BetaShares
Exchange Traded Funds

Media release

BetaShares urges ETF investors to evaluate after-cost returns as sector grows

- Predicts over 80 ETFs on the ASX by 2013
- Closely evaluating ETFs will be important as products overlap
- More to costs than management expense ratio

SYDNEY, 15 June 2011: Up to 80 ETFs will be listed on the ASX with assets doubling in size by the end of 2013 creating a $10 billion Australian ETF sector, according to leading local provider BetaShares Capital Limited (BetaShares). As growth continues and products overlap, BetaShares warns investors should understand how to compare ETF costs, particularly when products track the same index.

Drew Corbett, Head of Investment Strategy & Distribution at BetaShares said since July 2004 assets in ETFs have grown approximately 35% each year from $1 billion to over $5 billion across 54 products. The bulk of the asset growth has come in the last two years as product proliferation has accelerated.

Since 2009 the number of products increased by approximately 160% driving over 200% increase in assets under management.

"Product choice has been the major factor that has driven market growth in more developed ETF markets and Australia is starting to exhibit the same signals. As more products become available across different categories, investors will have a larger toolbox to construct diverse portfolios using ETFs," Mr Corbett said.

According to Corbett, new products to be listed include further currency, sector, strategy and style based products. There will also be other asset classes such as fixed interest while specialist trading ETFs such as short and leveraged will also be introduced.

"BetaShares intends on leading product innovation to open up more opportunities for investors and fuel sector growth," he said.

Mr Corbett said as further ETFs are listed and the market becomes more competitive, investors will need to analyse which ETFs are suitable for their desired investing outcome. This becomes even more important, as different ETF issuers list products tracking the same index, investors will need to look beyond comparisons of management expense ratios.

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"While management fees should be an essential part of any cost analysis they are only one component of potential costs associated with ETFs," said Mr Corbett.

BetaShares has developed a way of evaluating all expenses associated with ETFs known as Total Cost Analysis. It sums up total costs associated with investing in ETFs less brokerage and is mathematically represented as **MER + tracking error + bid/ ask spread = Total cost of ETF.**

Tracking error is the difference between the performance of the ETF and the performance of the underlying benchmark index or asset class. ETFs bid/ask spreads are the costs incurred when purchasing and selling ETFs. Spreads can vary significantly between ETFs and investors should evaluate the entry and exit costs. Ensuring low consistent spreads prior to investing will ensure the costs associated with investing in ETFs remains low.

"When evaluating total expenses associated with ETFs, engaging in a Total Cost Analysis provides a more complete picture than MER alone. As competing ETFs promising the same index outcomes grow, investors should do their due diligence on which ETF will deliver superior after cost returns," he said.

Further information can be found at www.betashares.com.au and www.asx.com.au.

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About BetaShares

BetaShares is a specialist provider of ETFs designed for Australian investors. BetaShares objective is to expand the universe of investment possibilities open to investors by providing ETFs that empower investors to implement their investment strategies with ease.

About BetaShares ETFs

BetaShares ETFs are Australian domiciled ETFs which trade on the Australian Securities Exchange, and are bought and sold by investors like shares. BetaShares will deliver ETF products that allow investors to track the performance of a range of market indices and asset classes.

Australian-owned and managed, BetaShares is affiliated with BetaPro Management, one of the largest ETF issuers in North America.