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## ETF Last Month Flows / Trends

This report details ASX-listed ETF flows, as at 28 February 2022. The data is based on the value of existing units redeemed (outflows) plus new units created (inflows).it is not based on FUM values which, by being partly based on ETF / market price moves, is not a true indicator of flows (which is a true indicator of investor sentiment to either a particular ETF, manager, or market segment).

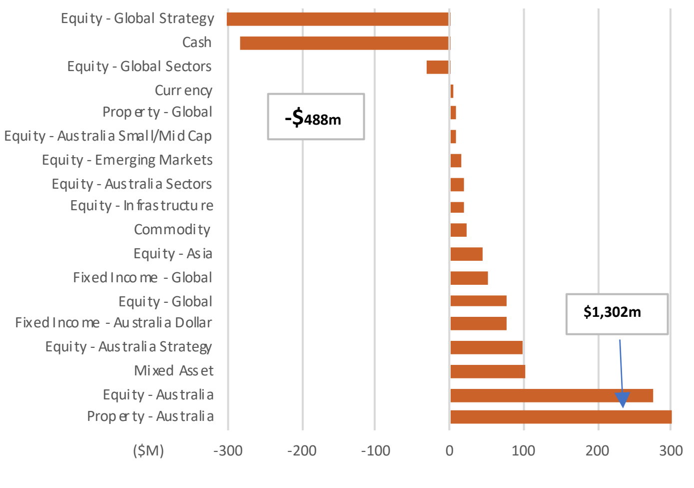
We consider the key developments to be the following:

- **Subdued ETF Growth in February.** The ETF industry grew by $937m in February excluding the distortionary impact of the inclusion of Resolution Capital Global Property Securities Fund **(ASX: RCAP)** and the $879m outflow recorded by **three Magellan funds**. RCAP bouyed the total figures by $1.2bn, but the ASX has an unusual reporting convention for dual listed / unlisted vehicles - it includes the total FUM, making no distinction between the listed (the ETF) and the unlisted (unlisted managed fund version). Given the state of the equities markets in February, a breather in FUM growth is not unexpected.
- **Magellan Bleeds - Again.** Magellan recorded its far and away most significant monthly FUM oulflow - $879m to be precise across its three global equities mandates. No ETF has ever recorded the degree of outflows of **MGOC** and the consistency of those outflows on a monthly basis. Many ETFs have flows that vary over time due to investors prudently making tactical asset allocation decisions with respect to changing market environments / outlooks. But what the Magellan funds are currently losing ($2.25bn since May 2021) is not coming back. All three Magellan funds have just notched up their worst Maximum Drawdown numbers and counting (Year-to-date total returns: MGOC -17.6%; MHG -16.7%; MHHT -21.4% vs the S&P 500 TR Index of -11.1%). And we have not been encouraged by the 'more of the same' implicit messaging from Chris Mackay.
- **ESG & 'Quality' Equities ETFs are in Consistent Demand.** Over the course of the last 12-months, it has been the ESG and Quality style equities ETFs that have posted some of the strongest monthly FUM inflows. On the 'Quality' sde, key examples include the VanEck MSCI International Quality **(ASX: QUAL)**, VanEck Morningstar Wide Moat ETF **(ASX: MOAT)**, BetaShares Global Quality Leaders **(ASX: QLTY)**, in addition to the 'Value' play Vanguard Global Value Equity Active **(ASX: VVLU)**.
- **Active ETFs - it's a Winner takes All Market.** As we have previously noted, the active ETF market has and continues to exhibit a winner takes all character, with the likes of the Hyperion Global Growth Companies Fund **(ASX: HYGG)**, the BetaShares Active Australian Hybrids Fund **(ASX: HBRD)**, and the ActiveX Ardea Real Outcome Bond Fund **(ASX: XARO)** all consistently dominanted FUM growth in their respective asset class segments. There are two charts overleaf that reflect this characteristic. First, in the Monthly Flows by Major Issuer the 'Other' line item represents all ETFs, many of which are ETMFs (actively managed ETFs), not issued by the 10 largest issuers. The last chart has a characteristic profile we see month after month in which the previously mention three Active ETFs dominate all other Active ETFs. In ETF land, distribution / marketing is such a critical success factor, which is why so many active managers seek to 'JV' with established issuers, such as VanEck and Betashares. Without meaningful FUM growth some ETMFs may eventually face wind up risk.
- **Tactical Asset Allocation Moves - Equities.** If you dig into the monthly FUM moves at the individual ETF level you see some interesting patterns. Many are simply reflective of the market environment. For example, the BetaShares Nasdaq 100 ETF **(ASX: NDQ)** recorded its first monthly outflow in a long time and after many consecutive monthly periods of strong FUM growth. Similarly, all the S&P 500 ETFs recorded sizeable outflows in February. As previously noted, Quality / Value continue to record solid FUM growth. Interestingly both Short and Geared U.S market ETFs **(ASX: BBUS, SNAS, LNAS, GGUS)** recorded comparable positive inflows. It is likely investors are expressing both outright market directional views but alternatively hedging strategies. For example, a short U.S position effectively takes a degree of existing long market risk off the table, yet without having to sell down these existing long exposures.
- **Tactical Asset Allocation Moves - Fixed Income.** In fixed income, and in what we see as a positive sign, it appears the market is finally cottoning on to the fact that the very long duration government and semi-government (fixed rate) bond ETFs are probably not the best exposure currently. There has been significantly higher FUM growth in active managed fund strategies (ETMFs), high yield (e.g. **ASX: IHHY, SUBD**), and floating rate vehicles, including bank hybrids **(ASX: HBRD, DHOF, GCAP)**, inflation linked bonds **(ASX: ILB)** and bank loans **(ASX: FLOT)**.
- **Property & Infrastructure Strong Growth.** Both sectors have been consistently recording solid monthly FUM inflows, what we view as providing an attractive thematic combination of defensive cashflows and an ongoing post Covid recovery (both sectors were hard hit). Notable inflows have been recorded in **ASX: IFRA, VBLD, REIT, MVA, DJRE**).
- **The Consistently Most Popular Thematic ETFs.** Over the last six, or so months, and in approximate order of magnitude, the most popular thematic ETFs have been **ASX: ACDC, HACK, ERTH, CLNE, IXI, and SEMI**.
- **Antipodes (AGX1) Outflows Slow.** AGX1 recorded outflows of $24.6m in February, materially lower than the $68m recorded in January. We previoulsy noted that we expected outflows would slow with some investors initially taking the opportunity to exit at partiy to NTA after APL had traded at a discount to NTA for a sustained period.

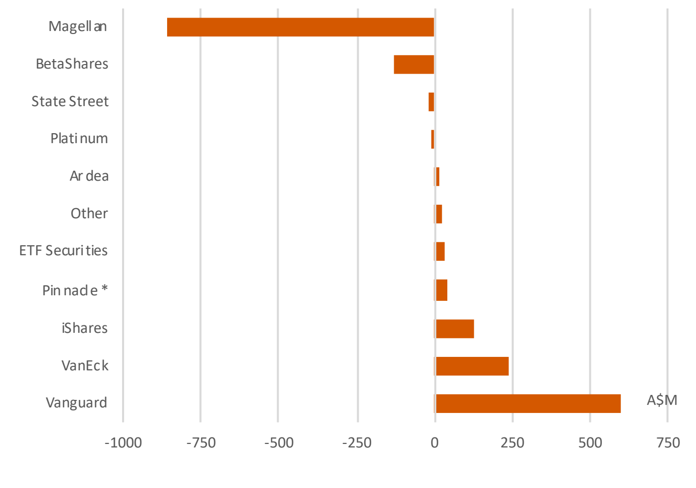
# ETF Flows / Trends Report

## Monthly ETF Flows (as at 28 February 2022)

### Monthly Flows by ETF Sector (ended Feb 2022)

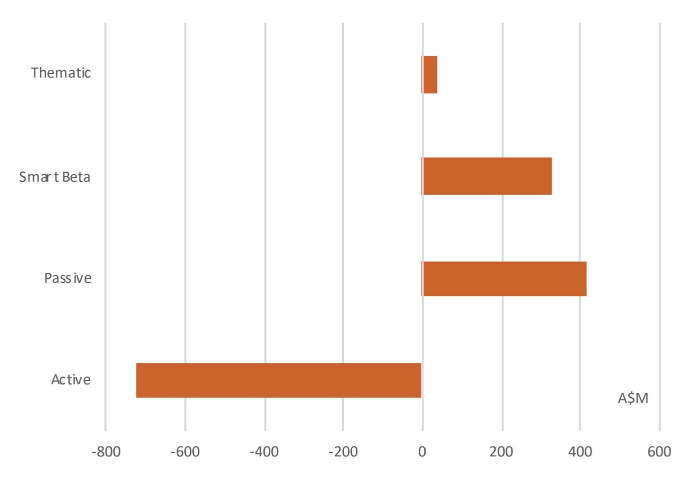



### Monthly Flows by Major ETF Issuer (ended Feb 2022)

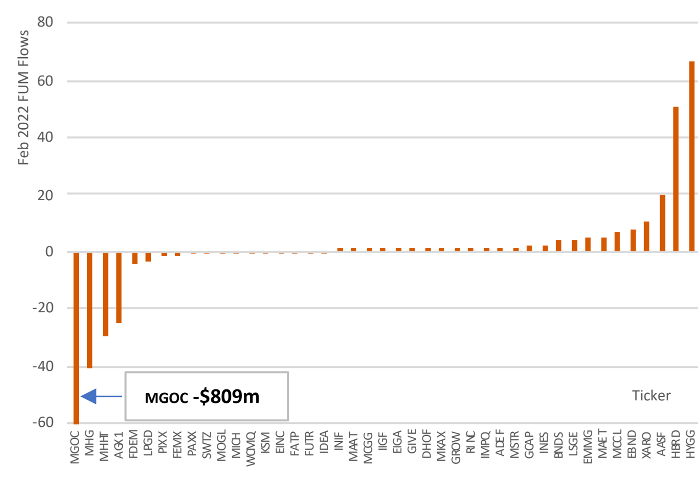



* Excludes HBRD (accounted for in BetaShares) and RCAP (this month only) for reasons explained on P1

### Monthly Flows by Style (ended Feb 2022)




### Active ETFs (ETMFs) - the Winner Takes All Phenomenon




### Top 20 ETF Monthly In- / Outflows (for month ended Feb 2022)

| | | | | | |
|---|---|---|---|---|---|
| Resolution Capital Global Property Securities Fund (MF) | RCAP | 1,265.2 | Magellan Global Fund - Open Class Units (MF) | MGOC | (809.0) |
| Vanguard Australian Shares Index | VAS | 205.3 | Betashares Australian High Interest Cash | AAA | (289.4) |
| iShares Core S&P/ASX 200 | IOZ | 121.1 | BetaShares Global Energy Companies - Hedged | FUEL | (98.3) |
| VanEck MSCI International Quality | QUAL | 100.6 | iShares S&P 500 AUD Hedged | IHVV | (54.3) |
| Vanguard MSCI Index International Shares | VGS | 69.0 | iShares S&P 500 | IVV | (45.6) |
| Hyperion Global Growth Companies Fund (MF) | HYGG | 66.4 | BetaShares Australian Bank Senior Floating Rate Bond | QPON | (41.3) |
| Vanguard Diversified High Growth Index | VDHG | 50.8 | Magellan Global Equities Fund Currency Hedged (MF) | MHG | (40.2) |
| BetaShares Active Australian Hybrids Fund | HBRD | 50.5 | Betashares Australia 200 | A200 | (35.8) |
| BetaShares Global Sustainability Leaders | ETHI | 49.3 | SPDR S&P/ASX 200 | STW | (35.6) |
| BetaShares FTSE 100 | F100 | 46.8 | Magellan High Conviction Trust (MF) | MHHT | (29.5) |
| Vanguard Global Value Equity Active (MF) | VVLU | 43.3 | Antipodes Global Shares (MF) | AGX1 | (24.6) |
| iShares MSCI South Korea | IKO | 35.0 | BetaShares Geared Australian Equity Fund | GEAR | (9.0) |
| Vanguard Australian Property Securities Index | VAP | 30.8 | VanEck Australian Corporate Bond Plus | PLUS | (6.5) |
| BetaShares Australian Strong Bear (Hedge Fund) | BBOZ | 25.3 | BetaShares FTSE RAFI Australia 200 | QOZ | (6.4) |
| Vanguard MSCI Index International Shares (Hedged) | VGAD | 25.1 | BetaShares NASDAQ 100 | NDQ | (6.4) |
| VanEck MSCI International Quality (Hedged) | QHAL | 22.9 | iShares Europe | IEU | (5.3) |
| Vanguard Ethically Conscious International Shares Index | VESG | 21.6 | S EURO STOXX 50 | ESTX | (4.4) |
| BetaShares Australian Investment Grade Bond | CRED | 20.2 | Vaneck MSCI Multifactor Emerging Markets Equity | EMKT | (4.4) |
| Airlie Australian Share Fund (Managed Fund) | AASF | 20.1 | Fidelity Global Demographics Fund (MF) | FDEM | (4.1) |
| VanEck Australian Equal Weight | MVW | 19.4 | BetaShares Global Cybersecurity | HACK | (3.9) |

## About Risk Return Metrics

Risk Return Metrics Pty Ltd (ABN 98 642 969 819) was established by the company's principal Rodney Lay in June 2020 with the express intention to provide institutional grade absolute and relative performance analysis and ratings for retail and wholesale investors, IFAs and investment managers. The primary focus is on the managed investment sectors, both LICs/LITs and Active and Passive ETFs listed on the Australian market. A secondary focus is on the provision of select quantitative based profiles on select Australian domiciled unlisted managed funds. In total, RRM is expected to provide monthly updates on approximately 550 Australian domiciled investment strategies across the full asset class spectrum.

The investment product reports produced by RRM contain a number of differentiating factors to which have and are currently available in the Australian market, with the most notable being 1) HTML-based sub-reports for each strategy and 2) the emphasis on peer group benchmarking for comparative analysis as opposed to the industry standard of utilising industry benchmarks.

The former function enables the provision of detailed metrics regarding returns, risk/capital preservation, performance path, and efficiency, but does so by way of the sub-report feature without comprising the conciseness and readability of the primary report. Less is More, and More is More. The latter is viewed as a superior comparative basis in terms of facilitating investor choice regarding competing investment strategies in a particular (sub-)asset class.

Rodney Lay has 25 years' experience in investment analysis, first starting as an equities analyst at BZW / ABN Amro. Subsequently, he specialised in structured products in the lead up to the GFC and then moved to a dedicated focus on listed and unlisted managed investments. Rodney has had a long involvement in the listed space of the market, both LICs/LITs and ETFs.

Asset class experience is broad, including equities (long-only, long/short, market neutral, enhanced income), global listed infrastructure and property, alternative strategies (hedge funds, global macro, quantitative strategies), retirement solution products, private assets, and public and private debt. Public and private debt strategies have been a particular focus over the last three years, reflecting growing retail and wholesale client demand.

Rodney has a strong understanding of the nuances of different investment structures, including LICs/LITs, Active ETFs, SMAs/ IMAs and the recently launched dual listed/unlisted structure. Rodney has undertaken investment analysis on behalf of some of the most recognised global and domestic fund managers in both the listed and unlisted investment strategy sectors.

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