

# ETP LANDSCAPE

MONTHLY SNAPSHOT | JULY 2014

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# Summary

## BlackRock ETP Research

A cross-regional team analyzing global markets to deliver insights on the intersection of investment trends and ETP flows

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### **JULY ETP FLOWS FOCUSED IN NON-US EQUITIES, HIGHLIGHTED BY STRENGTH FOR EMERGING MARKETS**

- ▶ Global ETP flows totaled \$32.0bn driven by non-US equities as well as contributions from US large cap equity, fixed income and commodities amid an improving economic growth outlook
- ▶ EM equity posted a fourth straight month of inflows, accumulating \$6.3bn concentrated in broad EM funds as sentiment was boosted by positive news on growth in China
- ▶ Japan equity ETPs gained momentum bringing in \$1.5bn as the market remains attractively valued and optimism persists surrounding government stimulus
- ▶ The European-listed ETP industry gathered an impressive \$10.4bn and is the fastest growing region this year with asset growth of 13% (24% annualized) already topping 2013
- ▶ Fixed income flows reached \$2.8bn, but notably high yield corporate debt began to sell off in the second half of the month and reached (\$3.3bn) despite a stable interest rate picture and still-low inflation

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# Global ETP Highlights

The second half of the year got off to a strong start as global ETP flows<sup>1,2</sup> reached \$32.0bn in July. Non-US equities were the big story, bringing in \$13.5bn. US equity also gathered \$13.5bn, driven singlehandedly by US large cap flows.

The table at right summarizes key investment themes and ETP flow trends. Two trending themes outside the US, emerging markets equity and Japanese equity, generated noteworthy ETP flows. Europe equity remains an ongoing theme, but flows slowed in July. Broad developed equity maintained momentum and leads non-US flows year-to-date.

## Emerging markets equity

EM equity flows totaled \$6.3bn and sentiment, which turned more constructive in March, further benefitted from data on China's economic growth. GDP grew 2% in Q2, ahead of estimates and faster than in Q1.<sup>3</sup> July's flash PMI reading also beat expectations, rising to 52.<sup>4</sup> Both of these results indicate that the government's stimulus efforts are having an impact. This helped lift Chinese equity ETPs as well as broad EM equity funds which gathered \$2.0bn and \$4.3bn, respectively. While the category is volatile and uneven depending on fundamentals in particular countries, investors have been rethinking their under-allocation to emerging markets.

## Japanese equity

Japanese equity markets extended their recent rally. Even absent recent evidence of improving economic growth, investors have been drawn back to Japan given attractive valuations relative to the US and Europe. There is also a belief that the Bank of Japan's aggressive stimulus agenda will begin to have a greater impact. ETP flows have again begun to rise, reaching \$1.5bn in July after stalling in the prior two months.

## Europe equity

European equity has been an ongoing investment theme accompanied by strong ETP asset gathering of over \$50bn in the past 12 months. However, flows were negligible in July, with inflows from Europe-listed ETPs offset by redemptions for US-listed funds. Despite this, valuations are still attractive on a relative basis and the ECB remains committed to boosting economic growth via more accommodative policies.

## Broad developed equity

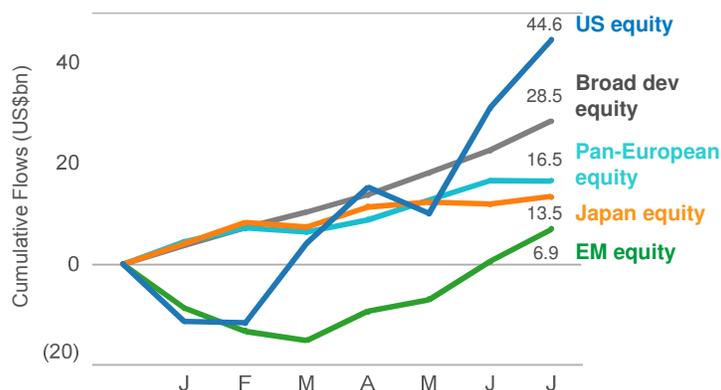
Broad developed markets funds also remain popular. Inflows were \$3.9bn and year-to-date trail only US equity among developed markets exposures.

## KEY INVESTMENT / ETP FLOW TRENDS



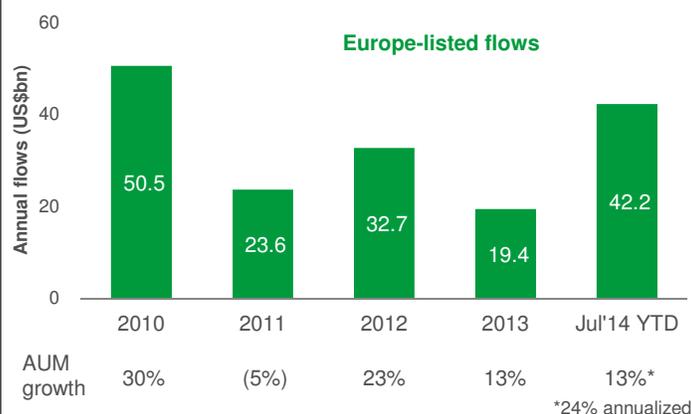
## GLOBAL EQUITY ETP CUMULATIVE FLOWS<sup>1</sup>

2014 YTD Flows: \$110.1bn



## EUROPEAN-LISTED ETP INDUSTRY GROWTH<sup>1</sup>

Growth has accelerated for the European ETP market compared to last year. AUM growth of 13% (24% annualized) has come largely from flows, including \$10.4bn in July. 2014 is on track to approach the 30% experienced in 2010 before the European debt crisis began.



# Global ETP Highlights (cont'd)

## US equity

ETPs with US large cap equity exposure led all categories globally with \$13.9bn even though valuations in the US are less favorable than elsewhere in the developed world. Notably, flows were mixed for cyclical sectors with the most upside as the economy improves such as tech, energy and financials. Technology flows in July totaled \$1.0bn. Energy, which has had strong flows year-to-date, was flat, while financials experienced outflows of (\$0.7bn). Additionally, industrials and consumer non-cyclicals suffered material redemptions.

## Fixed income

The most prominent investment trend to show signs of fading in July was high yield corporate debt. Redemptions for the category totaled (\$3.3bn), primarily in the second half of the month. Investors appear to have begun selling in anticipation of higher interest rates next year even though the rate environment remains benign for now. Inflation has not risen materially and high yield debt is still a viable option compared to other areas within fixed income.

Outside of high yield, fixed income ETP flows were a healthy \$6.0bn. The key drivers were broad US debt, followed by European government and corporate bonds.

## JULY RESULTS AT A GLANCE<sup>1</sup>

(US \$billions)

	Jul 2014	December 2013	Jul 2013
<b>Monthly Flows</b>	32.0	24.6	43.8
<b>Assets</b>	2,632	2,396	2,158
<b># of ETPs</b>	5,249	5,024	4,909

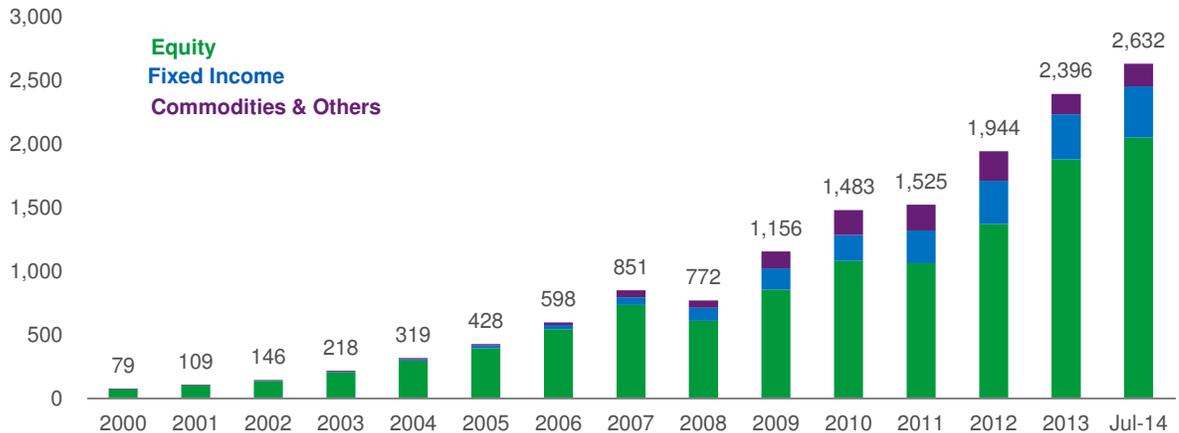
## GLOBAL 13-MONTH ROLLING FLOWS<sup>1</sup>

2014 YTD Flows: \$155.6bn vs. 2013 Flows: \$236.1bn



## GLOBAL ETP ASSETS BY YEAR<sup>1</sup>

Assets (\$bn)



# Year-to-date Overview

## GLOBAL ETP 2014 YTD FLOWS BY EXPOSURE<sup>1</sup>

(US\$bn)		YTD 2014	YTD 2013	Annual 2013
Equity	Developed Markets	103.2	155.6	258.4
	Emerging Markets	6.9	(7.7)	(10.3)
	<b>Total</b>	110.1	147.8	248.1
Fixed Income	Government	11.1	10.2	7.5
	High Yield Corporate	1.4	1.6	6.6
	Investment Grade Corporate	11.0	2.7	1.0
	Others	19.6	9.6	12.0
	<b>Total</b>	43.1	24.1	27.1
Commodities & Others		2.3	(28.8)	(39.1)
<b>Grand Total</b>		155.6	143.1	236.1

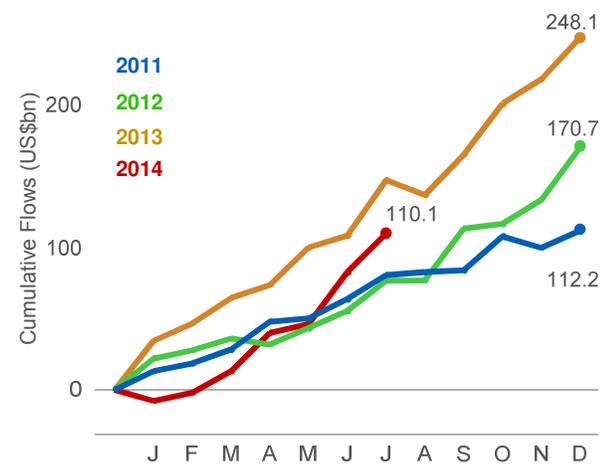
## GLOBAL ETP CUMULATIVE FLOWS<sup>1</sup>

2014 YTD Flows \$155.6bn vs. 2013 Flows: \$236.1bn



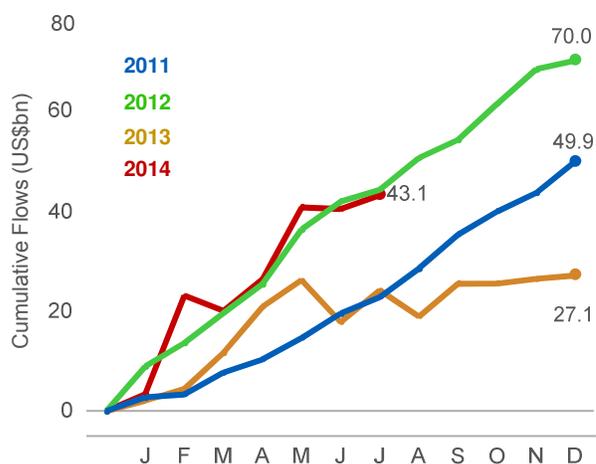
## CUMULATIVE EQUITY ETP FLOWS<sup>1</sup>

2014 YTD Equity Flows: \$110.1bn



## CUMULATIVE FIXED INCOME ETP FLOWS<sup>1</sup>

2014 YTD Fixed Income Flows: \$43.1bn

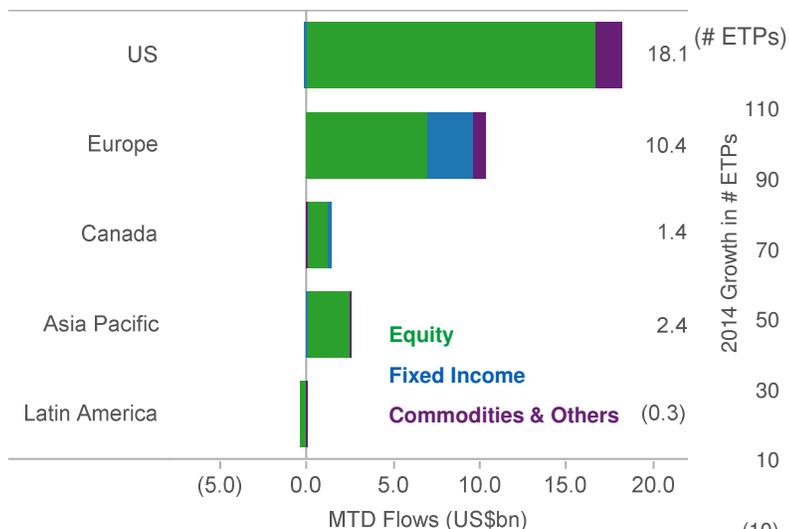


# Flows By Listing Region

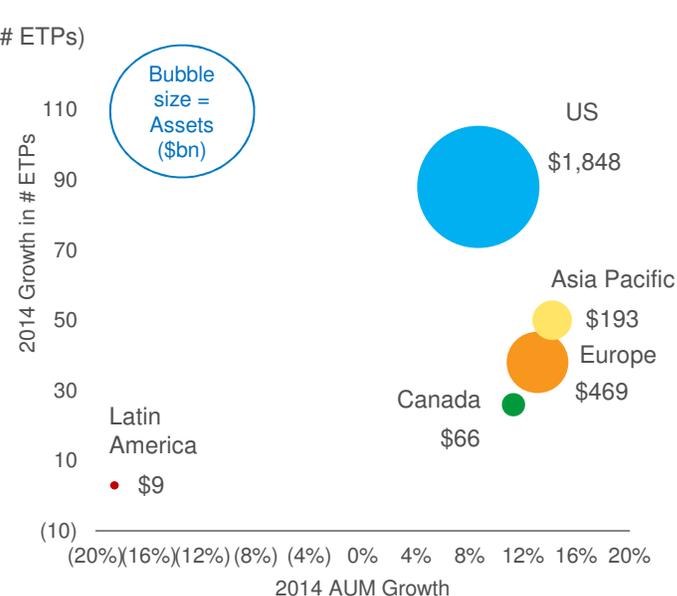
## Highlights (US\$):<sup>1</sup>

- ▶ Europe-listed ETPs gathered \$10.4bn in June, the 13th consecutive month with positive flows. Year-to-date, Europe listed ETPs have gathered \$42.2bn, doubling total 2013 regional inflows of \$19.4bn
- ▶ Canada flows picked up in June and now total \$4.3bn year-to-date
- ▶ Year-to-date, US listed ETPs contributed \$92.1bn, or 59%, of all global ETP inflows
- ▶ Year-to-date, Asia Pacific listed ETPs have gathered \$19.3bn, or 12% of global ETP inflows

### JULY FLOWS BY LISTING REGION<sup>1</sup>



### ASSET GROWTH RATES AND # OF ETPs<sup>1</sup>



### LISTING REGION VIEW<sup>1</sup>

By Listing Region	Net Flows (\$bn)		July 2014 Assets (\$bn)	% Asset Market Share	Number of Products
	July 2014	YTD 2014			
US	18.1	92.1	1,847.8	70.2	1,624
Europe	10.4	42.2	469.0	17.8	2,205
Canada	1.4	4.3	66.3	2.5	317
Latin America	(0.3)	(2.3)	9.0	0.3	41
Asia Pacific	2.4	19.3	192.7	7.3	682
Middle East and Africa	Not Available	Not Available	46.8	1.8	380
<b>Global ETP Total</b>	<b>32.0</b>	<b>155.6</b>	<b>2,631.6</b>	<b>100.0</b>	<b>5,249</b>

## Fund Inflows and Outflows

ETPs as of July 2014 (US\$mn) <sup>1</sup>	Bloomberg Ticker	2014 YTD Inflows	July-14 Assets
Vanguard FTSE Developed Markets ETF	VEA US	4,417	23,434
Vanguard S&P 500	VOO US	3,984	19,741
Vanguard REIT	VNQ US	3,562	23,945
Vanguard Total Stock Market	VTI US	3,214	44,009
Vanguard Total Bond Market	BND US	2,914	20,997
Vanguard European	VGK US	2,855	16,177
Vanguard S&P 500 UCITS ETF	VUSA LN	2,785	5,620
Energy Select SPDR	XLE US	2,631	11,526
Daiwa ETF TOPIX	1305 JP	2,456	10,905
iShares Barclays 7-10 Year Treasury Bond	IEF US	2,414	6,168
<b>Grand Total</b>		<b>31,232</b>	<b>182,523</b>

ETPs as of July 2014 (US\$mn) <sup>1</sup>	Bloomberg Ticker	2014 YTD Outflows	July-14 Assets
SPDR S&P 500	SPY US	(8,003)	172,781
PowerShares QQQ	QQQ US	(3,423)	45,031
iShares iBoxx \$ High Yield Corporate Bond	HYG US	(3,382)	11,776
iShares Russell 2000	IWM US	(3,355)	23,452
Market Vectors Agribusiness	MOO US	(2,602)	1,946
WisdomTree Japan Hedged Equity Fund	DXJ US	(2,342)	10,116
iShares NAFTRAC	NAFTRAC MM	(2,294)	4,603
Consumer Discretionary Select SPDR	XLY US	(1,519)	5,810
iShares S&P/TSX 60	XIU CN	(1,417)	11,533
ProShares Ultra S&P 500	SSO US	(1,406)	2,225
<b>Grand Total</b>		<b>(29,744)</b>	<b>289,274</b>

# Equity ETP Flows by Exposure

Equity	Exposure	July 2014	YTD 2014		
		Flows (\$bn)	Flows (\$bn)	Assets (\$bn)	# ETPs
US	Large cap	13,942	11,291	517,578	245
	Mid cap	792	2,602	89,569	49
	Small cap/Micro cap	(1,013)	(2,656)	84,664	76
	Total market/Extended Market	838	7,477	80,092	73
	Preferred stock	375	1,498	14,390	5
	<b>US size &amp; style total</b>	<b>14,934</b>	<b>20,212</b>	<b>786,293</b>	<b>448</b>
	Basic Materials	(40)	1,338	9,211	15
	Consumer Cyclical	613	(3,010)	12,648	19
	Consumer Non-cyclicals	(991)	(591)	9,678	13
	Energy	77	7,528	43,696	47
	Financials	(653)	391	33,240	41
	Health Care	(228)	2,930	31,150	31
	Industrials	(2,567)	(473)	15,037	20
	Real Estate	555	5,454	37,878	24
	Technology	983	1,581	29,291	30
	Telecommunications	(13)	288	1,405	6
	Utilities	137	3,587	10,784	13
	Others	(8)	351	2,050	9
	<b>US sector total</b>	<b>(2,134)</b>	<b>19,373</b>	<b>236,069</b>	<b>268</b>
	US high dividend / other strategy	661	5,056	78,737	73
<b>US total</b>	<b>13,460</b>	<b>44,642</b>	<b>1,101,099</b>	<b>789</b>	
Canada		1,380	428	35,897	95
North America regional equity		(50)	772	9,547	23
Europe	Large Cap	897	2,263	47,536	85
	Mid/Small Cap	(301)	840	5,428	26
	Total Market	(411)	10,923	58,543	82
	<b>Pan European size &amp; style total</b>	<b>181</b>	<b>14,015</b>	<b>111,422</b>	<b>191</b>
	Pan European sector	(298)	1,917	16,121	139
	Pan European strategy	(7)	579	4,376	23
	<b>Pan European total</b>	<b>(119)</b>	<b>16,521</b>	<b>132,004</b>	<b>355</b>
	Germany	(690)	(2,108)	37,723	72
	U.K.	55	1,201	23,037	62
	Other European countries	820	5,398	34,542	135
<b>Europe single country total</b>	<b>185</b>	<b>4,491</b>	<b>95,302</b>	<b>269</b>	
<b>Europe total</b>	<b>66</b>	<b>21,013</b>	<b>227,306</b>	<b>624</b>	
Asia-Pacific	Japan	1,508	13,504	131,818	177
	Other Asia-Pacific	394	(434)	42,522	163
	<b>Asia-Pacific total</b>	<b>1,902</b>	<b>13,070</b>	<b>174,341</b>	<b>340</b>
Broad Global/Global ex-US		3,893	23,258	231,757	472
<b>Developed markets total</b>		<b>20,651</b>	<b>103,183</b>	<b>1,779,945</b>	<b>2,343</b>
Emerging markets	Broad emerging markets	4,318	2,443	132,301	120
	Regional emerging markets	228	156	7,444	72
	China	1,957	3,603	62,598	217
	South Korea	99	(2,024)	19,530	114
	Mexico	(175)	(1,978)	9,028	21
	India	162	1,717	8,899	55
	Other EM Countries	(265)	3,003	32,703	220
	<b>EM single country total</b>	<b>1,778</b>	<b>4,320</b>	<b>132,757</b>	<b>627</b>
<b>Emerging markets total</b>	<b>6,324</b>	<b>6,920</b>	<b>272,502</b>	<b>819</b>	
<b>Equity total</b>		<b>26,975</b>	<b>110,103</b>	<b>2,052,448</b>	<b>3,162</b>

# Fixed Income & Other ETP Flows by Exposure

Exposure		July 2014 Flows (\$bn)	YTD 2014 Flows (\$bn)	Assets (\$bn)	# ETPs	
Fixed Income	Corporate	Investment grade	1,223	10,950	90,483	142
		High yield	(3,270)	1,429	45,622	56
		<b>Corporate total</b>	<b>(2,048)</b>	<b>12,379</b>	<b>136,105</b>	<b>198</b>
	Government	US Treasury	285	5,925	39,214	78
		Sovereign	1,258	5,187	46,535	264
		<b>Government total</b>	<b>1,543</b>	<b>11,112</b>	<b>85,749</b>	<b>342</b>
	Broad / aggregate	1,295	6,757	51,196	42	
	Govt / corporate	878	2,640	35,254	30	
	Inflation	385	840	26,720	39	
	Emerging markets	106	4,909	24,769	81	
Municipal	269	1,381	13,376	38		
Mortgage	163	699	7,949	7		
Money market	49	150	4,804	19		
Other Fixed Income	118	2,269	15,502	35		
<b>Fixed income total</b>		<b>2,759</b>	<b>43,137</b>	<b>401,427</b>	<b>831</b>	
Commodities	Precious Metals	Gold	630	(182)	71,799	126
		Silver	(46)	139	11,949	70
		Other	72	50	9,277	83
		<b>Precious metals total</b>	<b>657</b>	<b>7</b>	<b>93,025</b>	<b>279</b>
	Broad market	936	888	18,206	110	
	Energy	18	(388)	4,650	189	
	Agriculture	(74)	(40)	7,158	207	
Industrial metals	117	375	2,300	126		
<b>Commodities total</b>		<b>1,654</b>	<b>843</b>	<b>125,339</b>	<b>911</b>	
Other	Alternatives	Volatility	296	948	3,327	46
		Other	62	220	3,063	66
	<b>Alternatives total</b>	<b>358</b>	<b>1,168</b>	<b>6,390</b>	<b>112</b>	
	Asset allocation	227	1,105	5,779	82	
	Currency	16	(795)	4,236	151	
Israel ETP	0	0	36,016	0		
<b>Global ETP total</b>		<b>31,989</b>	<b>155,559</b>	<b>2,631,635</b>	<b>5,249</b>	

# Endnotes

The ETP (or exchange traded product) category encompasses any portfolio exposure security that trades intra-day on an exchange. The data for this report are captured from a number of sources by BlackRock including provider websites, fund prospectuses, provider press releases, provider surveys, Bloomberg, the National Stock Exchange, Strategic Insight Simfund, Wind, and the Bank of Israel. All amounts are reported in US dollars. Flows are derived using daily net asset values and shares outstanding using the most recent data we can capture at month-end. For products with cross-listings, we attribute net flows and assets to the primary listings. For Middle East and Africa, net flows data is not available. Assets are derived using shares outstanding and prices at the end of each month (or the closest date available). Where price is not available, we use an approximation. For ETPs listed in Israel, product level detail is not available. Product level information is aggregated by provider, asset class, exposure, region listed and replication method to produce the various analyses in the report.

1. Data is as of July 30, 2014 for Europe and July 31, 2014 for the US, Canada, Latin America, Israel, and some Asia ETPs. Some Asia ETP data is as of May 30, 2014. Global ETP flows and assets are sourced using shares outstanding and net asset values from Bloomberg for the US, Canada, Europe, Latin America and some ETPs in Asia. Middle East ETP assets are sourced from the Bank of Israel. ETP flows and assets in China are sourced from Wind. Inflows for years prior to 2010 are sourced from Strategic Insights Simfund. Asset classifications are assigned by the BlackRock based on product definitions from provider websites and product prospectuses. Other static product information is obtained from provider websites, product prospectuses, provider press releases, and provider surveys. Market returns are sourced from Bloomberg.
2. We classify maturity buckets of a Fixed Income ETP if the fund invests at least 70% of its assets in the corresponding maturity/exposure range: Short maturity includes: underlying security maturities < 3 years and floating rate where the fund holds floating rate securities and/or bank loans. Intermediate includes: 3 years < underlying security maturities < 10 years. The "other" category includes Long-Term: underlying security maturities > 10 years; Broad Maturities: The fund invests in more than two maturity buckets without emphasizing one; Selected Maturities: The fund holds securities with multiple selected range of maturity buckets, i.e. barbell strategy which focuses on the specific short-term and long-term buckets with even weights; and Fixed Maturity: The fund itself has a target maturity date and arranged holdings correspondingly.
3. Source: National Bureau of Statistics of China
4. Source: HSBC

**Index returns are for illustrative purposes only and do not represent actual Fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.**

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