Into the next decade of ETFs

Raf Choudhury

Senior Strategist, Investment Strategy & Research

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ETF Market Growth

The Growth of the ETF Industry

Black Monday	First US ETF Launched	ETF Industry Boom
1987-1988	1993	2004 - Present

Black Monday — 1987-1988

- SEC concludes that the October ‘87 market crash could have been avoided if market makers could have turned to a single “product” for trading baskets of stocks
- Market damage — and volatility — may have been significantly reduced

First US ETF Launched — 1993

- The American Stock Exchange and State Street join forces to launch SPY, the first US ETF
- SPY was designed to track the S&P 500 Index, one of the most tracked indexes by institutional investors

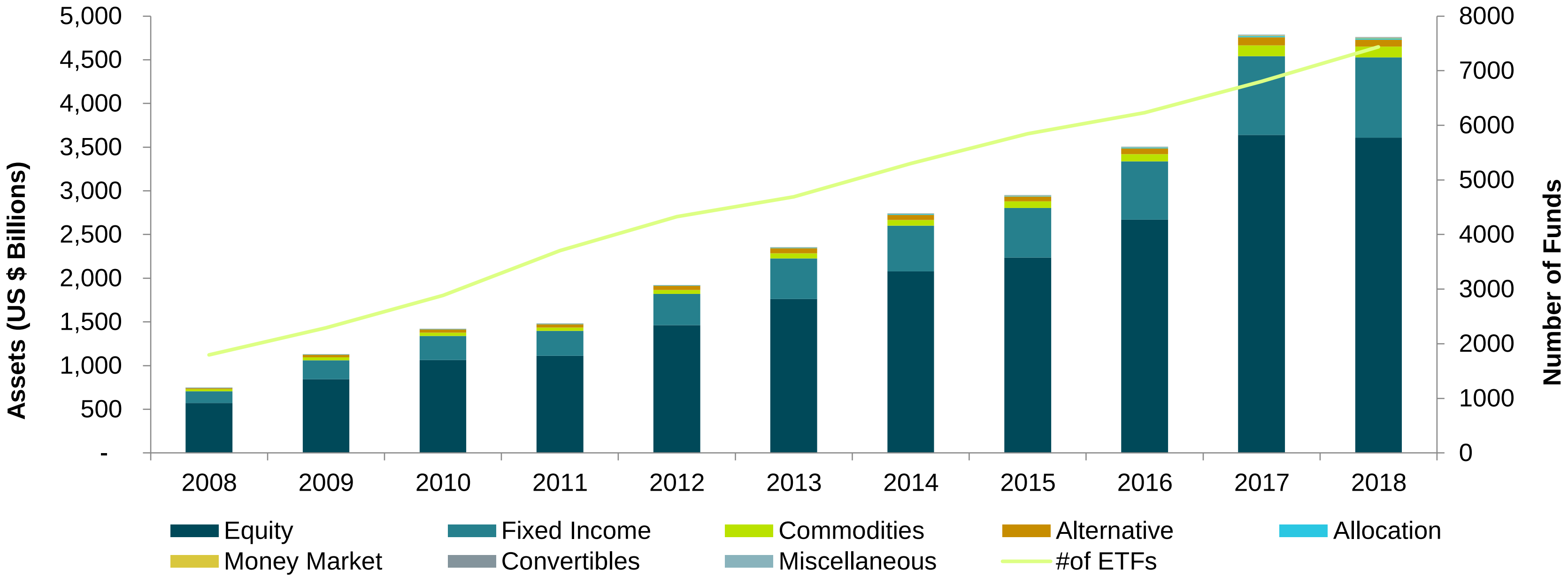
ETF Industry Boom — 2004 - Present

- Today, there are 7,400+ ETFs that track specific industries, sectors, geographies, or cross-sections
- Over US$4.7 trillion invested in ETFs worldwide, per Morningstar December 31, 2018
- On a typical day, ETFs make up ~25% of equity trading volume

Source: How the US government inadvertently launched a $3 trillion industry., Eric Balchunas, Bloomberg Markets, March 7, 2016.

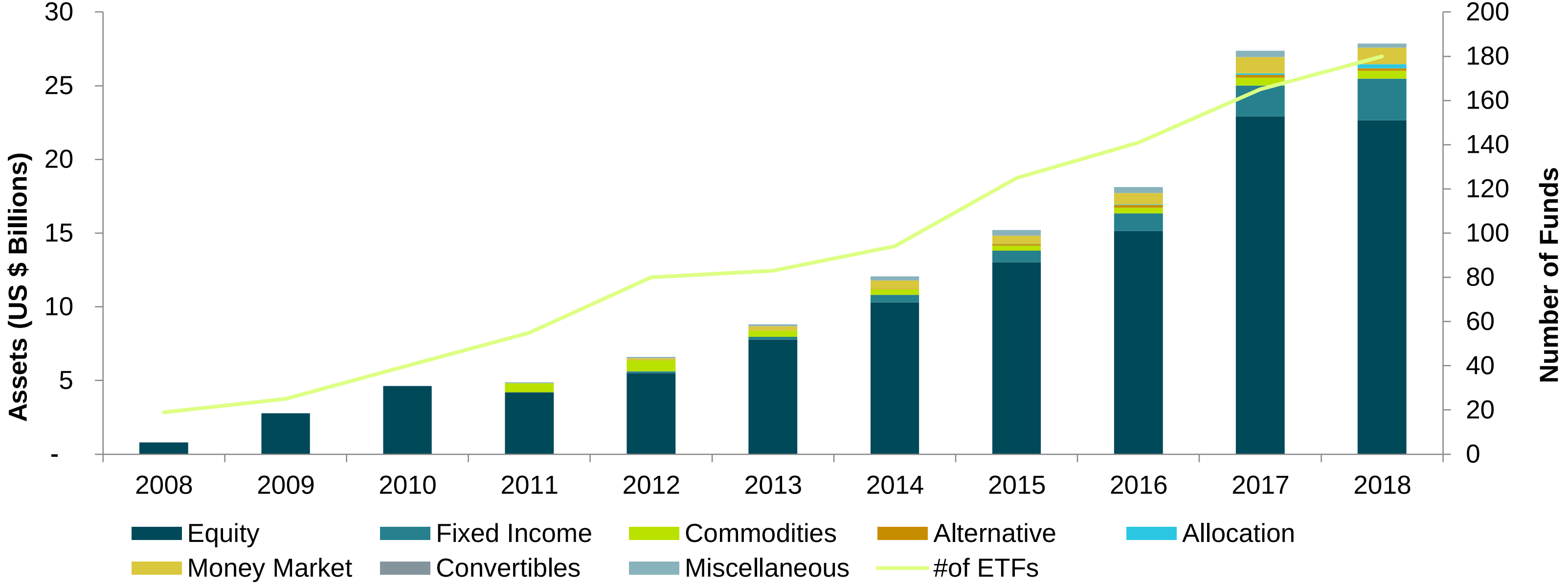
ETF Growth Through Market Turmoil

Globally, ETF Assets have Grown at a 20% Annualised Rate

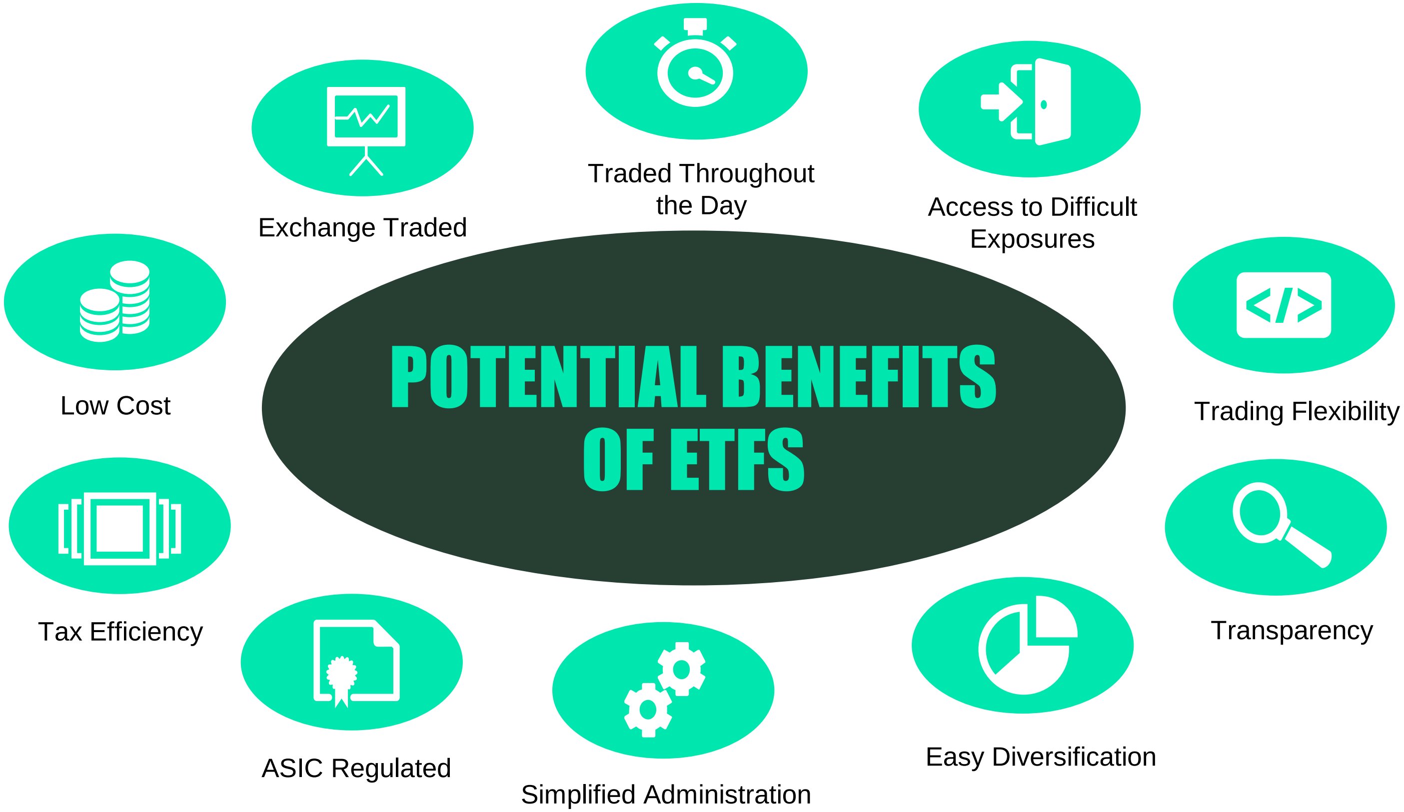


Source: Morningstar, as of 31 December 2018.

In Australia, ETP Assets have Grown at a 43% Annualised Rate



Source: Morningstar, as of 31 December 2018.



Source: State Street Global Advisors. All investing involves risks, which you should read and understand from the respective ETF's Product Disclosure Statement before you make an investment decision. Diversification does not ensure a profit or guarantee against loss.

Evolving To An Ever Changing Environment

ETFs Providing a Breadth of Solutions

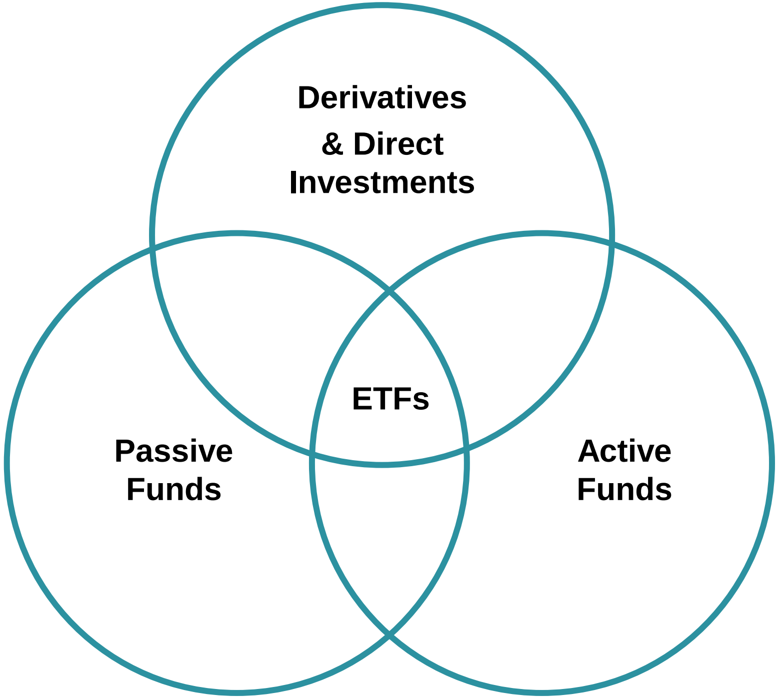
Asset Spread of ETPs

	FUM		FUM
Equity – Australia	$13,160 million	**Property – Australia**	$1,803 million
Equity – Global	$17,436 million	**Property – Global**	$273 million
Infrastructure	$356 million	**Commodity**	$1,011 million
Fixed Income – Australia	$5,444 million	**Currency**	$406 million
Fixed Income – Global	$493 million	**Mixed**	$362 million

Source: ASX, as of December 2018. All figures in AUD.

ETFs are Effective Building Blocks

- ETFs can sit in the space between derivatives, active and passive fund management
- They can be used **in conjunction with**, or **instead of** each of the three other tools for getting exposure to a given asset class or market



For illustrative purposes only.

Times are Changing…

Global Challenges

- Industry complexity resulting in time and resource constraints
- Time dedicated to investment management is shrinking as client facing activities are taking more time
- Adoption of a scalable business under the increasing regulatory pressures
- More ETF selection now than ever before making it harder to adequately track and evaluate options
- Need to balance time on asset management and other value add services and differentiate given growth in robo advisors type platforms

Should your Approach?

Potential benefits of adopting managed accounts

- Access to institutional strength solutions for your clients
- Efficiency with your practice to deliver better service
- Free up more time to engage with clients, increase client retention and attract more business

Global Drivers Supporting ETF Managed Portfolio Growth

1	Regulation
2	Technology
3	Macro Trends
4	Demographic Shifts

Source: Morningstar “A Guided Tour of the European ETF Marketplace 2017”; Morgan Stanley “Asset Management: Disruption Looms”; CB Insights; BCG “The Innovator’s Advantage”; Credit Suisse “European Diversified Financials”. As at 30 September 2017.

ETF Model Portfolios

Building Solutions to Meet a Variety of Investment Needs

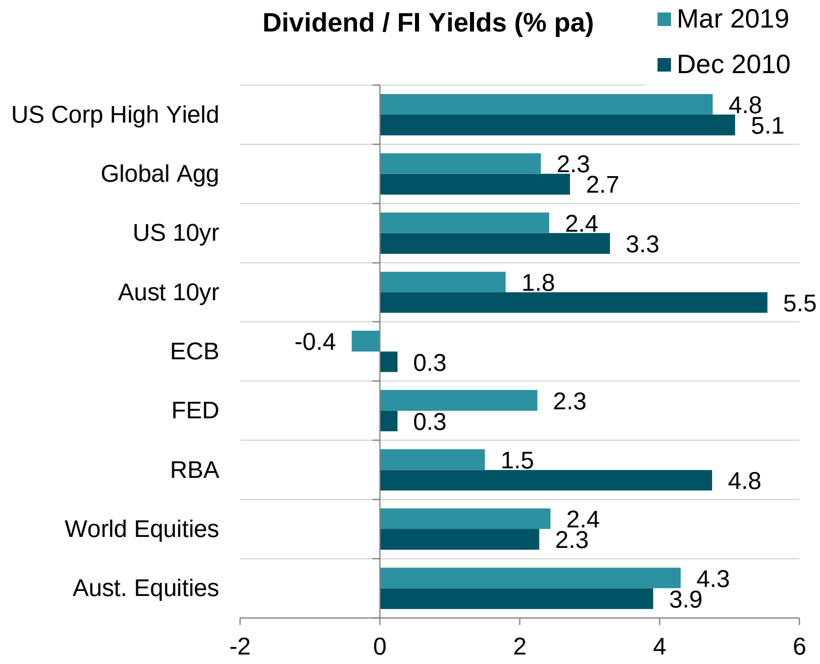
Risk-Based ETF Model Portfolios

Tailored to an investors risk tolerance.

Objective-Based ETF Model Portfolios

Solving for a range of investor needs and desired outcome.

Income Dilemma



Yield in fixed income is now minimal

Retirement assets are a key Australian channel

Low rates a widely recognised problem for retirees

Concern over duration risk

Dividend yields in equities have held up

Rise of "income" strategies that use equities and accept some capital volatility in return for yield

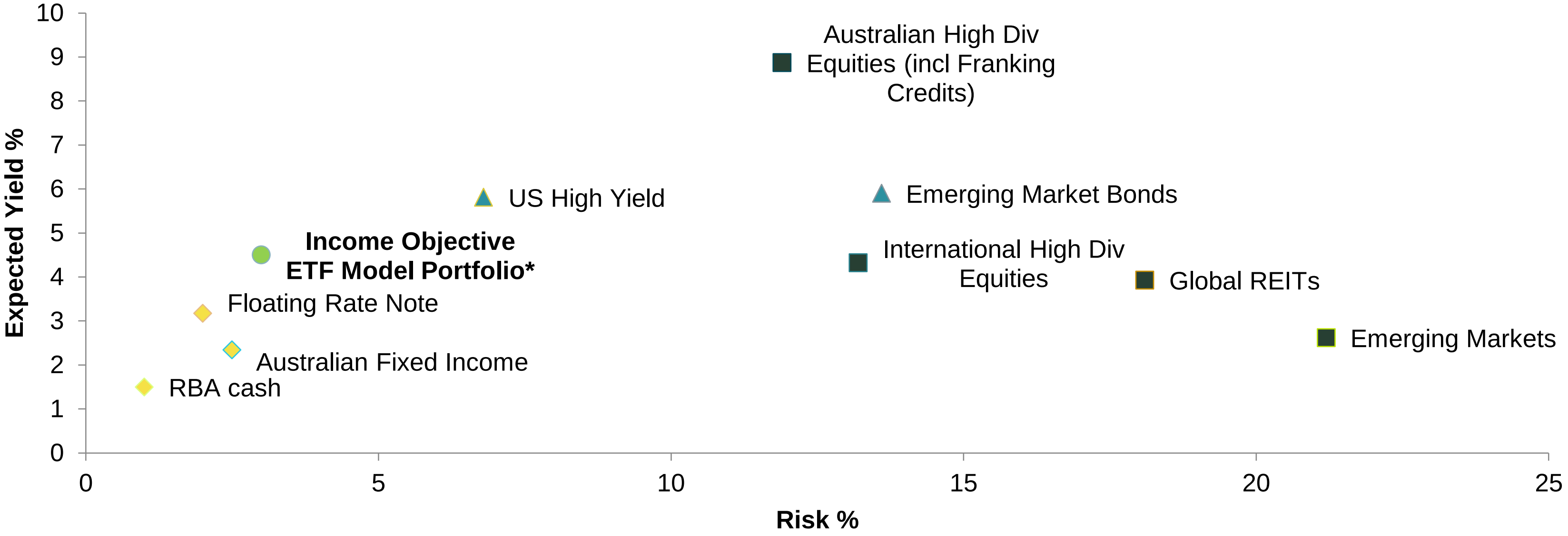
Earnings yields are still healthy (~15 to 16%)

Australia is a traditionally a high yield market

Driven partly by tax incentives Australian expect to earn "income" from equities

Source: State Street Global Advisors, Bloomberg Finance L.P., as at March 2019.
Sectors shown are as of the date indicated and are subject to change. This information should not be considered a recommendation to invest in a particular sector.

Generating Yield While Diversifying Risks

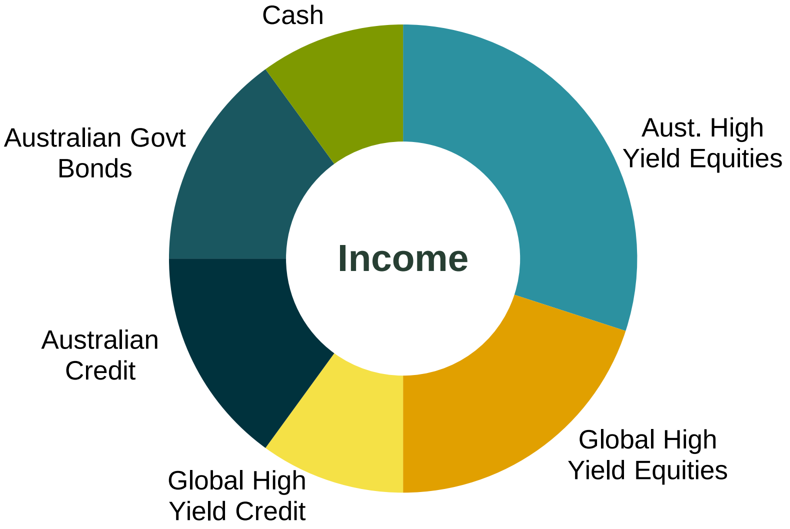


Source: State Street Global Advisors. The above is for illustrative purposes only and reflects expected income yields and risks as of the 4th January 2019. Diversification does not ensure a profit or guarantee against loss. The above are expectations based on certain assumptions and analysis made by State Street Global Advisors. There is no guarantee that the estimates will be achieved.

Sample Asset Allocation for an Income ETF Model Portfolio

Needs

Income and capital stability
Simple structure



Source: State Street Global Advisors. The above information is for illustrative purposes only. Sample allocations based off capital market views as at 30 September 2018.

Conclusion

Effective Building Blocks

ETFs allow you to efficiently manage cash flow and rebalancing within, and between, an individuals life stages.

Rise of Managed Accounts

35% Planners utilise managed accounts and intend to continue to do so. A further 31% may do so in the future.[1]

ETF Model Portfolios

Are investment solutions to meet a variety of investment needs.

[1]State Street Global Advisors SPDR ETFs / Investment Trends 2019 Managed Accounts Report , February 2019. Commissioned by Investment Trends, the survey was carried out between 3 December 2018 and 1 February 2019. The sample of 760 respondents includes RG146 competent accountants and dealer group managers who personally provide advice.

A Global Reach Through a Local Presence

Meaghan Victor
Head of SPDR ETFs,
Australia and Singapore
Meaghan_Victor@ssga.com
+61 409 468 721

Linda Stangherlin
National Relationship Manager
Linda_Stangherlin@ssga.com
+61 422 007 180

Sinead Schaffer
ETF Model Portfolio Strategist
Sinead_Schaffer@ssga.com
+61 466 490 711

Disclosures

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ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETF's net asset value. ETFs typically invest by sampling an index, holding a range of securities that, in the aggregate, approximates the full index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

Investing involves risk including the risk of loss of principal.

Diversification does not ensure a profit or guarantee against loss.

Equity securities may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

Companies with large market capitalizations go in and out of favor based on market and economic conditions. Larger companies tend to be less volatile than companies with smaller market capitalizations. In exchange for this potentially lower risk, the value of the security may not rise as much as companies with smaller market capitalizations.

Increase in real interest rates can cause the price of inflation-protected debt securities to decrease. Interest payments on inflation-protected debt securities can be unpredictable.

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There are risks associated with investing in Real Assets and the Real Assets sector, including real estate, precious metals and natural resources. Investments can be significantly affected by events relating to these industries.

Asset Allocation is a method of diversification which positions assets among major investment categories. Asset Allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

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Investing in foreign domiciled securities may involve risk of capital loss from unfavorable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations.

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