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Record-breaking year predicted for ETFs

Sydney, 15 January 2016 - The sharemarket's shaky start in 2016, after falling for the past 11 months, is prompting a surge of investment in exchange traded products (ETPs) that may exceed \$8 billion in 2016. Low return expectations are prompting investors to seek low cost and transparent portfolios.

Arian Neiron, Managing Director, Van Eck Australia, expects investment in ETPs this year will eclipse the past year's growth. At 2015 year-end, investment in ETPs traded on the ASX stood at a record \$21.34bn, up 42 per cent from \$15.01bn a year earlier.

"Market falls in the first weeks of 2016 have made front page news, highlighting investor fear. Exchange Traded Funds (ETFs) are a subset of ETPs. ETF investors have always had the benefit of diversity that overcomes single company risk. In Australia we have seen more investors seeking to diversify away from the large miners and banks that have led the market down.

"In this environment strategic beta is set to be a bigger part of investor's portfolios as it better meets their needs in achieving cost effective outperformance," Neiron says, explaining the new wave of strategic beta ETFs are based on indices designed to yield better returns and risk profiles than the traditional market capitalisation indices.

"The standard market-measuring indices invented in the days of steam engines were not designed with investment performance in mind. New strategic beta indices are proving their worth and investors are now paying greater attention to what an index offers, particularly in light of 2015 returns. For example, the Market Vectors Australian Equal Weight ETF (MVW) outperformed the S&P/ASX 200 by 2.64% returning a total of 5.20% for 2015.*

"Quality international companies had a strong 2015, as demonstrated by the Market Vectors MSCI World ex Australia Quality ETF (QUAL) which outperformed the MSCI World ex-Australia Index by 4.27%, returning a total 16.07%."

In 2016 Neiron expects:

- a lot more product being launched, particularly strategic beta and ETMFs (exchange traded managed funds that are actively managed) and potentially some active managers issuing their own ETFs
- greater scalability and industry size that will bring investors the benefit of lower costs
- strategic beta will become a bigger part of investor's portfolios, as it better meets their needs in achieving cost effective performance

This follows the developments witnessed in 2015:

- increased choice with 34 new ETPs taking the total listed to 138
- greater diversification of asset class opportunities with the launch of four ETMFs from two active managers (two global equity, a global long/short, and one small cap long/short fund)
- the launch of global fixed income ETFs, including hard currency emerging market bonds
- introduction of ETPs offering investors outcome-oriented objectives
- a new ETF issuer

Mr Neiron says the issues that the ETF industry faces in 2016 include:

- challenging markets, making asset allocation and diversification instrumental to portfolio construction
- a need for ongoing investor education, particularly with the increasing range of ETPs and ETMFs now blurring the lines between what is and what isn't an ETF

ENDS

* **Market Vectors Australian Equal Weight ETF (ASX code: MVW)** tracks a strategic beta index developed to outperform traditional market capitalisation indices that concentrate investment in the largest companies. By weighting the most liquid ASX-listed securities equally, the index provides a more balanced exposure to Australian economy than traditional indices that have an over-concentration in large companies, such as the big banks and miners. It delivers increased exposure to companies outside the top 10 where there are greater opportunities for growth.

Market Vectors MSCI World ex Australia Quality ETF (ASX code: QUAL) gives investors instant access via a single ASX trade to a portfolio of 300 quality international companies. Their inclusion is based on MSCI's analysis of three key fundamentals: high return on equity, stable year-on-year earnings growth and low financial leverage. QUAL seeks to track the MSCI World ex Australia Quality Index.

Performance and data source: Morningstar Direct. Results are calculated to the last business day of the month and assume immediate reinvestment of distributions. ETF results are net of management cost and expenses, but before brokerage fees or bid/ask spreads incurred when investors buy/sell on ASX. Returns for period longer than one year are annualised. Past performance is not a reliable indicator of current or future performance which may be lower or higher.

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About Market Vectors ETFs

Market Vectors exchange traded products have been offered since 2006 and span many asset classes, including equities, fixed income (municipal and international bonds) and currency markets. As of 30 September 2015 the Market Vectors family totalled US\$18.9 billion in assets under management, making it one of the largest ETF families in the US and worldwide. Market Vectors Australia is a wholly owned subsidiary of Van Eck Global.

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