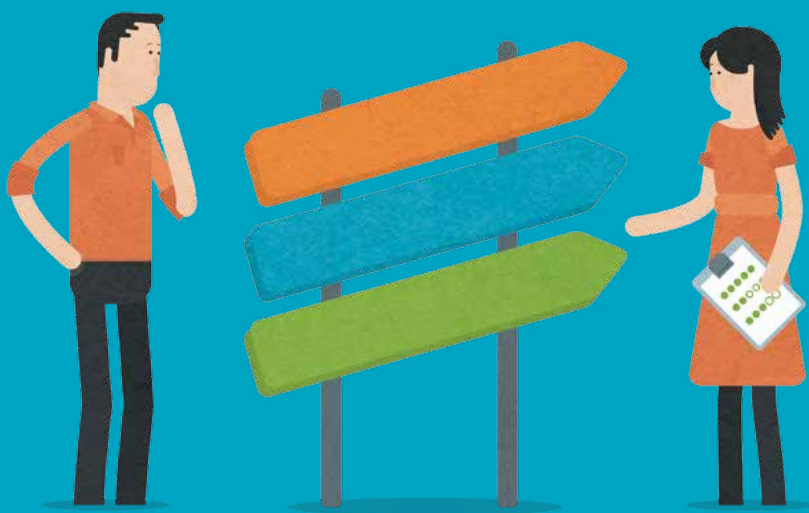


# Australian ETF Report

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2015





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# About this report

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Welcome to our first Australian 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.

The ETF market in Australia grew 66% over the past year to \$17.8 billion. This represents a tripling of funds under management (FUM) since 2012. ETFs have become increasingly popular in Australia due to their low-cost, transparency and diversification benefits.

We've analysed almost 100 ETFs and given them a rating out of 5 which takes into account factors including **fees**, **performance**, **size** and **activity**.

We also look at recent ETF market trends including the growth in **international ETFs**, the wide gap between the **performance of different sectors**, the **demand for dividend yield**, and the emergence of **alternative index ETFs**.

We hope you find the report useful and welcome your feedback.

Chris Brycki  
Founder & CEO, Stockspot



# About Stockspot

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Stockspot is Australia's first online, automated investment adviser and fund manager. Our aim is to make professional wealth management accessible to more Australians.

We want to do away with the high fees, confusing jargon, endless paperwork and lack of transparency that gives the wealth management industry a bad reputation.

We can see that:

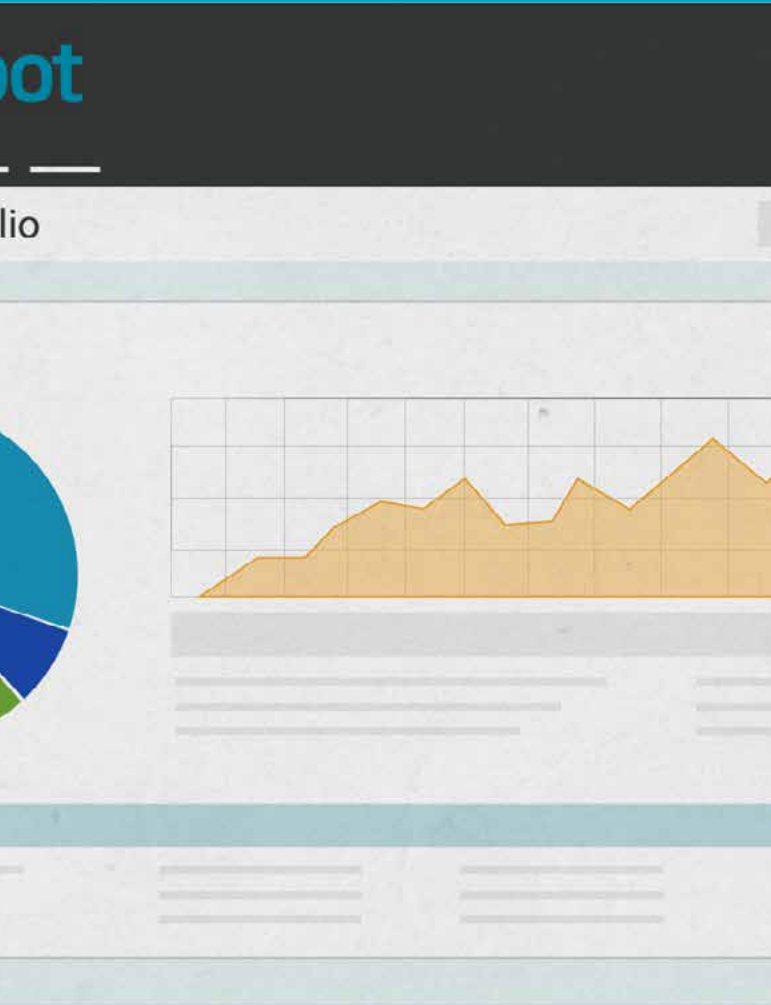
- The high fees charged by many traditional wealth managers are completely unnecessary and are eating away at investment returns.
- Many Australians are unable to access a professionally managed portfolio due to the significant minimum balances.
- Those who are trying to invest themselves are usually missing out on the returns and diversification benefits of other assets like bonds and international shares.

That's why we created Stockspot.

We're helping Australians manage their money smarter with our simple, low-fee, online investment service.

Find out more:

[www.stockspot.com.au](http://www.stockspot.com.au)



# What are ETFs?

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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



Australian Index



Australian sector



International index



International sector



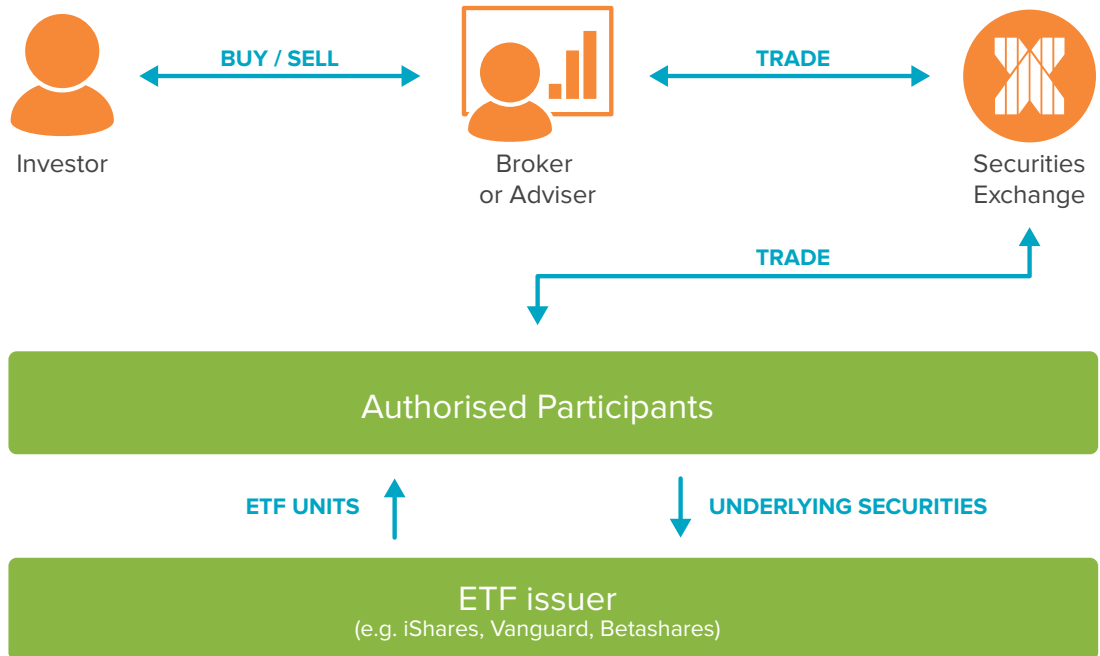
Fixed Income



Commodities

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

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## INCLUDED IN THIS REPORT

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We have included several 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 which 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.

### **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 (MF)**

— These trade on the ASX like an ETF but are actively managed funds. Like ETFs they are also typically structured as managed investment schemes.

### **Exchange traded hedge fund (ETHF)**

— These are a type of exchange traded managed fund. 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

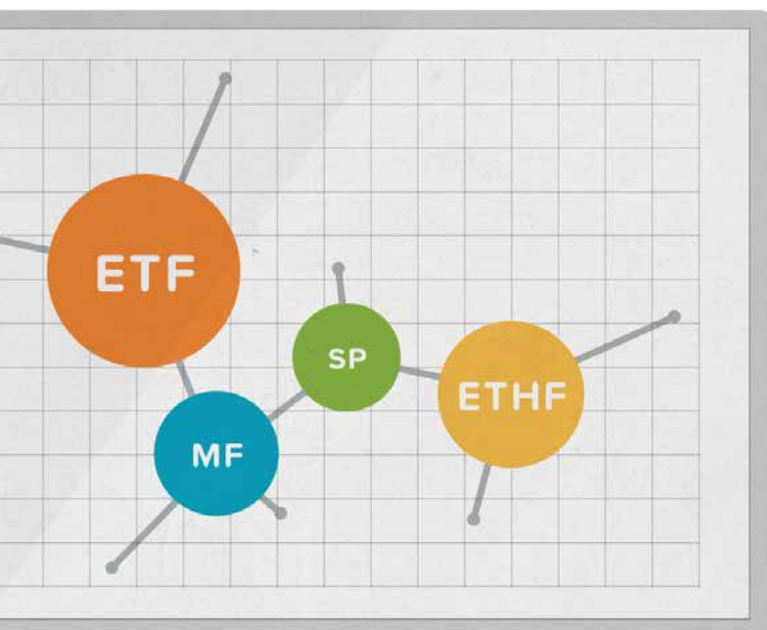
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There are also other investment fund options available on the ASX which this report does not cover:

**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 T+3 settlement so investors must pay for funds upfront. 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).



# ETF Market Summary

**+66% >>> \$17.8B**  
ETF FUNDS UNDER MANAGEMENT

ETF funds under management grew 66% to \$17.8 billion

**+55%**  
BEST PERFORMER

Best performing ETF was the iShares FTSE China Large-Cap ETF which returned 55%

**-53%**  
WORST PERFORMER

Worst performing ETF was the BetaShares Crude Oil Index ETF-Currency Hedged Synthetic ETF which lost 53%

**26**

ETFs



**20**

ETFs



26 ETFs earned our highest rating of 4 or 5 spots

20 ETFs received our lowest rating of 0 or 1 spot

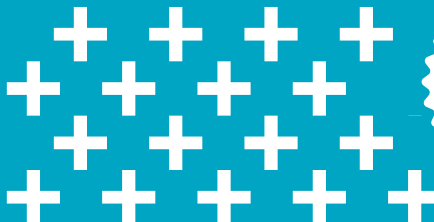
International share ETFs overtook Australian share ETFs as the largest sector with \$6.9 billion of funds



**\$6.9B**

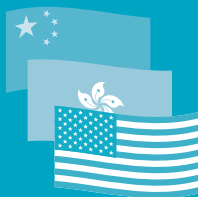
LARGEST SECTOR -  
INTERNATIONAL SHARE ETFs

13 of the 17 new ETFs for the year were international share ETFs



**+17**  
NEW ETFs

International share ETFs returned 28% on average over the last year. The best performing markets were the US, Hong Kong and China



**+28%**

AVERAGE RETURN -  
INTERNATIONAL SHARE ETFs

International sector ETFs returned 36% on average over the year



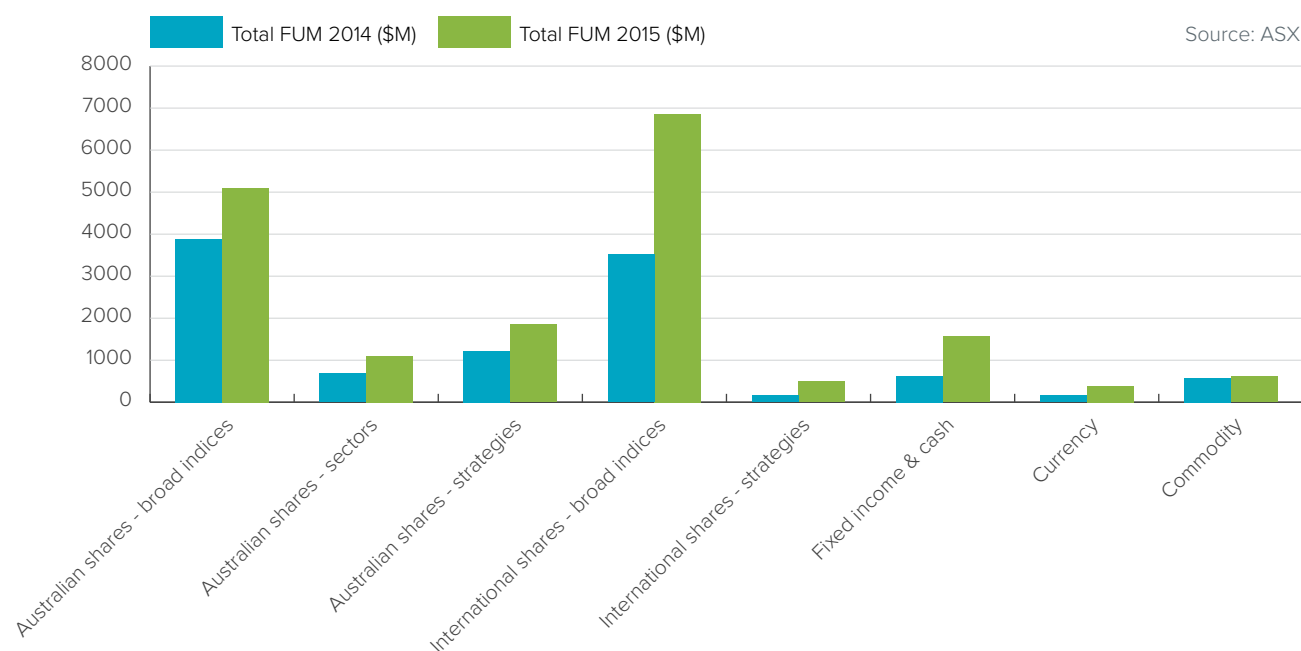
**+36%**

AVERAGE RETURN -  
INTERNATIONAL SECTOR ETFs

Sector	Number of products	Total FUM 2014 (\$M)	Total FUM 2015 (\$M)	Annual change in FUM (\$M)	Annual change in FUM
Australian shares - broad indices	12	3,888	5,095	1,207	31%
Australian shares - sectors	10	685	1,105	420	61%
Australian shares - strategies	12	1,220	1,850	631	52%
International shares - broad indices	36	3,519	6,860	3,341	95%
International shares - strategies	4	166	493	327	197%
Fixed income & cash	11	629	1,569	940	150%
Currency	3	156	385	229	147%
Commodity	21	582	610	29	5%
<b>Total</b>	<b>109</b>	<b>10,845</b>	<b>17,967</b>	<b>7,124</b>	<b>66%</b>

Source: ASX

## ETF GROWTH BY SECTOR



### WE HAVE DIVIDED THE AUSTRALIAN ETF UNIVERSE INTO 8 BROAD SECTOR GROUPINGS:

Sector	Types of ETFs
Australian shares - broad market	Tracks the broad Australian market
Australian shares - sectors	Tracks sectors within the Australian market (e.g. property, financials or resources)
Australian shares - strategies	Only includes some Australian stocks rather than the entire index. Stocks are selected according to certain rules-based factors (e.g. dividend yield, or research rating)
International shares - broad market	Tracks the broad international markets
International shares - strategies	Only includes some international stocks rather than the entire index. Stocks are selected according to certain rules-based factors (e.g. quantitative valuation overlay)
Fixed income & cash	Tracks fixed interest (bonds) and cash
Currency	Tracks currencies
Commodity	Tracks commodities (e.g. gold, oil)

All of the ETF sectors saw growth over the year, with the largest inflows coming into international shares, Australian shares and fixed income.

Over 5 years the average international share ETF returned 11.4%, compared to a 8.3% return from the average Australian share ETF. The underperformance of the local market since 2010 has led many Australian investors to look at adding international ETFs into their portfolios.

International shares (\$6,860M) overtook Australian shares (\$5,095M) as the largest ETF sector in 2015. The growth in international share ETFs has followed a strong period of positive performance for international shares with average returns of 28% over 12 months. The iShares FTSE China Large-Cap ETF was the best performer, returning 54.9% for the year.

13 of the 17 new ETFs over the past year were within the international share sector group. There are now a broad range of international share ETFs listed in the ASX for investors to chose from.

Within Australian shares, investor focus was still squarely on dividends and this played out in the ETF universe with strong inflows into 'dividend' themed ETFs and property/financial sector ETFs.

Unhedged ETFs performed better than hedged ETFs for the year as the Australian dollar fell. For instance the unhedged gold ETF (GOLD) delivered a 9.2% return compared to the 'Australian dollar hedged' gold ETF (QAU) which fell 7.7%. Investors in ETFs should understand any currency exposure embedded in the investments. Typically 'hedged' ETFs benefit from a rising Australian dollar whereas 'unhedged' ETFs have better relative performance when the Australian dollar falls.

Fixed income ETFs continued to gain traction with investors and we believe offer significant diversification benefits. The sectors funds under management grew 150% over the year.

Fixed income ETFs also had a strong period of performance as interest rate expectations fell in Australia. The average fixed income ETF returned 11.5% for the year.

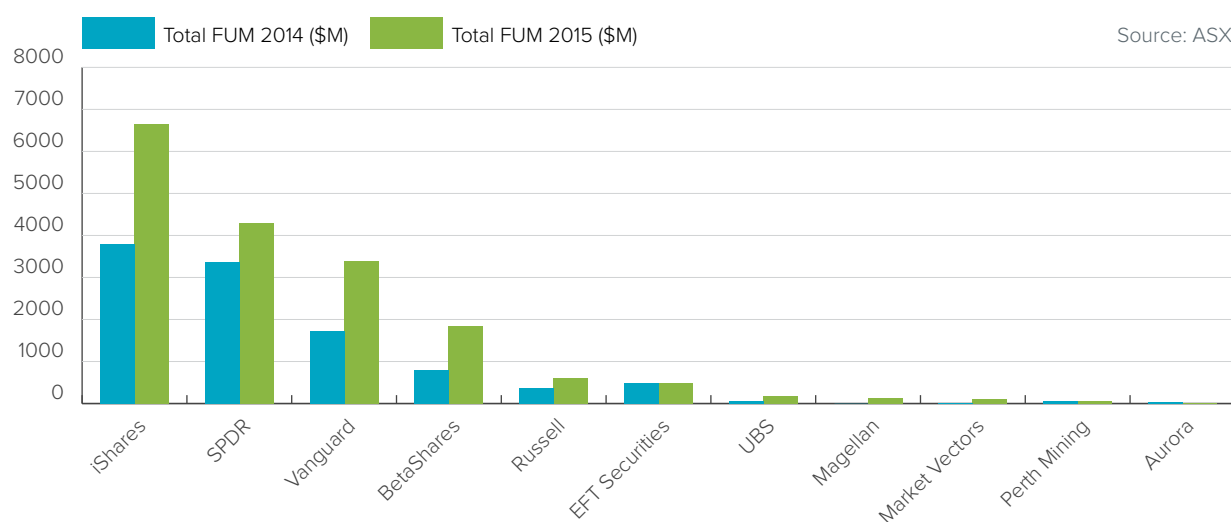
There are now ETFs that track most major asset classes listed in the ASX, with the exception of infrastructure, global fixed interest and alternatives (hedge funds).



Sector	Total FUM 2014 (\$M)	Total FUM 2015 (\$M)	Change in FUM over last 12 months (\$M)	Change in FUM over last 12 months (%)
iShares	3,799	6,649	2,850	75%
SPDR	3,372	4,291	919	27%
Vanguard	1,722	3,383	1,661	96%
BetaShares	790	1,854	1,065	135%
Russell	377	610	232	62%
EFT Securities	489	492	3	1%
UBS	54	179	125	233%
Magellan	0	126	126	-%
Market Vectors	15	115	100	685%
Perth Mining	52	56	5	9%
Aurora	25	23	-3	-11%

Source: ASX

## ETF GROWTH BY ISSUER



The majority of ETF funds under management are managed by the largest four competitors; with iShares, SPDR, Vanguard, BetaShares accounting for 91% of funds.

**iShares** (owned by BlackRock) extended its lead over SPDR with \$2.43B of new FUM coming in via their international ETFs. iShares also launched two new international ETFs which were hedged versions of existing ETFs - iShares Global 100 (AUD Hedged) and iShares S&P (500 AUD Hedged).

**SPDR** saw more subdued growth. Their stalwart SPDR S&P/ASX 200 ETF (STW) added \$372M of new funds for the year compared to the lower-fee Vanguard Australian Shares Index (VAS) which grew by \$401M. It will be interesting to see whether STW comes under fee pressure at some point and matches Vanguard. At 0.29% p.a. their management fee for STW is almost double VAS (0.15%) which will be difficult to maintain as the ETF market matures. The SPDR S&P/ASX 200 Listed Property Fund was their strongest performer for the year, adding \$161M of new FUM on the back of a very strong 12 month performance (33.6% return).

**Vanguard** was a standout performer for the year, almost doubling their FUM to \$3,383M. Like iShares, their growth came largely from their Australian and international share ETFs, as well as fixed income. Their dividend themed ETF (Vanguard Australian Shares High Yield ETF) also attracted strong interest with \$147M of new FUM. Rather than offering individual country ETFs like iShares, Vanguard has focused on offering broad market exposures across US shares, global shares (ex US) and Emerging markets. Vanguard also has the lowest average fees of all ETF issuers at 0.22%.

**BetaShares** also had a great year, adding over \$1B in new FUM. Most of the new funds came via BetaShares cash ETF (AAA: \$406M), yield-max ETF (YMAX: \$225M) and US dollar ETF (USD: \$229M). BetaShares have successfully focused on niche offerings which typically have a structured element and higher expense ratio. The BetaShares Australia Top20 Equity Yield Max Fund (YMAX) had the biggest inflows out of any Australian strategy based ETFs despite its relatively high fee (0.59%) and mediocre 12 month return of 6.2%. Over its first year YMAX delivered half of the broad market return with only about 2% less volatility. The fund also has a relatively high exposure to financial stocks (60.8%) so may struggle to generate sufficient returns to compensate for its lower risk when banks experience a period of underperformance.

**Russell** saw most of its growth come from the Russell Australian Semi-Government Bond ETF (RSM) and has benefited as more Australian investors access government bonds via fixed interest ETFs.

**Market Vectors** is a recent market entrant and has seen some early traction from its suite of 'alternative indexing' ETFs, adding \$100M over the year. Market Vectors MSCI World Ex-Australia Quality ETF (QUAL) benefited from the trend into international shares and out of traditional active international fund managers.

**UBS** added \$125M of new funds, largely into its newly launched UBS IQ MSCI Australian Ethical ETF (UBA) which becomes the first 'ethical' focused ETF to be listed in Australia. The UBS IQ Research Preferred Australian Share Fund (ETF), which invests in UBS analysts' "top picks" significantly underperformed the broad market and was only able to attract \$11M of new funds.

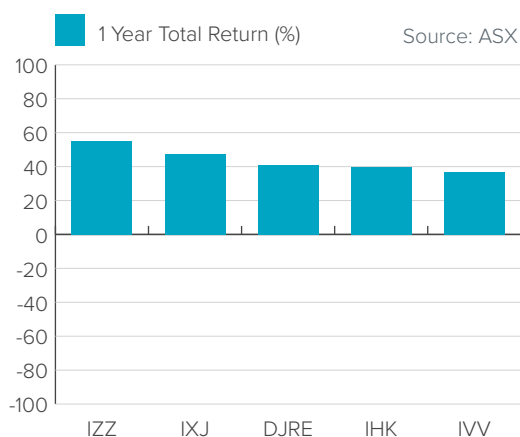
**Magellan** entered the exchange traded product space with the first exchange traded managed fund (ETMF), which we have included in this report. The Magellan Global Equities Fund (MGE) trades like an exchange traded fund with intra-day pricing. However the underlying share holdings are only disclosed on a quarterly basis so investors must rely on market-markets to maintain an accurate price and liquidity.



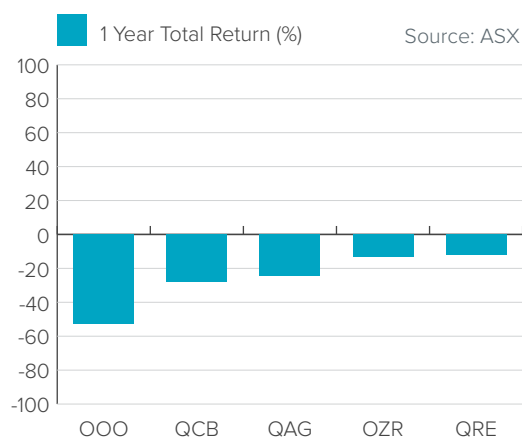
ASX code	ETF name	Issuer	Total FUM 2015 (\$M)	1 year total return
<b>Positive performance</b>				
IZZ	iShares FTSE China Large-Cap	iShares	137	55%
IXJ	iShares S&P Global Healthcare	iShares	304	48%
DJRE	SPDR Dow Jones Global Select Real Estate Fund	SPDR	46	41%
IHK	iShares MSCI Hong Kong	iShares	10	40%
IVV	iShares Core S&P 500	iShares	1,887	37%
<b>Negative performance</b>				
OOO	BetaShares Crude Oil Index ETF-Currency Hedged (Synthetic)	Beta Shares	29	-53%
QCB	BetaShares Commodities Basket ETF-Currency Hedged (Synthetic)	Beta Shares	7	-28%
QAG	BetaShares Agriculture ETF-Currency Hedged (Synthetic)	Beta Shares	3	-24%
OZR	SPDR S&P/ASX 200 Resource Fund	SPDR	16	-13%
QRE	BetaShares S&P/ASX 200 Resources Sector ETF	Beta Shares	12	-12%

Source: ASX

## ETFs BY PERFORMANCE



Top Performers



Bottom Performers



### POSITIVE PERFORMANCE

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Unhedged international share and sectors ETFs contributed all of the top 5 performers for the year. The Chinese, Hong Kong and US share markets delivered the highest market returns while healthcare and real estate were the standout sectors. iShares was the manager of 4 of the top 5 performers for the year thanks to its large selection of international share ETFs.

### NEGATIVE PERFORMANCE

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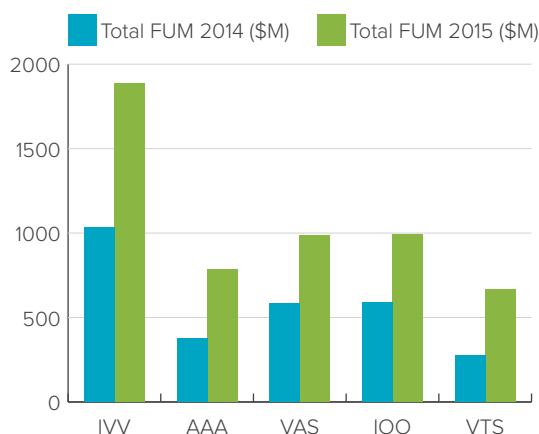
Commodity, resource and agriculture ETFs were the worst performers for the year as oil, iron ore and the prices of other commodities slipped. BetaShares was the manager of 4 of the 5 worst performers this year, mainly due to their wide commodity ETF coverage.



ASX code	ETF name	Issuer	Total FUM 2014 (\$M)	Total FUM 2015 (\$M)	Annual change in FUM (\$M)	1 year total return
<b>Increases in FUM</b>						
IVV	iShares Core S&P 500	iShares	1,034	1,887	853	37%
AAA	BetaShares Australian High Interest Cash ETF	BetaShares	376	782	406	3%
VAS	Vanguard Australian Shares Index	Vanguard	585	987	401	13%
IOO	iShares S&P Global 100	iShares	591	992	401	24%
VTS	Vanguard US Total Market Shares Index	Vanguard	273	665	392	36%
<b>Decreases in FUM</b>						
QAG	BetaShares Agriculture ETF-Currency Hedged (Synthetic)	BetaShares	4	3	-1	-24%
AOD	Aurora Dividend Income Trust	Aurora	25	23	-3	-4%
QRE	BetaShares S&P/ASX 200 Resources Sector ETF	BetaShares	17	12	-5	-12%
IBK	iShares MSCI BRIC	iShares	43	38	-6	25%
QAU	BetaShares Gold Bullion ETF (AU\$ Hedged)	BetaShares	25	18	-8	-8%

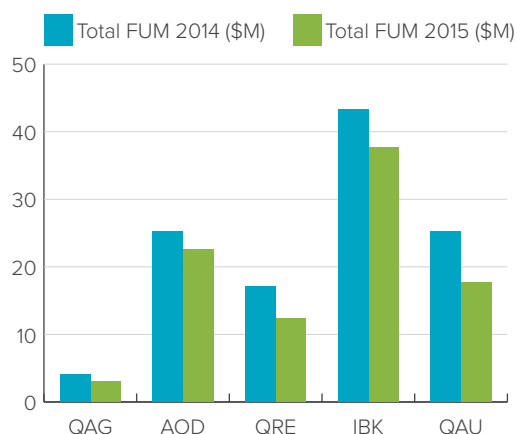
Source: ASX

## ETF GROWTH BY FUM



Source: ASX

**Increases in FUM**



Source: ASX

**Decreases in FUM**

### INCREASES IN FUM

Fund inflows and outflows for the year followed a similar trend to ETF performance, with international share ETFs experiencing the highest inflows and resource based ETFs seeing outflows.

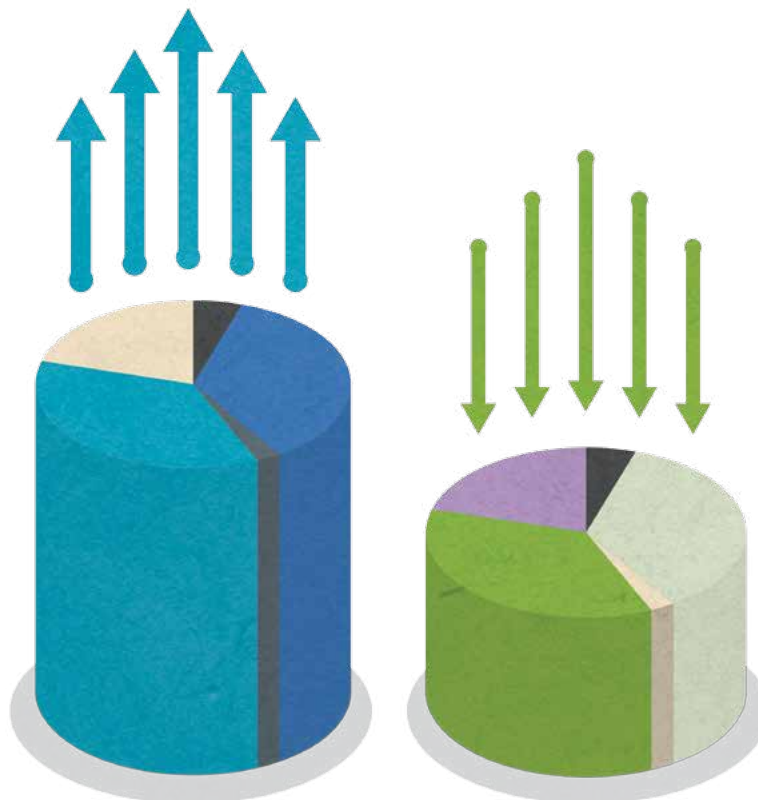
The largest fund inflows were into international shares (IVV, IOO, VTS), with a focus on large-capitalisation companies and US shares. The large inflows into Australian share ETFs (VAS), despite lower returns signal a greater demand for ETFs in general as an alternative to managed funds or direct shares. ETFs with lower fees (IVV, VAS, VTS) were more popular than roughly equivalent ETFs with higher fees (STW, SPY). Two of the ETFs with the biggest inflows for the year were part of the Stockspot portfolios (VAS, IOO).

The popularity of Betashares Australian High Interest Cash ETF (AAA) shows another dimension of Australians thirst for yield in a low interest rate environment. Self Managed Super Funds (SMSFs) continue to have a high portion of their investable assets in cash and short term deposits.

### DECREASES IN FUM

ETF outflows were small this year and focused around commodity and agriculture ETFs on the back of negative returns. Recent price performance certainly seems to have a large impact on ETF fund flows which we believe is a function of the large retail ownership of ETFs. For better or worse, retail investors tend to chase recent performance which explains why international share ETFs were popular while commodity and agriculture ETFs saw outflows this year. QAG and QRE which were in the worst 5 performers for the year and also has some of the highest outflows.

Noise around the political and economic instability in Russia is likely to have caused some of the outflows from iShares MSCI BRIC (IBK), which owns shares in Brazil, Russia, India and China. However a strong performance from the Chinese stock market more than balanced out any weakness in Russia and this saw IBK generate a 25% return for the year.





# ETF Sectors

## SPOTS EVALUATION

Spots are a measure we have developed to compare ETFs across 5 common characteristics: Fees, Slippage, Liquidity, Size and Counterparty risk. Spots are a quantitative measure and do not constitute a recommendation.

ETFs can qualify for up to 5 spots based on the following criteria:

Measure	Criteria
<b>Fees:</b> total fund management fees and expenses as a percentage of average net assets, and is equivalent in calculation to the indirect cost ratio (ICR) and the management expense ratio (MER)	Less than 0.25% per annum
<b>Slippage:</b> average percentage bid/ask spread during ASX trading hours.	Less than 0.25%
<b>Liquidity:</b> average daily volume on the ASX over the past calendar quarter. Volume is a measure of market making activity and the trading environment. It may not reflect liquidity in the underlying securities.	More than AU\$500,000
<b>Size:</b> Funds Under Management (FUM)	More than AU\$25m
<b>Counterparty risk:</b> Synthetic ETFs and Structured Products use derivatives to achieve their investment objective. If you invest in these you are subject to the risk that the counterparty to the derivative may fail to meet some or all of their obligations. Some ETFs can also 'lend out' the underlying securities to earn a fee. Securities lending can boost investor returns but also increases counterparty risk. We prefer ETFs that are exposed to very low or zero counterparty risk.	Investors are exposed to counterparty risk of less than 10% of the fund's net asset value

ASX code	ETF name	Issuer	MER (% p.a) 2015	FUM (\$M) 2014	FUM (\$M) 2015	Change in FUM (\$M)	Traded Value in March (\$)	% Spread	Historical Distribution Yield	1 Year Total Return	Stockspot rating
<b>Australian Broad Based</b>											
ILC	iShares S&P/ASX 20	iShares	0.24	196	299	104	38	0.17%	4.4%	13.2%	●●●●●●
IOZ	iShares MSCI Australia 200	iShares	0.19	279	373	94	19	0.20%	3.7%	13.6%	●●●●●●
VAS	Vanguard Australian Shares Index	Vanguard	0.15	585	987	401	63	0.10%	4.0%	13.3%	●●●●●●
SFY	SPDR S&P/ASX 50	SPDR	0.29	378	447	69	16	0.08%	5.7%	13.6%	●●●●○
STW	SPDR S&P/ASX 200	SPDR	0.29	2,286	2,658	372	173	0.10%	4.1%	14.0%	●●●●○
VLC	Vanguard MSCI Australian Large Companies Index	Vanguard	0.20	26	42	16	4	0.12%	3.7%	12.6%	●●●●○
MVW	Market Vectors Australian Equal Weight ETF	Market Vectors	0.35	-	26	26	5	0.12%	1.5%	17.8%	●●●○○
QOZ	Beta Shares FTSE RAFI Australia 200 ETF	BetaShares	0.30	30	62	32	5	0.19%	3.7%	14.7%	●●●○○
UBA	UBS IQ MSCI Australian Ethical ETF	UBS	0.17	-	80	80	11	-	-	-	●●●○○
VSO	Vanguard MSCI Australian Small Companies Index	Vanguard	0.30	41	51	10	5	0.21%	3.0%	5.3%	●●●○○
ISO	iShares S&P/ASX Small Ordinaries	iShares	0.55	57	60	3	2	0.48%	2.6%	1.6%	●○○○○
SSO	SPDR S&P/ASX 200 Small Ordinaries Fund	SPDR	0.50	9	9	0	1	0.32%	2.5%	2.9%	●○○○○
<b>Average</b>			0.29					0.19%	3.5%	11.1%	●●●●○
<b>Total</b>				3,888	5,095	1,207	340				

Source: ASX

This group of ETFs track broad Australian share market indices such as the S&P/ASX300.

The average 1 year return was 11.14% after fees including a distribution yield of 3.54%. Many of these ETFs also distribute franking credits to investors which can be an additional benefit to Australian taxpayers.

Australian shares ETFs added \$1.2 billion of FUM for the year with 72% of that money finding its way into either Vanguard or SPDR ETFs.

The Australian equity market is dominated by a few large capitalisation stocks — in particular financials, resource companies and Telstra. The top 10 companies account for over 50% of the S&P/ASX200 Index. As a result, investors are exposed to significant industry and single-stock tilts when investing in broad Australian equity market; with the market concentrated in financials (~49%) and materials (~14%).

There were two new entrants this year, one from each of Market Vectors and UBS. The Market Vectors Australian Equal Weight ETF (MVW) gives each stock an equal weighting rather than weighting stocks according to their market size like most ETFs. MVW enjoyed a strong first year of returns, outperforming the more established ETFs.

ETFs tracking the Small Ordinaries underperformed due to their higher exposure to resource stocks, which lagged other sectors this year.

The SPDR (STW) and Vanguard (VAS) broad market ETFs took the majority of new funds and investors gravitated towards the largest ETFs with high trading volumes and low fees. STW lost some market share to VAS due to its higher fees (0.29%) which are about double VAS (0.15%).

We give 3 ETFs the full 5 spots (IOZ, ILC, VAS) with the majority receiving 3 or 4 spots.

VAS is our current Stockspot portfolio inclusion from this asset group.



ASX code	ETF name	Issuer	MER (% p.a) 2015	FUM (\$M) 2014	FUM (\$M) 2015	Change in FUM (\$M)	Traded Value in March (\$)	% Spread	Historical Distribution Yield	1 Year Total Return	Stockspot rating
<b>Australian Sector</b>											
VAP	Vanguard Australian Property Securities Index ETF	Vanguard	0.25	168	383	215	29	0.13%	4.1%	33.7%	●●●●●
SLF	SPDR S&P/ASX 200 Listed Property Fund	SPDR	0.40	412	573	161	21	0.18%	5.0%	33.6%	●●●●○
MVA	Market Vectors Australian Property ETF	Market Vectors	0.35	8	34	26	2	0.18%	4.4%	33.7%	●●●●○
OZF	SPDR S&P/ASX 200 Financials ex A-REITs Fund	SPDR	0.40	36	46	10	4	0.14%	4.7%	19.8%	●●●●○
QFN	Beta Shares S&P/ASX 200 Financials Sector ETF	Beta Shares	0.39	21	25	4	0	0.18%	3.7%	19.3%	●●●●○
MVB	Market Vectors Australian Bank ETF	Market Vectors	0.28	5	13	8	1	0.08%	4.1%	22.2%	●●●●○
MVR	Market Vectors Australian Resources ETF	Market Vectors	0.35	1	2	1	1	0.18%	3.6%	-7.5%	●●●●○
MVE	Market Vectors Australian Emerging Resources ETF	Market Vectors	0.49	1	1	0	0	0.37%	1.2%	-25.2%	●●●●○
OZR	SPDR S&P/ASX 200 Resource Fund	SPDR	0.40	16	16	0	1	0.27%	3.2%	-13.3%	●●●●○
QRE	Beta Shares S&P/ASX 200 Resources Sector ETF	Beta Shares	0.39	17	12	-5	4	0.38%	3.7%	-12.3%	●●●●○
<b>Averages</b>			0.37					0.21%	3.8%	10.4%	●●●●○
<b>Totals</b>				684	1,105	421	63				

Source: ASX



This group of ETFs track the movements of various sectors of the Australian share market. At this stage there are sector ETFs covering the Resources, Financials and Property sectors.

Performance between sector ETFs varied greatly over the year with Financial and Property ETFs rising strongly (19% to 34%) while Resources and Mining ETFs fell -7% to -25%.

Australian sector ETFs added \$420 million of FUM for the year with 90% of that money finding its way into either the Vanguard or SPDR Property ETFs (VLP and SLF). In a similar trend to Australian broad based ETFs, SPDR (SLF) lost market share to Vanguard (VLP) with its lower-fee option.

Each of the three property ETFs returned between 33.6% to 33.7% for the year.

The Market Vectors Australian Emerging Resources ETF (MVE) lost 25.2% of its value over the year as investors deserted small-capitalisation mining shares in favour of other sectors. The larger company focused Market Vectors, SPDR and BetaShares Resources ETFs also fell following a downturn in commodity prices.

Investors have gravitated towards sectors with higher yields over the past year as Australian interest rates have fallen. The difference between financial and resource company dividend yields have converged as financials have risen while resource stocks fell. Distribution yields still vary considerably between sectors with property ETFs yielding 4.52% on average, financial/bank ETFs yielding 4.17% and resources/mining ETFs yielding 2.92%.

High single-stock concentration is evident across all Australian sector ETFs.

- Financials: The 'big four' banks typically represent around 73% of the S&P/ASX 200 Financials ex A-REIT Index.
- Property: The largest 5 REITs make up nearly 66% of the S&P/ASX200 Property Index, with Scentre Group, Westfield Corp, Stockland, Goodman Group and GPT dominating this index.
- Resources: BHP, RIO, FMG make up nearly 53% of the S&P/ASX200 Resources Index, with BHP alone contributing 40% of this index.



ASX code	ETF name	Issuer	MER (% p.a) 2015	FUM (\$M) 2014	FUM (\$M) 2015	Change in FUM (\$M)	Traded Value in March (\$)	% Spread	Historical Distribution Yield	1 Year Total Return	Stockspot rating
<b>Australian Strategy</b>											
VHY	Vanguard Australian Shares High Yield ETF	Vanguard	0.25	377	525	148	26	0.15%	5.5%	12.2%	●●●●●
BEAR	BetaShares Australian Equities Bear Hedge Fund	Beta Shares	1.19	42	64	22	22	0.15%	0.0%	-10.5%	●●●●○
HVST	BetaShares Australian Dividend Harvestor Fund (Managed Fund)	Beta Shares	0.65	-	76	76	35	0.14%	-	-	●●●●○
RDV	Russell High Dividend Australian Shares ETF	Russell	0.34	258	280	22	17	0.20%	4.9%	17.0%	●●●●○
YMAX	BetaShares Australia Top20 Equity Yield Max Fund	Beta Shares	0.59	110	335	225	23	0.18%	8.3%	6.2%	●●●●○
DIV	UBS IQ Research Preferred Australian Dividend Fund	UBS	0.70	5	27	22	3	0.20%	4.5%	12.2%	●●●●○
ETF	UBS IQ Research Preferred Australian Share Fund	UBS	0.70	49	60	11	1	0.18%	11.4%	7.3%	●●●●○
IHD	iShares S&P/ASX Dividend Opportunities ETF	iShares	0.30	198	244	46	15	0.21%	11.4%	6.2%	●●●●○
SYI	SPDR MSCI Australia Select High Dividend Yield Fund	SPDR	0.35	144	183	39	13	0.09%	4.5%	14.0%	●●●●○
GEAR	BetaShares Geared Australian Equity Fund (Hedge Fund)	Beta Shares	0.80	-	20	20	15	0.22%	-	-	●●●●○
RVL	Russell Australian Value ETF	Russell	0.34	11	16	5	0	0.15%	10.5%	15.6%	●●●●○
AOD	Aurora Dividend Income Trust	Aurora	0.97	25	23	-2	0	0.75%	5.8%	-4.3%	●●●●○
<b>Averages</b>			0.60					0.22%	6.7%	7.6%	●●●●○
<b>Totals</b>				1,220	1,850	634	172				

Source: ASX

These ETFs only include some Australian stocks rather than the entire index. Stocks are selected according to certain rules-based factors like dividend yield or research rating. Some of the strategy ETFs also seek to address concentration issues within the broad market indices by limiting sector and stock exposure limits. For instance Vanguard's VHY ETF restricts any one industry to 40% and one company to 10% of the index.

High yield and dividend themed ETFs captured most of the new flows into this group over the past year. The yield theme has been popular not only in Australia but also overseas as interest rates remain low in most developed markets.

The best return came from the Russell High Dividend Australian Shares ETF (RDV) which added 17% for the year including a 5% distribution. A high allocation to banks, diversified financials and utility shares helped the Russell fund outperform its peers.

Some dividend ETFs delivered generous distributions but low overall returns. The iShares S&P/ASX Dividend Opportunities ETF (IHD) distributed a 11.4% dividend and -5.2% capital return. Similarly the BetaShares Australian Top20 Equity Yield Max Fund (YMAX) offered a distribution yield of 8.3% but generated a -2.1% capital gain over the period. In both cases, higher yields came with significantly lower than market returns. It should be noted that YMAX intentionally caps capital gains to lower the volatility of the fund by selling call options.

The Vanguard Australian Shares High Yield ETF (VHY) and BetaShares Australia Top20 Equity Yield Max Fund (YMAX) collectively captured \$373M or 70% of new funds into this grouping.

Vanguard continues to be a price-leader in this area with a MER of less than half the average strategy ETF (0.25%). BetaShares captured 64% of new flows into strategy ETFs despite having the highest average MER (0.80%).

The average yield for this group exceeded 6%, reflecting the high number of dividend focused ETFs and synthetic yield products like YMAX. All of the strategy based ETFs pay distributions apart from BetaShares Australian Equities Bear Hedge Fund, which offers an inverse return to the Australian market and is targeted at investors who want to take a negative short-term view on Australian shares.

UBS remains the only issuer to have launched 'research' based ETFs, which invest in shares on which UBS research analysts have 'buy' ratings. The UBS IQ Research Preferred Australian Share Fund has underperformed the average Australian share ETF and average Australian strategy ETF over 1 and 2 years.



ASX code	ETF name	Issuer	MER (% p.a) 2015	FUM (\$M) 2014	FUM (\$M) 2015	Change in FUM (\$M)	Traded Value in March (\$)	% Spread	Historical Distribution Yield	1 Year Total Return	Stockspot rating
<b>International Broad Based</b>											
IVV	iShares Core S&P 500	iShares	0.07	1,034	1,887	853	126	0.08%	1.4%	37.0%	●●●●●●
VEU	Vanguard All-World ex US Shares Index	Vanguard	0.15	203	445	241	38	0.21%	2.2%	20.8%	●●●●●●
VTS	Vanguard US Total Market Shares Index	Vanguard	0.05	273	665	392	55	0.13%	1.4%	36.4%	●●●●●●
IEU	iShares S&P Europe	iShares	0.60	280	469	190	94	0.17%	2.5%	15.2%	●●●●○
IJP	iShares MSCI Japan	iShares	0.53	83	141	58	22	0.25%	0.9%	35.7%	●●●●○
IOO	iShares S&P Global 100	iShares	0.40	591	992	401	42	0.19%	2.5%	24.0%	●●●●○
VGS	Vanguard MSCI Index International Shares	Vanguard	0.18	-	45	45	24	0.30%	-	-	●●●●○
IAA	iShares S&P Asia 50	iShares	0.50	153	266	113	21	0.46%	1.6%	33.2%	●●●○○
IEM	iShares MSCI Emerging Markets	iShares	0.69	297	518	221	154	0.28%	1.7%	20.9%	●●●○○
IHK	iShares MSCI Hong Kong	iShares	0.53	5	10	5	3	0.38%	2.4%	39.9%	●●●○○
IHVV	iShares S&P 500 AUD Hedged	iShares	0.13	-	14	14	5	-	-	-	●●●○○
IJH	iShares Core S&P Midcap	iShares	0.15	53	84	31	5	0.31%	1.0%	36.8%	●●●○○
IJR	iShares Core S&P Small-Cap	iShares	0.16	30	44	14	2	0.37%	1.0%	33.5%	●●●○○
IRU	iShares Russell 2000	iShares	0.23	27	48	21	2	0.30%	1.0%	32.2%	●●●○○
IVE	iShares MSCI EAFE	iShares	0.34	129	246	117	26	0.26%	2.5%	20.1%	●●●○○
IZZ	iShares FTSE China Large-Cap	iShares	0.72	56	137	81	43	0.30%	1.7%	54.9%	●●●○○
MGE	Magellan Global Equities Fund (Managed Fund)	Magellan	1.35	-	126	126	80	-	-	-	●●●○○
QUAL	Market Vectors MSCI World Ex-Australia Quality ETF	Market Vectors	0.75	-	39	39	10	0.24%	-	-	●●●○○
SPY	SPDR S&P 500 ETF Trust	SPDR	0.09	-	21	21	2	0.19%	-	-	●●●○○
UMAX	BetaShares S&P 500 Yield Maximiser Fund (Managed Fund)	Beta Shares	0.59	-	31	31	5	0.20%	-	-	●●●○○

ASX code	ETF name	Issuer	MER (% p.a) 2015	FUM (\$M) 2014	FUM (\$M) 2015	Change in FUM (\$M)	Traded Value in March (\$)	% Spread	Historical Distribution Yield	1 Year Total Return	Stockspot rating
WXOZ	SPDR S&P World ex Australian Fund	SPDR	0.42	43	135	92	4	0.22%	1.9%	29.5%	
IBK	iShares MSCI BRIC	iShares	0.69	43	38	-6	3	0.55%	2.2%	25.1%	
ITW	iShares MSCI Taiwan	iShares	0.61	26	34	8	1	0.46%	1.5%	30.7%	
UBU	UBS IQ MSCI USA Ethical ETF	UBS	0.20	-	3	3	0	-	-	-	
VGAD	Vanguard MSCI Index International Shares (Hedged)	Vanguard	0.21	-	16	16	5	0.50%	-	-	
VGE	Vanguard FTSE Emerging Markets Shares	Vanguard	0.48	6	34	28	4	0.38%	1.8%	25.0%	
WDIV	SPDR S&P Global Dividend Fund	SPDR	0.50	11	62	51	7	0.27%	2.7%	24.2%	
WXHG	SPDR S&P World ex Australian (Hedged) Fund	SPDR	0.48	12	71	59	5	0.26%	2.2%	16.9%	
IHO0	iShares Global 100 AUD Hedged	iShares	0.46	-	16	16	6	#N/A	-	n/a	
IKO	iShares MSCI South Korea Capped Index	iShares	0.61	6	11	5	1	0.46%	0.9%	13.7%	
ISG	iShares MSCI Singapore	iShares	0.53	6	9	3	0	0.45%	2.6%	22.2%	
QUS	BetaShares FTSE RAFI US 1000 ETF	Beta Shares	0.40	-	6	6	3	-	-	-	
UBE	UBS IQ MSCI Europe Ethical ETF	UBS	0.40	-	3	3	0	-	-	-	
UBJ	UBS IQ MSCI Japan Ethical ETF	UBS	0.40	-	5	5	0	-	-	-	
UBW	UBS IQ MSCI World ex Australia Ethical ETF	UBS	0.35	-	3	3	1	-	-	-	
WEMG	SPDR S&P Emerging Markets Fund	SPDR	0.50	3	4	1	1	0.43%	0.8%	20.9%	
<b>Averages</b>			0.43					0.31%	1.74%	28.2%	
<b>Totals</b>				3,372	6,674	3,302	802				

Source: ASX

This group of ETFs track global markets and share indices including the S&P 500 and various region and country markets including Europe, Asia, Japan, Hong Kong, China, Taiwan and South Korea.

International shares (\$6,860M) overtook Australian shares (\$5,095M) as the largest ETF sector in 2015. The growth in international share ETFs has followed a strong period of positive performance for international shares with average returns of 28% over 12 months. The iShares FTSE China Large-Cap ETF was the best performer, returning 54.9% for the year.

Broad international US shares captured the majority of new inflows as investors chased the large, highly-liquid global indices with well-known constituent businesses. BetaShares have also announced the launch of a NASDAQ 100 ETF (NDQ) to give Australians access to the US technology sector.

Global dividend yields remain relatively low on average (1.3%) compared to Australian shares (3.5%)

Large and mid-cap global shares have outperformed small-cap indices over recent years which was also a trend in local Australian shares.

There is still a wide disparity in fees between international ETFs with the Vanguard US Total Market Shares Index coming in lowest at 0.05% per annum and the highest fees attached to the Market Vectors MSCI World Ex-Australia Quality ETF (QUAL) at 0.75% and Magellan Global Equities Fund (Managed Fund) at 1.35%. Of the active ETFs, higher fees tend to be associated with funds with an active or alternative indexing strategy. Of the passive ETFs, higher fees tend to be associated with ETFs which have lower liquidity, a higher number of constituents and exposure to several markets.

### BROAD INTERNATIONAL ETFs

iShares, SPDR and Vanguard now all offer broad ETF exposures to US shares, global developed markets shares and emerging market shares. iShares offers choice between large, mid and small cap focuses in the US while Vanguard offers good choice between developed market options with hedged and unhedged versions as well as an ex-US ETF (VEU) for those already with US exposure.

	iShares	Vanguard	SPDR
<b>US shares</b>	<ul style="list-style-type: none"> <li>• IVV - large cap (0.07%)</li> <li>• IHVV - large cap hedged (0.13%)</li> <li>• IJH - mid cap (0.15%)</li> <li>• IJR - small cap (0.16%)</li> </ul>	<ul style="list-style-type: none"> <li>• VTS (0.05%)</li> </ul>	<ul style="list-style-type: none"> <li>• SPY (0.09%)</li> </ul>
<b>Developed market</b>	<ul style="list-style-type: none"> <li>• IOO (0.40%)</li> </ul>	<ul style="list-style-type: none"> <li>• VEU ex-US (0.15%)</li> <li>• VGS (0.18%)</li> <li>• VGAD - hedged (0.21%)</li> </ul>	<ul style="list-style-type: none"> <li>• WXHG (0.48%)</li> <li>• WXOZ - hedged (0.42%)</li> </ul>
<b>Emerging market</b>	<ul style="list-style-type: none"> <li>• IEM (0.69%)</li> </ul>	<ul style="list-style-type: none"> <li>• VGE (0.48%)</li> </ul>	<ul style="list-style-type: none"> <li>• WMEH (0.50%)</li> </ul>

Source: ASX

IOO and IEM are our current Stockspot portfolio inclusions from this asset group. Together these two ETFs provide exposure to 950 international shares across 36 different markets.

### NEW LISTINGS

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13 of the 17 new ETFs launched in Australia over the past year were international share ETFs - demonstrating the growing appetite for low-cost overseas investments. There are now a broad range of global share ETFs listed in the ASX for investors to choose from. This group has the largest number of different ETFs, with 36 investment options in total (from 23 last year).

UBS launched several new 'Ethical' international ETFs which seek to capitalise on the trend into ethical investing. This included the UBS IQ MSCI USA Ethical ETF (UBU), UBS IQ MSCI Europe Ethical ETF (UBE), UBS IQ MSCI Japan Ethical ETF (UBJ) and UBS IQ MSCI World ex Australia Ethical ETF (UBW).

BetaShares and Market Vectors launched new active and alternative indexing international ETFs.

Vanguard issued hedged and unhedged versions of their Vanguard MSCI Index International Shares ETF.

Magellan had the most interesting new product launch of the year with Australia's first actively managed ETF, the Magellan Global Equities Fund (MGE). This represents the first large, successful attempt for an active fund manager to have their fund listed on the ASX in an 'ETF-like' structure with intra-day pricing and liquidity. This could lead the way for other popular active managers to list similar structures over the next few years and become a viable alternative to both the traditional fund platforms, and mFunds. Exchange traded managed funds (ETMFs) enable active managers to have an investment structure that trades at or very close to NAV. This compares to other listed structures like LICs which often trade at a significant discount to NAV which is not a good outcome for the fund manager or investor.



ASX code	ETF name	Issuer	MER (% p.a) 2015	FUM (\$M) 2014	FUM (\$M) 2015	Change in FUM (\$M)	Traded Value in March (\$)	% Spread	Historical Distribution Yield	1 Year Total Return	Stockspot rating
<b>International Sector</b>											
IXJ	iShares S&P Global Healthcare	iShares	0.48	86	304	217	40	0.21%	0.9%	47.5%	●●●●○
DJRE	SPDR Dow Jones Global Select Real Estate Fund	SPDR	0.50	6	46	40	6	0.23%	1.2%	41.0%	●●●○○
IXI	iShares S&P Global Consumer Staples	iShares	0.48	64	127	63	10	0.22%	1.7%	32.6%	●●●○○
IXP	iShares S&P Global Telecommunications	iShares	0.48	9	18	9	3	0.50%	8.5%	23.0%	●○○○○
<b>Averages</b>			0.49					0.29%	3.0%	36.0%	●●●○○
<b>Totals</b>				166	493	329	59.7				

Source: ASX

This small group includes ETFs captures the performance of global stocks in specific market sectors. FUM grew by 197% over the year as investors chase positive performance over short and medium-term timeframes in global shares. Global healthcare, telecommunications, real-estate and consumer staples all generated strong returns over the year with an average return of 36%,

Fees in this group are higher than the broad market sectors but lower than the average strategy ETFs, with MERs of 0.48% to 0.50%. They offer an inexpensive way for Australian investors to gain access to specific global market sectors that are underrepresented within the Australian indices.

iShares still holds over 90% of the FUM in this group with their three ETFs covering the healthcare, consumer staples and telecommunications sectors. The outstanding performer was the Global Healthcare ETF (IXJ), which generated a 47.5% return over the year has attracted over \$200M of new FUM.

All of the global sector ETFs are unhedged, so their recent returns have been significantly impacted by a weaker Australian dollar compared to the US dollar and British pound.





ASX code	ETF name	Issuer	MER (% p.a) 2015	FUM (\$M) 2014	FUM (\$M) 2015	Change in FUM (\$M)	Traded Value in March (\$)	% Spread	Historical Distribution Yield	1 Year Total Return	Stockspot rating
<b>Currency</b>											
USD	BetaShares U.S Dollar ETF	Beta Shares	0.45	147	376	229	100	0.12%	0.0%	20.3%	●●●●○
EEU	BetaShares Euro ETF	Beta Shares	0.45	4	4	0	0	0.20%	0.0%	-6.1%	●●○○○
POU	BetaShares British Pound ETF	Beta Shares	0.45	5	5	0	0	0.16%	0.0%	5.5%	●●○○○
<b>Averages</b>			0.45					0.00%	0.0%	7.0%	●●●○○
<b>Totals</b>				9	9	229	1				

Source: ASX

These ETFs track the performance of Australian Dollar relative to selected currencies for investors who want direct access to currency performance without holding physical currency or purchasing derivatives such as CFDs.

With only 3 ETFs this group remains the smallest in terms of number of ETFs and FUM. All three currency ETFs are offered by BetaShares, who have provided exposure to major global currencies, namely British Pound (POU), Euro (EEU) and US Dollar (USD).

Strong recent performance in the US dollar saw its ETF (USD) add \$200M of new FUM this year while the other two ETFs remained stagnant with just \$3M to \$5M of FUM.

While currency trading has grown substantially over the past 5 years, currency ETFs have lacked the attraction of other trading options due to relatively high bid/ask spreads and management fees.



ASX code	ETF name	Issuer	MER (% p.a) 2015	FUM (\$M) 2014	FUM (\$M) 2015	Change in FUM (\$M)	Traded Value in March (\$)	% Spread	Historical Distribution Yield	1 Year Total Return	Stockspot rating
<b>Fixed Income &amp; Cash</b>											
AAA	BetaShares Australian High Interest Cash ETF	Beta Shares	0.18	376	782	406	195	0.02%	3.0%	3.3%	●●●●●●
IAF	iShares Composite Bond ETF	iShares	0.24	65	209	145	19	0.17%	3.0%	11.8%	●●●●●●
VAF	Vanguard Australian Fixed Interest Index	Vanguard	0.20	31	151	120	26	0.23%	4.0%	10.8%	●●●●●●
BOND	SPDR S&P/ASX Australian Bond Fund	SPDR	0.24	10	16	6	2	0.19%	3.5%	11.6%	●●●●○○
GOVT	SPDR S&P/ASX Australian Government Bond Fund	SPDR	0.20	5	5	0	1	0.19%	3.7%	11.4%	●●●●○○
RGB	Russell Australian Government Bond ETF	Russell	0.24	14	89	75	1	0.35%	3.4%	13.8%	●●●●○○
VGB	Vanguard Australian Government Bond Index ETF	Vanguard	0.20	11	41	29	11	0.30%	3.5%	11.7%	●●●●○○
ILB	iShares Government Inflation Index ETF	iShares	0.26	12	34	22	4	0.27%	1.3%	17.0%	●●○○○○
RCB	Russell Australian Select Corporate Bond ETF	Russell	0.28	61	80	19	3	0.34%	4.6%	5.8%	●●○○○○
RSM	Russell Australian Semi-Government Bond ETF	Russell	0.26	32	144	112	2	0.34%	4.6%	9.2%	●●○○○○
IGB	iShares Treasury ETF	iShares	0.26	12	17	5	1	0.35%	2.4%	12.0%	●○○○○○
<b>Averages</b>			0.23					0.25%	3.4%	10.8%	●●●●○○
<b>Totals</b>				629	1,569	940	265.9				

Source: ASX

These ETFs offer exposure to fixed income and cash to Australian investors.

Historically fixed income has been a difficult asset class for many Australians to access and as a result has been largely ignored by most self-directed investors. Fixed income ETFs have seen a doubling in FUM over the past year as investors have increasingly recognised their important role as a portfolio diversifier. We expect to see continued growth in this area as Australians address a lack of fixed interest in their portfolios.

The sector is dominated by the BetaShares Australian High Interest Cash ETF which invests in short-term deposits and returned 3.30% for the year. This is the only cash ETF and attracted \$400M of new FUM over the year as a growing number of self-directed investors seek a higher-yielding home of their cash in light of the falling interest rate environment.

The rest of the sector is focused on fixed income ETFs which provide access to government, semi-government and corporate bonds. Returns averaged 11.5% over the year for fixed income ETFs, which benefited from falling interest rates and dropping future rate expectations in Australia. Fixed income ETF distribution yields averaged 3.41% over the year which is slightly lower than the average Australian share ETF distribution yield of 3.56%.

Fixed income ETFs are strongly influenced by interest rates. Bonds with a longer average term to maturity are more sensitive to interest rate changes than shorter-term bonds. The iShares Government Inflation Index ETF generated the highest 12 month return of 17.02% because of the long-duration nature of its bond portfolio which averages 8 years compared to 4-5 years for most other ETFs.

Investors should be aware of the impact that interest rates and inflation can have on bond returns before choosing a fixed income ETF investment.

IAF is our current Stockspot portfolio inclusion from this asset group. We feel it provides a good mix of government, semi-government and corporate bonds with a relatively short average duration. This reduces the sensitivity of IAF to short-term changes in rate expectations.



ASX code	ETF name	Issuer	MER (% p.a) 2015	FUM (\$M) 2014	FUM (\$M) 2015	Change in FUM (\$M)	Traded Value in March (\$)	% Spread	Historical Distribution Yield	1 Year Total Return	Stockspot rating
<b>Commodity</b>											
GOLD	ETFS Physical Gold	ETF Securities	0.39	433	437	4	18	0.16%	0.0%	9.8%	●●●●○
OOO	Betashares Crude Oil Index ETF-Currency Hedged (Synthetic)	BetaShares	0.69	3	29	26	29	0.25%	3.2%	-52.9%	●●●●○
PMGOLD	Perth Mint Gold	Perth Mint	0.15	52	56	5	2	0.73%	0.0%	9.2%	●●●●○
ETPMAG	ETFS Physical Silver	ETF Securities	0.49	47	47	0	3	0.73%	0.0%	0.3%	●●●●○
ETPMPT	ETFS Physical Platinum	ETF Securities	0.49	4	4	0	0	0.56%	0.0%	-6.8%	●●●●○
QAU	BetaShares Gold Bullion ETF (AU\$ Hedged)	Beta Shares	0.49	25	18	-7	1	0.26%	0.0%	-7.7%	●●●●○
ETPMPM	ETFS Precious Metals Basket	ETF Securities	0.43	5	5	0	0	0.61%	0.0%	0.7%	○●●●○
QAG	BetaShares Agriculture ETF-Currency Hedged (Synthetic)	Beta Shares	0.69	4	3	-1	0	0.59%	1.3%	-24.3%	○●●●○
QCB	BetaShares Commodities Basket ETF-Currency Hedged (Synthetic)	Beta Shares	0.69	6	7	1	0	0.98%	1.6%	-27.8%	○●●●○
<b>Averages</b>			0.50					0.54%	0.7%	-11.0%	●●●●○
<b>Totals</b>				579	605	28	53				

Source: ASX

This group's ETF are all focused on the natural resources and commodity sectors.

Negative short and medium term price performance in many major commodities including oil, agricultural commodities and precious metals have seen FUM track sideways over the year.

Only unhedged gold delivered a positive return for the year, largely due to falls in the Australian dollar which offset a slightly weaker gold price. This meant that the unhedged gold ETF (GOLD) outperformed the hedged gold ETF (QAU) by 16.9%. Hedged ETFs suffered significant falls over the year as commodity prices in US dollars were worst hit.

The BetaShares Crude Oil Index ETF suffered the largest fall of -52.9% for the year.

The majority of ETFs in this sector have a very low FUM. We have only compared commodity ETF options on the ASX which have FUM of more than \$1 million, of which there are 9 of the 20.

ETF Securities holds its dominant position with just over 80% of FUM and the rest being almost equally spread between Perth Mint Gold and BetaShares.

A large number of products in this category are either Structured Products, or synthetic ETFs - indicating that they hold financial contracts rather than owning the physical underlying assets. Physically backed ETFs offer the most direct approach, but incur the cost of storage and insurance.

GOLD is our current Stockspot portfolio inclusion from this asset group. We prefer unhedged gold compared to the hedged version as a diversifier in our portfolios since it provides better protection against domestic currency debasement and a weak Australian economy.









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