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## Australian institutions expect to increase ETF investment

**Sydney, 27 March 2017** – The majority of Australian institutional investors will increase their allocation to ETFs in the future, according to a new survey conducted by VanEck.

The survey found over half (55%) of institutions are currently using ETFs and the majority (56%) plan to increase their allocation to ETFs in the near future. Of those not currently using ETFs (45%), over half believe it is probable they will use ETFs in the future.

Over two thirds (70%) of surveyed respondents agree that the use of ETFs as portfolio construction tools is going to become more prevalent in the future. The same number agree that ETFs are providing more efficient ways to access asset classes and market exposures.

Australian institutions are using ETFs predominately to allocate to Australian equities (67%), International equities (67%) and Australian and global fixed income (50%). They are using ETFs for strategic asset allocation (44%), tactical asset allocation (39%), cash equitisation (33%) and transition management (28%).

**Arian Neiron, Managing Director, VanEck Australia said,** “It is encouraging to see that Australian institutions are increasing their adoption of ETFs. We see that institutions are integrating ETFs into their portfolios for a range of strategic and tactical functions to achieve exposures to a diversified range of asset classes. They are also employing smart beta ETFs,” he said.

“The global ETF market has grown rapidly over the past 10 years reaching \$US3.8trillion and all signs point to continued growth. Institutional usage of ETFs is an important part of this growth story. We believe ETFs are on track to become as common as stocks, derivatives and bonds in institutional portfolios,” he said.

“Our survey found over half (57%) of respondents said they are currently using or would consider smart beta ETFs. Currently one third believe smart beta ETFs are increasingly replacing active funds,” he said.

The survey found the majority (60%) of Australian institutions hold ETFs for longer than one year. Most institutions are making average ETF trades of less than A\$10 million (61%) with 18% of them investing greater than A\$100 million.

When choosing an ETF, liquidity, costs of the ETF, transparency and the reputation of the ETF provider were among the most important factors. Most institutions source their ETF information from their own internal research and then directly from ETF providers.

VanEck's Australian Institutional ETF Usage Survey was conducted in February 2017 with respondents from a range of Australia's leading institutions including asset managers (37%), industry super funds (23%), retail super funds (17%), asset consultants (13%) and insurance groups (7%).

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