX listed ammunition or tobacco manufacturing companies in Australia. Dig deeper and you find the fund invests in fossil fuel production which may not fit your definition of ethical.

Most ethical funds invest in the tech giants like Apple and Google which book much of their global profit in tax havens to avoid paying tax in the local jurisdictions in which they operate. Equally, Australian banks feature heavily in most ethical fund portfolios despite the spate of recent scandals exposing how poorly they treat their customers. How ethical is charging dead customers?

You need to look carefully at where ethical funds invest to make sure it aligns with your world view and values. Beautiful photographs and emotive words on a website don't necessarily translate to a fund operating within your definition of ethical investing.

HOW HAVE ETHICAL FUNDS BEEN GROWING?

The past 20 years there's been a steady increase in funds targeting people who want to invest with social responsibility, moral or ethical philosophy. Ethical investing is now big business with many billions of dollars invested in ethical funds in Australia.



The Responsible Investment Association of Australia (RIAA), estimates there is over $6 trillion invested in ethical strategies around the world.

ARE THEY MAKING GOOD RETURNS?

Returns from Australian ethical funds have been mixed. For years they have failed to deliver competitive returns. This has reversed recently and over the last 5 years many ethical funds have beaten the broader index. One reason for the better performance of many ethical funds since about 2010 is an absence of companies like BHP Billiton and Rio Tinto on account of their investments in fossil fuels and coal seam gas. Both stocks had underperformed the market which has helped ethical funds perform well. However over the last year this trend has reversed again and all of the Australian ethical ETFs underperformed the market.

SAVING THE WORLD SHOULDN'T COST THE WORLD

Some socially responsible funds charge, in our view, outrageous fees for access to their ethical investment process. Their hope is that people who care about the environment won't mind that fees are eroding their investment. It is well documented in academia and research including in our Fat Cat Funds Report that any fund charging upwards of 1% per year in management fees will inevitably struggle to deliver even market returns over the long run because of the drag of costs.

Given this, we would question whether it is ethical for any fund (and particularly an ethical fund) to charge over 1% per year in fees, regardless of its social objective.

ETF ISSUERS TAKING A STAND

The popularity of ETFs has resulted in the big three issuers – Blackrock (iShares), Vanguard and State Street Global (SPDR) owning significant percentages of many large companies around the globe. As index funds they can't sell shares to take a stand on particular issues, but are becoming more active when it comes to voting on all sorts of shareholder issues.

All three major issuers have recently created investment stewardship plans with economic social governance principles that outline their views. These plans maintain that businesses need to consider climate change and diversity in the workforce as part of their future strategies. The issuers' constantly engage with businesses about their concerns and have shared goals of long-term success.

BetaShares recently launched the BetaShares Australian Sustainability Leaders ETF (FAIR) that screens companies for sustainable business activities and excludes those with exposure to fossil fuels and other areas of ethical concern such as gambling. Likewise the Vaneck Vectors MSCI International Sustainable Equity ETF (ESGI) has exclusions covering a range of industries, with a focus on companies with low fossil fuel use and carbon emissions.

WHAT ARE YOUR VALUES?

When investing in a socially responsible fund you should consider your personal values and make sure they match up with what you're investing in. Fees should also be a consideration when selecting an ethical fund.

ETF Sectors

AUSTRALIAN SHARES

This group of ETFs includes products that invest in Australian shares. They have been grouped into market-cap based ETFs, rules based ETFs and active ETFs.

AUSTRALIAN SHARES (SECTORS)

This group of ETFs track the movements of various sectors of the Australian share market. As it only has market-cap based ETFs, comparisons are made within the three major sectors; resources, financials and property.

GLOBAL SHARES

This group of ETFs cover global markets and share indices across various regions and countries. This includes the USA, Europe, Asia, Japan, Hong Kong, China, Taiwan and South Korea.

GLOBAL SHARES (SECTORS)

These ETFs cover specific sectors of the sharemarket across the globe. The new ETFs focusing on technology and infrastructure provide new options for investors to gain access to market sectors that are underrepresented within the Australian indices.

FIXED INCOME AND CASH

This group offers exposure to fixed income and cash products from Australia and overseas. They are an important building block of a balanced investment portfolio, providing a cushion against the volatility of share market ETFs.

CURRENCY

These ETFs track the performance of various currencies. They provide investors with direct access to currency performance without holding physical currency or purchasing derivatives.

COMMODITY

These ETFs cover the natural resources and commodity sectors. The Structured Products, or synthetic ETFs hold financial contracts rather than owning the physical underlying assets. This is usually for commodities such as oil and agricultural products, which mainly have value in their use and in large quantities.


%
BOND

This group of ETFs includes products that invest in Australian shares. They have been grouped into market-cap based ETFs, rules based ETFs and active ETFs.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Market-cap based ETFs										
IOZ	iShares Core S&P/ASX 200 ETF	iShares	0.15%	608	1255	647	47,587,459	0.07%	3.8%	2.0%
STW	SPDR S&P/ASX 200	SPDR	0.19%	3385	3511	126	374,524,785	0.04%	4.5%	2.3%
VAS	Vanguard Australian Shares Index ETF	Vanguard	0.14%	1819	2534	715	122,884,680	0.05%	3.8%	2.7%
ILC	iShares S&P/ASX 20 ETF	iShares	0.24%	339	306	-33	12,924,655	0.09%	5.0%	-2.7%
VLC	Vanguard MSCI Australian Large Companies Index ETF	Vanguard	0.20%	73	78	5	2,510,048	0.06%	4.6%	-2.4%
SFY	SPDR S&P/ASX 50	SPDR	0.29%	456	472	17	25,403,692	0.05%	5.1%	-0.4%
ZOZI	ETFS S&P/ASX 100 ETF	ETF Securities	0.24%	32	8	-24	164,602	0.19%	5.2%	2.5%
MVE	VanEck Vectors S&P/ASX MidCap 50 ETF	VanEck Vectors	0.45%	28	68	40	6,644,647	0.11%	3.8%	12.8%
ISO	iShares S&P/ASX Small Ordinaries ETF	iShares	0.55%	64	82	18	4,979,245	0.31%	2.1%	13.7%
VSO	Vanguard MSCI Australian Small Companies Index ETF	Vanguard	0.30%	85	154	69	14,038,488	0.13%	3.7%	13.0%
SSO	SPDR S&P/ASX Small Ordinaries Fund	SPDR	0.50%	12	19	7	716,179	0.28%	2.5%	16.6%
Averages			**0.30%**					**0.12%**	**4.0%**	**5.5%**
Totals				**6,901**	**8,488**	**1,587**	**612,378,482**			

Source: ASX

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Rules-based ETFs										
AUMF	iShares Edge MSCI Australia Multifactor ETF	iShares	0.30%	6	8	1	732,529	0.23%	4.3%	7.1%
MVOL	iShares Edge MSCI Australia Minimum Volatility ETF	iShares	0.30%	6	6	0	83,182	0.16%	4.8%	9.3%
ETF	UBS IQ Morningstar Australia Quality ETF	UBS	0.30%	19	8	-11	191,535	0.11%	1.5%	2.1%
RVL	Russell Australian Value ETF	Russell	0.34%	14	13	-1	919,967	0.07%	4.6%	-2.1%
EX20	BetaShares Australian Ex-20 Portfolio Diversifier ETF	BetaShares	0.25%	8	26	18	3,251,510	0.15%	2.2%	11.8%
DIV	UBS IQ Morningstar Australia Dividend Yield ETF	UBS	0.30%	27	26	-1	450,884	0.22%	4.2%	-1.3%
FDIV	VanEck Vectors S&P/ASX Franked Dividend ETF	VanEck Vectors	0.35%	4	4	0	705,225	0.13%	5.8%	-3.5%
IHD	iShares S&P/ASX High Dividend Yield ETF	iShares	0.30%	257	251	-5	9,959,879	0.11%	5.2%	-3.7%
SYI	SPDR MSCI Australia Select High Dividend Yield Fund	SPDR	0.35%	175	178	4	8,606,749	0.07%	4.9%	-3.2%
VHY	Vanguard Australian Shares High Yield ETF	Vanguard	0.25%	780	1014	234	67,082,444	0.07%	8.1%	-2.5%
RDV	Russell High Dividend Australian Shares ETF	Russell	0.34%	287	280	-7	12,228,495	0.09%	6.7%	-2.6%
MVS	VanEck Vectors Small Companies Masters ETF	VanEck Vectors	0.49%	55	67	12	7,221,353	0.33%	3.2%	9.0%
ZYAU	ETFS S&P/ASX 300 High Yield Plus ETF	ETF Securities	0.35%	16	51	35	7,587,641	0.16%	10.1%	3.7%
QOZ	BetaShares FTSE RAFI Australia 200 ETF	BetaShares	0.40%	201	255	55	65,064,792	0.12%	4.2%	1.0%
MVW	VanEck Vectors Australian Equal Weight ETF	VanEck Vectors	0.35%	211	447	236	36,425,715	0.09%	3.2%	6.8%
UBA	UBS IQ MSCI Australian Ethical ETF	UBS	0.17%	162	176	14	3,535,008	0.09%	4.1%	1.2%
FAIR	BetaShares Australian Sustainability Leaders ETF	BetaShares	0.49%	0	99	99	29,774,422	0.15%	0.2%	n/a

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
RARI	Russell Australian Responsible Investment ETF	Russell	0.45%	61	68	8	2,092,994	0.19%	5.5%	-0.8%
Averages			**0.34%**					**0.14%**	**4.6%**	**1.9%**
Totals				**2,289**	**2,979**	**690**	**255,914,324**			

Active ETFs										
AUST	BetaShares Managed Risk Australian Share Fund (Managed Fund)	BetaShares	0.49%	32	25	-7	783,716	0.10%	4.3%	0.9%
AOD	Aurora Dividend Income Trust	Aurora	0.97%	11	7	-3	131,497	2.67%	8.6%	-9.2%
EINC	BetaShares Legg Mason Equity Income Fund (Managed Fund)	BetaShares	0.85%	0	7	7	644,226	0.35%	0.0%	n/a
HVST	BetaShares Australian Dividend Harvester Fund (Managed Fund)	BetaShares	0.90%	427	209	-218	30,232,643	0.13%	11.9%	-16.2%
KSM	K2 Australian Small Cap Fund (Hedge Fund)	K2	1.31%	20	15	-5	312,715	1.16%	9.8%	12.5%
RINC	BetaShares Legg Mason Real Inome Fund (Managed Fund)	BetaShares	0.85%	0	7	7	683,617	0.45%	0.0%	n/a
SMLL	BetaShares Australian Small Companies Select Fund (Managed Fund)	BetaShares	0.39%	0	20	20	3,809,339	0.52%	1.2%	n/a
SWTZ	Switzer Dividend Growth Fund (Managed Fund)	Switzer	0.89%	60	76	15	1,594,999	0.50%	3.9%	-1.1%
YMAX	BetaShares Australia Top20 Equity Yield Max Fund	BetaShares	0.79%	377	382	4	17,711,613	0.18%	9.1%	-1.7%
BBOZ	BetaShares Australian Strong Bear (Hedge Fund)	BetaShares	1.38%	86	83	-3	35,193,530	0.13%	0.0%	-1.6%
BEAR	BetaShares Australian Equities Bear (Hedge Fund)	BetaShares	1.38%	57	54	-3	8,748,436	0.11%	0.0%	-0.1%
GEAR	BetaShares Geared Australian Equity Fund (Hedge Fund)	BetaShares	0.80%	57	70	13	32,846,180	0.13%	7.1%	0.2%
Averages			**0.92%**					**0.54%**	**4.7%**	**-1.8%**
Totals				**1,128**	**955**	**-173**	**132,692,511**			

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Overall										
Averages			0.50%					0.25%	4.5%	2.1%
Totals				10,317	12,421	2,104	1,000,985,317			

Source: ASX

AVERAGE RETURNS

Australian share ETFs had a relatively low average return of 2.1% after fees for the year including a 4-5% dividend yield. Market-cap based ETFs fared better than smart beta and active ETFs with a 5.5% average return and the three top performers. Smart beta ETFs returned 1.9% and active ETFs -1.8%.

Despite the large number of new active ETF listings, few had been able to even match the market return or their respective benchmarks.

BEST AND WORST PERFORMERS

Funds invested in small cap companies out-performed large cap funds across the three groupings of ETFs, while growth focused shares beat high-dividend paying companies.

For market-cap based ETFs, the SPDR S&P/ASX Small Ordinaries Fund's (SSO) had the highest returns at 16.6%. This trend was mirrored with iShares S&P/ASX Small Ordinaries ETF (ISO) and Vanguard MSCI Australian Small Companies Index ETF (VSO) having the next highest annual returns at 13.7% and 13.0% respectively. To contrast, the worst performer was iShares S&P/ASX 20 ETF (ILC) with -2.7%, which only includes the twenty largest companies by market capitalisation. The Vanguard MSCI Australian Large Companies Index ETF (VLC) returned -2.4% with the thirty largest companies.

On rules-based ETFs, BetaShares Australian Ex-20 Portfolio Diversifier ETF (EX20) that excludes the twenty largest companies, was the top performer with a 11.8% return. The VanEck Vectors Small Companies Masters ETF (MVS) has the second highest return at 9.3%. This performance was equalled by the iShares Edge MSCI Australia Minimum Volatility ETF (MVOL).

Worst performers

Dividend strategies were the worst smart beta performers with the iShares S&P/ASX High Dividend Yield ETF (IHD) at -3.7%. Four other ETFs with the same yield focus had returns ranging between -3.5% to -2.5%. They include: VanEck Vectors S&P/ASX Franked Dividend ETF (FDIV), SPDR MSCI Australia Select High Dividend Yield Fund (SYI), Vanguard Australian Shares High Yield ETF (VHY) and Russell High Dividend Australian Shares ETF (RDV).

The BetaShares Australian Dividend Harvester Fund (Managed Fund) (HVST) had the worst overall performance in the past year with a -16.2% return, whilst the K2 Australian Small Cap Fund (Hedge Fund) (KSM) returned 12.5% by investing in small companies.

Active share ETFs had the lowest average performance with -1.8%, and were one of only four sub-groups with a negative average return across the entire market.

Top performers

This year's top performer, BetaShares Australian Ex-20 Portfolio Diversifier ETF (EX20) had avoided weak performance from banks and accessed better performance from smaller shares by excluding the 20 largest companies of the ASX200. Other top performers were VanEck Vectors Small Companies Masters ETF (MVS) and the VanEck Vectors Australian Equal Weight ETF (MVW), both highlighting the trend of smaller companies outperforming the large-caps shares this year.

Other top strategies included the iShares Edge MSCI Australia Minimum Volatility ETF (MVOL) ETF tracking an index made of around 105 companies with lower than average volatility measures and the iShares Edge MSCI Australia Multifactor ETF (AUMF) that ranks stocks based on quality, size, value and momentum.

Dividend and quality strategies had a less successful year, with the majority underperforming Vanguard Australian Shares Index ETF (VAS) and SPDR S&P/ASX 200 (STW).

Some smart beta funds have not attracted enough interest to remain listed. Russell has announced it will close the Russell Australian Value ETF (RVL) in May 2018 due to limited interest in the product.

LARGEST INFLOWS AND OUTFLOWS

The broad Australian sharemarket remained popular with investors, who continue to gravitate towards large ETFs tracking well-known indices.

The iShares Core S&P/ASX 200 ETF (IOZ) grew by $647 million in FUM and received an inflow of $468 million in November 2017 alone. Its competitor, the Vanguard Australian Shares Index ETF (VAS) grew by $715 million in FUM, with an inflow of $321 million in September 2017. These two were responsible for 65% of the funds increase in this group. The iShares S&P/ASX 20 ETF (ILC) had the greatest outflow of $33 million, as well as being the worst performing market-cap based ETF. The ETF S&P/ASX 100 ETF (ZOZI) was the only other ETF with negative FUM growth, with an outflow of $24 million.

For rules-based ETFs, the VanEck Vectors Australian Equal Weight ETF (MVW) received the highest inflow of $236 million. It continues to perform well due to the outperformance of small shares relative to banks. This was closely followed by the $234 million inflow into the Vanguard Australian Shares High Yield ETF (VHY). The UBS IQ Morningstar Australia Quality ETF (ETF) had the greatest outflow with a $11 million decline in FUM.

The BetaShares Australian Dividend Harvester Fund (Managed Fund) (HVST) had the greatest decline in FUM of all products, with a $218 million outflow over the year. The BetaShares Australian Small Companies Select Fund (Managed Fund) (SMLL) attracted the greatest amount of FUM amongst active ETFs, with $20 million since its launch in April 2017. The Switzer Dividend Growth Fund (Managed Fund) (SWTZ) saw the greatest inflows for existing products with $15 million in inflows.

NEW FUNDS AND CLOSURES

BetaShares was responsible for all four new products in this category. It launched a new ethical investing option, the BetaShares Australian Sustainability Leaders ETF (FAIR) and the BetaShares Australian Small Companies Select Fund (Managed Fund) (SMLL), a managed fund that invests in small companies. Together with fund manager Legg Mason they also launched two actively managed products focused on income, the BetaShares Legg Mason Real Income Fund (Managed Fund) (RINC) and the BetaShares Legg Mason Equity Income Fund (Managed Fund) (EINC).

Russell Investments announced that its Russell Australian Value ETF (RVL) will stop trading and close down in May due to a lack of demand for the product. Stockspot prefers larger ETFs with at least $25 million in FUM for this very reason - because smaller products are at risk of closing due to being uncommercial.

OVERALL TRENDS

Generally, the outperformance of small companies and negative returns of dividend strategies and active strategies stand out as key trends. Due to Australian banks having a large weighting in market-cap indices their performance is the largest swing factor in determining whether large cap beats small cap and if market-cap ETFs beat equal weight ETFs.

Vanguard is now responsible for 30.4% of FUM in this group, approaching SPDR's lead at 33.7%. VanEck Vectors grew rapidly from a small base and almost doubled FUM in this sector.

STOCKSPOT CHOSEN ETFS

The **Vanguard Australian Shares Index ETF (VAS)** is our current Stockspot portfolio inclusion. It offers exposure to the three hundred largest companies in Australia by tracking the established S&P ASX/300 Index. It has greater diversification benefits than the SPDR S&P/ASX200 (STW) ETF which tracks the S&P/ASX 200, as well as having a lower expense ratio.

Stockspot Themes also include the **SPDR S&P/ASX 50 (SFY)** for those after a large-cap focus and **Vanguard MSCI Australian Small Companies Index ETF (VSO)** for those who prefer to tilt their portfolios towards small-cap shares. The **Russell Australian Responsible Investment ETF (RARI)** is offered as a socially responsible theme option for clients.

We currently avoid smart beta and strategy based ETFs because their fees tend to be higher and returns less consistent. The evidence does not suggest they will improve on results from strategic asset allocation using more vanilla ETFs over the long run. This year's underperformance from smart-beta ETFs and active ETFs would certainly support our view.

This group of ETFs track the movements of various sectors of the Australian share market. As it only has market-cap based ETFs, comparisons are made within the three major sectors; resources, financials and property.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Resources Sector										
MVR	VanEck Vectors Australian Resources ETF	VanEck Vectors	0.35%	25	81	56	43,282,737	0.12%	3.1%	19.4%
OZR	SPDR S&P/ASX 200 Resource Fund	SPDR	0.40%	31	59	28	2,563,907	0.15%	2.2%	17.2%
QRE	BetaShares S&P/ASX 200 Resources Sector ETF	BetaShares	0.39%	16	118	101	45,620,842	0.22%	1.4%	17.3%
Averages			**0.38%**					**0.16%**	**2.2%**	**18.0%**
Totals				**73**	**259**	**185**	**91,468,485**			
Financial Sector										
MVB	VanEck Vectors Australian Bank ETF	VanEck Vectors	0.28%	28	29	1	1,504,253	0.10%	5.9%	-7.4%
OZF	SPDR S&P/ASX 200 Financials ex A-REITs Fund	SPDR	0.40%	66	59	-8	5,018,342	0.09%	5.2%	-7.2%
QFN	BetaShares S&P/ASX 200 Financials Sector ETF	BetaShares	0.39%	18	14	-4	983,216	0.12%	4.1%	-6.5%
Averages			**0.36%**					**0.10%**	**5.1%**	**-7.0%**
Totals				**112**	**102**	**-11**	**7,505811**			
Property Sector										
MVA	VanEck Vectors Australian Property ETF	VanEck Vectors	0.35%	58	103	44	22,281,754	0.14%	6.1%	-0.9%
SLF	SPDR S&P/ASX 200 Listed Property Fund	SPDR	0.40%	586	554	-31	17,613,130	0.14%	4.1%	-1.3%
VAP	Vanguard Australian Property Securities Index ETF	Vanguard	0.23%	858	983	125	80,625,544	0.09%	3.1%	-0.4%
Averages			**0.33%**					**0.12%**	**4.4%**	**-0.9%**
Totals				**1,502**	**1,640**	**138**	**120,520,438**			
Overall										
Averages			**0.35%**					**0.13%**	**3.9%**	**3.4%**
Totals				**1,687**	**2,000**	**313**	**219,494,734**			

Source: ASX

AVERAGE RETURNS

The average return of 3.4% was the fifth highest across ETF groups, ahead of Australian share and fixed income ETFs. This group's average returns are affected by the wide range of returns, with a 26% difference between the best and worst performers.

BEST AND WORST PERFORMERS

With a focus on one area of the economy, the performance of sector ETFs tends to vary drastically over time.

The resources sector has grown less rapidly after exceptional performances of up to 40% last year, but has provided high returns ranging from 17% to 19% and is the only sector with all positive inflows since November 2017. The VanEck Vectors Australian Resources ETF (MVR) was the top performer with 19.4%, slightly ahead of the SPDR S&P/ASX 200 Resource Fund (OZR) and BetaShares S&P/ASX 200 Resources Sector ETF (QRE) with 17.2% and 17.3% annual returns respectively.

The financial sector ETFs all had negative returns clustered around -7%. The VanEck Vectors Australian Bank ETF (MVB) was the worst performer with -7.4%, SPDR S&P/ASX 200 Financials ex A-REITs Fund (OZF) was slightly behind with -7.2% and BetaShares S&P/ASX 200 Financials Sector ETF (QFN) with -6.5%. These results were impacted by large weightings towards bank shares which lagged the overall market.

LARGEST INFLOWS AND OUTFLOWS

Of this group's $313 million of funds growth, 40% went to Vanguard Australian Property Securities Index ETF (VAP) and 32% to BetaShares S&P/ASX 200 Resources Sector ETF (QRE).

The trend of SPDR S&P/ASX 200 Listed Property Fund (SLF) losing funds in contrast with its lower priced competitors from VanEck Vectors Australian Property ETF (MVA) and Vanguard Australian Property Securities Index ETF (VAP) continued. It had the greatest outflows, with a $31 million decline in FUM.

OVERALL TRENDS

The divergent results of this group's ETFs highlights the importance of diversifying investment across different sectors. Resources ETFs were top performers and more than tripled their original FUM to overtake financial ETFs as the second largest sub-category. The positive growth of resources ETFs contrasts with the negative returns and FUM outflows of financial sector ETFs. The returns for property ETFs flatlined and despite overall positive FUM inflows, they declined fromm 89% to 82% of this group's total FUM.

These 3 sectors already account for a significant portion of the general Australian share market. The holdings of the SPDR ASX200 ETF (STW) are ~33% financials, ~18% materials and ~7% property trusts. An additional point to note is that these sectors have concentrated holdings, with the largest few stocks accounting for over half the index.

- Financials: The 'big four' banks typically represent around 70% of the S&P/ASX 200 Financials ex A-REIT Index.
- Property: The largest 5 REITs make up nearly 62% of the S&P/ASX200 Property Index, with Scentre Group, Westfield Corp, Goodman Group, Stockland and Dexus dominating this index.
- Resources: BHP, Rio Tinto, Woodside Petroleum make up approximately 49% of the S&P/ASX200 Resources Index, with BHP alone still contributing around 30% of this index.

For this reason we prefer to invest globally for sector diversification and to reduce the concentration towards Australian resource and financial stocks.

STOCKSPOT CHOSEN ETFS

Stockspot Themes include **Vanguard Australian Property Securities Index ETF (VAP)** for investors who want more direct exposure to property. It remains the largest, most liquid and lowest fee sector ETF as well as the sector with the lowest representation within the overall Australian market.

This group of ETFs cover global markets and share indices across various regions and countries. This includes the USA, Europe, Asia, Japan, Hong Kong, China, Taiwan and South Korea.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Multiple market										
IOO	iShares S&P Global 100 ETF	iShares	0.40%	1,121	1,333	211	37,482,477	0.13%	1.9%	12.1%
IHOO	iShares Global 100 AUD Hedged ETF	iShares	0.43%	28	35	7	1,867,421	0.43%	11.7%	8.5%
IHWL	iShares Core MSCI World All Cap AUD Hedged ETF	iShares	0.19%	4	11	8	462,012	0.49%	1.1%	8.7%
IWLD	iShares Core MSCI World All Cap ETF	iShares	0.16%	6	23	17	1,249,061	0.46%	1.5%	12.1%
IVE	iShares MSCI EAFE ETF	iShares	0.33%	247	316	69	19,260,867	0.18%	2.2%	13.1%
VEU	Vanguard All-World ex US Shares Index ETF	Vanguard	0.11%	771	1,177	406	48,679336	0.14%	2.3%	14.1%
VGAD	Vanguard MSCI Index International Shares (Hedged) ETF	Vanguard	0.21%	203	386	183	30,301,228	0.10%	5.1%	9.0%
VGS	Vanguard MSCI Index International Shares ETF	Vanguard	0.18%	414	941	527	64,115,898	0.07%	2.7%	12.6%
WXHG	SPDR S&P World ex Australian (Hedged) Fund	SPDR	0.35%	74	79	4	2,862,156	0.23%	2.9%	10.1%
WXOZ	SPDR S&P World ex Australian Fund	SPDR	0.30%	147	167	20	2,049,873	0.18%	2.2%	13.0%
Averages			**0.27%**					**0.24%**	**3.4%**	**11.3%**
Totals				**3,015**	**4,466**	**1,451**	**208,330,329**			

Source: ASX

Multiple market

The Vanguard All-World ex US Shares Index ETF (VEU) had the best performance amongst ETFs that cover multiple markets with a 14.1% return. The lowest returns were 8.5% from the iShares Global 100 AUD Hedged ETF (IHOO), indicating that the Australian Dollar declined in value against overseas currencies. With an average return of 11.3%, global ETFs performed better than all sub-categories except for emerging market and Asian ETFs.

Multiple market ETFs received 32% of the group's total FUM to overtake US share ETFs as the largest sub-group. The Vanguard MSCI Index International Shares ETF (VGS) attracted positive inflows each month to achieve the largest overall increase in FUM of $527 million. The second highest overall increase in FUM came from Vanguard All-World ex US Shares Index ETF (VEU) with $406 million. All global ETFs had positive inflows, with the SPDR S&P World ex Australia (Hedged) Fund (WXHG) having the lowest increase in FUM of $4 million.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
US Shares										
IHVV	iShares S&P 500 AUD Hedged ETF	iShares	0.10%	108	109	1	6,525,045	0.15%	1.8%	11.4%
IVV	iShares S&P 500 ETF	iShares	0.04%	2,143	2,490	347	102,994,518	0.08%	1.6%	11.7%
SPY	SPDR S&P 500 ETF Trust	SPDR	0.09%	19	19	0.056	1,283,595	0.31%	1.6%	11.9%
IJH	iShares S&P Midcap ETF	iShares	0.07%	115	141	26	18,252,044	0.23%	1.1%	9.2%
IJR	iShares S&P Small-Cap ETF	iShares	0.07%	77	110	32	6,569,370	0.37%	1.0%	10.6%
IRU	iShares Russell 2000 ETF	iShares	0.20%	60	74	14	5,115,942	0.36%	1.0%	10.8%
VTS	Vanguard US Total Market Shares Index ETF	Vanguard	0.04%	958	1,207	249	47,715,713	0.11%	1.5%	11.7%
NDQ	BetaShares NASDAQ 100 ETF	BetaShares	0.48%	88	262	175	43,430,979	0.12%	0.4%	19.4%
Averages			**0.14%**					**0.22%**	**1.2%**	**12.1%**
Totals				**3,568**	**4,412**	**844**	**231,887,206**			

Source: ASX

US Shares

US shares were supported by strong growth from the technology sector. BetaShares' NASDAQ 100 ETF (NDQ) was the top performer with a return of 19.4%. The iShares S&P Midcap ETF (IJH) focusing on medium-sized companies had the lowest returns of 9.2%. Interestingly small and mid cap shares underperformed the large tech shares in the US. The opposite has been true in Australia with small and mid size companies beating the large banks.

US share ETFs all had positive inflows, although the lowest increase in FUM was just $0.06 million for the SPDR S&P 500 ETF Trust (SPY). Its competitor and lower fee option, the iShares S&P 500 ETF (IVV), had the greatest increase in FUM with $347 million. US share ETFs had the highest total increase in FUM with $844 million, but fell behind global ETFs' $1,451 million inflow.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Asian Shares										
IAA	iShares S&P Asia 50 ETF	iShares	0.50%	258	423	165	20,651,449	0.43%	1.2%	29.1%
VAE	Vanguard FTSE Asia Ex-Japan Shares Index ETF	Vanguard	0.40%	26	71	45	11,844,200	0.39%	2.8%	21.4%
IHK	iShares MSCI Hong Kong ETF	iShares	0.48%	13	15	2	1,168,668	1.08%	3.7%	15.7%
IKO	iShares MSCI South Korea Capped Index ETF	iShares	0.64%	36	41	5	1,519,511	0.77%	2.4%	21.4%
ISG	iShares MSCI Singapore ETF	iShares	0.48%	8	6	-2	280,364	0.86%	2.8%	18.1%
ITW	iShares MSCI Taiwan ETF	iShares	0.64%	63	47	-16	721,027	1.04%	2.2%	15.7%
CETF	VanEck Vectors China AMC A-Share ETF	VanEck Vectors	0.72%	2	10	7	1,035,809	0.41%	0.9%	20.1%
IZZ	iShares FTSE China Large-Cap ETF	iShares	0.74%	67	99	32	11,171,206	0.42%	1.9%	22.1%
HUPN	BetShares WisdomTree Japan ETF - Currency Hedged	BetaShares	0.58%	25	70	45	11,671,718	0.22%	2.3%	9.3%
IJP	iShares MSCI Japan ETF	iShares	0.48%	169	238	69	21,750,735	0.22%	1.0%	16.2%
Averages			**0.57%**					**0.58%**	**2.1%**	**18.9%**
Totals				**667**	**1,019**	**352**	**81,814,688**			

Source: ASX

Asian Shares

Asian share ETFs had the second highest average returns with 18.9%. The iShares S&P Asia 50 ETF (IAA) was the second best performer amongst all ETFs with a 29.1% return. Large companies in Asia had great returns, with regional ETFs providing better returns than any specific national market. They were buoyed by high returns and large exposures to China and South Korea, with technology giants Tencent and Samsung leading the way. The decline of the Australian Dollar versus the Yen negatively impacted the BetaShares WisdomTree Japan ETF - Currency Hedged (HJPN), which had the lowest return of 9.3%.

The top performer, the iShares S&P Asia 50 ETF (IAA) saw the greatest increase in FUM with $165 million for Asian share ETFs. Despite a positive return of 9.3%, the iShares MSCI Taiwan ETF (ITW) decreased FUM by $16 million. Together with the iShares MSCI Singapore ETF (ISG)'s outflow of $2 million, these were two of only four ETFs to have declines in FUM from this group.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
European Shares										
ESTX	ETFS EURO STOXX 50 ETF	ETF Securities	0.35%	3	68	65	15,220,798	0.13%	1.2%	13.4%
HEUR	BetaShares WisdomTree Europe ETF - Currency Hedged	BetaShares	0.58%	18	50	32	7,441,487	0.20%	1.5%	1.5%
IEU	iShares S&P Europe ETF	iShares	0.60%	522	807	285	38,527,821	0.12%	2.1%	13.3%
VEQ	Vanguard FTSE Europe Shares ETF	Vanguard	0.35%	64	163	98	11,364,422	0.31%	2.1%	14.9%
Averages			**0.47%**					**0.19%**	**1.7%**	**10.8%**
Totals				**608**	**1,088**	**480**	**72,554,528**			

Source: ASX

European Shares

European shares rebounded after a period of sluggish growth with average returns of 10.8%, ahead of US share ETF average returns. With the top performer, the Vanguard FTSE Europe Shares ETF (VEQ) returning 14.9% and the only hedged option, the BetaShares WisdomTree Europe ETF - Currency Hedged (HEUR) being the worst performer with a 1.5% return. The unhedged ETFs benefited from the Euro's gain in value against the Australian Dollar. European shares remains a stable option for investors wanting to diversify from the Australian economy's higher and more direct exposure to Asia as well as the dominance of US shares in global ETFs.

European share ETFs had the second highest growth rate of FUM with 79%, behind multi-asset ETFs. The iShares S&P Europe ETF (IEU) increased FUM by $285 million with the highest inflows. Even the worst performer, the BetaShares WisdomTree Europe ETF - Currency Hedged (HEUR), managed to attract $32 million in FUM – the lowest increase in FUM for European share ETFs.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Emerging Market Shares										
IBK	iShares MSCI BRIC ETF	iShares	0.72%	26	39	13	1,724,316	0.93%	1.2%	27.0%
IEM	iShares MSCI Emerging Markets ETF	iShares	0.69%	435	666	231	38,569,860	0.20%	1.6%	21.4%
VGE	Vanguard FTSE Emerging Markets Shares ETF	Vanguard	0.48%	80	209	129	17,467,707	0.27%	1.6%	17.4%
WEMG	SPDR S&P Emerging Markets Fund	iShares	0.65%	13	21	8	3,702,359	0.25%	1.3%	21.8%
Averages			**0.64%**					**0.41%**	**1.4%**	**21.9%**
Totals				**553**	**935**	**382**	**61,464,242**			

Source: ASX

Emerging Market Shares

Emerging market shares had an outstanding year with some of the highest overall returns, as well as the top average of 21.9% amongst all sub-groups. They benefited from growth in China and other major economies such as Brazil and Russia were helped by recovering oil prices as shown by the top performance of the iShares' BRIC ETF (IBK)'s 27% return. The worst performer, the Vanguard FTSE Emerging Markets Shares ETF (VGE) still had a relatively high return of 17.4%. These performances helped market-cap based ETFs achieve an average return of 14.7%, above the group's average of 12.8% and ahead of rules-based ETFs' average return of 12.4%.

All emerging market ETFs had positive inflows. The highest increase in FUM was $231 million for the iShares MSCI Emerging Markets ETF (IEM), although its proportion of the sub-group's FUM declined from 79% to 71%. Whilst the SPDR S&P Emerging Markets Fund (WEMG) had the lowest increase in FUM of $8 million.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Rules-based ETFs										
QUS	BetaShares FTSE RAFI US 1000 ETF	BetaShares	0.40%	24	38	14	2,488,475	0.14%	2.2%	7.6%
UBP	UBS IQ MSCI Asia APEX 50 Ethical ETF	UBS	0.45%	1	9	8	568,515	0.37%	0.3%	30.1%
UBE	UBS IQ MSCI Europe Ethical ETF	UBS	0.40%	7	11	4	365,764	0.35%	2.4%	12.5%
UBU	UBS IQ MSCI USA Ethical ETF	UBS	0.20%	6	6	1	231,918	0.20%	1.9%	16.7%
UBW	UBS IQ MSCI World ex Australia Ethical ETF	UBS	0.35%	19	27	8	664,733	0.24%	1.8%	12.3%
ESGI	VanEck Vectors MSCI International Sustainability Equity ETF	VanEck Vectors	0.55%	0	4	4	2,343,900	0.34%	0.0%	n/a
MOAT	VanEck Vectors Morningstar Wide Moat ETF	VanEck Vectors	0.49%	34	53	19	1,733,727	0.36%	0.9%	9.7%
QMIX	SPDR MSCI World Quality Mix Fund	SPDR	0.40%	6	8	2	370,007	0.28%	2.3%	11.2%
QUAL	VanEck Vectors MSCI World Ex-Australia Quality ETF	VanEck Vectors	0.40%	184	340	156	29,156,427	0.13%	2.9%	13.9%
WDIV	SPDR S&P Global Dividend Fund	SPDR	0.50%	115	169	54	13,306,876	0.23%	4.0%	9.6%
WDMF	iShares Edge MSCI World Multifactor ETF	iShares	0.35%	12	29	17	1,724,630	0.41%	4.4%	20.1%
WVOL	iShares Edge MSCI World Minimum Volatility ETF	iShares	0.30%	12	10	-2	240,925	0.74%	2.6%	6.3%
UBJ	UBS IQ MSCI Japan Ethical ETF	UBS	0.40%	3	5	1	137,017	0.23%	1.4%	12.0%
ZYUS	ETFS S&P 500 High Yield Low Volatility ETF	ETF Securities	0.35%	43	50	7	4,899,791	0.22%	6.0%	-1.0%
Averages			**0.40%**					**0.30%**	**2.4%**	**12.4%**
Totals				**466**	**758**	**292**	**58,232,705**			

Source: ASX

Rules-based ETFs

As rules-based ETFs cover a variety of strategies, regions and countries, the results are more diverse. This includes the top performing overall ETF, the UBS IQ MSCI Asia APEX 50 Ethical ETF (UBA) with a 30.1% return. This ETFs screens out companies involved with tobacco and controversial weapons, although forty of the fifty companies are same as those in iShares S&P Asia 50 ETF (IAA). The worst performer, the ETFS S&P 500 High Yield Low Volatility ETF (ZYUS) had a negative return of -1%. Its strategy of investing in fifty high-yielding US companies underperformed average returns for US share ETFs.

Amongst rules-based ETFs, the largest increase in FUM of $156 million went to the VanEck Vectors MSCI World Ex-Australia Quality ETF (QUAL). It attracted 53% of the total FUM increase for rules-based ETFs and had the largest inflow by over $100 million ahead of the $54 million of the SPDR S&P Global Dividend Fund (WDIV). The iShares Edge MSCI World Minimum Volatility ETF (WVOL)'s decrease of FUM by $2 million was the only negative growth in this group.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Active ETFs										
BBUS	BetaShares US Equities Strong Bear Currency Hedged (Hedge Fund)	BetaShares	1.38%	53	67	13	46,015,090	0.27%	0.0%	-25.2%
UMAX	BetaShares S&P 500 Yield Maximiser Fund (Managed Fund)	BetaShares	0.79%	87	90	3	4,169,227	0.19%	4.4%	5.8%
GGUS	BetaShares Geared US Equity Fund Currency Hedged (Hedge Fund)	BetaShares	0.80%	7	17	10	15,344,298	0.14%	0.7%	17.9%
KII	K2 Global Equities Fund (Hedge Fund)	K2	2.05%	33	18	-15	942,416	1.32%	0.0%	12.8%
MGE	Magellan Global Equities Fund (Managed Fund)	Magellan	1.35%	768	989	220	32,944,715	0.40%	1.7%	11.9%
MHG	Magellan Global Equities Fund Currency Hedged (Managed Fund)	Magellan	1.35%	46	64	18	1,582,784	0.54%	1.7%	10.9%
MOGL	Montgomery Global Equities Fund (Managed Fund)	Montgomery Investment Management	1.32%	0	72	72	5,708,440	0.44%	0.0%	n/a
PIXX	Platinum International Fund (Quoted Managed Hedge Fund)	Platinum	1.10%	0	185	185	23,480,231	0.33%	0.0%	n/a
PAXX	Platinum Asia Fund (Quoted Managed Hedge Fund)	Platinum	1.10%	0	90	90	7,988,536	0.50%	0.0%	n/a
WRLD	BetaShares Managed Risk Global Share Fund (Managed Fund)	BetaShares	0.54%	27	30	3	685,621	0.26%	1.0%	10.2%
Averages			**1.18%**					**0.44%**	**0.9%**	**6.3%**
Totals				**1,022**	**1,621**	**599**	**138,861,359**			

Source: ASX

Active ETFs

Active ETFs had the greatest variance in returns, including some leveraged funds, which impacted their average return of only 6.3%. The top performer, the BetaShares Geared US Equity Fund Currency Hedged (Hedge Fund) (GGUS) returned 17.9% as it uses leverage to magnify returns from the US share market. The ETF that inverts this strategy to magnify the inverse of US share returns was the worst performer at -25.2%.

Amongst non-leveraged ETFs, the Magellan Global Equities Fund (Managed Fund) (MGE)'s return 11.9% was the top performer but still undershot similar indexed ETFs, and the BetaShares S&P 500 Yield Maximiser Fund (Managed Fund) (UMAX) was the worst performer with a 5.8% return.

An increase of FUM by $220 million for the popular Magellan Global Equities Fund (Managed Fund) (MGE) was the highest for active ETFs. The launch of Platinum International Fund (Quoted Managed Hedge Fund) (PIXX) by Magellan's traditional fund manager competitor, Platinum had the second highest inflows of $185 million. The only decline in FUM was by K2 Global Equities Fund (Hedge Fund) with a $15 million decrease.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Multiple Asset ETFs										
GROW	Schroder Real Return Fund (Managed Fund)	Schroder	0.90%	28	46	17	1,975,490	0.55%	2.6%	3.2%
DMKT	AMP Capital Dynamic Markets Fund (Hedge Fund)	AMP	0.50%	15	27	12	1,305,826	0.69%	5.0%	2.2%
VDCO	Vanguard Diversified Conservative Index ETF	Vanguard	0.27%	0	4	4	2,425,682	0.19%	0.6%	n/a
VDBA	Vanguard Diversified Balanced Index ETF	Vanguard	0.27%	0	11	11	3,856,143	0.24%	0.6%	n/a
VDGR	Vanguard Diversified Growth Index ETF	Vanguard	0.27%	0	19	19	5,095,096	0.18%	0.8%	n/a
VDHG	Vanguard Diversified High Growth Index ETF	Vanguard	0.27%	0	44	44	15,056,409	0.16%	1.0%	n/a
Averages			**0.41%**					**0.33%**	**1.8%**	**2.7%**
Totals				**43**	**151**	**108**	**29,714,646**			

Source: ASX

Multiple Asset ETFs

Only two multi-asset ETFs have annual returns so far, the Schroder Real Return Fund (Managed Fund) (GROW) with 3.2% and the AMP Capital Dynamic Markets Fund (Hedge Fund) (DMKT) with 2.2%, to give an unimpressive return of 2.7% for this sub-group. These two active funds significantly underperformed their benchmarks of CPI +4.5% to 5% and other mixed-asset funds that share a similar growth target.

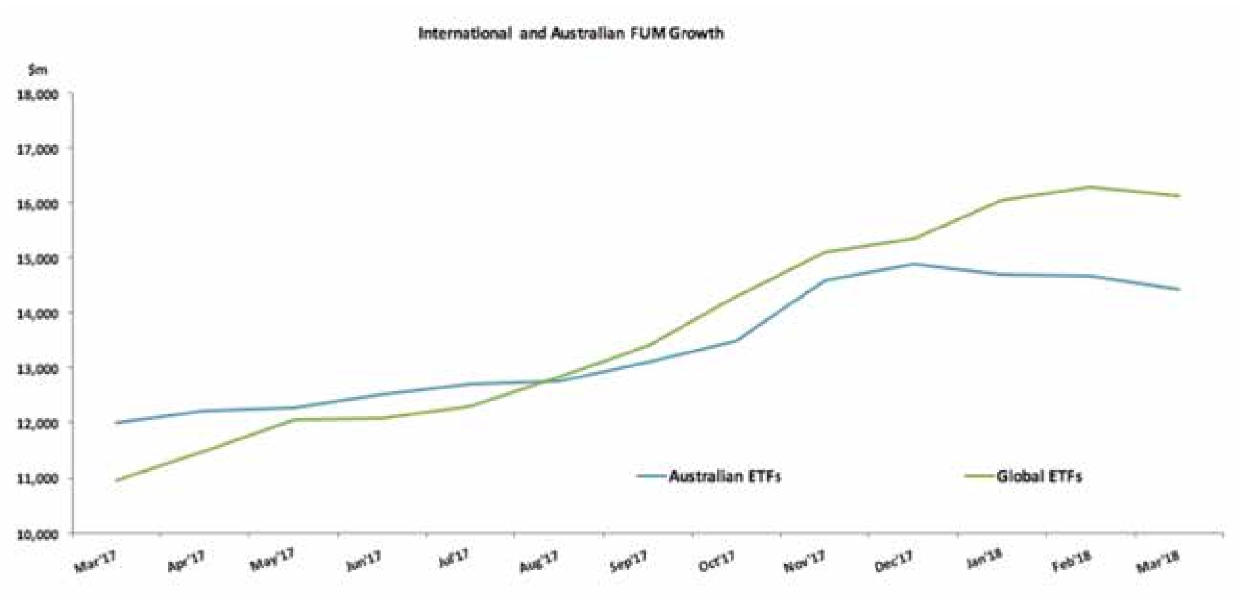
Multi-asset ETFs grew rapidly from a small base with four new ETFs. The Vanguard Diversified High Growth Index ETF (VDHG) had the greatest inflows with $44 million, whilst the Vanguard Diversified Conservative Index ETF (VDCO) only attracted $4 million.

AVERAGE RETURNS

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Overall										
Averages			0.51%					0.35%	2.0%	12.8%
Totals				9,943	14,451	4,508	882,859703			

Source: ASX

Global shares had the highest average return of all groups with 12.8%. This group had the third fastest rate of FUM growth of 45% after global share sector ETFs and fixed income ETFs. With the greatest amount of FUM growth, more than double that of the next group, it managed to overtake Australian share ETFs to become the largest overall group of ETFs.



As was the trend with Australian share ETFs, active global ETFs underperformed the global indexed ETFs. Even the well-loved Magellan Global Equities Fund (MGE) at 11.9% underperformed equivalent global unhedged ETFs which typically returned 12-13%.

NEW FUNDS

There are eight new ETFs in this group, but no new market-cap based ETFs.

The only new rules-based option is the VanEck Vectors MSCI International Sustainable Equity ETF (ESGI), which provides an international option that screens companies for economic, social and governance factors.

Three new active ETFs came from traditional fund managers. Montgomery Investment Management listed the Montgomery Global Equities Fund (Managed Fund) (MOGL) and Platinum quoted two managed hedge funds. This includes Platinum International Fund (Quoted Managed Hedge Fund) (PIXX) and Platinum Asia Fund (Quoted Managed Hedge Fund) (PAXX) as the first active ETFs focusing on Asia.

Vanguard launched four multi-asset products, that piggyback existing unlisted funds. This includes the Vanguard Diversified High Growth Index ETF (VDHG), Vanguard Diversified Growth Index ETF (VDGR), Vanguard Diversified Balanced Index ETF (VDBA) and Vanguard Diversified Conservative Index ETF (VDCO) that have various proportions of defensive and growth assets.

OVERALL TRENDS

Global share ETFs had an outstanding year in terms of returns and FUM increases to overtake Australian shares and become the largest sector. In particular, they benefited from high exposures to the high growth technology sector, with giants Tencent and Samsung leading the way in Asia, as well as the major US companies. US share ETFs have exposure to major companies like Google, Amazon and Facebook – which are now also some of the largest companies in the world by market capitalisation.

Emerging market ETFs also had a stellar year, benefiting from high growth in China in particular. They have the potential for higher growth rates than established economies such as the USA and Europe, but are generally considered to be a riskier investment. Investors also need to consider the tendency of stocks to return to long-term averages. For example, the US sharemarket reached record highs in January of this year, but recent volatility has impacted its annual returns to be lower on average than other regions.

Most global shares ETFs include Australian shares as part of their overall holdings and those excluding them generally have 'ex-Australia' in the name. The fact that Australian shares only represent around 1.7% of the world's total share market value highlights the need for global shares in a diversified portfolio[3].

The currency hedged versions of global ETFs also had slightly lower returns, indicating that the Australian Dollar declined in value against other currencies over the year, especially the Euro and Japanese Yen. However, global ETFs often have a large exposure to US shares and little change in exchange rate with the US Dollar means that the overall impact of currency movements was limited.

[3] From MoneySmart: The Australian share market has total market capitalisation of $1.9 trillion (as at January 2018)

Overall iShares' dominance of this category declined from 56% to 49% of total FUM, whilst Vanguard grew from 25% to 29% with a greater amount of FUM growth. iShares also maintains the highest number of products with twenty-two ETFs, including the many single market products. Even with four new launches, Vanguard only has eleven ETFs and generally has more broad, regional focused ETFs.

STOCKSPOT CHOSEN ETFS

iShares S&P Global 100 ETF (IOO) and **iShares MSCI Emerging Markets ETF (IEM)** are our current Stockspot portfolio inclusions from this asset group. Both have performed well compared to similar indexed and active products.

Stockspot Themes also include the options of **iShares S&P 500 ETF (IVV), iShares S&P Europe ETF (IEU), iShares S&P Asia 50 ETF (IAA), iShares FTSE China Large-Cap ETF (IZZ), iShares MSCI Japan ETF (IJP)** and **Vanguard All-World ex US Shares Index ETF (VEU)** for investors wanting to add country specific exposures to their portfolios.

The **BetaShares' NASDAQ 100 ETF (NDQ)** will be offered as an additional theme to provide exposure to the high growth technology sector which is only a small part of the Australian sharemarket.

GLOBAL SHARE ETFS BY ISSUER

	iShares	Vanguard	SPDR	Other Issuers
US shares	• IVV Large cap (0.04%) • IHVV Large cap hedged (0.10%) • IJH Mid-cap (0.07%) • IJR Small-cap (0.07%) • IRU (0.20%)	• VTS (0.04%)	• SPY (0.09%)	• MOAT Strategy (0.49%) • NDQ Technology (0.48%) • QUS - Large cap (0.40%) • UBU - Large/mid ethical (0.20%) • UMAX Yield max (0.79%) • ZYUS Large cap, volatility (0.35%) • BBUS Bear fund, hedged (1.38%) • GGUS Hedged, geared (0.80%)
Regional market	• IEU Europe (0.60%) • IAA Asia (0.50%)	• VEQ Europe (0.35%) • VAE Asia ex-Japan (0.40%)		• ESTX Europe (0.35%) • HEUR Europe (0.58%) • UBE Europe (0.40%) • UBP Asia ex- Japan (0.45%) • PAXX Asia (1.10%)
Developed markets	• IOO (0.40%) • IHOO Hedged (0.43%) • IVE ex-US (0.33%) • IHWL Hedged (0.19%) • IWLD (0.16%) • WDMF Multifactor (0.35%) • WVOL Volatility (0.30%)	• VEU ex-US (0.11%) • VGS (0.18%) • VGAD - hedged (0.21%)	• WXHG ex- Australia (0.35%) • WXOZ hedged, ex-Australia (0.30%) • WDIV (0.50%) • QMIX (0.40%)	• QUAL ex-Australia (0.40%) • UBW ex-Australia (0.35%) • WRLD Risk (0.54%) • KII (2.05%) • MGE (1.35%) • MHG Hedged (1.35%) • PIXX (1.10%) • DMKT (0.50%) • GROW (0.90%) • ESGI ethical ex-Australia (0.55%)
Emerging markets	• IEM (0.69%) • IBK BRIC countries (0.72%)	• VGE (0.48%)	• WEMG (0.65%)	
Individual market (non US)	• IJP Japan (0.48%) • IHK Hong Kong (0.48%) • ISG Singapore (0.48%) • ITW Taiwan (0.64%) • IKO South Korea (0.64%) • IZZ China (0.72%)			• CETF China (0.72%) • HJPN Japan (0.58%) • UBJ Japan (0.40%)

Source: ASX

Global Shares (Sectors)

These ETFs cover specific sectors of the sharemarket across the globe. The new ETFs focusing on technology and infrastructure provide new options for investors to gain access to market sectors that are underrepresented within the Australian indices.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Market-cap Based ETFs										
ROBO	ETFS ROBO Global Robotics and Automation ETF	ETF Securities	0.69%	0	76	76	10,315,052	0.34%	0.0%	n/a
TECH	ETFS Morningstar Global Technology ETF	ETF Securities	0.45%	0	44	44	12,552,028	0.27%	0.8%	n/a
HACK	BetaShares Global Cybersecurity ETF	BetaShares	0.67%	12	65	52	7,486,202	0.28%	2.3%	13.3%
IXP	iShares S&P Global Telecommunications ETF	iShares	0.47%	19	47	28	1,553,884	0.60%	3.0%	-2.0%
IXI	iShares S&P Global Consumer Staples ETF	iShares	0.47%	146	108	-37	5,699,089	0.36%	1.9%	1.8%
DRUG	BetaShares Global Healthcare ETF - Currency Hedged	BetaShares	0.57%	15	21	6	1,851,547	0.36%	0.3%	6.4%
IXJ	iShares S&P Global Healthcare ETF	iShares	0.47%	433	482	49	19,088,231	0.34%	1.2%	8.5%
BNKS	BetaShares Global Banks ETF - Currency Hedged	BetaShares	0.57%	31	75	44	21,361,105	0.28%	2.1%	9.8%
FOOD	BetaShares Global Agriculture Companies ETF	BetaShares	0.57%	5	17	12	2,858,547	0.38%	1.1%	7.1%
FUEL	BetaShares Global Energy Companies ETF - Currency Hedged	BetaShares	0.57%	6	16	10	2,504,571	0.33%	3.9%	2.5%
GDX	VanEck Vectors Gold Miners ETF	VanEck Vectors	0.53%	55	67	13	5,973,820	0.33%	0.7%	-3.4%
MNRS	BetaShares Global Gold Miners ETF - Currency Hedged	BetaShares	0.57%	8	5	-3	1,006,836	0.66%	0.5%	-10.4%
IFRA	VanEck Vectors FTSE Global Infrastructure (Hedged) ETF	VanEck Vectors	0.52%	23	71	48	5,420,053	0.24%	4.0%	1.2%
CORE	ETFS Global Core Infrastructure ETF	ETF Securities	0.45%	0	3	3	178,869	0.65%	0.6%	n/a
DJRE	SPDR Dow Jones Global Select Real Estate Fund	SPDR	0.50%	119	204	86	12,637,447	0.20%	3.6%	1.1%
Averages			**0.54%**					**0.37%**	**1.7%**	**3.0%**
Totals				**871**	**1,303**	**431**	**110,487,281**			

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Rules-based ETFs										
ETHI	BetaShares Global Sustainability Leaders ETF	BetaShares	0.59%	41	169	128	30,355,389	0.23%	1.3%	16.8%

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Active ETFs										
GLIN	AMP Capital Global Infrastructure Securities Fund (Unhedged) (Managed Fund)	AMP	0.85%	20	22	2	593,589	0.79%	2.3%	-0.6%
MICH	Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)	Magellan	1.05%	59	159	100	7,172,702	0.47%	2.8%	6.0%
RENT	AMP Capital Global Property Securities Fund (Unhedged) (Managed Fund)	BetaShares	0.99%	14	13	-1	554,780	0.87%	1.5%	3.3%
Averages			**0.96%**					**0.71%**	**2.2%**	**2.9%**
Totals				**93**	**194**	**101**	**8,321,071**			

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Overall										
Averages			**0.61%**					**0.42%**	**1.8%**	**3.8%**
Total				**1,005**	**1,666**	**660**	**149,163,741**			

Source: ASX

AVERAGE RETURNS

The average returns of 3.8% for global sector ETFs was the fourth highest, ahead of Australian shares, Australian sector and fixed income ETFs. It had the highest growth of FUM at 66% and the $660 million increase in FUM was the fourth largest amount across all groups.

BEST AND WORST PERFORMERS

As sector ETFs focus on specific industries, a wide range of returns from 17% to -10% is not surprising.

The BetaShares Global Cybersecurity ETF (HACK) was the top performer amongst market-cap ETFs with a 13.3% return. The second highest return of 9.8% came from the BetaShares Global Banks ETF - Currency Hedged (BNKS), which contrasts with the negative returns of Australian financial sector ETFs.

The defensive value of gold did not extend to goldminers, as the BetaShares Global Gold Miners ETF - Currency Hedged (MNRS) was the worst performer with -10.4%. Its competitor, the VanEck Vectors Gold Miners ETF (GDX) had the second lowest return with -3.4%.

The only rules-based ETF, which screens for 100 large companies that are climate change leaders, the BetaShares Global Sustainability Leaders ETF had the highest overall returns of the group at 16.8%. The Magellan Infrastructure Fund (Currency Hedged) (Managed Fund) (MICH) was the best performing active infrastructure focused ETF with a 6% return. The AMP Capital Global Infrastructure Securities Fund (Unhedged) (Managed Fund) (GLIN) , its competitor, had the worst return amongst active ETFs with -0.6%.

FUND INFLOWS AND OUTFLOWS

The top performer BetaShares Global Sustainability Leaders ETF (ETHI) gained largest amount of funds at $128 million, which was 19% of all FUM increase in this category.

For market-cap based ETFs, the SPDR Dow Jones Global Select Real Estate Fund (DJRE) had the greatest increase in FUM with $28 million. BetaShares Global Cybersecurity ETF (HACK) had the second highest inflows and quadrupled its funds from $12 million to $65 million in one year. The largest decrease in FUM was the iShares S&P Global Consumer Staples ETF (IXI)'s decreased of $37 million. The worst performer, BetaShares Global Gold Miners ETF - Currency Hedged (MNRS) saw the second worst FUM growth with $3 million decline.

The AMP Capital Global Property Securities Fund (Unhedged) (Managed Fund) (RENT) was the only active ETF with a decline in FUM, decreasing its total by $1 million. There were only three ETFs with negative FUM growth in this group. The top performer, Magellan Infrastructure Fund (Currency Hedged) (Managed Fund) (MICH) saw FUM growth by $100 million, indicating the defensive value of this sector is attractive to investors.

NEW FUNDS

All three new products were market-cap based ETFs issued by ETF Securities. They added a fourth option for infrastructure, ETFS Global Core Infrastructure ETF (CORE), with the lowest fees at 0.45% that tracks a low volatility index.

They also launched two ETFs focused on technology, ETFS Morningstar Global Technology ETF (TECH) tracking the Morningstar® Developed Markets Technology Moat Focus Index mainly containing companies in the USA and ETFS ROBO Global Robotics and Automation ETF (ROBO) covering robotics, automation and artificial intelligence related companies. Expanding into technology and related areas follows the success of the BetaShares Global Cybersecurity ETF (HACK).

OVERALL TRENDS

This group had quite diverse returns as it covers a variety of sectors. Technology and ethical investment options have enjoyed recent popularity with investors due to high recent returns. Sectors such as infrastructure, telecommunications and some property ETFs are more defensive, paying regular income to investors. This sector has relatively high fees compared to general global ETFs, but provides the average Australian investor with easy access to global sectors.

iShares' dominance of this category decreased as its proportion of FUM declined from 59% to 38%, whilst BetaShares increased its proportion of FUM from 13% to almost 23% with its large number of products in this group.

STOCKSPOT CHOSEN ETFS

The **SPDR Dow Jones Global Select Real Estate Fund (DJRE)** is currently offered as a Stockspot Theme for exposure to global property. It is the only index ETF that provides exposure to global property, has FUM over $200 million and high liquidity.

Four additional sector ETFs will be offered that provide exposure to small or underweight sectors of the Australian sharemarket, they include:

- The **VanEck Vectors Gold Miners ETF (GDX)**
- The **VanEck Vectors FTSE Global Infrastructure (Hedged) ETF (IFRA)**
- The **iShares S&P Global Consumer Staples ETF (IXI)**
- The **iShares S&P Global Healthcare ETF (IXJ)**

This group offers exposure to fixed income and cash products from Australia and overseas. They are an important building block of a balanced investment portfolio, providing a cushion against the volatility of share market ETFs.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Cash										
AAA	BetaShares Australian High Interest Cash ETF	BetaShares	0.18%	1156	1234	78	229,008,491	0.02%	2.0%	2.0%
BILL	iShares Core Cash ETF	iShares	0.07%	0	170	170	6,394,475	0.01%	1.2%	n/a
MONY	UBS IQ Cash ETF	UBS	0.18%	0	1	1	5,000	0.10%	1.4%	n/a
ISEC	iShares Enhanced Cash ETF	iShares	0.12%	0	25	25	2,734,705	0.01%	1.4%	n/a
Averages			**0.14%**					**0.03%**	**1.5%**	**2.0%**
Totals				**1,156**	**1,430**	**274**	**238,142,671**			

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Fixed Rate Bonds										
IGB	iShares Treasury ETF	iShares	0.26%	30	26	-4	7,682,143	0.15%	2.6%	2.8%
ILB	iShares Government Inflation ETF	iShares	0.26%	86	109	24	14,588,101	0.32%	0.9%	3.4%
IAF	iShares Core Composite Bond ETF	iShares	0.20%	386	529	143	23,529,166	0.06%	2.3%	3.2%
RGB	Russell Australian Government Bond ETF	Russell	0.24%	58	60	2	411,722	0.28%	2.8%	1.9%
VGB	Vanguard Australian Government Bond Index ETF	Vanguard	0.20%	135	137	3	12,104,609	0.14%	2.9%	3.1%
BOND	SPDR S&P/ASX Australian Bond Fund	SPDR	0.24%	28	23	-5	1,408,590	0.18%	2.8%	2.9%
GOVT	SPDR S&P/ASX Australian Government Bond ETF	SPDR	0.22%	15	13	-2	439,446	0.18%	2.2%	2.9%
VAF	Vanguard Australian Fixed Interest Index ETF	Vanguard	0.20%	611	704	94	28,359,038	0.06%	2.9%	3.2%
RCB	Russell Australian Select Corporate Bond ETF	Russell	0.28%	122	159	37	8,822,473	0.25%	4.1%	2.4%
RSM	Russell Australian Semi-Government Bond ETF	Russell	0.26%	61	61	0	506,464	0.28%	2.4%	2.0%
VACF	Vanguard Australian Corporate Fixed Interest Index ETF	Vanguard	0.26%	29	100	71	7,953,047	0.19%	2.7%	3.9%

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Averages			**0.24%**					**0.19%**	**2.6%**	**2.9%**
Totals				**1,560**	**1,923**	**363**	**105,804,799**			
Floating Rate Bonds										
PLUS	VanEck Vectors Australian Corporate Bond Plus ETF	VanEck Vectors	0.32%	0	177	177	9,782,625	0.21%	2.8%	n/a
QPON	BetaShares Australian Bank Senior Floating Rate Bond ETF	BetaShares	0.22%	0	247	247	40,773,848	0.04%	2.0%	n/a
FLOT	VanEck Vectors Australian Floating Rate ETF	VanEck Vectors	0.22%	0	81	81	6,445,925	0.07%	1.9%	n/a
Averages			**0.25%**					**0.11%**	**2.2%**	**n/a**
Totals				**-**	**505**	**505**	**57,002,398**			
Global Options										
IHCB	iShares Core Global Corporate Bond (AUD Hedged) ETF	iShares	0.26%	47	88	42	5,458,672	0.21%	3.0%	2.2%
IHHY	iShares Global High Yield Bond (AUD Hedged) ETF	iShares	0.56%	16	26	9	3,941,667	0.36%	6.0%	4.1%
IHEB	iShares J.P.Morgan USD Emerging Markets Bond (AUD Hedged) ETF	iShares	0.51%	4	14	10	2,225,704	0.35%	4.1%	2.6%
VCF	Vanguard International Credit Securities Index (Hedged) ETF	Vanguard	0.30%	82	116	34	4,674,836	0.28%	6.6%	2.3%
VIF	Vanguard International Fixed Interest Index (Hedged) ETF	Vanguard	0.20%	80	169	89	7,943,194	0.28%	4.6%	2.3%
VBND	Vanguard Global Aggregate Bond Index (Hedged) ETF	Vanguard	0.20%	0	8	8	2,442,046	0.38%	0.7%	n/a
Averages			**0.34%**					**0.31%**	**4.2%**	**2.7%**
Totals				**230**	**421**	**192**	**26,686,118**			

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Active Management										
HBRD	BetaShares Active Australian Hybrids Fund	BetaShares	0.55%	0	61	61	11,416,838	0.16%	1.4%	n/a

Overall								
Averages	**0.26%**					**0.18%**	**2.7%**	**2.8%**
Total		**2,946**	**4,340**	**1,395**	**439,052,824**			

Source: ASX

AVERAGE RETURNS

Fixed income and cash ETFs had the second lowest average returns over the year of 2.8%. This group has the third highest distributions with a 2.7% average, behind Australian shares and Australian sector ETFs. It also had the second fastest FUM growth of 47%, behind global share ETFs, to retain its place as the third largest group by FUM and has the lowest average fee for all groups.

BEST AND WORST PERFORMERS

This group had little variance in performance amongst the ETFs, with all returns ranging from 1.9% to 4.1%. This is unsurprising as all products are driven largely by Australian and global interest rates and credit spreads.

For fixed rate bonds, the Vanguard Australian Corporate Fixed Interest Index ETF (VACF) was the top performer with a 3.9% total return. The Russell Australian Government Bond ETF (RGB) was the worst performer from with a 1.9% return.

Within the global fixed interest suite, the iShares Core Global Corporate Bond (AUD Hedged) ETF (IHCB) had the lowest returns of 2.2%. The 4.1% return from the iShares Global High Yield Bond (AUD Hedged) ETF (IHHY) was the highest overall from this group.

LARGEST INFLOWS AND OUTFLOWS

The three new floating rate bond products received the highest inflows with $505 million in total, ending with greater FUM than global products at $421 million.

Cash ETFs hold bank deposits and aim to provide investors with regular income. The new iShares Core Cash ETF (BILL) attracted the greatest inflows amongst cash products with $170 million in total, which was the greatest total inflow for this group. It saw an inflow of $125 million in July 2017 alone and benefits from being the lowest fee option in this category. In contrast the new option of UBS IQ Cash ETF (MONY) only managed to attract $1 million in total.

For fixed rate ETFs the largest increase of FUM of $143 million went to the iShares Core Composite Bond ETF (IAF), which was 39% of all FUM increase for fixed rate ETFs. The Vanguard Australian Fixed Interest Index ETF (VAF) also managed to increase FUM by $94 million and remains the largest fixed rate bond ETF. The SPDR S&P/ASX Australian Bond Fund (BOND) had the largest decline in FUM of $5 million, whilst the iShares Treasury ETF (IGB) lost $4 million over the year. Generally, corporate bond ETFs received higher fund inflows than government bond ETFs.

All three new floating rate bond ETFs attracted at least $80 million in FUM each. The inflow of $247 million into the BetaShares Australian Bank Senior Floating Rate Bond ETF (QPON) was the greatest for all ETFs in this group. The VanEck Vectors Australian Corporate Bond Plus ETF (PLUS) saw the second highest overall inflow of $177 million, whilst the $81 million inflow into the VanEck Vectors Australian Floating Rate ETF (FLOT) was the lowest amongst the three floating rate options.

For global ETFs the greatest increase of FUM was the $89 million for the Vanguard International Fixed Interest Index (Hedged) ETF (VIF). All global ETFs had positive inflows, with the Vanguard Global Aggregate Bond Index (Hedged) ETF (VBND) having the lowest increase of FUM with $8 million. iShares and Vanguard now both have three options each, with Vanguard receiving 68% and iShares 38% new fund inflows respectively.

NEW FUNDS

This group had eight new ETFs launched, including three cash ETFs and three floating rate bond ETFs. There were no fee changes.

Investors now have three floating rate bond options to choose from, which already received 36% of new funds. BetaShares Australian Bank Senior Floating Rate Bond ETF (QPON) allocates 80% of its fund to bonds from the largest four banks and 20% to smaller Australian banks. VanEck Vectors Australian Floating Rate ETF (FLOT) also invests in higher yielding bank bonds, while the VanEck Vectors Australian Corporate Bond Plus ETF (PLUS) includes bonds from other lending institutions and listed property trusts too.

The Vanguard Global Aggregate Bond Index (Hedged) ETF (VBND) provides exposure to a mix of government, government-related and corporate bonds from developed markets.

The BetaShares Active Australian Hybrids Fund (HBRD) is the first actively managed hybrid product that invests in hybrid securities issued by banks, bonds and cash.

iShares launched two new cash ETFs, with iShares Enhanced Cash ETF (ISEC) aiming to outperform the S&P/ASX Bank Bill Index and the iShares Core Cash ETF (BILL) aiming to provide returns equivalent to this index. UBS also launched its own cash ETF - UBS IQ Cash ETF (MONY).

OVERALL TRENDS

While Australia's rate has remained 1.5% since August 2016 – the longest stretch without a change on record, investors should be aware of the impact that interest rates and inflation can have on bond returns.

Fixed rate bonds generally benefit from falling interest rates and dropping future rate expectations in Australia. For example, a bond with a fixed 3% initial coupon will become a more attractive investment if the prevailing interest rate falls to 1%, but if the interest rate rises to 5%, the opposite occurs. Bonds with a longer average term to maturity are more sensitive to interest rate changes than shorter-duration bonds. Floating rate bonds offer a coupon that moves in line with interest rate changes.

Newly launched ETFs did particularly well in this group in terms of attracting FUM. The dominance of the large Betashares Australian High Interest Cash ETF (AAA), which invests in short-term deposits, declined from 39% to 29% of this group's total funds.

STOCKSPOT CHOSEN ETFS

The current Stockspot portfolio inclusion from this asset group is **iShares Core Composite Bond ETF (IAF)**. It provides a good mix of government, semi-government and corporate bonds with a relatively short average duration. This reduces its sensitivity to short-term changes in rate expectations. Fixed rate bonds are our preferred fixed income asset because they are a better hedge against shares than cash or floating bonds.

Stockspot Themes also include **Vanguard International Fixed Interest Index (Hedged) ETF (VIF)** for global exposure and **BetaShares Australian High Interest Cash ETF (AAA)** for high-interest cash.

These ETFs track the performance of various currencies. They provide investors with direct access to currency performance without holding physical currency or purchasing derivatives.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Market-cap Based ETFs										
USD	BetaShares U.S Dollar ETF	BetaShares	0.45%	512	476	-37	41,108,574	0.10%	0.2%	-0.1%
ZUSD	ETFS Physical US Dollar ETF	ETF Securities	0.30%	10	13	2	939,629	0.13%	0.0%	0.3%
EEU	BetaShares Euro ETF	BetaShares	0.45%	4	8	4	1,374,657	0.12%	0.0%	15.1%
POU	BetaShares British Pound ETF	BetaShares	0.45%	38	27	-12	2,053,115	0.10%	0.0%	12.3%
ZCNH	ETFS Physical Renminbi ETF	ETF Securities	0.30%	0.4	0.5	0.0	11,315	0.21%	0.0%	5.3%
Averages			**0.39%**					**0.13%**	**0.0%**	**6.6%**
Totals				**43**	**36**	**-8**	**3,439,087**			
Active ETFs										
AUDS	BetaShares Strong Australian Dollar Fund (Hedge Fund)	BetaShares	1.38%	2	3	1	742,030	0.19%	2.0%	1.3%
YANK	BetaShares Strong US Dollar Fund (Hedge Fund)	BetaShares	1.38%	1	14	12	2,990,756	0.18%	0.0%	-3.7%
Averages			**1.38%**					**0.18%**	**1.0%**	**-1.2%**
Totals				**3**	**17**	**14**	**3,732,787**			
Overall										
Averages			**0.67%**					**0.15%**	**0.3%**	**4.4%**
Total				**569**	**541**	**-28**	**45,487,290**			

Source: ASX

AVERAGE RETURNS

Currency ETFs had the third highest average return at 4.4%, behind global share and commodity ETFs.

BEST AND WORST PERFORMERS

The BetaShares Euro ETF (EEU) was the best performer with a 15.1% return. The next top performer was BetaShares British Pound ETF (POU) with a 12.3% return. Despite short-term volatility, the Australian Dollar's exchange rate with the US Dollar had minimal change, as shown by the flat returns for US Dollar ETF (USD) and ETFS Physical US Dollar ETF (ZUSD).

BetaShares' hedge fund products for the Australian Dollar and US Dollar exchange rate are the only active ETFs. They involve gearing to magnify the gains and losses of this currency pair, this means they should over or undershoot the returns from the market-cap based US Dollar ETFs. They try to return the inverse values of one another, but the final returns are affected by daily compounding and are unlikely to be exact opposites.

The BetaShares Strong US Dollar Fund (Hedge Fund) (YANK) was the overall worst performer with a -3.7% return, whilst the BetaShares Strong Australian Dollar Fund (Hedge Fund) (AUDS) was just positive with 1.3%. Given the Australian dollar was flat over the period, this shows the high cost of actively managing the daily leverage within these funds.

LARGEST INFLOWS AND OUTFLOWS

The decrease of BetaShares U.S Dollar ETF (USD)'s FUM by $37 million is a larger amount than any other product in this category. Although this ETF's proportion of the group's total FUM only declined from 90% to 88%. Despite positive returns, the BetaShares British Pound ETF (POU) had the second greatest decline with $12 million, including an $18 million outflow in November 2017.

The BetaShares Strong US Dollar Fund (Hedge Fund) (YANK) increased FUM by $12 million, starting from only $1.4 million in March 2017. The BetaShares Euro ETF (EEU) saw the second highest FUM growth of $4 million. The inflows and outflows of funds did not correlate with positive and negative returns for this group. There is generally low interest for currency ETFs in Australia.

OVERALL TRENDS

Currency ETFs remain a niche group and are less attractive to general investors than share or fixed income ETFs with the lowest liquidity.

This group is still dominated by BetaShares which holds the vast majority of FUM at 98% with five of the seven ETFs. The Australian-US Dollar currency pair dominates the groups, with four ETF options and 93% of total FUM. There were no new products or fee changes.

These ETFs cover the natural resources and commodity sectors. The Structured Products, or synthetic ETFs hold financial contracts rather than owning the physical underlying assets. This is usually for commodities such as oil and agricultural products, which mainly have value in their use and in large quantities.

Physically backed ETFs offer the most direct approach, but incur the cost of storage and insurance. This is the most common approach for gold products and some other precious metals, with procedures for storing gold bars being well established over time.

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Market-cap Based ETFs										
QAU	BetaShares Gold Bullion ETF (AU$ Hedged)	BetaShares	0.59%	53	55	2	5,593,477	0.39%	0.0%	5.7%
ZGOL	ETFS Physical Gold ETF	ETF Securities	0.40%	13	14	1	506,264	0.19%	0.0%	6.0%
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	BetaShares	0.69%	40	30	-10	4,923,026	0.38%	0.0%	22.9%
QAG	BetaShares Agriculture ETF-Currency Hedged (Synthetic)	BetaShares	0.69%	3	3	0	567,314	0.91%	0.0%	-8.8%
QCB	BetaShares Commodities Basket ETF-Currency Hedged (Synthetic)	BetaShares	0.69%	9	10	0	656,832	0.93%	0.0%	4.7%
Averages			**0.61%**					**0.56%**	**0.0%**	**6.1%**
Totals				**118**	**112**	**-6**	**12,246,913**			

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Share Product										
GOLD	ETFS Physical Gold	ETF Securities	0.40%	475	583	108	16,311,495	0.17%	0.0%	6.0%

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Specialised Product										
PM-GOLD	Perth Mint Gold	Perth Mint	0.15%	116	134	18	3,811,243	0.37%	0.0%	7.2%
ETP-MAG	ETFS Physical Silver	ETF Securities	0.49%	62	57	-5	1,904,100	0.48%	0.0%	-10.1%
ETP-MPD	ETFS Physical Palladium	ETF Securities	0.49%	2	1	-1	17,539	1.33%	0.0%	18.3%
ETP-MPM	ETFS Precious Metals Basket	ETF Securities	0.44%	5	5	0	9,399	1.40%	0.0%	3.4%
ETP-MPT	ETFS Physical Platinum	ETF Securities	0.49%	3	1	-2	65,575	1.12%	0.0%	-2.1%
Averages			**0.41%**					**0.94%**	**0.0%**	**3.4%**
Totals				**187**	**199**	**12**	**5,807,856**			

ETF Sectors

ASX code	ETF Name	Issuer	MER (p.a) 2018	FUM ($M) Mar'17	FUM ($M) Mar'18	Change in FUM ($M)	Traded value in Mar'18	% Spread	Historical Distribution Yield	1 Year Total Return
Overall										
Averages			0.50%					0.70%	0.0%	4.8%
Total				780	893	113	34,366,264			

Source: ASX

AVERAGE RETURNS

Commodity ETFs had the second highest average returns with 4.8% behind global shares. Their 14% growth rate of FUM was the second lowest and it remained the second smallest group ahead of currency ETFs. This was the only group in which no ETFs paid a distribution.

BEST AND WORST PERFORMERS

The BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic) (OOO) was the top performing ETF overall with a 22.9% return and had the fourth highest return of all ETFs. This came after poor performance in 2015 and 2016. The ETFS Physical Palladium (EPTMPD) also rose strongly with a 18.3% return. Palladium has benefited from the diesel engine 'test cheating' by European car manufacturers which broke as news in 2014. Palladium is a component that goes into the catalysts for gasoline engines.

Of the four gold products, the Perth Mint Gold (PMGOLD) had the highest return at 7.2%, whilst the BetaShares Gold Bullion ETF (AU$ Hedged) (QAU) had the lowest with 5.7%. Unusually, silver did not follow gold higher. The ETFS Physical Silver (ETPMAG) was the worst performer with a -10% return. The BetaShares Agriculture ETF-Currency Hedged (Synthetic) (QAG) had the second lowest return with -8.8%.

LARGEST INFLOWS AND OUTFLOWS

The ETFS Physical Gold (GOLD) increased FUM by $108 million from 61% to 65% of the group's total FUM. The Perth Mint Gold (PMGOLD) received the second highest inflows at $18 million.

Despite being a top performer, investors remained wary of the BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic) (OOO), which had the greatest decline in FUM of $10 million. The worst performer - ETFS Physical Silver (ETPMAG) had the second highest outflow with $5 million.

OVERALL TRENDS

The sector has mixed returns, with some commodities such as oil being relatively cyclical and others such as gold have value as a defensive diversifier for investors. The four gold ETFs played a defensive role in recent periods of sharemarket volatility and their returns ranged from around 5.7% to 7.2%, above the averages for Australian shares. The minor changes in the Australian Dollar resulted in little difference between hedged and unhedged ETFs. ETF Securities extended its dominant position by 2% to hold 74% of FUM in this group, whilst BetaShares' proportion of FUM declined by 3% to 11%.

STOCKSPOT CHOSEN ETFS

The **ETFS Physical Gold ETF (GOLD)** is Stockspot's current portfolio inclusion from this group. Unhedged gold is preferred compared to the hedged version as a diversifier in our portfolios. It provides better protection against declines in the Australian Dollar's value and a weak local economy.

Conclusion

The popularity of ETFs in Australia continues to increase with gusto. This year the strong performance in global shares as well as inflows into fixed income products during times of volatility helped to fuel ETF growth.

The evolution of ETFs are taking available products beyond vanilla ETFs tracking broad market indices, with more actively managed and strategy specific ETFs. Each group has its own set of unique risks and opportunities for investors.

With greater choice comes the need for investors to be more discerning when selecting ETFs for their portfolio. Many of the new products that have launched recently tempt investors to 'chase' returns in sectors, markets or strategies that have performed well over the recent past.

Be very careful when reading marketing materials that show that a product has 'outperformed' over a period of time. Not only are time periods carefully selected by product issuers to paint a product in the best light, but performance also tends to 'mean revert' over the long run so outperformance is almost always only temporary.

Over longer periods all strategies are likely to return to long term averages which is why we prefer to give our clients broad market diversification and steer clear of the hype surrounding short term market fads. There is no 'free lunch' when investing, strategies that sound too good to be true are always so.

Even over the past year, several of the ETFs that were heavily out of favour in 2015/2016 like Asian shares (+29.1%) and Oil (+22.9%) have been some of the best performers, well outpacing returns in on-trend markets like US shares (11.7%) and Australian dividend shares (-2.5%).

Disciplined portfolio rebalancing can help achieve a balance between being invested in popular strategies while not getting carried away when they overshoot.

Our advice to clients is simple; invest in a broad mix of assets using ETFs, don't pick individual stocks, keep your costs low, rebalance occasionally and don't pay attention to what happens in the short term because it is all just market noise.

Glossary

Active investing:
Also known as active management. An investment strategy that relies on picking stocks or timing the market to beat others.

Asset class:
A type of investment such as shares or property, which have similar financial characteristics, are subject to the same regulations and laws.

ASX:
Australian Securities Exchange.

Bear hedge fund:
A hedge fund designed to provide higher returns as the market falls, it may track the inverse of an index as an ETF.

Broad market ETFs:
Track the widest range of securities in the market that has been selected.

Bid/Ask spread:
The difference between the highest price paid by a bidder and lowest price offered by a seller for the asset. To buy the investment you need to 'cross the spread' and buy from the lowest seller. On the other hand to sell the investment you need to 'cross the spread' and sell to the highest buyer.

Bull market:
A market where share prices are rising.

Call option:
An agreement that gives the investor the option to buy assets at an agreed price on or before a particular date.

Derivative:
A security that is dependent on one or more underlying assets.

Distribution yield:
A financial ratio that shows how much an ETF pays out in distributions each year relative to its unit price.

Diversification:
Spreading your risk across many investments to reduce the impact of any single investment on your overall returns.

Franking credits:
When companies have already paid corporate tax the amount of tax the shareholder needs to pay on their dividends is reduced. Franking credits are particularly attractive for people on low tax brackets or in the draw down stages of superannuation.

FUM:
Funds Under Management.

Hedged ETF:
Funds where strategies are used to neutralise changes in currency movements.

Hedging:
Any strategy that looks to reduce the impact of a negative event by making an investment in the opposite direction. For example, life insurance is a form of hedging to reduce the impact of an event (unexpected death) on your family.

Historical Distribution Yield:
Actual distribution return over the prior 12 months as a percentage of the unit price.

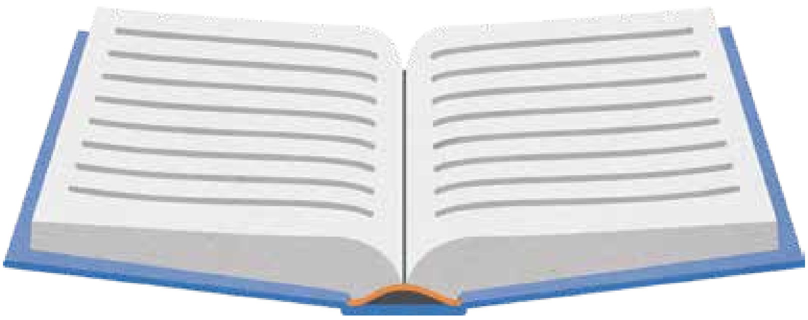
ICR:
Indirect Costs Ratio.

Index:
A measurement of a section of a market. It is calculated from the prices of selected assets.

Inflation:
This is the gradual increase in prices over time.

Leverage:
Also known as gearing. This means borrowing to invest. When prices are rising (shares, houses or anything else), gearing helps to magnify the profits. When prices are falling leverage has the opposite effect, quickly wiping out the value of the investment.

LIC:
Listed Investment Company. A managed fund which is actively managed in a closed ended structure and listed on a stock exchange. Unlike ETFs, LICs can trade at significant premium or discount to their net asset value.



MER:
Managed Expenses Ratio. The fees shown as a percentage that will be deducted from the total returns every year.

NAV:
Net Asset Value. The value of a fund's asset less the value of its liabilities per unit.

Risk:
This means something is unpredictable. When you invest in a share you need to accept the chance that its value may fall tomorrow. When taking on more unpredictability higher returns are expected.

Risk aversion:
The human tendency to avoid risk wherever possible even where this sometimes leads to a worse result.

Sector:
Specific sections of the market.

Sector ETFs:
Track sectors within a market. (e.g. property, financials or resources)

Securities:
A financial instrument with proof of ownership that can be traded.

Strategy ETFs:
Only include some securities in the market. Securities are selected according to certain rule-based factors. (e.g. dividend yield or research rating)

Synthetic Index:
Returns from a financial instrument that is created artificially by combining features of different assets.

Synthetic Returns:
Returns from a financial instrument that is created artificially by combining features of different assets.

Unhedged ETF:
Funds which are also impacted by changes in currency movements in addition to movements in the underlying investments.

Volatility:
The short term 'ups' and 'downs' in a market.

Yield:
The annual return expressed as a percentage of the capital invested. For example, annual dividends of $40 on a $1,000 portfolio would represent a 4% dividend yield.

Notes

Grow your savings the smart way

Stockspot is Australia's largest and most experienced online investment adviser.

Since 2013, we have helped thousands of Australians grow their savings and have been actively campaigning to increase transparency in the financial industry for consumers. We make investing easy and affordable. Whether you're growing your wealth, saving for a home, a family, or retirement, we help you do it with the right investment portfolio and guidance.

Your money is managed experts with an established track record. We look after your investments so you can focus on other important things in life.

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